

Roundtable Transcription: What is Natural

Panelists

Rick Rockhill, vice president of merchandise, Petco

Bette Schubert, director of sales, Bravo! Raw Diets

Ken Wilks, director of sales and marketing, Merrick Pet Care

Chip Sammons, owner, Holistic Pet Center

Moderators

Sherri L. Collins, editor, Pet Product News International

Brian Hutchins, news director, BowTie Inc.

Sherri: What is natural? Is it the ingredients? The process? Or both?

Ken Wilks: I feel that natural in the independent pet specialty channel is really determined by the quality of the ingredients. There is a totally different message on the grocery side. On grocery, you'll see pictures of meat and carrots on the front of the bag, but you'll see ingredients on the bag that don't really reflect those pictures.

On the independent side, there is a lot of education going on about the quality of the ingredients. The ingredient panel is really the defining element of what natural is.

Rick Rockhill: I agree with Ken completely and Petco is aligned on this. I would start by saying there is a tremendous amount of confusion that the consumer has on what's natural and a variety of mixed messages put out there, mostly around marketing and imagery that it refers to, and it's difficult for the consumer. We, in tackling this a couple of years back, we decided to take the route of ingredients as well, and say 'Petco has a higher standard for the definition of natural that is really based on ingredients.' It's really what Ken said, but it's about what is not in the food and exactly how it is formulated. So, from Petco's standpoint, we're saying natural foods they have to have high quality; typically meat-based proteins as an important ingredient in the deck and typically whole-food ingredients, no chemicals, nothing synthetic, no preservatives, no animal by-products, no artificial flavors or dyes, things like that. So natural really is a higher standard for the consumer to understand when they read the ingredients, they can see, clearly, they register it has higher quality and they should know what should not be in the food.

Bette Schubert: As a manufacturer of raw food, when I think of natural, I not only think of the source of the food, that the meat and everything in it has to be all-natural. But it certainly has to be grown that way at this point, too. And I find that a lot of the consumers are now looking not only at what we're getting, but where are we getting it from. So we have that component of natural, but we also have the component of natural of how is it actually being produced. Are we adding things to it? What are we adding, where are those additives coming from and I think there is an awareness with the consumer that having additives is not part of the word natural, even though they say they are natural additives. That's how I feel about natural.

Brian: Let me ask, does there need to be an industry standard that is some way enforceable about the use of the word natural in pet food?

Rick: First of all, we believe strongly...we have issues with the current AAFCO definitions on how pet food is defined. And it allows for too much ambiguity and that there are a lot of companies that take advantage of it and they create some confusion around how they formulate their ingredient decks. And so I think one answer is yes, we do need better definitions. We don't necessarily need the government to get involved...well I guess we do...well the answer is yes, we do. But my comment would be that natural is so broad a term that we really are still waiting for the pet industry to adopt the standards on organic. They've been open for discussion and submitted for review, but we have great definitions in the human industry for organic and certainly the pet industry needs to be moving just as quickly to get those adopted. The same would even hold true for holistic as well. We need that clarity.

Bette: I agree with Rick. That is that one thing we as manufacturers can do is hold ourselves to a higher standard. And not go down the road of playing in the mode of ambiguity that, right now, we are now allowed to do. I do agree with everything that Rick said.

Brian: As a manufacturer, are you at a disadvantage if you hold yourself to a higher standard, as compared to some of your competitors?

Ken: Yes and no. In order to answer that question, I have to really comment on the term natural and what's happening to it today from a marketing perspective. The term natural is being co-opted by grocery and mass. Companies like Walmart, Target and grocery stores are attaching natural to their product offerings, and, of course, they're not doing it, the manufacturers that sell in grocery and mass are responding to market demand. Nevertheless, the term natural has, in my opinion, already been diluted. And it would be a little bit like closing the barn door after the horse got it if we tried to get an industry standard or regulate it.

My perspective, as a manufacturer, is that we just continue to try to raise the bar. What Merrick is trying to do is to offer things that grocery and mass today are not currently prepared to offer and it's taking the natural message one step higher to what we term as functional foods. And what we're very intentionally trying to do is include ingredients in our foods that are functional in nature. And what I mean by that is ingredients that specifically address certain health problems. For example, using acai berry as a source of antioxidants to help prevent aging or using glucosamine chondroitin sulfate for joints or lutein, which is a component of marigold flowers, for eyesight. Or chlorophyll and other ingredients for breathe.

I feel that if the pet specialty channel moves that direction, it is going to be awhile, it's going to be difficult for grocery to keep up just by the very nature of the expense of these ingredients. Rather than trying to fight a relatively big piece of the market, where most of the pet food sales is done, frankly, is in mass and grocery, we just do what we do best. And that is control the message, raise the bar, raise the awareness on what is better and

better nutrition for pets. And, allow them to dilute the term natural and just create the next level of pet nutrition.

Rick: If I could just add, I think that we in the pet specialty industry have a responsibility to really take a leadership position and provide clarity to pet parents so they can understand how to really read a pet food bag, how to interpret it, how to understand the benefits of various ingredients. I think that those are really important. And the strength of our channel depends on us really taking a stand and almost protecting the consumers' interests, because ultimately what we're really trying to do is help pets live longer, healthier lives. That's what we're really about, so as a group we really should be thinking 'how can we work together to, at the end of the day, provide pets with better quality food. And that's a kind of opportunity for us to kind of think about that. And part of that is for our own survival as a business interest, but also because we think it's the right thing to do.

Sherri: So how do you go about getting that message across? Because you've got, as Ken mentioned, the natural additives or supplements you're putting in the pet food for the omega-3 & 6s, the antioxidants, the pre- and probiotics, but your average consumer doesn't know what these do for themselves, let alone their pets. So how do you get consumers to understand that this is good, besides the moniker of 'it's natural, so therefore it must be good'?

Bette: I am amazed at the knowledge the consumer has and how much it has grown in the past couple of years. A lot of that part of adding additives when it comes to raw it doesn't apply because they are already there. They kind of don't have to be added. So when consumers come into the raw market, they're coming in mostly with that knowledge that those don't have to be added to the product in order to bring it up. I think there is an amazing groundswell that is coming in, not only of our own nutrition and what's happening with the way we're doing farming and raising our crops. I just think there is a shift in consciousness right now. I'm pleased with what's happening.

Rick: ...someone said earlier the importance of educated associates and people who are really talking to pet parents and that's very important. One thing that...we recognize that we, Petco, is we have an opportunity to improve our associate knowledge right now and so we just invested nearly a year, actually it is a year, in developing a training course so that we can educate our associates on how to really understand and speak confidently about the differences between natural, holistic, organic, even the levels of organic and understanding how to compare, not disparage, but just to compare everything else to it. And say here are the benefits of a diet that doesn't have antibiotics or growth hormones or pesticides in it. And here is why understanding the traceability of ingredients can help you feel more confident and comfortable with the pet food you're feeding. So I think, again, it goes back to our responsibility is can we provide knowledgeable people in stores that the consumers can feel comfortable going to for advice, that can point them in the right direction and if they've been to their vet, whether it's a veterinarian or a holistic veterinarian, and they give them some guidelines on how to proceed and then they can go

to a store and talk to someone who can really speak truthfully. And they can also understand how to read and interpret the package.

Brian: This is a question for anybody. Is there a non-disparaging term to describe those food products that wouldn't fall under the natural product umbrella?

Ken: Well, unnatural is certainly disparaging, isn't it.

Brian: That was my thought, yes.

Sherri: Natural, not natural...hmm.

Bette: Low quality? I don't know.

Rick: I'll take a crack at that one. Being a retailer we, quite honestly, we've struggled with that. Because there are a lot of people who feed at various levels of quality. What you can afford, what your own interests are, how you view your pet. I'm not making judgments about people, but you know consumers are at different places in their lives. And part of it is, I think, providing options and solutions for people for what is appropriate for them and their pets' needs. Not every diet is right for every pet. But, from a standpoint of us describing them, what we've struggled with is premium is now even overused. It's amazing the range of the products in the pet world that can be considered premium. And it's really difficult to navigate through that. So, we've kind of taken an approach of like are there basic nutrition formulas, and are there advanced nutrition and are there natural, holistic and organic segments. So if someone can only afford to feed a basic nutrition food, we don't want someone to feel horrible on the spot, we just need to educate them a little bit. And they may decide how to shift their spending and their finances so they can afford to feed a better quality food. Most people, we find, when you actually talk to them and you explain the benefits, the long-term benefits of feeding a good quality food will help with the vet...fewer visits to the vet, the pet will live longer, the whole concept of value shifts. So now, it's not that this bag of food costs \$50 or \$60 or \$70, it's that, 'wow, you mean that just for less than the price of a cup of coffee everyday, I can make sure my pet is healthier and will live to the longest potential.' That's really shifting the whole conversation away from how much does this cost versus what is value of the best quality.

Sherri: I have a question in tandem with that. There are a couple of mass-market brands out there that have a dollar-more-a-bag line that says "natural" on it. If a consumer says, 'well, this is natural, too, so why should I buy this brand that is \$5 more a bag?' How do you go about presenting that, without disparaging the natural mass-market line?

Ken: I'd like to respond to that. There are a number (and I won't mention names), but there are a number of manufacturers that traditionally they've had one brand for a number of decades and they've come out with a natural cat brand or an indoor cat brand or a healthy brand and it's creating a pool of confused consumers; that's the downside. The upside is that now we have some very large entities that are raising awareness on there is

a natural option out there. And, what we've done at Merrick is (for lack of a better term) a good, better, best strategy. We recognize that there are a lot of consumers that, to your point, are paying a little bit more in grocery and mass for products, that if they do happen to come in to pet specialty, moving from \$30 for a large bag (for example) to Rick's point of \$50, \$60, \$70 a bag, it's quite a price jump. So, what we've done at Merrick is we have a good, better, best brand strategy and, in fact, next month we're in the process of launching our good offering. It's what we term as a holistic offering that will only about \$8 or \$10 more than what people are accustomed to paying in grocery, so that is an opportunity for the pet-specialty channel to bring in a grocery buyer and begin the process of educating them on what is the better and better food and begin moving them up from \$30 to \$38 to \$45 to \$50 to \$60 to even more if you're feeding raw food. And to Rick's point once again, the whole idea is to raise awareness that you really get what you pay for. You're buying better health and a longer life, fewer vet visits, the more you pay for your food because you're paying for better ingredients.

Sherri: Bette, do you have anything to add? I know, with raw food, you don't directly compete against mass market.

Bette: I just want to say that raw is sometimes perceived to be very, very expensive and often times it is very affordable. Especially when you compare in what happens with the health benefits for the pet. I just want to clarify that, we're not more than \$70 for the cost of raw. In fact, it's cheaper sometimes to feed raw than it is to feed canned. I just want to clear that one up.

Sherri: In regard to Bette's previous comments of making sure you know where the ingredients come from: Do environmental issues play into the natural moniker and if not, should they? If you're natural, should you also be eco-friendly? Should there be a concerted effort to reduce a carbon footprint? To make sure your crops or the meat you buy is environmentally sustainable, such as free-range versus feedlot? Should it play in? Is it a marketing technique?

Ken: I think in today's world, we all have a responsibility to find ways to reduce our carbon footprint and use less energy. I would say it is not necessarily limited to ingredients; a manufacturer can do many things. In fact, our company is capturing some natural gas emissions from some of our operations and channeling it back in to our boilers to heat water. And normally, those things would be released into the atmosphere. So, to answer your question, yes, I think everything is up for analysis, even ingredients in trying to be a more responsible citizen of the world. But there are a lot of things companies can do besides targeting ingredients to be more responsible.

Bette: I agree that there are a lot of things that companies can do to target, other than the quality of the ingredients or where the ingredients come from. Often it's a challenge for us, sometimes in looking at how do we get frozen food across the country and do all those sorts of things, so we are trying to eliminate a lot of those...the carbon footprint that we have, as well as looking at where ingredients come from and how we can better manufacture it, how can we work with the places we get the food to make them better.

And I'm so glad that we're looking to holding it a higher standard and looking at the quality of ingredients, because what goes in to our animals ultimately is what is going to help them live longer, better lives.

Rick: I'm really happy you asked this question. We've been spending a lot of time trying to understand how we can make improvements to who we are, what we do. Everything from what we do at our national support center to our distribution centers, because we've heard from our consumers, our PALS customers, we've done surveys and they tell us that they're interested to know what it is you're doing. First of all, do you know what your doing and then what are doing to improve? So, we put a panel together; we've got our sustainability team whose job is to really kind of tackle this. It first started off to benchmark where we're at and then to see how we could make enough improvements that we feel we're quantifying the benefits and the impact to the environment. So, along with that, we did a little bit of research, and it's a mixed bag where the consumer is today. I think, generally, the hugely increased heightened awareness...people say that being sustainable or green may not be--now when you think about people, of course, the segmentations of people, of course, there are people who are at different ends of the spectrum. But so in broad terms, I'll just say, there are fair number of people who will say, 'You know it might not be my first motivator or how I decide what to buy, first decision, but it certainly effects the decision of whether I choose to continue to purchase or if it make me feel good about it. So, if a customer has choice of A and B retailer or A and B product, and they know that one and they're equal on many footings with the other, but then one of them actually has a sustainability, responsibility or something like that, the consumer tells us that 'I feel better knowing that somebody is doing good things.' So we feel that, based on that, it is very important. And just from a standpoint of who we are, even as an industry, we should be saying we value--animals are an important part of our lives and people who feel that animals are important should also feel like this is a part of whole mother earth and how we live our lives. And so, if we're going to feed our pets well and live our lives well ad, we should also incorporate into our cultures jointly how we treat the earth. So I think it is important and you can actually, from a business standpoint, you can find ways to say this is actually beneficial financially to do these things as well. So it makes sense all around.

Ken: You spoke early about establishing a standard for natural. And I said, 'well maybe it was too late.' But I really feel the need to establish a standard for carbon footprint or corporate responsibility, because that is one of the things that, to Rick's point, as far as the consumers are, consumers feel it is important, but we don't really have a standard for measuring companies--retailers or manufacturers. We're looking at plastics that are corn based instead of oil based, and we're trying to convert a lot of our cardboard over to at least a partially post-consumer recycled fiber. But, if we had a standard that we could strive toward, it would give us more of a cohesive strategy as a company. And I would love to see a national standard established so that companies could rate themselves based on their responsibility to the earth and how good a job they're doing in being eco friendly.

Brian: Do you think that standard might evolve from what Walmart is doing with its corporate sustainability report cards and other expectations of its vendors?

Ken: To give credit where credit is due, I think Walmart has done an amazing job leading that charge. When the biggest retailer in the world decides to take on an initiative like that, they make a difference. I think they've done a wonderful job in helping everyone move toward that.

Rick: I'll add something briefly. I think that there are two points. The trade off, of course, in all the things you do with how you produce and packaging, consumers want food to be fresh and sometimes the package may not be the most sustainable, but we have to, of course, keep in mind how to keep the quality of the food at its best condition to deliver nutrients. But, part of it is, 'Can it be made from reused materials or can you encourage them to...?' In other words, a five-layer paper bag, you could tell the consumer how they could recycle it if they pull out that inner lining, for example. If it's a plastic bag, it may not be the highest-quality recyclability, but it could be turned into something else downstream. That's one comment is sometimes you just have to understand all the benefits. If you're in the business of trying to figure this out, you have to weigh everything out, what am I really trying to accomplish for the consumer. But regardless of any of this, it seems to be, that companies are struggling with this because they don't know--it is such a huge thing; it is probably the best thing you can do is find someone who can help you assess where you are. Our advice would be seek out an inexpensive consulting kind of thing, where you have someone come in and tell you how to benchmark where you are and how you do you figure what things, the easiest things you can start doing and you gain momentum. And I think that is a really important thing is to take the first step. And consumers will give you credit for thinking about it and making steps and they don't expect you to be perfect over night, but you can't just be ignorant to it.

Brian: Your comment about packaging, leads to an interesting question. Do natural pet foods require a higher level of packaging since they typically will lack the artificial preservatives?

Bette: Yes, they do. I've run into a lot of companies, not so much ours because ours is frozen, but treat companies have challenges where they don't put in any kind of preservatives in their treats. I know of one company that has flax seed in it; they have to have packaging that is double-layered and has no window in it. So there are challenges that do come up with that.

Ken: I echo that. We have foods that we want a really low barrier for oxygen to get to the food so that it retains its freshness longer. And the higher the quality of the food, the more important that is, in my opinion. It's a conundrum, because we want to be environmentally friendly but at the same time, we want to offer the best food we possibly can. Our best foods have three-layer bags that have a layer of foil and two different layers of plastic on it and it's the most effective way to keep the food fresh and nutritious for the animal, but it is also something that doesn't lend itself easily to recycling.

Sherri: ...in terms of food storage, some of the mass-market brands offer some of their food in resealable plastic containers. Perhaps, if a consumer buys X number of bags and they get the container, thus making sure the food stays fresher than if they just kept buying smaller-sized bags. Is that a possibility?

Ken: I believe it is. I've been in the industry about 20 years, working for different companies and I can tell you there was a time where I had six or seven different of those reusable containers. Because I would buy foods or work for different companies, the danger is if you're offering a reusable container as a bonus, how do you know if the consumer already has one or not and then you end up by trying to do good you, you're actually creating a lot of extra plastic waste by putting something out there that somebody doesn't need.

I appreciate the question; I think reusable containers is probably part of the solution for all of us. Even in when you go in grocery stores, instead of getting a plastic bag you carry your own cloth bag in. I haven't seen a good solution yet for pet food, and I'd be open to looking at anything that would help us along those lines.

Rick: I have a thought on this one. Two things. The one thing we kind of learned from that dreaded recall a couple of years ago was it is so important to have the original package you bought your food in, so if you have a question in your mind you can go back to the production code. We encourage consumers to, where possible, to leave the food in the original package. It was kind of how it was designed to be shipped, presented and stored. Maybe put the package into an airtight container, that might be something that is good. But we've really encouraged people for just that reason alone; so you know 'is my food okay?' you can check a date code.

The second piece of this is part of our responsibility could be to educate consumers on what options they do have. So...another interesting one we're doing is Petco is testing in New York City and a couple of places, working with accompany called Terracycle, so the consumer has a place to bring back their pet food bag. Now, unlike a plastic bag that you can put into a grocery store and they can reuse that plastic bag, a pet-food bag is a little different. So we're testing this where a consumer brings the bag back and Terracycle actually turns that package into something else that is produced. It's the upcycle notion of something you can turn a pet food bag into some other tote bag or it might be shredded and turned into filler for a dog bed. So people start saying, 'wow, I have this foil bag or this plastic bag and I never really liked that fact that I couldn't recycle it. But you're telling me Petco that you're going with this? Great.' So it's an interesting notion and that's why we're trying to partner with Terracycle and other some companies to say 'what is it we can do to help consumers?' And we're going to continue testing these things until we get it right. But I'll tell you consumers really food good when you educate them on that kind of stuff. They feel less guilty about the fact that 'okay I have my food, it's an airtight package and I don't so feel so guilty anymore.'

Brian: Are you pretty confident that you will get the recycling figured out at some point?

Rick: I would say so yes. Right now, it's just a notion of the logistics and stuff like that. But it is a model that works and we started with our reusable shopping totes in all our stores. We point them out there and were shocked by the response we got. It's every else in retail also. It seemed logical to take it to this next step of recycling. So, the consumers are telling they want to do, so we're really just working out the bugs in order on how to make it happen.

Ken: We're also testing a program in NYC on a local level. We're looking at how can we have the biggest effect in terms of helping people be more green. It might sound kind of odd, but we actually have a program we're testing were you buy a bag of food you get a free fluorescent light bulb. Part of that is just educating the consumer that for the same amount of light you can spend 8 watts in energy instead of 60 watts. And you would never think that light bulbs and pet food would go together, but so far, the response has been pretty good.

Brian: I'm guessing that's a certificate for the light bulb and not like a toy in the cereal box.

Ken: (laughing) Oh no, no, yeah. We actually we have the light bulbs displayed in there original manufacturer packaging right next to the food. Being inside the food would be problematic to be sure.

Brian: Probably on the questions we should have asked early on in the conversation, where are natural pet foods as far as their evolution in the market? Are they still in their infancy as far as market share?

Ken: I've seen some data from one of the people we buy reports from that said (and this was about a year ago) at that time, 150 natural foods had been launched since the food recall. So I would say that natural is out of the infancy and into the teenage years, so to speak. With mass and grocery essentially adopting that term or co-opting (depending on how you look at it) away from pet specialty, I'd say that natural is becoming a brand category. And it's one that now has awareness across a broad spectrum of consumers and not just people who are very interested in ingredients and health. I think everyone at this point, through advertising and through their visits to the grocery store, are beginning to see and internalize the natural message.

Bette: We certainly see raw growing all the time. I think that raw is still very much in its infancy. It has really only be around since the late 1990s; was really when the first company evolved for raw. So, although we're making great strides, I think we have a lot of ways to go. So I would say raw is still in its infancy, but the consumers that are coming to raw are becoming more and more educated about raw. And I see it evolving and hoping more and more that they'll see the benefits of raw; and going along with raw really does go along with looking at the farming practices, not only in natural as far sustainability and our carbon footprint and all of that, but all the rest of where the quality of the ingredient is coming from. And that's what are consumers are looking for is where is that quality ingredient coming from.

Rick: I agree with both Bette and Ken on this. But, I'd add that if you think about this there's some really good news happening, right. If you look at the whole evolution of pet food, over the last 60 years, the food is getting better; the quality is going up gradually and that's a good thing for our animals, members of our family. It's encouraging. What's happening with the whole natural, holistic, organic and raw segment, I agree we're in the early stages of this and it's really an evolution that is happening. We had that phase in the '80s and '90s where the premium scientific-type brands (using my own term there) kind of really took everything up a notch. The natural, holistic organic and raw is really moving it beyond that. So this is a natural progression. Everything we know from talking to our customers, we really believe people want to know more; they want to understand the difference; they ask us and there are so many great benefits of a high-quality diet. When you look at raw food, the benefits that it offers; people want to know, 'just tell me why it is better and different, I'm in.' They're not even asking the price, 'If you're telling it's better for my pet, then that's good enough for me.' I think that is a wonderful position as an industry that we are in that we're able to offer improvements continually for animals. But I think it is still early stages. The problem, the secret now is just that we need to buckle down and continue to educate so that the people who work in any of our stores and in pet specialty can speak knowledgeably and really comfortably talk about what these are and then the consumers will feel coming to a pet specialty environment. Think about the whole threat from external forces and using the term natural, and so forth. We can outdo all of those guys if we just have educated associates; and consumers will see through that ultimately.

Sherri: Speaking of education, going back a little bit in terms of using the natural moniker on so many things, where does holistic tie into this? Because, for a lot of people they're interchangeable, holistic equals natural. Even in our own survey, we asked retailers how their holistic/natural sales were going for 2008--they went up 44%. But, what exactly, to you three is holistic versus natural?

Bette: For me, natural is looking at the product. Is the product natural in its natural form? Holistic, when I think holistic, I think of the whole body, of the whole animal, of the whole human being, so I tend to look at holistic coming from the veterinarian standpoint as opposed to the food. I look at them as two totally different words, for me. I know that consumers interchange them all the time; just because it says its natural, it's holistic. And I don't think that's always so.

Ken: The term holistic, it's always not been easy to define exactly what that means. Generally, I think people look at the use of the term holistic as being slightly better than natural, or much better than natural. As a company, we tended to try to not use that term very much, particularly since some manufacturers have actually included the term holistic in the name of their product offerings. Instead, what we try to do is speak in terms of functionality, and educate consumers and retailers and the supply chain on what constitutes a functional food. How can this food help your animal rather than referring to a label of natural and holistic.

Rick: We see that natural and holistic are different. Kind of building on what Bette said, think of natural as an umbrella term. So within natural, holistic is natural, organic is natural, raw is natural, but obviously not all natural is holistic, not all natural is organic (I think you get that concept), but where I'm going with it is that it does involve a notion of preventative homeopathic-type approach to nutrition. People who are leading a holistic lifestyle are saying they believe the benefits of a combination of ingredients will yield, will work synergistically to produce (it's kind of soft) everything working in sync in the body so that it's in the strongest state to prevent health issues. And so, it's kind of like a philosophy of nutrition is how we see it. That is one approach; but it is more than just throwing some cranberries, some blueberries into your formula; I mean you might see them typically in there, but it's the fact that certain ingredients provide antioxidants, certain ones provide this kind of health, they address various systems. That's kind of how we define it.

Brian: We've talked a little bit about how natural pet foods are raising the bar and the challenge for the industry is to continue to raise the bar of quality. Conversely though, as you do that I think that you run into some resistance with existing pet food regulations, which may have been applied 20, 30, 40 years ago. What sort of regulatory challenges are you facing, if any?

Ken: The reference I made to earlier to acai berry, we had a very strong regulatory response from a number of states at the same time when we launched our Before Grain product. Acai berry is very similar to blueberry in its nature, except it happens to have a lot more antioxidants. However (I think someone referenced the AAFCO rules earlier), acai berry is not listed as an approved AAFCO ingredient, so what we've done as a company is to try to get like-sized companies within the natural pet-food manufacturing channel to meet and confer on helping the states understand how to better regulate these ingredients. We've had a couple of meetings so far that have yielded some good results. We've also taken a more direct approach with certain states; we've been conferring with state officials and in some cases, we've even hired counsel to represent our interests. And, finally we've also commissioned some rather expensive studies (but we feel worth it) to prove that acai berry is not harmful to pets. We've concluded a study and reported our findings to the FDA. We take the role of trying to lead in terms of the right as a manufacturer to put good-quality ingredients in food to help the health of animals very seriously.

Bette: Our biggest challenge again is the states. The states don't have a uniform... what works one in state doesn't work in another state. I would really love to see if all the states could come together for a meeting of the minds on exactly what the ingredients are. When you put something on a panel or something in the description that it be okay in all the states and not have us expend so much energy trying to prove these things,. If we could we just prove it to just one state or one body, it would be helpful for all of us.

Rick: It is a complicated question, but it illustrates the importance of, as an industry, how we need to work through organizations like PIJAC and PFI to represent these issues up through to AAFCO and various bodies. Because together we're stronger and I know

that's kind of naïve in a way, but it is important that we stick together on this one. A lot of challenges in that. You know, so many veterinarians are not trained in this, and so they will revert to some of the basic things they know. I'm not, again, trying to be disparaging, I'm just saying that people will default to what they know in traditional nutrition or medicine. Part of it is our responsibility to educate various bodies and individuals through all the stuff that is out there, the other options...nutrition; nutritionists can help us with that. But also, it's how do we fund studies jointly so that we can provide empirical data that says this is the latest data on this and some of the original data that was used is outdated now. So that it's important for us to think about working together.

I do believe that we have a huge issue with the individual states because of confusion and lack of clarity [between them]. It's not significantly better, there are some products, particularly in the supplements category, the vitamin, supplement and remedies category in human products that have been eventually been adopted and there's some consistency. We don't even have the same consistency for those same products within pet. So it seems like we really need to make sure these battles...that should happen automatically apply to pet, research should be done to apply to pet. Because we're so far behind the human pace, that it's a challenge for us on both levels.

Brian: Okay. We are just about winding down from our expected allotted time. Why don't we offer each of you an opportunity to make any final comments, if you like.

Bette: Well, first of all, thank you for asking me to part of this. I think that it is the beginning of a great discussion and I'd love to see it move forward. As I said, my thing is to hold the industry to a higher standard. I'd love to see us all, every company out there, hold themselves to the highest standards as possible for our pets. Because, ultimately, that is what it's all about. It's not about us, it's not about the marketing, it's not about the consumer. Ultimately, it is about our dogs and our cats.

Rick: I completely agree on that, this is really about our pets and we have to keep them in mind. I think that from the standpoint that we need to encourage, we need to almost jar consumers to rethink what they're feeding their pets and make sure that they really question, 'Am I giving my pet the best possible nutrition.' And then we should encourage them to ask questions, and that is part of this dialogue to engage with consumers about their pet needs. And so, I think educating our associates is important.

I would also add, as an industry we also really need to clamp down on the negative selling that happens. Some manufacturers allow their in-store reps and various people to make negative claims against each other. All that does is confuse the consumer. And really have to hold ourselves to a standard and say lets talk consistently about the ingredients, their benefits, the functionality and understand that there are lots of great brands and the consumer needs to understand what's right for their pet.

Ken: I'd like to echo what Rick said about talking the high road.

Bette:
Me, too.

Ken: The pet specialty channel is relatively small, compared to mass and grocery. And we're all, for the most part--all the manufacturers, all the retailers—we're trying to raise consumer awareness on what's better for their pets. And in that environment, being relatively small compared to the overall pet-food market, and all having a similar mission, we shouldn't be trying to downgrade each other. It's almost like having a football team tackling your own man. The opposition, so to speak, is mass and grocery, where a larger percentage of foods that don't have the type of ingredients found in pet specialty are sold. And, I think we have a responsibility to educate our consumers. And, frankly, I think there is a call to action right now that we need to respond to in the pet-specialty channel. Mass and grocery are making a concerted effort to take the natural message and use it for their own. So there are really two opportunities here. One is as a by-product of this, they are creating a larger market of people looking for natural foods, which gives pet specialty a chance to reach over and bring those consumers into our stores and start them on a food that is maybe a little bit better than what they can find in the other channel. And then start them on the path of better and better foods on the independent pet-specialty side.

The other call to action is we need to continue to raise the bar. We need to continue to differentiate pet specialty as a destination for something exceptional. I believe that in focusing on functionality, on health benefits, is the next step in the road that we are traveling in being a better alternative, a more knowledgeable place to take care of your pets than mass and grocery.

Sherri: Thank you very much for participating today. We really appreciate your input.