
Exploring Digital Pet Care Growth



INTRODUCTION

Pets (or at least the dogs) are having the time of their lives with unlimited human interaction in 2020. As pet parents are forced to work from home with the outbreak of COVID-19, the uptick in registered pet parents have risen dramatically. Shelters and rescues have seen ground-breaking spikes in adoptions and foster applications as at-home workers seek comfort with furry best friends midst quarantine restrictions. But while these furry friends have seen a lot more attention during this time, the pet business has, in fact, been booming long before COVID-19.

As lines are blurring between pet and family, the booming pet care business has reaped the benefits. The American Pet Products Association (APPA) states that in the U.S. alone, \$95.7BN was spent on pet care in 2019, a growth of \$5.2BN from 2018. It is expected to grow another \$5BN more in 2020 to reach \$99.0BN. Meanwhile, Fior Markets states that the global pet care market was at \$225BN USD in 2019 and is expected to grow at a CAGR of 6% between 2020-2027, to a \$368.6BN market in 2027 signaling the potential of the global market and why we seem to be seeing more and more pet food items at the supermarket.

Fueled by the spending habits of millennials and Gen Xers, who are the majority owners of pets now, there has been a rise to numerous new pet industry trends. For example, new generation pet owners are shifting to healthier ingredients for pet food, exploring non-traditional veterinary or telemedicine services, using expanding

pet services for pet care, as well as taking advantage of technology with digitally connected products.



Gourmet Food for the Furry Friend

In the pet food industry, fresh food companies are on the rise. Marketing their product as something that isn't a brown heavily-processed kibble and something even humans could eat, DTC companies like New York-based The Farmer's Dog have challenged the publicly-traded pioneer Freshpet with multiple rounds of funding since their establishment in 2014. However, it is a competitive space with other competitors like Ollie, NomNomNow, Pet Plate, and JustFoodforDogs all marketing a similar human-grade product for the picky dog eater. On the other end, pet owners that still prefer pet food that won't take up refrigerator space, limited ingredient food companies like Stella & Chewy's from Milwaukee, Wisconsin, has also gained a big following with its freeze-dried raw products, challenging older companies like WellPet who have a lineup of higher-end brands that focus on healthier ingredients and is sold at most brick-and-mortar pet stores.

Retail Developments

Not only are the number of brands for pet food expanding, the places to get them are as well. Publicly-traded Chewy is arguably the front-runner in the online shopping space for pets. But PetSmart, who actually is the parent company of independently-operated Chewy, just announced in Sept 2020 that it will offer on-demand delivery service across many of its store locations in partnership with DoorDash to capitalize on the online shopping experience while still leveraging their brick-and-mortar stores. Meanwhile, as an alternative to marketplaces selling pet products from different brands, New York startup BARK,

who is famous for their subscription box BarkBox, has brought about a new e-commerce experience for dog lovers since its founding in 2012. It offers many whimsical in-house products and playfully designed toys and chews. They recently announced Manish Joneja, an Amazon alumni, as their new CEO to succeed their co-founder Matt Meeker while also hinting at what they say is their most profitable quarter in the company's history.



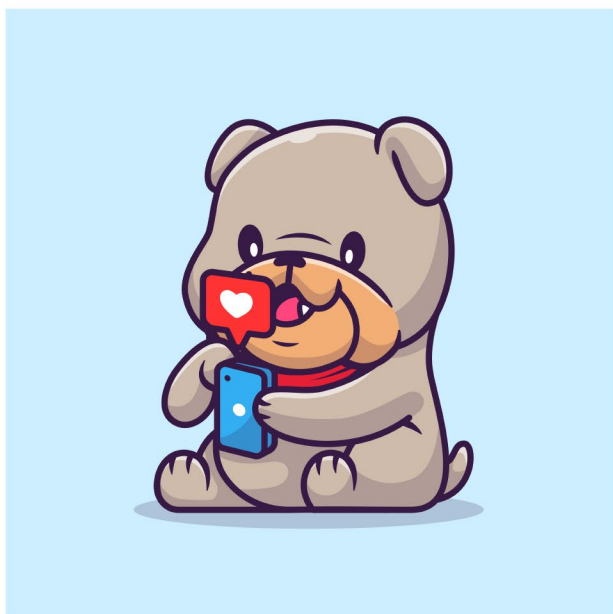
Never lose your dog again.

Wearable technology isn't only for humans. Fi Dog Collars and Whistle Labs are the Apple Watch and Fitbit for pets. Fi, born out of Brooklyn, New York, was founded in 2017 and uses GPS and cellular technology to track your dog while connecting through Bluetooth to your cell phone to give alerts. It markets its superior battery power as its selling point. Meanwhile, competitor Whistle Labs which actually started earlier in 2012 and was acquired by the pet food giant Mars in 2016, has a range of products with its higher-end tracker not only measuring fitness but also health activities and even monthly vet reports capabilities. Both products require a monthly subscription to access cellular service, although Fi can work independently when in close range of the owner's cell phone. The Canine Companies is another company that focuses on pet location technology, but around fencing. Their

invisible fence product coupled with a GPS base station and its pet collars can prevent pets from roaming from the yard to a busy street or even to off-limit areas including underwater.

Felines Narrowing the Gap

The pet industry did not forget about feline lovers. While dog owners predominately spend close to double the amount compared to cat owners, Fortune shares that there could be a shakeup with the market as cats are starting to get more attention. Automated Pet Care Products focus on a lineup of automated litter boxes (Litter Robot) that takes the scooping out to create a mess-free odorless experience for all, while setting you back about \$500. Headquartered in Auburn Hills, Michigan, the company has been seeing steady growth over the last few years. Meanwhile previously mentioned pet food companies like NomNomNow, JustFoodforDogs, and Stella & Chewy's, also offer cat food options that are gaining traction.



Veterinary Market Shift

The veterinary market has new businesses popping up constantly as pet parents are growing more conscious of monitoring animal health earlier. BabelBark, founded in 2016, takes an interesting spin on pet health and care by offering a platform of apps such as day-to-day management of a pet's health for a pet owner; software for veterinary hospitals & clinics to connect to pet owners; and business operation tools for businesses & shelters. Meanwhile companies like Televet, which was established in 2015, secured both its Angel and Series A funding in 2020 as the nation was pushed to a lockdown during COVID-19. The company provides a mobile app extension for existing veterinary establishments to communicate with their patients virtually and emphasizes a simple and seamless setup process. Bond Vet from New York received a Round A funding in November 2020 from previous investor Talisman Capital Partners to build out its brick and mortar vet locations while also ramping up its back-end technology to support vets and nurses with efficient appointments.

Gig Economy for Pets

Lastly, pet services such as dog daycares and pet boarding are popping up in most urban cities where city dwellers with long day jobs tend to explore daycare options more frequently. On-demand walking and pet sitting services like Rover and Wag takes all this online and leverages the gig economy to connect pet owners to a network of neighborhood pet sitters and walkers. Rover, founded in Seattle, Washington, in 2011 is available in 10 countries with over 300,000 pet sitters registered. While originally focused on services relat-

ted to pet sitting and walking, it has since diversified to include home grooming and an e-commerce platform in its portfolio. Meanwhile, Wag, born out of Los Angeles, California, offers similar services in most major cities of the U.S. and ensures every sitter or dog walker is vetted. It most notably received funding from the SoftBank Vision Fund in 2018.

While startups and VC-backed companies are championing as the leaders in these new pet trends, traditional pet care brands are not backing down from the competition. In October 2020, Nestle Purina Pet-care announced they would open a

new factory that focuses on manufacturing higher quality pet foods. In the same month, nationwide pet retailer Petco Animal Supplies announced they had rebranded to Petco, The Health + Wellness Co., to further push its focus on pet wellness and ward off competitor growth. Furthermore the company filed for IPO again after nearly going public four years ago.

Even as other industries and the general US economy is at a halt due to COVID-19, it's safe to say that the pet industry is one that still has plenty of room to grow.



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