Animal Health Alliance
SOLUTIONS FOR THE FUTURE

PET OWNERSHIP IN AUSTRALIA 2013

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ISBN: 978-0-9923114-0-7
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1 INTRODUCTION

1.1 Report context

The range of benefits that pets provide their owners is well established. Beyond companionship, enabling social interaction and general health benefits, research into the human-animal bond provides greater insight into the value of companion animals to those in socially isolating environments, suffering poor mental or physical health and as part of specialised educational or therapy programs for any age group.

Pets have become an important part of the everyday lives of the majority of Australians, with many considering them to be members of the family. Pet owners value the animals they choose to share their lives with and prioritise their health and wellbeing. As such, Australia's pet care industry has grown and evolved to offer a wide range of products and services.

Enabling the pet care industry to flourish has been Australia's consistently strong economic performance. Australia has experienced more than 20 years of continued economic growth, averaging 3.5% a year. The economy features low unemployment, contained inflation, very low public debt, and a strong and stable financial system (Central Intelligence Agency, 2013).

Placing this within a broader global context, Australia was virtually alone among advanced economies in avoiding a recession during the global financial crisis and what is often referred to as the 'Great Recession' of 2008-2009 (Barrett, 2011).

This national and global perspective provides the macroeconomic context within which this report has been written.

1.2 Information sources

The Animal Health Alliance of Australia (the Alliance) commissioned Galaxy Research to undertake a survey of pet owners and non-pet owners in Australia (the Australian Pet Ownership Survey). The findings of this survey are used as the primary data source in *Pet Ownership in Australia 2013* (this report).

This survey will be repeated every three years, with the findings published in future editions of this report.

This report is also informed by data and information sourced from internationally recognised research and consulting firms, Australian Government departments, international pet industry bodies, and industry associations and sources.

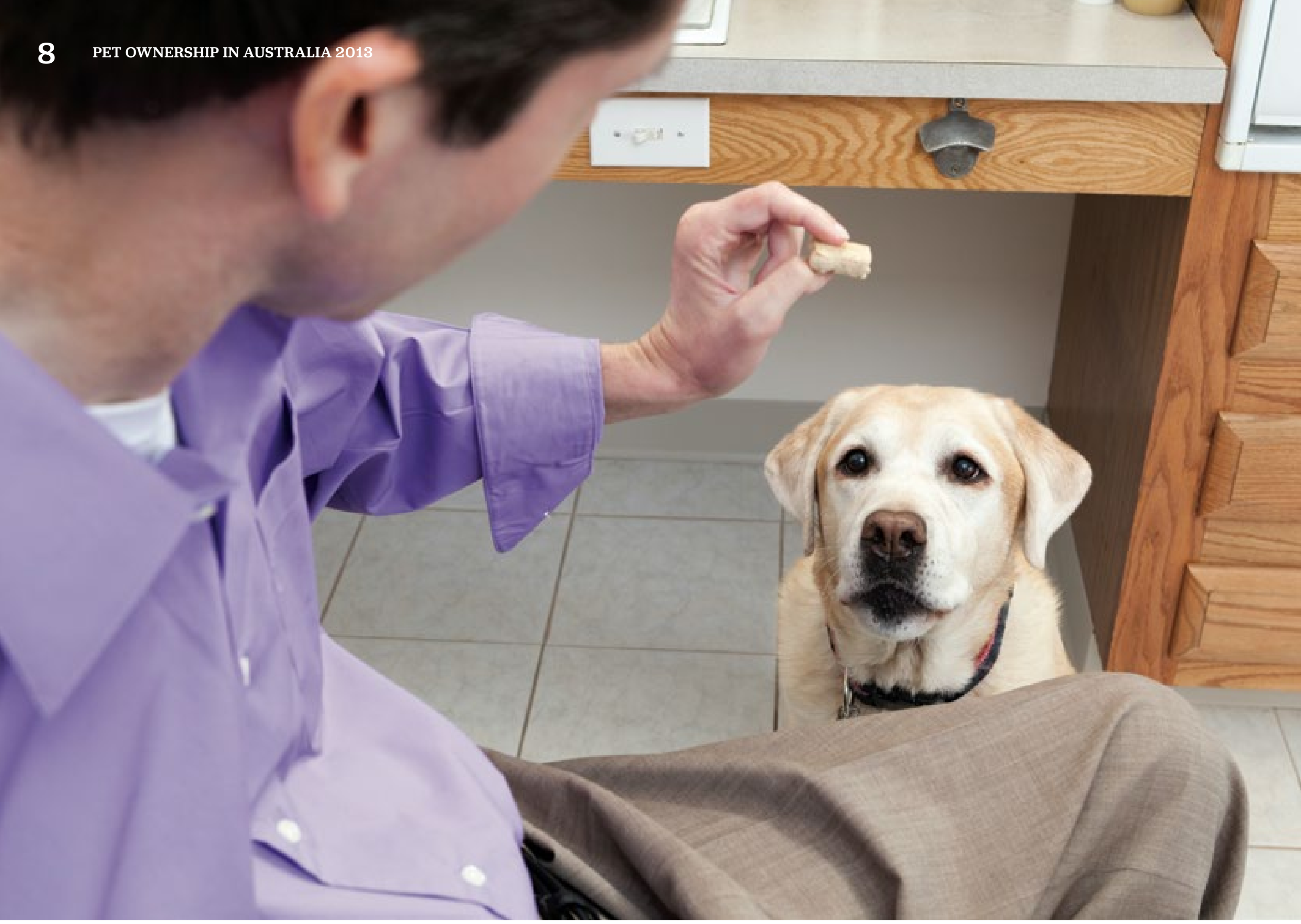
Galaxy Research is one of Australia's leading polling companies, with a proven reputation for accuracy. The company applies a rigorous approach to all of its polls and surveys to deliver reliable results. Run by practitioners with more than 20 years of marketing and research experience, Galaxy Research builds strategic insight and innovation upon a solid understanding of research theory. Galaxy polls are published in all major Australian newspapers.

The *Australian Pet Ownership Survey* was conducted with a representative sample of adults, aged 18 years and older. The total number of respondents was 1,734, of which 1,089 were pet owners. The survey was undertaken between 15 and 18 January 2013. Following the completion of interviewing, the data was weighted by region to reflect the latest Australian Bureau of Statistics (ABS) household estimates to generate national and state figures.

The **Australian Bureau of Statistics** is Australia's official national statistical agency. The ABS provides statistics on a wide range of economic, social and environmental matters, covering government, business and the community.

Euromonitor International is an international company and leading provider of strategy research for consumer markets, including pet care. The company provides international market intelligence on industries, countries and consumers. The company provides services including publishing market reports, business reference books, online information systems and tailored consulting projects.

IBISWorld provides business information, research, statistics, analysis and forecasts on over 500 industries, including pet care products and services and the veterinary industry. In addition the company also produces reports on Australia's top 2,000 companies and risk rating reports on every industry.



1.3 Historical pet population data

It is well established that pet numbers and ownership rates have been declining in Australia for a number of years.

The most recent pet population estimates were for the 2009 calendar year, published by the Australian Companion Animal Council (ACAC) in 2010. These estimates were based on market analysis and data modelling.

This report applies a different methodology. Pet population numbers in *Pet Ownership in Australia 2013* are based on the findings of the *Australian Pet Ownership Survey*, commissioned by the Alliance and undertaken by one of Australia's leading research and polling agencies, Galaxy Research.

The *Australian Pet Ownership Survey* findings showed dog and cat numbers to be higher than previously estimated, and bird and fish numbers lower than previously estimated. These variations are due to the different methodologies applied.

The robust methodology applied to surveying a statistically significant sample of Australians and resulting analysis provides accurate estimates for pet numbers. The approach is repeatable and the Alliance will undertake the survey and publish updated versions of this report every three years.
The information contained in the first edition will therefore provide a benchmark against which future trends in pet ownership and buying behaviour can be analysed.

1.4 Data reporting

The following points regarding data should be noted:

- Households may own more than one type of pet, therefore ownership rates for different types of pets cannot be added to get a total ownership percentage.
- Figures in the report have been rounded to the nearest decimal point. This may result in minor variations between sums of the component items and totals, and some percentages may not total 100%.
- There may be some variation across data depending on the data source.
- Unless otherwise stated expenditure figures are in Australian dollars (AUD).

At the time the report was finalised (26 July 2013) the exchange rate for the Australian dollar with the United States dollar was 0.924; with the British pound was 0.601; with the New Zealand dollar was 1.146; and with the Euro was 0.696.

The report acknowledges contributions of all companies, industry associations and government agencies and thanks them for their support in providing information to compile this report.

2 EXECUTIVE SUMMARY

This report has been prepared by the Animal Health Alliance (Australia) and is based on the findings of one of the most comprehensive surveys of pet ownership undertaken in Australia. It provides an insight into pet ownership trends and buying behaviour, and outlines the value of the Australian pet care industry to the Australian economy.

Australia has a strong history of pet ownership, with pets playing an important role in the lives of Australians for generations. Today there are more pets living in Australia than people, confirming their importance in modern Australian society.

The Australian pet industry is estimated to be worth $8.0 billion annually.

2.1 Pet population

In 2013 there are estimated to be more than 25 million pets in Australia, with nearly 5 million of Australia's 7.6 million households home to pets. At 63%, Australia has one of the highest rates of pet ownership in the world.

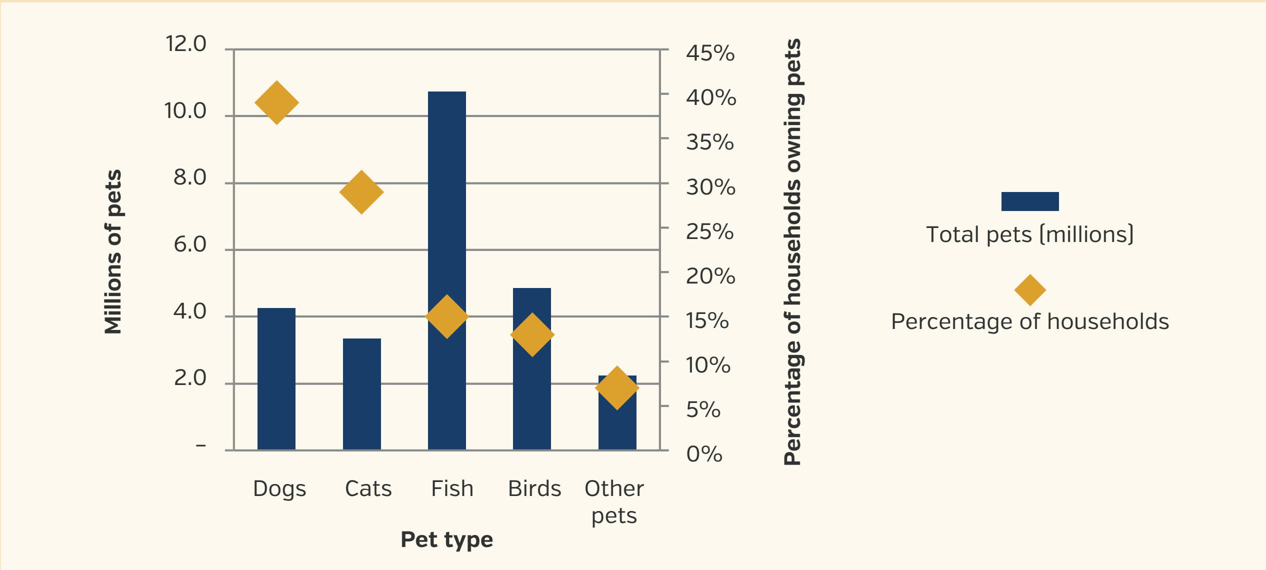
Dogs are the most common pet, with 39% of households owning a dog. There are estimated to be 4.2 million pet dogs in Australia; 19 dogs for every 100 people.

Cats are the second most common pet, with 29% of households owning a cat. There are estimated to be 3.3 million pet cats in Australia; 15 cats for every 100 people.

Fish are the most numerous pet type, with a total population of 10.7 million. The number of birds is estimated to be 4.8 million, with a further 2.2 million other pets including small mammals and reptiles.

Almost half (48%) of all Australians would like to either get a pet or get another pet. More than 1.1 million Australian households (14.9%) are planning to get a companion animal in 2013.

Figure 1: Australian pet population and ownership rates



Source: Galaxy Research, 2013

2.2 Trends

Companionship is the driving reason behind pet ownership, with seven out of ten Australians citing it as the main reason for getting a dog or cat.

Most pet owners consider their pets to be members of the family, and this has a powerful impact on how people look after the animals in their care, as well as on their buying behaviour.

Pet food has been compared to baby food in terms of its resilient market performance, with people prioritising spending on their pets as they would a member of their immediate family.

The popularity of premium dog and cat food and single serve portions has increased in recent years.

Pet food has become more sophisticated and now often makes claims about vitamins and minerals or of specific wellbeing outcomes such as dental health. The market has also become more segmented with products available for different life stages and different breeds.

Advances in healthcare products for animals have enabled people to keep their pets free of fleas, ticks and internal parasites. Over recent decades this has seen the domain of dogs and cats move from outside to inside the home. Today, 92% of cats and 76% of dogs are kept either exclusively or partly indoors.

Alternative healthcare treatments have become increasingly popular amongst Australians generally, and their popularity for pets is expected increase in the next five years (IBISWorld, 2012). Treatments already available include acupuncture, reflexology, chiropractic services and hydrotherapy.

The popularity of pet insurance is increasing, particularly amongst younger pet owners. Twenty per cent of Gen Y pet owners have insurance for their cats, and 27% for their dogs.

In comparison, only 12% of pet owning Baby Boomers have insurance for their dogs and just 9% have insurance for their cats.

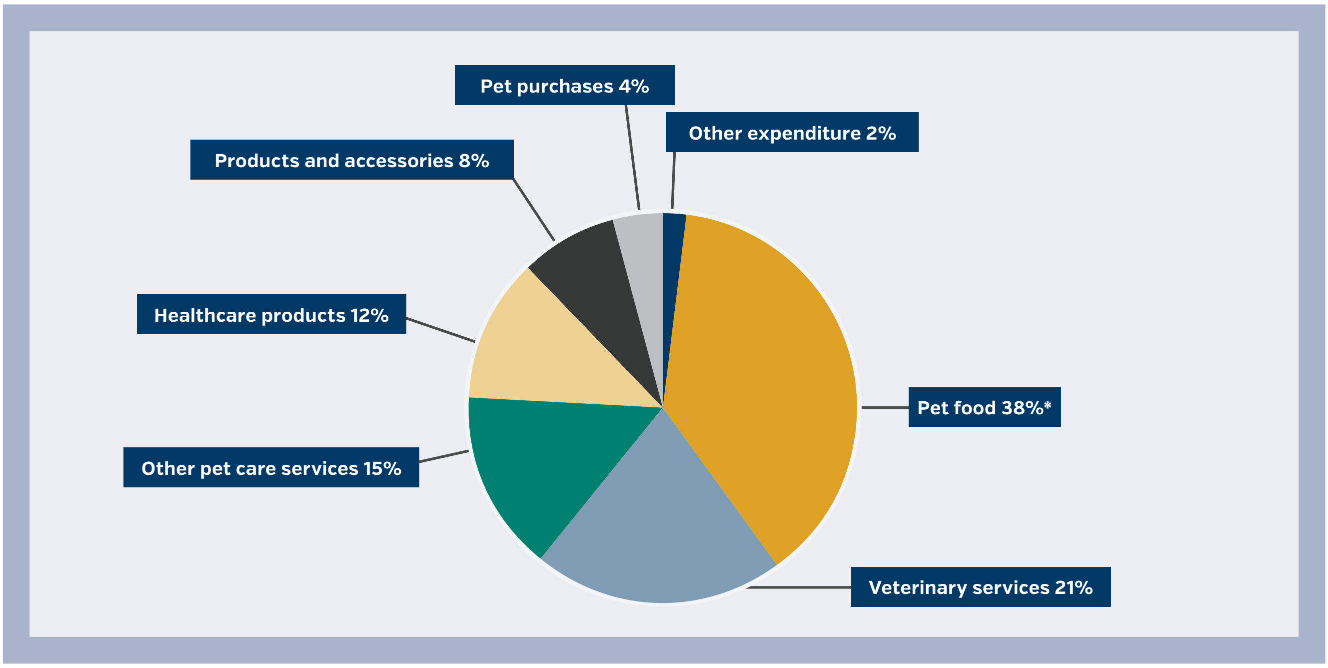
Micro-chipping and de-sexing rates are relatively high in Australia, with 78% of dogs and 91% of cats de-sexed, and 76% of dogs and 64% of cats micro-chipped.

2.3 Market value

The pet care industry in Australia is estimated to be worth $8.0 billion annually.

The biggest area of expenditure, across all pet types, is food at an estimated $3.0 billion a year. The next biggest area of expenditure is veterinary services, followed by other pet care services.

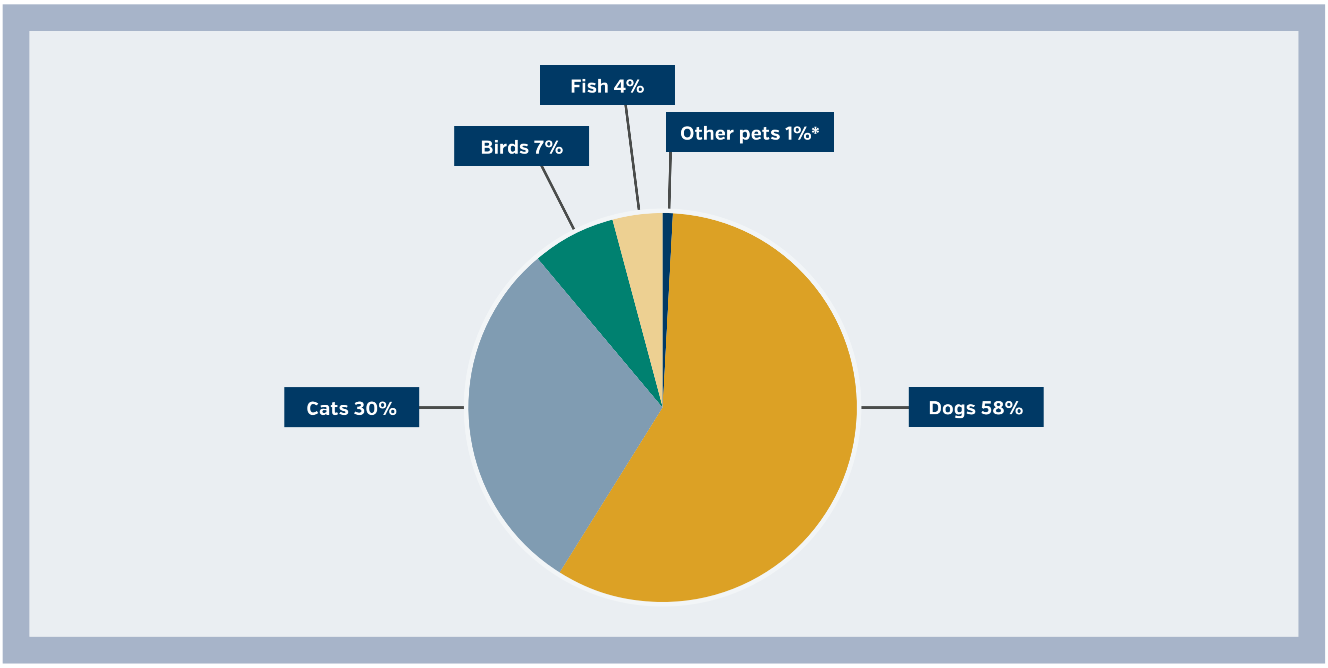
Figure 2: Expenditure breakdown by product and service type



Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

The majority of expenditure is on dogs, at around $4.7 billion. Expenditure on cats totals $2.4 billion.

Figure 3: Expenditure breakdown by pet type

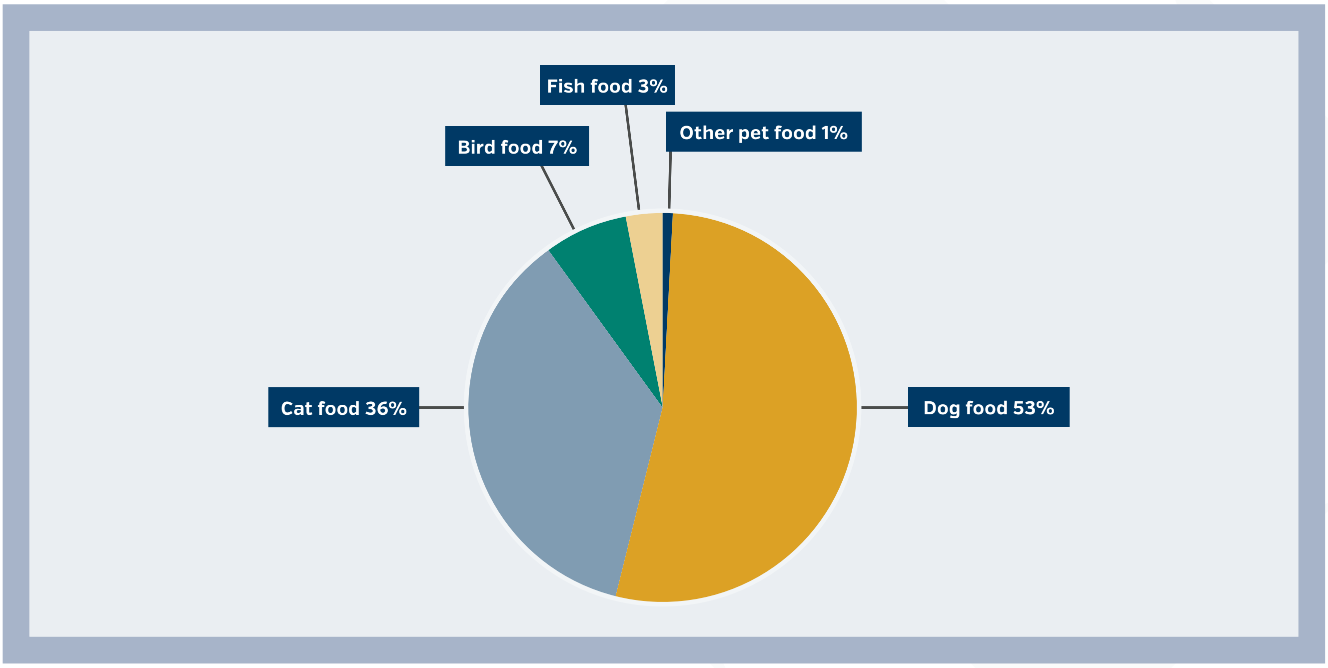


Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

2.3.1 Pet food

Pet owners are currently estimated to spend $3.04 billion on pet food a year. Together, dog and cat food represent almost 90% of all pet food expenditure.

Figure 4: Expenditure on pet food by category

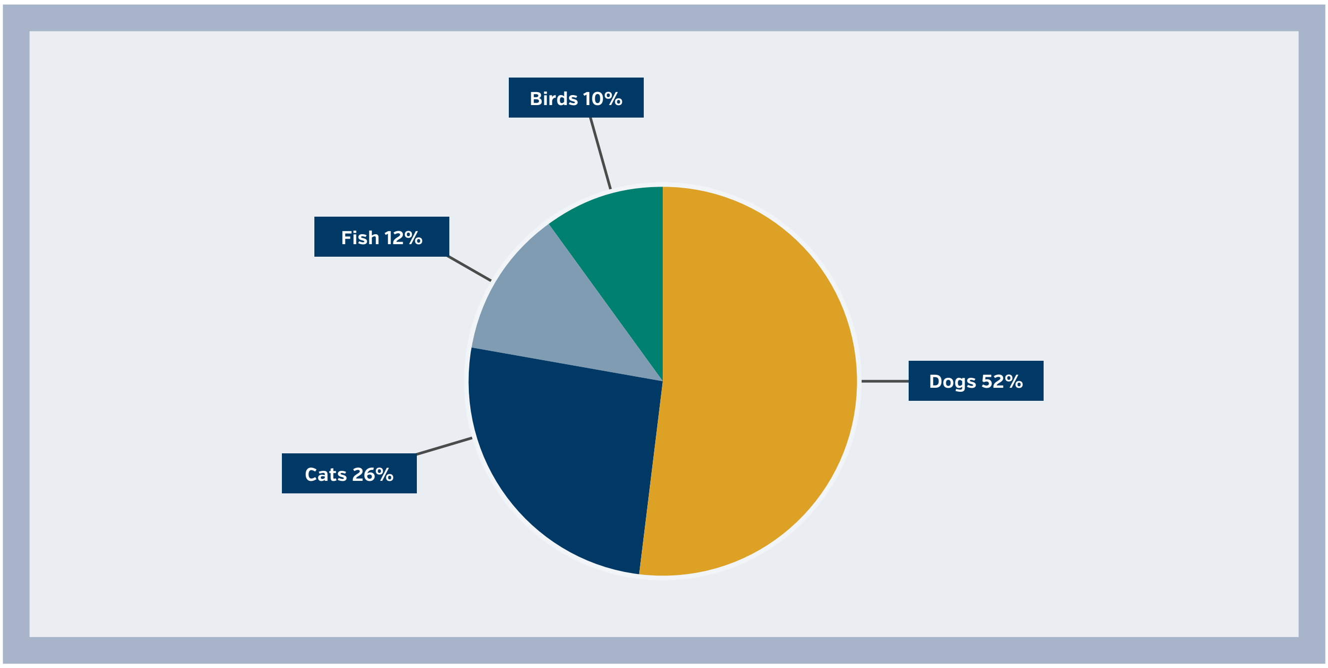


Source: Galaxy Research, 2013

2.3.2 Pet products and accessories

Pet owners are currently estimated to spend $1.6 billion on pet products and accessories a year, $976 million of which is on healthcare products.

Figure 5: Expenditure on pet products



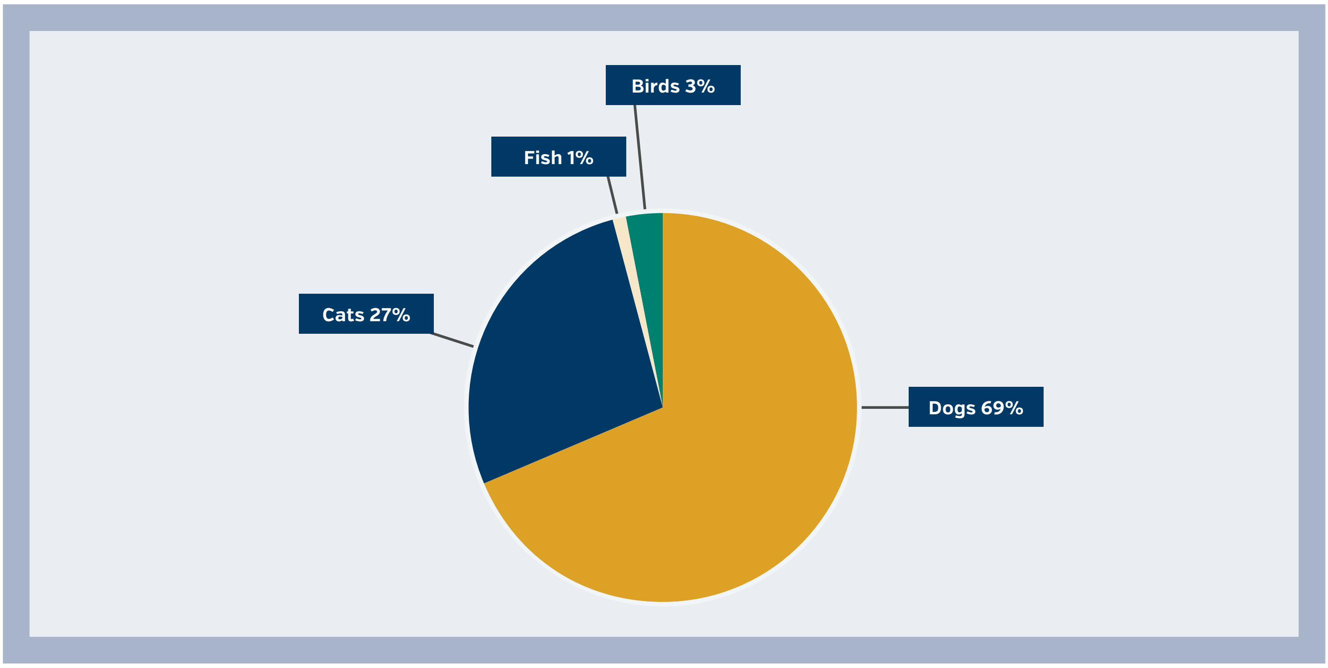
Source: Galaxy Research, 2013

2.3.3 Pet care services

Pet owners currently spend around $2.9 billion a year on pet care services. The majority of this expenditure is on veterinary services, totalling around $1.7 billion a year.

Across the different pet types, dogs account for more than two thirds of all expenditure on pet care services.

Figure 6: Expenditure on pet care services



Source: Galaxy Research, 2013

3 PET OWNERSHIP

3.1 COMPANION ANIMAL POPULATION

Companion animals play an important role in the lives of Australians, and with more than 25 million country-wide, they outnumber people. In 2013, 63% of Australian households are home to companion animals.

While Australia has one of the highest rates of pet ownership in the world (ACAC, 2010), increased urbanisation has resulted in ownership rates as low as 39% amongst those living in units and apartments as strata restrictions heavily limit pet ownership. However, a huge 59% of Australians surveyed who don't currently have a companion animal would like to own one.

It is well established that pet numbers and ownership rates have been declining in Australia for a number of years. While pet numbers have been declining, the *Australian Pet Ownership Survey* findings showed dog and cat numbers to be higher, and bird and fish numbers lower than previously estimated (ACAC, 2010).

3.1.1 Summary

There are 4.2 million dogs in Australia. With 39% of households owning at least one dog, they are Australia's most popular pet.

Cats aren't far behind, with 29% of households home to 3.3 million cats.

Although more households have dogs and cats, fish are the most numerous pets at 10.7 million. On average, 15% of households own an average of nine fish. This is easy to understand considering the shift to urban apartment living (ABS, 2013b), where pets are not permitted to be kept in many strata title properties (ACAC, 2002).

Birds are the second most numerous pet, with a total population of 4.8 million. Thirteen per cent of households have birds – either caged (inside), aviary (outside) or chickens.

Other animals account for 2.2 million pets in Australia and include reptiles and small mammals such as rabbits and guinea pigs.

Table 1: Australian pet population

Pet type	Percentage of households	Total Pets (million)
Dogs	39%	4.2
Cats	29%	3.3
Fish	15%	10.7
Birds	13%	4.8
Other pets	7%	2.2
Total	**63%***	**25.2**

Source: Galaxy Research, 2013
*Note: * Figure relates to ownership of any type of pet*

3.1.2 Households

There are 4.9 million pet owning households in Australia. Sixty-eight per cent of people living in freestanding houses own a pet compared to 39% living in units or apartments. Just 15% of people living in units or apartments own a dog.

Table 2: Breakdown of Australian pet population

Pet type	Percentage of households	Pet owning households ('000)	Average number in home	Total pets ('000)
Dogs	39%	3,045	1.4	4,168
Cats	29%	2,224	1.5	3,315
Fish	15%	1,189	9.0	10,811
Birds	13%	1,027	4.7	4,915
Other pets	7%	510	4.3	2,123
Total	**63%***	**4,925***	**–**	**25,332**

Source: Galaxy Research, 2013
*Note: * Figure relates to ownership of any type of pet*

Ownership rates are 10% higher amongst those who own the property in which they live (67%) compared to those who rent (57%). People living in suburban and regional locations are equally likely to own pets (67%), while the ownership rate in urban areas is considerably lower (54%).

Women (67%) are more likely to have a companion animal than men (60%).

3.1.3 States

South Australia is the stand out state for pet ownership, with 73% of households owning a pet. Almost half of all South Australian households have a dog – far exceeding the national average. The states with the next highest rates of dog ownership are Victoria/Tasmania and Queensland.

Cats are most popular in Victoria/Tasmania, with 36% of households owning a cat, followed by South Australia at 31%.

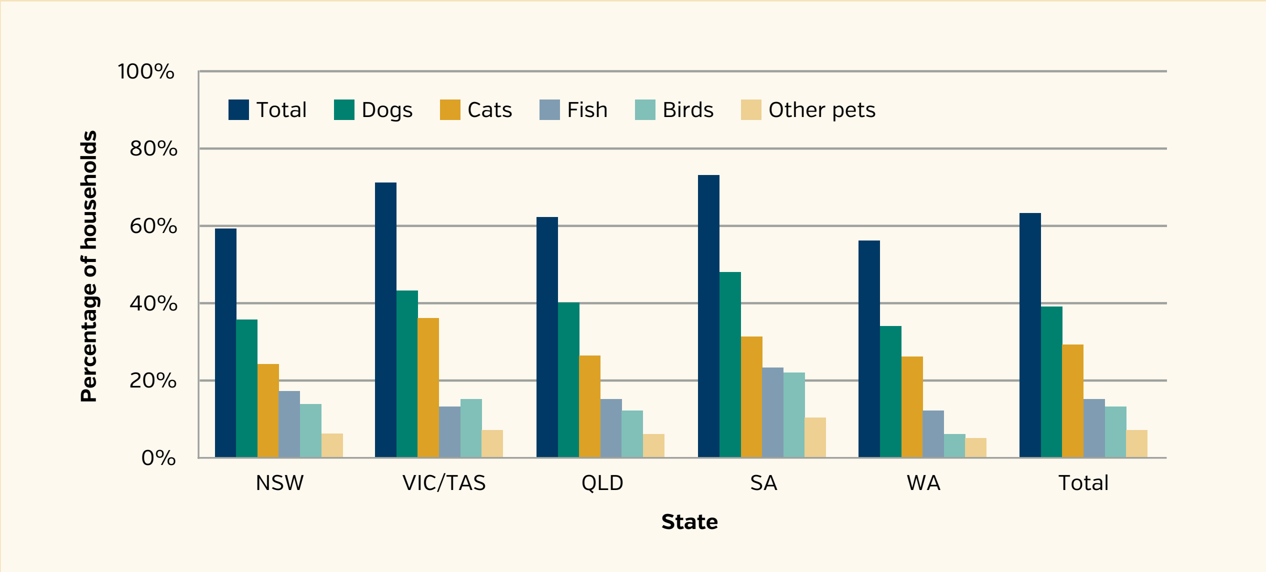
Western Australia has the lowest rate of pet ownership, where 56% of households include companion animals.

Table 3: Percentage of households with pets by state

Pet type	NSW	VIC/TAS	QLD	SA	WA	National
Dogs	35%	43%	40%	48%	34%	**39%**
Cats	24%	36%	26%	31%	26%	**29%**
Fish	17%	13%	15%	23%	12%	**15%**
Birds	13%	15%	12%	22%	6%	**13%**
Other pets	6%	7%	6%	10%	5%	**7%**
Total (for any type of pet)	**59%**	**71%**	**62%**	**73%**	**56%**	**63%**

Source: Galaxy Research, 2013

Figure 7: Percentage of pet owning households by state



Source: Galaxy Research, 2013

Table 4: Australian pet population by state ('000)

Pet type	NSW	VIC/TAS	QLD	SA	WA	Total
Dogs	1,282	1,285	884	384	333	**4,168**
Cats	942	1,153	533	306	381	**3,315**
Fish	4,269	2,498	2,627	878	538	**10,811**
Birds	748	1,825	1,004	1,152	186	**4,915**
Other pets	471	673	454	216	310	**2,123**
Total	**7,712**	**7,434**	**5,502**	**2,936**	**1,747**	**25,332**

Source: Galaxy Research, 2013

Nationally, there are 19 dogs and 15 cats to every 100 people.

Table 5: Dogs and cats per 100 head of population by state

State	Population ('000)	Number per 100 people	
		Dogs	Cats
VIC/TAS	5,849	22	20
SA	1,809	21	17
QLD	4,333	20	12
WA	2,239	15	17
NSW	7,275	18	13
Total	**21,505**	**19**	**15**

Source: ABS, 2013b; Galaxy Research, 2013

3.1.4 Dogs

There are 4.2 million dogs and more than 3.0 million dog owning households in Australia.

With 39% of all households owning a dog, they are Australia's most popular pet.

There are on average 19 dogs to every 100 people in Australia. This ratio is highest in Victoria/Tasmania, South Australia and Queensland.

Table 6: Dog population and ownership

Item	2013
Dog population (million)	4.2
Number of households with dogs (million)	3.0
Dog ownership (% households)	39%
Average number per home	1.4
Dogs per 100 people	19

Source: Galaxy Research, 2013

Half of all dogs are purebred. Mixed breeds make up 42% of Australia's dog population, with designer breeds coming in at 8%.

Considerations such as lifestyle and space come into play when deciding on the size of dog to get. Australians tend to favour mid-sized dogs, from 4kg to 25kg.

Table 7: Breakdown of dog population by dog size

Item	Percentage
Less than 4kg	12%
4 – 10kg	36%
10 – 25kg	30%
25 – 50kg	19%
More than 50kg	2%

Source: Galaxy Research, 2013

3.1.5 Cats

There are 3.3 million cats in Australia and 2.3 million cat owning households. On average, there are 15 cats per 100 people. This ratio is highest in Victoria/Tasmania, with South Australia and Western Australia also above the national average.

Interestingly, the average number of cats per cat owning household is higher in Western Australia than anywhere else in the country.

Most cats are mixed breeds (75%) rather than purebred (25%). Pure breeds are most popular in urban areas where they account for 39% of the cats, compared to only 20% of the cats in the suburbs and 22% in regional areas.

Table 8: Cat population and ownership

Item	2013
Cat population (million)	3.3
Number of households with cats (million)	2.3
Cat ownership (% households)	29%
Average number per home	1.5
Cats per 100 people	15

Source: Galaxy Research, 2013

3.1.6 Other pets

Increasing urbanisation, apartment living and strata restrictions have made smaller pets such as birds, fish, small mammals and reptiles a more feasible pet choice than cats or dogs. Generally these smaller pets are also easier to care for, making them a good option for people with a busy lifestyle.

Of all bird owners, the majority have caged birds (66%) such as parrots and budgerigars. Thirty per cent have aviary birds and 22% have chickens.

Fish are most popular with younger pet owners. Twenty-two per cent of people aged 18-24 have fish. Twenty-three per cent of South Australian households keep fish as pets.

3.1.7 International comparison

An international comparison provides an insight into companion animal populations and trends in similar pet owning countries and regions around the world. New Zealand, the United States and United Kingdom have been selected for comparative purposes due to their economic and cultural similarities to Australia. Trends across Europe are also considered.

New Zealand has the highest rate of pet ownership at 68% of households (New Zealand Companion Animal Council (NZCAC), 2011), followed by Australia at 63% and the United States at 62% (American Pet Products Association (APPA), 2013). The United Kingdom trails considerably further behind, at 48% (Pet Food Manufacturers' Association (PFMA), 2013a).

While Australia and the United States have a similar proportion of households owning dogs, the United States has more cat owning households (34%) and far more dogs and cats per 100 people than Australia. So, although the United States has a slightly lower household rate of pet ownership, there are far more companion animals in United States households.

In addition to having the highest rate of pet ownership, New Zealand has by far the highest rate of cat ownership. Nearly half (48%) of households own a cat – the same rate as for total pet ownership in the United Kingdom.

Table 9: International comparison

Pet type	Australia (2013)	New Zealand (2011)	United States (2011-12)	United Kingdom (2012)
Dogs				
Households with dogs	39%	29%	40%	23%
Dogs per 100 people	19	17	25	13
Cats				
Households with cats	29%	48%	34%	19%
Cats per 100 people	15	35	28	13
Total				
Households with pets (any type of pet)	**63%**	**68%**	**62%**	**48%**

Source: Galaxy Research, 2013; data compiled by Cox Inall based on figures from NZCAC, 2011; Statistics New Zealand, 2013; APPA, 2013; United States Census Bureau, 2013; PFMA, 2013a; Office for National Statistics, 2013

Trends in New Zealand

In 2011 the NZCAC released its inaugural Companion Animals in New Zealand report. The report is based largely on the results of a broad pet owner survey, which provided insight into the level of pet ownership and the role that companion animals play in families and society.

The 2011 report found that 68% of all households own at least one companion animal, with nearly half of all households (48%) owning an average of two cats. New Zealand has the highest rate of both pet ownership and cat ownership anywhere in the world. This is largely attributed to the social and cultural importance of animals in New Zealand, and the importance placed on a harmonious relationship between animals, people and the environment.

The total companion animal population is 4.9 million, of which 1.4 million are cats, 0.7 million are dogs and 1.7 million are fish.

Table 10: Pet population in New Zealand – 2011

Companion animal type	Percentage of households	Average number in home	Total ('000)
Cats	48%	1.8	1,419
Dogs	29%	1.5	700
Fish	11%	9.1	1,678
Birds	6%	4.9	527
Rabbits	3%	1.7	88
Horses/ponies	2%	3.2	87
Other pets	5%	4.9	446
None	32%	~	~
Total	**68%***		**4,945**

Source: NZCAC, 2011

*Note: * Figure relates to ownership of any type of pet*

The vast majority of pet owners consider them to be a member of the family. This figure is highest for cats (83%) and dogs (77%).

New Zealand experienced an economic downturn in 2008 and constrained spending as a result of the global financial crisis. While consumers tended to 'trade down' to less expensive alternatives across key sectors within consumer goods, this was only really felt at the super-premium end of the pet food segment. Through this time, New Zealanders placed a priority on their pets' health and wellbeing and expenditure on premium pet food and healthcare products remained strong (NZCAC, 2011).

It is estimated that New Zealanders spent NZ$ 1.6 billion on their companion animals in 2011, with the biggest areas of expenditure being pet food, veterinary visits and healthcare products.

Table 11: New Zealand – Estimated annual expenditure on pets – 2011

Area of expenditure	Expenditure (NZ$m)	Percentage of total
Prepared pet food	434.4	27%
Veterinary services	358.1	23%
Non-prepared pet food	331.9	21%
Healthcare	166.1	10%
Boarding/day care/walking	75.0	5%
Clipping/grooming	45.5	3%
Registration/membership	49.6	3%
Cat litter	25.0	2%
Toys and accessories	31.0	2%
Grooming products	33.2	2%
Training	18.5	1%
Insurance	15.7	1%
Total	**1583.8**	**100%**

Source: NZCAC, 2011

Trends in the United States

The APPA undertakes a biannual survey of pet owners. The 2011-12 survey found that 62% of households, or 72.9 million homes, own a pet. While ownership rates in the United States have remained steady at 62% in recent years, the total pet population has fluctuated during this time.

From 2001 to 2005, cat numbers experienced exceptional growth, jumping by 15 million (20%) to reach a total of 90.5 million. Over the following four years, cat numbers grew by a further 3% to reach a peak of 93.6 million (ACAC, 2006). The most recent survey, however, showed the first decline in cat numbers in the United States since 1994, down 8% to settle at 86.4 million in 2011-12 (APPA, 2013).

In contrast, dog numbers continued their steady climb to reach a total of 78.2 million in the 2011-12 survey. This is an increase of 42% on 1994, when the dog population was 55 million.

Interestingly, while ownership rates have remained constant, pet numbers have decreased quite significantly from 411.8 million in 2009-10 to 377.41 in 2011-12. This is largely attributed to a decrease of 20 million in freshwater fish numbers. In addition to cats and fish, horse numbers, saltwater fish and reptile numbers also decreased.

Table 12: United States pet population (million)

Pet type	2009-10	2011-12
Freshwater fish	171.7	151.1
Cat	93.6	86.4
Dog	77.5	78.2
Bird	15.0	16.2
Small animal	15.9	16.0
Reptile	13.6	13.0
Saltwater fish	11.2	8.6
Equine	13.3	7.9
Total	**411.8**	**377.4**

Source: APPA, 2009 and 2013

In 2012 it was estimated that the value of the pet care market in the United States was US$52.87 billion, up on the 2011 figure of US$50.96 billion.

Table 13: United States annual sales of pet food and pet care products (US$ billion)

Item	2011 (actual)	2012 (estimated)
Food	19.9	20.5
Vet care	13.4	13.6
Supplies/over the counter medicine	11.8	12.6
Pet services: grooming & boarding	3.8	4.1
Live animal purchases	2.1	2.2
Total	**51.0**	**52.9**

Source: APPA 2009 and 2013

Trends in the United Kingdom

In United Kingdom, the PFMA undertakes annual research on pet numbers and expenditure on pet care products. In 2012 it was estimated that there were around 67 million pets in the United Kingdom, with 48% of households (13 million) owning at least one pet (excluding fish).

Although ownership rates and pet numbers have fluctuated in recent years, they were higher in 2012 compared to the previous year. In 2011 the total pet population was estimated to be 64 million, with 45% of households owning a pet.

Dogs and cats remain the most common, with the total number of each estimated at 8 million. This translates into 23% of households owning at least one dog and 19% owning at least one cat. This indicates a higher average number of cats per household.

Table 14: United Kingdom pet population (million)

Pet type	2009	2010	2011	2012
Indoor fish	20.0	20.0	20.0	22.5*
Outdoor fish	20.0	20.0	20.0	22.5*
Dogs	8.0	8.0	8.0	8.0
Cats	8.0	8.0	8.0	8.0
Caged birds	1.0	1.0	1.0	1.1
Rabbits	1.0	1.0	1.0	1.0
Guinea pigs	0.7	0.5	1.0	1.0
Hamsters	0.4	0.5	0.5	0.5
Domestic fowl	0.8	0.5	0.5	0.5
Total	**66.0**	**65.0**	**64.0**	**67.0**

Source: PFMA, 2013a; PFMA, 2013b
*Note: * Estimated to be between 20-25 million*

The pet food industry in the United Kingdom has remained healthy despite the 2008 recession. In 2011 the value of pet food sales rose by 1% to reach £2.14 billion. Research conducted by the PFMA (2013c) showed that while pet owners reduced their overall expenditure, they prioritised the needs of their pets.

Just 6% of owners cut back on treats, 4% on pet food costs and 3% on veterinary visits. This is in stark contrast to the reduction in discretionary spending, with 36% of pet owners cutting back on eating out, 25% on clothes shopping, 24% on holidays and 20% on entertainment; and even spending on essentials, with 16% reducing what they spend on food, 15% on petrol and 12% on heating. (PFMA, 2012)

Table 15: United Kingdom market for prepared pet food – 2011

Pet type	Value (£ million)	Year on year growth (%)
Dog food		
Dry complete	486	1%
All wet food	329	1%
Treats	231	4%
Mixers	25	-3%
Total	**1,071**	**1%**
Cat food		
Wet single serve food	491	2%
Dry complete	234	1%
Wet multi serve food	140	-6%
Treats	53	24%
Total	**918**	**1%**
Small animal		
Total	**67**	**2%**
Total (all pets)	**2,135**	**1%**

Source: PFMA, 2012

Trends in Europe

The most recent figures from the European Pet Food Industry Federation (FEDIAF) show an increase in all pet numbers compared to previous estimates, with a total pet population of 240.8 million in Europe. Previous estimates had the total pet population at 200 million.

Almost the same number of households own dogs (26%) and cats (25%). However, the total number of cats is considerably higher, at 84.7 million compared to 73.6 million dogs. This indicates there are more cats per household than dogs.

Table 16: European pet population (million)

Pet type	2010
Cats	84.7
Dogs	73.6
Birds	42.6
Small mammals	30.6
Aquaria	9.2
Total (all animals)	**240.8**

Source: FEDIAF, 2013

It is estimated that in 2010, Europe's 70 million (excluding Russia) pet owning households spent around €13.5 billion on pet food, and a further €10.5 billion on pet related products and services. This represents an annual growth rate for the pet food industry of 2% (average value over the previous three years).

Europe's pet food industry supports 50,000 jobs directly, and a further 500,000 jobs indirectly (FEDIAF, 2013).

3.2 PET OWNERSHIP INSIGHTS

3.2.1 Summary

Companion animals are considered by most pet owners to be members of the family. This has a powerful impact on how people look after the animals in their care. This isn't just about how pet owners interact with their pets; it translates into buying behaviour.

The power of this was probably most clearly demonstrated during the global financial crisis. During the uncertain economic times over recent years, it has been well documented that Australian consumers changed their overall buying behaviour, cutting discretionary spending and saving more. During this time, the sale of more cost effective private label products in supermarkets soared.

Despite weak consumer confidence, pet owners have not been prepared to economise on pet care; in fact, pet food has been compared with baby food in terms of its resilient performance (Euromonitor International, 2012).

This prioritisation of pets has also lead to the growth of new and emerging products and services in the pet care sector. For example pet insurance, alternative healthcare, hotels catering for pets, spas and pet massage.

3.2.2 Reasons for pet ownership

The stand out reason for getting a pet is companionship. 72% of dog owners and 67% of cat owners selected 'companionship' as the main reason for getting a pet. The next most popular reasons were selected by fewer than 10% of respondents. This demonstrates why pets are more correctly referred to as companion animals.

The reasons offered for getting a bird are far more varied, with the most popular reasons being companionship (40%) and relaxation (38%). Companionship is less important for those with chickens, the majority of whom (80%) were motivated more by the eggs they lay. Other popular reasons include education or responsibility for children; as a hobby or to enter competitions; and for breeding.

Table 17: Main reason for getting a pet

Reason	Dogs	Cats	Birds
Companionship	72%	67%	25%
Education/responsibility for the children	4%	5%	12%
Relaxation	3%	6%	18%
Security	3%	~	~
To breed	2%	0%	4%
Encourage exercise	2%	~	~
Hobby/enter competitions	0%	1%	7%
The eggs	~	~	15%
Other	9%	14%	11%
None of the above	5%	7%	8%
Total	**100%**	**100%**	**100%**

Source: Galaxy Research, 2013

Looking more broadly at the range of reasons why people decide to get pets, respondents were asked to select all reasons that applied. The drivers for getting dogs and cats are quite similar, with most people selecting several reasons. In addition to companionship, the most popular reasons were relaxation, security (dogs), eggs (chickens), exercise (dogs) and education or responsibility for children.

Table 18: Reasons for pet ownership

Reason	Dogs	Cats	Birds
Companionship	81%	74%	40%
Relaxation	25%	26%	38%
Security (dogs)	19%	~	~
Encourage exercise (dogs)	16%	~	~
Education/responsibility for the children	12%	10%	20%
To breed	5%	1%	11%
Hobby/enter competitions	3%	2%	15%
The eggs (chickens)	~	~	19%
Other	9%	15%	12%
None of the above	4%	7%	8%

Source: Galaxy Research, 2013

3.2.3 Role of companion animals

When pet owners in Australia were asked about the main role companion animals play in their household, the response was striking. Nearly 90% of dog and cat owners consider their pets to be members of the family or valued companions.

In recent decades, the emergence of animal health products that allow people to keep their pets free of ticks, fleas and other parasites has had a marked impact on how they interact and the role pets play in their owners' lives.

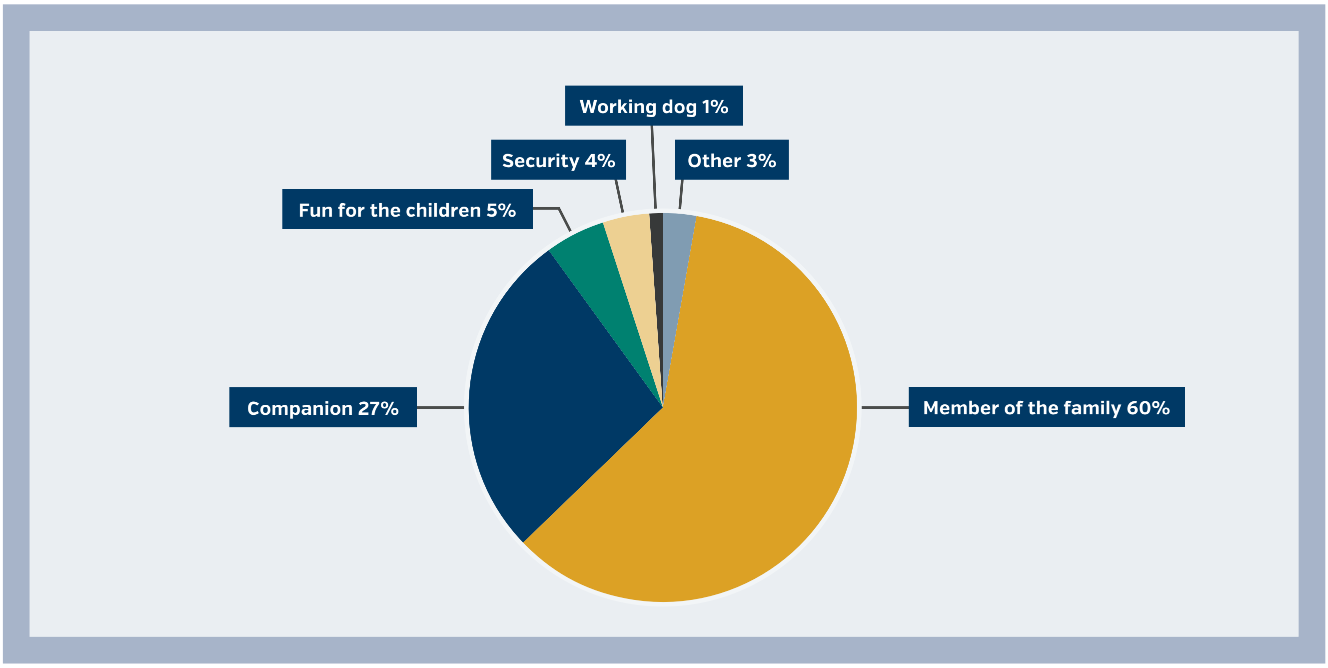
Dogs and cats are no longer relegated to living outside. Human domains have become theirs, and along the way they have become an integral part of people's lives. Today 92% of cats and 76% of dogs are welcomed into homes. In fact, over a third of cats and over 10% of dogs live exclusively indoors.

Table 19: Main role pets play in the household

Role	Dogs	Cats
Member of the family	59%	58%
Companion	27%	30%
Fun for the children	5%	7%
Security	4%	~
Working dog	1%	~
Ornamental	0%	1%
Other	3%	3%
Total	**100%**	**100%**

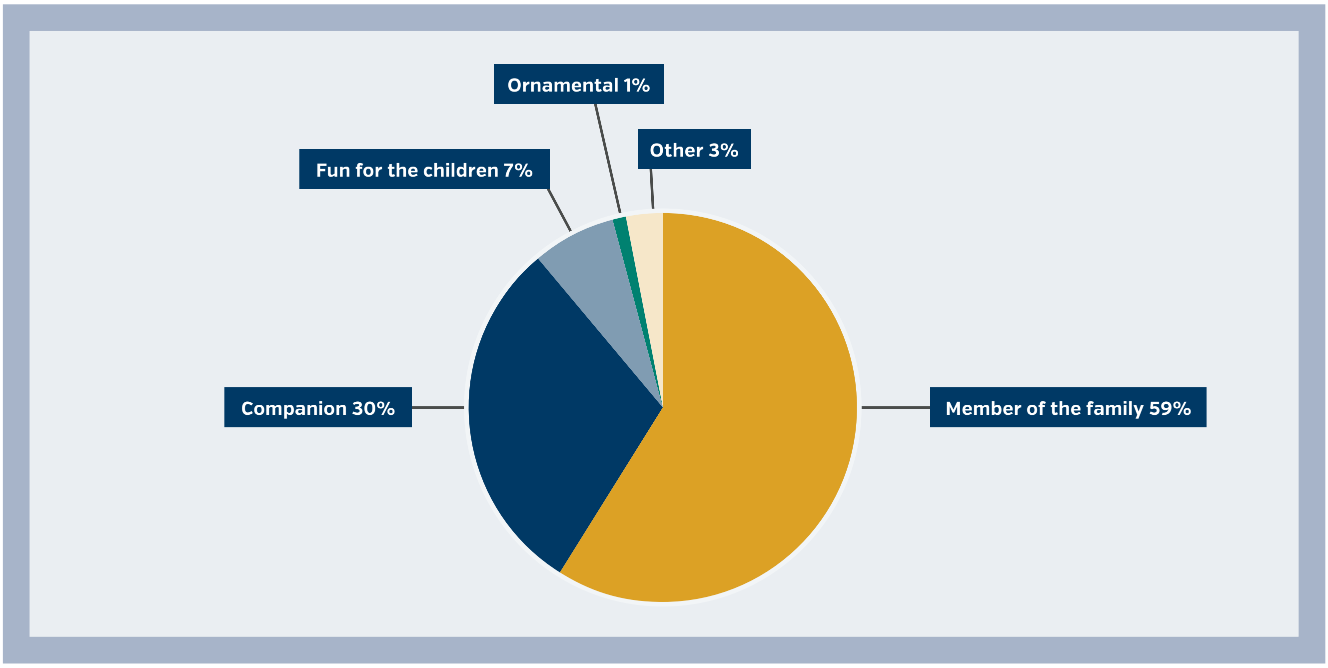
Source: Galaxy Research, 2013

Figure 8: Main roles dogs play in the household



Source: Galaxy Research, 2013

Figure 9: Main roles cats play in the household



Source: Galaxy Research, 2013

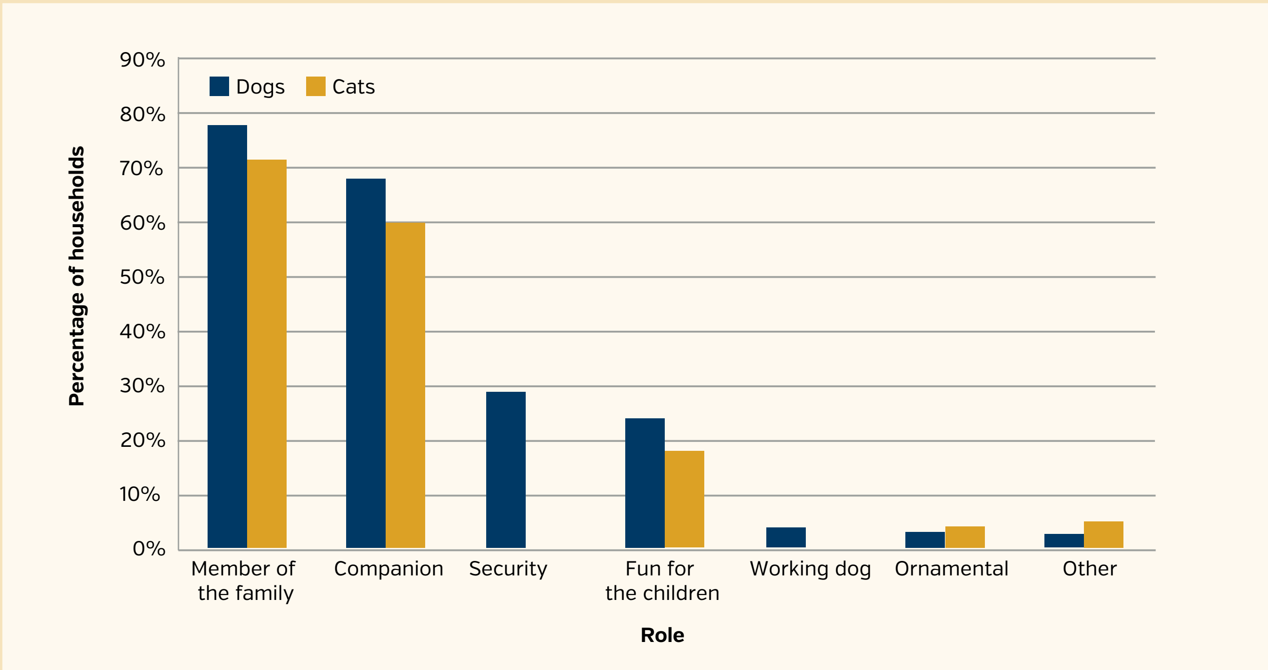
Pet owners were also asked about the full range or roles that dogs and cats play in the household. The most common responses were as a member of the family, companion, fun for the children and security (in the case of dogs).

Table 20: Roles pets play in the household

Role	Dogs	Cats
Member of the family	78%	72%
Companion	68%	60%
Security	29%	~
Fun for the children	24%	18%
Working dog	4%	~
Ornamental	3%	4%
Other	3%	5%

Source: Galaxy Research, 2013

Figure 10: Roles pets play in the household



Source: Galaxy Research, 2013

3.2.4 Valuable sources of information

Pet owners seek information about companion animals and pet related issues from a range of different sources, from pet shops to breeders, the Royal Society for the Prevention of Cruelty to Animals (RSPCA), veterinarians, family and friends, books, the internet and television.

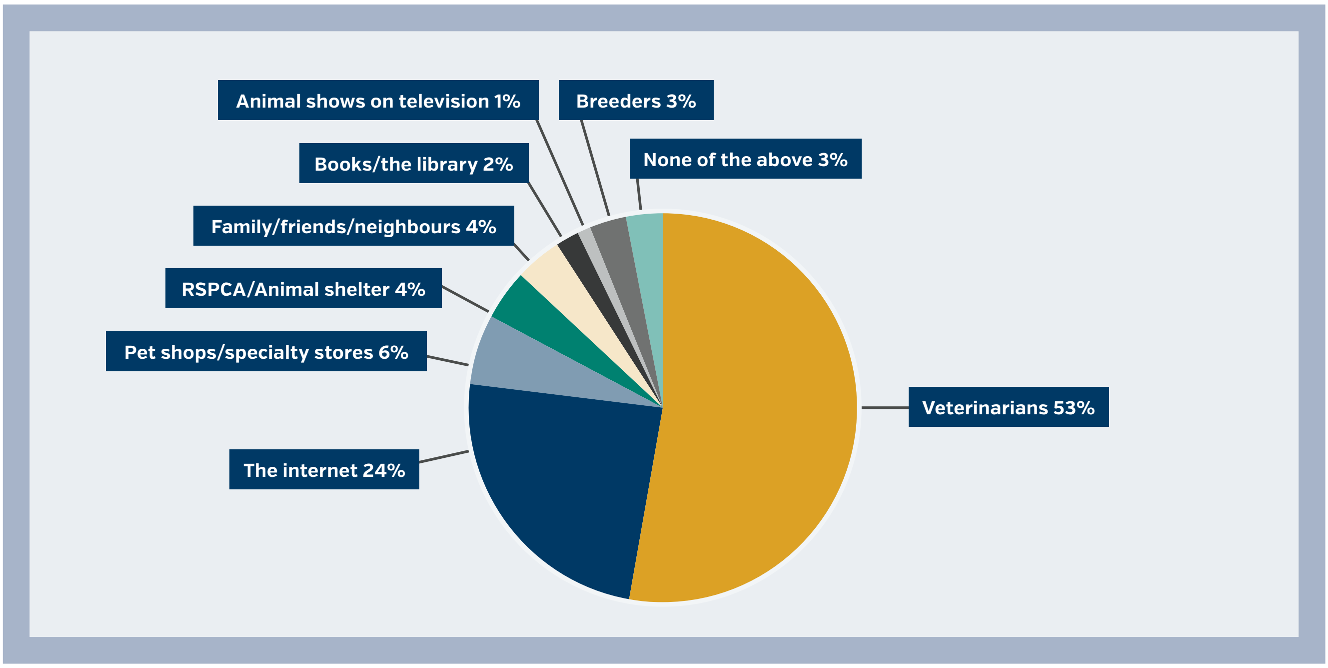
While all of these sources are considered to be valuable to some degree by almost all pet owners, over half consider veterinarians to be the best source of information on pet related issues, with another quarter viewing the internet as the best source of information.

Table 21: Sources of information about pet related issues

Source	Valuable source	Best source
Veterinarians	76%	54%
The internet	64%	24%
Pet shops/specialty stores	42%	6%
RSPCA/Animal shelter	36%	4%
Family/friends/neighbours	27%	4%
Books/the library	23%	2%
Animal shows on television	23%	1%
Breeders	20%	3%
None of the above	3%	3%

Source: Galaxy Research, 2013

Figure 11: Best source of information on pet related issues



Source: Galaxy Research, 2013

3.2.5 Barriers to pet ownership

While individual reasons for not having companion animals vary, the main ones are suitability of home or lifestyle, and not wanting the additional responsibility.

In some cases, especially for dogs and cats, it is not possible to keep an animal because the strata or property where they live doesn't allow it.

Of households that don't own a pet but would like to, around one in three (35%) say they would be prepared to pay more rent or strata fees to be able to have a pet.

This equates to nearly 600,000 or 8% of all Australian households that would be prepared to pay more rent or strata fees to be able to have companion animals.

Table 22: Barriers to pet ownership

Reason for not owning a pet	Dog	Cat	Fish	Bird
Home/lifestyle not suitable	45%	35%	25%	37%
Responsibility	30%	21%	29%	23%
Cost	26%	22%	24%	21%
The strata/property where I live doesn't allow pets	20%	22%	3%	9%
Other household members don't want one	15%	21%	18%	16%
Other	13%	17%	18%	17%
Allergies	4%	13%	2%	9%
None of the above	4%	4%	12%	9%

Source: Galaxy Research, 2013
Note: Multiple reasons could be selected

3.2.6 Desire to own a pet

Almost half of all Australians (48%) would like to own a companion animal or get an additional one. Twenty-six per cent of people would like to get a dog, making them the most popular choice, followed by cats, with 13% wanting to get a cat.

Of those who do not currently have a companion animal, the majority (59%) would like one. Of those people who do have a companion animal, two out of five (41%) would like another one.

Table 23: Desire to own a pet

Pet type	Non pet owners	Existing pet owners	Total
Dogs	43%	17%	26%
Cats	19%	9%	13%
Fish	10%	13%	12%
Birds	5%	13%	10%
Total	**59%**	**41%**	**48%**

Source: Galaxy Research, 2013

3.2.7 Planning to get a pet

More than 1.1 million Australian households (14.9%) are planning to get a companion animal in the next 12 months.

This is split fairly evenly between existing and new pet owners: one in five (19%) non pet owning households (550,000) and one in ten (12%) existing pet owning households (605,000). For both groups, dogs are the most popular choice.

Table 24: Plans for new pet ownership in the next 12 months

Pet type	Non pet owners	Existing pet owners
Dogs	60%	50%
Cats	25%	25%
Fish	21%	21%
Birds	8%	20%
Other pets	4%	8%

Source: Galaxy Research, 2013

Plans for pet ownership in non-pet owning households are highest in South Australia, where almost a third (30%) of non-pet owning households are planning to get a pet in the next 12 months. Twenty seven per cent of non-pet owning households in Queensland, and 23% in Victoria/Tasmania are planning to get a pet in the next 12 months.

For existing pet owners, plans for new pet ownership are highest in New South Wales at 14%.

Table 25: State breakdown of plans for new pet ownership in the next 12 months

Pet type	Non pet owners	Existing pet owners
NSW	13%	14%
VIC/TAS	23%	13%
QLD	27%	10%
SA	30%	11%
WA	14%	11%
National average	**19%**	**12%**

Source: Galaxy Research, 2013

The key considerations when thinking about getting a pet are the added responsibility (41%), price (39%) and whether the pet can be taken on holidays (34%). Factors affecting whether or not pets can be taken on holidays include the availability of pet friendly holiday accommodation and the affordability of boarding facilities.

For existing pet owners, the key decision making factors are price (40%), added responsibility (37%) and space required (31%).

Table 26: Factors influencing decision to get a pet

Factor	Non pet owners	Existing pet owners
Price (cost of purchasing a pet)	39%	40%
Responsibility	41%	37%
Can't take the pet on holiday	34%	22%
Ongoing cost	31%	30%
Space	31%	31%
Cleaning up after the pet	29%	30%
Exercising the pet regularly	27%	21%
Keeping them groomed	17%	15%
Damage to home	15%	12%
Other	12%	20%

Source: Galaxy Research, 2013
Note: Multiple reasons could be selected

3.3 PET OWNERSHIP TRENDS

3.3.1 De-sexing

Currently in Australia 78% of dogs and 91% of cats are de-sexed (Galaxy Research, 2013).

The Australian Veterinary Association (AVA) and the RSPCA both support the de-sexing of companion animals. The RSPCA and animal shelters have a policy of de-sexing animals before they are re-homed. For kittens and puppies, this usually occurs at eight weeks of age. Similarly, the Pet Industry Association of Australia's (PIAA) National Code of Practice (2008) encourages de-sexing companion animals.

These policies, coupled with education programs (for example those run by animal shelters and city councils) aimed at pet owners about the benefits of de-sexing, appear to be having a positive impact on the number of unwanted animals. Over the past five years both the number and proportion of animals euthanased by the RSPCA has declined steadily from 77,518 or 48% in 2007-08 to 49,688 or 38% in 2011-12 (RSPCA, 2013c).

The health and behavioural benefits of de-sexing dogs and cats are well documented (National Desexing Network, 2013; RSPCA, 2013a) and include the following:

Health benefits

- De-sexed animals generally live longer, healthier lives
- Reduced risk of cancer and other diseases affecting the reproductive organs
- Frequent pregnancies and raising litters of kittens and puppies can cause exhaustion in female cats and dogs

Behavioural benefits

- Less likely to run away, wander, get into fights or get injured
- Reduces territorial behaviour such as spraying and marking territory
- Less likely to suffer from anti-social behaviour
- Eliminates the 'urge to mount' peoples' legs in male dogs
- Eliminates the 'heat' cycle in female cats and therefore their efforts get out and roam for a mate
- More affectionate, better companions

Cost

- Reduces the huge cost associated with caring for and re-homing unwanted animals
- The financial impost of de-sexing is minimal ($125 – $280 for dogs; $100 – $180 for cats (RSPCA New South Wales, 2013))when compared to the cost of a lifetime of feeding, veterinary bills and care for offspring, which averages $1,050 a year for dogs and $705 for cats
- Registration fees are less for de-sexed animals
- Reduced cost of treating animals injured during fights
- Dumping puppies and kittens is an ethical cost, as well as being illegal and inhumane

3.3.2 Adoption

Over the past 25 years, the number of registered purebred dogs in Australia has declined by a third (Australian National Kennel Council (ANKC), 2013).

This decline comes at a time when awareness about animal welfare and the availability of dogs and puppies for adoption at animal shelters has risen strongly. Over the past ten years the RSPCA's national statistics (RSPCA, 2013c) show a marked increase in the number of dogs and cats reclaimed or re-homed and a significant decline in the number and percentage of dogs and cats euthanased.

3.3.3 Micro-chipping

Micro-chipping and registration of dogs and cats is compulsory across most states and territories in Australia. Nationwide, 76% of dogs and 64% of cats are micro-chipped (Galaxy Research, 2013).

Micro-chipping ensures that pets are identified for life and can be reunited with their owners if they are lost. On a larger scale, it can be invaluable following a natural disaster, such as a flood or cyclone, where a large number of pets can be displaced.

In New South Wales, under the *Companion Animal Act 1998*, all dogs and cats must be micro-chipped at the point of sale, change of ownership or by 12 weeks of age, whichever occurs first (Department of Local Government New South Wales, 2013).

In Victoria the *Domestic Animals Act 1994* requires that all dogs and cats be micro-chipped as a condition of pet registration, which is compulsory once they are three months old (Department of Primary Industries Victoria, 2013).

In Queensland the *Animal Management (Cats and Dogs) Act 2008* requires micro-chipping of dogs and cats prior to sale/transfer and before they are 12 weeks old. The Australian Capital Territory has the same requirement under the *Companion Animals Act 1998* (RSPCA, 2013b).

Under the *Cat Act 2011* in Western Australia, only cats are required to be micro-chipped, which must be done prior to six months of age (RSPCA, 2013b).

There are no requirements for micro-chipping companion animals in South Australia or the Northern Territory (RSPCA, 2013b).

3.3.4 Pet insurance

Almost an unknown product ten years ago, the market for pet insurance has grown significantly over the past five years. With companion animals considered by most to be members of the family, pet owners are far more likely to opt for costly veterinary treatments if it means better quality of life or a longer life for their valued companions.

However, with some treatments similar to what might be found in a human hospital, pet owners can face costs which run into the thousands of dollars. This makes pet insurance an attractive option for many pet owners.

Many of the major health insurance providers such as Medibank, Allianz, Bupa, Royal Automobile Club of Queensland and HCF offer a range of different cover options for dogs, cats and other pets. The RSPCA and Woolworths also offer pet insurance products.

Currently one in ten cat owners (12%) and nearly one in five dog owners (18%) have this type of cover (Galaxy Research, 2013).

The younger generation is most likely to invest in pet insurance. Twenty per cent of Gen Y pet owners have insurance for their cats, and 27% for their dogs. In comparison, only 12% of pet owning Baby Boomers have insurance for their dogs and just 9% have insurance for their cats.

For those who don't have pet insurance, the reasons are almost identical between dog and cat owners. Almost half don't see the value or need for it; more than a third consider it to be too expensive, while a quarter haven't looked into it.

Table 27: Reasons for not having pet insurance

Source	Dogs	Cats
Don't see the value	49%	49%
Too expensive	37%	35%
Haven't looked into it/don't know much about it	25%	25%
Didn't know it was available	2%	3%
Other	9%	9%

Source: Galaxy Research, 2013

With rising veterinary bills, pet insurance is expected to become an increasingly popular option for pet owners.

3.3.5 Indoors versus outdoors

Cats are generally more likely to be indoor pets than dogs. More than one third (34%) of cats are kept only indoors, compared to one in every ten dogs (11%).

On the flip side, just 8% of cats are kept exclusively outdoors, whereas this is the case for one in four dogs (24%). Sixty-five per cent of dogs and 58% of cats are allowed free reign both indoors and outdoors.

Not surprisingly, for those living in apartments cats are far more likely to live indoors (56%). However, the type of home doesn't have much bearing on whether dogs are solely kept indoors. Eighty-three per cent of dog owners living in apartments allow their dogs to spend time both indoors and outdoors.

There is very little difference between urban, suburban or regional areas as to whether cats live indoors, outdoors or both. However dogs living in regional areas are far more likely to be outdoor-only animals.

3.3.6 Holidays and outings

Almost all dog owners take their dogs to the park or for walks, with around one in five saying that they take their dogs almost everywhere. A further one in five say they take their dogs everywhere, including on holidays.

With around 840,000 dogs being taken on holidays, it is no surprise that hotels and other types of accommodation are increasingly catering for pets (Tourism New South Wales, 2013).

While the numbers are predictably lower for cats, 10% of cat owners take their cats everywhere with them, except on holidays. Just 4% take their cats everywhere, including holidays.

Major accommodation booking websites – including wotif.com, lastminute.com.au and hotelclub.com – all list and provide specialised search functions for pet friendly accommodation options.

3.3.7 Alternative healthcare treatments

Alternative healthcare treatments for pets are expected to become increasingly popular in the next five years (IBISWorld, 2012). These treatments include acupuncture, reflexology, chiropractic services and hydrotherapy. This is likely to further support demand for pet insurance.

IBISWorld (2012) estimates that expenditure on alternative pet treatments amounted to $16 million in 2011-12.

3.3.8 Online

Online shopping is rapidly increasing in popularity in Australian, with many retailers now selling their products and services this way.

Looking at pet product sales, few pet owners rely on the internet for purchasing the majority of their pet food. However, 5% of pet owners buy the majority of their pet accessories online and 12% buy the majority of their healthcare products online.

Pet owners buying healthcare products online are far more likely to buy from Australian sites (92%) than overseas sites (9%).

The most popular healthcare products bought online are over the counter parasite treatments, specifically flea treatments (84%), worming treatments (69%) and tick treatments (47%).

Of pet owners buying healthcare products online, 15% are buying dietary supplement and 5% are buying other healthcare products.

Interestingly, there was no standout generational group for which online purchasing of pet products was most popular.

Table 28: Percentage of pet products bought online

Product type	Percentage
Pet healthcare products	12%
Fish food	5%
Pet products and accessories	5%
Dog food	2%
Bird food	2%
Cat food	1%

Source: Galaxy Research, 2013

3.3.9 Social media and online communities

The rise of social media, particularly Facebook and Twitter, and online communities has seen many brands take their marketing strategies online, looking to engage directly with customers and potential customers. Examples include Pet Barn, Purina Australia (Nestle Purina) and Shmackos (Mars Australia).

4 MARKET VALUE SUMMARY

4.1 SUMMARY

The pet industry in Australia is estimated to be worth $8.0 billion annually.

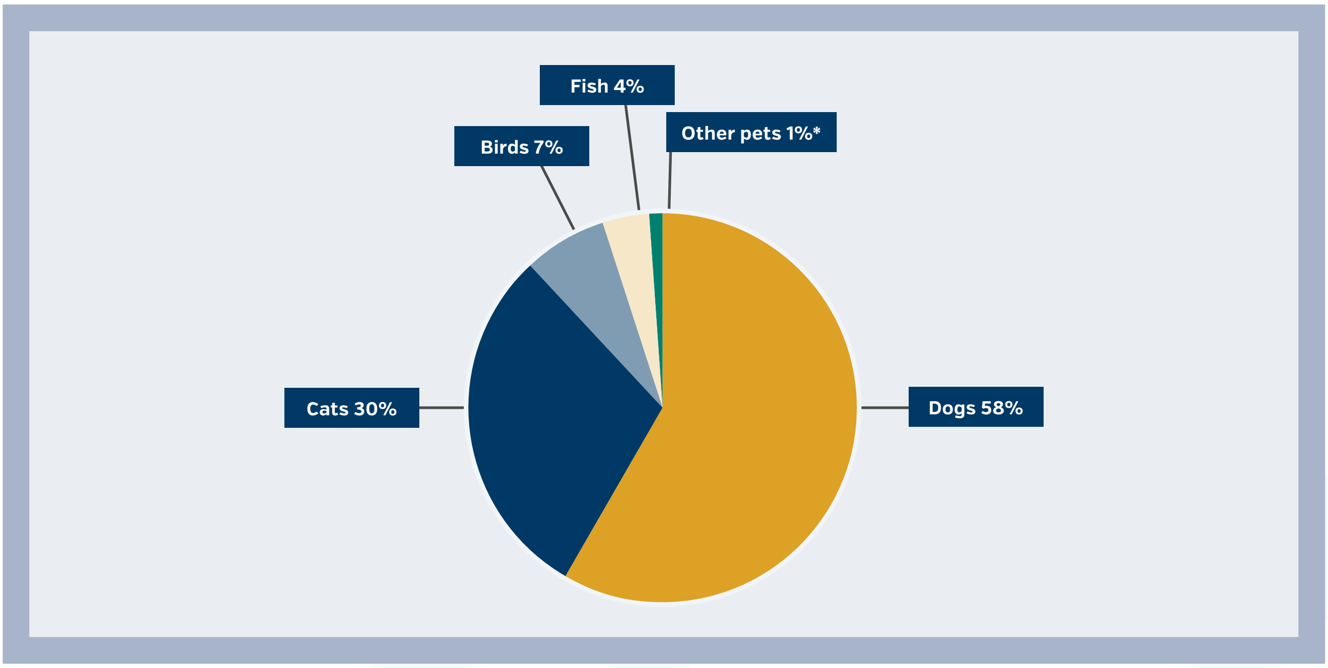
The majority of expenditure is on dogs, at around $4.7 billion. Expenditure on cats totals around $2.4 billion.

Table 29: Expenditure by pet type

Pet type	$ Million	Percentage of total
Dogs	4,685	59%
Cats	2,403	30%
Birds	544	7%
Fish	325	4%
Other pets	50*	1%
Total	**8,007**	**100%**

Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

Figure 12: Expenditure breakdown by pet type



Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

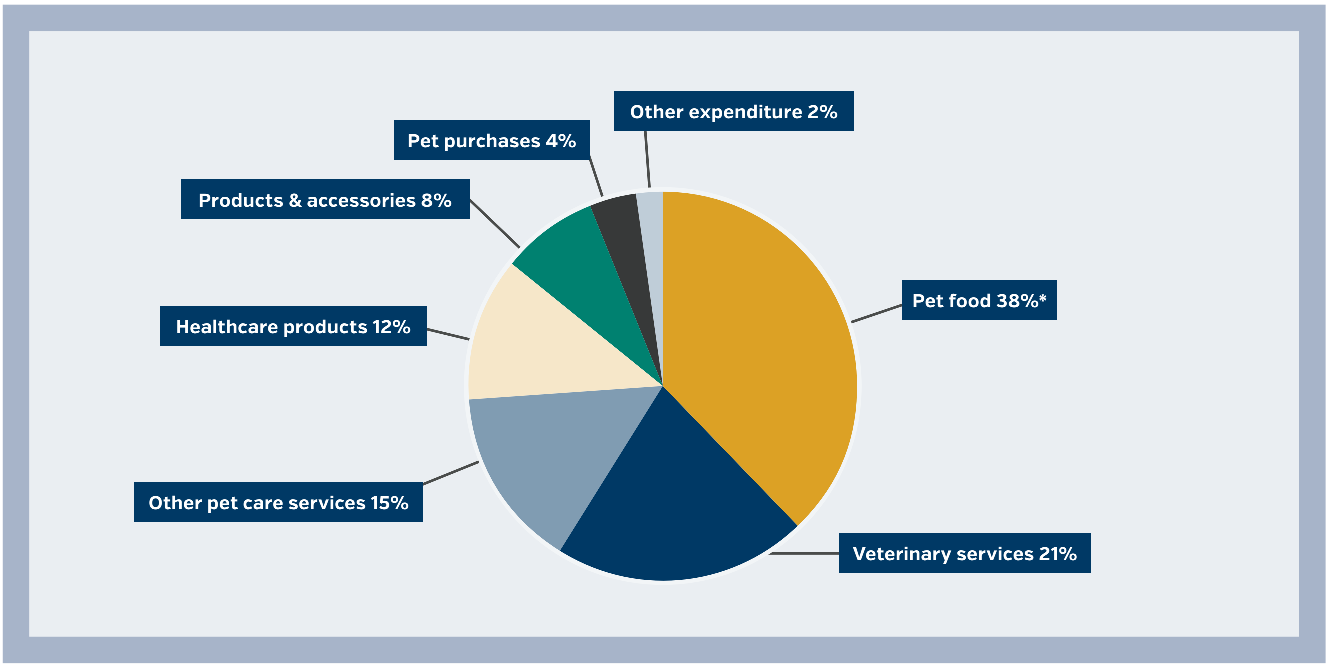
The biggest area of expenditure, across all pet types, is food at an estimated $3 billion a year. The next biggest area of expenditure is veterinary services, followed by other pet care services.

Table 30: Expenditure on pet care products and services

Product or service	$ Million	Percentage of total
Pet food	3,035*	38%
Veterinary services	1,650	21%
Other pet care services	1,199	15%
Healthcare products	976	12%
Products and accessories	673	8%
Pet purchases	310	4%
Other expenditure	164	2%
Total	**8,007**	**100%**

Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

Figure 13: Expenditury breakdown by product and service type



Source: Galaxy Research, 2013; *Euromonitor International, 2012
*Note: * Figure includes data from both Galaxy Research & Euromonitor International*

Table 31 provides a detailed breakdown of expenditure on pet care products and services by pet type.

Table 31: Expenditure pet care products and services by pet type

Product or service	$ Million	Percentage of total
Pet food		
Dogs	1,614	20.1%
Cats	1,088	13.6%
Birds	202	2.5%
Fish	82	1.0%
Other pets	49*	0.6%
Sub-total	**3,035**	**37.9%**
Pet care products		
Dogs	850	10.6%
Cats	436	5.4%
Fish	191	2.4%
Birds	172	2.1%
Sub-total	**1,648**	**20.6%**
Pet care services		
Dogs	1,952	24.3%
Cats	781	9.7%
Birds	95	1.2%
Fish	23	0.3%
Sub-total	**2,850**	**35.6%**
Pet purchases		
Dogs	206	2.6%
Cats	53	0.7%
Fish	11	0.1%
Birds	40	0.5%
Other pets	1	0.0%
Sub-total	**310**	**3.9%**
Other expenditure		
Dogs	64	0.8%
Cats	47	0.6%
Fish	18	0.2%
Birds	36	0.4%
Sub-total	**164**	**2.0%**
Total	**8,007**	**100.0%**

Source: Galaxy Research, 2013; *Euromonitor International, 2012

4.2 SUMMARY BY PET TYPE

4.2.1 Dogs

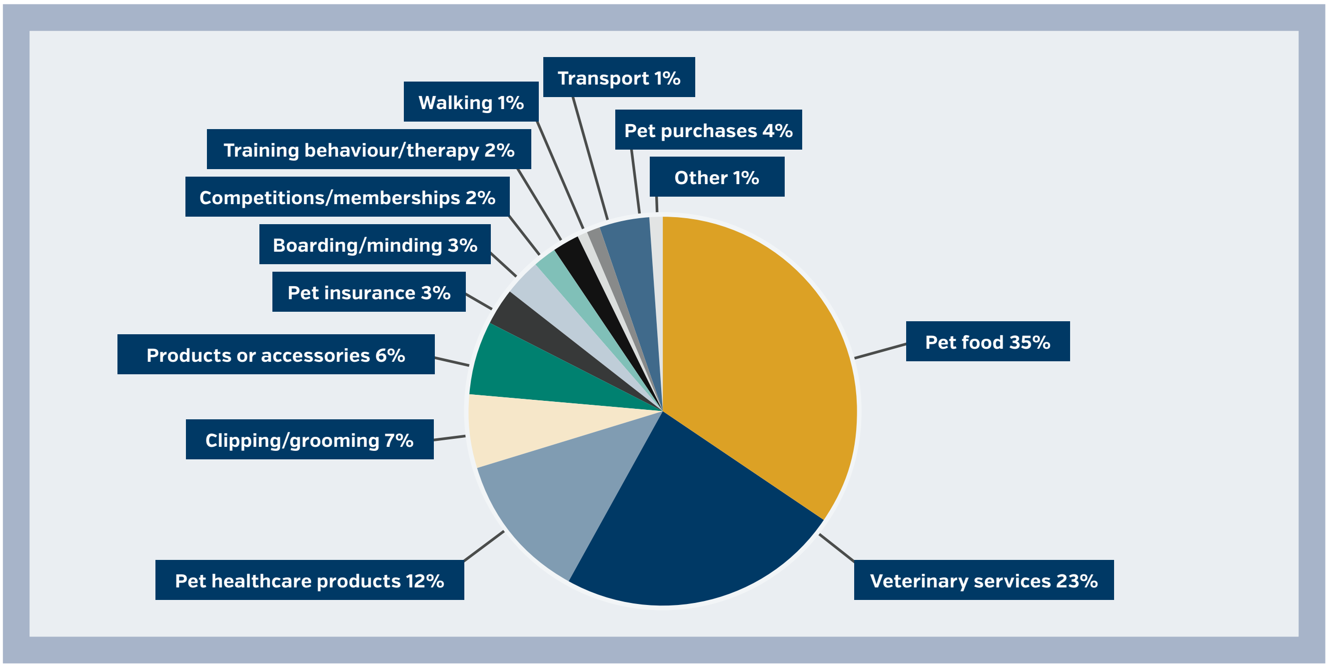
The average dog owning household spends $1,471 per year on their dogs. The main areas of expenditure are food ($530) and veterinary services ($358). Some dog owners have more than one dog, which makes the average per animal $1,050.

Table 32: Annual expenditure on dogs (average across all households)

Item	$ Million	Percentage of total expenditure	Average spend per household ($)	Average spend per animal ($)
Pet food	1,614	34%	530	379
Veterinary services	1,090	23%	358	256
Pet healthcare products	566	12%	186	133
Clipping/grooming	305	6%	100	71
Products or accessories	283	6%	93	66
Pet insurance	158	3%	52	37
Boarding/minding	149	3%	49	35
Competitions/memberships	79	2%	26	19
Training behaviour/therapy	76	2%	25	18
Walking	49	1%	16	11
Transport	46	1%	15	11
Pet purchases	206	4%	~	~
Other	64	1%	21	15
Total	**4,685**	**100%**	**1,471**	**1,051**

Source: Galaxy Research, 2013

Figure 14: Detailed breakdown of average expenditure on dogs



Source: Galaxy Research, 2013

Table 33 provides an insight into the percentage of dog owning households that purchase products and services a year, as well as the average amount spent per household and per animal for these products and services.

Table 33: Annual expenditure on dogs

Item	$ Million	Dog owning house-holds buying the product/service	Average spent by these households ($)	Average spent per animal ($)
Pet food	1,614	99%	535	382
Veterinary services	1,090	83%	431	308
Pet healthcare products	566	95%	196	140
Clipping/grooming	305	45%	222	159
Products or accessories	283	85%	109	78
Pet insurance	158	18%	289	206
Boarding/minding	149	21%	233	167
Competitions/memberships	79	13%	200	143
Training behaviour/therapy	76	15%	167	119
Walking	49	12%	133	95
Transport	46	13%	115	82
Pet purchases	206	16%	~	313
Other	64	18%	117	83
Total	**4,685**	~	~	~

Source: Galaxy Research, 2013

4.2.2 Cats

On average, annual expenditure on cats is less than on dogs. The average cat owning household spends $1,057 per year on their cats, equivalent to $705 per animal.

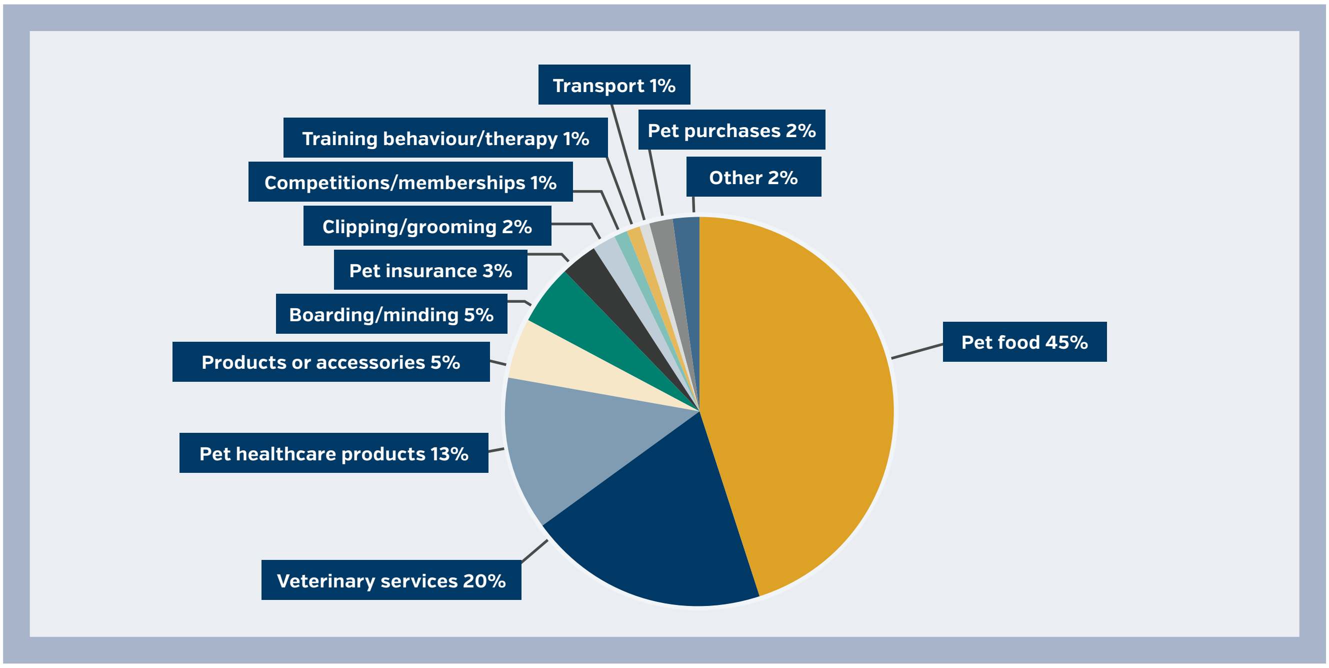
Cat owners spend proportionally more on food than dog owners, with cat food making up close on half of all expenditure.

Table 34: Annual expenditure on cats (average across all households)

Item	$ Million	Percentage of total expenditure	Average spend per household ($)	Average spend per animal ($)
Pet food	1,088	45%	489	326
Veterinary services	492	20%	221	147
Pet healthcare products	307	13%	138	92
Products or accessories	129	5%	58	39
Boarding/minding	118	5%	53	35
Pet insurance	67	3%	30	20
Clipping/grooming	47	2%	21	14
Competitions/memberships	27	1%	12	8
Training behaviour/therapy	16	1%	7	5
Transport	16	1%	7	5
Pet purchases	53	2%	~	~
Other	47	2%	21	14
Total	**2,403**	**100%**	**1,057**	**705**

Source: Galaxy Research, 2013

Figure 15: Detailed breakdown of average expenditure on cats



Source: Galaxy Research, 2013

Table 35 provides an insight into the percentage of cat owning households that purchase products and services a year, as well as the average amount spent per household and per animal for these products and services.

Table 35: Annual expenditure on cats

Item	$ Million	Cat owning households buying the product/service	Average spent by these households ($)	Average spent per animal ($)
Pet food	1,088	99%	494	329
Veterinary services	492	68%	325	217
Pet healthcare products	307	89%	155	103
Products or accessories	129	69%	84	56
Boarding/minding	118	17%	312	208
Pet insurance	67	12%	250	167
Clipping/grooming	47	14%	150	100
Competitions/memberships	27	9%	133	89
Training behaviour/therapy	16	8%	88	58
Transport	16	9%	78	52
Pet purchases	53	13%	~	119
Other	47	15%	140	93
Total	**2,403**	~	~	~

Source: Galaxy Research, 2013

4.2.3 Other pets

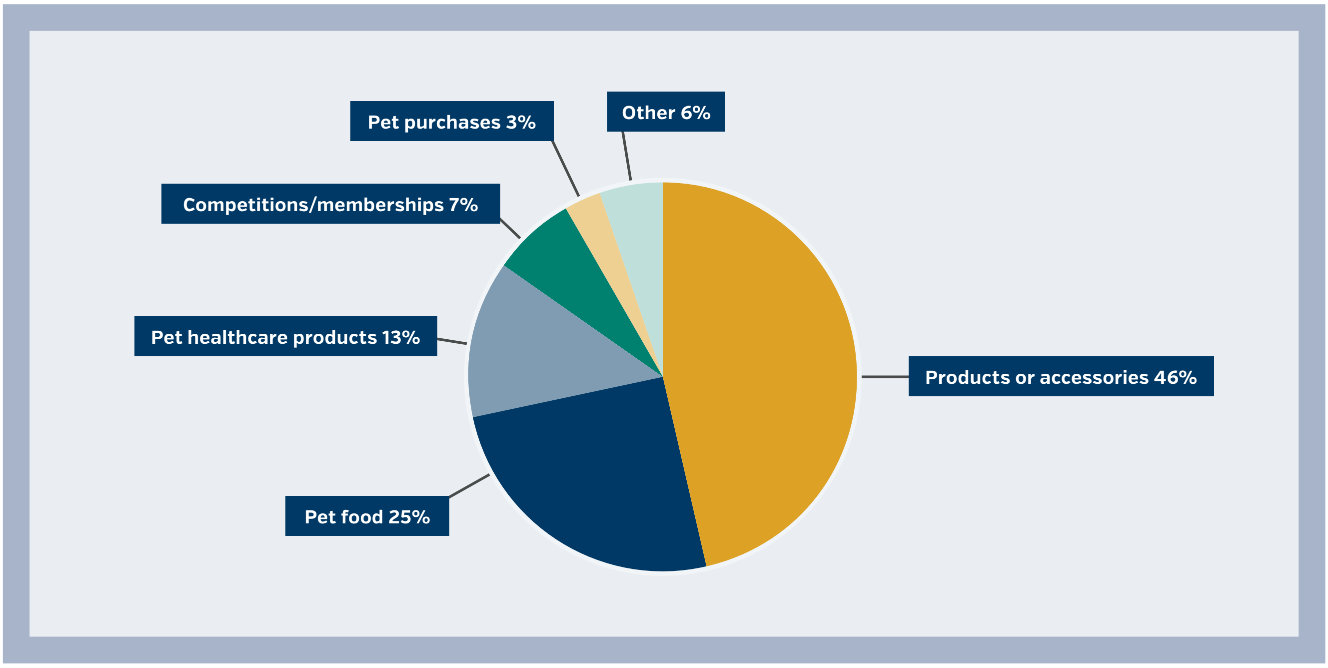
The average fish-owning household has nine fish and spends $264 a year on their fish, or around $29 per fish. Products and accessories such as tanks, filters and ornaments make up around half of all expenditure. Fish food accounts for a quarter of the cost of keeping fish.

Table 36: Annual expenditure on fish (average across all households)

Item	$ Million	Percentage of total expenditure	Average spend per household ($)	Average spend per animal ($)
Products or accessories	149	46%	125	14
Pet food	82	25%	69	8
Pet healthcare products	43	13%	36	4
Competitions/memberships	23	7%	19	2
Pet purchases	11	3%	~	~
Other	18	5%	15	2
Total	**325**	**100%**	**264**	**29**

Source: Galaxy Research, 2013

Figure 16: Detailed breakdown of average expenditure on fish



Source: Galaxy Research, 2013

Table 37 provides an insight into the percentage of fish owning households that purchase products and services a year, as well as the average amount spent per household and per animal for these products and services.

Table 37: Annual expenditure on fish

Item	$ Million	Fish owning households buying the product/service	Average spent by these households ($)	Average spent per animal ($)
Products or accessories	149	70%	179	20
Pet food	82	96%	72	8
Pet healthcare products	43	39%	92	10
Competitions/memberships	23	14%	136	15
Pet purchases	11	~	~	~
Other	18	17%	88	10
Total	**325**	**~**	**~**	**~**

Source: Galaxy Research, 2013

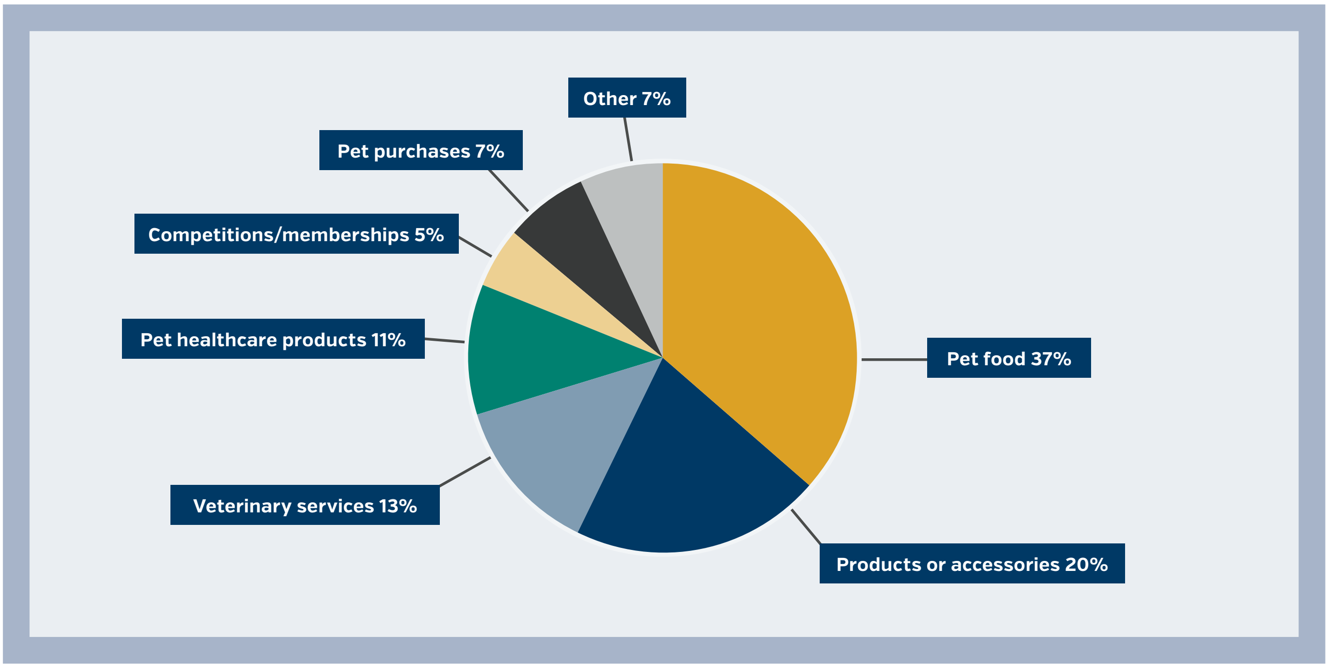
The average bird-owning household spends $491 a year on their birds, which is just over $100 per bird. The biggest areas of expenditure are bird food, products and accessories such as cages and toys.

Table 38: Annual expenditure on birds (average across all households)

Item	$ Million	Percentage of total expenditure	Average spend per household ($)	Average spend per animal ($)
Pet food	202	37%	197	42
Products or accessories	112	21%	109	23
Veterinary services	69	13%	67	14
Pet healthcare products	60	11%	58	12
Competitions/memberships	26	5%	25	5
Pet purchases	40	7%	~	~
Other	36	7%	35	7
Total	**544**	**100%**	**491**	**104**

Source: Galaxy Research, 2013

Figure 17: Detailed breakdown of average expenditure on birds



Source: Galaxy Research, 2013

Table 39 provides an insight into the percentage of birds owning households that purchase products and services a year, as well as the average amount spent per household and per animal for these products and services.

Table 39: Annual expenditure on birds

Item	$ Million	Bird owning households buying the product/service	Average spent by these households ($)	Average spent per animal ($)
Pet food	202	99%	199	42
Products or accessories	112	72%	151	32
Pet healthcare products	60	56%	104	22
Veterinary services	69	29%	231	49
Competitions/memberships	26	17%	147	31
Pet purchases	40	~	~	~
Other	36	24%	146	31
Total	**544**	~	~	~

Source: Galaxy Research, 2013

5 PET PURCHASES

Over the past 12 months it is estimated that 3.6 million new companion animals were procured, with an estimated total expenditure of $310 million. At $206 million, the majority of this expenditure was on dogs, followed by cats at $53 million and birds at $40 million.

Table 40: Estimated annual expenditure on pet purchases

Pet purchases	Total purchased in 12 months	Total expenditure ($ Million)
Fish*	2,210,226	11
Dogs	658,000	206
Cats	444,000	53
Birds*	168,423	40
Other pets*	71,733	1
Total	**3,552,383**	**310**

Source: Galaxy Research, 2013
*Note: * Estimated figure based on intended purchases over the next 12 months*

Almost half (49%) of all cats were obtained free of charge, compared to around a third (31%) of dogs. The average price paid for a new puppy or dog is $313. This is compared to the average price paid for a kitten or cat of $119.

Table 41: Price range for dog and cat purchases

Amount paid	Dogs	Cats
Nothing/free	31%	49%
Up to $200	19%	32%
$201 – $500	26%	14%
$501 – $1000	19%	3%
More than $1000	4%	1%
Total	**100%**	**100%**

Source: Galaxy Research, 2013

The most common way to obtain a dog is through a breeder (30%). The second most common is from a friend or neighbour (20%), followed by a pet shop (16%), or the RSPCA or an animal shelter (15%).

The figures are somewhat different for cats, with an equal proportion (22%) being obtained from the RSPCA or an animal shelter, or from friends or neighbours. A further 14% are sourced from a breeder, with 14% found (previously stray) cats. Just 10% of cats are purchased from a pet shop.

Of all the animals owned by Australians, 16% or 658,000 dogs were acquired in the last 12 months, compared to 13% or 444,000 cats.

Table 42: Pet procurement channels

Source	Dogs	Cats
Breeder	30%	14%
Friend/neighbour	20%	22%
Pet shop	16%	10%
RSPCA/Animal shelter	15%	22%
Inherited	3%	4%
Found/stray	2%	14%
Veterinary practice	1%	5%
Other	13%	9%
Total	**100%**	**100%**

Source: Galaxy Research, 2013

6 PET FOOD

Australians have a strong emotional attachment to and value their companion animals, with most people considering them members of the family. Pet owners have become increasingly conscious of providing their pets with the best possible life (Euromonitor International, 2012). This view is powerful and clearly demonstrated in the major trends seen in the sale of pet food.

The global financial crisis had a profound effect on Australian household spending and savings patterns. While the Australian economy never dropped into a recession, job certainty was no longer assumed and Australians started spending less and saving more. This reversed the steadily declining household savings rate, a trend which had been in place since the 1970s (Euromonitor International, 2012).

Consumer spending cut backs have been most noticeable when it comes to discretionary spending. One sector that seems largely impervious to these economic downturns is pet food. In fact, pet food has been compared to baby food due to its resilient performance (Euromonitor International, 2012).

6.1 SUMMARY

Pet owners are currently estimated to spend $3.04 billion on pet food a year.

Dog food accounts for more than half of this at $1.6 billion, or 53%. Cat food also comprises a significant proportion at $1.1 billion or 36% of all pet food sales.

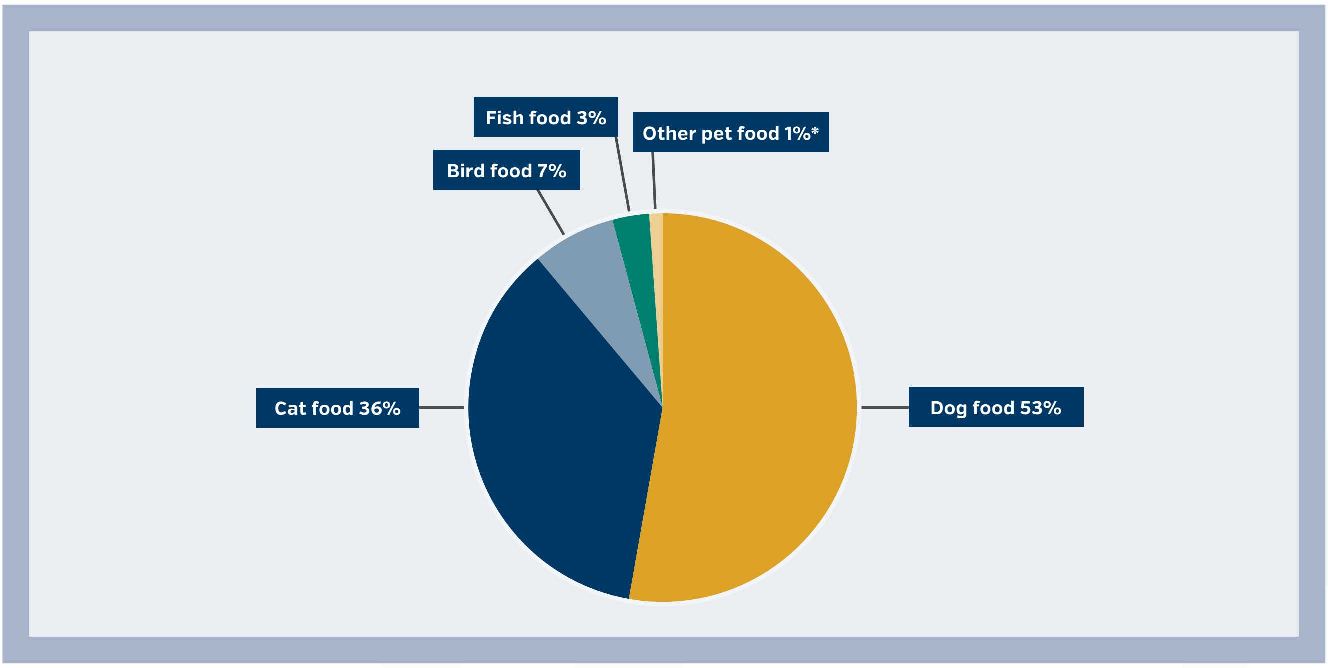
Together, dog and cat food represent almost 90% of all pet food expenditure.

Table 43: Expenditure on pet food

Sector	$ (million)	Percentage of total
Dog food	1,614	53%
Cat food	1,088	36%
Bird food	202	7%
Fish food	82	3%
Other pet food	49*	2%
Total	**3,035**	**100%**

Source: Galaxy Research, 2013; *Euromonitor International, 2012

Figure 18: Expenditure on pet food



Source: Galaxy Research, 2013; *Euromonitor International, 2012

6.2 TRENDS

The major trend driving consumer behaviour when it comes to pet food is the humanisation of companion animals. People prioritise spending on their pets as they would a member of their immediate family.

6.2.1 Premiumisation

Consumers are prepared to spend more on their pets, which has seen pet food become increasingly sophisticated, particularly in the premium end of the market. Sales of premium dog and cat food products have continued to grow steadily over the past five years, with 7% year on year growth to 2011 in current value terms (Euromonitor International, 2012).

The premiumisation of pet food is impacting the economy and mid-priced segments of the market, which are expected to come under increasing pressure as consumers trade up to premium products.

6.2.2 Packaging

Packaging has become more sophisticated to reflect the premium offerings and key selling points. For wet pet food, product offerings have tended to move away from large pack sizes to multi-pack single serve portions.

To make premium products more affordable, premium dry dog and cat food has increasingly become available in large air tight resealable packs (Euromonitor International, 2012). This has provided an attractive option for pet owners wanting to economise without sacrificing quality.

In non-grocery channels the 3kg pack size is more common, compared to 500g to 1.5kg seen more predominantly in grocery retailers. Dry pet food is most commonly packaged in flexible plastic and does not yet reflect the trend towards more sustainable packaging options (Euromonitor International, 2012).

6.2.3 Health and wellness

As Australians have become more conscious of having a healthy lifestyle and diet, so too have these become considerations when it comes to buying pet food.

Health and wellness claims have become more common in the pet food sector, a trend that is occurring at all price points, including private label offerings. An increasing number of products boast added vitamins and minerals, and/or that they address specific health concerns. These include weight control, dental hygiene and digestive health.

The idea of 'all-natural', preservative-free and organic products has also permeated the pet food market (Euromonitor International, 2012). There are established standards and guidelines for the use of these terms. Bodies such as Standards Australia facilitate self-regulation, whereas the Australian Competition and Consumer Commission both facilitates self-regulation and administers black letter law.

6.2.4 Segmentation

The market has become more and more segmented to offer pet owners products that address specific needs or concerns. This includes the development of products targeted to cats and dogs at different life stages, such as puppy/kitten, 'mature' and 'senior'.

The health and wellness trend has also driven segmentation with different product offerings such as weight control, dental hygiene and digestive health.

6.2.5 Private label

Private label pet food offerings have increased alongside a range of other product categories on supermarket shelves, and in 2011 accounted for 10.7% of all pet food sales (Euromonitor International, 2012).

Woolworths has the largest share of the private label market, and the sixth largest share (2.4%) of the total pet food market.

6.3 DOG FOOD

6.3.1 Summary

Dog food accounts for 53% of all pet food sold, with sales totalling $1.6 billion a year; not surprising given dogs are Australia's most popular pet.

The growing importance of health and wellness considerations in human food has flowed through to dog food product offerings. Product features include weight management, antioxidants, protein supplementation, added vitamins and minerals, omega-3 fortification and prebiotics (Euromonitor International, 2012).

6.3.2 Channels

The vast majority of dog food is purchased in supermarkets. During the past year, 81% of dog owners bought food for their dogs at the supermarket, with 69% buying the majority of their dog food from supermarkets.

There is very little crossover of brands available through grocery and non-grocery store-based retailers (Euromonitor International, 2012).

Superstores such as Pet Barn have grown in popularity, in large part due to the variety of products and lower unit prices for brands available via this channel. Almost a third (32%) of dog owners purchased food from specialty pet stores in the past year, with 16% buying the majority of their dog's food through this channel.

Eighty-five per cent of dog owners cite supermarkets and specialty pet stores as their main source of pet food.

Table 44: Channels where dog owners purchase dog food

Channel	Any purchases	Most purchases
Supermarket	81%	69%
Pet shop/pet specialty store	32%	16%
Butcher	20%	3%
Veterinary practice	12%	6%
The internet/online	5%	2%
Other	2%	2%
None of the above	2%	2%

Source: Galaxy Research, 2013

6.3.3 Category and price point breakdown

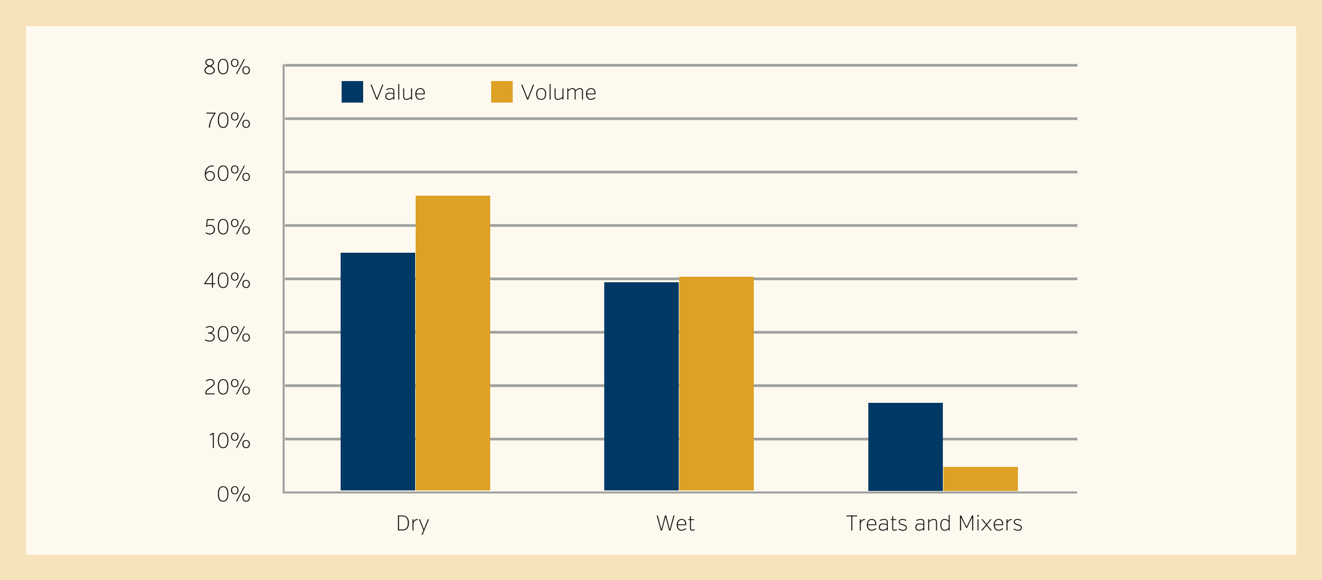
Pet owners buy marginally more dry dog food than wet dog food, with treats and mixers making up approximately 16% of all dog food sales by value

Table 45: Breakdown of dog food sales (category)

Category	Value	Volume
Dry	44%	56%
Wet	39%	40%
Treats and Mixers	16%	4%
Total	100%	100%
Total	**100%**	**100%**

Source: Euromonitor International, 2012

Figure 19: Dog food sales by value and volume (category)



Source: Euromonitor International, 2012

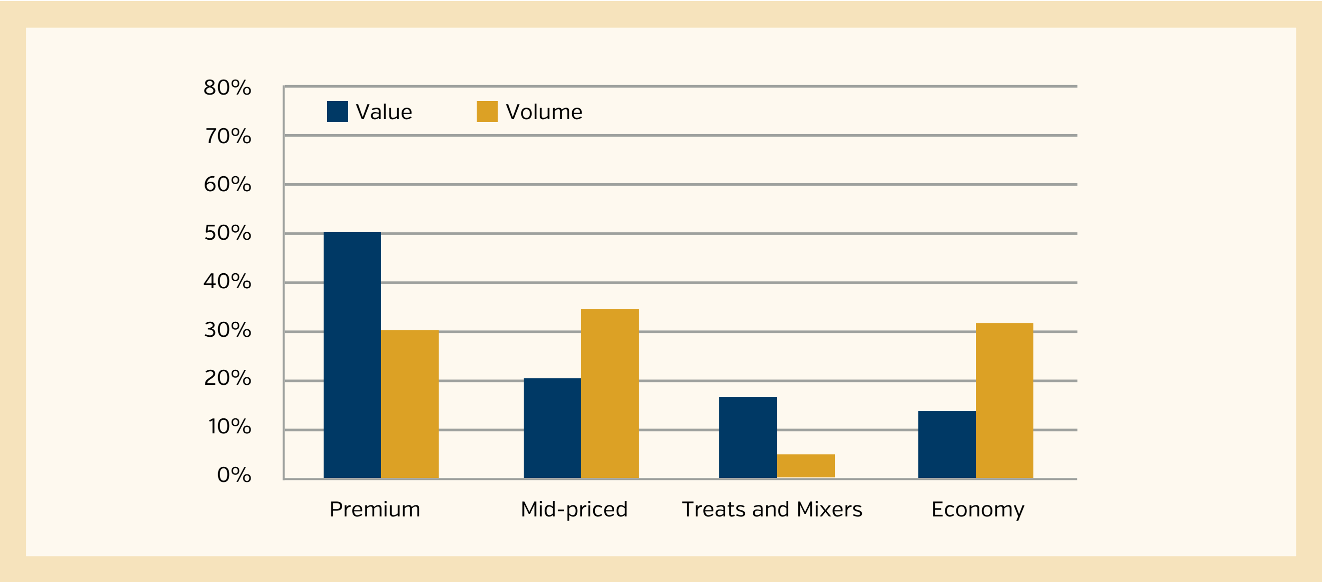
Fairly even quantities of economy, mid-priced and premium dog food are purchased by pet owners. Given the price differences, premium dog food makes up around half of all dog food sold in terms of value; with mid-priced food around a fifth and economy dog food just over a tenth.

Table 46: Breakdown of dog food sales (price point)

Category	Value	Volume
Premium	50%	30%
Mid-priced	20%	34%
Treats and mixers	16%	4%
Economy	13%	31%
Total	**100%**	**100%**

Source: Euromonitor International, 2012

Figure 20: Dog food sales by value and volume (price point)



Source: Euromonitor International, 2012

6.3.4 Dog food brands

The dog food landscape is dominated by Mars Australia (Mars), which in 2011 had a 43% market share across both wet and dry dog food. Mars' brand offerings include the leading dry dog food brand, Pedigree, which had a 14% value share in 2011. Mars has products across a range of price points and has secured its leading position by providing offerings through both grocery and non-grocery retail channels. (Euromonitor International, 2012)

Nestle Purina Petcare Australia (Nestle Purina) is the second largest player, with a 16% market share. Similar to Mars, the company operates brands across a variety of price points, available through grocery and non-grocery channels, but has fewer offerings in the economy segment. In 2007 the company acquired the Supercoat brand (now Purina Supercoat), which has become the biggest selling premium dry dog food brand, with a 21% market share in its segment. At the end of 2011 the company launched a range under the brand Ruffs, to tap into the growing demand for dog treats. (Euromonitor International, 2012)

Growing market segmentation and the desire of pet owners to buy premium products that offer health and wellness benefits have seen a rise in the number of small premium dog food brands. These include Holistic Select from Wellpet; Vitality Classic from Advanced Petcare of Australia; ZiwiPeak from ZiwiPeak; and K9 Natural from K9 Natural Foods. (Euromonitor International, 2012)

6.3.5 Private label

Private label dog food has followed the trends seen across the rest of the sector, with product offerings becoming increasingly sophisticated. In 2011, private label brands held just over a tenth (10.3%) of market share (Euromonitor International, 2012).

Woolworths is the biggest player in private label dog food products and the seventh largest player overall. Woolworths' private label dog food accounted for 2% of all dog food sales in 2011 (Euromonitor International, 2012).

6.3.6 Prepared versus non-prepared dog food

Not all food eaten by dogs is manufactured or 'prepared dog food'. A significant proportion consists of left-overs, table scraps and homemade food. This is referred to as 'non-prepared pet food'. The difference between the two is known as the 'prepared gap'.

The prepared gap is influenced by a range of socio-economic variables including time available to prepare meals and the growth in popularity of packaged human food sales, where portion sizes see less food left over for pets.

Another key variable is awareness of nutritional requirements for pets, which is influenced by product advertising and veterinary visits. The higher the proportion of prepared pet food, the more saturated the market.

While the dollar value is difficult to estimate, non-prepared dog food is estimated to account for more than half of all food consumed by dogs (Euromonitor International, 2012).

Table 47: Prepared vs non-prepared dog food

	2007	2008	2009	2010	2011	2012
Prepared dog food	43.3%	42.8%	42.9%	43.2%	43.5%	43.7%
Non-prepared dog food	56.7%	57.2%	57.1%	56.8%	56.5%	56.3%
Total dog food	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Euromonitor International, 2012

6.4 CAT FOOD

6.4.1 Summary

Cat food accounts for over a third of all pet food sold in Australia, currently totalling approximately $1.1 billion a year.

Cat owners value their pets' health and wellbeing and are spending more on premium food that delivers a better quality of life for their companion animals.

6.4.2 Channels

Cat owners rely on supermarkets far more so than other pet owners, with 77% citing this as their main source of cat food.

Other popular sources include pet shops and pet specialty stores (12%) and veterinary practices (6%).

Table 48: Channels where cat owners purchase cat food

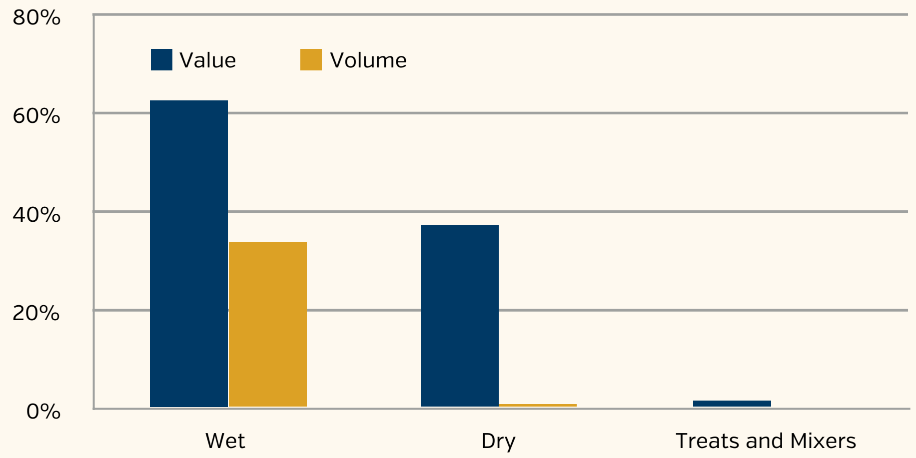
Channel	Any purchases	Most purchases
Supermarket	85%	77%
Pet shop/pet specialty store	25%	12%
Veterinary practice	15%	6%
Butcher	7%	1%
The internet/online	4%	1%
Other	2%	1%
None of the above	2%	2%

Source: Galaxy Research, 2013

6.4.3 Category and price point breakdown

In contrast to dog food, cat food sales are predominantly wet food, accounting for around two thirds of sales by value and volume. Sales of cat treats and mixers are negligible.

Figure 21: Cat food sales by value and volume (category)



Source: Euromonitor International, 2012

Table 49: Breakdown of cat food sales (category)

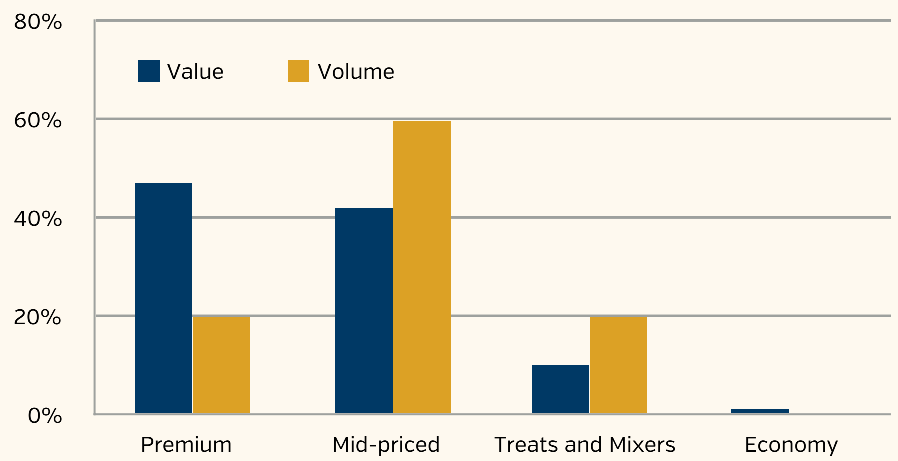
Category	Value	Volume
Wet	62%	67%
Dry	37%	33%
Treats and mixers	1%	0%
Total	**100%**	**100%**

Source: Euromonitor International, 2012

The majority of cat owners favour mid-priced cat food, which accounts for 60% of all cat food sold by volume. The remaining 40% is evenly split between premium and economy options.

Given the price differences, premium and mid-priced products dominate value sales, making up 47% and 42% of cat food sales respectively.

Figure 22: Cat food sales by value and volume (price point)



Source: Euromonitor International, 2012

Table 50: Breakdown of cat food sales (price point)

Price point	Value	Volume
Premium	47%	20%
Mid-priced	42%	60%
Economy	10%	20%
Treats and mixers	1%	0%
Total	**100%**	**100%**

Source: Euromonitor International, 2012

6.4.4 Cat food brands

Australia's leading pet food manufacturer, Mars, dominates the cat food market with its well-known brands including Whiskas, Optimum and Dine. For the past five years, Mars has held almost half the value share of the cat food market. The Whiskas brand is the most popular, making up 32% of all cat food sold in 2011 (Euromonitor International, 2012).

Nestle Purina held a 25% market share in 2011. Similar to Mars, the company has broad retail distribution, with product offerings at various price points. The company's most successful brands are Purina Gourmet and Purina Friskies. Nestle Purina is well represented in the premium segment, leading both the wet and dry cat food categories (Euromonitor International, 2012).

Pet owners' preference for single serve options resulted in strong multipack sales of Dine, which saw the brand seize market share from Nestle Purina's Fancy Feast. Nestle Purina responded in late 2011 by launching its own multi-pack offering.

6.4.5 Private label

Private label cat food saw a 0.4% increase in value share in 2011 and accounted for 8.8% of all sales by value. In the cat food market, the sophistication of private label products is also increasing. Products include specific health and wellness claims and are segmented by age – kitten, mature and senior.

6.4.6 Prepared versus non-prepared cat food

Over the past five years cat owners have increasingly taken advantage of the convenience of prepared cat food. On average, prepared cat food makes up around two-thirds of a cat's diet.

Table 51: Prepared vs non-prepared cat food

	2007	2008	2009	2010	2011	2012
Prepared cat food	58.1%	59.7%	61.5%	63.5%	64.4%	65.2%
Non-prepared cat food	41.9%	40.3%	38.5%	36.5%	35.6%	34.8%
Total cat food	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Euromonitor International, 2012

6.5 OTHER PET FOOD

6.5.1 Summary

It is estimated that pet owners currently spend $333 million a year on food for fish, birds and other pets, such as rabbits, guinea pigs and reptiles. This accounts for 11% of all pet food purchased.

The majority of this is bird food, valued at around $202 million. Expenditure on fish food is estimated to be around $82 million, with $49 million spent on food for other types of pets.

6.5.2 Channels

Although supermarkets (48%) are the most common place to buy bird food, bird owners are far more likely to buy pet food from a pet shop or specialty store (35%) than dog or cat owners.

Table 52: Channels where bird owners purchase bird food

Channel	Any purchases	Most purchases
Supermarket	61%	48%
Pet shop/pet specialty store	53%	35%
The internet/online	5%	2%
Veterinary practice	5%	1%
Other	12%	10%
None of the above	3%	3%

Source: Galaxy Research, 2013

People who keep fish are equally likely to buy fish food from the supermarket or a specialty pet store.

Table 53: Channels where fish owners purchase fish food

Channel	Any purchases	Most purchases
Pet shop/pet specialty store	51%	42%
Supermarket	50%	43%
The internet/online	7%	5%
Veterinary practice	2%	1%
Other	2%	2%
None of the above	7%	7%

Source: Galaxy Research, 2013

6.5.3 Products and brands

Bird food products are very similar to what birds would eat in the wild. Segmentation in this category has seen offerings targeted to different species. A number of products promote calcium as a key ingredient as it is beneficial for birds' beaks.

Mars Australia has a 36% share of the bird food market through its three brands, Trill (25%), Harmony (8%) and Golden Cob (3%). Private label bird food holds significant value share in the category, with Woolworths' Homebrand the second biggest selling brand at 20%. Other private label brands make up another 19% of the market (Euromonitor International, 2012).

Fish food comes in a few different formats, including granules, flakes and bottom feeders, with some differentiation for different fish types such as goldfish and tropical fish.

As with bird food, small mammal and reptile food products are quite similar to what animals would eat in the wild and do not include any fortified offerings. This makes private label and economy products more attractive. Spectrum Brands Inc, with its popular Tetra brand, has a 29% value share of the fish food market (Euromonitor International, 2012).

Australian owned company Peters Pure Animal Foods was established 20 years ago and for the past 10 years has held around a one third value share in the small mammal and reptile pet food market (Euromonitor International, 2012).

7 PET CARE PRODUCTS

7.1 Summary

Pet owners are currently estimated to spend $1.6 billion on pet products and accessories a year. The majority of this expenditure, $976 million, is on healthcare products. The remaining $673 million is on other pet products and accessories.

For the purpose of this report, pet care products are split into ‘healthcare products’ (including tick and flea treatments, worming treatments, and supplements) and ‘products and accessories’ (including food bowls, leads, cat litter trays, and grooming items).

Although Australia’s economy has fared well through the global financial crisis and ensuing instability in Europe and the United States, confidence in Australia has taken a hit. However, despite weaker consumer confidence, pet owners have not been prepared to compromise or economise on pet care (Euromonitor International, 2012).

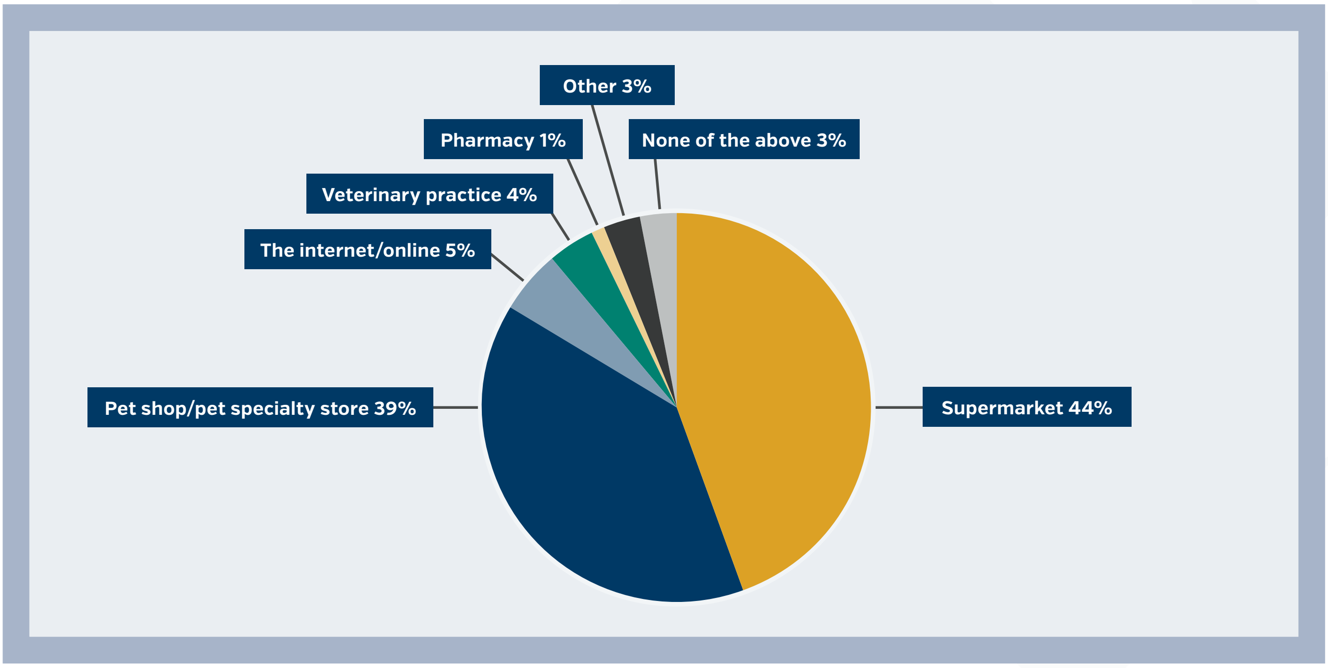
The dominant channel for purchasing pet products is supermarkets (44%), followed by pet shops or specialty stores (39%).

Table 54: Channels where the majority of pet care products are purchased

Distribution channel	Percentage
Supermarket	44%
Pet shop/pet specialty store	39%
The internet/online	5%
Veterinary practice	4%
Pharmacy	1%
Other	3%
None of the above	3%
Total	**100%**

Source: Galaxy Research, 2013

Figure 23: Channels where the majority of pet care products are purchased



Source: Galaxy Research, 2013

7.2 PET HEALTHCARE PRODUCTS

7.2.1 Trends

Advances in pet healthcare over recent decades have enabled pet owners to ensure their dogs and cats are free of both internal and external parasites. Over time this has seen the domain of companion animals shift from outside to inside the home, helping them to become integral in the lives of most Australians.

Companion animals are now considered to be members of the family and as such pet owners place great importance on their health and wellbeing.

To keep pets in good physical condition and maximise their longevity, pet healthcare products have become an important and necessary expense for pet owners. The most common products are flea and tick treatments, worming tablets for internal parasites and, increasingly, dietary supplements.

Dietary supplements
Dietary supplements usually target a specific condition, such as osteo-support. Due to the specific nature of these products, and their measured and targeted doses, their popularity does not seem to be materially impacted by the sale of fortified pet food. It is estimated that expenditure on dietary supplements has grown by 83% in current value terms over the past ten years (Euromonitor International, 2012).

Increased longevity
Pets are also living longer lives (Chan, 2013), with their owners prepared to pay for expensive treatments and surgeries, where necessary, to keep them healthy for longer. This may also include veterinary prescribed medicines or healthcare products.

Pet obesity
There is another, although contrary, trend that is also leading to increased expenditure on healthcare products – pet obesity. As the waistline of the average Australian has expanded, so too have their pets'. Today, more than 41% of dogs and more than 32% of cats are estimated to be clinically overweight or obese (Hill's, 2013).

As is the case with humans, carrying additional weight poses a significant danger to pets' health, increasing the risk of serious diseases like diabetes mellitus, hypertension, heart disease, and painful osteoarthritis (Hill's, 2013).

7.2.2 Healthcare product and veterinary medicine manufacturing

The vast majority of healthcare products and veterinary medicines for companion animals are manufactured by ten veterinary chemical companies in Australia. Many of these are part of larger international companies that manufacture human healthcare products and medicines.

These companies are Bayer Australia Animal Health, Boehringer-Ingelheim, Elanco Animal Health, MSD Animal Health, Merial Australia, Novartis Animal Health Australasia, Zoetis (formerly Pfizer) Animal Health, Virbac Australia, Troy Laboratories Australia, and Jurox.

While the range of products available to manage health related problems, disease and illness are extensive, ten product categories account for 97% of all products sold by manufacturers. Parasiticides for dogs and cats dominate this group, making up nearly three quarters (72%) of all products sold by manufacturers.

Parasiticides include treatments for external parasites such as fleas and ticks; internal parasites such as heartworms, roundworms, hookworms and tapeworms; and treatments for both internal and external parasites.

Australia's environmental and climatic conditions are very well suited to a wide range of internal and external parasites, many of which are also carried by native species. Common parasites include paralysis ticks and heartworms, which can be deadly.

As a result, the risk and likelihood of pets being infested or affected by parasites in Australia is much higher than in other parts of the world. Pet owners value the health and well-being of their pets, which is why parasiticides make up such a high proportion of all healthcare products sold.

Table 55: Manufacturer sales of healthcare products

Product category	$ Million – 2010	$ Million – 2011	$ Million – 2012
Parasiticides – External	100.2	96.2	95.0
Parasiticides – Combined	59.7	62.4	68.2
Parasiticides – Internal	55.8	53.6	59.6
Vaccines and antisera	38.3	41.1	42.8
Antibiotics	10.4	10.9	11.5
Non-steroidal anti-inflammatories (NSAIDs)	9.2	9.2	8.8
Cardiovascular	6.2	6.3	6.5
Dermatological	3.4	3.3	2.9
Aural preparations	1.9	2.0	2.2
Sedatives & anaesthetics	1.5	1.5	2.0
Other healthcare products*	6.7	8.4	10.2
Total	**292.6**	**294.2**	**309.4**

Source: Animal Health Alliance, 2013
*Note: * Includes products where the total sales (ex-manufacturer) are $1 million or less a year*

Table 56: Manufacturer sales of healthcare products – percentage breakdown

Product category	Percentage – 2010	Percentage – 2011	Percentage – 2012
Parasiticides – External	34%	33%	31%
Parasiticides – Combined	20%	21%	22%
Parasiticides – Internal	19%	18%	19%
Vaccines and antisera	13%	14%	14%
Antibiotics	4%	4%	4%
Non-steroidal anti-inflammatories (NSAIDs)	3%	3%	3%
Cardiovascular	2%	2%	2%
Dermatological	1%	1%	1%
Aural preparations	1%	1%	1%
Sedatives & anaesthetics	1%	1%	1%
Other healthcare products*	2%	3%	3%
Grand Total	**100%**	**100%**	**100%**

Source: Animal Health Alliance, 2013
*Note: * Includes products where the total sales (ex-manufacturer) are $1 million or less a year*

Eighty-two per cent of parasiticides sold by manufacturers in 2012 were for dogs, compared to 18% for cats. While there are some internal parasite treatments that can be used for dogs or cats, sales are negligible. There is relatively little year on year change in the split of parasiticide sales for dog and cats.

Table 57: Manufacturer sales of parasiticides

Product category	$ Million – 2010	$ Million – 2011	$ Million – 2012
Dogs	175.9	171.9	183.5
Cats	39.1	40	39
Dogs and cats	0.6	0.3	0.3
Total	**215.7**	**212.2**	**222.8**

Source: Animal Health Alliance, 2013

Table 58: Manufacturer sales of parasiticides – percentage breakdown

Product category	$ Million – 2010	$ Million – 2011	$ Million – 2012
Dogs	81.6%	81.0%	82.4%
Cats	18.1%	18.9%	17.5%
Dogs and cats	0.3%	0.2%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

Source: Animal Health Alliance, 2013

Treatments for external parasites are the largest by value and make up 31% of all products sold my manufacturers. Over the last three years from 2010 to 2012 there has been a 5% decline in the sales of external parasiticides.

Over this same timeframe, sales of combined treatments (for treating both internal and external parasites) and internal parasite treatments increased by 14% and 7% respectively.

Vaccines and antisera are the next largest product category, accounting for 14% of manufacturer product sales. Vaccines enable veterinarians to protect pets against a range of diseases, a number of which can be fatal, even with treatment.

Diseases most commonly vaccinated against in dogs include parvovirus, canine cough, hepatitis and distemper. In cats common diseases that vaccines protect against include feline leukaemia virus, feline enteritis, chlamydophila, feline immunodeficiency virus and feline respiratory disease.

Antibiotics, non-steroidal anti-inflammatories, cardiovascular, dermatological, aural preparations and sedatives and anaesthetics collectively account for just over 10% of all product sales.

Beyond the top ten product categories, the range of products available for the treatment of other conditions is broad. These products include treatments for behavioural problems, corticosteroids, and nutrition and metabolism products. The other healthcare categories listed in Table 59 each account for around $1 million or less in sales (ex-manufacturer) a year.

Table 59: Manufacturer sales of other healthcare products

Product category	$ Million – 2010	$ Million – 2011	$ Million – 2012
Central nervous	0.6	0.8	1.1
Behaviour	0.8	0.9	0.9
Ophthalmic	0.9	0.7	0.7
Nutrition & metabolism	0.7	0.6	0.5
Musculoskeletal	0.4	0.4	0.4
Corticosteroids	0.4	0.4	0.3
Reproduction	0.2	0.2	0.3
Alimentary	0.3	0.3	0.2
Respiratory	~	~	0.1
Genitourinary	0.0	0.0	0.0
All other healthcare products	1.7	3.5	5.2
Total	**6.7**	**8.4**	**10.2**

Source: Animal Health Alliance, 2013

7.2.3 Expenditure

Over the past ten years expenditure on pet healthcare products is estimated to have nearly doubled (Euromonitor International, 2012). In the past year, 95% of dog owners and 89% of cat owners purchased healthcare products for their pets.

Pet owners are estimated to spend $976 million on products ranging from tick and flea treatments to de-worming tablets and dietary supplements.

The majority of healthcare products purchased are for dogs, with expenditure totalling $566 million. This is an average of $186 per dog owning household. Expenditure on healthcare products for cats accounts for almost a third (31%) of the total, at $307 million or an average of $138 per household.

Table 60: Consumer expenditure on pet healthcare products

Pet type	$ Million	Percentage of total	Average spend per household ($)	Average spend per animal ($)
Dogs	566	58%	186	133
Cats	307	31%	138	92
Birds	60	6%	58	12
Fish	43	4%	36	4
Total	**976**	**100%**	**418**	**241**

Source: Animal Health Alliance, 2013

Healthcare expenditure for dogs is remarkably uniform across the country. There is also very little differentiation when it comes to age, city versus regional living, income bracket, dwelling type, breeds or sizes of dogs.

Amongst cat owners there is slightly more variability in expenditure patterns. It is more common for cat owners in Victoria/Tasmania (91%) to purchase healthcare products than those in other states. The figure is lowest in South Australian, where 78% of cat owners purchase healthcare products. Across the generations, 91% of Baby Boomers and 88% of Gen Y cat owners buy healthcare products.

7.3 PET PRODUCTS AND ACCESSORIES

Pet owners are currently estimated to spend a total of $673 million on pet products and accessories a year.

Households have been spending more on pet products and accessories, which include toys, litter trays, collars, leads and carry cases. In recent years accessories have moved on from being purely functional; for instance there is now a wide range of jewellery for collars and designer clothing for dogs.

For urban pet owners, toys can play an important part in ensuring pets are mentally and physically stimulated (Euromonitor International, 2012). This is most relevant for those living in units or apartments, where dogs and cats are largely or entirely kept indoors. The range of toys for cats and dogs is seemingly endless, including toy mice, plush toys filled with catnip, fake shoe chew toys, braided rope bones, teaser wands and automated interactive laser pointers.

In line with the humanisation trend, it is becoming more common for pet owners to celebrate their pets' birthdays and buy presents for them at Christmas. Pre-packaged Christmas stockings for dogs and cats are easily purchased online.

The generally high level of disposable income, coupled with owners' desire to spoil their pets, has seen strong growth in the products and accessories market. Over the past 10 years it is estimated that the market for pet products and accessories (excluding healthcare and cat litter) has grown by 71% in current value terms (Euromonitor International, 2012).

Nestle Purina, through its Total Care brand, is the market leader in pet products and accessories, with a 29% market share in 2011 (Euromonitor International, 2012). However, unlike pet food and healthcare products, there are fewer barriers to entering the pet product and accessory market. Products can be tailored to niche markets, sold online and shipped to customers. In contrast, pet food requires a level of processing, packaging and storage that may be prohibitive to smaller operators. As a result there are a large number of small players active in the pet products and accessories category. Many of these sell their products online or at local markets.

Unlike all other pets, where food accounts for the majority of expenditure, for fish owners it is products and accessories. Fish owning households spend on average $125 a year on tanks, plants, ornaments and decorations, filters, pumps, lights, gravel and stones. This makes up around 47% of the cost of having a fish.

Table 61: Consumer expenditure on pet products and accessories

Pet type	$ Million	Percentage of total	Average spend per household ($)	Average spend per animal ($)
Dogs	283	42%	93	66
Fish	149	22%	125	14
Cats	129	19%	58	39
Birds	112	17%	109	23
Total	**673**	**100%**	**385**	**142**

Source: Galaxy Research, 2013

7.4 CAT LITTER

Over recent decades, advances in animal health and the prevention of transmissible diseases and parasites have seen the domain of cats move from outdoors to inside the home. Today, 92% of cats spend part or all of their time indoors.

At the same time, urbanisation has seen the number and proportion of Australians living in units, apartments, semi-detached houses and townhouses increase (ABS, 2013b).

Although strata restrictions limit pet ownership, these two factors combined to see an increase in the sales of cat litter by 4% in current value terms in 2012 (Euromonitor International, 2012).

Sustainability has become a driving trend in cat litter, with biodegradable and organic products readily available. Some cat litter is flushable and can be disposed of down the toilet.

In the past ten years, expenditure on cat litter increased by 64% to reach an estimated total of $123 million in 2012 (Euromonitor International, 2012).

8 PET CARE SERVICES

8.1 SUMMARY

The range of pet care services and number of providers has grown in response to the changing needs of pet owners. As pets have become an important part of the family and cherished companions, their owners have been increasingly prepared to spend sometimes considerable amounts of money to ensure they are happy and healthy.

Pet owners are currently estimated to spend $2.8 billion on pet care services a year. The majority of this expenditure (58%) is on veterinary services. The next largest area of expenditure is clipping and grooming (12%), followed by boarding and minding (9%), and pet insurance (8%).

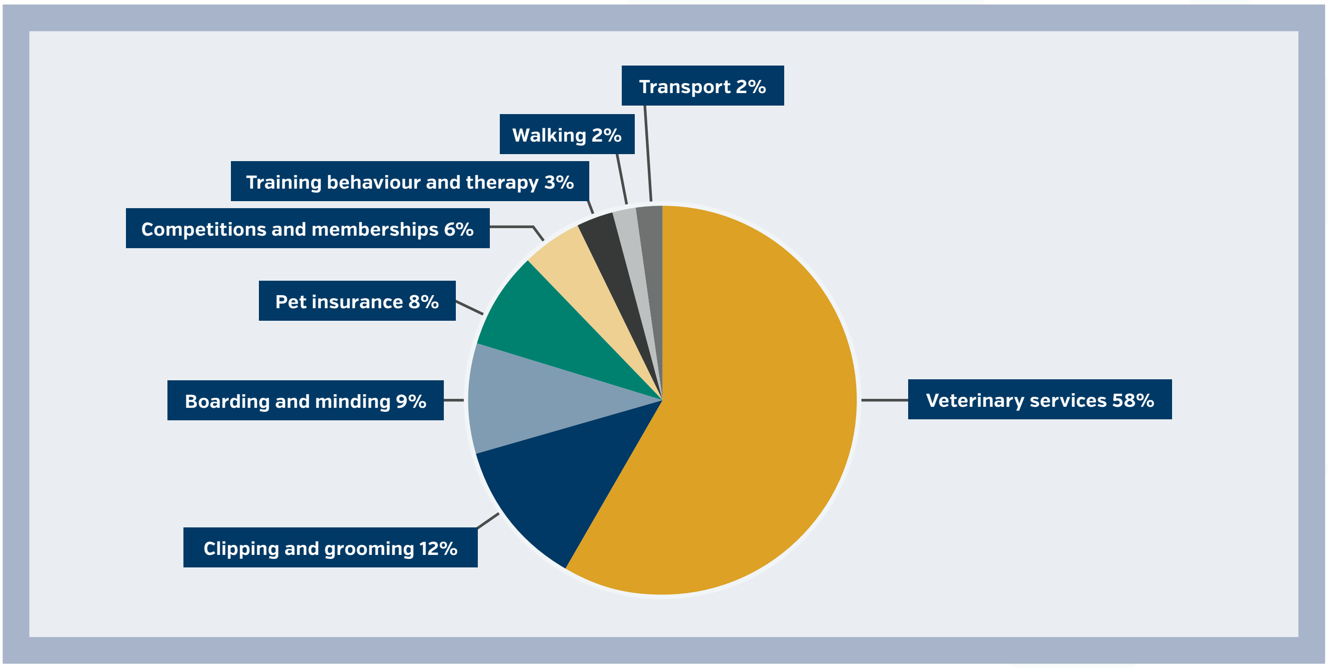
The rise in popularity of reality television shows has spilt over into the pet care space, with shows dedicated to veterinary practices and animal behaviourists. These shows have raised awareness about pet care and specialist services available including healthcare, grooming, and behavioural training (IBISWorld, 2012).

Table 62: Expenditure on pet care services

Item	$ Million	Percentage of total
Veterinary services	1,650	58%
Clipping and grooming	351	12%
Boarding and minding	267	9%
Pet insurance	225	8%
Competitions and memberships	154	5%
Training behaviour and therapy	92	3%
Walking	49	2%
Transport	61	2%
Total	**2,849**	**100%**

Source: Galaxy Research, 2013

Figure 24: Expenditure on pet care services



Source: Galaxy Research, 2013

8.2 SERVICE PROVIDERS

The range and number of pet care service providers is growing. As an indication, there are nearly 15,000 service providers listed in the Yellow Pages telephone directory (2013).

Table 63: Pet care service providers

Type of service provider	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	Total
Veterinary clinics/surgeries	2,183	1,762	1,626	564	534	160	133	54	**7,016**
Dog and cat clipping and grooming	924	780	743	282	291	70	73	17	**3,180**
Dog boarding kennels	498	400	318	146	248	77	23	22	**1,732**
Cat boarding homes	450	368	311	113	146	67	34	17	**1,506**
Dog and cat minding – in home	17	13	16	3	6	1	4	~	**60**
Dog breeders	134	99	96	45	48	16	10	2	**450**
Cat breeders	4	6	20	3	5	1	1	~	**40**
Animal welfare organisations	115	102	104	37	49	24	4	8	**443**
Bird breeders and dealers	41	37	27	36	13	2	1	1	**158**
Pet cemeteries, crematoriums and supplies	44	41	51	8	9	7	2	2	**164**
Pet transport services	57	34	33	7	17	8	2	3	**161**
Total	**4,467**	**3,642**	**3,345**	**1,244**	**1,366**	**433**	**287**	**126**	**14,910**

Source: Yellow Pages, 2013

8.3 VETERINARY SERVICES

8.3.1 Trends

Increased awareness about animal health issues and responsible pet ownership, coupled with the desire maximise the longevity of pets, is driving demand for veterinary services.

Veterinarians are considered to be the most important source of information about companion animals, therefore fulfilling an important education role for pet owners.

When pet owners were asked what role they felt veterinarians played, 85% said the treatment of sick animals, 70% said to keep pets healthy and 59% said to provide preventative advice.

Table 64: Role of veterinarians

Role	Percentage
Treating them when they are sick	85%
Keeping pets healthy	70%
Preventative advice	59%
None of the above	2%
Total	**100%**

Source: Galaxy Research, 2013
Note: Pet owners may view veterinarians as having a number of roles

There has been growth in preventative care and elective treatments, with substantial increases in surgery, in-patient care, diagnostic treatments, oncology and dentistry. Mirroring options available for human healthcare, alternative treatments such as acupuncture and chiropractic services, as well as physiotherapy, are growing in popularity.

Advancements in medical, surgical and diagnostic procedures, along with new pharmaceutical products, are expected to translate into greater patient throughput in veterinary practices (IBISWorld, 2012).

8.3.2 Visitations

In the past 12 months 80% of dog owners and 62% of cat owners took their animals to the veterinarian. Dog and cat owners most commonly take their pets to the veterinarian once a year, with around one in four dogs and one in five cats visiting the veterinarian twice a year.

New South Wales and Queensland have the highest proportion (23%) of dogs that haven't seen a veterinarian in the past 12 months. South Australia has the lowest at 16%.

Looking at cats, Western Australia has the highest proportion of cats (47%) that haven't been to a veterinarian in the last 12 months; Victoria and Tasmania have the lowest at 33%.

Table 65: Veterinary visits in the past 12 months

Number of visits	Dogs	Cats
Once	40%	36%
Twice	24%	20%
Three times	10%	3%
Four or five times	5%	2%
6 or more times	2%	1%
None	20%	38%
Total	**100%**	**100%**

Source: Galaxy Research, 2013

8.3.3 Treatments

The most common reasons for dogs and cats to visit the veterinarian are check-ups, vaccinations and ensuring their general wellbeing and welfare.

Table 66: Reasons for veterinary visits

Reason	Dogs	Cats
Vaccination	64%	54%
Check-up	61%	53%
Pet well-being or welfare	27%	26%
De-sexing	10%	10%
Surgery	8%	5%
Pathology and laboratory tests	7%	5%
Dentistry	6%	5%
Hospital in-patient care	6%	3%
X-ray and imaging services	4%	2%
Other	6%	7%

Source: Galaxy Research, 2013
Note: There may be multiple reasons for taking a pet to the veterinarian

8.3.4 Expenditure

Pet owners are currently estimated to spend $1.7 billion on veterinary services a year.

Lower (less than $100 dollars a year) to mid-range ($100 – $200 per year) expenditure on veterinary services generally indicates normal or routine check-ups or procedures. Households with an annual income of less than $50,000 are more likely to spend nothing or less than $100 a year on veterinary services (for both cats and dogs) than those on higher incomes.

Households with an income of more than $100,000 are most likely to spend between $100 and $200 on veterinary services for their cats. Dog owning households in the same bracket most commonly spend between $200 and $500 per year on veterinary services.

Higher range expenditure ($200 – $2000 for cats and $500 – $2000 for dogs) tends to indicate a health issue requiring additional treatment. Interestingly, income level doesn't seem to be a discriminating factor when it comes to expenditure in this range, further evidencing the importance and value pet owners place on the lives and health of their pets.

Only when expenditure exceeds $2000 a year are higher income-earning households more likely to bear the cost.

Table 67: Expenditure on veterinary services

Pet type	$ Million	Percentage of total	Average spend per household ($)	Average spend per animal ($)
Dogs	1,090	66%	358	256
Cats	492	30%	221	147
Birds	69	4%	67	14
Total	**1,650**	**100%**	**646**	**417**

Source: Galaxy Research, 2013

8.4 OTHER PET CARE SERVICES

Annual expenditure on other pet care services is estimated to total $1.2 billion.

There are a large number of diverse businesses offering pet care services in Australia. In addition to the well-established services such as clipping and grooming, boarding and minding, dog walking and transport, newer services are also available and increasing in popularity. These include pet insurance, doggy day care, pet fitness classes, burial and cremation, and pet photography.

Generally pet owners living in New South Wales spend the most on other pet care services, with South Australian pet owners spending the least. Across the generations, younger pet owners (Gen Y) spend more on these services than their Gen X or Baby Boomer counterparts.

8.4.1 Dogs

Australians are estimated to have spent $862 million on other pet care services for their dogs in 2012.

The three most popular services accounted for 70% of dog owners' expenditure in this area.

Table 68: Expenditure on other pet care services for dogs

Item	$ Million	Percentage of total	Average spend per household ($)	Average spend per animal ($)
Clipping and grooming	305	35%	100	71
Pet insurance	158	18%	52	37
Boarding and minding	149	17%	49	35
Competitions and memberships	79	9%	26	19
Training behaviour and therapy	76	9%	25	18
Walking	49	6%	16	11
Transport	46	5%	15	11
Total	**862**	**100%**	**283**	**202**

Source: Galaxy Research, 2013

Clipping and grooming
The biggest area of expenditure was clipping and grooming at $305 million (35%). Owners with pure or designer dog breeds are more likely to use clipping and grooming services. These services are also most common for larger dogs (weighing more than 16kg).

Pet insurance
One in five dog owners has pet insurance, with an estimated total expenditure in 2012 of $158 million. This demonstrates its rise in popularity amongst dog owners, who generally have higher veterinary bills than owners of other pets.

Purebred dog owners are far more likely to have insurance (23%) than owners of mixed breeds (9%). Purebred dogs are more expensive to acquire and often have breed-specific health problems that can be costly to treat.

Boarding and minding
Although one in five dog owners take their pets with them on holidays, boarding and minding remains an important pet care service. Pet owners increasingly want to ensure that when they are away, their pets are well cared for.

High quality facilities with plenty of space, socialising with other animals and people, and strict rules regarding vaccinations are important factors that pet owners look for in a kennel or boarding facility.

The alternative is an in-home service that includes regular home visits to feed and play with your dog while you are away on holiday. This can be an attractive option for people whose dogs don't respond well to a kennel environment. This has the added benefit of not having to transport a dog to a kennel, or pay for a transport service.

Almost half of dog owners who live in units have used boarding and minding facilities in the past year, compared to just 17% of people living in houses. These facilities are most popular in New South Wales (25%) and least used in South Australia (11%).

Training and behaviour

Approaches to dog training and behavioural therapy can vary by company and trainer. Many new dog owners opt for Puppy Pre-School® or similar training programs.

Dog owners who live in units (41%) and in urban areas (34%) are far more likely to utilise these services than regionally based dog owners (11%) or those living in houses (13%).

Owners of purebreds (19%) or smaller dogs (28%) are also more likely to use these services than owners of mixed breeds (10%) or large dogs (11%).

Competitions and membership

Thirteen per cent of dog owners take part in competitions or pay membership fees to clubs, breed groups or industry bodies. On average, these dog owners spend $200 a year on these activities.

In 2013 there are hundreds of dog shows and trials scheduled across the country. For example, in New South Wales there are 672 and in South Australia there are 200 scheduled shows. Club or association membership and participation in competitions is more common with Gen Y dog owners than Gen X or Baby Boomers.

Through each of its state and territory organisations, the ANKC has 32,543 members (2012 membership figures).

According to the ANKC, there were 64,224 registered purebred dogs in Australia in 2012.

Table 69: Purebred dogs registered in Australia – 2012

Breed type	Number
Gundogs	12,626
Terriers	11,864
Working dogs	10,964
Toys	9,207
Utility	8,240
Non-sporting	7,190
Hounds	4,133
Total	**64,224**

Source: Australian National Kennel Council, 2013

Walking
Dog owners spend approximately $49 million on dog walking a year. These services are often provided by small or single person operators, who also offer pet minding services.

Just 12% of dog owners use dog walking services; these dog owners are more likely to be men (18%) than women (7%). As might be expected, this service is utilised most by those dog owners who work full time.

Transport
Around 13% of dog owners have used transport services in the last year, spending a total of $46 million.

Pet transport is primarily used by people who are going on holiday or moving cities, states or countries. There are currently 161 pet transport service providers listed in the Yellow Pages.

These services are more likely to be used by West Australian dog owners (19%), and those with smaller (16%) or purebred dogs (16%).

National airlines Qantas and Virgin Australia and regional airlines Regional Express and Skywest offer pet transport services.

8.4.2 Cats

Cat owners are estimated to spend $289 million a year on other pet care services. On average, they spend considerably less on these services than dog owners.

Table 70: Expenditure on other pet care services for cats

Item	$ Million	Percentage of total	Average spend per household ($)	Average spend per animal ($)
Boarding and minding	118	41%	53	35
Pet insurance	67	23%	30	20
Clipping and grooming	47	16%	21	14
Competitions and memberships	27	9%	12	8
Training behaviour and therapy	16	5%	7	5
Transport	16	5%	7	5
Total	**289**	**100%**	**130**	**87**

Source: Galaxy Research, 2013

Boarding and minding
Over the past year, 17% of cat owners have used boarding and minding services, spending a total of $118 million, making it the largest area of expenditure when it comes to other pet care services.

These services are most commonly used by cat owners living in units (31% compared to 15% of those living in houses). Just 5% of cat owners in South Australia have used boarding and minding services in the last year, compared to 22% in New South Wales.

Pet insurance
Pet insurance is also growing in popularity amongst cat owners, making up nearly a quarter of expenditure on other pet care services.

It is most popular in New South Wales, where 17% of cat owners have taken out pet insurance, in contrast to just 4% of South Australian cat owners. Owners of purebred cats (22%) are nearly three times more likely to have insurance than owners of mixed breeds (8%).

Clipping and grooming
Fourteen per cent of cat owners used clipping and grooming services in the past year, spending around $47 million.

As might be anticipated, use of these services was far higher with owners of purebred cats (27% compared to mixed breeds at 10%). These services are also far more commonly used in urban areas (28%) than regional areas (5%).

Competitions and memberships
Compared to dog owners, fewer cat owners take part in competitions or are members of clubs, breed groups or fancier associations. In the past year, 9% of cat owners were involved in these activities, spending an estimated $27 million.

Training behaviour and therapy
Cat owners currently spend around $16 million a year on training, behaviour and therapy services.

Just 8% of cat owners use this service, spending an average of $80 each in the past 12 months.

Transport
Fewer cat owners use transport services than dog owners, spending a total of $16 million on these services in the past 12 months.

Only 3% of cat owners in Western Australia used transport services in the past year, compared to 13% of Victorian and Tasmanian cat owners, who used these services the most.

9 THE HUMAN-COMPANION ANIMAL BOND

9.1 HISTORY

For most of human history, animals have occupied a central position, with links to human emotional and physical health and wellbeing, simple companionship, recreation, economics and in spiritual and cultural traditions.

Companion animals continue to play a significant role in the lives of many Australians today, with 63% of households owning at least one pet.

There is growing research indicating the positive impact that pets can have on human wellbeing, social development and community interactions (Petcare Information and Advisory Service, 2012).

Connecting with animals has been shown to have a positive impact on the emotional and physical health of people of all ages.

Companion animals are also used to improve the wellbeing of people in socially isolating environments, such as hospitals, aged care facilities and prisons. They also have a profound effect on the hearing-and visually-impaired.

9.2 TRUSTED COMPANIONS

The main reason for acquiring a pet is companionship. Many studies have researched the bond between pets and humans and have identified that in some cases, these can be stronger than bonds formed between people (Ferry, 2007). The presence of a pet is often a welcome reprieve from the pressure of work or a busy lifestyle.

In fact 65% of all pet owners consider pets to be more dependable than friends (Galaxy Research, 2013), showing the connection that humans make with companion animals in their care.

Although pets should not be regarded as a replacement for human interaction, animal companionship can have a number of benefits for the owner. Relationships with animals are less subject to emotional burnout or fluctuations and they do not impose a strain or cause concern about continuing stability (McNicholas, et al., 2005).

9.3 PETS AS SOCIAL ENABLERS

Not only do pets provide companionship for their owners, they also act as 'ice-breakers' and encourage contact and communication between strangers. Research has shown that people are more willing to participate in human to human interactions with a pet owner, and this may promote a feeling of social integration (Ferry, 2007).

In a study conducted by the University of Western Australia, more than 50% of dog owners and 40% of pet owners met people in their neighbourhood as a result of their pet. In addition, 80% of dog owners talked to others when out walking their dogs (Wood, 2009).

Pets are motivators for walking and encouraging people to use parks and outdoor spaces, often helping the owners to feel more involved in a neighbourhood or community through greater social contact.

9.4 GENERAL HEALTH BENEFITS

Not only do pets encourage us to lead healthier lifestyles, but pet ownership has been found to be significantly correlated with a number of health benefits such as fewer doctor visits, lowered stress and increased social support for individuals (Ferry, 2007).

Increasing evidence also suggests that pet ownership can improve cardiovascular health, with dogs in particular acting as a stimulus for exercise. (Walsh, 2009).

Pet ownership during childhood also encourages physical activity and outdoor exercise. Research shows that children aged 5-6 in a family who own a dog are less likely to be overweight or obese compared with those who do not own a dog. (Timperio et al., 2008)

Studies show that exposure to pets in early childhood may reduce the incidence of allergies linked to asthma and help to strengthen the immune system (Gearn, et al., 2004).

A number of studies focus on the positive impact that pets can have in coping with diseases such as heart disease, dementia, AIDs and cancer (Walsh, 2009). They have also found a correlation between the treatment of chronic disease and the presence of companion animals with respect to the alleviation of depression, loneliness and low morale whilst dealing with the treatment of chronic illness (Walsh, 2009).

It's been shown that when a pet was introduced into the home of someone suffering from Alzheimer's (dementia), in three weeks their agitation levels significantly decreased (Wells, 2011).

9.5 MENTAL HEALTH

Pets can contribute significantly to a reduction in stress and overall improvement in mental health (O'Haire, 2010). Australian research (Straede and Gates, 1993) has found that cat owners have significantly better scores for psychological health than non-pet owners (Petcare Information and Advisory Service, 2012).

For many years it has also been believed that viewing animals in nature can have a calming impact on the watcher. For instance, many doctors' surgery waiting rooms use aquariums to help calm patients before undergoing surgery (O'Haire, 2010).

9.6 PETS AND FAMILIES

A family pet can offer a special kind of companionship for children of all ages. Many studies indicate that the relationship a child has with their pet is among the most important in their life (Melson, 2001). Pets also engender caring and responsibility at an early age.

Family dynamics have been changing with the incidence of single parent families on the rise. Companion animals can fill a void in a person's life or in a family environment, offering relationships, companionship, familiarity and affection (Ferry, 2007).

9.7 PETS IN EDUCATION

The presence of companion animals through childhood can assist with cognitive development and help facilitate learning. One study found that when a dog was introduced into classroom activities, the students demonstrated a greater improvement in their independence. (Taylor & Kuo, 2006). Where learning difficulties are present, researchers have also found benefits from interaction with companion animals.

Connections with animals can also assist children in learning about various facets of life or death, and developing responsibility through caring for an animal (Tipper, 2011).

9.8 PETS AND THE ELDERLY

With Australia's aging population, there is an increasing emphasis on enabling the elderly to stay at home and live independently for as long as possible. Pets can provide a source of companionship, physical contact and an antidote to stress and bereavement (Wood, 2009).

It has been found that the introduction of pets into nursing homes can also help to improve the health and wellbeing of elderly residents (Michaels, 1982).

9.9 THERAPY AND PETS

The practice of using animals for therapy dates back to the 18th century when animals were introduced into mental institutions to help patients with social development during their stay.

In recent times, it is recognised as a formal therapy treatment known as "animal assisted interventions" (O'Haire, 2010) or Animal Assisted Therapy.

A number of child psychologists have researched the use of companion animals in therapy and observed that a pet bond can act as a lifeline for those who are vulnerable, particularly during times of need (Walsh, 2009).

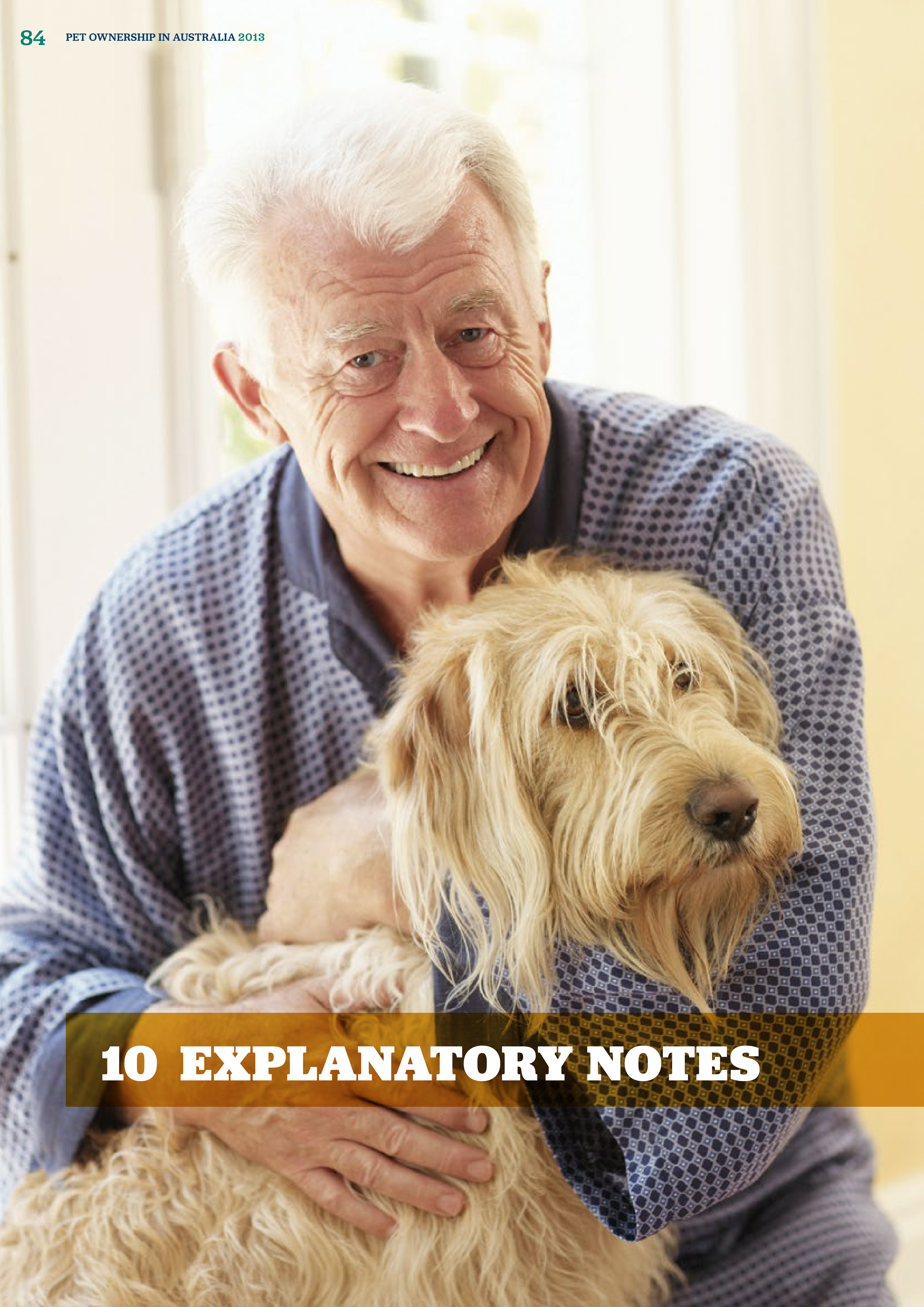
9.10 SERVICE ANIMALS

Service animals are predominantly dogs and play an important role in many facets of Australian life, including assistance for people with a disability, in the detection of pests and harmful substances, and on farms.

Guide dogs are trained in various ways to enhance the quality of life for people living with blindness or impaired vision by assisting in their achievement of independence through access and mobility (Guide Dogs NSW/ACT, 2013).

Trained detector dogs are used by police in locations such as airports, seaports, mail centres and private courier depots, with 61 currently working in Australia (Australian Customs and Border Protection Service, 2012). They protect Australia from exotic pests and diseases, and assist in locating missing persons, criminals, drugs and explosives.

Australian farmers also use dogs to assist with livestock management and movement around properties.



10 EXPLANATORY NOTES

Note: The terms 'pet' and 'companion animal' are used interchangeably in this report.

Companion Animals: Companion animals or pets are animals, such as dogs or cats that are kept as companions in the home, or in close daily relationships with humans.

Companion animal populations: This report focusses on the ownership of dogs, cats, birds and fish. Consideration is also given to other small mammals and reptiles kept as pets.

Pleasure horses are not included. Working dogs are included where their owners also consider them to be companion animals.

Unless otherwise stated population numbers are for Australian companion animals as per the findings of the Australian Pet Ownership Survey. While pets may fulfil a variety of roles, including 'guard dog' or 'working dog', if respondents consider them to be pets, they are included in the survey and population figures.

Designer breed: A designer breed is deliberate offspring from two purebred animals of different varieties or breeds.

Dry pet food: Dry pet foods have lower moisture contents than other pet foods and can come in a number of food varieties depending on the companion animal (Euromonitor International, 2012).

Economy pet food: Includes all pet food with an economical price positioning. These products are generally sold in supermarkets, discount outlets and other non-specialist outlets (Euromonitor International, 2012).

Feral, wild or stray populations: This report relates to the ownership of companion animals. Population figures and commentary do not address feral, wild or stray populations of common household pets. Respondents of the Australian Pet Ownership Survey were asked to identify the number of pets in their household; therefore previously stray animals that have been adopted and are now viewed as pets are included.

Households: The number of households is based on the number of occupied private dwellings in Australia as reported in the 2011 Census (ABS, 2013b). This number is 7,760,319.

Human population: The 2011 Census showed there to be 21.5 million people in Australia (ABS, 2013b).

Humanisation: Humanisation occurs when the pet owner increasingly treats their companion animal as a human by paying extra attention to the nutritional and psychological needs of their pet (Knight, 2010).

Mid-priced pet food: Includes all pet food with a price positioning that falls between economy and premium. Such products are typically sold through both pet and specialist outlets, as well as supermarkets, discount outlets and other non-specialist outlets (Euromonitor International, 2012).

Mixed breed: Mixed breed animals differ from other cross-bred animals in that their parentage is undocumented or unknown.

Mixers: The essential function of a mixer in pet food is to make the main meal bulkier. Mixers are created to complement wet pet food types and may have additional benefits such as being good for teeth, although they are not considered a health care or dietary supplementary product (Euromonitor International, 2012).

Ownership rates: The percentage of households that own pets.

Pet care products: Items manufactured for use on or by pets, including toys, scratching posts, bowls, litter trays and grooming items.

Pet care services: Includes all pet care services including veterinary services, pet-minding, transport, clipping and grooming and walking.

Pet type: Refers to a species of animal i.e. a dog, cat, etc. as opposed to specific breeds of different species i.e. Labrador, Alsatian, German Shepard, etc.

Premium pet food: Premium pet food products are generally higher priced, or the brand positioning is considered speciality. These are typically available through specialist pet stores and supermarket outlets (Euromonitor International, 2012).

Premiumisation: Refers to pet owners seeking premium pet food options that have a higher price positioning and are branded as premium or high quality.

Private label: Refers to a brand owned by a retailer or supplier, generally a supermarket chain, (as opposed to a producer or manufacturer), with its own label, that gets its goods made by a contract manufacturer.

Private dwelling: As defined by the ABS, a private dwelling is a structure which is intended to have people live in it, and which is habitable on Census Night. Some examples of dwellings are houses, motels, flats, caravans, prisons, tents, humpies and houseboats (ABS, 2013a).

Pure breed: Purebred animals refer to companion animals that have been bred from parents of the same breed or variety and have unmixed lineage in their pedigree strain.

Regional: Those areas not considered metropolitan areas.

States and territories surveyed: Due to the relatively small number of households in the Australian Capital Territory and Tasmania, these have been included as part of New South Wales and Victoria respectively. The Northern Territory represents around 0.8% of the total number of Australian households, which would not materially impact the survey findings. For this reason, the Northern Territory is not included in the survey.

Suburban: Residential areas located on the outskirts of a metropolitan area.

Treats: Products marketed and fed not as a main meal, but more as a reward or indulgence. They include chocolate flavoured, meat, biscuit, cereal, milk, fish or yeast –based products (Euromonitor International, 2012).

Units and apartments: The Australian Pet Ownership survey groups units and apartments as one accommodation type.

Urban: Residential areas surrounding a city.

Wet pet food: Wet pet food products have a moisture content of 60-85% and are generally (not always) preserved by heat treatment. Wet pet food is packaged in steel or aluminium cans, rigid or flexible plastic, or semi-rigid aluminium trays (Euromonitor International, 2012).

Working dogs: Working dogs are included in this report where their owners consider them to also be companion animals. This may include assistance or guide dogs.

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