Case Study: PetSmart & Petco Analysis

Christopher Furton

Syracuse University

Abstract

The pet specialty retail industry is a growing and competitive market with two major retailers, PetSmart and PETCO, and thousands of small businesses. This case study analyzes the two major national retailers PetSmart, Inc. and PETCO Animal Supplies, Inc. by comparing five management topics: perception management, innovation, social responsibility, role of information technology, and strategic planning. Ultimately, both companies are competitive and operate based on similar management strategies. With comparable product lines, animal services, and charitable organizations, PetSmart and PETCO will continue to fight for competitive advantage for years to come.

Case Study: Petsmart & Petco Analysis

Within the United States, the pet store industry has seen significant growth specifically by large national and regional pet store chains over the past decade. According to the American Pet Products Association (2011), the total U.S. pet industry expenditures has increased from $28.5 Billion in 2001 to the current $50.84 (est.) Billion for 2011. Nearly doubling in size over ten years, the pet industry will continue to by a profitable venue for both large corporations and small business as well.

This case study will analyze two pet store industry competitors in the following areas: perception management, organizational design, innovation, social responsibility, and role of information technology. The two companies will be evaluated against each other in terms of effectiveness within each area and then compared to management theory.   The case study will conclude with the author's opinions on each company and the author's suggested future path to improve weaknesses and enforce strengths.

Company Introductions

This case study will analyze the two leading national pet product companies: PetSmart, Inc. and the PETCO Animal Supplies, Inc. Both PetSmart and PETCO offer an extensive list of services to customers including purchase of hard goods such as leashes and toys, services such as grooming and veterinary care, and training or obedience classes (PETCO Animal Supplies, Inc., 2011a; PetSmart, Inc., 2011a). Similar in function, both companies provide services to consumers and are considered competitors.   Both companies utilize similar strategies for location of stores and compete for employee talent and customer base at the store level. Because distribution and logistical chains are separate by distance, the assumption is made that competition does not exist for those functions.

PetSmart, Inc.

Headquartered in Phoenix, Arizona, PetSmart, Inc. (referenced as PetSmart throughout the case study) is the largest specialty pet retailer of "services and solutions for the lifetime needs of pets" (PetSmart, Inc., 2011b). With stores located throughout the United States, Canada, and Puerto Rico, PetSmart's reach extends into the international market. Despite the company's size, PetSmart prides itself off providing personalized customer service as emphasized by their efforts to "help pet parents help their pets live long, happy, and healthy lives" (PetSmart, Inc., 2011b).

To meet their long, happy, and healthy lives objective, PetSmart offers a range of services. Most known for sales in hard goods such as pet food, toys, and house hold items, PetSmart also offers services beyond standard retail materials. Having serviced millions of dogs in their PetSmart® Salon, boarded dogs and cats in the PetSmart® PetsHotel, and entertained dogs in their Doggie Day Camps[sm], PetSmart offers pet owners a comprehensive set of services to keep their furry companions happy and healthy. Even offering Adoption Centers that average 1,000 pets per day finding homes and a PetSmart Charities, Inc. non-profit organization that "creates and supports programs that save the lives of homeless pets, raise awareness of companion animal welfare issues, and promote healthy relationships between people and pets" (PetSmart, Inc., 2011b).

With over 1192 stores and 48,000 associates, PetSmart is the largest pet store chain in the United States. With annual sales for first quarter 2011 increasing 6.8% to $1.5 billion, the Chief Executive officer (CEO) and President, Bob Moran, stated that "Our performance in the first quarter reflects the continued momentum in our business and represents another step forward on our journey to becoming a best-in-class specialty retailer" (Petsmart, 2011).

PETCO Animal Supplies, Inc.

Headquartered in San Diego, California, PETCO Animal Supplies, Inc. (referred to as PETCO throughout the case study), is the second largest national chain servicing the pet product industry. Although currently privately owned, PETCO has a history of public and private ownership dating back to its founding in 1965 (PETCO Animal Supplies, Inc., 2011c). With more than 1,000 stores nationwide and 22,000 associates; PETCO is the only pet store to serve all 50 states carrying 10,000 different pet-related items for dogs, cats, fish, reptiles and amphibians, birds, and small animals. (PETCO Animal Supplies, Inc., 2011b).

PETCO offers a full range of services to compliment their hard line products. Services include: Dog training, grooming and mobile grooming, veterinary and preventative care services, professional photography, medical insurance, DNA breed testing, and the PETCO "Fetch! Pet Care" services for pet sitting and dog walking. PETCO's comprehensive services offer professionally trained sitters that are bonded, insured, and consistently monitored to ensure customers receive the quality care and satisfaction (PETCO Animal Supplies, Inc., 2011d).

Besides in-store sales and pet services, PETCO operates the PETCO Foundation non-profit charity that "serves as a voice for companion animals across the country." The PETCO Foundation donates about $8 million a year to assist animals and is funded through donations raised during seasonal in-store fundraisers. Additionally, in conjunction with the San Diego Padres baseball team, PETCO Park hosts adoption events throughout the year supporting their "Think Adoption First" campaign (PETCO Animal Supplies, Inc., 2011e).

Perception Management

Perception, as defined by Williams (2011), is "the process by which individuals attend to, organize, interpret, and retain information from their environments." For this case study, the perception of each company was analyzed from two points of view: the customer and the management.

PetSmart Company and Customer

PetSmart's self-perception is one of a leader in the pet specialties industry. In the first quarter report from 2011, CEO and President Bob Moran confidently declares PetSmart as being on a "journey to becoming a best-in-class specialty retailer" (Petsmart, 2011). PetSmart goes beyond seeing themselves as a leader in the specialty retail industry, but also as a contributor to communities and savior of animals throughout the nation.

Because of programs like the PetSmart Charities®, it is fair to assume that PetSmart isn't only a for-profit company, but rather a company that desires to better communities and truly cares about the health and wellbeing of the animal population. The Mission of the PetSmart Charities® to "improve the quality of life…by creating and supporting programs…[to] save the lives of homeless pets…" is indicative of a company that isn't only concerned about profit, but one that wants to be perceived as a positive animal-loving business (PetSmart, Inc., 2011d).

In terms of attribution theory, PetSmart drives business by leveraging the human nature to understand why people do what they do. In this case, people shop at PetSmart because the company truly cares about the health and welfare of animals. The company uses internal attribution – behavior which is thought to be voluntary or under the control of the individual – to leverage sales because animal lover's (customers) prefer to shop at businesses that have the same views. This is evident based off the PetSmart Charities® 2011 expenses contributing $38 million to animal welfare projects (Grant Thornton LLP, 2011).

Because of PetSmart's efforts to become a positive influence in the community, the customer perception of the company often reflects its self-perception. Based off the average customer ratting at Yelp.com, PetSmart locations in Phoenix and San Diego (PetSmart and PETCO corporate headquarter cities) have an average customer satisfaction rating of 3.8 and 3.5 respectively (Yelp! Inc.). This indicates that customers are happy with the value at PetSmart locations.

However, PetSmart faces some difficulties in “small town America” where they are perceived as contributing to “Wal-Martization of America” by “driving smaller, independent players out of business”. In Monrovia, California, PetSmart’s veterinarian service provider Banfield faced protest where small business Veterinarians attempted to influence the planning commission in effort to prevent a conditional use permit from being issued (Lau, 2011). Despite PetSmart’s perception as a retailer of hard goods, the company still has challenges to overcome in the veterinary and services area.

PETCO Company and Customer

At PETCO, the company perception is similar to that of PetSmart. The company prides itself off playing a strong role in the community with many similar programs. For example, PETCO has a PETCO Foundation non-profit that donates approximately $8 million a year to assist companion animals across the country (PETCO Animal Supplies, Inc., 2011e). The company’s perception of being a retail store that not only sells product and service for profit, but rather a supporter of animals is evident in all facets of the business including their vision of “Healthier Pets., Happier People. Better World.™” (PETCO Animal Supplies, Inc., 2011b).

PETCO also has similar customer perceptions as PetSmart. A review of Yelp.com ratings for PETCO in San Diego and Phoenix showed an average customer satisfaction level of 3 out of 5 and 3.85 out of 5 respectively (Yelp! Inc.). Although significant complaints can be found on sites like www.complaintsboard.com and www.pissedconsumer.com, many of these from customers with a negative response to pet services like grooming. Overall, customers seem content with the value of PETCO and the perception portrayed by the company is well received by the consumers.

Comparison

Both PetSmart and PETCO have similar self-perception and customer perceptions. A customer's perception of a business' service quality, value, image, satisfaction, and loyalty often determine where they will shop. Specifically, "customer satisfaction and perceived value directly influence customer loyalty" so keeping customers loyal is important for long term profit (Lai, Griffin, & Babin, 2008). Because both companies are perceived similarly in terms of pricing, services, and customer care, the success of each company depends greatly on individual customer experiences. Keeping customers loyal depends greatly on the store's employees' abilities to keep the customer satisfied.

Innovation

Innovation within the pet retail industry is just as important as any other creative engineering or designing industries. Although the pet retailers, PetSmart and PETCO, do not create products or design goods, innovation can be seen in the development of new service offerings, product lines carried in stores, as well as management practices. "For many large companies, in fact, the new imperative is to view innovation as an "all the time, everywhere" capability that harnesses the skills and imagination of employees at all levels" (Birkinshaw, Bouquet, & Barsoux, 2011). This chapter will explore creative ideas used at PetSmart and PETCO in effort to obtain competitive advantage.

Because PetSmart and PETCO are not competitively involved in technological design of products, there will most likely not be responsible for any revolutionary innovations causing technological discontinuity. Instead, the companies take part in continuous change by incrementally improving product line availability and store services. Using innovation, the companies are fighting for competitive advantage by carrying selective product lines in stores, increasing effectiveness of supply chain logistics, and creative design of service products.

Many people value brand names in clothing, kitchen products, or automobiles. In the pet industry, brand name goods are becoming vital for developing competitive edge between PETCO and PetSmart. Using incremental innovation, PETCO decided to widen its product line by using celebrity endorsed goods. Offering products backed by Cesar Millan from the National Geographic Channel's The Dog Whisperer and Ellen DeGeneres's partially owned company Halo Purely for Pets, PETCO created an environment leveraging consumer's trust in celebrities (Narayanan & Brem, 2011).

PetSmart experienced similar challenges for innovating product lines to compete with PETCO. Due to drop in sales in 2009, PetSmart chose a different strategy. Instead of celebrity backed product lines, PetSmart "sought to improve its merchandising capability through increasing its proprietary brands, targeting promotions more effectively, searching internationally for sources of goods, and "resetting" it's hard-goods categories" (Narayanan & Brem, 2011). Specifically, PetSmart's innovative investment in developing and launching low-price proprietary goods as an alternative to high-priced brand name items had created a more cost conscious culture.

Besides leveraging innovation in product line selection, both companies also realized the need to automate supply chain logistics. How the two companies leveraged innovation was slightly different but both resulted in successful processes. PETCO, using an Electronic Data Interchange (EDI), automated its supply chain by automatically purchasing from suppliers. Using database systems, PETCO was able to effectively manage inventory, current sales statistics, and historical sales statistics. At PetSmart, CEO Philip Francis and COO Robert Moran wrote in their 2008 annual Letter to Stockholders that the company is migrating it's mindset and "leveraging expenses by … driving efficiencies in our supply chain" (Narayanan & Brem, 2011).

Innovation in supply chain logistics helped both companies increase margins. Other innovative ideas to increase margins involved selection of services to be offered to pet owners. One service in particular, pet boarding and daycare, caused mixed results leaving the two companies divided. PetSmart opened three "PETsHOTEL" in 2003 with significant success (PetSmart, Inc., 2011e). These service oriented establishments, which provide "Doogie Day Camp" and pet boarding, were later blamed in the PetSmart 2008 Annual Report for having "higher costs as a percentage of net sales in the first several years" (PetSmart, Inc., 2009). The same innovative idea was abandoned by PETCO in 2005 to instead focus on grooming and training to lead its growth services (Narayanan & Brem, 2011).

PetSmart also exhibited a ground breaking stream of innovation in the design of eco-friendly distribution centers. According to a PetSmart, Inc. news release (2011c), PetSmart has been "awarded a Silver Certification under the U.S. Green Building Council's Leadership for Energy and Environmental Design (LEED) for Existing Building: Operations and Maintenance rating system." Using innovative ideas for water conservation for their fish water distribution system, water-efficient landscaping, waste management, pest management, and heat reduction, PetSmart has proven that environmental concerns are important to the company. Not only were these eco-friendly innovations better for our planet, but also reinforces the company's vision and influences customer perception.

Innovation, regardless of the type, helps companies achieve change. In the case of PetSmart and PETCO, the change was incremental in nature without giant leaps in technological growth. Even still, the innovation streams discussed in Willams (2011) are still prevalent. These innovations, however, marginally created competitive advantage since both companies had the competence to develop the same strategic plans. In some cases, the companies imitated each other (i.e., pet grooming services) and other cases they did not (i.e., dog boarding and camps). Still, both companies managed to keep up with the pace of technology and implement change to be competitive.

Social Responsibility

This chapter will discuss the Social Responsibilities of both PetSmart and PETCO. Social responsibility, as defined by Williams (2011), is “a business’s obligation to pursue policies, make decisions, and take actions that benefit society.” These two companies have an exemplary record of positive benefits to society through the various programs and charities. However, from the current litigation pending, there is room for improvement. Ultimately, both companies are in business for profit.

Drucker (2001) wrote that “[r]esponsibility for social impacts is a management responsibility- not because it is a social responsibility, but because it is a business responsibility.” The business responsibility of keeping with honorable social standings is reflected by both PetSmart and PETCO in their community programs. The two main methods that PetSmart contributes to society are through PetSmart Charities® and PetSmart’s in-store adoption program.

At PetSmart, the Charities program has provided more than $134 million in grants and programs benefiting animal welfare organizations (PetSmart, Inc., 2011d). PetSmart Charities® offers grants for several categories including spay/neuter programs, emergency relief funding, and conference sponsorship, all of which benefit keeping pet population under control and educate people on the proper care needed to prevent over breeding (PetSmart, Inc., 2011d). In 2010, PetSmart Charities® spent $38 million in program services and $35 million the year prior (Grant Thornton LLP, 2011). From a social responsibility perspective, the PetSmart Charities® program goes above and beyond to ensure society benefits from the insight and financial assistance offered.

In addition to the PetSmart Charities® program, PetSmart also offers the Rescue Waggin' Partner program. This program helps save the lives of homeless dogs and puppies by partnering with local shelters to transport animals from areas with less of a demand for adoption to areas with higher demand (Humane Strategies, 2011). By transporting homeless dogs to geographical areas where adoptions are high, this program reduces the number of euthanized animals.

PETCO Foundation, similar to the PetSmart Charities®, offers a range of programs to assist the community in managing pet populations and care for homeless animals. The PETCO Foundation offers programs for adoptions, disaster relief assistance, "We Are Family Too" fund that cares for surrendered animals due to evictions and foreclosures, pet food banks, as well as partnership with the Make a Wish organization (PETCO Animal Supplies, Inc., 2011e).

In addition, PETCO has partnered with the Humane Society of the United States' Humane Society Youth to provide "KIND News" in 1000 elementary schools. This community care program distributes a classroom newspaper to two hundred million students nationwide and has become the most widely used humane education resource for teachers, parents, and animal sheltering professionals (PETCO Animal Supplies, Inc., 2011e). As a for profit company, PETCO contributes significantly to society and social responsibility.

However, regardless of the great programs sponsored by the two pet companies, they still have some room for growth. PetSmart has been under criticism for product recall compliance. As a social responsibility, retails must respond quickly to product recalls to ensure people – or pets in this case – are not harmed. On December 23, 2010, PetSmart did just that by ensuring product was removed from shelves when an issue of spoilage "creating pressure inside the bottles causing them to swell and potentially rupture" was announced by the GNC company

(PetSmart, Inc., 2011g). However, PetSmart's quarterly report filed on May 27, 2011 showed a total of 12 pending litigations for pet food recalls that resulted in suffering or death by consuming pet food and pet snack products (Thomson Reuters, 2011).

Both companies have also been criticized by the People for Ethical Treatment of Animals (PETA) organization for inhumane care of animals. In April 2005, PETCO and PETA reached an agreement over large birds for sale in PETCO stores. Due to a negative publicity campaign launched by PETA, PETCO agreed to no longer offer large birds for a sale in its stores. Instead, PETA and PETCO entered into a partnership to augment PETCO's "Think Adoption First" program by enlisting accredited bird rescue groups to provide the animals for adoption purposes, not for profit (PETA, 2011).

PETA also has an ongoing current campaign against PetSmart that is similar to the campaign against PETCO. However, PetSmart refused to comply with PETA's demands to stop selling certain birds and to stop using a particular type of rodent pest control. In a letter to PETA, PetSmart emphasized their commitment to animal welfare and that they have commissioned independent research into these two issues (Richardson, 2005). PetSmart's response further indicates the company's desire to protect animals and provide for positive social responsibility.

Although both companies have had problems with social responsibility, they both generously contribute to good causes supporting animal welfare and education of the masses. Unfortunately, PETCO caved to the demands set forth by PETA to avoid a negative publicity campaign as PetSmart stuck to its ethical beliefs and combated the often extremist animal rights group. Overall, both pet companies are on the right track and embrace positive ethics. Both exhibit a proactive strategy that anticipates social responsibilities before they occurs and responds to the unpredictable events appropriately. These companies surely understand the connection between social responsibility and economic performance as described by Williams (2011).

Role of IT

Often times, company management struggles with the costs of Information Technology (IT) environments. Keeping systems current and providing basic care to those systems can be expensive. However, companies that leverage information technology investments can have significant reward in productivity, efficiency, and organizational control. Specifically, PetSmart and PETCO both leverage information technology for internal control processes and external customer processes. This chapter will explore how Information Technology has enhanced supply chain logistics and provided mechanisms to gather data on customer shopping habits. Additionally, this chapter will discuss how both companies leveraged information technology for e-commerce. Lastly, this chapter will analyze the balancing of effectiveness and IT spending.

Technology has the potential to provide real-time reordering of merchandise, tracking of shipments from distribution centers to local stores, and provide managers insight to supply chain logistics that was virtually impossible before information technology systems. However, these systems are often costly and some companies “fail to use IT to leverage complementary competencies that reside across the supply chain to gain competitive advantage” (Fawcett, Allred, Wallin, Fawcett, & Magnan, 2011). Exploiting IT investments for a collaborative advantage, in this case supply chain management, result in more efficient processes and promote the sharing of information (Fawcett, Allred, Wallin, Fawcett, & Magnan, 2011).

PETCO successfully leveraged information technology to manage its supply chain. Using Electronic Data Interchange (EDI), PETCO accomplished the feat of automatically reordering merchandise from suppliers and implemented an integrated information system that tracked inventory information. Besides automating logistics, PETCO also implemented a system for tracking current and historical sales enabling managers to plan budgets and staffing with greater accuracy (Narayanan & Brem, 2011).

In addition to supply chain automation, PETCO also leveraged information technology to track customer spending habits. By implementing a customer loyalty program known as the PETCO Animal Lovers Save (P.A.L.S.), PETCO used information technology to gather information on what customers buy, how often they buy it, and for targeted email marketing campaigns (Narayanan & Brem, 2011). The P.A.L.S. card, which is equipped with a barcode for quick scanning at point of sale registers, allows customers the ability to save money on purchases but provides significant information to PETCO.

PetSmart also implemented a similar program, called the PetPerks program, which also provides discounts to customers. The PetPerks program also provides advance e-mail notice of in-store specials and a special birthday greeting for your animal. Leveraging the website, PetSmart allows customers utilize online account management and access “exclusive” partner offers (PetSmart, Inc., 2011f). Although simple for the customer to use, these incentive programs by PetSmart and PETCO involve complex IT systems that are expensive to maintain and operate.

Another very successful use of information technology that both PetSmart and PETCO utilize is online shopping or e-commerce. At petsmart.com and petco.com, consumers can access merchandise available in store as well as additional online-only merchandise. Combine the ease of shopping from home with the special free-shipping offers, competition in the e-commerce business is difficult. With e-commerce in general growing at 19.4 percent per year

(Hall, 2011), investing in e-commerce solutions keeps companies competitive and provides additional market share.

The PetSmart Banfield veterinary clinic also introduced electronic pet health records that allowed consumers of veterinary services to view records online and keep track of appointments. PetSmart was able to further expand their usage of information technology to provide customers a comprehensive health management system for their pets.

Although PETCO and PetSmart both found ways to leverage Information Technology, often these technologies can be challenges for companies. Both PetSmart and PETCO expanded by mergers and buyouts over the past 10 years (PETCO Animal Supplies, Inc., 2011c; PetSmart, Inc., 2011e). As described by Gruenes and Bailey (2008), "company mergers present great opportunities as different IT environments come together." Although the extent of the challenges experienced by PetSmart and PETCO are unknown, a different company saved $400 million in consolidated IT costs by selecting existing platforms and consolidating its IT operations and systems (Gruenes & Bailey, 2008).

Ultimately, Information Technology can help increase sales and bring profit to a company or consume excessive costs with little return on investment. Judging by the successful financials of both PetSmart and PETCO, it is fair to assume that both companies leveraged information technology to increase efficiencies, better enable managers to see what is happening within the company, and to extend sales to those at home. Both companies operate fully functional online stores and provide mechanisms for customers to interface with the corporate level via online surveys. Although the details of these companies information technology internal systems are not public, if they meet the same level of value as the external systems than it is fair to assume that both PetSmart and PETCO have successfully implemented technology into their business practices.

Strategic Plan

PetSmart and PETCO have been successful even during tough economic times. However, both specialty retailers face several threats and opportunities that have potential to impact their future success. This chapter will first address a major threat to the overall pet specialty industry, as well as introduce company specific threats. Finally, this chapter will offer several opportunities for the pet companies.

Threats

The first major threat facing PetSmart and PETCO, as well as other small business pet stores, is the expansion of mass retailers like Wal-Mart and COSTCO. As low-cost retailers continue to expand, they offer prices lower than the pet specialty retailers on hard goods and food. PetSmart and PETCO will experience increased competition from these retailers unless actions are taken to become competitive. According to the PetSmart Annual Report, the "principal competitive factors influencing our business are product selection and quality, customer service, convenience of store locations, store environment, price and availability of other services" (Thomson Reuters, 2011). Focusing on availability of other services and offering product lines that are unique and not available through mass retails, PetSmart and PETCO can gain market share over the mass retailers.

Another threat that will continue to be problematic for both companies is the protest from animal rights groups that feel the major companies are causing harm to animals. Specifically, the People for Ethical Treatment of Animals (PETA) group has an aggressive campaign against PetSmart to stop selling certain animals (Richardson, 2005). In protest, PETA set up a web site (www.petsmartcruelty.com) that portrays extreme conditions that cause harm to small animals and birds for sale in stores. Unfortunately, these rare cases are often considered the norm due to ignorant consumers. Negative publicity sites by PETA will damage the credibility of the major pet companies.

Another threat identified by PetSmart is the “failure to protect our intellectual property could have a negative impact on our operating needs” (Thomson Reuters, 2011). A simple google.com search of recent attacks reflects that many companies are finding that their information security programs are inadequate. PetSmart identifies this as a risk that may impact operations due to unauthorized reproduction or other misappropriation of intellectual property. As discussed by Williams (2011), information threats come in many forms from email snooping and phishing to virus, worm, or trojan attacks. With PetSmart relying heavily on an automated logistics process, protection that information is critical and could quickly turn from threat to reality. Additionally, PetSmart identifies the risks associated with e-commerce due to possible failure in the company, or any third-party processor’s, security procedures and operational controls (Thomson Reuters, 2011).

Opportunities

As PetSmart and PETCO both have significant threats, they also have plenty of opportunities. One significant opportunity that PETCO has is the ability to expand their services offered and directly compete with PetSmart. Currently, PetSmart offers a more comprehensive range of services that have proven profitable. Specifically, PETCO can expand services and provide a “doggie day camp” or “pet hotel” service that is already available in PetSmart stores. These services were abandoned by PETCO in 2005 (Narayanan & Brem, 2011) but offer great potential.

PetSmart can also turn the current threat caused by PETA's negative publicity into an opportunity. Although the company made their opinion of PETA clear in their response to PETA's demands (Richardson, 2005), they could instead make a deal with the PETA organization and profit from a marketing boost. An example of the potential benefit can be seen from PETA's website announcing the agreement between the PETA and PETCO (PETA, 2011).

One last opportunity that both PetSmart and PETCO could leverage is increasing product line to include all natural pet foods. Although not a new concept, all-natural healthy dog foods are becoming more prominent but also carry a larger price tag. Currently, most all-natural products are only available in small pet-store businesses, but both large retailers have yet to enter the all-natural market. One small business in Pennsylvania reached sales goals of $160,000 to $170,000 operating an all-natural doggy "barkery" (Riggs, 2004). By selling healthy and high-end dog products, this small business is achieving great success.

Like all businesses, the pet industry has many threats and many opportunities that can hurt or push the company into the limelight. PetSmart, as a larger company with more of the market share, has the ability to better leverage some of the opportunities but also faces more threats than its competition. However, PETCO has room for growth in services and can learn from the mistakes that PetSmart made during trial periods of new offerings. Overall, both companies operate in a popular market that is predicted to continue to grow and has potential for international expansion. Taking advantage of those opportunities depends on the company's strategic goals.

Conclusion

The retail pet industry is a niche industry with potential for substantial profits. As elegantly put by Drucker (2001), "a business that obtains enough profit to satisfy its objectives in the key areas is a business that has the means of survival. A business that falls short of the profitability demands made by its key objectives is a marginal and endangered business." Both companies analyzed in this case study have the foundation to continue their success. They are able to manage their own perceptions and influence their customers' perceptions, encourage innovation, address social responsibilities, leverage information technology, and plan strategically.

Both companies succeed at managing perceptions both in how they see themselves and how the customers see them. The company's methods for influencing and setting these perceptions directly ties to their community outreach programs and educational offerings to their customers. Although some organizations such as the People for the Ethical Treatment of Animals (PETA) are trying hard to tarnish the external perceptions of PetSmart, the company has managed to push forward by re-emphasizing the positive role they play with the pet community. Both companies understand Drucker's (2001) first fundamental of communication that "communication is perception." By communicating with their customers through various mediums (in store, letters to stakeholders, internet sites), both companies are able to define who they are as a company and what they stand for. This perception is what makes pet owners confident that the money spent in their stores is going to a company that truly cares about welfare of animals.

As discussed in this case study, both companies fare well in terms of innovation. As stated by Drucker (2001), the size of the company - or "bigness" - is not an obstacle to innovation. PetSmart and PETCO both have proven this. Both companies thrive to innovation in product delivery methods (e-commerce vs. traditional brick and mortar stores) and in available services. PetSmart reached new levels of innovation in the pet industry by not only selling goods and basic services, but my making a one stop shop for all pet goods including health services with Banfield Pet Hospital and pet hotels services. Short of giving pet-icures (manicure for pets), PetSmart offers everything possible under one roof.

In terms of social responsibilities, both companies also fare well. Through company sponsored charity organizations such as PetSmart Charities® and PETCO Foundations, the two pet industry giants contribute millions of dollars per year to third party organizations. These organizations often run programs for controlling animal populations or caring for homeless pets. The two companies are similar by understanding that simply selling pet products is not enough. They must go beyond the role of profit seeking retailer and assume a role of contributor to end animal suffering. Customers who are animal lovers recognize the significant benefits coming from the PetSmart Charities® and PETCO Foundations and consequently spend more money in those businesses.

As for Information Technology, both companies utilize current state of the art technology to expedite supply chain, to provide e-commerce web sites, and to distribute information to their customers. With these IT systems comes risk of loss of intellectual property or impact to operations in the event of system outages. The companies leveraged technology in a way that provides value to the organization, and not cause what Drucker (2001) refers to as “acute computeritis.” Technology is a tool that promotes efficiency and accuracy; PetSmart and PETCO utilize this tool successfully.

Finally, both companies will most likely fare well strategically as the pet industry continues to thrive. By understanding the threats and taking advantage of the opportunities, PetSmart and PETCO both have bright futures ahead. However, at some point, both companies could enter the international market and greatly expand their customer base. PetSmart already operates in North America but the need for pet industry services and supplies is global. A strategic plan to develop cooperative contracts or licensing agreements in a foreign country would take these U.S. pet industries to unprecedented levels. PetSmart is in the best position to do this as they currently have stores throughout Canada already.

As this case study discussed, PetSmart and PETCO have more similarities than differences. Fortunately, the market demand in the pet industry is high and the companies both have had substantial success. With a history of quick expansion, these companies are sure to continue to grow and provide the quality services, quality products, and an increase to their commitment to animal welfare causes.

References

American Pet Products Association (APPA). (2011). *Industry Statistics & Trends*. Retrieved August 10, 2011, from APPA Website: http://americanpetproducts.org/press_industrytrends.asp

Birkinshaw, J., Bouquet, C., & Barsoux, J. -L. (2011). The 5 Myths of Innovation. *MITSloan Management Review*, 42-51.

Drucker, P. F. (2001). *The Essential Drucker*. HarperCollins Publishers, Inc.

Fawcett, S. E., Allred, C., Wallin, C., Fawcett, A., & Magnan, G. (2011). Information Technology as an Enabler of Supply Chain Collaboration: A Dynamic-Capabilities Perspective. *Journal of Supply Chain Management*, 38-59.

Grant Thornton LLP. (2011). *Statement of Financial Position: PetSmart Charities, Inc.* Phoenix, AZ: GrantThornton.

Gruenes, W., & Bailey, D. (2008). Balancing Effectiveness with IT Spending. *Traffic World*, 6.

Hall, E. (2011). Bye-bye Brick and Mortar. *Lighting Design & Application*, 35-38.

Humane Strategies. (2011). *Rescue Waggin'*. Retrieved August 10, 2011, from http://www.humanestrategies.org/html/rescue_waggin_.html.

Kovacich, G. L. (2003). *The Information Systems Security Officer's Guide*. Burlington, MA: Elsevier Science.

Lai, F., Griffin, M., & Babin, B. J. (2008). How quality, value, image, and satisfaction create loyalty at a Chinese telcom. *Journal of Business Research*, 980-986.

Lau, E. (2011, May 6). Propsal for new Banfield hospital prevails over objections. *The VIN News Service*.

Narayanan, V. G., & Brem, L. (2011, May 26). *Sniffing Out Opportunities at PetSmart.* Boston, MA: Harvard Business School Publishing.

PETA. (2011). *PETA and PETCO Announce Agreement*. Retrieved August 4, 2011, from PETA.org: http://www.peta.org/features/petco-agreement.aspx

PETCO Animal Supplies, Inc. (2011a). *PETCO Shopping Services*. Retrieved August 10, 2011, from PETCO website: http://www.petco.com/petco_Page_PC_shoppingservices.aspx

PETCO Animal Supplies, Inc. (2011b). *Fact Sheet - General*. Retrieved Aug 9, 2011, from Petco Website: http://about.petco.com/press-room/company-fact-sheet/

PETCO Animal Supplies, Inc. (2011c). *Company History*. Retrieved Aug 9, 2011, from PETCO Website: http://about.petco.com/press-room/company-background

PETCO Animal Supplies, Inc. (2011d). *Pet Sitting & Dog Walking*. Retrieved August 9, 2011, from PETCO Website: http://www.petco.com/petco_Page_PC_fetchpetcare_Nav_1275.aspx?CoreCat=LN_PetServices_PetSittingDogWalking

PETCO Animal Supplies, Inc. (2011e). *PETCO Foundation*. Retrieved August 9, 2011, from PETCO website: http://www.petco.com/petco_Page_PC_petcofoundationhome.aspx

Petsmart, I. c. (2011). PetSmart Reports Results for the First Quarter 2011. *Business Wire (English)*, Retrieved from EBSCO host.

PetSmart, Inc. (2009). *2008 Annual Reprt.* Pheonix: PetSmart, Inc.

PetSmart, Inc. (2011a). *PetSmart Pet Services*. Retrieved August 10, 2011, from PetSmart website: http://pet-services.petsmart.com/

PetSmart, Inc. (2011b). *PetSmart Company Overview*. Retrieved August 9, 2011, from PetSmart Website: http://phx.corporate-ir.net/phoenix.zhtml?c=93506&p=irol-companyoverview

PetSmart, Inc. (2011c). *PetSmart Celebrates Earth Day with Silver LEED Certification of Nevada Distribution Center from the U.S. Green Building Council*. Retrieved August 9, 2011, from Reuters Website: http://www.reuters.com/article/2011/04/22/idUS59448+22-Apr-2011+BW20110422

PetSmart, Inc. (2011d). *PetSmart Charities Vision and Mission*. Retrieved August 9, 2011, from PetSmart website: http://www.petsmartcharities.org/about/vision-and-mission.html

PetSmart, Inc. (2011e). *History Timeline*. Retrieved August 9, 2011, from PetSmart website: http://phy.corporate-ir.net/phoenix.zhtml?c=93506$p=irol-timeline_pf

PetSmart, Inc. (2011f). *PetPerks*. Retrieved August 10, 2011, from PetSmart website: http://customer-support.petsmart.com/pet-perks/

PetSmart, Inc. (2011g). *PetSmart Corporate*. Retrieved August 7, 2011, from PetSmart website: http://phx.corporate-ir.net/phoenix.zhtml?c=196265&p=factset23

Richardson, B. (2005). *Response to PETA demands.* Retrieved August 11, 2011, from PetSmart Corporate website: http://media.corporate-ir.net/media_files/irol/93/93506/ResponsetoPETAProposal.pdf

Riggs, J. (2004). Raising the Woof. *Entrepreneur.com, Inc.*, n.d.

Thomson Reuters. (2011). *Annual Report to Security Holders.* Pheonix.

Thomson Reuters. (2011). *US Securities and Exchange Commision Form 10-Q.* Pheonix.

Williams, C. (2011). *MGMT4.* Manson, OH: South-Western, Cengage Learning.

Yelp! Inc. (n.d.). *Yelp! Real people. Real reviews.* Retrieved Aug 4, 2011, from Yelp.com: http://www.yelp.com

About the author

Author: Christopher Furton

Website: Http://christopher.furton.net

Certified professional with over 12 years of Information Technology experience and 8 years of hands-on leadership. An expert in cyber security with both managerial and technical skills proven throughout a career with increasing responsibility and performance expectations. Known ability to translate complex information for universal understanding. Detail-driven, results-focused leader with superior analytical, multitasking, and communication skills. Well-versed in industry best practices including Project Management and IT Service Management. Currently holding active CISSP, CEH, ITIL Foundations, Security+, and Network+ certifications.

Visit the auhor's blog:
IT Management Perspectives - https://christopherfurton.wordpress.com/

Social Sphere:

LinkedIn Twitter Google+ Quora Wordpress Flavors.me

Slide Share Tumblr YouTube Pinterest About.me Vimeo