

Challenge and Opportunity for Development of Start-up in Pet Economy Through E-commerce Channel

—Taking Pet Food Market as Example

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ABSTRACT

This article investigates the economic environment of the pet market in recent years, analyzes the impact of national policies, social development, and the economic environment on the electronic pet industry, focuses on the domestic and foreign development of China's electronic pet industry, and analyzes the problems existing in the electronic pet industry. Including its response measures. This paper found that the internal competitors of pet e-commerce are mainly the mass and commercialization of the existing platforms, while the supply market and the food market mostly appear. However, there are many problems in the industry, such as not many official channels, uneven e-commerce reputation, and insufficient brand influence. After the research, it concluded that the domestic pet industry has not been long since the rise of pet consumption, and the consumption of pets is much lower than that of other countries. The future of the electronic pet market is huge, and industry brands need to take various measures to increase brand influence. At present, smart products on the domestic market still address basic needs such as pet feeding. Looking to the future, after the basic needs are met, the areas of products and services related to pet health may be where each company will focus.

Keywords: Pet market economic, National policy, Industry problems, Industry measures

1. INTRODUCTION

With the development of the social economy and the improvement of per capita income, pets are becoming more and more part of the family, and the number of pets is also increasing. Globally, the number of pets per capita is positively correlated with GDP, with the United States having the highest GDP per capita and the highest number of cats and dogs per capita. Compared with mature markets, there is still a lot of room for growth in the number of pets in China. At present, the domestic pet industry is experiencing explosive growth. Compared with Japan and the United States, the market still has a lot of room for development. According to the "China Pet Industry White Paper", the current penetration rate of household pets in my country is only 17%; while the penetration rate of household pets in the United States is as high as 68%; the penetration rate of household pets in Japan has also reached 38%; it can be seen that the penetration rate of household pets in my

country is far lower than the United States and Japan. The number of pets in our country will further increase in the future. For China, the pet economy has grown rapidly in recent years. This growth is firstly due to the increase in China's GDP and the increase in people's pockets of money, and the second is the increase in the percentage of happiness for singles and elderly people living alone, putting their emotional trust in their pets. Body. Cats and dogs have become the new ideal of a better life for today's young people. In the past few years, before the outbreak of the coronavirus in pet product Internet sales, the pet market has stimulated large-scale investment in e-commerce logistics, which has helped support the product aspect of the industry and will continue to do so. Even before the pandemic, e-commerce sales were the main driving force in the pet market. The value of non-food pet supplies sold online in 2019 was more than US\$5 billion, of which e-commerce accounted for approximately 21% of product sales.

The internationalization of commerce is a priority for established brands; China in particular provides significant opportunities for growth. According to the Chinese Ministry of Commerce, China's 302m online shoppers spent \$296bn in 2013, although it is the huge potential of the region which gets marketers excited. McKinsey forecast that the country's online retail market will be as large as the US, Japan, UK, Germany, and France combined by 2020 [1]. Mui-Fong Goh and Chee Wee Gan analyze the current challenges facing e-commerce in terms of logistics, and also analyze the future trends of e-commerce in China based on the increase in channels and geographical distribution, and propose effective strategies to deal with them [2]. About the challenges online translation tools, Google's being the most widely known, have empowered marketers – but they can only go so far. Ben Wightman, head of the paid search at Latitude, for example, recommends that brands always hire a translator to vet keywords. The positive impact it can have on your search rankings more than outweigh the costs. While rapid mobile adoption presents opportunities to pure-play retailers, it can cause headaches bricks and mortar operations [1]. Xiao et al. researched the fast-growing Chinese pet industry from the perspective of online pet food preferences of the customers and factors that influence their purchasing decisions. The result proves that customers of this online pet market tend to be younger, urban, higher educated, and married, and they prefer products of greater quality and repute [3].

Ma analyzed how China's emerging electric economy impacts the way consumers behave and what companies need to do for success, by focusing on lifestyle and entertainment that is consistent with today's Chinese culture, and understanding the mobile entertainment habits of Chinese millennials, and corresponding new advertising methods. And there are three main areas included: the prosperity of consumer goods e-commerce; the multi-screen age and mobile Internet that Chinese consumers entered into; and the lifestyle and entertainment of the Chinese online community [4]. Zhang et al. analyzed China's current economic dynamics and factors that promote entrepreneurship under the government control economic environment, by drawing on related theories, entrepreneurship development history, financing environment, and other factors that affect Chinese economic growth and entrepreneurship, which includes case studies, broad areas of entrepreneurship measurement, the influence from entrepreneurship, entrepreneurial performance, and determinants of entrepreneurship [5]. According to the "2018 Pet Industry White Paper" released by the First Financial Business Data Center (CBN Data) in conjunction with Tmall on March 19, 2019, the number of pet owners in China's cities and towns reached 73.55 million (including aquatic animals) in 2018, with a combined

total of 56.48 million dog and cat owners, accounting for a total of 76.8%. There are 91.49 million dogs and cats in urban areas nationwide, and the per capita annual consumption of single pets by cat and dog owners is 5016 yuan, up 15% from 2017, with the average annual consumption of pet dog owners at 5,580-yuan, 1,269 yuan higher than that of pet cat owners. In the past two years, the market size of dog main food, dog snacks, cat main food, and cat snacks on Taobao and Tmall platforms have all risen significantly. The function of pet food is constantly subdivided, such as the emergence of functional pet food for the special care needs of neutering and pregnancy, and widely recognized by consumers. 2018 sales of neutering care functional food increased by 229% compared to 2016, and sales of pregnancy-specific functional food increased by 86% compared to 2016. Among them, the representative brand of functional pet food, Crown Energy, for example, has seen explosive growth in online sales scale after being stationed on the Tmall platform. In addition to pet food, sales of other pet products such as pet grooming and cleaning supplies, pet daily necessities, pet health care products, pet toys, pet apparel and accessories, pet lifestyle services, and pet smart devices are all growing. Among them, pet life services growth even reached 1188.3% [8].

This paper will analyze the new industry of pet e-commerce by investigating the economic background, political policy background, social background, development prospects, competitive situation, user characteristics, and risks of the industry. To understand the market situation, market stages, and development prospects of the industry. Provide solutions to the existing risks. And conclude the development direction of the industry.

2. PEST

2.1 Government

First of all, the state allocated 10 million yuan to support the introduction and development of innovative, entrepreneurial, and R&D enterprises. According to the policy analysis of the pet industry, the introduced pet industry-related innovation and entrepreneurship, science and technology R&D enterprises will enjoy the second support policy mentioned above and will be given whole-process tracking guidance and relevant special policy support in technology research and development, talent introduction, brand cultivation, and other aspects.

Secondly, the state has earmarked 10 million yuan to support pet industry enterprises to explore the international market. Pet industry policy analysis, support pet industry enterprises in the development zone to establish the management system of national export pet food quality and safety demonstration zone and

bring it into the management of the demonstration zone. Meanwhile, the state supports pet industry enterprises to participate in international exhibitions, develop cross-border e-commerce sales channels, deal with international trade friction, increase the export quota, etc.

On the other hand, in recent years, New Zealand pet food has rushed to the domestic market, recognized by cat owners. Magic Cat Box, China's first subscription-based pet e-commerce brand, has announced a partnership with New Zealand Trade Development Council to launch a new themed cat box. This kind of cooperation between the "national team" is very rare in China's pet industry, and this unique significance makes the product popular once it is launched.

2.2 Economic

With socio-economic development and rising per capita income levels, pets are increasingly becoming part of the household and the number of pets is increasing. Globally, the number of pets per capita is positively correlated with GDP, with the US having the highest GDP per capita and the highest number of cats and dogs per capita. Compared to mature markets, the number of pets in China still has plenty of room for growth.

With the aging process, family structure is changing, the number of empty nesters and weak families is increasing, people are treating their pets as family members with a growing emotional need and more and more families are choosing to own pets. It is expected that pet ownership in China will continue to grow at a compound growth rate of around 10% in the coming years.

The pet economy has grown rapidly in recent years, and this growth is attributed firstly to the growth in China's GDP and the increase in money in people's pockets, and secondly to the increase in the proportion of singles and elderly people living alone, who are happy to place their emotional trust in their pets. Cats and dogs have become the new ideal of the good life for today's youth, with urban pet ownership rising from 10 percent to 17 percent in the past three years. The most popular imported goods on Double 11 2019 saw cat staples top the list over baby milk powder. The overall growth rate of the pet market has exceeded \$200 billion, or around 20 percent, with pet food and pet supplies being the most popular consumer product attributes.

The size of pet food is about \$45 billion, which mainly includes staple food, snacks, and health products. Staple food accounts for the majority, with a penetration rate of 80%. Nestlé and Mars have a high share. Pet food is also Nestlé's fastest-growing division in 2019 (7.3%). Domestic brands have made rapid progress in the last five years, particularly in the e-

commerce channel. The snacks market is more fragmented. The two listed companies in the A-share pet sector are mainly snacks while dabbling in many other categories. The proportion of sales of domestic brands in the overall pet food market has increased. There are currently several local brands with sales of around \$1 billion.

2.3 Social

Several factors from a social perspective have impacts on the start-ups in China. It has been shown that rapid service development in recent years in China has affected entrepreneurial activities. Also, increasing private wealth and unemployment rate, which all have a positive impact on new firms' formation, as well as other factors including human capital that influenced by education level, technology development, and different entrepreneurial culture in various areas.

2.4 Technology

Significant growth of consumption based on information technology such as e-retail and online banking services, as well as quality information products for consumption, together with the increase of population and middle class, make the world's largest e-commerce market in China. And these are the result of the improvement of public services and mobile data services along with the 4G networks, which lead to the rapid growth of China's mobile netizens. Moreover, the occurrence of mobile apps that aim for social networks, mobile search, and e-commerce such as WeChat, Baidu, and Alibaba, plays a domain role in promoting online consumption.

The Pet market in China is at a huge growth trend, with the number of 99.15 million cats and dogs in 2019 that has a growth rate of 8.4% compared to 2018. As a result, the market for pet food is also rising at a high speed, which accounts for \$12.7 billion in 2019 in Alibaba's annual report.

3. PROBLEMS

3.1 Competitive developments

The pet e-commerce market has spawned several market segments, but no industry monopoly has yet emerged, so the industry should still be in the development stage. The development stage of the industry also faces the most potential problems. Firstly, there is the issue of competition.

At present, the domestic pet food market is still dominated by brand competition, and because the foreign pet market has matured earlier, foreign brands are still dominant. Foreign brands of pet food are more reliable and nutritionally sound but more expensive. For

some people who are relatively well off and love their pets, even treating them as their own family, they will generally choose to buy foreign pet food. But the opposite is true for domestic brands, as most domestic brands have their shops and few foreign manufacturers have direct shops in China, usually through domestic agents or overseas buying channels. For most people who have pets as a hobby rather than as a family member, the staple food they buy will usually be a domestic brand. But this industry inevitably results in product homogenization, leading to increasingly fierce competition between peers [6].

3.2 KOL

E-commerce pets rely too much on the KOL marketing model. However, the KOL marketing model has a drawback that cannot be ignored: the lack of a scientific evaluation system. Behind the KOL marketing boom, advertisers are facing many problems. How to find the most suitable and cost-effective KOLs among the huge number of KOLs, how to ensure the quality of the placement, and how to optimize the placement? What is reflected behind these questions is advertisers' desire for a scientific evaluation system of KOLs. This is precisely where the pain and difficulty of KOL marketing lies.

From the current environment, advertisers may choose KOLs in the following ways. Firstly, advertisers choose to use the KOLs they used last time, which is easy, but without effective evaluation of the effect of placement, it is easy to fall into inefficient repetition by directly using the previous placement. Secondly, KOLs are recommended by advertising agencies, which are professional in terms of placement strategy, but are likely to be driven by profit and prefer those with good relationships with the agency, not necessarily the most suitable for the advertiser. Thirdly, the advertisers themselves find or are recommended by their friends. In this regard, it is possible to find suitable KOLs, but everyone's information exposure is limited, and the chance and uncertainty of finding suitable KOLs is great. Therefore, it is very difficult to find a suitable KOL, and once a wrong KOL is chosen, it is likely to lead to the failure of the whole marketing plan [7].

3.3 Low customer loyalty

At the same time, because the main business items of the e-commerce pet platform are still pet staple food, and the high degree of product homogeneity of pet staple food will lead to customers in the choice usually do not go to the first time to consider the brand but will consider which one sells pet staple food market closer, more affordable, because for buyers, do not need to purposely pursue a particular brand of pet staple food, for them, their time costs. The cost of buying is more to

be concerned about, so this will lead to almost all brands have few loyal customers. This is also a big concern for the current e-commerce pet market.

4. SOLUTION

4.1 E-commerce pet industry competition

The e-commerce pet industry is highly competitive. How can pet e-commerce platforms stand out and attract users?

4.1.1 Promotion based on the points that users like pets

With the increasing improvement of people's living standards, the rapid development of urbanization, and the shrinking of urban families, pets have gradually become a part of people's lives. Now that the number of pets in cities is growing faster and faster, the development of pet e-commerce platforms needs to combine the information points that users like pets to carry out related online promotions to increase the visibility of the corporate brand. The pet services market includes grooming, boarding, training, and care. Over the past five years, it has been the fastest-growing product segment under the industry umbrella. With more and more owners considering their pets as family, its rise is driven by the interest in pampering and specialty services for furry family members [9].

4.1.2. Providing functional sections that meet user needs

The functional requirements for the development of pet e-commerce platforms need to be diversified. Analyzing the needs of users for pet services, pet purchases, pet socializing, and pet supplies at the current stage to develop functional sections to meet all aspects of user experience and improve users' viscosity.

4.1.3. Adopting an online and offline operation model

By nature of how users natively wield social, the pet category seamlessly fits within the realm of sharable content. Thus, retailers who meet millennials where they're at can be a make-or-break difference for brands looking for competitive channel advantage [10]. The realization of online and offline correlation is something that needs to be paid attention to in the development process of various fields in the future. At the same time, the online platform realizes the drainage of physical stores and brings active user traffic on the online platform through the activities of offline physical stores. These three points are essential elements for e-commerce pet companies to stand out. If an enterprise wants to become bigger and stronger, it must possess

valuable technology, and must be innovative. It speeds up the path of enterprise transformation, and it can open up the gap with other platforms after catching every user as much as possible.

4.2 E-commerce pet industry marketing model

Customer-centric construction and planning of e-commerce platforms is the prerequisite and foundation for the success of e-commerce; when pet companies enter the e-commerce field, although they need to be customer-centric, like traditional marketing, they also need to be customer-centric, but traditional marketing must do at this point, there is still a lot of work to be done in the middle. E-commerce marketing pays more attention to the interests of customers because although e-commerce cannot see each other, it is closer to the customer.

As long as there is a problem, customers will complain online or spread online, and the credibility of pet companies will be reduced. Due to the characteristics of the products, pet companies need to choose trading platforms. Some e-commerce trading platforms look good, but the main body The marketing direction is contrary to the characteristics of your product. When the product is put on the platform, no one cares about it. Choosing a good trading platform means choosing a good marketing foundation. With a good foundation, you must treat your company Website planning. What method should be used to gradually train more consumers to trade on your website? Questions like this are the best way to let e-commerce Professional business marketing companies solve technical problems in marketing.

On the other hand, the establishment of a personalized advertising and sales input-output ratio (ROI) is the basic evaluation standard of the network advertising operation system. It is the biggest driving force and facilitating force for the successful promotion of e-commerce; The biggest feature of business marketing is to personalize it according to the characteristics of the product, and then carry out image positioning and marketing positioning, and promote it through all available network channels. The biggest difference between the promotion of e-commerce advertising and traditional marketing lies in e-commerce. Advertising, most of the unnecessary don't need to spend money, but the planning method is more ingenious and different.

What's more, an e-commerce operation system modelled on continuous sales and effective promotion is the core and foundation of e-commerce customer management and sales organization; online promotion support often plays a role There are very few tricks in the promotion, and there is one effective promotion. It has a hit rate of almost 98%. Unlike traditional

promotions, terminal personnel intentionally leave promotional items, causing the effectiveness of the event to be greatly reduced, or there is a waste. Of course, if you want to create a brand, then doing some necessary public welfare promotions or technical papers is very good for the corporate brand.

4.3 E-commerce pet industry user experience

If an e-commerce pet platform wants to have loyal users, it must attract users' attention and increase the user experience through various channels.

4.4 Give full play to the social attributes of pets-establish a forum

Pets have strong social attributes, which provides an opportunity for the increase of website traffic. A forum area can be set up on the website to allow dog lovers to share their dogs and exchange dog-raising experiences. You can also set up a forum administrator to answer questions raised by everyone in the forum, provide professional advice, and help dog owners scientifically raise dogs. With social software, users can also enjoy social services directly on these ports.

4.5 High-end and profitable business-customization

Although the business focus is to reduce costs, since every dog owner sees his dog as unique, users with spending power may be more willing to customize services (such as accessories) for their pets. This website can carry out this business for this part of high-end consumer groups. This kind of business is characterized by small batches but high-profit margins. It is also easier to develop this module after launching an offline business. Users can take the dog directly to the nearest pet mall to test it out.

5. CONCLUSION

This article investigates the economic environment of the pet market in recent years: including macroeconomic analysis, the competitive dynamics of the sector, the main ways of cooperation with e-commerce, the current state of the market, the characteristics of the user community, and the commercial risks that the sector may encounter. At the time of the survey, this research found that the direct competitors within the pet electric business are mainly the already existing large volume and commercialization of the e-commerce platform, while the supplies market mostly occurs along with the food market. However, there are not many official channels of large brands, coupled with the reputation of these e-commerce uneven, brand entry is still small and the impact is not yet sufficient. The domestic pet industry

has not long emerged, and the number of pets and related consumption is growing at a high rate every year, China's population is huge, but the current consumption of pets is still far below that of developed countries, and the concept of scientific management (such as the establishment of relevant pet forums, more attractive publicity, the establishment of e-commerce marketing model.) should be popularized in major cities as soon as possible.

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