

BUSINESS PLAN: A PET SERVICE AND RETAIL COMPLEX IN NANJING

57180013-1 CHENG JI
PRACTICE IN STRATEGY

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Summary

The aim of writing this thesis is to create a business plan of “Paw-paw Land”, a pet service and goods retail store in Nanjing, China. The core business is home-like daycare service which is still in the beginning stage in Nanjing, to solve the widely existing pain point of taking care of pets when the owner goes to work. In addition, overnight boarding, pet showering, grooming, training, retail of pet goods and other various services will be offered, too.

The pet relating market is drastically growing in recent years in China. Because of the increasing personal income and more emotional dependence on pet, plenty of consumers are demanding for higher-quality pet products and services. The most accessible pet service provider in Nanjing now is small-sized private pet shop, whose price is comparatively low but usually lacking of tidy environment, professional staff and high-quality products. Modern pet care shop with better services is few in the market and eagerly expected by consumers. That is

why “Paw-paw Land” is aiming to become the **first-mover** of middle-class targeting pet service complex to fill the market gap.

There are several key factors making “Paw-paw Land” differentiates from competitors to ensure the success of “Paw-paw Land”: Firstly, **middle-class targeting positioning**. Higher quality service and goods with reasonable prices will be provided. Secondly, **brand-new day-care service**. Free-ranged daycare will be cultivated as a new consumption habit to solve the “pet home alone” problem. Moreover, **Location selection, professional staff, digital marketing and CRM** are also important aspects that “Paw-paw Land” will focus on.

Financially, **cross-sell** of combining service and retail together is the key factor to boost the sales.

As being a dog owner for more than ten years, this thesis presents the author’s enthusiasm for pet, identity loyalty to hometown Nanjing, and exhaustive learnings from her MBA courses. All these detailed facets in the business plan are trying to reflect the challenges and corresponding strategies in real business, allowing readers acquire certain understandings of pet business in China. In the near future, hopefully this business can become real in Nanjing, gained as much success as expected.

<Inside Cover>

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CHAPTER 1. INTRODUCTION

In recent years, pet market has been booming rapidly in China. According to *the White Book of Chinese pet industry 2019*, the consumer market in Chinese urban area has reached 202.4 billion RMB (approximately \$28.46 billion USD), which grows approximately 18.5% over 2018.

Comparing to the US, the largest and most developed pet market in the world which has reached \$70 billion USD, Chinese pet market still has a promising future: 1) The number of pet per household is only 0.24, which is only 1/6 of the US; 2) Personal income is steadily growing in decades, as well as the purchasing power; 3) Due to the trend of aging and miniaturizing family structure in China, demand on pet and relating services would be increasing as an important emotional support.

Within the general pet industry, pet food, pet medication and pet supplies are the top 3 of most profitable segmentations. However, considering large initial financial investment and technical barriers, it would be challenging for an inexperienced pet-loving entrepreneur to start business in these segmentations rashly. Instead, opening a pet daycare, which is complex of various pet care services and mainly on day care and training services, is still a new business in Chinese market and would become popular in a few years.

The aim of this thesis is to present a business plan of starting a pet comprehensive service business in Nanjing, the Author's hometown as well as one of the most prosperous cities in China.

The thesis contains contents of author's motivation, market research of recent business trend, business plan of concepts including various aspects like service offering, marketing, daily operation, organization and financial analysis to ensure the business feasible and sustainable. In the chapter of conclusion, summary of the thesis and the author's takeaways will be demonstrated in the end.

Section 1. Motivation

There are four reasons for the author to choose a pet comprehensive service business as the theme of thesis.

Firstly, according to the author's experience of doing voluntary job in dog cafe, and keeping her own dog for over ten years, she is clearly conscious of her intense passion on pet business, and has accumulated certain experience of pet caring and understanding the pain points as a pet owner.

Secondly, as the market size of pet industry in China growing rapidly and continuously, large players have only emerged in the segmentation of mass production of pet food and products. For segmentation of pet service includes pet medication, pet hotels and pet grooms, main players have not emerged yet and the quality of each pet service provider varies significantly. The niche market for middle class who are requiring cost-efficient services is highly demanded.

Thirdly, comparing to construct a pet food or pet products factory and build a supply chain from zero, opening a pet service store has significantly lower barrier to entry. Taking consideration that the author is lacking of background and experience especially relating to pet industry, even if the

business goes to a failure in future, the loss is still comparatively controllable and affordable.

Lastly, after a full two-year study in an MBA program, the entire writing process of a business plan has given the author a comprehensive experience to understand every aspects of business, practicing her abilities in entrepreneurship and management.

CHAPTER 2. MARKET RESEARCH

Section 1. Opportunity

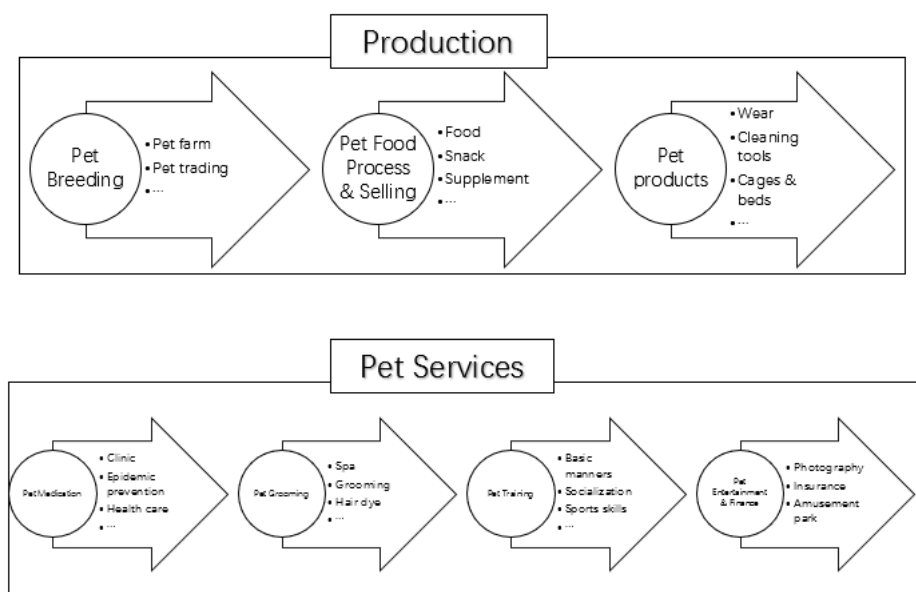
The growth in the middle class, a massive move to urbanization and other demographic changes - such as growing numbers of elderly, and people getting married and having children later than before - have been turning this into not just a pet-owning society but also one that is prepared to lavish money on them.

The *Chinese Pet Industry White Paper 2017* says an estimated 73.55 million people in urban areas have pets, meaning about 9 percent of China's overall urban population of 813.47 million in 2017 had pets. The high degree of urbanization and people's rising incomes are the main reasons why pet raising has become so popular. Beijing, Shanghai, Guangzhou, Tianjin and Chengdu are the top cities where pet raising is most popular. The fact that the residents of these first-and second-tier cities have comparatively high dispensable incomes has played a critical role in popularizing pets.

The increasing popularity of pets in urban areas has given rise to a whole industrial chain, which in turn has helped build a "pet economy", comprising pet consumption including food, medical treatment and even funeral and interment expenses.

Chinese shoppers are set to spend 46.3 billion yuan (\$7 billion) on their pets by 2022, up from 17.5 billion yuan this year as the market grows at around an annual 20 percent, according to estimates from Euromonitor. The U.S. market may be much bigger with an estimated \$44.4 billion in sales this year but it is only growing around 2 percent a year.

Section 2. Industrial Segmentation



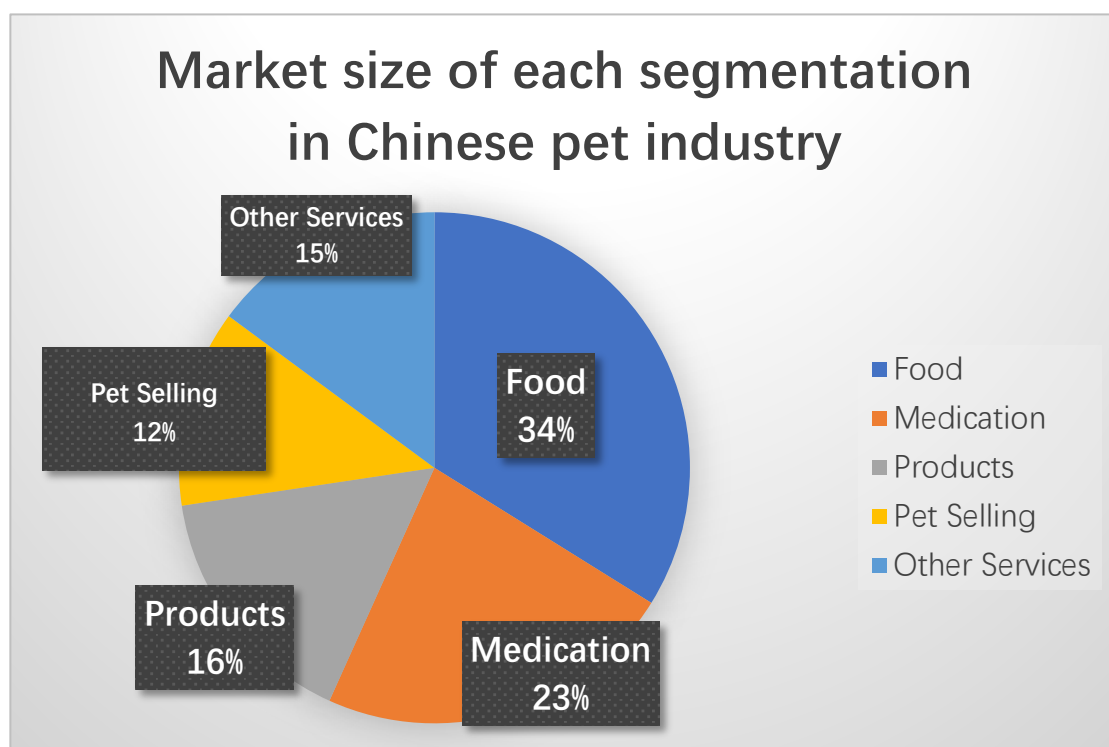
Graph 1: Pet Industry Segmentation

In order to understand “pet economy” well, it is worthwhile to go through the industry chain in pet industry.

Pet industry can be generally divided into two parts: Production and pet services (source: author).

Production part includes the production and selling of pet itself and pet relating products, which satisfies the fundamental needs from each pet keeper and occupying the major market of pet industry. Pet services include pet meditation, grooming, training, entertainment, finance, etc.

Comparing to pet product manufacturers, pet service providers usually spread in urban area that close to their customers, more flexible and enable to offer further customized and higher quality service to them.



Graph 2: Market size of each segmentation in Chinese pet industry

According to *Market outlook Research Repot of Chinese Pet industry 2018* issued by ASKCI

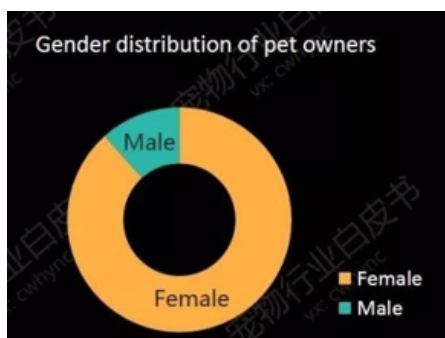
Consulting, the market size of pet service is approximately 12% among all the segmentation in pet

industry. With the large growth rate of the whole industry and the trend of consumption upgrade across China, pet keepers tend to seek to better experience for their pets, bring a bright prospect for pet service providers.

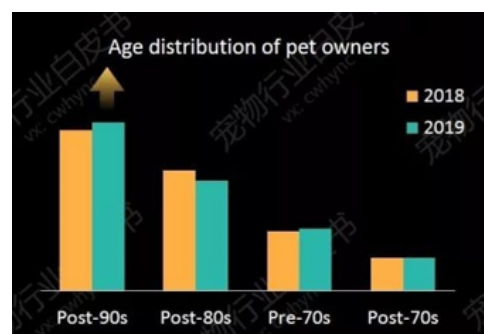
Section 3. Consumers

In *2019 Chinese Pet Industry White Paper*, an online survey of pet keeper profiling was conducted from November 2018 to August 2019. Over 40,000 responses from major Chinese pet websites and forums were collected, and the result will help the entrepreneurs to get the demographic information of his/her customers, predict their consuming behaviors, and narrow down necessary products and services for the targeting customers.

- **Female pet owners are the majority, young people under 30 will be the largest group of consumers**



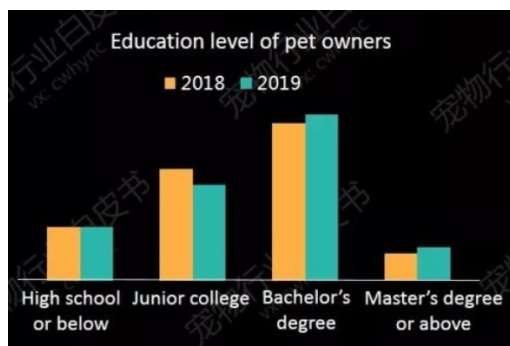
Graph: gender distribution of pet onwers



Graph: age distribution of pet onwer

Based on the *Gender distribution of pet owners*, the number of female pet owner is significantly larger than male. In addition, since the service/product purchaser (pet owners) is not the service/product user (pet), we can see pet business has a high similarity with maternal and baby business. In the graph of *Age distribution of pet owners*, “post-90s” refers to the responders who” were born at or after 1990”, and “post-80s”, “pre-70s” and “post-70s” can roughly means people who are over 30, 40, and 50 years old respectively. Among all age gourps, the proportion of “post-90s”(over 20 years old) grows fast and keeps the largest share. Getting to know this younger group will be helpful for the pet business.

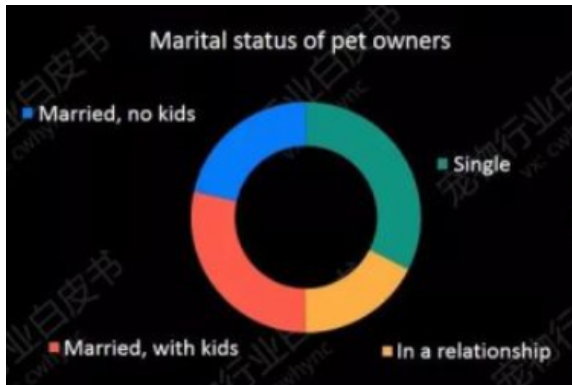
- **Highly educated pet owner is increasing**



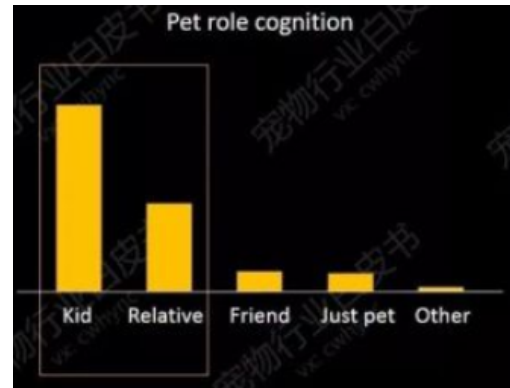
Graph: Education level of pet onwers

Comparing to the data in 2018, the proportions of pet owners who have a bachelor degree or above grows and tends to become the majority among all the pet owners. This fact implies these highly-educated pet owners would be more open-minded to scientific feeding of pets, also have higher demand on high-quality pet service and products.

- **More than half of pet owners don't have kid, but tend to treat their pets as a family member**



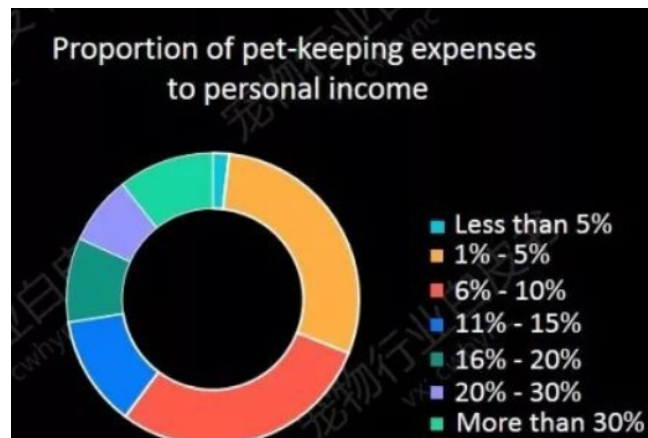
Graph: marital status of pet owner



Graph: Pet role cognition

Based on the graph of *Marital Status of pet owner*, around 30% of them are single. Adding the groups of "in a relationship" and "Married but no kids", approximately 70% of pet owners don't have kids, which means they don't need to pay education fee that is usually an essential part of expense in traditional families. Moreover, most pet owners recognize their pet as a "kid" or a "relative", which implies they may be willing to spend their saved expenses on kids to their pets instead.

- **More than half pet owners spend less 10% personal income on pet, and quality is prioritized**



Graph: Proportion of pet-keeping expenses to personal income



Graph: Top 5 consumption concepts of pet owners

In the graph of *Proportion of pet-keeping expenses to personal income*, more than half pet owners spend less 10% personal income on pet. From the *2018 fresh graduate salary report* issued by a recruiting website, the average monthly income of fresh graduate with a bachelor degree and fresh graduate with a master degree in Nanjing area are ¥ 5265 and ¥ 6891 respectively. Therefore, their monthly expense on pets are ¥ 263 and ¥ 345 (calculated by 5%). Considering the salary data of new graduate is lower to the average of under 30s, and around 40% of consumers show willingness to more than 10% of monthly income on pets, the actual number of pet expense in general may be even higher.

Among *Top 5 consumption concepts of pet owners*, the key words of “rational”, “high quality” and “try new things” are mentioned for multiple times, which points out that most pet owners have certain demands on product quality rather than caring price only. This fact also relates to the fact that pet owner’s comparatively higher level of education, and the role cognization of pet as a “family member”.

- **Target Profile**

Taking all the above results into consideration, a portrait of typical target customer can be described as below:

- Female
- Age: 22-32
- Education level: Bachelor degree or above
- Relationship status: single
- Monthly income: ¥ 6000~
- Living status: Rental apartments, alone, parents are usually living in another city
- Working time: 9 to 6, sometimes need to work overtime
- Monthly expense on pet: ¥ 350~
- Hobby: following multiple pet relating influencers on SNS, also enjoy sharing pictures of own pet on SNS

Section 4. Pain Points

This section presents unsatisfied needs, concerning and pain points of current pet service as described by the research from *2019 Chinese Pet Industry White Paper* (hereinafter, referred to as ‘*white paper*’), and personal interviews to pet owners. The findings reflect strong demands from customers and niche market that have been covered by major players, which provide critical lessons in general positioning, creation of service list, pricing strategies and marketing strategies.

- **Full-time employed pet owners are concerning about their pet at home when they go to work**

As the data shown in section 3, the majority of pet keepers are under 30, single, and have full-time jobs. Zhang Si, a 25-years-old IT engineer who has a 6-months Husky, shared his story of breeding husky: Because of teething, his husky has destroyed his shoes, sofa, pillow, headphones, tissues...He has tried to search online to find methods training his dog stop destroying, but found they didn't work. Consequently, Zhang chooses to locked his husky in an empty room and use a pet camera to track his motion when he goes to work.

“The pet camera is really helpful. Now I can check his motion via smartphone to know what he is doing, and if there is anything being destroyed again.” Zhang said, “But it is not the best way to solve the problem, I think. I am feeling guilty to leave him alone for such a long time. When I heard

his lonely howl via pet camera, my heart broke...I am sure a pet day-care service will help me a lot, as well as some professional training to make him feel comfortable when he is alone.”

Hence, day care service of pet with extra training has demand from the customers.

- **Pets’ good feeling is the prerequisite when choosing a pet boarding service**

The obsolete idea of breeding pet only emphasize the basic needs of providing sufficient food and clean water for pet. Today, as pet’s role is becoming humanized within the family, people also care their pets’ feeling and want to make them feel happy. From *White Paper*, more than 60% of customers feel “satisfactory“ with pet boarding service. Top two concerns are “pets cannot get enough attention because of excessive number” and “ unable to know to real situation of pet during boarding period.” Hence, the professionalism and timely and effective communication with pet owners are the key factors to win customers.

- **Many pet owners are short of knowledges of pet training**

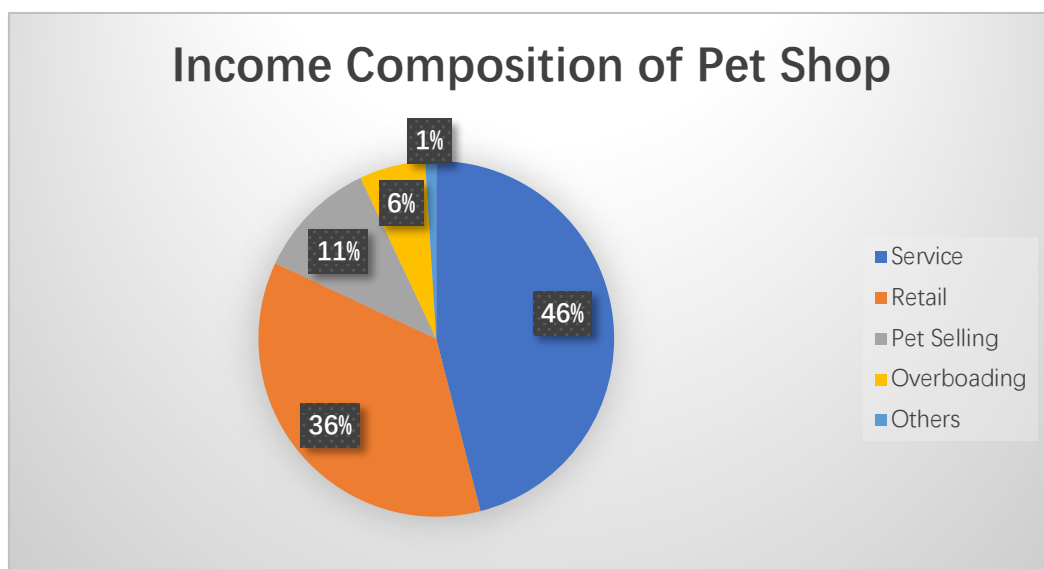
When it comes to “pet training”, the first idea of many pet owners is "skill-related training", like search and rescue or some advanced tricks. Dog socialization and basic manners have not been recognized by the majority.

White Paper shows that more than 90% of pet owners have not purchased training services, of which over 50% of users choose to train their dogs by themselves, and 40% of users have no idea to related services. This fact indicates that there is a large potential market for pet training,

and market cultivation and education are necessary. Top 2 pain points relating to pet training service is “high cost” and “cannot find reliable training insitution”.

Section 5. Service Offering

Because of the construction of infrastructure and logistic system, a large number of Chinese consumers have been used to order pet food and relative products online. Therefore, it is hard for a physical retail pet shop with only retail business to survive, but also offering high-quality extra service, like grooming and training, to attract new customers and redirect them to make the purchase of relative products. The graph of pet shop income composition from Pet Industry Data Report (2019), also prove that income from both service and retail are necessary.



Graph 3: Income Cmoposition of Pet Shop

The key services are daycare and boarding services of pet, especially the free-range boarding and pet training service for customers who have more humane demand for their pet. All the groomers and staff will be licensed. Monitoring camera is 24/7 available and customers are able to access to the live video via smartphone application to keep track of their pets. Moreover, dog cleaning, grooming and styling services will also be included. A variety of selected pet food, treats, supplements, wear, leashes, toys and cages will be exhibited and sell.

Section 6. Reality Of The Business

In order to understand the reality of running pet service business and realized some significant operational details that are probably ignored by new entrepreneur, the author conducted three interviews to Li, the owner of small-sized private pet shop in Shanghai; Zhang, the owner of small-sized private pet shop in Chengdu; and Huang, a groomer working for a private pet shop. Main takeaways are listed below, and the detailed content of interviews are attached in the appendix.

- **Initial Investment and payback period**

The initial investments of business are all from Li's personal saving, and he showed the detailed expense to the author: Equipment (pet shaver, scissors, dryer, calorifier, etc.), stock goods, interior decoration, shelves...The total amount is around 100,000 CNY. The operation in the first half year will be challenging than operational income cannot cover the cost. As a small-

sized pet shop besides a middle-sized residential community, Li spent less than two years to get the break-even point.

- **Operational Performance**

Zhang introduced that the average monthly sales in the first year is about 21,000 CNY, and the net profit is 6300 CNY, which is not better than the income an average white-collar employee in Chengdu. In the second years, because of the increase of repeating customer, average monthly sales reached to 30,000 CNY and net profit is approximately 11,000 CNY. The largest part of fixed cost is salaries expense to staffs.

- **Importance of Cleanliness**

Both Zhang and Huang emphasized that the cleanliness of interior environment is the most important factor when customers are choosing pet service shop. Sanitation of pet cages, pet toys and food also have a high priority in daily operation.

- **Get to know and keep in touch with customers**

Beside grooming, Huang is taking charge of posting funny videos and pictures of pets on the WeChat account of the shop. She said that many customers like to spend time on browsing the Moments of WeChat. She updates the Moments of shop account 4~5 times per day to get

constant exposure in her customer's life, and usually can get 30~50 "Like" for each post.

Sometimes loyal customers will leave comments of asking new arrivals of pet goods.

- **Challenges in Recruitment and Retention**

Zhang admitted that it is difficult to hire a qualified groomer in nowadays. "The demand of pet service is keeping growing, that's why every shop wants a good groomer. After the ex-employee left two month ago, I posted the recruitment advertisement one and a half month ago but still cannot find the qualified candidates".

- **Innovation of service and products**

Zhang started her business 5 years ago, with providing basic shower and grooming only at that time. "Now it is not enough at all. Customers have shown higher demand on various service and always wants to try something new. They want to give their pets experience like real kids". Said by Zhang. Now she is selling the latest automatic drinking device and fashionable wears for pets at her store, which are popular among her customers.

CHAPTER 3. BUSINESS PLAN

Section 1. Summary

Paw-paw Land is a comprehensive pet service and retail goods provider located in Moling Subdistrict, Jiangning District, Nanjing, China. The inspiration of naming came from American musical movie *La La Land*, and the created word “Paw-paw” reminds images of adorable puppies and kitties. The Chinese name of “Paw-paw Land” is “爱宠之园”. Since the translation of *La La Land* in Chinese is “爱乐之城”, referring to “the city full of love and music”, the naming of “爱宠之园” is tributing to the movie as well with the meaning of “the garden full of love and pets”. Hereinafter, Paw-paw Land referred to as ‘Paw-paw’ in short.

When a pet owner will full-time job has to go to work, he or she is usually feeling guilty and perturbed to leave pets at home alone. The creation of Paw-paw is to solve this pervasive problem by providing home-like daycare service, which pets can choose to stay at the free-ranged space, allows pet owners to drop off pets on their way to work in the morning and pick them up after work. In addition, overnight boarding, pet showering, grooming, training, retail of pet goods and other various services will be offered, too.

There are five staffs working at Paw-paw at the beginning stage: 1 Manager (usually the shop owner), 1 full-time groomer, 1 part-time trainer and 2 part-time apprentices. All the staff are required to have relevant trainings, full-time staffs need to obtain professional license before taking up their jobs.

Due to the Owner’s personal experience of working in digital marketing company, Paw-Paw will be mainly focusing on implementing marketing strategies and customer relationship

maintaining online, especially via social media platforms, to shorten the distance with its targeting customers in young generations.

The initial investment cost to start the business is 102,240 CNY, which will be completely contributed by the Owner's personal account.

Subsection 1. Business Objective

The primary business plan of the Paw-paw is demonstrated below:

- To seize the opportunity of booming pet economy , showing the author's passion to pet industry
- To provide one-stop and comparatively high-quality pet service to middle class customers with comparatively reasonable price
- To solve the painpoints of pet daycare service when people go to work, cultivating new awareness and habit of dog training

Subsection 2. Conceptual Guideline

- **Spontaneous Love and Patience:** All the staff is motivated by their spontaneous love and patience to pets. They are enthusiastic in this industry and enjoying taking care of all the pets like their own ones.

- **Hygiene, Professionalism and Transparency:** Paw-paw will always keep all the pet supplies, pet products and in-store environment in a hygienic condition. All the pet services will be provided and professional staff in the most scientific way, and the process of service will be recorded and open to customers 24/7.
- **Customer's Voice:** As a service and retail providers, there is nothing more important than hearing the voice from our customer. Any demand and advice is welcome, Paw-paw will try the best to satisfy them.
- **Long-term Trust Relationship:** Paw-paw is focusing on establishing reliable and long-lasting relationship with customers. We expect to provide a warm one-stop solution to support our customer's pets in various aspects in a long run.

Subsection 3. Competitive Advantage

In order to make Paw-paw differentiate from its competitors, capturing more attention from customers and win the market, there are six factors leading to the success:

- **Middle-class Positioning and Cleanliness**

Apart from a large number of small-scaled private pet shops and very few large-scaled pet department stores, there is still a significant market cap of middle-class positioning shop exists in the pet service market of Nanjing.

Since most customers have strong impression of nasty, bad smell and darkness to small-sized pet stops, Paw-paw will focus on providing a clean, bright and cozy atmosphere at

store, with selected high-quality products, considerate service...to give customers a totally different and better experience.

- **Brand-new Daycare Service**

Although daycare service has been popular in many developed countries, it is still in the beginning stage in Chinese market and pets have to trap in the small cages when they are on boarding. On the other hand, Paw-paw will provide free-ranged daycare service, so that dogs can move as freely as at home with extra special care.

Since pet owners now have more budget on pets and willing to improve their life qualities, it is worthy to cultivate a new spending habit as the first comer in the market.

- **Professional Staff**

Comparing the amateur staffs working in the small-scaled private pet shop, Paw-paw guarantees all the services will be provided by at least one professional staff with license. Even part-time apprentice needs to get a comprehensive training of both theory and practice, in order to be qualified and better than the average staffs in pet service industry.

- **Location**

Paw-paw is located at Moling Subdistrict, Nanjing. It is surrounded by three large residential communities with more than 12000 households, two subway stations and one commercial district are in walking distance. Only a small-scaled competitor exists in Moling Subdistrict with limited capability. The large market volume will naturally bring numerous opportunities.

- **Digitalized Marketing and CRM**

Many small-scaled pet shops in Nanjing are lacking clear marketing strategy and awareness of customer relationship management so far. To cater the tastes of young pet owners of digital generation, Paw-paw will use business directory presence, social media influencers and exposes in local communities are the main marketing measures with comparatively high cost performance. WeChat is the main tool for customer relationship management, not only provides more efficient communication for customers, but also collecting raw data of booking and performance valuation to help the Manager improve daily management and return rate of customers.

Section 2. Market Analysis

Subsection 1. Location Selection

First of all, Nanjing has been chosen as the city to start the business, whenever the author was born and raised until 18 years old. The accumulated knowledge of local culture, custom and business system will allow the author to understand the customers and conduct business smoothly. In addition, Nanjing is a rapidly growing city with a population surpassing 840 million inhabitants and 154,000 CNY (21,960 USD) of GDP per capita. It is predictable that the vast middle class group who has higher purchasing power will have strong willingness to improve their living condition, including their pets.

Based on the interviews to pet owners, one of the most important factors of selecting pet shop is “easily accessible location”. Considering the targeting customers are “ 22-32 years old, full-time employed and have service quality demand, the criteria for choosing location is listed as below:

- The emerging area with growing population, while the rent is still in the comparatively low level
- Walking distance to large residential communities
- Close to subway station, so that the daycare customers can drop off their pet on the way to work in the morning and pick them up on the way home at night

Jiangning District is the suburb area located at southern part of Nanjing. It has the largest population growth rate(3.14% in 2018) among all the 11 districts in Nanjing, while the price of real estate is still much lower than downtown areas. According to the government report in 2018, the number of permanent resident in Jiangning District is 128,7700,000. As the growth rate of infrastructure & education investment from the government raised 75.1% in 2018, the population of Jiangning District will keep growing for years.



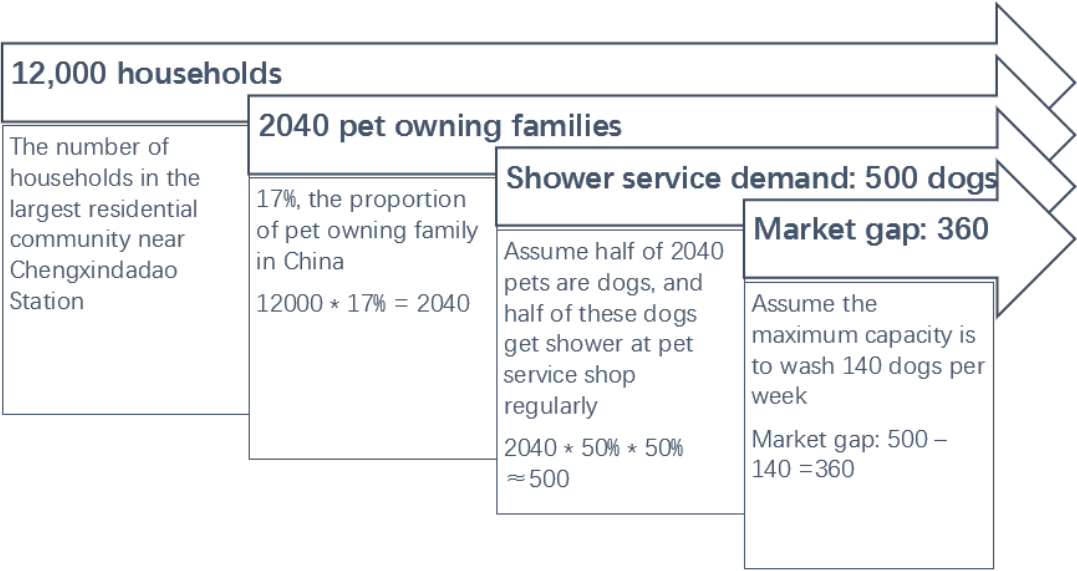
Graph 4: Map of Moling Subdistrict, where the black location icon is the designated address of Paw-paw

Moling Subdistrict is located at the central area of Jiangning District. From the *Map of Moling Subdistrict*, there are two subway stations (Chengxindadao Station and Southeast University Jiulonghu Campus Station) and Metro line 3 and Metro line 5 (under construction) are crossing here. Northeast, Northwest and Southwest sides of Moling Subdistrict are residential areas, and one of the largest Technology Industry Park is located at south-east side. Apparently, the large number of residents in this area will bring spectacular demands of pet services as well as considerable purchasing power.

Conclusively, considering the multiple criteria of growing population, convenient access and comparatively low rent, the ideal location of the Paw-paw is selected at Moling subdistrict, Jiangning District, Nanjing, China.

Subsection 2. Market Size

Unlike cats that can keep clean by themselves, dogs have rigid demand of taking shower once a week or two weeks. Some pet owners choose to clean their dogs at home, but it will usually takes more than one hour and many dogs are unhappy about it. Thus, shower and grooming are usually the most popular services at pet service store. To hypothesize market size in the targeting area, the graph below uses the demand of shower services as a benchmark to conduct the prediction.



Graph5: Market Size Assumption

Kejia Garden is a large scale residential community near Chengxindadao subway station with around 12,000 households. From *the White book of Chinese pet industry 2019*, the proportion of pet owning family in China is roughly 17%, which means it can be calculated that there are approximately $12,000 \times 17\% = 2040$ households of which have at least one pet in this area. Moreover, if we assume that half of 2000 pets are dogs, and half of these dog owners decide to try dog spa and day care services at pet shop, then conservatively we can predict the market scope is about 500 dogs.

Subsection 3. Competitor Analysis

In this area of less than 1.5 km, the only competitor is a small-scaled private pet shop whose name is 'Xiaoxiong Mengquan Wu' ('小熊萌宠屋' in Chinese. Hereinafter, referred to as 'Xiaoxiong'). The business hour of Xiaoxiong is 9:30~20:30 (11hr). Under the maximum capability, assume that 'Xiaoxiong' can offer shower service to 2 dogs per hour, 10 hours per day, then there will be $2 \times 10 \times 7 = 140$ dogs that can receive shower service at Xiaoxiong per week. Therefore, even under the extreme hypothesis, the gap in the market is $500 - 140 = 360$, which means there is still at least 360 dogs in this area have demand to get a shower at pet service shop per week. The recruitment advisement of pet groomer and assistant from Xiaoxiong posted online also proved that there is still high demand of pet service in this area.

Subsection 4. Demands From Customers

According to the market analysis, consumer survey results and interviews, pet owners have unmet demands below:

- More services to satisfy large market gap in Moling area, as there is only 1 pet service provider there
- Clean and homelike atmosphere with free space, accessible monitoring, particularly in daycare and boarding services
- Professional staff with relative education background
- Reasonable pricing

Section 3. Service, Product and Operation

Subsection 1. Service And Product List

Paw-paw will offer both pet service and retail of pet products to its customers:

- **Dog Boarding Service.**

It contains two parts daycare service and overnight boarding.

For daycare service, free-range daycare with two dog walks per day will be provided for customers who have higher requirements on comfort level and freedom to their dogs. For customers who have higher price sensitivity, cage daycare plus one dog walk with lower price is another option. For the premium customers who are seeking a professional trainer for their dog, they can have a luxury package of free-range daycare and training service together. As the

working time in most companies in China is from 9:00 to 18:00, the default time period of daycare service is 10 hours, from 8:30 to 18:30. Extra early or late hours will be charged.

For overnight service, only cage overnight boarding will be provided for security reasons, while the 24/7 web monitoring camera is accessible for pet owners.

Considering the limited space with the shop and potential risk of fightings between dogs, only small-sized dogs (ie. Poodle, Chihuahua, papillon, pomeranian, etc) and friendly middle-sized dogs (ie. Corgi, Shiba Inu, Labrador Retriever, etc) will be accepted in both daycare and overnight boarding. Only small-sized dogs are acceptable for free-range daycare. As different dogs have various tastes, pet owners are required to prepare dog food and treats by themselves, or purchase from Kindergarten in a special price.

- **Dog Caring Service**

The most common and popular service in pet service shops, and Paw-paw is offering both basic and advanced sets of service for customers with various budgets. Basic caring includes fundamental shower and grooming, and advanced caring like relaxing spa and professional styling is targeting to customers that has higher expectations on their pets. Single cleaning service like teeth cleaning and nail clip is available as well.

- **Cat Boarding Service**

According to relevant research and survey results, cats usually show a lower level of anxiety and discomfort when they stay alone. Therefore, Paw-paw does not plan to offer cat day care service for the small market demand. An overnight boarding for cats is on the service list to help cat owners who have to leave home for a few days.

- **Retail of pet products**

When pet owners come to Paw-paw to pick up their dogs' home, or drop by for a shower and grooming for their dogs, it will be a good opportunity to promote some pet goods. Selected pet food, treat, supplement, wear, leash, toy, pet bed, cages, medicine, anthelmintic, brush, cat litter... will be provided.

In order to increase cashflow and inventory turnover rate, only pet food, treat and supplement that are consumed frequently will have 5~7 SKU respectively. Most of them are imported with moderate retail price. Cages, brush, leash and other goods with lower purchase frequency will keep the SKU below 3 for each category.

- **Door-to-door Service (pending)**

For customers who have difficulties to take their pets to the shop, Paw-paw will pick up their pets at home, and return to owner's home after the daycare/boarding/shower/grooming service is finished. This service will be provided depending on the growth of business and staff's capability.

Subsection 2. Capability and Daily Operation

- **Capability**

Taking the area of store (90~100 m²) and staff's capability in to consideration, the maximum capability per day of Paw-paw is assumed as below:

- 8 cages (the number of cage daycare and overnight boarding pets)
- 10 pets for free-range daycare
- 10 pets for shower and grooming services

- **Daily Operation**

Paw-paw will be open from Monday to Sunday throughout the whole year, except only a few important festivals like Chinese New Year. During these days, pet caring service like shower and grooming will be suspended, only one staff will be on duty to take care of pets in daycare and overnight boarding. During normal business days, the full-time Manager need to come to the Paw-paw every day, the full-time Groomer works 5 days per week, 2 part-time apprentices and 1 trainer shifts 3~4 days per week. There should be at least 3 staff at the Paw-paw in weekdays, and 4 staffs are out on duty in weekends.

Since the time period of daycare service is offered from 8:30 to 18:30, the business hour of Paw-paw is 8:00 to 20:00. Surveillance video check, cleaning of cages, sterilization, health status check of pets, pet food and drink preparation, and confirmation of today's customer list must be done before the first batch of daycare customer arrives. Pictures of cleaning and sterilization will be posted on Moments in WeChat every day.

The Manager need to check the status of dogs and ensure they are qualified to take a daycare service. Dogs that are either under 4 months old, over 13 years old, unsterile, sick, extremely fierce, no vaccination record, will be considered highly risky to other dogs or the Paw-paw and will not be accepted, especially in the free range. Then the apprentice will be responsible for walking dogs at 10:00 and 16:00 respectively.

When the customs of dog caring services arrive, the Manager will ask and ensure detailed demands from them. The groomer will be responsible for all dog caring services, and the apprentice will give assistance in the necessary situation. The shower room is decorated with glass window so that pet owners can see the whole process from outside. A basic shower usually takes one hour and extra grooming will be one hour longer. Pet owners can choose to leave and pick their dogs up later after the service finished, or wait at store. The manager will do sales promotion and distribute samples of pet products during this time. Pictures and short videos of pets will be posted in Paw-paw's official account for promotion after gaining consents from the owners.

After 18:30 when all the daycare dogs are picked up by their owners, all staff will clean up, refill pet shampoo and conditioner, check status of overnight boarding pets, and prepare pet food and drinks. The manager takes responsibility of stock-taking, stock up, inventory purchasing and checking securities.

Subsection 3. Administrative Systems

To ensure the administrative management in a traceable, orderly and sustainable condition, Paw-paw will practice following systems:

- **Daily Inventory and Cash Check**

At the end of each business day, the amount of sold products and sales revenue will be compared and recorded. Discrepancies that are over 30 CNY will lead to an immediate audition.

- **Visitor, Average Purchase and Convert Rate Tracking**

The number of visitors, per customer transaction and convert rate will be recorded every day.

The Owner will prepare a weekly summary, showing the peak time period and days within a week and arrange staff shift more efficiently. Customers with higher average purchase will get more customized services and secret campaigns. Convert Rate refers to the rate of customers,

who came to Paw-paw for service or buying products at the beginning but finally purchased for both, among all the customers. The marketing tactics that are used in this converting process will be summarized. More specific services and products will be designed for them.

- **Devolution**

Many Chinese customers like to bargain before making a deal. Generally, the Manager has the final right to decide the final price. In case that the manager is absent, other staffs are depolluted to make the final decision of price, which is not lower than 95% of the price tag, only if in the situation that customer urges strongly.

Subsection 4. Standardized Operation

To make daily operation conducted smoothly and efficiently, manuals of relevant workflow and checklist of critical points will be created.

- **Shower workflow**

The workflow has five main steps: pre-shower brushing, insert ear-plug to prevent infection, bathing, anal cleaning, eyes, ears and nails cleaning, totally blow-dry. The execution of each step should be recorded for every shower service.

- **Supplies and equipment check**

The staff will be responsible to make sure all the supplies and equipment are prepared and enough for the next day at the end of every day. The checklist includes checking function of every utility, grooming tools, food and drinks for pets on boarding, pet pads, etc.

- **Boarding pets check**

Before leaving the shop at the end of day, staff are required to check and make notes of each pet on boarding, including their health status, diets, behaviors, occasional accidents in the whole day. When the staffs arrive at the shop in the morning, they are required to check health status of each pet and refill food as soon as possible. Surveillance video will also be checked to ensure there is nothing abnormal happened at night.

- **Sanitation check**

Cleaning and sterilization are a significant part in daily operation. Interior surface, cages, shelves, pets, grooming tools, bathtubs and all the other assets and equipment are included in the checklist. The inspection of sanitary status will be conducted during morning before opening and in the evening before every staff leaves.

Subsection 5. Customer Relationship Management

The Paw-paw will maintain its customer relationship through both online and offline channels. Since the most common frequency for dogs getting shower is once per 1~2 week, Paw-paw still need

to get exposure and stay a close connection when customers don't come to the store. Online presence like posting pictures and videos is the method to keep catching customer's attention, and offline activities is not only trying to increase the frequency of visiting and conduct promotion, but also create a community to increase customer's loyalty and belongingness.

- **Online**

Nowadays, the most popular SNS application in China is WeChat, which is a integration platform of instant messaging, official account, payment system and customized mini- program that covers more than 95% smartphone users.

Paw-paw will have its own mini program. Customers can book all the services, make the payment and do after service valuation on it smoothly to save time. Once a customer registered and fill in relevant personal information, he or she can get a coupon on the birthday of both pet and pet owner. Newsletters and campaigns will also pop up as pushing notification in the mini-program. If pet owners have any questions or concerns, they can find relevant functions in the mini-program and redirect to the dialog box to contact Paw-paw's customer service directly.

To strengthen the bonding with potential and existing customers, an official account of our Paw-paw will be created as well and welcome every customer to add it. The "before and after" picture of each pet that has received shower/grooming/styling services will be posted on it, making customers

have an intuitive grasp of high-quality service, and share cute pictures with their friends spontaneously with fun. Articles like “how to choose proper dog food for your puppy” and “Is it OK to feed dog and cat together” will be posted in the official account every week to help new pet owners to take care of their pets.

Paw-paw will create WeChat Groups that customers can join of their own accords. It’s a fun community for pet owners living in nearby neighborhood to chat and share fun stories of their pets. As the group member growing to certain level, some offline official and casual events will be held.

- **Offline**

As the number of active and loyal customers growing, various offline events will be organized to increase bonding among existing customers and attract new customers. Some tentative examples are shown as below:

- Photography lecture. A professional photographer will be invited to teach pet owners how to take cute pictures of pets. Customers who consume over 150 CNY will get 5 free pictures of their pets taken by a professional photographer.
- Dating activity. Since many single pet owners has small circle of friends and eager to meet someone new, attending a dating activity with their pet with their pets will be a fun option to

bring them new experience. Topics of pet's funny stories is the best icebreaker. All the successful matches will get secret gifts from the Paw-paw.

- Owner meet-ups of certain theme. Pet owners are often enthusiastic to meet people having same pets with them. Paw-paw will organize theme parties for owners of some specific dog and cat species, like Poodle party, Corgi party and golden retriever party. Free samples of treats and other specific products will be provided. After the event, every owner will gain a themed souvenir and group photo of this specific pet.

Section 4. Marketing Strategy

Subsection 1. Competitor and Positioning

Generally, there are two types of pet service provider in Nanjing's pet relative market: Small-scaled private pet shops and perimum complex of comprehensive pet product retail and services.

Small-scaled private pet shop. The most common and basic pet service provider occupies more than 90% market share. Small-scaled private pet shops are distributed in residential areas in Nanjing, usually have 30-40 m² operating area with one owner and one part-time or full-time staff. The service list includes pet showering, grooming, pet food and product selling, overnight boarding and pet (usually cat and dog) selling. To ensure the price in a relatively competitive level, many shop

owners choose to cut the cost on any indirect expenses, like reducing the frequency of cage cleaning and sterilizing, limited professional training for the staff, and use cheap but poor-quality shampoo in shower services. The death of pet on board and other extreme accidents happen from time to time. On the other hand, since carrying pet on public transportation is prohibited in China, the choice of accessible pet shop for pet owners who don't have private cars is becoming very limited.

Premium large-sized department store. In August 2019, one of main pet medical service provider in China, XinRuipeng Holdings claimed that it invested 500 million CNY (80 million USD) to build Jack Pet, the largest premium pet service complex in Asia, in Baijiahua area of Nanjing. Jack Pet has six floors that contains all the pet relating services, including pet shower and spa, grooming, styling, pet clinic, pet selling, pet product sales, pet adaption, pet training and pet café. The interior design of department store is luxury, and all the pet groomers and veterinarians are licensed with professional knowledges. Therefore, although the price is much higher than the average of small-scaled private pet shops, pet owners, especially families with kids, are happy to drive to Jack Pet with their pets during weekends. Contrarily, pet owners who live far away or don't have private cars may not visit Jack pet frequently.

	Small-sized Private Pet Shop	Middle-class Targeting	Premium Large-sized Department Store
Area	30-40 m ²	90-100 m ²	4000+ m ²
Place	1-3 shop(s) per km ² , near residential areas	Close to residential areas & subway station	Only 1 or 2 in the whole city, far away from downtown
Boarding Service	Overnight only, small cage, no monitoring	Daytime & overnight, free range, 24/7 monitoring	All time & luxury hotel
Pet training	None	Yes	Yes
Retail	1~3 SKU, some have quality issues	5~7 SKU, with clear license and reliable purchase channel	Extremely diverse, imported goods are the majority
Environment	Dark, smelly, sometimes nasty	Bright, clean, cozy, no peculiar smell	Bright and luxury
Pricing	Low	Medium	High

Table 1: Comparison of Three Different Positioning

The presence of middle-sized has not widely spread yet. In the traditional ideas from old generations in China, pets are just “animals” which means they can be feed by leftovers, and any more extra care is “unnecessary”. Therefore, even some customers would like to buy some services and products for their pet, they were extremely sensitive on price and only small-sized pet shop survived for lower price. Today, because of the booming of Chinese economy, the consumption upgrade happens in pet service industry. More customers are having higher demand on better pet service, while the new middle-sized pet store has not met the drastically increasing speed of demands.

To fill the market gap between small-sized private pet shop and premium large-sized department store, Paw-paw is targeting to middle-class customers, who have demand on high-quality services and goods but also care about cost performance. To solve customer’s dissatisfactions on environment, limited service and deficient retail goods of small-size shop, Paw-paw will be contributing on upgrading these three key elements of consumption experience, with prices lower than premium department store. Detailed strategy and implementation are shown in later chapters.

Subsection 2. Generalize Publicity

As a local start-up business which only has influence in a limited area, Paw-paw is seeking both cost-efficient digital channels, and physical exposure in neighborhoods for PR and marketing. The core concept is “To give pets meticulous care with love as kids in the Paw-paw”.

- **Digital Channels**

- **Directory service.** Dianping.com is the most popular business directory service and crowd-sourced review application in China, plenty of consumers under 40 years old claimed that their will search Dianping.com to find newly-opened restaurant and shops and check the reviews. Therefore, Paw-paw will post contact information, service list, business hours, campaigns and pictures of pets on it as soon as business starts. To encourage customers to write reviews and post pictures, coupons or small gift will be distributed to valuable contributors.
- **Social Media.** Based in popularity of social media in China, Paw-paw will create its Tik Tok and WeChat official accounts and run by the Manager. The contents include short videos, blogs, vlogs, posts, articles and pictures.

- **Local Social Media Influencer.** Besides running social media accounts on its own, gaining wide exposure and promotion by mature social media influencers is also important when the business just launches. Local lifestyle and pet influencers on Weibo, Tik Tok and WeChat will be estimated and chosen as the first batch of promotion partners. The forms of promotion include short-video, vlog, posts, articles, pictures, etc. Redemption rate of exclusive promo codes and coupons distributed by each influencer will be the KPI to estimate its performance.
- **Physical Exposure**
 - **Signs, Posters and Flyers.**

More targeting customers of Paw-paw are living in the walk distance area from the shop. Signs and posters will be put up in the neighborhood, flyers will be generally distributed in the area with large visitor flow, like subway stations and commercial districts.
 - **Events**

Events like “free dog food buffet” and “seasonal pet wear exhibition” will be held outside the store during the peak time when pet owners walk their dogs. Flyers, service list and coupons will be prepared as well for distribution and engagement.

- **Uniform**

Paw-paw walks both daycare and overnight boarding dogs at least twice a day. When goes out for walking the dogs, every staff is required to wear uniform with vivid color and prominent logo, to get more exposure in the nearby neighborhood.

Consider the market price and actual coverage to targeting customers, 80% of budget on marketing expense will be allotted on social media influences.

Subsection 3. Pricing

There are three criteria for price setting:

- **Middle-level class targeting**

This criterion is based on the differentiation of brand, targeting middle-class customer with relative high quality of service and reasonable price. Therefore, the pricing is in the interval between the average price of small-scaled private shops, and premium pet products department store.

- **Cost control**

Comparing the price of dog food on 1688.com, the largest wholesale website in China, and suggestive retail price from dog food brand, the buying price of dog food is 70%~80% of the

retail price. To ensure the retail business have a competitive pricing to customers but still profitable, the cost should at least equalize to the market average.

- **Multiple Long-term membership systems**

When customers realize that a daycare service is a better solution than leaving pets alone at home during their working time, a long-term membership system with discount and extra service will be suggested to build a stronger bonding and loyalty. For example, a one-day daycare service (free-range) is 60 CNY, while the monthly plan is 1000 CNY, which provides a more than 40% off discount plus two free showers. Customers who have rigid demand on daycare service will recognize the differentiated pricing soon and convert to a monthly membership. Depending on the purchasing number of membership and the capability of the store, quarterly, weekday-only, weekend-only and a variety of membership will be introduced.

For customers who don't have demands on daycare but still interested in caring service and want some discount, a prepaid multiple-times membership is designed for them. For example, prepay 10 times of basic shower, the most demanded service of all, will get a 10% discount.

Based on the criteria above, detailed price list is shown as below:

PRICE LIST				
				CNY
Dog Boarding				
	Small Size (0-10kg)		Middle Size(10-20kg)	
	One Day	Monthly Member	One Day	Monthly Member
Daycare (8:30~18:30)				
Cage(+20min walk per day)	40	700	50	800
Free range(+20min * 2 walk per day)	60	1000	-	-
Free range+training	-	1800	-	-
Overnight	70		90	
*One free shower for overnight boarding over one week				
**Two free showers service per month for monthly member				
***Overtime daycare charges 10 Yuan/hour				
Cat Boarding				
	One day	Monthly Member	Overnight/Day	
Daycare (8:00~19:00)				
Cage (free cat litter)	30	550	50	
Dog Caring				
	Small size (0-10kg)		Middle size(10-20kg)	
Shower	40		60	
Spa	60		90	
Grooming	70		100	
Grooming + styling	100		130	
Teeth cleaning	200		250	
Nail clip	20		40	

Table 2: Price List

Section 6. Organization

The Paw-paw expects to have a total of five staff, include the Owner.

- 1 Manager (usually the Owner, full-time): controls the cashier, receive customers, check and purchase inventory, take care of dogs in free range, assist to groomer
- 1 Groomer (Full-time): dog shower, grooming, styling
- 1 Trainer (Part-time): dog manner training, socializing, trick training, take care of dogs in a free range
- 2 Apprentices (Part-time): assist to groomer in showering and grooming, shop cleaning, feed and walk dog

To control the cost on salaries and distribute human resource in a more efficient way, only one manager and one groomer will be full-time employed, other staff will be part-time and rotate when required.

During the week day usually has less demand on shower and grooming, 1 Manager+ 1 Groomer + 1 Apprentices or 1 Manager + 2 Apprentices will stay at the shop. The trainer, who has received professional education and relative license, will work 3 ~ 4 days in weekdays for training dogs and taking care of dogs in free range. In case of large demand on shower and grooming during weekend and before holiday, four staff will be required to turn out for work

Recruitment of experienced groomer and trainer will be primarily based on personal referral and recruitment advertising. Apprentices will from nearby current university students who are seeking part-time position.

As business grows, more employees will be recruited depending on the needs of service. Due to the space of store is limited, when the number of employees reaches 10 and the free space is not able to accommodate enough day-care dogs, the manager will be considering to open a new branch in the neighborhood nearby. The new store manager will be selected from current employees.

Section 7. Financial Analysis

Subsection 1. Initial Investment Cost

Total initial investment cost will be 102,440 CNY that are 100% contributed the Owner's personal savings. The investment is divided into two parts: Equipment and other assets that are purchased at the start-up period, and operational cost that are expenses disbursed or amortized monthly. All the items are assumed by current market rate. A detailed plan of initial investment cost is shown in the table below.

Initial Investment Plan		
	CNY	
	Amount	Type
Equipment & other Asset		
Air conditioner	1,500.00	Equipment
Cashier	1,100.00	Equipment
Decoration (include shelves, tables, chairs)	50,000.00	Equipment
Cages	1,500.00	Equipment
Grooming tools	4,300.00	Equipment
Monitor	200.00	Equipment
Other supplies	1,000.00	Supplies
Protective clothing	120.00	Supplies
Shampoo(One month)	120.00	Supplies
Total	59,840.00	
Operational cost		
Rent (One month)	3,900.00	Expense
Insurance Fee (One year)	12,000.00	Expense
Business Permits and Licenses	500.00	Expense
Marketing expense	5,000.00	Expense
Pet food & products inventory (One month)	20,000.00	Inventory
Utilities(One month)	1,000.00	Expense
Total	42,400.00	
Total Initial Investment	102,240.00	

Table 3: Initial Investment Plan

Subsection 2. Sales Forecast

The projection of sales forecast for Year 1 is based on following assumptions:

- The number of customers is lower than maximum capability
- Monthly Sales = 20 * (daily sales in weekday) + 10 *(daily sales in weekend)
- Demand of daycare services in weekdays is significantly higher than that in weekend
- More pet owners prefer to visit the shop in weekends for shower and other caring services,
which stimulates sales of retail as well
- Non-schedule events in weekend will boost sales further

Sales Forecast Daily, Weekly and Monthly for Year 1			
Weekday	Customer	Avg. Purchase	Sales
Daycare (cage)	3	45	135
Daycare (free range)	5	60	300
Daycare (free range+training)	2	60	120
Overnight boarding	2	75	150
Shower&Spa	3	50	150
Groom& other caring	2	80	160
Pet food & product selling	6	80	480
			1,495
Weekend			
Daycare (cage)	2	45	90
Daycare (free range)	1	60	60
Daycare (free range+training)	2	60	120
Overnight boarding	4	75	300
Shower&Spa	6	55	330
Groom& other caring	4	80	320
Pet food & product selling	10	120	1,200
			2,420
Weekly sales			12,315
Monthly sales			54,100
Annual sales			649,200

Table 4: Sales Forecast for Year 1

Subsection 3. Monthly Income Statement for Year 1

The table of *Income Statement Monthly Breakdown for Year 1* shows the monthly income of the first year. As the daycare and overnight boarding service is highly affected by holidays, and the

demand of shower service is influenced by temperature (to avoid catching cold, pet owners tend to decrease frequency of washing their pets), a seasonal multiplier is added to reflect the real business state of different months.

The explanation of seasonal multiplier is shown in the following table:

Month	Seasonal Multiplier	Explanation
January	0.8	Cold weather, shirking sales on shower service
February	1.2	Large demand of boarding service due to Chinese New Year
March	0.9	Dull season
April	1	Normal Sales
May	1	Normal Sales
June	1.1	Summer events and holidays, growing boading services
July	1.1	Summer events and holidays, growing boading services
August	1.1	Summer events and holidays, growing boading services
September	1	Normal Sales
October	1.2	Large demand of boarding service due to Golden Week
November	1	Normal Sales
December	0.9	Cold weather, shirking sales on shower service

Table 5: Explanation of Seasonal Multiplier in Income Statement

Income Statement													
Monthly Breakdown for Year 1													
Seasonal Multiplier	0.8	1.2	0.9	1	1	1.1	1.1	1.1	1	1.1	1.1	1.2	0.9
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Monthly sales	40720	61080	45810	50900	50900	55990	55990	55990	61080	50900	45810	626070	
Cost of Retail Inventory	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	240000	
Gross Profit	20720	41080	25810	30900	30900	35990	35990	35990	41080	30900	25810	386070	0
Equipment	58800	-	-	-	-	-	-	-	-	-	-	58800	-
Business Permits & Licenses	500	-	-	-	-	-	-	-	-	-	-	500	-
Salaries	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	180000	-
Rent	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	46800	-
Insurance	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000	-
Supplies	1240	1240	1240	1240	1240	1240	1240	1240	1240	1240	1240	14880	-
Marketing	5000	500	500	500	500	500	500	500	500	500	500	10500	-
Utilities	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000	-
Depreciation	-	167	167	167	167	167	167	167	167	167	167	2000	-
Total Expense	86440	22807	22807	22807	22807	22807	22807	22807	22807	22807	22807	337480	-
Net Income Before Tax	-65720	18273	3003	8093	8093	13183	13183	13183	18273	8093	3003	48590	-
Tax Expense	2036	3054	2290.5	2545	2545	2799.5	2799.5	2799.5	3054	2545	2290.5	31303.5	-
After Tax Income	-67756	15219	712.5	5548	5548	10383.5	10383.5	10383.5	15219	5548	712.5	17286.5	-

Table 6: Income Statement Monthly Breakdown for Year 1

Some clarifications of assumptions in financial data are listed as below:

- Cost of retail Inventory is 80% of selling price
- Salaries to 4 staffs (exclude the Owner) is higher than the market average in order to attract skilled staffs and keep a high retainment in a long run. The Owner's revenue is only from retained earnings.

- The value of equipment in the first month is from corresponding amount of “equipment and other assets” minus supplies, including entries of “protective clothes”, “other supplies” and “shampoo”
- The assumption of utility, rent and monthly insurance is based market prices
- Marketing expense is significantly high for the promotion of new store
- Depreciation expense of equipment including grooming tools, cages and monitors. It is calculated by straight-line method with 3 years of useful life
- Tax expense is calculated by 5% of sales according to relevant local law

Subsection 4. Sensitivity Analysis

Sales of Paw-paw is closely related to both the sales of pet service business and pet goods retail business. These two businesses are in totally different models: Pet service has extremely low variable cost (usually a little expense on shampoo, electricity and water), but the boost of sales is highly restricted by the capability of staff, space in the store and business hour. Pet goods retail business has relatively high variable cost (70%~80% of selling price) with fewer restrictions from the capability of the store. Therefore, since the cost of inventory is fixed, the number of customers and the average purchase of retail business will be considered two variables for sensitivity analysis.

A set of sensitivity factors of 20%, 0, and -20% are used to simulate the 20% growth of number of retail customers, no change, 20% decrease of number of retail customers respectively. Similarly, 20%, 0 and -20% in the sensitivity analysis of average purchase referring to 20% growth, no change and 20% decrease of the variable. After tax income in 1-year period will be used to value result of sensitivity analysis.

- **Sensitivity Analysis of Number of Customers**

Sales Forecast									
Daily, Weekly and Monthly in Year 1									
Change of Retail Customers	20%			0%			-20%		
	Number of Customer	Avg. Purchase	Sales	Number of Customer	Avg. Purchase	Sales	Number of Customer	Avg. Purchase	Sales
Weekday									
Service	17	60	1,015	17	60	1,015	17	60	1,015
Retail Selling	7.2	80	576	6	80	480	4.8	80	384
			1,591			1,495			1,399
Weekend									
Service	19	64	1,220	19	64	1,220	19	51	973
Retail Selling	12	120	1,440	10	120	1,200	8	120	960
			2,660			2,420			1,933
Weekly sales			13,275			12,315			10,861
Monthly sales			58,420			54,100			47,308
Annual sales			701,040			649,200			567,696

Table 6: Sales Forecast in Year 1 (number of customer multiplier)

Income Statement

Monthly Breakdown for Year 1

<i>Number of customer factor</i>	20%	0%	-20%
Annual sales	701,040	649,200	567,696
Cost of Retail Inventory	240,000	240,000	240,000
Gross Profit	461,040	409,200	327,696
Equipment	58,800	58,800	58,800
Business Permits & Licensees	500	500	500
Salaries	180,000	180,000	180,000
Rent	46,800	46,800	46,800
Insurance	12,000	12,000	12,000
Supplies	14,880	14,880	14,880
Marketing	10,500	10,500	10,500
Utilities	12,000	12,000	12,000
Depreciation	2,000	2,000	2,000
Total Expense	337,480	337,480	337,480
Net Income Before Tax	123,560	71,720	-9,784
Tax Expense	35,052	32,460	28,385
After Tax Income	88,508	39,260	-38,169

Table 7: Income Statement in Year 1 (number of customer multiplier)

• Sensitivity Analysis of Average Purchase

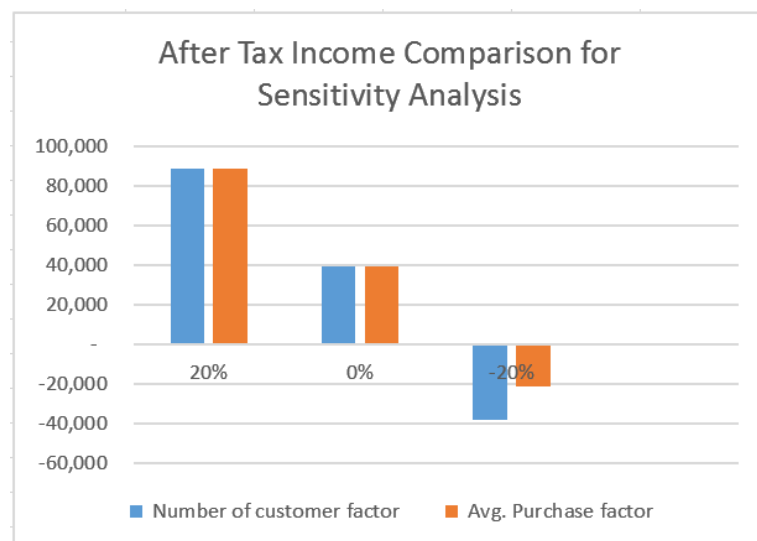
Sales Forecast									
Daily, Weekly and Monthly in Year 1									
<i>Change of Avg Purchase</i>	20%			0%			-20%		
	Number of Customer	Avg. Purchase	Sales	Number of Customer	Avg. Purchase	Sales	Number of Customer	Avg. Purchase	Sales
Weekday									
Service	17	60	1,015	17	60	1,015	17	60	1,015
Retail Selling	6	96	576	6	80	480	6	56	336
			1,591			1,495			1,351
Weekend									
Service	19	64	1,220	19	64	1,220	19	64	1,216
Retail Selling	10	144	1,440	10	120	1,200	10	96	960
			2,660			2,420			2,176
Weekly sales			13,275			12,315			11,107
Monthly sales			58,420			54,100			48,780
Annual sales			701,040			649,200			585,360

Table 8: Sales Forecast in Year 1 (average purchase multiplier)

Income Statement			
Monthly Breakdown for Year 1			
<i>Avg. Purchase factor</i>	20%	0%	-20%
Annual sales	701040	649200	585360
Cost of Retail Inventory	240,000	240,000	240,000
Gross Profit	461,040	409,200	345,360
Equipment	58,800	58,800	58,800
Business Permits & Licensees	500	500	500
Salaries	180,000	180,000	180,000
Rent	46,800	46,800	46,800
Insurance	12,000	12,000	12,000
Supplies	14,880	14,880	14,880
Marketing	10,500	10,500	10,500
Utilities	12,000	12,000	12,000
Depreciation	2,000	2,000	2,000
Total Expense	337,480	337,480	337,480
Net Income Before Tax	123,560	71,720	7,880
Tax Expense	35,052	32,460	29,268
After Tax Income	88,508	39,260	-21,388

Table 9: Income Statement in Year 1 (average purchase multiplier)

- **Comparison of Two Factors**



Graph 6: After Tax Income Comparison for Sensitivity Analysis

The graph above shows the after-tax income for two sensitivity analyses. In situations of 20% growth of number of customer and 20% growth of average purchase, the values of after-tax income don't have significant difference. On the other hand, when the number of customers drops 20%, its impact reflected on after-tax income is much larger than the decrease of average purchase at the same level. Conclusively, the rise of either number of customers or average purchase in retail business is indifferent when the store is under a good operation. When the decrease rate of these two factors pass a certain number, the decrease of the number of customers will have more severe effects on after-tax income.

To increase the number of customers who are willing to purchase, promoting tactics include coupons, free samples, showcase will be used to attract more customers.

Subsection 5. 6-year Income Statement

As the whole pet industry in China is in a high-speed growing period, the annual growth rate of pet relevant markets will be used as the only sensitive variable to forecast income statements in the future 6 years.

Based on *the White Book of Chinese pet industry 2019*, the growth rate of pet consumer market in Chinese urban area is around 18.5% over 2018. Therefore, the forecast is using 15%, 10% and 5% as

an annual growth rate of sales to predict future income statements in an optimistic, neutral and pessimistic condition respectively.

The useful life of depreciated equipment is 3 years. Thus a 6000 CNY expense of purchasing equipment incurs every three years. The application fee of the business license is 500 CNY in the first year, and 50 CNY of annual inspection fee will be charged in the following years. With the development of business, cost of retail inventory and salary expenses are assumed to grow 15%, 10% and 5% correspondingly as well.

The result of payback period under optimistic, neutral and pessimistic conditions are from 17~19 months respectively, which are not significantly affected by annual growth rate of sales. Total after tax income of total 6 years is 1,067,581 CNY, 863,339 CNY and 683,578 CNY, with return rate of 944%, 744%, and 569% under each condition.

Subsection 6. Balance Sheet

The Balance Sheet in Table 10 shows the 3-year balance sheet.

Balance Sheet				
3-year Period		End of		
	Initial	Y1	Y2	Y3
ASSETS				
Current Assets				
Cash	28,000	120,000	160,000	200,000
Pet product inventory	20,000	22,000	24,200	26,620
Supplies	1,240	1,364	1,500	1,650
Total Current Assets	49,240	143,364	185,700	228,270
Fixed Assets				
Equipment	58,800	58,800	58,800	58,800
Accumulated Depreciation	-	2,000	4,000	6,000
Total Assets	108,040	204,164	248,500	293,070
LIABILITIES				
Account Payable	2,000	36,000	39,600	43,560
Total Liabilities	2,000	36,000	39,600	43,560
EQUITY				
Owner's Equity	98,400	98,400	98,400	98,400
Retained Earnings	7,640	69,764	110,500	151,110
Total Equity	106,040	168,164	208,900	249,510
Total Liabilities and Equity	108,040	204,164	248,500	293,070

Table 10: 3-year Balance Sheet

Subsection 7. Cash Flow Statement

The Balance Sheet in Table 11 shows the 3-year cash flow.

3 Year Cashflow			
	Y1	Y2	Y3
Beg Cash	28,000	69,260	211,494
Inflow from Sales	649,200	714,120	785,532
Outflow from Inventory	240,000	264,000	290,400
Outflow from Operating Expenses	337,480	274,180	274,180
Add: Depreciation Expense	2,000	2,000	2,000
Out flow of Tax	32,460	35,706	39,277
End Cash	69,260	211,494	395,169

Table 11: 3-year Cash Flow

Section 7. Risk Control

There are numerous potential risks and accidents in daily operations that may crush the inexperienced start-up business. In order to prepare for the risks and control the loss, several possible risks are listed and classified as Internal Management, Accidents on Pets and External Issues

- **Internal Management**

- **Short-handed and High Turnover Rate of Employees**

As a pet store featured with high-quality service, Paw-paw understands that skilled and enthusiastic staff is the most valuable treasure to win the customers. In order to remain employees and increase their working motivation, Paw-paw will always afford payrolls that higher than the market average to all the staff. If the apprentice has willing to pass the exam of pet groomer license and become a full-time employee, Paw-paw will pay 50% of relevant exam fee.

- **Hygienic Issues**

Paw-paw is featured for creating a clean, cozy and home-like atmosphere for pets. The groomer is required to clean up all the tools and equipment instantly after finishing each service. At least one staff is taking full responsibility to keep eyes on free range and cages. Pet fur, poop and urine on the floor need to be cleaned up within 5 minutes. Each pet will have exclusive bowls to avoid cross infection.

- **Injury made by pets**

Scratches from pets is a most common occupational injury. To avoid it, staffs in the shower room are required to wear protective clothes and put on gloves during work. If any staff is attacked by pet and causes severe injury, Paw-paw will give certain subsidies and support in the communication with the owner.

- **Accidents on Pets**

- **Death, Sickness or Injury**

Either of these three accidents happening on pets during the daycare period will become huge crisis and may destroy the reputation of Paw-paw completely. Besides educating staffs to raise awareness to avoid these problems, Paw-paw have rights to refuse pets, including but not limited to which are extremely young or old, sick, weak, fierce and unsterilized. Customers need to sign agreements with disclaimers beforehand. 24/7 monitoring camera installed at the store will also be used to lower the risk and clear responsibilities.

- **Infectious Disease**

Sick pet will not be acceptable to enter the store, and every dog bowl, cage, floor, and equipment are required to be sterilized every day. In case infectious disease happens, Paw-paw will suspend the service, isolate the sick pet, and do disinfection at once.

- **Fights between dogs**

Fierce pets are prohibited to enter the store. All the staff need to get training of how to stop fights between small-sized dogs, so that they can stop the accidental fighting between dogs staying in free-range space.

- **Unwanted pregnancy**

All the pets receiving daycare service in free-range space should be sterilized beforehand. Staffs will conduct a detailed inspection to prevent similar problems.

- **Unfamiliar with New Environment**

Some puppies and kitties may have difficulties to adapt new environment that they never been to. Old clothes or blankets with the Owners' smell will be helpful to make nervous pets calm down. Training classes of socialization will also be introduced to pet owners.

- **External Issues**

- **Imitating Followers**

The pet service market in Moling Subdistrict area hasn't been saturated, and there is still space for new comers in short-term. However, as the first mover in pet daycare market with middle-class targeting positioning, Paw-paw has rich know-how of building brand, digital marketing, maintaining customer relationship and standardized high-quality service, which supports Paw-paw become competitive in local pet business.

- **Complaints from nearby residents**

Loud and continuous barks from pet stores always makes residents with the vicinity annoyed. In order to reduce the impact of bark, Paw-paw will use soundproof martials to decorate interior walls. Moreover, dogs tend to bark when they feel frightened, lonely or anxious. Training of socialization will help them to calm, adapt the new environment and reduce the frequency of barking.

CHAPTER 4. CONCLUSION

The aim of writing this thesis is to create a business plan of "Paw-paw Land", a pet service and goods retail complex in Nanjing, China. The core business is home-like daycare service, to solve the widely existing pain point of taking care of pets when the owner goes to work. In addition, overnight boarding, pet showering, grooming, training, retail of pet goods and other various services will be offered, too.

The success of this business is affected by both external and internal elements. In external aspect, the overall Chinese pet-related markets is growing drastically. More people are choosing to have their first pet, or considering to feed more one cat or dog at home. In addition, major pet owners have secondary or higher education background, which is positively correlated to their willingness for purchasing better-quality products with higher price, and feed them in a more scientific way. These two factors bring high demands of upgraded pet service and products in the market. Internally, Paw-paw pays attention to every aspect in the business: selected location, standardized daily operation, new free-ranged daycare service, elaborate tactics of consumer relationship maintenance, risk control... in order to raise the possibility of success and make Paw-paw become an irreplaceable player among local competitors.

The critical factor of increasing income is to use pet service to attract customers at the beginning and urge them to buy pet-related products as well. Because of the limited service capacity of staff and store space, raising the sales of retail business is more effective than that of service. The sensitivity analysis also turns out the number of customers who purchase products is more sensitive to the factor of average purchase price.

Generally, the author was enjoying the entire process of writing a business plan of a relatively small but complicated pet service store. Just as the interviewee of pet shop owner said, it is a business that looks fun but actually needs enormous love and patience. The payback period is not short, but the long-term return rate is spectacular. Finally, the author will express her

gratitude to the collaboration of interviewees and guidance from the professor during the process of writing the thesis. This business plan is based on both facts and logical assumptions, the success rate and profitability cannot be promised. Hopefully this thesis can help the reader to understand the booming pet economy in China, profiling of Chinese pet owner, and the whole theoretical guidance to start a pet business in Nanjing.

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APPEDIX. INTERVIEW SUMMARY

1. Interviews to pet shop owners/ current groomer

	Could you share the initial investment information to start this business?	How was the operational performance in the first year?	What is the largest challenge?	Any suggestions for the new comers in this business?
<i>Li, owner of small-sized pet shop in Shanghai</i>	<ul style="list-style-type: none"> - To get the certificate of pet groomer: 10,000 CNY - Equipment (pet shaver, scissors, dryer, calorifier, etc.): 10,000CNY - Stock goods: 30,000-40,000CNY - Decoration, shelves: 20,000 CNY - Some other costs Total: around 100,000 CNY 	<ul style="list-style-type: none"> - Operation income cannot cover the cost within the first half year - Gross profit rate: <ul style="list-style-type: none"> pet food and products: about 20% spa and grooming: about 60% - Usually get the break-even within two years 	- Recruitment. Usually have to months to recruit a qualified groomer.	<ul style="list-style-type: none"> - Don't expect a large return in a very short time. Pet service especially for shower and grooming is not a highly profitable business.
<i>Zhang, owner of small-sized pet shop in Chengdu</i>	<ul style="list-style-type: none"> - Recruiting 10000 CNY - Equipment 15000 CNY - Stock goods: 20000+ CNY - Decoration, shelves: 20,000 - Some other costs Total: around 90000+ CNY 	<p>First year:</p> <ul style="list-style-type: none"> - Revenue: 21,000 CNY - Rent: 500 CNY - Labor cost: 4000 CNY - Utilities: 1000 CNY - Other expenses: 1700 CNY - Stock goods: 2000-3000 CNY Net profit: around 6300 <p>In second year:</p> <ul style="list-style-type: none"> - Operation revenue: 30,000 CNY - Net profit: 11,000 CNY 	<ul style="list-style-type: none"> - The role of a business owner. I had to adapt the change of role from a white-collar to a pet-shop owner, who needs to learn and know everything. There's no clear on and off time for me. 	<ul style="list-style-type: none"> - Focus on quality of service - Strengthen the connection with existing customers - Innovation of service - Love and patience to pets
<i>Huang, groomer working for a private pet shop.</i>	Not quite sure.	About 15000 CNY per month by boss, but not very sure.	<ul style="list-style-type: none"> - Scratches and bites. Dogs are having various characteristics, some of them really hate to have shower. We are trying to wear gloves and protective clothes, but you know scratches and bites are like occupational injury for us. 	<ul style="list-style-type: none"> - Cleaning is important - Untidy environment may cause distemper - Post short videos of cleaning and sterilization on SNS - Keep high customer royalty - Basically, keep the connection with customers via - Post before & after pictures of pets who got grooming services in Moments - Free pick-up service for customers living within 3km

Interviews to pet owners



Li

26
Auditor
married but no kid
two cats

Monthly income?	10,000 ~ 12000 RMB (depending on overtime pay)
Spending on pets?	Around 200 RMB / cat / month
Daily Behavior?	Busy season: 9:30~22, 23, 24 Off season: 10:00~18:30 or 19:00 Get up, clean toilet sand, feed cat, go to work Husband does a lot instead
Interested in daycare?	So far, no... two cats can take care of each other, cats don't need to much social activities But interested in overnight boarding, trust is important
How much would you spend on it?	30 – 50 RMB per day for overnight boarding



Tang

24
Designer
Single
One Corgi (2 yrs old)

Monthly income?	Around 8000RMB
Spending on pets?	Vaccine: 600 RMB/ year Food & Snacks: 250 RMB/ month Tools, clothes, <u>toys.etc</u> : 80~100 RMB/month Shower: most at home, once per month at pet shop, 70 RMB/ month Generally: 450~500 RMB/ month (without medication)
Daily Behavior?	7:00 get up, walk dog, breakfast, make up, go to work at 8:30 18:30 get home, walk dog, dinner, rest & play with dog
Interested in daycare?	Yes but depends on price. My dog is adult so he is not as energetic as puppies. But I would like to give him some more mental support . Extra training and overnight boarding might be helpful. Close to my community would be better.
How much would you spend on it?	No more than 200 RMB per month. Care safety and transparency.



Zhang

25
IT
Single
One Husky(6 months)

Monthly income?	Around 14,000 RMB
Spending on pets?	700+ RMB /month Not include chair, pillow, earphone... destroyed by dog
Daily Behavior?	7:30 get up, walk dog (about 30 min), breakfast, go to work at 9:30 20:00~21:00 get home, walk dog, dinner, relax or work
Interested in daycare?	Yes I need someone to help me walk dog , and some training . Sometimes my mom comes to take care my dog, but I am concerning if she can feed it properly Close to subway station would be helpful.
How much would you spend on it?	400~500 RMB per month , include cleaning