

Key Statistics Snapshot

Revenue
\$19.5bn

Profit
\$838.4m

Annual Growth 13–18
2.9%

Wages
\$2.8bn

Annual Growth 18–23
2.8%

Businesses
13,408

Market Share

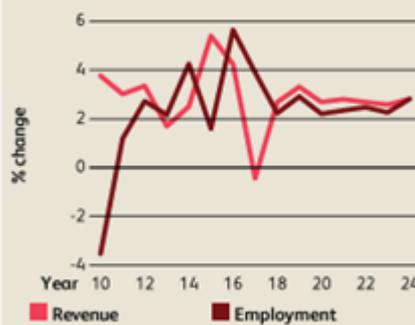
PetSmart Inc.

27.3%

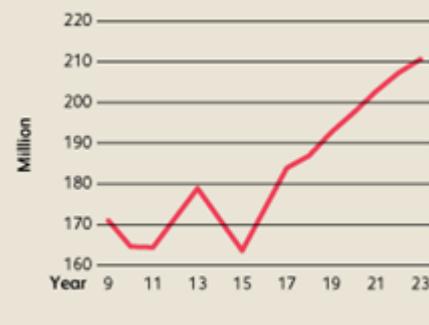
Petco Animal Supplies

19.9%

Revenue vs. employment growth



Number of pets (cats and dogs)



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

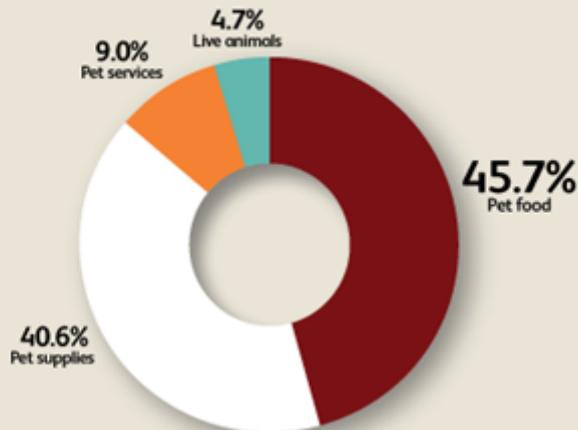
Number of pets (cats and dogs)

Per capita disposable income

Percentage of services conducted online

Number of households

Products and services segmentation (2018)

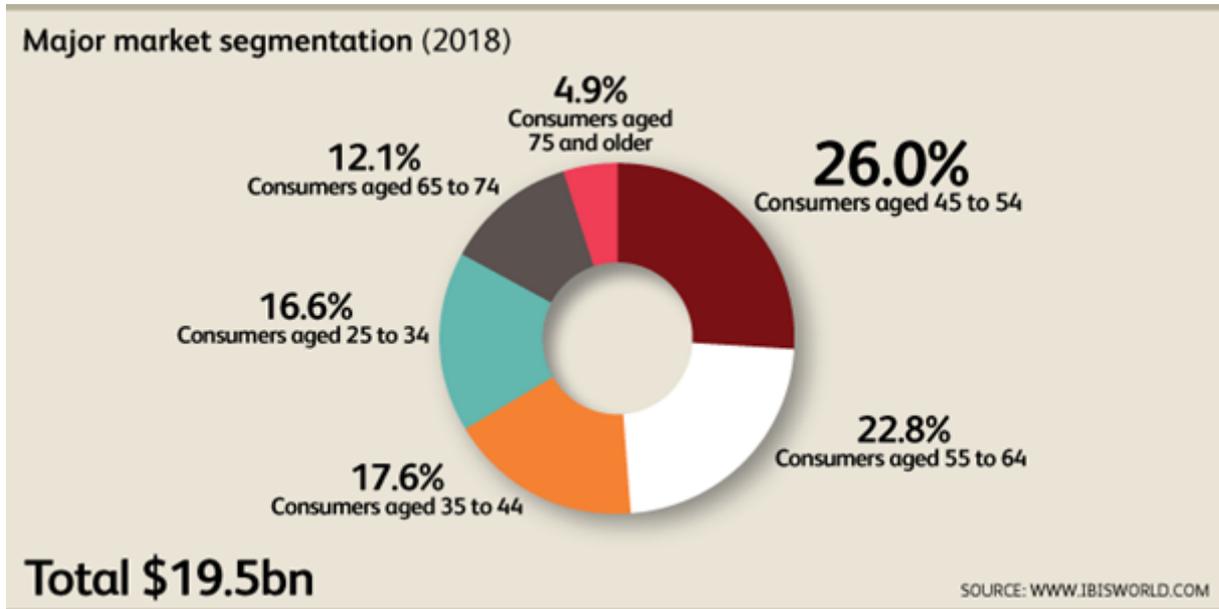


Industry Structure

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

Industry Benchmarks

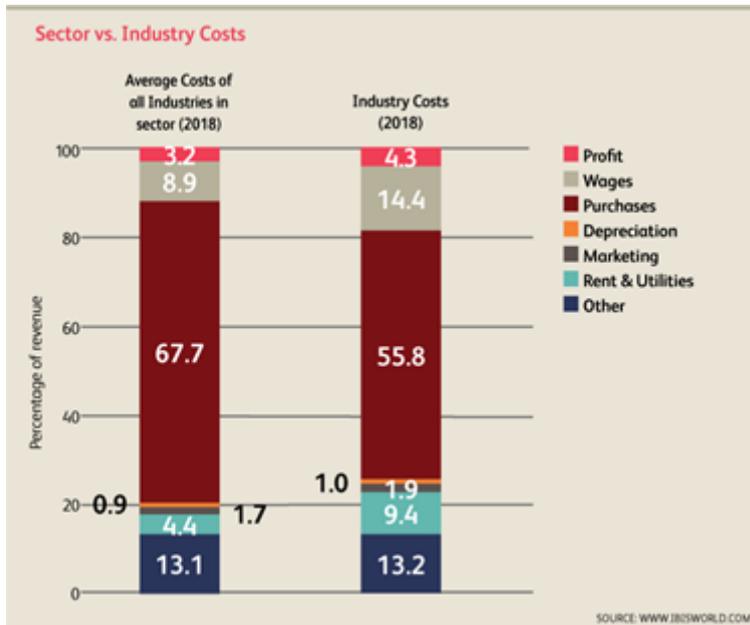
Major Markets



This chart shows the size of the markets that buy the industry's products or use its services.

It is based on the proportion of revenue each buying segment contributes to total industry revenue

Cost Structure



This chart represents the latest cost structure of the industry. It shows the proportion of revenue each cost item absorbs, with the remainder representing profit. The comparison to all other industries in the sector provides a benchmark that shows how the industry differs from its peers.

Industry Performance

Performance Summary

The Pet Stores industry purred along over the five years to 2018 as cats, dogs, fish and birds remained popular home companions. Moreover, younger pet parents, or millennial pet owners who treat their four-legged friends as family members, lavished their pets with high-end food products and day care services. Accelerated by favorable macroeconomic conditions, the industry expanded strongly during the five-year period, despite increased competition from supermarkets, mass merchandisers and online retailers that offered greater convenience and competitive pricing. Despite mounting external competition from online retailers, brick-and-mortar establishments pivoted from a focus on food and toys to more lucrative service offerings, such as grooming or day care. IBISWorld expects revenue to rise an annualized 2.9% to \$19.5 billion over the five years to 2018. In 2018 alone, industry revenue is expected to grow 2.7%.

The emerging trend of pet parents has bolstered demand for premium pet products and services. Since pets are treated as family members, pet owners frequently lavish them with all-natural and organic pet foods and treats, as well as high-end services. These pet services go beyond traditional grooming, dog walking and training; today, premium services, such as pet therapy sessions, are on the rise. PetSmart Inc.'s (PetSmart) PetsHotel offers 24/7 supervision for pets and boosts sales due to its added convenience as a one-stop shop for pet product purchases and services. These positive trends, combined with rising disposable income, are expected to increase profit margins during the period. While new operators are joining the industry, Petco Animal Supplies Inc. and PetSmart account for more than half of industry revenue and steadily increased their respective market shares over the past five years.

Over the five years to 2023, the Pet Stores industry is projected to maintain strong growth. As the economy continues its upward trajectory and consumers have more discretionary income, revenue from premium products and services is projected to increase. Moreover, the number of pet-owning households is expected to continue rising, yielding greater demand for industry products. However, for basic pet supplies, competition from supermarkets, discount department stores and online-only retailers is expected to accelerate and limit demand. As a result, over the five years to 2023, industry revenue is forecast to rise an annualized 2.8% to \$22.4 billion.

Industry

Threat

Opportunity

Issues

Online shopping poses a direct threat to traditional industry retailers. Many online retailers are able to offer products similar to those offered by pet stores, but at lower prices, with wider inventories and the ease of direct home shipping. An increase in the percentage of services conducted online will likely decrease demand for traditional brick-and-mortar stores, suppressing industry revenue. The percentage of services conducted online is expected to rise in 2018, posing a potential threat to the industry.

As households adopt more cats and dogs, demand for industry goods, such as pet foods, medicine and accessories, increases. According to the American Pet Product Association's National Pet Owners Survey, the 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 2018, representing a potential opportunity for the industry.

Call Preparation Questions

Role Specific Questions

Role: Sales & Marketing

How is your company targeting millennial consumers, who account for the largest portion of pet owners?

- Marketing to millennial audiences may increase sales.

How has your business adapted to the growth of online sales over the past five years?

- Providing incentives to purchase in-store may grow brick-and-mortar revenue.

Role: Strategy & Operations

Has your company considered locating in urban environments?

- Cities tend to have higher millennial populations, and by extension, pets.

Has your company explored acquisition opportunities in order to diversify product and service offerings?

- Including additional services, such as grooming or daycare services, will establish new revenue streams.

Role: Technology

What technology is your company investing in to track sales?

- Radio-frequency identification (RFID) tags allow stores to track sales and update inventories in real time.

Does your company use point-of-sale (POS) systems to ensure that the most popular products are kept in stock?

- POS systems streamline inventory control.

Role: Compliance

Is your company prepared to mitigate rising wage costs associated with increased minimum wage laws?

- Minimum wages in various states are rising, and recently, in 2015, the Supreme Court upheld a 2013 federal minimum wage increase.

How does your company ensure all health safety requirements are met?

- The Occupational Safety and Health Administration (OSHA) offers free and confidential consultations to identify potential hazards.

Role: Finance

How do your company's profit margins compare to your main

competitors'?

- The average profit margin for a company is pegged around 4.0%.

How do you keep operating costs down while still providing high levels of service?

- Containing controllable expenses will allow a company to continue to offer superior service.

External Impacts Questions

Issue: Percentage of services conducted online

What promotional deals do you offer to compete with lower-priced goods from online retailers? How do you plan to mitigate this threat?

- Many online retailers are able to offer products similar to those offered by pet stores, but at lower prices, with wider inventories and the ease of direct home shipping.

Issue: Per capita disposable income

Do you expect major changes in demand as a result of rising disposable income levels? How will rising income benefit your company?

- A decrease in disposable income has little effect on demand because households typically reduce spending on other household and leisure products before cutting down on pet food and toys.

Issue: Number of pets (cats and dogs)

Are you benefiting from the noted increase in cat and dog populations? How do you plan to capitalize on this trend?

- As households adopt more cats and dogs, demand for industry goods, such as pet foods, medicine and accessories, increases.

Internal Issues Questions

Issue: Attractive product presentation

What steps do you take to ensure your products are well present and clearly displayed? How do you ensure a high retention rate?

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

Issue: Experienced work force

How do you hire workers? What is the training process for new hires like? How much prior experience is necessary for workers at your firm?

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

Issue: Effective quality control

How do you maintain product quality? Do you have systems in place to keep standards high and continually updating?

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