

## **Market Outlook [March 2008]**

### ***Where Is the Starbucks of the Pet Specialty Channel? Part 1***

Continuing the theme of last month's column, one company vying for the above-noted distinction may be Muttropolis, which won the International Council of Shopping Centers "Hottest Retail Concept of 2006 Award," and which is aiming for upwards of 150 stores by 2010. The chain has even picked up on Starbucks' "third place" concept, in this case by fielding "mutt mingle" socials and pooch parties. Also à la Starbucks, Muttropolis has no plans to franchise its pet boutique concept, opting instead to keep the business completely under its own control. With products like Swarovski crystal dog collars and store features like photographic grass floor tiles and tree graphics on the wall to create a dog-park-like atmosphere, the company's primary target is an upscale demographic, also like the world's largest coffee shop chain in its early years.

Just how many prospects might that be? According to Packaged Facts, 17.4 million households qualify as premium pet demographics based on high levels of household income, which is about one-third of the 52.8 million U.S. households overall that own dogs or cats. This group often overlaps into "pet specialty store only" shoppers, which represented 10.4 million households as of 2007, according to Simmons Market Research Bureau consumer survey data. While that's nothing to sneeze at, it's less than half the number of households that purchase pet supplies exclusively in supermarkets or discount stores (about 22.6 million), putting the pet-specialty-only cohort similarly at about one-third of the market.

Like Starbucks, any pet chain with national aspirations beyond major metropolitan areas will want to draw consumers over the mass-market fence, which generally also corresponds with lower household incomes. Given the "pets as family" trend and the relative affordability of trendy pet products during a weak economy (which appears to be looming), this may be quite possible to do. Nearly one-third (32 percent) of the 9 million households who choose Starbucks "most often" over other quick-serve restaurants have a household income of less than \$50K, and over half (54 percent) earn less than \$75K. For Starbucks, the magic has been in selling consumers not just great coffee but a new lifestyle option centering around a welcoming neighborhood place. Judging from the cushy sofas in Muttropolis's doggie lounge—not to mention an overall store design and product roster whose own "lifestyle statements" come across loud and clear—Muttropolis might just be another such place.