

APPA

Strategic Insights for the Pet Industry

Pet Owners 2023 & Beyond



Table of Contents

<u>Background and Purpose</u>	4
<u>Sample and Method</u>	5-13
<u>How to Read Slides</u>	14-15
<u>State of the Industry</u>	16
<u>Industry Sales</u>	23-26
<u>Economy of Ownership</u>	27-34
<u>Pet Spending</u>	35-42
<u>Pet Ownership</u>	43-53

Table of Contents, continued

<u>Generation</u>	54
<u>Generational Differences</u>	55-61
<u>Economy and Workplace</u>	62-66
<u>Online Behavior</u>	67-71
<u>The Human-Animal Bond</u>	72-84
<u>Veterinary Care</u>	85-91
<u>Products and Services</u>	92-103
<u>Zone</u>	104-112
<u>Species</u>	113-134
<u>Wrapping it up</u>	135

Background and Purpose

The American Pet Products Association (APPA) was established to promote, develop and advance responsible pet ownership and the pet products industry.

To this end, APPA supports industry-related market research, monitors and responds to industry legislation and regulation, and sponsors educational seminars, networking and PR opportunities, giving members the tools they need to make important business decisions. APPA also works closely with other major organizations dedicated to similar goals to accomplish these and other important objectives.

In 1988, APPA began gathering information about pet ownership, pet care practices, purchasing behavior of pet-related products and sources of pet-related goods and services. APPA's objective is to monitor consumer habits on an ongoing basis to identify short- and long-term trends, as well as new opportunities in pet ownership and pet product and service consumption.

This report represents the first ever iteration of publicly published insights by the pet industry for the pet industry.

Because eighty percent of pet ownership is comprised of dogs and cats, they will be the focus of this strategic insights report.

Statistical Testing Included in this Version

Statistically significant findings indicate that the results are unlikely the result of chance but also that there is an effect or relationship between the variables being studied in the larger population. To ensure there is a meaningful difference between groups in this study, a criteria for the statistical test is set at 5% and is referred to as the significance level. This means the results of the study are statistically significant if the probability of obtaining those results is less than 5%. This translates to a 95% level of confidence in the data indicating true population difference 95% of the time.

A “statistically significant” finding is one in which it is likely the finding is real, reliable, and not due to chance.

Statistical testing is a new feature to the NPOS and does not exist in the current report.

State of the Industry



State of the Industry

The American pet business is strong, and it has been strong over time: through the recession of 2007, after this recession and into economic recovery, during a global pandemic, and post-pandemic to where we are today.

“In the last 20 years, pets have gone from wandering the backyard to sleeping in our beds,” and there is nothing that leads us to believe the love affair with pets will end. Evidence shows that younger generations (i.e., Millennials and Gen Z) are taking over our industry in new and exciting ways, and it is our duty at the American Pet Products Association to highlight these ever-evolving differences to help our industry pivot to the orientation of pet owners to help our industry thrive.

We hope this module guides you and your organization into more strategic decision-making, given what we know about pet owners now.

Pet Industry Compound Annual Growth Rate* (CAGR) since 2009: an American pet owner story of recession, post-recession recovery, COVID, post-COVID recovery. Reasons for pet companionship are even stronger post-COVID.



Pet Owner Explanations for Pet Purchase/Adoption/Fostering	2020	2022
Right time to purchase/adopt/foster because they were spending more time at home	40%	48%*
My family wanted a pet	43%	47%**
I was home alone and wanted pet companionship	17%	25%*

Source: Dave Bolen, The Bolen Group

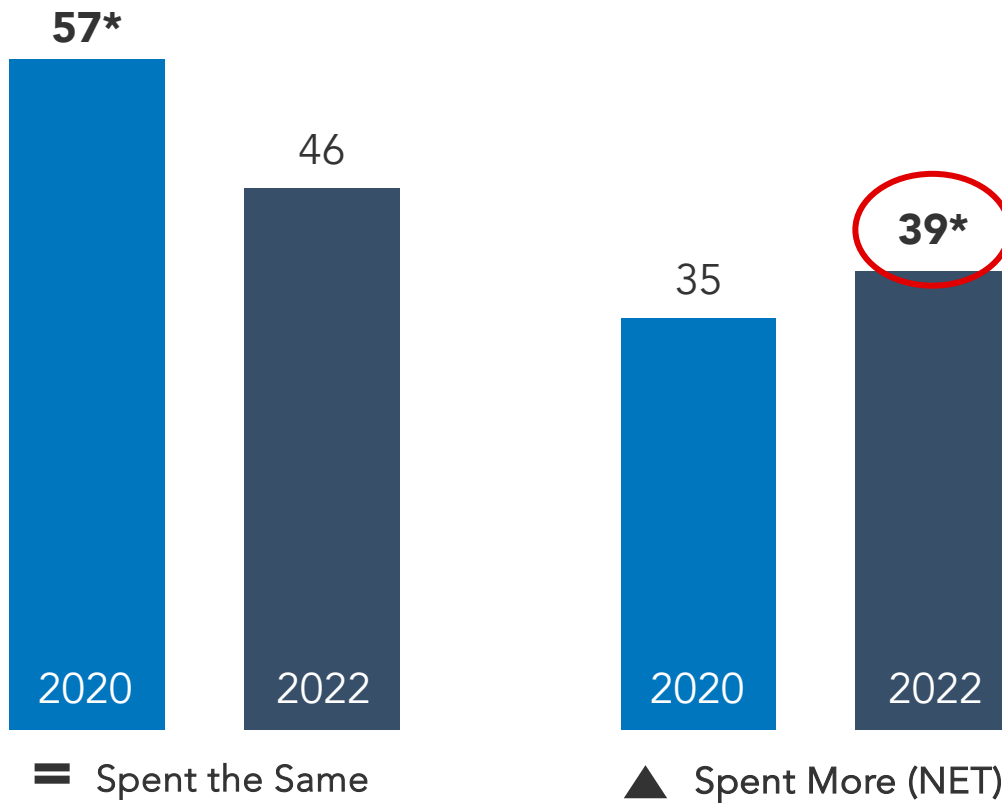
*CAGR = the average rate at which an investment moves from one value to another, over a period of time <https://economictimes.com>

* Significantly different between years at a 99% level of confidence

** Significantly different between years at a 95% level of confidence

Last year, half of pet owners spent about the same on their pets, but a significantly larger number - almost 40% - chose to spend more on their pets since COVID.

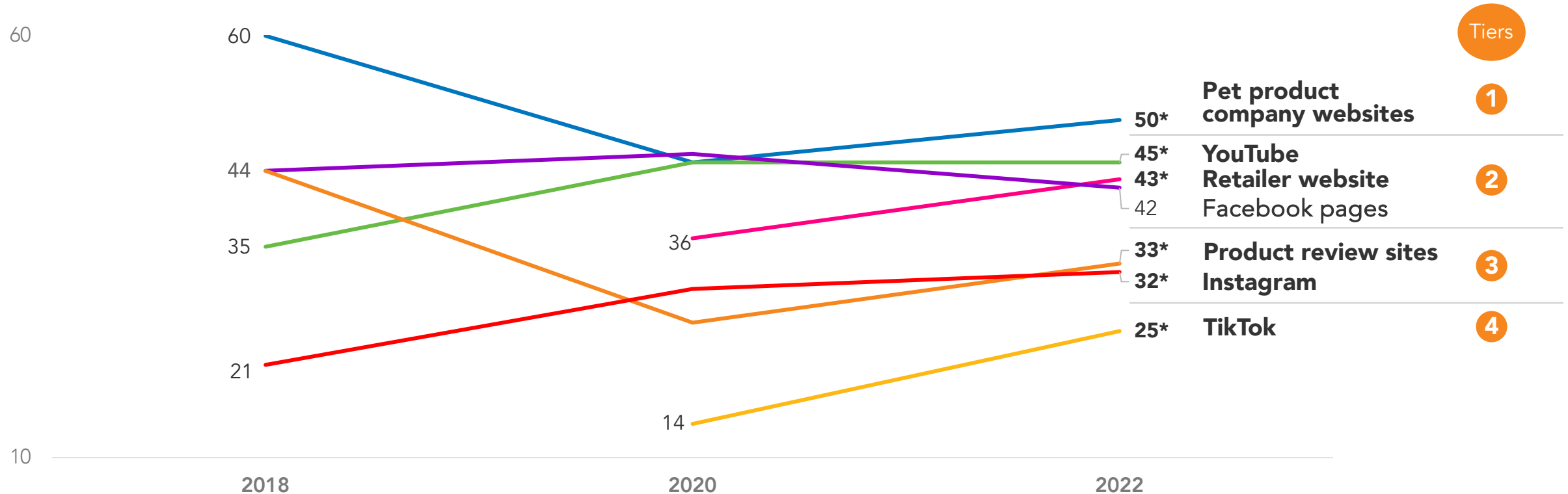
Influence of the Economy on Pet Spending in the Past 12 months (%) - 2022



* Significantly different between years at a 95% level of confidence
QS12a1. How has the current economy influenced your spending on your pet/pet supplies in the past 12 months?
Base 2020: 2112, 2022: 9941.

Pet company websites are still the main source for learning about new products, but YouTube, retailer websites, and TikTok are shifting upwards.

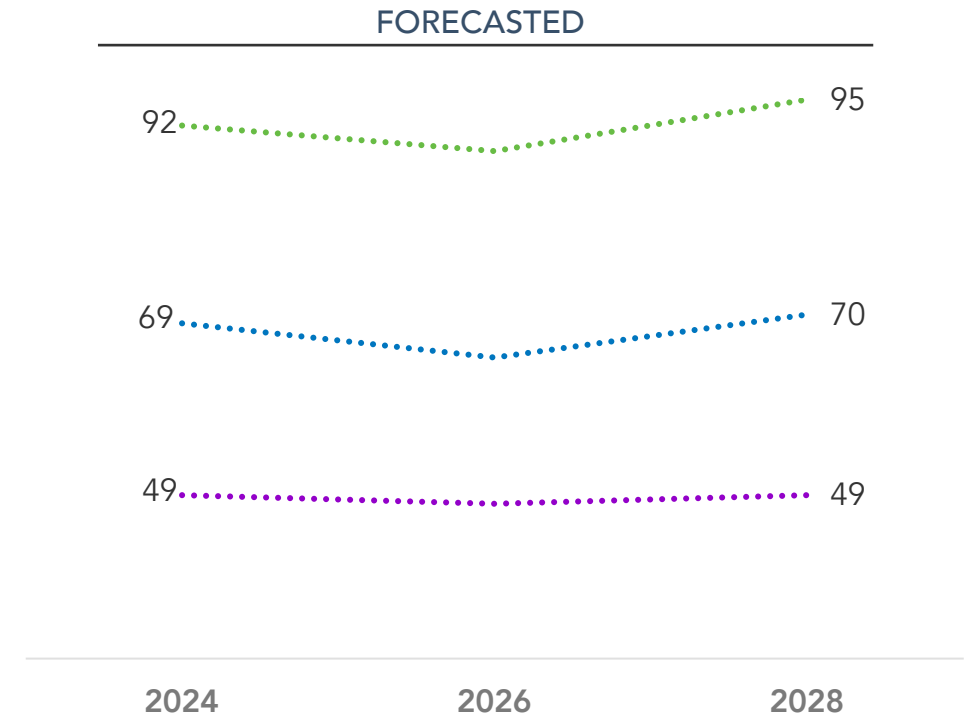
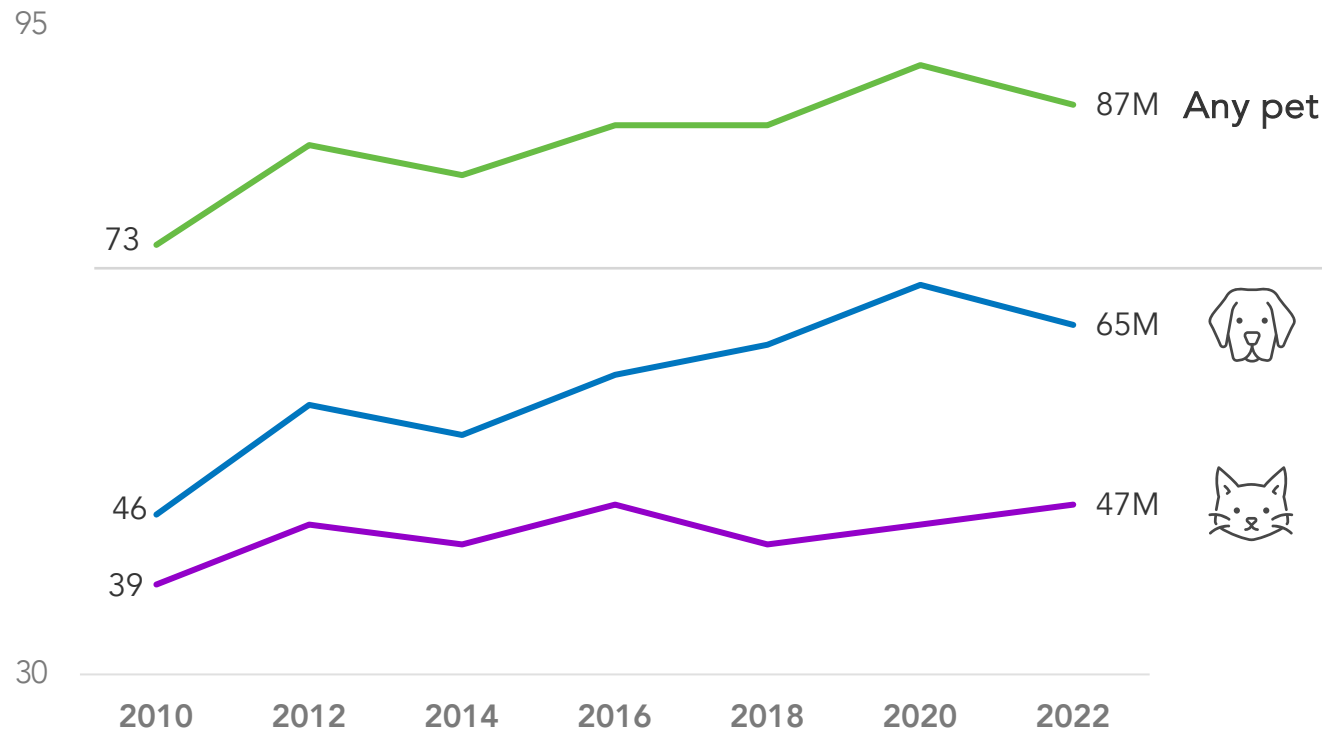
How A Pet Owner Learns About Pet Products On The Internet (%) – over time



* Significantly different vs. 2018 (or 2020 if no 2018 data) at a 95% level of confidence
 QS5b. Which of the following do/did you use to learn about pet products on the Internet?
 Base 2018: 4834, 2020: 1303, 2022: 6543.

The overall number of U.S. households that own pets has increased steadily over time. We forecast strong numbers in the years to come.

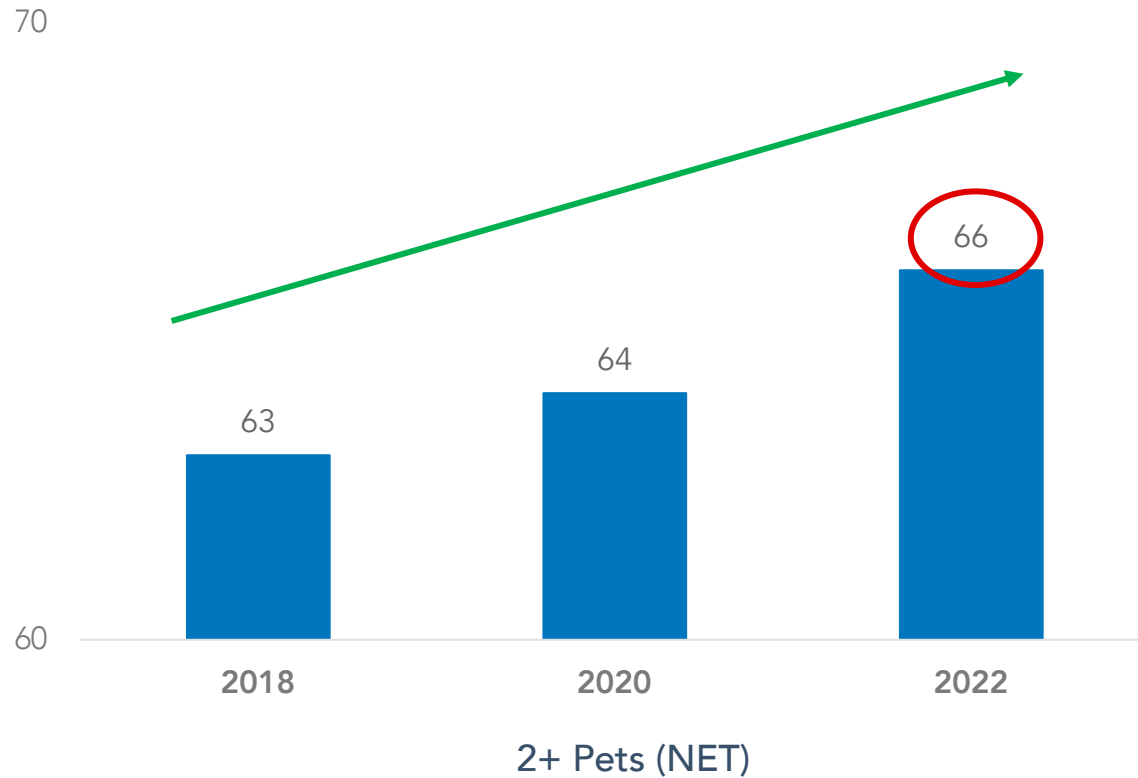
Estimated **Number of U.S. Households*** that Own a Dog/Cat (in millions)



*U.S. Households based on Census numbers
 QS3A. Please indicate from the list below the type(s) of animal(s) you own. Select one for each.
 Base 2018: 15000, 2020: 2999, 2022: 15002.

Even as the percentage of US households that have a pet remains steady, the percentage of multi-pet households has risen steadily over the past several years...

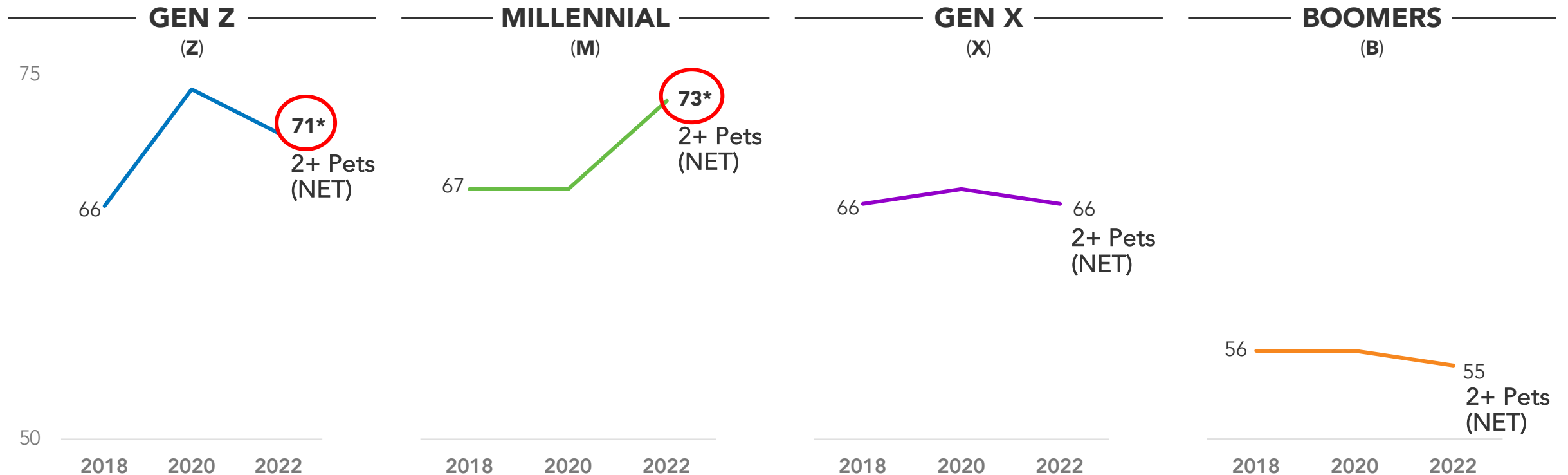
2+ Pet Households (%) – over time



Source: APPA National Pet Owner Survey 2023
QS3b_Including_Fish. Number of Pets Owned, Including Fish.
Base 2018: 10090, 2020: 2112, 2022: 9941.

... but this increase is almost entirely explained by Gen Z and Millennial households, where almost three quarters are multi-pet households.

2+ Pets in Household (%) – over time



* Significantly different vs. 2018 at a 95% level of confidence

QS3b How many of each of the following pets do you currently own?

Base 2018/2020/2022 Gen Z: 1066/303/1598, Gen M: 3095/669/3275, Gen X: 2621/508/2492, Boomers: 2926/570/2416.