



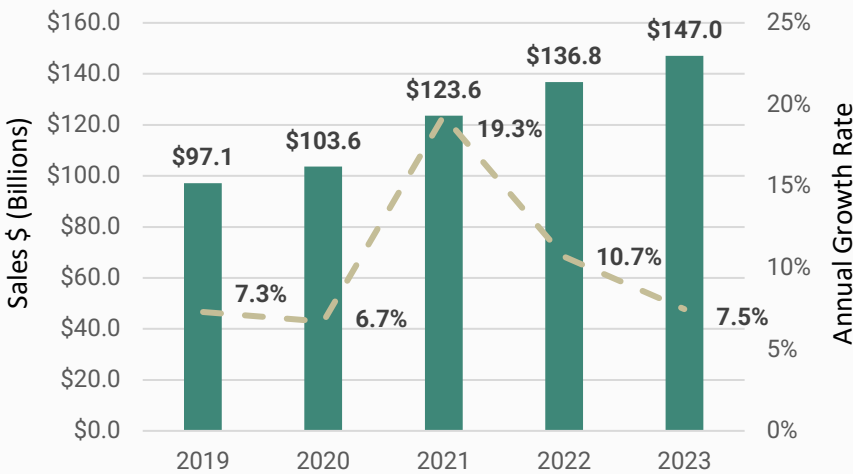
# Pet Industry Spotlight

JULY 2024

## U.S. PET INDUSTRY OVERVIEW

Spending on pets in the U.S. hit \$147 Billion in 2023, reflecting **over twenty years of consistent growth**. The pet industry has proven to be highly **recession-resistant**.

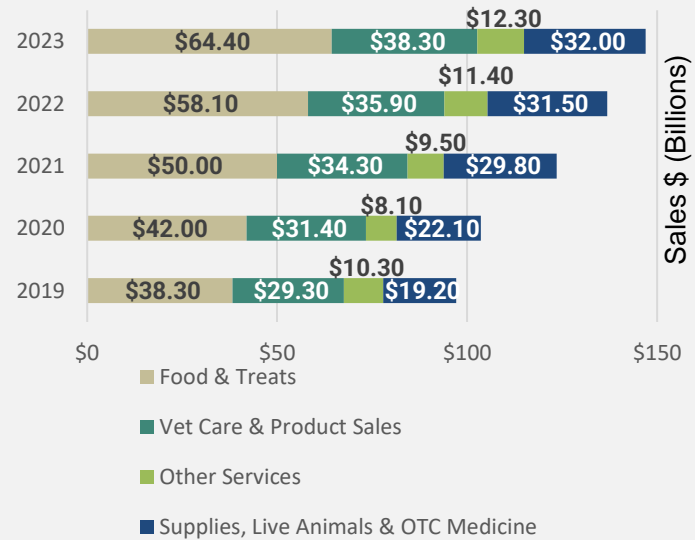
Annual Pet Industry Sales



Source: APPA, Statista

**Food & Treats** are the largest segment of the U.S. pet market, followed by veterinary care and product sales.

US Pet Market Sales by Category

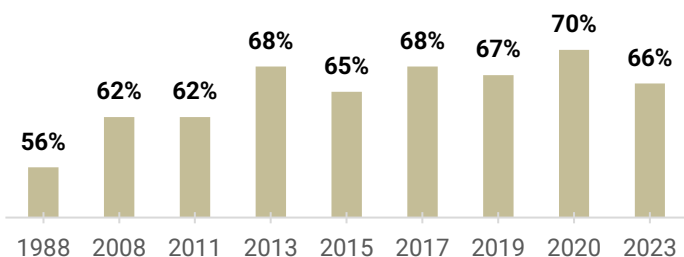


Source: APPA, Statista

## U.S. PET RETAIL INDUSTRY OVERVIEW

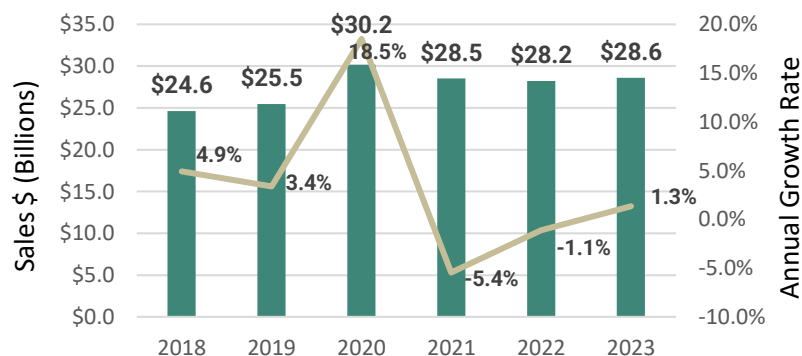
**Pet stores** accounted for approximately \$29.4B in sales in 2023 and are expected to **continue to grow**. 4.0% annual growth reported from 2018-2023 and projected growth of 0.8% annually to 2028.

Household Pet Ownership Declined vs. 2020, but Spending is Up



Source: IBISWorld

Annual Pet Store Sales – Brick & Mortar



Source: IBISWorld

# TRENDS ACROSS THE INDUSTRY



## PREMIUM and NATURAL PRODUCTS

Pet owners are becoming more conscious about the **quality of products** they purchase for their pets.

Consumers are seeking products that prioritize **health, nutrition, and overall well-being**, including demand for products containing CBD.



## TECH-ENABLED EXPERIENCES

Retailers can utilize **artificial intelligence**, machine learning, and data analytics to offer personalized recommendations such as tailored nutrition plans.

Innovative **pet tech products**, such as smart collars, automated feeders, and health monitoring devices are gaining popularity.



## HEALTH and WELLNESS SERVICES

Beyond traditional pet care products, is an increased emphasis on **health and wellness** services in pet care retail.

This includes **veterinary clinics** within retail stores, pet health insurance, and alternative therapies like acupuncture and physical rehabilitation services.



## SUSTAINABILITY and ECO-FRIENDLY PRACTICES

Consumers are looking for products and brands that use **eco-friendly packaging**, sustainable sourcing, and manufacturing practices.

Adapt by offering a wider range of **environmentally conscious products** and incorporating sustainable initiatives into their business models.

## The Big Stories



On July 17, 2024, Petco announced that Joel Anderson was appointed as its new CEO, effective July 29th. Most recently, Anderson was CEO of Five Below where he drove revenue growth from \$500M to \$3.5B. Anderson previously served for three years as the President and CEO of Walmart.com.



Nationwide®

On June 14, 2024, Nationwide Mutual Insurance Company announced that it is planning to cancel 100,000 pet insurance policies in the spring and summer of 2025, as it is taking underwriting actions to address inflationary pressures.

"As pet lovers ourselves, we understand the emotions connected to the protection of our family pets. Inflation in the cost of veterinary care and other factors have led to recent underwriting changes and the withdrawal of some products in some states – difficult actions that are necessary to ensure a financially sustainable future for our pet insurance line of business."

### ABOUT Nationwide

Nationwide Mutual Insurance Company and affiliated companies, commonly shortened to Nationwide, is a group of large U.S. insurance and financial services companies based in Columbus, Ohio. The company also operates regional headquarters in Scottsdale, Arizona and Des Moines, Iowa. Nationwide currently has approximately 25,000 employees and is ranked No. 75 in the 2024 Fortune 500 list.

### THINGS TO NOTE

According to IBISWorld, there are 32 insurance companies offering pet insurance in the US as of 2023. The pet insurance industry had \$3.2B in revenues in 2023, with high annual growth averaging 16.5% per year since 2018. Nationwide comes in second in market share for pet insurance in the US at 18.5%, only behind Trupanion at 21.4%.

# ANKURA PERFORMANCE IMPROVEMENT FUNDAMENTALS

## WHAT IT'S LIKE TO WORK WITH ANKURA PERFORMANCE IMPROVEMENT (PI)

Ankura PI approaches its projects as partnerships. We do not succeed unless our clients succeed. In addition to leveraging the breadth of experience within the Performance Improvement team, we are able to leverage the breadth of Ankura's multiple operating groups to provide unparalleled subject matter expertise.

Our projects are typically a flexible model of in-person work coupled with remote data analysis and research. We flex our coverage to support your business, teams, and goals.

## DRIVING STRATEGIC BUSINESS TRANSFORMATION, MARGIN, AND EBITDA

Comprehensive evaluation of Manufacturing and Retail operations that include the following areas of focus to support customer and employee satisfaction.

- Manufacturing Network Strategy
- Mfg. Operations - Capacity / Utilization / Cost Efficiency
- Merchandise Assortment Breadth & Depth
- Procurement & Supply Chain
- Distribution & Logistics
- Store Operations
- Customer Relationship Management
- Digital Marketing
- Planning & Allocation
- Finance & Accounting
- Technology & Systems
- Labor Scheduling and Optimization

We have a proven track record of executing strategic plans to achieve sustainable performance improvement and targeted operating results aimed at maximizing EBITDA, cash flow, and ultimately shareholder value.

## OUR EXPERTS



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Ankura Consulting Group, LLC is an independent global expert services and advisory firm that delivers end-to-end solutions to manage conflict, crisis, performance, risk, strategy, and transformation. Ankura has over 2,000 professionals serving 3,000+ clients across 55 countries. Collaboration and experience drive our multidisciplinary approach to Protect, Create, and Recover Value™.