Summary

The Italian pet products market has grown by almost 30% in the past six years, with an average annual increase of 5.3%, by far the highest growth in Europe. In 2005, the Italian market for pet products was valued at more than $2.7 billion, without considering the animals themselves or the estimated $561 million market for pet services. Dog and cat food represent the highest market share of the sector (68%), followed by pet care and comfort products (20%), and other animal food (12%). Cat food, especially wet food, continues to be a top seller while premium and super-premium brands are gaining dog food market share. The market for pet accessories and other non-food pet products is also displaying considerable growth in Italy.

Market Demand

To succeed in the Italian market, it is important to focus on four critical elements: innovation, quality, technology and price. In fact, this has been the recipe for the impressive success of U.S. pet food products in Italy. These products are successful because professionals know that American manufacturers are very health-conscious regarding pets. Therefore, American companies enjoy a good reputation with respect to nutritional quality. According to market analysts, this is expected to continue, and U.S. pet food manufacturers are expected even to increase their market share. U.S. manufacturers of pet accessories also have good opportunities to enter the Italian market, due to the originality and design of their products. This trend is expected to benefit U.S. suppliers, who are positioned to meet a growing demand. Innovation is the lifeblood of the Italian pet products market. The successful competitor should offer an original, state-of-the-art, well-advertised and positioned range of products.

Market Data

In 2006, the Italian pet products market increased by 4.5% in value, a slight increase compared to the previous year (+4.3%) and in line with a steady trend of expansion (+4.8% in 2004 and +6.3% in 2002-3). The leading factors for this growth are mainly three: a progressive reduction of home-cooked food for pets; the increasing importance of the role of pets in Italian families; and the pro-active role of distribution, both in the grocery channel (supermarkets and hypermarkets) and in specialized pet shops, which are all devoting more space to pet products. 

In Italy, pets now outnumber people: 60 million pets versus 58.1 million human inhabitants. In particular, Italy occupies a top position among European countries regarding dog and cat populations. Cats are the most common pets in Italy. According to the most recent estimates, there are 7.4 million cats and 7 million dogs in Italy. Assalzoo-AcNielsen Observatory data shows there are 4.6 million Italian families with at least one dog and 4.4 million with at least one cat, while 5 million families have other types of pets.

Despite the fact that cat and dog populations are nearly equal, food purchases for cats record a value that is almost twice the expenditure made for dogs. The reasons must be sought in the different nutritional habits of cats, as they are normally more demanding and difficult to please than dogs, but also due to the greater presence of cats in urban apartments, where, due to time and space available, packaged food is more functional than homemade food or scraps.

The bird and fish populations (respectively 13 million and 29.4 million) have remained constant in recent years, with a slight fall for the former and a slight increase for the latter.
The role of pets in Italy has changed over the years. Pets living in households have come to be considered as real friends, and even as psychological aids. This new role has several causes: a lower birthrate, changes in the family structure, a higher number of singles, an increase in regard for animals, and a longer average human lifespan. This progressive increase in the number of pets within Italian households translates into greater care and into higher expenses, both from the nutritional and health point of view and the accessories and services provided.

The overall pet product market can be broken down into the following segments:

1. Pet Food
2. Non-Food Pet Products
3. Pet Sales and Services

<table>
<thead>
<tr>
<th>Category</th>
<th>2006 Value in Millions of $</th>
<th>Variation over 2005</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dog and Cat Food</td>
<td>1,833</td>
<td>+4.5%</td>
<td>67.6%</td>
</tr>
<tr>
<td>Other Animal Food</td>
<td>327</td>
<td>+4.7%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Pet Care and Comfort Products</td>
<td>550</td>
<td>+4.5%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Total Value</td>
<td>2,710</td>
<td>+4.5%</td>
<td></td>
</tr>
</tbody>
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Exchange rate: 1 USD$ = Euros 0.797
Source: Euromonitor International/Centro Studi Zoomark

1. Pet Food
The market for industrial or commercial pet food has increased greatly in recent years. This growth is mainly related to a greater demand for specific types of pet food. The industry has been developing new lines of pet foods that meet very specific needs related to age (food for young, adult and older animals), lifestyle (high-energy or light diets), and health condition (foods for diets containing ingredients that prevent allergies or for special diets aimed at treating pet diseases) of pets. In short, dog and cat food is becoming more and more “customized”.

Euromonitor International’s most recent forecasts show that the dog food segment in Italy has almost reached the value of cat food. In 2006, retail turnover for dog food was $882 million while turnover for cat food was $946.8 million. In percentages, and narrowing the analysis to dog and cat food only, the share of dog food in 2006 was 48.2% against 51.8% for cat food. In 2001, the distance between the two segments in percentages was about 10%, with a share of 55% for cat food against 45% for dog food.

For cats, the consumption of wet pet food is still predominant, with 74% of the market in value compared to 25.8% of dry food, leaving the snacks and treats segment with a marginal space (0.2%). For dog food, instead, the share in value of wet food does not reach 55%, while dry food is 34.7% and the snacks and treats segment is much more significant (10.3%). There is also an increasingly more targeted segmentation of pet food, especially in the dry food division. Pet food is targeted at pets according to age, needs (such as overweight or specific intolerances) and to size and breed. The evolution of this trend is a new type of food, whose added value is the prevention and treatment of some diseases.

The food for other pets segment, while covering just 12.1% of the market in value, has reached $326 million in value, growing at a faster rate than those seen in other segments: 6.1% per year, with an increase of 34.2% in value between 2001 and 2006.

2. Non-food Pet Products
Non-food products guarantee higher margins than food products and are becoming more interesting to large-scale distribution, even if litter, accessories, hygiene products, supplements and medicines are still preferred from specialized shops. As owners are going to increasingly lengths to care for their pets, the sales of accessories and the search for increasingly personalised products are also increasing.
The pet care and comfort products segment, which covers almost one fifth of the market (20.3%), is worth about $552 million. The performance of this sub-sector is slightly lower than the others, recording an annual increase of 4.4% between 2001 and 2006 as well as a variation of 24.1% in value.

3. Pet Sales and Services
Data on the purchase of live animals, visits to the vet and other types of services are estimated by Eurispes Research to be worth about $561 million. Finally, beauty services for animals (such as grooming or washing) are less popular, and more sophisticated beauty services are still the prerogative of a niche market.

Best Prospects
Euromonitor International's most recent forecasts estimate that 2009 will be the year that dog food overtakes cat food, and in 2012 dog food will grab 51.1% of the pet food market, compared to 48.9% for cat food. Positive trends are also assured for snacks and smart treats, especially for nutraceuticals, snacks that are made to ensure a greater nutritional balance for animals.

According to a survey recently conducted by Centro Studi Zoomark, the trend of expenditures for accessories and services is also increasing. In particular, with regards to pet-care, 57% of people interviewed have declared an increase (which in 19% of the cases is rather high) in the expenditure in this segment, and only 2% have declared a decrease. Similarly, in the case of services, 54% has spent more in the last three years (17% also considerably) and only 3% less.

These trends leave room to believe that in the next few years the market will also see an expansion in the pet care and complementary products segment, as well as in the products for pet healthcare. In fact, last year 465 new products were introduced against 291 in the previous year, proof of the market's fast development with greater attention to design and segmentation of products. Nail polish, fur dye, deodorant, sun creams, and anti-stress sprays are just some of the products launched successfully in recent months. It is interesting to see that in the fish segment too, some companies have committed greater effort towards product innovation.

Key Suppliers
While consumers are becoming better informed and demanding, showing increasingly varied and complex needs, competition in the sector is expanding constantly. The sector is likely to become more and more concentrated due in part to sophisticated marketing strategies drawn up by the major companies that use mass-marketing tested for decades on large-scale distribution. From 2000 to 2004 for instance, the market share held by the top four pet food companies (Nestle’ Purina Pet Care, Masterfoods/Royal Canin, Wonderfood/lams and Hills Pet Nutrition) has increased from 53.1 to 67.5%.

By looking at the top twenty pet-food brands, apart from Hill's, which leads the list with a single brand, there are only two Italian companies (Gran Bontà belonging to Monge and Miglior Cane belonging to Morando), while Procter & Gamble, Mars and Nestlé are succeeding with multibrand strategies. In particular, Masterfoods, after taking over Royal Canin, appears with 8 brands: Kitekat, Pedigree, Royal Canin, Sheba, Waltham, Whiskas, Cesar and Choppi.

In the pet-care segment, companies like Nestlé, Rinaldo Franco, Ferplast and Vitakraft produce a wide range of accessories (bowls and kennels in various materials, litter, cages, beds, leashes, collars, clothing, carriers, games, hygiene and dental products and repellents) for the dog and cat market but also for other animals, including birds, rodents and ferrets. Other companies, such as Camon, can also offer the same range of accessories – with the addition of food supplements – but only for the dog and cat segment. On the other hands, other companies have a narrower range of products and concentrate on
certain categories of animals. This is the case with Wonderfood (which only sells kennels and beds for cats and dogs) or Monge and Morando (which only offer cat litter).

Prospective Buyers

The survey carried out by Centro Studi Zoomark also provides an outline of the end users. More than one third of the pet owners interviewed (35%) live in families with adult children, while about 28% live in families with children under the age of 18. 22% of the sample was singles and families with no children accounted for 15%. With regards to the type of house, 54% live in an apartment, while the remaining 46% have a house with a yard. Finally, more than half of the people interviewed own a dog (52.4%), about one third own cats (26.6%), while there were fewer owners of fish, birds, small mammals and reptiles. The two main reasons for having a pet are desire of having company (33%) and love and passion for animals (36%).

With regards to the type of pet-food eaten, dry food is the most commonly used diet (53%), followed by wet food (41%) and a mix of the two (36%). The percentage of people who still usually feed their pets with homemade food (31%) or with the leftovers of their own meals (30%) is still fairly significant. Instead, 23% of interviewers declared that they usually use snacks and treats to feed their pets.

However, a distinction emerges when the different types of pets are taken into consideration separately. For dogs, in fact, the mix of dry and wet food is the most common diet, normally used by more than half of owners (55%), followed by dry (40%) and wet (40%). Again, we can see how the habit of feeding dogs with leftovers from owners' meals is much more widespread here than for other types of pets: the corresponding data – 45% - is in fact much higher than the average value of the entire sample by 15%. Instead, considering just the segment that comprises cat owners only, higher levels of dry food use (62%) and wet food (57%) can be found, while the habit of mixing the two types is less common (29%). In particular we can also see how the use of leftovers to feed cats is even less frequent (only in 21% of cases).

Finally, in the cases of other pets (mainly small mammals and birds, but also reptiles and other animals), dry food is the far more common type of food preferred by the owners (72%). The use of wet food (28%) is lower and the use of other types of food is minor.

The most commonly used sales points for pet-food are supermarkets and hypermarkets. In fact, 55% of the people interviewed declare that they almost always buy their pet food there. Purchases in specialized shops are also quite high, accounting for 41% of the people interviewed. Much less frequently used are garden centers: 77% of the sample never or almost never buys pet food here.

According to this analysis, the latest generation of products, such as snacks, and products inspired by emerging trends of attention to health and wellness, such as biological, dietary and food supplement products, are not yet widespread.

In the pet products segment, the most frequently purchased accessories are bowls (by 45% of the people interviewed) and collars (37%), followed by leashes (35%) and baskets or crates (34%). Purchases of blankets (22%), clothes (11%) and perfumes (10%) - the latter accessories still restricted to a particular niche of the demand – are much less frequent.

In the pet care segment, the most frequently purchased products are hygiene and care products, in particular cleansers and shampoos (purchased at least once a month by 43% of the people interviewed) and brushes (29%).

Although most of the people interviewed (59%) declare that they do not buy toys for their pets, it is interesting to note how the percentage that declares that they do buy them is not insignificant (41%). Some of the most popular toys are balls and bones for dogs, followed by toy or stuffed animals.
As for pet-food, in the case of accessories purchases are mainly made in supermarkets, hypermarkets and specialized shops. In this case, however, the percentage of those who declare that they almost always buy accessories in specialized shops is higher (49%) than in supermarkets/ hypermarkets (45%). The use of garden centers for such purposes is rather low (5%).

Consistent with the trends that have emerged in recent years, which show a growing attention to pets health and wellness, one of the most requested services is that provided by vets: 41% of the people interviewed states that they go to vets two or three times a year, and another 27% go once a year. Beauty services for animals are less popular: only one third of the sample declares a yearly attendance of services such as grooming (35%) or washing (39%), but the percentage of owners who never use these services is much higher (56% and 38% respectively).

More sophisticated beauty services are the prerogative of a small niche (only 16% use them once a year, while 78% almost never), as are new pet-sitter services (90% of the sample almost never use them).

59% of the people interviewed have increased the amount spent on food. The trend of expenditure for accessories and services is also increasing. In particular, with regards to pet-care, 57% have declared an increase. Similarly, in the case of services, 54% has spent more in the last three years.

**Market Entry**

The most convenient and practical method of selling in the Italian market is to appoint a local representative, either on a commission basis or under a distribution agreement. Wholesale distributors usually absorb the cost of advertising the trademark. Because Italy is a highly competitive market, it is important to find a distributor with a well-developed marketing network. Reliability, marketing assistance, punctual delivery and after-sales service capabilities are key factors in maintaining an edge over competitors and sustaining successful business relationships in Italy.

The distribution channels for pet products are usually distinguished between grocery and specialized channels. The first category includes large distribution areas, such as hypermarkets and supermarkets, small supermarkets, discount stores, and traditional retail. The specialized channels, instead, include pet shops, garden centers, agri-stores, direct sales and vets. Specialized shops are mostly preferred in the case of medicinal products and accessories and pet care (toys, hygiene products and litter), while modern distribution prevails in the food segment. Distribution contracts with foreign suppliers often call for promotional support, which may vary according to annual sales levels.

According to Euromonitor International estimates, in Italy the grocery channels absorb 55-60% of the overall turnover, with an average expenditure of 89 Euros ($111) per animal. The data, as compared with European averages where expenditure per animal is 181 Euros ($227) and the grocery channels account for 75% of the overall business volume figure, leaves room for the possibility of potential growth margins.

In Italy, trade fairs play a major role in product marketing. U.S. companies seeking to penetrate the Italian market are encouraged to visit or exhibit at a specialized Italian fair. Exhibiting at fairs can bring direct sales, but more significantly, can be one of the best ways to test the market's receptivity to a firm’s products and to assess the strength and scope of the competition. It also helps companies establish contact with others "in the trade" and, from these contacts, a U.S. firm can gather substantial valuable information about marketing pet products in Italy and Europe. Zoomark International is the largest show of its kind in Italy and the second most important pet exhibition in Europe. The U.S. Commercial Service has been organizing a very successful U.S. Pavilion at Zoomark since 1997 in cooperation with the American Pet Products Manufacturers Association (APPMA) and the U.S. Department of Agriculture.

**Market Issues & Obstacles**
On the whole, the Italian import climate is favorable to foreign exporters. There are no limitations to the importation of foreign (including American) pet products. Import procedures are governed by international trade regulations.

A distinction is made between pet food containing products of animal origin and pet food not containing animal products. The former is subject to the European regulation on animal by-products. The new EU animal by-products Regulation 1774/2002 came into force on May 1, 2004.

All pet food imported from the U.S. into the European Union has to meet requirements relating mainly to health and labeling standards. These requirements are generally harmonized throughout the 27 EU member states but they are scattered among different pieces of EU legislation. Detailed information is available at: http://useu.usmission.gov/agri/petfood.html

Trade Events

Resources & Contacts
The major U.S. Trade Associations in the pet sector are:
American Pet Products Manufacturers Association (APPMA): www.appma.org
Pet Food Institute: www.petfoodinstitute.org

In Italy, the only pet sector association is Scivac, which represents leading veterinarians: http://www.scivac.it/

Prospective U.S. exporters of pet products can contact the U.S. Department of Commerce and the U.S. Department of Agriculture for further information on the pet sector:

U.S. Department of Commerce, Global Trade Programs, Edward K. Kimmel: Edward.Kimmel@mail.doc.gov
U.S. Department of Agriculture FAS (Foreign Agricultural Service) office: http://www.fas.usda.gov/
U.S. Department of Agriculture FAS (Foreign Agricultural Service) office at the U.S. Mission to the EU: http://www.useu.be/agri/usda.html

Zoomark International 2009 official show organizer is Vimax, vimax@zoomark.it

For More Information
The U.S. Commercial Service in Milan, Italy can be contacted via e-mail at: simonetta.busnelli@mail.doc.gov; Phone: +39-02-62688505; Fax: +39-02-6596561; or visit our website: http://www.buyusa.gov/italy/

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