



Business propositions in the unique Chinese pet industry

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Preface

The pet sector is a growing sector in China, and especially in the big cities. The number of pets grew from 40 million in 2020 to 100 million nowadays. The money spend on pet food, treats supplies and services is growing. In 2020 it was a market of 207 billion RMB (around 28 billion Euro).

The Embassy of the Kingdom of the Netherlands has commissioned DMFC to write this report to give an insight to Dutch companies into the Chinese pet market and to explore where opportunities and challenges are for these companies on the Chinese Market. in the report, a SWOT analysis is presented for the Dutch companies.

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Summary and Market propositions

PETS AND OWNERS

China's pet economy began to develop in the 90s. In line with the booming economy and its ever-growing GDP, the pet industry developed rapidly after 2010. In 2020, 52 million dogs and 49 million cats were kept by 63 million pet owners in China's urban cities. The number of cats is ever increasing while for the first time the number of dogs is decreasing.

Several online news reports referring to the market research firm Frost & Sullivan indicate that the younger generations, i.e. younger than 30 years or the so-called post-90s generation, are the driving force behind the Chinese pet industry. They are mostly single and female, looking for a pet partner to fulfil their emotional needs and feel less alone in the big cities like Beijing, Shanghai Guangzhou, and Shenzhen (Tier 1 cities). It is expected that pet ownership in the coming decennium will especially grow in the only slightly smaller provincial capital cities (Tier 2 cities).

MARKET SIZE

Around 1 million enterprises are registered as being involved in the pet industry chain (B2B and B2C). The B2C market was in 2020 valued at RMB 206.5 billion. Though the market is still showing growth, it is not as rapid anymore as in the past (two) decennia. The year 2020 even showed only a slight increase of 2% compared to the value in 2019. The corona pandemic, leading to uncertainty and people being more careful in their expenditures, might have played a dampening role in the growth rate.

Pet food, i.e. staple foods, snacks or nutritional supplements, are the mainstream consumption by pet owners and represent a value of RMB 113 billion (55% share). *Pet medical care* was valued at RMB 53 billion (26% share); *Pet consumer goods* at RMB 28 billion (14% share), and; *Pet services* at 12 billion (6% share).

Pet food

The money spent on pet food is on decline. Owners buy more often on promotion and are stocking supplies. The attention for brand origins in pet food is increasing in China, with a growing preference for domestic brands. Especially the dog owners in Tier 2 and lower cities shifted to domestic brands. Cat owners and Tier 1 city owners still prefer foreign brands over domestic brands. Nutrient facts and ingredients of staple foods and snacks are the most important factors when purchasing pet foods. Owners want to give their pet the best tailored food to age, condition and health; and, want to know what the food contains and where it is originating from. Nutrition products is still an underdeveloped food product.

The pet food market is scattered with single digit market shares for famous brands. The top 8 have less than 20% market share together, with Royal Canin excelling with 7%. The others only have 2% to 3%.

Pet medical care

The market for pet medical care grew with 7%, mostly due to a worsening health condition of pets. Obesity (dogs), gastro-intestinal issues (dogs), urinary tract system problems (dogs and cats) and renal problems (cats) are on the rise among pets. The costs are leading to worries at owners that pet health care is becoming expensive.

Pet veterinary clinics are a flourishing business. They provide health care, but next to this they also sell pet foods and have many other services like pet grooming, bathing, and boarding. It is estimated that 50% of the total B2C market size runs through pet veterinary clinics.

Pet consumer goods

Pet owners spent more and more on shampoos, toys, bedding, cat litter or scratching poles. For these kinds of products there is no preference for domestic or foreign brands. Functionality, quality, and safety are leading when buying it. The market for smart supplies, like cameras, GPS trackers, health monitoring, intelligent water and feed dispensers or even pet wearables, is on the rise.

Pet services

The corona pandemic led to a decrease in services like pet bathing, grooming, training, and boarding. Pet owners were less outgoing in 2020. It is expected that it will increase again, especially as many owners indicated that pet training to correct behaviour is necessary.

SALES CHANNELS

Pet owners in China are among the most experienced digitalisation buyers in the world. Research reports indicate that 55% of the sales volumes and values happen online. Industry insights reveal that 40% of the sale value happens online, with highest revenues in the consumer goods.

Offline

The number of pet stores has fallen from an estimated 80,000-100,000 stores before the pandemic broke out in 2020 to 60,000 in the year after. New shops are either ultra-large over 300 sqm or small local outlets of less than 50 sqm serving the community around the store.

Online

The online market has become an integral part of the Chinese pet market. Apart from the known big platforms like Alibaba (TMall/Taobao) and JD with sales revenues in the billions, there are several smaller but successful platforms selling pet food and related products with sales revenues in the millions. Next to these platforms, a whole individual sales channel is emerging on WeChat.

The number of online dog and cat food brands is over 37,000. Among them, the top 20 brands account for nearly 40% of the sales, leaving thousands of brands with relatively marginal sales. During last year's Alibaba's singles day shopping festival, cat food was the top-selling imported product, surpassing imported infant milk powder. Chinese pet owners bought in total during singles day 18,000 tons of dog food and 14,000 tons of cat food.

Online offline integration (O2O)

To capture the growth of the online market and hold-on to the offline market, manufacturers apply a combination of both sales channels. The manufacturer cooperates with pet stores and pet clinics for offline sales and sells the product himself directly online in Tmall or JD stores. Also, offline small stores buy in bulk their supplies online to cut the middleman and reduce purchase costs. And, the large online platforms are eyeing the offline market themselves and start their own offline pet store chains. Through these O2O developments, revenues in the pet sector might be overestimated.

PET WELFARE

A game changer in pet welfare was April 2021, when the Ministry of Agriculture and Rural Affairs (MARA) reclassified dogs as companion animals rather than livestock. However, having a companion is not always easy in daily life in the big cities, with no allowance of pets in public transport and public places, and keeping the pet always on a leash. Commerce is slowly evolving around pet friendly places, with e.g. Starbucks and Pizza Hut launching pet-friendly stores.

The flip side of the glorification of the Chinese pet industry is unfortunately also developing, with 'pet blind boxes' as the low point. People can order online for a friend an unlabelled package with a surprise gift. Lately the practice that these boxes contain a puppy or a kitten has emerged, with

the receiver not knowing what to do with them and dumping the poor little thing somewhere. If lucky, it is abandoned at a pet store or pet clinic. Subsequently, many of the stores and clinics now charge high deposits to discourage owners from not picking up their pets.

REGULATIONS

If a pet food company wants to export staple foods or pet snacks and treats to China, there are a series of regulations, laws and registrations required by the Chinese authorities. On the Chinese side the following ministries are involved: General Administration of Customs of China (GACC) and Ministry of Agriculture and Rural Affairs (MARA). In short, GACC approves a *production facility* from an overseas company to export products manufactured in this facility to China. MARA approves the *product* to be imported into China and to be sold and used in China. It should be packaged and attached with Chinese labels that meet the requirements of the "Pet Feed Labelling Regulations". Furthermore, the hygiene indicators of the product should meet the requirements of the "Pet Feed Hygiene Regulations".

MARKET PROPOSITION FOR DUTCH COMPANIES

Pet foods

On base of the information gathered in the report it is proposed that the best opportunity for Dutch companies in the Chinese pet food industry is in the snacks (canned food) or nutrition products. The *customer value* should lay in the field of quality and safety as Chinese pet owners want to have a secure feeling on these aspects when assessing ingredients and nutritional value of the product. It must be trusted and be safe for their pet. The main *customer segment* is the single female post-90s pet owner (up to 30 years old). No specific choice should be made when looking at *customer channels*. They are getting more and more intertwined and staying away in either of them is no option.

Though we conclude that snacks (canned food) or nutrition products have the best opportunity, doesn't mean that there are no opportunities in the staple (dry) foods. It will be more difficult.

Pet medical care

Knowledge on pet care in general and health care in specific is lacking, and there is market for knowledge upgrading. The *customer value* should lay in the field of educating the pet owner with scientific-based facts as they are able to find enough opinion-based information online and subsequently cultivating their own beliefs. As lack of knowledge is a wide-spread affair, all pet owners belong in the *customer segment*. The online *customer channel* is an excellent opportunity to serve a wide audience across China.

Pet consumer goods

The market for pet consumer goods is growing and offers opportunities for Dutch companies, all the more because it is less affected by brand preference or domestic versus foreign origin preference. The *customer value* should lay in the field of functionality of the good. *Customer segments* are the post-95s who buy through the online *channel*.



Content

| | |
|--|-----------|
| Introduction | 1 |
| Chapter 1: Pets and owners | 5 |
| PET NUMBER AND BREEDS | 5 |
| OWNER PROFILES | 7 |
| BOTTLENECKS IN OWNERSHIP | 9 |
| Chapter 2: Market size and characteristics | 11 |
| TOTAL MARKET SIZE | 11 |
| MARKET FOR PET FOOD | 14 |
| MARKET FOR PET MEDICAL CARE | 19 |
| MARKET FOR PET CONSUMER GOOS (SUPPLIES) | 21 |
| MARKET FOR PET SERVICES | 22 |
| Chapter 3: Sales channels | 25 |
| OFFLINE | 25 |
| ONLINE PLATFORMS | 26 |
| WECHAT | 28 |
| ONLINE AND OFFLINE INTEGRATION (O2O) | 29 |
| Chapter 4: Other developments | 31 |
| ONLINE HEALTH CARE | 31 |
| PET WELFARE | 31 |
| Chapter 5: Regulations and governance | 35 |
| PET FEED LABELLING REGULATIONS | 36 |
| PET FEED HYGIENE REGULATIONS | 37 |
| Chapter 6: SWOT and Market propositions | 39 |
| STRONG AND WEAK POINTS OF THE CHINESE MARKET | 39 |
| OPPORTUNITIES AND THREATS FOR THE DUTCH COMPANIES | 40 |
| POTENTIAL BUSINESS PROPOSITIONS OF DUTCH COMPANIES | 41 |
| References | 43 |
| Annex 1: Important domestic pet food brands | 44 |



Introduction

1. CHINA PET INDUSTRY: FROM THE 90S TILL NOW

China's pet economy began to develop in the 90s. In the beginning of that decennium an association was established to advocate the concept that pets are part of the family. Also, returning overseas students brought back a fresh concept of keeping pets. It marked the start of the industry. Pet food and related industries started to appear in China and international brand enterprises began to operate or build factories in China. Pet (food) stores popped-up in big cities like Beijing and Shanghai.

In the new millennium, the number of pets in China began to grow from 40 million in 2000 to the current 100 million cats and dogs. Pets gradually changed their functional role of "defend the house and family" to an emotional one of "acting as a child" and "being part of the loved ones".

After 2010, China's pet industry developed rapidly, in line with the booming economy and its ever-growing GDP. Besides pet food production, a variety of pet hospitals and beauty shops popped up one after another. According to figures from China's National Bureau of Statistics (NBS), China's pet economy, including food, toys, and supplies, in addition to the pets themselves, has grown in the past 10 years by an astonishing 2,000 percent.

The forthcoming decennium (2020-2030) will mark itself as a more mature period of the Chinese pet industry. Though still growing, it is expected not to be as rapidly as in the past (two) decennia. Next to foreign brands, more domestic brands are gaining momentum, and some have already become large players in market. What will shape the industry the forthcoming years most are the online-offline market and the new retail modes coming along with it. They are of a different magnitude than anywhere else in the world's pet industry.

2. DUTCH REASONS TO EXPLORE THE CHINESE INDUSTRY

In the Netherlands there are many companies involved in pet food, treats, supplies, or services. With 12 Dutch companies having a registration for export to China (Chapter 5), there is substantial interest in the Chinese pet market. This number is apart from the fact that some of the Dutch companies have their pet foods manufactured in neighbouring Belgium and can supply the Chinese market from there, and from the fact that for some (health care) products no registration is required. Research into the Chinese pet industry and an overview of the current and future market can support these companies in getting an even better foothold in the extra-ordinary Chinese pet industry. Especially as the market gets more saturated, competition becomes more fierce and entering the market does not necessarily mean profits anymore.

3. CONTENT OF THE REPORT

This report is written to give a summarised overview of the Chinese pet industry, based on the many (Chinese language) reports and online publications on the industry. More details are for some subjects available but were not included in this report as it would not increase readability of this report or infringe on copy rights.



The report focusses mainly on cats and dogs in China mainland and data only concern these two species, unless stated otherwise. Furthermore, most of the data are related to the urban population in Tier 1 to Tier 4 cities where owners consciously have chosen to keep a pet and are more than willing to spend money on the pet. Tier 1 cities are Beijing, Shanghai, Guangzhou and Shenzhen only. New Tier 1 cities, as sometimes cited in other literature, are classified under Tier 2 cities which represent the provincial capital cities. Data on rural areas with farmhouse dogs and cats or stray animals are not part of this report.

- Chapter 1 gives insight in the current status of Chinese pets: How many dogs and cats are there in China? What breeds are popular? Who are the owners?
- Chapter 2 digs into the market: How much money do owners spent on pet food, medical care, consumers goods (supplies), or services? What are their purchase preferences? Which brands are popular in the market?
- As the online-offline market is of increasing impact on the Chinese industry, Chapter 3 will give some insights in the scales of these sales channels and their operations.
- Chapter 4 gives a preview of other latest developments in the industry if they have not been integrated into the former chapters. Special focus is on the way health care is developing, and how pet-welfare is improving in the Chinese society.
- To be able to export as Dutch company pet products to China, registration by Chinese authorities is required, and compliance with many laws and regulations is needed. Chapter 5 refers to the most important ones.
- The report will finish in Chapter 6 with a SWOT and conclude on value propositions for the Dutch pet industry in the Chinese pet market.



Chapter 1: Pets and owners

Take-aways:

-  Total pet dog and cat numbers exceeded 100 million in 2020, increasing 1.7% y-o-y. Cat numbers keep on growing while dog numbers drop for the first time.
-  The poodle has been knocked out of the first place as preferred breed. The Chinese rural dog, a mixed-breed local dog, is preferred nowadays.
-  Pet owners are for the majority single, younger than 30 years of age, live in 2nd tier cities and earn less than 8,000 to 10,000 RMB per month.
-  Expensive health care is a growing worrisome issue for pet owners, followed by difficulties to travel with pets (including local travel in public transport).

1. PET NUMBERS and BREEDS

1.1 All pet numbers

In China, the majority of pets are dogs and cats. Of all pet owners, 51% has a dog, 46% a cat, and between 6 and 10% ornamental fish, reptiles, rodents or birds (Figure 1). As some people have more than one pet species, the number is exceeding 100%.

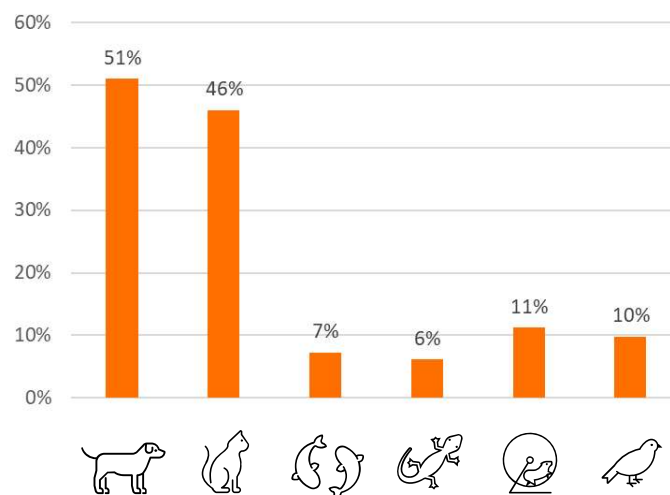


Figure 1: Type of pets amongst owners.

1.2 Dog and cat numbers

The number of dogs and cats kept by urban residents reached 100.84 million in 2020. As China's urban resident population was nearly 850 million, one out of at least every ten people owns a cat or dog. A little bit more than half are dogs (52%, 52.2 million) and little less than half are cats (48%, 48.6 million). Since several years, the number of cats is increasing, while for the first time, the number of dogs decreased. The projection is that China will have 248 million urban pet dogs and cats by 2024, with more cats than dogs.

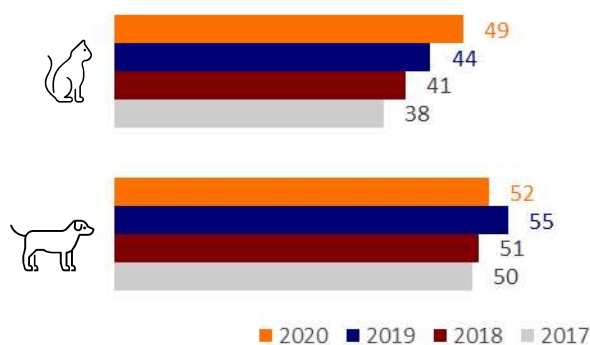


Figure 2: Number of dogs and cats in China in 2017-2020 (millions)

1.3 Pet age

It looks like less people took a new puppy, in line with decreasing dog ownership, as dog population is aging. The number of dogs less than 1 year old is decreasing and the number of dogs aged above 8 years is increasing. Most dogs are between 2 and 5 years old. In contrary to dogs, more people took a kitten, as the share of cats younger than half a year increased slightly from 6% to 7%.



Figure 3: Pet age (number of pets per year category)

1.4 Pet breeds

Most owners like to keep a small dog (45%). The preference for smaller dogs might have to do with regulation. For instance, there are restrictions on the size and breeds of the dogs allowed in Beijing since the release of the 2003 regulations on dog ownership. "Large size and aggressive breeds" are not permitted inside eight main districts of Beijing. The official rule used to determine the size is the height of a pet is to measure from the ground to the shoulder, which must not exceed 35cm.

The most preferred breed was in 2020 a Chinese rural dog, a blanket term for domestically bred, often mixed-breed dogs commonly found around. This "breed" has knocked the poodle out of first place. Other preferred breeds are Labrador, Corgi, Bichon Frise or Border Collie. Looking at age strata of owners, the lesser kept but fancy middle-sized Shiba Inu and Samoyed are relatively more in favour at the post-95s generation than other generations.



Picture 1: Preferred dog breeds (left to right): Top row: Example of Chinese rural dog, Poodle, Labrador, Corgi, Bottom row: Bichon Frise, Border Collie, Shiba Inu and Samoyed.

Chinese domestic cats have been the favourite breed for cat owners since years and are still gaining popularity. Two third of the owners have this breed (66%). In contrary to the Chinese rural dog, the Chinese domestic cat is a real breed: Li Hua. Other popular breeds are British short hair (23%) and American short hair (15%).



Picture 2: Chinese domestic cat (Li Hua)

1.5 Pet geographical distribution

Cats are preferred over dogs in Beijing, while dogs are preferred over cats in Shanghai. 12% of dogs are in Shanghai while 11% in Beijing. 14% of cats are in Beijing, while 13% in Shanghai. In the rest of Chinese cities there is no dog or cat preference.

2. OWNER PROFILES

More people keep a dog (36 million owners) than a cat (27 million). It is on one hand remarkable that there are significant less owners (63 million) than pets (100 million). In Tier 1 cities, the ownership of only one dog is allowed for every household address. This means that dogs in the city are not registered to an individual, but to the address on a lease contract or property deed. Owners of more than one dog can only opt for having a relative or a friend to register their dogs at their household address. On the other hand, as cats don't need to be registered, owners can have several cats, or, a dog and a cat. The number of owners amongst them keeping several pets is not known. The total number of urban pet owners therefor can be less than the 63 million mentioned.

2.1 Owners' age

Despite data differences between literature resources, it's obvious that the younger generations are the driving force behind the Chinese pet industry. In some sources it is mentioned that in 2019 people younger than 40 years old make up to 75% of the pet owners, and amongst them people

younger than 30 years old are the winners with 45% of total pet ownership. Other data of 2019 show that 64% of the owners are younger than 35 years and 24% are younger than 25 years old.

In 2020 more post-80s took a pet, and probably some of the post-90s got rid of a pet, as their total share together stayed stable at three-quarters of all owners, but their mutual distribution shifted. The stereotype image of a pet (especially dog) owner in China – which many people see in the streets – might be of a pre-70s generation, i.e. 50 years and older, with a brown poodle, but less than 10% of the owners belong to this generation stratum.



Figure 4: Pet ownership divided per generation stratum.

With regard to sex of the owners, the data are not so unanimous. Data vary from a slight majority of 52% female owners to an overwhelming majority of 90% female owners.

2.2 Owners' income

According to the Chinese Pet Industry White Paper 2020 the number of owners with the lowest incomes (less than RMB 4,000 per month) more than halved from 50% in 2019 to 22% in 2020. On one hand it looks like that owning a pet becomes more and more an income-related issue as some studies state. On the other hand, which is more in line with macro-economic data of China, incomes are on the rise in China, through which owners might belong to the next stratum in 2020 (i.e. between RMB 4,000 and 9,999 per month). Subsequently, this middle-income ownership stratum increased from 26% in 2019 to 48% in 2020 (figure 5, left).

The Pet Industry Blue Book (2021) applies somewhat different strata (figure 5, right), but their outcomes are rather comparable to the White Paper. Number of owners with the lowest incomes (less than RMB 5,000 per month) was 24%, and middle-income (i.e. between RMB 5,000 and RMB 8,000) was 34%.



Figure 5: Pet ownership on the base of income (Source of left: Chinese Pet Industry White Paper 2020. Source of right: Pet Industry Blue Book 2021)

2.3 Owners' marital status and resident ship

The largest group of pet owners is single (34%). The second largest group are (married) couples with children (29%).

Pet owners live for the majority in well-developed cities. Owners live in an increasing number in 2nd tier cities (42%) at the cost of 3rd tier cities (20%). Over one-third of all pets (38%) are kept in the 1st tier cities Beijing, Shanghai, Guangzhou and Shenzhen: 13%, 12%, 8% and 4% respectively. Surprisingly, the ownership in Shanghai decreased sharply from 2019 to 2020 (20% to 12%), by which this city lost the lead in pet ownership. No specific reasons have been found to explain the decline.

2.4 Stereotype owner

In conclusion it can be said that the current stereotype pet owner in China keeps a dog, and is female, less than 30 years old, single, with middle income (RMB 4,000-9,999) and is living in a 2nd Tier city. As "empty-nest young" they are desperately seeking for a companion to feel less alone and fill their emotional needs. They are looking for a pet partner instead of a human partner. As the number of singles living on their own is still on the rise and will reach 92 million in 2021, it is expected that pet ownership will continue to grow in China.

The future stereotype pet owner holds a cat instead of a dog. She still is female, less than 30 years old, single, with middle income (RMB 4,000-9,999) living in the new Tier 1 cities.

3. BOTTLENECKS IN OWNERSHIP

Although the number of pet owners is growing, this is not without its worries. They run into one or more bottlenecks. They perceive that health care is expensive, worrying them as pet owners the most. Also travelling with pets is a challenge for pet owners, especially for 1st and 2nd Tier city pet owners. For instance, in Beijing and Shanghai pets are not allowed in public transport like train, bus and subway, and most taxi drivers are not happy if you carry a pet into the taxi. Fortunately, there is since 2021 a new regulation allowing care dogs to travel in public transport.





Other bottlenecks in keeping a pet: Quality of pet products varies, the house environment is affected by pets, the pet is destructing the house causing losses, and the pet causes disputes among neighbours. These latter three reasons are not hope giving and worrying in relation to the fact that the number of pets being dumped and the number stray animals in China is rising (Chapter 4).



Chapter 2: Market size and characteristics

1. TOTAL MARKET SIZE

Take-aways:

-  China's urban B2C pet market reached 206.5 billion RMB in 2020, showing only slight growth compared to 2019.
-  Pet foods (dry foods, snacks / treats, and nutrition products) account for 55% of the market.
-  Expenditure per pet declined in 2020 due to the pandemic.
-  Most pet related companies are registered in Shandong, Zhejiang, Guangdong and Fujian, with a jump in registrations in 2020 in the latter province.

1.1 How much companies are involved?

In 2020 a total of over 900,000 enterprises are registered as being involved in the pet industry. This is across the whole pet chain (B2B and B2C), including producers, traders, stores, etc. As of July 2021, the number of newly registered companies in the year before (2019-2020) including "pets" exceeded 600,000, resulting in a tripling of the number of companies. The number of pet companies that have been written off or revoked accounted for only 3%.

The companies are mainly concentrated in Fujian, Guangdong, Zhejiang, and Shandong provinces. These provinces are accounting for more than half of the enterprises registered. Among them, Fujian shows the fastest growth. The province jumped from a 10th ranking in 2019 to 1st place in 2020.

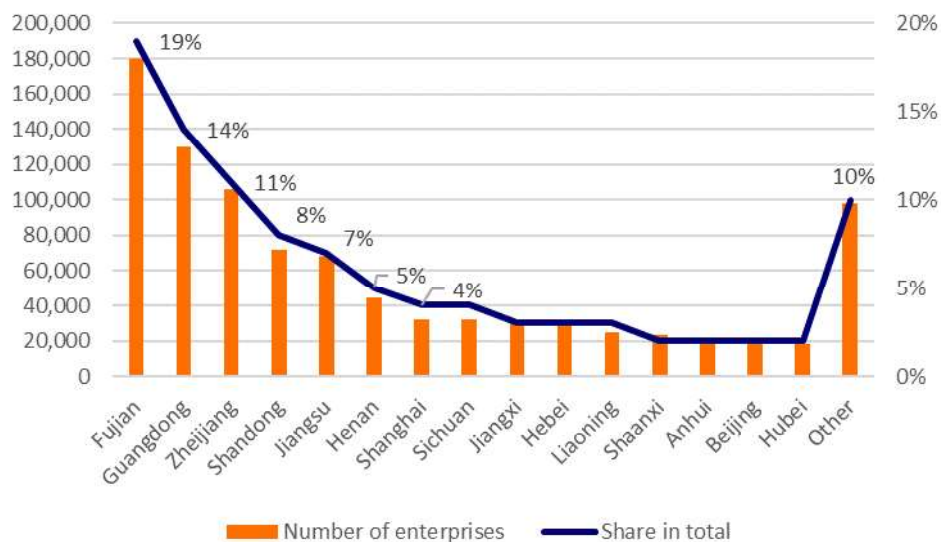


Figure 6: left = number of enterprises, right = province market share.

In the past, provincial governments supported the development of the pet food industry. For instance, Hebei government supported economic development around the whole pet food chain. With their help, non-branded production facilities were started, traders sprang up and pet shops were formed. Their sales market is mainly Tier 3 or even Tier 4 and lower cities, where a stronger demand is for non-branded, cheaper but reasonable quality pet food than in Tier 1 and 2 cities. Shandong province also supported the development of the petfood industry, but it is known for

more branded production and higher quality. Some famous Chinese brands have settled in Shandong, like Wanpy. Other provinces are eager to follow, and Fujian province may have recently rolled out a support program as well. However, it is not expected that there will be production facilities, but rather companies that will move in the market through OEM production.

1.2 How much do owners spent?

China's B2C pet market valued in 2020 a staggering RMB 206.5 billion, though compared to 2019 it only showed a slight increase (+2%). The biggest growth appeared in the beginning 2010s, with year-on-year double digit growth percentages of 51% in 2013 to 25% in 2016. After this year, growth became unstable and dropped to an all-time-low in 2020. The decline was mainly due to the COVID pandemic with people saving money, and it is expected that the pet industry will return to rapid growth when the impact of the outbreak fades and economy is rising again. Some research media expect even that China's pet industry will reach RMB 600 billion soon (iiMedia Research), though it is not specifically mentioned whether this is B2C only or full value chain (including the revenues in e.g. manufacturing and distribution). It is estimated that B2C amounts for 50% of the full value market.



Figure 7: China B2C pet market value and growth rate.

Owners spent in total more on dogs (RMB 118 billion) than on cats (RMB 88 billion), which is in line with the fact there are more dogs (52 million) than cats (49 million) in China. But also, in consumption per pet, owners spent more on their dog than on their cat. Dividing the numbers, it results in RMB 2,260 per dog and RMB 1,818 per cat. Unfortunately, these calculations are not in line with data on annual expense per pet (owner) from the same research (RMB 5,172) or other research (e.g. 55% of the pets annual expense is between RMB 3,000 and RMB 8,000). What they do agree on is that the expense per pet declined in 2020.

Pet owners are considered high-spenders if they spent more than RMB 500 on dry food each month. About one fifth of the pet owners are high-spenders. Due to the lower economic growth in China, the share of high-spenders decreased in 2020, especially dog owners spent substantially less. High spenders seem to be independent of generation, marital status, disposable income and location.

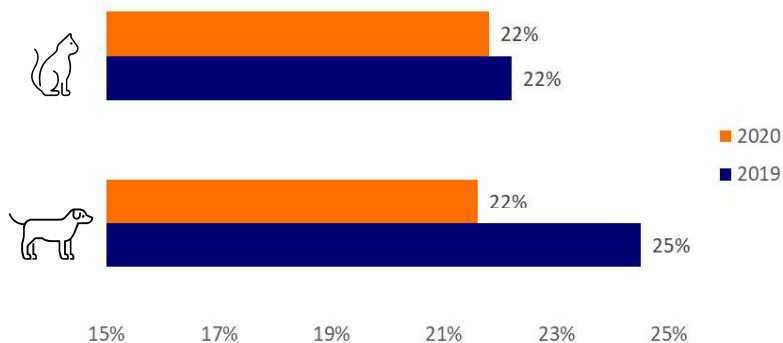


Figure 8: Percentage of high-spenders (> 500 RMB per month on dry food).

1.3 Where do owners spend money on?

Total consumption by pet owners can be roughly subdivided into:

- (i) pet food, i.e. (dry) staple foods, snacks or nutritional supplements;
- (ii) pet medical care, i.e. medicines or health care;
- (iii) pet consumers goods (supplies), i.e. collar, leashes, shampoos, litter, toys etc, and;
- (iv) pet service, i.e. bathing, grooming, training, or boarding.

Pet food still accounts for the absolute consumption mainstream representing a consumption value of RMB 113 billion. It can be seen on the penetration rate in figure 9 that the percentage of pet owners who at least bought one time staple food is 93%. It also indicates that 7% of the owners do not feed their pet dry foods. Canned (pet) food is for instance categorized under snacks.

Pet health care and pet supplies or on the rise in the consumption pattern of owners. Though they increasingly spent money on healthcare, it was also their most worrisome item in pet-keeping.

There are no remarkable differences in the spending pattern of dog owners or cat owners with the following exceptions:

- Dog owners spent more on bathing, grooming and boarding than cat owners. This can be explained by the fact that it is fashionable to groom dogs like Poodles or Bichon Frise, and that dogs cannot be left alone at home for consecutive days and need boarding either by family and friends or a professional boarding center.
- Cat owners have consumed more often nutritional supplements than dog owners. An explanation might be that hairball remedy – a specific cat product - is part of supplements.

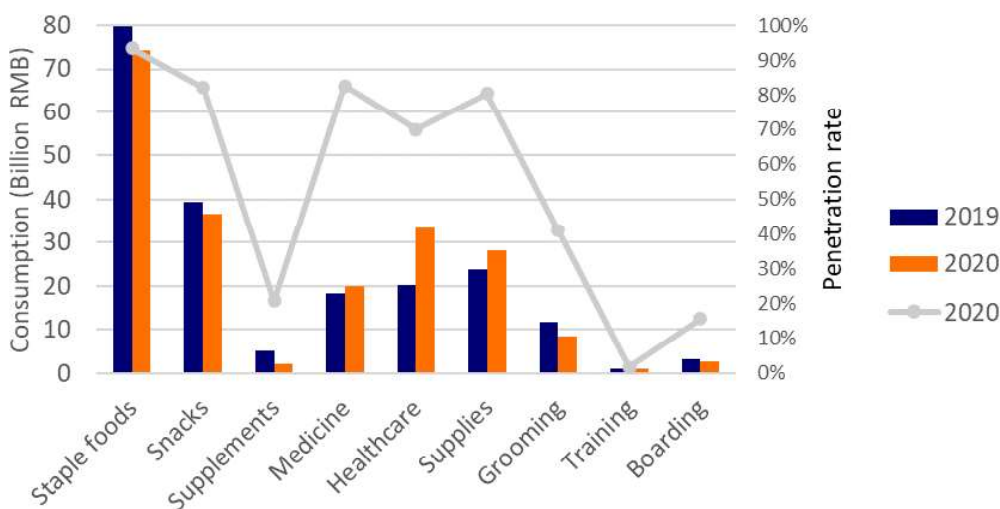


Figure 9: Consumption by pet owners (billion RMB) and penetration rate (%), grey line).

2. MARKET FOR PET FOOD

Take-aways

- 🐾 Total expenditure on pet foods was in 2020 RMB 113 million.
- 🐾 Pet owners are becoming more cost-conscious and buy dry pet foods and treats more often during promotional activities.
- 🐾 Small and medium-sized packages become more favourable to be able to switch between needs and tastes of pets.
- 🐾 Nutrient facts and ingredients are key in purchasing dry pet foods and treats.
- 🐾 Brand awareness has increased, and domestic brands are gaining more momentum, especially among pre 80s generation.

2.1 Dry / Staple food

The amount of money spent on staple foods was RMB 74 million in 2020, which was a decline of RMB 6 million compared to 2019.

Purchase frequency

Dry foods are easy to stock, and therefore attractive to buy only upon promotional activities. One in three pet owners does so. Due to the pandemic, income of pet owners was unstable or decreased forcing them to buy more often on promotion. Also, delivery was in the beginning unstable, forcing them to stock. Furthermore, if more regular bought, pet owners are shifting to a lower frequency to purchase pet food, e.g. from once every one or two months to once every three to six months.



Figure 10: Purchase frequency by pet owners of dry foods

Purchase size / volume

Though the frequency of purchasing dry foods is less often, the package size of the dry pet foods is decreasing, especially for cat owners. While in 2019 40% of the packages were of 10 kg and more, in 2020 this was only 30%. The preferred size is now 3-6 kg per package, with 1-3 kg equal popular. Small packages have a faster cycle, allowing pet owners to switch between needs and tastes of pets, especially of picky-tasting cats. Though, dog-owners still prefer bigger packages of 10-15 kg, probably mostly as dogs eat more grams of food per day.

Purchasing factors

Pet owners consider the nutrient facts and the ingredients of a dry food as the most important factors when purchasing dry food. Nutrient facts focus on the formulation and display the protein, fat or vitamin content (two thirds of owners consider this factor when buying dry foods). Younger generations, especially the post-95s, are very concerned about nutrient facts. They want to give their pet the best tailored food to its age, condition and health. Ingredient facts focus on the raw

materials used and displays the use of meat, grains or flavourings (near 60% of the owners consider this factor when buying dry foods). Owners especially care about if the food contains fresh meat and what the origin of the meat is. The most recent development of increasing interest in vegetarian dry foods is completely at odds with this.

Though frequently talked about, but whether a food is recommended by KOLs is hardly important in purchasing dry foods (3%). Owners trust more on their own knowledge and information gathered. Also, the design style of the package is not an important factor in buying staple foods (1%), despite millions of branding and marketing budget spent by companies on this.

Brands

The attention to brand origins in dry food is increasing, with a growing preference for domestic brands. From 26% of the owners buying domestic brands in 2019, it increased to 49% in 2020, mostly gaining from owners who were indifferent before (Figure 11). Especially in 3rd and 2nd tier cities owners shifted to domestic brands, while 1st tier pet owners are for the majority still in favour for imported brands. The shift is mainly due to dog owners in these 3rd and 2nd tier cities, they are domestic brand lovers, and cat owners are imported brand lovers. Availability of foreign brands (during the Covid pandemic) was not an issue for owners to switch to domestic brands, as an unstable supply of imported food is a decreasing pain point in purchasing foods. What might play a role is a change in behaviour during the pandemic. For more business sectors, Chinese tended to switch in buying behaviour from foreign brands to domestic brands.

Looking at age, older pet owners (pre-80s generation) are more conservative (or maybe cash-conscious) and tend to be relatively more in favour for domestic brands (58%) than the younger - more explorative or cash-unconscious - generations (around 40%).

That pet owners deliberately choose for either domestic or foreign brands, doesn't imply that they are loyal to a certain brand. Only one fifth of the pet owners are using the same brand of dry food the whole year. Up to two third of the pet owners switch two to three times per year between brands. Owners who switch more often prefer imported brands.

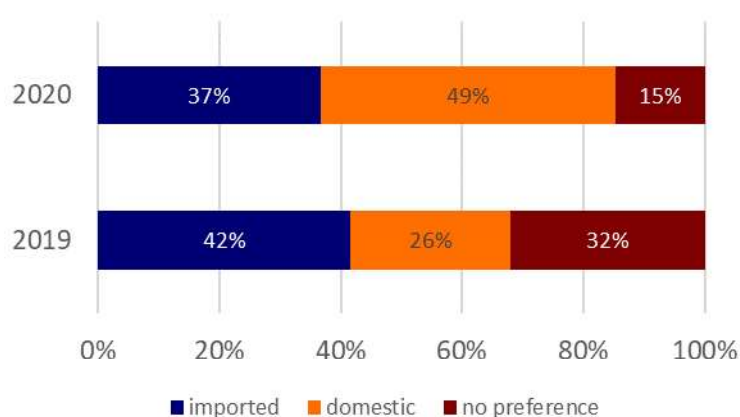


Figure 11: Brand preference in staple foods

The five most popular domestic brand are displayed in Table 1. As Royal Canin and Whiskas (both brands of Mars) and ProPlan (brand of Purina) have domestic production plants in China, they are considered domestic brands. Only Myfoodie, PureNatural and NatureBridge can be considered as 100% domestic and originating from Chinese entrepreneurship. A description of the most important domestic brands can be read in Annex 1.

Canada is a popular foreign staple food supplier: Orijen, ACANA and GO. These brands are the top three for imported cat staple foods and within the top five of imported dog staple foods.

Table 1: Most popular domestic staple food brands (Royal Canin, Whiskas and ProPlan are considered domestic brands due to domestic production plants).

|  |  |
|--|---|
|      |      |

2.2 Treats / snacks

Pet owners spent RMB 37 million on treats and snacks in 2020, which is RMB 3 million less than in 2019. Younger pets, between 3 months and one year old are most treated: near half of the owners give snacks to pets 3-7 months old and a quarter of the owners to pets 7-12 months old. One of the positive reasons to give treats is of course to promote interaction and communication with the pet and to reward the pet in training. A negative reason to treat pets is to compensate for leaving them alone. In their later lifespan, pets don't have the luck that often anymore to be treated. Hardly any owners give treats to pets older than 2 year.

The price of treats is relatively high and owners are sensitive to sales promotion. Therefore treats are often bought upon promotional activities of sellers. Around 60% of pet owners choose to stock up.

Dog owners mostly buy jerky and teeth cleaning treats. Upcoming products are freeze-dried treats and drinks like milks. There is especially a higher demand in Tier 1 cities for these products than in Tier 2 and 3 cities, and it is most popular amongst younger generations, i.e. the post-90s. The preference for milk drinks for dogs is probably born more from novelty interest than from having nutritional knowledge.

Cat owners mostly buy canned cat food, though it is losing terrain to liquid treats in sticks and pouches and jerky or dried fish. Also among cat owners, new products like freeze-dried treats and milks have relatively higher demand by younger generations.

Purchasing factors

Like in dry pet foods, raw material ingredients, good palatability and word-of-mouth are important factors in purchasing treats and snacks. Respectively 58%, 50% and 28% of the owners consider these factors. Undisputable, the function of some treats like teeth cleaning treats is considered too. On the bottom side, attractive packaging is also hardly a factor for purchasing a treat for pets.

Brands

Domestic brands gain also in treats and snacks market share at the costs of imported brands. It is mostly spurred by the older pre-80s generations. Younger generations like the post-95s care less, and are a large part of the one third of the owners who are indifferent when it comes to preference for domestic or imported treats.

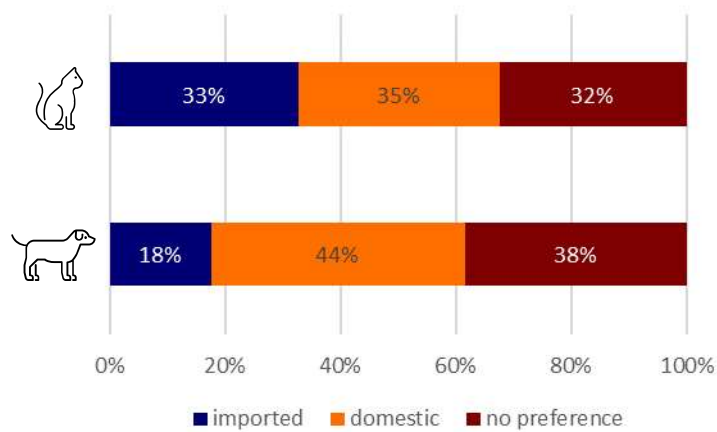


Figure 12: Preference of pet owners for domestic or foreign treat and snacks brands (year 2020)

The most popular domestic brand for treats and snacks are displayed below. Pedigree and Whiskas (both brands of Mars) and INABA (Japan) have domestic production plants in China and are considered domestic brands. Myfoodie, Wanpy, CrazyDoggy and Navarch can be considered as 100% domestic and originating from Chinese entrepreneurship (See for description Annex 1).

Table 2: Most popular domestic treats and snacks brands (Pedigree, Whiskas and INABA are considered domestic brands).

| Dog | Cat |
|---|---|
|      |     |

Four famous foreign treats and snacks brands are ZEAL (New Zealand), ZiwiPeak (New Zealand), Hiyori (Japan) and Leonardo (Germany).

2.3 Nutrition products

There was a significant drop in expenditure on nutrition products in 2020. From RMB 5 million in 2019 to only RMB 2 million in 2020. Nutrition products are for instance calcium supplements, skin and coat care, joint care, or hairball remedy. NOURSE (China), RedDog (USA) and IN-PLUS (USA) are by far the most purchased brands, with the former two having a penetration grade of around 50%. Of course, (proven or expected) health care functionality is the main purchasing factor.

2.4 Most famous Chinese brands in pet food

The history of the Chinese brands in pet foods is for all brands, except Wanpy, less than 20 years. The figure below shows the timeline of the development of Chinese brands. Wanpy is the pioneer, starting its business in 1998. After years of foreign study in the Nordic countries, NatureBridge was founded. In the years after, companies like Myfoodie, Navarch and PureNatural came to the pet scene. Only relatively recently CrazyDoggy started but made it already to China's most famous brands.

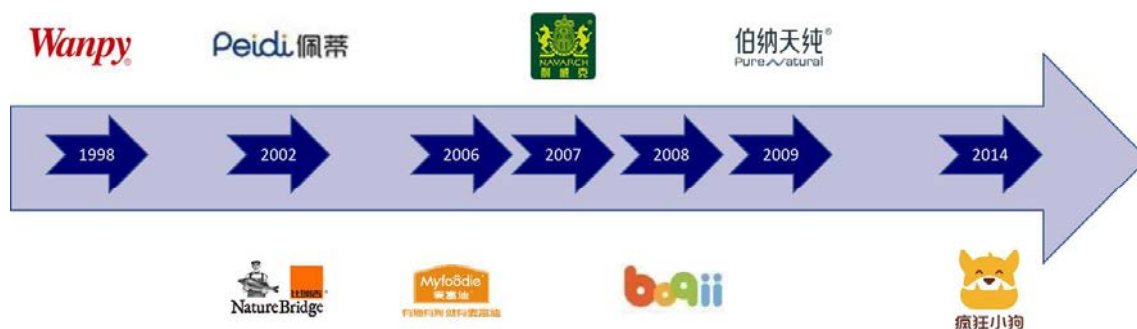


Figure 13: Timeline of foundation year of some of China's most known domestic brands in pet food.

The pet food market is scattered, and though the above-mentioned Chinese brands are famous, their market share is a single digit. With the market still growing, adding new brands and companies all the time, their relative share is also on decline. Exception are the domestic brands CrazyDoggy and PureNatural who grew in 5 years from almost nothing to a market share of 2%; and the domestic brands Myfoodie and Naughty Family who managed to gain a few tenths of a percent every year. In total the 8 depicted brands have little more than 20% market share.

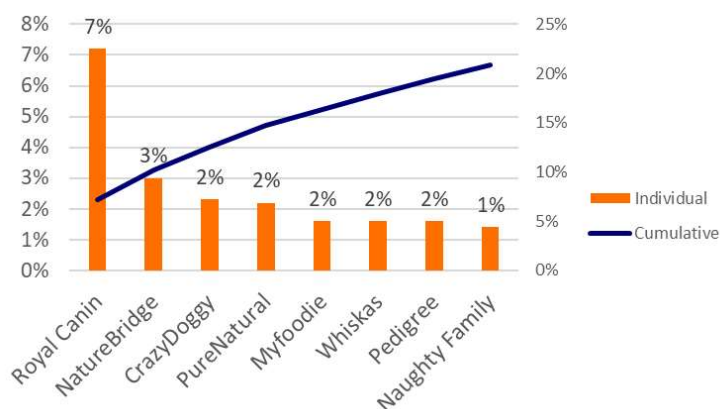


Figure 14: Top 8 domestic pet food brands and their market share

3. MARKET FOR PET MEDICAL CARE

Take-aways

- ✦ Total expenditure on pet medical care was in 2020 RMB 53 million, an increase of 55% y-o-y.
- ✦ Health status of pets is worsening. One in two pets has health issues.
- ✦ The pet veterinary clinics are a flourishing business. Not only for pet medical services, but also as they are active in non-medical merchandise and services.
- ✦ (Rabbies) Vaccine penetration is low. There is no central law enforcing pet vaccinations, though individual cities might have obligations for it.

The market for pet medical care has substantially risen in the past years. The expenditure of owners on pet health care grew from 38 billion RMB in 2019 to 53 billion RMB in 2020, an increase of 55%. It has to do with a worsening health condition of pets of which mainly (owners of) pet veterinary clinics profited. Their market increased with 65% to RMB 34 million in 2020, while expenditure on vaccines and anti-parasitic drugs only increased 9% to RMB 20 million in 2020.

Health status of pets

The health condition of dogs in China is on decline. In 2020, more than half of the dogs (54%) had one or more health problems, which was 3% more than in 2019. Obesity, mostly among older dogs, and gastro-intestinal and urinary system problems are on the rise among dogs. Due to the increase of obesity in dogs, dog owners are paying more attention to joint care nutritional products, of which the sales increased to one in two owners buying it. Assuming movement of dogs in Tier 1 cities is more limited, relatively more owners in these cities prefer joint care nutrition products in relation to obesity.

In cats, health condition is also on a decline. Absolutely they are considered still healthier than dogs (49% of cats suffered health problems in 2020), but relatively the decline is much bigger.

Urinary system problems and related renal problems are in cats substantially on the rise.

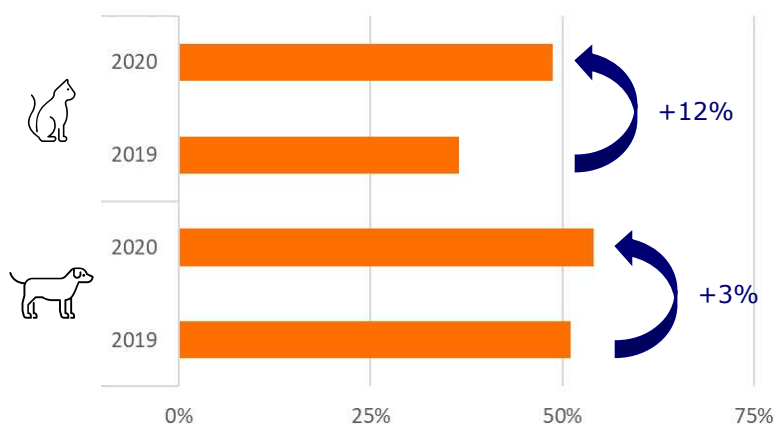


Figure 15: Percentage of dog and cat owners indicating that their pet has health issues

3.1 Pet veterinary clinics

The most important reasons why pet owners go visit veterinarians in pet clinics is for illness and medical treatment of their pet (84%), to administer vaccinations to the pet (79.2%), and for sterilisation or castration of their pet (66%). The choice for one clinic or another is mainly based on the perceived available advanced medical technology (70%), whether the clinic is close to home (56%) or that the clinic charges transparently and reasonable (50%). Especially older generations (pre-90s) have a strong believe in technology and value the perceived professionalism

of the clinic and its veterinarians. For Tier 1 pet owners, 'close to home' is a relatively decisive argument in the choice of the clinic, probably due to frequent traffic congestions in these cities.

At present, pet clinics are mainly private, their quality and level of service varying a lot amongst each other. That is also why pet owners assess clinics on what they think is advanced technology and what they think is a reasonable charge. No guidelines and benchmarks are available.

Pet veterinary clinics have next to pure medical services as mentioned above, many other services. They also sell pet foods, and provide services like grooming, bathing and boarding. They are all a substantial part of a clinic's income. It is estimated that 50% of the total B2C market size runs through pet veterinary clinics (personal communication).

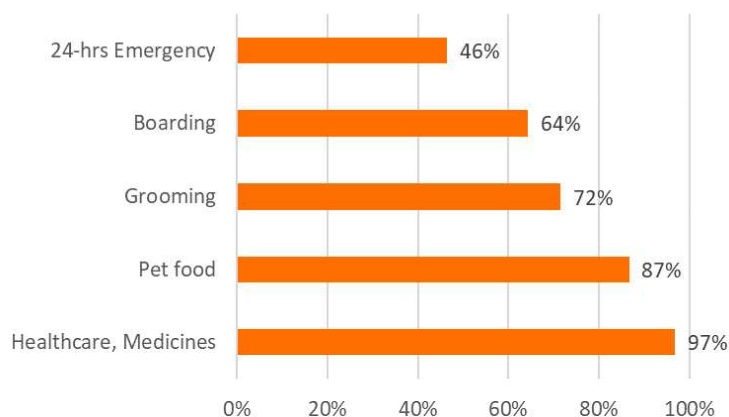


Figure 16: Service share for pet veterinary clinics.

Pet veterinary clinics are a flourishing business, and with the development and expansion of large pet medical groups, the pet clinic market is fortunately evolving to more professionalism. Well-known pet clinic brands are: Ruipeng pet hospital (瑞鹏宠物医院), Puppy Town Animal Hospital (芭比堂动物医院), Ringpai pet hospital (瑞派宠物医院), Vet Anan (安安宠医) and Meilianzhonghe Veterinary Hospital (美联众合动物医院). Ringpai belongs to Ruipu, a leading veterinary medicine producer; Ruipeng is owner of Puppy Town and is an angel investor in Meilianzhonghe; A Yantai-based pet food company (Wanpy) is in its turn a minority investor in Meilianzhonghe, showing that clinics are connected to and have more services than healthcare and medicines / vaccines only.

3.2 Vaccines

Rabies vaccine penetration is relatively low: around 50% for either dogs or cats. It means that one in two dogs is not vaccinated posing a risk for human health. If dogs are vaccinated, most owners still prefer a foreign brand (46%) though domestic brands are gaining momentum. Around one in three owners (37%) is nowadays willing to try a domestic brand. The distrust for domestic brands, lacking competitive advantage in product effectiveness, is slowly decreasing. In veterinary clinics, 53% of the veterinary medicines administered or prescribed were of domestic origin, like China Animal Husbandry Co. Ltd, Dachang, and joint ventures like Meili Omni-Honesty (Boehringer Ingelheim and Beijing KangMu Omni-Honesty Animal Health Products Co. Ltd.). The most important foreign brands in the China pet health market are Boehringer Ingelheim, Zoetis, Bayer Healthcare, MSD Animal Health (Merck) and Virbac, accounting for 40% of the foreign brands.

Vaccinations are mostly done at a fixed time every year (67%). Undesirably, one in five owners only vaccinated their pet in the beginning when they got it, and don't repeat vaccinations while global advises and regulations on rabies vaccinations vary between once every year and once every three years. Especially younger generations are insufficient aware of the need to repeat rabies vaccination.

There is unfortunately no central law in China for rabies vaccination to enforce vaccination and create awareness for it. There are however regulations in various provinces and localities. In Beijing there is the "Beijing Dog Management Regulations". It states that *breeders* have to vaccinate the dogs against canine rabies. Fees are RMB 1,000 per animal. The animal epidemic prevention supervision agency will issue an immunization certificate. If dogs are wounded and are suspected of having rabies, the dog breeder needs to send the dog to a detention facility and the same animal epidemic prevention supervision agency will conduct quarantine. If the dog is confirmed to have rabies, the agency will euthanise the dog. Shanghai has more enforcing regulations than Beijing. Before you as *owner* of a dog can register the dog with the police, you need to get them chipped and vaccinated for rabies. This must be done at a government approved pet hospital. There are 22 of these in Shanghai.

3.3 Prescribed foods

When dogs and cats grow older, they start to have a variety of health problems which can be handled with prescribed foods. They are mainly sold through veterinary clinics (54%) or through official online stores (34%). Most common conditions for which prescribed food is purchased are renal disease, urinary tract problems, and diabetes. A quarter of the older dogs (over 8 years) and more than a third of the cats over 10 years are fed with prescribed food, but most cats don't get that old (see Figure 3). Prescribed pet food is not commonly known by domestic pet owners, compared to foreign markets, but the foreign brand Royal Canin is the biggest in the market.

4. MARKET FOR PET CONSUMER GOODS (SUPPLIES)

Take-aways

- ✦ *Total expenditure on supplies was in 2020 RMB 28 billion, a 19% y-o-y increase.*
- ✦ *Safety is key when buying supplies. First and foremost, it may not harm the pet its health.*
- ✦ *Next to well-known supplies like shampoos, toys, litter or bedding, are smart supplies an upcoming feature. More than 40% of the owners have once bought one.*

4.1 Normal supplies

The total amount spent on pet supplies was in 2020 RMB 28 billion, an increase of 19% y-o-y.

Dog owners prioritised on shampoos, toys and bedding. Especially younger people (post-95s) like to spoil their dog with toys. Not remarkably, dog owners also frequently buy leashes, the more as walking the dog on the leash is an obligation in for instance Beijing and Shanghai. To camouflage the smell a dog leaves in the house, disinfectants and deodorants are popular supplies too.

Cat owners prioritised on (of course) litter, toys and scratching poles. Cat litter types bought are mostly tofu-based instead of bentonite. Loyalty to a certain brand is, probably due to satisfactory results with a brand, relatively high. Surprisingly cat owners also spend substantial money on shampoos and hair conditioners. In principal, cats don't need to be washed, not to mention the fact that cats hate water. Only bathing of older cats is sometimes a good idea, if washing itself is no longer going so well. This will prevent the cat from getting hairballs. Long-haired cats sometimes need some human help too, but more for removing loose hair and not really for the cleaning itself. Cats therefore only need to be showered or bathed in few very select cases.

Purchasing factors

When buying pet shampoos and hair conditioners, pet owners are very considerate about whether the ingredients are mild and whether the cleaning and disinfection ability is sufficient (thorough,

removing potential germs). For toys the safety of the product is priority, next to the functions of the products like teeth cleaning, and weather it is durable.

Brands

In supplies there is no specific switch to domestic brands as observed in pet food and pet health care products. Many owners are indifferent for the source of the supplies (for toys up to two third of the owners don't have preference for domestic or imported brands).

For shampoos and for dog collars or leashes there are outstanding brands compared to the rest: Xuediao and Lion (from Japan) for shampoos plus conditioners and the well-known Flexi retractable leashes (from Germany).

4.2 Smart supplies

It is said that smart supplies are in the market to rescue the lazy - ignorant - pet owner. Cameras, health monitoring devices, and intelligent water or feed dispensers are just a few examples of smart supplies. More than 40% of the owners have once bought a smart supply. Drivers are, however, rather the interest in the development of the technology itself combined with being able to buy it due to increasing income than surrendering their own - lazy - behaviour. Product functions and stability are therefore key. Especially pet owners in Tier 1 cities roam the two major internet shops (Tmall/Taobao and JD) for smart supplies. Petkit (小佩) and Xiaomi (MiJia 米家) are well-known suppliers for intelligent water and feed dispensers.

Some very new developments are pet wearables, including GPS trackers, smart dog collars, and devices to monitor the pet's health. For instance, a cork-sized device can be attached to the collar of the dog and tracks the dog's whereabouts through GPS. An embedded SIM communicates with the phone of the owner. The app that goes with the device can locate the dog. The owner can define a virtual fence on the map so that the owner receives an alarm when the dog passes the fence. Some collars have, next to a GPS tracker, tiny built-in speakers so the owner can talk to their dog from anywhere; or motion monitoring and temperature sensing. According to data from Global Market Insights, the pet wearable device market is expected to grow at annual growth rates of over 20% the coming 5 years.

5. MARKET FOR PET SERVICES

Take-aways

- ✦ *Total expenditure on pet services was in 2020 RMB 12 billion, down 24% compared to 2019.*
- ✦ *Bathing, grooming and pet training expenditure by owners were in the lift, while pet boarding declined. The latter most reasonably due the Covid-pandemic.*

5.1 Bathing and grooming

The total amount spent on bathing and grooming was in 2020 RMB 8 billion and on decline compared to 2019. The pandemic could have well played its role in it, as people we're not outgoing in 2020, if shops were not closed. This can be seen as well in data that in 2020 increasingly more owners groomed and bathed their pet at home (47%) instead of in a pet store (42%).

5.2 Pet training

Pet owner's awareness towards pet training has considerable increased from 2019 to 2020. In 2019 one-third of the owners believed training was necessary, while in 2020 this share grew to

half of the owners. The shift is mainly from owners who were not sure in 2019 but thought in 2020 it was needed, as behaviour correction is also the most frequent given reason for training (55%) next to basic behaviour training (42%).

Most applied methods for training are boarding training (42%), group class (34%) or private at-home training (24%). Especially the Tier 1 city, young, hard-working, 9-9-6 pet owners prefer boarding training, probably while it's a time efficient solution for them. The share of pet owners who don't see advantage in training or don't need it is steady: around one-fifth of the owners.

Surprisingly, almost 10% of the pet owners think it is not necessary to pay for training services. Especially post-95s have this opinion (25%). Given the fact that they are mostly young, with lower incomes, it might be a wishful answer, saving costs.

5.3 Pet boarding

Boarding of pets is necessary when owners need to leave home to go on a business trip (mostly young people, post-95s), or like to leave home for multiple-days holidays (mostly older people, pre-80s). The frequency was low though in 2020. Half of the owners only boarded their pet in 2020 once; one-third two or three times, and; one-in-ten up to 10 times a year. If doing so, there is a tendency to more professional boarding. In 2019 family and friends were the most frequent ways to leave the pet when travelling. In 2020 professional boarding by pet stores and boarding centres has grown, though family members are still important. Boarding needs to be clean and comfortable and provide professional service. Satisfaction with professional boarding is modest, only 59% is really satisfied, leaving 41% moderately or not satisfied. They are (very) critical on professionalism of the service level and perceive that there are too many pets in the boarding organisation with a likely consequence of no good care for their own pet.

Boarding is frequently just for one day to maximum seven days (69%), which is logical as most is for business trips. Boarding for eight to fifteen days is mostly done by post-80s which is consistent with their reason to board their pet for holidays.



Chapter 3: Sales channels

Take-aways

- 🐾 The majority of the pet food and supplies market goes through online sales channels, 55% to 60%. A minority goes through traditional channels as pet shops or supermarkets.
- 🐾 Almost all pet owners used online channels one or several times to buy their goods. More than 80% of owners for pet food and even more than 95% for pet supplies.
- 🐾 Next to the traditional platforms Alibaba (TMall/Taobao) and JD, a variety of non-traditional platforms are emerging in the pet retail, e.g Meituan.
- 🐾 Online platforms are target driven and sales data presented reflect often recycled revenues.
- 🐾 Offline and online get more and more intertwined in O2O en Omnichannel services

Pet owners in China are among the most experienced digitalization buyers in the world. The vast majority of the owners buy pet products online, either food or supplies or both. A substantial share of them turn to cross-border e-commerce platforms to find premium and high-quality imports that are not yet widely available offline in China. Data on the size of the online purchase channel vary. Online news referring to the market research firm Frost & Sullivan report that almost 90% of the pet owners purchase online. The Chinese Pet Industry White Paper (2020) reports that 82% has bought pet foods online and a staggering 96% pet supplies. These two references refer to pet owners who bought once or more online. It does not reflect volumes. Next to that, the Chinese Pet Industry White Paper only includes Tier 1 to Tier 4 city pet owners, and the data do not reflect pet owners in more rural areas far away from upscale pet shops. Changjiang Securities research gives more insights on sale volumes and values and reports 55% of the sales to happen online. The industry itself estimates 40% sales value online and 60% offline for 2020, with highest online sale values in the supplies, and lowest in vaccines, medications, and anti-parasites (private discussion).

1. OFFLINE

1.1 Pet stores

It is estimated that, before the pandemic broke out, there were about 80,000 to 100,000 pet stores. Due to the economic downturn in Covid times, the number of shops has fallen to 60,000, with two third of them in second-tier cities and above, of which 70% being licensed under a chain brand.

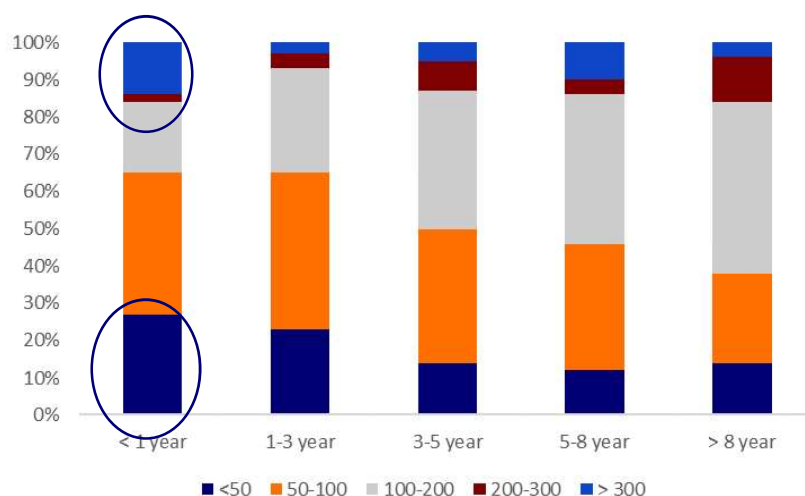


Figure 17: Scale of pet stores (square meters) in relation to years of existence.

Most of the shops belong to the mid-size market segment, being individual owned stores of 50 to 100 square meter. However, the newly established pet shops of the past year were either ultra-small stores under 50 square meters or large outlets over 300 square meters. The ones under 50 sqm are often near communities and have the residents in e.g. a radius of 500 to 1,000 meter as their purchasers. Its depending on the community (older or younger people, inner or outer city) what their experiences are. We interviewed a few to grasp a variety of impressions.

It is estimated that 35% to 40% of the sales of offline stores runs through the SaaS platform, a cloud-based IT systems for e.g. finance, order and inventory management. Customers subscribe to the product through a 3rd party provider for a monthly payment. It is a more applied order system for the franchised pet store business. For most single-store brands it is difficult to bear all development costs and operation and maintenance costs on their own. Therefore, 60% to 65% of the pet shops still purchase through an agent or distributor and are assigned to conventional people-to-people sales and information supply. However, there is a risk they run behind in chain management and flexibility in the rapid growing digitalisation China is going through.

Location: Jing Wang community, 1.27 km², 12,000 residents
Total number of pet shop in community: 4

Interview: JingJing pet shop

The shop owner operates the pet shop for more than 12 years already. First, it was in a big market, but that has shut down years ago. Now he rents this location.

The customer base is mostly 50-60 years old, stable base, but income can hardly cover the rent. He receives some young customers (20-30 years old), but most of this generation prefers ordering pet food and services online rather than coming to his shop. Nowadays, canned food and snacks sell the most. In the past dry foods were selling good, but it is not a popular product in small stores anymore.

He believes that pet grooming is a new trend and might increase his income. Also, as grooming customers might buy pet food at the same time. He followed courses at professional institutes and in 2021 he set up space in the shop for it. Other trends the owner is observing: (i) Pet owners tend to have smaller dogs. It probably needs less walking, and Beijing's regulations are not friendly for bigger dogs. (ii) Pet owners tend to buy domestic brands as consumers have concerns on quality and safety of imported products (due to Covid?), and as consumers become more cautious on their expenses. Domestic pet food is more cost-effective.

The owner is not very optimistic about the nearby future of the petfood market. The economy had a downturn and still needs to recover. The owner is waiting for this and will not close his pet shop yet.

A lot of noise has gone around on a new project Xinruipeng started (a new formed group by Ruipeng) focussing on creating prosperity for a million conventional pet shops in 100 cities. They want to help the offline pet retail industry and empower their growth strategy by (amongst others) providing professional pet health knowledge, support in marketing publicity, assist in the development of 3rd party online business, and improve their digital capabilities to connect them to ... the SaaS platform. In short, it can also be concluded that the project focusses on creating a new brand chain with the current conventional stores as franchiser.

2. ONLINE PLATFORMS

It is not easy to get actual insight in the size and structure of the online market. Platforms in the market only present their own individual data, and then only to some extent. In this report,

insights in the online sales market of pet food, treats, snacks, supplies, and services are merely given on the base of private conversations.

2.1 Platforms

The top online platforms are in alphabetical order: Alibaba (TMall/Taobao), Boqi, Douyin (outside China known as Tiktok), JD, Kuaishou, Meituan and Pinduoduo (PDD). All, except Boqi, are horizontal platforms, i.e. they sell several commodities including pet related. Boqi is a vertical platform only selling pet related items. Most of these platforms have far from originally any business with the pet industry. E.g. Duoyin and Kuaishou were short video platforms and not involved in online sales. PDD and Meituan were active in online sales of human food. Especially these have entered the online pet industry only recently, Meituan in 2019, PDD in 2020, Douyin in 2021. Their sales volumes, are rather their sales targets, are in millions and are far behind the 2 biggest ones: Alibaba has a target of RMB 250 to 300 billion, JD of RMB 8.5 to 9 billion. Though Meituan (RMB 2 billion) is catching up.

2.2 Type of shops

Direct sales mode (product owner is supplier to a platform)

In a direct sales model, trademark brands and official distributors sell inventory to the platform. The platform is than owner of the products and will sell it for the supplier. The supplier makes use of the infrastructure and service of the platform and enjoys the benefits of a platform's brand name and brand recognition. The platform takes a fixed percentage of the agreed online sales prices to cover for costs of product storage, the platform's salespersons, and the shipping costs of the product to the consumer. These fees run in to 20 to 30%. The supplier is taken care of but pays a price for it. In JD this model is for instance known as JDziying (JD 自营, 京东自营). In Tmall as Tianmao chaoshi (天猫超市).



Figure 18: Direct sales mode in online platform sales

Flagship stores mode

In flagship stores the company (or the agent hired by the company) takes care of everything themselves. It is possible to make use of a platform's services like warehousing, but it needs to be contracted. As expected, fees are substantially lower and single digit. In Tmall and JD this model is known as qijiandian (旗舰店).

2.3 Sales volumes, brands and buyer profiles

The online sales of pet related items is shifting towards a higher share for cats (54%) than for dogs (46%), which is in line with the increasing numbers of cats over the past years.

Pet food accounts for nearly 60% of all the sales. The number of online dog and cat food brands is over 37,000. Among them, the sales of the top 20 brands accounted in 2020 for nearly 40%, leaving thousands of brands with relatively marginal sales. On Tmall, Myfoodie is in the lead for online sales of petfood, followed by Royal Canin (brand of Mars), Keres, NOURSE, Orijen (Canada), GO (Canadian), CrazyDoggy, Acana (Canada), PureNatural, and Proplan (brand of Purina). As can be concluded from this ranking, owners prefer domestic brands. According to data of CBN, this is not a trend of the past 1 to 2 years due to the pandemic, but a steady situation.

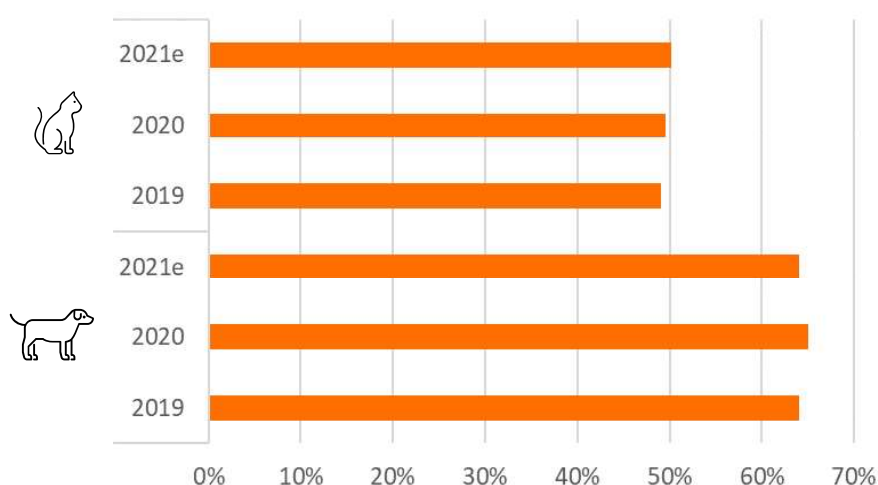


Figure 19: Preference of online shopping dog and cat owners for domestic* brands (* = including the 'foreign brands' with domestic production plants).

Young females in Tier 2 cities are in the lead when it comes to online pet food consumption: (i) 68% of the online dog food consumption is bought by women, and for cat even 72%; (ii) almost half of the online shopping dog owners live in Tier 2 cities, and cat owners more than one-third (these data include also 4th tier cities and below), and; (iii) online shopping dog owners are post-90s, while cat owners are even post-95s.

3. WECHAT

Besides the online platforms, a whole individual sales channel through WeChat is emerging. WeChat has a merchant channel (WeiDian), but it needs to be installed separately, and not many users do.

The sales on WeChat mostly goes through groups or individual connections. In the group or on the individual's Moments, the products are posted and through the individual friend connection an order can be given, and money can be transferred. Such an individual will often purchase the products somewhere else. There is also a trend that KOLs step into own branded pet food sales

and create their own WeChat group. They might order OEM and apply their own label to the food, and advertise it among their followers (on e.g. WeChat channels). Orders go through the group. It is the leverage of "volume" that individuals and KOLS can make a margin through this sales channel.

4. ONLINE AND OFFLINE INTEGRATION (O2O)

To capture the growth of the online market and hold-on to the offline market, manufacturers of e.g. pet food and supplies apply a combination of both sales channels. For instance, the manufacturer cooperates with pet stores and pet clinics for offline sales. Only big – top 10 - manufacturers are able to contract directly with big supermarkets like Wal-mart, Auchan etc for offline sales. But the same manufacturer also sells the product himself directly online in Tmall or JD stores. Also, offline small stores buy in bulk their supplies online to cut the middleman and reduce purchase costs. Some of the online platforms therefore strategically work directly together with the offline stores. And, the large online platforms are eyeing the offline market themselves and start their own offline pet store chains.

Through these O2O developments, revenues in the pet sector might be overestimated. Especially pet stores purchasing online and selling offline has the risk that both the online platform and the offline store revenues are totalled in the industry's consumption rate.

Singles' day sales (11.11)

On last year's Alibaba's singles' Day shopping festival, the world's biggest shopping gala held on November 11, Chinese pet owners bought over 14,000 tons of cat food and 18,000 tons of dog food. Of all things that can be purchased online, cat food was the top-selling imported product, even surpassing imported milk powder for infants. Other pet-related commodities and services are also among the best-seller list. However, it is no secret in China that the sales data of platforms are partly targets to satisfy shareholders, and there are structures in place to achieve these targets. Up to 30% of the sales of some products are recycled back to the platform.



Chapter 4: Other developments in the industry

1. ONLINE HEALTH CARE

In the incredible online developments in China, online health care for pets cannot stay behind. JD for instance cooperates with Ringpai in online veterinary advice. JD has set up a scheme to train and certify the veterinarians of Ringpai (and of some other clinics). Over 4,000 veterinarians have been certified to participate in the online advice system so far. They diagnose through video connection with the owner and its pet. The certified veterinarian can subscribe Over-The-Counter (OTC) medication, but also non-OTC medication. With the recipe the owner can go to a physical pet clinic to get it. Recently, JD has obtained a license to sell non-OTC themselves. The owner can get everything at once in a few simple clicks.

There is still some anxiety about this way of diagnosing, though the acceptance is increasing. In 2020 nearly 40% of the owners thought that online diagnosis is somehow acceptable, varying from fully to fairly. More than 20% thinks it is fairly to not acceptable. Younger generations (post-90s) are more favourable towards online diagnosis. Pre-80s, on the other hand, are relatively more likely to find that the diagnosis is unacceptable.

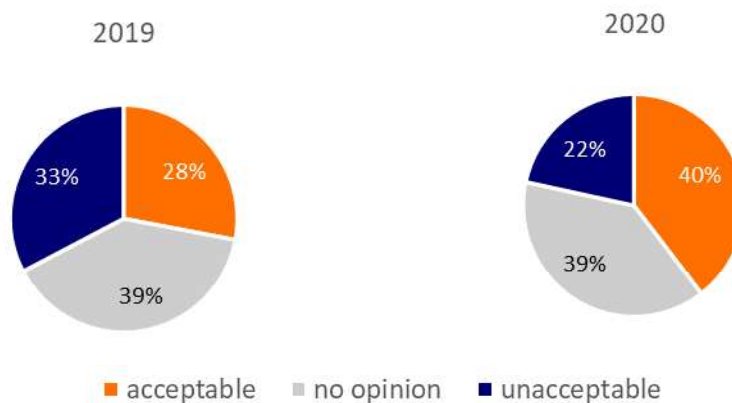


Figure 20: Acceptance of online diagnosis

2. PET WELFARE

2.1 Civilised pet keeping

China's record on animal welfare has come under greater (social) scrutiny in the past years, leading to tightening regulations by the Chinese government. A game changer was last April 2021, when MARA reclassified dogs as companion animals rather than livestock. At the same moment, or as a successive action, care dogs are allowed to join people in public transport.

Acceptance of pets as a life companion is growing in Chinese society. Nearly 80% of non-pet keeping people have a positive attitude towards pets. Three quarter of them (75%) have a willingness to keep pets by themselves in the future. On the other hand, still one fifth does not approve or like pets. They are afraid that pets have germs which might be harmful to their family's health. Another factor is more considerate: they think pet-keeping requires a lot of time and energy they don't have.

For pet owners, civilised pet keeping (as perceived by others, owners or non-owners) is sometimes still a struggle. One in five people often witness uncivilised pet-keeping behaviour like urinating and defecating in public areas without cleaning it, walking dog without a leash while this is an obligation in Beijing and Shanghai, unwanted running or approaching of the pet to other people,

and barking. This is all annoying behaviour, not seriously harming pets or owners. More serious is the observation that one in three sees pet abuse, indicating that there is still a way to go for pets in Chinese society. However, almost all people support the promulgation of an anti-animal cruelty laws (95%).

Pet blind boxes

Though animal and pet welfare are a greater concern for most people, there are still excesses. The "blind box" phenomenon - in which consumers can buy unlabelled packages containing random novelty gifts from retailers - has become popular in China. They have also been used to trade and deliver smaller animals like tortoises, hamsters and spiders. Lately the practice of delivering puppies and kittens via "blind boxes" has emerged, only for the fun of the buyers.

Mailing any kind of live animal is a violation of China's animal safety and disease control regulations, which have been strengthened after COVID-19. In a news breaking incident in May 2021, 160 young animals were disguised as regular express deliveries by local merchants selling pets online. Luckily, they were not shipped yet and animal welfare volunteers intervened, though they were not able to save the lives of all animals.

2.2 Pets and public areas

With the growing pet numbers in China, and owners taking care of their pet as a child, commerce has evolved around this recently. As of February 2021, Starbucks has more than 110 pet-friendly stores in more than 30 cities. Brands such as Pizza Hut has also launched pet-friendly restaurants and even developed new special pet edible products.

2.3 Stray animals

According to data from the World Health Organisation China has 40 million stray dogs – 20% of the global total – nearing the number of household dogs in Tier 1 to Tier 4 cities (52 million). Urban strays are rarely sterilised, and their number is therefore difficult to curb. It was estimated that in 2017 there were over 200,000 stray cats in Beijing alone, and even more stray dogs.

As the pet market in China continues to grow, so does the population of strays. Though pet abandonment is increasingly considered inappropriate by the younger generation who treat pets like living beings with feelings and needs, it is still a growing problem by volume by owners who have pets as fashion statement or treat pets like a commodity. If owners do not simply dump their pet, pets are (luckily) abandoned at pet stores or pet clinics. Subsequently, many of the stores and clinics now charge high deposits to discourage owners from not picking up their pets after grooming or boarding.

In relation to the ever-increasing stray pet numbers, it is not surprising that around 85% of the enquired people indicate they see stray animals around them. If they come across them, a quarter of them will feed them. Near a fifth of them will call a shelter for help and near one in ten will take them home or to a friend's home.



Chapter 5: Regulations and governance

Take-aways:

- 🐾 *Pet food companies wanting to export their goods to China need to register their manufacturing plant and their pet food at GACC respectively MARA.*
- 🐾 *Products produced after September 1, 2019, should have Chinese labels meeting the requirements of the "Pet Feed Labelling Regulations".*
- 🐾 *Products should be tested on contaminants and not exceed certain limits according to the requirements of the "Pet Feed Hygiene Regulations".*

If a pet food company wants to export staple foods or pet snacks and treats to China, there are a series of regulations, laws and registrations required by the Chinese authorities. On the Chinese side the following ministries are involved: General Administration of Customs of China (GACC) and Ministry of Agriculture and Rural Affairs (MARA).

In short, GACC approves a *production facility* from an overseas company to export products manufactured in this facility to China. The access process is a bilateral matter between Chinese and Dutch competent authorities, i.e. ministries and embassies supplemented by input of branch organisations and the companies involved. After successful registration of the manufacturer, GACC issues a registration for 5 years, which needs to be extended a half year in advance before expiry. The following Dutch companies are registered for export to China:

- Hill's Pet Nutrition Manufacturing BV
- AFB International
- Beaphar B.V.
- Van Dijck B.V.
- Schaffelaarbos B.V.
- Partner in Pet Food NL B.V.
- Animal Lovers B.V.
- OK Nutripet B.V.
- Paragon Pet Products Europe B.V.
- United Petfood Nederland B.V.
- Jonker Petfood B.V.
- Witte molen B.V.

MARA approves the *product* to be imported into China and to be sold and used in China. The registration process cannot be done directly by the overseas manufacturer itself but needs to be done by an agency or an office of the foreign enterprise in China. As of December 1, 2021, the process will be fully electronic, and it is no longer needed to submit paper application forms. It is not clear yet if original signatures are still needed or that the agency can electronically sign for the application. If the application is successful, the import registration certificate will be distributed as a paper certificate. It has a validity of 5 years and needs to be extended at least 6 months in advance, handing in the original certificate to be replaced by MARA with a new paper certificate. Over the past years, the number of pet food registrations is increasing from 64 in 2013, to a record high of 704 in 2020, but that number was partly due to overdue work of 2019. In the first eleven months of that year countries like Germany (44), New Zealand (39) and Canada (37) were leading in number of registrations. In 2020 Canada (122), New Zealand (104), Belgium (66), Italy (59) and Germany (58) were leading. The Netherlands only got 8 certificates approved in 2020 (figure 21). According to MARA her data on the first half of 2021 (January to June), a total of 202 pet food imports were approved, of which 102 were cat food and 97 were dog food.

The product which will be imported into China, should be packaged and attached with Chinese labels that meet the requirements of the "Pet Feed Labelling Regulations". Furthermore, the hygiene indicators of the product should meet the requirements of the "Pet Feed Hygiene Regulations". In 2018 the latest issue of the regulations was released by the Ministry of Agriculture and Rural Affairs (MARA).

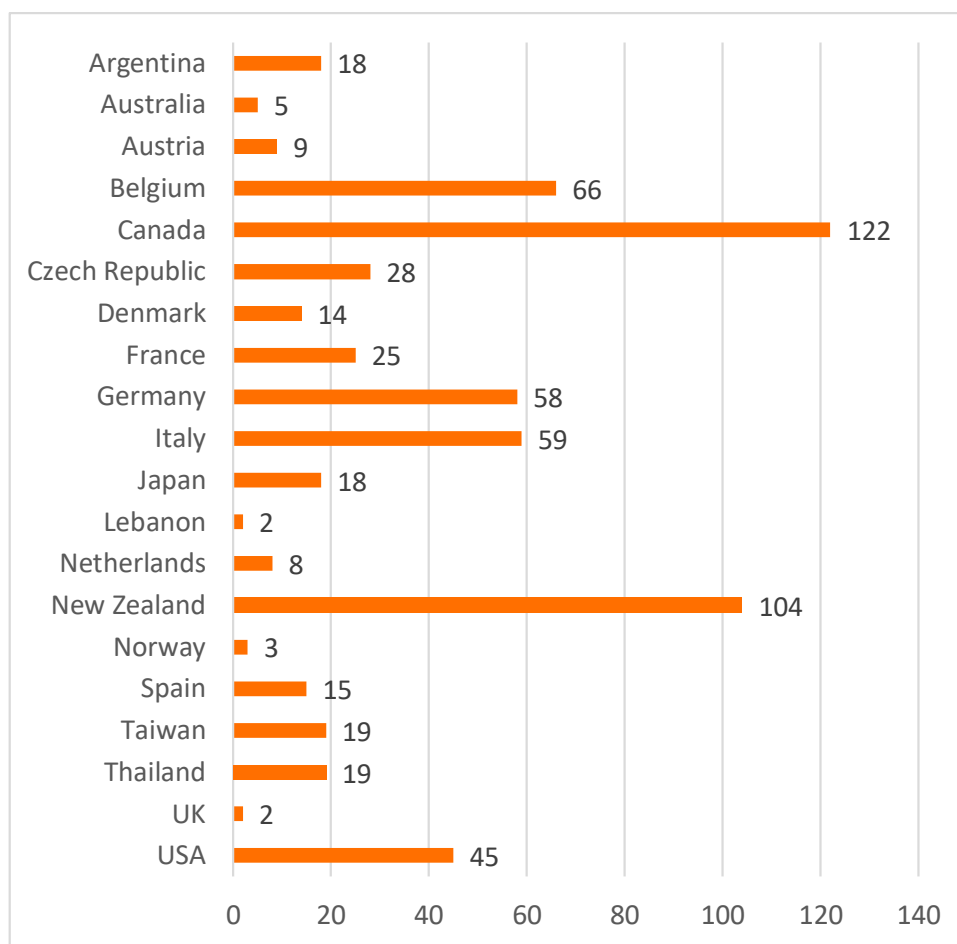


Figure 21: Number of pet food registrations at MARA in period January to November 2020.

1. PET FEED LABELING REGULATIONS

Domestic and imported pet feed (or pet food) products manufactured after September 1, 2019 shall comply with the requirements of the Pet Feed Labelling Regulations, which had a transition period of half a year (no later than March 1, 2020). Before this date, the dog food standard GB/T 31216-2014 and the cat food standard GB/T 31217-2014 were applicable, allowing for more freedom on labeling, which until now still leads to imperfections in the labeling because people sometimes still work with old definitions and names. Some important articles in the newest labeling regulation are:

- Article 4 stipulates that according to the declaration of conformity the name of a pet feed product shall be marked in a prominent place as “本产品符合宠物饲料卫生规定” (“this product complies with the pet feed hygiene regulations”). Any other likewise phrases are not allowed.
- Article 5 sets out the common name or the classification of pet feed (food): pet staple food is “pet compound feed”, nutrition products are “pet additive premix feed” and pet treats and snacks are “other pet feed”. The common names cannot include a raw material like ‘natural herbs’, cannot refer to an applicable stage of life, or cannot be preceded by the trade name.
- Article 6 specifies that the composition of raw materials consists of (i) feed raw materials known as “raw material composition”, and (ii) feed additives known as “additive composition”. The composition needs to be mentioned in descending order by amount. The specific names used for the raw materials are based on the Feed Ingredients Catalogue; for additives on the Feed Additives Catalogue. Both are published by MARA in Chinese. The names need to be followed exactly. For instance, ‘salt’ instead of ‘sodium chloride’ is not allowed.
- Article 8 instructs that the analysis of ingredients shall include at least 9 indicators: crude protein, crude fat, crude fibre, moisture, crude ash, Calcium, Phosphorus, water-soluble

cyanide (Cl-), Lysine (dog food), Taurine (cat food). Confusion sometimes occurs as people assess pet feed as food and take the food nutrition labeling standard as reference, which is however only meant for food consumed by humans. Furthermore, many mistakes are made formats, units and markings.

- Article 20 prohibits the description or promotion of pet feed for the prevention or treatment of pet diseases and making specific provisions on attribute claims and functional claims, or ingredient claims. Companies want of course to highlight the characteristics of their products through the claims on labels, but it is strictly regulated from a scientific perspective and claims should be supported by content such as test reports, relevant literature, etc. Ingredients related to the claim should be explicitly mentioned. Claims like for instance 'antibiotic free' or a claim that it contains 'natural grain' based on synthetic additives are inherently prohibited.

2. PET FEED HYGIENE REGULATIONS

The latest updates from the hygiene regulations are from June 1, 2018. The regulation shows an overview of inorganic contaminants, fungal toxins, natural plant toxins, DDT, PCBs, chloride contaminants and microbial contaminants, their test methods and their limits based on 88% dry matter content.



Chapter 6: SWOT and Market proposition

1. STRONG AND WEAK POINTS OF THE CHINESE MARKET

1.1 Strong

- 😊 The pet market was booming in the past decade. Though growth rates are flattening, the market is still big and will reach *new sales records year-on-year*. Especially the rise of singles choosing to live on their own and looking for pet partners will keep spurring the market.
- 😊 There is *no lack of (Chinese language) data* on the market through which good insights in the total market, its market segments and its customers can be obtained. It supports a manufacturer's product development direction and subsequent marketing activities.
- 😊 China, by the fast size of the country, has quickly adopted the online e-commerce options, and designed it to the last details. Likewise, the pet industry has a *well-developed and large online market for pet food and consumer goods*. China based manufacturers know exactly how it works and can easily reap the benefits of it.
- 😊 Although it was believed that the online market would squeeze out the offline market for a great share, there is a growing integration of both markets (*O2O*), giving diversity to market outlets and purchase channels for pet owners.
- 😊 Next to online pet food e-commerce, China is developing more and more to *online (medical) services* in the pet industry (such as online veterinary advice). Pet owners have an increasing confidence that this type of service is acceptable. It is expected it will evolve quickly. Like in normal Chinese daily live, all can be done by a few clicks on the telephone.

1.2 Weak

- 😞 It was not until recently that *regulations and laws* for pet food production were upgraded. And still there is a lack of industry standards and market norms, giving way for legal gaps and potential fraud in the industry. And that is precisely a trap where the market should not fall into. The consumer is very critical of the quality and safety of ingredients and wants to have a secure feeling about it.
- 😞 The *threshold to enter the pet industry is low* compared to other industries, leading to misconduct and illegal operations. Most of the investors eagerly entering this industry have not received professional training, and quality of the service is every now and then below standard. From medical negligence caused by uncertificated pet hospitals to the illegal transportation operated by unauthorized companies, numerous puppies and kittens have fallen victim to the high profits. The "blind boxes" is just an example of it.
- 😞 While the online e-commerce market supported the growth of the pet industry substantially, there are some risks in it as well. As with more industries, it is believed there is a *substantial bubble in the platform-based sales channels*. Any collapse of it will last a negative image at foreign companies and reduce willingness to step into the market.
- 😞 There is a *lack of science-based knowledge* at pet owner level. Influencers on social media channels like WeChat, Duoyin or Kauishou are easily believed especially among the younger post-90s generations and hear-say turns easily into fact-based information. A KOL promoting

cat shampoo and convincing pet owners to wash their cat is just one of the examples of how easily owners turn such promotion into rules to be applied to their pet.

- ☹️ The *supply chain is not stable enough yet*, or not fully prepared for online sales actions like singles' day yet. Many brands work on base of OEM production and those single factories cannot keep up with the orders during promotion times. As consequence, customers need to wait for their orders, leading to dissatisfaction.

2. OPPORTUNITIES AND THREATS FOR THE DUTCH COMPANIES

2.1 Opportunities

- 😊 The *catconomy* is an important part of the future of the Chinese pet market. The market looks brighter for manufacturers in cat products than in dog products. Though the total market growth in both species is substantial enough to have market opportunities in both dog and cat products.
- 😊 Dry staple foods are the base for pets, concern the biggest volumes, and comprises a huge market. There is still an opportunity for foreign providers in this segment, but competition is fierce. More opportunities are foreseen in the lesser development segments like *snacks (canned food) and nutrition products*. A plus is when a manufacturer can provide a series of products in food, snacks and nutrition. The manufacturer can give confidence to the owner that ingredients and its origin in the different products are tuned and will get the feeling that products are tailored to each other.
- 😊 The pet owner gains more and more attention for *quality of products*. Foreign producers complying with relatively more quality assurance regulations than Chinese producers do, can benefit from this awareness. Marketing of the quality features of a product is there for key, not forgetting to use the right channel for this.
- 😊 There is much information available on the market providing *clear customers profiles* to tailor a company's product to.
- 😊 Other pets than dogs and cats don't get the attention they deserve. There is a growing market of especially *reptiles and rodents*.

2.2 Threats

- ☹️ There is a growing movement with *increasing interest and loyalty for domestic brands*. Perceived risk for covid infections through imported products is one of the reasons. Another reason is a growing nationalistic movement. This occurs also among other industries and is not specific pet related.
- ☹️ The Chinese pet industry can be defined as *rollercoaster market*. Developments follow each other rapidly, and it is necessary to adapt to market changes quickly. Domestic producers are often a step ahead of most foreign exporters. They are close to the market, know the consumer well, and can quickly reply to questions. The latter is also a cultural aspect; Chinese entrepreneurs and consumers want instant response.
- ☹️ *Market access* for Dutch pet foods based on poultry or beef is not granted. As many pet foods are based on either of these ingredients, there is a huge obstacle to reap the opportunities in the market.

3. POTENTIAL BUSINESS PROPOSITIONS OF DUTCH COMPANIES

3.1 Pet food

On base of the information gathered in the report and above SWOT we propose that the best opportunity for Dutch companies in the Chinese pet food industry is in the snacks (canned food) or nutrition products. This is a relatively underdeveloped segment in the market, not grown yet to the proportions and fierce competition the pet staple foods segment is. The *customer value* should lay in the field of quality and safety. Chinese pet owners are very sceptical on these aspects. They want to have a secure feeling on the quality and safety of the ingredients and nutritional value of the product and be sure that what the label mentions can be trusted and is safe for their pet. Deliver what you promise under all circumstances is essential.

The main *customer segment* is the single female post-90s pet owner (up to 30 years old), desperately looking for a pet partner, satisfying her emotional needs and to feel less alone. As dog ownership is more demanding and getting more complex than cat ownership, female post-90s cat owners are the ultimate – narrow defined – customer segment.

Looking at *customer channels*, Chapter 3 showed that online and offline channels are getting more intertwined, and no specific choice should be made. Finding a large distributor who has several brands and selling through the offline channel is an easy (and probably convenient) way to start in the market. However, staying away from the online market is no option, though it will take efforts.

Though we conclude that snacks (canned food) or nutrition products have the best opportunity, doesn't mean that there are no opportunities in the staple (dry) foods. We think however that it will be more difficult.

3.2 Pet medical care

We don't see many opportunities in the fully China-origin pet veterinary clinics market. The same goes for the very saturated pet vaccine market which is dominated by big brands. Knowledge on pet care in general and health care in specific is however lacking, and there is market for knowledge upgrading. The *customer value* should lay in the field of educating the pet owner with scientific-based facts as they are able to find enough opinion-based information online and subsequently cultivating their own beliefs.

All pet owners belong in the *customer segment*, as lack of knowledge is a wide-spread affair, from younger to older generations, irrespective of their education, income, or geographical distribution.

The online *customer channel* prefers and is an excellent opportunity to serve a wide audience across China.

3.3 Pet consumer goods

The market for pet consumer goods is growing and offers opportunities for Dutch companies, all the more because it is less affected by brand preference or domestic versus foreign origin preference. The *customer value* should lay in the field of functionality of the good.

Especially the post-95s like to spoil their pet with pet supplies and are the primary *customer segment*.

As pet owners are increasingly buying goods online, the *customer channel* should focus on online sales with good explanation and references.

Pet wearables are an upcoming market and offers opportunities as well. However, these products need full Chinese language construction, links to Chinese apps and China-based support service, making it less easy to enter for foreign companies.

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Annex 1: Important domestic pet food brands

CrazyDoggy

- Official name: Xuzhou Suchong Pet Supplies Co., Ltd.
- Year of establishment: 2014
- Location: Xuzhou
- Information: CrazyDoggy has become a leading brand in China's petfood market in only 5-year time. In 2020 they won the 2020 China pet industry annual best-selling brand award, a crown on their work and confirmed their position in the market. Their product portfolio ranges from dog food, treats, supplements, entertainment, and health care products, enabling dogs to enjoy a balanced diet and with improved hygiene and lifestyle. Their sales channels vary from online e-commerce platforms to offline pet stores and hospitals, and as such are they an excellent example of adopting the O2O integration. The company should not be confused with Crazy Dog, an America based producer of high quality treats and affordable raw food for dogs with severe allergies to kibble and anything processed.
- Website: www.crazydoggy.cn

Myfoodie

- Official name: Shandong Myfoodie Trading & Development Limited
- Year of establishment: 2013
- Location: Shandong
- Information: Myfoodie is an independent brand of Gambol Pet Group. The latter was founded in 2006 and the first enterprise approved by AQSIQ (former GACC) for export of pet food and treats from a demonstration zone. They have overseas subsidiaries in Miami (October 2013), Tokyo (June 2103) and Rotterdam (May 2014), providing the premium quality products over the world. Being one of the large OEM/private label manufacturers, Gambol developed the trademarked brand Myfoodie. Through cooperation with movies and shows MyFoodie managed to reach out to a large public and established a stable customer base. On July 16, 2021, Gambol Pet Food Group has announced its intention to go public.
- Website: en.gambolpet.com

NatureBridge

- Official name: Shanghai Nature Bridge Pet products Co, Ltd.
- Year of establishment: 2002
- Location: Shanghai
- Information: The roots of the company are in Norway with NORY Pet Co., an establishment by investors from China and Norway. Years of research preceded before "NatureBridge Natural Pet Food" was launched in 2011 and became a premium natural pet food brand in China. R&D is still an important part for the development of their product range in dog and cat food. They co-founded the brand Vigor & Sage with foreign research institutions. Next to this, they are active in education (business school), health care (online veterinary platform) and pet welfare (rescue projects). Dutch companies DSM, AFB International and Jonker Petfood are cooperative partners of NatureBridge.
- (Sub) brands: Vigor & Sage, Kitchen Flavor, NORY
- Websites: www.bpetcare.com

Navarch

- Official name: Navarch Pet Products Co. (Navarch)
- Year of establishment: 2007

- Location: Shanghai
- Information: Navarch owns two modern pet food facilities with capital investment of over 100 million RMB in Shanghai and Jiangsu Province covering about 150,000 square meters. Navarch is also active in USA and Thailand. Their key focus area for nutrition is breed-specific pet food, specifically designed to meet the unique needs of each unique breed. Based on the difference of each breed, their physiological feature, eating habit, nutritional needs and various tastes, Navarch breed-specific offers tailor-made nutrition, tasty and appealing to each pet's taste buds.
- Websites: en.navarch.com.cn, navarch.com.cn

PureNatural

- Official name: Shanghai Enova Pet Products Co. Ltd.
- Year of establishment: 2009
- Location: Shanghai
- (Sub) brands: PurePalate, Maxivet, Vitscan, Dreamwood
- Information: PureNatural stands for grain free pet foods. They aim at the high-end market, at pet families with bigger wallets.
- Website: www.en-purenatural.com

Wanpy

- Official name: Yantai China Pet Foods Co., Ltd.
- Year of establishment: 1998
- Location: Yantai
- (Sub) brands: Truly, Jerky Time, VeggiePet (Vegetarian dog snack), Toptrees, Dr. Hao (medical)
- Information: This brand was a pioneer in the Chinese pet industry and successfully seized as one of the first ones the revenues of the spectacular growth rates in the beginning of the industry's development. In the years following the company has grown to a global brand operator, with product exports to five continents and over 50 countries. The company owns 18 modern high-end production bases globally, 12 of them are in China and 6 of them are abroad. It has a subsidiary in Voorhout, The Netherlands (Wanpy Europe Petfoods bv), providing the original products from China.
- Website: wanpy.com.cn, www.wanpy.eu



Business propositions in the unique Chinese pet industry

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