



Demand for dog walking and pet sitting is growing—but pet stores face tough challenges trying to leverage that opportunity into new ancillary services. By Jeff Siegel

In-Home Services: A Winning Proposition?

Matt Goldstein was a corporate nine-to-fiver who wanted to do something new with his life. But until he worked out the specifics, Goldstein needed a way to make a living. He liked animals and, after some research, he concluded that some sort of pet services company might tide him over until he made the transition to his new career.

That was 18 months ago. Today, the news is not that his company, Columbus, Ohio-based Woof!, has been successful, though it has: Goldstein has had to hire an employee to help him pet-sit and walk dogs and he has mostly stopped

taking new clients. The news is that the demand for Woof's services has exceeded even Goldstein's projections—and he was optimistic about what the market would be like.

"I didn't realize that so many people wanted these kinds of services, that there was this much demand," said Goldstein, who gets as much as \$300 a month from some customers for walking their dogs. "I'm solving problems for people, and there is definitely a need for this."

Goldstein's experience is the anecdotal evidence to flesh out the sketchy raw numbers: Demand for pet services has grown substantially over the past several years, even taking into account that the bulk of the growth has come in

veterinary services. Packaged Facts, a division of Marketresearch.com (New York), estimates that nonvet services grew about 5 percent annually between 2006 and 2010, and says there has been even more significant (if difficult to detail) growth in services other than the standard boarding and grooming.

The question, then, for pet retailers: How can you leverage this demand, particularly for the at-home services like dog walking and pet sitting that seem to be on the cutting edge?

The answer? With great care, said the retailers, service providers and analysts interviewed for this story. These services offer independent owners and operators access to high-demographic consumers

who are more than willing to spend money—but these customers are more demanding and the services they want are more difficult to do well than in-store services like boarding and grooming.

“These customers are willing to pay higher prices, but they need to feel comfortable with the services they’re getting,” said Matt Kunkel, owner and founder of the pet services coupon site, ThePetDeal.com (New York). “This is not a commodity-driven business like office supplies, where price is the only thing that matters.”

Deciphering the Market

The service side of the pet business has always been difficult to decipher. Services are measured in different ways depending on who is doing the measuring. Vet services often are lumped in with nonvet services, skewing the growth and importance of the category. And the nonvet service side, dominated by lots of very small companies, is difficult to measure.

How confusing can this be? Packaged Facts says vet services totaled \$19.7 billion and nonvet services totaled \$6.1 billion in 2010, while the American Pet Products Association (Greenwich, Conn.) says the totals were \$13 billion and \$3.5 billion, respectively.

All of this means it’s even more difficult to gauge sales of nontraditional pet services like mobile grooming, pet sitting and dog walking, said David Lummis, senior pet market analyst for Packaged Facts.

“These are all above-average growth areas, and their collective share has been gradually rising,” he said. “It’s a fuzzy area, though—super fragmented and virtually all local except for a few fast-growing franchise operations.”

Yet the growth is evident, said Lummis. His breakdown? Boarding has 40 percent of the market, grooming has 25 percent, training has 22 percent and other services like pet sitting have 13 percent. Overall growth was slower during the recession, at 3.7 percent in 2009 and 4.5 percent in 2008. Still, the 2006-2010 compound annual growth rate was 4.9 percent, and the projected rate for 2011-2015 is 6.7 percent.

Lummis said he expects the “other” category could grow more quickly than traditional services, and take some share away from them.

The 2006-2010 compound annual growth rate for nonveterinarian services was 4.9%; the projected rate for 2011-2015 is 6.7%.

Source: Packaged Facts, a division of Marketresearch.com (New York)

The growth in nontraditional services, like so much else in the pet business, owes its impetus to the “pets as part of the family” mantra that has dominated the business for the past decade, said Jaime Van Wye, founder of Zoom Room dog agility and training franchise (Los Angeles). “We’re treating dogs better than we ever have,” she said. “It’s part of the dynamic shift in the way people see their pets.”

Big Boxes Favor On-Site Services

That’s one of the reasons why the two largest pet retailers in the country, PetSmart Inc. (Phoenix) and Petco Animal Supplies Inc. (San Diego), have invested heavily in nonvet services like boarding, grooming, in-store adoptions and training.

“Consumers are more sophisticated about services, in understanding them and what they entail,” said Jason Michal, vice president of pet services for Petco, with some 1,000 stores in 50 states. The word Michal highlights in his discussion of services is “experiential.” Does a Petco-offered service lead to a better experience for the customer at the store?

The approach is similar at PetSmart, with 1,192 stores in 48 states, Puerto Rico and Canada. In an email, spokeswoman Toni Eberhardt wrote: “At PetSmart,

providing Total Lifetime Care means helping pet parents help their pets live long, happy, healthy lives. That vision includes finding the right pet, the best food or the perfect toy, signing up for training or grooming sessions, checking into a PetsHotel, or taking home a newly adopted dog or cat.”

And these in-store services can be lucrative. Michal said service growth has outpaced overall growth for Petco, with service growth “strongly” in the double digits. In addition, he said, in-store services bring the customer into the store more often. Instead of coming in once every couple of months to buy food, they’ll come in once a month to get the pet groomed. That leads to other purchases that would not normally have been made.

Not surprisingly, Petco will continue to invest in in-store services, like boosting its grooming options for spa services, pedicures and manicures. The idea, said Michal, is to give pet owners more opportunities to pamper their animals.

What Petco won’t do, and what PetSmart probably won’t do, either, given the gist of Eberhardt’s email, is expand into off-site services like dog walking and pet sitting. In this, it’s probably not a coincidence that both national chains once outsourced some of the services

Nonveterinarian Services in 2010

Packaged Facts \$6.1 billion

American Pet Products Association \$3.5 billion

they offer in-house, such as training.

"The question we always ask is, 'Does that business focus on what we know how to do?'" said Michal. "Or does it try to do too much? We want to provide the best basic obedience training before we try to do 27 other things."

This approach is not surprising, said Goldstein, who noted the difficulties that a national chain would have with off-site services.

"It would probably be difficult for the Petcos of the world to partner with a provider like me because it would be difficult to implement and maintain the service across the country," he said. "How would companies like Petco choose one walker over another? What happens if a customer has a bad experience? That would be a good reason for smaller, locally based pet businesses to partner with walking/sitting services as a way to differentiate from the big-box players."

Indies Face Steep Challenges

So far, though, independent pet stores don't seem to be doing much of that. As Lummis noted, statistics are difficult to find, and the numbers that are available point to growth in standalone franchise operations like Zoom Room and Fetch! Pet Care (Walnut Creek, Calif.) rather than smaller, local companies.

Meanwhile, pet retailers have seen a decline in service revenue, according to the "2010-11 PET AGE Retailer Report." What success they found came from in-store services like dog washing. Nontraditional services like pet sitting and dog walking didn't show up in the survey, and the number of stores offering "other" services declined from 10 percent in 2008 to 8 percent in 2009.

This is not surprising, given the numerous obstacles to entry in this category:

- **Measuring demand.** It's one thing for a dog walker to make a living in New York City, where there are few yards. But can the same service work in a suburban or rural area? "That's why urban areas make more sense," said Van Wye. "Urban dogs need more services than suburban dogs. Urban dogs are left home all day, and there is no one to take care of [them]."

- **Targeting the right demographic.** This is not just about income, but also about the number of people in the household, their ages, and whether it's a two-job family. Consumers who hire pet sitters, dog walkers and the like tend to come from smaller households with young adults who both work.

- **Marketing the service.** It's not so much getting the word out; it's convincing customers that your version of

the service is worthwhile. "Just because people aren't happy with their current service provider doesn't mean they're going to switch," said Kunkel. "I compare it to a dentist. How many people do you know who aren't happy with their dentist but keep going to him? It's just easier not to switch."

And then there is delivering the service, which everyone—big or small—agreed is the biggest hurdle. It's not just that these customers are paying a premium for the service, and expect their money's worth. And it's not just that they may be more demanding, given their demographic. It's that retailers who add these services, as well as the small providers who do them, will suffer from the flip side of the "pets as part of the family" mantra. If people think their pets are children, then they want them to be treated like children. That means they'll react to a half-baked dog walk or a poorly done housesitting job just as if it had happened to their kids. It's not personal care, said Kunkel, but extra-personal care.

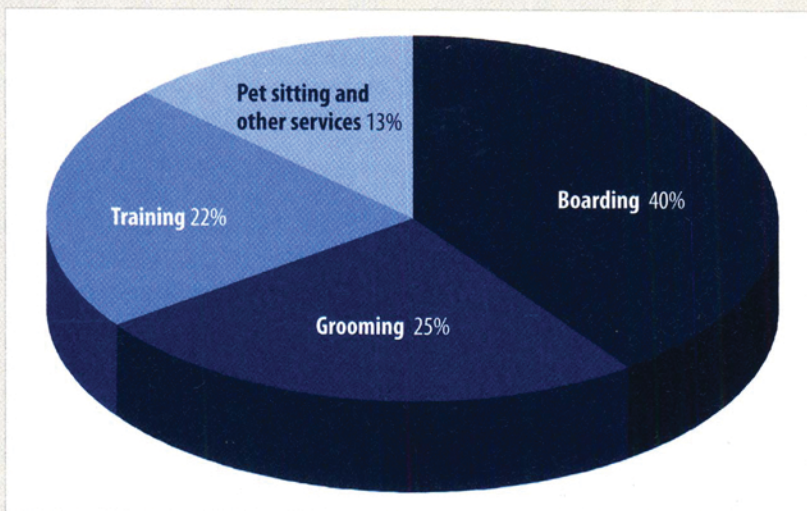
In other words, independent retailers who want to offer these services must offer customer service that is even better than what they already offer. And they're probably going to have to offer it via a third-party provider working on a contract basis. How many chills will that send down your spine?

Then the retailer must find a service provider who not only is reliable, but who understands that he or she needs to be more than reliable. Retailers need to find a provider who has a track record, which is not easy at any time and is especially not easy given how young the category is and how inexperienced many of its providers are. They need to find a provider who has the sophistication and skills to work with a retailer on a referral and contract basis, something else that is easier said than done in a young category where many of the providers are doing it because they don't want outside entanglements.

It's enough to make you wonder why you should bother at all. The answer, of course, is because the demand is there—if you can execute. Which means it's not all that different from anything else in the pet business. ■

Jeff Siegel is a freelance writer in Dallas. He has covered the pet industry for nearly 20 years.

Market Share for Nonvet Services



Source: Packaged Facts