

A very pet friendly piece

In what follows I continue to “unveil” tear-sheets designed to conveniently reveal what detailed monthly data from the ONS can teach us about the specific UK micro-climates, in which listed and indeed private firms operate under.

The motivation for all the hundred QuantMetriks tear-sheets for the UK is to collect into a **“one-page graphic model”** the multitude of ONS data specific to a market, and see what this conveniently, accurately and regularly tells us about the UK economy across its vastly contrasting elements. After all there is not, and hasn’t been for some decades, such a thing as UK macro-economic singularity. What its economy is in fact is a collection of many hundreds of single markets moving in what can sometimes appear as Brownian motion. True, sectors do share certain demand and supply features. It is however what separates them that is so very fascinating; yes, the devil is most certainly in the detail.

In this very one-sided piece of narrative, the seventh of this new series, I consider the performances of businesses operating within two of the UK’s more esoteric markets. One is the provision of **veterinary services (SIC 75)** [very much where CVS Group operates], the other the retail of items for **gardens and pet products (52.46/2)** [the notable pet player being Pets at Home]. Though the latter category might appear to be a rather eclectic mix of retail, there are grounds (*sic*) for seeing it as collecting of consumer spending habits that have a great deal of commonality.

True too, the two broad sectors of 75 and 52.46/2 are quite different silos: one niche in the UK’s retail market; the other a service provider. This accepted no one can deny they share one very clear commonality, our love of the outdoors and pets, and their feeding, grooming and general welfare. As for the most recent measurements, each sector boasts annual turnover of c£7bn. Now, what I hope this piece will do is - quite literally - illustrate that the “distortions” brought about by our being locked down have resulted in a very **POSITIVE** secular change in these markets, and so too the fortunes of the firms that operate within them.

First for some backdrop.

We know there was a surge in pet ownership on us being locked down. This spike can be seen clearly in the SIC 52.46/2 tear-sheet. This shows a sharp rise in sales volumes throughout the time we were restricted to “our barracks”, when our work and travel activity was Suspended by the State. The scope of the sector of course also captures how we even more tended to our gardens during our home “confinement”. The tear-sheet for 52.46/2 goes on to show that once volume growth fell-off in 2022, pricing took-off. Though the latter in part reflected all sorts of cost pressures, it was also significantly driven by strong demand-pull.

So, what comes next? The answer is that whilst the GROWTH RATE in pet ownership is likely to broadly revert to its (still impressive) pre-covid PACE, more of Britain’s young adults have fallen into having a loved pet; even those who before covid, considered their lifestyles and living space inappropriate. And a great many of these will continue as “pet-parents” as their new loved family members, sadly pass and are replaced. With this upwards move in scope and youth of pet owners in mind, we can turn to SIC 75.

Rather than chronicle the ebbs and flows in the UK veterinary sectors cyclical fortunes, I will simply point to how since 2010, it has posted average annual growth in revenue of c9%; price inflation accounting for 5.4%, with volume strength the other 3.5%. More impressively still, this sector has HARDLY EVER fallen into year-on-year revenue reversal (chart 1) or margin erosion (chart 2, although a surge in hiring did hit its “productivity” just ahead of covid, and so “spiked” its unit labour costs). The comparable figures for all other UK service sectors can be seen in the tear-sheet.

Looking ahead, there is little reason to see why there will be any let-up in the fortunes of the UK’s veterinary sector proving anything other than well above average earnings performances compared to the benchmark of all UK services; with its operating margins also continuing to impress.

UK based Garden centres & retailers of pet foods & products (52.46/2)

Chart 1. Operating sales, £

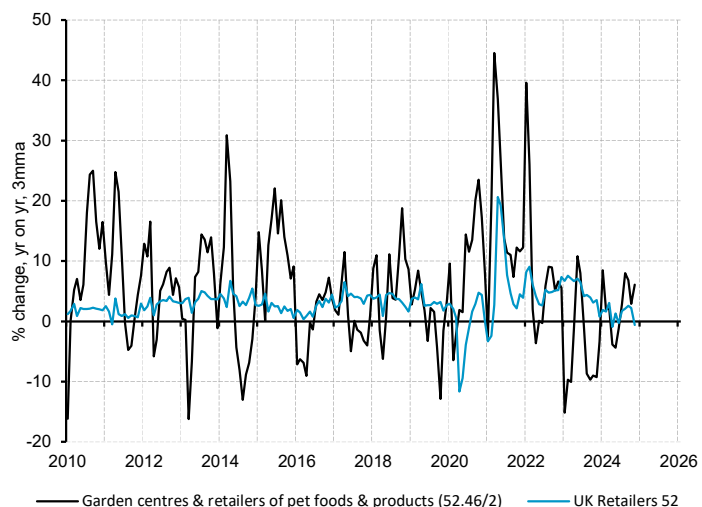
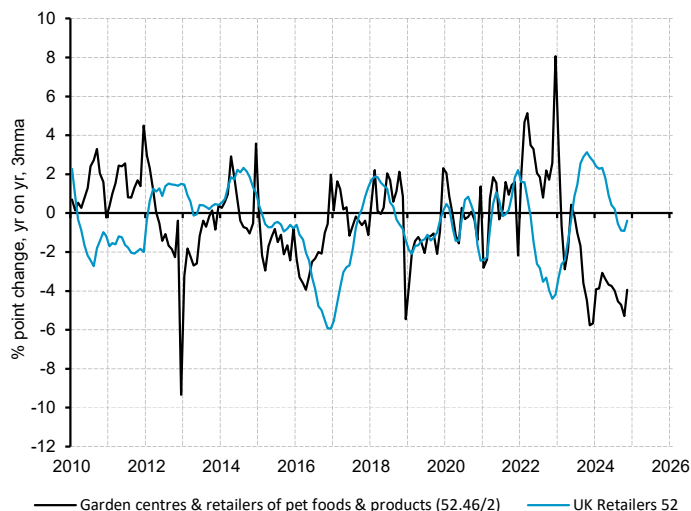


Chart 2. Operating margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

Garden centres & retailers of pet foods & products	5.6 (0.6)
UK Manufacturers	3.1 (1.0)

Garden centres & retailers of pet foods & products	-0.4 (-0.2)
UK Manufacturers	-0.5 (-0.3)

Chart 3. Price, cost & volume

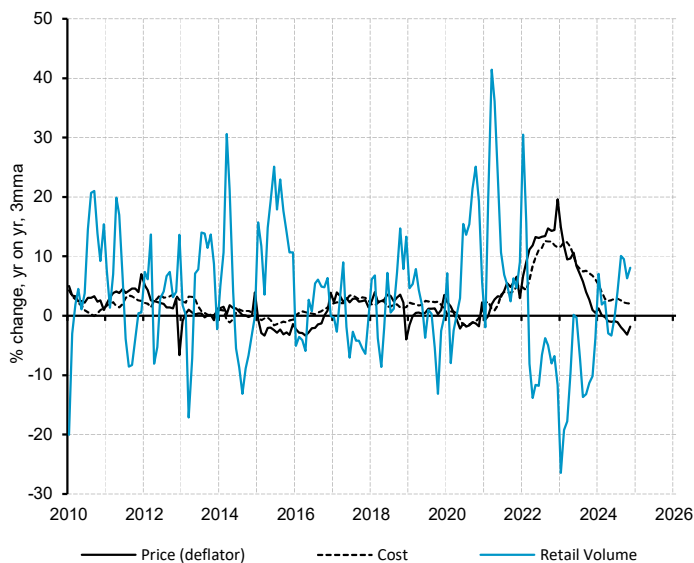
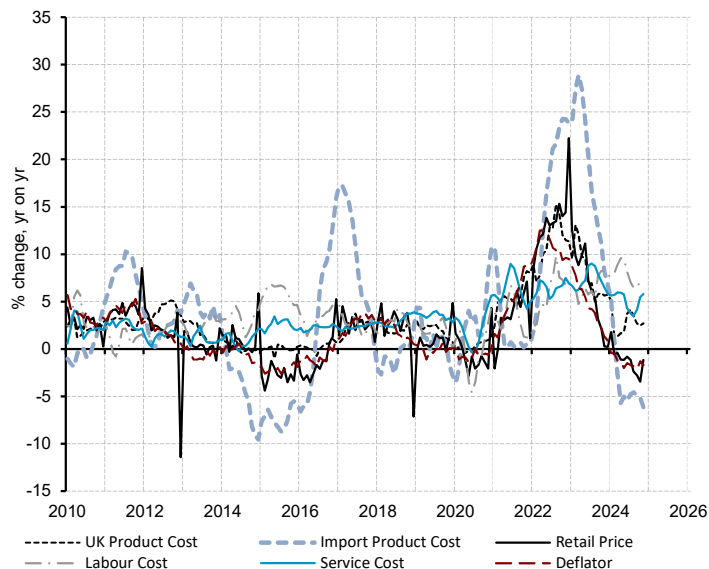


Chart 4. Detailed price & cost dynamics



Weights: Home material cost 60.0%, Imported Material cost 5.0%, Transport cost 6.0%, Labour cost 12.0%, Bought-in cost 8.0%

Price	2.3 (0.5)
Cost	2.6 (0.8)
Volume	3.5 (0.3)

* Inverse Coefficient of Variance = Mean / Standard Deviation

UK Veterinary activities (75)

Chart 1. Operating Sales, £

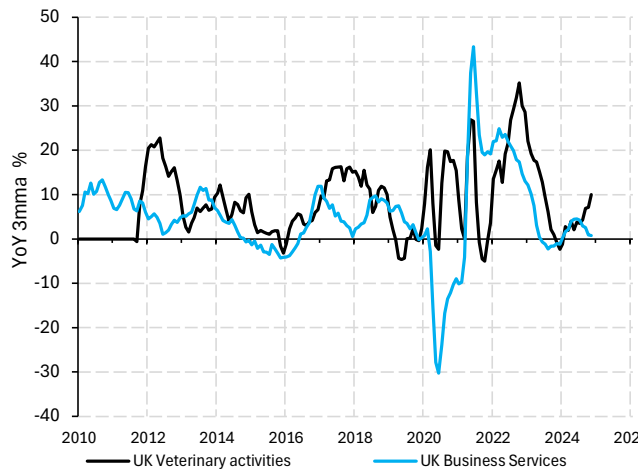
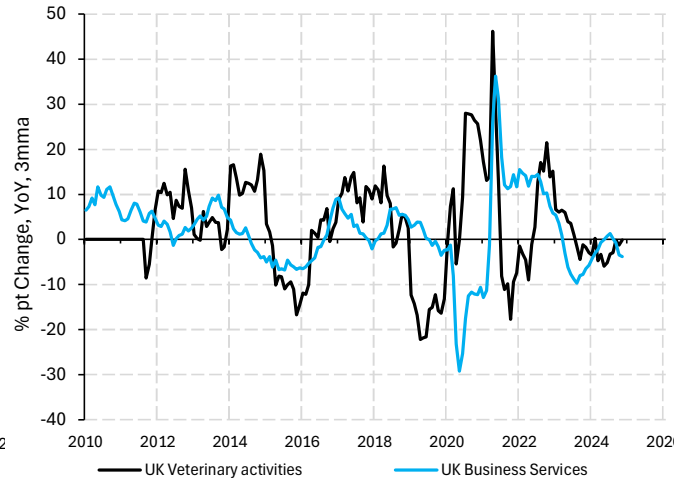


Chart 2. Operating Margin

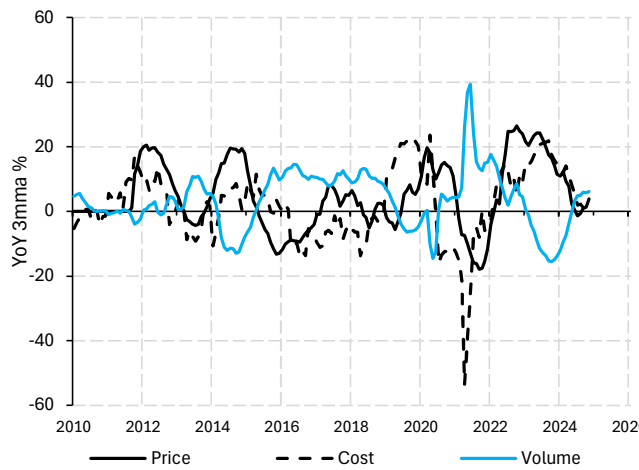


Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Veterinary activities 9.2 (1.1)
UK Business Services 5.2 (0.5)

UK Veterinary activities 3.2 (0.3)
UK Business Services 1.9 (0.2)

Chart 3. Price, Cost & Volume



Price 5.4 (0.5)
Cost 2.1 (0.2)
Volume 3.5 (0.4)

Chart 4. Detailed price & cost dynamics

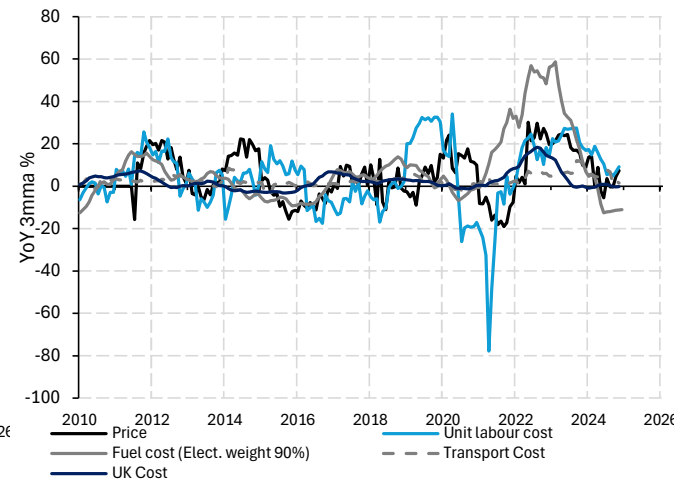
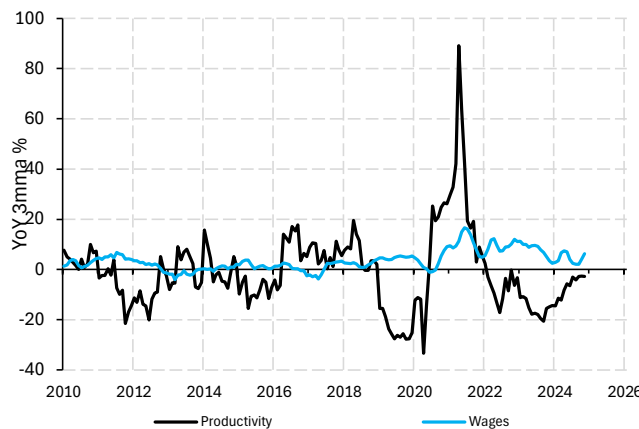
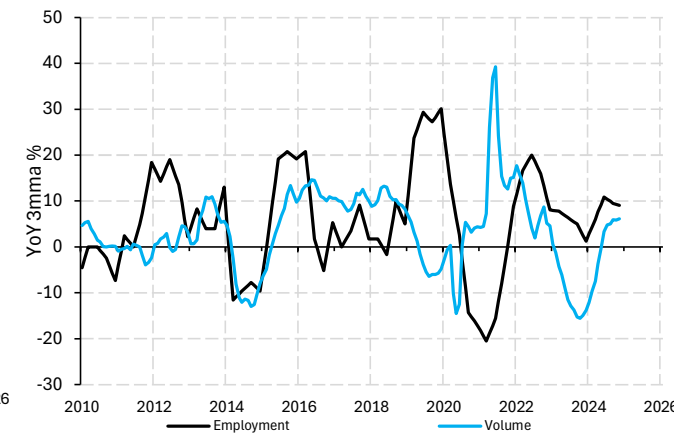


Chart 5. Labour Productivity vs Wages



Productivity -1.0 (-0.1)
Wages 3.6 (0.9)

Chart 6. Employment vs Volume



Employment 5.8 (0.5)
Volume 3.5 (0.4)

* Inverse Coefficient of Variance = Mean / Standard Deviation

UK Business Services (45-96)

Chart 1. Operating Sales, £

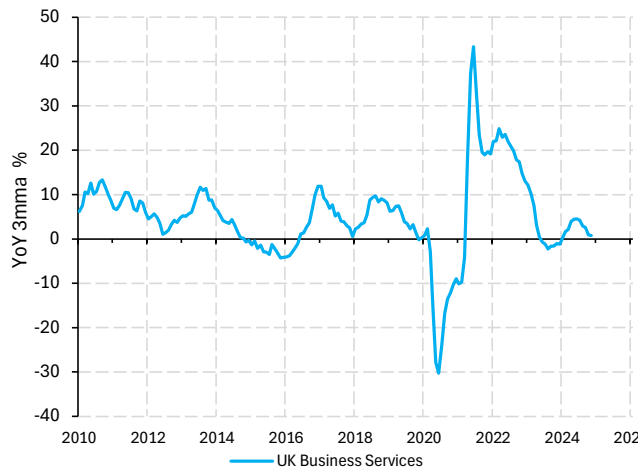


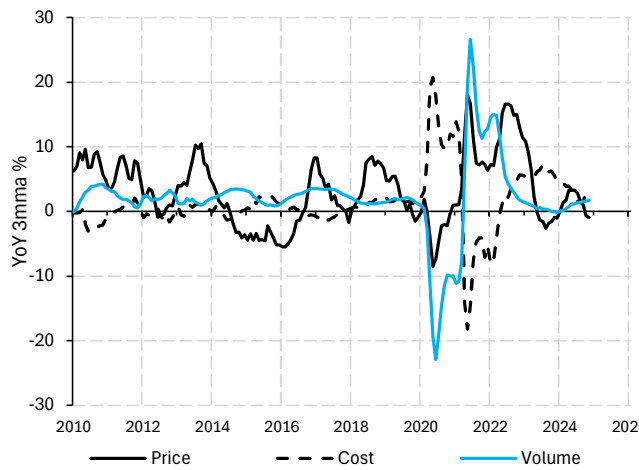
Chart 2. Operating Margin



Annual Growth Averages (%) and Inverse Coefficient of variance* in brackets

UK Business Services 5.2 (0.5)

Chart 3. Price, Cost & Volume



Price 3.2 (0.6)
Cost 1.3 (0.3)
Volume 1.9 (0.3)

UK Business Services 1.9 (0.2)

Chart 4. Detailed price & cost dynamics

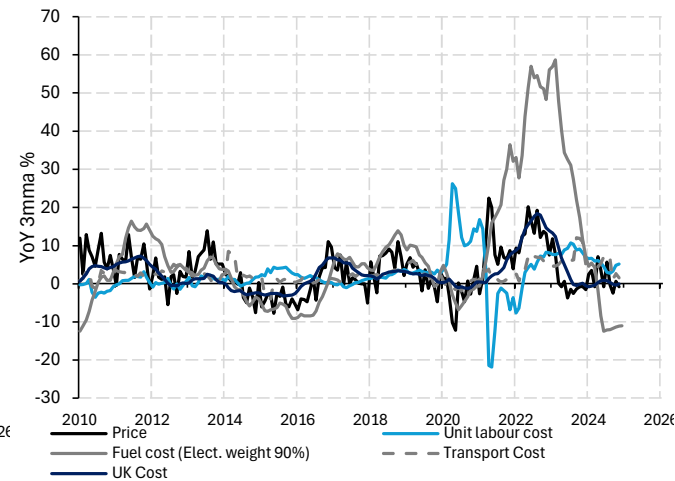
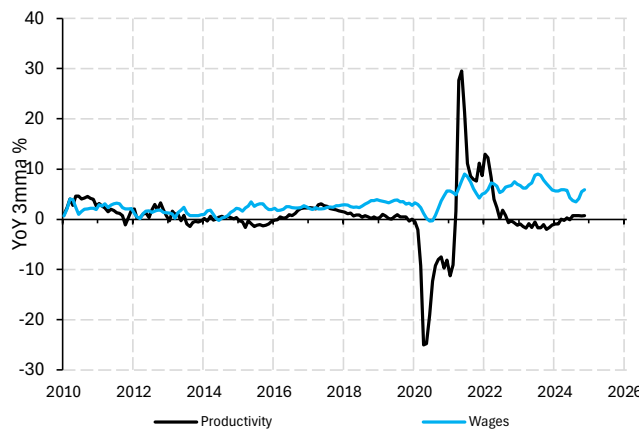
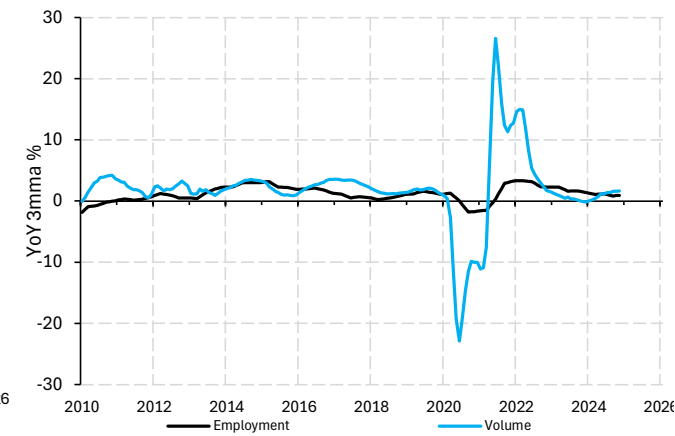


Chart 5. Labour Productivity vs Wages



Productivity 0.7 (0.1)
Wages 3.3 (1.5)

Chart 6. Employment vs Volume



Employment 1.2 (1.0)
Volume 1.9 (0.3)

* Inverse Coefficient of Variance = Mean / Standard Deviation

List of UK Business Service sectors	SIC	Companies
UK Wholesale & retail trade & repair, all vehicles	45	Bunzl, Essentra, Ferguson Enterprises, Latham, Macfarlane, NWF, Roebuck Food
UK Wholesale trade services, except vehicles	46	Bunzl, Essentra, Ferguson Enterprises, Latham, Macfarlane, NWF, Roebuck Food
UK Land transport, trains & buses - people & freight	49.3-5	FirstGroup, Trainline
UK Warehousing & support services for transportation	52	Diploma, Restore
UK Postal & courier services	53	Smiths News
UK Hotels and other short-term accommodation services	55	Accor, IHT, Whitbread (Premier Inn)
UK Food & beverage serving sectors	56	Compass
UK Publishing services - newspapers, periodicals & computer games	58	De la Rue, DMGT, AutoTrader, Bloomsbury
UK TV, film & sound production & presentation	59	CineWorld, ITV, STV
UK Telecoms services	61	Maintel, TalkTalk
UK Software developers	62	CPP, ComputerCenter, PCI-Pal, Petards, RWS, Software Circle, Tribal
UK Providers of data processing & hosting services	63	1Spatial, Experian, Journeo , Vianet
UK Real estate activities on a fee or contract basis	68.3	International Workplace , LSL Property Services, Mitie Group, Savills, Foxtons, Rightmove, Winkworths, MAB
UK Legal services	69.1	Gately, Keystone Law, DWF, Knights Group, the Ince Group, Begbies Traynor
UK Accountants, auditors & tax consultants	69.2	Begbies Traynor
UK Architects & civil engineers	71	Diales, Hargreaves Services, Intertek, Kier Group , Mears Group, Northern Bear, Renew Holdings, Ricardo
UK Scientific R&D	72	Science Group
UK Advertising & market research services	73	YouGov, WPP, M&C Saachi
UK Real estate, graphic & fashion design & photography	74	Christie Group, Record, Powerhouse Energy, DCC
UK Veterinary activities	75	Pets At Home, CVS Group
UK Rental & leasing services, non real estate	77	Johnson Service, SZigup
UK Recruitment services	78	Norman Broadbent, Page Group, Robert Walters, RTC, Staffline Group, Sthree, Hays
UK Travel agents & tour operators	79	Hostel-World, OnTheBeach Group
UK Security & investigation services	80	Croma, Synetics, Westminster
UK Office admin & business support - including call centres	82	Capita, IWG
UK Human health services	86	Spire Healthcare
UK Creative arts & entertainment services - theatres etc	90	
UK Library, archive, museum & other cultural services	91	
UK Sporting, amusement & other recreation services	93	GYM Group, Hollywood Bowl
UK Repair services of computers, personal & household goods	95	

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