Pet Food in 2019:
North America Market Trends
August 13, 2019
Lindsay Beaton, managing editor, Petfood Industry
Itinerary

- Who am I, and what is Petfood Industry?
- Summarized: The global pet care and pet food markets
- In depth: The U.S. pet care and pet food markets
- The context: U.S. pet ownership demographics
- Pet food trends in 2019 and beyond
  - Sustainability
  - E-commerce
- Looking ahead
Petfood Industry is...
Petfood Forum 2019-2020

Petfood R&D Showcase 2019
October 15-17
Manhattan, Kansas

Petfood Forum Asia 2020
March 25
Bangkok, Thailand

Petfood Workshop 2020
April 27
Kansas City, Missouri

Petfood Forum China 2019
August 20
Shanghai, China

Petfood Forum 2020
April 27-29
Kansas City, Missouri

Petfood Forum Europe 2021
June
Cologne, Germany

The global pet market
By the numbers: The global pet market

- 2018 pet care sales: US$125 billion
- 2018 pet food sales: US$91.1 billion
- CAGR: 6% since 2013
- 31% overall growth since 2013

- **Dog food (dry)**
  - Value sales growth: 6% CAGR 2013-2018
  - Volume sales growth: 1.5% CAGR
- **Cat food (dry)**
  - Value sales growth: 5% CAGR
  - Volume sales growth: 2% CAGR
- **Dog and cat food (wet)**
  - Volume sales growth: 4-5% CAGR

*Source: Euromonitor International*
Trends: The global pet market

- Dog ownership flat globally, except for small breeds
- Cat ownership risen globally; significantly in Asia-Pacific

- Urbanization
- DINK households on the rise worldwide

- Convenience
- Time savings
- Less effort

Source: Euromonitor International
The U.S. pet market
By the numbers: The U.S. pet care market

- Total spending 2019: US$75.38 billion (est.)
- Total spending 2018: US$72.56 billion

U.S. Pet Care Sales, 2010-2019

Source: American Pet Products Association
# U.S. Pet Care Spending Breakdown

- Total spending 2019: US$75.38 billion (est.)
- Total spending 2018: US$72.56 billion

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>US$30.32 billion</td>
<td>US$31.68 billion</td>
</tr>
<tr>
<td>Supplies/OTC medicine</td>
<td>$16.01</td>
<td>$16.44</td>
</tr>
<tr>
<td>Vet care</td>
<td>$18.11</td>
<td>$18.98</td>
</tr>
<tr>
<td>Live animal purchases</td>
<td>$2.01</td>
<td>$1.97</td>
</tr>
<tr>
<td>Other services</td>
<td>$6.11</td>
<td>$6.31</td>
</tr>
</tbody>
</table>

*Source: American Pet Products Association*
Trending:
The U.S. pet food market

- Total spending 2019: US$31.68 billion (est.)
- Total spending 2018: US$30.32 billion
- Growth 2018-2019: 3.9%

Source: American Pet Products Association
## U.S. Pet Food Spending Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending, US$ billions</th>
<th>% growth from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 (est.)</td>
<td>31.68</td>
<td>3.9</td>
</tr>
<tr>
<td>2018</td>
<td>30.32</td>
<td>4.4</td>
</tr>
<tr>
<td>2017</td>
<td>29.07</td>
<td>4.1</td>
</tr>
<tr>
<td>2016</td>
<td>28.23</td>
<td>10.7</td>
</tr>
<tr>
<td>2015</td>
<td>23.05</td>
<td>3.9</td>
</tr>
<tr>
<td>2014</td>
<td>22.26</td>
<td>4.2</td>
</tr>
<tr>
<td>2013</td>
<td>21.57</td>
<td>4.5</td>
</tr>
<tr>
<td>2012</td>
<td>20.64</td>
<td>4.7</td>
</tr>
<tr>
<td>2011</td>
<td>19.85</td>
<td>5.4</td>
</tr>
<tr>
<td>2010</td>
<td>18.76</td>
<td>6.2</td>
</tr>
</tbody>
</table>

*Source: American Pet Products Association*
U.S. Pet Food Market Fun Facts

- Dog food accounts for 67% of U.S. pet food sales (US$18.2 billion)
- Cat food makes up 33% of U.S. pet food sales (US$9 billion)

- Dry food is the most prevalent form of dog and cat food
  - Dry = 72% of the market
  - Wet = 25%
  - Frozen/refrigerated = 1%
  - Semi-moist = <1%

- Market channels are seeing some interesting shifts
  - Pet specialty = 23% of retail sales
  - Mass-market = 20%
  - Internet = 17%
U.S. pet ownership demographics
U.S. households that own pets

- 67% of U.S. households own a pet (= 84.9 million homes)

<table>
<thead>
<tr>
<th>Pet</th>
<th># households (millions)</th>
<th># per household (avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dog</td>
<td>63.4</td>
<td>1.53</td>
</tr>
<tr>
<td>Cat</td>
<td>42.7</td>
<td>1.78</td>
</tr>
<tr>
<td>Freshwater fish</td>
<td>11.5</td>
<td>6.59</td>
</tr>
<tr>
<td>Bird</td>
<td>5.7</td>
<td>2.58</td>
</tr>
<tr>
<td>Small animal</td>
<td>5.4</td>
<td>1.67</td>
</tr>
<tr>
<td>Reptile</td>
<td>4.5</td>
<td>1.66</td>
</tr>
<tr>
<td>Horse</td>
<td>1.6</td>
<td>3.08</td>
</tr>
<tr>
<td>Saltwater fish</td>
<td>1.6</td>
<td>5.73</td>
</tr>
</tbody>
</table>

# U.S. annual pet spending

<table>
<thead>
<tr>
<th>Expense</th>
<th>$ per household (avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dogs</td>
</tr>
<tr>
<td>Surgical vet visits</td>
<td>US$426</td>
</tr>
<tr>
<td>Routine vet visits</td>
<td>212</td>
</tr>
<tr>
<td>Food</td>
<td>259</td>
</tr>
<tr>
<td>Treats</td>
<td>76</td>
</tr>
<tr>
<td>Kennel boarding</td>
<td>229</td>
</tr>
<tr>
<td>Vitamins</td>
<td>58</td>
</tr>
<tr>
<td>Groomer/grooming</td>
<td>73</td>
</tr>
<tr>
<td>Toys</td>
<td>48</td>
</tr>
</tbody>
</table>

U.S. housing trends and pet ownership

CHANGE IN PET OWNERSHIP BY HOUSING TYPE, 2009 VS. 2018

- Rented apartment: 1,710
  - 1 Dog: 1,437
  - 2+ Dogs: 1,005
  - 2+ Dogs: 849
  - 2+ Dogs: 732
  - 2+ Dogs: 646
  - 2+ Dogs: 575
  - 2+ Dogs: 494

- Owned house: 1,005
  - 1 Dog: 849
  - 2+ Dogs: 732
  - 2+ Cats: 646
  - 2+ Cats: 575
  - 2+ Cats: 494

Source: Compiled by Packaged Facts based on summer six-month Simmons Market Research national consumer surveys.

Improving health and well-being for humans and animals
Age: Not just a number

- **Millennials**: born 1981-1996 (23-38 years old)
  - 73 million people in the U.S.
- **Generation Z**: born 1997-2015 (4-22 years old)
  - 74 million people in the U.S.

### Spending power

<table>
<thead>
<tr>
<th>Age range</th>
<th>$ spent/month (avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14-17</td>
<td>US$73.00</td>
</tr>
<tr>
<td>18-24</td>
<td>173.67</td>
</tr>
<tr>
<td>25-34</td>
<td>141.50</td>
</tr>
<tr>
<td>35-44</td>
<td>107.85</td>
</tr>
<tr>
<td>45-54</td>
<td>102.99</td>
</tr>
<tr>
<td>55 and up</td>
<td>80.43</td>
</tr>
</tbody>
</table>

*Source: OppLoans pet ownership survey*
Other interesting demographics

- **Women vs. men**
  - Women spend $116.61 each month on their animals
  - Men spend $136.99 each month ($20 more than women)

- **Relationship status**
  - Divorced: $102.40/month
  - Living with partner: $124.30
  - Married: $132.36
  - Separated: $69.00
  - Single: $128.73
  - Widowed: $105.75

- **iPhone vs. Android**
  - iPhone users: $157.14/month
  - Android users: $136.03

*Source: OppLoans pet ownership survey*
Pet food trends in 2019 and beyond
Sustainability: Influencing pet owners

- **What is “sustainability” to pet owners?**
  - Use of renewable resources
  - Responsible sourcing of materials and ingredients
  - Ecological awareness (plants and animals)
  - Corporate environment
  - Transparency

- **What areas of pet food are affected by sustainability demands?**
  - ALL OF THEM
Sustainability example: Pet food packaging

• The challenges
  • Multi-layer film laminates and multi-wall bags with film laminates that are not recyclable
  • Rigid plastic containers: technically recyclable, but according to EPA most end up in landfills
  • Plastic-based packaging made from non-renewable resources

• The solutions
  • Increased recycling options
  • Increased use of renewable resources
  • Branding opportunities that show a regard for sustainability
  • Full transparency
E-commerce: Comparison with other market channels

U.S. Pet Food Market in 2018

<table>
<thead>
<tr>
<th>Market channel</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pet specialty (PetSmart, Petco)</td>
<td>23%</td>
</tr>
<tr>
<td>Mass-market retail (Walmart, Target)</td>
<td>20%</td>
</tr>
<tr>
<td>Internet (Chewy, Amazon)</td>
<td>17%</td>
</tr>
</tbody>
</table>

“The number of households purchasing pet products online is projected to more than triple from 3.0 million in 2010 to over 12 million in 2018.”

“…it’s not surprising that the internet has been luring pet owners away from brick-and-mortar stores. What is surprising is that … the internet has been disproportionately responsible for helping to keep the U.S. pet industry on a healthy upward track.”

Source: Packaged Facts, “Pet food in the U.S., 14th edition”
E-commerce: By the numbers

Pet Consumables, Annual Sales by Channel

Source: The Nielsen Company (US) LLC
E-commerce: By the numbers

### Growth of Pet Consumables by Channel

<table>
<thead>
<tr>
<th>Channel</th>
<th>$% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pet consumables</td>
<td>+5%</td>
</tr>
<tr>
<td>E-commerce</td>
<td>+53%</td>
</tr>
<tr>
<td>Mainstream retail</td>
<td>+1.7%</td>
</tr>
<tr>
<td>Pet superstores/Neighborhood pet stores</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Vet clinics</td>
<td>-5.8%</td>
</tr>
</tbody>
</table>

*Source: The Nielsen Company (US) LLC*
E-commerce: Why?

• Price
• Convenience
• Product selection
Beyond e-commerce: The evolution to “omnimarket”

<table>
<thead>
<tr>
<th>Purchasing channel</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drugstores/convenience stores</td>
<td>5%</td>
</tr>
<tr>
<td>Farm supply stores/feed stores</td>
<td>15</td>
</tr>
<tr>
<td>Discount stores</td>
<td>15</td>
</tr>
<tr>
<td>Veterinarians</td>
<td>16</td>
</tr>
<tr>
<td>Wholesale membership club</td>
<td>17</td>
</tr>
<tr>
<td>Pet stores other than PetSmart/Petco</td>
<td>21</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>37</td>
</tr>
<tr>
<td>Petco</td>
<td>37</td>
</tr>
<tr>
<td>PetSmart</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: Compiled by Packaged Facts based on Simmons Market Research Fall 2018 National Consumer Survey. Base: Household. Copyright: 2019. All rights reserved.
Omnichannel vs. omnimarket

“If the term ‘omnichannel’ still narrowly reflects a retailer perspective on where products are purchased, picked up or delivered (in varying brick-and-mortar and e-commerce combinations), ‘omnimarket’ is about the myriad sources of influence, information and innovation that are now shaping pet expenditure patterns and decisions.”

~ David Sprinkle, publisher and research director, Packaged Facts
Looking ahead

“Human eating trends are consistently trickling over into pet foods, with pet parents wanting their pet’s diet to match their own … this humanization trend has been, and will continue to be, at the forefront of pet food trends.”

~ Chris Butterworth, innovation director, Mars Petcare
Sources

• American Pet Products Association
• Euromonitor International
• The Nielsen Company (US) LLC
• OppLoans
• Packaged Facts
• ResearchAndMarkets.com
Thank you!

Get in touch!

Email: lbeaton@wattglobal.com
Twitter: @LBeatonPetfood
LinkedIn: www.linkedin.com/in/lindsayjbeaton/
Facebook: @lindsaybeaton.editor