



2024 Pet Retail Channel & Sales Forecasts

Important disclosures can be found in Appendix

January 2024

CRC's Take: The Cleveland Research Pet Insights team gathers data and insights from industry leading suppliers, retailers, brokers, and data providers on a regular basis. As industry participants plan for next year, we have compiled preliminary sales forecasts for pet food and supplies categories across major retail accounts for 2024.

These estimates take into consideration anticipated market share shifts, macroeconomic impacts on consumer shopping behavior, and varying degrees of retailers' willingness to focus on pet categories in the coming year.

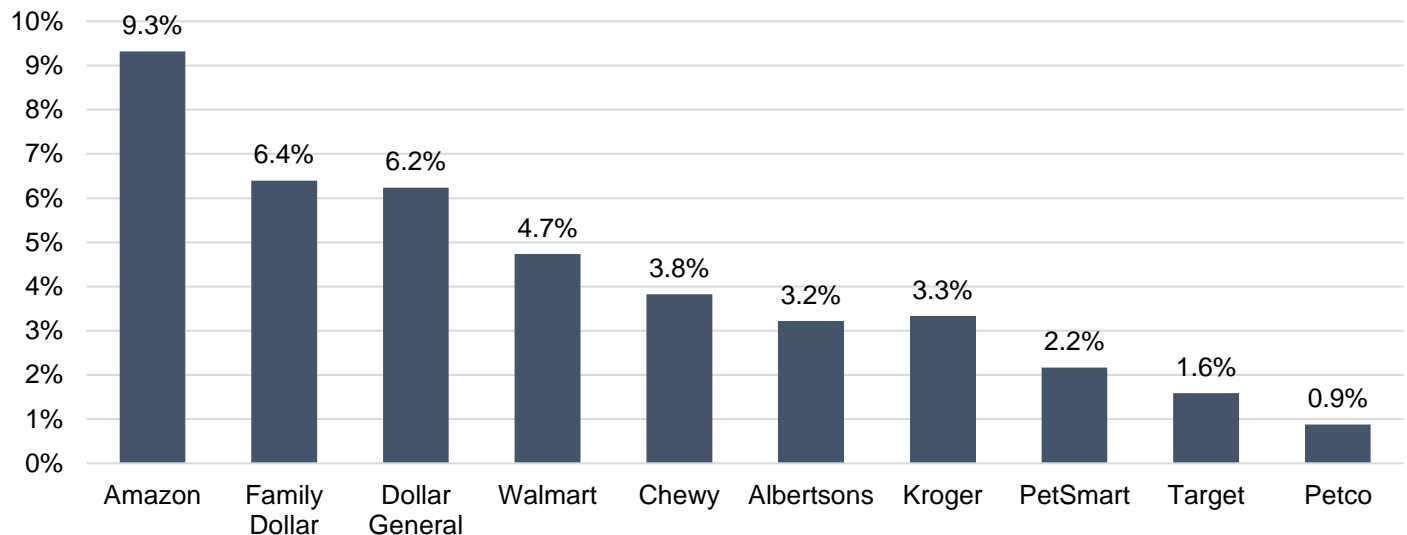
Our research suggests eCommerce pet retailers are likely to continue outpacing all other omnichannel accounts in 2024. Value oriented accounts like Walmart, Dollar General, and Family Dollar continue to appear best positioned to outperform brick & mortar pet retail peers.

We are happy to provide additional context on each major pet retailer that we believe are relevant considerations for 2024 sales planning.

We believe the overall pet food & supplies categories are likely to grow 4-5% in 2024, with the strongest momentum in eCommerce and Value channels. eCommerce channel retailers, namely Amazon and Chewy, appear to be gaining momentum from a sales growth and supplier focus perspective, across food, supplies and pharmacy categories.

2024 is likely to see continued strong momentum from Amazon especially, and decent total sales momentum across Club and Dollar channels, which are adding stores at a much faster rate than any other channel. On a like for like basis, Walmart remains at the top of most suppliers' priority lists and seems well positioned to continue to take share from most other classes of trade.

2024E Pet Retail Sales Growth



Source: CRC estimates, Company Reports



When looking specifically at offline pet market share, Walmart, PetSmart and Petco remain dominant players. However, when looking at online market share, pureplay retailers like Chewy and Amazon have nearly two thirds of the market. We see investments being made across other retail channels to become more omnichannel focused in the pet space to close this gap. Within our pet industry expert community, it is best practice to identify online, brick and mortar, and service offerings that are key components to pet retailers' growth strategies and for brands to be able to articulate their strategy and value proposition to address those offerings.

Pet food manufacturers appeared to be pleased with the supply recovery that took place throughout 2023 due to moderating raw material and supply chain issues. Our work suggests inventory shortage issues are largely behind most categories, with in-stocks trending above 90% for most brands. Feedback points to brands being able to service a broader range of retailers at sufficient levels vs. needing to prioritize key accounts. We see this as an opportunity for secondary channels to re-gain share in 2024 and beyond, capitalizing on brands' expanded capacity.

Sales growth in 2024 is expected to be driven primarily by unit volumes as most suppliers do not anticipate taking much/any additional price increases in 2024. Brands should prepare internal leadership for ongoing investment requests even as sales growth likely slows compared to the previous three years – with the largest retailer accounts looking to leverage momentum for incremental funding in 2024.

Overall, we see pet specialty channel growth is moderating as consumers look for trip consolidation and value, migrating their purchases to either eCommerce channels or value-oriented retailers. Chewy is committed to driving margin improvement even as sales growth moderates, and remains focused on adding new households (lower ASP items, aggressive site-wide calendar) and driving additional basket building. We believe Walmart and Amazon's pet investments in 2023-2024, and subsequent growth, will likely help the two retailers gain further traction in the space and market share in 2025.



John Selio, Senior Research Associate

John joined Cleveland Research in 2016 and currently covers the pet specialty, mass, eCommerce, grocery, value, and club channels. Through regular conversations with industry professionals, his team uncovers inflection points and communicates best practices for how supplier and retailers deal with their most challenging issues. John has over 1,000 conversations a year with many of the industry's thought leaders and enjoys aggregating the most relevant data points to tell a story of where the retail market is heading. John attended Miami University and currently lives in Cleveland, OH with his family.



Claire Obertin, Market Research Associate

Claire is a Market Research Associate at Cleveland Research Company, leading the Pet Insights Council, where she identifies and communicates key insights across the Pet Retail and Animal Health channels. Claire previously worked on the Home Improvement team at Cleveland Research, leading efforts within the eCommerce channel. Prior to joining CRC, Claire worked for J.P. Morgan Asset Management. Claire holds a bachelor's degree in Supply Chain & Operations Management and Marketing from Miami University.

APPENDIX

Disclosures: *It is the policy of Cleveland Research Company to comply fully with the antitrust laws set forth by the United State Federal Government and various state laws. Our research is intended to be utilized as a resource in accordance with those established antitrust laws and regulations. The information transmitted is intended only for the person or entity to which it is addressed. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer.*