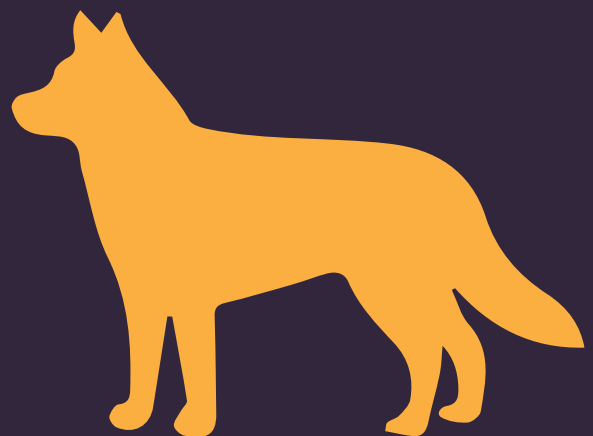


SNIPP! 



CPG pet care

INDUSTRY
TRENDS
2017



General Landscape

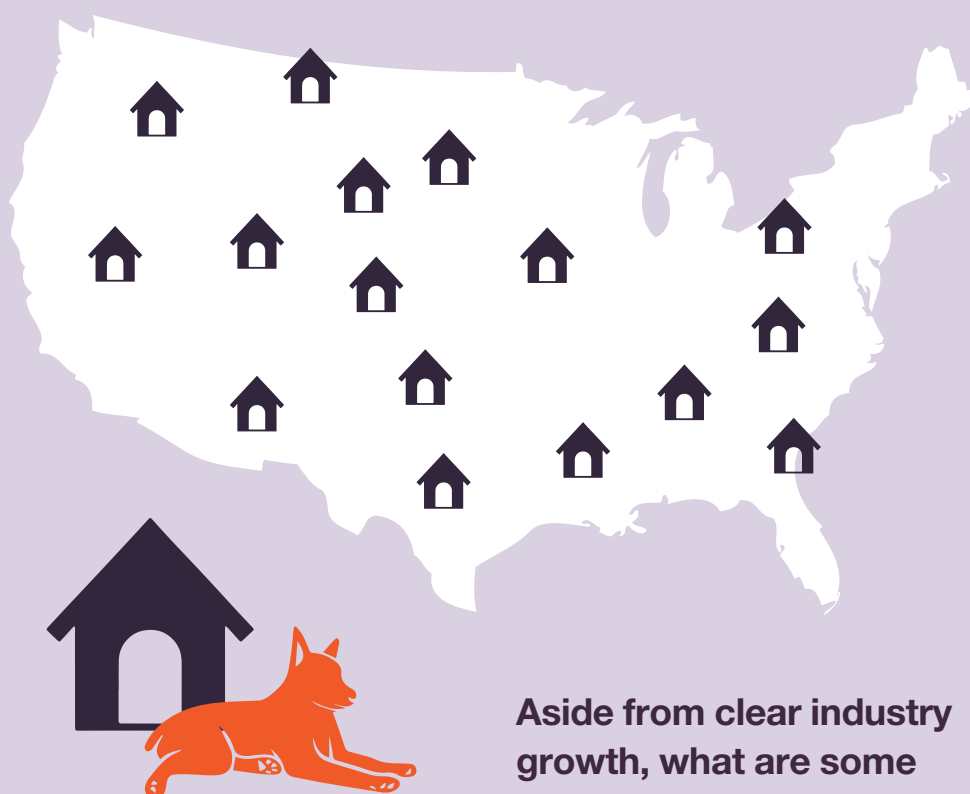
84.6 = 68%
MILLION
OF AMERICAN
HOUSEHOLDS
INCLUDE PETS
OF U.S.
HOUSEHOLDS

A lot of American homes now include pets. According to a 2017-2018 National Pet Owners Survey, they number in the millions.

While pets are found in households of all economic levels, high-income households account for about 60% of the total category spend, and they're treating their pets like fur-babies.

This obviously makes for booming business within the U.S. pet industry:

- Estimated to reach \$69 billion in revenue by the end of 2017
- Expected to reach \$96 billion in sales by 2020 according to Packaged Facts



Aside from clear industry growth, what are some of the key trends that CPG brands should watch out for in the pet care industry? This guide will help capture current consumer sentiment in order to help our partners make informed and strategic marketing decisions.



\$69
BILLION
BY 2017

\$96
BILLION
BY 2020

TREND #1

Pet Care CPG Sales Are Increasingly Shifting Online

According to a 2016 survey, 46% of pet owners buy pet products online, up from 41% in 2015 and 33% in 2014. This increased tendency to shop online reveals drastic channel shifts at play in the pet industry.

Pet care is currently the fastest growing category in CPG e-commerce, growing by 67% to \$500 million in 2016 --- and responsible for 16% of overall pet care sales last year. This trend is expected to continue, with industry forecasts pegging growth of online sales of pet products at 10%-15% annually, through 2018, outpacing overall retail sales growth in this category.



2016

67%
GROWTH



\$500
MILLION



16%
OVERALL
SALES

With consumers moving online and towards e-commerce, pet brands are already changing the way they do business. But pet care e-commerce is still a fragmented landscape, with no clear winners. And, despite the sophistication of e-tailers, pet care brands in a 2016 Home Care study did not excel in digital. The study

found that large brands did not take advantage of digital economies of scale and efforts for producing online content were siloed. CPG brands looking to gain competitive advantage online have some work to do.

2018

10-15%
GROWTH
(estimated)



TREND #2

Humanization & Premium- ization is Taking Over Pet Care

There are currently more **American households with pets than households with kids, and 95% of pet owners consider their pets to be part of the family – ‘humanizing’ their furry friends, and shopping accordingly.**

Pet ownership is dominated by Baby Boomers and Millennials, and while there are striking differences between these demographics, they are uniform in their humanization of their pets:



80%

of pet owners report they treat their pets like their **children**



60%

celebrate their pets' **birthdays**



46%

have purchased clothing or **fashion accessories** for their pet

95%

OF PET OWNERS
CONSIDER PETS
PART OF THEIR
FAMILY



43%

reported buying non-essential items like **toys and apparel** on impulse



41%

turn to the **Internet** for information on pet care services

When it comes to pet food, these pet ‘parents’ are choosing options that address the same health concerns currently influencing humans, and eliminate preservatives, GMOs, and even gluten from their ingredients. 46% report they purchase products that they think will provide a wellness benefit to their pets, and the growth of healthy treats, specialty pet foods, and premium offerings reflects this trend --- in the \$5 billion dry dog food category at mainstream retailers, sales volume of value brands decreased 5.7% (2012-2015) while super-premium brand sales increased over 9%.



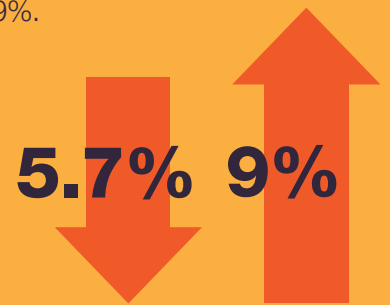
Not only are pet owners willing to spend on their pet’s food, this “pets as family” trend has given rise to a wide variety of high-end pet products and services, that is truly comparable to those for human babies -- including day care, pet fitness trackers, premium pet foods, concierge services, and more. For example, PetSmart Inc. teamed up with Ellen DeGeneres to create a ‘pet lifestyle’ brand featuring seasonal apparel and accessories, in addition to ‘natural’ grooming products.



46%
REPORT THEY PURCHASE PRODUCTS THAT THEY THINK WILL PROVIDE A WELLNESS BENEFIT TO THEIR PETS

In the \$5 billion dry dog food category at mainstream retailers,

sales volume of value brands decreased 5.7% (2012-2015) while super-premium brand sales increased over 9%.



2012 ————— **2015**

TREND #3

Increasing Customer Loyalty Within Pet Care Brands

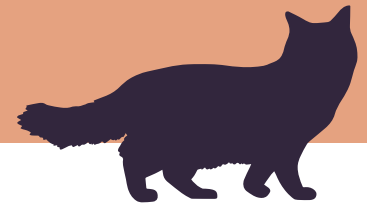
Pet food, toys, and pet accessories are all high-frequency purchases — and once pet parents find a brand they like, many remain loyal. 47% reported they purchase their preferred brand regardless of discounts or sales.

When today's pet owners head to the store, it's clear they are sparing no expense when it comes to the furry members of their families. In fact, pet food sales are about equal to beer sales and surpass several other popular categories like juice, coffee, yogurt, and cereal. Pet parents have a strong emotional connection with their pets, and brands that tap into this connection can reshape the way customers buy and care for their animals using their products.

As an example, with 36% of pet owners spending more than \$500 annually on pet medical expenses and \$200 a year on regular grooming, CPG companies can devise loyalty and engagement programs that reward pet owners who proactively invest in their pet's health -- making their brand significant to the daily life of the consumer.

In addition, pet care has been found to trigger more trips to the grocery store than any other CPG category-- 60% of Millennials, for example, purchase non-essential pet items at least once a week. This is vital to

retailers and large brands, as these shopping trips encourage consumers to browse around, and be influenced by in-store or online promotions that could prompt purchases in related or additional categories.



**36%
OF PET OWNERS
SPEND MORE THAN**



**\$500 annually on pet
medical expenses**



**\$200 a year on
regular grooming**



**60% of Millennials
purchase
non-essential pet
items a week**

Best Practices for the Pet Care Industry

How do CPGs in the pet industry increase customer retention and promote their appeal to pet parents?



REWARD LOYALTY Rewards programs are a great first step into the domain of long term loyalty. Since pet products are frequently repurchased, they are prime candidates for rewards/loyalty programs where points can be accumulated for redemption.

REWARD PET CARE Brands that succeed are ones that become a part of the daily life of a consumer – with pet parents fretting over the health and well being of their furry loved ones, pet brands can make their care rewarding. As an example, rewards points could be earned by simply taking their dog for a walk, making an emotional link between consumer and brand. Innovative tech integrations such as wearables-for-pets are a perfect fit for such rewards programs, as they can automatically track pet movements.

MAKE THE REWARDS PROCESS SIMPLE The program mechanics of a rewards program should have sufficient compatibility with mobile and tech devices. Receipt processing can be used for validating proof of purchase, which replaces outdated pin-on-pack mechanics and creates engaging mobile touchpoints for the consumer.



CONNECT EMOTIONALLY & SOCIALLY Social media is a natural marketing fit for pet brands, because pet parents live and share their relationships with their pets in that sphere. And they respond emotionally when it comes to their pets. A good story or image on social media can make a brand stand apart – for example, BarkBox, a subscription based premium pet product brand put together an Instagram Story consisting of multiple clips from a “doggie interview” between an employee and a little pug. It told a humorous, engaging story — all without coming off as salesy or forced.



SHARE EXPERTISE When pet owners have questions about caring for their pets, 41% turn to the Internet for answers. Through effective content marketing, brands can take advantage of their own expertise to be a trusted resource, providing answers to the questions consumers would like to know.



4

CREATE FUN, ENGAGING PROMOTIONS Tie promotions or marketing with special holidays or events. For example, PetSmart teamed up with the movie ‘Secret Life of Pets’ through an innovative digital campaign that included many fun activations, including classic in store promotions, but also across their website and social accounts, a GoPro integration ‘to see what really happens when you leave your pet at home’, a mobile game for kids as well as a Petmoji app to create fun, unique emoji versions of customer’s pets. As another example, Kroger teamed with IAMS for a Holiday Pet Photo Giveaway, which asked consumers to post a picture of themselves with their pet on a Kroger Facebook or Twitter page for a chance to win a year’s worth of IAMS pet food.

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Snipp is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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