

Pet Services – For Fun or Profit?

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Pet Industry Financials

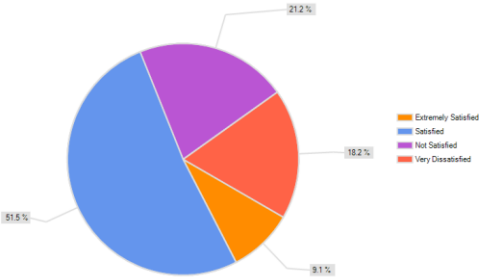
Determining Which Pet Services to Provide



Survey Says...



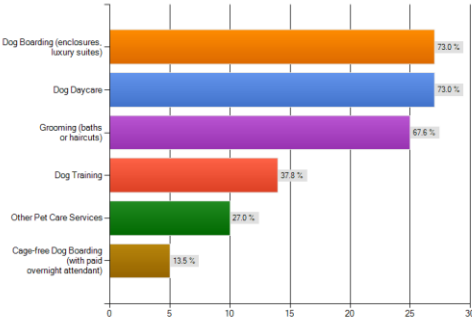
In 2012 how satisfied were you with the amount you paid yourself as owner through salary and/or draws?



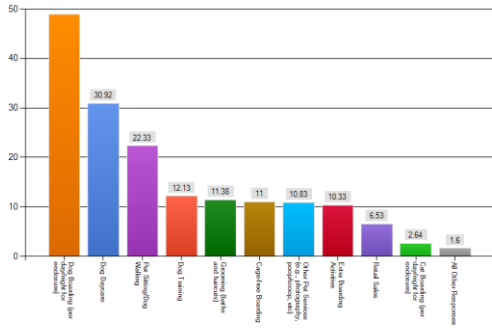
Owner Compensation

Owner Compensation	All Respondents	Operated Over 7 Years
Average	\$59,073	\$71,382
High	\$115,000	\$115,000
Low	\$5,000	\$15,000

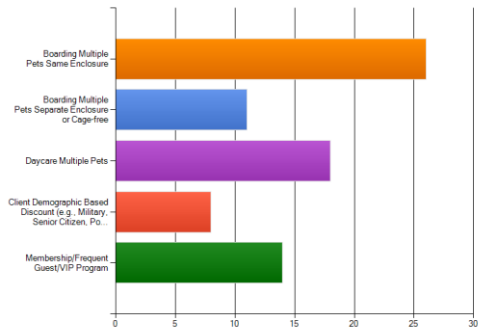
Indicate the primary services offered by your pet care business. Select all that apply to your business. This response is only to provide demographic information; revenue by services will be detailed in a later question.



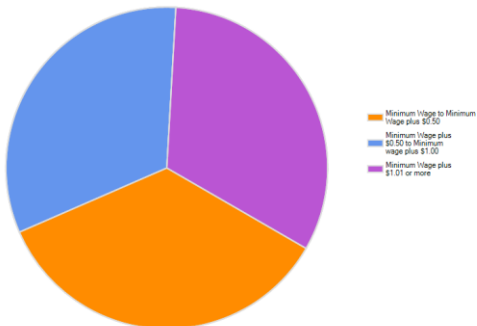
For each revenue category enter the percentage it represents of your total revenue for 2012. Your entries must total 100%. If a category does not apply leave blank. Round to whole numbers and do not enter % symbol or decimal points in the response field.



Indicate the type of revenue discounts offered to your clients. Select all that apply to your business.



Would you consider wages paid in your market to be high, moderate or low? How does the wage you pay entry level employees without prior pet care experience compare to your state's minimum wage?



Payroll Costs as % of Revenue

Payroll %	All Survey Respondents	High & Lows Excluded	Operated Over 7 years
Average	40.14%	41.5%	41.08%
High	94%	65%	65%
Low	10%	20%	10%

Average Wages –Survey

Position	Average Wage
Pet Attendant	\$9.22
Bathers	\$9.88
Groomers	46.88%
Trainers	43.13%
Reception	\$10.06
Supervisor	\$29,817
Manager	\$35,611



Birthday Parties/Dog Events

Pet Services Financials 101

"Everything depends upon execution; having just a vision is no solution."

– Stephen Sondheim

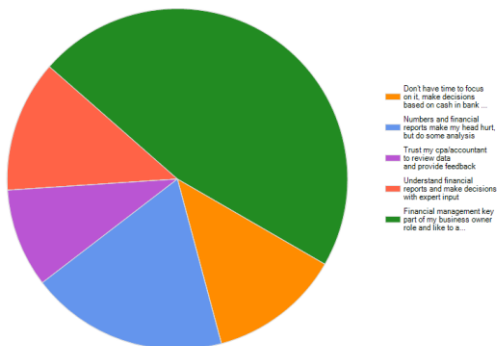


Financial Management Role

- Know & understand financial picture
- Build a reliable team of professionals
- Dedicate time to “owner” role
 - Create a financial system
 - Timely review of financials
 - Accurate data
 - Relevant (trends & comparisons)
 - Identify opportunities
- Make adjustments
- Plan ahead



Which is the best description of your comfort level managing the financial aspect of your business?



Financial Reports

- Basic Statements
 - Profit & Loss
 - Balance Sheet
 - Cash Flow
 - Forecast or Budget
- Timely
- Relevant



Seasonality

- Boarding
 - Peaks – Summer & Holidays
 - Lows – January/February; Sept – Dec non-holiday periods
- Grooming
 - Tends to mirror boarding peaks & lows
 - Spring shave-downs
- Daycare
 - Compliments boarding peaks/lows
 - Weather will influence
- Training
 - Compliments boarding peaks/lows



Occupancy

- Key Performance Statistic to Monitor
- Units Serviced/Capacity
 - Example: 50 run center
 - Monthly Capacity = 50 x 30 or 1,500 runs
 - Pets boarded together can result in occupancy > 100%
- Survey Statistic Ranges
 - Dog Boarding: 50 – 60%
 - Cat Boarding: 25 – 30%
 - Dog Daycare: 35 – 50%
- Example: 50 dog & 10 cat enclosures
 - 9,271 dogs boarded (averages 25/day)
 - 942 cats boarded (averages 2.6/day)



Sample Seasonal Occupancy Chart

	45% Annual	60% Annual	80% Annual
January	25%	35%	45%
February	35%	45%	55%
March	55%	65%	80%
April	50%	60%	70%
May	55%	75%	85%
June	60%	85%	110%
July	80%	105%	130%
August	60%	90%	115%
September	55%	65%	85%
October	35%	45%	60%
November	55%	65%	75%
December	60%	70%	80%

Urban Tails' Occupancy



- 2009 Data
 - Average 53.1%
 - Low month = 22.2%, February
 - High months = 85.2%, December & 78.7% July
- 2010 Data
 - January = 43.3% vs. 43.1% prior year
 - February = 36.3% vs. 22.2% prior year (low month)
 - July = 77.0% vs 78.7% prior year (high month)
- 2011 Data
 - Average 57.5%
 - February = 36% (low month)
 - July = 73% (high month)

Growing Your Client Base

- Takes Time to Grow
- Multi-Service Facility
 - (Open 7 years; 120 dog board capacity)
 - 9,500 clients in database
 - 2,500 – 4,000 considered regular users
 - Occupancy rate averages 88-90%
- Multi-Service Facility
 - (Open 8 years; 40 dog board capacity)
 - 1,500 clients in active database (inactives purged annually)
 - Occupancy rate averages 60-65%
- Daycare - Client Base Size: 5-7 times target # of dogs per day



How Much Revenue Required?

- Capacity cover costs & provide a profit
- Cost Categories
 - Facility – Rent or Loan Payment
 - Payroll – Wages plus Taxes & Insurance
 - Advertising & Marketing
 - Utilities
 - Supplies – Each Service Category
 - Security & Other Facility Services
 - Repairs & Maintenance
 - Licenses, Fees & Permits
 - Taxes – Property, Income, State & Local
 - Owner Draws/Salary



Options to Make \$48k Per Month

- Boarding Only
 - 50% occupancy; \$40 average daily charge = 1,200 pet nights
(80 enclosures maximum capacity)
- Daycare Only
 - \$25 daily charge = 96 daycare dogs/day
- Grooming Only
 - \$30 average charge = 67 dogs/day
- Multi-Services
 - Boarding: 25% occupancy = \$24,000
 - Daycare: 30 dogs/day = \$15,000
 - Grooming: 13 dogs/day = \$9,000



Fixed versus Variable Costs

- Fixed Costs Don't Fluctuate with Volume
 - Building Costs
 - Advertising/Marketing
 - Utilities (seasonal variation)
 - Insurance
 - Facility Services
 - Management Payroll
- Variable Costs Fluctuate with Volume
 - Staff Payroll
 - Supplies



Cash Flow

- Critical to Manage for New Businesses
- Permit/Construction Delays at Start-up

Revenues less Expenses

- Plus:
 - Debt principal payments
 - Credit card payments
 - Asset purchases
- Don't Forget Delayed Payments Due
 - Taxes – Payroll, Sales, Income, Property
 - Insurance



Tips to Managing Cash Flow

- Plan ahead
- Build Reserve Funds in Peak Periods
- Use part-time staff during peak periods
- Match services to offset highs & lows
- Avoid big purchases
- Market - offer specials
- Establish a line of credit



Key Indicators to Monitor

- Occupancy
- Revenue per Pet
- Payroll Percentage of Revenue
- Revenue to Plan/ Budget
- Expenses to Plan/ Budget



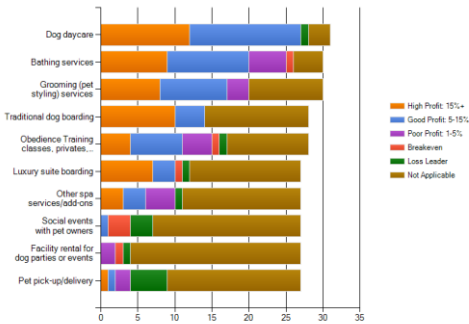


Owner Events & Parties

Pet Services – Popular & Profitable



Which pet services are most profitable for your business? High Profit (15%+) or Good (5-15%) vs Poor (1-5%), Break-even, or Loss Leader (you provide this service to cross-sell to more profitable services).



Loss Leaders

Pros

- Keeps clients from using another facility for service
- Cross-sell opportunity

Cons

- Break-even or losses from service



All Inclusive Packages

Pros

- Simplifies operations
- Reduces pet stress
- Higher pricing structure



Cons

- May not be a good fit for all pets
- Clients request discounts
- Potential loss of revenue from “extra activities”

Determining Service Profitability

- Capture revenue by service type
- How much space is allocated?
- How many staff are required?
- What are your supply costs?



Fixed Operating Costs

- Advertising & Marketing
- Utilities
- Insurance
- Security & Facility Services
- Repairs & Maintenance
- Licenses, Fees & Permits
- Taxes
 - Property
 - Federal, State & Local
- Owner Draws/ Salary



Variable Operating Costs

- Dog Boarding & Daycare Supplies
 - Food
 - Cleaning Products
- Bathing Supplies
 - Shampoo
 - Cotton balls
- General Supplies
 - Paper products
 - General cleaning products
- Administrative Supplies
 - Paper, toner, pens, etc



Staffing

- Management
- Technical
 - Dog Daycare
 - Grooming
 - Training
- Animal Care
 - Dog Boarding
 - Dog Daycare
 - Bathing
- Reception
- Administration & Support Services



How Many Staff?

- Business Hours
 - Reception
 - Drop-off & Pick-up Hours
- Animal Care Schedule
 - Dog Boarding – weekends, summer & holidays
 - Feeding Schedule
 - Exercise Schedule
 - Extra Activities
 - Dog Daycare – weekdays
 - Baths – board departures



Sample Staff Schedule

Staff Hours	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Management	8	8	8	8	8	8	8
Dog Daycare Supervisor	8	8	8	8	8		
Dog Boarding Supervisor	8			8	8	8	8
Daycare Tech	4	16	16	16	16		
Boarding Tech	24	16	16	16	32	32	32
Bather	8	2	2	4	8	8	8
Reception	12	12	12	12	12	8	4
Total Hours Worked Daily	72	62	62	72	92	64	60
Total FullTime Equivalents	9	7.75	7.75	9	11.5	8	7.5

Staffing Costs

- Wages
- Payroll Taxes
 - Social Security (6.2% 1st \$115k+)
 - Medicare (1.45% no wage limit; \$200k+ additional %)
 - Unemployment
 - Federal (.6% 1st \$7,000) &
 - State (TX: 2.7% 1st \$9,000 – new business rate)
- Benefits
 - Vacation & Sick Time
 - Health Insurance
 - 401k Plan
- Worker's Compensation Insurance



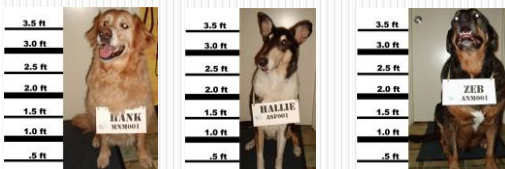


The Financial Reality

Creating Your Pet Services Center



Rowdy Rover Retreat



Rowdy Rover Retreat

- Pet Care Service Start-up Example
 - 6,000 sq ft facility
 - Lease - \$19 sq/ft
 - \$30,000 investment
 - \$150,000 loan for LHI, FF&E, Supplies & Cash
 - 10 year 9% terms
- Dog Boarding
 - 40 regular dog boarding enclosures (4x6)
 - 10 luxury suites (5 - 4x6 & 5 - 8x8)
 - 5 potty yards (12x12)
 - Playtimes
- Dog Daycare
 - 25 dogs
 - 2 play areas
- Bathing
 - Baths
 - Shed control program

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Revenue Summary

	Occupancy		January – 40%		August – 80%	
	Capacity	Avg Rate	Units	\$	Units	\$
Boarding	50	\$30	387	18,600	1,240	37,200
Daycare	25	\$30	500	15,000	620	18,600
Bathing	5	\$30	56	1,680	124	3,720
Total				\$35,280		\$59,520

Net Income/(Loss)

	January	August
Revenue	\$35,280	\$59,520
Lease or Mortgage Interest	9,500	9,500
Loan Interest	1,200	1,200
Payroll	18,000	28,000
Fixed Operating Costs	3,000	3,000
Variable Operating Costs	350	1,300
Net Income/(Loss)	\$3,230	\$16,520

Cash Flow

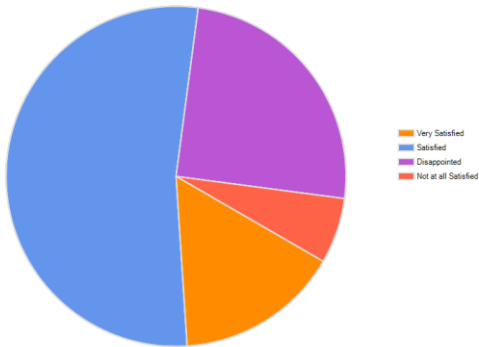
	January	August
Net Income/(Loss)	\$3,230	\$16,520
Loan Principal	800	800
Credit Card Payments	500	100
Asset Purchases	0	500
Total Cash In/(Outflow)	\$1,930	\$15,120

Would You Proceed?

- Eliminate manager position
 - \$3,000 per month savings
- Focus on daycare services
 - Marketing investment \$500 per month
 - Increase occupancy by 10%
 - Increases revenue by \$1,500 per month
 - Rotate playgroups & increase capacity to 50
 - Increases revenue by \$12,000 per/mo – 20 dogs
- Add 5 additional enclosures
 - Increases January revenue by \$1,860
 - Increases August revenue by \$3,720



How satisfied are you with overall financial performance of your business?



Summary

- Stay true to your vision
- Complete your business plan
 - Be conservative in estimating revenue growth
 - Estimate costs on high side
 - Know your market
- Be flexible in changing plans to make numbers work
 - Include an expansion plan
 - Delay hiring staff
- Focus on high quality care
- Wear Your Owner Hat





In order to succeed, your desire for success should be greater than your fear of failure.

Bill Cosby

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