

# Enhanced, Infused – or Just Confused?

Making Sense of Pet Specialty Trends in 2016

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WATT SOCIAL MEDIA



## Last Year at Petfood Forum The Next Big Thing in Petfood

### **FREEZE-DRIED**

- \$120 Million in sales annually
- +23% growth year over year



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**Pet Retail**  
10,883 doors

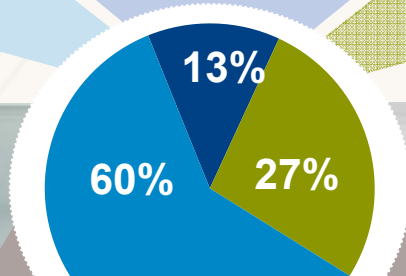
**Veterinarian Clinics**  
31,846 doors

**Farm & Feed**  
11,266 doors

\$7.9Bn | 4.7% YOY

\$1.7Bn | +5.3% YOY

\$3.5Bn | +5.0% YOY\*



**Pet Specialty 2015**  
\$13.1Bn | +4.8% YOY

\*estimated



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### Pet Retail

10,883 doors

\$7.9Bn | 4.7% YOY

### Veterinarian Clinics

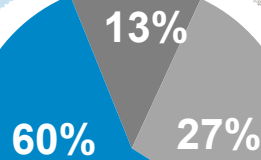
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### Pet Specialty 2015

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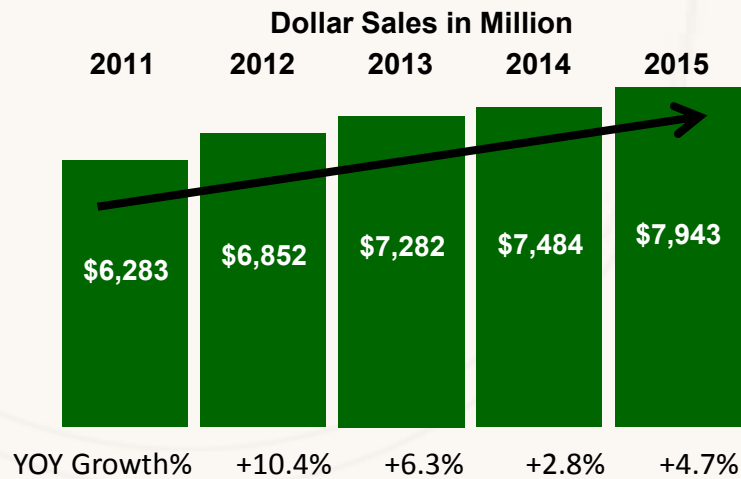
\*estimated



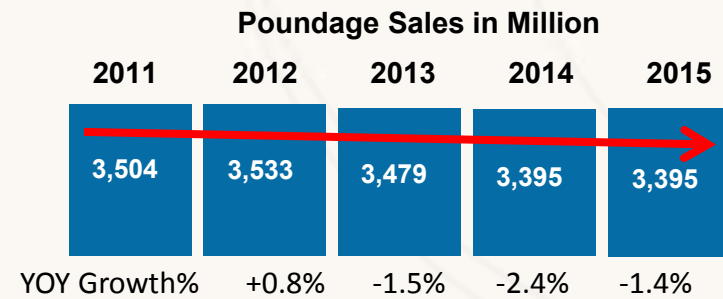
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## Market Size Trend – Dollar and Poundage Sales



**Dollar** Growth accelerated again in 2015, +4.7% vs. 2.5% in 2014



**Poundage** sales growth bounced back, from -2.4% in 2014 to -1.3% in 2015



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# Driving declining Poundage Sales...



eCommerce Growth



Small Breed Dog Population



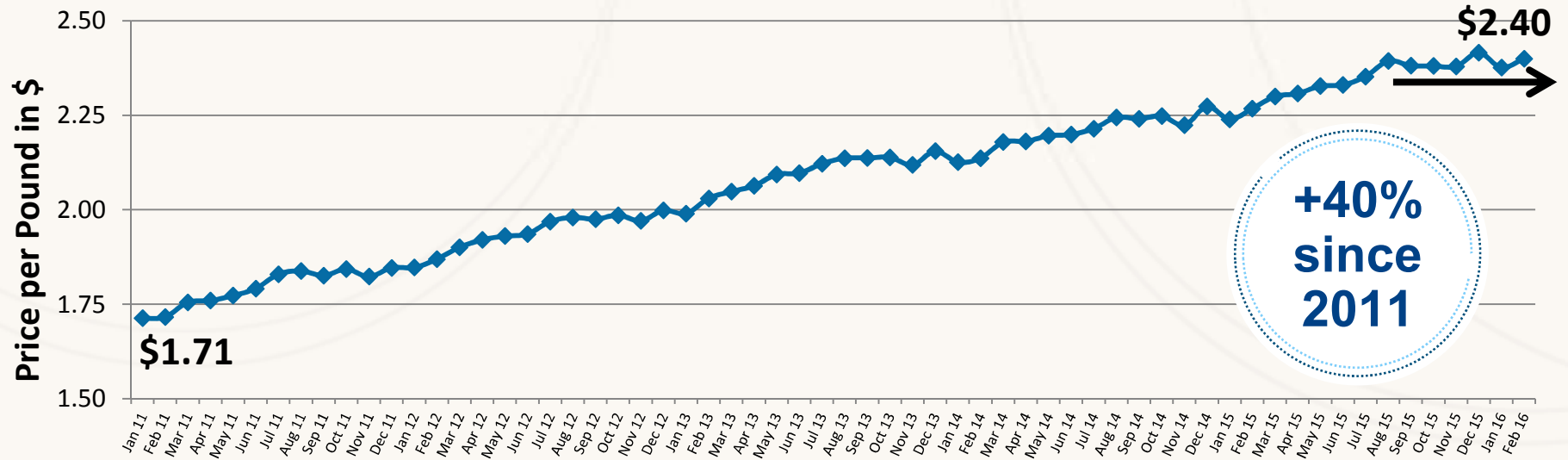
Low-Weight Food Popularity

(Freeze-Dried/Dehydrated)



# But the premiumization continues...for now

## Average Price per Pound – Food & Treats



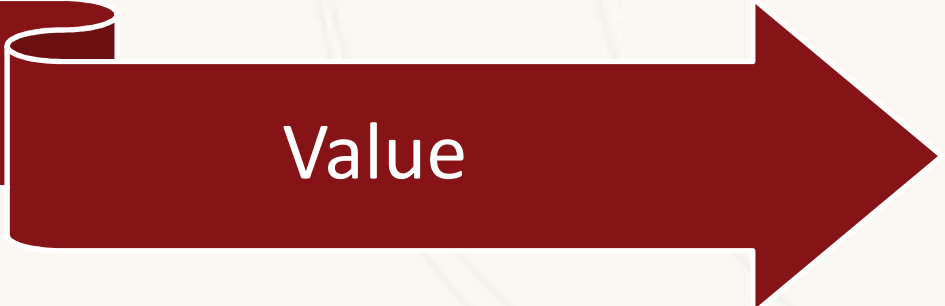
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## Dueling Trends



Price per pound increased by 7% since Jan'2015 to \$2.42/lb.

Premium natural products vs. with 'value natural' offerings that are usually about 20% cheaper

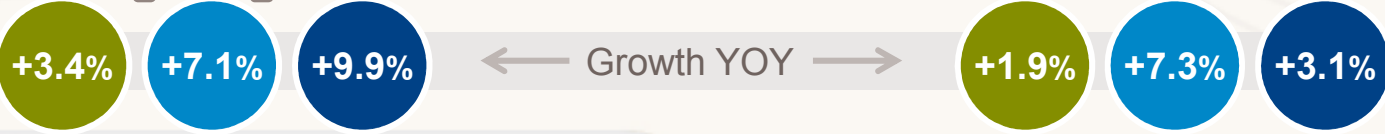
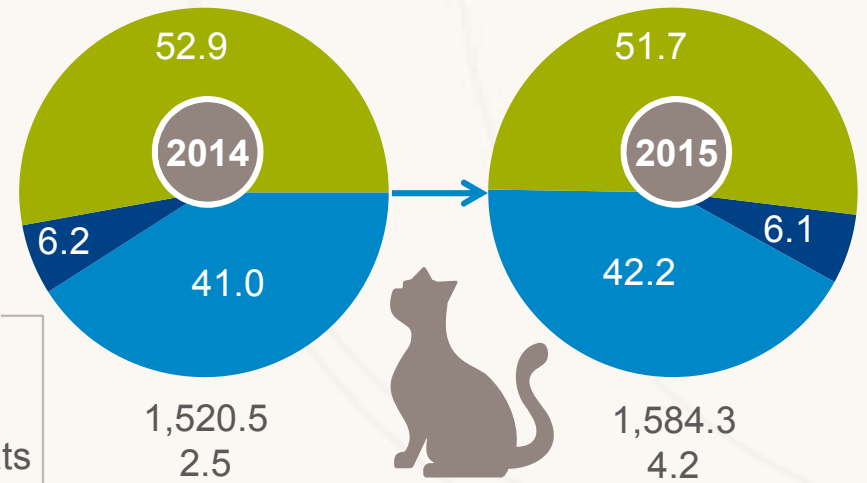
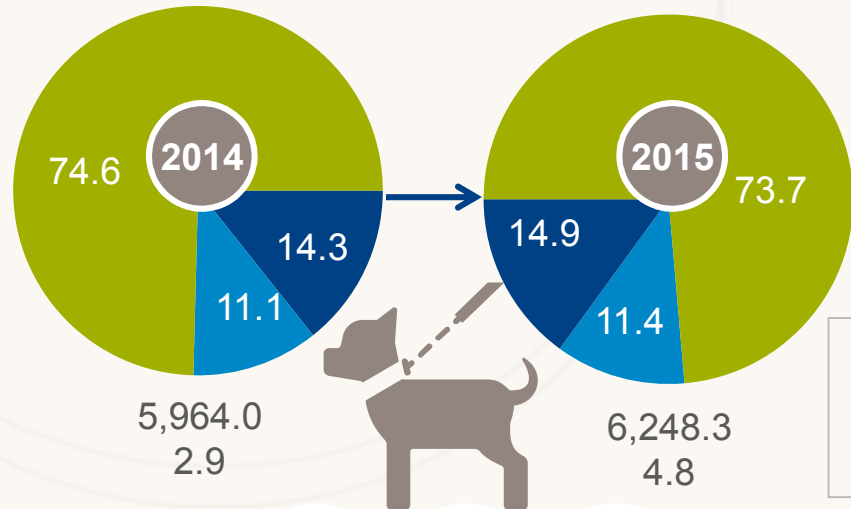


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# Dry, Wet and Treat Trends for 2015



Dates are from January through December; \$ in MM +/- % PY



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3,278

# ...3,278 new items launched in 2015



% of New Product Launches (Total = 3,278; - 5% YOY)	2014	2015	Trend
Natural	80.6%	80.7%	→
Grain-free	42.7%	45.5%	↗
Limited Ingredient	5.7%	5.2%	→
100% Freeze-Dried (Full Meal)	1.8%	3.8%	↗
Dehydrated (Full Meal)	1.2%	1.0%	↗
Small/Toy (Dog)	6.8%	8.0%	↗
Large/Extra Large (Dog)	3.8%	4.7%	↗
Can/Tray/Pouch (Dog Wet Shelf)	73% / 12% / 5%	77% / 11% / 7%	→
Can/ <b>Tray</b> /Pouch (Cat Wet Shelf)	82% / <b>10%</b> / 8%	76% / <b>15%</b> / 7%	↗
Treats	39%	40%	↗



## Holiday Themed Treat Sales \$ in Million



## Sales Growth by Holiday

Holiday	2014	2015	% YOY
Christmas	\$1,693	\$4,511	+266%
Halloween	\$722	\$1,863	+258%
Thanksgiving	\$316	\$118	-62%
Valentines	\$245	\$294	+20%

## Rapid growth of Christmas treats alone

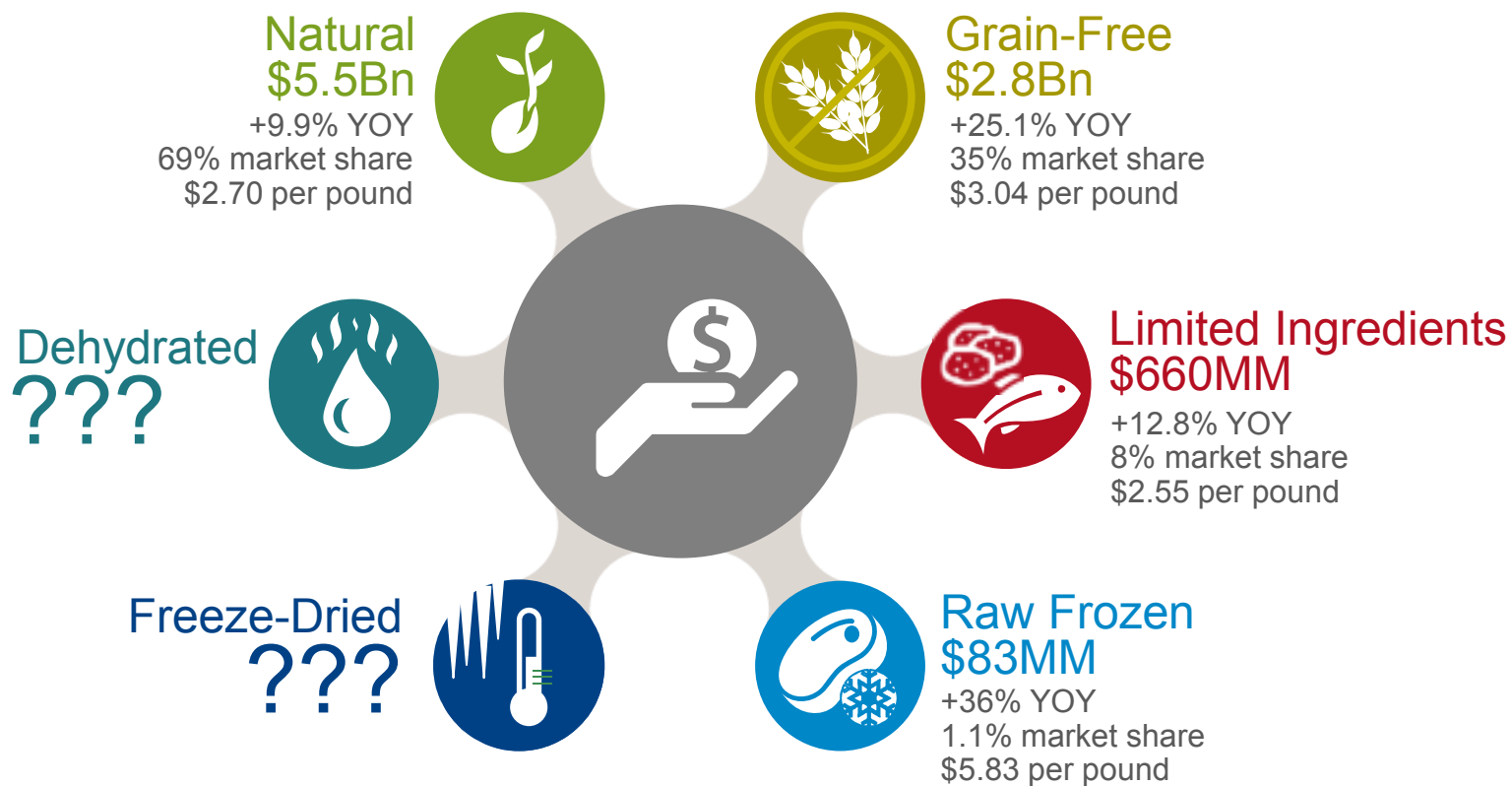
Christmas	2012	2013	2014	2015
# of Items	4	7	23	59



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# Established and Emerging Categories in 2015





So...what happened  
to the **freeze-dried/raw**  
pet food trend in 2015?

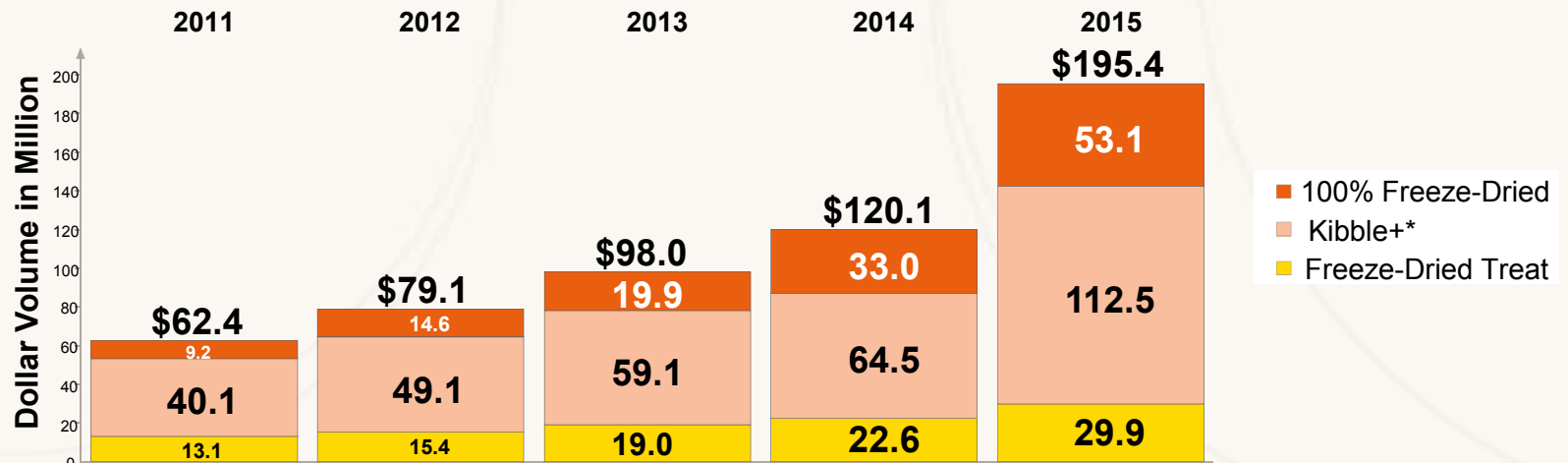
Freeze-Dried  
???



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## Freeze-Dried Pet Food Trend - 5 Year Annual Trend *(based on Dollars)*



### YOY \$ Growth%

<b>TOTAL FREEZE-DRIED</b>	<b>26.7</b>	<b>23.9</b>	<b>22.5</b>	<b>62.7</b>
100% Freeze-Dried (FULL MEAL)	58.4	36.1	66.0	61.0
Kibble+* (FULL MEAL)	22.4	20.4	9.1	74.4
Freeze-Dried TREAT	17.4	23.7	18.9	31.9



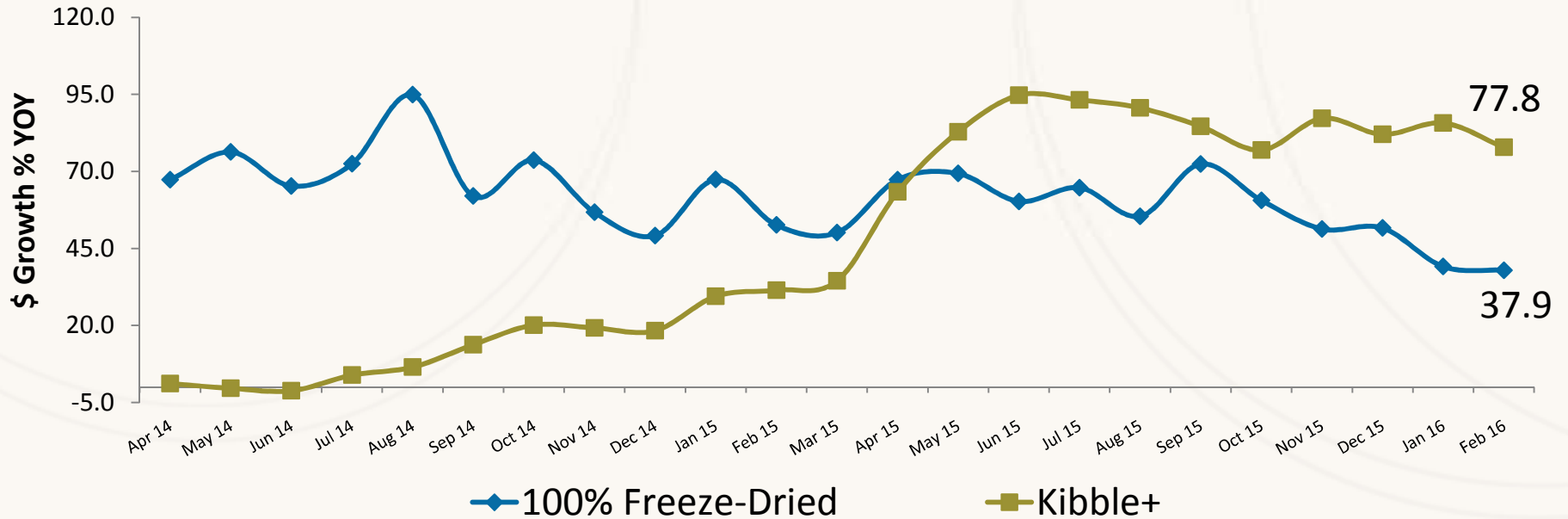
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\* Kibble+ = dry full meal kibble with freeze-dried pieces.





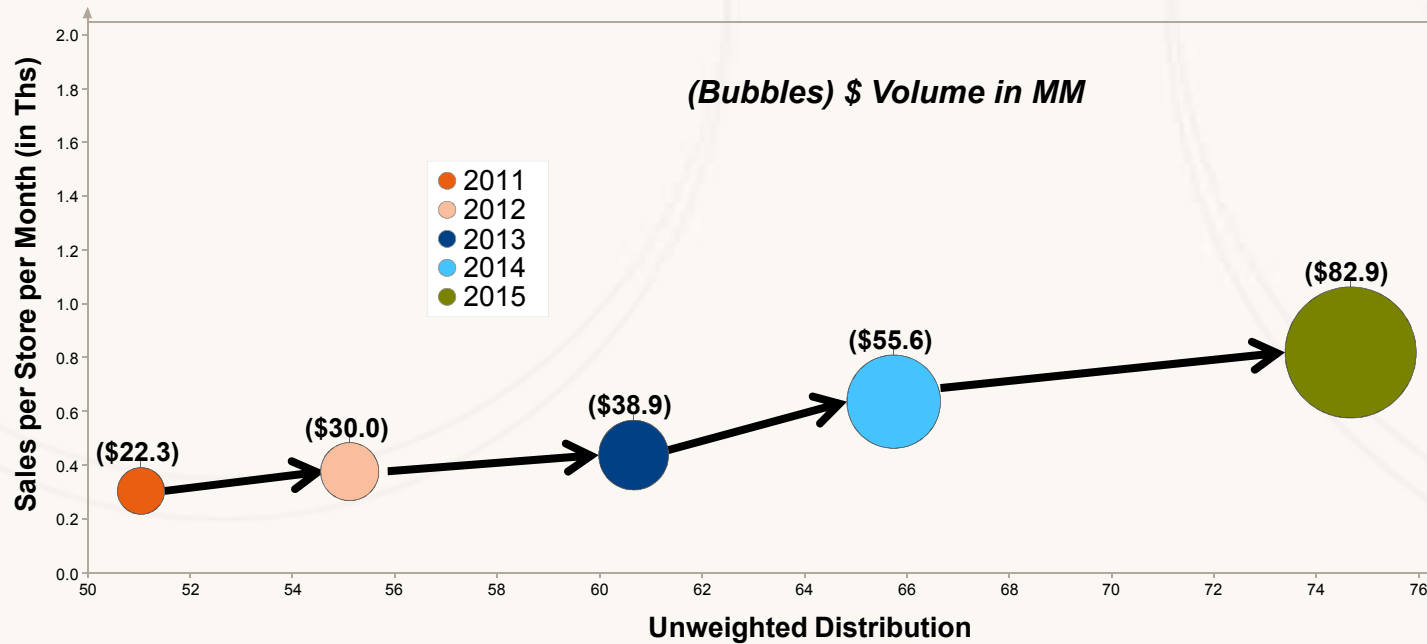
# 100% Freeze-Dried and Kibble+ Monthly \$ Growth YOY



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## 100% Freeze-Dried Velocity and Distribution Growth



In 2015:

+49% \$ Growth

+29% Velocity

+14% Distribution



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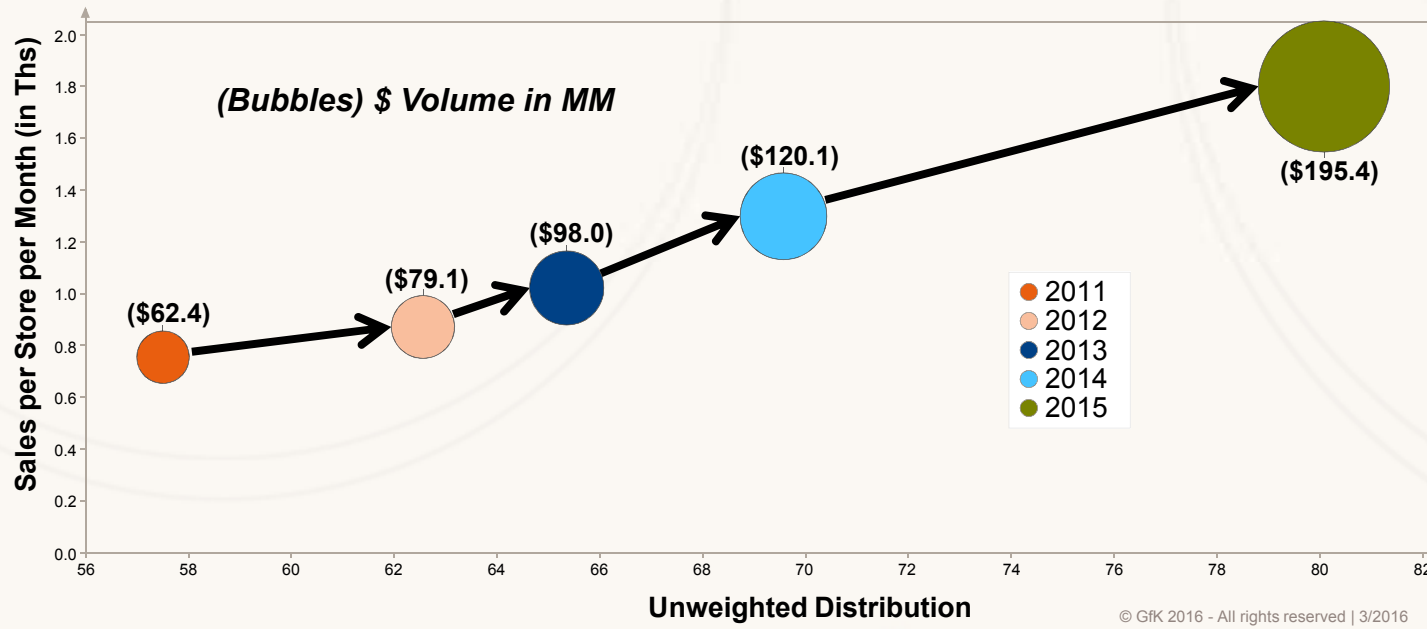
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# Freeze-Dried (incl. Kibble+) Velocity and Distribution Growth



In 2015:  
 +63% \$ Growth  
 +38% Velocity  
 +14% Distribution

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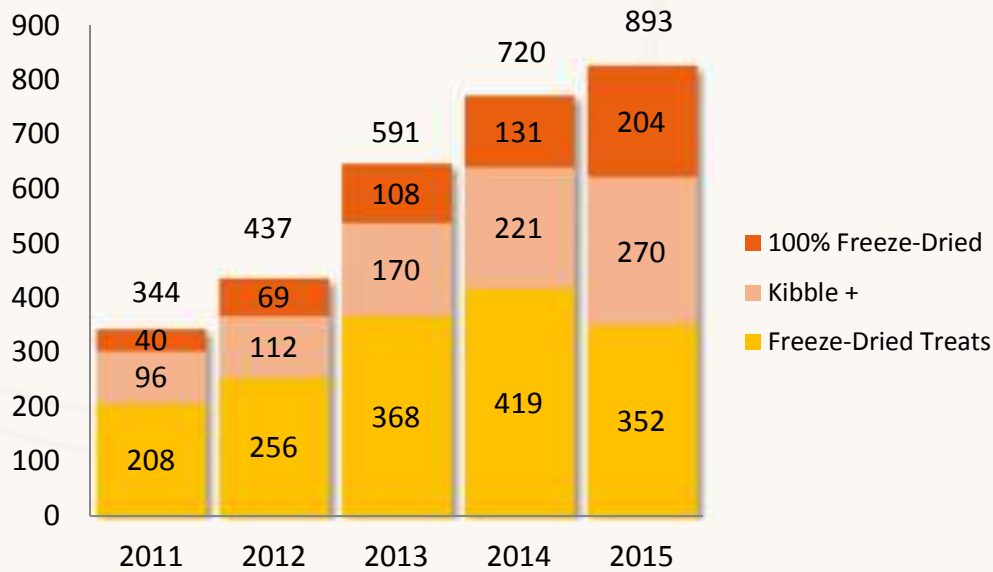
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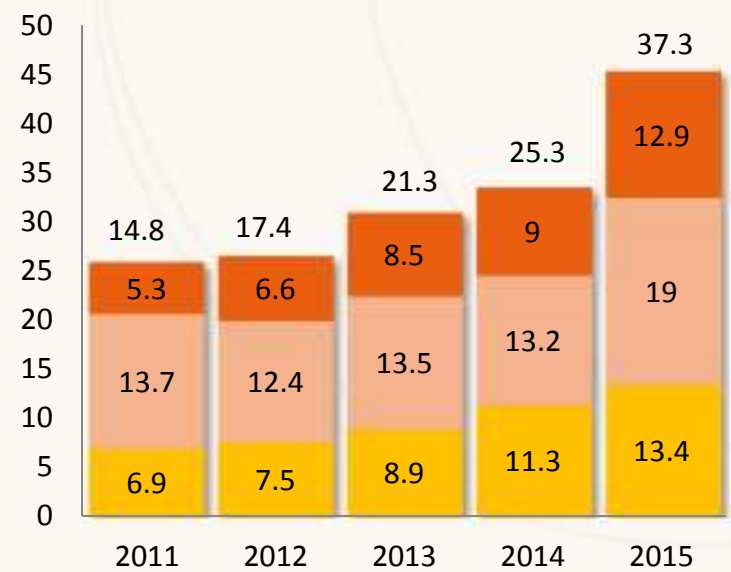


## Innovation and Shelf Space Trend – 5 Year Trend

### # of Different Selling Items



### Average # of Items Per Shop



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## Type of Freeze-Dried

100%



- \$70 Million Sales
- 563 items (+25% since 2014)
- 75% distribution
- \$818 per shop/month
- \$36 per pound

Mixer



- \$13 Million Sales
- 60 items (+76% since 2014)
- 58% distribution
- \$265 per shop/month
- \$33 per pound

Kibble+



- \$113 Million Sales
- 270 items (+22% since 2014)
- 70% distribution
- \$1250 per shop/month
- \$3-4 per pound



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### Established Brands

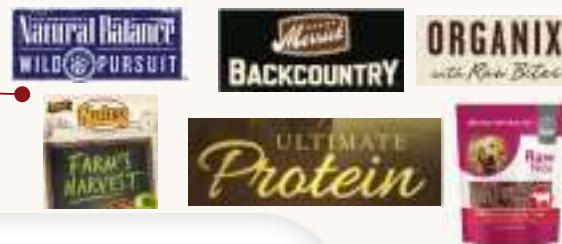
- Vital Essentials
- Stella & Chewy's
- Sojos
- Primal
- K9 Natural
- Grandma Lucy's

### Launched in 2015

- Merrick Backcountry
- Nat. Balance Wild Pursuit
- Organix with Raw Bites
- Nutro Farm's Harvest
- Instinct Ultimate Protein
- Raw Nibs (OnlyNaturalPet)

### New in 2016

- Backcountry for Cat
- Nat. Variety RawMarket
- NW Naturals for Cats
- Bixbi Rawbble etc.
- Halo Kibblets
- Wholelife



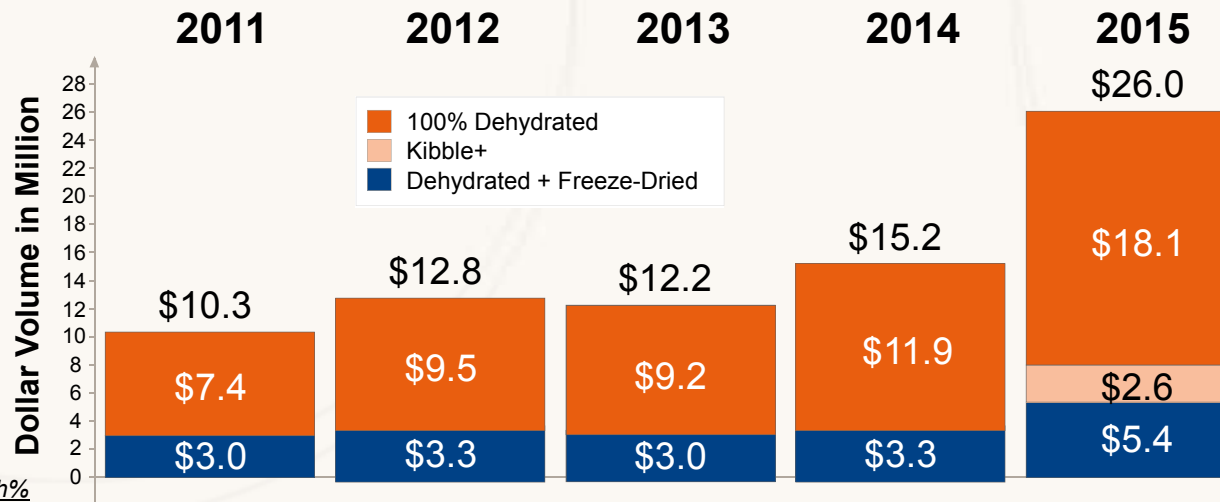


# What about other raw pet foods?





# Dehydrated Petfoods (Full Meal only)



Type of Dehydrated	Avg. Price Per Pound
100%	\$9.30
Kibble+	\$5.02
Dehy+FrzDr.	\$9.03

YOY \$ Growth%

<b>All Dehydrated Full Meals</b>	<b>+23.6%</b>	<b>-4.4%</b>	<b>+24.3%</b>	<b>+71.5%</b>
100% Dehydrated	+28.2%	-2.8%	+29.0%	+52.1%
Kibble+				
Dehydrated Base+ Freeze Dried Pieces	+12.0%	-9.1%	+9.7%	+61.8%

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### Established Brands

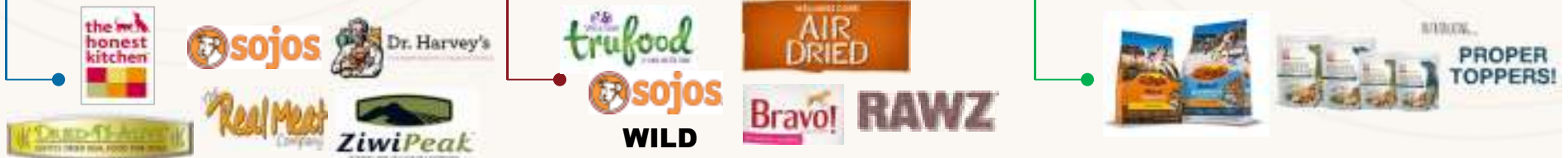
- Honest Kitchen
- Sojos
- Dr. Harvey's
- Dried 'n Alive
- ZiwiPeak
- Real Meat

### Launched in 2015

- Wellness Core Air-dried
- Trufood
- Bravo Homestyle Complete
- Sojos Wild
- RAWZ

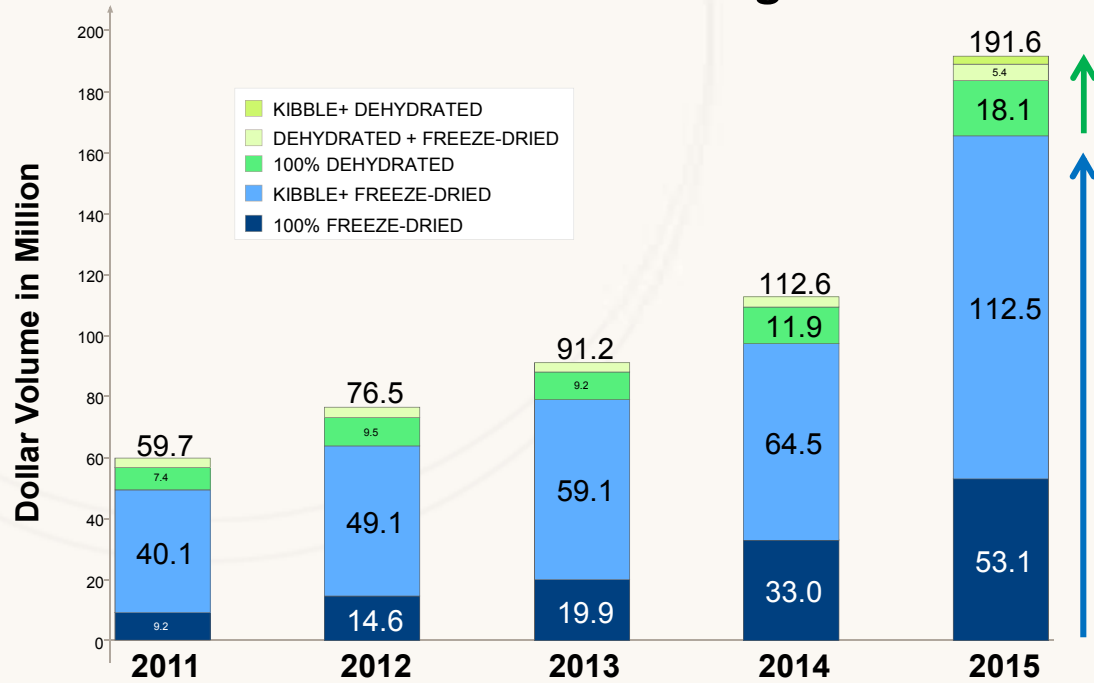
### New in 2016

- Proper Toppers
- Zuke's Ascent





## Preserved RAW Trend – Dog & Cat Full Meal



### Dehydrated Full Meal

\$26 Million annually, +71.5% YOY

Dehydrated and Freeze-Dried foods are the fastest growing food types in Pet Specialty retail.

### Freeze-Dried Full Meal

\$166 Million annually, +69.8% YOY

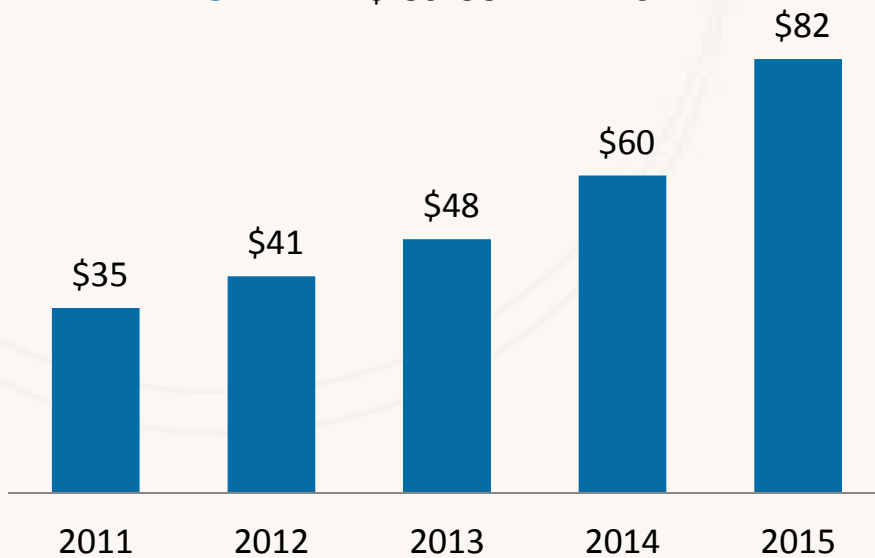


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# Raw frozen pet food trend in Pet Retail

**RAW FROZEN** – \$ sales in million



**+36%** sales growth year over year

**55%** distribution (up from 33% in 2011)

**\$1,100** per store/month;  
48% more than 2011

**17 SKUs** per shop vs. 12 in 2011

**\$5-6/lb.** +29% since 2011



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## Impact of Recalls on Raw Frozen Category

### PET FOOD RECALL ALERT



In 2015, raw frozen pet food was linked the majority of US recalls.

Frozen new item share declined from 4.7% in 2014 to 2.3% in 2015.

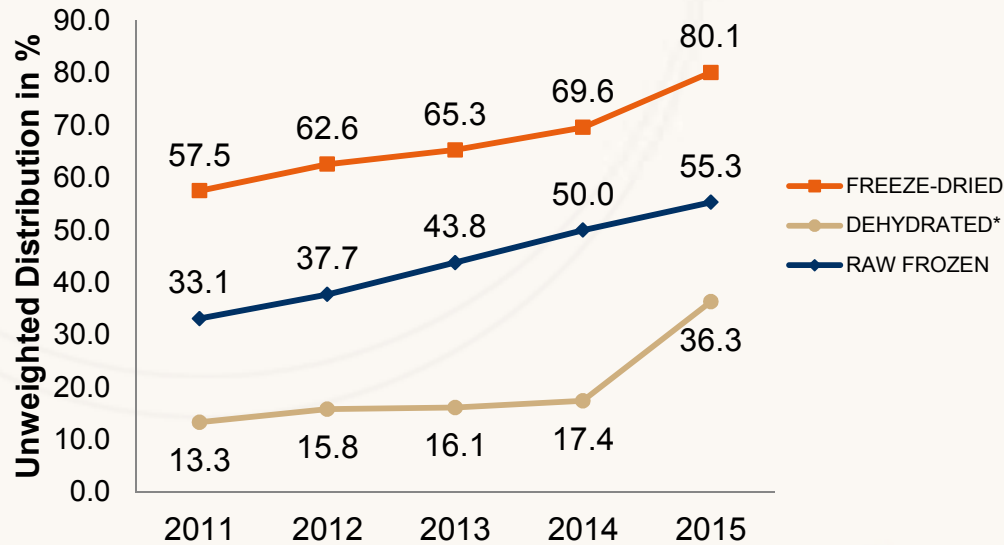
*Future growth of Raw pet food in the US may continue to slow unless manufacturers can regain consumer confidence.*



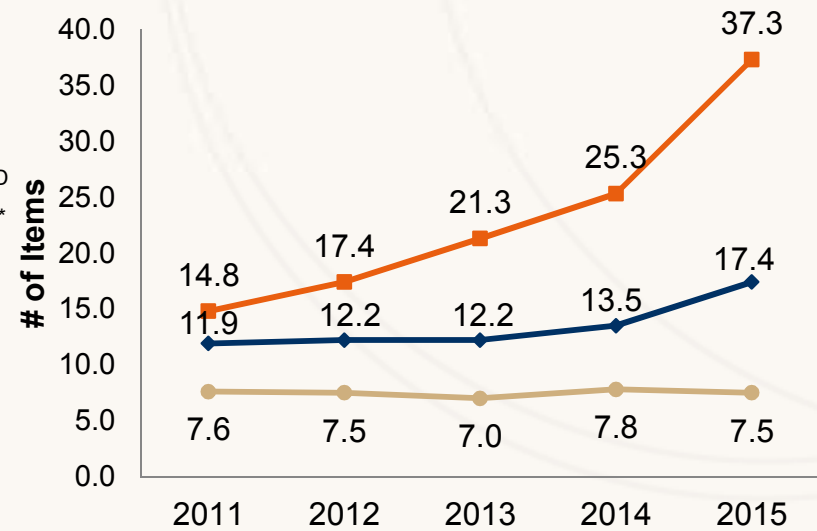


## Freeze-Dried/Dehydrated vs. Raw Frozen

### Distribution Trend - % of Stores Selling



### Shelf Space Trend - Avg. # of Items Selling



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The GfK logo is a red square with the letters 'GfK' in white.

# Summary

- Strong year for pet specialty retail, which grew at 5% YOY
- Natural accounts for 70% of all sales driven by consistent grain-free growth
- Freeze-dried grew vertically and horizontally, in all types and forms
- Dehydrated foods doubled in distribution, but shelf space remained flat
- Frozen petfood sales grew rapidly, but innovation points to a potential stall
- Premiumization continued but recent plateau in price per pound may suggest that 'value offerings' are becoming a bigger thing



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# Questions?



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# Thank you!

**Petfood**Industry

