

Market Outlook [April 2008]

Also in the Running for the “Pet Specialty Starbucks” Crown: Three Dog Bakery

Continuing the theme of last month’s column, let’s take a look at Three Dog Bakery. Having recently received a \$1 million capital infusion, the Kansas City-based “Bakery for Dogs” plans to open a total of 225 stores throughout North America, Japan and Western Europe within the next five years, up from 50 shops in 2007. In the process, TDB is aiming to boost revenues by 25 percent a year and double factory sales to retailers. To further this goal, the company is moving from a licensing model to a franchising model, having redesigned its packaging and added new products to its already expansive line of upscale baked pet foods.

As with Muttropolis (or any company vying for the pet market version of the “Starbucks” crown), Three Dog Bakery’s future success depends in part on its ability to build on its namesake brand, and the company would appear to have a leg or two up in this regard. First, its is based in consumable pet products that tap directly into some of the hottest pet food market trends. TDB edibles are, for example, made with all-natural, human-quality ingredients, as well as trendy functional add-ins like cranberries. Given these advantages, it’s perhaps not surprising that the company announced its expansion plans amidst the pet food recalls of 2007.

Also working in its brand-building favor, TDB’s boutique label is already entrenched in mass-market outlets including Wal-Mart and Price Chopper, having—not unlike Starbucks—made the jump from specialty to mass relatively early on. During 2007, TDB was one of only a handful of natural dog biscuits to show up in Information Resources, Inc.’s grocery scanner data, posting sales of \$2.6 million. This is about the same amount as for the dog biscuits of Newman’s Own, which have arguably enjoyed far more exposure. Despite Starbucks’ concerns about the growing competition and “the commoditization of the Starbucks experience,” the availability of Starbucks-brand packaged coffee in multiple channels has served the company well.

Three Dog Bakery also has the social angle covered. In order to attract the walk-in traffic of dog walkers, the company is scouting out new locations in dog-friendly areas. In this vein—and assuming that becoming a “third place” for pets and their people really is on the company’s radar scope—the eventual addition of human-gear amenities like fair-trade coffee and organic baked goodies could seem, well, only natural.