

JANUARY 2011

pet age

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

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Pet owners are keeping the lid on discretionary spending, but the fact that they're still buying is providing glimmers of hope for recession-weary pet retailers. » 22

2010-2011 PET AGE Retailer Report

Pet owners are keeping the lid on discretionary spending, but the fact that they're still buying is providing glimmers of hope for recession-weary pet retailers. **By Jeff Siegel**

2010-2011 pet age Retailer Report

The recession that arrived in December 2007 officially ended in June 2009, according to the National Bureau of Economic Research, the generally accepted arbiter of such matters. But pet retailers continued to feel its effects throughout the remainder of 2009, according to the 2010-2011 PET AGE Retailer Survey. It's not surprising, then, that they continued to run their businesses in a classic recession model: trimming expenses, focusing on key items like dog food and doing more with less.

The survey—our exclusive benchmarking tool 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—tracked retailer performance in 2009. Given the recession, it's not surprising that nearly three in 10 retailers saw net profit decline and another 14 percent saw profits stagnate.

But there was good news, too: Almost six out of 10 retailers reported an increase

in net profit, and fewer reported decreases in net profit (29 percent in 2009 versus 35 percent in 2008). Furthermore, 62 percent said their gross dollar volume increased, compared with 58 percent in 2008.

"It's not so much that the pet business is recession-proof as it is recession-resistant," said Joan L. Storm, a research analyst for Wedbush Securities (Los Angeles), who follows the pet business. "Overall, the business is in decent shape. What you're seeing is that hard goods, which are discretionary spending, didn't do as well. If the pet didn't need a new food bowl, he didn't get one. But consumers kept spending on necessities, and food comps were decent during the recession."

Our survey bears out those conclusions. Increasingly, retailers are focusing on dog food and other essentials. In 2009, dog food and dog supplies accounted for almost half of the typical store's dollar volume (45 percent), versus 38 percent in 2008 and 39 percent in 2007.

The survey also shows the continuing

evolution of pet retailing from a business dominated by full-line stores where animal sales are a crucial part of the mix to one in which supply-only outlets proliferate. Tellingly, dog food made up one-quarter of store volume in 2009 and animals made up only half of that. (However, volume represented by animal sales did increase from a scant 8 percent in 2008 to 12 percent in 2009.)

Reliance on Dog Food

The independent retailer's dependence on dog food is not as surprising as it seems, said Storm. It matches the volume recorded at national chains like PetSmart Inc. (Phoenix) and Petco Animal Supplies Stores Inc. (San Diego). It also seems to be in line with what independent pet stores have reported in the survey over the past several years: Dog food has steadily increased its share of dollar volume, from 12 percent in 2004 to 20 percent in 2007 to 25 percent in 2009.

Some of the surge in dollar volume can be traced to manufacturer price hikes over the past couple of years, but most of

41% of pet retailers responding to the survey have been in business more than 10 years. At the other end of the spectrum, **3%** of respondents have been in business one year or less. The average pet store has been in business 12 years.

30% of pet retailers are sole proprietorships. **30%** are limited liability companies. **28%** are S-corporations. **8%** are C-corporations. **4%** are partnerships.

53% of pet retailers are located in an urban environment (a metropolis, a suburb or midsize city). **23%** are located in a small city with a population of 50,000 to 100,000. **24%** are located in a town or rural area with a population of 50,000 or less.

83% of pet retailers have a Web site.

it is from natural growth in the category. In fact, 34 percent of retailers identified dog food categories among the top five fastest growing categories in the 2010-2011 survey, up eight percentage points from the previous report.

It certainly seems as if consumers are driving the growth in food sales, said Dawn Bell, who manages Pets in the City, a 3,000-square-foot supplies-and-services store in St. Louis that specializes in natural products. Pet owners are becoming more sophisticated in what they want, and it's not enough to carry a food or treat that says it's healthier. Increasingly, consumers want to know what's behind those claims. What are the ingredients? How will the food or treat do what it's supposed to do?

"These are all part of what you're seeing as general trends throughout pet retailing," said Michael Dillon, president and founder of Dillon Media (San Francisco), whose company tracks the retail pet business. "If you talk to consumers, they're looking for high-quality products, and they're looking for value, and they're aligning themselves over health-related products. This is going to be a strong trend moving forward."

The survey results raise several questions about the continuing dependence on dog food as the industry's driving force, however. Are retailers paying less attention to other categories because they are paying so much more attention to dog food? Does this increased attention account for what seems like less innovation from manufacturers in other categories? Given the poor performance of the fish, reptile, bird and small-animal categories over the last three surveys—all mired in the low single digits in terms of store dollar volume—does it make more economic sense for manufacturers to give retailers what they're familiar with instead of developing new products?

What especially concerns retailers about the continuing emphasis on food

is what they see as the random nature of all the new SKUs.

"It's getting more difficult to make decisions about what to buy, because there is so much more to buy," said Connie Packard Kamedulski, who owns Animal Fair Pet Shop, a 3,000-foot full-line store in Ridgefield, Conn., that sells some small animals but not puppies and kittens. "We only have so much space

for food. But then you have to decide between food for hips, and food for breath and food for this and food for that. Come on, give me a break."

Retailers also are concerned about whether manufacturers are committed to independent retailers when they introduce new food products, or are just using the specialty channel to build brands before moving them to mass retailers.

The Employee Dilemma

PET RETAILERS CITED hiring and retaining good employees as a top challenge in the 2010-2011 PET AGE Retailer Survey—a concern that didn't even make the top five challenges in the 2009-2010 survey.

Yet, thanks to the recession, retailers said they reduced employee benefits and wages (as well as their own salaries). The percentage of retailers offering paid vacations fell three points, those offering health insurance declined six points, and even those who give employee discounts—a staple of the business—dropped one percentage point.

It's not surprising that retailers didn't find themselves in this bind before the recession, when business was good and they didn't have to worry about scrimping on salaries. In fact, some retailers may have found themselves in a classic small-business dilemma, in which they can't afford to keep good employees because business is bad, but lose business because they can't afford to keep good employees.

"It's one of the most important things that I deal with," said Connie Packard Kamedulski, who owns Animal Fair Pet Shop, a 3,000-foot full-line store in Ridgefield, Conn., that sells some small animals but not puppies and kittens. "I need a lot of labor, and not only do I

have to find people who can do it, but I have to find people to do it well. I don't think I realized how difficult it was to find people to work and to keep them."

The key to solving the employee dilemma, said retailers, is flexibility:

- **Identify your best employees, and reward them accordingly with salary and benefits.** Kamedulski has a manager and two assistant managers, who receive better pay and benefits. She fills out her staff with part-time employees, who are paid less and don't get benefits. The managers then work with the part-timers to do what needs to be done.

- **Money is important, but it's not always the most important thing.** Some potential employees, obviously, might be interested in the pet business, and would forgo a higher-paying job to do that. Or some might find it more fun than flipping burgers. And still others may prefer a shorter commute to work (which might save the employee money).

- **Do your homework.** Weed out the employees with what Kamedulski calls "issues," and hire people who genuinely want to work. It's better to take longer to make a hire than to make a bad hire quickly, because odds are you'll have to make the hire again.

—Jeff Siegel

Contradictions in Ancillary Services

Services, which had been the darling of the independent retailer before the recession, are losing some of their luster. Though the results were contradictory, there were several intriguing trends:

- More retailers than ever are offering at least one service (70 percent of respondents, compared with 62 percent in 2008). Still, services accounted for only 14 percent of a typical store's dollar volume,

compared with 19 percent in 2008.

- Despite the lower percentage of dollar volume represented by services in 2009, margins on services increased significantly, from 69 percent in 2008 to 108 percent in 2009. That may help explain why similar numbers of retailers in both surveys said they plan to add services in the next two years. Yes, services may be less popular with consumers, but they're still quite profitable.

- The percentage of retailers who offer self-service dog washes grew significantly, from 12 percent in 2008 to 22 percent in 2009. This seems to dovetail with the point above about profitability. DIY services are inexpensive to operate, offer value to consumers and return high margins.

- Conversely, the percentage of retailers offering day care, which was a hot pre-recession trend, dropped from 18 percent in 2008 to 12 percent in 2009.

The Evolution of Boutiques

MIDWAY THROUGH THE last decade, the next big thing in the pet retailing was the boutique—smaller stores that sold high-end merchandise to more affluent consumers. It was the store that sold \$100 dog dresses, \$50 collars and the like.

In 2005, 18 percent of respondents to the PET AGE Retailer Survey identified themselves as boutiques. By 2009, boutiques had dropped to 9 percent—two percentage points more than in 2008 and the same as in 2007 and 2006.

Other boutique indicators were equally as glum. Gift and novelty items accounted for just 4 percent of a typical store's average dollar volume—more or less what it has been since 2006. In 2005, however, the figure was 7 percent. And the average gift and novelty transaction (\$15.78) is about half what it was in 2005 (\$28.40).

Which raises the question: Has the recession finally finished off the boutique movement, or is this four-year slump merely recession induced? The answer, said several retailers and analysts, is that boutiques have changed—but not necessarily in the way that many would think.

"I don't doubt that there are probably fewer boutiques overall," said Diana Farrar, who owns Fifi & Fidors, a 1,500-square-foot boutique in San Antonio. "I've watched the number decline industrywide. And though the economy is one reason, and that there were too many boutiques, I don't think those are the only reasons."

The difference may well be that the boutique has re-invented itself into something that it wasn't at the beginning of the last decade.

Many stores, said Farrar, aren't boutiques anymore, but small specialty retailers. Fashion isn't the focus; pet health is.

The goal still is to carry unique and hard-to-find products, but they are more likely to be nutritional supplements instead of dog carriers.

"The whole thrust has changed," said Farrar. "As customers have given up things, so have the boutiques that have survived. We've added lines that our customers need, and set ourselves up as experts who can answer our customers' questions."

—Jeff Siegel

Changed Focus in Ancillary Services

ADDING SERVICES, A must-do for retailers just two years ago, seems to have lost much of its luster. Ancillary services accounted for just 14 percent of a typical store's average dollar volume in 2009, according to the 2010-2011 PET AGE Retailer Survey. That compares to 19 percent in 2008, when services tied dog food and supplies as the biggest contributor to average dollar volume.

Blame the recession, said retailers, who saw their customers give up what they considered luxuries like boarding and day care. Both categories were less popular with retailers in 2009: The percentage of retailers who offered boarding fell from 33 percent in 2008 to 28 percent in 2009, while those that offered day care fell from 18 percent to 12 percent.

But what consumers didn't give up was bathing their dogs, and retailers noticed. Self-service dog washes showed surprising strength in the survey: The percentage of retailers who said they provided the service almost doubled from 2008 to 2009. In fact, more said they offered dog washes than said they offered obedience training, which was another hot pre-recession service.

Self-service dog washes seem to be the perfect recession-era service. They're inexpensive to set up and run, don't require much in the way of employees, and offer very high margins—even if they're priced inexpensively.

"We considered what our customers told us, and figured out the financial benefit for them and us," said Diane Hamar, who owns Tail Waggins, a 3,000-square-foot dog bakery in Georgetown, Texas, that added self-service dog washes a couple of years ago. "It has been very popular, especially with retirees."

In fact, Hamar's dog wash accounts for as much as 30 percent of sales, though it is seasonal. Business is better in summer, when fleas are heaviest, and during rainy parts of the year.

"You can tell the difference the economy makes," said Dawn Bell, who manages Pets in the City (St. Louis), a self-described "health food store for pets" that also offers grooming, self-service pet wash and dog training. "Grooming is going down, and the wash has gone up."

—Jeff Siegel

Mixed State of Retailing

Elsewhere, results from the 2010-2011 PET AGE Retailer Survey showed the mixed state of retailing as the economy fought its way out of the recession. Some

two-thirds of respondents identified the economy as their biggest challenge over the next couple of years—about the same number as 2008. Yet those who said competition from other retailers would

also be a key challenge—not always true in a recession—increased significantly, from 46 percent to 60 percent.

Overall, markups remained consistent (58 percent in 2008 versus 60 percent in 2009), but average turns increased (from 8.9 in 2008 to 12 in 2009). And that's about as contradictory as possible.

Furthermore, the average dollar transaction increased by almost two-thirds, despite the slowdown in sales. Retailers attributed this to customers who shopped less frequently, but who bought more when they were in the store. This is typical of recession-style shopping, and may help explain the bump in average turns.

The same number of retailers—58 percent in 2008 and 2009—said they were considering expanding or improving their store. This isn't typical recession-style thinking either. But it makes sense in this economic climate: Some retailers see the decline in real estate prices caused by the recession as an opportunity not to be missed.

What happens next? That depends on the economy, said retailers. After two years of battling the recession, even an industry that seems recession-resistant can use some good news.

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

The Graying of Pet Retailers

PET RETAILERS ARE graying: Nearly half of the respondents in the 2010-2011 PET AGE Retailer Survey were 50 and older in 2009. Furthermore, 30 percent were 55 or older, versus 25 percent in 2008 and 23 percent in 2007.

Does the aging of the retailer base bode ill for pet retailing? Will their retirement leave a void in the industry? After all, baby boom retailers saw the independent side of the industry through some of its biggest challenges: the appearance of the national big box chains, the transition from full-line to supply-only stores, distributor consolidation, online retailing, and key brands going mass market.

When this group retires, will there still be an experienced core group to lead independents?

"That's a very good question," said Michael Dillon, president and founder of Dillon Media (San Francisco), whose company tracks the retail pet business. "But I don't think it's going to be too much of a problem. It's just part of the natural

demographic progression that's going on with the rest of the country."

Even though the industry will lose valuable experience when the baby boomers retire, several other trends will mitigate that loss, according to Dillon as well as several retailers. First is the appeal of pet retailing as a second career, something that the recession has accelerated. Entrepreneurs who have been successful in a previous business bring their skills to pet retailing. In fact, they may offer a perspective that longtime retailers don't have.

The second trend is the continuing growth of the industry. The very fact that pet retailing and services is a \$35 billion business, according to market research sources, means it requires talented people to work in it, whether it's on the retail, manufacturing or distribution ends. "I think, if you look over the past several years, you'll see this has spurred a lot of new, younger talent," Dillon said.

—Jeff Siegel

About the Survey

STATISTICAL DATA FOR "The 2010-2011 PET AGE Retailer Report" were compiled using SurveyMonkey, a web-based survey tool.

PET AGE sent e-mails June 16, July 8, July 28, July 30 and Aug. 2, inviting more than 3,060 retail owners/managers 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 2010-2011 PET AGE Retailer Survey drew 242 valid responses, with a margin of error of 6.3 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.

Percentages will not always total 100 because many responses were rounded, and not all respondents answered all questions.

The 2010-2011 PET AGE Retailer Survey was sponsored by Coastal Pet Products Inc. (Alliance, Ohio), Fromm Family Foods L.L.C. (Mequon, Wis.), Kaytee Products Inc. (Chilton, Wis.) and Nurtured Pets (New Philadelphia, Ohio).

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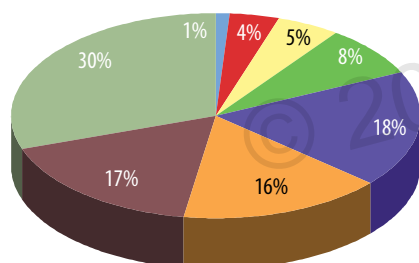
WHO TOOK THE SURVEY

More independent pet supply outlets completed this year's survey. Conversely, fewer pet services outlets and franchises were represented.

	2009	2008
Independent pet store that sells companion animals (including fish)	36%	33%
Independent pet store that sells supplies only	31%	27%
Franchise and/or chain pet store	3%	5%
Pet boutique	9%	7%
Pet services outlet	12%	18%
Online-only store	3%	4%
Other	6%	6%

WHO YOU ARE

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



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

Because pet retailers took practical steps to fight back against the recession, more survey respondents reported significant year-over-year volume increases in 2009 (53 percent, versus 38 percent in 2008). Furthermore, fewer reported significant year-over-year volume decreases (23 percent, versus 27 percent in 2008).

	Gross Dollar Volume		Net Profit	
	2009	2008	2009	2008
Up 25% or more	14%	14%	10%	15%
Up 10% to 24%	25%	15%	17%	12%
Up 6% to 9%	14%	9%	18%	12%
Up 1% to 5%	10%	19%	13%	16%
Unchanged	7%	8%	14%	10%
Down 1% to 5%	8%	7%	10%	6%
Down 6% to 9%	6%	7%	3%	10%
Down 10% to 24%	12%	9%	8%	8%
Down 25% or more	5%	11%	8%	11%

WHERE PET STORES MAKE THEIR MONEY

Dog food and supplies continued to be the largest contributors to average dollar volume in 2009. Services showed new weakness, down 5 percentage points from the previous year. However, the live animal category gained ground, up 4 percentage points from the previous year.

	2009	2008
Dog food	25%	19%
Dog supplies & accessories	21%	19%
Services	14%	19%
All live animals	12%	8%
Bird food & supplies	7%	6%
Cat food	7%	6%
Fish food & aquarium supplies	5%	6%
Reptile food & supplies	5%	3%
Cat supplies & accessories	4%	3%
Gifts & novelty items	4%	3%
Small-animal food & supplies	4%	3%
Pond supplies & accessories	2%	1%
Other	12%	4%

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

TOP PET CATEGORIES

Only 40 percent of respondents carried companion animals and/or fish in 2009, down 6 percentage points from the previous year. Among stores that carried live animals, however, several pet categories gained ground. For example, reptiles/amphibians were found in significantly more stores (up 7 percentage points). The number of stores selling puppies and kittens declined significantly.

	% Stores Carrying Category	
	2009	2008
Birds	69%	64%
Freshwater fish	66%	66%
Small animals	66%	62%
Reptiles & amphibians	66%	59%
Saltwater fish	39%	43%
Registered puppies	37%	36%
Mixed-breed puppies	32%	37%
Mixed-breed kittens & shelter/rescue cats	24%	35%
Registered kittens	7%	15%
Other	3%	9%

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

FASTEST-GROWING PRODUCT CATEGORIES

Foods and treats for dogs and cats, including raw diets, represented tremendous growth opportunities in 2009. In fact, four out of 10 respondents cited these as their fastest-growing product categories.

2009	% Respondents	2008	% Respondents
Dog food	21%	Dog/cat food	15%
Food/pet food	8%	Natural, holistic and/or organic pet food	7%
Treats	6%	Food/pet food	4%
Raw diets	5%	Dog treats	3%
Small animal	5%	Collars/leads/harnesses	3%

GROSS DOLLAR VOLUME

Overall, pet retailers reported an average gross dollar volume of \$1,575,657 in 2009—almost triple the 2008 average. This may reflect, in part, the closure of numerous poor-performing stores during the survey period.

	2009	2008
Average gross dollar volume	\$1,575,657	\$566,107
Up to \$100,000	19%	24%
\$100,000 to \$249,999	23%	23%
\$250,000 to \$499,999	20%	22%
\$500,000 to \$749,999	17%	10%
\$750,000 to \$999,999	8%	7%
\$1 million or more	14%	15%

Average gross dollar volume—by business type

Independent pet store that sells companion animals (including fish)	\$1,498,132	\$519,837
Independent pet store that sells supplies only	\$2,525,805	\$858,407
Franchise and/or chain pet store	\$1,633,333	\$1,154,279
Pet boutique	\$352,075	\$140,268
Pet services outlet	\$468,455	\$238,093
Online-only store	\$40,375	\$53,506
Other	\$527,906	\$344,357

AVERAGE CUSTOMER TRANSACTIONS

Overall, pet owners shelled out 70 percent more per visit in 2009 than in 2008, thanks to increased spending by dog owners. Average transactions in every other category dropped off.

	2009	2008
All transactions	\$82.24	\$48.26
Dog owners	\$56.89	\$44.35
Cat owners	\$22.29	\$28.33
Aquarium owners	\$23.45	\$27.58
Bird owners	\$17.44	\$20.00
Small-animal owners	\$17.08	\$19.03
Reptile owners	\$21.22	\$23.54
Gift/specialty buyers	\$15.78	\$28.08

The number of retailers offering benefits dropped 13 percentage points in 2009.

YEAR-OVER-YEAR SALES CHANGES

Retailers saw year-over-year sales increases in only two categories—dog food and fish food/aquarium supplies. The bird category fared the worst—but the decreases weren't as steep as the year before.

	2009		
	Up	Unchanged	Down
Dog food	68%	16%	15%
Cat food	48%	26%	27%
Fish food & aquarium supplies	50%	24%	26%
Bird food & supplies	29%	31%	40%
Small-animal food & supplies	39%	28%	33%
Reptile food & supplies	34%	42%	24%
Gifts & specialty items	24%	46%	31%

	2008		
	Up	Unchanged	Down
	66%	19%	15%
	55%	19%	26%
	43%	14%	42%
	33%	21%	47%
	49%	21%	29%
	46%	15%	38%
	31%	24%	45%

MARKUPS & TURNS

Markups and turns for dog food increased significantly in 2009. On the other hand, turns for fish food and supplies dropped despite much lower average markups.

	Average Markups		Average Turns	
	2009	2008	2009	2008
All dry goods	60%	58%	12.0	8.9
Dog food	32%	29%	17.1	15.4
Cat food	33%	29%	10.7	12.4
Fish food & supplies	76%	91%	8.5	10.9
Bird food & supplies	69%	73%	10.2	9.9
Small-animal food & supplies	72%	72%	7.9	11.6
Reptile food & supplies	74%	78%	6.6	9.7
Gifts and specialty items	77%	82%	3.6	5.1
Live animals	83%	115%	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.

On average, pet stores have 3,417 square feet of retail space. 50% have 2,000 square feet or less. 29% have 2,000 to 3,999 square feet. 14% have 4,000 to 7,999 square feet. 7% have 8,000 or more square feet.

ANCILLARY SERVICES

More pet retailers—70 percent—provided at least one type of ancillary service in 2009, versus 62 percent in 2008. Self-service dog washes showed the largest increase in terms of the percentage of facilities offering the services. However, fewer respondents plan to add any ancillary services in the next two years (21 percent, versus 26 percent in 2008 and 28 percent in 2007)—perhaps indicating that services are reaching a saturation point, at least for now.

	% Stores Offering Service	
	2009	2008
Grooming	61%	55%
Boarding	28%	33%
Delivery	28%	31%
Self-service dog wash	22%	12%
Obedience and/or agility training	18%	22%
Aquarium/ pond installation/ maintenance	18%	19%
Day care	12%	18%
Boarding exotic animals	6%	N/A
Other	8%	10%
None	30%	29%

FAVORITE FORMS OF ADVERTISING

Pet retailers increased their advertising budgets in 2009. Although they still consider referrals the most effective form of advertising, more retailers are relying on the Internet and e-mail. Significantly fewer, however, are counting on direct mail and special events.

	2009	2008
Average spent on advertising	\$8,797	\$7,938
Referral/word-of-mouth	32%	29%
Internet/e-mail	22%	18%
Newspaper	14%	15%
Direct mail	7%	14%
Radio	7%	3%
Television/cable	5%	3%
Magazine	4%	4%
Phone directories/Yellow Pages	3%	6%
Other, including events	1%	8%

	2009	2008
Percent of retailers planning to add any ancillary service	21%	26%
Average profit margin for ancillary services	108%	69%

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

21% of respondents plan to add services in the next two years.

EXPANSION PLANS

Nearly six out of 10 respondents plan to make capital improvements to their businesses in the next two years—the same percentage as the previous year. Twice as many respondents were planning to remodel their facilities. Similarly, twice as many retailers plan to build onto their current facility.

	2009	2008
Retailers planning to expand or make any type of physical improvements to their stores	58%	58%
Remodel current facility	66%	35%
Open an additional location	22%	13%
Build new building or move to new location	16%	12%
Build onto current facility	23%	12%
Retailers planning to spend more than \$20,000 on project	28%	25%

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

Pet retailers reported an average gross dollar volume of \$1,575,657 in 2009, which is nearly three times the 2008 average.

EMPLOYEE BENEFITS

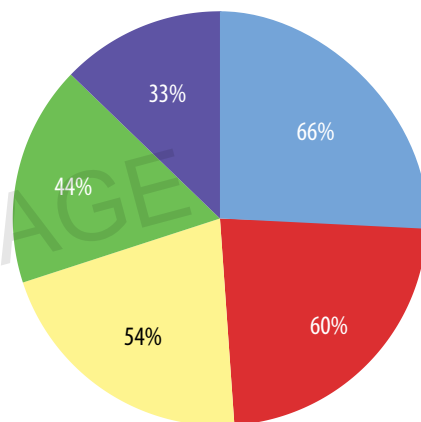
To help make ends meet, respondents cut wages as well as benefits (in fact, the number of retailers offering benefits of any kind in 2009 dropped a dramatic 13 percentage points). One of the few bright spots on the benefits front: More employees got bonuses and sick days.

	2009	2008
Employee discount	80%	81%
Sales and/or holiday bonuses	53%	43%
Paid vacation	47%	50%
Sick/personal days	40%	31%
Health insurance	28%	34%
Disability insurance	8%	11%
Profit sharing	6%	8%
Pension plan	3%	7%
Life insurance	5%	6%
Other	11%	12%
None	44%	31%
Average number of full-time employees	6.5	6.7
Average number of part-time employees	4.3	4.3
Average salary for owners	\$34,987	\$40,730
Average pay for full-time employees	\$9.97/hr	\$12.00/hr
Average pay for part-time employees	\$7.96/hr	\$8.83/hr

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

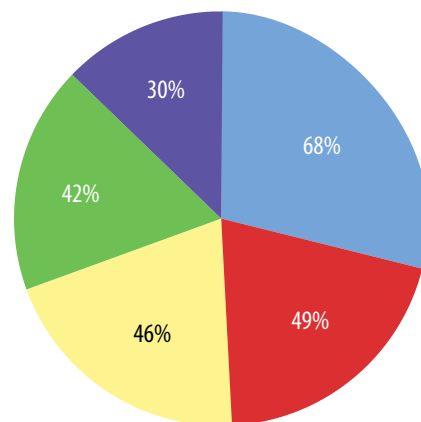
TOP CHALLENGES FOR PET RETAILERS

The economy still 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. But increasingly, they worry about competition and finding—and keeping—good employees too.



2009

- The economy
- Competition
- Increasing sales volume
- Maintaining profitability/staying in business
- Finding/training/retaining new employees



2008

- 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.

Market Leaders in Key Pet Supply Categories

By Percentage of Stores Citing Brand as No. 1* Seller

DOG PRODUCTS

Apparel

1. PetEdge	31%
2. Ethical Products	15%

Beds

1. Midwest Homes for Pets	19%
2. Precision Pet Products	17%

Collars & Leads

1. Lupine	35%
2. Coastal Pet Products	23%

Feeders

1. Doskocil dba Petmate	33%
2. Van Ness Plastics	14%

Flea/Tick Products

1. Merial	42%
2. Central Life Sciences	26%

Foods

1. Natura Pet Products	21%
2. Champion Petfoods	12%

Grooming Tools

1. Coastal Pet Products	25%
2. Central Garden & Pet/Four Paws Products and PetEdge/Master Grooming, tie	19%

Health & Hygiene Products

1. Central Garden & Pet/Four Paws Products	21%
2. Earthwhile Endeavors	15%

Housing & Travel Products

1. Midwest Homes for Pets	30%
2. Doskocil dba Petmate	24%

Sanitation Products

1. Central Garden & Pet/Four Paws Products	23%
2. UPG Companion Animals Div./Eight In One	20%

Shampoos

1. Tropiclean Products	22%
2. Earthwhile Endeavors	14%

Toys

1. Kong Co.	32%
2. PetEdge	18%

Treats

1. A Guy & His Dog dba Zuke's	18%
2. Merrick Pet Care	12%

CAT PRODUCTS

Beds

1. Precision Pet Products	24%
2. West Paw Design	21%

Collars & Leads

1. Lupine	34%
2. Coastal Pet Products	30%

Feeders

1. Doskocil dba Petmate	42%
2. PetRageous Designs	22%

Flea/Tick Products

1. Merial	41%
2. Central Life Sciences	33%

Foods

1. Natura Pet Products	23%
2. Diamond Pet Foods	17%

Furniture

1. Local/custom manufacturer	24%
2. Ware Manufacturing	21%

Grooming Tools

1. Coastal Pet Products	26%
2. JW Pet Co.	19%

Health & Hygiene Products

1. Central Garden & Pet/Four Paws Products	36%
2. Tomlyn Products	18%

Housing & Travel Products

1. Doskocil dba Petmate	65%
2. Marchioro USA	21%

Litter

1. GPC Pet Products/World's Best Cat Litter	37%
2. American Colloid	13%

Litter Accessories

1. Doskocil dba Petmate	45%
2. Van Ness Plastics	42%

Sanitation Products

1. UPG Companion Animals Div./Eight In One	36%
2. Classic Products	13%

Shampoos

1. Earthwhile Endeavors	26%
2. Bio-Groom	24%

Toys

1. Kong Co. and PetEdge, tie	17%
2. DuckyWorld Products	15%

Treats

1. Nutro Co.	24%
2. A Guy & His Dog dba Zuke's	19%

AQUARIUM PRODUCTS

Aquariums/Tanks

1. Central Aquatics	81%
2. United Pet Group Aquatics	16%

Cleaning Equipment

1. Lee's Aquarium & Pet Products	24%
2. Penn-Plax	21%

Decorations

1. Penn-Plax	44%
2. Blue Ribbon Pet Products	29%

Filtration Products

1. United Pet Group Aquatics	62%
2. Rolf C. Hagen (USA) Corp.	18%

Foods

1. United Pet Group Aquatics	43%
2. OmegaSea	30%

Health Aids

1. Mars Fishcare North America	68%
2. Seachem Labs	15%

Heaters

1. Central Aquatics	28%
2. Penn-Plax	25%

Lighting

1. Central Aquatics	61%
2. Rolf C. Hagen (USA) Corp.	15%

Meters

1. Penn-Plax and United Pet Group Aquatics, tie	36%
2. Rolf C. Hagen (USA) Corp.	24%

Pond Products

1. United Pet Group Aquatics	52%
2. Rolf C. Hagen (USA) Corp.	24%

Pumps

1. United Pet Group Aquatics	39%
2. Rolf C. Hagen (USA) Corp.	32%

Test Kits

1. Mars Fishcare North America	67%
2. United Pet Group Aquatics	19%

Water Conditioners

1. Mars Fishcare North America	47%
2. Seachem Labs	18%

BIRD PRODUCTS

Bedding & Litter

1. Central Avian & Small Animal/ Kaytee Products	42%
2. Absorption Corp.	22%

Cages

1. Prevue Pet Products	44%
2. Blue Ribbon Pet Products	34%

Feeding Equipment

1. JW Pet Co.	38%
2. Penn-Plax	24%

Foods

1. Vitakraft Sun Seed Co.	29%
2. Central Avian & Small Animal/ Kaytee Products	24%

Health Aids

1. UPG Companion Animals Div./ Eight In One	44%
2. Vitakraft Sun Seed Co.	22%

Sanitation Products

1. Central Garden & Pet/Four Paws Products	29%
2. UPG Companion Animals Div./ Eight In One	27%

Toys & Exercise Products

1. JW Pet Co.	28%
2. Penn-Plax and Wyld's Wingdom, tie	15%

Water Bottles

1. Lixit Corp.	38%
2. Penn-Plax	30%

SMALL-ANIMAL PRODUCTS

Bedding & Litter

1. Absorption Corp.	37%
2. Central Avian & Small Animal/ Kaytee Products	29%

Chew Items

1. Central Avian & Small Animal	61%
2. Vitakraft Sun Seed Co.	20%

Feeding Equipment

1. Central Avian & Small Animal	49%
2. Doscocil dba Petmate	17%

Foods

1. Central Avian & Small Animal/ Kaytee Products	37%
2. Vitakraft Sun Seed Co.	24%

Health Aids

1. UPG Companion Animals Div./ Eight In One	38%
2. Central Garden-Central Life Sciences	21%

Housing

1. Central Avian & Small Animal/Super Pet	68%
2. Other	33%

Sanitation Products

1. Central Avian & Small Animal	71%
2. Penn-Plax and Vitakraft Sun Seed Co., tie	12%

Toys & Exercise Products

1. Central Avian & Small Animal/Super Pet	74%
2. Penn-Plax	15%

Water Bottles

1. Central Avian & Small Animal/Super Pet	36%
2. Lixit Corp.	32%

REPTILE PRODUCTS

Bedding & Litter

1. Zoo Med Laboratories	59%
2. Central Garden-Central Aquatics	18%

Feeding Equipment

1. Zoo Med Laboratories	49%
2. Rolf C. Hagen (USA) Corp.	35%

Foods

1. Zoo Med Laboratories	37%
2. Fluker Farms	18%

Health Aids

1. Zoo Med Laboratories	60%
2. Central Garden-Central Aquatics	23%

Heating Equipment

1. Zoo Med Laboratories	41%
2. Rolf C. Hagen (USA) Corp.	28%

Housing

1. Central Garden-Central Aquatics	51%
2. Rolf C. Hagen (USA) Corp.	40%

Housing Decor

1. Rolf C. Hagen (USA) Corp.	32%
2. Zoo Med Laboratories	29%

Lighting

1. Zoo Med Laboratories	43%
2. Rolf C. Hagen (USA) Corp.	30%

Sanitation Products

1. Zoo Med Laboratories	61%
2. Central Garden-Central Aquatics	39%

Water Bottles

1. Zoo Med Laboratories	46%
2. Rolf C. Hagen (USA) Corp.	26%

GIFT & MISCELLANEOUS ITEMS

Crab Products

1. Florida Marine Research	50%
2. Zoo Med Laboratories	35%

Cricket Products

1. Fluker Farms	50%
2. The Bug Co.	17%

Books

1. Barron's Educational Series	43%
2. Central Garden & Pet/T.F.H. Publications	36%

Calendars

1. BrownTrout Publishers	60%
2. Other	40%

Greeting Cards

1. Avanti Press Inc.	44%
2. Trumble Greetings/Leanin' Tree	26%

Ornaments & Figurines

1. Local/handmade	48%
2. Conversation Concepts	20%

**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, as respondents were not asked to provide actual sales figures or sales percentages by brand or information about other brands in their stores.*



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