

Pet nutrition aimed at breeds spurs Royal Canin growth

BY LISA BROWN • lbrown@post-dispatch.com > 314-340-8127 STLtoday.com | Posted: Sunday, January 22, 2012 12:25 am |

A 600-page encyclopedia of dogs greets visitors at the U.S. headquarters of a local pet food manufacturer. Larger-than-life-sized photos of dogs and cats adorn the walls throughout the local building.

Conference rooms are named after animal breeds, and employees' four-legged companions sit next to their owners during the work day.

The description might bring to mind the global pet food giant most St. Louisans are familiar with: Nestle Purina PetCare, the St. Louis-based unit of Swiss food and beverage giant Nestle.

But there's another global pet food maker that calls the region home for U.S. operations: Royal Canin.

With its U.S. headquarters in St. Charles, the French company has carved out a niche in pet food by focusing on foods specially formulated for the dietary needs of specific breeds of dogs and cats, with the products also varying for ages and sizes.

"There's been a huge trend of customers scaling up to premium products, not just out of indulgence, but a lot of the products have functional angles, and that jives well with what Royal Canin has always done," said David Lummis, senior pet market analyst for market research publisher Packaged Facts.

Analysts say Royal Canin has helped its parent company, Mars Inc., narrow the gap in market share with Nestle Purina. Based in McLean, Va., Mars makes products ranging from M&M's candies to Uncle Ben's rice.

Market research publisher Packaged Facts estimates Mars, which also owns Pedigree and Whiskas pet food brands, has 17 percent market share of pet food sales in the U.S., compared with Nestle Purina's 35 percent market share. It stood at 12 percent versus Nestle Purina's 32 percent share in 2006.

Royal Canin doesn't slug it out with Nestle Purina on grocery store shelves. Instead, Royal Canin directs its distribution through three channels: animal breeders, veterinarians' offices and specialty pet stores, such as PetCo and PetSmart.

As people turn their attention more to health and wellness issues and become better educated about nutrition, that also applies to the foods they feed their pets, Royal Canin executives said.

To help spread their message, last year Royal Canin began offering training classes, not just for its employees, but for its customers, too.

Buyers from pet food stores, veterinarians and breeders are invited to a training room at the St. Charles facility for classes to learn more about the science behind the products.



Customer Service representative Lauren Echstenkamper plays with her dog, Gingko, at Royal Canin pet food manufacturer on Wednesday, Jan. 18, 2012 Photo by Christian Gooden

Last year, Royal Canin held 19,000 on-site store trainings for pet owners and store employees and held 8,000 similar training sessions at vet's offices.

"We want an educated recommender," Ann Hudson, Royal Canin's corporate affairs director, said of the training initiative.

Joe Flanigan, general manager of Royal Canin's U.S. operations, said Royal Canin doesn't use marketing studies to determine where it invests in new product development.

Instead, employees focus on the needs of pets and how to respond to those needs, he said. For example, the company is developing new products to treat overweight animals and those with allergies, areas the company sees growth potential.

"We know we want to care for the 200 million pets in the U.S, and our goal simply is to care for more of them," Flanigan said.

Royal Canin's growth parallels the rise in pet expenditures overall. Americans spent an estimated \$50.84 billion on pet-related products and services last year, up from \$48.35 billion a year prior, even in the face of the sluggish economy, according to the American Pet products Association, a trade association based in Greenwich, Conn. Food is the largest expense, totaling \$19.53 billion last year, up from \$18.76 billion in 2010.

Rockville, Md.-based Packaged Facts expects pet expenditures in the U.S. to rise nearly 6 percent this year as the economy slowly improves and pet owners increasingly view their dogs and cats as members of the family, thus justifying paying more for their upkeep.

"This societal shift is important because it legitimizes levels of spending on pet products that would have once seemed excessive," stated a 2011 Packaged Facts report on the U.S. pet market industry.

Packaged Facts' Lummis said Royal Canin's focus on pets' health and wellness is hitting a sweet spot in the market that's driving growth.

"The health angle has become more important," Lummis said. "What it means is, if a company's marketing can convey the health benefits of their product, that's a way of making these foods less of a discretionary expense. Consumers may cut back on (pet) toys, but not on food."

Growing workforce

When French pet food maker Royal Canin wanted to grow its U.S. operations in the late 1980s, Missouri's access to the Midwest food basket and good transportation networks got the company's attention.

"We try to source ingredients such as grains and proteins as close as possible to our plant," Hudson said.

Royal Canin bought an existing manufacturing facility in Rolla, and two years later opened its U.S. headquarters in St. Charles County in 1989.

More than two decades later, Royal Canin says it is seeing solid growth in its pet foods for dogs and cats, both in revenue and number of products. All of the company's dry dog and cat foods sold domestically are made in Rolla and its wet pet foods are made in a plant in North Sioux City, S.D.

Royal Canin, which was acquired by privately-held Mars Inc. in 2001, doesn't release sales figures, but its executives say an increase in sales drove the company to expand its local office space last year and hire 100

new employees, bringing its employee count to 600 nationally and about 130 in the St. Charles office. Royal Canin plans to hire another 100 employees this year in the U.S.

Last May, Royal Canin expanded its St. Charles headquarters to accommodate a new call center and hired 42 people to staff it. The call center employees process orders and answer customer questions - a function that was previously conducted by distributors.

"We've been very fortunate in tough economic times," Flanigan said. "What we've noticed is that customers see the value of the product, they see the benefits."

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