



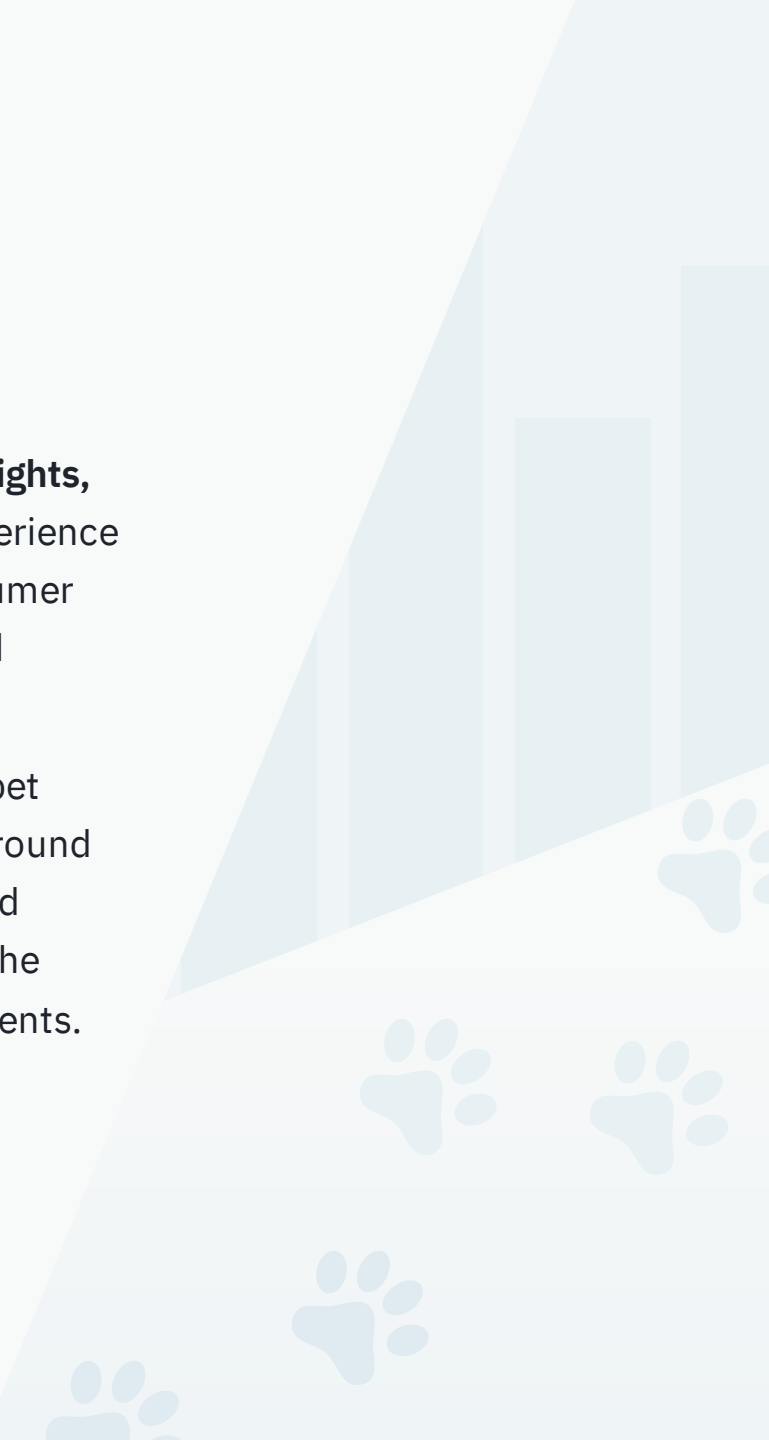
Insights, Key Takeaways, and Recommendations for the CPG Industry in the Pet Sector



Welcome

Welcome to our comprehensive report on the pet industry's first-half insights, trends, and projections for the future. As the pet market continues to experience rapid transformation, it has become imperative for businesses in the Consumer Packaged Goods (CPG) industry to understand the prevailing dynamics and capitalize on emerging opportunities.

In this report, we delve into the key observations and takeaways from the pet sector's performance in the first half of the year. Our analysis is centered around the impact of inflation, the shift in consumer behavior towards specialty and wellness products, the growing significance of functional ingredients, and the overarching trend of humanization influencing the choices made by pet parents.



Inflation Impact

Inflation has had a significant effect on the pet industry, leading to double-digit increases in average retail prices across all channels. Despite the price increases, total unit sales are declining, indicating changes in pet parent shopper behavior.

SPINS Pet Channel

+4.1%	-7.0%	+11.9%
Total Channel Sales	Total Units	ARP

Natural Channel

+4.5%	-8.0%	+13.6%
Total Channel Sales	Total Units	ARP

Conventional Channel

+13.8%	-6.3%	+21.4%
Total Channel Sales	Total Units	ARP

Shift to Specialty and Wellness Products

Pet parents are increasingly seeking pet products that align with their pets' lifestyle and dietary needs. This has resulted in a shift towards specialty and wellness products, which are experiencing the highest dollar growth and the lowest amount of unit declines.

RECOMMENDATIONS

Focus on Specialty and Wellness: CPG companies should invest in developing and promoting specialty and wellness products that cater to specific lifestyle and dietary needs of pets.

Natural

+3.3%

Dollars

-7.6%

Units



Specialty & Wellness

+16.3%

Dollars

-3.3%

Units



Conventional

+11.4%

Dollars

-14.8%

Units



Functional Ingredients Driving Purchasing Decisions

Functional ingredients are gaining importance among pet parents, and they continue to shop for products that offer specific benefits. Some ingredients, such as probiotics, hemp seeds, and collagen, are standing out and driving growth in various health focus areas.

RECOMMENDATIONS

Emphasize Functional Ingredients: Products with clear and beneficial functional ingredients, such as probiotics, hemp seeds, and collagen, should be highlighted to attract health-conscious pet parents.

Pet Treats, Pet Care & Wellness Functional Ingredients Dol % Chg, YTD Week Ending 6/18/23

Antioxidant, Immunity, Total Health	+27.5%	Thiamine (Vitamin B1)
	+7.9%	Homeopathic Remedies
	+0.4%	Multi-vitamin – Adult
Gut Health	+14.2%	Probiotic Supplement
	-2.1%	Pumpkin
	-5.2%	Digestive Enzymes – Other
Anti-Inflammatory	+37.1%	Hemp Seeds & Derivatives
	-3.2%	Glucosamine Chondroitin Combo
	-18.6%	Cannabidiol (CBD)
Skin & Coat Health	+76.6%	DHA Products
	+17.8%	Collagen Products
	-0.0%	Fish Oil Concentrate

Humanization of Pets

The humanization of pets is a long-standing trend that continues to influence the pet industry. Pet parents are treating their pets more like family members, leading to increased demand for services like pet travel and pet insurance.

RECOMMENDATIONS

Humanization is a Priority: Pet brands should recognize the humanization trend and tailor their products and marketing strategies to appeal to pet parents who treat their pets as part of the family.

KEY TAKEAWAYS



Pet Travel Services have been on the rise and are expected to reach 1.3 billion by 2031



As Pet Health Care costs continue to rise, **Pet Insurance** has continued to grow

Sustainability and Alternative Proteins

Sustainability is becoming a significant focus in the pet industry. Alternative protein sources, such as alt proteins and regenerative agriculture, are gaining traction. Unique protein sources like seaweed, mussels, and lionfish are entering the consumables space.

RECOMMENDATIONS

Sustainability and Alternative Proteins: Brands should explore sustainable practices and incorporate alternative protein sources into their product offerings to meet the growing demand for eco-friendly and ethical choices.

KEY TAKEAWAYS



Regenerative Agriculture making a push into pet



New and unique protein sources like **seaweed, mussels, and lionfish** enter the pet consumables space

Mental Stimulation and Health

With many pet parents working from home, there is a growing need for products that stimulate pets' minds and keep them mentally healthy. Freeze-dried and minimally processed foods are becoming popular choices to preserve raw nutritional ingredients.

RECOMMENDATIONS

Mental Stimulation Products: CPG companies should develop products that stimulate pets' minds and keep them engaged, especially considering the increasing number of pets spending time at home with their owners.



KEY TAKEAWAYS

Many **canine behavior problems** can be caused by boredom or lack of mental stimulation



Mental stimulation can help our older dogs stay **mentally healthy**

Declining Trends

Some trends are losing steam in the pet industry, such as CBD products due to rising regulations and concerns over pet safety. Dry kibble sales are declining as consumers seek fresher and less processed options.

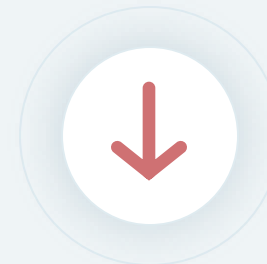


KEY TAKEAWAYS

CBD saw a major decrease in 2022 due to rising regulations and concern for pet safety



Pet parents are turning away from **dry kibble** and towards increasing fresh options and unique proteins



The FDA will no longer release updates on **Dilated cardiomyopathy (DCM)**

Conclusion

In conclusion, our in-depth analysis of the pet industry's first-half insights and trends has shed light on the evolving landscape that awaits CPG companies. As the humanization of pets continues to shape consumer behavior, it is evident that pet parents seek more than conventional pet products; they desire solutions that cater to their pets' specific lifestyle and dietary needs. This shift has led to a surge in demand for specialty and wellness products, offering a tremendous opportunity for businesses to meet this evolving consumer demand.

Note: This marketing report is based on the content provided during the SPINS mid-year trends recording featuring Scott Dicker and Jessica Maniscalco.



Thank you!

For more information, contact
growth@spins.com

