



A Private Label

PET FOOD GUIDE



BUILDING AN OMNICHANNEL BRAND



INTRODUCTION

Pet food parents' buying behaviors are changing rapidly — from where they buy to what products they're looking for. But one core truth hasn't changed: Brand loyalty begins in the pet food aisle. In this e-book, we look at what it takes to build an omnichannel brand – one that's still brick-and-mortar focused – in today's fast-moving environment.

In Q2 of 2020, e-commerce accounted for **16.1% of total retail sales**. This isn't surprising, online shopping grows every year. But in 2020, numbers seemed to grow a little faster. And the pet food market was no exception: Pet food e-commerce interest **grew to 28%** during the 2020 pandemic.

But despite the e-commerce growth, physical stores should still be top-of-mind for pet food brands.

Indeed, with the exception of Amazon, the top 10 retailers in the United States are brick-and-mortar stores. In-store purchases still bring in more profit than an e-commerce order – especially when you factor in online shipping and return costs. And in the current environment, many e-commerce sites are struggling to meet delivery times. But most importantly, the cold hard truth is that most Americans still prefer in-store shopping.

The above data points confirm that while you can't ignore the omnichannel experience, you should never lose sight of brick-and-mortar. In many ways, the aisle is where omnichannel truly begins. Retail brands must do more and get more out of their existing in-store customers. They must inspire a whole new kind of brand loyalty in their customers.

In this e-book, we'll look at what retailers stand to gain in developing a private label pet food program. But for the sake of this discussion, we are going to focus on physical stores. We'll discuss the structure of the pet food marketplace and tricks of the trade for ensuring a standout product in your pet food aisle.



The Case for a Private Label Pet Food Program

Kirkland. Simple Truth. Market Pantry. Retailers like Costco, Kroger and Target have made investments in developing house - brand lines that encompass everything from grocery staples and hygiene products to boxed wine.

Kroger's private brand operation raked in \$23 billion in 2017 – up from \$15 billion in 2012. That's more than a quarter of its total grocery sales excluding fuel and pharmacy. Even the king of e-commerce, Amazon, made the strategic play to purchase Whole Foods, along with its well-known 365 product line.

Of course, all big business moves require an investment, but often a modest amount of capital is all that's needed to establish a successful house brand. Sales and marketing can be handled on a smaller scale. In addition, many retailers already have the infrastructure needed to get a private label program off the ground. Costs can be further contained through the use of company-owned factories, well-tended relationships with industry partners or cost-efficient arrangements with contract manufacturers.

With these costs in check, the return on investment of a private label program is clear. Retailers have the leeway to experiment with introducing new, more premium products to the market while offering other, more essential items at a steady, affordable price that is competitive and more profitable than national brands.

Having a private label program also grants retailers the power to adjust price based on market conditions. This can be a powerful lever to pull. Becoming the exclusive source of a popular, consistently cost-effective line of products can facilitate healthy pricing competition among name-brand alternatives while inspiring a new kind of brand loyalty among customers.



Why Private Label Pet Food

The advantages of developing a private label program are clear, but where does pet food fit into the mix?

Currently, **big box stores** such as Target and Walmart maintain a big piece of the pie among dog and cat food purchasers, and grocery stores are close behind. What will it take for traditional grocers to advance in the pet food market?

The success of Rachel Ray's nutrient-packed, supermarket-friendly Nutrish® brand may offer some insights. As the **fastest growing pet food brand of 2016**, Nutrish® broke new ground by offering up a “premium,” on-trend product in a mass retailer setting. This sweet spot is the best of both worlds for consumers: In fact, many people who shop at pet-focused retailers say they would buy a similar product from a grocery store.

Plus, even in the heart of the Covid pandemic, pet owners tended to opt for online delivery or shopped at stores where they were able to safely socially distance (or places they already had to shop for essentials)—like supermarkets.

Despite some shifting consumer behaviors, brick-and-mortar retailers that sell pet products are **still key**, with **\$17 billion spent on pet food** in these channels alone.

Is it as simple as “build it and they will come?” Not quite. Read on to learn more about the current market landscape, the priorities of today's pet food consumer and the resources needed to meet customers' elevated expectations in the pet food aisle.

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CHAPTER TWO

Navigating a Competitive Pet Food Market

Nowadays, it is not uncommon to see honor student bumper stickers beside those showing love for Fido and Fluffy - or even a “granddog” or “grandkitty.”

This cultural shift in the humanization of pets means that pet owners consider themselves pet parents and, as such, expect the very best for their four-legged family members. While this has driven more discriminating customers to pet specialty stores and independent boutiques, it has also raised expectations in supermarket and drug store pet food aisles.

What was once a few shelves of value-priced dog and cat food products has undergone what experts call “[mass premiumization](#),” resulting in a growing array of options catered toward those with elevated tastes and budgets.

Where does your private label pet food program fit into the mix? Review the market overview below to determine how your products can meet the needs of today’s educated pet food consumer.

The Four Tiers of Pet Food

As you enter the arena of kibble and chow, it’s important to consider where your product or product line will fit into the four tiers that make up the pet food marketplace.

SUPER PREMIUM

PREMIUM

MAINSTREAM

VALUE

SUPER PREMIUM

The super premium tier is the land of opportunity for retailers looking to capitalize on pet food trends. Consumers in this segment are looking for the highest-quality ingredients: real meats, grain-free formulas and maybe even a taste of the exotic. (Think alligator, lamb or duck.) These pet parents want the “total package” and may be drawn to a unique logo or bag design before glancing at the price tag.

PREMIUM

An increasingly popular option, premium pet food products offer higher-quality ingredients to discerning customers who value palatability and digestibility over price. On the back of the bag, you’ll find real-meat or meat meals as the top ingredients with no byproducts. These formulations are often grain-free or include higher quality grains. Savvy pet parents will be pleased to see that many premium products are free of dyes and feature only natural preservatives.

MAINSTREAM

Mainstream pet foods give equal weight to digestibility, palatability and price. These products are typically found in a supermarket or drug store versus specialty stores like PetSmart or Petco. Byproduct meals or pure meals are paired with higher-quality grains to create a formulation that is attractive to both pet palettes and consumer pocketbooks.

VALUE

Products in this category of pet food appeal to customers who are focused on price. These pet parents are less likely to examine the ingredient list, which likely contains meat byproduct and corn or wheat. While [palatability](#) and digestibility are not at the top of the value-tier shopper’s priority list, this segment is designed for consumers who want to feed their pets safe food at a reasonable cost.

Next Steps

With this product hierarchy in mind, you have a clearer lens through which to examine your pet food sales opportunities. Which products are most successful at your store, and for your pet parents? Do they fall into one tier or many? Think about your brand. Is your average customer price-driven? How likely are they to examine the ingredient list and package design?

Once you have the answers to these questions, you’ll know what to prioritize in your pet food program. A qualified pet food manufacturer will have some house formulas that may fit your needs or will be able to work with you to develop a custom formulation. Keep in mind that increasing specifications often means higher minimum order quantities and cost. So, do your due diligence. Work with a manufacturing partner who can not only help you choose the right types of products but also develop [safe, high-quality pet food](#) to set you apart from your competitors.



CHAPTER THREE

Manufacturing a Standout House-Brand Product

While pet food shopping in a brick-and-mortar store is an individual experience, there are trends that may be unique to your business and your customers.

When a pet parent comes into your store, are they already planning to buy food for Fluffy or Fido, or do they need to be drawn in by a glitzy display? Do they read what's on the labels, or are they simply looking for sale price stickers? What's the ideal bag size for a grab-and-go customer?

When your house-brand product is up against household names made familiar through TV commercials and print ads, its physical appearance becomes vital to its success. To persuade your retail customers to convert from their favorite puppy food to your new offering may require creativity in the packaging department – but there are some technical aspects you'll need your manufacturing partner to help with first.

Product Density

Packaging may seem like a downstream decision when it comes to developing your pet food, but it's actually something your contract manufacturer should be thinking about as early as the formulation phase.

The shape and size of the formula is an important consideration for your desired bag size as these factors help determine the density of the product.

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When the product comes out of the extruder and is exposed to oxygen, it often expands. That's why thorough manufacturers like Alpha conduct a trial production run. If a product is blown through the extruder too quickly, you risk a kibble that is undercooked – which could potentially cause digestive problems for your pet. Rather than automatically opting to crank out 15 tons of kibble an hour versus 10, a reliable manufacturer will confirm product quality by examining cook percentage and percent of gelatinization during a trial run. This will ensure that you are achieving a high-quality product that promotes palatability and digestibility while optimizing density and speed of production. The result is a bag that does not appear too full or too empty, and a product that's both delicious and safe for your ultimate customer.

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Bag Size

Once the density of the product has been determined, your manufacturing partner will know how much product should go into each bag depending on its size. Often your manufacturer will provide recommendations on bag size based on the brands you are trying to emulate. For instance, it may be beneficial to place your similarly proportioned but lower-priced 3-lb. bag of kibble next to a competitor's more expensive 5-pounder. An experienced supplier will have the market insights necessary to help you through these scenarios and come up with the best packaging dimensions for your offering.





Packaging Materials and Design

When a product is still earning favor with its target customers, first impressions can mean a lot. A thorough supplier will work with you to examine competing products and help you determine the best bag materials and closures to fit the tastes of your target market and your budget. From there, a full-service supplier like Alphaia can assist with your package design. No matter their involvement, experienced manufacturers can help you stay compliant. From required language to faulty claims, it is important to consider your packaging in the context of the most recent guidelines and regulations.

Conclusion

The value proposition of a private label program is to offer products whose quality is comparable or superior to that of a national brand, at a lower cost. Retailers are no strangers to P&L statements and product launches but having an experienced and flexible pet food manufacturer can help make sure your final product aligns with your overarching vision. From the size and shape of your kibble to the claims on your packaging, your pet food manufacturer's expertise matters. Choose a partner who offers the reliability, stability and experience needed to generate a product that can deliver on your brand promise.

