Puppy love: Competition from online retailers and mass merchandisers will limit industry growth
About this Industry

Industry Definition
Pet stores sell a variety of pets, including dogs, cats, fish and birds. Stores also sell pet foods and pet supplies, such as collars, leashes, health and beauty aids, shampoos, medication, toys, pet containers, dog kennels and cat furniture. Some stores also offer pet services, such as grooming and training.

Main Activities
The primary activities of this industry are
- Retailing pets
- Retailing pet food
- Retailing pet supplies

The major products and services in this industry are
- Live animals
- Pet supplies
- Pet food
- Pet services
- Other

Similar Industries
54194 Veterinary Services in the US
Operators in this industry provide veterinary services.

81291 Pet Grooming & Boarding in the US
Operators in this industry provide pet grooming and boarding services.

45411a E-Commerce & Online Auctions in the US
Operators in this industry retail pet foods and pet supplies via the internet.

45411b Mail Order in the US
Operators in this industry retail pet foods and pet supplies via mail order or catalogs.

Additional Resources
For additional information on this industry
- www.americanpetproducts.org
  American Pet Products Association
- www.petage.com
  Pet Age
- www.petbusiness.com
  Pet Business
- www.humanesociety.org
  The Humane Society of the United States
Industry at a Glance

Pet Stores in 2019

Key Statistics
Snapshot

Revenue $21.1bn
Profit $905.7m
Annual Growth 14–19 4.3%
Wages $2.9bn
Annual Growth 19–24 3.2%
Businesses 13,925

Market Share
PetSmart Inc. 33.7%
Petco Animal Supplies Inc. 15.0%

Key External Drivers
Number of pets (cats and dogs)
Per capita disposable income
Demand from online pet food and pet supply sales
Number of households

Products and services segmentation (2019)

45.7% Pet food
40.6% Pet supplies
7.7% Pet services
1.3% Other
4.7% Live animals

Industry Structure

Life Cycle Stage Growth
Revenue Volatility Low
Capital Intensity Low
Industry Assistance None
Concentration Level Medium
Regulation Level Medium
Technology Change Medium
Barriers to Entry Medium
Industry Globalization Low
Competition Level High

For additional statistics and time series see the appendix on page 32.
Industry Performance

Executive Summary

The Pet Stores industry has prospered over the five years to 2019 due to improvements in household finances and rising pet ownership among millennials. Moreover, pet parents have increasingly lavished their pets with premium food products, designer pet accessories and luxury grooming services. The industry has expanded strongly during the five-year period despite mounting competition from supermarkets, mass merchandisers and online retailers that offer similar products at greater convenience and competitive prices.

The industry has expanded strongly despite mounting competition from supermarkets, mass merchandisers and online retailers

Traditional brick-and-mortar establishments have successfully positioned themselves as pioneers and exclusive providers of high-quality food and service offerings, such as grooming or day care. IBISWorld expects industry revenue to rise an annualized 4.3% to $21.1 billion over the five years to 2019. In 2019 alone, industry revenue is expected to grow 4.0%.

Since pets are viewed as family members, favorable economic conditions have enabled pet owners to increase spending on the industry’s products through rising disposable income levels. Over the past five years, per capita disposable income has improved at an annualized rate of 2.4%, contributing to the splurge on industry products by pet owners. Moreover, pet owners have gradually shifted preferences to higher-quality organic, gluten-free and grain-free pet foods and luxury pet therapy sessions. These positive trends, combined with demographic shifts in favor of industry growth, have translated to better profit during the period. However, industry growth has also induced new entrants to enter the market, although they only make up a negligible share of industry revenue.

Over the five years to 2024, the Pet Stores industry’s growth is anticipated to remain robust, albeit at a slower rate. Despite the economy being expected to continue moving in a favorable direction, competition from online retailers, mass merchandisers and discount department stores will be more vigorous, limiting the industry’s growth. However, an aging population is expected to contribute to a higher demand for pets and pet-related products over the next five years as older consumers adopt pets to fulfill their needs of companionship. As a result, industry revenue is forecast to rise at an annualized rate of 3.2% to $24.7 billion over the five years to 2024.

Key External Drivers

Number of pets (cats and dogs)

As households adopt more cats and dogs, demand for pet-related goods, such as foods, medicines, accessories and services increases. According to the American Pet Product Association’s National Pet Owners Survey, an average dog or cat owner spends between $200.00 and $300.00 annually on food for their pet. The number of pets is expected to increase in 2019, representing a potential opportunity for the industry.

Per capita disposable income

Consumers increasingly perceive pets as members of their family, meaning selected products for pets can be considered as nondiscretionary. A decrease in disposable income has a minor effect on demand for the industry’s products because households typically
reduce spending on other household and leisure products before cutting down on pet food. A rise in per capita disposable income, however, increases the propensity for households to purchase greater quantities or more premium items. Per capita disposable income is expected to increase in 2019.

**Demand from online pet food and pet supply sales**

Online shopping poses a direct threat to traditional industry retailers. Many online retailers offer similar products to brick-and-mortar pet stores, but at lower prices and the convenience of doorstep shipping. An increase in demand from online pet food and pet supply sales will likely decrease demand for traditional brick-and-mortar stores, suppressing industry revenue. Demand from online pet food and pet supply sales is expected to rise in 2019, posing a potential threat to the industry.

**Number of households**

According to the American Pet Products Association’s most recent National Pet Owners Survey, 65.0% of US households own a pet. Consequently, an increase in the number of households will likely increase the number of pets in the United States, supporting industry demand. The number of households is expected to increase in 2019.
Industry Performance

**Current Performance**

The Pet Stores industry is anticipated to flourish over the five years to 2019, benefiting from the growing number of pets and an enhancement in household finances. Operators in the Pet Stores industry engage in retailing domestic pets, pet foods, supplies and services. Understanding pet parents’ desire to pamper their pets, industry operators in recent years have increasingly offered a wide array of innovative, specialized and premium products and services. IBISWorld expects industry revenue to increase at an annualized rate of 4.3% to $21.1 billion over the five years to 2019, with a 4.0% growth in 2019 alone.

Strong demand for high-quality products from millennials pet parents has supported industry profit during the five-year period. Sales of premium pet food, organic products, branded pet supplies and complementary services particularly have pushed up profitability because they typically have higher mark-ups.

**Pets and products**

The lower-than-natural unemployment rate has somewhat tightened the labor markets as corporations demand more employees to keep up with operations. However, as the number of job openings exceeds that of the unemployed individuals in the labor market, it eventually pushes up wage levels since companies are willing to pay more to quickly fill up the empty roles. This, in turn, leads to an increase in the general levels of wages and disposable income. Rising per capita disposable income at an annualized rate of 2.4% during the five-year period has contributed to a growing number of millennials being able to afford to move out and live independently. The majority of them, in turn, adopt pets to fulfill companionship needs. Therefore, an uptick in the number of households at an annualized rate of 0.9% during the five-year period has driven up demand for pets and pet-related products. According to the 2019-2020 National Pet Owners Survey published by the American Pet Products Association (APPA), an estimated 67.6% of US households own a pet, which is equivalent to 84.9 million households. Most notably, the largest pet-owner group are millennials. Moreover, Generation Z pet owners have also started to show strong growth.

Besides, current demographic trends also support the growth of pet ownership. In recent years, young couples have delayed getting married due to greater emphasis on their careers. Therefore, they are inclined to adopt pets to better prepare themselves before starting a family. Nonetheless, owning a pet helps fulfill the sense of having a family not only for couples but also for individuals and elders. Over the five years to 2019, the number of pets (cats and dogs) is projected to rise at an annualized rate of 1.8%, translating to increased demand for pet products and services. Overall, steady income streams also enable pet parents to spend more confidently on their pets. In particular, consumer spending has strengthened at an annualized rate of 2.9% over the five years to 2019, contributing to the spending spree of pet owners during the five-year period.
Industry Performance

Industry expansion

Traditional pet stores are generally small-scale and independently owned with more than half of industry operators employing fewer than 10 workers. Therefore, small operators within the industry simultaneously experienced accumulated competition both from internal big-box retailers and external players such as mass merchandisers, supermarkets and online retailers. However, they are still able to profit from catering to a specific niche market within a regional area. Therefore, the anticipated expansion of the Pet Stores industry has induced more players to enter the market. Over the five years to 2019, the number of enterprises is expected to grow at an annualized rate of 1.3%, totaling 13,925 companies.

Wages are expected to increase at an annualized rate of 4.5% to $2.9 billion in 2019, depicting the increase in operations’ expenses. Specifically, increasing demand for discretionary pet services such as grooming, training and boarding has encouraged industry operators to employ more workers to provide these services. However, these services are unlikely to be automated and require a greater degree of skilled labor to perform. Consequently, wages’ share of revenue is expected to increase to 14.0% in 2019. Fortunately, this increase is partially offset by a decline in other expenses including rent and utilities. As a result, profit, measured as earnings before interest and taxes, is expected to reach 4.3% of total industry revenue in 2019, up from 4.1% in 2014.

Mounting competitions from external players

In recent years, supermarkets, discount department stores and mass merchandisers have lured customers away from specialty pet stores by offering competitively priced products in addition to the convenience of one-stop shopping. These stores enable consumers to shop for a wide range of household products, including pet supplies, in one location. Time-strapped consumers turned to these types of stores to streamline and simplify shopping errands. Meanwhile, mass merchandisers specialized in offering lower prices for frugal consumers due to their large purchasing power. Moreover, many consumers opt for online retailers to reduce traveling time associated with shopping at physical stores. In particular, many e-commerce retailers are increasingly offering a two-day delivery option, significantly reducing the wait time associated with traditional online shopping.

However, traditional industry retailers are partly shielded from vigorous price competitions through the sales of exclusive premium pet products and complementary pet services. This protection stems from manufacturers’ restrictions on ultra-premium pet products, selling only to specialty pet stores. Such restrictions have aided traditional retailers in targeting high-end markets over the past five years.
Industry Performance

Pet Stores in the US

The Pet Stores industry will continue to capture more consumer dollars from pet owners over the five years to 2024 as pets are increasingly treated as family members. In addition to rising pet ownership, improving economic conditions will boost consumer spending on premium pet-related products and services. As a result, industry revenue is projected to increase at an annualized rate of 3.2% to $24.7 billion over the five years to 2024. Despite this anticipated growth, traditional brick-and-mortar operators will have to struggle with mounting pricing pressures from online retailers, mass merchandisers and discount department stores.

Industry Outlook

Pet ownership to grow

The number of pets is the primary driver of demand for the industry. In particular, a rise in pet ownership will lead to higher demand for both discretionary and nondiscretionary products and services, such as food, treats and toys. To the industry’s benefit, demand for pets is expected to rise over the five years to 2024, driven by nonfamily households and an aging population. IBISWorld projects the number of pets (cats and dogs) will increase at an annualized rate of 0.5% over the next five years, contributing to the industry’s growing revenue.

Moreover, the rising acceptance of higher-margin premium pet products and services is expected to lift profit over the next five years. However, the industry’s average profit margin, measured as earnings before interest and taxes, is expected to stagnate at 4.3% in 2024 since the growth in wages is expected to catch up with revenue growth. Wages are expected to rise at an annualized rate of 3.2% to $3.4 billion over the next five years. Moreover, intense price competition is also one of the contributing factors that suppress profit growth. Furthermore, expected industry expansion will likely continue attracting new entrants to the industry. The number of enterprises will continue to grow despite existing high competition from major players. The number of enterprises is expected to rise at an annualized rate of 2.4% to 15,714 companies over the five years to 2024.

Premium products will become popular

According to the 2019-2020 National Pet Owners Survey published by the American Pet Products Association (APPA), most frequently purchased pet food by US pet owners are premium, generic and natural, respectively. Therefore, IBISWorld expects natural and organic foods and treats will gain more popularity over the next five years, as households increasingly place a higher emphasis on pets’ diets to improve pets’ health. According to the research company Mintel Group Ltd., the nutritional value is among the top reasons owners cite for choosing pet food. Therefore, these exclusive high-margin products are expected to benefit industry operators during the outlook period, indirectly reducing the degree of price competition that they have endured from external market players.

With improving economic conditions, demand for pet services is expected to continue rising. Over the past five years, pet services accounted for a smaller share of industry revenue. However, the pet pampering trend will likely continue attracting new entrants to this segment as per capita disposable income is expected to grow an annualized 1.9% over the five years to 2024. With unemployment expected to remain low over the next five years, more pet parents will increase their spending to pamper pets as consumer spending is expected to grow at an annualized rate of 2.0% during the same period.

A rise in pet ownership will lead to higher demand for industry products
Despite favorable economic conditions, competition from supermarkets and mass merchandisers is expected to remain tough for generic and mass-market pet foods and supplies, such as dry pet food and cat litter. Since these products involve little or no differentiation among brands, price-conscious consumers will likely continue shopping at large retailers due to discounted prices and added convenience. However, the increasing acceptance of exclusive niche pet products will help partly diversify the existing price competition. Since almost half the industry consists of a large number of small-scale stores, niche product marketing will become more vital because it assists industry operators in positioning themselves apart from other stores.

Changing demographics in the domestic population will also boost industry growth over the next five years. In particular, a growing share of the baby-boomer population that is increasingly crossing the retiring threshold will increase demand for pets and pet-related products. As retired baby boomers are not occupied by full-time jobs, they tend to adopt pets or place higher emphasis on pampering pets if they already own them. Therefore, this demographic will likely drive up industry revenue over the five years to 2024.
Industry Performance

Life Cycle Stage

The industry’s contribution to the economy is expected to grow

Product innovation and services are improving

Pet ownership is continuing to rise steadily, expanding the industry’s target market

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Key Considerations:
An industry’s life cycle stage is determined by multiple factors, such as IVA vs. GDP performance and establishment growth. However, other key factors must also be considered. For more information, please refer to the Industry Life Cycle section analysis.
Industry Performance

Industry Life Cycle

The Pet Stores industry is in the growth stage of its life cycle. Industry valued added (IVA), which measures an industry’s contribution to the US economy, is expected to increase at an annualized rate of 4.1% over the 10 years to 2024. In comparison, GDP is projected to grow at an annualized rate of 2.2% during the same period.

The number of enterprises has grown at an annualized rate of 1.9% during the 10-year period. Prospective growth in conjunction with low start-up costs has encouraged new entrants to continue joining the industry even though they are generally small scale and cater to a specific geographic area. Conversely, the industry is characterized by increasing new product introductions such as organic, human-grade pet food and electronic pet equipment and gadgets. The continuous growth of the customer base has contributed significantly to the industry’s growth over the past 10 years. As millennials are now living independently and earn a steady income, they are more willing to increase their spending on pets.

Over the five years to 2019, the industry posted strong sales driven by pet owners increasingly humanizing pets. Consequently, more products and services emerged in this industry to cater to this trend. For example, more pet stores have started offering premium pet food and treats in addition to services such as grooming, training, walking and full-service boarding. As the industry is made up of retailers specializing in pet supplies and pet food, the industry’s main threat comes from large-scale supermarkets, mass merchandisers and discount retailers such as Walmart Inc. and Costco Corporation. Online retailers also pose an increasing threat as more tech-savvy individuals opt for online shopping to save time and money. In the long run, both forces pressure industry prospects as many small-scale retailers will not be able to compete with the economies of scale and extensive distribution networks these retailers own. Specialty pet stores will likely further diversify into services and exclusive pet food brands to stay competitive.
Products & Markets

Supply Chain

**KEY BUYING INDUSTRIES**

99 Consumers in the US
The Pet Stores industry relies on consumers to purchase pet products and to use industry services.

**KEY SELLING INDUSTRIES**

31111 Animal Food Production in the US
This industry supplies pet stores with a vast array of pet food.

33993 Toy, Doll & Game Manufacturing in the US
This industry supplies pet toys and accessories to industry operators.

54194 Veterinary Services in the US
This industry provides veterinary care services such as vaccinations to industry operators.

Products and Services

**Products and services segmentation (2019)**

- **45.7%** Pet food
- **40.6%** Pet supplies
- **7.7%** Pet services
- **1.3%** Other
- **4.7%** Live animals

Total $21.1bn

**Pet food**
Since food is a necessity, pet food makes up the largest product segment for the industry. This segment covers a wide range of products such as dry and wet food for dogs and cats, bird feed, crickets and worms for reptiles and other treats and supplements for several different household pets. Over the past five years, retailers increasingly introduced all-natural and organic food products. These premium pet foods tend to be priced higher, enabling industry operators to earn larger markups. Examples of premium pet food include raw diets for dog and cat foods, weight control food for obese animals, specialized formulas for sensitive stomachs and freshly baked cakes and cookies as treats. This segment experiences the highest degree of competition from both online retailers and mass merchandisers. Consequently, the segment’s share of revenue declined slightly over the past five years, accounting for an estimated 45.7% of total revenue in 2019.

**Pet supplies**
Products in this segment include over-the-counter medicines, food bowls, collars and leashes, pet clothing, brushes and combs, shovels and scoopers, cat
Pet Stores in the US

Products & Markets

Demand Determinants

Products and Services continued

litter, cages birds and reptiles, travel carriers and other various accessories for pets. During the five-year period, this segment’s share of revenue increased due to the pet parenting trend, in which pet owners treated their pets as family members and started supplying pets with complementary products. This segment accounts for an estimated 40.6% of total industry revenue in 2019. Pet supplies and accessories sold by industry retailers also encounter increasing competition not only from mass merchandisers but also smaller retail outlets because there are no regulations that limit the sale of pet supplies.

Services

Pet services were the fastest-growing product segment for the industry over the past five years, reaching an estimated 7.7% of total industry revenue in 2019. Pet services include full-service grooming, haircuts, baths, toenail trimming and tooth brushing. This segment excludes veterinary services. Other services may include activities such as training, boarding and day camps. Greater interest in pet pampering drove much of the rise of this segment. As more pet owners consider their animals as family members, demand for specialty pet services also increased.

Live animals

Live animals are the industry’s smallest segment, accounting for an estimated 4.7% of total industry revenue in 2019. This product segment is minor because a pet is normally a one-off purchase, while products in other segments, such as pet supplies and pet foods are repeated purchases. Furthermore, major players in the industry only sell small animals such as fishes, reptiles, rabbits, hamsters and birds and partner with local pet programs for cat and dog adoptions. Moreover, as many online adoption platforms have grown in popularity in the past five years, sales of live animals are expected to decline as a share of industry revenue over the five years to 2019.

Other

Operators in the Pets Stores industry also retail a variety of products such as books, sporting goods and recreational equipment and lawn and garden equipment and supplies. However, these products only account for a negligible share of total industry revenue, accounting for an estimated 1.3% in 2019.

Demand Determinants

Demand for pets and pet supplies is affected by the rate of pet ownership, food and supply prices, household income and demographics.

Pet ownership

Pet ownership is the main driver for Pet Stores industry demand by definition. As pet ownership increases, it leads to higher demand for the industry’s primary products such as food and treats because these goods are daily necessities for the well-being of pets. Pet ownership is on the rise, facilitating industry growth. Additionally, industry growth is also because pet owners nowadays are treating pets as their family members. Thus, they are more willing to purchase higher quality pet food and supplies in addition to more complementary services for their pets.

Income

Households with higher incomes are better able to afford discretionary items and services sold at pet stores, leading to higher demand for high-quality pet foods and associated products. Over the past five years, pet-owning households with high disposable income were the main
Consumers aged between 45 and 64
The largest market for the Pet Stores industry includes consumers between the ages of 45 and 64 who account for an estimated 43.5% of revenue in 2019. Consumers in this age group are likely the key financial providers of the household and, therefore, responsible for household pet expenditures. Furthermore, consumers in this product market are typically established in their careers and have steady income streams, enabling them to spend generously on pet supplies. It has also been suggested that older members of this age group are getting married at a slow pace, pets help fulfill the needs of young couples that are not ready to have babies but still desire a sense of growing a family. However, this trend is getting popular not only for couples but also for individuals who live independently but prefer companionships.

Demographics and lifestyle
Changes in demographics and lifestyle of households are important determinants of demand. Frequent relocation or longer work hours may reduce a household’s willingness to own a pet. For instance, households living in apartments are less likely to have pets since many apartments do not permit pets. The aging population, however, may increase demand for pets. The second-largest pet owner group includes older individuals of the baby-boomer generation, which is increasingly entering the retiring threshold. Therefore, without a full-time job, they will have more spare time and endure empty nest syndrome as children have moved out, the need for pets is high. Thus, spending on pets from baby boomers is expected to surge accordingly over the next five years. On top of that, since young adults in the United States typically have families or children who wish to have family pets. Given how pet companionship can benefit health and behavioral development in children, consumers in this age group often decide to add a pet to the family. According to the American Pet Products Association, a

Rising online competition
Even though demand for pets and pet-related products is expected to boom, industry operators are enduring a higher degree of competition from online competitors. Online competitors such as Amazon.com Inc. are progressively introducing their in-house brands at competitive prices. Moreover, the flexibility and popularity of online shopping are expected to hinder demand for the industry’s products as tech-savvy customers are lured away from traditional brick-and-mortar stores. Online operators generally carry a larger variety of brands, offer fast-shipping options and provide timely customer services. Over the past five years, demand from online pet food and pet supply sales has increased strongly at an annualized rate of 12.0%, limiting the potential of the industry’s growth.
reported 38.0% of households with children under 18 years old own at least one pet. Consumers between the ages of 25 and 44 are estimated to account for 33.1% of the market in 2019. This demographic group accounts for a growing share of industry revenue.

**Consumers aged 65 and older**
Consumers who are older than 65 years old account for an estimated 16.1% of industry revenue in 2019. The younger members of this customer segment just enter their retiring ages and generally live individually. Therefore, they tend to view pets as family members and spend substantially on pets since pets are adopted to replace their children or grandchildren who have moved out. As they are prepared with retirement funds, they will place more focus on pampering pets as compared with working individuals. Consequently, this customer segment accounted for a remarkable share of industry revenue over the past five years and it is expected to continue to up trend over the next five years as more baby boomers will cross the retiring threshold.

**Consumers under 25 years old**
Consumers in this age group are generally children, teenagers and young adults. As they commonly have restricted or no income, they are not able to spend much on industry products. However, they are one of the most influential customer groups of industry operators. For instance, parents usually buy pets when their kids ask for, thus demand is primarily derived from the younger customers of this age group. Despite they do not spend directly, they remain highly important. Industry operators need to cater to them carefully to trigger their demand for pets and pet-related products. Nonetheless, demand from this age group has been stagnant over the past five years as the number of children younger than nine years old remained flat during the same period. Moreover, increasing interest in technology and electronics products has shifted away demand from adolescents for pets and pets’ products. This consumer group is estimated to account for 7.3% of industry revenue in 2019.
International Trade

International trade activity is accounted for at the manufacturing level by convention. This domestic retail industry does not technically have imports or exports. Products and supplies in the Pet Stores industry, however, are imported and exported at the manufacturing level, then sold in the domestic market. Precise export and import data on pet products and supplies is not readily available, as they are categorized into broad segments containing large numbers of non-pet related products. Trends in pet food trade provide some insight into trends regarding overall pet product trade levels and are included in the Animal Food Production industry (IBISWorld report 31111).
### Products & Markets

#### Business Locations 2019

![Map showing business locations in the US with states colored to represent different percentages of establishments.](source: www.ibisworld.com)
Establishments in the Pet Stores industry are primarily located in the Southeast, West, Mid-Atlantic, Great Lakes and Southwest regions of the United States. Industry locations are based primarily on the number of households in each region, in addition to the median income level of households.

**Southeast**
The Southeast region holds the highest number of industry establishments with 23.0% of total pet stores in 2019. The region itself is the most populated in the United States with one-quarter of the nation’s population. Given the higher proportion of households, there is greater demand for industry retailers. As industry operators engage in retailing products, the closer they are to downstream customers, the higher the chance that they can make a sale. It is because customers are not only influenced by price tags but also locations. An establishment that is located further away from town is at a disadvantage compared with one that is situated in the center of a town since a longer drive will potentially deter customers from buying at that establishment. Within the Southeast region, Florida has the highest number of pet stores at an estimated 8.2% of the nation’s total establishments.

**West**
The West has the second-highest proportion of pet stores in the country with an estimated 19.2% of industry establishments in 2019. California has the highest number of pet stores in the country at 12.9%. The primary reasons for the higher-than-average number of pet stores in the West are population density and income levels. The West holds 17.3% of the nation’s total population. Furthermore, both California and Nevada have higher-than-average median incomes by state.

**Great Lakes and the Southwest**
The Great Lakes region contains an estimated 13.7% of total pet stores, followed by the Southwest region at 10.7%. The Great Lakes region is also the fourth-most populated in the nation with an estimated 14.5% of the total population, therefore making it the fourth-most common destination for industry establishments. Texas is the leading state within the Southwest region, which holds an estimated 6.7% of total industry establishments. Other small participating regions in the industry include New England (6.0%), the Plains (5.5%) and the Rocky Mountains (4.3%). These regions have smaller consumer markets, therefore limiting demand for pet stores.
### Key Success Factors

**IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:**

- **Attractive product presentation**
  To appeal to customers and encourage purchases, eye-catching promotions and displays are essential for pet stores.

- **Experienced work force**
  It is important to employ a highly capable staff with clear knowledge of the pet industry to better assist customers and boost sales.

- **Proximity to key markets**
  Operators need to be located in high-traffic and high-visibility locations, such as major shopping precincts, to maximize store traffic and sales.

- **Economies of scope**
  Successful operators need a range of the most popular pets and pet supplies at different levels of price and quality. Offering a wider variety of products will attract a larger customer base.

- **Effective quality control**
  Operators must ensure that pet services are up to standards for each specific animal and breed.

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### Market Share Concentration

**Level**

Concentration in this industry is **Medium**

Nearly half the Pet Stores industry’s revenue comes from two specialty supply retailers, which are PetSmart Inc. (PetSmart) and Petco Animal Supplies Inc. (Petco). The remainder consists of family owned and regional stores, small franchises and smaller pet stores chains. Despite the moderate degree of concentration, small operators are still able to profit from serving niche markets in their geographical locations, rarely expanding beyond those areas.

Over the five years to 2019, Petco experienced a decline in its respective market share due to increasing competition from mass merchandisers, supermarkets and online retailers. Despite big-box retailers can offer customers premium and exclusive pet products, the company still experience high competition from mass merchandisers and online retailers in the form of heavy discounts and promotions. Acting as a one-stop shopping destination, mass merchandisers and online retailers are benefited from price-conscious and time-strapped customers who place a high emphasis on prices and convenience. Consequently, these stores are expected to grow at the expense of big-box retailers. In recent years, big-box retailers are progressively putting more effort into promoting their online presence. Moreover, the merger of regional pet store chains Pet Supermarket Inc. (Pet Supermarket) and Pet Valu Inc. (Pet Valu) to form Pet Retail Brands US Holdings LLC in 2016 has further consolidated the industry. Prior to the event, Pet Supermarket specialized in serving the Southeastern market while Pet Valu mainly catered to customers in Canada and the East Coast of the United States. Therefore, the strategic merger enabled the company to successfully expand its presence to more areas, thus reaching more customers. However, the pressure is left to small-scale retailers as now they have to compete with both larger chains and online giants such as Amazon.com Inc. and Chewy Inc.
Competitive Landscape

Cost Structure

Benchmarks

Wages
Due to the labor-intensive nature of the retail sector, wages are estimated to make up the second-highest expense for pet store operators, accounting for an estimated 14.0% of total industry revenue in 2019. In pet stores, employees are crucial to provide care for pets, maintain stock levels and provide customer service. Furthermore, the added focus was placed on labor over the five years to 2019 as pet services have become one of the fastest-growing sources of industry revenue. In particular, pet services such as grooming and training require skilled labor to perform, which implies higher wage levels as compared with less-skilled workers.

Purchases
Purchase costs have remained the single-largest expense for the industry, accounting for an estimated 55.7% of industry revenue in 2019. Purchases consist of a range of pet food and pet supplies, including collars, leashes, medication, shampoos, dog kennels and pet toys, in addition to a range of pets, including dogs, cats, birds, fish, small animals and reptiles. Despite growing demand, purchase expenses have stagnated as a share of revenue over the past five years due to the increase in the number of imported products. As more industry products are manufactured overseas, where labor and input costs are relatively lower, it has translated to lower prices for the industry’s products in recent years.

Profit
Profit, measured as earnings before interest and taxes, is expected to account for an estimated 4.3% of revenue in 2019, up from 4.1% in 2014. A growing pet population and an increasing willingness of pet owners to spend on pets,

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<td></td>
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<td>$55.7%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$0.9%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$1.6%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$1.6%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$14.2%</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM
Competitive Landscape

Cost Structure

Benchmarks continued

particularly on premium or high-margin products, have boosted profit for the Pet Stores industry over the past five years. Furthermore, pet stores increasingly offer pet services, which typically have higher profit and endure a lower degree of price competition. It is important to note, however, that actual levels of profit may vary considerably between industry participants. For instance, major player PetSmart Inc. experiences a higher-than-average profit margin because of its purchasing power and economies of scope. Large volume purchases enable them to achieve lower purchase costs at the wholesale level, then passing those savings to end consumers in the form of competitive prices. Consequently, they can afford to have lower mark-ups and profit from larger sales volumes. However, smaller players in this industry do not have such purchasing power which in turn pushing up their cost of goods sold per unit and causing them to accept lower profit.

Depreciation

Depreciation is expected to consume 0.9% of revenue in 2019. Minimal depreciation is typical for retail industries, which are very labor-intensive and require minimal capital costs in operations. This figure is high compared with other retailing industries because pet stores must acquire special cages and tanks for animals in addition to shelving and cash registers for stores.

Marketing

In 2019, companies invest an estimated 1.7% of revenue toward marketing and advertising activities to generate traffic and boost sales. Major types of marketing include newspapers, magazines, radio and TV advertising. Moreover, increasing competition from external players is expected to encourage industry operators to invest more heavily in advertising in the coming years.

Rent

Rent costs are expected to represent an estimated 7.8% of industry revenue in 2019. Rent accounts for a noticeable share of industry revenue because industry establishments generally operate in high traffic areas, where rent is relatively higher. However, this cost has slightly declined over the past five years, down from 8.2% in 2014. According to CoStar Group, a commercial real estate information provider, the slowdown in retail leasing has put downward pressure on rent in recent years, contributing to the decline in rent’s share of revenue over the five years to 2019.

Utilities

Utilities include the cost of natural gas, electricity, water and sewer. Utilities are estimated to account for a minor share of industry revenue in 2019 at 1.4%. The fall in world crude oil prices has made the general utility rates drop slightly since 2014.

Other

Operators incur other expenses including general administrative, insurance, security costs. Other costs for industry operators typically include licensing fees, legal expenses, accounting services and staff training costs. Overall, all other expenses are expected to account for the remaining 14.2% of industry revenue in 2019.
Competitive Landscape

Basis of Competition

Internal competition
Pet stores compete with each other based on price, product variety, customer service, brand awareness, variety of pet services and store location. Since product purchases make up the majority of sales for pet stores, their main basis of competition is product range, quality and price. Large players such as Petco Animal Supplies Inc. and PetSmart Inc. benefit from economies of scope and can provide a variety of pet foods, pet supplies and pet services with diverse attributes across a range of prices, enabling them to capture a larger pool of consumers with different budgets. Major players generally benefit from bulk buying and producing their private label products at economies of scale, enabling them to sell at lower prices but still maintain healthy profit margins. Smaller stores are then pressured to provide products at similar prices, which result in lower profit margins because they are lack of such purchasing power. However, smaller industry players position themselves by offering superior customer services and cater to the specific needs of niche markets in their local areas.

External competition
Historically, supermarkets were the primary sellers of pet food products as they stock a wide variety of pet food and supplies and bulk purchases generally enable them to offer lower prices than specialty retailers. In recent years, mounting competitions from mass merchandisers and discount retailers such as Walmart and Costco have put additional pressure on industry players. Mass merchandisers and discount retailers typically do not sell ultra-premium pet products because they are limited by manufacturers’ restrictions. However, they are generally able to price mass-market pet products more competitively than big-box retailers due to their ability to bulk purchase directly from manufacturers. And since not all consumers place a high value in premium and exclusive pet brands, less expensive mass-market pet products have lured price-conscious households away from traditional big-box retailers. Therefore, the increasing popularity of mass merchandisers and discount retailers has dampened the industry growth over the past five years.

Further competition comes from the E-commerce and Online Auctions industry (IBISWorld report 45411a) and the Mail Order industry (45411b). In recent years, there is a growing prevalence of online websites specifically for selling pet products, including companies such as Amazon.com Inc. (Amazon) and Chewy Inc. Online shopping enables consumers to purchase products without physically visiting a store, thus significantly reduce their travel time. Moreover, online giant Amazon has also introduced its private label brand, Wag, directly competing with industry players in providing low-priced pet food. And as tech-savvy and time-strapped individuals increasingly adopt online shopping as an alternative to traditional shopping methods, demand from online pet food and pet supply sales has increased at an annualized rate of 12.0% over the past five years.

Barriers to Entry

Significant factors that can hinder a potential entrant from entering the Pet Stores industry are a high level of competition and regulations associated with this industry. Nevertheless, there are various niche markets available for new players to occupy, specifically those specializing in premium and innovative food, products and services.

Government regulations, including federal and state laws, regulate pet shops and the sale of animals. For example, the Pet Animals Act 1951 requires pet shops to obtain a license in accordance with the act before opening. In addition, the Animal Welfare Act of 1966 dictates how pets sold in pet stores must be maintained. Pet shops need to address a
Competitive Landscape

Barriers to Entry continued

The Pet Stores industry is composed of several small players. Many of the smaller, independent pet supply retailers are family owned businesses that operate within a local or regional scope. In addition, the industry’s major companies are domestically owned. Therefore, this industry has a low level of globalization. The industry’s largest player, PetSmart Inc. has a network of stores in Canada, while Petco Animal Supplies Inc. expanded to Mexico and Puerto Rico. However, international sales are still low relative to the United States.

Barriers to Entry checklist

<table>
<thead>
<tr>
<th>Category</th>
<th>Level</th>
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</thead>
<tbody>
<tr>
<td>Competition</td>
<td>High</td>
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<tr>
<td>Concentration</td>
<td>Medium</td>
</tr>
<tr>
<td>Life Cycle Stage</td>
<td>Growth</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>Low</td>
</tr>
<tr>
<td>Technology Change</td>
<td>Medium</td>
</tr>
<tr>
<td>Regulation and Policy</td>
<td>Medium</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>None</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM
Since its establishment in 1986, Phoenix-based PetSmart Inc. (PetSmart) has become the top specialty retailer of pet food and supplies. PetSmart operates more than 1,650 stores, typically located in regional shopping centers near other superstores and warehouse stores. The company employs more than 56,000 people in the United States, Puerto Rico and Canada. By offering more than 11,000 pet products and providing various pet services, PetSmart aims to provide a one-stop shopping experience. In March 2015, the company went private through an $8.7-billion buyout by BC Partners. In 2018, PetSmart generated $10.8 billion in total revenue (latest data available).

PetSmart generates revenue through the sale of merchandise and services. Services include grooming and boarding while merchandise is categorized into consumables, hard goods and pets. Consumables include pet foods, treats and litter, in addition to premium products, many of which are not found in supermarkets or mass merchandisers. Pet supplies such as collars, leashes, health and beauty aids, shampoos, medication, toys, pet carriers, dog kennels, cat furniture, equestrian supplies, bird cages, aquariums and filters make up the hard goods category. Pets sold by the company include fishes, birds, reptiles and other small pets. Larger animals, such as cats and dogs, are not sold in PetSmart stores. However, they are available for adoption through the PetSmart Charities’ Adopt a Pet Program, which was co-developed with humane organizations. In 2016, PetSmart acquired AllPaws, one of the largest online and mobile platforms for adopting pets.

In addition to selling merchandise, PetSmart expanded its service offerings to include in-store boarding facilities, grooming services, obedience training,
Established in 1965, Petco Animal Supplies Inc. (Petco) is the second-largest pet supply specialty retailer in the United States. The company is headquartered in San Diego and operates an estimated 1,516 Petco stores, including the smaller-format Unleashed by Petco neighborhood shops and Pooch Hotel locations across the United States, Mexico and Puerto Rico. The company expanded to Puerto Rico and Mexico in 2012 and 2013, respectively. The company has also significantly expanded its online presence through the acquisition of Drs. Foster and Smith Inc., a mail-order and e-commerce pet supply corporation, in 2014. The company then acquired another two companies in 2017, including Pupbox Inc., an online monthly subscription service, and PetCoach Inc., a day camp and full-service veterinary services. PetSmart offers a complete pet boarding and day-care service through PetsHotel with 24-hour supervision, an on-site veterinarian, air-conditioned rooms and daily specialty treats. Nearly 200 PetSmart stores include PetsHotel boarding facilities and Doggie Day Camps. PetSmart also offers full-service veterinary hospitals in more than 900 of its stores through a partnership with Banfield Pet Hospital. In May 2017, PetSmart acquired the largest online retailer for pet food, Chewy Inc., for $3.4 billion.

Financial performance
As PetSmart is privately owned, the company’s financials are undisclosed. Therefore, IBISWorld estimates revenue from PetSmart’s industry-specific US operations to grow at an annualized rate of 7.7% to $7.1 billion over the five years to 2019. The declines in in-store traffic were partially offset by rising sales of premium and natural food products and increased sales from pet services. The company’s broad portfolio of premium pet food, natural pet food and pet services has contributed to its growing market share over the past five years. Moreover, the company has been successfully capitalized on pet humanizing trends, making it less susceptible to external competitions. Consequently, PetSmart’s operating income is expected to increase at an annualized rate of 3.2% to $574.8 million during the same period.

<table>
<thead>
<tr>
<th>Year**</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
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<tr>
<td>2014-15</td>
<td>2,682.6</td>
<td>N/C</td>
<td>188.3</td>
<td>N/C</td>
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<tr>
<td>2015-16</td>
<td>2,718.5</td>
<td>1.3</td>
<td>158.0</td>
<td>-16.1</td>
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<tr>
<td>2016-17</td>
<td>2,786.5</td>
<td>2.5</td>
<td>141.0</td>
<td>-10.8</td>
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<tr>
<td>2017-18</td>
<td>2,819.9</td>
<td>1.2</td>
<td>159.6</td>
<td>13.2</td>
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<tr>
<td>2018-19</td>
<td>3,021.4</td>
<td>7.1</td>
<td>171.2</td>
<td>7.3</td>
</tr>
<tr>
<td>2019-20</td>
<td>3,163.6</td>
<td>4.7</td>
<td>179.5</td>
<td>4.8</td>
</tr>
</tbody>
</table>

*Estimates; **Year-end January 31

SOURCE: US SECURITIES AND EXCHANGE COMMISSION
Major Companies

Player Performance continued

Pet Retail Brands US Holdings LLC (Pet Retail Brands) is a retailer chain of pets, pet supplies and wellness products. The company was formerly known as Pet Supermarket Inc. (Pet Supermarket), founded in 1973 in Fort Lauderdale, FL. In July 2016, Pet Supermarket merged with Ontario-based Pet Valu Inc. (Pet Valu) to form Pet Retail Brands. Pet Retail Brands now operates as a parent organization of Pet Supermarket and Pet Valu. The combined business operates more than 1,054 stores in North America, with stores primarily along the East Coast. The company employs nearly 2,200 associates and sells more than 7,000 pet care products, including food, toys, digital service that connects users to veterinarians. In August 2015, the company filed for an initial public offering (IPO) but withdrew its offering in February 2016 following a $4.6 billion acquisition by the Canada Pension Plan Investment Board and CVC Capital Partners. In 2018, the company generated $4.5 billion in total company revenue and currently employs 26,000 people (latest data available).

Petco stores carry up to 10,000 different pet-related items, including pet food, collars, leashes, grooming products, toys, health and beauty aids, kennels and pet houses. Similar to other industry participants, Petco offers a variety of grooming, veterinary and obedience services for animals, but does not sell cats or dogs. Instead, the Think Adoption First program is used in partnership with local animal welfare organizations. The company also operates an independent nonprofit organization, the Petco Foundation, which has invested more than $175.0 million to support local animal welfare groups since its inception in 1999. Moreover, Petco has significantly expanded its smaller store chain, Unleashed by Petco, which specializes in catering natural, organic and higher-end pet products to urban markets. Financial performance

Since Petco is private, there is no official financial information available. IBISWorld estimates that Petco’s US revenue generated from brick-and-mortar stores has increased at an annualized rate of 3.4% to $3.2 billion over the five years to 2019. Similar to PetSmart, strong sales of pet services were one of the company’s main drivers of growth. As Petco shifts focus to the smaller store model, the company also concentrates on increasing online presence through an acquisition strategy. Between 2005 and 2015, online sales reportedly increased from 1.2% to 8.5% of total revenue, according to the company’s 2015 IPO filing (latest data available). Conversely, Petco’s operating income is expected to decline at an annualized rate of 1.0% to $179.5 million during the five-year period.

Other Companies

PetSmart Inc. and Petco Animal Supplies Inc. are the top players in the Pet Stores industry, accounting for nearly half total industry revenue in 2019. Overall, the industry is characterized by a moderate degree of concentration controlled by these two retailers. The remainder of the industry comprises several smaller-scale and privately owned pet stores. In fact, more than half all companies employ fewer than nine workers. Due to the fragmented nature of the industry, most players do not individually account for a considerable share of industry revenue.

Pet Retail Brands US Holdings LLC

Market Share: 3.7%
Pet Supplies Plus is a franchise business with more than 459 stores across more than 33 states in 2019. Pet Supplies Plus offers franchises to both single store owner-operators and area developers that own several stores in a designated market region. Pet Supplies Plus differentiates itself by providing all-natural food products. In addition, it offers a range of pet services, such as grooming, self-service pet wash stations and adoptions.

Pet Supplies Plus stores are generally located in high-traffic areas and are limited between an estimated 5,000.0 and 6,000.0 square feet in size for smaller markets and between 7,000.0 and 9,000.0 square feet in larger metropolitan areas. The smaller store concept is designed to keep operating costs at minimum levels. As of 2018, the company had 240 franchised locations, and according to its report, a franchise store on average earned $2.2 million annually in fiscal 2017 (latest data available). Overall, IBISWorld estimates that Pet Supplies Plus will generate $481.8 million in industry-relevant revenue in 2019.
The Pet Stores industry, similar to most other retail industries, has a low level of capital intensity. For every dollar spent on wages, an estimated $0.06 is invested in the store and equipment. Most capital costs are related to shelving, store, computers, cashier equipment and other equipment such as caging for animals, which do not need frequent replacement. Therefore, this industry is labor-intensive because employees are needed to operate and manage stores, provide customer service and support, restock merchandise and provide care for pets.

The level of capital intensity has increased over the past five years, reflecting increasing adoption of technology such as the POS system and IT fulfillment software. For instance, Pet Supplies Plus incurred $20.0 million on the upgrading of its IT systems and POS infrastructures in 2015. However, the Pet...
Operating Conditions

Capital Intensity continued

Stores industry’s operations are still relatively labor-intensive, as labor is required to operate and manage all the equipment and computer systems. Moving forward, IBISWorld anticipates that capital intensity in the industry will increase, albeit at a slow rate. As more customers are working individuals who prefer to save time traveling to the shops, self-checkout counters or faster POS systems are essential in the future to help improve customer experience. Moreover, industry operators want to avoid situations where customers make a trip to their store then realize the product that they want is out of stock. Thus, it is crucial to invest in product fulfillment software to ensure that products are always readily available and will be auto replenished when the inventory runs low.

To this point, the cost of labor within this industry is relatively high compared with competitors such as supermarkets, mass merchandisers and online pet supply retailers. This is because the other stores do not retail pets directly and provide pet services, inherently requiring fewer and less-skilled staff. In addition, these stores do not incur costs associated with employee training, since workers at these retailers do not require industry-specific knowledge. For online retailers, labor costs are exceptionally low as they are not required to outlay expenditure on shelving, displays or cash registers.

Technology and Systems

Over the five years to 2019, there have been few technological advances relevant to the Pet Stores industry. Technological advances in this industry are generally limited to those occurring in similar retail industries, such as computer scanning cash registers and automated inventory equipment. The introduction of this technology has enabled retailers to better manage the efficiency of operations and inventory. Technology at checkout leads to computerized point-of-sale equipment, which controls and records merchandising, distribution, sales and stock markdowns.

Furthermore, barcode scanning offers the advantages of higher labor productivity because it increases the speed at which information is passed, enables greater control over the distribution of goods and reduces errors along the supply chain. New improvements will boost revenue for larger stores that can afford to invest in the technologies. For example, larger retailers benefit from radio-frequency identification, which provides real-time information on inventory and helps to reduce shrinkage problems and improve efficiency. Many operators are small in size and do not have the necessary financial resources to purchase expensive electronic equipment.

Revenue Volatility

Pet stores sell both discretionary (e.g. pets, toys and accessories) and nondiscretionary products (e.g. pet food). While purchasing a pet is generally discretionary, a large proportion of expenditure on a pet is typically nondiscretionary; these include staples such as food and medicine. Pet stores also offer discretionary services such as day camp and training courses to boost revenue. Thus, discretionary pet products and services tend to fluctuate with income levels and economic conditions. For instance, pet owners generally reduce purchases of toys, accessories and grooming services in an economic downturn. Fortunately, discretionary
Operating Conditions

Revenue Volatility continued

offerings only account for a smaller share of industry revenue while nondiscretionary components make up for the majority. Therefore, this high level of nondiscretionary demand keeps the volatility of this industry low.

There are industry-specific and general regulations that apply to the Pet Stores industry. The transportation, handling and sale of small pets are governed by various federal, state and local authorities. In addition, industry participants are subject to environmental regulations imposed by federal, state and local authorities in relation to the generation, handling, storage, transportation and disposal of waste and biohazardous materials, in addition to the sale and distribution of products.

The Pet Animals Act 1951 deems it an offense to open a pet shop unless it is granted a license in accordance with the Act. When deciding to grant a license, district councils need to consider whether there is suitable accommodation and enough food and water, whether the animals are sold at a too young age and whether reasonable precautions have been taken to curb the spread of disease. The Animal Welfare Act (AWA) protects certain animals from inhumane treatment and neglect. The AWA requires that minimum standards of care and treatment be provided for certain animals that are bred for commercial sale, used in research, transported commercially or exhibited to the public. Retail pet shops are not covered under the Act unless the shop sells exotic or zoo animals or sells animals to regulated businesses. Pets owned by private citizens are not regulated. Regulated businesses are required to keep accurate records of acquisition and disposition and a description of animals that come into their possession.

Many state and local governments have passed additional animal welfare legislation. More than 20 states have regulations governing the sale of dogs and 15 states govern the sale of cats. These regulations stipulate the information that sellers must provide at the time of purchase and various options that buyers have if the purchased pet is sick. These states have regulations that enable consumers to obtain reimbursement when a sick animal is
The Pet Stores industry does not receive any specific government support, in the form of subsidies, tax breaks or otherwise. Instead of government assistance, the industry relies on trade associations to represent the industry and the latest products and trends for pet owners. The most notable among them is the American Pet Association, which promotes pet ownership and disseminates industry-related information to members. Another notable trade association is the American Pet Products Association (APPA). Many veterinary associations also support the industry by reporting on best practices and products recommended for various pets.
## Key Statistics

### Industry Data

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<thead>
<tr>
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<tr>
<td>Enterprises</td>
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<td>16,345</td>
<td>16,810</td>
<td>16,715</td>
<td>17,067</td>
<td>17,240</td>
<td>17,395</td>
<td>17,896</td>
<td>18,246</td>
<td>18,714</td>
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<td>Employees</td>
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<td>13,212</td>
<td>12,938</td>
<td>13,025</td>
<td>12,948</td>
<td>13,037</td>
<td>13,367</td>
<td>13,603</td>
<td>13,925</td>
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<tr>
<td>Employment (%)</td>
<td>82.9%</td>
<td>80.0%</td>
<td>78.3%</td>
<td>78.1%</td>
<td>78.0%</td>
<td>78.2%</td>
<td>78.0%</td>
<td>79.2%</td>
<td>79.8%</td>
<td>79.5%</td>
</tr>
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<td>Revenue ($)</td>
<td>15,505.1</td>
<td>15,954.0</td>
<td>17,113.3</td>
<td>17,036.7</td>
<td>17,047.7</td>
<td>18,131.4</td>
<td>18,766.5</td>
<td>19,568.9</td>
<td>20,249.7</td>
<td>21,063.3</td>
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<tr>
<td>Wages ($)</td>
<td>105,327</td>
<td>110,581</td>
<td>109,478</td>
<td>111,847</td>
<td>116,598</td>
<td>118,462</td>
<td>124,859</td>
<td>129,578</td>
<td>132,852</td>
<td>137,588</td>
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<td>Domestic Demand</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of pets - cats and dogs (Mil)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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### Annual Change

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</thead>
<tbody>
<tr>
<td>Establishments</td>
<td>31.4%</td>
<td>28.1%</td>
<td>-1.0%</td>
<td>2.7%</td>
<td>-0.6%</td>
<td>0.7%</td>
<td>-0.6%</td>
<td>0.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Revenue (%)</td>
<td>2.9%</td>
<td>18.3%</td>
<td>-1.0%</td>
<td>2.7%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.6%</td>
<td>0.7%</td>
<td>2.5%</td>
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<tr>
<td>Value Added (%)</td>
<td>1.2%</td>
<td>1.1%</td>
<td>-2.1%</td>
<td>4.2%</td>
<td>1.6%</td>
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<td>N/A</td>
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</tr>
<tr>
<td>Number of pets</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</table>

### Key Ratios

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<tr>
<td>IVA/Revenue (%)</td>
<td>18.71%</td>
<td>18.95%</td>
<td>20.89%</td>
<td>18.83%</td>
<td>18.58%</td>
<td>19.33%</td>
<td>18.07%</td>
<td>19.46%</td>
<td>19.27%</td>
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<tr>
<td>Wages/Revenue (%)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</tr>
<tr>
<td>Employees per Em.</td>
<td>164.6%</td>
<td>173.9%</td>
<td>156.3%</td>
<td>153.8%</td>
<td>154.1%</td>
<td>151.1%</td>
<td>153.0%</td>
<td>150.7%</td>
<td>147.2%</td>
<td>147.21%</td>
</tr>
<tr>
<td>Average Wage (%)</td>
<td>2.1%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Share of Economy</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</tr>
</tbody>
</table>

### Imports

- **2010:** Revenue = $2,900.6 million, Wages = $105,327 million, Domestic Demand = N/A, Number of pets = N/A
- **2011:** Revenue = $3,022.9 million, Wages = $110,581 million, Domestic Demand = N/A, Number of pets = N/A
- **2012:** Revenue = $3,574.6 million, Wages = $116,598 million, Domestic Demand = N/A, Number of pets = N/A
- **2013:** Revenue = $4,545.7 million, Wages = $124,859 million, Domestic Demand = N/A, Number of pets = N/A
- **2014:** Revenue = $5,646.0 million, Wages = $137,588 million, Domestic Demand = N/A, Number of pets = N/A
- **2015:** Revenue = $6,046.0 million, Wages = $137,588 million, Domestic Demand = N/A, Number of pets = N/A
- **2016:** Revenue = $6,493.9 million, Wages = $140,046 million, Domestic Demand = N/A, Number of pets = N/A
- **2017:** Revenue = $7,444.2 million, Wages = $140,046 million, Domestic Demand = N/A, Number of pets = N/A
- **2018:** Revenue = $8,444.2 million, Wages = $140,046 million, Domestic Demand = N/A, Number of pets = N/A
- **2019:** Revenue = $9,454.6 million, Wages = $140,046 million, Domestic Demand = N/A, Number of pets = N/A

### Exports

- **2010:** Revenue = $2,156.5 million, Wages = $2,156.5 million, Domestic Demand = N/A, Number of pets = N/A
- **2011:** Revenue = $2,480.8 million, Wages = $2,480.8 million, Domestic Demand = N/A, Number of pets = N/A
- **2012:** Revenue = $2,156.5 million, Wages = $2,156.5 million, Domestic Demand = N/A, Number of pets = N/A
- **2013:** Revenue = $2,840.8 million, Wages = $2,840.8 million, Domestic Demand = N/A, Number of pets = N/A
- **2014:** Revenue = $3,156.5 million, Wages = $3,156.5 million, Domestic Demand = N/A, Number of pets = N/A
- **2015:** Revenue = $3,438.6 million, Wages = $3,438.6 million, Domestic Demand = N/A, Number of pets = N/A
- **2016:** Revenue = $3,646.6 million, Wages = $3,646.6 million, Domestic Demand = N/A, Number of pets = N/A
- **2017:** Revenue = $3,846.6 million, Wages = $3,846.6 million, Domestic Demand = N/A, Number of pets = N/A
- **2018:** Revenue = $4,046.6 million, Wages = $4,046.6 million, Domestic Demand = N/A, Number of pets = N/A
- **2019:** Revenue = $4,246.6 million, Wages = $4,246.6 million, Domestic Demand = N/A, Number of pets = N/A

**Source:** WWW.IBISWORLD.COM

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.
## Industry Financial Ratios

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<tr>
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<tbody>
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<td>Medium ($10-50m)</td>
<td>Large (&gt;50m)</td>
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<td><strong>Liquidity Ratios</strong></td>
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<td>Sales / Receivables</td>
<td>141.0</td>
<td>269.1</td>
<td>172.4</td>
<td>141.9</td>
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<td>Days’ Receivables</td>
<td>2.6</td>
<td>1.4</td>
<td>2.1</td>
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<tr>
<td>Cost of Sales / Inventory</td>
<td>6.3</td>
<td>5.5</td>
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<td>Days’ Inventory</td>
<td>57.9</td>
<td>66.4</td>
<td>60.8</td>
<td>58.9</td>
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<td>Cost of Sales / Payables</td>
<td>16.0</td>
<td>17.0</td>
<td>17.1</td>
<td>23.5</td>
<td>58.9 n/a n/a</td>
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<td>Days’ Payables</td>
<td>22.8</td>
<td>21.5</td>
<td>21.3</td>
<td>15.5</td>
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<td>Sales / Working Capital</td>
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<td>17.3</td>
<td>17.5</td>
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<td><strong>Coverage Ratios</strong></td>
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<td>Earnings Before Interest &amp; Taxes (EBIT) / Interest</td>
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<td>9.7</td>
<td>7.0</td>
<td>4.5</td>
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<td>Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt</td>
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<td>n/a</td>
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<td>n/a</td>
<td>n/a n/a n/a</td>
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<td><strong>Leverage Ratios</strong></td>
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<td>Fixed Assets / Net Worth</td>
<td>0.5</td>
<td>0.6</td>
<td>0.6</td>
<td>0.3</td>
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<td>Debt / Net Worth</td>
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<td>1.7</td>
<td>1.9</td>
<td>1.4</td>
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<td>Tangible Net Worth</td>
<td>25.9</td>
<td>24.5</td>
<td>32.4</td>
<td>23.7</td>
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<td><strong>Operating Ratios</strong></td>
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<td>Profit before Taxes / Net Worth, %</td>
<td>34.0</td>
<td>33.8</td>
<td>28.3</td>
<td>26.0</td>
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<td>Profit before Taxes / Total Assets, %</td>
<td>8.5</td>
<td>11.4</td>
<td>8.6</td>
<td>7.7</td>
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<td>Sales / Net Fixed Assets</td>
<td>43.5</td>
<td>24.7</td>
<td>27.8</td>
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<td>Sales / Total Assets (Asset Turnover)</td>
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<td>4.1</td>
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<td><strong>Cash Flow &amp; Debt Service Ratios (% of sales)</strong></td>
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<td>Cash from Trading</td>
<td>39.4</td>
<td>37.2</td>
<td>36.8</td>
<td>40.9</td>
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<td>Cash after Operations</td>
<td>4.9</td>
<td>3.6</td>
<td>4.1</td>
<td>4.1</td>
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<td>Net Cash after Operations</td>
<td>5.1</td>
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<td>Interest Coverage (Operating Cash)</td>
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<td>15.1</td>
<td>7.1</td>
<td>9.7</td>
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<td><strong>Assets, %</strong></td>
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<td>5.4 n/a n/a</td>
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<td>47.1</td>
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<td>Fixed Assets (net)</td>
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<td>Intangibles (net)</td>
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<td>All Other Non-Current Assets</td>
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<td>4.5</td>
<td>6.3</td>
<td>7.3 n/a n/a</td>
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<td>100.0</td>
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<tr>
<td>Total Assets ($m)</td>
<td>936.1</td>
<td>729.3</td>
<td>574.6</td>
<td>331.5</td>
<td>48.4 87.4 195.7</td>
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<td><strong>Liabilities, %</strong></td>
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<td>Notes Payable-Short Term</td>
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<td>All Other Current Liabilities</td>
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<td>8.4</td>
<td>9.7</td>
<td>8.0</td>
<td>7.7 n/a n/a</td>
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<td>Total Current Liabilities</td>
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<td>47.4</td>
<td>40.5</td>
<td>34.4</td>
<td>33.3 n/a n/a</td>
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<td>Long Term Debt</td>
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<td>All Other Non-Current Liabilities</td>
<td>7.4</td>
<td>6.8</td>
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<td>Net Worth</td>
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<td>37.3</td>
<td>28.8</td>
<td>17.7 n/a n/a</td>
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<tr>
<td>Total Liabilities &amp; Net Worth ($m)</td>
<td>936.1</td>
<td>729.3</td>
<td>574.6</td>
<td>331.5</td>
<td>48.4 87.4 195.7</td>
</tr>
</tbody>
</table>

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions’ borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.
**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INITIAL PUBLIC OFFERING** A type of public offering in which shares of a company are usually sold to institutional investors who, in turn, sell to the general public on a securities exchange for the first time.

**PET BOARDING AND DAY-CARE** Long- and short-term options for owners who need assistance looking after their pets. Services include feeding, walking, grooming and lodging.

**PET PARENTS** Pet owners who are enthusiastic about their pets and treat them as members of their family.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.
Jargon & Glossary

**IBISWorld Glossary continued**

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts
It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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