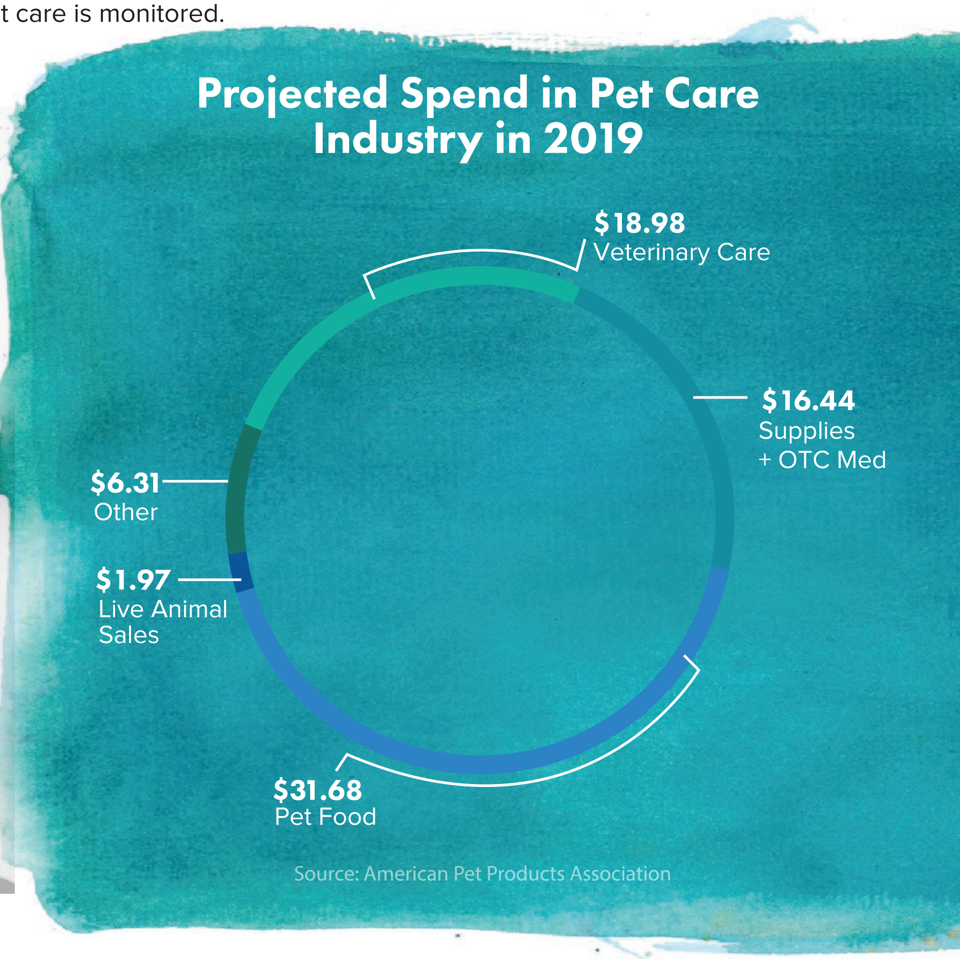
PET FOOD TRENDS: THE FUTURE OF THE INDUSTRY

CLARKSTON CONSULTING

CONSUMER-DRIVEN TRENDS INFLUENCING THE FUTURE OF THE PET FOOD INDUSTRY

Gone are the days when normal kibble and biscuits were good enough for your beloved pets. Your dog is more than just a pet – they're family.

Today, consumers have high expectations for quality, transparency, and healthfulness when it comes to the food they purchase for their family (yes, that includes their furry friends too). According to the **American Pet Products Association,** $72.56 billion was spent on the pet industry in 2018, with 42% of the total spent on pet food alone. This year, online spending estimates on pet care will surpass online groceries with pet care accounting for $1 out of every $10, while online groceries will only account for $0.40 out of every $10. Looking ahead, pet food market share growth is predicted to continue trending upward. This increase in market share can be attributed to several drivers including the belief that pets are a part of the family, the human focus on wellness impacting pet wellness, and the digital innovations changing how pet care is monitored.



We believe there are key trends shaping the growing pet food industry:

HUMANIZATION OF PETS

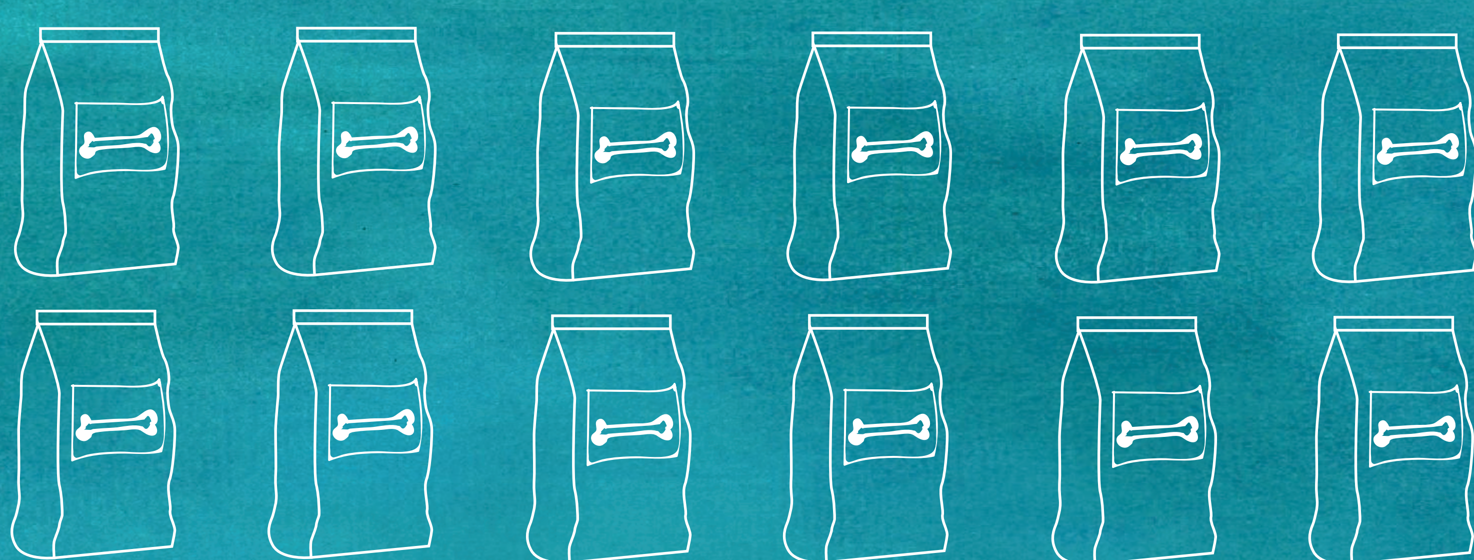
No longer are pets predominately residing in backyards; they rest on couches with their owners. 95% of pet owners believe their pet is part of their family. As a result, owners spend and splurge on their pets as if they were human beings. Millennials, who are the majority of pet owners today, claim they own a pet as "practice" before starting a family. Pet food manufacturers realized the benefit of redesigning their packaging, labeling, and product descriptions to mirror the humanizing appeal that pet owners want. Bags of pet food now feature realistic pets and appetizing food flavors such as Blue Buffalo's Pumpkin and Cinnamon Dog Treats. Appealing to human consumer preferences is a targeted way to ensure the sales of pet food products as well.

WELLNESS AT THE FOREFRONT OF FOOD

Dietary needs are increasing in importance, influencing more differentiated product offerings beyond the traditional offerings. According to **Packaged Facts Pet Market Outlook 2018 – 2019,** a science-driven approach by veterinarian advisory will significantly influence consumer buying decisions. Given the increased power veterinarians are having about the types of pet food and brands, manufacturers and retailers have an opportunity to partner with veterinarians to guide consumers towards brand loyalty. The importance of maintaining a clean label with recognizable, natural ingredients should be at the forefront for pet food manufacturers as they aim to meet consumer preferences. With information available at pet owners' fingertips, they can make informed decisions about the best products for their pets whether organic, gluten-free, protein-packed, or weight control focused.

HIGH QUALITY FOOD TRUMPS PRICE

Pet owners are prepared to pay premium prices for high-quality food. Household spending on pet food cumulatively increased by 72.7% between 2009 and 2018. With greater information available about food quality, traceability, and health benefits, **pet owners seek out the best food possible.** As pet owners are paying close attention to their pet's health, they lean towards more premium offerings that are all-natural and nutritious. We are seeing increased consumer preferences towards superfoods, high protein, and freeze-dried options that ensure pets stay as healthy as they can be. Half of pet owners could be potential buyers of these more expensive, clean ingredient products.



PET-FRIENDLY EXPERIENCES ON THE RISE

40% of pet owners occasionally bought their pet a special meal or present during celebratory birthday events or holidays. Treating pets to special foods like birthday cupcakes or holiday advent calendars is assimilating into daily life. In addition to specialized products for celebratory events, we are seeing the rise of events providing benefits for both pets and humans. These events are a prime opportunity to sell companion pet food and products.

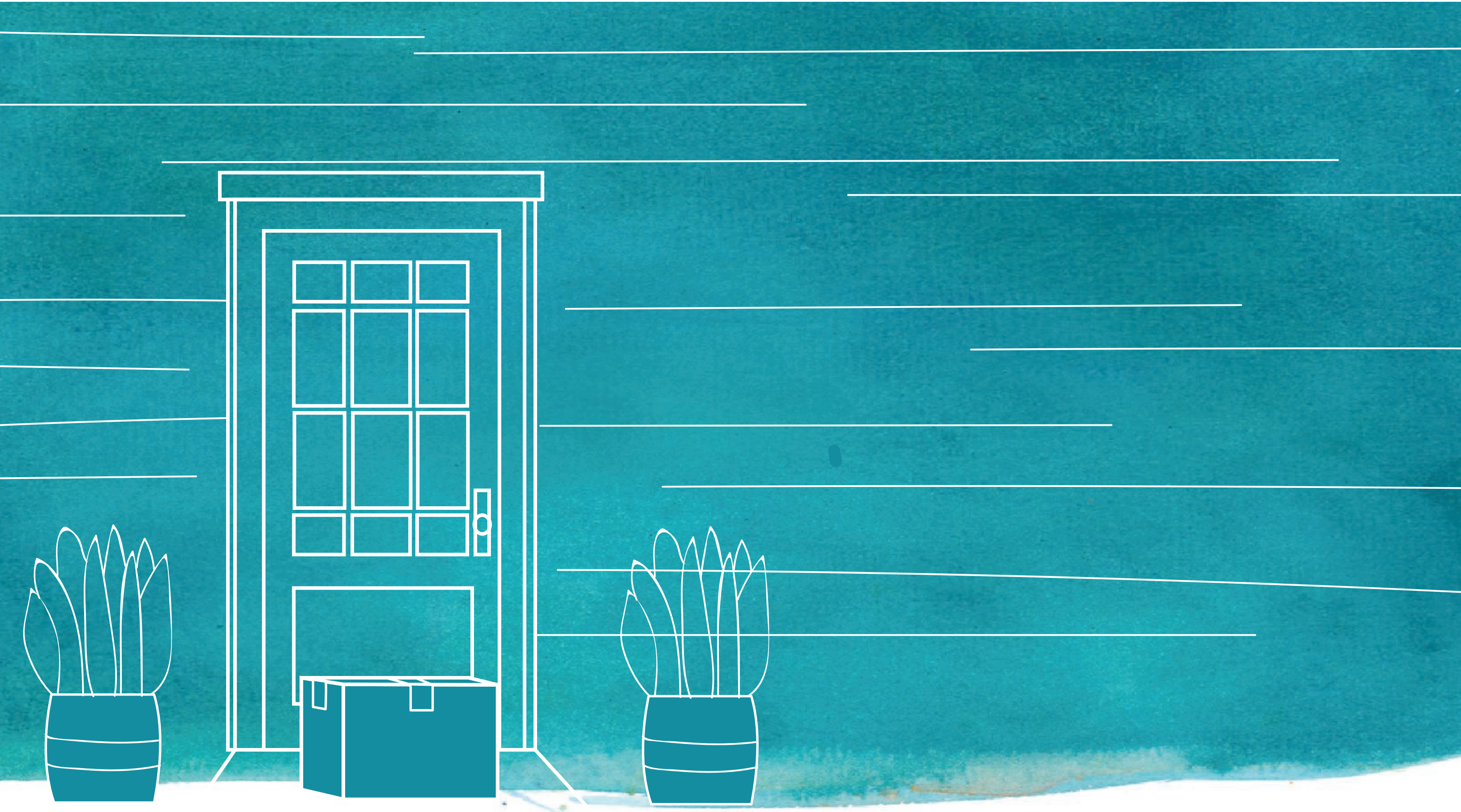
There is potential for a combination of pet events and wellness focus through fitness. For example, Petco partnered with fitness instructor Anna Victoria to form BodyLove which offers workout videos and ideas for pets of all sizes and energy levels. Pet food retailers have an opportunity to cross promote by partnering with pet fitness studios or promote wellness-related products as consumers focus on healthier experiences with their pets.

INCREASING PREFERENCE OF PERSONALIZED PRODUCTS

Personalized meal-kits are now available for pets, too. Companies like **Ollie,** a subscription-based meal delivery service, allow consumers to customize meals based on their pet's preferences and receive portioned kits to their door every two weeks. Many meal kit companies are partnering with veterinarians to create meal combinations that provide healthy and unique food to various pets. Consumers are willing to pay for the convenience and personalization offered through specialized meal preparation and delivery options. Personalized products can serve as an addition to pet food manufacturers' tiered product offerings.

DIGITAL EMPOWERS AUTO-SHIPPING

Online ordering is more convenient for consumers as it saves time and avoids an additional trip to the store. When pet owners find the right food brand for their pet, they tend to stick with it. The next crucial step is to secure product subscriptions or auto-shipment orders. Auto-ship capabilities coupled with features such as saved payment methods and order tracking can turn the chore of food shopping into a hassle-free, convenient process. Whether through **digital technology in pet food bowls,** or 'subscribe-and-save' online ordering, consumers are looking for convenient home delivery options. The consumer experience is essential. It ranges from the flexibility to order products through a mobile app to the ability to know when and where the next food delivery will occur.



FRESH FOOD DELIVERED DIRECTLY TO CONSUMERS

Given the greater focus on supplying all-natural food, there is a need to focus direct-to-consumer shipping logistics in a way that ensures food safety. Shipping directly to consumers allows manufacturers to conveniently provide high-quality products at an affordable price to pet owners. Manufacturers and distributors need to monitor shipments carefully and communicate with their consumers about the proper storage of fresh products. The benefits of a streamlined direct-to-consumer shipping is a premium product, a convenient ordering process, and building brand loyalty which can lead to repeat sales.

With giant online retailers like Amazon and Chewy.com controlling a large portion of the pet food market share, other pet food manufacturers are making the shift to bringing eCommerce capabilities in house to maintain a personalized relationship with their consumers. Whether you decide to establish your eCommerce capabilities in-house, through big-box retailers, or through online marketplaces such as Chewy.com and Amazon, it is important to consider what it would take to stand up your **direct-to-consumer strategy.**

THE BOTTOM LINE

There is no doubt that the pet food industry will continue to transition in the upcoming years. Large food and beverage manufacturers like General Mills and Mars will continue to invest heavily in the pet food sector as it offers high margins and can increase top-line revenues. While today there is barely a blurred line between consumer food and beverage and the pet food sector, there is a high likelihood that product innovation could influence consumer trends in the future. As pets continue to be part of the family, pet food manufacturers need to offer high-quality food and services tailored to special pet needs. Incorporating personalized product offerings, convenient subscriptions with delivery capabilities, and an established connection with consumers can offer great potential for business growth. Pet industry players can be poised for success as we move into the era of pets-first offerings.

clarkstonconsulting.com
919.484.4400
info@clarkstonconsulting.com

Copyright © 2019 Clarkston Consulting. All rights reserved.

CLARKSTON CONSULTING