



Yappy Pets: Growing International Presence by Staying Ahead of the Digital Curve

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Yappy Pets started off as a pet food distributor but has now evolved to represent a wide variety of in-house and distributor brands that produce pet food, treats, hygiene care, accessories, and grooming equipment¹. Founded in 1994, Mr Yap Seng Teck began the business with a deep love for shepherd dogs and a dream to provide the best nutrition for pet dogs in the region. Despite the initial lack of support from people around him, he held on to his belief and travelled to the US to meet his mentor, who handed him the distributorship for one of the first few brands that they used to supply.

Today, Yappy Pets is one of Singapore's biggest distributors and suppliers of pet food and other forms of accessories that cater to the overall needs of pets. The company represents more than 16 brands locally, which include, amongst others, Nurture Pro, earthmade, Loveabowl, Ziwi Pets, Inaba Ciao and Oxbow Animal Health. Its international footprints are also found in countries such as China, Malaysia, Brunei, Thailand, Indonesia, Japan and India. Given its strong partnerships with voluntary organisations such as Voices for Animals (VFA) and the House Rabbit Society Singapore (HRSS), Yappy Pets has established itself as one of the leading brands in the pet food industry today.

Feature No. 7 of the SBF Company Case Study Series looks at how Yappy Pets established its international footprints by staying ahead of the digital curve for long-term sustainability.

A Necessary Step Forward: Gaining Market Insights, Building Brand Awareness

Understanding Market Limitations

The pet population in Singapore has grown by 19% over a span of 5 years from 2014 to 2019². However, Singapore is a relatively small market as compared to other countries in the region,

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For more information, kindly contact research@sbf.org.sg.

¹ <https://www.yappy-pets.com/about/>

² <https://www.businesstimes.com.sg/brunch/paws-perous-business-the-booming-pets-trade-thats-also-feeding-an-illicit-market>

highlighting the importance on the need to expand its reach into other markets. Given this impetus, Yappy Pets began to foray into offshore markets, expanding into Asia to grow, broaden and deepen its customer base.

Thriving and Staying Competitive Among Local and Loyalty Brands

Thailand's pet industry is the second largest in Asia, with a market value between US\$700 million and US\$800 million, trailing only China, which enjoys a market share worth US\$1 billion in 2019³. With the pet food industry performing well in recent years, an increasing number of businesses has entered, or are poised to enter, this expanding market.

Thailand is also a country with a large manufacturing base, and locally-produced pet food in Thailand captures 95% of the market⁴, which makes it possible for local manufacturers to sell at more competitive prices.

Competition can be intense.

This poses a challenge for Yappy Pets when trying to gain traction in the market. It will have to price its products that can suit local consumer appetites that come within acceptable cost thresholds, after accounting for other costs that local brands do not have to. Notwithstanding, Yappy Pets was able to capitalise on Thai consumers' preference for variety. It leveraged on the market's desire of buying into overseas brands by differentiating itself from the local produce. The company also ensured that it struck a good balance of allocating resources between sharpening its business-to-business (B2B) market strategy and increasing market awareness amongst the local consumers.

Being Cognizant of Expenditure Inclinations in Offshore Markets

The company also found that differences in the structure and culture of a country's social classes could have a significant impact on consumer spending habits. Disparity in disposable incomes across each social class was perhaps the most evident contributory factor.

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https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Pet%20food%20market%20Thailand.pdf

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https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Pet%20food%20market%20Thailand.pdf

In China, the increase in disposable income⁵ has led to a rising middle class. The growth in the rank of the middle class, rapid urbanisation, and corresponding changes in people's lifestyles are important considerations that are fuelling the rise of 'pet humanisation'⁶ in China, along with the rising awareness of feeding pets using packaged pet food.

According to Statista, in 2020, the market for pet-related businesses in China reached RMB206.5 billion, around 2% higher compared to the previous year⁷. With China's rising middle-class and disposable household incomes, the Chinese are willing to spend more money on premium pet food for their pets. According to a pet industry report⁸, in 2020, Shanghai, Beijing, Xi'an and Chengdu were cities with comparatively higher disposable incomes and those identified as having the highest expenditure on pets. Tellingly, the more affluent within the upper-middle income band enjoy higher discretionary income that provides expanded capacity in purchasing higher-end products and are also often more attuned to premium offerings, even for other pet-related consumables. This intimate understanding of the Chinese market allowed Yappy Pets to make an informed decision when choosing to import premium-priced brands over lower-priced pet products, complementing the spectrum of pet food offerings by local Chinese manufacturers.

In comparison, for markets such as Indonesia and Malaysia, consumers seem inclined towards the purchase of brands that are more affordably priced. To keep prices low, Yappy Pets' food items are sometimes offered in smaller packaging to target the more price-conscious consumers.

Regulatory Challenges

Another challenge highlighted by Yappy Pets pertained to regulations on the importation of products. It is imperative for pet food manufacturers and companies to gain an intimate understanding of the latest rules and regulations governing the industry within different country contexts. This is evident by its experience in the Chinese market.

⁵ http://www.stats.gov.cn/english/PressRelease/202104/t20210419_1816562.html

⁶ <https://www.petprofessional.com.au/info-centre/pet-humanisation-impact-on-the-pet-industry/>

⁷ <https://www.statista.com/statistics/765681/china-pet-market-size/>

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https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/The%20pet%20food%20market%20in%20China.pdf, page 7.

China is known to be protective of its economy and, in particular, its agriculture industry. It imposes stringent regulations on ingredients that are approved for use in the pet food industry. The certification of products and trademarks also forms part of the registration process. Regarding the importation of goods into the Chinese markets, Yappy Pets had to constantly ensure that its pet products complied with the conditions and regulations stipulated by the Ministry of Agriculture and Rural Affairs (MARA). The provisions of the law evolve and are adjusted with time, necessitating constant monitoring. Due to these stringent regulations, importing products into the Chinese market can often be a time-consuming exercise. This is in contrast to Hong Kong, which is a designated free trade zone with no dedicated legislation governing the sale of pet food products.

Despite this, Yappy Pets remained unwavering in its pursuit of the Chinese market, given its huge market opportunities.

Internationalising the Business, Digitally

Collaborating with Digitally-Ready Partners Overseas

Consumers in China, Korea and Taiwan are thought to be among the most digitally savvy shoppers in the world, with the e-commerce market in these two countries set to grow. With both economies rapidly digitalising, it remains critical for both Yappy Pets and its partners in these markets to stay ahead of the trends that are shaping the pet food industry in the e-commerce space and continually keep pace with technology. In this regard, aside from having a traditional ‘brick-and-mortar’ market presence, it is also important to Yappy Pets that its partners have a strong digital and social media market presence in e-commerce platforms and marketplaces. This also meant that Yappy Pets needed to quickly learn how these e-platforms worked so that it could efficiently support, collaborate and participate along with its partners in online marketing strategies for its brands to reach a larger customer base.

For Yappy Pets, in addition to having a strong online presence to aid in driving sales, gaining a deep understanding in the background of various partners in respective markets in which they are located remains critical. There must be an establishment of trust that the prospective partners are capable of carrying the brand well before a business relationship with them commences.

Digitalising Processes and Establishing In-Market Presence via ‘Grow Digital’⁹

Forming partnerships is deemed as an essential and integral ingredient to Yappy Pets in its internationalisation journey as it offers an “on-the-ground” perspective in the market of interest. Linking up with the right partners operating within a particular market can offer valuable insights and in-market support. Doing so would also enable Yappy Pets to remain competitive vis-à-vis the local brands within the respective countries.

Before signing up for the *Grow Digital* programme, Yappy Pets had minimal online presence, and many of its business processes were performed manually. One example of a manual process was the need for physical copies of invoices to be issued manually and stored on-site in the office rather than on a cloud platform. Given that Yappy Pets operates on a traditional B2B model, this implies that it has to invest a substantial amount of manpower resource and expenditure in introducing its brands into a new market, as well as source for distributors on the ground.

Through *Grow Digital*, the firm engaged a cross border e-commerce solutions provider to manage their e-marketplace operations. The ease in the use of the platform helped to open up direct online sales channels for Yappy Pets and enabled easier access to overseas customers in new markets such as Malaysia, Indonesia and Thailand¹⁰. Aside from this, monthly reports generated through the platform also gave Yappy Pets greater insights on customer purchase patterns, which enabled the firm to make more informed business decisions. As the platform also handled the e-marketplace operations and administrative work, this allowed its employees to focus on other aspects of the business¹¹.

In hindsight, the company also recognised that digitalising its internal processes had enabled them to maximise the efficiency of its manpower resources and improve communications with its partners and distributors across various offshore markets. One example was virtual sharing, via the cloud platform, of all marketing collaterals, issuance of orders and invoices, as well as sales reports. As Yappy continued to expand, one of its primary goals was to redesign the company website and to increase its leverage on cloud portals in order to enhance the efficiency of its international growth through digital means.

⁹ <https://www.imda.gov.sg/programme-listing/smes-go-digital/Grow-Digital>

¹⁰ <https://www.businesstimes.com.sg/sme/over-500-smes-gain-digital-access-to-new-markets-overseas>

¹¹ <https://www.facebook.com/EnterpriseSG/videos/1231731700500906>

Broadening Overseas Exposure the Digital Way

In the past, expanding overseas necessitated the need for a physical presence in the new market. This entailed making several trips that went towards securing the ideal location for the establishment of an office or outlet. A significant amount of investment in time and capital was required. In today's digital environment, Yappy Pets is cognizant of the benefits of leveraging on online tools, platforms and marketplaces in learning about emerging products, companies, and brands, gaining wider access to the network of potential partners who can assist in facilitating, strengthening and supporting its presence in overseas markets. Its interaction space with offshore brands, vendors and customers was greatly enhanced, extending its reach, alleviating margin compressions and improving operational efficiency.

Today, the reverse scenario holds true, with prospective offshore partners and distributors learning about Yappy Pets and its brands through online marketplaces and even virtual exhibitions, especially when travel is restricted during this period of the COVID-19 pandemic.

Staying Competitive in a Digital Marketplace

Even though good sales were recorded in the marketplace during the COVID-19 pandemic, pricing competitively vis-à-vis the larger e-commerce players posed a challenge. Price wars are unavoidable in today's crowded online marketplace, where there is fierce competition and a plethora of comparable products. Under such conditions, competitors are often strongly incentivised in lowering prices to gain a larger share of the market.

Given the limited market pie, Yappy Pets focused on brand advertising, cross-brand selling, and adding value to its products and services by offering online-exclusive merchandise. This approach in part circumvented the need to engage in price wars. Establishing its presence in the virtual marketplace also allowed Yappy Pets to raise awareness and profile of the brands that it carried, in addition to educating customers about a product especially for new items that did not have close substitutes in the market.

In Sum, Digitalising as a Means in Maintaining an Edge Internationally

Yappy Pets decided that embarking on an internationalisation journey through digital channels was a risk worth taking.

According to Ms Jasmine Tan, its General Manager, it is critical to maintain the mindset of ‘doing everything with an open mind’ and to believe that the company will grow because of the processes put in place. Although there were hesitations and uncertainties in deciding whether the company should go digital, taking the final leap of faith paid off as efficiency of the firm was greatly enhanced, equipping the company with relevant tools it needed to expand internationally.

In light of the global shift towards a digital economy and particularly so, during the COVID-19 crisis, there is a greater need for most companies to approach issues and challenges with an open mind, to ensure sustainability and relevancy of the business over the long run.

One key takeaway for Yappy Pets in its internationalisation journey is the need to remain agile to stay ahead of the digital curve. When the COVID-19 pandemic struck, Yappy Pets came to the realisation that certain tasks that were previously done manually should be fully automated and shared virtually via cloud platforms, such as the issuance of orders, sales analytics, marketing collaterals and the promotion of brands through e-commerce channels.

Looking over the horizon, Yappy Pets is firmly anchored in its belief that, by staying digitally agile, its brands have the potential to grow and be present in most Asian markets. Leveraging on e-commerce channels and ensuring that its service platforms remain seamless and accessible, the company has its sights firmly set on expansion into the US and European markets, the absence of physical presence regardless.

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