

# Business proposal: pet smart essay sample

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## Introduction:

PetSmart opened its first store in 1987 as PetsMart and has become the leading specialty provider of products, services and solutions for the lifetime needs of pets. At the time of going public in 1993, the company operated 64 stores and added more than 40 stores that year. In 1999, PetSmart launched PETsMART. com in conjunction with PetJungle. com. In 2003 PetSmart finished remodeling to replace the traditional warehouse feel with a specialty-store shopping atmosphere, then changed the name from PetsMart to PetSmart with an emphasis on the “ smart” rather than then “ mart” (United States Securities And Exchange Commision). At the end of FY 2010, PetSmart operated 1, 187 retail stores in North America. Each location ranges in size from 12, 000 – 27, 500 square feet and carry an offering of 10, 000 distinct SKU’s comprised of nationally recognized brands, proprietary brand, including both exclusive and private label products.

In addition to the product assortment, PetSmart offers a selection of pet services, including grooming, training, boarding and day camp. Finally, there are 768 full service veterinary hospitals through a wholly owned subsidiary, Medical management International, Inc., collectively referred to as “ Banfield” under the registered trade name of “ Banfield, ThePetHospital”. Of the 768 pet hospitals 11 are operated by other third parties in Canada. The United States pet and pet supply store industry includes about 8, 700 stores with combined annual revenue of about \$11 billion (First Research, 2012) PetSmart with reported revenue from the 10K ending January 30, 2011 5, 693. 8 million represents a market share of 52. 22%. Please note that this share number is skewed due to the inability to compare directly to the pet

and pet supply store industry specialty stores. The revenue potential is fragmented within the box retailers (i. e. Wal-Mart, Target) which include revenue from the entire reported grocery segment in addition to pet and pet supplies.

### Objectives

Our objective is to enhance PetSmart's primary initiative in continued expansion with the potential of at least 1, 800 stores in North America. The company's goal is to reach that target over the 10-15 years. We propose an expansion strategy that includes increasing PETM's share in existing multi-store markets, penetrating new multi-store and single-store markets, and achieving operating efficiencies and economies of scale in distribution, procurement, marketing and store operations. PetSmart also aims to aggressively expand its pet services business, despite being the leading provider. This is the vast array of service offerings that differentiate PetSmart from other specialty stores; our objective is to assist in the maximization of the product and service offerings through mass merchandising. Project plan

Assist PetSmart in the expansion of its portfolio by marketing PetSmart's exclusive offerings and partnerships with Martha Stewart Pets™ and GNC Pets.™ In addition, we will increase market awareness of the company's industry-leading flea & tick brands which should in turn increase penetration of its innovative proprietary brands, and expanded the selection of channel exclusive specialty foods with the addition of Wellness® brand pet food and snacks. The strength of PetSmart's core business, combined with the

addition of its strategic partnerships and new offerings, will drive comparable store sales growth to 4.8% and increase net sales by 6.7%. The projected strong sales performance coupled with continued cost and capital discipline should result in earnings per share growth of 26%. Project resources

Project resources will include a thorough industry and competitive landscape overview: Industry Overview:

The United States specialty retail industry, particularly pet supply stores, includes about 8,700 stores with combined annual revenue of about 11 billions (First Research, 2012). Revenues| Profits |

Rank	Company	Fortune 500 rank	\$ millions	% change from 2009
18	PetSmart	400	5,693.8	6.7
20.9			239.9	

<http://money.cnn.com/magazines/fortune/fortune500/2011/industries/233/index.html>

Competitive Landscape:

Specialty retailers concentrate on selling a line of goods or services for a particular and usually selective clientele and have a narrow but deep selection in their specialty. Examples include grocery stores, warehouse, pet care, toys, office supplies and electronics. Specialty retailers include national chains, franchises, and independent retailers and are typically located in high traffic areas, generally located at sites co-anchored by strong destination mass merchandisers and typically are in or near major regional shopping centers. Major products in the sub segments of pet care and supplies include pet food, pet supplies, aquarium products and fish, and

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pets. Pet food accounts for 40% of sales, pet supplies for 40%, aquarium products and fish for 10% and pets for 5%. The pet food segment primarily consists of dog and cat food. Pet supplies include pet toys, collars and leashes, cage and habitats, and vitamins and supplements. Types of pets sold include dogs, cats, fresh water fish, birds, reptiles, and small animals (mostly hamsters and gerbils) (First Research, 2012). Industry Opportunities:

We suggest PetSmart offer a one-stop-shop atmosphere that allow busy pet owners to look no further for services providing convenience, like pet daycare or walking. Small pet stores have been successful by providing aquarium maintenance and cleaning. Providing a service as simple as pet food delivery helps independent pet stores remain competitive. The pet service industry (including boarding and grooming) is highly fragmented, and has over \$8 billion in sales. To combat the rising cost of veterinary care; providing medical advice to pet owners could result in owners turning to pet stores to help diagnose common health problems. Providing medical advice assist pet stores develop relationships with customers, and the recommended treatment usually results in the purchase of remedies available in the pet store. Another segment of pet care to consider is the growing market for luxury pet goods.

The humanization of pets and extensive press coverage of celebrities' pets has resulted in demand for premium products and services increased. Lavish spending has fueled growth in specialties such as organic and gourmet pet food, deluxe pet hotels, and pet photography. Brands like Chanel, Burberry, and Coach make dog collars and leashes. With intense competition at the

low end of the market, pet stores can differentiate from low end retailers by stocking unique, high-end products (First Research, 2012). PETM Competitor Analysis:

Elasticity:

PetSmart weathered the recent recession better than its big box competitors. PetSmart was able to maintain and recently increase its same store sales (stores open more than 1 year). This analysis is important, as new stores often distort existing, more reliable trends because they're often introduced in underserved markets to much fanfare and promotion. However pet care can be an elastic or inelastic. There are three degrees of elasticity and there are three methods of determining elasticity, two of them provide a numerical result and the third indicates if demand is elastic, inelastic, or unit elastic. Based on our research, we suggest PetSmart continue on its current course to maintain its steady growth trend as noted below.

## SUMMARY

Our primary initiative is in continued expansion with the potential of at least 1, 800 stores in North America. Mirroring the company's goal; we will reach that target over the 10-15 years. The expansion strategy includes increasing PETM's share in existing multi-store markets, penetrating new multi-store and single-store markets, and achieving operating efficiencies and economies of scale in distribution, procurement, marketing and store operations.

## Bibliography

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