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PRACTICAL IDEAS FOR THE BUSY PET RETAILER OF TODAY ... AND TOMORROW

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In the face of the worst recession in 30 years, pet retailers are losing ground and cutting back—but still hanging in. » 24

2009-2010 PET AGE

Retailer Report



2009-2010 pet age Retailer Report



In the face of the worst recession in 30 years, pet retailers are losing ground and cutting back—but still hanging in.

By Jeff Siegel

Remember the recession that pet retailers seemed to be waiting for in the last edition of our annual benchmarking survey? It definitely arrived in 2008 and took a toll, judging from respondents' answers to the 2009-2010 PET AGE Retailer Survey—designed to identify sales and profit trends in pet stores around the country, product categories that are gaining or losing ground, and market leaders in key categories. Retailers reported not only poorer financial results but continued concern about the economy, which led them to run their businesses in a classic recession model: They trimmed expenses, accepted lower margins and did more with less.

Tough times were evident in almost every important indicator of fiscal success tracked in the survey:

- The average gross dollar volume dropped 26 percent—from \$763,711 in 2007 to \$566,107 in 2008.
- Average sales per square foot plunged 28 percent—from \$265.56 in 2007 to \$190.27 in 2008. The 2008 average was just a couple of dollars shy of the decade's third lowest average, which occurred in the short recession following the Sept. 11, 2001, terrorist attacks.
- Fewer retailers saw increases in gross dollar volume (57 percent in 2008, versus 62 percent in 2007). Furthermore, more retailers saw decreases in dollar volume (34 percent in 2008, versus 27 percent in 2007). At the end of the 2001-02 recession, by comparison, retailers who saw an increase in dollar volume outnumbered those who saw declines by more than four to one.
- One-third of respondents said their 2008 net profits declined from 2007, whereas one-fourth of respondents in the previous survey said their 2007 net profits declined from 2006. On the other end of the scale, 55 percent of respondents said net profits increased in 2008, versus 57 percent in 2007. When the economy was coming out of the 2001 recession, 66 percent cited year-over-year net profits.

42% of pet retailers responding to the survey have been in business more than 10 years. At the other end of the spectrum, **7%** of respondents have been in business one year or less. The average pet store has been in business 14 years.

36% of pet retailers are sole proprietorships. **23%** are S-corporations. **27%** are limited liability companies. **9%** are C-corporations. **5%** are partnerships.

47% of pet retailers are located in an urban environment (a metropolis, a suburb or midsize city). **26%** are located in a small city with a population of 50,000 to 100,000. **27%** are located in a town or rural area with a population of 50,000 or less.

74% of pet retailers have a Web site.

Dog Food, Services Prop Up Sales

That doesn't mean that some pet retailers haven't made money. In fact, Lane Hollern, who owns L & L Pets (Emporia, Kan.), a 2,800-square-foot full-line store except puppies, said 2008 was his best year in 26 years in business.

And pet retailing certainly has withstood the recession better than auto manufacturing and home building. "People have not stopped buying things for their pets," said Dr. Scott Testa, assistant professor of business at Cabrini College (Philadelphia). "What they've done, because of the recession, is change the way they buy things for their pets."

Consumers, it seems, were shopping for value. They still wanted to buy items for their pets; they just didn't want to spend quite so much money doing it. There seems to be a sense among retailers that this represented a fundamental change that will last through the recession, and probably longer.

"People are still buying what they need, but they're not buying something just to buy something," said Jeff Hanson, who owns Pawki's (Eastsound, Wash.), a 600-square-foot full-line supplies store in a resort community. "They think a little bit more before spending their money."

That mostly meant dog food and dog supplies/accessories, which accounted for a whopping 38 percent of average gross dollar volume in 2008. How important have these two categories become for retailers? Only one other category, services, reached double digits in terms of its contribution to average gross dollar volume in 2008. And the relative importance of these categories continues to grow: In 2002, dog food and supplies represented only 29 percent of gross dollar volume, with dog food less than half of that. Dog food's share of gross dollar volume has increased roughly 50 percent since 2002.

But as impressive as these two categories were, the real star in 2008 was ancillary services. In 2007, services accounted for 11 percent of gross dollar volume. In 2008, that total almost doubled. The top services in 2008 were grooming, boarding and delivery, in that order. All told, 62 percent of respondents said they offered some kind of ancillary service in 2008, versus 60 percent in 2007.

Pet retailers say services will continue to play an increasingly important role in how they run their businesses. That makes sense to experts like Testa: "Services are becoming a point of differentiation, of

uniqueness. When you can't compete on price with the national retailers, you have to find something to offer that they don't. And services do that. Target and Wal-Mart aren't going to be able to offer the same kinds of services that independent retailers can offer."

Also intriguing: The percentage of respondents who described themselves as "pet services outlets" nearly doubled, from 10 percent in 2007 to 18 percent in 2008. Lynn Boucher, who owns Precious Furs Pet Resort (Oxford, Mass.), a 6,800-square-foot kennel, grooming and day-care operation, said competition in

From the Trenches: Move to Supplies

WILL THE TRADITIONAL pet store, which has already changed significantly over the past decade, evolve into a larger, supplies-only store selling at lower margins? That's one of the intriguing possibilities suggested by the 2009-2010 PET AGE Retailer Survey.

The answers to a couple of key questions hint at the growing dominance of a pet store that offers more services, sells fewer animals and is bigger—and generates bigger grosses—than the traditional pet store:

- Services' contribution to average gross dollar volume in 2008 increased 8 percentage points over 2007. The number of respondents offering grooming increased 9 percentage points, while the number of outlets offering boarding increased 4 percentage points.

- Independent supplies-only stores saw their average gross dollar volume increase 42 percent from 2007 to 2008—amazing results given the recession-plagued industry. Independent stores that sell companion animals, meanwhile,

saw their volume fall 18 percent year over year.

- In terms of store size, the most successful format in 2008 was 10,000 square feet or larger; that was one of only two store sizes to show a year-over-year increase in gross dollar volume. The other successful format: 2,000 square feet or smaller, which may mean the boutique movement isn't quite finished yet.

Retailers and analysts aren't sure if this is a trend or not. What they are sure of, though, is that even retailers who sell animals have to do a better job with supplies. Arthur Chaikin, who owns Art's Animals (Holmes, Pa.), a 3,600-square-foot full-line store, said he has expanded his dog food inventory because that's what his customers want.

"It brings them into the store," Chaikin said. "If they come in and don't see what they want, they're going to look elsewhere. People are still buying supplies, but they're cutting back on animals. The biggest hit I'm taking is in livestock."

—Jeff Siegel

From the Trenches: Expansion Plans

THE EXPERTS SAY this recession is the worst in 30 years, and some parts of the country are suffering even more than they did during the oil shock downturns in the 1970s. So why, according to the 2009-2010 PET AGE Retailer Survey, are a surprising number of retailers looking to expand?

The answer, say survey respondents, is that there are some real estate bargains to be had. They are planning to spend less on expansion in the next two years in part because the recession has decreased rentals.

Despite the recession, about 58 percent of respondents said they want to make some sort of physical improvements over the next two years. That's about four percentage points less than in 2007. However, about twice as many plan to add to their current space as in 2007. The reason to consider expansion now? Developers and landlords, faced with more empty space, are more willing to cut deals.

"Two years ago, when we were looking for a location, they wouldn't even talk to us," said Leanne Powers, who owns Oh My Dog! (Amherst, N.Y.), a 2,800-square-foot boutique, day care and spa. "All they wanted was national chains for the high-profile spaces. They would never talk to a local business."

But the recession has changed all that. If a retailer has the cash, landlords are willing to listen. Powers recently moved her business to the site she originally wanted, and she is paying about half the rent the landlord was asking two years ago.

Similarly, Larry La Guire, who co-owns Rochester's Reef (Grand Haven, Mich.), a 3,400-square-foot full-line store that doesn't sell puppies or kittens, expanded his store from 2,200 square feet to take advantage of an empty space in his shopping center. His landlord worked with him on finish-out and rent, and La Guire is paying one-third less for the space than the previous tenant did.

—Jeff Siegel

From the Trenches: Bird Sales

RETAILERS WHO SELL fish and puppies are used to bad news, given the steady sales declines in those categories in the past decade. But the latest PET AGE Retailer Survey shows that bird retailers may have something to worry about as well.

The percentage of respondents who said sales of bird food and supplies increased year over year fell 12 percentage points between 2007 (the 2008-2009 survey) and 2008 (the 2009-2010 survey). Just one-third of bird retailers said their business grew—the third consecutive year that percentage declined. As recently as 2006, almost one-half of bird retailers said business had increased year over year. In addition, the average transaction fell to \$20 in 2008, down from \$45.55 in 2007 (though it was \$35.01 in 2006).

The reason for the decline, say retailers? The economy.

"Customers are buying less," said Donna Getty, who owns Parrot Perch (Vancouver, Wash.), a 4,000-square-foot bird store. She

says her sales declined about 10 percent in 2008 and were down again that much as of November 2009. "And that's the recession—it really is."

Retailers said both the sales decline and the drop in average transaction can be explained by one key trend: fewer bird sales—and especially fewer sales for bigger and more costly birds.

Lane Hollern, who owns the full-line L & L Pets (Emporia, Kan.), said the cutoff seems to be around \$20. If the bird costs more than that, consumers shy away.

The other question: Will the sales slump continue after the recession ends? Most retailers didn't think so. They say the bird category doesn't seem to be struggling with the activist protests and increasing legal restrictions surrounding puppy sales or the lack of a new generation of hobbyists interested in fish. Instead, they say, bird sales will rebound once the economy improves.

—Jeff Siegel

her reasonably remote part of central Massachusetts has increased markedly over the past year or so, with "kennels popping up all over the place, because everyone wants a piece of this pie."

On the other hand, the survey again showed that retailers are making less money selling animals—and it's not just from selling fewer puppies and kittens. Fewer retailers sold birds, reptiles, small animals and fish in 2008 than in 2007. In addition, companion animals made up only 8 percent of gross dollar volume in 2008, compared to 11 percent in 2007. By comparison, animals made up 13 percent of volume in 2002—and were the second biggest contributor to average dollar volume after dog supplies and accessories.

Light at the End of the Tunnel?

Despite their overall lackluster performance, pet retailers were a little more optimistic about the recession than in the previous survey. In 2007, more than two-thirds said the economy would be one of their biggest challenges over the next two years. In 2008, that number actually dropped a percentage point despite the economy's collapse in the fourth quarter.

Regardless, retailers trimmed expenses in 2008:

- Respondents spent some 25 percent less on advertising, from an average of almost \$11,000 in 2007 to just less than \$8,000 in 2008. This continues the decline in the amount retailers spend on advertising, which was almost \$13,000 in 2002.

- The number of part-time employees dropped from 5.3 in 2007 to 4.3 in 2008, almost certainly recession-induced. Full-time employees increased, though, from 4.1 to 6.7. This may be the result of laying off part-timers, converting some part-timers to full-timers, and bringing family members in to work full-time. Carla Pereira, who owns Piglet's Pantry Dog Bakery (Mount Dora, Fla.), went from working five days a week to six days, she said, in response to the recession.

- Owners took less in salary (\$40,730 in 2008, versus \$47,593 in 2007). And even though employee wages did increase year over year, full- and part-time hourly salaries are only about 14 percent higher than they were in 2002. Also important: The federal minimum wage increased 70 cents an hour in July 2008, which

probably pushed up the 2008 salary numbers.

Finally, retailers took lower markups in 2008 in nearly every category. Overall, the dry goods markup stagnated at 58

percent. Hence, even though the average customer transaction rose to \$48.26 in 2008, versus \$41.89 in 2007, the increase didn't make as much difference as it could have. And though the 17 percent

increase was impressive, it still doesn't compare to 2002's \$88 average transaction figure.

In the end, it's all about when the recession finally gasps its last. Most of the dozen or so survey respondents who were interviewed for this story in November didn't expect to see an immediate end to the recession, and they estimated that their 2009 numbers would be about the same as 2008, if not a little worse.

"This is the most difficult environment I've seen in 23 years in business," said Frank Frattini, chief executive officer of The Hungry Puppy (Farmingdale, N.J.), a 3,000-square-foot supplies store and Internet operation. "Nothing has been as challenging. There are challenges obtaining credit—the money is just not readily available."

On the other hand, Hollern, the Kansas retailer who had a great 2008, said the first 10 months of 2009 had been even better. However, Emporia saw a couple of large layoffs in the second half of 2009, so Hollern wasn't sure what effect that would ultimately have on his business.

And with a lingering recession and rising unemployment, he certainly isn't alone in his concern. ■

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

From the Trenches: Benefits

BENEFITS ARE SOME of the costliest items in any small-business budget, including pet retailing. But respondents to the 2009-2010 PET AGE Retailer Survey didn't cut benefits as much as one might think, given the recession.

Yes, fewer stores offered perks like holiday and sales bonuses, and the number of retailers offering health insurance and other traditional benefits continued to decline. But about a quarter of retailers haven't cut health or similar coverage.

"We have long-term employees, people who depend on us," said Larry La Guire, who co-owns Rochester's Reef (Grand Haven, Mich.), a 3,400-square-foot full-line store that doesn't sell puppies or kittens. He and his wife, Judy, offer their four full-time employees health and disability insurance. "They've been loyal to us through tough times, so we need to be loyal to them."

In 2008, 23 percent of retailers offered

health insurance, down 3 percentage points from 2007. But the biggest declines came in employee discounts (56 percent in 2008, versus 64 percent in 2007) and sales and/or holiday bonuses (30 percent in 2008, versus 37 percent in 2007).

"You have to have benefits to keep your top employees—otherwise, they won't stay," said Lynn Boucher, who owns Precious Furs Pet Resort (Oxford, Mass.), a 6,800-square-foot kennel, grooming and day-care operation with three full-time and three part-time employees. She offers health insurance, discounts and bonuses.

One explanation for the drop in some benefits and not in others, said retailers, was not that the benefits were dropped, but that payrolls were smaller. If a retailer has laid off a part-timer or cut a full-timer to part-time, they don't have to offer the benefits.

—Jeff Siegel

About the Survey

STATISTICAL DATA FOR "The 2009-2010 PET AGE Retailer Report" were compiled by Cypress Systems Consulting Inc. (Buffalo Grove, Ill.), a firm that develops custom solutions for Internet-based data collection, and by PET AGE editors.

We sent e-mails and faxes June 16, July 2, July 22 and July 31, inviting more than 5,400 pet supply outlets from the PET AGE subscriber list to complete our Internet-based questionnaire. Additionally, we publicized the questionnaire's availability via the "Editor's Note" and advertisements in PET AGE.

Retailers who didn't have access to the Internet or who preferred not to complete the survey online received printed versions of the questionnaire.

The 2009-2010 PET AGE Retailer Survey drew 252 valid responses, with a margin of error of 6.1 percent (the "plus or minus X percent" we always hear about) with a confidence level of 95 percent, according to the random sample calculator by Custom Insight, an online survey firm not affiliated with PET AGE or with Cypress Systems Consulting Inc.

Percentages will not always total 100 because many responses

were rounded, and not all respondents answered all questions.

The 2009-2010 PET AGE Retailer Survey was sponsored by Coastal Pet Products Inc. (Alliance, Ohio), Dogswell (Los Angeles), Lambert Kay Pet Products (Princeton, N.J.) and Nurtured Pets (New Philadelphia, Ohio).

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BY THE NUMBERS

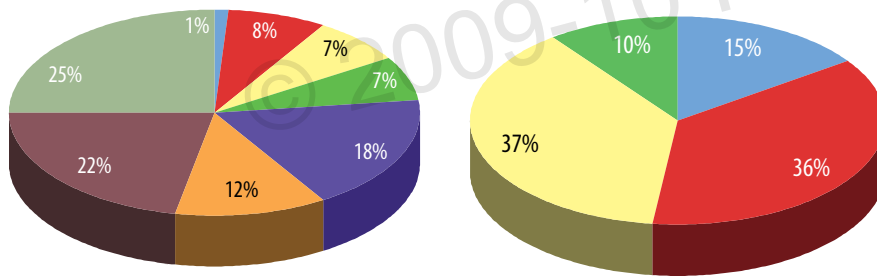
WHO TOOK THE SURVEY

Fewer independent pet supply outlets—and fewer that sold companion animals—completed this year's survey. Conversely, more pet services outlets and online-only stores were represented.

	2008	2007
Independent pet store that sells companion animals (including fish)	33%	43%
Independent pet store that sells supplies only	27%	25%
Franchise and/or chain pet store	5%	5%
Pet boutique	7%	9%
Pet services outlet	18%	10%
Online-only store	4%	2%
Other	6%	6%

WHO YOU ARE

Nearly six out of 10 pet retailers are baby boomers. Nearly half have obtained at least a four-year college degree. Six out of 10 pet retailers are female.



Age

- 18 to 24
- 25 to 29
- 30 to 34
- 35 to 39
- 40 to 44
- 45 to 49
- 50 to 54
- 55 or older

Education

- Graduated from high school
- Some college
- Graduated from college
- Postgraduate study or more

DOLLAR VOLUME & PROFITS

Pundits claim that the pet industry is recession-proof, but pet retailers tell a different story. Fewer survey respondents reported significant year-over-year volume increases in 2008 (39 percent, versus 48 percent in 2007), and more reported significant year-over-year volume decreases (27 percent, versus 20 percent in 2007). Even more worrisome, 30 percent saw significant year-over-year profit decreases in 2008, versus 20 percent in 2007.

	Gross Dollar Volume	Net Profit
Up 25% or more	14%	15%
Up 10% to 24%	15%	12%
Up 6% to 9%	9%	12%
Up 1% to 5%	19%	16%
Unchanged	8%	10%
Down 1% to 5%	7%	6%
Down 6% to 9%	7%	10%
Down 10% to 24%	9%	8%
Down 25% or more	11%	11%

WHERE PET STORES MAKE THEIR MONEY

Dog food and supplies continued to be the largest contributors to average dollar volume in 2008. Services showed new strength, up 8 percentage points from the previous year. However, the live animal category lost additional ground, down 3 percentage points from the previous year.

	2008	2007
Dog food	19%	20%
Dog supplies & accessories	19%	19%
Services	19%	11%
All live animals	8%	11%
Fish food & aquarium supplies	6%	7%
Cat food	6%	6%
Bird food & supplies	6%	5%
Cat supplies & accessories	3%	5%
Reptile food & supplies	3%	5%
Small-animal food & supplies	3%	4%
Gifts & novelty items	3%	4%
Pond supplies & accessories	1%	1%
Other	4%	2%

Totals do not add up to 100% because averages are based on responses for each separate category.

TOP PET CATEGORIES

All pet categories lost ground in terms of the percentage of stores offering them. The greatest changes appeared in the freshwater fish and reptile/amphibian categories: Both showed decreases of 13 percentage points.

	% Stores Carrying Category	
	2008	2007
Freshwater fish	31%	44%
Birds	30%	40%
Small animals	29%	40%
Reptiles & amphibians	27%	40%
Saltwater fish	20%	22%
Registered puppies	17%	22%
Mixed-breed puppies	17%	19%
Mixed-breed kittens & shelter/rescue cats	16%	21%
Registered kittens	7%	8%
Other	4%	0
None	54%	45%

Totals do not add up to 100% because multiple responses were allowed.

FASTEST-GROWING PRODUCT CATEGORIES

Foods and treats for dogs and cats, including grain-free dog food and raw diets, showed the most growth in 2008. In fact, three out of 10 respondents cited these as their fastest-growing product categories.

2008	% Respondents	2007	% Respondents
Dog/cat food	15%	Dog/cat food	15%
Natural, holistic and/or organic pet food	7%	Natural, holistic and/or organic foods	10%
Food/pet food	4%	Treats	7%
Dog treats, collars/leads/harnesses, reptiles, tie	3%	Dog treats	5%
Treats, grain-free dog food, boutique/gift/novelty items, dog supplies, raw diets, small animal, toys, tie	2%	Reptiles, reptile supplies, toys, tie	4%
		Food/pet food, supplements, tie	3%

GROSS DOLLAR VOLUME

Overall, pet retailers reported an average gross dollar volume of \$566,107 in 2008—26 percent less than the 2007 average. Supplies-only stores fared better than independents selling animals: They grossed more and increased their year-over-year average 42 percent, while traditional pet stores dropped 18 percent.

	2008	2007
Average gross dollar volume	\$566,107	\$763,711
Up to \$100,000	24%	26%
\$100,000 to \$249,999	23%	27%
\$250,000 to \$499,999	22%	15%
\$500,000 to \$749,999	10%	6%
\$750,000 to \$999,999	7%	8%
\$1 million or more	15%	19%

Average gross dollar volume—business type

	2008	2007
Independent pet store that sells companion animals (including fish)	\$519,837	\$637,538
Independent pet store that sells supplies only	\$858,407	\$604,749
Franchise and/or chain pet store	\$1,154,279	\$1,063,649
Pet boutique	\$140,268	\$194,500
Pet services outlet	\$238,093	\$188,222
Online-only store	\$53,506	\$97,333
Other	\$344,357	\$370,961

AVERAGE CUSTOMER TRANSACTIONS

Overall, pet owners shelled out more per visit in 2008 than in 2007. Spending by cat owners and gift/specialty buyers increased the most, while spending by dog owners remained stable. However, average transactions by bird owners dropped dramatically.

	2008	2007
All transactions	\$48.26	\$41.89
Dog owners	\$44.35	\$44.05
Cat owners	\$28.33	\$21.80
Aquarium owners	\$27.58	\$28.02
Bird owners	\$20.00	\$45.55
Small-animal owners	\$19.03	\$25.27
Reptile owners	\$23.54	\$26.20
Gift/specialty buyers	\$28.08	\$21.84

The average customer transaction was 45% less than the 2002 high.

YEAR-OVER-YEAR SALES CHANGES

Fewer retailers saw year-over-year sales increases in any category—and more retailers saw year-over-year sales decreases in every category. The bird category fared the worst.

	2008			2007		
	Up	Unchanged	Down	Up	Unchanged	Down
Dog food	66%	19%	15%	71%	16%	13%
Cat food	55%	19%	26%	62%	14%	25%
Fish food & aquarium supplies	43%	14%	42%	57%	14%	30%
Bird food & supplies	33%	21%	47%	45%	21%	34%
Small-animal food & supplies	49%	21%	29%	57%	20%	23%
Reptile food & supplies	46%	15%	38%	63%	13%	25%
Gifts & specialty items	31%	24%	45%	32%	29%	38%

MARKUPS & TURNS

Dog food turns dropped dramatically in 2008. Turns in most other categories suffered as well, even when retailers sacrificed markups. Only fish food and supplies turned slightly more often in 2008 than in 2007.

	Average Markups		Average Turns	
	2008	2007	2008	2007
All dry goods	58%	58%	8.9	8.6
Dog food	29%	27%	15.4	27.7
Cat food	29%	27%	12.4	12.6
Fish food & supplies	91%	81%	10.9	10.6
Bird food & supplies	73%	75%	9.9	11.8
Small-animal food & supplies	72%	74%	11.6	12.4
Reptile food & supplies	78%	91%	9.7	11.6
Gifts and specialty items	82%	76%	5.1	6.3
Live animals	115%	121%	N/A	N/A

Averages for "all dry goods" may not equal averages for other categories/lines because averages are calculated separately for each category/question.

FAVORITE FORMS OF ADVERTISING

Pet retailers continued to cut advertising budgets in 2008. Although they still consider referrals the most effective form of advertising, more retailers are relying on the Internet and e-mail.

	2008	2007
Referral/word-of-mouth	29%	28%
Internet/e-mail	18%	8%
Newspaper	15%	17%
Direct mail	14%	16%
Phone directories/Yellow Pages	6%	12%
Magazine	4%	3%
Radio	3%	5%
Television/cable	3%	3%
Other, including events	8%	6%

Average spent on advertising \$7,938 \$10,959

On average, pet stores have 2,975 square feet of retail space. 47% have 2,000 square feet or less. 30% have 2,000 to 3,999 square feet. 16% have 4,000 to 7,999 square feet. 7% have 8,000 or more square feet.

ANCILLARY SERVICES

More pet retailers—62 percent—provided at least one type of ancillary service in 2008, versus 60 percent in 2007. Grooming and boarding showed the largest increases in terms of the percentage of facilities offering the services. However, fewer respondents plan to add services within the next two years.

	2008		2007	
	% Stores Offering Service	% Stores Adding Service	% Stores Offering Service	% Stores Adding Service
Grooming	39%	9%	30%	11%
Boarding	24%	6%	20%	6%
Delivery	22%	6%	26%	11%
Obedience and/or agility training	15%	8%	19%	7%
Aquarium/ pond installation/ maintenance	14%	4%	18%	6%
Day care	13%	6%	11%	7%
Self-service dog wash	9%	10%	12%	9%
Other	7%	4%	9%	4%
None	29%	67%	32%	64%
Percent of retailers planning to add any ancillary service		26%		28%
Average profit margin for ancillary services	2008	69%	2007	69%

Totals do not add up to 100% because multiple responses were allowed.

EXPANSION PLANS

Fewer pet retailers plan to make capital improvements to their businesses in the next two years. Only three in 10 retailers plan to remodel, versus four in 10 respondents in the previous survey. And fewer retailers plan to build a new building or move to a new location (11 percent, versus 18 percent in 2007).

	2008	2007
Retailers planning to expand or make any type of physical improvements to their stores	58%	62%
Remodel current facility	31%	40%
Open an additional location	12%	16%
Build new building or move to new location	11%	18%
Build onto current facility	12%	6%
Retailers planning to spend more than \$20,000 on project	25%	30%

Totals do not add up to 100% because multiple responses were allowed.

Pet store customers spent an average of \$48.26 per visit in 2008.

EMPLOYEE BENEFITS

Fewer retailers offered bonuses and traditional benefits in 2008. They even cut back on employee discounts, the most common benefit.

	2008	2007
Employee discount	56%	64%
Paid vacation	35%	34%
Sales and/or holiday bonuses	30%	37%
Health insurance	23%	26%
Sick/personal days	21%	24%
Disability insurance	8%	8%
Profit sharing	6%	8%
Pension plan	5%	6%
Life insurance	4%	4%
Other	8%	8%
None	31%	27%
Average number of full-time employees	6.7	4.1
Average number of part-time employees	4.3	5.3
Average salary for owners	\$40,730	\$47,593
Average pay for full-time employees	\$12.00/hr	\$11.24/hr
Average pay for part-time employees	\$8.83/hr	\$8.64/hr

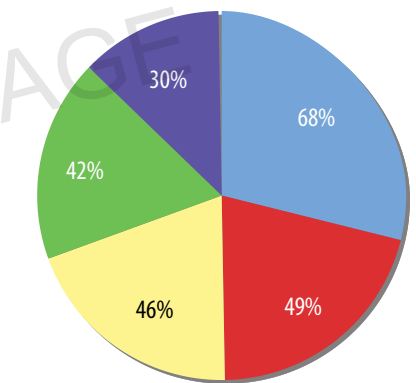
Totals do not add up to 100% because multiple responses were allowed.

Average sales per square foot were \$190.27 in 2008.

The median amount that pet stores spent on advertising in 2008 was \$3,000.

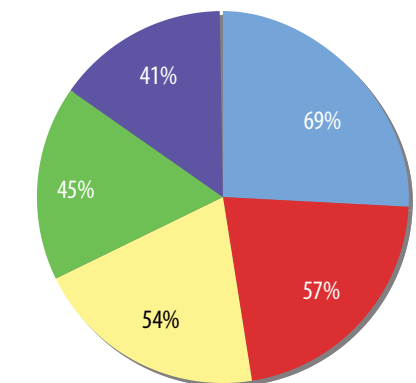
TOP CHALLENGES FOR PET RETAILERS

The economy weighs heavy on survey respondents' minds, remaining at the top of the list of the biggest challenges pet retailers face in the next two years.



2008

- The economy
- Increasing sales volume
- Competition
- Maintaining profitability/staying in business
- Expanding business/building customer base



2007

- The economy
- Increasing sales volume
- Competition
- Maintaining profitability/staying in business
- Developing/expanding Internet presence

Totals do not add up to 100% because multiple responses were allowed.



BY THE NUMBERS

Market Leaders in Key Pet Supply Categories

By Percentage of Stores Citing Brand as No. 1*

DOG PRODUCTS

APPAREL

1. Ethical Products and PetEdge, tie	30%
2. Penn-Plax	8%

BEDS

1. Midwest Homes for Pets	29%
2. Precision Pet Products	15%

COLLARS & LEADS

1. Lupine	36%
2. Coastal Pet Products	32%

FEEDERS

1. Doskocil/Petmate	31%
2. Van Ness Plastics	14%

FLEA/TICK PRODUCTS

1. Merial	44%
2. Central Life Sciences	29%

FOOD

1. Natura Pet Products	18%
2. Diamond Pet Foods	11%

GROOMING TOOLS

1. Coastal Pet Products	31%
2. Central Pet/Four Paws	20%

HEALTH & HYGIENE PRODUCTS

1. Bio-Groom	26%
2. Central Pet/Four Paws	23%

HOUSING & TRAVEL

1. Doskocil/Petmate	34%
2. Midwest Homes for Pets	31%

SANITATION PRODUCTS

1. Central Pet/Four Paws	23%
2. The Bramton Co.	22%

SHAMPOOS

1. Bio-Groom	19%
2. TropiClean Products Co.	16%

TOYS

1. The Kong Co.	40%
2. PetEdge	17%

TREATS

1. Merrick Petfoods	26%
2. Wellpet	14%

CAT PRODUCTS

BEDS

1. Precision Pet Products	31%
2. Flexi-Mat	21%

COLLARS & LEADS

1. Coastal Pet Products	41%
2. Lupine	25%

FEEDERS

1. Doskocil/Petmate	44%
2. Ethical Products	18%

FLEA/TICK PRODUCTS

1. Merial	45%
2. Central Life Sciences	33%

FOOD

1. Diamond Pet Foods and Natura Pet Products, tie	15%
2. Hill's Pet Nutrition Inc.	12%

FURNITURE

1. PetEdge and Ware Manufacturing, tie	20%
2. Local/custom manufacturer	18%

GROOMING TOOLS

1. Coastal Pet Products	34%
2. Central Pet/Four Paws	24%

HEALTH & HYGIENE PRODUCTS

1. Central Pet/Four Paws	35%
2. Sergeant's Pet Products Inc.	18%

HOUSING

1. Doskocil/Petmate	66%
2. Marchioro USA Inc.	20%

LITTER

1. American Colloid	24%
2. World's Best Cat Litter	22%

LITTER ACCESSORIES

1. Doskocil/Petmate	50%
2. Van Ness Plastics	28%

SANITATION PRODUCTS

1. The Bramton Co.	30%
2. UPG Companion Animals	21%

SHAMPOOS

1. Bio-Groom	29%
2. Central Pet/Four Paws	25%

TOYS

1. The Kong Co.	21%
2. Ethical Products	17%

TREATS

1. Greenies Co.	32%
2. A Guy and His Dog	16%

AQUARIUM PRODUCTS

AQUARIUMS

1. Central Aquatics	71%
2. UPG Aquatics	24%

CLEANING EQUIPMENT

1. Lee's	27%
2. Rolf C. Hagen (USA)	23%

DECORATIONS

1. Penn-Plax	28%
2. Blue Ribbon Pet Products	26%

FILTRATION PRODUCTS

1. UPG Aquatics	49%
2. Rolf C. Hagen (USA)	33%

FOOD

1. UPG Aquatics	42%
2. OmegaSea	24%

HEALTH AIDS

1. Mars Fishcare	54%
2. Sergeant's Pet Products Inc.	17%

HEATERS

1. Rolf C. Hagen (USA)	35%
2. Penn-Plax	23%

LIGHTING

1. Central Aquatics	57%
2. Rolf C. Hagen (USA)	16%

METERS

1. Rolf C. Hagen (USA)	34%
2. UPG Aquatics	33%

POND PRODUCTS

1. Rolf C. Hagen (USA)	33%
2. UPG Aquatics	28%

PUMPS

1. Rolf C. Hagen (USA)	43%
2. E.G. Danner Manufacturing	32%

TEST KITS

1. Mars Fishcare	68%
2. Rolf C. Hagen (USA)	13%

WATER CONDITIONERS

1. Mars Fishcare	36%
2. UPG Aquatics	23%

BIRD PRODUCTS

BEDDING & LITTER

1. Absorption Corp.	32%
2. Central Avian & Small Animal	22%

CAGES

1. Prevue Pet Products	43%
2. Blue Ribbon Pet Products	22%

FEEDING EQUIPMENT

1. Penn-Plax	35%
2. Rolf C. Hagen (USA)	28%

FOOD

1. Central Avian & Small Animal	26%
2. Vitakraft Sun Seed	25%

HEALTH AIDS

1. UPG Companion Animals	38%
2. Vitakraft Sun Seed	20%

SANITATION PRODUCTS

1. Central Pet/Four Paws	28%
2. UPG Companion Animals	20%

TOYS & EXERCISE PRODUCTS

1. JW Pet Co. Inc.	27%
2. Rolf C. Hagen (USA)	18%

WATER BOTTLES

1. Lixit	49%
2. Rolf C. Hagen (USA)	15%

SMALL-ANIMAL PRODUCTS

BEDDING & LITTER

1. Absorption Corp.	45%
2. Vitakraft Sun Seed	22%

CHEW ITEMS

1. Central Avian & Small Animal	49%
2. Vitakraft Sun Seed	24%

FEEDING EQUIPMENT

1. Central Avian & Small Animal	54%
2. Ethical Products	16%

FOOD

1. Central Avian & Small Animal	31%
2. Vitakraft Sun Seed	26%

HEALTH AIDS

1. UPG Companion Animals	31%
2. Central Garden & Pet	22%

HOUSING

1. Central Avian & Small Animal	65%
2. Prevue Pet Products	16%

SANITATION PRODUCTS

1. Central Avian & Small Animal	61%
2. Vitakraft Sun Seed	18%

TOYS & EXERCISE PRODUCTS

1. Central Avian & Small Animal	67%
2. Penn-Plax	25%

WATER BOTTLES & ACCESSORIES

1. Central Avian & Small Animal and Lixit, tie	37%
2. Vitakraft Sun Seed	10%

REPTILE PRODUCTS

BEDDING & LITTER

1. Zoo Med Laboratories	40%
2. Rolf C. Hagen (USA)	30%

FEEDING EQUIPMENT

1. Zoo Med Laboratories	36%
2. Rolf C. Hagen (USA)	33%

FOOD

1. Zoo Med Laboratories	21%
2. Fluker Laboratories	18%

HEALTH AIDS

1. Zoo Med Laboratories	37%
2. Central Aquatics	27%

HEATING EQUIPMENT

1. Rolf C. Hagen (USA)	34%
2. Zoo Med Laboratories	28%

HOUSING

1. Central Aquatics	63%
2. Rolf C. Hagen (USA)	26%

HOUSING DECOR

1. Rolf C. Hagen (USA)	43%
2. Central Aquatics	26%

LIGHTING

1. Zoo Med Laboratories	35%
2. Rolf C. Hagen (USA)	34%

SANITATION PRODUCTS

1. Zoo Med Laboratories	54%
2. Central Aquatics	39%

WATER BOTTLES & ACCESSORIES

1. Rolf C. Hagen (USA)	40%
2. Zoo Med Laboratories	27%

GIFT & MISCELLANEOUS ITEMS BOOKS

1. Central Pet/T.F.H.	31%
2. Barron's Educational Series	30%

CALENDARS

1. Brown Trout Publishers	45%
2. Willow Creek Press	26%

GREETING CARDS

1. Avanti Press	34%
2. Leanin' Tree	14%

ORNAMENTS AND FIGURINES

1. Conversation Concepts	24%
2. Dandy Design	13%

STATIONERY

1. Other	59%
2. Best Friends by Ruth Maystead	41%

CRAB PRODUCTS

1. Zoo Med	45%
2. Florida Marine Research	40%

CRICKET PRODUCTS

1. Fluker Laboratories	58%
2. Nature Zone	14%

T-SHIRTS

1. Life Is Good	29%
2. Local/handmade	13%

* Rankings reflect companies/brands that were cited most often by respondents as their best sellers. Neither rankings nor percentages represent market shares or sales percentages, since respondents were not asked to provide information about secondary/tertiary brands in their stores, sales figures by brand or sales percentages by brand.