It is time to make a business trip halfway across the country; however, your boss informs you that you are not allowed to take your Airedale Terrier along due to liability concerns. What is to be done if you do not want to leave him alone at your home? You want someone trustworthy to take care of your pet, but none of your family members is available to assist you. What do you do? Many pet owners are finding it convenient to leave their pet at a pet day care. Many of these day cares are strategically positioned near an airport, sometimes in pet retailers like PetsMart. Aside from pet day cares, the pet supply retail industry has been growing extraordinarily. In fact, many retailers like PetsMart and Petco are reporting tremendous growth and profits. Several retailing supply trends have emerged over the past few years and continue to grow within the industry. These trends include: pet insurance, human quality pet food, licensed clothing, furniture, and day cares. According to the American Pet Products Association, 71 million American homeowners own a pet, leading to an estimated American pet supply expenditure of about $41 billion dollars for 2007.¹

Sources

While many pet owners are treating their furry friends like family, massive retailers like PetsMart and Petco are earning remarkable profits, continuing to increase the number of their locations across the nation. According to the American Pet Products Association (APPA), it is estimated that Americans will spend an average of $40 billion on their pets in 2007, with about $10 billion spent on supplies and over the counter medicine.¹ As American families continue to pamper their pets, these numbers will continue to grow over the next few years as retailers strive to meet pet owner demands. Aside from supplies, many retailers are also providing unique items, such as clothing, pet insurance, and even baby-sitting pets.

Demographics

According to the National Pet Owners Survey, published by the APPA, about 63% (or 72 million) of all United States households own a pet — the vast majority of pets being cats and dogs.¹ Among the most expensed items for pet owners are food, veterinary service, pet toy products, and medicine. It is astonishing to note that “Americans spend more on their pets than on movies, video games, and listening to recorded music combined.”² Although pet food
is the most expensed item at $16 billion, supplies purchased have also increased significantly from 2006 when sales reached about $9.3 billion. Several luxury goods such as fancy pet houses and expensive pet clothing are becoming increasingly popular for purchase, far exceeding the basic standard for pet living. APPA also states that the average person purchasing a pet is a 46 year old female. Married couples typically spend more on pet purchases, while those least interested are single individuals. According to Pet Age magazine, the average pet store has 3,630 square feet of retail space. Also, independent pet stores that only carry pet supplies experienced an increase from twenty to twenty-seven percent in retail operating stores from 2004-2005. Furthermore, among the most challenging issues when operating independent pet stores include competition and increasing their sales volume. Source: American Pet Products Manufactures Association 2007

Current Conditions

Retailing pet supplies can occur in many forms, specifically within specialty, general or online retail stores. The general rise in pet supplies purchases can be attributed in part to the success of many brick and mortar pet retailers such as PetsMart Inc. and Petco Animal Supplies. Also, several online retailers, such as 1800PetMeds.com, have become increasingly popular because they focus on specific products, such as over the counter medicine or hard to stock items. Television commercials are the most common way for consumers to discover pet products. Retailers with company websites have been successful because they offer a wide range of diverse items, especially in pet food. These retailers offer products that can be purchased directly from their store location or from their online site instantly. For example, Customers at PetsMart can take their pets to the on site store if desired, leading pet owners to make better decisions when making product purchases. However, small independently owned pet retailers can encounter problems when paired closely with huge specialty stores like PetsMart. It can be difficult for a small pet shop owner to compete against lower prices or diversified products. Interestingly, most specialty retailers do not sell a variety of pets, though many sponsor pet adoption days. Small pet shops selling animals as pets have proven to hold their ground alongside specialty retailers. Source: American Pet Products Association 2007

Industry Trends

Several retailers are marketing tremendous amounts of pet products and services throughout the country. Among those becoming more popular are pet clothing, high quality pet food, and day cares. Many owners are spending extra money on gifts, as well as
including their pets in their vacations. Creativity plays a major role in the creation of pet supplies; with everything from designer clothes to pet day cares.

**Clothing and Furniture**

Many brands from a diverse range of industries are incorporating pets into their products. Many pet owners like to dress up their pets in costumes with hats, shirts, and even glasses. Several companies are finding it ideal to license their corporate name and logo onto several pet products. Harley Davidson might manufacture high quality motorcycles, but it has licensed its name on leather jackets and leashes for pets. Target, on the other hand, advertises a variety of pet products including loveseats, which can exceed the hundred dollar range. Among others who have incorporated pets into their products is Coach and Louis Vuitton, both of whom create luxury hand bags that can carry small pets. Indeed it is important for a dog or cat to have a home, but when brand name furniture or luxury purse bags that can carry small pets are introduced to the pet market, it becomes a matter of luxury. Indeed brand name clothing and furniture are not essential to a pet’s well being; however, several consumers are keeping their pets happy by considering them part of the family.

**Human Quality Pet Food**

Pet food is among the highest American pet expenditure within the United States. Several pet owners prefer more appetite pleasing meals for their companions and subsequently purchase higher quality foods. According to the APPA, “As pet owners nationwide become increasingly conscious of the food and treats they feed their pets, there has been [an] increase in the number of pet owners who consider specially formulated pet food worth the extra time and money.” The competition in the dog food market is strong, offering countless brands and specific dietary foods to accommodate their varying life cycles. Sales of organic and dietary specific pet foods have helped to drive the high cost of American pet expenditures.

**Pet Insurance**

Many pet owners have decided to provide health insurance to their pets. According to the APPA, “The percentage of dog owners who obtained health insurance coverage for their dogs remained steady in 2006 at 3%.” Although it might seem that only a few pet owners actually provide health insurance for their pets, many pet owners are finding it important. Most Americans are concerned about the well-being of their pets, keeping them a high priority. According to the Veterinary Pet Insurance (VPI) Co, the oldest in pet insurance
company in the business, pet insurance is actually “less than the cost of human health insurance. They also claim that, “The average base VPI medical plan for a dog is between $22 and $28 per month, and between $15 and $18 per month for a cat.” Indeed, many pet owners are beginning to realize that pet insurance is available, sometimes offered through corporate insurance policies, all of which is leading to a continuing trend for growth in pet insurance.

Typical Pet Health Insurance Coverage Includes

1. Diagnostic tests
2. Hospitalization
3. Office Visits
4. Prescriptions
5. X-rays
6. Treatments
7. Lab Fees
8. Surgeries

<table>
<thead>
<tr>
<th>2006 Top 10 Claims by Incident - Dogs</th>
<th>2006 Top 10 Claims by Incident - Cats</th>
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<tbody>
<tr>
<td>1. Skin allergies</td>
<td>1. Urinary tract infections</td>
</tr>
<tr>
<td>2. Ear infections</td>
<td>2. Stomach upsets</td>
</tr>
<tr>
<td>4. Urinary tract infections</td>
<td>4. Skin allergies</td>
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<tr>
<td>5. Benign tumors</td>
<td>5. Diabetes</td>
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<tr>
<td>6. Pyoderma (Hot spots/bacterial skin infections)</td>
<td>6. Respiratory infections</td>
</tr>
<tr>
<td>7. Sprains</td>
<td>7. Ear infections</td>
</tr>
<tr>
<td>8. Osteoarthritis</td>
<td>8. Tooth extractions</td>
</tr>
<tr>
<td>10. Eye infections</td>
<td>10. Hyperthyroidism</td>
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</tbody>
</table>

Veterinary Pet Insurance. 2007

**Pet Day Cares**

Several pet retailers, such as PetsMart, offer pet daycares called PetsHotel. In 2006, PetsHotel had 33 stores across 15 states. Dogs are given many of the same amenities that
would be done at home such as watching television and kittens can play in carpeted mini houses. Other services can include taking care of the dog or cat as well as having the pet experience play session with other pets. For an additional cost, several other services including distributing tasty treats, having individual play time, and bathing the cat or dog are offered. Also, several pet day care businesses have opened up near airports to conveniently provide passengers with a place to take care of their pets until they return home from their trip.

Types of Pet Business to Start

Once a decision is made on what particular pet business to create, it is important to understand what type of business to pursue, whether it is an online, franchise, or brick-and-mortar store. An online store might seem great for purchasing pet medications; however, people still prefer to go on location to purchase pet supplies. Opening a franchise store is another option to consider, which can be beneficial due to franchisor support from all areas of business in marketing to financial assistance. If considering operating an independent pet retail store, consider that competition will be a difficult obstacle to overcome. Choose the location carefully, and remember to offer a unique competitive advantage. Most big pet retailers do not offer larger pet sales, such as dogs or cats; therefore, discovering a unique pet retailing niche and applying it to your business is important, especially when paired near a larger competitor.

Successful Pet Retailing Tips

It is of no surprise that the pet retailing industry is very competitive, especially among large retail companies, leading some independent retailers to either go out of business or encounter difficult business operations. In order to compete, consider becoming more creative and unique in developing ideas, limiting your ideas can prove to be disadvantageous. In order to improve your likelihood of success, running a proper website, educating your employees, exercising proper merchandising, and checking inventory levels can prove to increase your likelihood of success. Ten simple tips to successful retailing will help any independent pet retailer overcome obstacles.

<table>
<thead>
<tr>
<th>Top Ten Retailing Tips</th>
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<tbody>
<tr>
<td><strong>Product selection</strong></td>
</tr>
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</table>
Organization

Develop realistic short and long term goals, successfully completing each.

Delegation
Hire exceptional employees and delegate duties. Trust among employees is important.

Thinking outside the box
Never limit your ideas. Creativity is the key, find them in yourself and employees.

Uniqueness
Make your business stand out, promote a good cause or conduct store activities like child/pet storytelling.

Merchandising and pricing
Run product sales on items that customers might actually want, not just on want it not selling that month.

Effective websites
Make it easy for customers to buy products and retain customer emails to inform them of product sales.

Educated employees
Motivate your employees and educate them on continual basis about company news and briefings.

Inventory Levels
High turnover rates are important. Create more cash flow by selling old inventory and making self space for new inventory.

Source: Pet Store Owner Resources.

Associations

American Pet Products Association - [http://www.appa.org](http://www.appa.org)

American Veterinary Medical Association - [http://www.avma.org/](http://www.avma.org/)

National Association of Professional Pet Sitters - [http://www.petsitters.org](http://www.petsitters.org)


Links of Interest


Pet Businesses to Start Today

Sources


SBDCNet distributes limited competitor and/or supplier lists from industry accepted resources, but cannot guarantee accuracy. SBDCNet does not provide marketing lists, medical or legal advice. Preliminary patent and trademark searches do not constitute legal advice and consultation with an intellectual property attorney is advised. This material is based upon work supported by the U.S. Small Business Administration. Any opinions, findings, conclusions or recommendations expressed are those of SBDCNet and do not necessarily reflect the views of the U.S. SBA. This U.S. Small Business Administration (SBA) Grant is funded by the SBA. SBA’s funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a nondiscriminatory basis. This material may be protected by Copyright law (Title 17 U.S. Code)

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