

New study: Pet industry highly fragmented

27 feb 2007

Although the pet industry is still growing, it remains highly fragmented and ripe for consolidation, providing opportunities for companies and private equity investors alike. That is the conclusion of a report published by The Mercanti Group, a US investment bank.



The industry has been growing at a 6% annual rate, and some segments, such as natural and organic pet food, veterinary care and products, and pet boarding and grooming, are expanding at a 10 to 15% yearly clip, writes Jim D'Aquila, Managing Director and founding partner of The Mercanti Group, who co-authored the report.

Lifestyle industry

"In the last ten years, consumer expenditures on their pets have more than doubled, and we believe the pet industry is a 'lifestyle' industry, benefiting from important trends that will facilitate above average returns," says Mr. D'Aquila.

The report notes that compelling demographics and lifestyle trends have resulted in a recession-resistant industry that has lifted overall spending by American pet owners some 65% since 2000. "The pet industry is one of the healthiest in America, with a compounded growth rate through 2007 that is expected to reach 7%. This growth is being driven in part by increasing pet owners within different demographic groups having increasing disposable income and by a very strong attitudinal trend of humanizing pets," it states.

Following human trends

On the retail side, the report points out that there are thousands of small independent specialty stores serving niche markets with products that appeal to a different type of customer than **PetSmart** or **Petco**. Pet trends are following human trends in food, accessories and health care, including organic and natural goods, matching outfits, and luxury accessories, the report commented, noting also that "Central Garden & Pet recently acquired Breeder's Choice, an all-natural, holistic, ultra-premium dog and cat food brand which it plans to bring global."

No slow down

"There are no signs that the pet segment of the consumer industry is going to slow down in the near or distant future," says Mr. D'Aquila. "There are more dogs and cats in more homes and they are living longer, and the demographic, psychological and socio-economic trends that are fueling this growth are not likely to subside in the foreseeable future. We believe that this category is worthy of intense focus for private investors and corporations."

Related website: [Mercanti Group](#)

