PET INDUSTRY'S TOP 2 TOP CONFERENCE

Pet Product Market Drivers

David Sprinkle

Research Director, Packaged Facts

Packaged Facts

- **Pet Population & Demographics**
- **Sales & Spending**
- **Channel Shopping**
- **Product Purchasing**

humanization

*"Love them like family.
Feed them like family."*

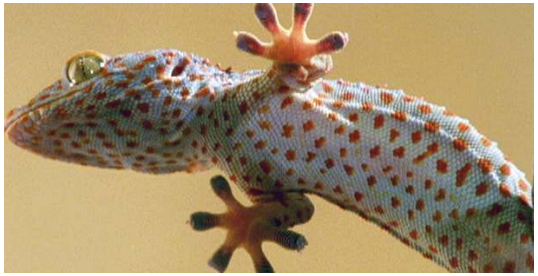
U.S. Pet Ownership Trends, 2006-2013
(percent of households)

	2006	2007	2008	2009	2010	2011	2012	2013
Dogs or Cats	47.8%	48.0%	49.7%	50.0%	49.9%	52.4%	51.3%	52.3%
Dogs	35.4	34.9	35.2	36.7	36.8	38.1	38.3	38.7
Cats	25.0	25.6	26.7	25.3	24.8	26.8	25.3	24.4
Other Pets	15.0	14.6	14.9	13.6	11.2	12.7	12.8	12.1

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

2004: 36% have dogs, 33% have children
2013: 39% have dogs; 32% have children

Ownership Trends for "Other" Pets, 2006-2013
(percent of households)



	2006	2007	2008	2009	2010	2011	2012	2013
Fish	7.8%	7.8%	7.4%	6.3%	6.7%	5.6%	6.4%	5.8%
Birds	4.5	4.6	4.9	4.4	3.5	3.7	3.7	3.4
Reptiles	1.8	2.0	2.1	1.5	1.8	1.7	1.8	2.7
Rabbits/Hamsters	2.5	2.1	2.1	1.8	1.4	1.5	1.7	1.4
Other Pets	3.3	2.9	2.9	3.1	2.4	3.5	2.7	2.4

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

Pet Ownership by Generational Age Bracket, 2013 (percent)

	18-34 (Gen Y)	35-49 (Gen X)	50-69 (Boomers)	70+ (Seniors)
Dogs	44.3%	43.6%	38.4%	22.2%
Cats	25.8	28.3	26.5	20.4
Fish	6.5	10.4	4.4	1.4
Birds	3.6	3.6	4.0	
Reptiles	5.0	4.9	0.9	
Rabbits/Hamsters	1.6	3.1	0.7	

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

Pet Ownership by Generational Age Bracket, 2013 (index)

	18-34 (Gen Y)	35-49 (Gen X)	50-69 (Boomers)	70+ (Seniors)
Dogs	116	114	100	58
Cats	100	110	103	79
Fish	111	178	76	24
Birds	106	106	118	43
Reptiles	181	180	34	**
Rabbits/Hamsters	115	216	51	**

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

Pet Ownership by Age Bracket, 2004 vs. 2013 (index)

	18-34		35-49		50-69		70+	
	2004	2013	2004	2013	2004	2013	2004	2013
Dogs	100	116	122	114	99	100	58	58
Cats	107	100	110	110	99	103	71	79

	2004	2013
Dogs	32.7%	38.4%
Cats	24.2%	26.5%

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

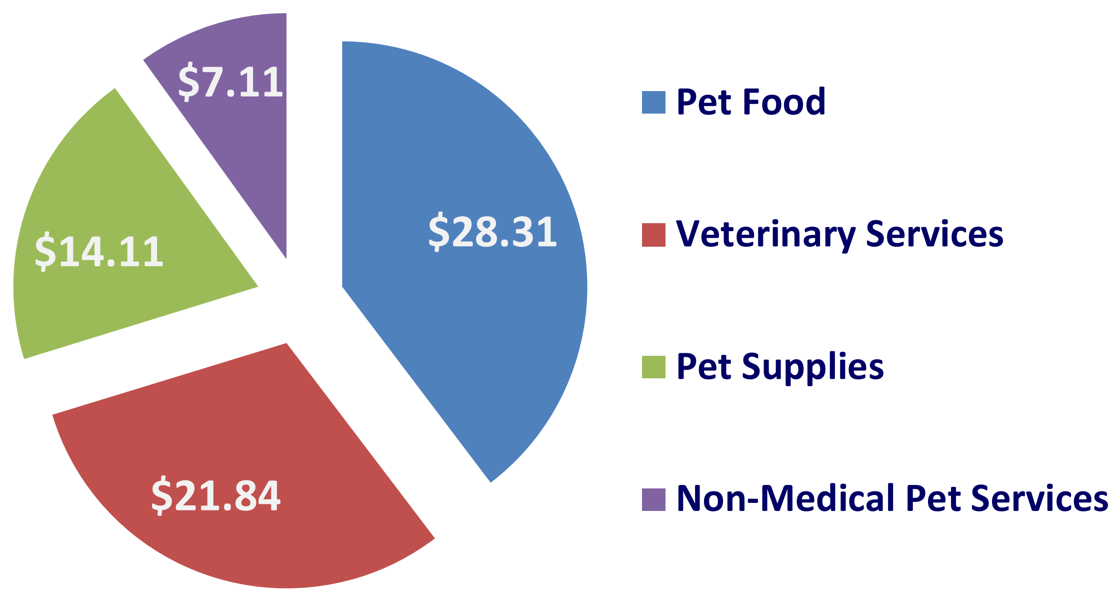
Sales & Spending Trends


pet foods
Pet Products
pet supplies
(non-food)

U.S. Retail Sales of Pet Products, 2013

preliminary estimates for *U.S. Pet Market Outlook*, 2014-2015

2013 vs. 2012	% Chg
Pet Products & Services	4.7%
Pet Food	4.8%
Vet Services	4.5%
Pet Supplies	4.2%
Non-Medical Services	6.0%



billions

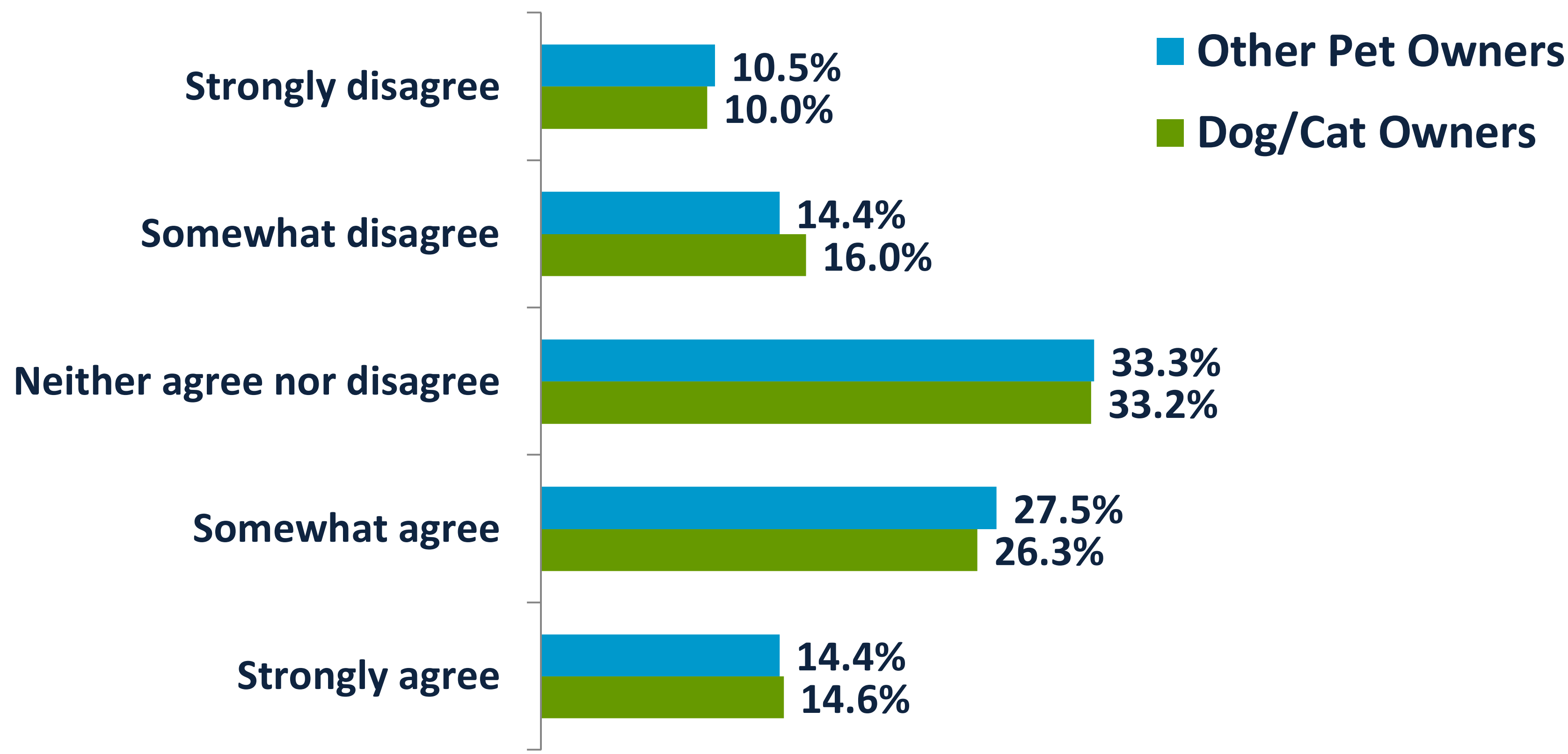
Average Annual Consumer Expenditures on Pet Products and Services, 2008-2012

	2008	2009	2010	2011	2012
Pet Food	163.13	168.92	165.20	182.75	194.70
Pet Purchase, Supplies, Medicine	164.01	165.83	162.51	140.90	135.69
Pet Services	36.77	43.36	38.87	35.72	41.70
Vet Services	206.96	164.74	113.52	142.67	149.95
Total	**570.87**	**542.85**	**480.10**	**502.04**	**522.04**
Pet Food		3.5%	-2.2%	10.6%	6.5%
Pet Purchase, Supplies, Medicine		1.1%	-2.0%	-13.3%	-3.7%
Pet Services		17.9%	-10.4%	-8.1%	16.7%
Vet Services		-20.4%	-31.1%	25.7%	5.1%
Total		-4.9%	-11.6%	4.6%	4.0%

Source: U.S. Bureau of Labor Statistics Consumer Expenditure Surveys

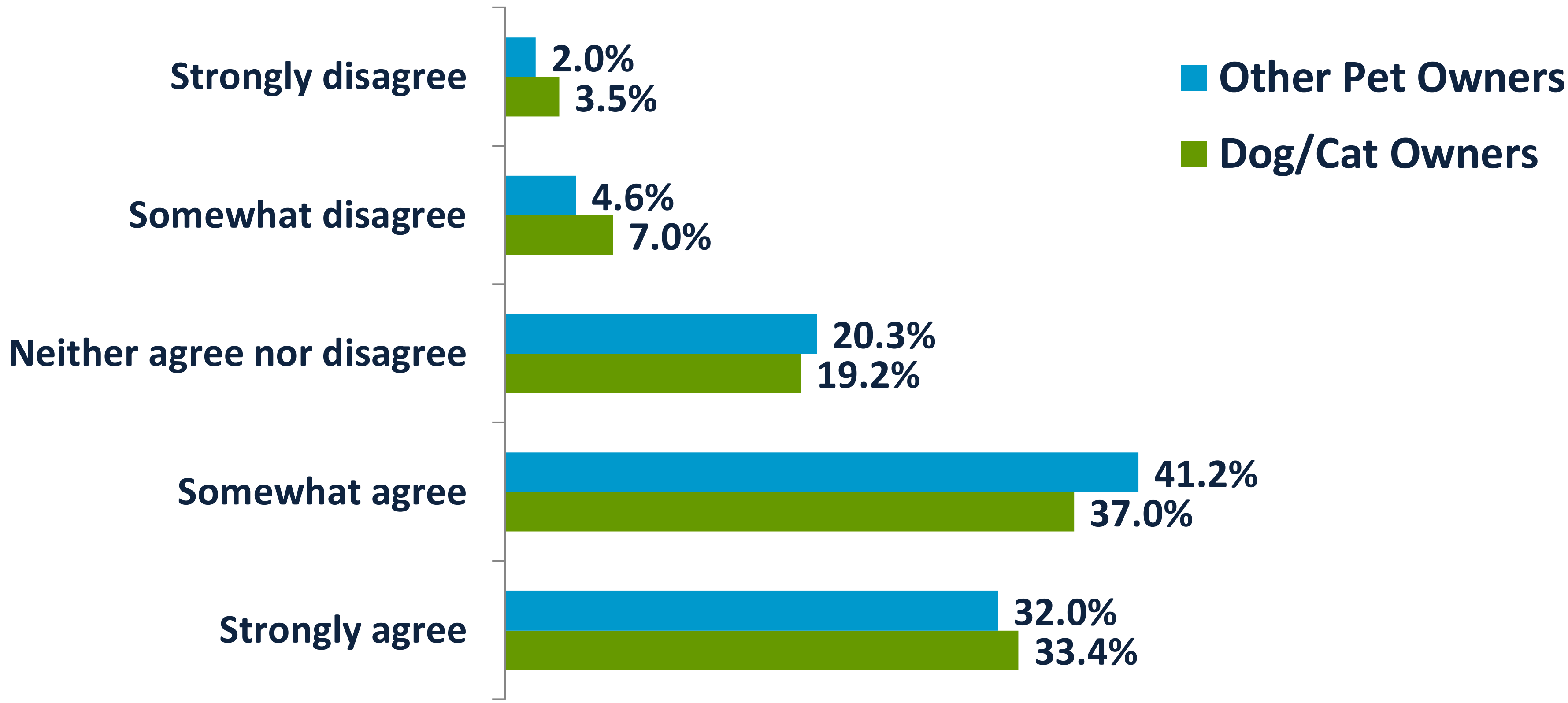
Packaged Facts Pet Shopper Survey January/February 2014

"I am spending more on pet products these days"



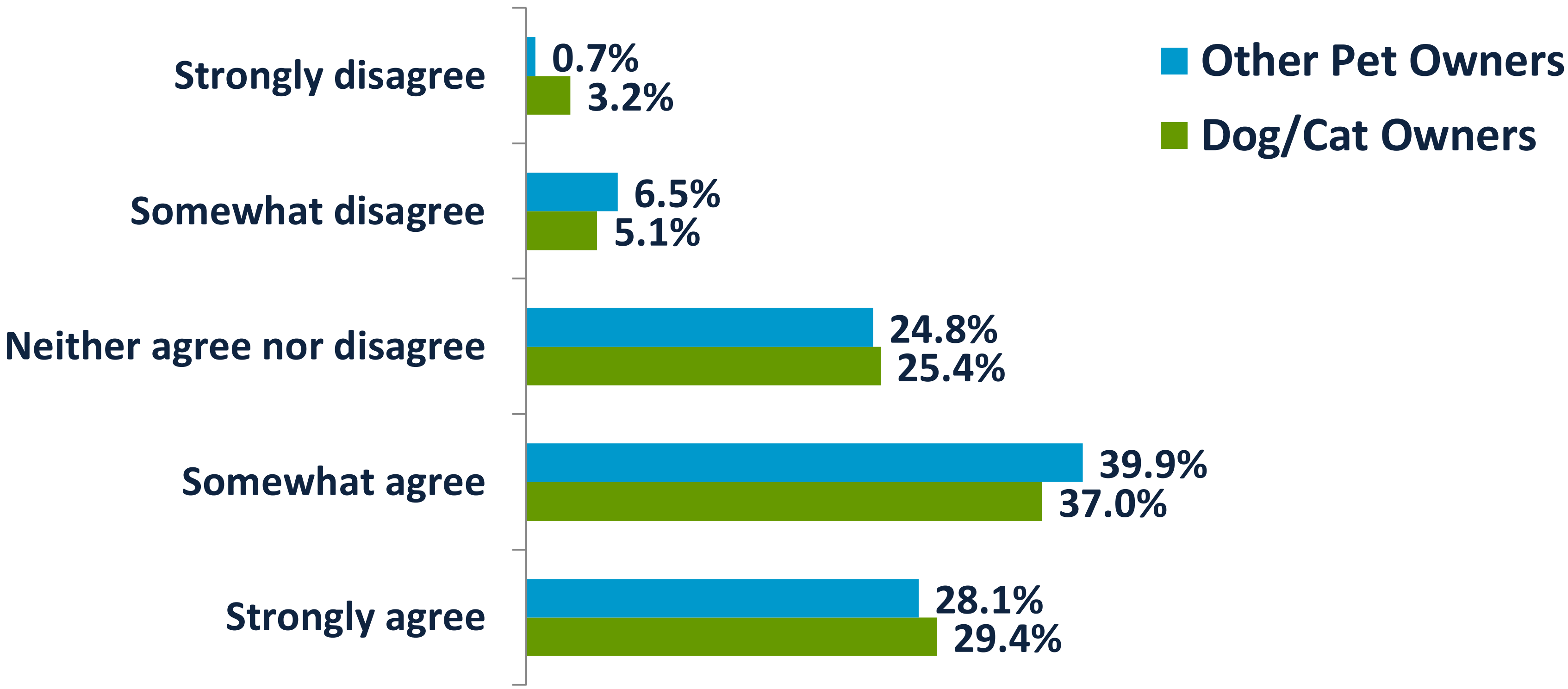
Packaged Facts Pet Shopper Survey January/February 2014

"I look out for lower prices, special offers, & sales on pet products"



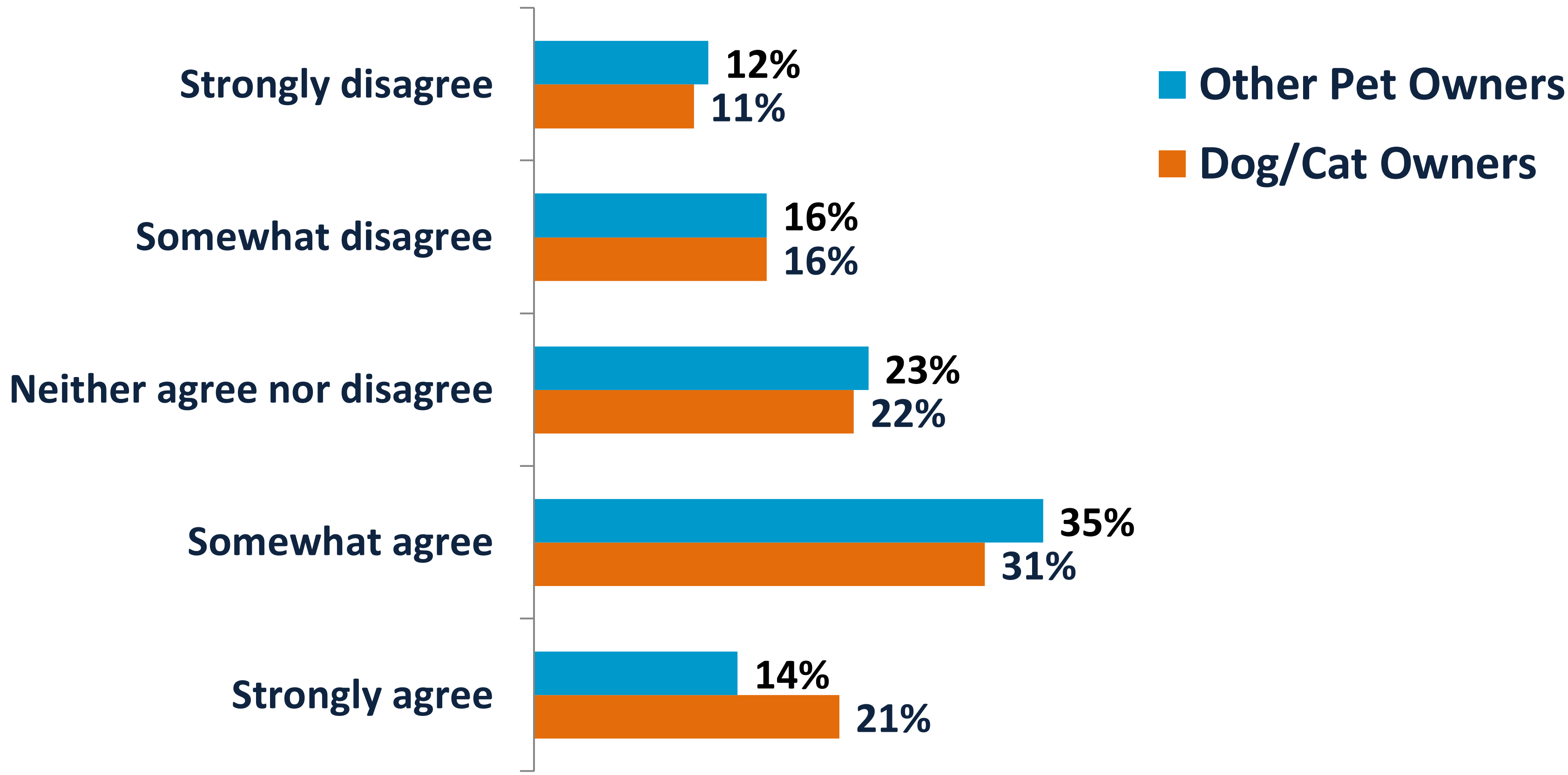
Packaged Facts Pet Shopper Survey January/February 2014

"Many pet products are becoming too expensive"



Packaged Facts Pet Shopper Survey preliminary April 2014

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



Channel Shopping Trends

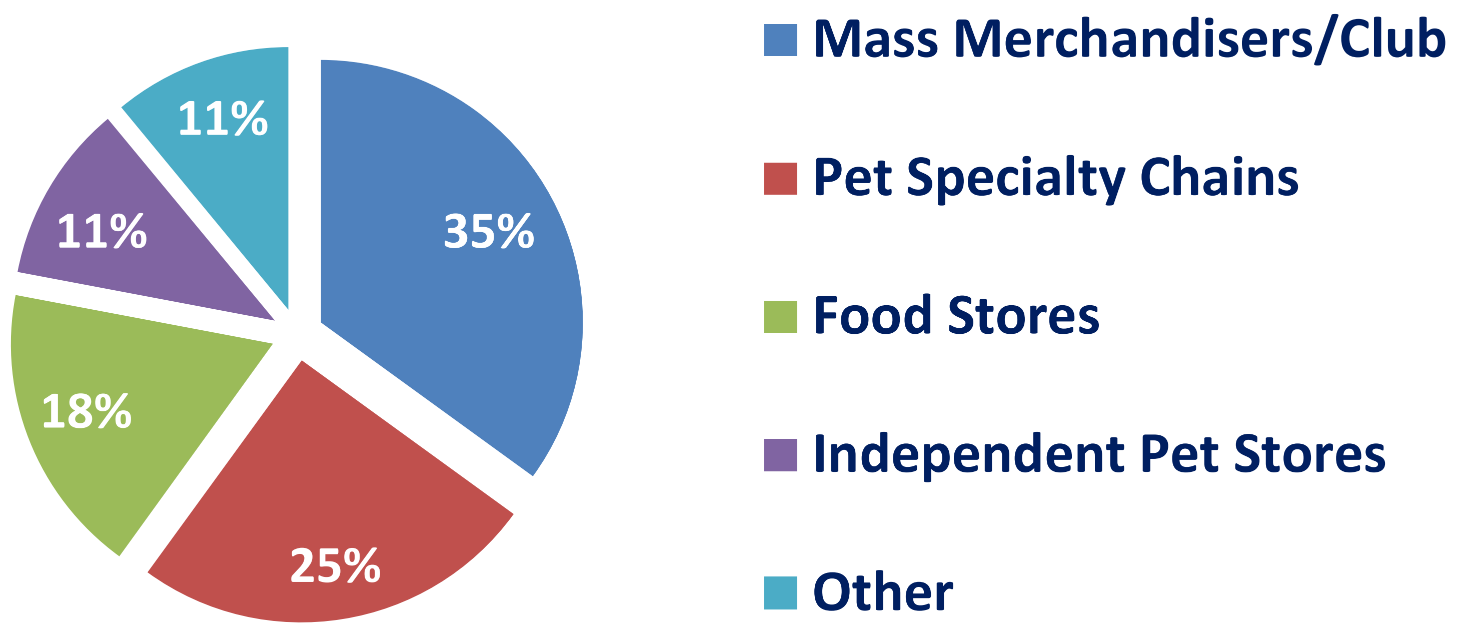
Channel Shopping for Pet Products, 2010-2013
(percent of pet-owning households)

Channel	2010	2011	2012	2013
Pet Stores	23.8%	25.0%	25.1%	27.6%
PetSmart/Petco	21.0%	22.2%	22.0%	23.6%
Other Pet Stores	5.9%	6.0%	5.9%	7.4%
Supermarkets	21.5%	23.1%	22.0%	22.7%
Discount Stores	14.0%	13.7%	13.4%	12.9%
Veterinarians	8.0%	7.9%	7.0%	7.5%
Wholesale Clubs	5.2%	4.8%	6.0%	5.5%

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

Retail Channel Shares of U.S. Pet Product Sales, 2014

preliminary estimates for *U.S. Pet Market Outlook, 2014-2015*



IRI MULO Pet Product Sales: January 26, 2014 vs. Year Ago

	Dollar Sales (millions)	Dollar Sales % Chg	Dollar Sales % Chg (millions)	Volume Sales % Chg
DRY DOG FOOD	$5,306	2.2%	$114	(1.3%)
DRY CAT FOOD	$2,337	3.9%	$89	0.5%
CAT/DOG LITTER	$1,692	4.4%	$71	1.3%
“OTHER PET” FOOD	$789	6.1%	$46	1.1%
WET DOG FOOD	$1,389	3.1%	$42	0.0%
WET CAT FOOD	$1,957	2.2%	$42	2.8%
RAWHIDE DOG CHEWS	$696	4.2%	$28	(2.6%)
FZ/RFG DOG FOOD	$89	26.9%	$19	25.3%
DOG BISCUITS/TREATS	$2,019	0.8%	$16	(0.7%)
FZ/RFG CAT FOOD	$4	22.9%	$1	28.2%
“OTHER PET” SUPPLIES (Non-Food)	$303	(0.1%)	(0.2)	1.3
SEMIMOIST DOG FOOD	$122	(0.6%)	($1)	(1.0%)
DOG/CAT SUPPLIES (Non-Food)	$2,093	(0.6%)	($13)	(4.3%)

Source: IRI Multi-Outlet (includes Walmart)

Packaged Facts, *U.S. Pet Market Outlook 2014-2015*

Pet Specialty Channel, 2013

$7.3 Bn

+6.5% YOY

Vet Clinics, 2013

$1.5 Bn

+7.6% YOY

Source: GfK, "Trends and Insights on the U.S. Pet Retail Market," Petfood Forum 2014

Independent Natural Foods Channel Sales of Pet Food/Treats, 52 weeks ending February 23, 2014

Segment	$ (millions)	% Chg
Dog Food	**$28.2**	**8.4%**
Cat Food	**$20.5**	**6.9%**
Pet Treats/Snacks	**$12.1**	**10.5%**

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

Cross-Channel Pet Product Shopping: PetSmart/Petco Shoppers, 2013

Supermarkets	42%
Discount Stores	21%
Veterinarians	18%
Other Pet Stores	14%
Wholesale Clubs	14%

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

Cross-Channel Pet Product Shopping: Discount Store Shoppers, 2013

Supermarkets	46%
PetSmart/Petco	38%
Veterinarians	15%
Other Pet Stores	13%
Wholesale Clubs	11%

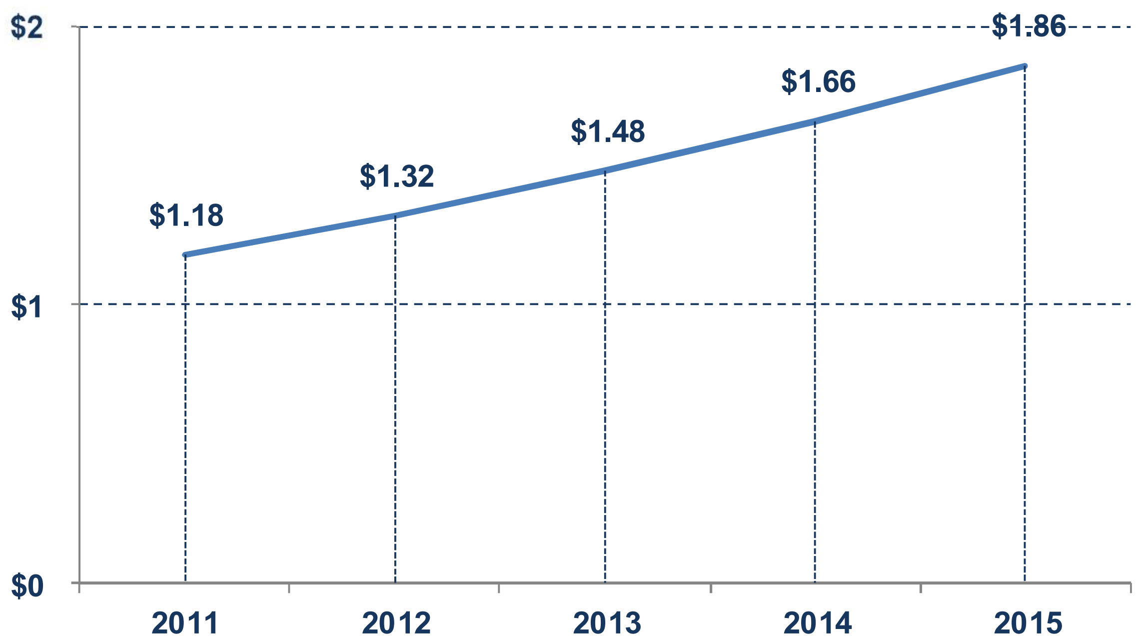
Source: Experian Marketing Services, *Simmons* National Consumer Survey.

Packaged Facts Pet Shopper Survey

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

	2011	2014
Strongly Agree	4%	11%
Somewhat Agree	10%	14%
No Opinion - NA/D	23%	25%
Somewhat Disagree	18%	15%
Strongly Disagree	45%	35%

Projected U.S. Online Sales of Pet Products, 2011-2015 (in billions of dollars)



Source: Packaged Facts, *Pet Market Outlook 2014-2015*

Product Purchasing Trends

Topline Dog Food Purchasing Trends, 2006-2013 (percent of dog-owning HHs)

	2006	2007	2008	2009	2010	2011	2012	2013
Dry	93.2%	93.4%	95.2%	94.5%	94.2%	95.7%	95.9%	94.4%
Wet/Moist	33.7	31.9	30.0	30.2	30.7	35.5	36.2	38.7
Dry & Wet/Moist	29.5	29.1	28.0	27.1	27.2	32.3	33.1	34.6
Biscuits/Treats	79.1	79.5	79.3	80.0	79.5	82.6	78.6	81.6

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

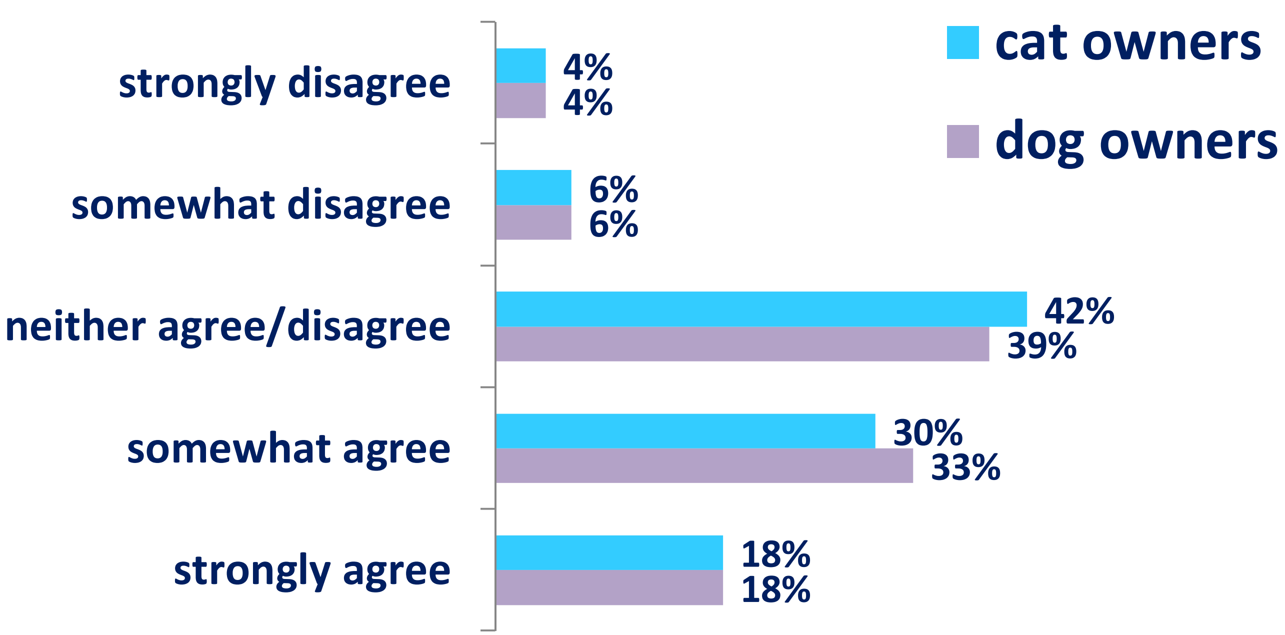
Topline Cat Food Purchasing Trends, 2006-2013 (percent of cat-owning HHs)

	2006	2007	2008	2009	2010	2011	2012	2013
Dry	94.4%	94.1%	94.8%	95.6%	93.5%	96.9%	94.6%	95.5%
Wet/Moist	46.5	45.5	46.9	44.7	51.7	49.9	49.3	53.3
Dry & Wet/Moist	21.3	18.2	17.5	16.5	19.4	18.8	19.3	17.5
Snacks/Treats	39.6	41.2	44.3	44.1	47.0	44.1	48.6	52.8

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

Packaged Facts Pet Shopper Survey January/February 2014

“High-quality pet foods are effective for preventive health care”

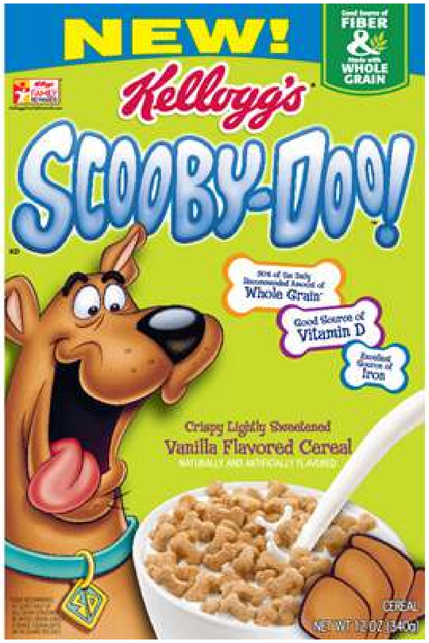


Topline Pet Supplies (Non-Food) Purchasing Trends, 2011-2013 (percent of pet-owning HHs)

	2011	2012	2013
Toys	29.0%	28.2%	31.3%
Collars, Harnesses, Leashes	22.4%	21.1%	22.2%
Grooming Supplies	18.7%	18.3%	17.6%
Bowls, Feeders, & Waterers	13.8%	14.1%	14.2%
Beds	11.4%	11.0%	12.1%
Apparel/Fashion Accessories	7.0%	5.2%	6.9%
Carriers, Crates, & Kennels	5.3%	5.0%	5.6%

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

Looking Ahead



for pet foods,

packaging will be central to innovation

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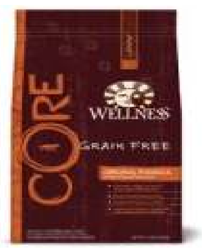
Set, save, and relax with Subscribe & Save.



See Size Options

Wellness CORE Original Formula Dry Dog, 26-Pound Bag

~~$64.99~~ **$52.95** Prime

Order in the next **19 hours** and get it by **Wednesday, Apr 2**.

$50.30 Subscribe & Save

Save more with monthly Subscribe & Save deliveries.

FREE Shipping

More Buying Choices

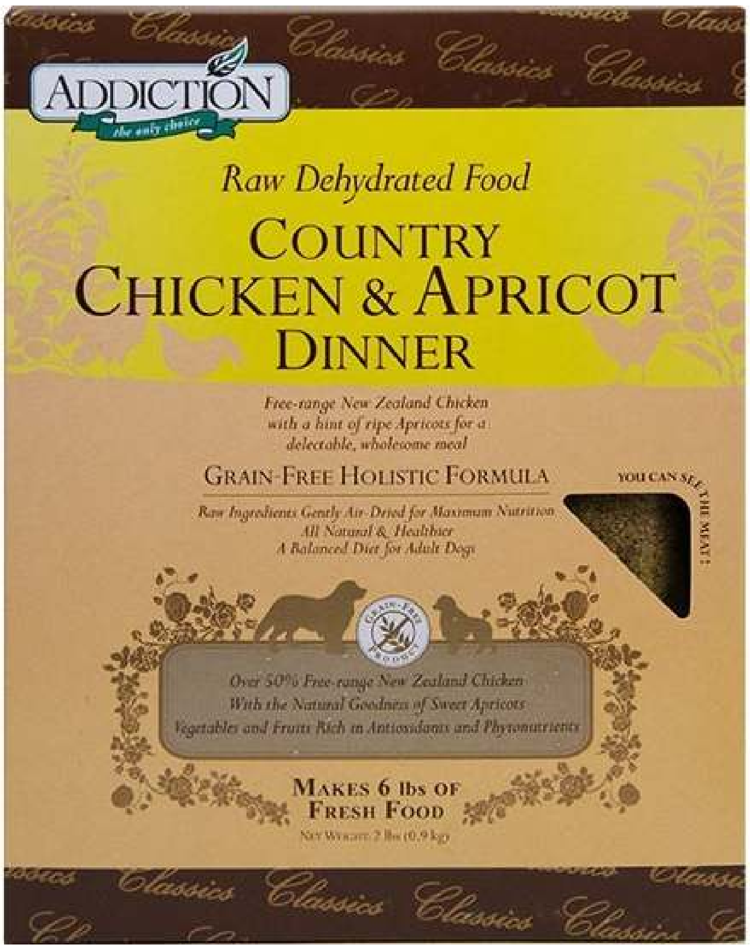
$32.96 new (13 offers)

(249)

for frequent purchase & sticky items,

free home delivery will be essential to customer loyalty

for everything, there will be an app



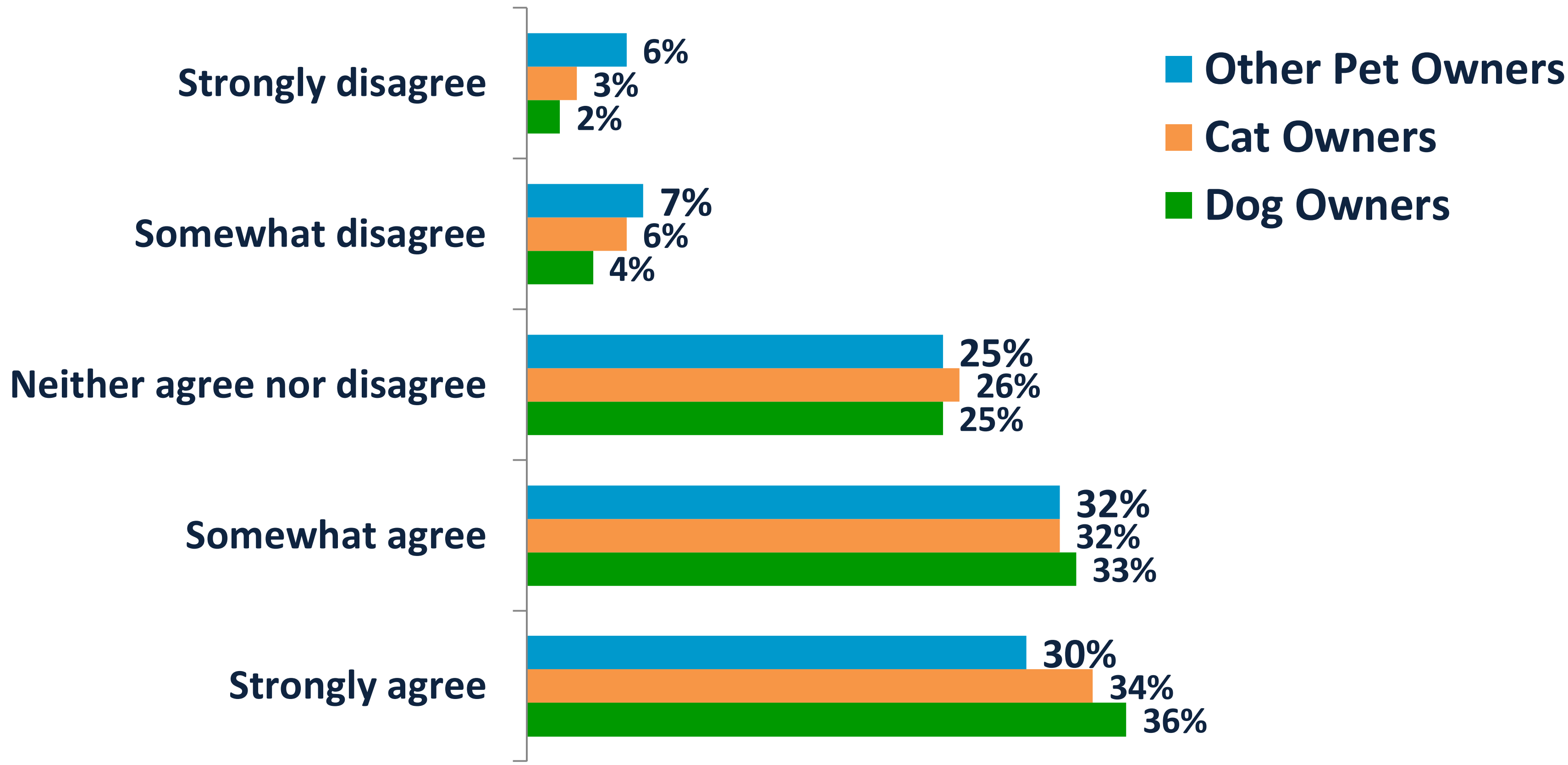
Humanization

will remain the

dominant driver

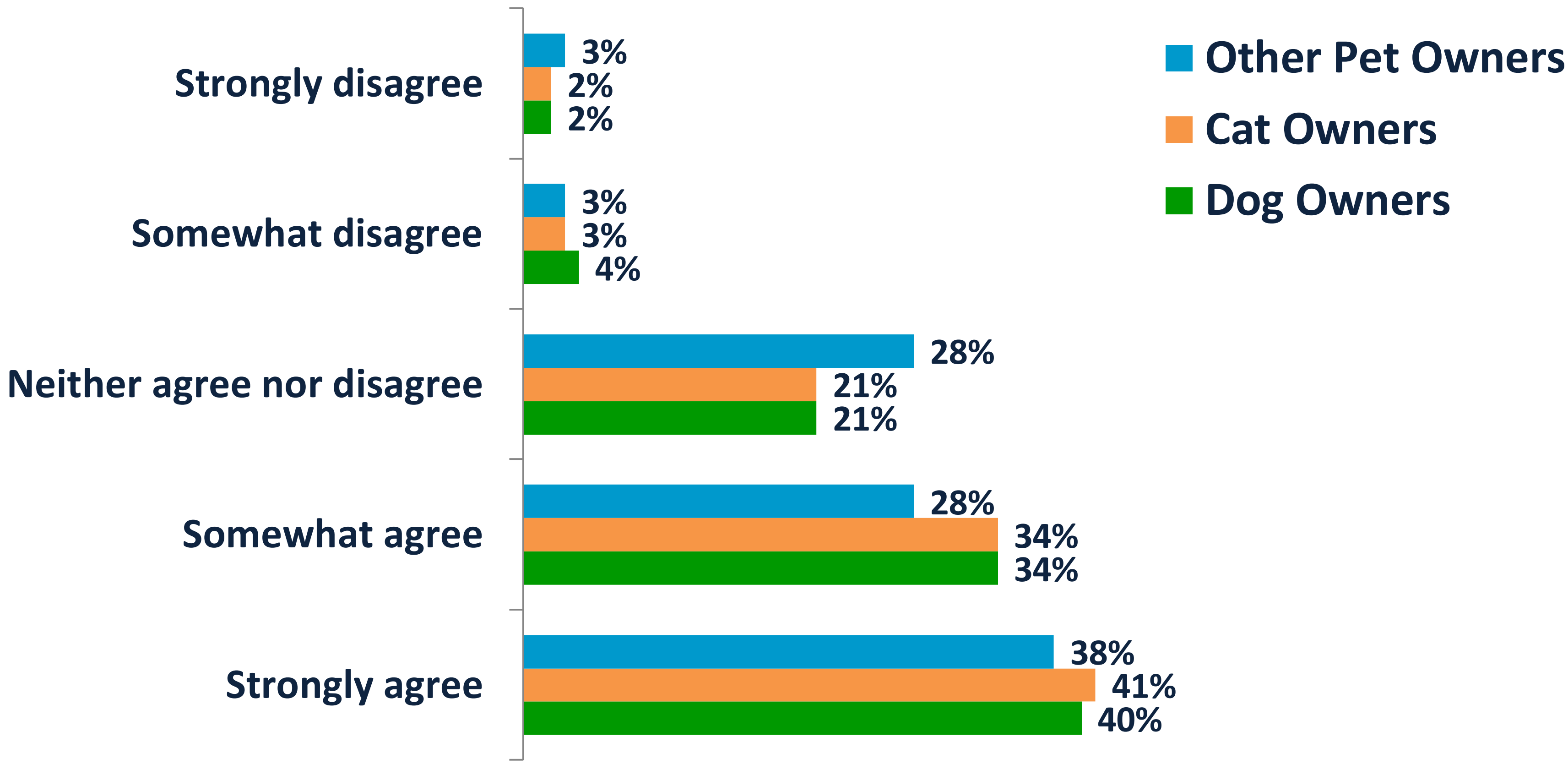
Packaged Facts Pet Shopper Survey preliminary April 2014

"My pets are important to my physical health"



Packaged Facts Pet Shopper Survey preliminary April 2014

"My pets are important to my mental health"



David Sprinkle
Research Director, Packaged Facts
dsprinkle@marketresearch.com

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