Market Outlook [April 2010]

Independent Pet Stores Face Challenges and Opportunities

In describing the U.S. pet market, two points have been repeated so often they are practically truisms: 1) that independent pet shops are essential to the health of the pet industry, because of their role as pet adoption venues and breeding grounds for innovation; and 2) that independents may be a dying breed due to the increased retail competition. And while both points reflect market realities, the first claim is frequently used to mitigate—if not dismiss—the second rather unsettling possibility, a practice abetted by the paucity of data on the independent channel.

The figures that are available suggest that pet specialty independents are indeed declining in a number of ways. First, while estimates of the number of independent pet shops in the United States range far and wide, from 7,000 on the low end to 10,000 at the top, all sources agree that their numbers have thinned since the market entry of PetSmart and Petco. Given that these two chains added over 2,000 stores in the past two decades, it's logical that at least that many independents closed their doors, and the number is more likely at least double that.

Independent pet stores have also been losing ground in terms of consumer penetration. According to Experian Simmons, the channel saw its shopper base of dog and cat owners decrease from 14 percent in 2007 to 12 percent in 2009. Meanwhile, on the superstore side, PetSmart and Petco each gained 4 points during the same period, finishing at 37 percent and 25 percent, respectively. In a best-case scenario, independents might still account for 10 percent of pet product sales. Worst case scenario, their share is closer to 5 percent, with Nielsen Panel data pegging it at 4 percent.

No matter what path independent pet shops pursue, the channel's future will be one of great change, this column predicts, characterized by specialized shops centered in affluent areas or in communities too small to support big boxes, and in most cases hybridized to offer a balance of products and services. In short, with PetSmart and Petco still building out and other retail channels tapping into all things pet, independents have a tough row to hoe. But for those who prevail, the rewards will be great as pet owners increasingly equate pet specialty expertise and pet health, and spend accordingly.