Petfood Forum

U.S. Pet Food Market Outlook and Trends

April 16, 2013

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- Sales & Spending Trends
- Channel Shopping Trends
- Product Purchasing Trends
- Looking Ahead

glass is two-thirds full

Sales & Spending Trends

U.S. Pet Ownership Trends, 2006-2012 (percent of households)

	2012	2011	2010	2009	2008	2007	2006
Dogs or Cats	51.3	52.4	49.9	50.0	49.7	48.0	47.8
Dogs	38.3	38.1	36.8	36.7	35.2	34.9	35.4
Cats	25.3	26.8	24.8	25.3	26.7	25.6	25.0
Dogs and Cats	12.3	12.5	11.7	12.0	12.2	12.5	12.6
Other Pets	12.8	12.7	11.2	13.6	14.9	14.6	15.0

Note: Data refer to respondents who indicated where they purchase pet products.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.
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38% of U.S. households have dogs; 32% have children.

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Growth in U.S. Retail Sales of Pet Food, 2007-2015P

Year	% Change
2015P	4.5%
2014P	4.5%
2013P	**5.0%**
2012	4.5%
2011	4.5%
2010	2.8%
2009	5.0%
2008	5.5%
2007	6.0%

$21.0 billion in 2013

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Growth in U.S. Retail Sales of Pet Industry by Sector, 2013P

Sector	% of Total	% Change
Vet Services	35.3%	4.5%
Pet Food	33.9%	5.0%
Pet Supplies	19.2%	4.0%
Other Services	11.5%	6.0%
Total	100%	4.7%

Is your dog trying to tell you something?

mass-market performance remains flat

Mass-Market Pet Food Sales Growth by Animal Type: 2006 - Q1 2013

Volume	2009	2010	2011	2012	Q1 2013
Dog	-1.1	-1.0	-4.0	-5.3	-3.5
Cat	-2.1	0.8	-1.3	-4.3	-1.8
Other	-8.5	-5.2	-5.7	-5.2	7.8

Dollars	2009	2010	2011	2012	Q1 2013
Dog	0.2	1.5	2.2	0.1	2.0
Cat	4.8	0.2	1.4	-0.2	2.2
Other	1.0	-7.4	-0.3	-0.4	11.2

Source: SymphonyIRI Group, InfoScan Review FDMx
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Independent Natural Foods Channel Sales of Pet Food, 2011 vs. 2012

Segment	% Change
Dog Food	10.5%
Cat Food	8.5%
Pet Treats & Snacks	11.6%
Other Pet Food	48.3%

Note: Whole Foods and Trader Joe's are excluded.
Source: ***SPINSscan* data**. This material is used with permission.

Gourmet/Specialty Foods Channel Sales of Pet Food, 2011 vs. 2012

Segment	% Change
Dog Food	23.9%
Cat Food	30.2%
Pet Treats & Snacks	9.8%
Other Pet Food	17.0%

Note: Whole Foods and Trader Joe's are excluded.
Source: ***SPINSscan* data**. This material is used with permission.

Packaged Facts Pet Shopper Survey

"I am spending less on pet products these days because of the economy"

	2010	2013
Strongly Agree	11%	13%
Somewhat Agree	23%	22%
No Opinion - NA/D	24%	28%
Somewhat Disagree	27%	23%
Strongly Disagree	15%	15%

the new normal

Packaged Facts Pet Shopper Survey, 2013

"The pet foods that I buy are generally …."

Significantly lower-priced than average	4%
Somewhat lower-priced than average	10%
Average priced	55%
Somewhat higher-priced than average	23%
Significantly higher-priced than average	6%
Of different price ranges	2%

Packaged Facts Pet Shopper Survey

"I look out for lower prices, special offers, and sales"

	2011	2013
Strongly Agree	35%	29%
Somewhat Agree	39%	39%
No Opinion - NA/D	17%	22%
Somewhat Disagree	6%	7%
Strongly Disagree	4%	4%

Save-Money Coupon Users

	2012	2011	2010	2009	2008	2007	2006
Pet Food	33.7	33.2	30.6	31.6	30.6	29.1	29.8

New Product Trial Coupon Users

	2012	2011	2010	2009	2008	2007	2006
Pet Food	66.3	64.4	63.2	65.9	64.4	54.5	63.2

Note: Data are for dog or cat owners

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

Channel Shopping Trends

Channel Shopping for Pet Products, 2010-2012 (percent of pet-owning households)

Channel	2012	2011	2010
Pet Stores	54.3%	52.1%	52.6%
Supermarkets	47.5	48.1	47.4
Discount Stores	29.1	28.6	30.8
Veterinarians	15.1	16.5	17.6
Wholesale Clubs	13.0	10.1	11.4
Online	7.6	7.8	7.0
Drugstores/C-Stores	6.6	5.3	4.4
Other	13.6	16.4	13.0

Note: Data refer to respondents who indicated where they purchase pet products.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.
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Specialty Pet Channel Shopping, 2010-2012 (percent of pet-owning HHs)

Channel	2012	2011	2010
PetSmart or Petco	47.7%	46.2%	46.3%
PetSmart	35.8%	37.1%	34.8%
Petco	27.4%	25.0%	24.8%
PetSmart and Petco	15.6%	15.9%	13.2%
Other Pet Stores	12.8%	12.6%	13.1%

Note: Data refer to respondents who indicated where they purchase pet products.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

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Packaged Facts Pet Shopper Survey

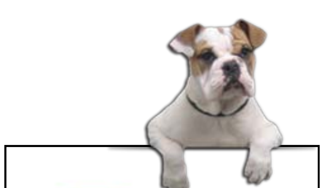
"I shop for pet foods at a variety of stores"

	2011	2013
Strongly Agree	12%	18%
Somewhat Agree	35%	34%
No Opinion - NA/D	21%	24%
Somewhat Disagree	17%	15%
Strongly Disagree	14%	9%

Packaged Facts Pet Shopper Survey

Cross-Channel Shopping by Walmart Pet Product Shoppers, 2013

Supermarkets	34%
PetSmart	25%
Other Supercenters	20%
Petco	17%
Wholesale Clubs	9%
Ind. Pet Stores	7%
Veterinarians	7%
Drugstores	5%
Feed/Seed Stores	5%



43.6% of pet shoppers are channel loyal

Share of Pet Customer Base Who Are Channel Loyal by Selected Retail Channel, 2007-2012

Channel	2012	2011	2010	2009	2008	2007
Supermarkets	31.2	28.0	29.6	34.9	32.6	33.8
Discount Stores	17.0	24.0	23.7	30.0	28.2	35.9
Pet Superstores	23.0	16.7	16.3	22.9	23.1	21.4
Other Pet Stores	7.1	16.8	19.5	24.3	22.1	24.3

Note: Data refer to respondents who indicated where they purchase pet products.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.
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Channel Shopping for Pet Products, 2010-2012 (percent of pet-owning households)

Channel	2012	2011	2010
Pet Stores	54.3%	52.1%	52.6%
Supermarkets	47.5	48.1	47.4
Discount Stores	29.1	28.6	30.8
Veterinarians	15.1	16.5	17.6
Wholesale Clubs	13.0	10.1	11.4
Online	7.6	7.8	7.0
Drugstores/C-Stores	6.6	5.3	4.4
Other	13.6	16.4	13.0

Note: Data refer to respondents who indicated where they purchase pet products.

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**. This material is used with permission.

uptick in rates across many channels – opportunity for private label

Packaged Facts Pet Shopper Survey

"Store-brand products are often as good as national name-brand products"

	2011	2013
Strongly Agree	15%	14%
Somewhat Agree	30%	28%
No Opinion - NA/D	32%	35%
Somewhat Disagree	15%	14%
Strongly Disagree	8%	9%

private label has made its case

Packaged Facts Pet Shopper Survey

"I am buying more pet products online than I used to"

	2011	2013
Strongly Agree	4%	8%
Somewhat Agree	10%	14%
No Opinion - NA/D	23%	23%
Somewhat Disagree	18%	17%
Strongly Disagree	45%	38%

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Packaged Facts Pet Shopper Survey, 2013

Recentness of last Internet pet product purchase among pet owners who buy pet products online

Within Last 7 Days	14%
Within Last 30 Days	27%
Within Last 3 Months	24%
Within Last 6 Months	17%
Within Last 12 Months	14%
Over 12 Months Age	4%

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Product Purchasing Trends

Packaged Facts Pet Shopper Survey, 2013

Type of Dog Food Bought	%
Dry	89
Wet/Moist	37
Natural/Organic	10
Specialty Nutrition	8
Wheat/Grain Free	6
Specialty Health Benefit	5
Store Brand	5
High Omega-3	5

41% of dog owners purchase one or more types of specialty ingredient formulation dog food

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Packaged Facts Pet Shopper Survey, 2013

Type of Cat Food Bought	%
Dry	94
Wet/Moist	56
Specialty Health Benefit	10
Natural/Organic	8
Specialty Nutrition	8
Store Brand	6
Wheat/Grain Free	4
High Omega-3	4

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Mass-Market Dollar Sales Growth/Decline of Dog Food by Product Segment, January 2013

Dry	-5.7%
Biscuits/Treats	-2.6
Wet	-3.6
Frozen/Refrigerated	16.1
Semi-Moist	-7.5

Source: SymphonyIRI Group

pet humanization

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Topline Dog Food Purchasing Trends, 2006-2012 (percent of dog-owning HHs)

	2012	2011	2010	2009	2008	2007	2006
Dry	95.9	95.7	94.2	94.5	95.2	93.4	93.2
Wet/Moist	36.2	35.5	30.7	30.2	30.0	31.9	33.7
Dry & Wet/Moist	33.1	32.3	27.2	27.1	28.0	29.1	29.5
Biscuits/Treats	78.6	82.6	79.5	80.0	79.3	79.5	79.1

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

pet humanization

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Dry Dog Food Purchasing Trends by Formula Type, 2006-2012

	2012	2011	2010	2009	2008	2007	2006
Regular/Adult	78.2	77.1	78.5	76.8	74.2	75.6	74.5
Puppy	11.1	11.1	9.8	11.4	12.5	12.0	11.6
Light/Weight Mgmt	8.4	9.5	8.5	8.8	10.1	9.2	8.9
Senior	7.9	6.9	6.3	7.0	8.1	7.6	8.9

Source: **Experian Marketing Services,**
***Simmons* National Consumer Survey**.

Compared with cat category, relative high use of specialty & especially puppy formulas

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Topline Cat Food Purchasing Trends, 2006-2012 (percent of cat-owning HHs)

	2012	2011	2010	2009	2008	2007	2006
Dry	94.6	96.9	93.5	95.6	94.8	94.1	94.4
Wet/Moist	49.3	49.9	51.7	44.7	46.9	45.5	46.5
Dry & Wet/Moist	46.0	48.3	47.6	42.3	43.6	42.6	43.1
Snacks/Treats	48.6	44.1	47.0	44.1	44.3	41.2	39.6

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

increase in cat treats

Dry Cat Food Purchasing Trends by Formula Type, 2006-2012

	2012	2011	2010	2009	2008	2007	2006
Regular/Adult	82.6	84.2	82.7	82.3	82.5	79.4	79.8
Light/Weight Mgmt	8.7	8.2	6.6	7.6	9.2	7.8	7.1
Senior	5.6	6.3	7.0	7.3	5.6	7.5	6.9
Kitten	4.4	4.7	4.7	4.6	4.4	7.0	6.2

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

increase light/weight management formulas at expense of senior

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Share of Pet Food Sales by Segment: Natural vs. Specialty/Gourmet Channels, 2012

Segment	Natural	Spec/Gourmet
Dog Food	47.3%	33.5%
Cat Food	33.1%	18.0%
Pet Treats & Snacks	19.1%	43.5%
Other Pet Food	0.5%	5.0%

Source: ***SPINSscan* data**. This material is used with permission.

A Barkers Dozen

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Packaged Facts Pet Shopper Survey, 2013

Condition-Specific Pet Products Purchased, 2013

Skin/coat	11%
Digestion	10%
Joint Health	10%
Senior/Anti-Aging	8%
Weight Loss/Control	7%
Heart Health	7%
Urinary Support	5%
Omega-3	4%
Calming/Motion Sickness	4%
Probiotics	3%
Cognitive/Brain	2%

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Packaged Facts Pet Shopper Survey

"Natural/organic brand pet products are often better than standard national brand products"

	2011	2013
Strongly Agree	10%	15%
Somewhat Agree	20%	25%
No Opinion - NA/D	43%	43%
Somewhat Disagree	12%	10%
Strongly Disagree	15%	7%

Packaged Facts Pet Shopper Survey

"If natural/organic pet products were more available where I shop, I'd buy them more often"

	2010	2013
Strongly Agree	14%	12%
Somewhat Agree	21%	26%
No Opinion - NA/D	41%	32%
Somewhat Disagree	13%	17%
Strongly Disagree	11%	12%

Packaged Facts Pet Shopper Survey

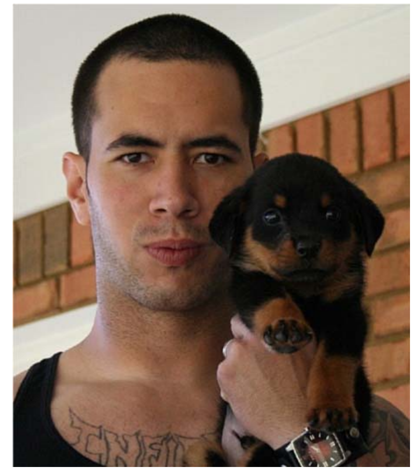
"If natural/organic pet products were more affordable where I shop, I'd buy them more often"

	2010	2013
Strongly Agree	19%	21%
Somewhat Agree	33%	24%
No Opinion - NA/D	26%	36%
Somewhat Disagree	12%	9%
Strongly Disagree	10%	9%

Looking Ahead

Dog Owners
Pet Supply Shopping Indexes by Age Cohort, 2012

	18-34	35-49	50+
Dry Food: Puppy	156	91	70
Petfood Coupons	106	107	91
Biscuits/Treats	92	106	101
Wet/Moist Food	89	90	114
Dry Food: Light	80	95	116
Dry Food: Senior	49	90	139



Note: An index of 100 represents the norm.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

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Dog Owners
Pet Supply Shopping Indexes by Age Cohort, 2012

	18-34	35-49	50+
Drugstores/C-Stores	122	84	97
Online	110	98	95
Discount Stores	85	104	107
Wholesale Clubs	85	127	91
Veterinarians	66	80	136

Note: An index of 100 represents the norm.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

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opportunities for convenience SKUs

Hispanic Dog & Cat Ownership Indexes, 2010-2012

	2012	2011	2010
1 Dog	97	84	104
2-3 Dogs	113	90	90
4+ Dogs	166	132	145
1 Cat	51	48	65
2-3 Cats	41	58	61
4+ Cats	40	63	45

Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

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Dog Owners
Pet Supply Shopping Indexes: Hispanic vs. Non-Hispanic, 2012

	Hispanic	Non-Hisp
Dry Food: Puppy	176	87
Wet/Moist Food	117	97
Petfood Coupons	70	105
Dry Food: Light	62	106
Dry Food: Senior	61	107

Note: An index of 100 represents the norm.
Source: **Experian Marketing Services, *Simmons* National Consumer Survey**.

Dog Owners
Pet Supply Shopping Indexes: Hispanic vs. Non-Hispanic, 2012

	Hispanic	Non-Hisp
Channel: Other	132	95
Sole Channel	130	95
Petco	105	99
Supermarkets/Discount Stores	86	102
Wholesale Clubs	70	105
Drugstores/C-Stores	70	105
Online	64	106
Veterinarians	61	107

Source: **Experian Marketing Services, *Simmons* NCS**.

Packaged Facts Pet Shopper Survey

"My pet has a positive impact on my physical health"

	2011	2013
Strongly Agree	34%	40%
Somewhat Agree	36%	32%
No Opinion - NA/D	20%	24%
Somewhat Disagree	6%	3%
Strongly Disagree	4%	2%

Packaged Facts Pet Shopper Survey

"My pet has a positive impact on my mental health"

	2011	2013
Strongly Agree	43%	48%
Somewhat Agree	37%	31%
No Opinion - NA/D	14%	18%
Somewhat Disagree	3%	2%
Strongly Disagree	3%	1%

Thank You!

Upcoming reports in June 2013 …

U.S. Pet Market Outlook 2013-2014

Pet Food in the U.S., 10th Edition

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