

**RUFFIN'S PET CENTRE: STRATEGIES FOR SURVIVAL  
AGAINST THE BIG DOG**

by

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B.Sc.H Biochemistry, Queen's University, 2007**

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## **ABSTRACT**

Ruffin's Pet Centre in Stratford, Ontario, is a recently acquired franchise owned and operated by Chris Koslowski. It is a successful retail outlet which sells domestic and exotic pets, foods and supplies. It will soon face the threat of Wal-mart which plans to operate within the same commercial-hub on the east side of Stratford. Whether customers will remain loyal to Ruffin's or switch to Wal-mart is in question.

This paper analyzes the operations at Ruffin's, the potential threats it soon faces with Wal-mart's presence, and provides recommendations for success in a potentially hostile environment. It also provides specific retailing advice and recommendations to increase the shoppability at Ruffin's. This paper concludes with a market analysis and demand estimation for two differentiated product types and a plan for their implementation into the market.

## **DEDICATION**

To family and friends, thank you for all the guidance and support you have given me over the past year.

## **ACKNOWLEDGEMENTS**

I would like to thank my thesis supervisors, Dr. Michael Parent and Dr. Pek-Hoi Soh, for the guidance and support they have given me throughout the writing of this project. An additional thanks goes out to Dr. Michael Parent for teaching me to think more critically about business cases and scenarios, and the true value of ‘running the numbers’. I would also like to thank the Simon Fraser University faculty and staff for their help and continuous efforts leading to the success of this program.

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## **GLOSSARY**

**CAGR**    Compounded Annual Growth Rate

**PYSTE**    A geodemographic system that classifies neighbourhoods into unique lifestyle segments

**GAFO**    General Merchandise, Apparel, Furniture, and Other Merchandise

# **1: INTRODUCTION**

## **1.1 Overview of the Business**

Ruffin's Pet Centre is a unique combination of pet store and pet food store. It sells both domestic and exotic animals, such as hamster, puppies, lizards, and snakes, as well as pet food and supplies of standard and premium quality. It is the largest pet store in Perth County with 3,430 square feet in retail space and plans to expand by 1,706 square feet once neighbouring retailer Paris Jewellers moves out. It is located at 1067 Ontario St. Stratford, Ontario, N5A 6W6, and is part of the largest shopping centre in Stratford, the Festival Marketplace Shopping Centre ("Market Place"). The Market Place is a 225,600 square foot retail centre which houses up to 40 retail outlets under 4,000 square feet at any given time. Each of these retailers caters to the needs of specific clientele with products ranging from telecommunication and fashion to travel and jewellery. The mall also provides exclusive access to anchor retailers such as Sears, Winners, SportCheck and Dollar Giant. It is also attached to Canadian Tire but does not have exclusive access. For more information about the Marketplace, visit [www.stratfordshopping.ca](http://www.stratfordshopping.ca).

Operations at Ruffin's Pet Centre are similar to small pet business retailers. Daily employee duties include cleaning pet pens and fish tanks, stocking and organizing shelves, maintaining the cleanliness of the store, and dealing with customers. For

Ruffin's Pet Centre to operate most efficiently a minimum of two employees must be present at all times.

## **1.2 Ruffin's Pet Centres Inc.**

Ruffin's Pet Centres Inc. was originally founded in 1981 in Dunnville, Ontario. It transformed into a full line pet store, selling pets, pet food and supplies, a concept which proved to be a success. As a result, Ruffin's Pet Centre began franchising their stores in 1986. Today, 15 stores exist across Canada with 14 located in southern Ontario.

These stores are exclusively located in territories with a minimum of 10,000 citizens and are usually located in preferred sites such as strip centres and regional malls. Storeowners must have an affinity for animals, an aptitude for business, and excellent interpersonal skills to deal with a variety of different customers.

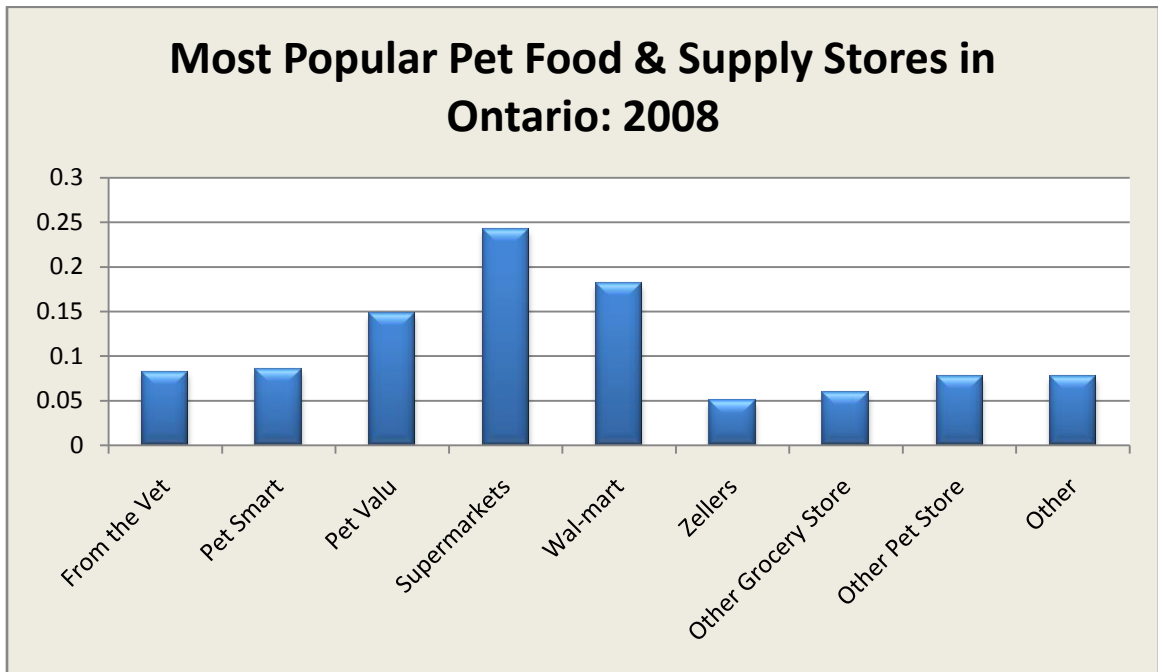
Ruffin's Pet Centres Inc. offers a 3 – 5 week training course for all new franchisees. Once a site for a new store has been determined training takes place at an existing store nearby. For further training a session is held at corporate headquarters where the fundamentals of business are discussed. More information about the Ruffin's Pet Centre brand and franchising opportunities can be found at [www.ruffinspet.com](http://www.ruffinspet.com).

The financial requirements for a Ruffin's Pet Centre include an initial total investment of \$75,000 CAD, a cash liquidity of \$35,000 CAD, and initial franchise fee of \$20,000 CAD. Annual royalty and advertising fees are 4.0% and 1.0% of annual sales. This gives franchisees access to reduced product costs due to blanket purchasing rates and colour flyers. Overall, potential franchise owners are required to have a net worth of \$150,000 CAD (Franchise Opportunities, 2009).

The number of Ruffin’s Pet Centre franchises currently in operation is relatively small compared to similar competitors. Pet Value Discount has over 300 operations in Canada and Pet Smart has more than 1,500 within Canada and the U.S. These two entities are the most dominant within the Canadian Pet Food Industry and have a strong presence in Ontario. Fortunately for Ruffin’s in Stratford both entities typically target larger cities such as London and Toronto and usually don’t move into smaller cities such as Stratford.

Ruffin’s Pet Center’s still face competition from local supermarkets, discount chains such as Zellers and Wal-mart, and grocery stores in Ontario. The most prominent locations to purchase pet related supplies in Ontario can be seen in Figure 1-1. As mentioned before both Pet Valu and Pet Smart remain strong competitors, but local supermarkets and Wal-mart remain dominant.

**Figure 1-1: Most Popular Pet Food & Supply Stores in Ontario: 2008**



*Source: Author, adapted from Euromonitor (2009)*

There are substantial advantages to operating a pet store under the Ruffin's Pet Centre franchise. The first, and arguably most significant, is that franchisees are privy to a merchandise purchasing discount. Owners receive up to 20 percent off select items and priority to discontinued stock. Independent pet store owners do not have access to this large of a discount. Additionally, corporate creates a generic colour flyer for each franchise every month, which are available in unlimited quantities. Finally, each location has an established network of reputable suppliers, saving owners the trouble of having to seek out their own suppliers.

## 2: SWOT ANALYSIS

Ruffin’s Pet Centre in Stratford has obvious strengths, weaknesses, opportunities, and threats (See Table 2-1). Characteristics from each of the SWOT elements will be discussed in this section outlining major problems and concerns Ruffin’s currently faces. In some instances detailed recommendations and suggestions will follow this section, but their location will be stated.

**Table 2-1: SWOT Analysis of Ruffin's Pet Centre in Stratford**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Owner is seasoned salesman</li> <li>• Consumer Experience</li> <li>• Interesting Livestock Selection</li> <li>• Franchise Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Store Layout &amp; Inventory Space</li> <li>• Marketing Efforts</li> <li>• Internal Communication &amp; Scheduling</li> <li>• Limited Cash Flow</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Differentiated Products &amp; Pet Humanisation</li> <li>• Friendliness and Quality of Staff</li> <li>• Shoppability</li> </ul>	<ul style="list-style-type: none"> <li>• Wal-mart</li> <li>• Customer Relationship Strategy</li> </ul>



## **2.1 Strengths**

### **2.1.1 Owner**

Christopher Koslowski, the owner and manager of Ruffin's Pet Centre, has been working in the pet and pet food industry for over 20 years. He has 13 years of outside sales experience selling pet products to reputable pet food and supply retailers within southwestern Ontario while working for Rolf C Hagen, Inc. He was recognized as one of the top sales representatives for Hagen Inc., and was aptly given the Ontario Sales Representative of the Year Award. He spent the majority of his time at Hagen, Inc. promoting and selling merchandise, conducting staff training sessions and holding product information gatherings. His Ruffins store has received The Best Pet Shop Award in Perth County by the Perth Courier Readers Choice Awards for two consecutive years.

### **2.1.2 Consumer Experience**

Ruffin's creates a unique consumer experience that differentiates itself from all other retailers in the Marketplace. It is a place where consumers can both see and interact with a wide range of domestic and exotic animals. This adds to the value of a consumer's shopping experience because it alters one mood in a positive manner. Traditional animals such as puppies, kittens, and bunnies or exotic animals such as lizards, snakes, and spiders all evoke unique emotions from those who view or interact with them. As a result, these animals create a positive experience and therefore add to the value of shopping. Studies have proven that any product which induces a feeling of excitement increase the chance of impulse purchasing (Berns, 2005). Due to its responsibility in promoting impulse purchasing, Ruffin's should make a determined effort to make these

animal areas as popular as possible. Increasing the shoppability of this area through efforts discussed in the section titled Shoppability will help to increase animal sales and related products at Ruffin's.

### **2.1.3 Interesting Livestock Selection**

Ruffin's Pet Centre has obtained considerable sales from fish and exotic pets. At the moment, it is serving the market in a monopolistic fashion. No other retailers in the Stratford area are competing against Ruffin's for this market. As a result, it has the ability to charge significant margins, in some cases upwards of 70 percent, for these pets. Ruffin's will most likely continue operating in a monopolistic environment due to a medium-high entry to barrier. Caring for these pets is expensive, time consuming, and requires a considerable amount of experience. The fish and aquariums found at Ruffin's can be seen in Figure 2-1.

**Figure 2-1: Aquariums at Ruffin's Pet Centre**



#### **2.1.4 Franchise Benefits**

Being part of the Ruffin's Pet Store franchise has its benefits, the biggest one being the blanket discount franchisees get. Due to the high volume of identical products collectively purchased by these franchises, franchisees are granted discounts of up to 20% on all products.

### **2.2 Weaknesses**

#### **2.2.1 Store Organization & Clutter**

What a retailer should strive to do is create a positive experience for its customers at all times. This experience is a direct result of how a customer feels in a store at any given time. An experience is effected by the store's product mix, number of promotions, friendliness of sales staff, store atmosphere, and general organization of products, to name a few. Something as simple as store clutter not only detracts from a shopping experience, but also has the potential to ruin it all together (Shopping Preferences & Influencers, 2008). A negative shopping experience decreases retention rates, and as a result sales. This issue of disorganization and clutter needs to be addressed. For examples of clutter, see Figure 2-2, 2-3, & 2-4. The topic of clutter and its effect on shoppability and recommendations for Christopher will be discussed and provided in the section titled Shoppability.

**Figure 2-2: Cardboard Clutter**



**Figure 2-3: Cluttered Top Shelf**



### **2.2.2 Floor and Storage Space**

Ruffin's Pet Centre may be the largest pet store in Perth County but it is lacking much needed storage space. First of all, the storage room is multifunctional. It serves as an area to store inventory and boxes, but also houses a sink and grooming area for in store animals as well as an area for employees to take their breaks. It is in the shape of a long corridor, approximately 85 feet long and 6 feet wide, and is poorly organized. On one hand, having a high proportion of retail space is excellent. It allows customers to see a high number of products at any given time and as a result gives customers a true sense of what the store has to offer. On the other hand, too much inventory can clutter the floor space, shelves, and pegboards if it isn't organized properly. Although additional storage space would benefit Ruffin's, another issue which it faces is the poor use of floor space. Only two areas in particular utilize the retail space efficiently. These are the dry pet food and the aquarium areas.

The northwest corner of the store is where all the dry pet foods are stored. The shelves may be stocked to the edge but are done so in a neat and orderly fashion. It does not seem cluttered and situates a high variety and density of foods in a small area as seen in Figure 2-4. The aquariums are stacked on top of one another and organized in a linear fashion along the northeast wall as seen in Figure 2-1. It appears neat and tidy.

**Figure 2-4: Example of Organized Area at Ruffin's Pet Centre**



Many of the walls at the front of the store are dominated by industrial looking pegboards and pegs. The pegs are responsible for holding lighter inventory, such as accessories and toys. While it is not a poor way to display pet supplies and accessories, it seems as though a disproportionate amount of space is given to this type of display method. This is evidenced by the high number of identical items placed on different pegs and the asymmetrical spacing between them as outline in Figure 2-5.

There appears to be an unnecessary amount corkboard, evidenced by the wide spacing between products highlighted by the bidirectional arrows and the high number of identical items used on a number of different pegs as outlined in dark rectangles (See Figure 2-5). This is indicative of three major problems. The first is that the appearance of the board is not a priority to the owner. It demonstrates that short amount of time went into its organization and as a result appears messy. Secondly, the pegs are not long

enough for high volume products or too many high volume products are on display. Lastly, there is a lack of product variety. This pegboard setup should be a major concern due to its location in the store. It is an area near the front entrance and is clearly visible to shoppers present in the mall. However, it does not function to invite shoppers into the store.

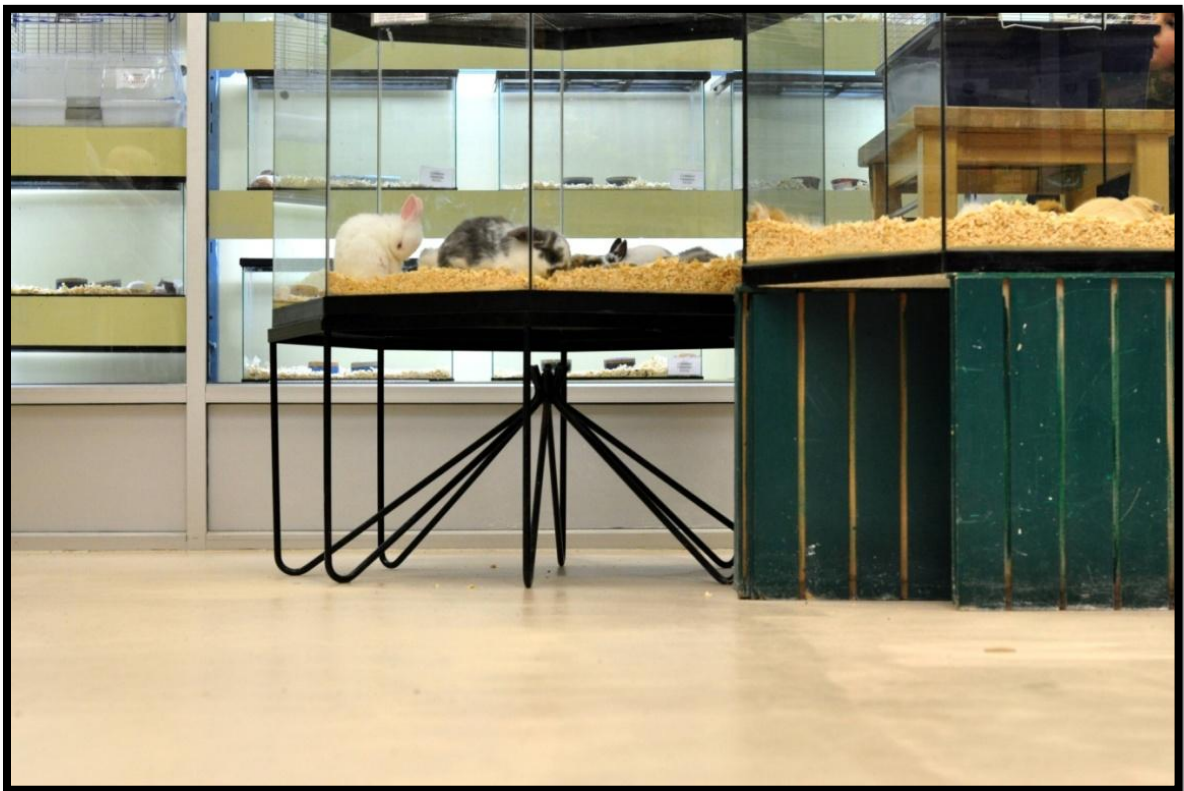
**Figure 2-5: Poor Use of Pegboard**



Another area that misuses display space is the location where the small and domestic animals are housed. Rather than misusing wall space, it misuses floor space. For example, the space above and below the cages showcasing the small and domestic

animals is not used (See Figure 2-6). This is a waste of space. It could be used for customized shelves or cupboards that could serve as a base to these cages providing much needed inventory space. Additionally, the walls in this area are bare and free from shelving and displays. They have nothing on them except handwritten signs and posters (See Figure 2-7). This space could be better used to display high margin items, promotional ads, or any other product that needs more visibility since it is the most popular area in the store.

**Figure 2-6: Unutilized Space Beneath Cages**





**Figure 2-7: Wall in High Traffic Area has Potential for Improvement**



### **2.2.3 Marketing Techniques**

Ruffin's Pet Centre actively uses one formal method of marketing: promotional flyers. Every month a total of 10,000 flyers are distributed across the city of Stratford. The total cost of doing this is \$550. The head office in Dunnville is responsible for the design and content promoted in these flyers. These colour flyers provide readers with interesting pet related information and product benefits. For example, during flea season flyers would have a short description on the impact fleas have on pets and how a certain product can help. Flyers are a great way to promote sales, build brand image, and reinforce market leadership, but their effectiveness in the Stratford marketplace is unknown.

At the moment, Ruffin's does not use a metric or methodology to measure marketing effort effectiveness. Not only would a methodology provide Christopher with the statistics necessary to deduce valuable information regarding marketing efforts, but it would also aid in determining an appropriate budget for marketing. Regarding marketing efforts as a return on investment (ROI) rather than an expense would help Christopher to justify future marketing plans. The value of customer information such as product preferences, home addresses, shopping times, and more should not be overlooked. These issues will be further discussed in Section 6: Marketing Techniques & Attracting Customers.

Secondary marketing techniques implemented by Ruffin's include community events. Examples of some of the community events held include reptile and small animal demonstrations and information sessions. They act to promote the store's presence, increase the sales of product being demonstrated, and build on the customer experience. This technique has been successful evidenced by the number of people attending these events as well as sales increases. Christopher should continue these efforts.

One area of marketing which needs to be addressed is Ruffin's lack of visibility on the internet. Ruffin's Pet Centre currently uses the corporate website ([www.ruffinspet.com](http://www.ruffinspet.com)) as its own. This does nothing to provide interested customers, or anyone wanting to know more about the Stratford location, with any useful information regarding promotions, activities, events, and more. Instead, it seems as though its primary goal is to promote franchise ownership. A concerted effort needs to be made to increase the web-visibility of the Stratford location. Web 2.0 tools, such as Facebook and Twitter, in addition to a personalized website, would be extremely useful for this purpose

#### **2.2.4 Internal Communication**

The dynamic nature of the retail industry, combined with the high turnover rate of part-time employees, means that keeping a line of communication between management and employees can often times be difficult. Ruffin's, being a small retail store with a relatively high turnover rate, faces this problem. Poor internal communication between employees and management can lead to frustration for both parties, and this must be addressed. Better scheduling, detailed tasks, less overall ambiguity of roles, and supervisory support are all methods which could help to overcome issues related to poor internal communications.

### **2.3 Opportunities**

#### **2.3.1 Differentiated Products**

Ruffin's Pet Centre has demonstrated success with some of its differentiated products such as exotic, small, and traditional domestic animals. It should continue to add onto this success by improving its differentiated product line. There are two ways to do this. The first is by adding value to an existing product, while the second is by offering new products that does not exist in the Stratford market. For example, Ruffin's could evaluate its current product mix of exotic animals and related specialized foods and add onto it accordingly. Perhaps current exotic animal owners are looking for new plants or accessories for their terrarium and are driving to London or Kitchener to fulfil their needs. Another idea would be to introduce new products such as super-premium foods to Ruffin's. These foods are higher in quality, more nutritional, and specialized to certain

breeds. It is possible that a significant segment of the Stratford market is willing to pay a premium in exchange for better foods, especially with the increased popularity in pet humanisation. Whether or not these ideas are viable in the Stratford market requires further analysis. A marketing plan for exotic animals and super-premium foods will be conducted to analyze the Stratford market to determine the likelihood of their success.

### **2.3.2 Friendly and Knowledgeable Staff**

A study conducted by Leo J. Shapiro and Associates concluded that the most important aspect of any retail outlet is the quality and friendliness of staff (Shopping Preferences & Influencers, 2008). The quality of staff is indicative of their product knowledge and efficiency, while friendliness is indicative of their ability to positively interact with customers. This is an inexpensive strategy to implement and will improve customer satisfaction and retention. Something as simple as a smile can convey a positive image to the customer, making the employee and store seem friendly and inviting. This will create a more positive shopping experience for the customer that they will want to repeat.

### **2.3.3 Store Shoppability**

The largest factor related to the success of Ruffin's Pet Centre is Christopher. He spends a great deal of time, energy, and thought into improving his store and creating sales. His awarded salesmanship and friendly nature is paramount to converting store traffic into sales. None of his employees have the same salesmanship, dedication, and determination as him to keep the store thriving with success. This is a concern because

Christopher will soon be directing his efforts into opening a new Ruffin's franchise which significantly reduce his presence at the Stratford location. In order to maintain sales in his absence a new strategy for sales must be implemented.

Store shoppability, a phrase coined by Dr. Burke, is the ability to transform the needs and desires of consumers into purchases (Burke, 2005). By improving the shoppability at Ruffin's Pet Centre, it is very likely that purchase conversion rates will increase together with acquisition and customer loyalty, even in Christopher's absence. A review of Dr. Burkes paper titled *Retail Shoppability: A Measure of the World's Best Stores* together with specific recommendations for Ruffin's Pet Center will be made in Section 7: Shoppability. It is advised that that these recommendation are to be taken seriously in order to ensure the future viability of this location.

## **2.4 Threats**

### **2.4.1 Wal-mart**

One of the largest threats Ruffin's Pet Centre faces is the competition it will soon receive from Wal-mart. The world's largest discount store retailer is preparing to move into the city of Stratford. Its site and opening day have not yet been announced but it has been strongly eluded that it will be located in the Eastern commercial node of Stratford. It will be part of the Avonwood Shopping Centre (Avonwood) which will most likely be set on an 18.78 acre site that has recently been purchased at the northeast corner of Duoro St. and C.H. Meier Blvd situated near Marketplace (See Figure 2-5). Wal-mart's most significant threat to Ruffin's Pet Centre is its ability to compete for market share and cause a loss of sales. This problem has been outlined by urbanMetrics inc., a consulting

group that has evaluated Wal-mart's viability and impact on Stratford's retail industry. Even though the Avonwood project has not yet been approved by the governing body of Stratford, it is apparent, especially after discussing it with Stratford's Department of Building and Planning, that its presence is welcomed.

**Figure 2-8: Avonwood's Potential Location (A) in relation to the Marketplace (B)**



*Source: Author; adapted from Google Maps*

Avonwood will be made up of several retailers, which have not yet been named, but Wal-mart, due to its sheer size, low prices and notoriety, will pose the greatest threat to Ruffin's Pet Centre.

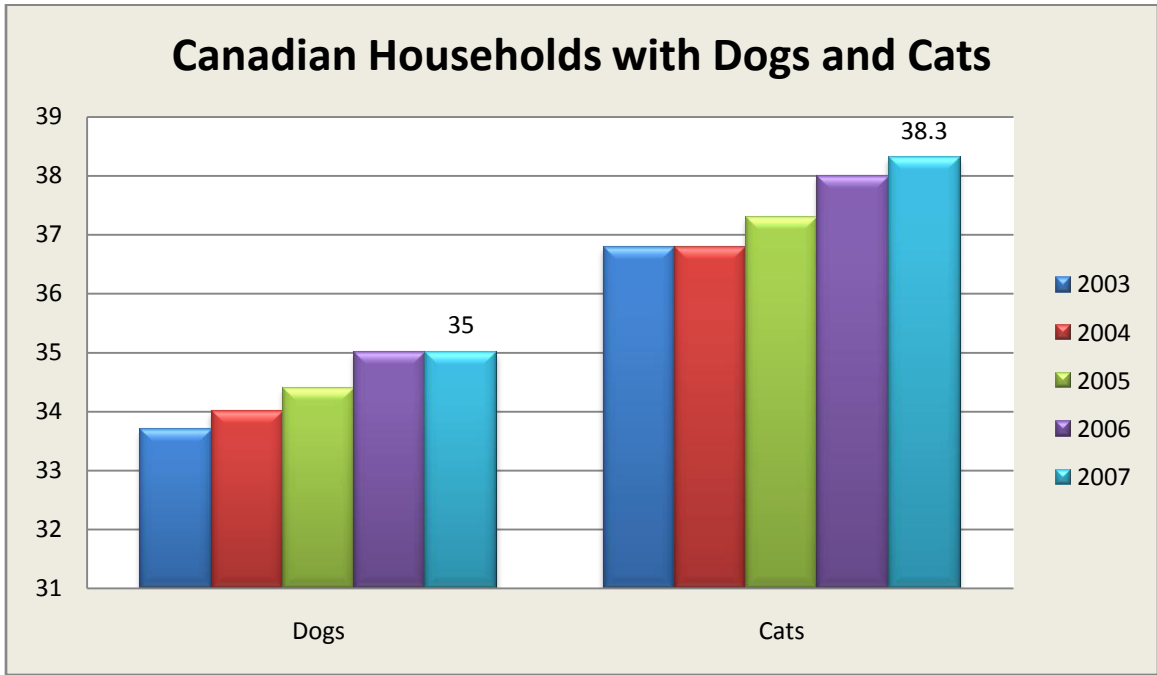
### **3: PET FOOD AND SUPPLY INDUSTRY: CANADA**

The purpose of this general analysis is to determine the trends which currently exist in the pet food and supply industry. By graphically representing data sets provided by three Euromonitor International reports on household pets, pet foods, and pet supplies a rational decision can be made when choosing new products to introduce into the Stratford market.

#### **3.1 Household Animals**

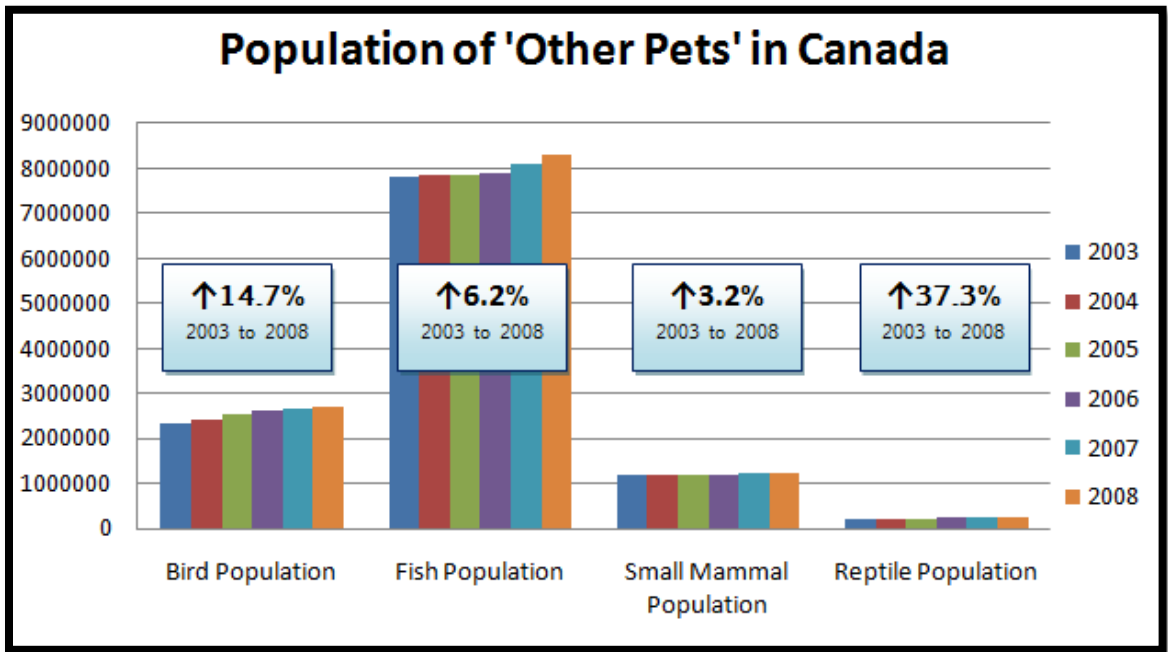
The number of household pets has continued to grow over the past five years. As seen in Figures 3-1 and 3-2, the pets, which have shown the highest growth over the five-year period ranging from 2003-2008, are exotic animals, birds, and fish. As expected, the growth of cats and dogs over this range remained relatively constant due to the high number of households caring for them. The only category that seems to have slowed in growth is the small mammal population, which is made up of animals like rabbits, gerbils, hedgehogs etc. The reason for this plateau is linked to the declining growth rate of children in Canada, as small animals are most commonly purchased by young families who wish to introduce them to their children.

Figure 3-1: Canadian Households with Cats & Dogs



Source: Author; adapted from Euromonitor (2009)

Figure 3-2: Population of 'Other Pets' in Canada



Source: Author; adapted from Euromonitor (2009)



## **3.2 Pet Food and Supplies**

An overview of the current trends seen in today's pet food and supply market for all the aforementioned household pets will be provided in this section. It will begin by discussing one of the major themes in the current pet industry known as 'pet humanisation.' From there it will discuss trends in the Canadian pet foods industry, supported by past, present, and projected annual sales.

### **3.2.1 Pet Humanisation**

Treating household pets such as cats and dogs as members of the family has been a growing trend in Canada. This trend, referred to as pet humanisation, has caused a shift in the prices some Canadians are willing to pay for higher quality pet foods, designer accessories, pet insurance and medical care. In a survey conducted by the Global Pet Food Industry Outlook, a reputable market research group in the industry, it was reported that pet humanisation is the number one trend in the industry. This moves cultural shifts and pricing into the second and third spot from a list of 12 top forecast factors of the industry. The popularity of pet humanisation has changed the product mix that pet owners are expecting to see in the market. Expectations include products that are "functional, condition-specific [that include] novel ingredient[s], [contain] human-grade ingredients, hyper-premium products and fresh/baked foods"<sup>1</sup>

While wet dog foods have been slipping in sales, dry dog foods have been growing in popularity. They are perceived to be more organic, natural, healthy, and convenient to serve than wet foods according to studies conducted by Euromonitor.

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<sup>1</sup> <http://www.packagedfacts.com/about/release.asp?id=909>

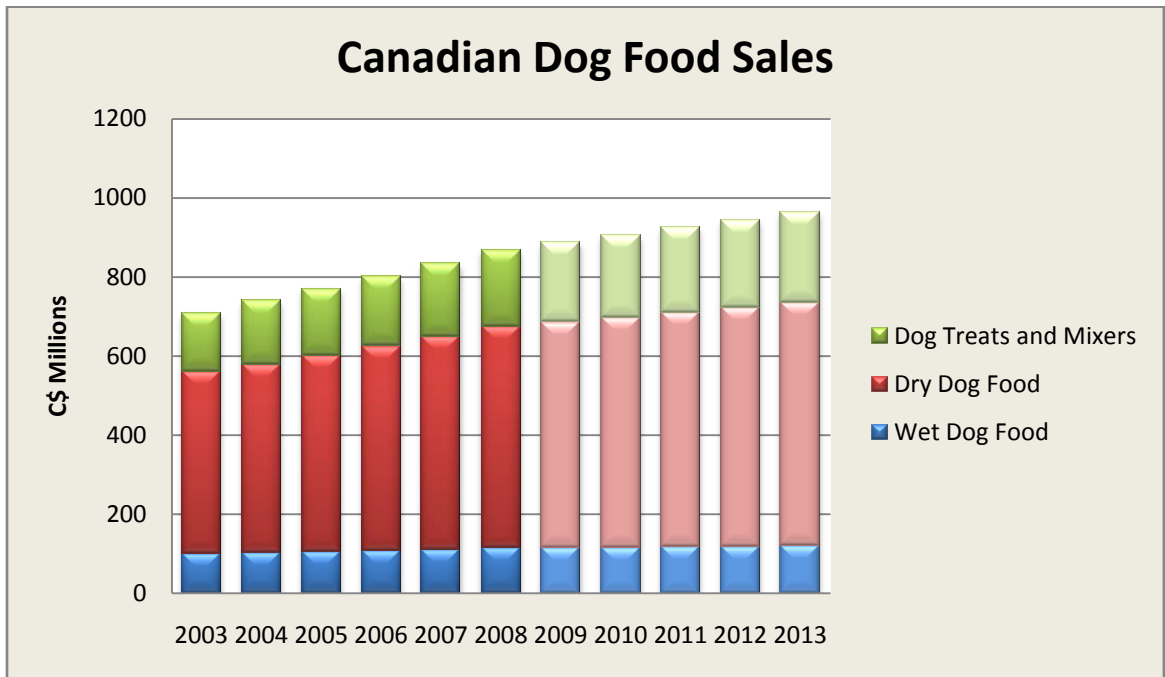
Alternative pet products are also increasing in popularity. As the pet humanisation trend continues to grow, so does the demand for non-prescription healthcare products and dietary supplements. Products that help to alleviate symptoms commonly seen in humans, such as arthritis, joint care, obesity, and dental care, have been manufactured for animals as well. Those who treat their animals as an extension of their family typically demand these products.

### **3.2.2 Dog Food**

Dog food sales have been steadily increasing from 2003-2007, as seen in Figure 3-3. It is predicted that sales will continue growing through to 2013. As previously mentioned, trends, such as pet humanisation, have increased the demand for premium food products. These products are more expensive and usually cannibalized the sale of cheaper generic foods. They cater towards pet owners who want to provide their animals with age, breed, health, and active specific foods. According to the Euromonitor International reports on dog food, it is expected that premium foods will grow by a CAGR of 2.0% from 2008 – 2013 in Canada. Considering that 44% of all Canadian dog food sold is considered premium, this rate of growth is substantial.

As seen in Figure 3-3, each dog food category grew in sales since 2003. The category with the highest percentage growth from 2003 – 2008 was dog treats and mixers with a sales increase of 32.2%. Dry dog food showed an increase of 21.9% while wet dog foods grew by 12.6%. Despite these growth rates, dry dog food prevailed in popularity.

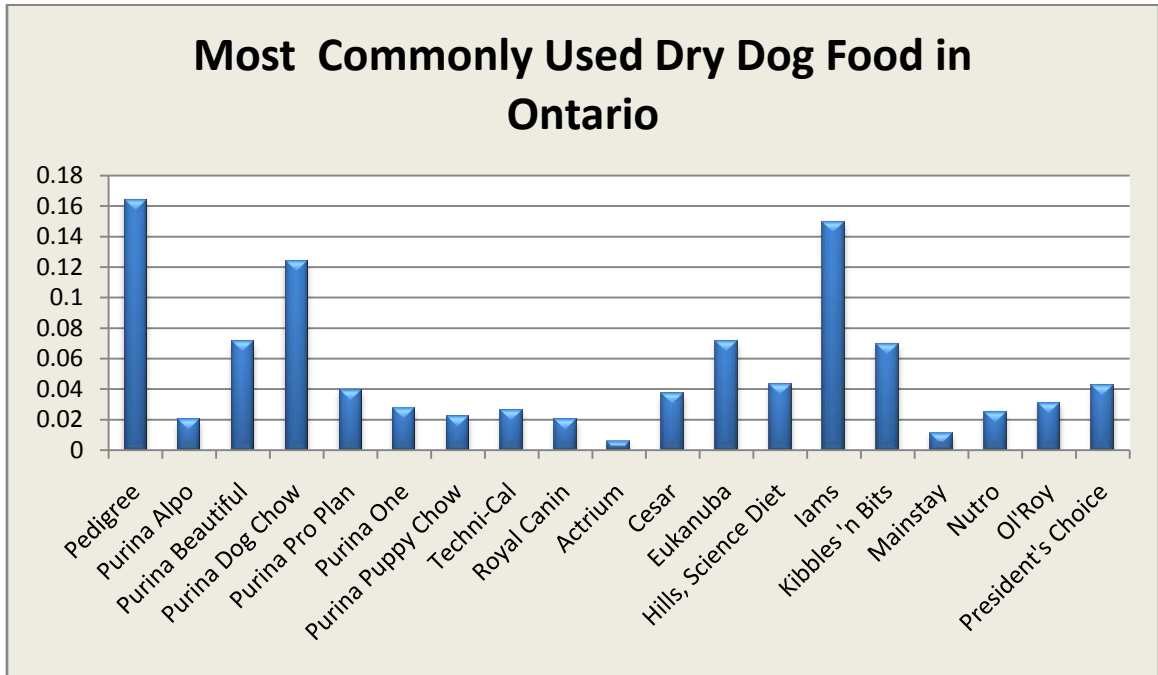
**Figure 3-3: Canadian Dog Food Sales**



*Source: Author; adapted from Euromonitor (2009)*

From the given list of dry dog foods sold in Ontario, the most popular brands were Pedigree, Iams, and Purina Dog Chow, as seen in Figure 3-4.

**Figure 3-4: Most Commonly Used Dry Dog Food in Ontario**

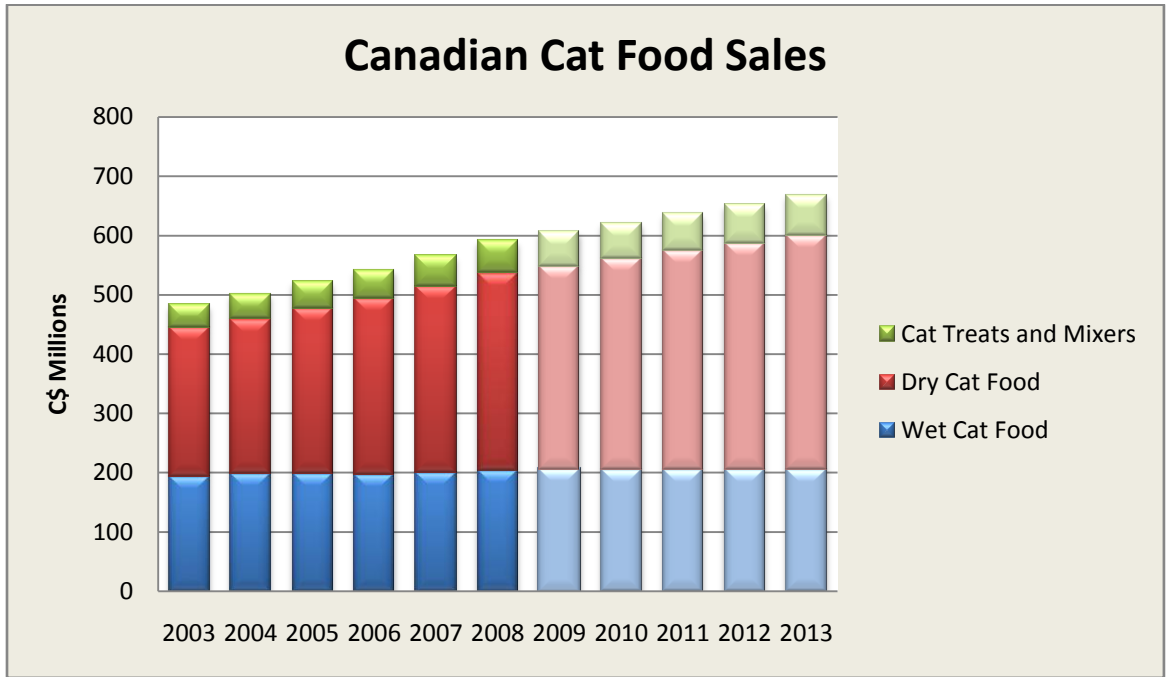


*Source: Author; adapted from Print Measurement Bureau Canada (2008)*

### 3.2.3 Cat Food

Consumer expenditure on cat food has been increasing since 2003. This trend is expected to continue through to 2013. As seen in Figure 3-5, cat treats and mixers have realized the highest percentage growth from 2003 to 2008 with an increase of 40.5%. This trend is similar to that seen in dog food sales. Analogous to the trends for dog food sales, dry cat food grew by 32.4% followed by wet cat food with a steady increase of 5.7%. Approximately 50% of cat food sales in 2008 were from the premium food category which realized a CAGR of 8.0% (Euromonitor International, October 2008).

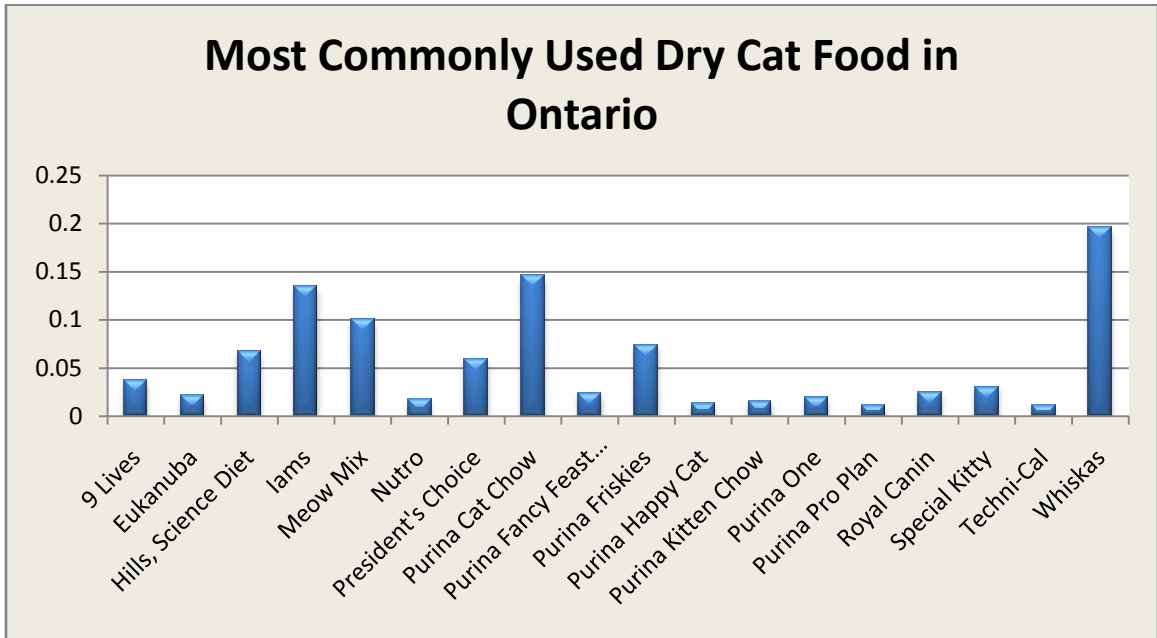
Figure 3-5: Canadian Cat Food Sales



Source: Author; adapted from Euromonitor (2009)

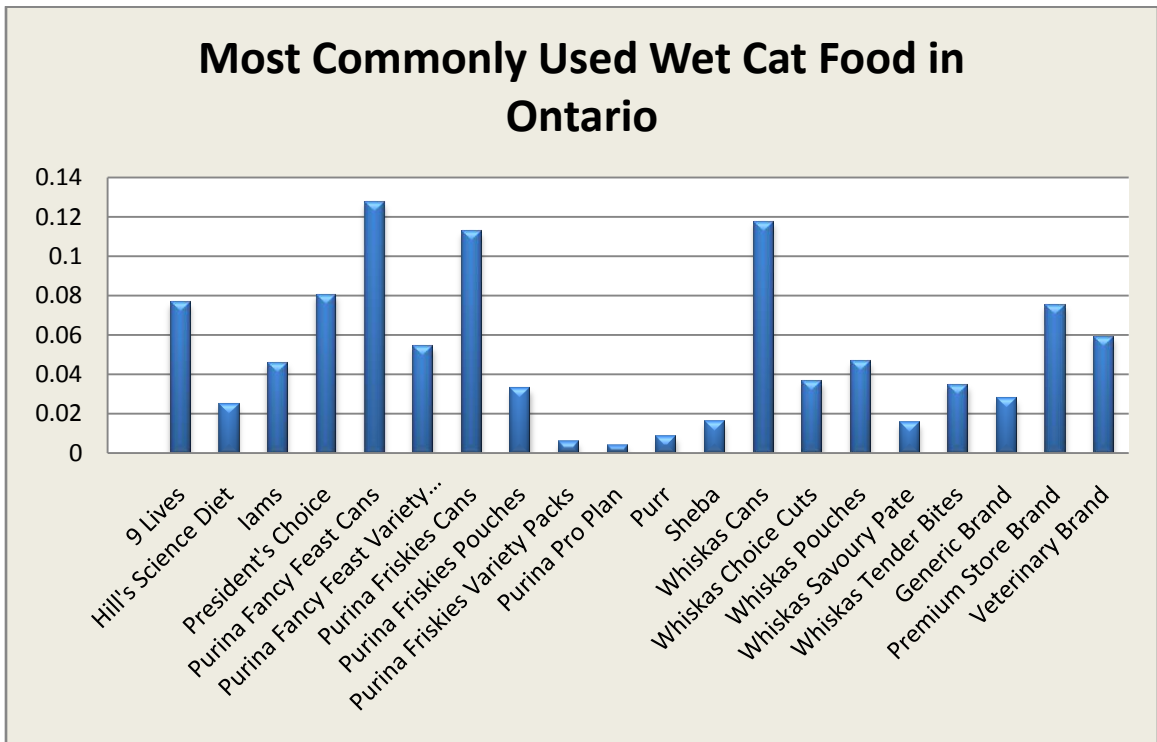
Due to the high annual sales for both dry and wet cat food, data on the most popular cat foods for both food types were made available by the Print Measurement Bureau of Canada. As seen in Figure 3-6, the most commonly used dry cat foods are Whiskas, Purina Cat Chow, and Iams. The most commonly used wet cat foods were Purina Fancy Feast Cans, Whiskas Cans, and Purina Friskies Cans as seen in Figure 3-7.

**Figure 3-6: Most Commonly Used Dry Cat Food in Ontario**



Source: Author; adapted from Print Measurement Bureau Canada (2008)

**Figure 3-7: Most Commonly Used Wet Cat Food in Ontario**

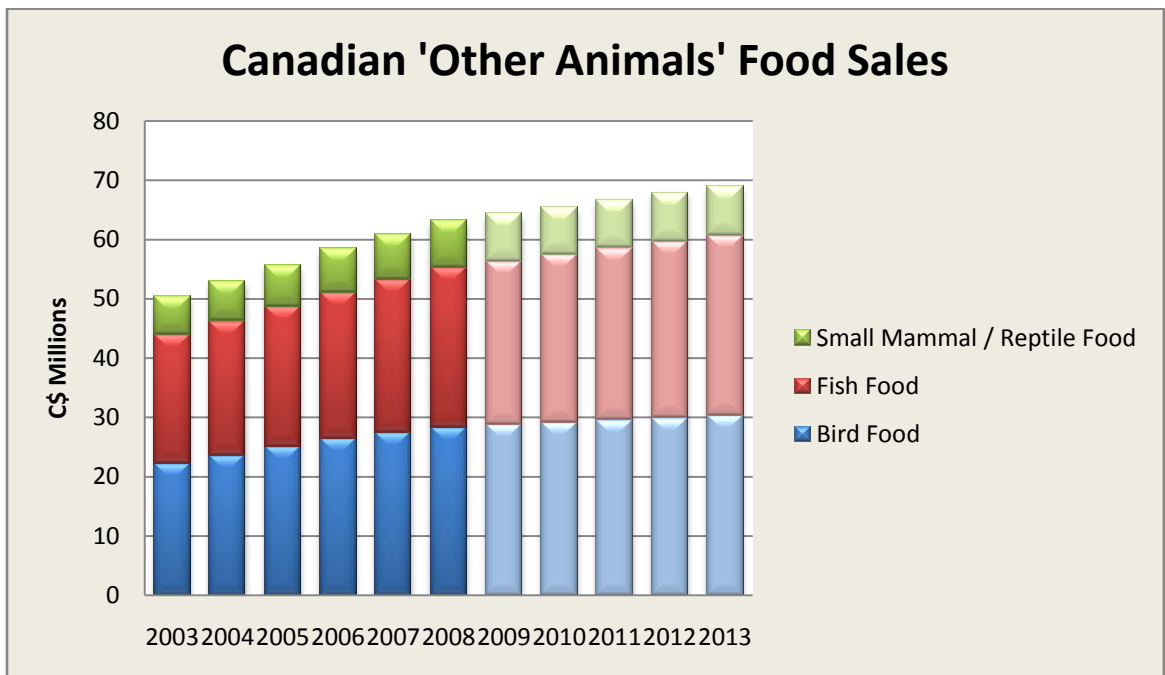


Source: Author; adapted from Print Measurement Bureau Canada (2008)

### 3.2.4 Other Pet Food

Fish, exotic animals and their respective foods have been driving the growth of the other pet food sector in the past years. Reports suggest that fish aquarium hobbyists have been adding to the sales of fish as well as reptiles. Terrariums have also been growing in popularity as they bring a new element of life and decoration to households. The sales of exotic pets have led to the increased sales of expensive and highly specialized foods such as crickets, worms, and mice. The largest category of sales is bird food which also had the highest growth in sales from 2003 to 2008 with 26.9%. This is closely followed by fish food and small mammal / reptile food sales with sales growths of 24.4% and 23.4%, respectively.

Figure 3-8: Canadian 'Other Animals' Food Sales

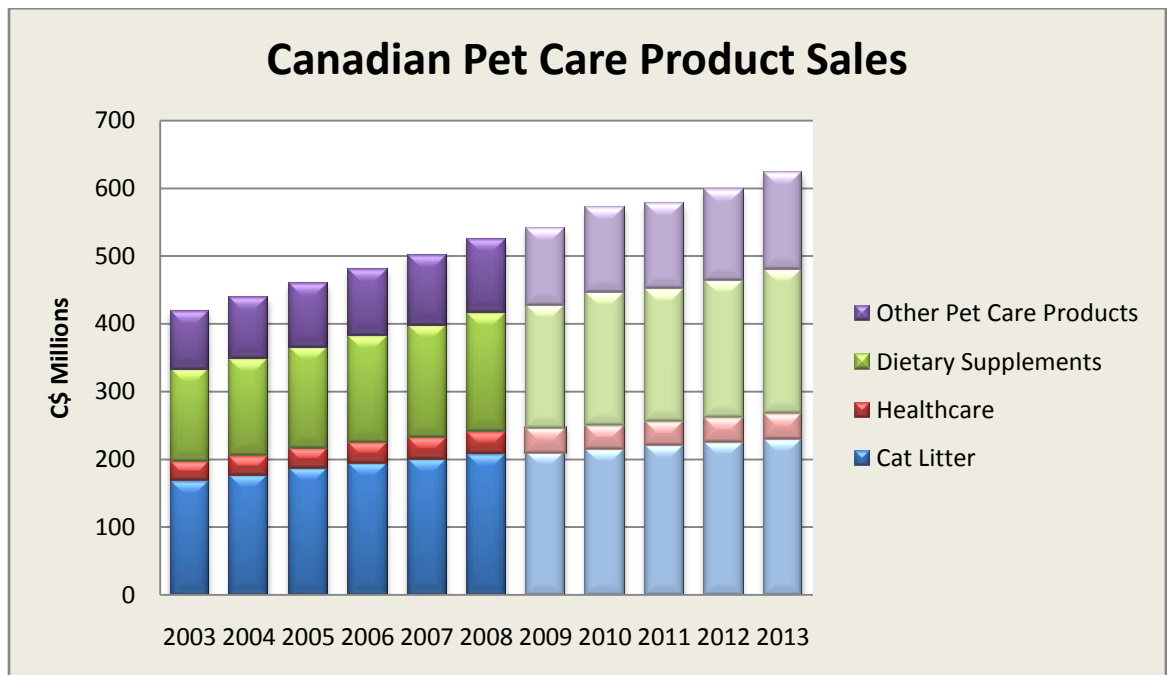


Source: Author; adapted from Euromonitor (2009)

### 3.2.5 Pet Care Products

The increasing trend of pet humanisation, has led to the increased demand for dietary supplements. Products that reduce pain, arthritis, weight, and combat signs of deteriorating health are more popular now than ever before. In 2008, dietary supplement sales grew by 5.0%. (Euromonitor International, February 2009) Other products, such as designer clothes, collars, and leashes, have also increased in sales. For pet owners who are equally concerned for the welfare of their animal as they are for fellow family members, medicinal or dietary pet care products are no longer an option, but a necessity. Dietary Supplements showed the highest growth in sales from 2003 to 2008 (See Figure 3-9) with an increase of 27.5%. This was followed by other pet care products, cat litter, and healthcare products with respective sales increases of 27.2%, 23.1%, and 22.2%.

Figure 3-9: Canadian Pet Care Product Sales



Source: Author; adapted from Euromonitor (2009)



This trend has also spilled over into the pet care and supply industry. An increasing number of pet owners are now willing to buy supplies and accessories such as designer collars and clothing. This Canadian industry is expected to grow at a CAGR of 4.0% from 2008 – 2013. (Euromonitor International, October 2008)

## **4: WAL-MART**

The future success or failure of Ruffin's Pet Centre is highly dependent on how well it operates once Wal-mart opens in Stratford, Ontario. The threat posed Wal-mart is significant because of its ability to undersell anyone else in the market. The combination of its bulk orders, efficient logistics, and low costs strategy allows Wal-mart to offer the 'lowest prices guaranteed'. This section discusses the projected impact Wal-mart will have on Ruffin's Pet Centre as well as recommended strategies Ruffin's should consider in order to sustain its business.

### **4.1 urbanMetrics inc.**

urbanMetrics inc. is a real estate consulting firm that provides public and private sector units strategic, market, and economic advice. It has prepared a market demand & impact analysis – peer review for the City of Stratford on the feasibility and location suitability of Avonwood. The report compiled by urbanMetrics inc. assesses whether or not a market demand exists for this project. It also investigates Avonwood's potential location to best suit the commercial structure of Stratford if a demand does exist.

urbanMetrics inc. considers data provided by a 2005 report prepared by Malone Given Parsons Ltd. titled "City of Stratford C.H. Meier Blvd. & Douro St. Retail Centre Market Demand and Impact Analysis" and the 2006 report submitted by The Hudson's Bay Company, RioCan Property Services Inc. and Tanurb Investments Inc. titled "Market

Demand and Impact Analysis, Proposed Avonwood Shopping Centres Development, C.H. Meier Boulevard and Douro Street, Stratford, Ontario.” The latter of the two reports was written by Kircher Research Associated Ltd. and it opposes the Avonwood project.

urbanMetrics inc. has cross-examined both reports in order to give the city of Stratford an unbiased recommendation on how to move forward with this project. The discussion which follows will focus on the potential impact this project will have on Ruffin’s Pet Centre located at the Marketplace Shopping Centre.

From the market research conducted by the previous stated consulting groups the Avonwood project was deemed warranted. Data from both parties concluded that the Stratford market had been growing at a sufficient rate and that the general market trend had been strengthening.

The report went on to analyze the impact that the Avonwood Project would have on the commercial structure of Stratford. It stated that a transfer of sales would occur, but at acceptable levels. In addition, a long-term impact on existing retailers was not expected. The integrity of these claims regarding the impact of Wal-mart will be analyzed.

The current commercial structure can be divided into three areas: the western commercial node, the downtown core and the eastern commercial node. The aforementioned reports recommended that the Avonwood Project would be most successful if it were located in the eastern commercial node which led to the purchase of 19 acres of commercially zoned land for this project. Even though the project has not yet

been approved by the Stratford City Council, the governing body of Stratford, it is highly likely that it will be in the near future.

## **4.2 Wal-Mart's Projected Impact on Ruffin's Pet Centre**

Kircher Research Associated Ltd. (KRA) conducted a department store analysis to determine the magnitude of sales transfer from the Stratford market once Wal-mart entered into it. It did this by creating two scenarios for non-department store GAFO in Stratford. In the first scenario, Wal-mart and the auxiliary retail space, which will be part of the Avonwood Project, is expected to have sales transfers of \$14.2 million CAD in its first year of operations. Within four years, non-department store retailers are expected to see this decrease to \$5.3 million CAD. Considering Wal-mart is expected to open in the eastern commercial node, it is expected that those located there will see higher sales transfers than both the downtown and western commercial core.

It appears from Table 4-1 that non-department stores from Marketplace and Stratford Mall, including Ruffin's Pet Centre, will see the highest percent of sales transfer at 55%. As a result, KRA expects sales of the associate retailers, excluding both Zellers and Sears, to drop by 19.2%. If this is the case, Ruffin's Pet Centre can expect to see annual sales drop from current annual sales of \$173.67<sup>2</sup> to \$140.32 per square foot. Given that KRA is not in support of the Avonwood Project, it may have made some biased recommendations and projected values that are slightly biased. However, urbanMetrics Inc. also recognizes the large potential shift in sales due to Avonwood's presence also seen in Table 4-1.

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<sup>2</sup> Based on Ruffin's Pet Centre's 2008 Annual Income Statement

**Table 4-1 Distribution of Sales Transfers in Stratford Area**

	<b>KRA %</b>	<b>urbanMetrics%</b>
Downtown	20	15
<b>Festival Marketplace</b>	<b>55</b>	<b>45</b>
Other Stratford	25	40
Total	100	100

*Source: Author; adapted from urbanMetrics Inc. (2007)*

A study conducted by Stone (Stone, 1997) explored the amount of retail trade some small towns in Iowa lost to Wal-mart after co-existing for up to 10 years. These results were compared to small towns with similar operations and populations that did not have Wal-mart stores. The populations of these towns ranged from 5,000 to 40,000, similar to that of Stratford, Ontario. The July 1, 2009 estimate for the population of Stratford was 31,953, up 0.96% from 2006 (Market Surveys Canada: Stratford, 2008). From the variety of stores polled by Stone Ruffin’s Pet Centre was most similar to the ‘Specialty Stores’ category. These types of stores are in direct competition with Wal-mart because of their similar mix of products. Studies revealed that after three years of co-existing with Wal-mart smaller retailers realized a 10% decrease in annual sales.

### **4.3 Wal-mart's Prominent Strength**

Wal-mart is well known for its low prices as embodied in their "EDLP" or "Every Day Low Prices" strategy. Their motto reads, "Always Low Prices. Always Wal-Mart." This company successfully grew at a pace that matched their logistic abilities. It was not until 30 years after the first Wal-mart opened that it became a fully national chain. Its carefully implemented strategy of streamlining costs gave it its most recognizable attribute: its ability to under price competitors (Tigert, 1993). In some cases, it has the ability to sell items to consumers at prices cheaper than at rates local retailers can buy them for from their distributors. However, this is not their only core competency. Wal-mart is also recognized for its friendly sales representative and strong cultural values.

Those who shop at Wal-mart usually do so because of the low prices. Arnold *et al* found that those who shop at Wal-mart most often identified low prices as being the most important attribute to their shopping experience, more so than those who shop at other retailers more often (Arnold, 1998). This price sensitive market segment will be hard to attract. As mentioned before, Wal-mart is widely known for its low prices. However, low prices are often directly correlated with low quality. It is recommended Ruffin's should compete in terms quality rather the by price. After all, Wal-mart is not particularly distinguished on the quality of its merchandise (Miller, 1993).

### **4.4 How have other small retailers dealt with Wal-mart?**

Given that Wal-mart has the advantage of selling competitively priced products at high sales volumes, it may seem impossible for smaller retailers to compete. What seems surprising is that many small retailers who feel threatened by Wal-Mart's presence take

on a passive acceptance of losing their market share (Peterson, 2000). In other words, they submit to Wal-mart and accept the idea that they will have lower annual sales in the future. However, this does not have to be the case.

A study conducted by Litz and Stewart analyzed the strategies implemented by small hardware stores in response to the arrival of Home Depot stores. Those who made changes to their day-to-day operations did not necessarily see benefits. Instead, it was those that made complex and demanding changes (Litz, 1997) who realized benefits from these changes. An example from this report considered extending hours to be a simple change while changing the product mix to be a complex change.

From earlier works by McGee (1996), groups of small retailers competing with large incoming retailers, such as Wal-mart, were divided into two categories. One was made up of retailers competing in a hostile environment while the other was competing in a non-hostile environment, where a hostile environment was described as risky, stressful, and dominating. Those competing in a hostile environment realized hampered annual sales similar to what Ruffin's Pet Centre will soon face. This article found the most effective strategies to compete in this environment were the following: implement creative pricing tactics and improve quality of merchandise. Empirical evidence supports these strategies.

A study conducted by Peterson and McGee (Peterson, 2000) surveyed 191 retailers from Midwestern USA, three years after Wal-mart arrival. The purpose of the study was to identify how each retailer responded to Wal-mart's arrival. Some retailers were negatively impacted by their presence while others thrived as seen in Table 4-2.

**Table 4-2: Impact of Wal-mart on Local Retailers (Peterson, 2000)**

<b>Respondents (%)</b>	<b>Change in sales</b>
30	Sales dropped by more than 10%
23	Sales dropped up to 10%
14	Sales increase of up to 10%
6	Sales increase more than 10%

*Source: Author; adapted from Peterson and McGee (2000)*

From those who realized failing annual sales the following three fields refocused to remediate their perilous situation. The first field to see changes was retailing activity. Those who changed marketing strategies, modified target markets, removed common product lines and added differentiated product lines realized the most success. The second field was promotional activity. Those who increased their promotional budget, used more sales promotions, spent relatively more on radio and print ads, and changed their advertising messages realized the most success. The final field was sustainable quality emphasis. Those who provided personal attention to customers, high quality merchandise, liberal return policy, and employee training programs realized the most success.



#### **4.5 Does Wal-mart offer any benefits?**

Wal-mart does pose a risk by infringing on Ruffin's Pet Centre's sales, but it may have something positive to offer. By adding to the number of retail outlets on the eastern side of the city, it has the potential to strengthen this node by increasing its popularity. In doing so, it has the potential to increase the amount of traffic realized around the area. This hypothesis is supported by Ozment who reported that Wal-Mart acts as a retailing magnet and has the ability to attract consumers from neighbouring towns and communities (Ozment, 1990). Considering that the Avonwood Project will be located just off Ontario Street, it is highly likely that consumers will drive by the Marketplace to get there.

#### **4.6 Summary**

Insofar, research suggests that small businesses such as Ruffin's Pet Store will need to review and alter their current business strategies in order to compete in the same market as Wal-mart. The consulting review by urbanmetrics Inc. foresaw a turbulent future and predicted that 19.2% of annual sales would be lost by Ruffin's in the first year of Wal-mart's presence. However, this does not need to be the case. Research suggested that it is possible to thrive in Wal-mart's presence if the right steps are taken. The most common recommendations for retailers were as follows:

1. Differentiate your product mix by offering the market higher quality goods
2. Use a creative pricing technique
3. Alter marketing strategies
4. Modify target markets

5. Remove common product lines
6. Increase promotional budget (Radio and Print Ads)
7. Provide Personal Attention to Customers
8. Employ Liberal Return Policies
9. Implement Employee Training Programs

## **5: MARKET ANALYSIS & DEMAND ESTIMATION FOR SUPER-PREMIUM PET FOOD AND EXOTIC ANIMALS**

### **5.1 Introduction**

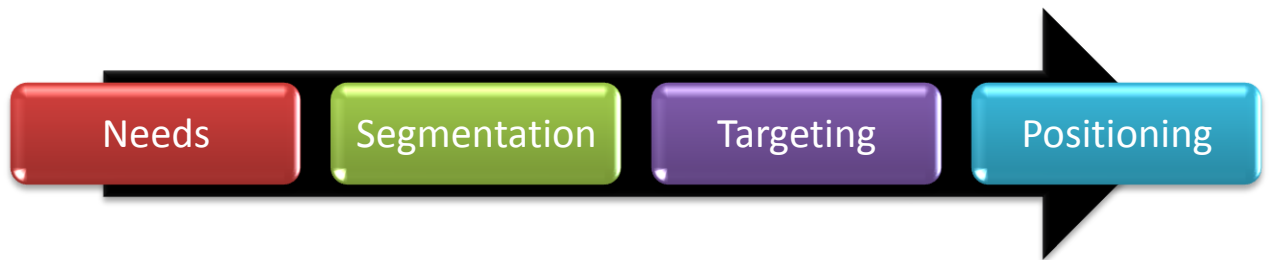
Based on the findings of the aforementioned journal articles, it is apparent that Ruffin's needs to make some changes in order to survive in the same market as Wal-mart. If it makes the right changes, it not only has the ability to survive, but thrive. In order to thrive, it is recommended that Ruffin's Pet Centre offers Stratford and the surrounding market differentiated products such as super-premium foods and exotic animals.

From the industry analysis conducted in Section 3, it is clear that there has been a shift in consumer trends where pet owners are more concerned about the quality of food being fed to their pets. There is a high demand for premium products, especially for dry dog and cat foods and quality treats and mixers. There has also been a growing demand for exotic animals. From a core competency perspective, Christopher Koslowski has been dealing with fish and exotic animals for many years. His expertise on the subject matter and ability to care for these creatures, especially with their growing popularity, are all reasons to continue offering them to the Stratford market.

### **5.2 Customer Marketing Process: Stratford**

A common framework to analyze and describe a market is the Customer Marketing Process, as seen in Figure 5-1. It investigates the needs and segments of any given market and evaluates the viability and demand for recommended products. The products in questions are super-premium pet foods and exotic animals.

**Figure 5-1: Customer Marketing Process**



*Source: Author; adapted from Measuring Marketing by John Davis (2007)*

### **5.2.1 Needs**

The Stratford market has not shown an articulated need for super-premium pet foods, but this may be because they are not yet available. Currently, a mix of standard and premium foods is sold at Ruffin's Pet Centre, but nothing as specialized as super-premium pet foods. These foods are made with top quality ingredients that are usually of human grade. They are free from chemical preserving agents and colour, and include a variety of vitamins and minerals. The challenge in introducing these products to the Stratford market is determining whether or not the markets' needs are hidden, unknown or non-existent.

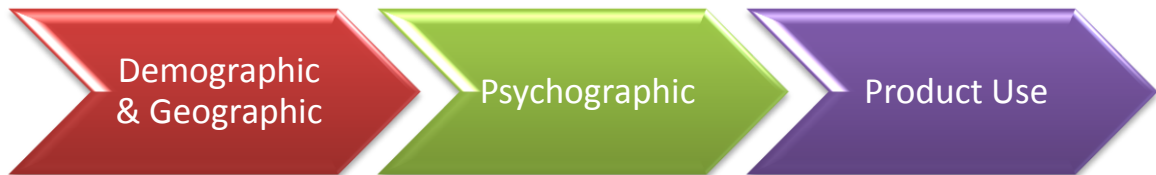
At the moment, there is an articulated need for exotic animals in Stratford. However, the group representing this need is currently very small. Whether or not a larger market exists and has the ability to sustain a larger line of exotic animals is of question.

### **5.2.2 Segmentation**

In order to determine the viability of super-premium pet foods and exotic animals it is necessary to identify market segments from Stratford looking to purchase them. A

common framework used in marketing divides segmentation into these three fundamental areas as seen in Figure 5-2.

**Figure 5-2: The fundamentals of Market Segments**



*Source: Author; adapted from Measuring Marketing by John Davis (2007)*

### **5.2.2.1 Demographic and Geographic Overview**

The demographic and geographic characteristics of Stratford, Ontario, are intended to provide a general overview of the population. Its target is not to give insight into the viability of the products in question. Despite this shortcoming, this information will be useful in determining marketing strategies dependent on each product's potential viability.

#### **5.2.2.1.1 Stratford**

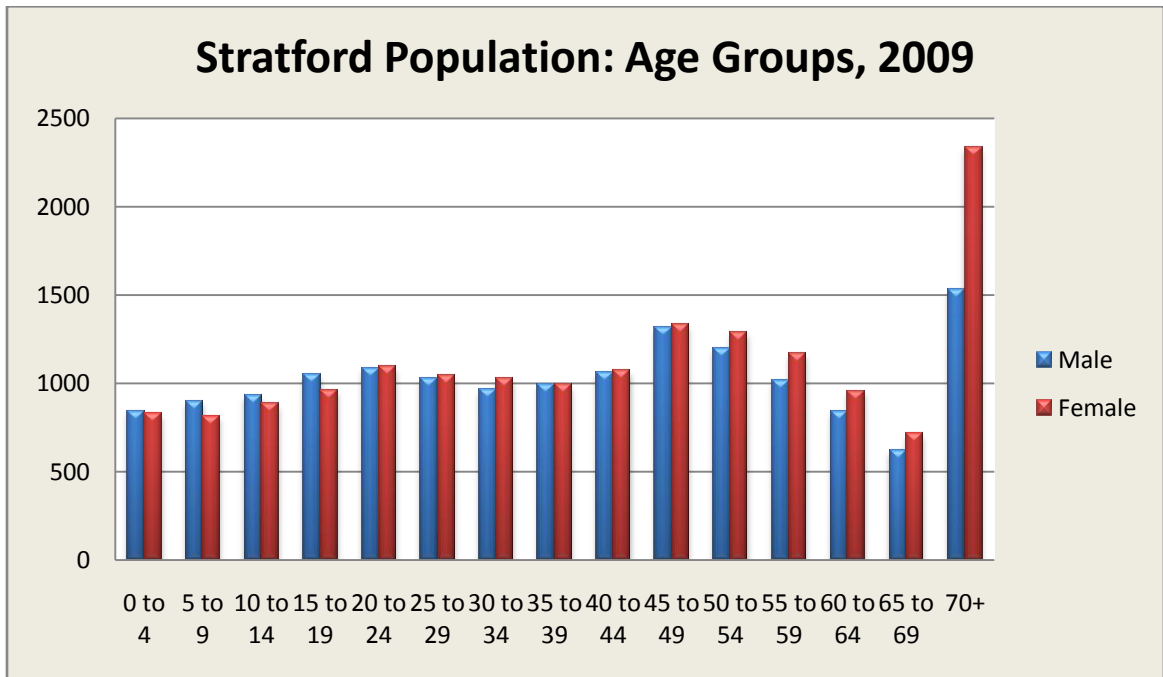
The small city of Stratford Ontario, first established in 1886, is set in rural southwestern Ontario. It is best known for hosting the annual Shakespeare Festival from April through to November. Due to the festival's popularity and scale, selling more than 500,000 annually, it has greatly benefitted the local economy. Additionally, Stratford also has the highest concentration of manufacturing industries in any given area from all of Canada (Market Surveys Canada: Stratford, 2008). This mixture of consumers gives local retailers a unique market to deal with. As a result, the retail industry is 24% above the

national average. Moreover, retail sales are predicted to grow by nearly 2.0% within the next two years, reaching a projected annual retail sales value of \$496,820,000 by 2011 (Market Surveys Canada: Stratford, 2008).

**5.2.2.1.2 Population**

The following information is provided by the Financial Post (Market Surveys Canada: Stratford, 2008) The 2009 population of Stratford is estimated to be 31,953 which is representative of a 1.0% growth in population since 2006. Currently, 52% of the population is female and the dominant age group is 70+, as seen in Figure 5-3. From this Stratford population the most prevalent language spoken at home is English, with 97%, followed by Spanish, Punjabi and German composing 0.5%, 0.4% and 0.3% of the population, respectively.

**Figure 5-3: 2009 Projected Population of Stratford, Ontario**



*Source: Author; adapted from Market Surveys Canada, Stratford (2008)*

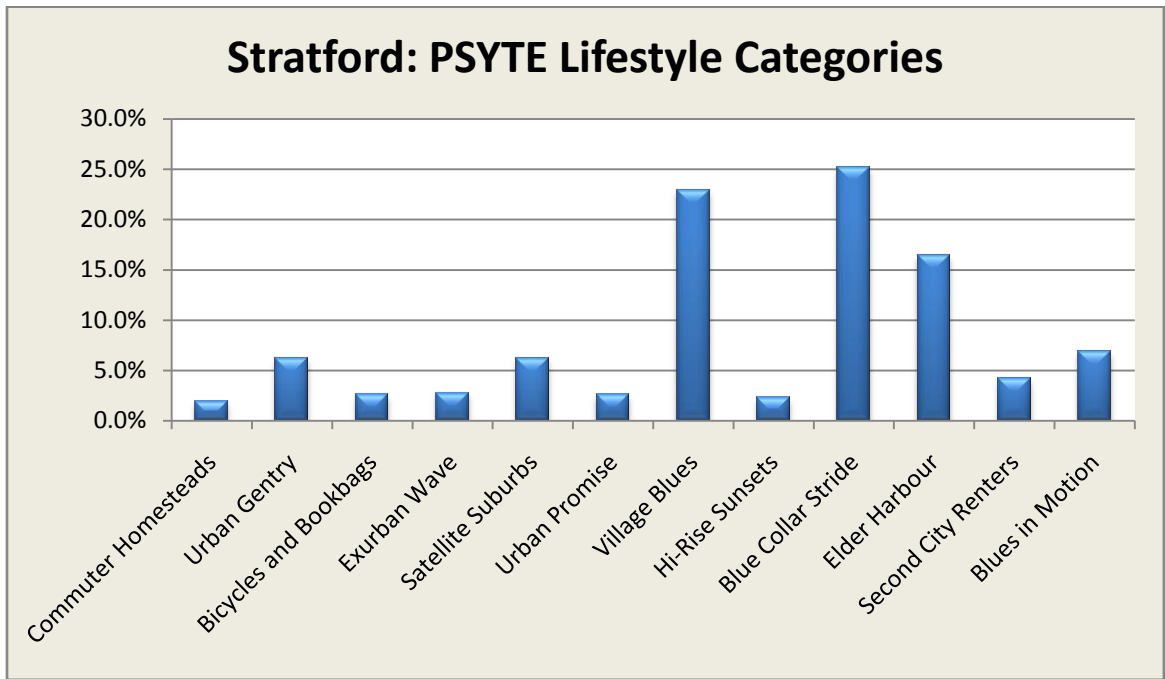
#### **5.2.2.1.3 Income**

The 2009-estimated average income per household currently resides 4% below the national average at \$71,400, with just under 20% of households earning incomes of \$100,000 or more. The majority of females work in the Sales and Services industry while the majority of males work in the trades, transportation and equipment operations industry. From the population greater than 25 years of age, 16,496 hold some sort of certificate, diploma or degree while 4,875 do not.

### **5.2.3 Psychographic Overview: Lifestyles in Stratford**

Stratford is a city made up of several different socio-economic groups evidenced by 2009 PSYTE as seen in Figure 5-4. PSYTE is a segmentation system that uses statistical clustering methods to classify neighbourhoods into mutually exclusive lifestyle sectors. The most prominent lifestyle categories in descending order are Blue Collar Stride, Village Blues and Elder Harbour. These three categories make up nearly 65% of the Stratford population. The following geodemographic cluster descriptions are made available by PSYTE Canada Advantage (Mapinfo, 2008).

**Figure 5-4: PSYTE Lifestyle Categories of Stratford, Ontario**



*Source: Author; adapted from MapInfo's PSYTE Canada Advantage (2008)*

The most prominent lifestyle in Stratford is the Blue Collar Stride. This category best describes urban lower middle class citizens. The average annual income for those in this segment is \$49,500 with careers predominantly in manufacturing, construction and the traditional trades. The second most common category is the Village Blues. This group consists of middle-income families residing in mid-scale towns and ex-urban areas. An average annual family income nears \$61,000 and consist of blue collar and service sector workers. These families have ample space and resources to raise children and either have a high school education or diploma. The third most common category is the Elder Harbour. This group consists of downscale individuals many of which are widows and widowers. They reside in towns and ex-urban area. Despite having an average household



income of \$46,000, many 'Elder Harbours' are homeowners who have paid off their mortgages and have a considerable amount of disposable income.

Other lifestyles, although not as prominent, are the Blues in Motion, Urban Gentry and Satellite Suburbs which account for a total of 6.85%, 6.22%, and 6.17% of the households in Stratford. The Blues in Motion is a group mainly composed of single people and lone parents. They are considered to be urban downscale and earn average family incomes of \$36,000 from seasonal work in the agricultural or extraction industries. Blues in Motion typically live in mobile homes and travel to work. They are vastly different from the Urban Gentry. This group is mainly composed of university-educated households with incomes averaging \$96,000. Interests include foreign travel, the local jazz scene, theatre tickets, and others which are similarly conservative. They live in well-to-do neighbourhoods which generally tend to be composed of older homes ranging from the 1950's and 1960's. The Satellite Suburbs tend to live in new suburb developments that are close to town. This group is made up of families that usually include residents from Slavic ancestries. They enjoy average incomes of \$72,000 and live an upper middle class lifestyle.

The following lifestyles may be present in the Stratford community but only in sparse numbers. However sparse they are, they collectively contribute to the economic value of Stratford and make up more than 13% of the population and therefore are worthwhile mentioning. These lifestyles include the Second City Renters, Ex-urban Wave, Bicycle and Bookbags, Hi-Rise Sunsets and Commuter Homesteads. The Second City Renters make up 4.18% of the Stratford population and are part of the urban downscale demographic. Household incomes average at \$43,000 and the majority of

renters live in high-rise, walk-up, or neighbourhood duplexes. These living quarters are generally smaller living spaces but are suitable for the younger and lone parent market segment. The Exurban Wave makes 2.76% of the market. Those from this category live comfortably with average household incomes of \$82,000. These young families inhabit newly developed areas mainly made up of single detached houses with large backyards and plenty of space to raise children. The next group, Bicycle and Bookbags, consists of young families with school-aged kids raised in four to five bedroom homes from the 1980's and 1990's. They make up 2.62% of the population and have household incomes exceeding \$90,000. The Hi-Rise Sunsets group makes up 2.26% of the population and consists of active seniors who travel to places close to home, such as the local theatre. Household incomes range from upwards of \$60,000 with widows, widowers, and older 70+ couples dominating this category. The final category, Commuter Homesteads, makes up 1.92% of Stratford's population. Their average household income is \$105,000, and is dominated by middle-aged families. These families enjoy living on the outskirts of town and don't mind driving past suburbs for peace and quiet.

#### **5.2.3.1 Product Use**

With the growing popularity and doubtful recession of the pet humanisation trend, super-premium pet food sales continue to grow. These foods, which are considered holistic and natural, are most conducive to pet owners who value quality. In 2007, there was a major pet food scare that resulted from the distribution of melamine-tainted foods across North America. As a result, it left large pet food companies with a marred reputation due to the questionable sanitary conditions found at their manufacturing plants. Conversely, smaller operations responsible for super-premium foods appeared to have

better control over sanitary conditions and overall food quality appealing to quality conscious consumers. Other consumers more concerned with the lifespan and health of their animals are also turning to super-premium foods.

The number of households purchasing exotic animals is also growing continuously. It used to be that these creatures exclusively appealed to “terrarium hobbyists” but this has changed over the years. They now appeal to the present day decorative needs of condominiums, too.

#### **5.2.4 Targeting**

Both of these product categories appeal to different market segments from Stratford, Ontario. According to Kotler’s five approaches to targeting and market selection patterns, this situation is best described by *Selective Specialization* (Kotler, 2003). This is described by a company that believes it can successfully introduce many different products to unrelated markets simultaneously.

The most appropriate markets to be targeting for super-premium pets foods are those which have higher than average incomes and can justify the expense, wish to partake in the pet humanization trend, or are older and alone and wish to keep their pets for as long as possible. Given the average household income in Stratford is \$71,406, it is expected that families purchasing super-premium foods will most likely exceed this. However, all senior citizens including couples, widows and widowers, will also be targeted due to their high disposable incomes and attachment to animals. The market segment targeted by super-premium foods is made up of the following lifestyles: Elder Harbour, Urban Gentry, Satellite Suburbs, Ex-urban Wave, Bicycle and Bookbags, Hi-rise Sunsets and Commuter Homesteads. Collectively, these groups account for 38.31%

of the population and a total market value of \$1,048,387.30, as seen in the following section.

The most appropriate market to be targeting for exotic animals are childless or single households living in small square footage (<1200) dwellings or condominium. The PSYTE lifestyles from Stratford that best match this criterion is the Second City Renters. This group accounts for 4.81% of Stratford's population and has a total market value of \$204,933 as seen in the following section.

## **5.2.5 Potential Market**

### **5.2.5.1 Super-Premium Pet Food**

The pet humanisation trend is expected to continue growing despite the dire economic climate of the past year. This assertion is based on the fact that the demand for super-premium pet food has been inelastic in the past and should therefore continue to be so because its pet owners regard it as necessity rather than a luxury. However, introducing a super-premium food into a market which has not yet established any type of loyalty towards it may prove to be difficult. The benefit which Ruffin's Pet Centre has, although risky, is establishing a market demand.

Creating a demand for these products will be difficult to achieve given the number of indirect and direct substitutes available to customers in the Stratford area. Substitutes are sold at outlets such as supermarkets, grocery stores and other pet stores, as previously seen in Figure 1.1. Generic and premium brands have been dominating pet food sales in the Stratford area and an articulated need for superior products has not yet been established. If it is discovered that there is a latent need for super-premium products in Stratford, Ruffin's Pet Centre has the ability to capture a first-mover advantage thus

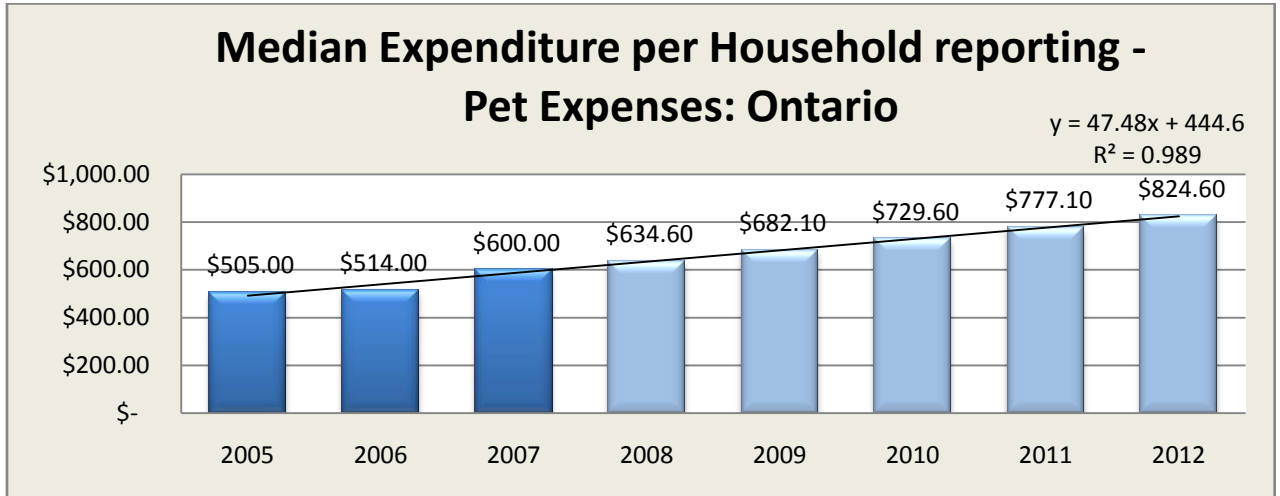
creating a monopoly. Once a successful monopoly has been established there exists a nearly certain threat that other retailers will move in and sell similar products. The barrier to entry for other retailers to start selling this grade of products is extremely low. The primary advantage of being a first mover is the chance to establish client relationships before anyone else. As a result of these establishments, Ruffin's Pet Centre can better accommodate to the needs and wants of this market segment. This will most likely increase customer loyalty as well.

#### **5.2.5.1.1 Determining the Market Value**

It has been established that 38.31% of residents in Stratford demonstrate the appropriate lifestyles to be consumers for super-premium pet foods. Either they are families with an above average household income, or elderly with an above-average household disposable income. From Figure 5-5, we see that the general trend for pet expenditure has been on the rise in Ontario and will continue from 2008 – 2012. The average estimated expenditure from 2008 to 2012 is \$729.60. If 60% of total expenditures are allocated towards pet foods then approximately \$36.50 per month or \$437.74 per annum is spent on pet foods. Assuming that the Stratford community is consistent with 2007 national trends then 35% and 38.3% of Stratford households own a dog and / or cat. Assuming that the majority of pet owners have a cat and dog then it is reasonable to assume that 45% of all households own a pet. Canadian Demographics 2009 reports that an average 2.3 people live in any given household in the city of Stratford. From a target population of 38.31%, 12,241 people or 5322 households approximately 2,395 households have at least one pet. Given that \$437.74 is spent on pet food each year by this given group of individuals then it follows that a total potential

market value of \$1,048,387.30 exists. This assumes that each household from Stratford exclusively purchases super-premium pet food. The total market value has the potential to be much higher as the communities outside of Stratford were not included.

**Figure 5-5: Expenditures on Pet Expenses in Ontario**



*Source: Author; adapted from Print Measurement Bureau, Canadian Markets (2008)*

### 5.2.5.2 Exotic Animals

Even though a small line of exotic animals are currently sold at Ruffin’s Pet Centre they have the potential to improve in sales. In 2008, exotic reptiles were the fastest-growing pet category in Canada with a population increase of 6% (International, 2009). The most popular creatures included pythons, chameleons, tree frogs, corn snakes, bearded dragons, lizards and tortoises.

Ruffin’s Pet Centre has been offering similar exotic animals to the Stratford area for over a year in a monopolistic environment. It will most likely continue to operate this way because the barriers to entry remain at a medium level due to the expertise and specific housing required to own these pets. Those who have shown an articulated need

for these exotic creatures and related foods have either purchased from Ruffin's or have travelled over 50 kilometres to reach the nearest retailer. One of Ruffin's core competencies is its knowledge of and ability to deal with exotic animals; therefore, it remains a prominent location to buy them. However, whether or not the general public is aware of the varieties of creatures, food, and access to knowledge found at this location is another question.

#### **5.2.5.2.1 Determining the Market Value**

It has been established that 4.81%, or 1537 residents, of Stratford are likely to be consumers of exotic animals according to their PSYTE lifestyle. They were either single or childless and tended to live in condominiums. The average household expenditure for "other" types of items is in excess of \$10,000. Given that a majority of these households in Stratford has an average of 1.5 residents who are willing to allocate 2% per year to exotic animals and pets, there is a total market value of \$204,933.

#### **5.2.6 Positioning**

Ruffin's has an excellent opportunity to successfully position itself in both the super-premium pet food and exotic creature categories. If successful, it will increase the customers' opinion of the products and encourage sales. Since the super-premium pet foods have not yet been introduced to the Stratford community, this task will prove to be a challenge. A lot of time and effort go into the introduction of new products. However, super-premium foods have the potential to fulfil the needs of niche markets demanding them. It may seem as a risky undertaking, and it is, but if properly positioned a market value of over one million dollars exists.

Ruffin's also has the ability to capitalize on future exotic animal sales. Even though this location currently sells them, it is encouraged to do a better job at promoting it. Many consumer may be unaware of their needs and underestimate the decorative value these creatures have. Additionally, because they are a core competency at Ruffin's Pet Centre, it is encouraged that more demonstrations and events are hosted for the community. In so doing, it will increase the image of this retail location as a respectable, knowledgeable and trustworthy exotic animal store. The following section discusses marketing techniques to better position these items.



## **6: MARKETING TECHNIQUES & ATTRACTING CUSTOMERS**

### **6.1 Advertising**

The primary goals of advertising are to successfully target a group and ensure that the message relayed to them is accurately interpreted. This requires the sender of a message to design a message, chose an outlet, and communicate it. A wide range of message channels exist and it is the duty of the sender to decide which message channel is most effective in terms of cost, objective success, and target audience reached. In Stratford two traditional methods of advertisement exist, namely print media and radio. However, with the increasing popularity of low-cost and effective non-traditional methods offered by Web 2.0 a new outlet for advertisements exists.

Ruffin's Pet Centre's 2008 annual advertisement budget was \$6,687. This was just enough to cover the costs of Ruffin's single promotional strategy; namely, the distribution of 10,000 flyers at a cost of \$557.25 per month. The efficacy of this method is uncertain. The following section will discuss different modes of distribution and their respective impact. Recommendations for each method will be made.

#### **6.1.1 Print Media**

The Beacon-Herald is Stratford's only daily newspaper. It has a total paid circulation of 9,493, and is distributed throughout Stratford, and the counties of Perth and Huron, from Monday to Saturday. The advantage of advertising using this method is the

ease in which promotions are interpreted. An added benefit is that advertisements can be strategically placed throughout the paper according sections allowing for more accurate targeting of audiences.

It is recommended that if this method of marketing is considered, advertisements should be placed on either volume or position. One option is to run small box ad insertions, 2.25” wide x 1.0” deep, for two weeks. This method costs \$171.60 + GST for 13 insertions. The second option is to run full colour *Earlug* ads, also known as banners, which appear on the front page. The daily cost of this marketing technique is \$79.00 per day. To take full advantage of this opportunity it is recommended that tasteful and vibrant coloured ads, for both exotic reptiles and super-premium foods, be made.

### **6.1.2 Audio**

Stratford has two popular radio stations available for airtime advertisements. The first station is 107.7 Mix FM which plays adult contemporary and easy listening from the 80’s, 90’s, and today. It has a popular morning show, with hosts Jamie Cottle and Alanna Petroff, and an evening show feature John Tesh. Both shows include live in-studio interviews and local news. The target audience is mainly professional adults between the ages of 25 and 54, and tends to be skewed more toward females. The AM station, 1240 CJCS, plays oldies from the 60’s & 70’s with hourly newscasts emphasizing local news first. Eddie Mathews and Kirk Dickson host the popular morning show which runs from 6 – 9am. This show, and others throughout the day, focuses on local news, live interviews, and sports. The listening audience is slightly older than the FM station, with members ranging from 35 to 60 years in age. More than 90,000 listeners are served by both the FM and AM radio stations per week from Perth, Oxford, and Wellington

Counties. This method of advertisement is usually a long-term commitment but it is dependent upon what the communication object is. If the objective is to increase consumer awareness then the amount of effort necessary is considerably less than if it was to increase their affinity for the product. Since radio stations tend to have regular listeners at certain times throughout the day, choosing a specific time is important.

It is recommended that Ruffin's Pet Centre advertise on 107.7 MIX FM from 6 – 10am for an entire week to raise the awareness for the super-premium pet foods to the daily commuter demographic. Dave Elliott, the account executive for both the AM and FM stations, regards this time period as 'primetime' for listeners because it is the best time to reach the largest group of Perth County residents.

To fulfil this recommendation it will cost a total of \$900 + GST per week. Their 'Primetime Package' offers three 30-second advertisements per day from 6 -10 am for a total of seven days. Ruffin's should run an advertisement for a single week and gauge its effectiveness by holding a weekly draw. This draw will focus on consumer feedback for the radio ads. A secondary motive for the draw is to ask for postal codes and email information to better focus future marketing. One further recommendation for these advertisements is to focus on the benefits of super-premium foods and be sure to mention readily known brands to promote credibility.

### **6.1.3 Web 2.0 – Facebook and Twitter**

The internet now provides an excellent medium for businesses to connect with their customers. Perhaps this is due to the 85% of Canadians who used the internet in 2008, according to the International Telecommunication Union, making advertising

options such as skyscrapers and big boxes available on website landing pages quite successful. However, there are new options available for businesses ever since the onset of Web 2.0. Social media tools such as Facebook and Twitter have allowed for businesses to develop relationships with, understand the needs of, and affordably access current and potential clients.

Facebook has become one of the most popular forms of social media currently available. It allows users to create bio profiles, post pictures and movies, interact with friends, and be a part of clubs and communities. Ruffin's Pet Centre has the ability to better connect with its customers by becoming a part of the Facebook culture.

Ruffin's Pet Centre should be cautious not to abuse its position on Facebook by exclusively advertising and promoting items. Instead, it can be used to educate customers about their pets and potential risks that face them on a daily, weekly, or seasonal basis. This can aid in repositioning the Ruffin's brand from a pet food and supply retailer to a pet food and supply expert. Through this, customers will be more likely to create a trust-based relationship with Ruffin's potentially leading to store loyalty. Facebook also serves as a forum for customers to ask questions and find answers.

Providing a forum that induces communication with customers away from Ruffin's can be quite valuable, but can also be quite challenging. This forum will better serve to inform Ruffin's on what key concerns and problems exist in the Stratford market. Perhaps customers wish they could find a certain brand, product, or service, but have not found a comfortable medium to relay this message. By actively participating on Facebook, and this is very important to the success of this tool, Ruffin's has the ability to extend its services, better understand its clients, and act as a medium to promote customer

loyalty. A major caveat to consider for Ruffin's is that participation and behaviour on this forum is an extension of the physical brick-and-mortar location. Timely responses, thoughtful advice, and minimal promotions will make the customer's experience more enjoyable. This goes for Twitter as well.

Twitter can be an extremely useful tool for staying connected with current and potential clients, too. It can be used as a forum for promotions, advice, news, and other useful links to keep channel followers better informed. Once again this tool requires active participation and sensitivity to spam like messages.

## **6.2 Advertising within the Mall**

One of the many advantages of being located within the mall is the number of shoppers present on any given day. Ruffin's Pet Centre has the opportunity to attract and capitalize on these Marketplace shoppers. It can do this from the mall entrance by having a cage of live pets presents followed by a few promotional items. As an added benefit, it is the only retailer within the mall that has both parking lot and mall entrances. Devices to help increase the noticeability of Ruffin's from the outside should be used to attract the attention of shoppers. Simple devices such as balloons, streamers, or even a blinking 'open' sign, can aid in attracting the attention of shoppers. Once their attention has been gained, the key factor in determining whether or not the shopper will enter is the store's shoppability.

## **7: SHOPPABILITY**

Shoppability is the ability to provide consumers with “the right product at the right place at the right time.” (Burke, 2005). Dr. Raymond R. Burke investigated what the top ten principles to improve shoppability were from 40 of the world’s best stores. I will take a look at the general trends, summarized from *Retail Shoppability: A Measure of the World’s Best Stores*, and provide Ruffin’s Pet Centre with recommendations.

### **7.1 Show The Product**

The product must be easy to identify. This means that the products must be placed where they are easy to see, at appropriate heights and not blocked by anything else in the store. Examples from other stores show that spotlights, placement height, and clear aisles can all have an impact on sales.

### **7.2 Provide Effective Navigational Aids**

Customers who do not know where they are going cannot find products easily. Placing signs throughout the store to guide customers to their desired products will save them time, leading to a more positive shopping experience. Burke noted that these signs should be consistent, and angled to lead customers in the right direction. Additionally, ensuring that products are easy to see facilitates customers in finding their location. If items are on promotion, especially from an advertisement, these products should be clearly marked with signs so customers can easily find them. Putting merchandise on the

end of aisles can aid customers in determining what types of products are sold in that aisle.

### **7.3 Simplify Product Organization and Presentation**

This means not stocking every single brand of the same product, but scaling the selection down to facilitate the customers' choices, leading to happier customers who can do their shopping more quickly. If there is much variety, it should be clear as to what the differences between the products are. Providing consumers with readily available information will make the purchasing decision easier.

### **7.4 Minimize Clutter**

Clutter has the ability to distract shoppers from finding the products they set out to buy. It can also interfere with the customer shopping experience which includes the customer's cognitive, affective, emotional, social and physical response to the retailers (Verhoef, 2009). Too many signs can be overwhelming as well, so while they are good to have around to navigate and show promotions, consider the amount of signs in the store. One sign should be present to highlight all main benefits of a product rather than a few smaller ones with different benefits. Merchandise should be organized simply and clearly. Similar products should be placed with each other, and products should never just be lying around. Old products, which are not selling, should be taken off the floor.

### **7.5 Maximize Product Affordance**

By displaying the products appropriately, the retailer should assist in telling the customers what the benefits are for specific products. This can easily be done with signs,

removing and assembling some products in-store so customers can see them or try them out, or showing ratings for products. To promote customer acquisition the Apple Store had a sign stating 10 reasons to switch to an Apple. Giving out samples is another way to achieve this.

Giving samples out at a pet store may be an interesting option to increase sales. Studies show that involved customers are more likely to connect with and think more about products which refocuses their thoughts less on price and more on attributes (Chandrashekar, 2003). Perhaps having samples of dog treats or wet foods for pets visiting the store could have a similar impact on consumers. Another way to involve consumers and increase store loyalty is to display pets and their owners on a board. Increasing the impact of this idea could be carried out by having contests for the cutest, meanest, largest and smallest animal. Not only would customers feel more involved and a part of the store in which they shop, but it would also give the owner of Ruffin's an opportunity to learn about his customers. By understanding the needs of his customers a stronger relationship can be built. This could lead to better product recommendations, too.

## **7.6 Showcase New Items and New Ideas**

Put the new items with significant changes and benefits in the forefront of customers' attention. Tout the benefits and differences of new products, and do not focus as much on price. Have discussions with customers to get feedback on products.



## **7.7 Making the Shopping Experience Convenient**

Since a lot of consumers go shopping for a specific item, it is to the benefit of the retailer to facilitate their finding of this item. This can be done by making easy, less convoluted pathways for the customer to travel along. Group similar items near each other so that customers can find what they need in the same place. Items from ads should be clearly marked for customers to find.

Increased convenience can also be achieved by implementing a price matching scheme, to ensure Ruffin's does not lose customers to another store, offering discounts that are done in-store and not through rebates, having good return policies and comparison signs to show customers how prices compare with other retailers. The owner should evaluate his store, and see where the waiting time for customers is longest and remove those hold ups for customers.

## **7.8 Make the Shopping Experience Enjoyable**

Creating a positive environment will make customers enjoy their experience more. A clean and organized shop with friendly, attractive employees helps improve this. Special events are another way to help create an enjoyable shopping experience. They can add a social aspect to the shopping experience, and let customers get to know both the staff, and other customers.

## **7.9 Speak With Authority**

Make it clear to the customer that his or her needs will be met at this store. Everything from employees, to store layout, to the products in the store will help achieve this. Employees should be knowledgeable about all the products and be able to help

customers easily meet their needs. Displays that represent the store and their expertise can give off a sense of authority to the customers. Product selection can help to give off a sense of authority as well, by offering high quality products, customers will feel like they are getting the best product at the best store.

### **7.10 Maintain Flexibility**

Changing the layout of the store can help to keep the store interesting.

Technological advances such as electronic displays that change easily with price changes, can increase flexibility and keep the entire store up to date.

## **8: KEY SUCCESS FACTORS OF SMALL BUSINESSES**

Although it may seem that large retailers such as Wal-mart force small businesses out of business, this is not the case. Each small business owner has the option to make changes, both incremental and fundamental, to its business. Of course it is always easiest to blame others for ones errors or shortcomings but of what help to the business is that? This is not to say that mega retailers such as Wal-mart are friendly and will negotiate what portion of market share they may have. In fact it is the contrary, and every business should expect it. Business owners must also recognize that there are fundamental success factors in the retail industry. To operate a retail business and be unaware of these elementary factors is what puts business owners out of business, not Wal-mart.

From the widely successful publication *Up Against the Wal-Mart: How Your Business can Prosper in the Shadow of the Retail Giants* by Don Taylor and Jeanne Archer, comes a detailed list of success strategies for small retail businesses.

### **8.1 Customers**

There is no misconception that the key to retailing success is to understand the needs and wants of one's customer (Grewal, 2009). Six basic wants outlined by Taylor and Archer include convenience, choices, information, service, peace and value. If each of these wants is understood then it should follow that appropriate changes need to be made to accommodate them. After all, a business without customers is a business without money.

## 8.2 Employees

“You can take my factories, burn up my building, but give me my people, and I’ll build the business right back again.” These are the words of Henry Ford, the founder of Ford Motor Company. He realized the importance of employees to a business.

Quantifiable data, which positively links employee satisfaction to perceived service quality and customer satisfaction, does exist. A meta-analysis conducted by Brown and Lam (Brown, 2008) discusses these links and states that a customer’s perception of the shopping and consumption experience is highly influenced by employees. This is mainly because employees are representative of the organization from the customer’s perspective and leave a lasting impression on their attitude toward the organization (Magi, 2003).

Having the right employees can often make the difference between a successful and unsuccessful business. The list in Table 8-1, illustrates employee traits to consider when hiring.

**Table 8-1: Employee Checklist**

Employee Trait	Trait Qualities
Dependability	<ul style="list-style-type: none"><li>✓ Show up on time</li><li>✓ Produce work of consistent quality</li><li>✓ Do what they promise to do</li></ul>
Energy and Dedication to Hard Work	<ul style="list-style-type: none"><li>✓ High energy levels throughout the day</li><li>✓ Diligent</li></ul>
Enthusiasm	<ul style="list-style-type: none"><li>✓ Cause of inspiration to action</li></ul>
Communication Skills	<ul style="list-style-type: none"><li>✓ Ability to persuade and sell</li><li>✓ Listen attentively</li></ul>

	✓ Volunteer information
High Self-Esteem	✓ Great predictor of success in any activity
Integrity	✓ Top 2 trait to look for
Perseverance	✓ Do whatever it takes for as long as it takes
A Positive Attitude	✓ Top 2 trait to look for ✓ Rubs off on customers
Self Motivation	✓ Usually have a plan to get work done
A Sense of Humour	✓ Take work, but not themselves, seriously

*Source:* Author; adapted from Taylor and Archer

### **8.3 Add Obvious Value to Each Product**

Wal-mart has an interesting technique to promote sales. Rather than just posting the sale price of an item, efforts are made to make sale prices as obvious as possible. The method Wal-mart uses is called “roll-back” and it shows both the original and sale price. Setting the price of an item can be a difficult task to carry but a lot rides on it. Grewal (2009) recognizes this difficulty but emphasizes the importance of choosing the right price. The three P’s, product, place and promotion all build on the value of an item but it is the fourth P, price, which captures it. If the price is too high customers will not buy it. Taylor recommends the variable pricing strategy to maintain healthy profit margins without “losing the perception of value in your customer’s mind.”

### 8.3.1 The Variable Pricing Strategy

This pricing strategy takes a look at six steps each retailer should take in order to best price their products.

1. Know your competitors' prices for items you sell: Identify key competitors in the vicinity where local customers shop. Large retailers have the ability to set low prices giving customers an indication of the products actual value is. These prices are considered competitive targets.
2. Compare your prices with those of your competitor: Suppose a can of cat food is sold at Wal-mart for 97 cents while it's sold at Ruffin's Pet Centre for \$1.29. Customers will recognize this difference and may change their perception of value at your store. A report written by Ofir and colleagues (2008) suggests that a consumer's image of overall store prices is based upon 'numerosity heuristics'. This puts forward the idea if consumers notice a substantial number of high-priced products then it follows that the price image among knowledgeable consumers is high.
3. Price Sensitivity: Items which are more competitive are prone to price sensitivity. These items, known as *visible* items, are usually used by a wide range of customers and have a high inventory turnover. *Visible* items are usually have low margins or are loss leaders. Items which are less familiar to the consumers and generally have a low demand are termed *blind* items. It is important to be able to differentiate between *blind* and *visible* items.
4. Gross Profit Margins: It is important to recognize what your operating costs, general expenses and cost of goods sold are in order to determine feasible

margins. Having a set mark-up on products is unreasonable if you wish to maintain a perception of value with your customers.

5. Increase margins on *blind* items and decrease margins on *visible* items.
6. Continue this process on a regular basis to monitor prices and maintain a perception of high value among customers.

Other tactics to increase the perceived value of in-store products include improving quality, adding services, and bundling products.

## **8.4 Marketing**

Marketing efforts are crucial to the growth and prosperity of any business. It deals with meeting the demands and needs of both potential and future customers. Whether marketing efforts are directed towards retaining or attracting customers setting up the perfect marketing plan may be difficult. However, determining one's target demographic and adjusting marketing efforts to reach them is essential. At the moment Ruffin's Pet Centre takes part in community events and sends out flyers. However, the efficacy of this marketing is uncertain. Merely taking part in marketing without a formulated plan is a waste of time, money, and other resources.

## **8.5 Identify and Eliminate Waste**

One of the most important things any small business owner should do is re-evaluate current business operations and determine what kind of resources are being wasted. It is a complete waste of time and effort to allow obvious and changeable inefficiencies to exist. Taylor points out that every dollar saved from eliminating waste is a dollar that can be

put towards the bottom line. Oftentimes small business owners become overwhelmed by daily activities and lose sight or become ignorant towards these unnecessary expenses. By eliminating non-essential expenses resources such as time and effort can be refocused on more important initiatives.

Retail business management software, by ACE Retail, is designed to automate all operations of a business. It is a program that was offered together with the franchise and has the ability to eliminate waste at Ruffin's Pet Centre. Unfortunately, this program has been purchased, but not yet fully implemented. By installing this program together with all SKUs from the store approximately 20 hours of time, money, and effort can be saved each week<sup>3</sup>. Purchasing, but not using this program is not only a waste of money and future savings, but will decrease the morale of employees, as they will be aware that there is a simpler and more efficient way to do the work that consumes much of their time.

## **8.6 Information**

The importance of retail, demographic, and competitor information is immense. What is more important and convenient is having it directly available anytime of the day. Large retailers such as Wal-mart have nearly instant access to all of this information. This gives them a huge advantage because they can make important business decisions very quickly. By having this information readily available, well-informed decisions can be made. Financial, customer, industry and market trend information should all be readily available. Small business owners successfully operating in the same market area as Wal-

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<sup>3</sup> Each morning the owner spends approximately three hours reviewing and recording the previous day's sales. By installing ACE Software this task can be eliminated. Other tasks, which can be controlled by ACE Software, include customer management, vendor management, inventory control, and accounting.



mart noted that knowledge of their business was a top priority a key factor to their success.

## **8.7 Niche Markets**

Large retailers have the high number of square footage, shelving, and resources necessary to stock a wide variety of goods. Many products are offered at low prices and serve the basic needs of many customers. However, there are customers who want more from a shopping experience than low prices and a large variety of goods. This leaves a wide range of potential customers who are left unsatisfied and looking for something better in need. Taylor describes a niche as “a place or position that is particularly well suited to the person or thing in it.” Beneficially, those who are part of this market segment are less price sensitive and nearly non-responsive to price drops because of their willingness to pay a premium for premium brands and services (Pauwels, 2004). Ruffin’s Pet Centre, while selling many generic products, is also serving many niche markets. It has focused markets such as exotic animals, fish, and related foods and achieved great success. The owner has identified his unique abilities and skills and has transferred them into an opportunity to match the wants and needs of certain clientele.

## **8.8 Improvement**

Continuous improvement is a goal that should be followed at all times. By getting together with current employees and demonstrating how important this process is, it may help motivate them to look for areas in the business that need improvement. It may be difficult to recognize where improvement needs to be made, or how to fund

improvement, but it is crucial that it is a priority to the owner and employees of any business. It may help to study the competition and monitor which factors of their business are successful and unsuccessful. This may mean literally setting foot in other retail locations, but can also mean reviewing publications such as annual reports and newspapers.

## **8.9 The Leader**

The owner should be aware the perils of letting someone else run your store for him. No one will care about his business more than he will. One of the main reasons customers come back may be because they high level of customer service, the cleanliness of bathroom, the general upkeep of the store. However, these qualities may deteriorate without his supervision, which may jeopardizing his business.

## **8.10 Become Results-Oriented**

One of the most important success factors of retail businesses is the difference between activity and productivity. Keeping busy does not always translate to productivity. The importance of recognizing efforts that lead to prosperous achievements is critical to one's overall success.

## **9: CLOSING REMARKS**

It is my hope that each recommendation provided in this report is taken seriously due to the obvious threat Ruffin's Pet Centre faces upon Wal-mart's arrival. Numerous articles and consulting papers highlight the seriousness of this event and recommend that immediate action take place to mitigate any of possible ramifications.

It is highly recommended that Ruffin's Pet Centre reconsider its product mix and general retail strategy. It should provide the Stratford market with super-premium foods and a higher selection of exotic animals. A market analysis and demand estimation for super-premium pet foods and exotic animals concluded that markets for both product categories exist in Stratford. Respective market value estimations of \$1.05 million and \$204,933 exist for super-premium pet food and exotic animals. However, it is important that the introduction of these products are matched by marketing initiatives.

One of the most obvious issues impacting the annual sales of Ruffin's Pet Centre is its general shoppability. Cluttered aisles, misuse of space, unorganized peg boards, and uneven spacing between products all take away from the customer experience. These issues, albeit simple to remediate, are proven to reduce sales and leave customers unsatisfied. A critical look at this situation should be taken as soon as possible.

General marketing efforts should be improved. The website Ruffin's Pet Centre is currently using is inadequate and does not provide any valuable information to curious viewers. A new and personalized website should showcase new and current products, community events, awards, and general pet information. In addition to this, Facebook and

Twitter accounts should be activated. These interfaces should act as a forum for customer and store interactions.

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