Q2 2021

CONSUMER CONNECT: PET PRODUCTS SHOPPING SNAPSHOT

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July 2021

IRi
Growth delivered.

Executive Summary

While still lagging the optimism of 2019, consumer sentiment is bouncing back from the lows of 2020. Economic growth and declining rates of unemployment are helping.

Compared to Q1 2021, a greater percentage of consumers in Q2 report their household's financial health is good and that it will improve in the next six months.

More consumers report they're ordering their groceries online in Q2. Adoption is most notable among Gen Z and millennials, with a preference for in-store pick-up.

Good value, convenient store location, assortment for one-stop-shop and strong loyalty card discount programs are key drivers in choosing where to shop.

Strong national brand loyalty is prominent among consumers of all income groups and generations.

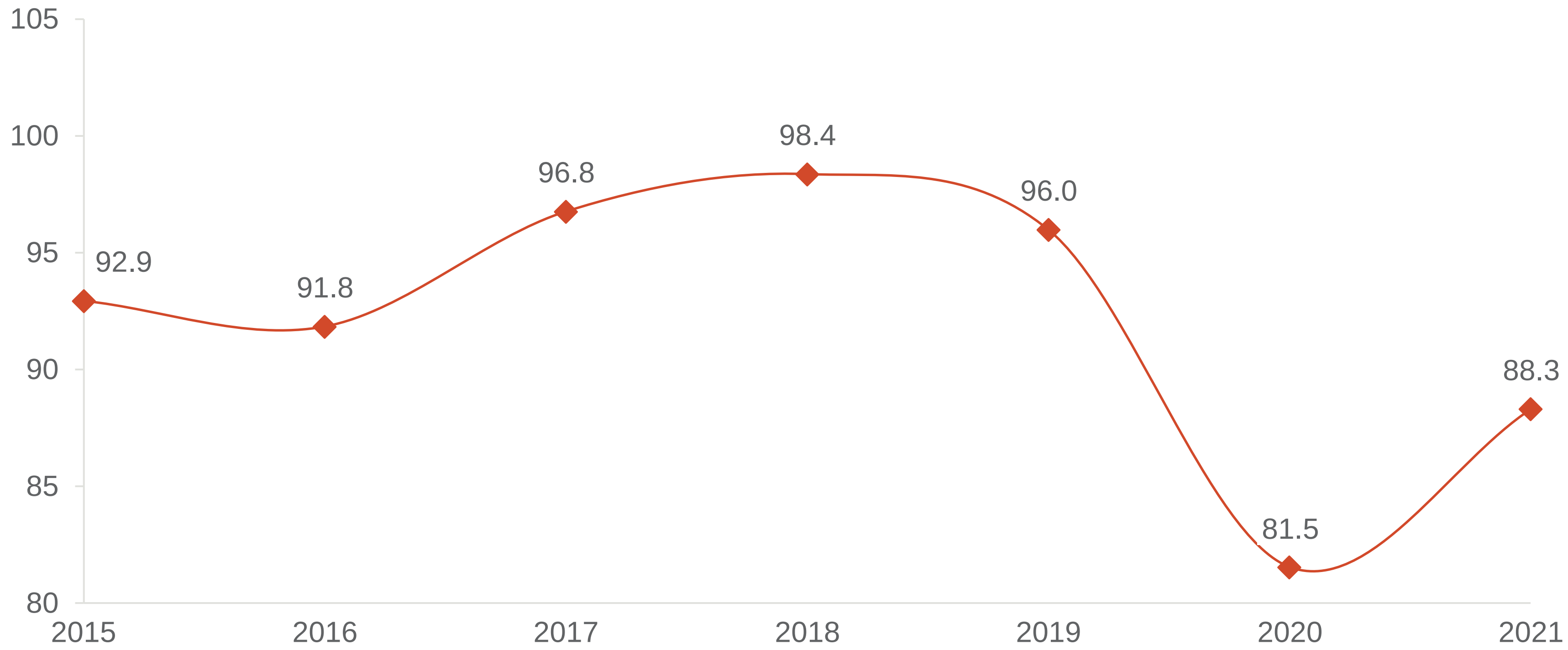
Dollar sales of pet products — including food, supplies and treats — through mid-June increased 7.1%, their highest growth since 2017.

Dollar sales of pet products are up overall, with club outperforming as mass and specialty pet stores continuing to struggle.

Nutrition is the top purchase influencer for pet food, followed by pet preference and best price.

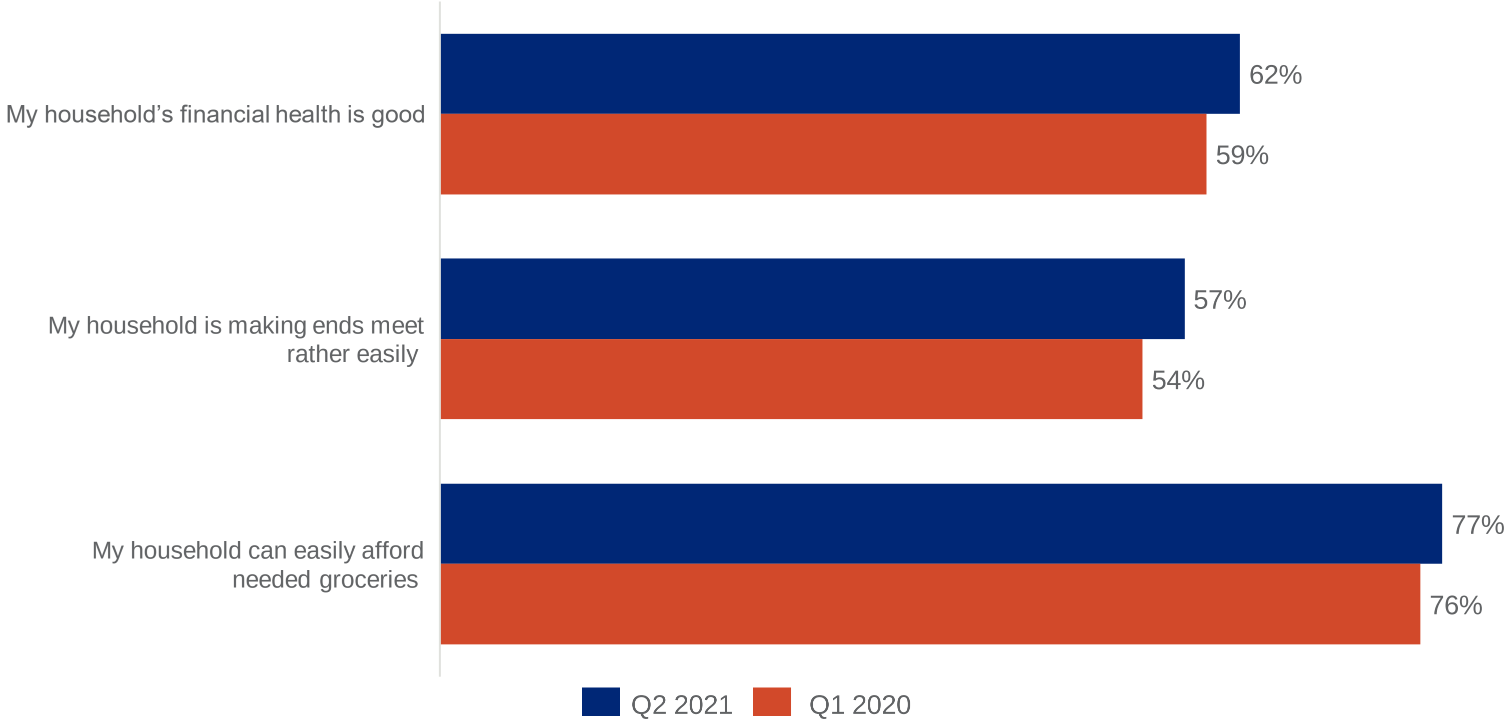
Consumer Sentiment Index Is Up 7 Points in July 2021 Compared to 2020

Consumer Sentiment Index
(July 2021)



Consumers' Financial Health Ticks Up: 6 in 10 Report Their Financial Health to Be Good and Can Easily Afford Groceries

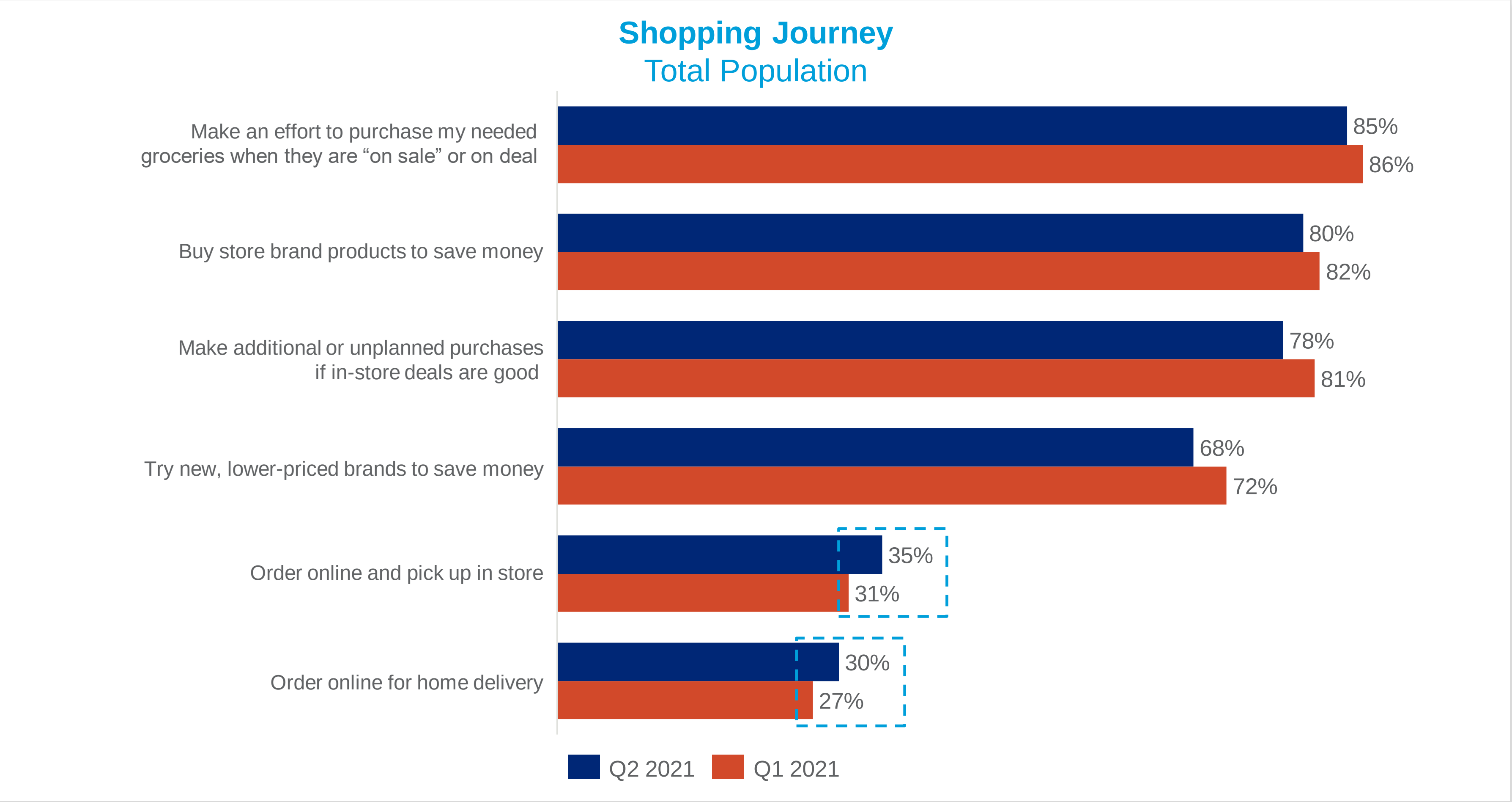
Household's Financial Situation



Agree With Statement Much More/Somewhat More
Source: IRI Consumer Connect™, Q2 2021

Money-Saving Shopping Behavior Declined Slightly Compared to Q1 2021

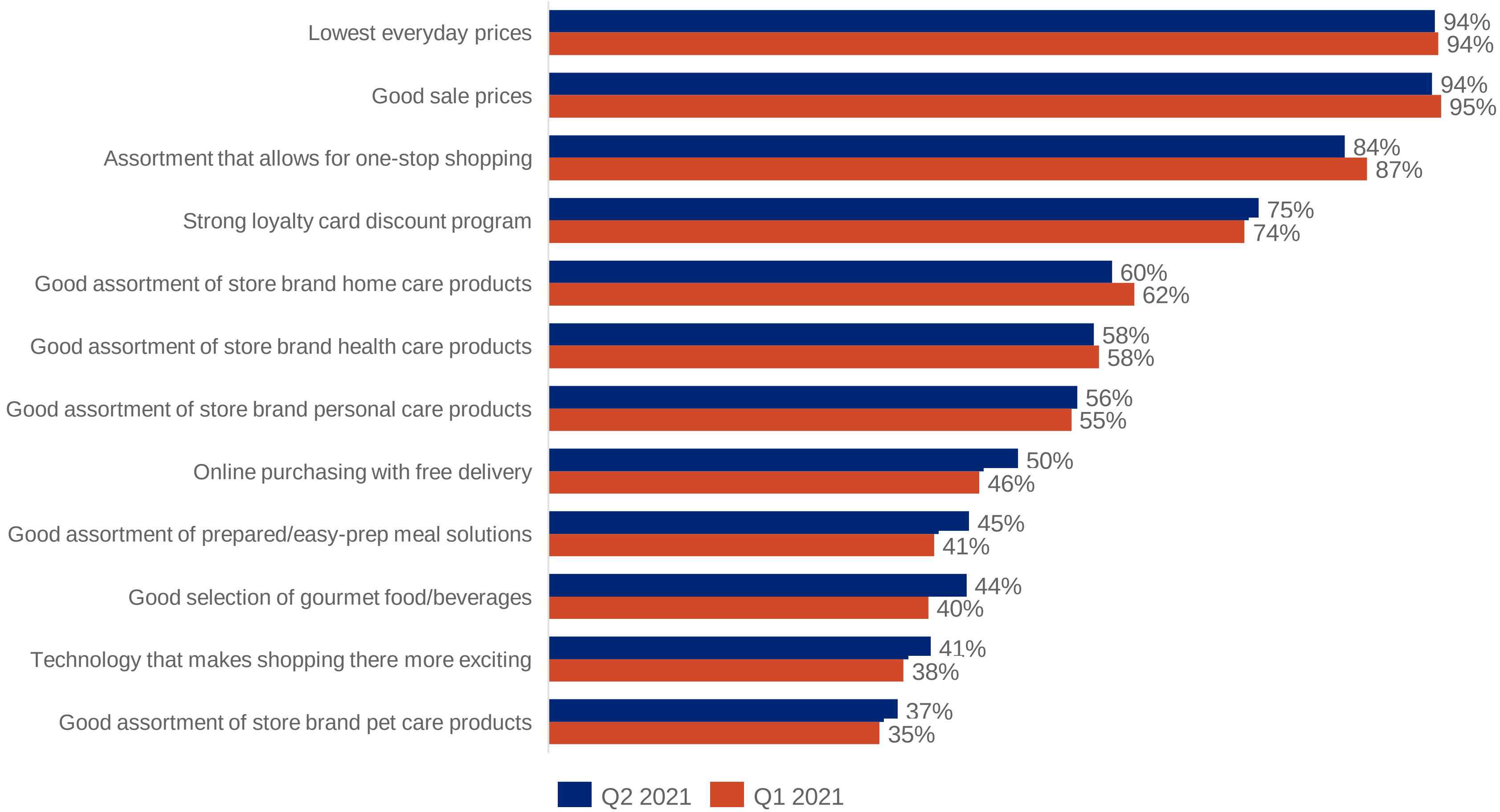
Online Shopping Up Slightly



Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q2 2021

Attractive Prices, Assortment for One-Stop Shopping and Strong Loyalty Card Discount Programs Are Key for Grocery Shopping

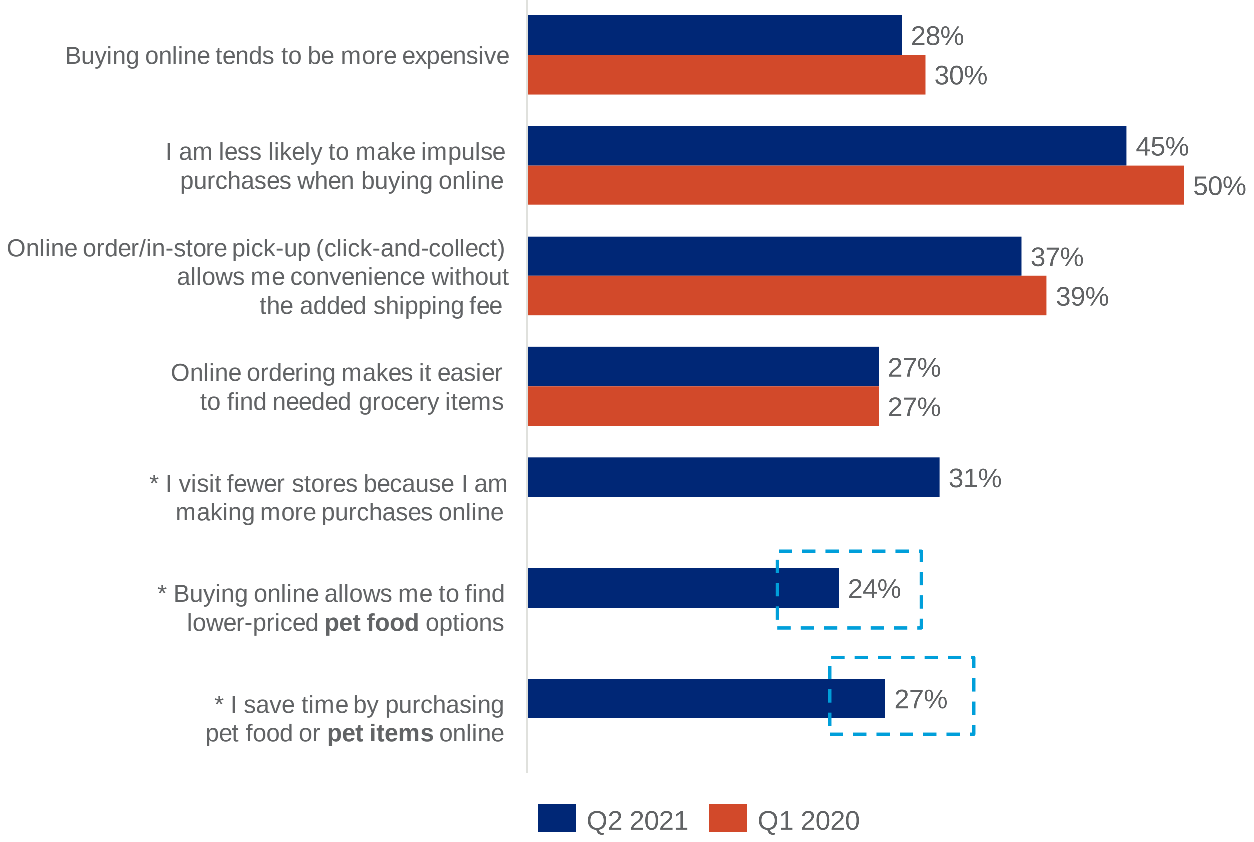
Grocery Shopping
Total Population



Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q2 2021

More Consumers Are Getting Comfortable Shopping Online

Online Shopping
Total Population



**Note: These questions were only asked for Q2 2021 (not Q1 2021); Top 2 Box Summary*
Source: IRI Consumer Connect™, Q2 2021

Pet Food Is Among the Top-Selling CPG Categories

Top 10 Categories — Dollar and Unit Performance
Total Pet Products*: $40B — $ % Chg. vs. YA: +7.1%

Dollar Sales | Unit Sales

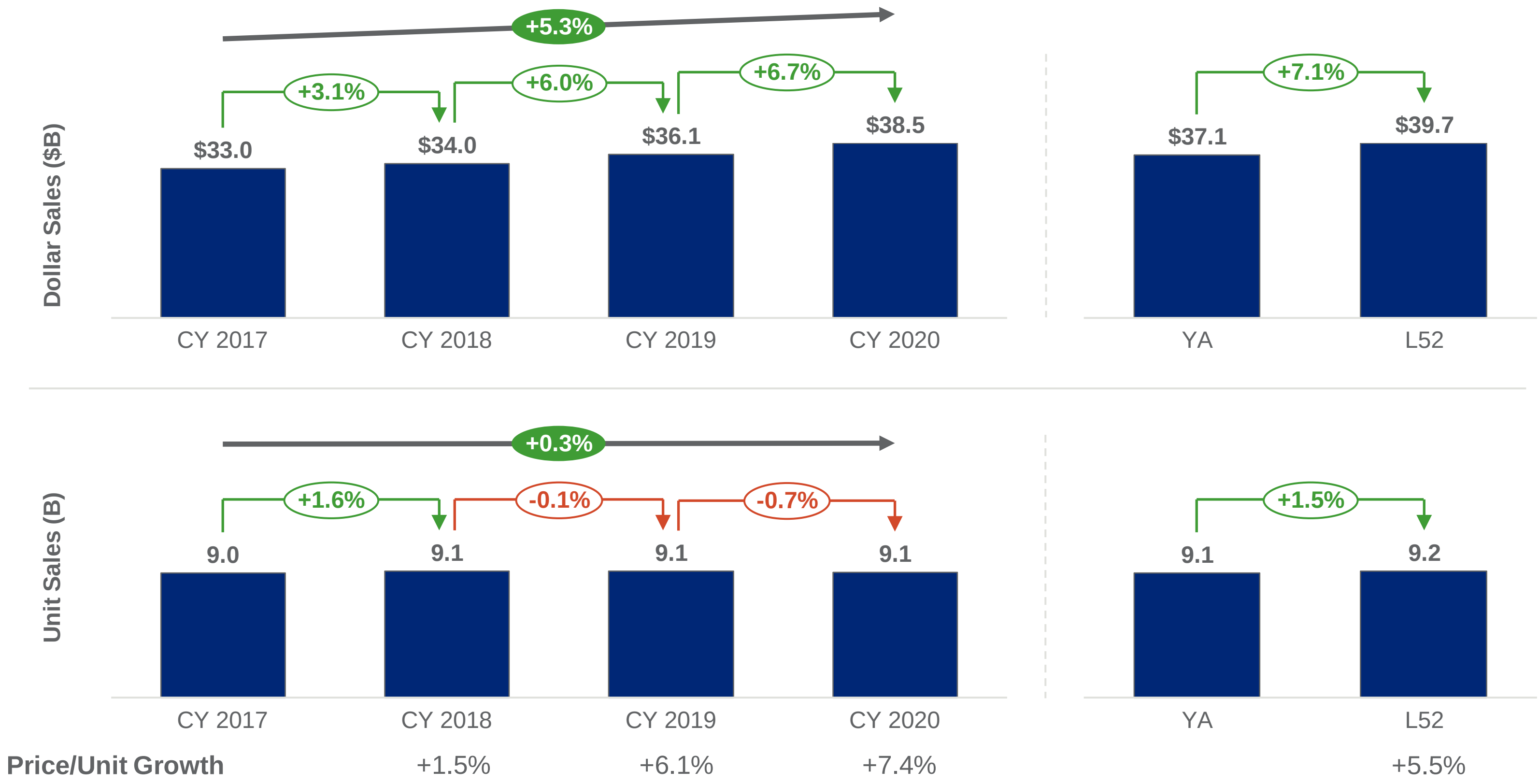
Rank	Categories*	% Chg. vs. YA (Dollar Sales)	% Chg. vs. YA (Unit Sales)	Dollar Sales ($B)	Unit Sales (B)	Price/Volume % Chg. vs. YA
1	Cigarettes	-6.6%	-11.0%	$36.6	2.9	4.7%
2	Beer/Ale/Alcoholic Cider	7.1%	2.5%	$27.4	2.5	3.2%
3	Salty Snacks	8.9%	4.7%	$26.6	9.7	4.0%
4	Carbonated Beverages	11.0%	7.1%	$26.0	9.6	5.8%
5	Pet Food	3.4%	-1.5%	$22.2	6.4	5.8%
6	Wine	7.4%	3.3%	$21.6	2.3	6.0%
7	Spirits/Liquor	13.1%	8.5%	$20.6	1.1	5.9%
8	Bottled Water	11.0%	8.6%	$18.5	8.8	3.4%
9	Natural Cheese	8.2%	4.9%	$17.5	5.0	3.5%
10	Milk	3.3%	-0.1%	$16.7	5.8	5.0%
16	Pet Supplies	10.6%	7.3%	$11.8	1.3	3.1%
43	Pet Treats	13.7%	11.3%	$6.3	1.4	6.1%

*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats; *Note: Top 10 categories are based on dollar sales
Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

Dollar Sales of Pet Products* Through Mid-June Increased 7.1%, Their Highest Growth Since 2017

Pet Products* — Dollar and Unit Sales Trend

CY 2017-CY 2020, Latest 52 WE June 13, 2021, vs. YA



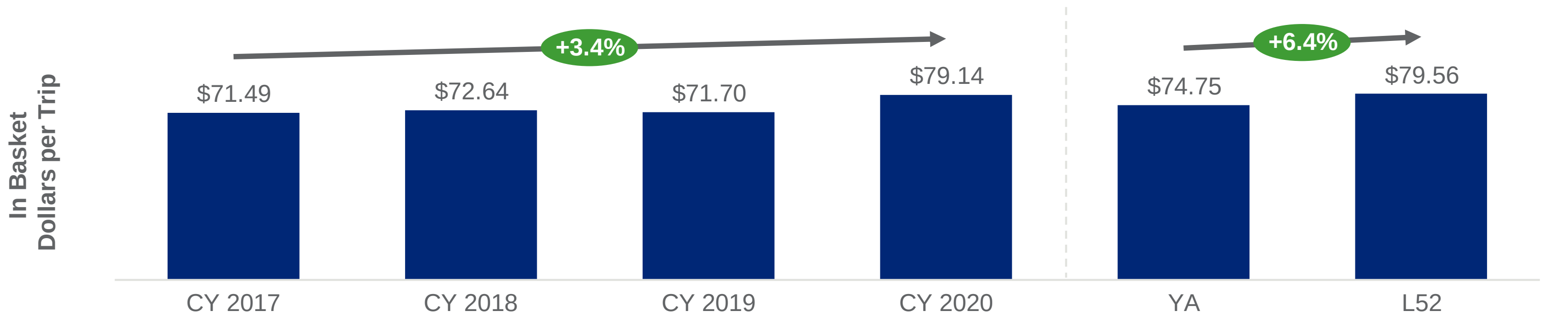
*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats

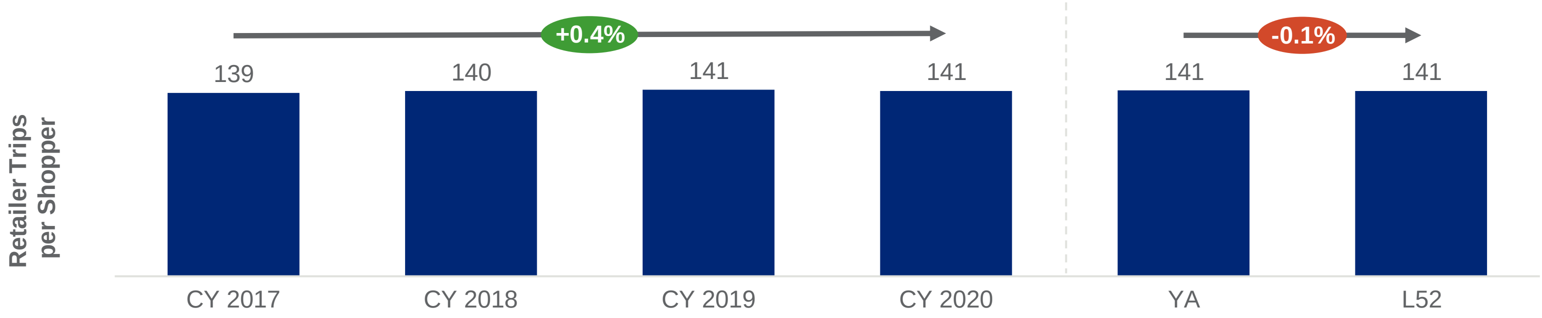
Source: IRI Consumer and Shopper Insights Advantage ™, All Outlets, CY 2017-CY 2020, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

Basket Size Has Grown and Trip Behavior Is Flat Compared to Year Ago

Pet Products* — Basket and Trip Size

CY 2017-CY 2020, Latest 52 WE June 13, 2021, vs. YA





*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats

Source: IRI Consumer and Shopper Insights Advantage ™, All Outlets, CY 2017-CY 2020, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

Pet Products Dollar Sales Grew Across Channels; Club Channel Outperformed, While Mass and Pet Stores Continue to Struggle

Pet Products* — Dollar and Unit Sales by Channel

CY 2017-CY 2020, Latest 52 WE June 13, 2021, vs. YA

Channels	Sales % Chg. vs. YA		Sales		CAGR (CY 2017–CY 2020)	
	Dollar	Unit	Dollar ($B)	Unit (B)	Dollar	Unit
All Outlets	7.1%	1.5%	$39.7	9.2	+5.3%	+0.3%
Pet	0.4%	-2.6%	$9.3	1.6	-1.4%	-5.3%
Grocery	3.6%	-2.3%	$7.2	2.8	+4.4%	+0.1%
Club	8.0%	9.7%	$2.8	0.1	+5.7%	+4.6%
Mass/Supercenter	0.5%	-7.9%	$1.2	0.3	-3.0%	-8.7%
Dollar	7.1%	8.4%	$1.1	0.5	+11.9%	+4.7%
Drug	5.3%	3.4%	$0.3	0.1	+0.7%	-4.1%
Convenience	2.1%	-0.7%	$0.1	0.0	+0.3%	+1.5%

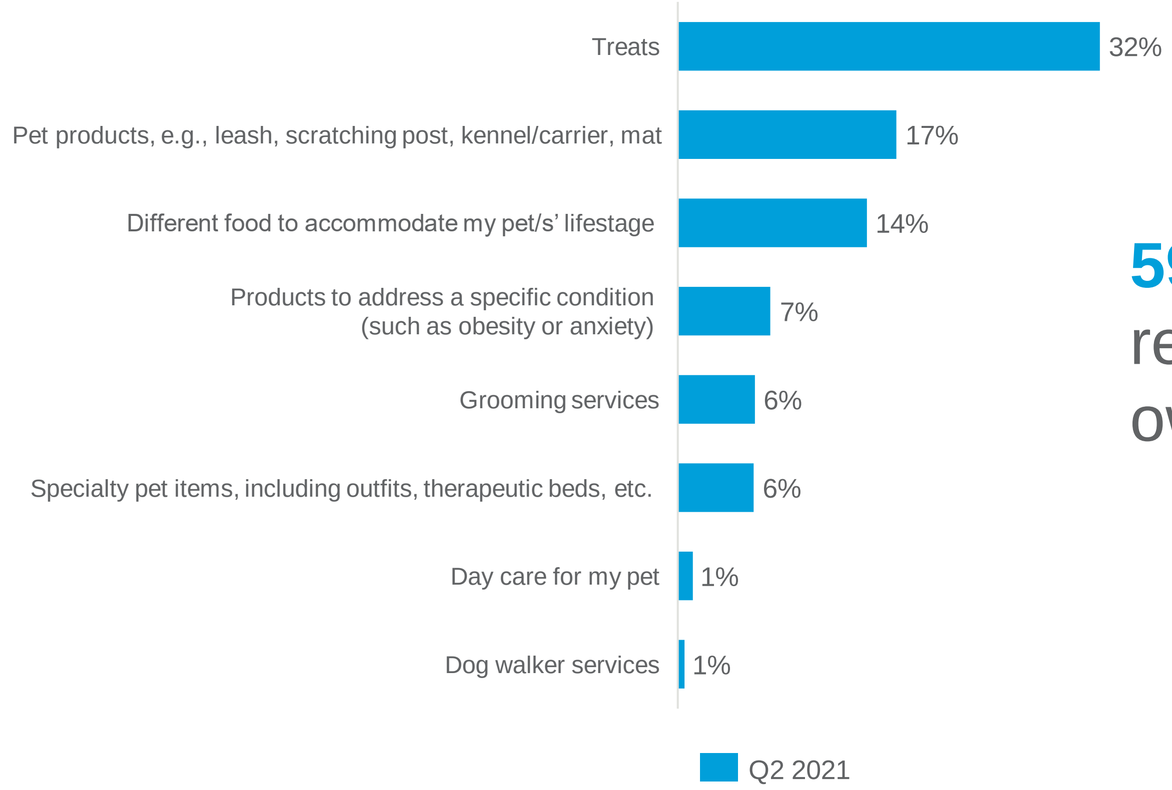
Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats

Note: Walmart not included in grocery or mass/super. Convenience data is from IRI Market Advantage ™; data for other channels is from IRI Consumer and Shopper Insights Advantage ™

Source: IRI Market Advantage ™, IRI Consumer and Shopper Insights Advantage ™, All Outlets, CY 2017-CY 2020, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

Pet Parents Indulged Their Pets With Treats During the Pandemic

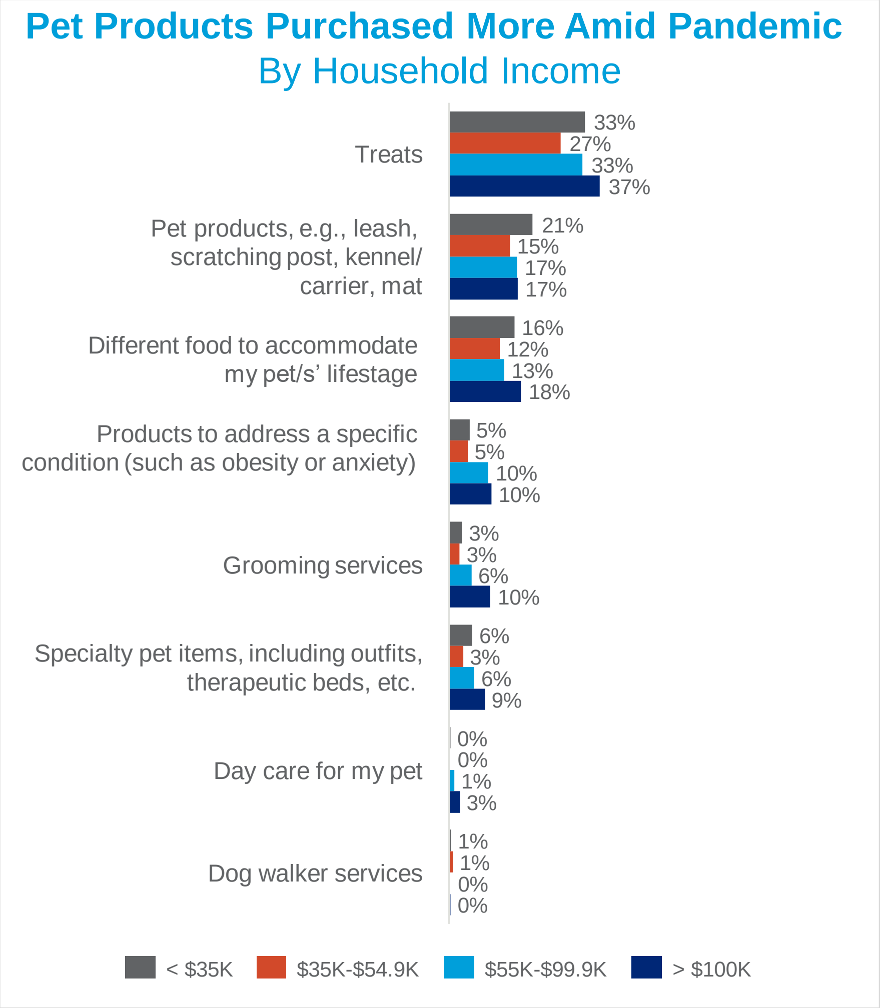
Pet Products Purchased More During The Pandemic
Total Population

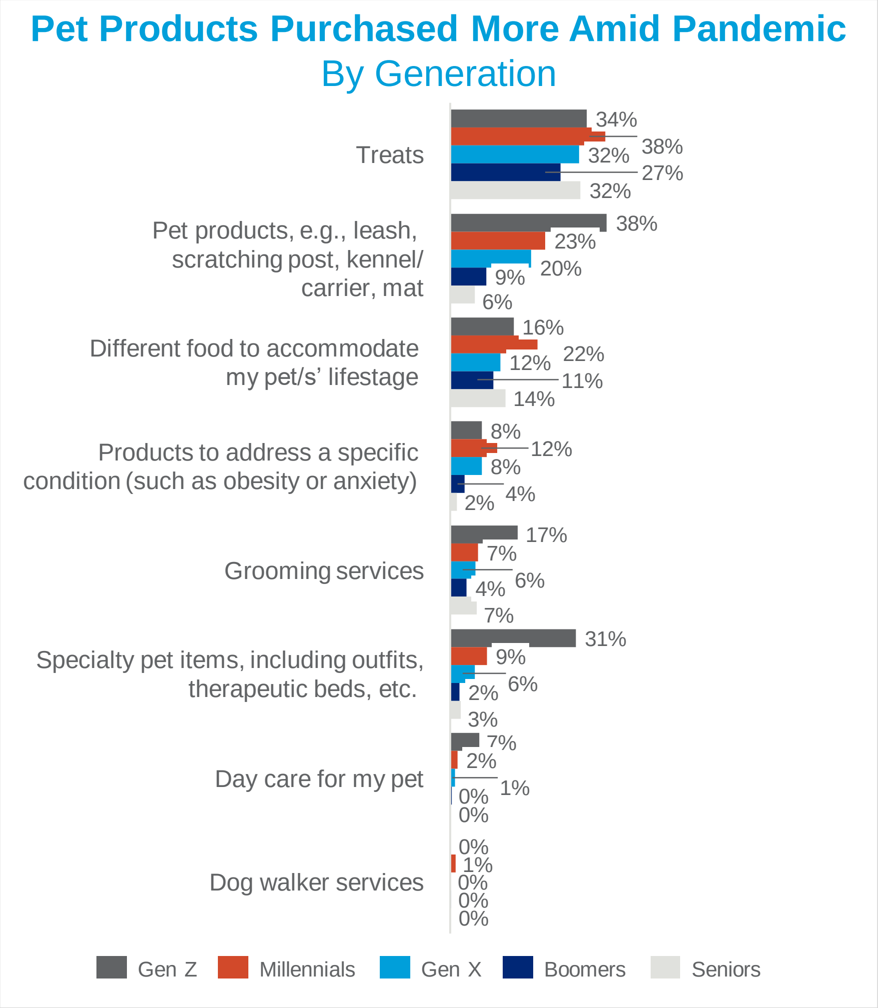


59.3% of respondents own a pet

Base = Currently Have Pet In Household
Source: IRI Consumer Connect™, Q2 2021

Gen Z, Millennials and Wealthy Households Purchased Pet Products More During the Pandemic





Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q2 2021

Millennials and Gen X Shop for Pets Across the Most Channels,

Notably Mass and Specialty, While Older Shoppers Prefer Grocery and C-Stores

Pet Products* — Channel Preference by Generation

Channel Dollar Share Index

Generations	Grocery	Convenience	Club	Drug	Mass/ Supercenter	Dollar	Pet	Speciality Stores
Younger Millennials	76	0	72	0	123	130	122	252
Older Millennials	85	110	108	136	143	94	104	104
Gen Xers	93	82	108	105	122	98	107	77
Younger Boomers	102	99	101	86	80	109	99	94
Older Boomers	110	126	94	89	70	91	90	100
Retirees & Seniors	126	0	88	110	76	95	86	123

Lowest Index — Highest Index

Channel preference by generation

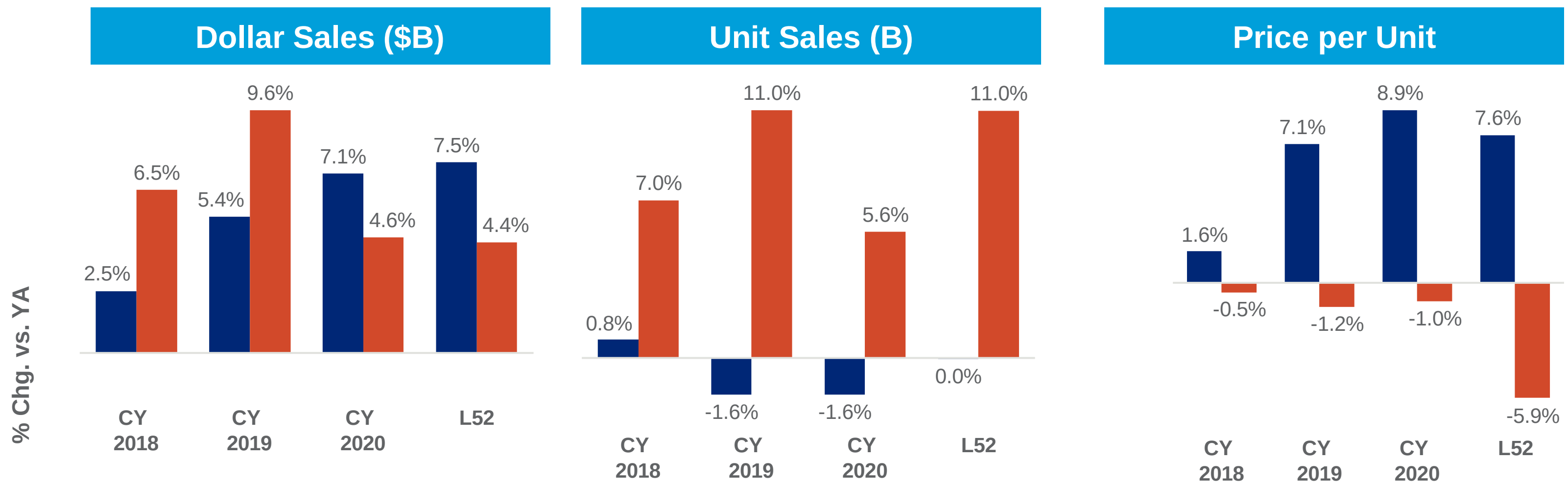
*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats; Note: Walmart not included in grocery or mass/super

Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, CY 2017-CY 2020, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

Dollar Sales of National Brand Pet Products Outperformed in L52 Weeks, Growing Faster Than Private Label

Private Label Is Fighting Back With Price

Pet Products*, National vs. Private Label
Dollar and Unit Sales Growth



National Brand	$28.7	$30.3	$32.4	$33.5	8.0	7.9	7.7	7.8	$3.60	$3.85	$4.20	$4.30
Private Label	$ 5.3	$5.8	$6.0	$6.2	1.1	1.3	1.3	1.4	$4.68	$4.62	$4.58	$4.41

National Brand Private Label

*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats
Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, CY 2018-CY 2020, 52 weeks ending June 13, 2021, vs. YA, NBD aligned

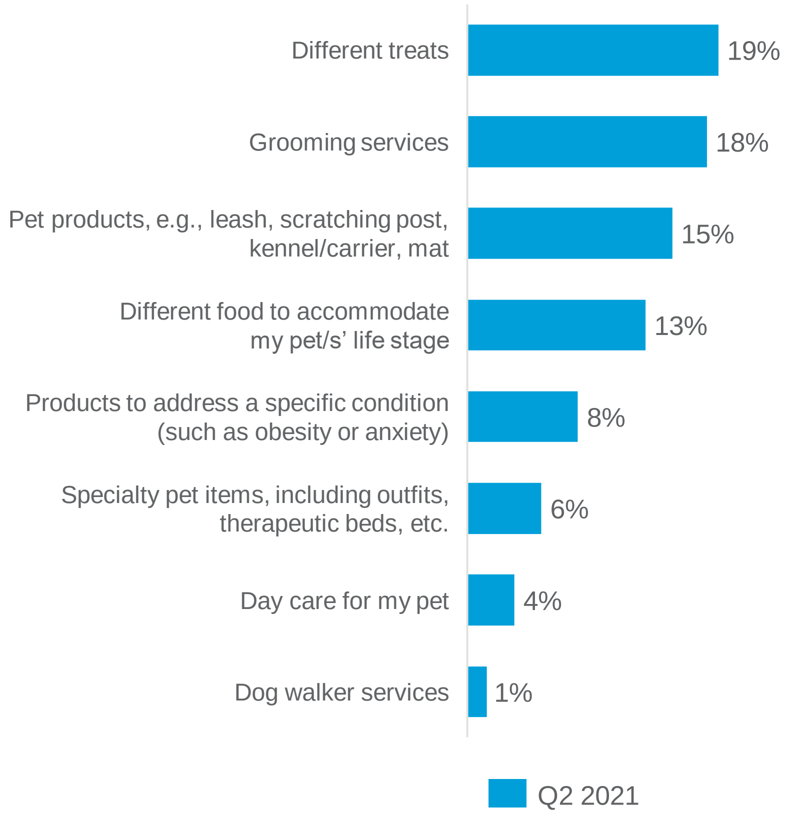
Pet Products Sales Trends Vary at the Retail Banner Level

Pet Products* — Dollar Sales Growth/Declines by Retailer

*Note: Pet Products = Aggregate of Category Pet Foods, Pet Supplies and Pet Treats; *Note: Among Top 100 Retailers are based on dollar sales
Source: IRI Consumer and Shopper Insights Advantage ™, All Outlets, 52 weeks ending May 16, 2021, NBD aligned

Pet-Owning Consumers Anticipate Needing Different Products/Services in the Coming Year

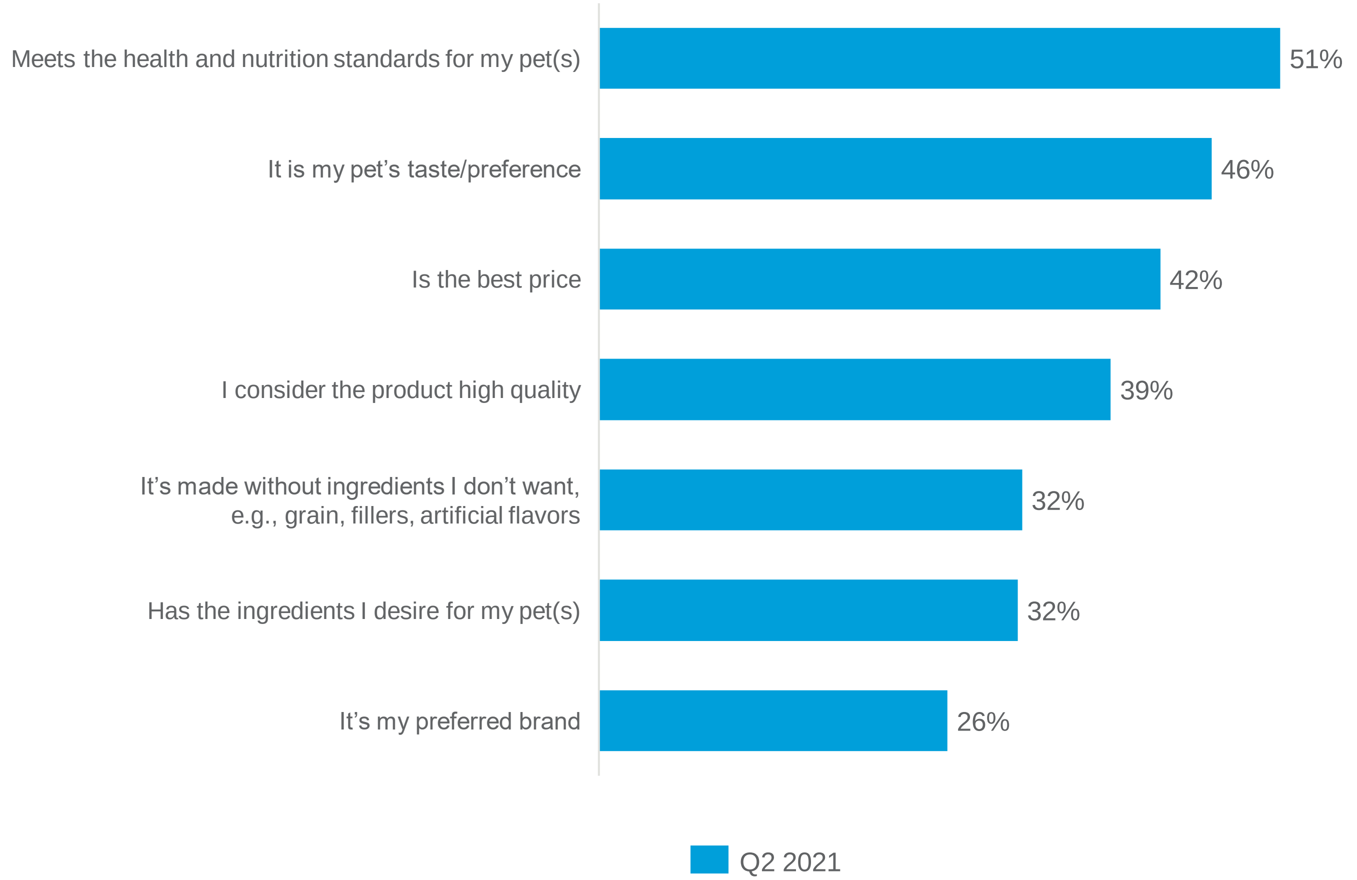
Products/Services Expected For Pet
Total Population



Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q2 2021

About Half of Consumers Shopping for Pet Food Consider Nutrition, Taste and Price to Be Important Factors

Most Important Factors When Deciding Pet Food, Total Population



Source: IRI Consumer Connect™, Q2 2021

About the Consumer Connect Index

The Consumer Connect Index (CCI) is intended to monitor consumers' financial health and their purchase behavior in terms of brand loyalty, attitudes toward organic/natural food and beverages, perception of national vs. store brands, and frequency of using retailer and manufacturer coupons.

CCI uses the data collected through the Consumer Connect Survey every quarter, which is benchmarked to Q1 2020 (indexed at 100).

Higher CCI index means that consumers have better financial health, are more loyal to certain brands in each category, give higher importance to organic/natural food and beverages, have better perception toward national brands, and use retailer and manufacturer coupons less frequently.

Methodology

Sample and Assumptions:
The Consumer Connect Survey is fielded to a nationally representative Consumer Network sample of over 2,000 respondents every quarter. Sample demos are comparable over time and changes in the state of the economy and the CPG industry are reflected in each quarter.

Measures:
CCI is measured based on responses to five questions:

1. My household's financial health is good (Agreement Scale)
2. Store brands are a better value than national brands (Agreement Scale)
3. Download coupons from a retailer/manufacturer website (Frequency Scale)
4. Good selection of natural/organic food/beverages (Importance Scale)
5. I have a few brand(s) in each category I will stay loyal to (Frequency Scale)

Calculation:

Calculate weighted proportion for each question by 3 age groups — (T2B for all questions except B2B for the 3rd question).

→

Get total weighted proportion based on each question

→

CCI = (current quarter's weighted average of all 5 questions divided by the average of Q1 2020) *100

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