clarkston
CONSULTING

2023 PET FOOD TRENDS

The pet industry has seen significant growth in recent years. Shoppers spent more than $123 billion on pets in 2021 alone, $51 billion of which was attributed to pet food according to the American Pet Products Organization. Moving into 2023 and beyond, we see predictions that growth will continue to soar, with an expected 8% CAGR in the pet industry by 2030. This is compared to the 3% CAGR in the last decade, which signals a strong upward trajectory for the industry.

While pet care spending is predicted to grow and inflationary patterns from 2022 appear to be stabilizing, we expect to see a shift in more value-based purchasing habits in 2023. Pet owners are focusing less on the dollar amount and becoming more sensitive to the total value provided for their pets. Brands that value health, wellness, and genuine care for pets are more likely to win with younger demographics of pet parents. When making purchasing decisions, this new generation expects natural and organic products along with a commitment to sustainability and social responsibility.

Below, we outline five trends in the pet food industry to keep in mind in 2023:

PET OWNERS HAVE BECOME VALUE-DRIVEN AMID HIGHER-THAN-AVERAGE INFLATION

BRAND-LOYAL MILLENNIALS AND GEN Z CUSTOMERS DRIVE PET INDUSTRY GROWTH

PET PARENTS SEARCH FOR AUTHENTIC CONNECTIONS

PETS HAVE A SEAT AT THE TABLE AS FAMILY+

INNOVATIONS IN PET CARE AND PET HEALTH

1 PET OWNERS HAVE BECOME VALUE-DRIVEN AMID HIGHER-THAN-AVERAGE INFLATION

In the last year across the consumer products industry, we've seen purchasing habits impacted by high inflation rates, particularly when it comes to non-essential items. Pet owners, however, tend to have a larger tolerance for pet essentials such as food, treats, toys, and supplies that create value for their beloved pets.

Like many essentials, pet food has not been immune to rising production costs and changing shopping habits. As of September 2022, pet food prices were up 14%. Despite this increase being 2.8 points higher than the average inflation rate for the food category, pet owners are shifting their mindset to focus on the value the product provides them and their pet rather than the bottom-line price. They're willing to spend those extra few dollars if they feel like the value they're receiving is worth the extra cost. This is particularly true for younger pet parents who seek brands with authentic, transparent, and sustainable value propositions. Even if it means paying more for their go-to products, pet shoppers' priorities are focused on keeping their furry family members healthy and happy, regardless of the cost.

2 BRAND-LOYAL MILLENNIALS AND GEN Z CUSTOMERS DRIVE PET INDUSTRY GROWTH

Pet parent demographics skew younger, with Millennials and Gen Z customers comprising almost half (46%) of pet owners in the U.S. We could see that proportion grow in coming years as many Gen Z customers reach adulthood. Considering these demographic factors, pet brands should keep in mind how they reflect younger customer preferences. Compared to older generations of pet owners, Gen Z and Millennials prefer brands that are local, sustainably produced, or family owned.

Once they find a desired brand, these pet parents tend to stick with them; 54% of Millennials and 52% of Gen Z consider themselves "brand loyal." However, both generations are more willing to try new products to find what fits their pet needs best, including different types of food, treats, and toys. Brands that can break through the noise and convince shoppers of the superior value their products provide to the pet experience will have greater chances of growing their loyal customer base.

The rise of the Millennial and Gen Z shopper isn't new, but these generations could soon be the majority of pet owners; therefore, pet brands need to be prepared to provide a sustainable, holistic value proposition if they want to win over these pet customers, both now and in the years to come.

3 PET PARENTS SEARCH FOR AUTHENTIC CONNECTIONS

Millennials and Gen Z look to the internet and social media, such as YouTube and Facebook, to find new brands, products, and experiences for their pets. One report shows that 84% of shoppers have made a purchase based on a recommendation from a social influencer. This dependency on social media has fueled the rise of "petfluencers" – individuals who have gained a large following on social platforms by creating content with their pets in the spotlight. Petfluencers have become a key marketing tool for brands looking to reach pet owners and tap into the pet industry because of their ability to connect with audiences on a more personal level.

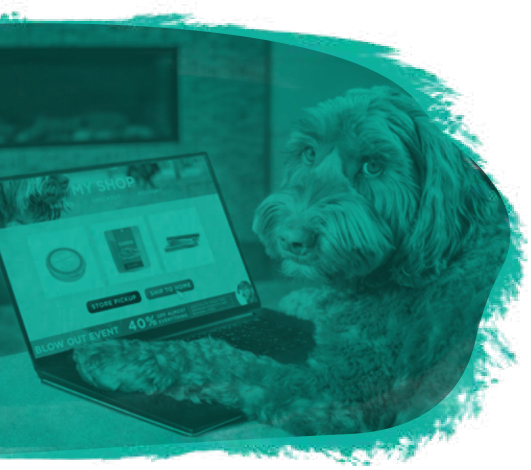
Given that pet parents expect authenticity from brands, they tend to resonate with petfluencers who exhibit the brand in their day-to-day life. These partnerships need to realistically represent a brand's relationship with pet owners in every stage of a pet's life. Having petfluencers who can showcase a product or brand in ways that are relatable to the wider pet community will prove to be more beneficial. Pet parents will not only see a solution for their pet needs but will also feel connected to the brands and products they're giving their companions.

Customers want to purchase from brands that are aligned with their personal mission. As such, brands that showcase their values in the messaging and content distributed across a customer's evaluation and purchasing experience will have an advantage over brands that do not. Shoppers especially favor brands that offer customer support and education for their everyday celebrations and challenges of pet ownership.

4 PETS HAVE A SEAT AT THE TABLE AS FAMILY+

The "humanization of pets" trend has been seen throughout the industry in recent years, and we expect that it's here to stay. In many cases, pets are nurtured just like family, but pet owners are beginning to love their furry friends even more than family members, a term we are coining as family+. This can be attributed to the rise in pet ownership from Millennial and Gen Z shoppers and their preference for pets over other people. In fact, 67% of American pet parents prioritize the health of their pet over their own, and 57% of Millennials report loving their pet more than their own sibling (and 50% over their own mother, and 30% over their significant other).

Pet food has traditionally been seen as a low-cost commodity with little attention paid to the ingredients or nutritional value of the food, but the trend of pets as family+ has led owners to become increasingly vigilant about the food that they feed their pets. The desire for high-quality ingredients in pet food has led to the rise in raw, frozen, and freeze-dried food categories since they are minimally processed food options. This market segment, while small, grew about 9.4% across all pet channels including online, in neighborhood pet stores, and in grocery stores. The rise in demand for premiumization is a direct result of the family+ movement and it will continue into 2023.



Despite the raw and fresh food market growth, there's a limit to how much pet owners can be upsold, especially when prices are already inflated. Many of the customers that would be swayed toward buying premium pet food have already been convinced, limiting the future growth of the segment. Brands are addressing this by exploring sub-categories like meal toppers, treats, and supplements with the same raw or natural ingredients to provide a well-rounded diet.

5 INNOVATIONS IN PET CARE AND PET HEALTH

Traditionally, the pet industry has been dominated by a handful of products: leashes, food, treats, toys, and beds. However, as pet owners drive the narrative of treating pets as family, new health-focused products are revitalizing previously stagnant segments. For example, cat litter has always served a specific and valuable purpose, but the arrival of Pretty Litter – a dual-purpose litter that helps cat owners monitor their cat's health by changing colors based on health problems detected in the cat's urine – has been a welcomed health-focused advancement in an otherwise homogenized segment.

Other new pet health-focused categories include pet hygiene products like pet toothpaste, specialized pet shampoos, and pet wipes, which are representative of customers' personal interest in self-care. Searches for pet wipes have grown 31% in the past five years, while cat toothpaste searches have risen 116%. Customers are likely interested in these products for the convenience they provide in keeping their pets clean.

Pet supplements is another pet-health focused category that has recently grown. Owners purchase supplements for the same reasons they purchase human vitamins – to improve their pets' joint, fur, eye, oral, heart, and other health areas beyond the nutrients received from food. One of the most popular supplements subsegments is therapeutic CBD products, and hemp-based ingredients and CBD supplements have grown 236% in the last three years.

Overall, the popularization of innovative pet products and new pet categories reflects the growing bond between humans and their pets. Owners are constantly looking for new and innovative ways to keep their pets healthy and happy.

CONCLUSION

As we enter another year of growth in the pet food industry, brands should continue to position themselves as an extension of pet owners' families – whether through the convenience of seamless purchasing online and in-stores, personalized engagement across social channels, or demonstrated authenticity as a "good for your pet" product option. To best capture attention of pet owners, keep in mind how customer preferences for healthy, clean, and socially responsible options will carry more weight than simply offering the best price. Brands should continue to keep the end-to-end pet experience in mind when generating messages and launching products to attract and maintain connection across the pet owner community.