ENTREPRENEURSHIP IN A NICHE SERVICE MARKET:

DEVELOPING A BUSINESS MODEL FOR A DOG TRAINING ENTERPRISE

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Abstract

In 2012, there were almost 70 million dogs in America, which resulted in an increase in demand for pet services, including dog training (American Veterinary Medical Association, 2012). Based on statistics from the U.S. Pet Market Outlook 2013-2014, consumer spending for non-medical pet services will exceed $20 billion, growing at about 6.0% annually (Packaged Facts, 2013). Dog sports such as agility have become increasingly popular, which has increased the demand for dog training facilities and instructors that offer sports training classes in addition to traditional obedience classes (Kalter & Sprung, 2013). This growth in demand has led to an increase in the number of new ventures offering specialized training services. The purpose of this study was to conduct exploratory research in order to determine the market for dog training in Raleigh, North Carolina. By conducting industry and regional analyses that focus on the local consumer demands, how their needs are currently being met, and what the potential market is, a business model can be developed for the use of entrepreneurs in this niche service market. To help determine the market for dog training, a confidential survey was distributed to dog owners in Raleigh, North Carolina with questions focusing on five main topics: participant demographics, dog demographics, prior training, desired future training, and limitations. By having a better understanding of the market needs in the area, entrepreneurs can develop their business services around the customer demands and limitations and increase their likeliness of success.

Introduction

Dog training is the intentional modification of a domesticated dog's behavior using various methods of behavior analysis and human-K9 interaction to suggest and reward behaviors that are deemed appropriate and desirable. Greater demand for companion dog training has led to an increase in the number of new ventures offering specialized training services. To be successful in the industry, it is important to understand the different factors that come into play when developing a business model for a dog training enterprise. Many entrepreneurs start their businesses without developing a clear plan first, and ultimately fail after a short period. In order to understand what market segments should be targeted, it is important to identify the prominent types of customers that seek out professional training for their companion dogs. The success of the business also depends on understanding what services customers want, and how to best provide those services. By conducting industry and regional analyses, a target market can be determined for potential business models, which can be used by entrepreneurs in this niche service market.

The purpose of this study is to conduct exploratory research in order to determine the market for dog training in Raleigh, North Carolina. It will also identify what services a dog training business in this area should offer in order to be successful, based on the local consumer demands. To determine the market for dog training as well as develop a basic business model, there are multiple factors that need to be considered:

- What types of people are interested in investing time and money into training their companion dogs?
- What are the most relevant and popular services currently offered in the industry?
- Who are the current customers?

- Are there specific populations that should be targeted when trying to gain new customers?

These guiding questions will help determine the training needs of dog owners in and around Raleigh, North Carolina, how their needs are currently being met, and what the potential market is for a new dog training business in that area. By understanding how the demand for dog training is changing, one can hope to understand what a future market might look like.

Literature Review

According to Brady and Palmeri (2007), Americans spent $41 billion on their pets in 2007, which was more than double what spending was a decade prior. Pet care products is the second fastest-growing category in retail at 6% growth, falling right behind consumer electronics. Americans spent more on buying, feeding, and caring for their pets in 2007 than they did on movies, video games, and recorded music combined ($33 billion). While this is a very substantial percentage of consumer spending, looking at non-medical pet services alone (training, grooming, etc.) shows an even better picture of just how much is being spent on pet services each year without money spent on buying, feeding, and caring for the medical needs of pets. Based on statistics from the U.S. Pet Market Outlook 2013-2014, consumer spending for non-medical pet services exceeded $20 billion, growing at about 6% annually (Packaged Facts, 2013).

With this steady growth in demand for services that include dog training, there is room in the market for more dog training businesses to open. Entrepreneurs that specialize in certain types of training may also find themselves gaining customers who are willing to pay higher training costs and will travel further to find a facility that meets their needs. For example, dog sports such as agility, flyball, and dock diving have become increasingly popular with competitive venues around the world attracting new participants. This has increase the demand for dog training facilities and instructors that offer these sports training classes (Kalter & Sprung, 2013). However, general obedience classes are still popular and highly sought after. With more and more people bringing their dogs to public places, such as outside restaurants and cafes, there has been greater emphasis on the importance of training dogs to behave well outside of the home. This requires training in obedience, leash walking, and distraction proofing.

One reason for the growth in the pet care industry is the change in how people view their pets. Instead of seeing dogs as outside animals with little significance or importance, people are increasingly humanizing them and treating them as part of the family (Brady & Palmeri, 2007). Many dogs live indoors and eat expensive foods with local organic ingredients instead of waiting for table scraps. According to the American Pet Products Manufacturers Association, 42% of dogs sleep in their owners' beds each night (Brady & Palmeri, 2007). Some owners go as far as to say that their pets are their children, and therefor want to provide them with a higher quality of life. This translates to an increase in spending on higher quality food and treats, grooming, toys, and premium products such as Halloween costumes and monogrammed collars (FranchiseHelp Holdings LLC, 2015). This change in views has caused an increase in demand for higher quality products and services in order to provide a better life style for pets.

Another reason the pet industry continues to grow is the increase in the number of pets, especially dogs. According to the American Veterinary Medical Association (2012), there were 43,346,000 households in the United States with at least one dog in 2012, and the total number of dogs owned was close to 70 million. With this many dogs, it is no wonder that the demand for pet services such as dog training are quite high and continuing to grow. The result is an increase in not only the sales of current businesses, but new businesses entering the market as well. The United States Department of Labor predicts that the number of animal care and service jobs will increase 15% in the coming years as a result of the increased demand for pet services, compared to the national average of 11% for all occupations (U.S. Bureau of Labor Statistics, 2012).

However, despite a huge increase in consumer spending in the pet care industry around the world, there still is not that much information about how pet owners consume services, or the best way to segment the market. One study, "A Cluster Analysis Examination of Pet Owners' Consumption Values and Behavior – Segmenting Owners Strategically" by Chen, Hung, and Peng (2012) examined how different types of human-pet relationships affected consumer spending, and identified three main segments of pet owners through cluster analysis. By focusing on levels of attachment and interaction and whether or not the owner considered the pet a "human-substitute," business owners could segment the market in a less traditional way that focused on the emotional spending habits of consumers rather than just typical demographics such as gender, age, and income levels. However, targeting these consumers with advertising and promotions can be more difficult because they are not as easily identified and reached with traditional methods.

In another study conducted in Melbourne, Australia, participants enrolled in companion dog training classes were asked to take a survey about different factors that influenced whether or not they felt a high level of satisfaction upon completion of the course (Bennett, Cooper, Rohlf, & Mornement, 2007). They found that the participant could be satisfied with the facility and instructor, or they could be satisfied with the new behaviors their dog was exhibiting as a result of the training. Having satisfaction in one area did not necessarily mean they were satisfied in the other area. When starting a new dog training enterprise, it is important to make sure both ways of achieving customer satisfaction are achieved. It is not enough to have an incredible facility if the right types of training are not being offered and customers leave feeling like they did not achieve the goals and objectives they went in with.

Methods

To help determine the market for dog training, an IRB approved survey was distributed to dog owners in Raleigh, North Carolina. This survey collected quantitative data about dog owners, their dogs, prior training experience, desired future training, and what limitations keep them from pursuing training. In order to reach the sample population, the distribution of surveys occurred through veterinarian offices in the area who have dog-owning clientele. By surveying veterinarian clients instead of customers of existing dog training businesses, the sample population was more representative of the standard population, rather than consisting only of those who have already sought out training for their dogs. The sample size was ideally set to be 75 to 100 people, and the final results included 72 completed surveys. The survey was posted online through Qualtrics, and remained open for 8 weeks, allowing adequate time to collect data. The veterinary offices participating in the study were also asked to email the survey to their dog-owning clients, and/or post it on their website or social media pages. In addition to being available online, participants were also able to take the survey in the waiting room. A small handout with a QR code linked to the survey was passed out upon check-in so that participants can take the survey on their smart phones or tablets. Printed copies were also be provided to the participating veterinary offices, as well as sealed collection boxes for completed surveys.

In order to obtain information that would help create a better understanding of the current market and market needs, questions were asked that related to five main topics: participant demographics, dog demographics, prior training, desired future training, and limitations. Specifically, questions focused on the following information:

- Participant demographics (gender, age, number of children, income, etc.)
- Dog demographics (breeder/rescue, age when brought home, etc.)
- What kind(s) of professional training (basic puppy training, obedience, agility, etc.) they have previously acquired for their dog, if any
- What kind(s) of professional training (basic puppy training, obedience, agility, etc.) they would like to get for their dog, if any, and why
- What limiting factors would prevent them from getting/continuing training for their dog(s) (cost, lack of time, etc.)

These questions helped to provide an idea of not only the types of people that want dog training, but also information about their dogs and what kinds of training they would pursue if their personal limiting factors were removed.

To protect the personal information and rights of survey participants, no names were collected. In order to encourage participation, those who complete the survey were eligible for a gift card drawing, with a winner chosen at random. If participants wished to be entered in the optional drawing, they only needed to include their email address and/or phone number at the end of the survey. This information was needed only to contact the winner of the gift card and will never be shared or used to contact participants for any other reason. All personally identifiable information was removed from the data in order to protect the privacy of the participants and ensure that responses could not be traced back to any individuals. Because this study involved human participants, survey protocol was submitted for review to and approved by the IRB with a request for exempt status.

Overall, this research aimed to determine the market for dog training in Raleigh, North Carolina so that a basic outline of a business model could be developed. By having a better understanding of the market needs in the area, entrepreneurs can develop their business services around the customer demands and limitations and increase their likeliness of success.

Results

Of the 72 dog owners that completed the survey, 76% were female, 86% were Caucasian, 50% had one or more children that were still dependents and living with them, and 50% had never before used professional training of any kind. Of the 62 respondents who answered what their annual income was, 15% were lower income class (annual income of less than $30,000), 26% were middle class (annual income of $30,000 to $100,000), and 60% were upper income class (annual income of more than $100,000).

Dog Owners with Children:

When looking at dog owners who had families (responded that they had one or more children that were still dependents and living with them), it became clear that this population was less likely to have prior training experience, and also experienced more limitations that prevented them from participating in the training they desired. Only 38% of dog owners with one or more children had any prior training experience, compared to the 58% of dog owners without any children who had previously used professional training. The limitations of dog owners with families focused not only around cost, but also around a lack of childcare, the distance to training facilities being too far, and not having enough time to take lessons and be able to complete assigned “homework” in between lessons.

These limitations help to explain why this population was far less likely to have had any prior training experience, and may also be reasons that prevent them from getting training in the future. However, while it may seem intuitive to assume that this population would be more interested in having private trainers come to their house for lessons as a result of their limitations, results actually showed the opposite. Only 14% of respondents with children were interested in private lessons at their homes, compared to the 26% of respondents without children who were interested.

Another difference to note is that dog owners with children were more focused on basic manners training, such as obedience and leash walking, whereas the desired training for dog owners without children included a larger variety of training types. Their interests including therapy dog certification, agility, and other types of training that are typically more advanced, such as Canine Good Citizen test preparation. Dog owners with children may be more focused on just having a well-behaved and obedient dog in the home, whereas dog owners without children may be more interested in taking additional classes that build on the foundations learned in obedience classes.

Men versus Women:

When comparing men and women (as on the following page in Table 1), women are far more likely to have acquired professional training before. Women also tend to be more interested in a broader range of training types than men are, but both genders are still very focused on obedience training. And while women still respond that they have limitations, they seem to be less severe than men. For example, 87% of women were willing to pay $10 or more for an hour long group class, whereas only 69% of men were willing to pay that same amount. Women were also more willing to drive further distances than men were, as seen in Table 2 on the following page.

Table 1: Comparisons between Male and Female Responses (Previous Training, 1st Choice Method of Training, and Limitations)

	Any Previous Training?		1st Choice Method of Training (Top 3 Responses)		Limitations (Top 3 Responses)	
Female	Yes	52%	Private Lessons at Home	57%	Cost	50%
	No	48%	Small Group Classes	32%	Distance	43%
			Private Lessons at a Facility	7%	Time (Lessons)	30%
Male	Yes	24%	Private Lessons at Home	33%	Cost	41%
	No	76%	Small Group Classes	33%	Distance	24%
			Private Lessons at a Facility	13%	Time (Homework)	24%

Table 2: Comparisons between Male and Female Responses (Amount Willing to Spend on 1hr Group Instruction, and Distance Willing to Travel to Facility)

	Amount Willing to Spend on 1hr Group Instruction		Distance Willing to Travel to Facility	
Female	Less than $10	13%	Less than 10 miles	67%
	$10 - $20	68%	10 to 20 miles	20%
	More than $20	19%	More than 20 miles	13%
Male	Less than $10	31%	Less than 10 miles	88%
	$10 - $20	50%	10 to 20 miles	6%
	More than $20	19%	More than 20 miles	6%

So while cost and distance were listed as their top two limitations, women were more willing to increase their budgets and travel distance in order to obtain professional dog training. However, a majority of women (57%) responded that private lessons at their home would be their most preferred method of training. While this training method eliminates the need to travel to a facility, it is often times much more expensive than lessons at a facility. An important next step for a future business owner would be to determine whether or not women are more willing to pay a premium price for training at their homes, or travel to a facility to save some money.

Age:

As seen on the following page in Table 3, the younger respondents (35 years old or less) were far less likely to have had any prior training compared to older respondents (older than 35 years). A higher percentage of younger dog owners were also interested in private lessons, compared to middle age and older respondents. Further research should be done to better understand why these age groups are less interested in private training. These groups may simply enjoy the social aspect of having longer group classes compared to just having a quick one-on-one private lessons, since cost and time tend not to be as strong limitations when compared to the youngest age group. Middle age dog owners (36-65 years) are willing to spend the most out of all the age groups, which may result in them being a part of a target market for dog training businesses.

Table 3: Comparisons between Age Groups

Age	% of Respondents that Have Had Previous Training	Interested In: Private Lessons	Limitation: Cost	Limitation: Time	% Willing to Spend ≥$10 on 1hr Group Class	% Willing to Spend ≥$20 on 1hr Private Lesson
19 - 35 years	21%	86%	57%	43%	71%	64%
36 - 50 years	46%	75%	57%	32%	85%	82%
51 - 65 years	54%	71%	38%	33%	88%	87%
>65 years	50%	67%	17%	17%	75%	50%

Income:

According to the results of the survey, dog owners with middle class annual incomes (between $30,000 and $100,000) were more likely to have had prior training experience than dog owners with lower class annual incomes (less than $30,000) or upper class annual incomes (more than $100,000). While cost was not as common a limitation for upper class respondents, 46% responded that they did not have time to attend training and/or work on training homework between lessons. These types of households may be working more, and therefor do not have as much time to spend on training their dog(s). In general, the higher the annual income was, the more respondents were willing to pay for private lessons and group classes. However, just because they are willing to pay does not mean they will actually take lessons if they do not have the time for it.

Discussion

Overall, the most desired type of dog training was obedience, which is not surprising considering the average dog owner is probably more focused on their dog being well-mannered and less concerned about their flyball, herding, or dock diving abilities. While sports training is definitely starting to increase in demand (Kalter & Sprung, 2013), businesses in this industry still need to offer a strong foundation of classes focused on obedience, leash walking, and distraction-proofing in order to meet the needs of the average dog owner. New dog training businesses should focus on attracting new clients with a series of introductory level courses that focus on obedience and basic manners, and then introduce them to other types of training while they are in those classes. In order for a new dog training business to be successful, they still need to offer classes that appeal to the average dog owner, who is more focused on teaching their dog basic manners than training them for competitive sports.

When it comes to what should be charged for professional training, an hour long group class should cost between $10 and $20 to meet the needs of 83% of the respondents. Private lessons should be charged at the rate of $20 to $40 an hour to satisfy 78% of respondents. By charging rates that represent the value of the professional training but are not as high as some competitors, businesses can appeal to a larger market and not exclude as many potential customers who experience cost as a limitation.

Training businesses should also strongly consider offering private training at client's homes, which can be offered at a higher price point than group classes at a training facility. While some dog owners are still interested in classes at a facility, many express interest in the convenience of having a trainer come to them. If offer private lessons or group classes at a facility, the business should try to locate its facility within 10 miles of the market they are trying to target, as only 28% of respondents were willing to drive more than 10 miles to obtain professional training.

As indicated by the results of this survey, a target market with strong potential would be middle aged women who have an annual household income of $30,000 - $100,000. This population is more likely to have had prior training, and are more willing to pay higher prices for private lessons or group classes. Dog owners in this target market express limitations, but are more likely to be flexible with those limitations if they see value in the training being offered. If the services offered provided customer satisfaction with facility and instruction and satisfaction with the new behaviors exhibited by their dog, (the two factors identified by Bennett *et al.* (2007) as influencing owner satisfaction with companion-dog-training facilities), then they may return for more advanced training in addition to just the introductory manners courses.

Conclusion & Further Research

While this study has helped to identify key demographics new businesses in this industry should target, further research could be done to narrow down the target market even more. As seen in the study "A Cluster Analysis Examination of Pet Owners' Consumption Values and Behavior – Segmenting Owners Strategically" by Chen, Hung, and Peng (2012), there are different types of human-pet relationships which affect consumer spending. If key characteristics and similarities could be identified between those who see their dogs as "human-substitutes," those specific features could be used in determining a market based on different characteristics. By using that data in conjunction with the ideal demographic targets identified by this research, the proposed findings could be used to market dog training to very specific types of people who would be the most likely consumers of the provided services.

Future studies could also be done to identify the target market in regions other than Raleigh, North Carolina. This study helped to narrow down a target market for this particular region and identify what services need to be offered at what price points to meet the needs of potential customers and avoid their limitations, but the specific demands for dog training likely vary by region. This study could be expanded upon by surveying people in different regions and comparing the differences between those in more rural or urban areas, as well as the differences in demand among regions that have different societal norms and cultures.

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