

Development of innovative functional pet food products - a compilation of relevant knowledge for industry actors

The functional foods and pet food industries are experiencing a shift, due to emerging trends and regulations. As a result, industry actors aiming at being innovative are faced with new challenges that need to be addressed. This thesis aims at providing useful guidelines for Swedish pet food industry actors to unravel and navigate these new conditions, allowing the innovative culture to thrive within the industry.

Functional foods, a relatively new genre of foods, are products that add an extra benefit to existing food products, for example by helping to prevent diseases or supplying extra nutrients. This is a big market worldwide, and still growing. Lately, the EU has passed new regulations regarding what can legally be claimed about a product in marketing and communication to consumers. Parallely, the pet food industry have experienced a shift in how pet owners view and treat their animals. The trends indicate an increased emotional bond to their pets, meaning they are willing to spend more money on them, and increasingly treat them as any other member of their family.

Together, this adds up a situation where functional pet food development have almost entirely new conditions to navigate. Swedish industry actors faced with the challenge, in this thesis embodied by a case study at Lantmännen, need new guidelines to produce successful products in the new market. This becomes even more evident when developing innovative products, which means products with new and relatively innovative claims. Such products create niche markets within the already existing area of functional pet food.

There are six main takeaways validated from the research:

- The marketing of a functional pet food product should be centred around the functionality (“claim”) of the product to appeal to consumers.
- The initial customer segment should be opinion leaders.
- The relationship to the consumers should be built on trust to a large extent.
- Specialty retail stores are the most suitable channel.
- Indirect costs can come from deficient sustainable product development or wrong level of claim.
- It is beneficial to use value-based pricing as pricing strategy.

The case study describes the challenge for Lantmännen R&D as they are investigating opportunities for development of an innovative functional pet food product for subsidiary Lantmännen Doggy. Their potential product, with the essential amino acid L-lysine as the active ingredient, enhances cognitive function in mammals for a period of four to six hours.

The conclusions have been generated by combining three different knowledge areas - ‘functional foods’, ‘the pet food industry’, and ‘establishing of an innovative niche market’ - to an interconnected knowledge area aimed at such product development. The results have then been tested on the case to test their practical applicability, and then evaluated by their bearing on the general case (i.e. whether the same result would be obtained if the case company and/or product was another). The theoretical and empirical knowledge have been gathered and evaluated with the help of a framework, and the analysis has been conducted with building blocks from the Business Model Canvas (BMC) as starting point and structure.

This is a popular scientific summary of the report

Bengtsson, L., Bildt, G., and Skäremo, J., 2015. *Development of innovative functional pet food products - a compilation of relevant knowledge for industry actors*. Master. Lunds University.