



Taiwan: Pet Products Market Update

Shirley Wang
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Summary

As the result of an increase in the number of single households and a declining birthrate, people in Taiwan continue to look to pets for companionship. Local pet owners are willing to spend increasing amounts of money on their pets and these trends are expected to bolster Taiwan's demand for pet products. The market is expected to grow 5-10% over the next year. In 2009, the sales of pet products was about \$510 million, an increase of 4.7% from 2008. In 2009, Taiwan imported about 80% of its pet products. Imported pet products, such as foods, nutritional supplements, as well as hygiene and beauty products, will continue to provide excellent sales opportunities for U.S. suppliers.

Market Demand

The number of pet owners has been increasing steadily due to the increase in the number of single households (including young working adults and seniors) and a falling birthrate as young people delay marriage. Local pet owners often treat their pets as children and are willing to spend increasing amounts of money on pet products and services. Owners are also investing more in preventative health care for their pets, including vitamins and minerals. Taiwan pet owners have a strong appetite for specialty pet foods, snacks and treats, toys, and clothing. Many owners regularly take their pets to styling salons for haircuts, baths, nail trimming, mouth cleaning, and other beauty treatments. These attitudes are driving the demand for imported, high-quality pet products and supplies.

Shopping for pet products is becoming easier than ever with an increasing number of retail outlets, such as pet superstores, and animal hospitals and clinics that sell pet products and provide services. Shoppers can also find pet products at many local department stores. Large foreign franchise pet stores are also entering the Taiwan market. In November 2008, the Japanese Animal HumanBond company introduced Pet Plus to the Taiwan market and opened its first store at the Dream Mall in Kaohsiung. In July 2009, another Pet Plus store was opened at the Universal Shopping Mall in Taipei. The company plans to open 10 more stores in Taiwan in the next five years. In 2009, there were more than 1.3 million dogs and 304,000 cats in Taiwan, and more than 14% of households own at least one pet. Small-breed dogs accounts for about 60% of the dog population and senior dogs (more than seven years old) accounts for about 30%. Northern Taiwan currently accounts for 60% of pet ownership and sales, central Taiwan accounts for 25%, and the remaining areas about 15%.

Most of the money spent on pet care products, such as health care and hygiene and beauty products, is for dogs and spending on cats and other small animals is also increasing. The largest segment of pet care products will continue to be for dogs since dogs tend to be outdoors for extended periods of time and have greater exposure to pests, bacteria, and viruses. The market sector for pet nutritional supplements is constantly expanding as local pet owners, especially dog owners, are very concerned about the health of their pets. Due to their high-quality advantages, American firms will continue to enjoy strong sales in the pet food sector, as well as health care products and nutritional supplements sectors. In addition, the recent depreciation of the local currency against the Japanese Yen is making Japanese products more expensive, leading to a shift from Japan imports to U.S. imports.

Market Data

In 2009, Taiwan imported about 80% of its pet products. Around 50-55% of the total imports was from the United States, 10-15% from Europe, and 5-10% from Japan and Australia. The remaining 15-20% was imported from China, Thailand, and other Southeast Asian countries. In recent years, shipments of pet products from China, Thailand, and other Southeast Asian countries have increased. Most of these shipments are products manufactured by U.S. or Japan-invested companies in these countries.

Taiwan's Pet Products Market (Unit: US\$ Million)

	2008	2009	2010(Est.)	Projected Average Annual Growth Rate for 2010-2012 (%)
Import Market	\$385	\$400	\$420	5-10%
Local Production	125	130	135	
Exports	20	20	20	
Total Market Size	490	510	535	5-10%
Imports from the U.S.	210	220	230	5-10%

Notes: The exchange rate (1USD=NTD) is NT\$31.52 for 2008 and NT\$32.34 for 2009 and 2010. The statistics are unofficial estimates.

Sources: Statistical Department, Directorate General of Customs, Ministry of Finance
Taipei Pets Appliances Association

Best Prospects

The majority of Taiwan pet owners prefer foreign-made products. This is especially true for foods, nutritional supplements, and health care products. According to our survey of local pet stores, the following market segments are expected to offer the most promising exports opportunities for U.S. firms:

- Dried and canned foods
- Nutritional supplements (vitamins and minerals)
- Health care products such as joint care, digestion assistance, fur and skin care, and eye care items
- Grooming products such as shampoo, mouthwash, and teeth cleaning products
- Healthy snacks and treats
- Educational toys

Key Suppliers

The United States and Europe are the two dominant foreign suppliers, with market shares of 50-55% and 10-15 respectively of the import market. Japan and Australia individually account for 5-10% of imports. The remaining 15-20% is primarily from China, Thailand, and other Southeast Asian countries. Domestic competition is limited to low-priced items. However, smaller brands are entering Taiwan to capture a share of this growing market. These brands primarily focus on distributing to the specialty pet products channel.

U.S.-made products, especially foods and nutritional supplements, have been noted for their high-quality levels. The United States has led the market sectors for pet foods and nutritional supplements for many years. Hill's Pet Foods has been widely accepted by local pet owners and has about 40% of the pet food sector. Mars Petcare has about 30% market share. Nutro, Nutri Pet, and Iams are also doing well in the pet food sector. In recent years, American pet food suppliers have been facing increased competition from France (Royal Canin). Currently, the ratio of dried to canned pet foods demanded by local pet owners is 2:1 while the ratio of dog to cat food is 6:1.

U.S. suppliers active in the nutritional supplements sector are: Pet Ag, Hartz, Eight in One, Nutri-Pet, Pfizer, ACC INovators, and Evsco Pharmaceuticals. U.S. suppliers are expected to remain a major source of nutritional supplements due to their reputation for high quality products. In addition, Gold Medal and Davis enjoy strong sales in the body care products sector.

Japanese pet snacks and treats have been well known for their excellent taste and attractive product design. Japan currently leads the sector with a 40% market share. Japanese brands with strong presence in the market are: Armento, Petio, Doggy Man, Menita, and Junbai. Japanese firms also enjoy strong sales in the pet accessories sector. German firms, such as Beaphar (nutritional supplements), Gimpet (Nutritional supplements), and 1st Choice (foods), have a small share of the market.

Two local pet food manufacturers, Uni-President and Fwusow, are marketing products under their own brand names and have positioned their products for budget-conscious consumers. Uni-President recently began importing materials from the U.S. to enhance their competitiveness. They are also actively promoting their brands by sponsoring outdoor pet activities. For example, Uni-President provided free health checks to increase brand awareness. Fwusow sponsored a Dog Frisbee Competition and an online photo competition to interact with pet owners. There are several small-sized Taiwan firms selling a variety of inexpensive China-made accessories. However, due to a lack of capital investment and technological know-how, local competition is not expected to pose a significant challenge to imports in the near future.

Prospective Buyers

According to the Taipei Pet Appliances Association (TPAA), monthly spending on pet products is about \$50 per household and will increase to \$70-\$90 in the next one to two years. More than 80% of purchases are for food, medical care, grooming, and pet boarding. The rest is used to purchase pets, manage funeral matters, and purchase accessories.

Local pet owners are spending more than ever on pet foods, pet care products, and accessories. This is particularly true for young pet owners, ranging from 25 to 45 years of age. This age group has strong purchasing power, and also exhibits the highest degree of acceptance toward new products and foreign goods.

Taiwan pet owners primarily purchase their pet products from the specialty pet products channel, including pet superstores, pet shops, and animal hospitals and clinics. It is estimated that more than 2,000 pet stores are scattered across the island. Pet products sold through this channel accounts for 50-55% of total sales. Sales through the grocery channel, including hypermarkets, supermarkets, and convenience stores, accounts for 35-40%. The grocery channel is dominated by economy and mid-priced brands. Internet and cable TV shopping account for about 8% of total sales.

Major factors affecting local consumer's purchasing of pet products include: nutrition levels, pet size and weight, pet taste preference, price, and brand name. Other important factors include veterinarian recommendations, manufacturing country, and pet foods certified by the U.S. Food and Drug Administration (FDA), the United States Department of Agriculture (USDA), and the Association of American Feed Control Officials (AAFCO).

Market Entry

Agents and distributors are the most common method for selling imported pet products to the Taiwan market. U.S. suppliers wishing to sell their products in Taiwan can appoint a domestic company to act as an agent or distributor if sales volume is relatively small. Suppliers with large sales volumes should consider setting up a branch or representative office to provide better customer service and marketing

support. To shorten delivery time, U.S. exporters may want to consider setting up bonded warehouses and shipping large quantities to be stored on the island.

Importers are generally responsible for arranging their own financing, although official assistance is available in certain cases. Bank-to-bank Letters of Credit (L/C) are Taiwan's most important import-payment vehicle. Company-to-company payments are also made via two other methods: open account (O/A) and documentary collections, such as documents against payment (D/P) and documents against acceptance (D/A). U.S. exporters should consider minimizing financial risk by requiring their Taiwan trading partners to finance their imports through L/Cs. Most Taiwan importers utilize L/Cs with a validity of up to 180 days. On the whole, U.S. companies find Taiwan's trade finance system to be efficient and report no widespread pattern of deferred payment.

Market Issues & Obstacles

Taiwan's current tariff rate system is based on the Harmonized System. The duty on imported products is defined on an ad valorem basis and import duties for pet products range from 5% to 15%. In addition to import tariffs, there is a 5% value-added business tax for all products sold in the Taiwan market.

Currently, Taiwan does not allow entry of pet food containing U.S. origin beef products. U.S. manufacturers interested in exporting to Taiwan must register with the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) under the Council of Agriculture (COA) and must have their U.S. facility inspected and certified for export to Taiwan by BAPHIQ. The U.S. manufacturers must pay for this inspection. Most major players have already gone through this process and are exporting to Taiwan. For additional information on exporting pet food to Taiwan please visit the following website: http://www.aphis.usda.gov/regulations/vs/iregs/products/product_taiwan.shtml.

Imported commodities introduced for sale in the Taiwan market must include Chinese language labeling, instructions, and sales literature. Chinese content listing must be equivalent to the original commodity description. The name, title, and address of the foreign manufacturer may not be required in Chinese, but commodities must be labeled in Chinese and may be supplemented by English or other foreign languages.

Trade Events

In 2010, three pet products trade shows will be held in Taiwan. The U.S. Commercial Service in Taiwan will organize a U.S. Catalog Exhibition to promote U.S. products and services at the three shows. Firms interested in the U.S. Catalog Exhibition should contact Shirley Wang, Senior Commercial Specialist at the Commercial Section of the American Institute in Taiwan, for additional information. Shirley's telephone number is 886-2-2720-1550 ext. 309, e-mail: Shirley.wang@mail.doc.gov.

Name of Trade Event: Taipei AquaPet Show
Dates: July 16-19, 2010
Venue: Taipei World Trade Center Exhibition Hall III
Website: <http://aquapets-show.com.tw>

Name of Trade Event: Taichung Pet Show
Dates: August 20-23, 2010
Venue: Kaohsiung World Trade Center Exhibition Hall II
Website: <http://www.pets-show.com.tw>

Name of Trade Event: Kaohsiung AquaPet Show
Dates: December 2010
Venue: Kaohsiung World Trade Center Exhibition

Website: <http://aquapets-show.com.tw>

Resources & Contacts

Council of Agriculture: <http://www.coa.gov.tw>

Importers and Exporters Association of Taipei: <http://www.ieatpe.org.tw>

Taiwan Animal Hospital Association: <http://www.tgs.com.tw>

Taipei Commercial Association of Feeds and Animal Health Products: <http://www.fahp.org.tw>

Taipei Pets Appliances Association: <http://www.tpfaa.org.tw>

For More Information

The U.S. Commercial Service in Taipei, Taiwan can be contacted via e-mail at: Shirley.wang@mail.doc.gov; Phone: 886-2-2720-1550 ext. 309; Fax: 886-2-2757-7162; or visit our website: <http://buyusa.gov/Taiwan/en>.

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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