

Lucky dog: Pet owners will invest in premium products as disposable income rises

IBISWorld Industry Report 45391 Pet Stores in the US

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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 and supplies
 Providing pet grooming and boarding services

The major products and services in this industry are

Live animals
 Pet food
 Pet services
 Pet supplies

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 Magazine
www.petbusiness.com
 Pet Business
www.hsus.org
 The Humane Society

Industry at a Glance

Pet Stores in 2014

Key Statistics Snapshot

Revenue
\$15.7bn

Profit
\$988.8m

Annual Growth 09-14
2.2%

Wages
\$2.1bn

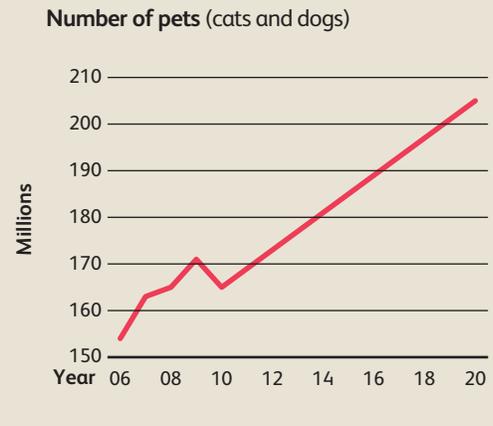
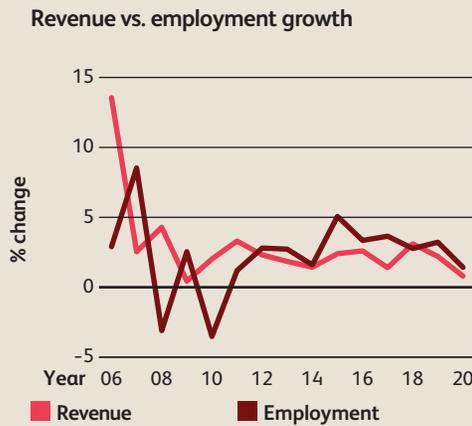
Annual Growth 14-19
2.3%

Businesses
13,195

Market Share
PetSmart Inc.
41.9%

PETCO Animal Supplies Inc.
20.6%

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Key External Drivers
Number of pets (cats and dogs)

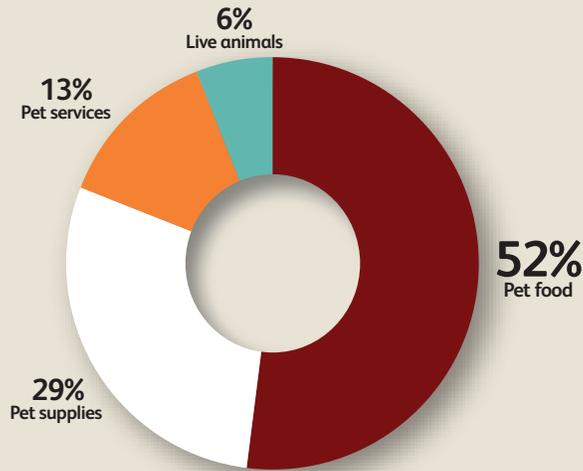
Per capita disposable income

External competition for the Pet Stores industry

Number of households

p. 4

Products and services segmentation (2014)



Industry Structure

Life Cycle Stage	Mature	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

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Pet Stores industry has purred along over the past five years as cats, dogs, fish and birds have remained popular home companions. Even during the Great Recession, which slowed demand throughout most of the retail sector, the industry continued to yield revenue growth. This trend was mainly driven by an increasing number of pet parents, or pet owners who treat their four-legged friends as family members.

Consequently, revenue growth for the industry slowed during the recession but maintained its overall positive trend. The

members, pet owners frequently lavish them with all-natural and organic pet foods and treats, in addition to high-end services. Examples of pet services go beyond the traditional grooming, dog walking and training; today, premium services like pet therapy sessions and pet-only flights are available for four-legged family members. This is the case particularly for dog and cat owners. These positive trends, combined with rising sales, have increased profit margins for industry players in the five years to 2014; IBISWorld estimates that margins have increased from about 4.3% of revenue in 2009 to about 6.3% in 2014.

In the five years to 2019, 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 increasing, yielding greater demand for industry products. However, for basic pet supplies, competition from supermarkets, discount department stores and online-only retailers is expected to remain strong. In the five years to 2019, industry revenue is forecast to rise at an average annual rate of 2.3% to total \$17.6 billion.

Indulgent pet parents will continue to drive demand for premium pet food and services

industry has expanded since 2009 despite increased competition from supermarkets, mass merchandisers and online retailers that have all recognized an opportunity to cater to pet owners, selling pet supplies alongside other consumer wares. Revenue is expected to increase at an average annual rate of 2.2% to \$15.7 billion in the five years to 2014. In 2014, revenue is expected to grow 1.4%.

The emerging trend of pet parents has also commanded high demand for premium pet products and services. Since pets are often considered family

Key External Drivers

Number of pets (cats and dogs)

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 (APPA) National Pet Owner's Survey, the average dog or cat owner spends between \$200 and \$300 annually on food for their pet. The number of pets is expected to increase during 2014,

creating a potential opportunity for the industry.

Per capita disposable income

Consumers increasingly perceive pets as family members, so products for pets can be considered nondiscretionary. A decrease in disposable income has little effect on demand because households typically reduce spending on other household and leisure products before

Industry Performance

Key External Drivers continued

cutting down on pet food and toys. However, a rise in per capita disposable income increases the propensity for households to purchase a greater quantity of goods and premium items that are more expensive. Per capita disposable income is expected to increase in 2014.

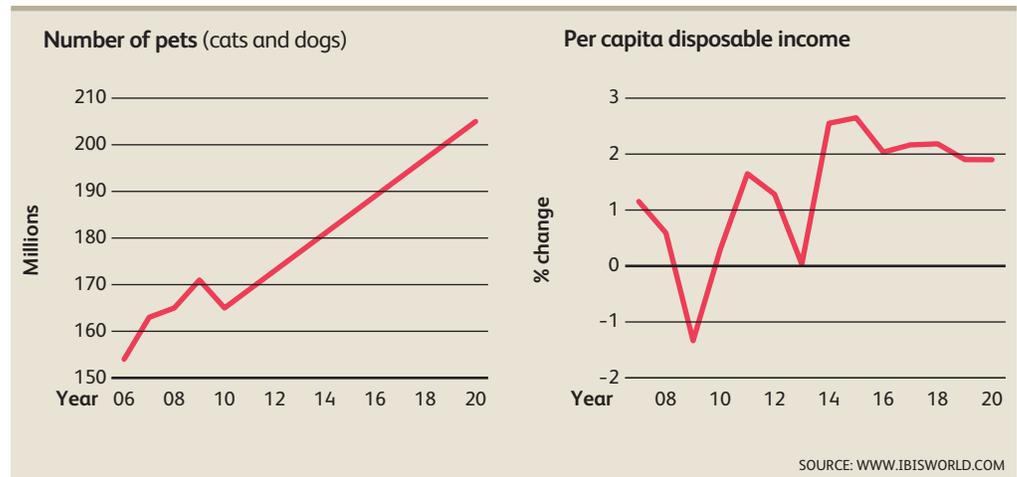
External competition for the Pet Stores industry

Pet food, toys and accessories supplied by this industry compete with comparable products offered by supermarkets, grocery stores, department stores and online-only retailers. These retailers

often sell the same products or very similar products as pet stores, providing consumers with added convenience. External competition for the Pet Stores industry is expected to increase in 2014, posing a potential threat to the industry.

Number of households

According to the APPA's most recent National Pet Owners Survey, 68.0% of US households own a pet. Consequently, an increase in the number of households will likely increase the number of pet owners in the United States, supporting industry demand. The number of households is expected to increase during 2014.



Industry Performance

Current Performance

The Pet Stores industry has grown steadily over the five years to 2014, driven by the tendency of pet owners to treat their pets like family members. By offering more innovative, specialized and premium products and services, pet stores have been able to cash in on pet owners' desires to pamper their pets. In addition, rising pet ownership in the United States has led to overall higher demand for pet food and supplies. Consequently, revenue for the Pet Stores industry is estimated to increase at an average annual rate of 2.2% to \$15.7 billion in the five years to 2014. Industry revenue is expected to jump 1.4% in 2014 as higher disposable incomes encourage greater spending on pets.

With strong demand and rising sales, pet stores have experienced increasing profit margins during the five-year period. Sales of premium pet food, supplies and pet services in particular have driven up profitability because they typically have higher markups.



Further, industry revenue has been growing at a faster rate than the number of employees or wages. Wages are estimated to increase at an annualized rate of just 1.6% over the five years to 2014, to \$2.1 billion. IBISWorld estimates that in 2014, average industry profit margins will reach 6.3% of total revenue, up from 4.3% in 2009.

Growth despite constrained spending

In the five years to 2014, industry growth has largely been attributable to higher pet ownership and accompanying demand for pet products. According to the 2013/2014 National Pet Owners Survey published by the American Pet Products Association (APPA), about 68.0% of US households own a pet, which equates to 82.5 million households. Throughout the past two decades, pet ownership has been growing slowly but steadily. The APPA reports that in 1998, about 51.0 million homes owned at least one pet, and by 2005, this number had risen to 69.0 million. Such growth rates have translated into rising demand for pet supplies in the five years to 2014.

Because supplies such as food and treats are required for the wellbeing of pets regardless of household income, demand for the Pet Stores industry has

proved resilient even during bouts of low consumer confidence and decreased disposable income. To this end, pet food, which accounts for about 52.0% of industry sales, was a leading contributor to positive sales during the recession. According to APPA data, sales for pet food increased 26.8% between 2008 and 2013, and are expected to continue growing in 2014.

Operators have been actively adding pet services to capture more of the consumer dollar. Pet Business reported in another survey that in 2010 22.0% of retailers added pet-related services, such as grooming and pet boarding, to improve sales and margins. Indeed, APPA reports that spending on pet services increased 40.6% between 2008 and 2013. IBISWorld expects that in 2014, the continued emphasis on pet

Industry Performance

Growth despite constrained spending continued

services will be a primary driver for sales. As the unemployment rate slowly subsides and households gain more

disposable income, consumers will likely increase their spending on these discretionary pet services.

Competition from bigger stores

Pet stores are traditionally small and independently owned operations; about 59.1% of industry players are nonemployers (stores without paid employees). Even among businesses that have employees, most employ fewer than four workers. Just 7.8% of total operators have more than 20 employees. Because of their predominantly small size, industry enterprises have faced external competition from supermarkets and mass merchandisers, while fending off big-box specialty stores from within the industry. This pressure has contributed to overall consolidation of the industry and has placed incredible price pressures on small specialty stores. During the recession, some of these small specialty stores were forced to exit the industry or find niche markets in order to remain competitive. In the five years to 2014, the number of industry operators contracted at an average annual rate of 0.6% to an estimated 13,195 companies. This decline is partly due to increased external competition from supermarkets, department stores and online-only retailers.

In recent years, supermarkets have lured customers away from smaller specialty stores, offering the convenience of one-stop shopping. Grocery stores allow consumers to shop for a wide range of household products in one location, including pet supplies. Time-poor consumers have turned to this type of store to streamline and simplify errands. Meanwhile, mass merchandisers have emerged as major retailers of pet products, offering cheaper prices for frugal consumers. Due to their sizes, stores such as Walmart and Costco exert higher buying

Smaller operators compete with big-box retailers and pet stores, including Walmart and PetSmart

power and always purchase in bulk from wholesalers. During the recession, these cost savings became bargain prices for consumers, allowing larger stores to draw in more customers. Also, many consumers have gravitated online to purchase more-affordable substitutes in lower quantities.

Smaller operators face even more competition when selling premium products, which are often a boon for small retailers. High-end goods are primarily sold through specialty pet stores and other niche retailers, providing a degree of guaranteed sales for operators, shielding them from direct competition. This is because manufacturers typically place restrictions on ultra-premium pet products, selling them only to specialty pet stores.

Big-box specialty stores such as PetSmart and PETCO still offer customers the best of both worlds by providing a broad selection of pet products while operating on a scale large enough to pass cost savings down to consumers. Furthermore, these large stores have also provided premium products, a factor that has caused external competition for small specialty stores. As a result, the big-box strategy has been a sweeping success in the Pet Stores industry. PetSmart, in particular, has increased its market share from 39.6% in 2009 to 41.9% in 2014.

Industry Performance

Industry Outlook

The five years to 2019 are expected to be promising for the Pet Stores industry. Rising pet ownership is expected to be a strong driver of industry demand. In addition, slowly improving economic conditions will boost consumer spending, allowing customers to purchase more premium pet products and services. As

such, industry revenue is projected to increase at an average annual rate of 2.3% to \$17.6 billion in the five-year period. Despite this growth, the Pet Stores industry will continue to face strong competition from grocery stores, mass merchandisers and a growing number of online-only retailers.

Pet ownership to grow

The number of pets owned by households in the United States is the primary driver of demand for the industry. Because the industry sells pets, including cats, dogs, birds, hamsters and guinea pigs, an increase in pet ownership rates translates to higher revenue for the industry. In addition, a rise in pet ownership leads to higher demand for discretionary and nondiscretionary products such as food, treats and toys. To the industry's benefit, demand for pets, especially cats and dogs, is expected to rise during the five years to 2019, primarily driven by more single-person households and the aging population, two demographics that increasingly own pets. IBISWorld projects that the number of pets will increase at an average annual rate of 2.1% during the five-year period, which will contribute to the industry's growing revenue.

Also, an increased trend toward higher-margin premium pet products

Pet ownership will continue increasing as a growing number of people live alone

and pet services is expected to favorably affect industry profit margins during the next five years. Wages are expected to increase at a slower rate than revenue, at a 2.0% annualized rate to \$2.3 billion, assisting the average industry profit margin. IBISWorld forecasts profit margins to increase from 6.3% of revenue in 2014 to 6.4% in 2019. Rising profitability and expanding pet ownership levels will also continue to bring new entrants to the industry. Consequently, the number of companies is projected to increase at an average annual rate of 0.5% to about 13,528 in 2019.

Premium products will remain popular

IBISWorld expects that natural and organic foods and treats will continue to gain popularity over the five years to 2014 as households continue to view their animals' diets as a means of improving their pets' overall health. According to research firm Mintel, nutritional value and flavor are two of the top reasons owners cite for choosing food for their pets, just after price and value. Natural and organic foods were once a

niche segment; however, major food manufacturers such as Nestle's Purina, Mars's Pedigree and Del Monte Foods all now market natural products that are sold at major retailers. These high-margin products will be lucrative sources of revenue and profit for pet store operators over the next five years.

With improving economic conditions, demand for specialized pet services is expected to continue. During the past

Industry Performance

Premium products will remain popular continued

five years, pet services have served as primary drivers of growth within the industry, a trend that will likely continue as per capita disposable income is expected to grow at an

annualized rate of 2.2% in the five years to 2019. As unemployment declines, more consumers will use their extra income to pamper their pets with services such as grooming and boarding.

Changing competition

During the recession and its aftermath, mass merchandisers and supermarkets attracted many budget-conscious consumers by offering a limited selection of low- to medium-quality goods at discounted prices. However, as disposable income levels increase in line with the economic recovery in coming years, customers are expected to loosen their budgets and splurge on higher-quality items. As a result, consumers will seek options based on factors other than low prices and return to smaller operators that offer higher-quality services at higher prices. Despite these favorable conditions, however, competition from supermarkets and mass merchandisers is expected to remain strong for basic pet supplies like dry pet food and cat litter. Because these products show little differentiation among brands, consumers will likely continue to shop at large retailers to take advantage of discounted prices and the convenience of one-stop shops.

Since much of the industry consists of a high number of smaller stores, niche product marketing will become increasingly important as each operator

Smaller pet stores will increasingly target niche markets in order to set themselves apart

attempts to set itself apart from other stores. For example, personalized diets for pets are expected to serve as a potential niche market for industry operators, including special food catered to obese animals. According to the latest American Pet Products Association's 2013/2014 National Pet Owners Survey, 12.0% of dogs and 14.0% of cats are considered overweight. Since many pet owners have become concerned with their pets' health, the creation of options to improve pet health presents a potential opportunity for industry operators. Several pet food manufacturers have identified potential growth in customized food options, taking into consideration pet breeds, life stages, daily activities, amount of time indoors and specific medical conditions.

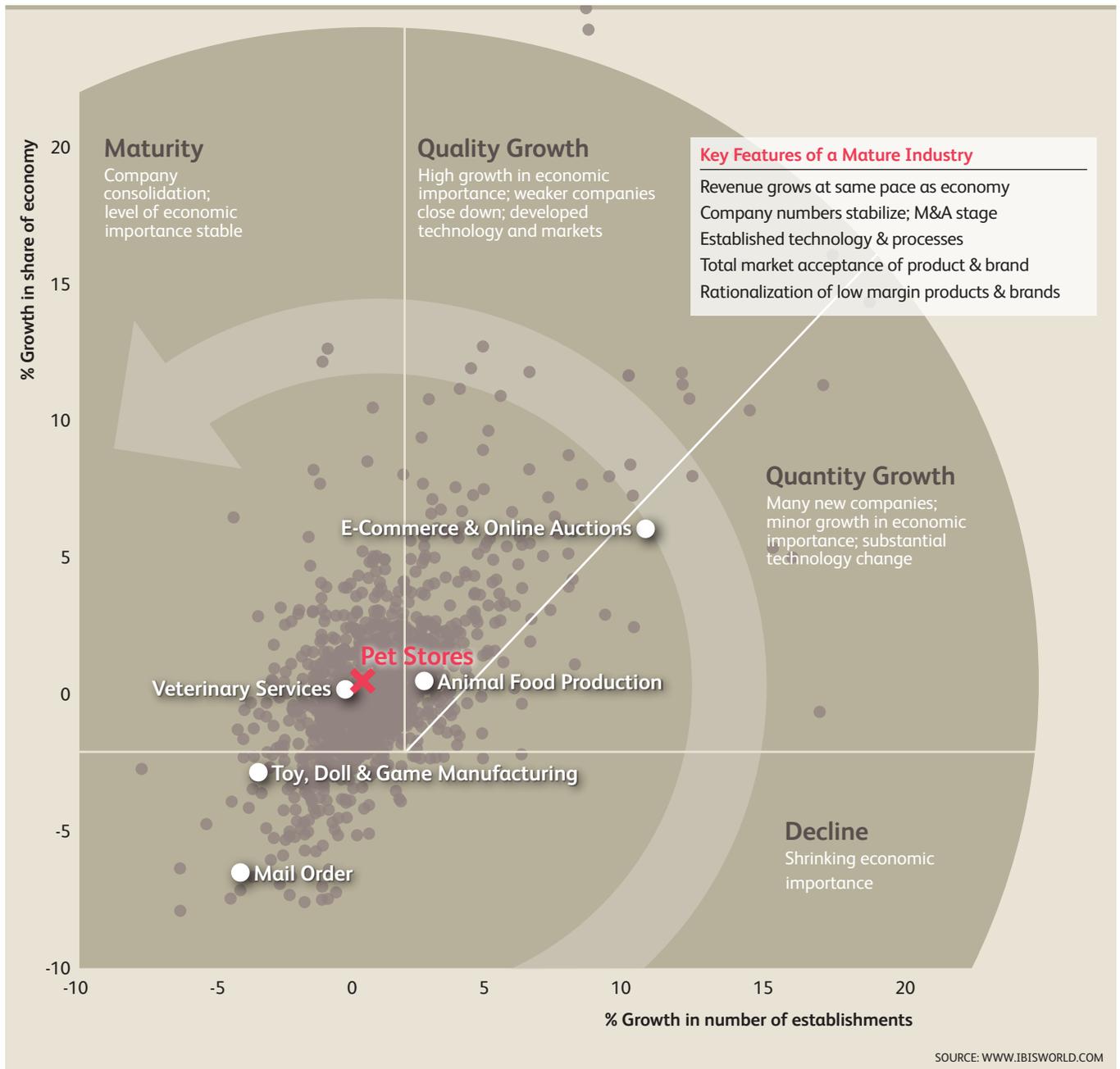
Industry Performance

Life Cycle Stage

The industry's contribution to the economy is expected to grow over the 10 years to 2019

Product innovation is slowing

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



Industry Performance

Industry Life Cycle

This industry is **Mature**

The Pet Stores industry is in a mature stage of its life cycle. While there are some product introductions taking place within the industry and a rising number of services are being provided by operators, the industry has not undergone fundamental changes. Industry valued added (IVA), which measures the industry's contribution to the US economy, is expected to increase at an annualized rate of 3.0% in the 10 years to 2019. In comparison, US GDP is projected to grow at an annualized rate of 2.7% during the same period. This indicates that the industry is growing at a slightly faster rate than the economy. In addition, the number of companies in the industry is expected to decline marginally over the 10 years to 2019, at an annualized rate of 0.1%, which displays consolidation of industry operators.

During the five years to 2014, the industry has posted strong sales driven by pet owners increasingly humanizing their pets. To this point, American Pet Products Association indicated that a tipping point was reached in 2005 and 2006 when people began rewarding pets in human terms. Consequently, new products and services have emerged in this industry to cater to this trend. For example, an increasing number of pet

stores have started to offer premium pet food and treats as well as services such as grooming, training, walking and full-service boarding. This trend of rapid product introductions indicates that the Pet Stores industry is in the developing stage; however, new product introductions are expected to slow down in the five years to 2019 as product saturation is reached.

As an industry made up of retailers that specialize in pet supplies, the industry's main threat comes from large general-line retailers such as supermarkets and mass merchandisers and discount retailers such as Walmart that stock a wide variety of products at competitive prices. Online pet store retailers also pose an increasing threat as improved web interfaces and delivery systems make shopping online easier and cheaper. Over the long term, both these forces threaten the industry's growth prospects as many specialized retailers will not be able to compete with the economies of scale and extensive distribution networks these retailers command. Specialty pet stores will likely further diversity into services, away from their traditional product lines, to stay competitive.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

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

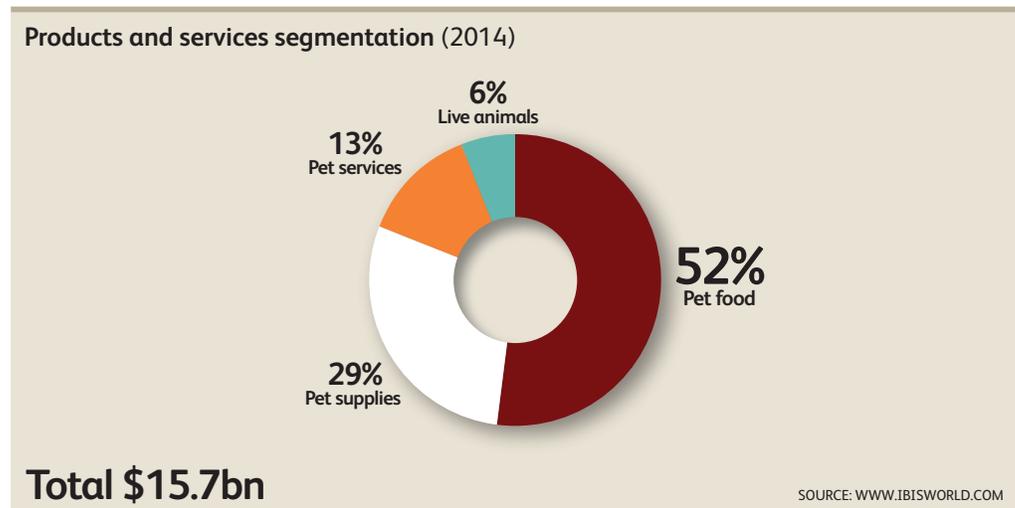
KEY SELLING INDUSTRIES

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 & Services



Pet food

Because food is a necessity for all pets, it is not surprising that pet foods make 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 a number of different household pets. In the five years to 2014, retailers have increasingly provided all-natural and organic food products. These premium pet foods tend to be higher priced with larger markups, a factor which has benefited industry revenue. Today, a variety of premium pet foods are available to pets.

Examples include the raw diet for dog and cat foods, weight control food for obese animals, specialized formulas for sensitive stomachs, and freshly baked cakes and cookies as treats. However, the segment faces a high degree of competition from supermarkets and mass merchandisers, which sell competitively-priced pet food products. Consequently, the segment's share of revenue has declined slightly over the past five years.

Pet supplies

Products in this segment include over-the-counter medicines, food bowls, collars and leashes, pet clothing, brushes

Products & Markets

Products & Services continued

and combs, shovels and scoopers, cat litter, cages birds and reptiles, travel carriers and any other various accessories for pets. During the past five years, this segment's share of revenue has increased largely due to rising spending on over-the-counter medicine products. Spending on pet medicine has increased due to the soaring cost of pharmaceuticals, as well as higher standards of routine care. Other pet supplies and accessories sold by industry retailers also face competition from supermarkets and grocery stores, namely because there are no regulations that limit their sale. To this point, pet supplies are being increasingly sold at a variety of retail outlets such as home improvements stores.

Services

Pet services have been the fastest-growing product segment for the industry over the past five years. Pet services include full service grooming, haircuts, baths, toenail trimming and tooth brushing. This excludes

veterinary services. Other services may include activities such as training, boarding and day camps. Much of the rise of this segment has been driven by a greater interest in pet pampering. As more pet owners consider animals as members of their families, demand for specialty pet services has also increased.

Live animal purchases

The live animal segment of the industry is the industry's smallest segment. This product segment is small because a pet is normally a one-off purchase, while products in other segments, such as pet supplies and pet foods, need to be purchased throughout the life of the pet, thus, requiring repetitive spending. Furthermore, major players in the industry only sell small animals and fish, and partner with local pet programs for cat and dog adoptions. On the other hand, smaller operations often sell all types of animals: cats, dogs, fish, rabbits, birds, small animals and even reptiles.

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 a main driver for industry demand by definition, as industry operators are retailers of pets. Thus, as pet ownership increases, the number of pets purchased also rises, leading to higher demand and sales for the industry. In addition, a rise in this number also leads to higher demand for products such as food, treats and toys because these goods are needed every day for the well-being of pets. During the last 15 years, pet ownership has been on the rise. According to the American Pet

Products Association, in 1998, 56.0% of US households owned a pet. In 2014, however, about 68.0% of households are estimated to own a pet.

Income

Households with higher incomes are able to spend more on discretionary items and services sold at pet stores, leading to higher demand. As such, in the five years to 2014, pet-owning households with high disposable income have been the main customers for luxury and trendy pet products, including premium pet food and designer pet toys. In addition, those with higher incomes tend to travel frequently, so they are more likely to utilize pet boarding services or

Products & Markets

Demand Determinants continued

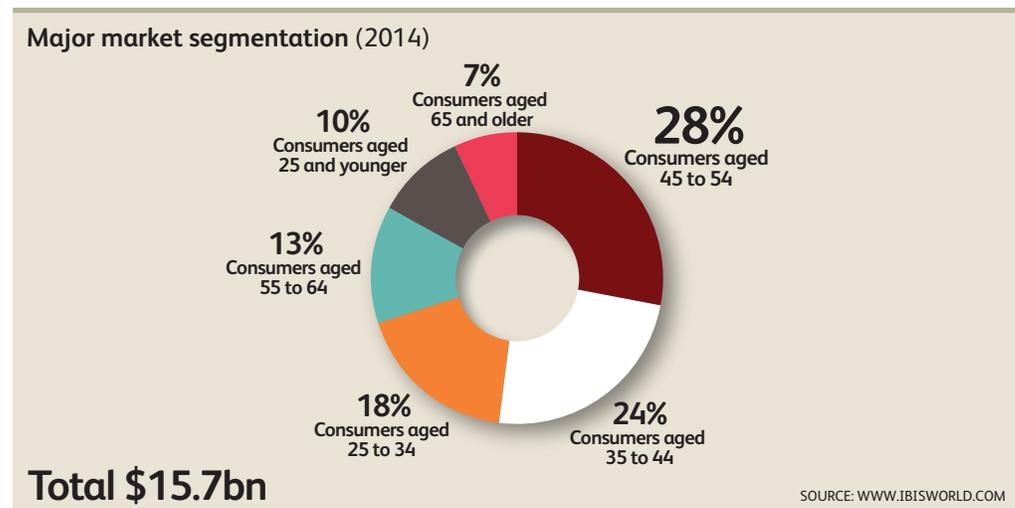
purchase products that allow their pet to travel with them.

Demographics and lifestyle

The change in demographics and lifestyle of households is an important determinant of demand. If households are frequently relocating or working longer hours, then these factors may

reduce a household's willingness to purchase a pet. In addition, households living in apartments are less likely to have pets since many apartments do not allow pets. However, the aging population may increase demand for pets, since older demographics often purchase pets for companionship after their children and grandchildren leave home.

Major Markets



The largest market for the Pet Stores industry includes consumers between the ages of 45 to 54, who account for an estimated 28.0% of total revenue. Many members of this age group look for pet companions to fill the empty space in their households after their children leave home. As such, a large proportion of this segment can be considered pet enthusiasts, who consider pets family members, according to PetSmart. Furthermore, consumers in this product market are typically employed and have steady income streams, allowing them to spend freely on pet supplies. Consumers between the ages of 55 and 64 are expected to represent 13.0% of the market; however, this figure is forecast to increase during the next five

years as consumers aged 45 to 54 increasingly enter this age range.

The second-largest market consists of consumers between the ages of 35 to 44, who represent about 24.0% of revenue. Consumers in this market typically have children, and they often consider the health and behavioral benefits a pet can have on their kids. According to the American Pet Products Association, about 38.0% of households with children under 18 years old own at least one pet.

Consumers between the ages of 25 and 34 are estimated to account for 18.0% of the market. This demographic group accounts for a lower share as they are often subject to busy schedules, making it difficult for them to own pets.

The two smallest markets are made of consumers under the age of 25

Products & Markets

Major Markets continued

(accounting for 10.0% of the market) and consumers over the age of 65 (7.0%). Consumers in these categories have limited income, thus, decreasing their ability to own or spend on pets. In

addition, these two demographics tend to rent apartments or live in retirement homes, and many of these dwellings do not allow pets, hindering the ability of these demographics to own pets.

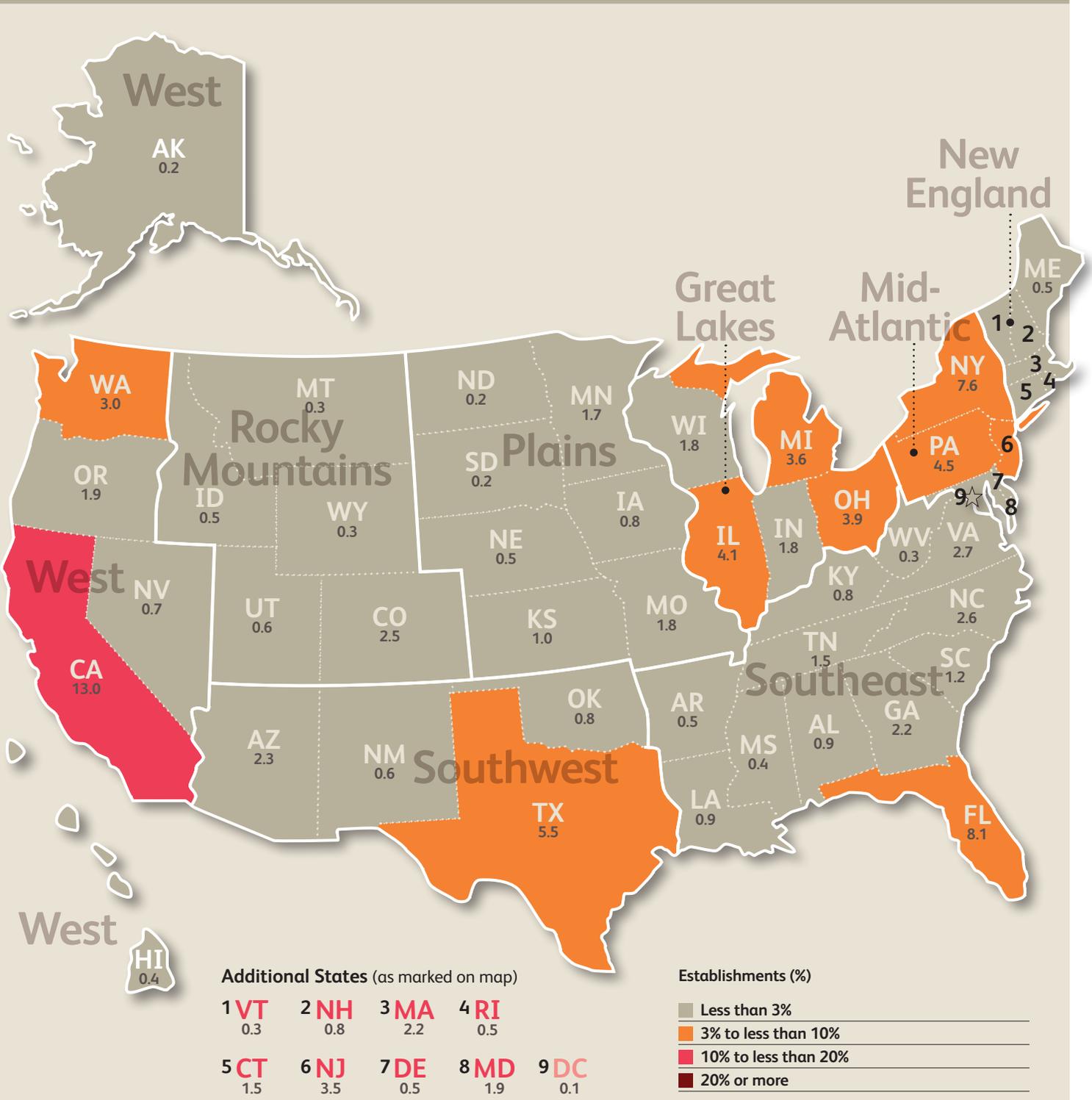
International Trade

International trade activity is accounted at the manufacturing level by convention; as such, this retail industry does not technically have imports or exports. However, products and supplies in the Pet Stores industry are imported and exported at the manufacturing level and 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 that contain a large number of other non-pet related products. However, trends in pet food trade provide some insight into trends regarding overall pet-product trade levels, and these are included in the Animal Food Production industry (IBISWorld report 31111).

Products & Markets

Business Locations 2014



Products & Markets

Business Locations

Pet stores are primarily located in the Southeast, the West, the Mid-Atlantic and the Great Lakes regions of the United States. Industry locations are based primarily on the number of households in each region, as well as the median income level of households.

Southeast

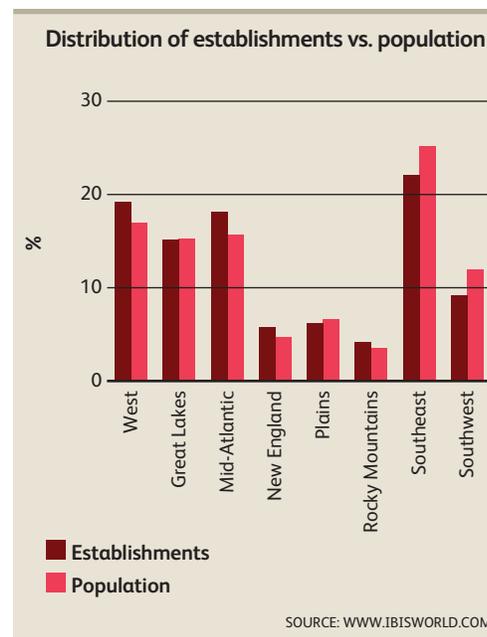
The Southeast holds the highest number of industry establishments; 22.1% of pet stores are estimated to be in the region. The Southeast is the most populated region of the United States with one quarter of the nation's population. Given the higher proportion of households, there is a greater demand for industry retailers. Within the Southeast, Florida has the highest number of pet stores, at 8.1% of the nation's total.

West

The West has the second-highest proportion of pet stores in the country; the region is estimated to have 19.2% of industry stores. California has the highest number of pet stores in the country at 13.2%. The primary reasons for the higher-than-average number of pet stores in the West are population density and income levels. The West has 17.1% of the nation's total population; furthermore, both California and Nevada have higher-than-average median incomes by state.

Mid-Atlantic

The Mid-Atlantic region has an estimated 18.1% of pet stores. The most popular states include New York and Pennsylvania, which account for a respective 7.6% and 4.5% of the industry's locations. These states have some of the highest populations in the United States due to their large metropolitan centers. The region also has



higher-than-average income levels. Given that households within the region have a larger amount of disposable income, they are more able to afford to own a pet.

Great Lakes

The Great Lakes region is the fourth-most popular location for industry establishments. 15.2% of pet stores are estimated to be located in the Great Lakes region. Illinois is the fifth-highest populated state in the nation; therefore it is a popular center for industry operators. The state holds an estimated 4.1% of pet stores.

Other small participating regions in the industry include: the Southwest, New England, the Plains and the Rocky Mountains. Among the aforementioned regions, the Southwest commands the largest share of industry establishments at 9.2% of the total. These regions have smaller consumer markets, which lowers demand for pet stores.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Medium**

More than one half of the Pet Stores industry's revenue comes from two specialty supply retailers: PetSmart and PETCO. The other portion of the industry consists of family-owned stores, small franchises and small chains of pet stores. The industry has a moderate level of concentration with the top four companies generating an estimated 67.2% of the industry's revenue. Despite the moderate degree of concentration, small operators are still able to find niche markets in their geographical locations, and they rarely expand beyond those areas.

IBISWorld estimates that by the end of 2014, the industry will consist of 13,195 companies. According to the latest

available data provided by the US Census, about 59.1% of pet stores are operated by a small business with no employees. About 83.0% of companies have fewer than five employees, while only 7.8% have more than 10 workers.

In the five years to 2019, major players PetSmart and PETCO are expected to grow their share of the industry. This is because these big-box retailers are able to offer customers a "best of both worlds" scenario, which includes providing broad and industry-specific product selections while operating on such a scale that they can purchase in bulk and pass savings on to consumers. Consequently, these stores are expected to grow at the expense of small stores in the industry.

Key Success Factors

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

Attractive product presentation

In order 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, in order 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.

Cost Structure Benchmarks

Profit

The average industry profit margin is expected to grow to 6.3% of revenue in 2014, up from 4.3% in 2009. A growing pet population and an increasing willingness of pet owners to spend on their pets, particularly on premium or high-margin products, has driven this increase in profitability. Furthermore pet stores are increasingly offering pet

services, which typically have higher margins. It is important to note, however, that the actual level of margins may vary considerably between industry participants. For instance, larger players such as PETCO and PetSmart typically purchase in large quantities, which enables them to spend less per item and improve margins. In addition, their large scale allows them to sell in high volumes

Competitive Landscape

Cost Structure Benchmarks continued

at discounted prices. This enables them to afford lower markups and to profit from larger sales volumes. On the contrary, smaller players in this industry do not have such purchasing power; therefore, the cost of goods per unit tends to be higher for these players, causing margins to be lower for smaller firms.

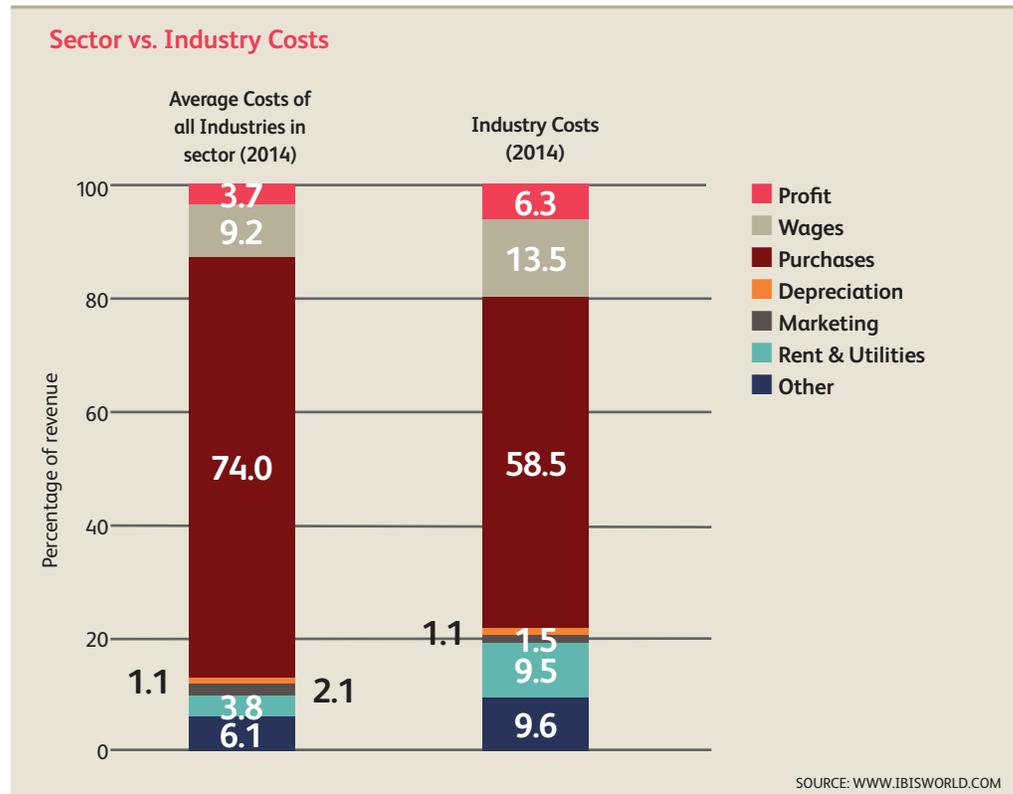
Purchases

Purchase costs will remain the single-largest expense for the industry in 2014, accounting for an estimated 58.5% of revenue. Purchases include a range of pet food and pet supplies including collars, leashes, medication, shampoos, dog kennels and pet toys, and a range of pets including dogs, cats, birds, fish, small animals and reptiles. Purchase expenses have increased slightly during the five years to 2014. According to *Pet Business*, a publication for the pet and pet supplies retailing industry, much of this growth

has been due to higher prices from upstream industries (i.e. manufacturing and wholesaling industries) passed down the supply chain.

Wages

Due to the labor-intensive nature of the retail sector, wages are estimated to make up the second-highest expense item for pet store operators, accounting for 13.5% of the revenue in 2014. In pet stores, employees are needed to provide care for pets, maintain stock levels and provide customer service. Furthermore, added focus has been placed on labor in the five years to 2014, as pet services have become one of the fastest-growing sources of industry revenue. Nonetheless, industry revenue has been growing at a faster rate than the number of employees or wages; as such, wages as a share of revenue have declined slightly from 13.9% in 2009.



Competitive Landscape

Cost Structure Benchmarks continued

Depreciation

Depreciation expenses are expected to account for about 1.1% of revenue in 2014. This low level of depreciation is typical for retailing industries, which are very labor intensive and require minimal capital costs in operations. However, 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.

Other costs

In 2014, rental costs and utilities costs are expected to represent 8.0% and 1.5% of total revenue respectively. Operators in this industry also incur a variety of other expenses including administrative, insurance, security and advertising costs. In particular, both large and small operators invest about 1.5% of their incomes toward marketing and advertising to generate store traffic and boost sales.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Due to medium barriers to entry and growing profitability from premium products and services, there are a large number of pet store operations that give the industry a medium level of competition. This industry has been growing strongly during the past decade because of favorable demographic trends and the growing tendency of pet owners to treat their pets as members of the family. In recent years, industry participants have taken advantage of these trends and cashed in on higher margin products and services, such as premium pet food and high-quality grooming services.

The players in this industry are protected from external competition in the premium pet food product segment because there are often manufacturer's restrictions on the distribution of premium products to supermarkets. Industry participants are also protected from external competition from supermarkets, grocery stores and discount retailers in the growing area of value-added pet services such as grooming and obedience training.

Internal

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 like PETCO and PetSmart benefit from economies of scope and are able to provide broad ranges of pets, pet foods, pet supplies and pet services with different levels of quality across a range of prices. This allows these stores to appeal to individual consumer preferences. In addition, they are capable of offering products through their private label brands at a lower price. Both of these players benefit from being able to buy products in bulk and producing their own products at lower cost, allowing them to offer products at a low price and still attain a profit. As a result, smaller stores feel pressure to provide more products at a lower price, which results in lower mark-ups by and ultimately lower profit margins. However, smaller stores benefit from their ability to offer personalized customer services and mold themselves to the specific needs of niche markets in their local areas.

External

Historically, supermarkets have been the primary sellers of pet food products. Large supermarkets stock a wide variety of pet food and supplies. Bulk purchases

Competitive Landscape

Basis of Competition continued

by supermarkets generally enable them to offer lower prices than specialty retailers. In recent years, additional competition has come from mass merchandisers and discount retailers such as Walmart and Costco that stock a wide variety of products at competitive prices. However, mass merchandisers and discount retailers do not sell ultra-premium pet products because they are limited by manufacturers' restrictions.

Further competition comes from the E-commerce and Online Auctions

industry (IBISWorld report 45411a) and the Mail-Order industry (IBISWorld report 45411b). These competing industries include companies such as Petstore.com through which consumers can purchase products without physically having to visit a store; however, these operators are not classified as part of this industry. In addition, some competition comes from veterinary services as they also sell customized pet food and some pet products.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium and Steady**

High levels of competition and regulations associated with entering this industry may deter some from entering the industry. Nevertheless, there are various niche markets available for new players to occupy, specifically those that specialize in premium and innovative food, products and services.

A significant factor that can hinder an operator from entering this industry is government regulations. There are federal and state laws regulating pet shops and the sale of animals. For example, the Pet Animals Act 1951 requires pet shops to get a license in accordance with the act before they can open. In addition, the Animal Welfare Act of 1966 dictates how pets sold in pet stores must be maintained. Pet shops need to address a range of issues and receive licenses based on federal and state requirements before permission to operate is granted.

The industry's concentration can be another barrier to potential entrants. There are only two national retail chains in this industry and together they account for more than one half of industry revenue; smaller stores and franchises account for the remaining portion. Although this industry is highly fragmented, there is intense price competition from mass merchandisers, online operators and catalog retailers,

Barriers to Entry checklist	Level
Competition	High
Concentration	Medium
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Medium
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

which may provide a barrier for new, independent retailers.

Opening a new pet store and meeting licensing standards is expensive. In addition, a significant share of funding may be directed toward marketing to build consumer interest and recognition. The initial cost of establishing or purchasing a retail outlet, in addition to purchasing and maintaining inventory levels, may be a barrier for new entrants. Barriers are greater for new, smaller retailers because forming reliable supply relationships with wholesalers and manufacturers may prove to be difficult. Existing and well-established distribution relationships may deter potential operators from entering this industry because they provide an advantage to existing retailers, granting them access to low-priced, high-quality goods.

Competitive Landscape

Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Steady**

This industry is characterized by a large number of 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, does have a network of stores in Canada, however, international sales account for only about 5.0% of the company's annual revenue.

Major Companies

PetSmart Inc. | PETCO Animal Supplies Inc. | Other Companies

Major players

(Market share)

PETCO Animal Supplies Inc. 20.6%



PetSmart Inc. 41.9%

SOURCE: WWW.IBISWORLD.COM

Player Performance

PetSmart Inc.
Market share: 41.9%

Since its establishment in 1987, Phoenix-based PetSmart has become the top specialty retailer of pet food and supplies. PetSmart operates 1,333 stores, typically located in regional shopping centers near other superstores and warehouse stores. The company employs about 53,000 people in the United States and Canada. By offering more than 11,000 pet products and providing various pet services, PetSmart aims to provide a one-stop shopping experience.

PetSmart categorizes its merchandise into three main categories: consumables, hard goods and pets. Consumables include pet foods, treats and litter, as well as 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, birdcages, aquariums and filters make up the hard-goods category. Pets sold by the company include fish, birds, reptiles and small pets. Larger animals such as cats and dogs are not sold in PetSmart; however, they are available for adoption through the PetSmart Charities' Adoption Program, which was developed with humane organizations.

In addition to selling products, PetSmart has expanded its service offerings to include in-store boarding facilities, grooming services, obedience training and full-service veterinary services. PetSmart offers complete pet boarding and day-care service called

PetsHotel with 24-hour supervision, an on-site veterinarian, air-conditioned rooms and daily specialty treats. About 200 PetSmart stores include PetsHotel boarding facilities and Doggie Day Camps. PetSmart also offers full-service veterinary hospitals in 844 of its stores. Pet services are a growth segment for the company and currently account for 11.0% of revenue. PetSmart has also continued to expand its nationwide presence through store expansions, adding 221 stores since 2009.

Financial performance

In the five years to fiscal 2014, revenue from PetSmart's US operations is expected to increase at an average annual rate of 5.2% to \$6.6 billion, slightly outpacing industry-wide growth. Company growth has been aided by store expansions and rising sales of premium and natural-food products. In addition, its pet services line has experienced strong demand, which has allowed this category to consistently expand faster than its merchandise-products category. Revenue per store has increased from \$4.7 million in fiscal 2009 to about \$5.2 million in fiscal 2014. The company's profit margin has also increased and currently represents about 10.2% of company revenue, which is healthier than the industry average. This has been primarily due to higher margins from its pet-service offerings and the rising sales of premium food products.

Major Companies

Player Performance continued

PetSmart Inc. – (US-segment) – financial performance

Year*	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2009-10	5,100.0	9.0	352.7	5.8
2010-11	5,400.0	5.9	406.6	15.3
2011-12	5,800.0	7.4	475.8	17.0
2012-13	6,400.0	10.3	616.7	29.6
2013-14	6,500.0	1.6	651.5	5.6
2014-15**	6,570.3	1.1	668.3	2.6

*Year-end January; ** Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Player Performance

PETCO Animal Supplies Inc.
Market share: 20.6 %

Established in 1965, PETCO Animal Supplies is the second-largest pet supply specialty retailer in the United States. The company is headquartered in San Diego, and has about 1,200 stores throughout the country with locations in all 50 states. The company has more than 22,000 employees.

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. Like other industry participants, PETCO offers a variety of grooming, veterinary and obedience services for animals, but it does not sell cats or dogs. Rather, an adoption

program (the Think Adoption First program) is used in partnership with local animal welfare organizations.

Throughout the past decade, PETCO has been subject to several major changes in its business. In 2011, PETCO acquired Complete Petmart, an Ohio-based pet specialty chain. The acquisition, consisting of 29 stores, expanded the company's reach into Ohio and the Southeast region. Also, in 2009, PETCO launched a smaller-store concept, Unleashed, which now has more than 50 locations. Unleashed stores specialize in natural, organic and higher-end pet products, which are a growth segment for the industry. In 2006, Texas Pacific

PETCO Animal Supplies Inc. – financial performance*

Year	Revenue (\$ million)	(% change)	Employees (People)	(% change)
2009	2,700.0	5.9	23,200	5.5
2010	2,750.0	1.9	23,400	0.9
2011	2,800.0	1.8	23,500	0.4
2012	3,020.0	7.9	22,000	-6.4
2013	3,150.0	4.3	22,000	0.0
2014	3,227.0	2.4	22,500	2.3

*Estimates

SOURCE: FORBES.COM

Major Companies

Player Performance continued

Group and Leonard Green & Partners took the company private for the second time; the deal was valued at \$1.8 billion, including assumed debt. The same group took PETCO private for \$600.0 million in 2000, but PETCO returned to the public domain in 2002.

Financial performance

Because the company went private in 2006, PETCO's financials are no longer available to the public. IBISWorld

estimates that in the five years to 2014, the company's revenue has risen at an average annual rate of 3.6% to \$3.2 billion. This is based on the latest annual estimates provided by Forbes. Strong sales of premium products have been one of the company's main drivers of growth. PETCO invested heavily in this product segment in 2009 when it launched Unleashed, a specialty store for premium, natural, organic and raw pet foods.

Other Companies

PetSmart and PETCO are the top dogs in the Pet Stores industry, accounting for more than one half of the industry's revenue. While the industry is concentrated at the top, the rest of the industry is characterized by a large number of small and privately owned pet stores. In fact, 59.1% of companies are nonemployers. Furthermore, about 83.0% of companies employ fewer than five workers, while only 7.8% have more than 10 workers. Due to the fragmented nature of the industry, the majority of players do not individually account for a considerable share of the industry's revenue.

Pet Supplies Plus

Estimated market share: 3.2%

Pet Supplies Plus is a franchise business with 258 stores throughout 23 states that was founded in 1988 in Redford, MI. Pet Supplies Plus offers franchises in selected states to single store owner-operators and also to area developers who own all stores in a designated market region. According to company information, the purchase of a Pet Supplies Plus franchise costs between \$623,300 and \$1.4 million. Pet Supplies has 94 company-owned locations and 164 franchise locations.

Pet Supplies differentiates itself by providing all-natural food products. In addition, it offers a range of different

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 to about 5,000 to 6,000 square feet in size for smaller markets and 7,000 to 9,000 square feet in larger metropolitan areas. The smaller store concept is designed to keep operating costs to a minimum in an effort to offer pet food and supplies at competitive prices. IBISWorld estimates that Pet Supplies Plus will generate about \$506.0 million in 2014, accounting for about 3.2% of the market.

Pet Supermarket Inc.

Estimated market share: 1.5%

Pet Supermarket Inc. is a small, family-owned retailer of pet supplies and medicines that was founded in 1973 in Fort Lauderdale, FL. Pet Supermarket operates about 127 stores primarily in Florida but also in Alabama, California, Georgia, Kentucky, Nevada and North Carolina. The company employs about 1,400 associates. Pet Supermarket sells more than 8,000 pet care products, including food, toys, medicine and clothing, as well as small animals such as hamsters, guinea pigs, rabbits and tropical fish. The company offers a range of high-value pet products and luxury pet

Major Companies

Other Companies continued

items. According to company information, it has experienced strong growth during the past five years, increasing from \$184.0 million in

2010 to \$213.0 million in 2011. IBISWorld estimates that Pet Supermarket will generate about \$238.0 million in 2014.

Operating Conditions

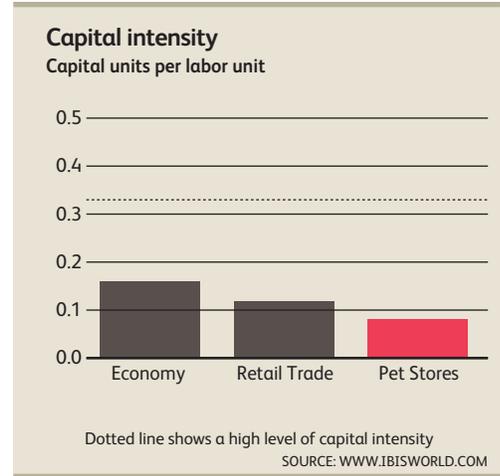
Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

Level
 The level of capital intensity is **Low**

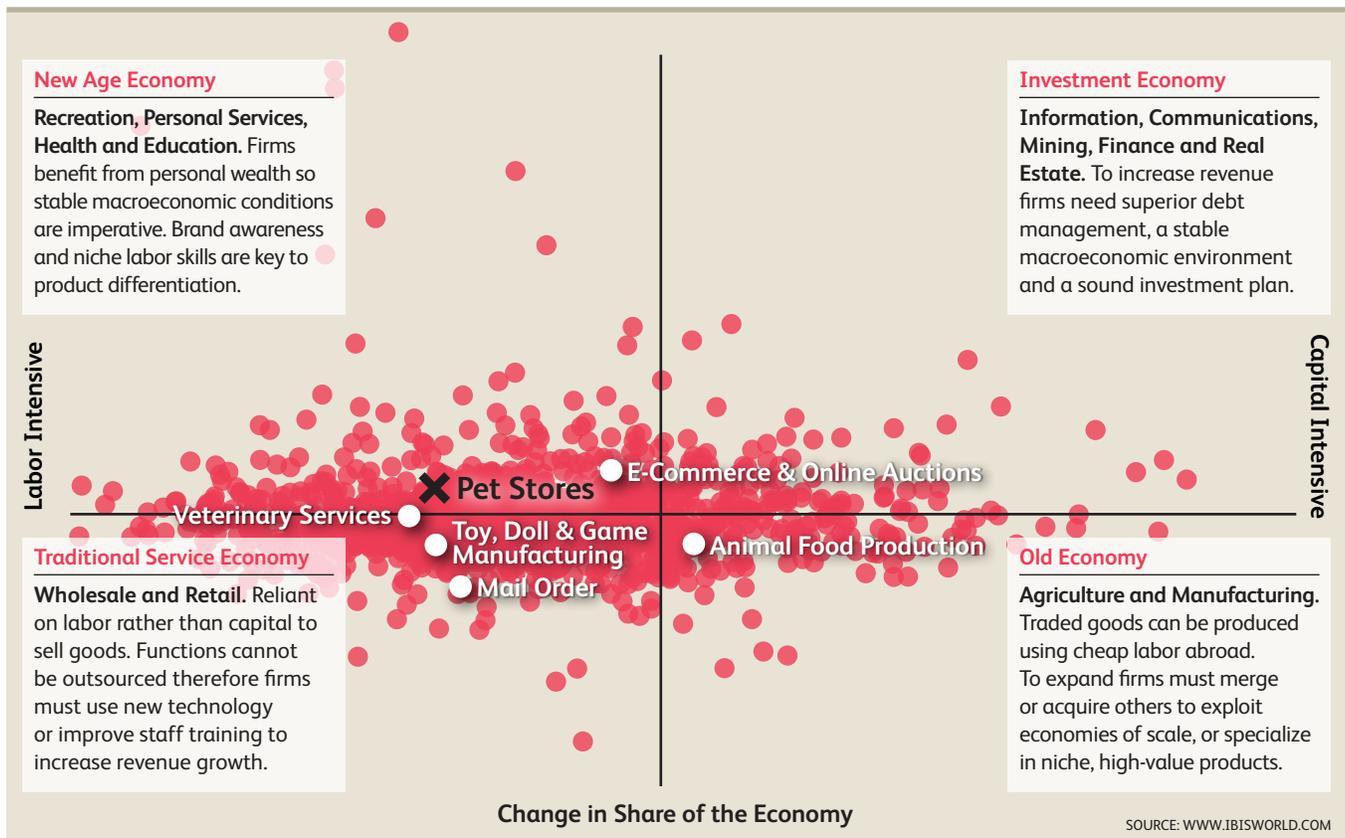
The Pet Stores industry, similar to most other retail industries, has a low level of capital intensity. For every dollar spent on wages, about \$0.08 is invested in the store and equipment. Most capital costs are related to shelving, store, computers, cashier equipment and other equipment such as caging for animals, which do not need to be constantly replaced. On the other hand, this industry is labor intensive because employees are needed to operate and manage the stores, provide customer service and support, restock the merchandise and provide care for pets.

The level of capital intensity has remained steady in the last five years, reflecting the labor-intensive nature of the retail industry. To this point, the



cost of labor within this industry is relatively high compared with that experienced by competitors such as

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Operating Conditions

Capital Intensity continued

supermarkets, mass merchandisers and online pet supply retailers. This is because the other stores do not retail pets directly which inherently requires a smaller 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 customer service, nor are they required to have shelving, displays or cash registers.

Technology & Systems

Level
The level of Technology Change is **Medium**

During the five years to 2014, 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 efficiency of operations and inventory. Technology at checkout has led to computerized point-of-sale equipment, which controls and records merchandising, distribution, sales and stock markdowns. Furthermore, bar code scanning has offered the advantages

of higher labor productivity that increases the speed at which information is passed, greater control over the distribution of goods and reduced errors along the supply chain. New improvements will boost revenue for the larger stores that can afford to invest in the technologies. For example, larger retailers benefit from Radio Frequency Identification (RFID), which provides real time information on inventory and help to reduce shrinkage problems as well as improve efficiency. Many operators are small in size and do not have the financial resources to purchase expensive electronic equipment.

Revenue Volatility

Level
The level of Volatility is **Low**

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Pet stores sell discretionary (e.g. pets and toys) and nondiscretionary products (e.g. pet food). While purchasing a pet is

generally discretionary, a large proportion of expenditure on a pet is nondiscretionary; these include food and

Operating Conditions

Revenue Volatility continued

medicine. To provide a breakdown, pet food makes up about 51.4% of industry revenue, pet supplies and medicine account for 32.0%, while new pet purchases represent for only 5.6%. As

such, the nondiscretionary component of industry merchandise accounts for the majority of industry revenue. This high level of nondiscretionary demand keeps the volatility of this industry low.

Regulation & Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

There are industry specific and general competitive regulations that apply to this industry. The transportation, handling and sale of small pets are governed by various federal, state and local regulations. 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, and 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 too young an 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. About 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 buyers have if the purchased pet is sick. These states have regulations that allow consumers to obtain a reimbursement when a sick animal is purchased from a pet store. This is known as a "lemon law" which is designed to protect consumers that buy animals from pet shops.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

The Pet Stores industry does not receive any specific government support, in the form of subsidies or otherwise. However, there are several trade associations which represent the

industry. Most notable among them is the American Pet Association which promotes pet ownership and disseminates industry-related information to members.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Number of pets - cats and dogs (Mils)
2005	11,551.4	2,298.7	16,813	14,483	98,384	--	--	1,594.1	N/A	163
2006	13,117.3	2,151.2	17,130	14,558	101,237	--	--	1,823.3	N/A	154
2007	13,450.6	2,300.0	17,644	14,804	109,870	--	--	1,883.1	N/A	163
2008	14,027.7	2,539.0	17,110	14,115	106,460	--	--	1,963.9	N/A	165
2009	14,089.1	2,718.5	16,650	13,632	109,167	--	--	1,957.7	N/A	171
2010	14,374.1	2,501.1	16,400	13,305	105,327	--	--	1,983.6	N/A	165
2011	14,848.6	2,761.8	16,345	13,064	106,581	--	--	2,034.3	N/A	169
2012	15,192.5	2,841.0	16,541	13,077	109,569	--	--	2,066.2	N/A	173
2013	15,473.2	3,226.2	16,492	13,142	112,555	--	--	2,096.6	N/A	177
2014	15,695.4	3,280.3	16,640	13,195	114,356	--	--	2,118.9	N/A	181
2015	16,072.0	3,351.0	16,773	13,235	120,146	--	--	2,161.7	N/A	185
2016	16,489.9	3,454.6	16,890	13,301	124,170	--	--	2,217.9	N/A	189
2017	16,720.8	3,494.6	17,076	13,367	128,701	--	--	2,240.6	N/A	193
2018	17,239.1	3,603.0	17,281	13,421	132,267	--	--	2,310.0	N/A	197
2019	17,618.4	3,664.6	17,506	13,528	136,525	--	--	2,343.2	N/A	201
Sector Rank	56/135	51/135	55/135	52/135	50/135	N/A	N/A	53/135	N/A	N/A
Economy Rank	481/1290	583/1290	295/1289	283/1289	331/1290	N/A	N/A	545/1290	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of pets - cats and dogs (%)
2006	13.6	-6.4	1.9	0.5	2.9	N/A	N/A	14.4	N/A	-5.5
2007	2.5	6.9	3.0	1.7	8.5	N/A	N/A	3.3	N/A	5.8
2008	4.3	10.4	-3.0	-4.7	-3.1	N/A	N/A	4.3	N/A	1.2
2009	0.4	7.1	-2.7	-3.4	2.5	N/A	N/A	-0.3	N/A	3.6
2010	2.0	-8.0	-1.5	-2.4	-3.5	N/A	N/A	1.3	N/A	-3.5
2011	3.3	10.4	-0.3	-1.8	1.2	N/A	N/A	2.6	N/A	2.4
2012	2.3	2.9	1.2	0.1	2.8	N/A	N/A	1.6	N/A	2.4
2013	1.8	13.6	-0.3	0.5	2.7	N/A	N/A	1.5	N/A	2.3
2014	1.4	1.7	0.9	0.4	1.6	N/A	N/A	1.1	N/A	2.3
2015	2.4	2.2	0.8	0.3	5.1	N/A	N/A	2.0	N/A	2.2
2016	2.6	3.1	0.7	0.5	3.3	N/A	N/A	2.6	N/A	2.2
2017	1.4	1.2	1.1	0.5	3.6	N/A	N/A	1.0	N/A	2.1
2018	3.1	3.1	1.2	0.4	2.8	N/A	N/A	3.1	N/A	2.1
2019	2.2	1.7	1.3	0.8	3.2	N/A	N/A	1.4	N/A	2.0
Sector Rank	84/135	87/135	85/135	90/135	73/135	N/A	N/A	80/135	N/A	N/A
Economy Rank	887/1290	813/1290	717/1289	741/1289	647/1290	N/A	N/A	803/1290	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2005	19.90	N/A	N/A	117.41	13.80	5.85	16,202.84	0.02
2006	16.40	N/A	N/A	129.57	13.90	5.91	18,010.21	0.01
2007	17.10	N/A	N/A	122.42	14.00	6.23	17,139.35	0.02
2008	18.10	N/A	N/A	131.76	14.00	6.22	18,447.30	0.02
2009	19.30	N/A	N/A	129.06	13.90	6.56	17,933.08	0.02
2010	17.40	N/A	N/A	136.47	13.80	6.42	18,832.78	0.02
2011	18.60	N/A	N/A	139.32	13.70	6.52	19,086.89	0.02
2012	18.70	N/A	N/A	138.66	13.60	6.62	18,857.52	0.02
2013	20.85	N/A	N/A	137.47	13.55	6.82	18,627.34	0.02
2014	20.90	N/A	N/A	137.25	13.50	6.87	18,528.98	0.02
2015	20.85	N/A	N/A	133.77	13.45	7.16	17,992.28	0.02
2016	20.95	N/A	N/A	132.80	13.45	7.35	17,861.80	0.02
2017	20.90	N/A	N/A	129.92	13.40	7.54	17,409.34	0.02
2018	20.90	N/A	N/A	130.34	13.40	7.65	17,464.67	0.02
2019	20.80	N/A	N/A	129.05	13.30	7.80	17,163.16	0.02
Sector Rank	43/135	N/A	N/A	98/135	50/135	41/135	104/135	51/135
Economy Rank	977/1290	N/A	N/A	937/1290	840/1290	848/1289	1171/1290	583/1290

Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

HUMANIZATION A trend where pet owners treat pets as humans, providing them with services such as pet hotels and grief counseling.

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.

IBISWorld Glossary

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.

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 $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

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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