# Pets At Home warns of cooling pet demand despite profit rise



The chief executive of Pets At Home has expressed a sobering outlook for the pet retail sector, noting that the surge in demand for puppies and kittens driven by the pandemic is fading. Lyssa McGowan indicated that the company is experiencing a return to more typical pet ownership trends, which she described as “normalising levels of new pet ownership.” This shift poses significant challenges for the FTSE 250 company, which relies heavily on the early spending habits of new pet owners—trends that have dramatically changed since the initial Covid-19 lockdowns.

For the company, the aftermath of this “massive” increase in pet ownership is manifesting in several ways. Despite reporting steady revenues of £1.48 billion and a 14 per cent rise in profits to £121 million, McGowan highlighted that consumer confidence remains “subdued” and is not expected to recover quickly. She explained that the current market dynamics resemble “not quite a bust, but much lower growth and stabilisation.” Retail sales for the pet sector dropped by 1.8 per cent, distilling a general hesitance among customers. However, encouragingly, the veterinary services division reported a significant 16.8 per cent increase in sales, reflecting the ongoing commitment of pet owners to care for their animals amidst broader economic challenges.

In addition to waning demand, Pets At Home is contending with rising operational costs, exacerbated by new fiscal policies that have added approximately £18 million annually to the company’s expenditure. McGowan cited increases in National Insurance Contributions and minimum wage as significant and unexpected financial burdens. In light of these pressures, Pets At Home plans to embrace automation and artificial intelligence within its operations. While this pivot may enhance efficiency, it raises questions about job security within its 450 stores and distribution hubs. McGowan was cautious in addressing potential job cuts, citing the necessity for the company to adapt in a climate marked by increased cybersecurity threats, a concern she noted is now “the new normal” for retailers across the board.

Despite the current headwinds, McGowan remains optimistic about the long-term prospects of the pet care market in the UK. She stated that she is confident the slowdown in profits is temporary and maintains a vision of growth returning to historical norms. Pets At Home is also introducing new initiatives designed to cater to an ageing pet demographic, such as supplements and premium offerings that address specific health needs. Moreover, the firm has reported a 5 per cent increase in loyalty scheme members, now totalling 8.2 million, indicating a level of customer engagement that could drive future sales.

Future expansion plans are on the horizon, as Pets At Home aims to open at least 40 new stores under a £400 million growth strategy. This ambitious push aims to bolster its presence across the UK, particularly in urban centres like London. The company is also rolling out a new app designed to improve customer experience significantly. McGowan described the app as a tool that allows pet owners to manage all aspects of their pet’s care seamlessly, from booking veterinary appointments to nutrition subscriptions.

In summary, while the immediate environment for Pets At Home appears challenging, with a notable decline in consumer spending and rising operational costs, the strategic initiatives and historical customer dedication offer glimmers of hope for the future. The company's ongoing efforts to innovate and expand may well position it to navigate the complexities of a changing market landscape.

## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14758695/Pandemic-boom-demand-puppies-kittens-says-Pets-Home-boss.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.standard.co.uk/business/business-news/pets-at-home-warns-over-profits-amid-subdued-consumer-demand-b1196612.html)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-14758695/Pandemic-boom-demand-puppies-kittens-says-Pets-Home-boss.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.standard.co.uk/business/pets-at-home-cats-dogs-cma-b1160719.html), [[4]](https://www.bnnbloomberg.ca/business/2024/11/27/pets-at-home-warns-on-profit-as-covid-era-boom-comes-to-an-end/)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/markets/article-14758695/Pandemic-boom-demand-puppies-kittens-says-Pets-Home-boss.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.standard.co.uk/business/business-news/pets-at-home-warns-over-profits-amid-subdued-consumer-demand-b1196612.html), [[6]](https://www.retailgazette.co.uk/blog/2023/11/pets-at-home-app/)
* Paragraph 4 – [[5]](https://www.standard.co.uk/business/business-news/pets-at-home-to-open-at-least-40-new-stores-under-ps400m-growth-strategy-b1083636.html), [[3]](https://www.standard.co.uk/business/pets-at-home-cats-dogs-cma-b1160719.html), [[7]](https://www.thisismoney.co.uk/money/markets/article-11460571/Pets-Home-hit-higher-energy-freight-costs.html)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14758695/Pandemic-boom-demand-puppies-kittens-says-Pets-Home-boss.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/business/business-news/pets-at-home-warns-over-profits-amid-subdued-consumer-demand-b1196612.html> - Pets at Home has warned that profit growth will be lower than expected due to weak consumer sentiment and the easing of the pandemic-boosted pet ownership boom. The UK retailer anticipates 'unusually subdued' conditions in the pet market to continue over the coming months and also cautioned over a future cost hit from Budget tax increases. CEO Lyssa McGowan stated, 'We are confident this will be temporary and growth will return to historical norms with the longer-term attractive outlook for the UK pet care market unchanged.'
3. <https://www.standard.co.uk/business/pets-at-home-cats-dogs-cma-b1160719.html> - The Covid pet boom is over, and trading is 'subdued' at leading player Pets At Home. It saw profits for the year down 14% to £106 million in a 'pivotal year' as its digital platform was launched to customers. Despite a cost-of-living crisis, demand for pet products was 'resilient' as a nation of pet lovers continued to pamper their cats and dogs. CEO Lyssa McGowan said, 'We know the nation's pets better than anyone else, with over 10 years of analytical data on 10 million pets, and we now have a best-in-class digital platform.'
4. <https://www.bnnbloomberg.ca/business/2024/11/27/pets-at-home-warns-on-profit-as-covid-era-boom-comes-to-an-end/> - Pets at Home Group Plc dropped after warning that weak consumer confidence and the slowing of a pandemic boom in pet ownership will result in lower than expected profits. The stock slumped 14% in London, taking it down almost a quarter since the start of the year. The company now expects underlying profit before tax for fiscal 2025 to grow modestly from last year’s £132 million ($166.5 million), according to a statement. That’s compared with previous guidance of about £144 million.
5. <https://www.standard.co.uk/business/business-news/pets-at-home-to-open-at-least-40-new-stores-under-ps400m-growth-strategy-b1083636.html> - Retailer Pets At Home has unveiled plans to open at least 40 new stores across the UK under aims to become the 'world’s best pet care platform' after posting record annual results. The firm’s chief executive Lyssa McGowan said the group was spending £400 million on an ambitious growth strategy that would see it expand its chain of pet care centres from 457 to around 500 over the medium term, with urban areas such as London particularly in its sights.
6. <https://www.retailgazette.co.uk/blog/2023/11/pets-at-home-app/> - Pets at Home boss Lyssa McGowan has promised shoppers a 'real step change' with its new app, which will further its aim of creating the world’s best petcare platform. McGowan said the app would enable shoppers to 'do anything you want for your pet, whether that be booking orthopedic surgery, post-surgical consult remotely, managing a nutrition subscription, booking a grooming appointment or going to store to pick up an accessory'.
7. <https://www.thisismoney.co.uk/money/markets/article-11460571/Pets-Home-hit-higher-energy-freight-costs.html> - Lyssa McGowan, the new boss of Pets at Home, has told This is Money that the business has a 'very strong balance sheet' and is 'uniquely placed' to withstand the cost-of-living crisis and turbulence within the economy. Ms McGowan, who joined the group in June, told This is Money she has been conducting a deep-dive into the company, which has seen her prepping cats for surgery and cleaning out fish tanks in stores. The hands-on boss said the company's latest half-year profits had fallen due to investment into its online channels, and, certain factors outside its control, like higher energy and freight costs.