Pet Specialty Market Overview
Trends and Insights

Presented by Maria Lange | PIJAC 2016
Working with Retailers to build a Pet Specialty Panel

**Retailers**
- Send GfK their data
- Receive market & benchmark reports

**Manufacturers**
- Subscribe to market reports
- Make informed business decisions using data

**GfK**
- Receive data from retailers
- Produce market reports, analyze, & consult on market insights

Data-based Discussions
Data Exchange Relationship
Data-based Consultancy
GfK Retail Panel for Pet Care

**Existing retail panels**
- North America
  - USA (1994)
- North America
  - Canada (2017)
- Western Europe
  - UK & IRL Vet (2001); UK (2015)
  - Germany Vet (1982)
  - France (2005)
  - Greece (2015)
  - Spain (2013)
- CEE / META
  - S Africa (2014)
  - Slovakia (2015)

**In progress**
- APAC
  - China (2013)
## Canada – Pet Retail Universe 2015

<table>
<thead>
<tr>
<th>Province</th>
<th>2014</th>
<th>2015</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>AB</td>
<td>249</td>
<td>231</td>
<td>-7%</td>
</tr>
<tr>
<td>BC</td>
<td>343</td>
<td>307</td>
<td>-10%</td>
</tr>
<tr>
<td>MB</td>
<td>58</td>
<td>57</td>
<td>-2%</td>
</tr>
<tr>
<td>NB</td>
<td>38</td>
<td>38</td>
<td>--</td>
</tr>
<tr>
<td>NL</td>
<td>17</td>
<td>17</td>
<td>--</td>
</tr>
<tr>
<td>NS</td>
<td>55</td>
<td>44</td>
<td>-20%</td>
</tr>
<tr>
<td>ON</td>
<td>835</td>
<td>815</td>
<td>-2%</td>
</tr>
<tr>
<td>PE</td>
<td>7</td>
<td>7</td>
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</tr>
<tr>
<td>QC</td>
<td>425</td>
<td>393</td>
<td>-8%</td>
</tr>
<tr>
<td>SK</td>
<td>35</td>
<td>35</td>
<td>--</td>
</tr>
<tr>
<td>YT</td>
<td>1</td>
<td>2</td>
<td>+100%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>2,034</strong></td>
<td><strong>1,946</strong></td>
<td><strong>-4%</strong></td>
</tr>
</tbody>
</table>
Canadian Pet Specialty Retail Universe 2016

1,946 Stores
Timeline for Canadian Pet Retail Panel Launch

- **Finalizing Recruitment And Coding Phase**
  - **September/October 2016**
  - Last Call for Retailers to join the panel
  - Retailer scan data is being coded based on GfK code plan

- **Pre-Launch Leader Panel**
  - **Mid-November 2016**
  - Aggregating raw data from 200+ shops
  - Understanding segment, feature and brand shares

- **Launch Full extrapolated Panel**
  - **February 2017**
  - Data projected up to full Canadian Pet Retail Universe
  - SKU level data reporting
What’s happening in the US?
Pet Specialty Retail in Numbers 2011/2016

- Dollar Sales grew from $6.2Bn in 2011 to $8Bn in 2016 (+29%)
- Poundage Sales declined from 3.5Bn in 2011 to 3.3Bn in 2016 (-4%)
- Price for a pound of pet food At Pet Specialty is $2.40 (+34%)
- There are total of 559 pet food brands in the market (+52%)
- 2,880 new items were launched in the past year (+12%)
Market Size Trend
Dollar & Poundage Sales

**DOLLAR** Sales in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$6,207</td>
<td>$6,852</td>
<td>$7,282</td>
<td>$7,484</td>
<td>$7,832</td>
<td>$7,976</td>
</tr>
</tbody>
</table>

Growth accelerated again **+4.2%** (2016) vs **+2.8%** (2014)

**POUNDAGE** Sales in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3,463</td>
<td>3,533</td>
<td>3,479</td>
<td>3,395</td>
<td>3,349</td>
<td>3,320</td>
</tr>
</tbody>
</table>

Growth bounced back from **-2.4%** (2014) to **-1.7%** (2016)

*2016 - represents data for 12 months ending June 2016 (all other periods are based on calendar years)

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Pet Specialty Retail Trends

Channel migration – growing importance of eCommerce

Toy/small breed dog food – sales growth (+73% since 2011)
Rapid growth of Small/Toy Dog Breed Segment
Rapid increase in number of items result in rapid growth

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL ITEMS</th>
<th>Dry</th>
<th>Wet</th>
<th>Treats</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>504</td>
<td>$389M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>573</td>
<td>$460M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>587</td>
<td>$537M</td>
<td></td>
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<tr>
<td>2014</td>
<td>731</td>
<td>$600M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>867</td>
<td>$658M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAT 2016*</td>
<td>939</td>
<td>$505M +6.5%</td>
<td>$47M +8.1%</td>
<td>$123M +4.9%</td>
</tr>
</tbody>
</table>

RG 4598750 – ID 478889391: Dog Small/Toy Only, Total Pet Retail, *MAT 2016 through June
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Pet Specialty Retail Trends

Channel migration – growing importance of eCommerce

Toy/small breed dog food – sales growth (+73.5% since 2011)

Higher density products – freeze-dried & dehydrated petfoods
Pet Specialty growth has slowed in recent quarters
Value Natural & Private Label Growth are a partial driver of recent dollar growth slow-down (driven by large chains).

Private Label and Value Natural brands outpace growth for all other brands. The price difference of 20% is partial driver of the overall declining dollar growth in Pet Superstores.
Average Price per Pound – Food & Treats
2011 through June 2016

Price per Pound in $

FULL MEAL

TREAT

RG 4607227 – ID 479489951 | Total Pet Retail (Jan 2011 – Jun 2016)
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Premiumization of Pet Food in Pet Specialty Retail US
Key Categories - MAT June 2016

Natural
$5.6Bn
+7.6% YOY
70% market share
$2.77 per pound

Grain-Free
$3.0Bn
+20.2% YOY
37% market share
$3.07 per pound

*Full meal only | natural, grain-free and freeze-dried/raw products driving dollar growth
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Natural Grain-Free Trend

The driver of Natural Growth – without grain-free, the natural category is declining

PETFOOD
NATURAL

US Pet Retail
Grain-Free Driver of Natural Growth

Quarterly Trend
Adj. $ Volume and Growth YOY

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</thead>
<tbody>
<tr>
<td>1.2147</td>
<td>1.2218</td>
<td>1.2479</td>
<td>1.3170</td>
<td>1.3166</td>
<td>1.3315</td>
<td>1.3608</td>
<td>1.4210</td>
<td>1.4197</td>
<td>1.4037</td>
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</table>

Million (+,000)

54%

41%
Premiumization of Pet Food in Pet Specialty Retail US
Key Categories - MAT June 2016

Natural
$5.6Bn
+7.6% YOY
70% market share
$2.77 per pound

Grain-Free
$3.0Bn
+20.2% YOY
37% market share
$3.07 per pound

Limited Ingredients
$683MM
+12.5% YOY
8.6% market share
$2.58 per pound

*Full meal only | natural, grain-free and freeze-dried/raw products driving dollar growth
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Key Performance Metrics
Annual Sales & YOY Growth Trend by Segment

Segment Share %
- **Dry**
- **Wet**
- **Treats**

Year-over-Year Growth Trend % (last 3 years)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2014</th>
<th>2015</th>
<th>MAT Jun 16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dry</strong></td>
<td>10.8</td>
<td>11.4</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Wet</strong></td>
<td>14.1</td>
<td>8.7</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Treats</strong></td>
<td>28.3</td>
<td>7.6</td>
<td>13.6</td>
</tr>
</tbody>
</table>

**Total Category Growth**

- **2014**: $585.8MM
- **2015**: $651.7MM
- **MAT Jun 16**: $683.3MM

- **Dog Dry** makes up lion share of all LID sales (growing consistently in lower teens)
- **Strong growth for Cat Wet**, albeit a small segment

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Limited Ingredient Diet (LID) Segment “Expansion”

Original LID concept  →  New LID approach
Limited Ingredient Diet (LID) Segment
“A human trend”

That’s it. Fruit Bars

“All natural fruit bars made from 100% REAL FRUIT and only 2 ingredients: Apples and Pineapples! Seriously, That's it!”

RXBAR

“You love us for what’s inside. So we decided to be upfront about it. First things first, our exclusive, powerful core ingredients: egg whites, fruits and nuts. Our 100% natural flavors. And our one-of-a-kind promise: No B.S. Loud and clear.”
Premiumization of Pet Food in Pet Specialty Retail US
Key Categories - MAT June 2016

- **Natural**: $5.6Bn, +7.6% YOY, 70% market share, $2.77 per pound
- **Grain-Free**: $3.0Bn, +20.2% YOY, 37% market share, $3.07 per pound
- **Limited Ingredients**: $683MM, +12.5% YOY, 8.6% market share, $2.58 per pound
- **Frozen**: $97MM, +26.9% YOY, 1.2% market share, $6.51 per pound

*Full meal only | natural, grain-free and freeze-dried/raw products driving dollar growth
© GfK September 27, 2016 | PIJAC*
Key Performance Metrics
Annual Sales & YOY Growth Trend

Annual $ Sales Trend in Million

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>MAT Jun 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (M)</td>
<td>43.1</td>
<td>51.0</td>
<td>65.0</td>
<td>88.9</td>
<td>97.3</td>
</tr>
<tr>
<td>+/- % PY</td>
<td>19.5</td>
<td>18.3</td>
<td>27.3</td>
<td>36.8</td>
<td>26.9</td>
</tr>
</tbody>
</table>

Monthly Year-over-Year Growth Trend %

Frozen accounts for 1.2% of all sales
Key Performance Metrics
Distribution & Velocity Annual Trend

Velocity has doubled since 2011 and 36% since 2014

Stores selling frozen pet food nearly doubled from 38% to 63% of all stores (past 5 years)

- 2011: $36.1M
- 2012: $43.1M
- 2013: $51.0M
- 2014: $65.0M
- 2015: $88.9M
- MAT June16: $97.3M

% of Stores Selling/Distribution

Sales per Shop/Month (Thousands)
Premiumization of Pet Food in Pet Specialty Retail US
Key Categories - MAT June 2016

- **Natural**: $5.6Bn, +7.6% YOY, 70% market share, $2.77 per pound
- **Grain-Free**: $3.0Bn, +20.2% YOY, 37% market share, $3.07 per pound
- **Dehydrated**: $20MM, +37.1% YOY, New Items: 20 in ’15 vs. 26 in ’14, $9.54 per pound
- **Limited Ingredients**: $683MM, +12.5% YOY, 8.6% market share, $2.58 per pound
- **Freeze-Dried**: $61MM, +45.5% YOY, New Items: 75 in ’15 vs. 37 in ’14, $32.39 per pound
- **Frozen**: $97MM, +26.9% YOY, 1.2% market share, $6.51 per pound

*Full meal only | natural, grain-free and freeze-dried/raw products driving dollar growth
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### Key Performance Metrics – Raw Alternative

#### Annual Sales & YOY Growth Trend

**100% Dehydrated**

#### Monthly Year-over-Year Growth Trend %

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<tbody>
<tr>
<td></td>
<td>51.0</td>
<td>50.1</td>
<td>50.4</td>
<td>50.1</td>
<td>50.0</td>
<td>49.8</td>
<td>49.5</td>
<td>49.2</td>
<td>49.0</td>
<td>48.8</td>
<td>48.6</td>
<td>48.4</td>
<td>48.2</td>
<td>48.0</td>
<td>47.8</td>
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<tr>
<td></td>
<td>60.6</td>
<td>60.6</td>
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<td>66.7</td>
<td>67.1</td>
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<td>67.9</td>
<td>68.3</td>
<td>68.7</td>
<td>69.1</td>
<td>69.5</td>
<td>69.9</td>
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<td>70.7</td>
<td>71.1</td>
<td>71.5</td>
<td>71.9</td>
<td>72.2</td>
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</table>

**100% Freeze-dried**

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<tr>
<td></td>
<td>66.7</td>
<td>67.1</td>
<td>67.5</td>
<td>67.9</td>
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<td>60.4</td>
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<td>61.6</td>
<td>61.9</td>
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<td>62.6</td>
<td>62.8</td>
<td>63.0</td>
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<td>63.4</td>
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<td>57.4</td>
<td>57.5</td>
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</tr>
</tbody>
</table>

#### Annual $ Sales Trend in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>MAT Jun 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$27.4</td>
<td>$32.1</td>
<td>$48.2</td>
<td>$52.9</td>
<td>$61.0</td>
</tr>
</tbody>
</table>

**+/- % PY**

- 12.8
- 12.2
- 15.2
- 23.2
- 26.4

**YOY Growth Trend %**

- 40.0
- 17.2
- 50.2
- 58.0
- 43.4

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*100% Dehydrated includes 100% Dehydrated + Freeze-Dried Combination Full Meals.*

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Key Performance Metrics

Distribution & Velocity Annual Trend

While dehydrated foods have grown in distribution, freeze-dried foods grew to more than double the market size (greater dist. & sales/store)
Types of Raw Alternative
Lots of different ways to explore ‘raw’

**Full Meal**
- $69 Million Sales
- 357 items (+32% since 2014)
- 63% distribution
- $1,024 per shop/month
- $19 per pound

**Mixer**
- $17 Million Sales
- 53 items (+230% since 2014)
- 54% distribution
- $242 per shop/month
- $33 per pound

**Kibble+**
- $142 Million Sales
- 357 items (+62% since 2014)
- 75% distribution
- $1,427 per shop/month
- $3 per pound
Premium Dry Trend – Dog & Cat Full Meal
Annual $ Sales by Preservation Type in Million

<table>
<thead>
<tr>
<th>PETFOOD FULL MEAL DRY</th>
<th>US Pet Retail Premium Dry Petfoods Trend</th>
<th>MAT 2011 - 2016 $ in MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART DEHYDR.</td>
<td>PART DEHYDR+ FRZDRIED</td>
<td>20.4</td>
</tr>
<tr>
<td>DEHYDR+ FRZDRIED</td>
<td>PART FRZDRIED</td>
<td>236.4</td>
</tr>
<tr>
<td>100% DEHYDR.</td>
<td>100% FRZDRIED</td>
<td></td>
</tr>
<tr>
<td>100% FRZDRIED</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rapid Growth +66%

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PRU 114710 - RG 4543454 - RP 28149634 - ID 473112645
Types of Mixers & Meal Enhancers
Meal Enhancers Yearly Growth

Yearly dollar sales have grown rapidly, driven by total items nearly tripling since 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Items</th>
<th>Dog</th>
<th>Cat</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>66</td>
<td>56</td>
<td>10</td>
</tr>
<tr>
<td>2014</td>
<td>102</td>
<td>83</td>
<td>19</td>
</tr>
<tr>
<td>2015</td>
<td>130</td>
<td>105</td>
<td>25</td>
</tr>
<tr>
<td>MAT</td>
<td>164</td>
<td>121</td>
<td>43</td>
</tr>
</tbody>
</table>

Wet: $7.2MM
Liquid: $1.2MM
Preserved: $19.2MM

RG 4510350 – ID 471852884: Preserved – Freeze-Dried/Dehydrated, Wet – wet food topper (chunky/stew-like), Liquid – Soups, Purees
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Dueling Trends

Price per pound increased by 12% for Treats and 9% for Full Meal since January 2015.

Premium natural products vs. ‘value natural’ offerings that are usually about 20% cheaper.
Industry Buzzwords

- Limited Ingredient claim prominent on packaging
- Sustainability and Humane is a growing trend for pet food manufacturing
- Product offering for Small/Toy Breed dogs is growing
- Premiumization continues strong
YOU ARE INVITED!

 WHAT:
Live Webinar -- GfK pet food experts will be sharing trends and insights from our brand new Canadian Pet Specialty Point-of-Sale tracking database

 WHEN
Mid-November 2016

 HOW TO JOIN
Leave your business card to be invited or email us at petspecialty@gfk.com to get on the invitation list
THANK YOU!

QUESTIONS?

Maria Lange
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Business Group Director – Pet
maria.lange@gfk.com
@malangpet

About GfK
GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK’s long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers’ experiences and choices.

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