

Reconstructing the Value Chain of the Pet Food Industry Under the Dual Circulation Strategy: A Policy Synergy Practice Based on Multinational Enterprises

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Abstract: Against the backdrop of the sustained and deepened implementation of the “dual circulation” strategy, China’s pet food industry faces dual challenges of global value chain restructuring and localization transformation. This study investigates how multinational corporations use policy coordination to support the optimization of industrial value chains, investigating their strategies for overcoming trade barriers to international markets, deepening the local supply chains, improving the investment environment, and building industry ecosystems to achieve interlinked domestic and foreign trade-connected upgrades to industrial chains. The findings show that multinational enterprises have used policy coordination as a way to improve their competitive positioning in the marketplaces and resiliency of their supply chains, as well as promote high-quality industrial development through diffusion of technology and leadership on standards, which provides real examples of globalization and localization transformation of China’s pet food industry within the framework of “dual circulation.”

Keywords: Double circulation strategy; Pet food; Industrial value chain; Multinational enterprises; Policy synergy practice

Online publication: January 30, 2026

1. Introduction

The Chinese pet food market is growing rapidly due to both the upgrading of consumption and globalization, but it is also encountering problems related to supply chain security, the application of technical standards from older forms of food production technologies, and the lack of coordination between markets in a domestic and international Chinese context. The “dual circulation” strategy has charted a new path to an industrial upgrade based on the emphasis on the domestic cycle as the leading entity and the international circulation as a complement. As an important link between the domestic and international markets, multinational corporations in global commerce

can act as part of a policy coherence structure, which can help overcome the natural bottlenecks associated with industrial development. This analysis outlines cases of multinational corporations in areas such as market entry, local industrial integration, guided policy incentives, and coordinated industry self-regulation. The analysis seeks to offer theoretical references and practical implications for the sustainable development of China's pet food industry in the global competitive context that has multi-dimensional coordination, exploring how a fundamental theme of coordination can change the industrial value chain.

2. Theoretical framework

2.1. Global value chain and industrial upgrading theory

The key point of the global value chain theory is that the current production process is divided into multiple parts, which are dispersed across different countries. These links cover product research and development, raw material procurement, production and manufacturing, brand promotion, and after-sales service. There are two typical driving modes in the global value chain. The buyer-driven chain is mainly led by brand enterprises and retailers, and is more common in labor-intensive industries. For example, the pet food industry has significant buyer-driven chain characteristics, with value allocation biased towards brand operations and market channels.

The theory of industrial upgrading focuses on how enterprises advance along the value chain toward higher value-added segments. The upgrading process generally follows a trajectory from process improvement to product optimization, then to functional enhancement, and finally to cross-sector upgrading. In the pet food sector, functional upgrading is reflected in the shift from original equipment manufacturing (OEM) toward independent research and development and brand building. Such upgrading requires enterprises to accumulate technological capabilities, market insights, and brand influence.

Theories of global value chains and industrial upgrading provide a theoretical foundation for understanding industrial transformation within the context of the dual-circulation strategy. While allocating resources globally, multinational enterprises must align with the industrial policies and development needs of the host country. The upgrading of China's pet food industry reflects a shift among local enterprises from pure processing activities toward expanding into R&D, design, and brand management. Such transformation and development rely not only on the driving force of the market but also on support from the policy environment ^[1].

2.2. Theoretical interpretation and industrial impact of the “dual circulation” strategy

The “dual circulation” strategy is a pivotal decision made by China after thorough consideration of changes in development stages, environment, and conditions, particularly in response to shifts in comparative advantages. This strategy emphasizes prioritizing domestic circulation while fostering mutual support between domestic and international circulation. Its core focus is to enhance the stability of the internal economic system in order to address increasingly complex external conditions.

For the pet food industry, this indicates a shift in development priorities from previous scale expansion toward quality improvement and enrichment of intrinsic value. The main challenge faced by the industry is how to break free from low-level homogeneous competition and transition from “quantity-driven” growth to “quality-driven” advancement. Despite the current robust demand in the pet food market, structural imbalances persist—insufficient effective supply and excessive low-end offerings. The industry remains trapped in a vicious cycle of competition akin to “involution.” The key solution lies in comprehensively elevating industry standards, strengthening the

quality and safety system, and steering the sector from “traffic-driven” to “value-driven” development. This requires enterprises to focus not only on market share but also on product R&D innovation and brand value cultivation, meeting domestic consumers’ demand for premium pet food by improving supply chain efficiency and product quality.

In terms of international circulation, the “dual circulation” strategy requires the pet food industry to engage in global cooperation and competition at a higher level. The main obstacle faced by China’s pet food “going global” is the trade barriers it brings as an animal-derived product. Although the World Organization for Animal Health has indicated that the risk of spreading animal epidemics through commercially processed pet food is relatively low, there are still many restrictions on China’s international trade in this area. This shows that there is still room for further improvement in China’s bilateral or multilateral agreement negotiations on pet food trade, and the process of aligning with international standards needs to be accelerated. For multinational corporations, the “dual circulation” strategy provides them with unique development opportunities. They can leverage the advantages of optimizing global resource allocation, introduce advanced international technology and management experience into the Chinese market, and at the same time promote China’s domestic innovation achievements to the world. At present, some regions are actively exploring the use of the “cross-border e-commerce+industrial belt” model to open up global trade channels, helping pet food enterprises achieve the goal of “buying and selling nationwide and global goods.” This open industrial ecosystem not only helps to improve the internationalization of domestic industries but also adds new vitality to the global pet food market, ultimately building a virtuous development trend of domestic and international dual circulation mutual promotion.

3. Changes and challenges in the value chain of China’s pet food industry under the dual circulation strategy

3.1. Development status and trends of China’s pet food market

The Chinese pet food market is currently in an important period of transition from rapid growth to high-quality transformation. The role played by pets in the family has gradually evolved from a simple “life companion” to a “family member” with emotional attachment attributes. The transformation of this role has driven an upgrade in consumer demand, where consumers are no longer satisfied with the basic satiety function of the product, but are increasingly concerned about the scientific formula, functional ingredients, and raw material sources of the product. For example, young pet owners are more inclined to study protein and amino acid indicators in the ingredient list, while elderly pet owners place more emphasis on segmented functions such as joint maintenance and gastrointestinal regulation. The change in market demand has led enterprises to shift from pursuing scale expansion in the past to delving deeper into product quality, promoting the continuous increase in market share of high-end natural grains, grain-free grains, and other categories.

In order to adapt to the trend of consumption upgrading, the domestic pet food industry chain has accelerated the pace of cluster development, forming multiple regional industrial belts. Shandong, Hebei, and other regions have integrated upstream and downstream resources to build a complete industrial chain covering raw material supply, production and processing, and brand marketing. For example, Liaocheng has cultivated local leading enterprises with agricultural product resources and automated production lines, while Tai’an Pet Food Characteristic Town has transformed from “single production” to “coordinated development of the entire industry chain” by revitalizing idle land, attracting contract factories and research and development laboratories to

concentrate. These industrial clusters rely on shortening the transportation distance of raw materials and sharing testing facilities to reduce overall costs, while promoting the landing of innovative categories such as fresh meat, baked goods, and fresh steamed goods through technological cooperation.

In the future, industry competition will focus on areas such as technology research and development and global layout. On the one hand, enterprises improve the scientificity of their products by building their own laboratories and collaborating with universities, and on the other hand, actively explore international markets. Domestic brands are breaking through trade barriers through cross-border e-commerce and setting up factories overseas, gradually shifting from the OEM export model to the brand's overseas expansion model. With the continuous promotion of the dual circulation strategy, the industrial chain will further develop towards differentiation and intelligence, and the improvement of the regulatory system and the enhancement of standards will become an important foundation to support the sustainable development of the industry.

3.2. New opportunities and challenges brought by the “dual circulation” strategy

The “dual circulation” strategy has created a broader market space for the pet food industry, while also testing the strategic adaptability of enterprises. In terms of internal circulation, the trend of domestic consumption upgrading is quite significant, and the demand for high-quality and personalized products among pet owners continues to rise. This prompts companies to strengthen local research and innovation, and develop products that are more in line with the physical fitness of Chinese pets and consumer preferences. Faced with a complex international trade environment, enterprises need to enhance the resilience of their supply chains. Some enterprises have established industrial clusters domestically to ensure the stability of raw material supply and production. In the field of external circulation, Chinese pet food companies are shifting from OEM exports to brand going global. They use cross-border e-commerce platforms to directly connect with overseas consumers and actively participate in international standard certification to break down market access barriers ^[2].

In the process of strategic implementation, there are also numerous challenges, and enterprises need to find a balance point in complex environments. The fluctuation of the international trade environment has brought uncertainty to pet food exports, and some companies have begun to adjust their market layout by building factories overseas or exploring diversified markets to diversify risks. The competition in the domestic market is becoming increasingly fierce, and the competition between international and local brands in the high-end market is intensifying. Consumers' demands for product quality and safety continue to increase, and companies must continuously improve the transparency of their supply chain and their ability to trace product quality. Policy coordination has become the key to addressing these challenges. The pet industry park created through government enterprise cooperation provides supporting services such as customs clearance convenience and technical testing for enterprises, helping them better integrate into the dual circulation development pattern.

3.3. The core pain points of the current industrial value chain reconstruction

In the domestic circulation field, the pet food industry is facing a deep-seated contradiction between the demand for high-quality development and the unreasonable allocation of regulatory resources. The current market is in a difficult situation of “high demand, low trust”, and consumers' standards for pet food quality are constantly improving. However, the problem of product homogenization is prominent in the industry, with raw material use not meeting regulations and label labeling not being standardized. These situations have led to a setback in market confidence. The existing regulatory system is difficult to match the industry scale, and pet feed is managed by

agricultural and rural departments. Compared with the human food market regulatory system, there are differences in regulatory intensity and resource investment. The progress of improving the standard system cannot keep up with the pace of industrial development. Currently, there are not many national standards for pet feed, and most of them are basic standards. The standards for functional products, new raw materials, and other fields are almost blank. For example, common promotional concepts such as “fresh meat” and “raw food” do not have clear definitions, the constraint of recommendation standards is weak, and there is a lack of a strong basis for enterprise implementation. These factors combined hinder the innovation enthusiasm of high-quality enterprises, while low-quality products can still circulate in the market. The entire industry needs to break through the dilemma of shifting from scale expansion to quality competition^[3].

In terms of international circulation, the main difficulty focuses on non-tariff trade barriers arising from animal epidemic prevention and control. Due to the characteristics of animal-derived raw materials, the import and export of pet food are strictly restricted by quarantine policies in various countries. Although the World Organization for Animal Health has indicated that the risk of spreading animal epidemics through commercial processed pet food is low and recommends the use of risk classification-based management methods, China still maintains relatively strict disease prevention and control requirements in pet food import and export management. There is a gap between this prevention and control requirement and the general international understanding. At the same time, the lack of bilateral trade agreements further increases the uncertainty of trade exchanges. Each batch of goods in the enterprise may face duplicate quarantine approvals, and supply chain collaboration and long-term planning are limited. For example, when Serbian pet health products enter the Chinese market, they must adjust the formula according to Chinese standards and reapply for admission, which is a time-consuming and costly process. This institutional barrier not only limits the deep participation of Chinese pet food companies in the global value chain but also affects the effective integration of international high-quality resources with the domestic market.

4. Policy coordination practices of multinational enterprises: Mechanisms and paths for driving value chain restructuring

4.1. Deeply cultivating domestic circulation: Promoting local industrialization and reshaping the midstream supply chain

In the process of restructuring the midstream supply chain in the pet food industry, multinational enterprises adopt local industrialization strategies to address issues related to raw material quality and supply stability. By introducing technology and collaborating with the domestic agricultural system, enterprises can promote the improvement of key raw material varieties and large-scale planting, thereby reducing dependence on imported raw materials^[4].

The practice of local industrialization has significantly optimized the efficiency and resilience of the midstream supply chain. By creating an integrated chain of “research and development planting processing”, enterprises have integrated the raw material production process into domestic production areas, shortening the geographical distance of the supply chain. The large-scale production in China has reduced the cost of raw material procurement and logistics risks, allowing enterprises to respond more flexibly to market fluctuations. Pet food companies can refer to this model and promote the upgrading of other local raw materials, such as the localization of functional grains or animal protein sources, to further strengthen the independent and controllable ability of the supply chain.

4.2. Optimizing the investment environment: Guiding policy incentives and empowering downstream markets

Multinational corporations regard policy coordination as a core method to improve the investment environment. Enterprises actively engage in policy exchanges, promoting the inclusion of key business areas in the encouraged category directory, and creating a more favorable situation for expanding the market. In the past, there were many investment restrictions in service areas such as pet diagnosis and treatment. Enterprises systematically organize industry development trends and investment expectations, and communicate the actual needs of the market to policy-making departments. This policy exchange based on the current development status of the industry has promoted categories such as pet diagnosis and treatment to enter the list of industries encouraged for foreign investment.

The improvement of the policy environment is directly reflected in the enhancement of investment efficiency. Enterprises listed in the encouraged category can receive tax incentives and land policy support when investing in projects such as pet diagnosis and treatment. These tangible policy benefits have reduced the initial investment costs of new businesses and eased daily operational pressures. As a result, enterprises can quickly establish pet hospitals and professional channels in key cities and improve their service network for consumers. The positive effects of investment policy adjustments continue to expand downstream in the industrial chain. The establishment of pet diagnosis and treatment institutions provides a professional product display window and user education platform for pet food enterprises. Consumers are more likely to establish technical trust in brands in a professional service environment. The investment convenience brought by policy coordination actually helps enterprises build a complete value chain covering products and services, enhancing their comprehensive competitiveness in the local market.

4.3. Building a positive ecosystem: Leading industry self-discipline and enhancing long-term value

In the construction of the pet food industry ecosystem, multinational enterprises regard industry self-regulation as a crucial foundation for sustainable development. These enterprises have observed that some manufacturers engage in non-compliant practices during their marketing processes. Such approaches are likely to trigger public controversy and adversely impact the healthy development of the entire industry.

The practice of industry self-discipline has created a more stable development environment for enterprises. Standardized marketing practices reduce the risk of regulatory intervention and prevent the entire industry from facing policy restrictions due to excessive marketing by individual companies. Consumers show higher trust in companies that follow self-regulatory norms, which translates into brand loyalty. The overall image improvement of the industry has expanded the market space for all participants and formed a virtuous cycle. By actively constraining their own market behavior, enterprises actually provide strong guarantees for long-term profitability.

5. Business and social value assessment of policy coordination practice

5.1. Business value creation

In the framework of the dual circulation strategy, multinational pet food companies have achieved multi-level commercial value shaping through relevant practices of policy coordination. Enterprises are actively involved in the development of industry standards and the construction of self-regulatory agreements. Such actions enable companies to effectively avoid potential regulatory risks and reduce uncertainty factors caused by policy changes

in their business activities. With the help of policy coordination, enterprises can also obtain information on industrial policies earlier, thereby gaining time advantages in investment layout and market expansion. Some multinational enterprises have successfully promoted the inclusion of pet diagnosis and treatment businesses in the “Catalogue of Industries Encouraged for Foreign Investment.” According to this catalogue, enterprises have received tax incentives and land policy support, directly reducing the investment and operational costs of new businesses. The above practical activities have significantly enhanced the brand image of the enterprise. When companies actively follow business ethics standards that exceed basic requirements, consumers are more likely to identify them as responsible industry leaders. This trust will be transformed into brand loyalty, providing strong support for the long-term profitability of the enterprise. Policy coordination has also promoted the optimization of supply chain costs, such as reducing tariffs on key pet food raw materials, lowering raw material procurement costs for enterprises, and enhancing their price competitiveness in the end market. By participating in the construction of pet industry parks and utilizing the convenience measures of cross-border e-commerce, enterprises have further integrated the resources of the industry chain, expanded domestic and international distribution channels, and achieved an upgraded transformation from single product sales to a “product+service” ecosystem, thereby gaining sustained competitive advantages in the pet economy competition ^[5].

5.2. Social value contribution

The policy collaboration practice between multinational corporations and the pet food industry has created significant social value. These enterprises actively participate in the process of formulating industry standards, introducing advanced international pet food production standards and quality management experience into China. The relevant departments are organizing the development of mandatory national standards, such as “Pet Food Hygiene Standards” and “Pet Feed Labels”, as well as recommended national standards such as “Dog Nutrition Needs” and “Cat Nutrition Needs”. The practical experience of multinational enterprises provides a useful reference for these standards. Policy coordination has also helped enterprises make up for the lack of regulatory resources. The Ministry of Agriculture and Rural Affairs has implemented a production license and import registration system for pet feed in accordance with the “Regulations on the Management of Feed and Feed Additives.” Multinational enterprises have provided a model for the entire industry to learn from by building internal quality control systems that exceed basic requirements. These measures effectively enhance consumers’ trust in the pet food industry, allowing them to choose products that are suitable for their pets with more peace of mind. At the level of international trade facilitation, policy coordination promotes the deeper integration of China’s pet food industry into the global value chain. By promoting bilateral cooperation in the pet food trade and mutual recognition of standards, policy coordination has created more favorable conditions for Chinese pet food companies to expand into international markets. Multinational corporations have played a bridging role in this process, effectively connecting China’s pet food manufacturing capabilities with global market demand, while also introducing high-quality international products into the Chinese market, enriching the range of choices for domestic consumers. These social values collectively form the key foundation for the sustainable development of the pet food industry in the context of the dual circulation strategy, promoting the construction of a harmonious social environment between humans and pets.

6. Conclusion

Under the “dual circulation” strategy, the value chain reconstruction of the pet food industry is essentially a process of synergistic integration of global resources and construction of localization capabilities. Through policy collaboration, multinational corporations have not only achieved the business goals of supply chain optimization and market expansion, but also driven technological development and improved industry standards. In the future, industrial competition will rely more on in-depth exchanges between multinational corporations and local policies, as well as their long-term contributions in the fields of sustainable development and social responsibility. This path not only provides the driving force for the transformation and upgrading of the pet food industry, but also provides valuable experience for China’s agriculture and consumer goods industries to integrate into the global value chain.

Disclosure statement

The author declares no conflict of interest.

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