

## Presentation

### **Pet care in Europe: The impact of inflation and future prospects for growth**

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The presentation will discuss the impact of inflation in the European pet care market through 2022 and deep dive into future developments and prospects for growth.

#### **How is inflation impacting the European pet care market? – The producers and consumers sides**

Pet Care demonstrated to be a *recession-resilient* industry as sales grew throughout the pandemic and post-pandemic periods in Europe, boosted by a spike in pet population in the region. As the industry faces high inflation rates in 2022 and 2023 however, energy and commodity price surges continue hindering profit margins.

Companies faced with the not so optional choice to react by passing some of those production cost rises to end consumers, put forward substantial **unit price increases**. Similarly, **portfolio management** and **recipe reformulation** were key strategies used by companies to protect margins and limit unit price surges.

Such high price increases encouraged consumers to respond by shifting their purchase habits, with many lower income households **downtrading to private label** products, and **cutting non-essential pet care purchases** (i.e. treats & mixers) to prioritise nutrition and health dedicated products instead. While the question remains if pet care will prove to be *recession-resistant*, the continued growth of premium products confirms the strength of the **humanisation** of pets and thus the continued willingness of consumers to pay extra for premium nutritional options. As demand polarises with economy and premium products outgrowing mid-priced alternatives, pet care continued growing by 1.3 % in volume terms and 8.3% in current value terms and in Europe over 2023.

#### **What are the prospects for Pet Care in Europe, and where can pockets of growth be found?**

Pet Care will continue to be driven by the two great protagonists of the market: the pets and their owners. In this context, **the number of pets in the region is expected to grow by 0.6% CAGR** between 2023 and 2028. Dogs and cats are expected to remain the most popular pets, with smaller dog breeds and cats recording the highest growth. As such, specialised pet nutrition will be increasingly sought after, as products by life-cycle, breed, and size become progressively mainstream.

The most established trends will be around sustainability as **environmental concerns** while consumers become more and more aware and informed. As a result, the already widespread interest **towards sustainable sourcing, packaging and ingredients composition** are expected to continue growing. Launches in the sustainable pet care space continue will continue to create new opportunities, with **insect-based protein, plant-based pet treats**, and **fully recyclable packaging** making only part of the fastest growing niches in the market.

Finally, the **growing number of younger pet owners**, as well as the increasing importance of **convenience**, and the **innovation in e-commerce platforms** are expected to drive online sales to dominate the battle with brick and mortar retailers. In-store pet care retailing, instead, maintains a concrete advantage for consumers seeking advice on pet nutrition.