

Status Quo of Pet Stores in China--Taking Chengdu as an Example

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Abstract: As the most intensive front stores in the pet industry at present, pet stores connect the rapid circulation of pets, commodities, people and services through consumers, brand services, supply chain, practitioners, pets themselves and consumers. Therefore, under the background of the rapid growth of Chinese “pet economy”, pet stores should flourish, and community stores should blossom everywhere. However, the fact is that a large number of pet community stores have fallen into operational difficulties. The change of external environment, the squeeze of e-commerce, the increase of competitors on the track, and the limitations of operators’ own thinking and ability are all serious problems facing traditional pet community stores. This paper attempts to clarify the reasons for these difficulties and the deep rooted facts, so as to provide some suggestions for the transformation of traditional pet stores.

Keywords: Pet Store; E-Commerce; Pet Industry; Transformation

Introduction

According to the white Paper on Chinese Pet Consumption Trend in 2021 released by IResearch, the scale of Chinese urban pet industry reached 298.8 billion yuan in 2020, with a compound growth rate of 32.8% from 2015 to 2020. Driven by policies, economy, population structure and technology, the industry will continue to grow steadily, with a compound growth rate of 14.2% in the next three years. By 2023, the scale of pet industry will reach 445.6 billion yuan.¹

Based on the macroeconomic data, Chinese pet industry should be in an incremental market for a long time. Theoretically, it should be in a good business state for consumers to return to the offline business mode of purchasing services, especially for pet stores with geographical proximity.

However, the fact is that the traditional pet stores² in China has been seriously surplus and the business environment is the Red Sea, the volume of business can reach 50,000 -60,000 yuan is a normal preference³. Apart from rent, employee wages, water and electricity and other fixed expenses, or practitioners give up holidays and rest, in exchange for the labor, the pure profit is no more than 10,000 to 20,000 yuan,

More realistically, the traditional community pet stores that are still making profits win by entering the business early. They exchange time for trust and slowly "stabilize" themselves in a certain area. Combined with the natural advantages of high viscosity of the pet industry, they only start to make money after the initial period of "raising".

In contrast, it is more difficult for newcomers to develop traditional community pet stores. Paradoxically, a large number of these cases occurred among newbies who chose to join in order to avoid their own shortcomings (in the pet industry, management experience). As pointed out in the Research Report on The Innovation and Development of Chinese Pet Economy released by Yi Ou Think Tank, a professional consulting institution, in 2021, "Due to the low threshold of joining,

1. The white Paper on Chinese Pet Consumption Trend in 2021 released by IResearch

2. Traditional pet stores generally refer to small pet stores with a store area of less than 100 square meters, the owner is the employee, and they employ 1-2 people. They do not pay attention to decoration, and the product structure is mainly medium and low-end. The business proportion of washing and care and commodities is generally about 1:1, and the business model is traditional. The authors note

3. "Pet shop profits? Uncovering the mind-boggling truth about the low income pet economy." Husniff Consulting

with the lack of unified supply chain and service management, most chain brands are in a pseudo joining state".

The fundamental reason for the "pseudo-franchise status" is the lack of standardized management, good supply chain support and brand cognition by consumer. In addition, these entrepreneurs lack complete business thinking and operation ability. Under the illusion of "cute love" of the industry, they avoid the fact that the entity "narrowly avoids death" and forcibly bind their personal preferences to entrepreneurial projects. They cannot break through the limitation of the radiation scope of a single store, and their business gets worse and worse until they resell or close the store.

So, in addition to the "pseudo-franchise state" encountered by some operators, what are the common dilemmas faced by all operators?

1. Dilemma 1: the impact of e-commerce

No one can ignore the impact of e-commerce on the entire brick-and-mortar retail industry, especially the pet industry. Take the category of staple food with the largest transaction volume in the pet commodity market as an example. The survey results in 2021 show that 27% of users buy all products online. 43% of users make most of their purchases online. A total of nearly 70% of the population⁴, online channels on the staple food sales impact is beyond doubt.

In my own pet stores, for nearly a year of operation, visited many stores in Chengdu area, and communicated with a lot of traditional stores bosses, found that most of the boss on the use of the Internet only stay in the single WeChat App, with WeChat associated with guests, set up group chats, Information delivery level like event notifications, that's all. In fact, these actions are difficult to resist the low price strategy of the whole e-commerce and the integrity of the whole system of goods on the appeal of users.

Whenever online events such as June 18 and Double 11 are held, the problem of whether to offer discounts or not begins to trouble the bosses. After all, the double pressure of rent and labor cannot withstand the discount range of online, so whenever online festival carnival, I hear the sigh of bosses offline.

2. Dilemma 2: Most practitioners have no location requirements

When making location decisions, owners of traditional community's pet stores often overemphasize "the rent should not be expensive". On the one hand, it may be related to the low investment amount, and on the other hand, it is directly related to the low turnover of pet stores.

Taking the author's survey of pet stores in Longquanyi District of Chengdu as an example, there are 207 samples in total. Assumption, A community the best port is defined as A class A port, the types of entities (such as milk tea shop, supermarket, etc.), traffic was dropped, in turn until the minimum flow port, defined as D port (often in the closed community near the back door, few people take the initiative to pass), we got A community flow sorting: A, B, C, D.

When it comes to pet stores, the fact is that less than 1/100 of them are located at Grade A ports, and no more than 10 of them are located at Grade B ports. Most of the traditional pet community stores are still located at C-level or D-level ports, so the flow itself is relatively lacking. If the operating capital is not sufficient in the first six months after opening, it is easy to encounter problems and fail to withstand the turnover and rental pressure in the early stage.

3. Dilemma 3, the contradiction between low investment and high consumption

Take the growth of cat users as an example. According to the latest data from the White Paper on Chinese's Pet Consumption Trend in 2021, the number of cat owners in first-tier cities in 2021 is higher than that of dog owners, and pet owners born after 1995 prefer cats. Of course, it makes sense: the city's living space constraints, the rise of cat culture on social media, the cost of cat feeding time are all directly related. So what does the rise of the cat economy mean for stores?

First of all, we have to start from the differences in consumer behavior and psychology between cat owners and dog owners. In terms of industry calls, cat owners are "more picky" and "more demanding" than dog owners. These differences fall one by one in the store, involving decoration, tonality, whether the product is imported from abroad, whether the service is provided by high-end Spa, whether the store has achieved odor management, etc., all of which need certain investment to complete. However, the lower the investment of our stores, the more unable we are to convert the consumer groups of high

4. The white Paper on Chinese Pet Consumption Trend in 2021 released by IResearch

guest orders. Some customers even give up the desire to consume when they reach the door. From the perspective of traffic flow, it is highly wasteful.

4. Dilemma 4: Business modules are too many and trivial, lack of standards, and high operational risks

The business modules of pet shops are mainly divided into the following types:

- Pet supplies, food sales
- Pet bath and grooming services
- Pet foster care
- The sale of pets

In my opinion, further elaboration of each of the above business forms can be expressed as:

- Retail Industry (Subdivision of pet industry)
- Beauty industry (moving to pet services)
- Hotel business (hotel business for pets)
- The sale of special goods

That is to say, a front-end store of less than 100 square meters needs to involve all the businesses mentioned above, with many links and a long process, in which risks are permeated at every node. What is more troubling is that these business modules do not form a unified industry standardization (equipment, process and standard standards), which means that many operations rely on the responsibility and "intuition" of operators, which undoubtedly increases operational risks greatly. The most difficult thing is that when there is a serious customer complaint about the operation error, pet owners get raged and the store is very risky, even serious enough to be forced to close the store. Such news is not uncommon.

So, in the face of the above difficulties, how should traditional pet store operators cope?

Countermeasure 1: strengthen and cultivate their own entity competitiveness, refer to the successful cases of other industries

Operators must attach great importance to the improvement of their comprehensive ability, break through the traditional thinking of the industry, re-examine their stores and management mode from the perspective of entity operation, observe whether there is a gap in flow, whether there are problems in conversion, whether internal management can keep up with the speed of business and so on. At the same time, learned to gain cross-industry experience, and gained some operation power and inspiration from hairdressing and beauty industry and maternal and child industry. After all, the underlying logic of entity operation is interlinked.

Solution two: flow, flow, pay attention to the flow of learning

The importance of flow does not only refer to online flow, but also includes the development, conversion, repurchase and so on of offline flow, which requires operators to attach great importance to and operate flow. It must be pointed out that the ability to obtain traffic is to be deliberately cultivated and trained, operators may wish to expand their ideas, find some open courses on the Internet to teach knowledge about traffic, systematic learning, improve the ability of the flow plate.

Strategy 3: Focus heavily on one or two business modules

For the operators of community stores, it is better to grasp one or two of the most needed business modules, polish the business ability, delve into the depth of business, and make these two businesses distinctive, persistent and standard in the community to win the market.

At the same time, the abandoned business modules are not completely thrown away, but in the form of cooperation design can be divided. For example, the hiring of beauticians can arrange customers with beauty needs on the same day in advance by going to the store for 1-2 days a week, which can greatly reduce the labor cost of beauty business, and then raise the human efficiency to the highest level.

All in all, while the pet industry is promising, consumer demand is even ahead of the store end. However, the difficulties faced by traditional pet community stores are significant, so operators need to break through these difficulties. But the emergence of such competition and survival of the fittest rule is not an industry in high-speed development of one of the signs? Looking forward to the explosive growth of China's pet industry and the arrival of a new era!

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