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2024 is Shaping Up to Be a Big Year for Pet

As we venture into 2024, the Pet industry stands at the precipice of transformative shifts, poised to shape the future of how we care for our animal companions. With Pet expected to reach new heights in 2024—with a forecasted 4% increase in dollar sales¹—brands should stay vigilant on what consumers need from their Pet goods.

In recent years, premiumization has taken center stage in the pet space, reflecting changing attitudes towards pets as cherished family members and an increased focus on their health and well-being. Simultaneously, the ascent of private label offerings has reshaped the landscape of pet CPG, offering consumers cost-effective alternatives without compromising on quality. However, amidst these transformative trends, the specter of inflation deceleration looms, presenting both challenges and opportunities for Pet.

As we navigate the complexities of the year ahead, those in the Pet space must remain agile, innovative, and consumer-centric to thrive in an ever-evolving industry. Here are some ways NIQ thinks 2024 will shape up in the Pet space:

Premiumization

Premiumization in the pet space has become a major trend in recent years, with consumers increasingly opting for higher-quality, premium products for their pets. This trend has been driven by several factors including changing perceptions of pets as family members and a growing awareness of the importance of pet health and nutrition.

In response to this trend, Pet brands have been introducing a wide range of premium products, including natural and organic pet foods, grain-free options, specialty treats, and personalized pet care products. These premium offerings often boast higher-quality ingredients, better nutritional profiles, and additional benefits

such as improved digestion, joint health, or coat appearance. In the latest 52-week period, premium brands saw a 5% increase in dollar sales and a 5% decrease in units.²

Though units were down in the latest 52 weeks, premiumization is likely to see a general uptick, driven by evolving consumer preferences and the growing humanization of pets. As pet owners increasingly view their furry companions as integral members of the family, they are willing to invest more in high-quality, premium products that prioritize health, nutrition, and overall well-being.

This shift towards premiumization is expected to spur innovation in the pet CPG market, with an emphasis on natural and organic ingredients, functional benefits, and personalized solutions tailored to specific pet needs.

Brands that can effectively communicate the value proposition of their premium offerings, while maintaining transparency and trust, are likely to capture a larger share of the market and forge lasting connections with discerning pet owners. As the pet industry continues to evolve, premiumization will remain a key driving force shaping the future of Pet CPG.

Private Label

Private label offerings in Pet have become increasingly popular for both consumers and retailers, as consumers look for cost-effective and quality purchases and retailers look for flexibility and innovation.

For retailers, have greater control over private label offerings, allowing them to tailor products to their target market and differentiate themselves from competitors. This control extends to product development, pricing, marketing, and distribution. With this, retailers can also quickly respond to changing consumer trends and preferences by introducing new private label products or reformulating existing ones. This flexibility allows retailers to stay competitive in the dynamic pet CPG market and capture market share from national brands.

For consumers, private label products are often priced lower than national brands, making them attractive to budget-conscious consumers. Pet owners can save money without compromising on quality by choosing private label options. In the latest 52-week period, private label offerings in Pet saw a 14% increase in dollar sales and a 9% increase in unit sales;² private label was the only brand price tier to see unit sales increase.³

Private label is poised for significant growth and innovation. As consumers increasingly prioritize quality, affordability, and personalized options for their pets,

private label brands have the opportunity to capitalize on these trends by offering tailored solutions across various product categories, including food, treats, grooming supplies, and accessories.

With the growing awareness of sustainability and ethical sourcing practices, private label brands can differentiate themselves by emphasizing transparency, eco-friendly packaging, and responsibly sourced ingredients. By leveraging data analytics and consumer insights, private label brands can anticipate evolving preferences and develop innovative products that resonate with pet owners.

Additionally, strategic partnerships with retailers and e-commerce platforms will enable private label brands to expand their reach and compete effectively in the dynamic Pet CPG market. Overall, private label brands have the potential to play a significant role in shaping the future of the pet industry, providing consumers with diverse options that cater to their pets' unique needs while driving innovation and value across the market.

Inflation Decelerating

As inflation is on track to decelerate, the Pet industry is poised for a period of recalibration and strategic adaptation. While the slowing inflationary pressures may offer some relief to consumers, particularly in terms of purchasing power, the impact on pet CPG remains multifaceted. As of January 2024, CPG prices increased +1.4%, which is less than half the rate of increase for overall CPI inflation at +3.1%.⁴

On one hand, pet owners may feel more comfortable exploring premium and higher-priced offerings, driving demand for innovative and value-added products in the market. Conversely, manufacturers and retailers may face margin pressures as they navigate pricing strategies amidst competitive dynamics and evolving consumer preferences.

Forward-looking Pet brands are likely to focus on striking the right balance between maintaining product quality and affordability, leveraging cost-saving initiatives, and enhancing operational efficiencies to mitigate the effects of inflation deceleration while continuing to meet the evolving needs of pet owners.

Additionally, strategic investments in product innovation, marketing, and customer engagement initiatives may serve as key drivers for sustaining growth and competitiveness in the dynamic pet CPG landscape amid changing economic conditions.

As we move further into 2024, the key to success lies in agility, innovation, and consumer-centricity. Brands that can effectively communicate the value proposition of their

offerings, while maintaining transparency and trust, are poised to capture a larger share of the market and forge enduring connections with discerning pet owners. Strategic investments in product innovation, marketing, and customer engagement initiatives will be crucial for sustaining growth and competitiveness amid changing economic conditions.

With this, the Pet industry stands ready to embrace the challenges and opportunities that lie ahead, driving innovation, value, and well-being for pets and their devoted owners alike.

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1. NIQ OmniSales Measurement; 3 years ending 12/30/2023
2. NIQ Total US xAOC + Pet Retail, latest 52 weeks ending Jan. 27, 2024
3. Brand price tiers include Private Label, Value, Middle, and Premium
4. NIQ CPG Inflation Report, January 2024