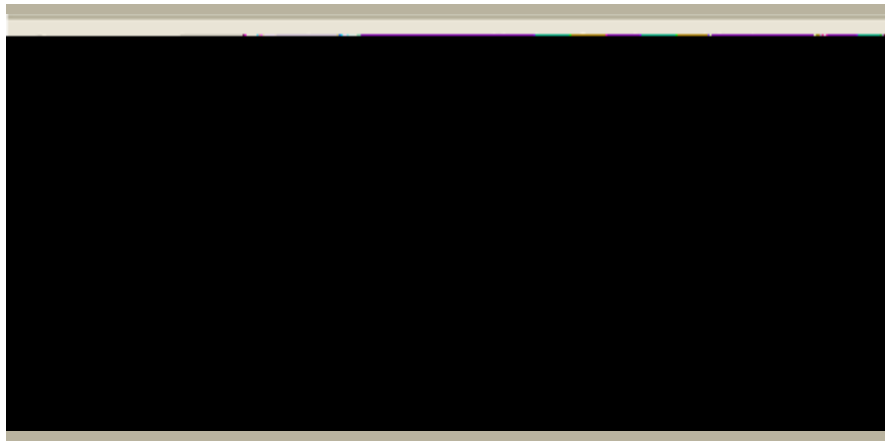


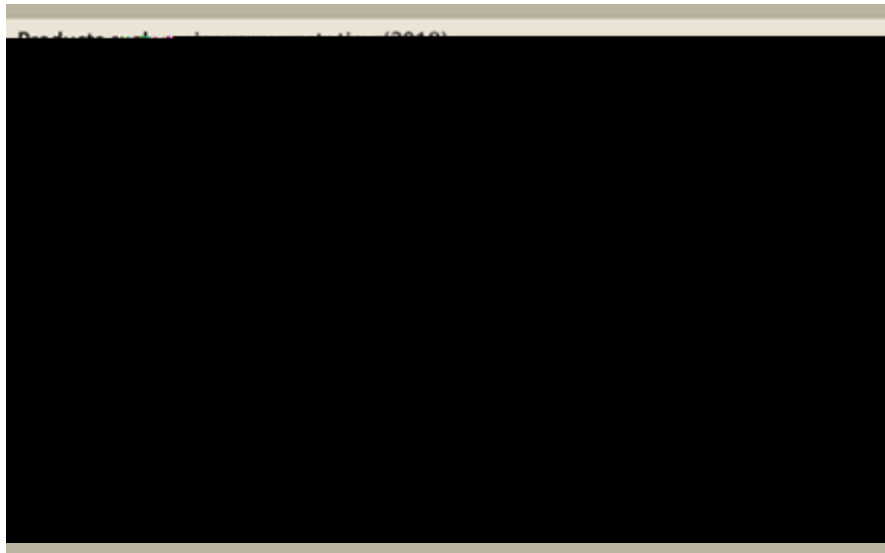
**Market Share**

PetSmart Inc.	27.3%
Petco Animal Supplies	19.9%



**Key External Drivers**

- Number of pets (cats and dogs)
- Per capita disposable income
- Percentage of services conducted online
- Number of households

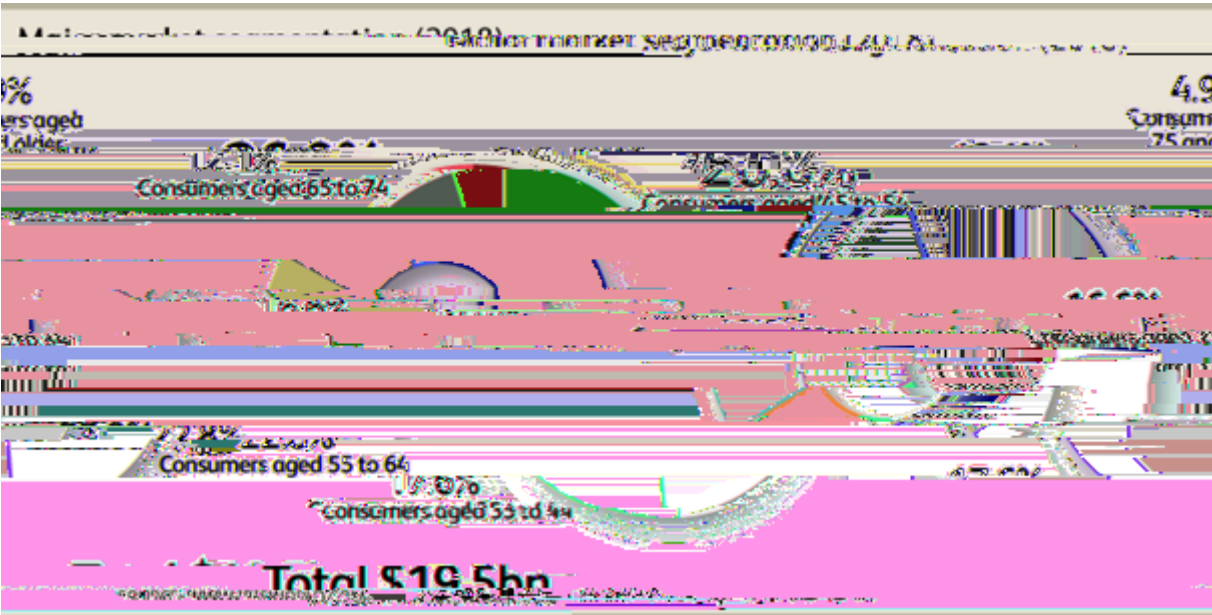


## Industry Structure

Life Cycle Stage	Growth	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low		

# Industry Benchmarks

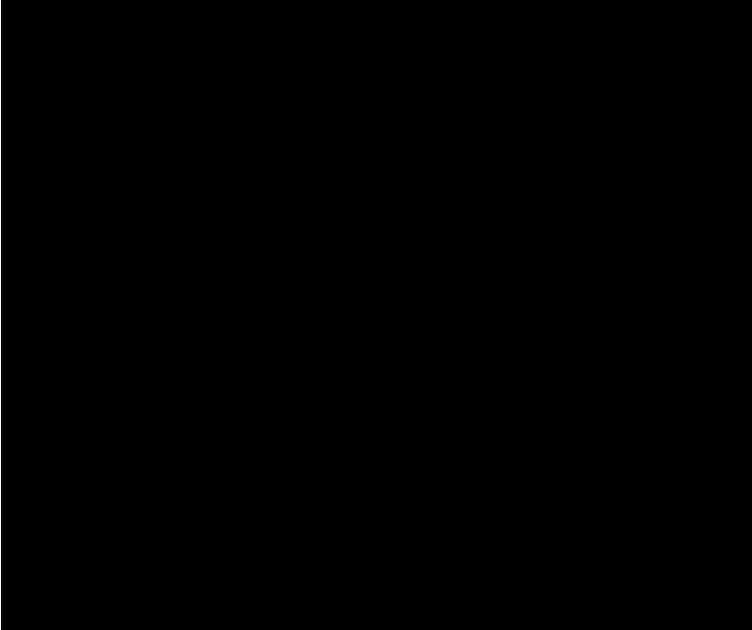
## Major Markets



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.





**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 better service. 12

**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? How your