

# YEAR OF THE DOG:

## Chinese owners splurge on upscale food and even insurance policies for pets

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But everyone celebrating the new lunar new year is likely already to be on the go. With the arrival of the Spring Festival comes the world's largest migration wave, known as *chun yun* (spring move), which sees hundreds of millions in transit.

To put things into perspective, that is some 2.5 billion trips by land, 356 million by rail, 58 million by plane and 43 million by sea.

Chinese New Year, or Spring Festival, is easily the biggest celebration in East Asia. It is a long-held tradition for the Chinese to reunite with their loved ones during this annual event.

In China the concept of loved ones has encompassed more than just family and friends during the last few years. And with this being the Year of the Dog, we are likely to see furry buddies lavished with even more love and attention.

Taking note of the trend, Hainan Airlines recently allowed pets to join their owners on flights.

People are spending more on their pets than ever before. The size of the industry that is rapidly evolving around pooches is no longer reminiscent of a tiny Chihuahua — it is more like a giant Tibetan Mastiff. Soon we will be adding the numbers of traveling pets to the *chun yun* head count.

As we enter the Year of the Dog, the focus on these four-legged companions has intensified.

From Gucci's latest collection of 63 canine-themed items, to limited-edition timepieces from Panerai, Vacheron Constantin and Chopard, it seems luxury brands expect consumers to drop serious dough on anything dog-related in 2018.

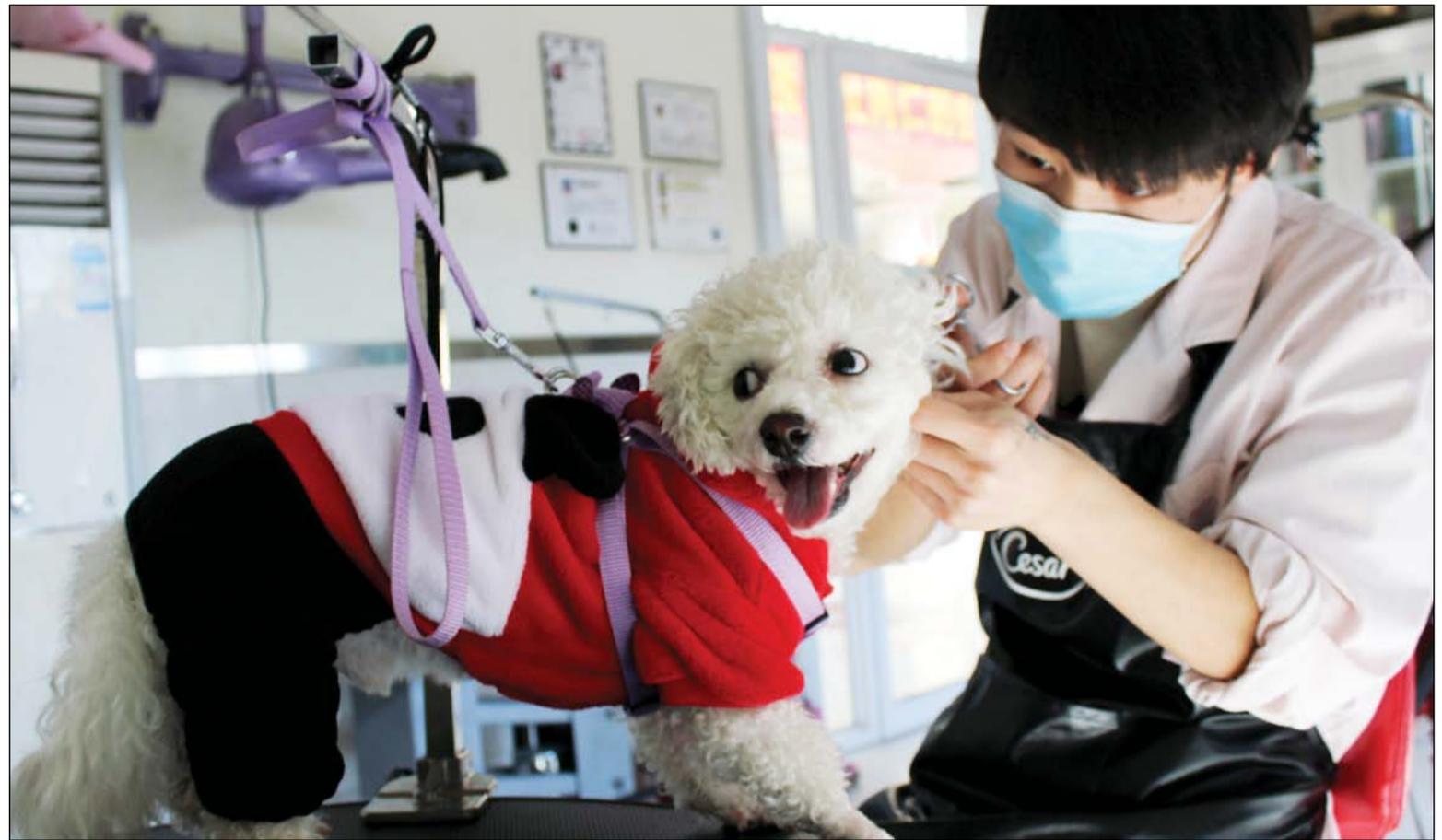
China has already been shelling out a lot on man's best friend in recent years. Market research firm Daxue Consulting estimates the pet care sector in China was worth 134 billion yuan (\$21.2 billion) in 2017. This marks an almost 10 percent increase from 2016.

The National Bureau of Statistics ranked China as third in the world for dog ownership, with 27.4 million pet dogs in 2016. It is behind only the United States and Brazil, which boast 55.3 million and 35.7 million dogs respectively.

Despite the large numbers, only about 8 percent of Chinese households in first-tier and second-tier cities have pets, according to Daxue. This suggests great potential for growth.

This is also a rapid rise, considering that it was only in 2003 that all Beijing residents were allowed to own dogs.

Min Chun, a senior project leader at Daxue, believes the actual numbers may be bigger as many dog



A worker shaves the fur of a dog at a pet shop in Suzhou, East China's Jiangsu province on Feb 10, 2015. The pet care sector in China jumped to an estimated 134 billion yuan (\$21.2 billion) in 2017, an almost 10 percent increase from 2016. IMAGINECHINA

owners fail to register their pooches with the authorities. He said that places like Shanghai are making more of an effort to get owners to register them now.

Pet ownership is also linked to a growing aging population. It is no coincidence that China and Japan, with the highest aging population rates in Asia, are two countries that also boast the highest rates of pet dog and cat ownership in the region.

"With the silver tsunami increasing, it is likely pet ownership will rise too. But it's not just the elderly that are adopting furry companions for comfort and companionship," said Chun.

Many households are also the product of China's long-held former one-child policy and are keen to add an animal member, particularly affluent households.

Chun said owners in the mainland spend an average of 100 to 500 yuan a month on their dogs. About 38 percent of that spending goes toward pet food.

A forecast from Euromonitor expects dog food sales to hit \$760 million by 2019.

According to a report by market research firm GfK, Chinese pet owners have their sights set on premium pet food products. In 2015, about a fifth of the pet food sold in China was of the more upscale and organic variety with no synthetic ingredients.

The reasons for this lavish spend-

ing on pets are as varied as the brands that are available.

"As we are now seeing pets regarded as family members, even in Africa and other early-stage markets, we only use ingredients that are also cleared for human consumption," said Andrea Terrile, export manager for Agras Pet Foods, an Italian company that deals with premium pet food.

"Developing countries are very much our key expansion markets, with China our priority. We made our first inroads into the mainland market four years ago," he said.

Chun from Daxue explained: "People are becoming more health conscious and are wary of the reputation of domestic produce. China's working dogs in the military and police force are also a driving force in that (trend), as they require good nutrition in order to work well.

"That is why more and more are turning toward premium pet food from abroad for their pets. They are mainly looking for products made from top-grade ingredients like beef, chicken, grain, corn."

But Chun said domestic brands in the sector, like Shanghai-based Nature Bridge, are rising to meet that need and posing competition for overseas brands.

According to the National Bureau of Statistics, the nation's domestic pet food production reached 1 million tons last year compared to

700,000 tons in 2015. A rise in production is expected as more companies enter the market and expand their production capacity with new technology.

Other sectors are eager to help Chinese consumers pamper their pooches too, especially luxury brands. Coach, famed for its expensive designer handbags, had previously launched an entire collection of designer collars for dogs.

Chrome Bones, a US company that set up a franchise in Shanghai in 2014, has released Swarovski crystal encrusted pet collars and leather carriers that come with price tags well above \$200. And they have been reporting steady sales in the country ahead of the Year of the Dog.

Well-heeled owners are also keen to show off their decorated doggies when they travel, and the number of such initiatives has been increasing in the lead-up to the lunar new year.

Referring to Hainan Airlines' decision to allow pets to travel on domestic flights, Chun said each passenger is allowed to book two seats for two pets for a cost of around 800 yuan.

"That's not all, though. A report by online travel agency Qunar reports that there are only 300 hotels in the country that are pet friendly, most of them being the big and established luxury hotels. That represents only 0.1 percent of the hotel industry in China," he added.

If trade shows are an indication

of interest, then Pet Fair Asia would be a prime example. The expo event moved from Hong Kong to Shanghai in 2011 due to the growing size of the mainland market.

It now takes place across several halls at the Shanghai Exhibition Center and comes with long lines of people ranging from pet owners to product suppliers.

That demand has also launched businesses in the digital realm. Wan Xiao Ban (Little Playmate in Chinese) is an app that acts as both a social media platform and concierge service to link pet owners to pet friendly businesses around the country.

It was launched in March 2016 and already has over 30,000 followers on its WeChat account. Chun estimated that around 8,000 pet owners have used its services since it started.

State-owned companies have been finding niches in the pet industry. The People's Insurance Company of China offers pet insurance policies, with annual premiums ranging from 450 to 3,500 yuan.

It is unlikely that Chinese people's devotion to dogs will end anytime soon.

"Pet ownership, of dogs in particular, is only going to rise and so will the industries that support it," said Chun.

"The Year of the Dog might even be a boost for that. That should make it a great year for all those in the pet industry and beyond."