



Dog & Cat Food

How U.S. consumer segments respond to marketing & labeling



Petfood Industry

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CLA proudly employs the top talent in Pet Specialty across a variety of functional disciplines. Our seasoned and specially-trained teams are dedicated to driving your business.

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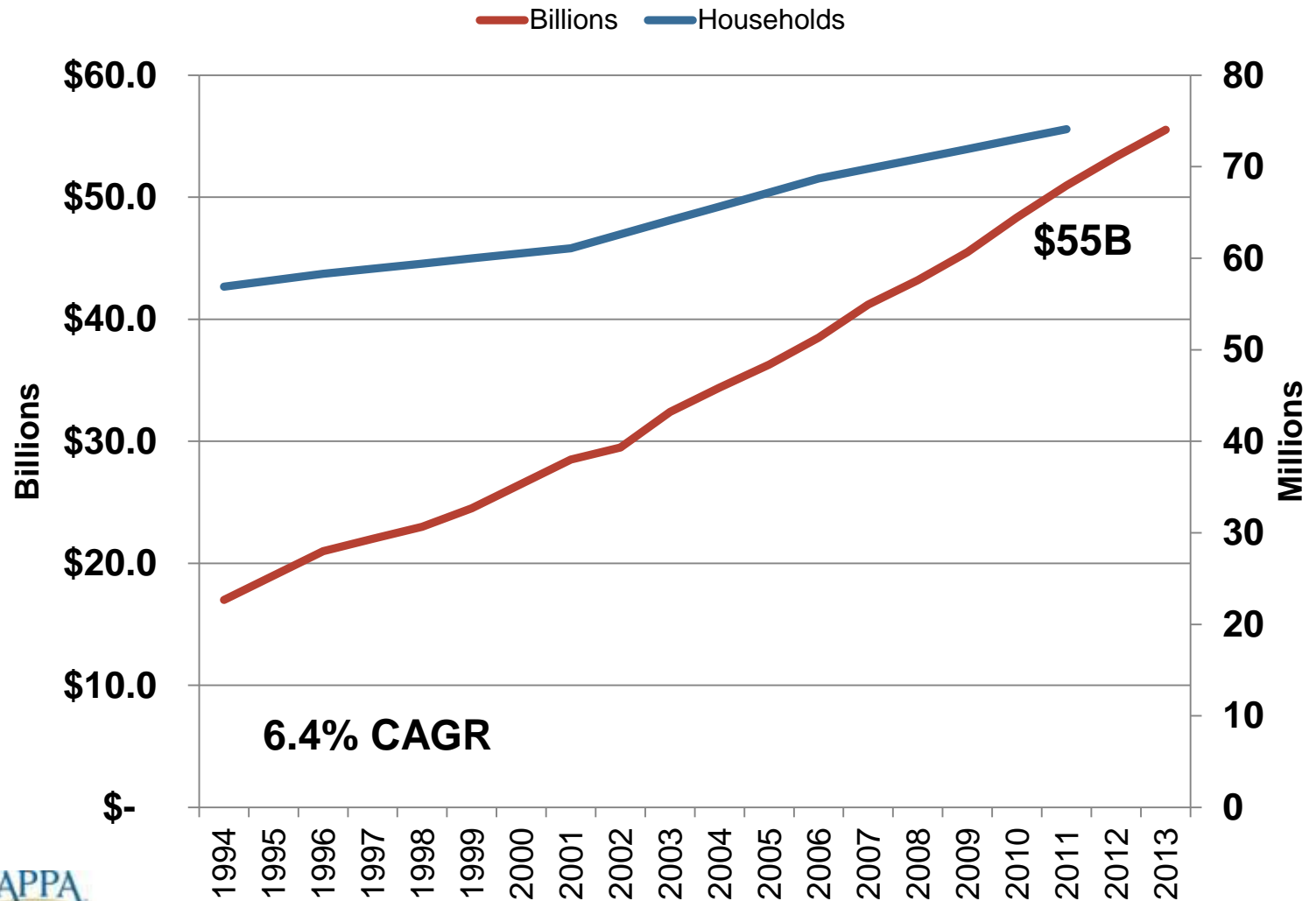
Agenda

- Pet Industry Overview
- Consumer Feelings
 - Labels and Ingredients
 - Natural / Organic Pet Food
 - Brand Dynamics
- Reaching Key Pet Consumer Segments





Industry Sales and Pet Household Growth





Consumers

- **Pet Parents**
- **Pet Specialty Shoppers**
- **FDM Shoppers**
- **Hispanics**
- **Women**
- **Boomers / Seniors**
- **Gen Y / Gen Z**



Skewness!

Not having
equal
probabilities
on either
side of the
mean



Leaning





Pet Parent

“My pet is like my child”



- **Female**
- **Married**
- **Over 40**
- **Better-off or Affluent**
- **Large Markets, Coastal Cities**
- **Pet Specialty, Natural Food Stores**
- **Shops Pet Specialty every 3-6 weeks**
- **Superpremium, Natural Brands**
- **Spends 50% - 100% more on pets than other shoppers**

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Pet Enthusiast

“My pet is family, but not like my child”



- **Female**
- **25-35**
- **HH Income 50K+**
- **Metropolitan Areas, Suburban developments with limited yards**
- **Mass, Grocery, Pet Specialty, Club**
- **6-15 Week Frequency in Pet**
- **Premium Brands, Grocery Brands**

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Sources: APPA, CLA Research

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Pet Owner

“My pet is a pet”



- **Male**
- **25-40**
- **HH Income 30K+**
- **Rural Cities & Urban Developments**
- **FDM, Dollar Stores, Grocery**
- **13-52 Week Frequency in Pet**
- **>45% Consumers – <25% Sales\$**
- **Grocery Brands, Value Brands**

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Sources: APPA, CLA Research

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Food Purchases: What's Most Important?



- 1** Nutrition
- 2** Price
- 3** Ingredients
- 4** Food safety
- 5** Brand
- 6** Flavor
- 7** Package size
- 8** Dog age / Lifestage





Food Purchase Considerations by Segment

	Entire Sample	Shopper: Pet Specialty	Shopper: FDM
Nutrition	1	2	2
Price	2	4	1
Ingredients	3	1	3
Food safety	4	3	7
Brand	5	5	5
Flavor	6	7	4
Package size	7	8	6
Dog age / lifestage	8	6	8

Treat Purchases: What's Most Important?



- 1 Price**
- 2 Ingredients**
- 3 Flavor**
- 4 Nutrition**
- 5 Food safety**
- 6 Brand**
- 7 Package size**
- 8 Dog age / Lifestage**



Treat Purchase Considerations by Segment

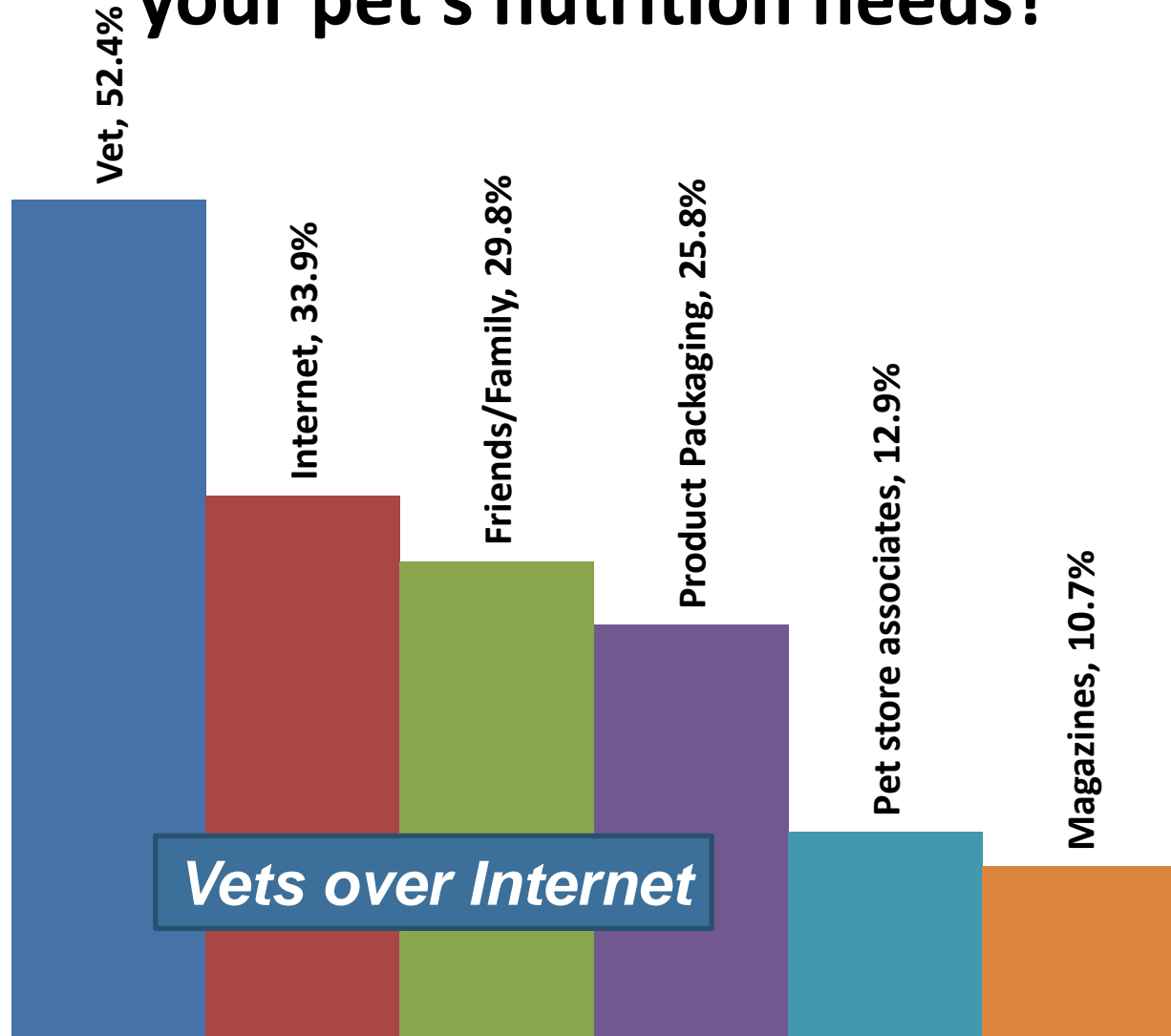
	Entire Sample	Shopper: Pet Specialty	Shopper: FDM
Price	1	3	1
Ingredients	2	1	3
Flavor	3	5	2
Nutrition	4	2	4
Food safety	5	4	5
Brand	6	6	6
Package size	7	7	7
Dog age / lifestage	8	8	8

Regional Preference Skews: Food & Treats





Where do you get information on your pet's nutrition needs?

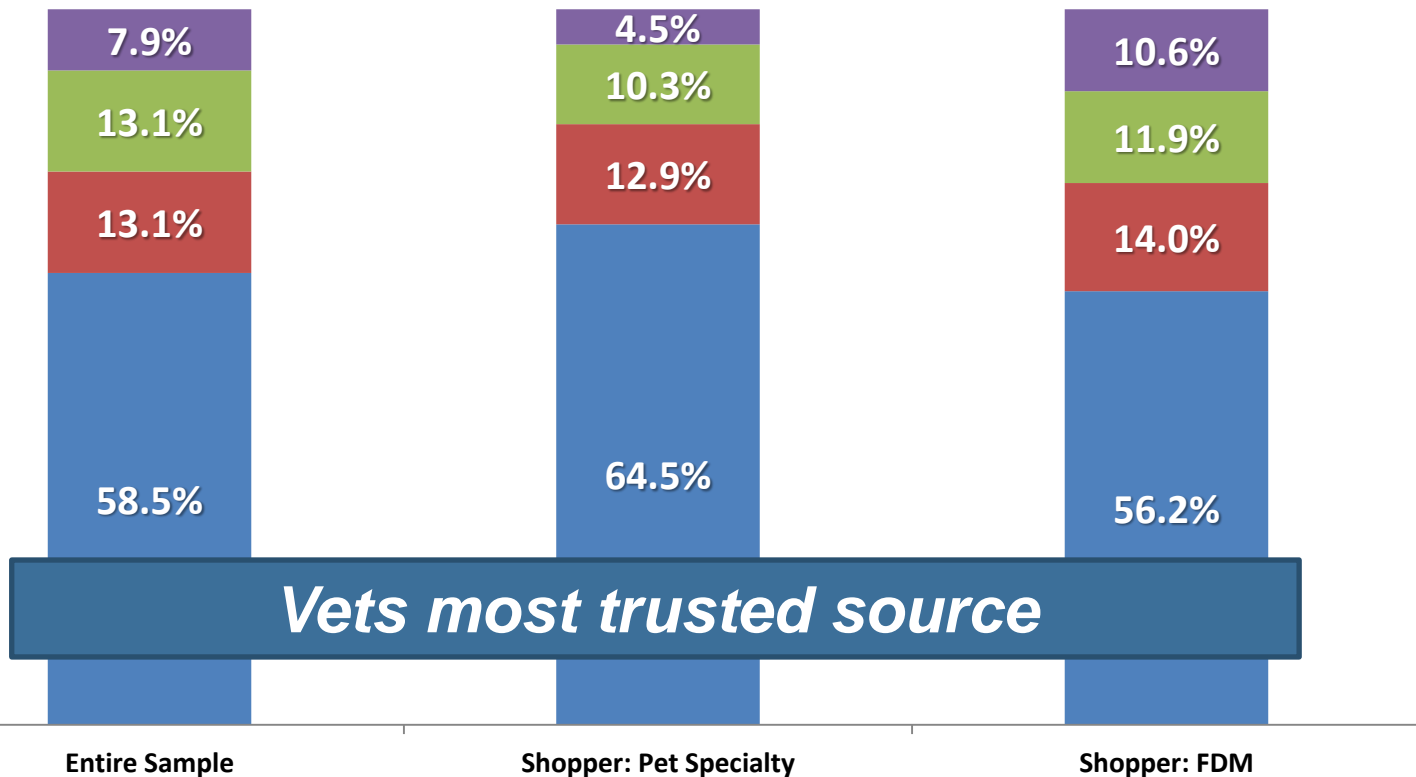


Vets over Internet



What one source would you trust most when it comes to nutrition information for your pet?

■ Vet ■ Friends/Family ■ Internet ■ Product Packaging



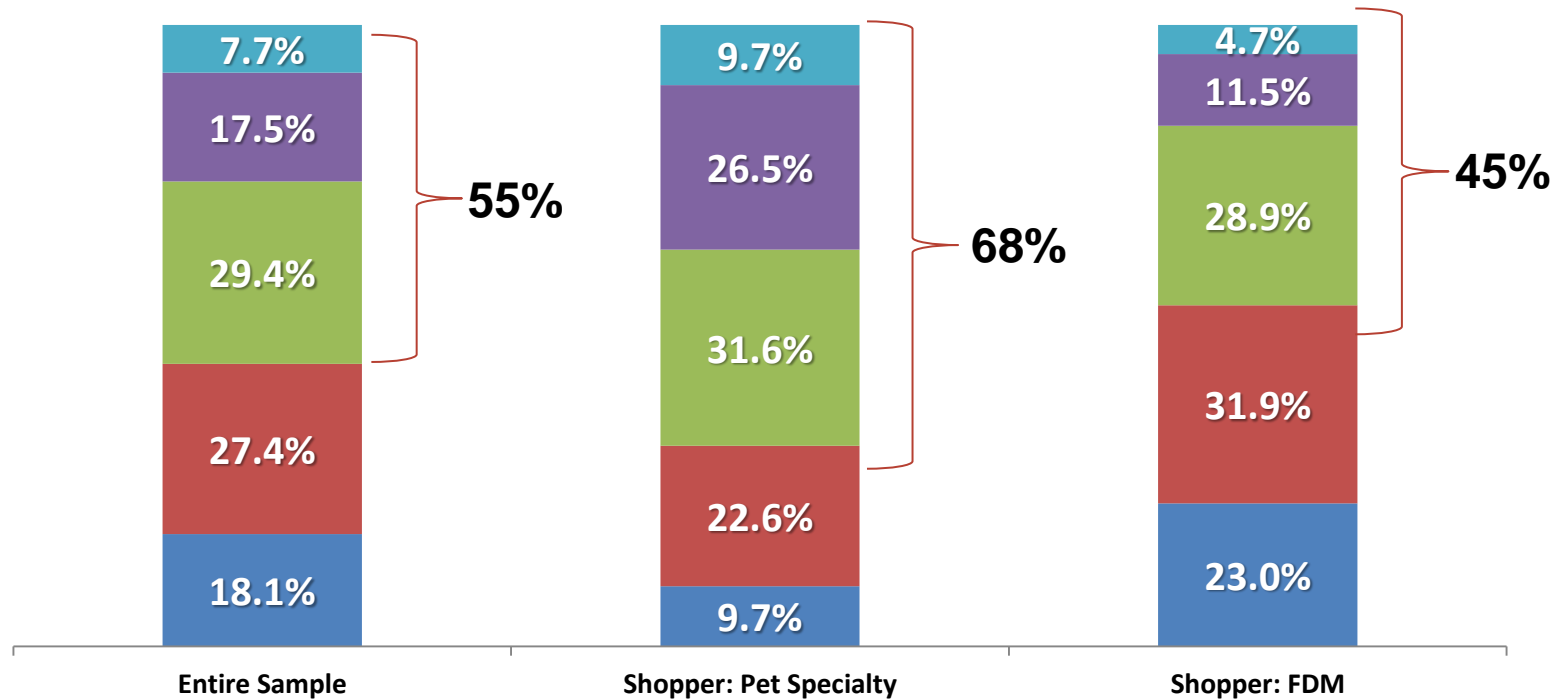
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How long do you spend reading the label of a product you have never purchased before?

- Less than 15 seconds
- 15 to 30 seconds
- 30 seconds to a minute
- 1 to 2 minutes
- Over 2 minutes

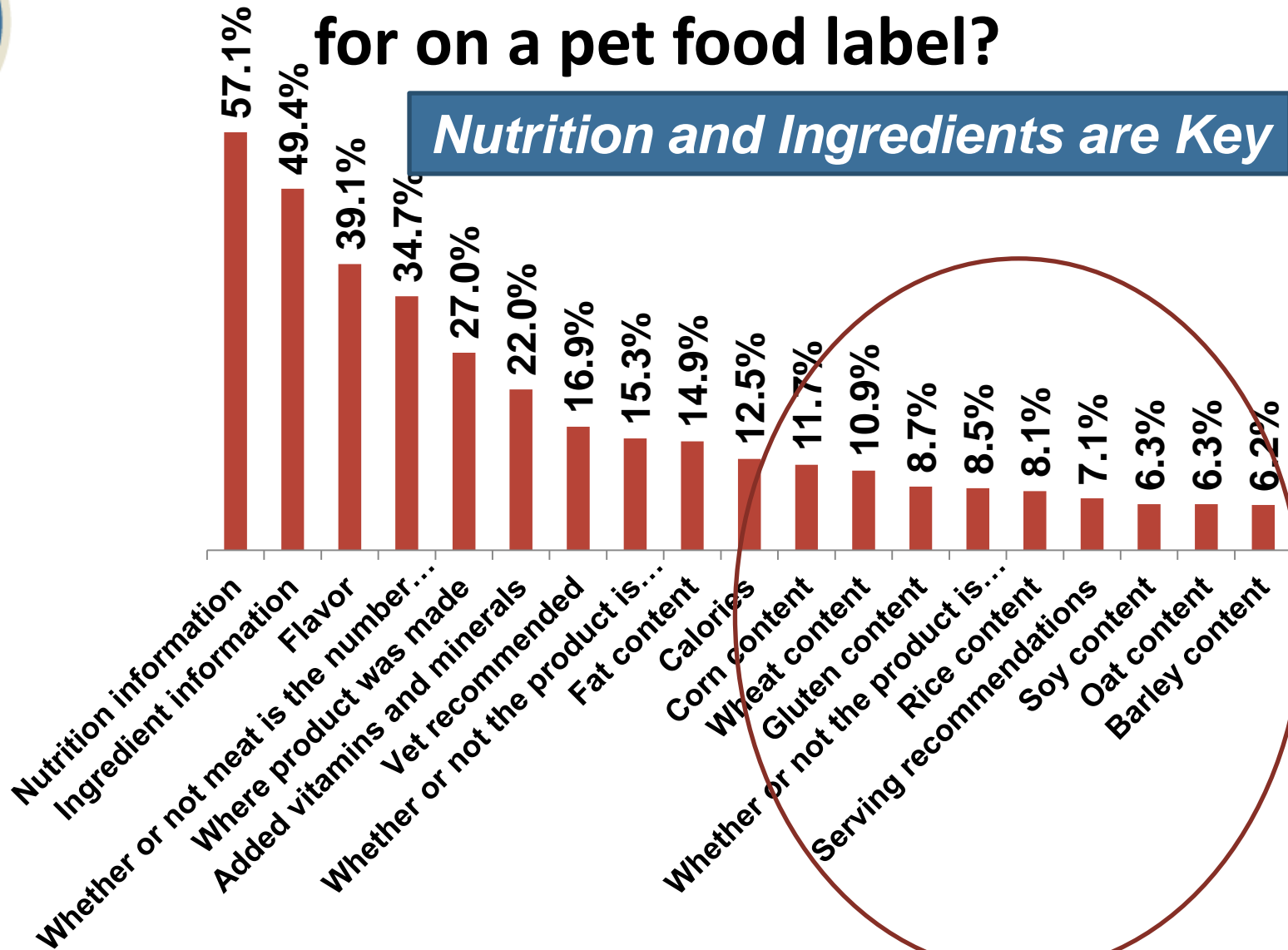


Pet Specialty shoppers read longer



What are the key things you look for on a pet food label?

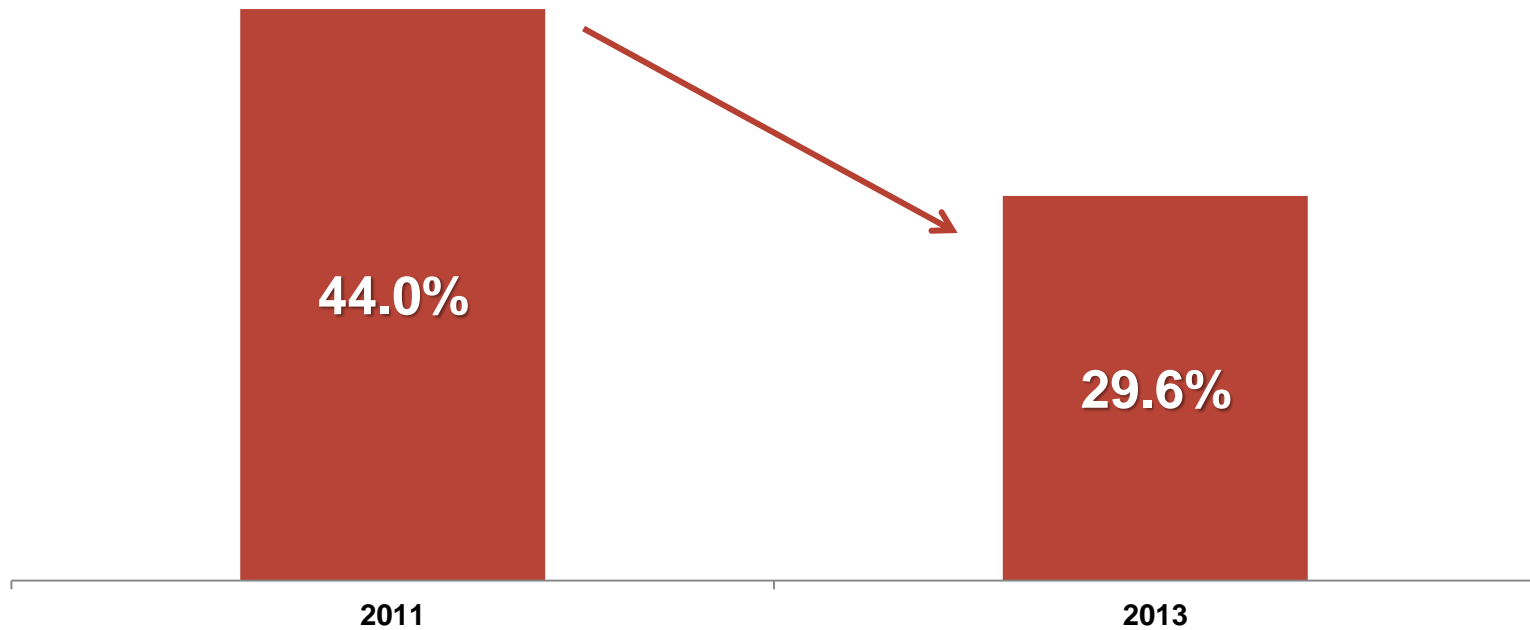
Nutrition and Ingredients are Key





Trend: How concerned are you about animal by-products in your pet's food?

- By-products are bad. I go out of my way to make sure there are no by-products in my dog's food.



Top 20's



I like this in my pet's food

Protein
Added Vitamins and Minerals
Fiber
Calcium
Antioxidants
Omega 3
Iron
Carrot
Potassium
Omega 6
Probiotics
Glucosamine
Omega 9
Magnesium
Zinc
Rice
Oats
Carbohydrates
Chondroitin
Potato

I don't like this in my pet's food

Chlorine
Sodium
Sulfur
Fat
Estrogens
Propylene glycol
Gluten
Corn
Iodine
Copper
Wheat
Butyrate hydroxyanisole (BHA)
Soy
Butyrate hydroxytoluene (BHT)
Carbohydrates
Alkaloids
Tannins
Zinc
Manganese
Fructooligosaccharides

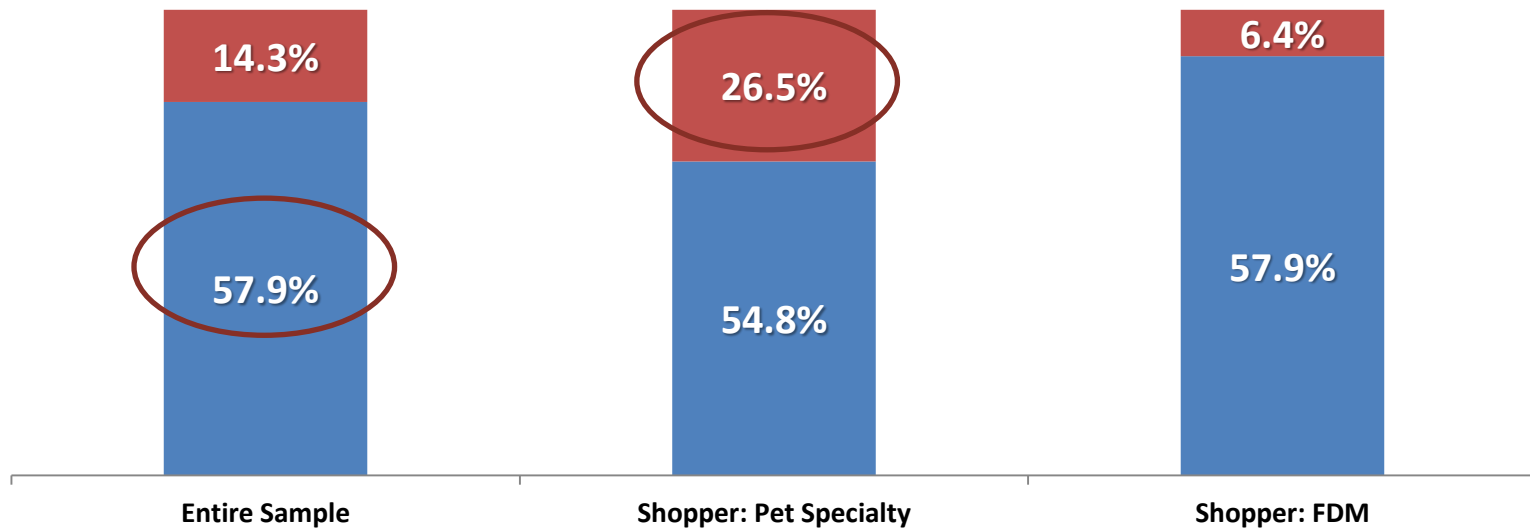
No Opinion

Barley
Soy
Potato
Phosphorus
Oats
Gluten
Wheat
Rice
Magnesium
Carbohydrates
Potassium
Corn
Copper
Manganese
Iodine
Zinc
Carrot
Sulfur
Sodium
Iron



Which best describes your opinion when it comes to buying Natural/Organic foods for your pet?

- I am a natural / organic products consumer. I actively seek out and regularly purchase these products.
- I buy them when convenient or cost effective



Entire Sample

Shopper: Pet Specialty

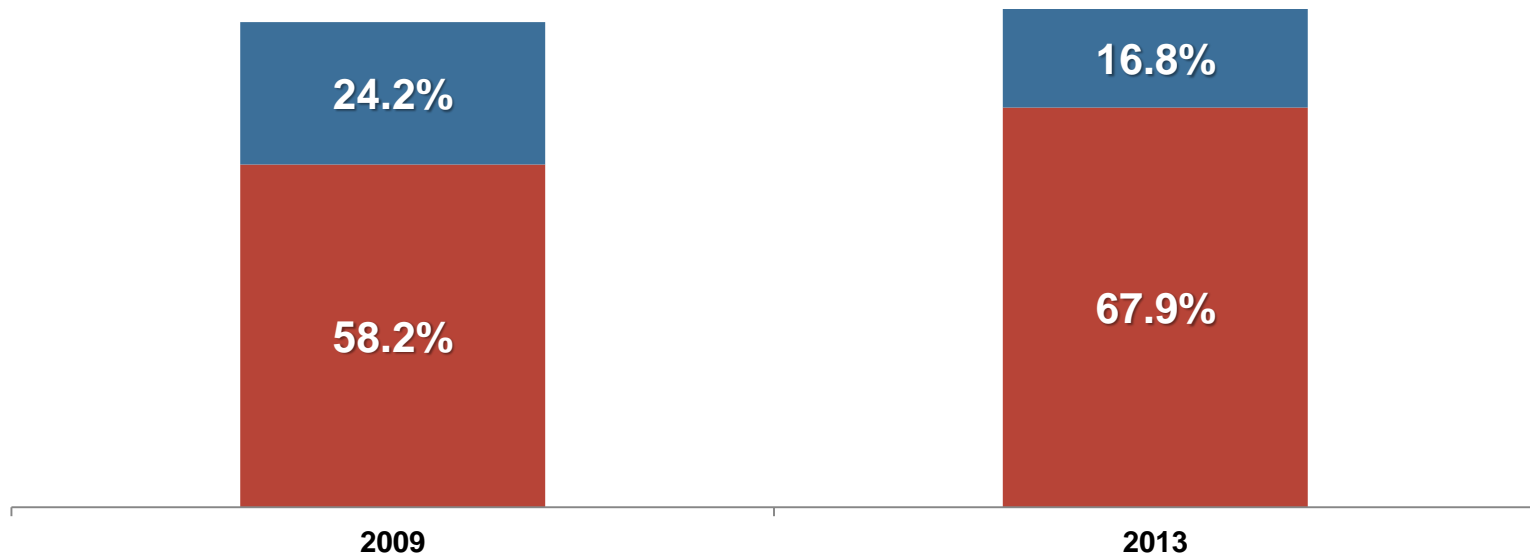
Shopper: FDM

Convenience & Price Over Lifestyle



Which best describes your opinion when it comes to buying Natural/Organic foods for your pet?

- I am a natural / organic product consumer. products consumer
- I'll buy them when convenient or cost-effective



Fewer Lifestyle Consumers Today

Consumers Define "Natural"

no chemicals whatsoever

When it does not contain any artificial colors, flavors, and preservatives. Absolutely no synthetic chemicals of any kind

no added crap

No preservatives or other human-made chemicals that aren't naturally already in food and normally present

The ingredients exist in nature, and are the same my cat would encounter hunting on his own

NO ARTIFICIAL INGREDIENTS

I like to understand EVERY word on the ingredient label and avoid meat by-products or corn fillers, etc.

...natural preservatives, no by-products, no ethoxyquine, human grade meat and vegetables, produced in USA or Canada or South America. Not produced in China.

No artificial colors, hormones, antibiotics, etc.

No artificial ingredients, no "by products"

no gmo content. no preservatives. all organically and sustainable crops and humanely raised animals

An empty term.

Occurring naturally in the environment, not filled with lots of additives and words that I can't pronounce of weird ingredients

Found in nature

superior nutrition derived from high quality protein source and naturally-occurring vitamins and minerals

All REAL ingredients
A "BS" term

made with foods that humans can eat



brand

design

idea

product

investor

logo

identifies

attitude

advertising

sign

expectations

personality

target

company name

slogan

aware

basis

owner

branding

refers

symbol

like

recognize

top

customers

identity

concept

associated

continuous

uses

produce

used

symbolic

name

cost

distinguished

term

production

result

known

team

people

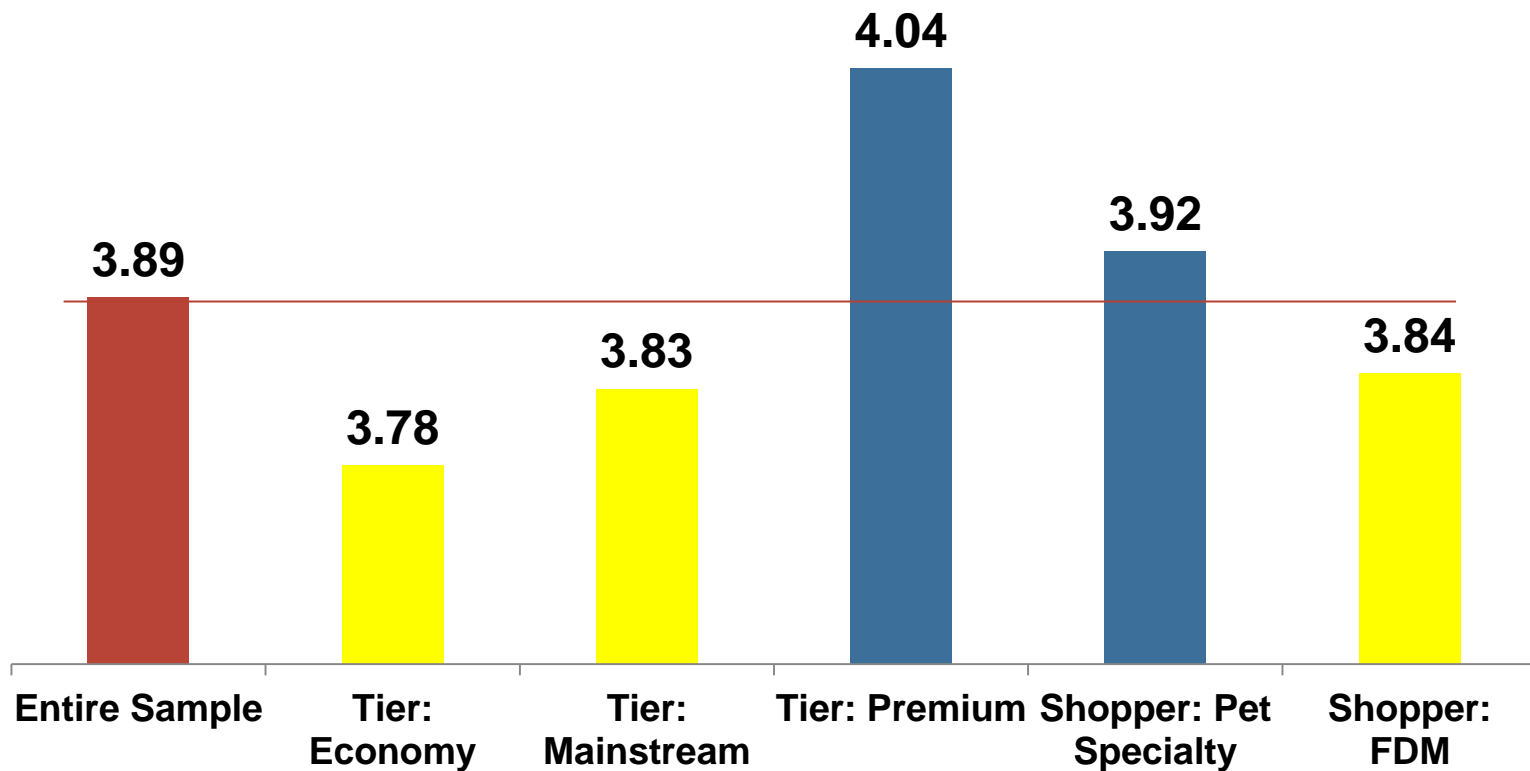
producer

first

connected



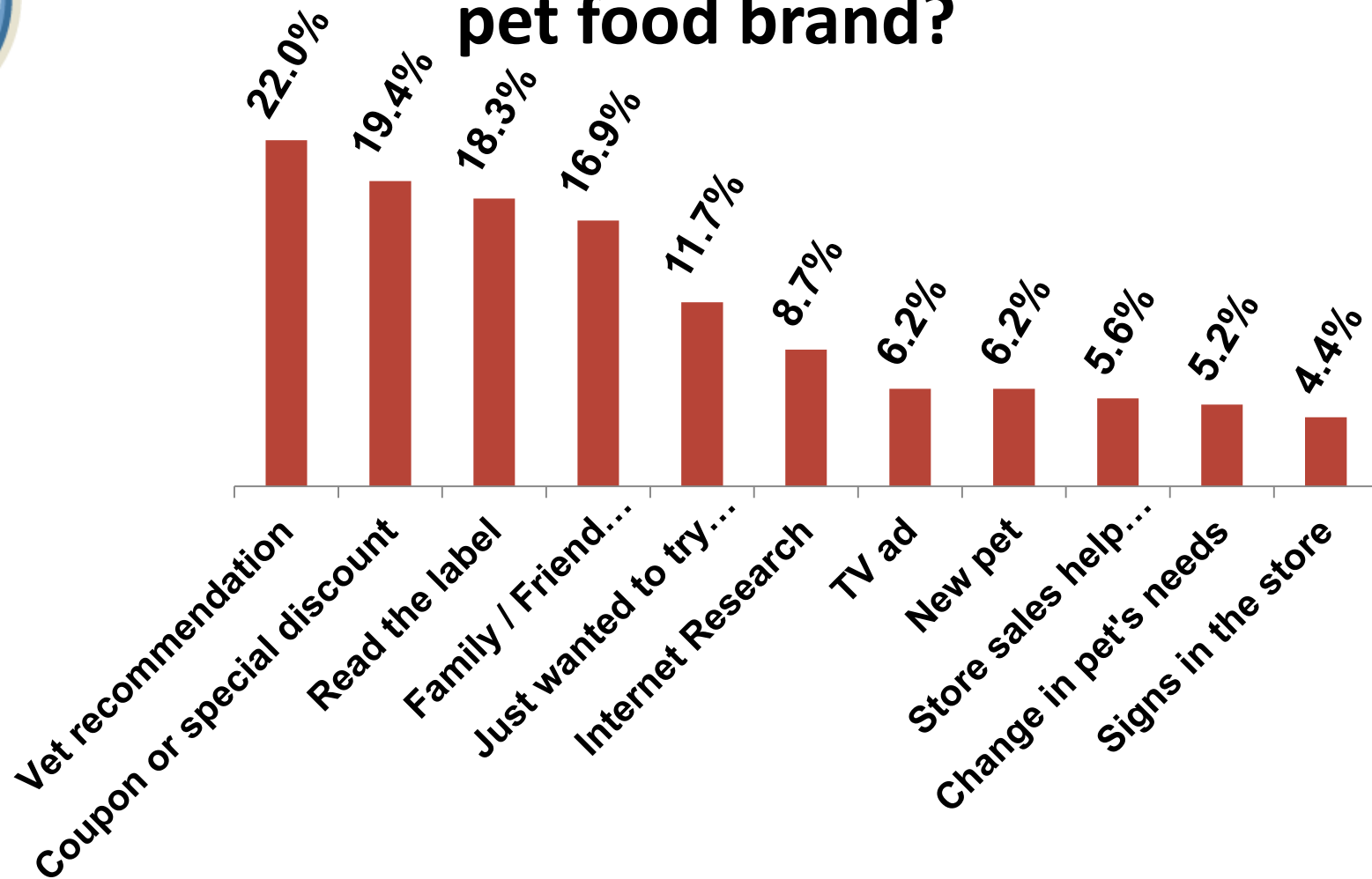
On a scale of 1 to 5, with 5 being highest, how satisfied are you with your current pet food brand?



Lower Tier = Lesser Satisfaction



Why did you first start buying your pet food brand?



Vets, Discounting, and Labels Drive Trial



What would make you switch to another brand?

Coupons or Discounts: 35%

Vet Recommendation: 30%

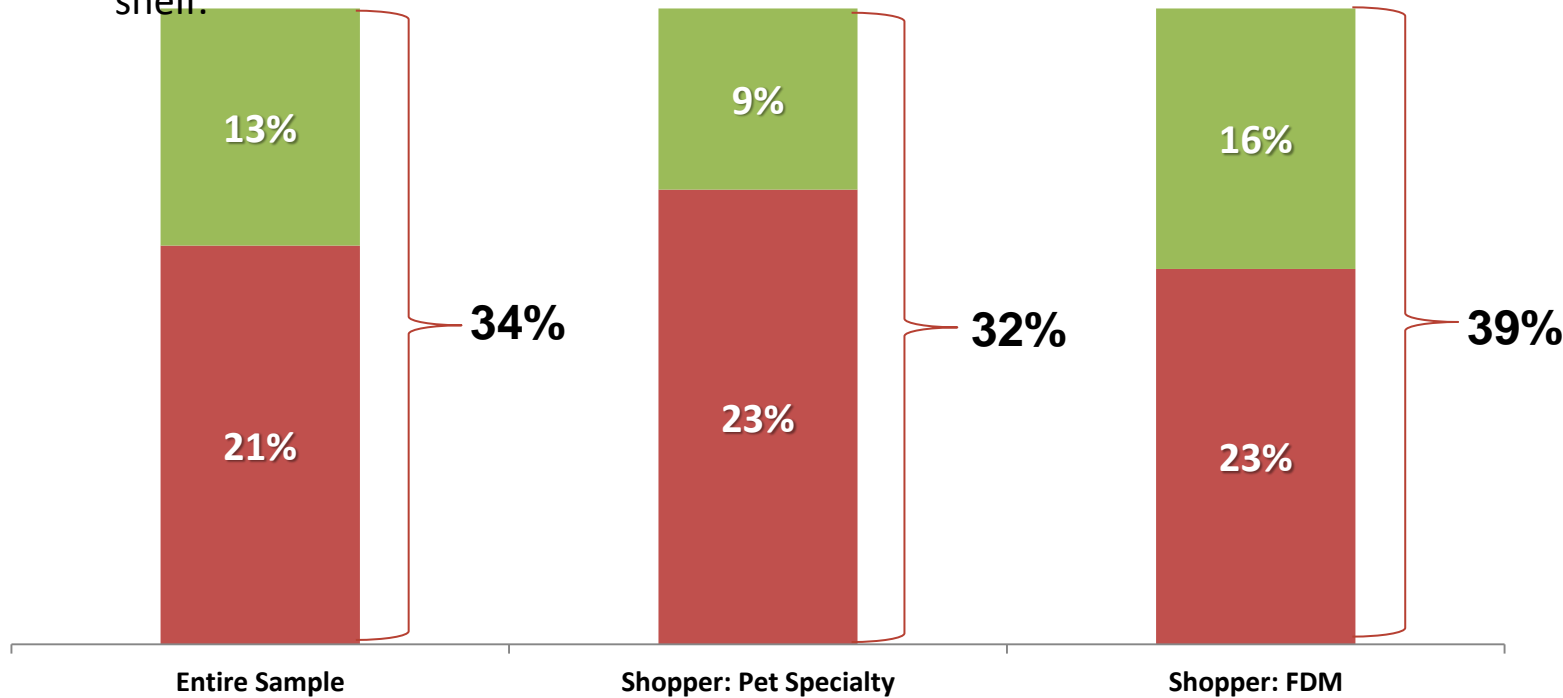
New Information on Nutrition / Health: 29%

If there was a recall on my brand: 26%



Which of the following is most accurate?

- I have a pretty good idea which brand I'm going to buy before I get to the store, but I can always change my mind once I'm there.
- I decide which brand I'm going to buy once I'm in the store and I see it on the shelf.

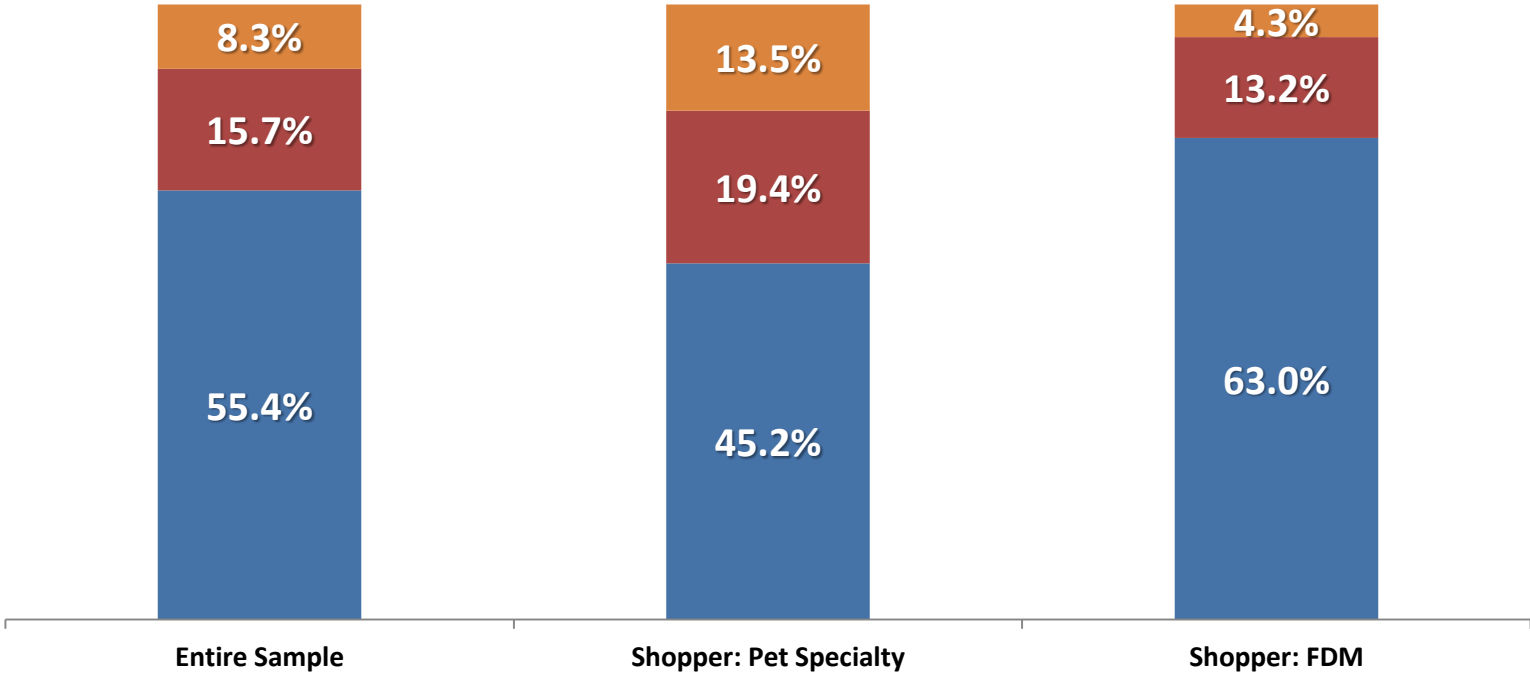


34% can be switched in-store



What is most accurate when it comes to your brand's website?

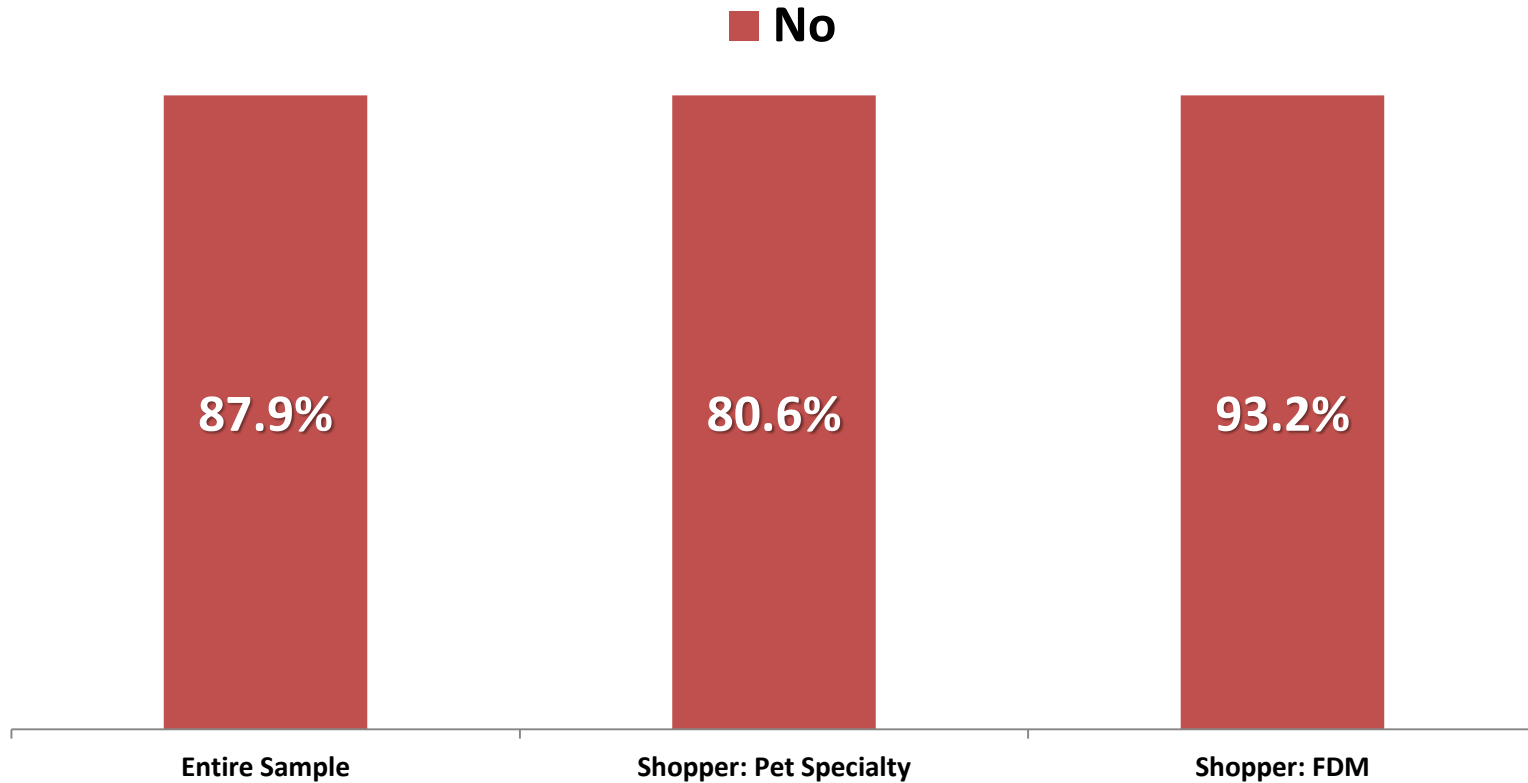
- I visit my brand's website before every pet food shopping trip
- Once I started buying this brand, I stopped researching them
- I have never visited my brand's website



Website Importance Varies



Do you "follow" your brand on social sites like Facebook or Twitter?



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Few Dialog

A woman with long blonde hair, wearing a beige turtleneck sweater and dark pants, is pushing a metal shopping cart filled with groceries through a supermarket aisle. The shelves on both sides are filled with various products, and the image has a motion blur effect, suggesting she is moving quickly. In the background, another person in a blue shirt is visible, looking at the shelves. The overall scene is brightly lit with overhead fluorescent lights.

Key Consumer Segments



Boomers / Seniors

- Empty Nests & Higher Disposable Income
- 10,000 Boomers turn 65 each day
- Downsizing
- Smaller Pets / Smaller Packs
- Want top quality & simplicity
- Self-Expressive Benefits
- Get them before mid 70's

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Boomers / Seniors

Cat, Smaller animals

Likely to do some switching based on price and nutrition

Label readers, look for ingredient and grain content, meat content, country of origin

Don't visit brands website

TPR and coupon sensitive

Mixed on natural and organic

More likely to get pet nutrition information from Vets, Product Packaging and store associates

Conflicted on By-products, Grains

Superfoods, Antioxidants, etc.

Brand's charitable affiliations

Lifestage aware

Protein Content



- **Age of Women**
- **Better Educated**
- **Leadership & Senior Mgmt Positions**
- **70% - 80% of HH Spending**
- **80% of pet caretaking done by females**



Women

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Women

Superfoods,
Antioxidants, etc.

Added Vitamins

Brand's charitable
affiliations

Breed-specific
formulations

Money-back
guarantee

More likely to have
started buying a
brand due to
Coupon or special
discount

Will switch on
price, nutrition

Don't tell me,
show me

One-stop
shopping

More likely to get
pet nutrition
information from
Pet store
associates

No by-products /
No wheat

Product Safety

Label readers

Like Sampling &
Demonstrations

Word of Mouth /
Endorsements



Hispanics

- 50 million in U.S.
- \$1.5 T in buying power by 2015
- 16% of population, 50% of population growth
- 1 in 5 Americans by 2020
- Just as likely to be pet owners
- Most likely segment to own dogs
- Most likely ethnic segment to consider dogs and/or cats to be a member of family



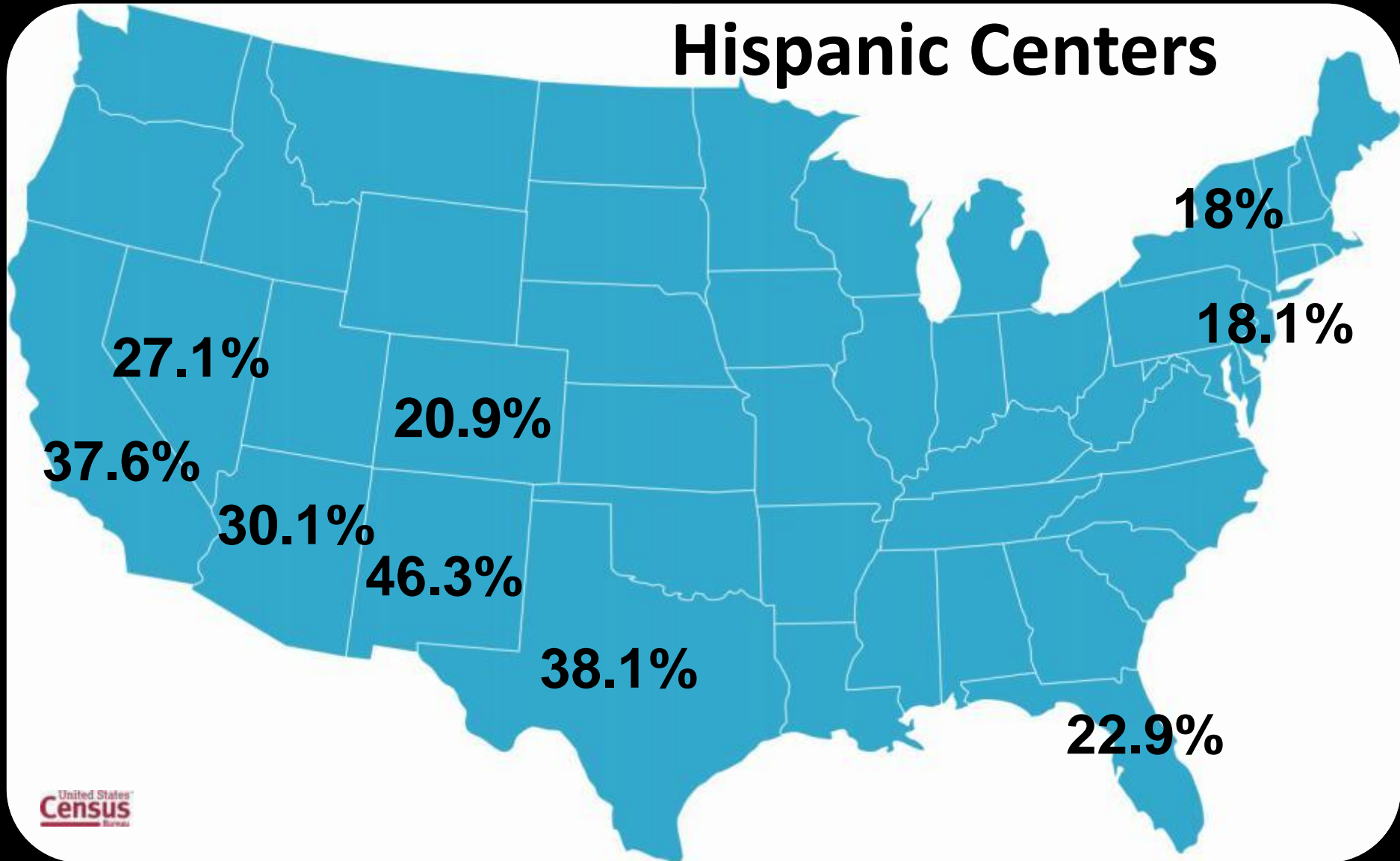
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Total U.S 16.7%

Hispanic Centers





Hispanics

More likely to select a retailer based on courteous, friendly and knowledgeable sales help.

More likely to purchase food and supplies at FDM/Wal-Mart

Very Brand loyal

More likely to have started buying a brand due to Family / Friend recommendation

More likely to switch due to Coupons / Discounts

More likely to purchase Economy Food Brand

Multi-sensory purchase decision

Newspapers, mobile phones

Will read labels and research on internet

Price conscious, buy private label

Conflicted on By-products, Grains

Not particularly Natural / Organic

Price Sensitive :
"My current brand is too expensive"

Attractive, colorful, bilingual packaging

TV / Radio Advertising

Connectedness

Gen Y / Gen Z



- **Gen Y born between 1982 and 2000**
- **Grew up with pets**
- **Marrying later**
- **Having kids later**
- **Urbanizing: Apartments & Condos**

- **Gen Z born after 2000**
- **Video Games > Pets?**

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Kelly McDonald, president of McDonald Marketing, *How to Market to People Not Like You*, CLA Research



Gen Y

Deal motivated.
Brand not so much.

Switchers, More likely to switch due to Coupons / Discounts

Natural & Sustainable

More likely to decide on pet food purchase once in the store

More likely to have started buying a brand due to Family / Friend recommendation

Looks for vet recommendations

Follows brand on social media and website

More likely to buy big packs, shop less frequently and do more one-stop shopping due to economy

Brand's charitable affiliations

Constantly connected

Smaller Pets / Smaller Packs

Things to do:

Don't cut corners. Nutrition may currently be top of consumers' minds, but they'll always leave you over Safety issues. And consumers have a keen sense of recall(s).

Things to do:

Concentrate on your profitable consumers today, but be aware of who they'll be tomorrow. They are not the same people.

Things to do:

Educate! Don't sell. Reduce consumer confusion and you win the day.

Things to do:

Consumer trust follows authenticity & transparency. This is even more important with future consumers.

Things to do:

We're not getting richer. Are your prices in line with tomorrow's economic and demographic trends?

Things to do:

Be Humble. We may all be geniuses,
but we'll never know more than the
consumer.



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