

# **Analysis and Forecast of the Pet Industry through Mathematical Models**

## **Abstract**

The pet industry has witnessed significant growth globally, driven by increasing disposable income and the rising popularity of pet companionship. This paper explores the development and forecasting of the pet industry using mathematical models, with a focus on China's market trends and global demands. Through the application of ARIMA, polynomial interpolation, and multiple linear regression, this study analyzes the past five years of the pet industry in China, forecasting its development over the next three years. Additionally, global trends and the impact of economic factors, such as tariffs, on the pet food industry are considered. The results provide valuable insights for strategic recommendations and sustainable development in the pet industry.



**Figure 1 British short hair cat and golden retriever stock photo [1]**

**Keywords:** Pet Industry, Mathematical Models, ARIMA, Polynomial Interpolation, Multiple Linear Regression, Forecasting, Market Analysis, Economic Factors, Pet Food, Sustainable Development

## Contents

<b>I、 Problem Restatement</b> .....	<b>2</b>
1.1 Question 1: Development of China's Pet Industry . . . . .	2
1.1.1 Objective . . . . .	2
1.1.2 Factors . . . . .	2
1.1.3 Modeling Task . . . . .	2
1.2 Question 2: Global Pet Industry Development . . . . .	2
1.2.1 Objective . . . . .	2
1.2.2 Factors . . . . .	2
1.2.3 Modeling Task . . . . .	3
1.3 Question 3: China's Pet Food Industry . . . . .	3
1.3.1 Objective . . . . .	3
1.3.2 Factors . . . . .	3
1.3.3 Modeling Task . . . . .	3
1.4 Question 4: Impact of Foreign Economic Policies . . . . .	3
1.4.1 Objective . . . . .	3
1.4.2 Factors . . . . .	3
1.4.3 Modeling Task . . . . .	3
<b>II、 Model Assumptions</b> .....	<b>3</b>
<b>III、 Symbol Explanation</b> .....	<b>4</b>
<b>IV、 Analysis</b> .....	<b>4</b>
4.1 Question 1 Analysis . . . . .	4
4.1.1 Analyze factors . . . . .	4
4.1.2 Polynomial Interpolation . . . . .	6
4.1.3 Multiple Linear Regression . . . . .	10
<b>V、 Matrix Formulation of the Model</b> .....	<b>11</b>
<b>VI、 Least Squares Estimation</b> .....	<b>12</b>
<b>References</b> .....	<b>12</b>

# **I、 Problem Restatement**

This problem requires analyzing and forecasting the development trends of the pet industry in China and globally, with a focus on the pet food market. The analysis should combine historical data and additional data collected, building mathematical models for prediction. The specific tasks are as follows:

## **1.1 Question 1: Development of China's Pet Industry**

### **1.1.1 Objective**

Analyze the development of China's pet industry over the past five years by different pet types (e.g., cats, dogs, etc.).

### **1.1.2 Factors**

Look into economic factors, societal trends, and market changes (e.g., income growth, changes in pet ownership behavior, product innovations).

### **1.1.3 Modeling Task**

Develop a mathematical model to predict the growth and development of China's pet industry for the next three years.

## **1.2 Question 2: Global Pet Industry Development**

### **1.2.1 Objective**

Analyze the development of the global pet industry, focusing on different regions (e.g., Europe, America, China).

### **1.2.2 Factors**

Global pet food demand and market characteristics by pet type.

### **1.2.3 Modeling Task**

Create a model to forecast the global demand for pet food over the next three years, based on data provided.

### **1.3 Question 3: China's Pet Food Industry**

#### **1.3.1 Objective**

Analyze the development of China's pet food industry, specifically its production and export values.

#### **1.3.2 Factors**

The trend in China's pet food production and exports, factoring in the global demand for pet food.

#### **1.3.3 Modeling Task**

Predict China's pet food production and export trends over the next three years.

### **1.4 Question 4: Impact of Foreign Economic Policies**

#### **1.4.1 Objective**

Analyze the impact of foreign economic policies on China's pet industry, focusing on trade barriers and tariffs.

#### **1.4.2 Factors**

Quantitative modeling of the effects of changes in tariffs and other foreign policies on China's pet food industry.

#### **1.4.3 Modeling Task**

Develop a model to assess the impact of these policies on China's pet food industry and suggest strategies for sustainable development.

## **II、 Model Assumptions**

- Stability of human society
- Exclusion of potential future policies related to pets
- Ignoring changes in pet population due to major incidents

### III、 Symbol Explanation

Symbol	Meaning
$\ln$	Logarithmic Function
$\sum$	Sum
$M$	Million
$N$	Number

### IV、 Analysis

#### 4.1 Question 1 Analysis

##### 4.1.1 Analyze factors

The task first requires us to analyze the development trends of the pet industry in China by categorizing pets and identifying the factors that influence the growth of the pet industry. We should begin by analyzing the data.

The following data is provided to us in the problem.

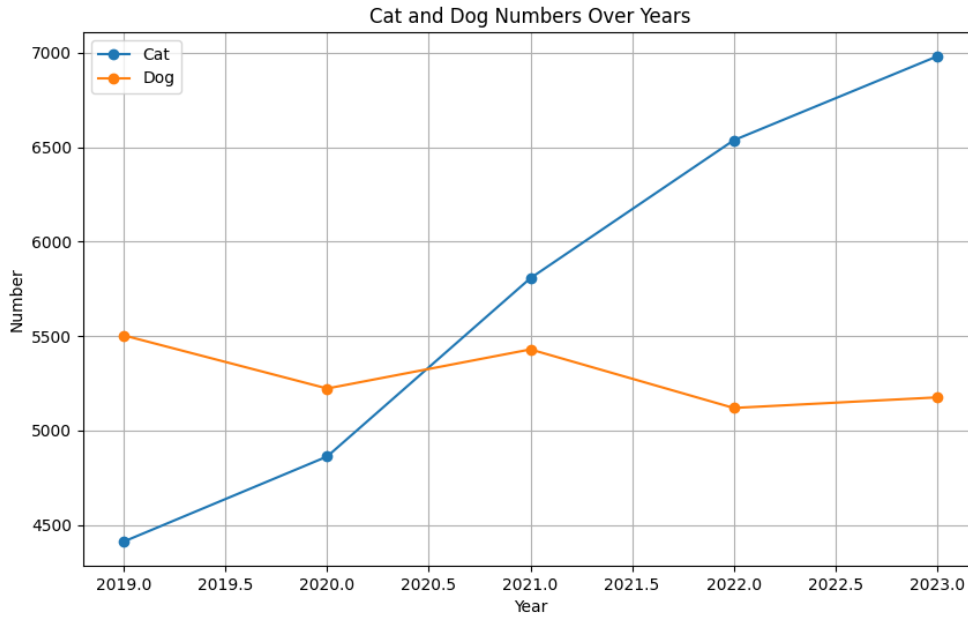
**Table 1 2019-2023 Number of Pet Cats and Dogs in China (in 10,000s)**

Pets/Years	2023	2022	2021	2020	2019
Cat	6980	6536	5806	4862	4412
Dog	5175	5119	5429	5222	5503

Plot the trend of changes in the pet population in China. A line chart is more intuitive than a table. Thanks to the help of python, we can easily plot the line chart by the following code.

```
import pandas as pd
import matplotlib.pyplot as plt
with open('data_1.txt', 'r') as file:
    lines = file.readlines()
years = lines[0].split()[1:]
cat_data = lines[1].split()[1:]
dog_data = lines[2].split()[1:]
years = [int(year) for year in years]
cat_data = [int(num) for num in cat_data]
dog_data = [int(num) for num in dog_data]
plt.figure(figsize=(10, 6))
plt.plot(years, cat_data, marker='o', label='Cat')
```

```
plt.plot(years, dog_data, marker='o', label='Dog')
plt.xlabel('Year')
plt.ylabel('Number')
plt.title('Cat and Dog Numbers Over Years')
plt.legend()
plt.grid(True)
plt.show()
```



**Figure 2 Number of Cat and Dog in China from 2019 to 2023**

From the graph, we can see that the number of cats is increasing, while the number of dogs remains almost unchanged. This growth in the cat population is likely due to the improvement in living standards, with more and more people beginning to keep pets. Therefore, GDP is likely one of the factors influencing the pet population. By reviewing relevant data, we found a strong correlation between the growth rate of GDP and the growth rate of the pet population. Thus, to predict the growth of the pet population, we can use the growth rate of GDP as an indicator. As for dogs, we did not find a direct relationship between the GDP growth rate and the growth rate of the dog population. However, we can be certain that the development of the pet economy will drive the growth of the pet population. Hence, the pet economy is likely to have a strong correlation with the growth of the pet population.

Summarizing the above analysis, we assume that the growth of the pet population is influenced by the growth rate of GDP.

### 4.1.2 Polynomial Interpolation

We aim to predict the data for the next three years based on the data from the previous five years, starting with polynomial interpolation.

**Definition 1 (Polynomial Interpolation)** *Given  $n + 1$  points, polynomial interpolation refers to finding a polynomial such that it satisfies the condition*

$$P(x) = a_n x^n + a_{n-1} x^{n-1} + \cdots + a_1 x + a_0$$

*That is, the image of the polynomial  $y = P(x)$  must pass through the given  $n + 1$  points  $(x_i, y_i)$ .*

Because  $P(x)$  can pass through these existing points and  $P(x)$  is a polynomial,  $P(x)$  may indeed reflect the trend of data changes to some extent.

We tried simple polynomial interpolation, with time as the independent variable and the number of cats and dogs as the dependent variable, to perform polynomial interpolation.

```
for n in range(1, 10):
    coeffs_cat = np.polyfit(years, cat_data, n)
    coeffs_dog = np.polyfit(years, dog_data, n)
    y_poly_pred_cat = np.polyval(coeffs_cat, years)
    y_poly_pred_dog = np.polyval(coeffs_dog, years)
    new_x = np.array([2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026])
    new_y_cat = np.polyval(coeffs_cat, new_x)
    new_y_dog = np.polyval(coeffs_dog, new_x)
    plt.figure(figsize=(10, 6))
    plt.plot(years, cat_data, marker='o', label='Cat')
    plt.plot(years, dog_data, marker='o', label='Dog')
```

Define  $k$  as the degree of the polynomial,  $n$  as the number of points, when  $k \geq n$ , Function polyfit can be considered as (in fact not because of simplicity) using Lagrange interpolation to perform polynomial interpolation.

**Definition 2 (Lagrange Interpolation)** *Given a set of distinct nodes  $x_0, x_1, \dots, x_n$  and the corresponding function values  $y_0, y_1, \dots, y_n$ , the Lagrange interpolation polynomial  $L(x)$  is the polynomial that interpolates these points, defined as:*

$$L(x) = \sum_{i=0}^n y_i \ell_i(x)$$

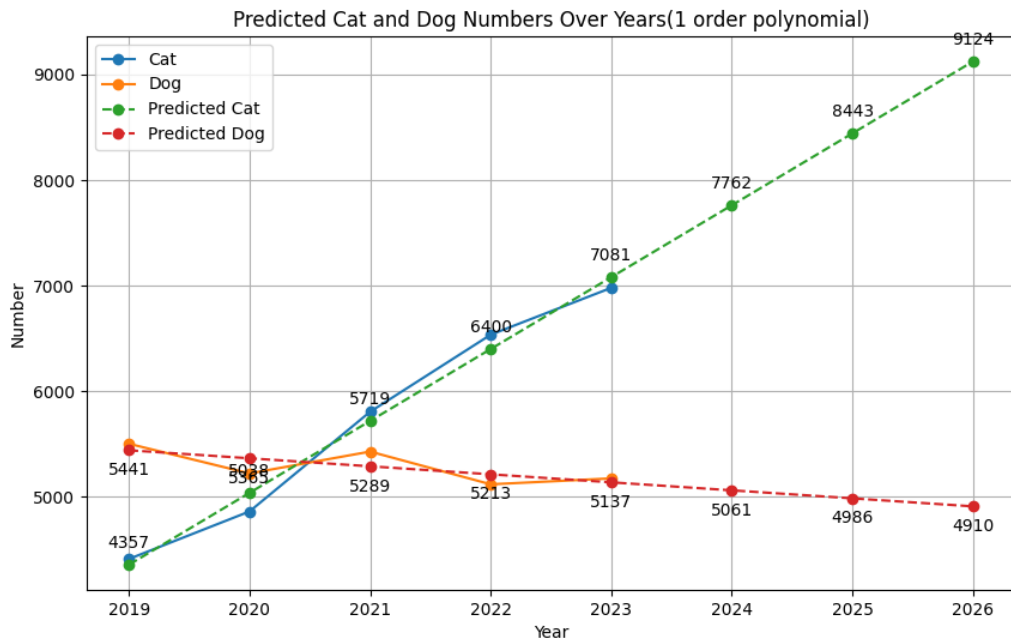
where  $\ell_i(x)$  is the  $i$ -th Lagrange basis polynomial, defined as:

$$\ell_i(x) = \prod_{\substack{0 \leq j \leq n \\ j \neq i}} \frac{x - x_j}{x_i - x_j}$$

*This polynomial satisfies:  $\ell_i(x_j) = \delta_{ij}$ , where  $\delta_{ij}$  is the Kronecker delta, which is 1 when  $i = j$  and 0 otherwise.*

The following is the result of the polynomial interpolation.





**Figure 3 Linear Interpolation of Cat and Dog Numbers**

We can find that although it is linear interpolation, the fitting effect is already very good. However, when the degree of the polynomial is increased, the fitting effect is not significantly improved. And because we only have five points, when the degree of the polynomial is greater than 5, the fitting effect is actually worse. To solve the above problems and apply the two influencing factors mentioned earlier, we use the following model. Its core idea is also fitting, but it is a higher dimension fitting. Its essence has not changed, but the number of independent variables has increased.

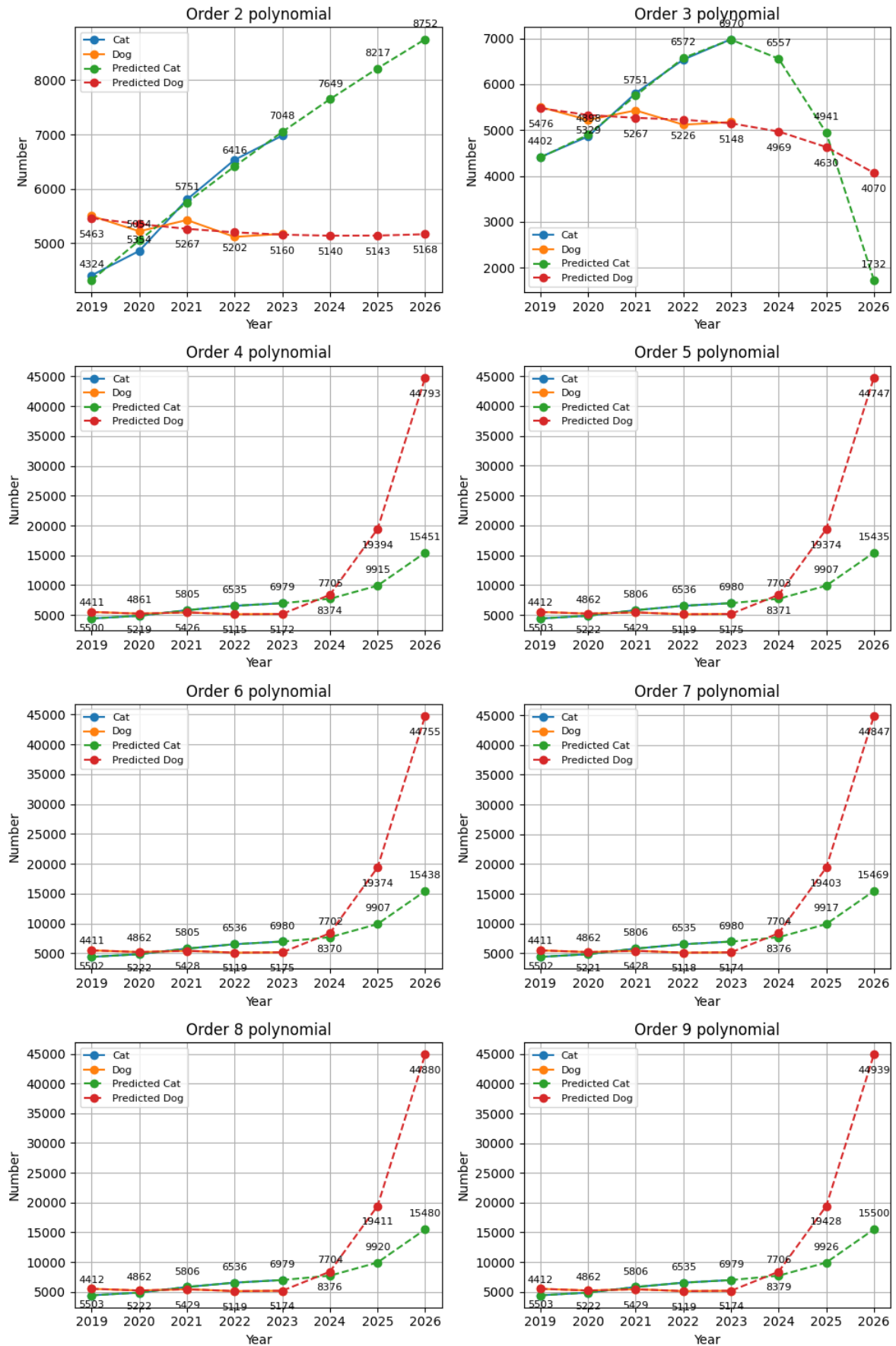
First, we collected the relevant data.

**Table 2 2019-2023 GDP in China (in 10 billion yuan) [2]**

Years	2023	2022	2021	2020	2019
GDP	12614	12662	12617	10408	10143

**Table 3 2019-2023 Pet Industry Economy in China (in 100 million yuan) [3]**

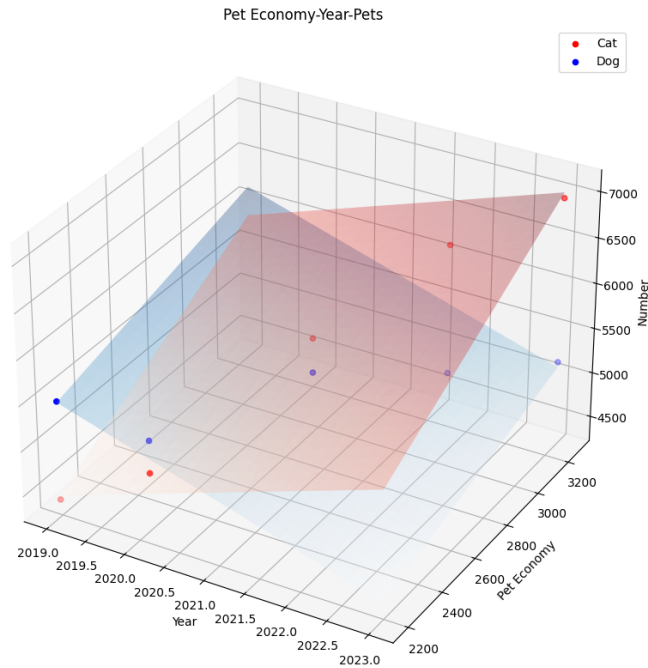
Years	2023	2022	2021	2020	2019
Pet Industry Economy	3264	3069	2733	2259	2191



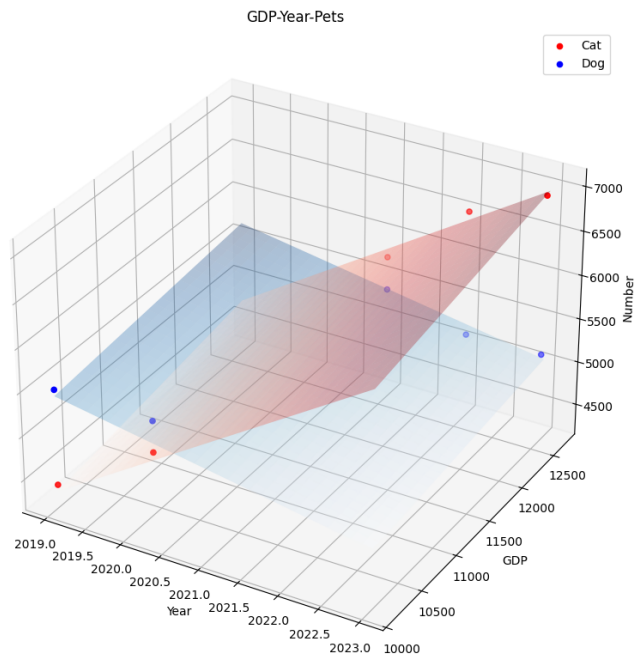
**Figure 4 Polynomial Interpolation of Cat and Dog Numbers**

### 4.1.3 Multiple Linear Regression

Similarly, in three-dimensional space, we can also find a plane that fits all the points.



**Figure 5** Three-Dimensional Polynomial Interpolation of Pet Economy-Year-Pets



**Figure 6** Three-Dimensional Polynomial Interpolation of GDP-Year-Pets

**Definition 3 (Multiple Linear Regression)** *Multiple Linear Regression is a statistical method used to model the relationship between two or more independent variables and a dependent vari-*

able. Suppose we have a dataset consisting of  $n$  data points, each with  $m$  independent variables and one dependent variable. The goal is to find the best-fitting hyperplane that describes the relationship between the independent and dependent variables.

**Assumption 1** Assume we have  $n$  observations, each with  $m$  features. Each observation can be represented as:

$$\mathbf{x}_i = (x_{i1}, x_{i2}, \dots, x_{im})^T, \quad y_i$$

where  $y_i$  is the dependent variable for the  $i$ -th observation, and  $\mathbf{x}_i$  is the corresponding independent variable vector. Our goal is to fit the multiple linear regression model to the following equation:

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_m x_{im} + \epsilon_i$$

where  $\beta_0$  is the intercept term,  $\beta_1, \beta_2, \dots, \beta_m$  are the regression coefficients, and  $\epsilon_i$  is the error term, assumed to have zero mean and constant variance.

## V、 Matrix Formulation of the Model

Let us represent all observations in matrix form. Suppose we have  $n$  data points, each with  $m$  features, the data can be written as:

$$\mathbf{X} = \begin{pmatrix} 1 & x_{11} & x_{12} & \dots & x_{1m} \\ 1 & x_{21} & x_{22} & \dots & x_{2m} \\ \vdots & \vdots & \vdots & \ddots & \vdots \\ 1 & x_{n1} & x_{n2} & \dots & x_{nm} \end{pmatrix}$$

$$\mathbf{y} = \begin{pmatrix} y_1 \\ y_2 \\ \vdots \\ y_n \end{pmatrix}$$

where  $\mathbf{X}$  is an  $n \times (m + 1)$  design matrix with the first column as ones, and  $\mathbf{y}$  is an  $n \times 1$  vector of the dependent variables.

The regression coefficients  $\boldsymbol{\beta}$  are given by:

$$\boldsymbol{\beta} = \begin{pmatrix} \beta_0 \\ \beta_1 \\ \vdots \\ \beta_m \end{pmatrix}$$

Thus, the regression model in matrix form is:

$$\mathbf{y} = \mathbf{X}\boldsymbol{\beta} + \boldsymbol{\epsilon}$$

where  $\boldsymbol{\epsilon}$  is the vector of errors.

## VI、 Least Squares Estimation

To estimate the regression coefficients  $\boldsymbol{\beta}$ , we minimize the residual sum of squares (RSS):

$$RSS = \sum_{i=1}^n (y_i - \hat{y}_i)^2 = (\mathbf{y} - \mathbf{X}\boldsymbol{\beta})^T (\mathbf{y} - \mathbf{X}\boldsymbol{\beta})$$

Taking the derivative with respect to  $\boldsymbol{\beta}$  and setting it equal to zero, we obtain the normal equation:

$$\mathbf{X}^T \mathbf{X} \boldsymbol{\beta} = \mathbf{X}^T \mathbf{y}$$

Solving this equation gives the estimated regression coefficients:

$$\boldsymbol{\beta} = (\mathbf{X}^T \mathbf{X})^{-1} \mathbf{X}^T \mathbf{y}$$

## References

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