

UBC Social, Ecological Economic Development Studies (SEEDS) Student Report

DogFir Dog Houses Ltd. Business Plan

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Executive Summary

DogFir Housing is the result of four friends getting together to form a business. They felt there was a need for well built dog houses in the Canadian pet market. Dog Fir will commence a joint business venture with the UBC Alex Fraser Research Forest to utilize small diameter Douglas-Fir trees. The mill will be located between Williams Lake and the Research Forest. This area has a significant amount of timber available and is located in South-Central British Columbia.

The pet industry is a multi-million dollar industry in Canada. The population is spending more and more money on their pets. DogFir will endeavour to find their market share of this growth industry. In the first year of operation it is anticipated that it could service 10% of the dog house sales in Canada.

DogFir will build three sizes of dog houses that will meet the needs of all pet owners in the country. They will be "Canadian built and environmentally friendly" which use small diameter Douglas-Fir trees as its fibre source.

The four business partners at DogFir will invest \$200,000 as start up capital. They will seek an additional \$600,000 from a loan term bank loan to build the plant and start processing the houses.

DogFir feels they have an ingenious marketing plan. They will work not only with big box pet stores but also with the SPCA. A portion of the sale of each house sold will be donated to shelters and animal hospitals.

The four business partners of DogFir are highly trained in both forestry and the Canadian pet market. Each person brings a unique skill required to make this business run.

We hope that once this plan is approved it will bring 10 new jobs to the Williams Lake area. The community will also benefit from spin off jobs.

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INTRODUCTION

Purpose of Business

At the present time the UBC Alex Fraser Research Forest has an ecological problem with small diameter Douglas-Fir. This forest is located in the Williams Lake area which lies in the Cariboo-Chilcotin region in south-central British Columbia and covers a diverse are of climatic zones and ecosystems. Because of fire suppression within the forest small diameter Douglas-Fir has been growing out of control and now presents a problem to mule deer winter range within the forest. We have developed a plan to utilize this small timber to make high quality dog houses for an ever growing pet industry. DogFir housing will offer three choices of dog houses to the consumer, small, medium and large. Our goal is to provide pet owners with a product that is uncompromised by anything on the market today. We plan to sell Canadian made, environmentally friendly dog houses to a range of people within Canada. We hope to as the company grows we will look into overseas markets and world wide distribution.

General Company Description

DogFir dog houses will be located between Williams Lake and the Alex Fraser Research Forest. We plan on buying land and constructing a facility in order to start manufacturing three different sizes of dog houses. These houses will be available to the Canadian public through a variety of market sources.

INDUSTRY OVERVIEW

The pet industry is a huge market world wide, with an estimated 5.5 million dogs in Canada and 68 million south of the border in the USA. As people make more money, they will be more willing to spend money on things other than commodities. There are a variety of dog houses on the market, most are wood based but they also come in plastic. At present Cedar dog houses seem to dominate the market. We believe Douglas-Fir built dog houses will have the same quality as Cedar. Douglas-Fir is a high grade of lumber which is resilient in all weather conditions. Dog houses have a large range of prices. They cost from \$50 to \$80 for a simple low grade lumber put together frame to elaborate two story cedar houses that cost up to \$500.

DogFir housing feels the current Cedar dog houses on the market will be our greatest competition. Cedar is well known in the market as a good outdoor durable wood. There are currently many Cedar options on the market in dog houses. We plan on attacking this market through intense promotional ad campaigns on both the internet and dog magazines. Our main focus will be on working with big box pet stores and using flyers in store to show off our product.

Legal Issues

DogFir dog houses will be joint venture with the UBC Alex Fraser Research Forest. DogFir will keep all economic profits in return for covering all harvesting costs for the small diameter Douglas-Fir. We will also be providing the Research Forest with something to do with all this wood. This extraction of wood will aid the Research forest in converting areas of land back to a more natural state which will in turn create a better forest environment.

Financial Summary

The four people involved in the business venture have \$50,000 each to contribute. An additional \$600,000 will come from a long-term bank loan. Referring to our balance sheet our current ratio is 1.05. From our income statement our expected net profit after one year will be \$75,100.76.

History of the Industry

For over 14,000 years dogs have been domesticated and as long as there were raw materials available dogs could be given their own homes. Theoretically the cave man who adopted the wolf cub would build a dog house out of trees and this idea eventually evolved into modern day where everyday people build dog houses made from the same wood and metal materials that they use to build their own home.

The evolution of the dog house is more than just building a house for a dog. It's based on the dog's brilliant evolutionary success almost without parallel in the animal world to successfully worm themselves into our homes and into our psyches. We want for our dog what we have for ourselves.

In Africa and Asia millions of dogs roam freely in villages and cities. In North America a dogs' independence is limited to a leash, a house or a yard. For those dogs that aren't welcome inside, houses can be built outside for them. Small dogs can enjoy their own dog house within their owner's home.

Trends of the Industry

The estimated 5.5 million dogs in Canada represent a growing consumer market. The trend is that people are finding more ways to find niches in this expanding industry. The Pet Industry Joint Advisory Council Canada (PIJAC) membership has been increasing by 10 per cent annually for the past several years and now has 529 members. All facets of the pet industry are experiencing growth. In Toronto, there are more than 40 companies offering pet services that range from grooming to walking.

While specific statistics are not available for the Canadian pet industry, according to Statistics Canada the average household spent \$326 annually on pet expenses in 2002. That was a 25-per-cent increase from \$260 in 1997. Average spending in Ontario alone in 2002 was \$388, a 28-per-cent increase from 1997.

The 2001 Ipsos-Reid Paws and Claws Pet Ownership Study, which surveyed urban areas in Canada, estimated Canadians spend about \$4 billion a year on their pets. Based on the survey, the study estimated \$1 billion was spent on vet services and \$1.6

billion on food, with the balance going to other services and products. The study also says that 53 per cent of pet owners are prepared to go into debt to provide for their pet's well-being. In addition, 53 per cent owned a dog and 83 per cent of those surveyed considered their pet a member of the family.

The growing pet industry parallels the growth of the Internet over the past 10 years. The internet, television and increased communication allow people to pick up on ideas more quickly. Internet trade can be more cost-effective for international distribution when considering local costs to leasing retail space.

The place of dogs in society is changing. It's evident that in every area dogs are being accepted within households and not just the backyard anymore. An increase in per capita income allows the owner to spend more money on their pet and allows the progression of a new business catered to pets in our society.

Key Success Factor in Industry

The success of DogFir dog houses will be met through their extensive promotions plan. The marketing team at DogFir will accomplish this with a mix of sales promotion. Every large pet supply distributor and animal care service provider in Canada will be identified. Business partnerships will be initiated with these businesses with the intent of promoting the DogFir dog house.

DogFir is looking for an exclusive contract with one large pet supply distributor. Through personal sales promotion an agreement for exclusivity will allow the pet supply distributor to promote a "Canadian-made environmentally friendly product". Dog house models will be constructed on-site so customers can have a first hand look at the product. In addition, three page folded brochures supplied by DogFir will be distributed by cashiers with details on the product, the price and the companies contact information.

Promotions with animal care providers will be focused on publicity. Through partnerships with the Canadian Veterinary Medical Association and the Canadian

Council of Animal Care, brochures will be placed at veterinary clinics promoting the DogFir dog house and animal health. A portion of sales from each DogFir dog house will be put towards each of these institutions to promote the research and the advancement for the care of animals.

Brochures at pet supply stores and animal care providers will lead customers to the contact information for DogFir dog houses. DogFir dog houses will have an extensive website with all the information that the customer needs. A 1-800 number and a company email address will be serviced by a well informed customer service group and any inquiry will be answered within 24 hours.

Segmentation and Targeting

DogFir dog house will focus on leading large pet supply distributors across and animal care providers across Canada. Putting our product into the hands of a leading pet supply distributor will allow us to get closer to the customer who actively seeks out products for their pet. Establishing a partnership with a well known company will increase our image as a respectable dog house builder.

The location of pet supply distributors is also ideal for the customer we want to focus on. Large pet supply distributors are found generally in large strip malls that cater to high volumes of customers who have higher disposable incomes. RDI has been increasing at a rate of 1.7% per year since 1997, disposable income per capita rose at 3.8% in 2004.

In addition, establishing a marketing message that encompasses animal care benefits through relations with animal care providers will help gain public support for our product from the community with a low intensive marketing strategy.

Changes in the Market

The reliance and competition of the internet for buying pet supplies will have an effect on our product. Within the past year, more than a dozen major pet supply sites have popped up on the internet, including some backed by powerhouse players Amazon.com, cable television's Discovery Communications, and the nation's two largest pet supply chains, PETsMART and Petco Animal Supplies. Using American statistics as a model, customers spent \$23 billion on pet food and supplies and \$299 million of that was spent by pet owners online last year. The Web market for pet supplies reached \$2.5 billion in 2002. Many pet stores are rushing to the Web and this could make for a lot of competition. Operating margins are very thin so only the sites with the best-known names are going to win in this market. The scary part is that companies are taking major hits to become internet market leaders. For example, Pets.com's financial statements show that it paid \$13.4 million for the goods it sold for just \$5.8 million. For every dollar it spends it is collecting \$0.43 from its customers. PETsMART.com isn't doing much better. For every dollar that it pays suppliers, it's collecting 62 cents.

This competitive market could put a lot of pet store supply distributors who don't rely on the internet in jeopardy of losing market share. To meet the bottom line, costs may increase and this could put in a very competitive situation.

Analysts see this move as a way of companies gaining internet market share for the near future and these trends of losing money should go away once this market has been established. This will not affect the pet supply distributor who sells to walk up customers. It has been seen with PETsMART.com that their success has been built from their stores which help to promote their web site at a relatively low cost.

DESCRIPTION OF OUR COMPANY

Product

“Dog Fir Dog House” provides their customers with dog houses that are spick and span and are identified by their beautiful Douglas fir grain pattern. The houses are designed to satisfy all types of customers and their dogs. Our products will revolutionize the typical doghouse through unique qualities: design, material, and services. (Please see 4.1 for more information) Our product will consist of an asphalt shingle roof and a raised floor to keep your pet dry. The solid Douglas-fir wood construction will be easy to assemble. It will consist of 1x1 frames with 1x3 paneling for the sides, floor and roof. The slant-roof design will minimize roofing costs. It will be available in three sizes - small, medium and large. The fir wood will be finished with a stain sealer to create a pleasant look and keep it weather resistant.

Service

In order to satisfy various types of customers, we will provide various kinds of designs.

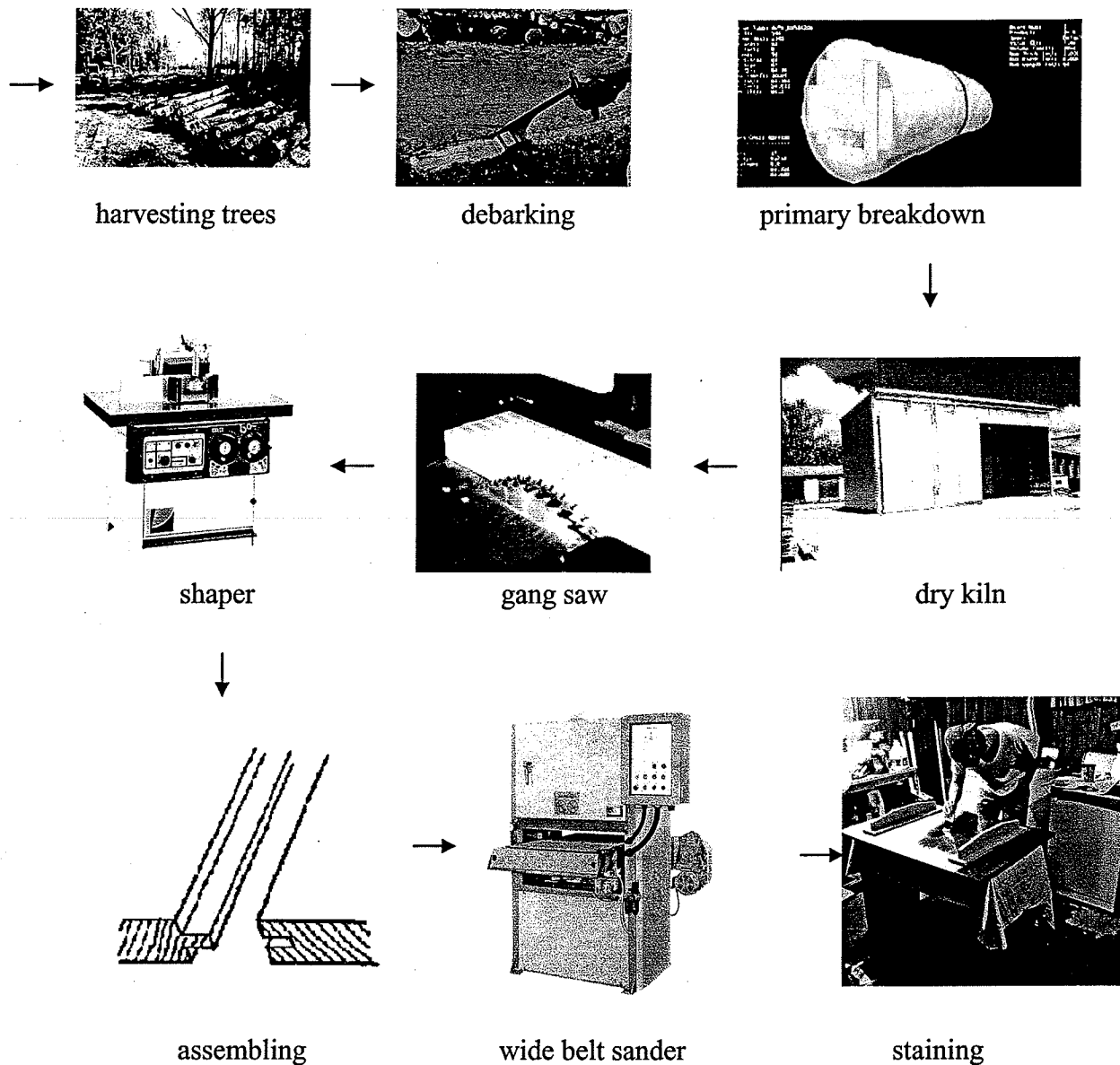
Customize - We will provide a web-site where customers can design houses for their dogs. If a customer wants to get advice, our designers will help them.

Catalogue – Our products will be divided into three different sizes. The sizes are small, medium, and large. For each size, there will be ten designs. Also our company will provide a new design and eliminate the most unpopular design every three months.

Features – We will also provide various kinds of features so that customers can decorate and add-on new features to their puppy houses.

Process

In order to manufacture high quality products, we will manage every step from lumber yard to finishing. Also by having our own production lines including a drying system, the qualities of our products are guaranteed. Moreover, quality control systems will be installed to minimize the waste to maximize profit by improving the quality of products and production lines. (See the next page for manufacturing processes.)



After the manufacturing the parts of the product, they will be packaged and sent over to the distributor or the customer.

MARKETING PLAN

Product

Our dog house is a specialty product. It will be constructed from small diameter Douglas Fir from the Williams Lake area. It will differentiate itself from other dog houses because it will be made from wood waste. This allows us to promote our dog house as an environmentally friendly product. As well, the Douglas fir has a beautiful grain to it which will allow for differentiation from other products and an identifiable characteristic. We will construct our product in Williams Lake and with this we can claim that this product is "Canadian made". We consider our product to be within the mature stage of the product life cycle and will promote it through its various sizes and designs.

(Please see 3.1 for more information)

Place

Our company will distribute directly to one large pet supply distributor. It still remains to be seen if an agreement can be made to utilize the distributors existing pet supply chain so that delivery costs can be kept at a minimum. Due to sales that will result from our web-site, an independent distribution system will have to be considered. Through research we have identified that courier and trucking services will be the best approach to getting our product to the right person and at the right time

Promotion

Our company will rely on a personal sales team to begin the promotion of our product. Our goal is to form an exclusive partnership with one large supply distributor in Canada. We have identified every large pet supply distributor and have prepared our marketing strategy to show that our product can be produced at a low price, will be profitable, and can be delivered at the right price and on time. After a partnership has been established we will promote our product through brochures distributed at the pet supply distributor. We will also focus our efforts on public support through promotion with animal care service providers. A portion of the sales from each Dog Fir dog house

we be donated to the Canadian Veterinary Medical Association and the Canadian Council of Animal Care.

Price

The price of the product will be 119.99\$ based on the average medium size. We will negotiate a fixed retail price with our distributor and this price will be mirrored on our internet site. Our price will be varying based on fixed production costs as well as cost of distribution that is established either independently or through our distributor.

Target Markets

Dog Fir dog house is looking for customers who have higher per capita income and are willing to spend money on their dog. We believe by partnering with a large pet supply distributor that we will be able to benefit from their reputation on getting that type of customer. We will rely on walk up customers and our visual models at the store which will be appeal to the customer that is looking for a product that is Canadian-made and environmentally friendly. We are also focused on gaining public support through our actions of supporting animal care research and advancement. Our success will add to the success of animal care across Canada.

ORGANIZATIONAL PLAN OF THE COMPANY

Formal Structure

Our company will be a corporation as oppose to a proprietorship; therefore it will be its own legal entity. Our company will be able to enter in to contracts and own property itself, separately from its owners, and have to pay taxes on its own income. Advantages of this would be limit liability, and less taxation.

Management team and staff

The management team of will consist of a Production Manager, a Sales Manager, a Marketing Manager and a Financial Manager. Each of the four managers will be integrally involved in the operation of the company, and there will be overlap of duties. The four managers will sit on the board of directors. .

Production – Thomas

After acquire a bachelor's degree in the Wood Products Processing Program of the University of British Columbia, I studied architecture at the University of Toronto. However, I realized the outlook of the architecture in Canada is decreasing. Therefore, with my previous co-op experiences in the wood industry, I decided to open a business with three greatly experienced graduates from the University of British Columbia.

Sales – Geoff

I spent three years selling oil rigs off the coast of Hawaii. I believe that the experience I have gained and building a great sales team at DogFir Housing will make this company the top dog house wholesaler in Canada.

Marketing – Brodie

After graduating from the University of British Columbia I took my skills abroad and traveled the world in search of the ultimate dog house. After visiting many different countries and looking a numerous dog house construction sites I felt homesick. I realized my home is in B.C. The knowledge I attained traveling gives me the utmost confidences

in joining in on this business venture and I feel I bring to the table ample experience in dog house manufacturing.

Financial – Michael

After I finished my career in the NHL as a Vancouver Canuck due to injury I looked to the business world to present an equal challenge that the Athletic world presented. I intend to draw upon my degree from the University of British Columbia in Wood Products Processing as well as the leadership experience I gained captaining the Vancouver Canucks to 12 successive Stanley Cups. Also I believe my notoriety as a former NHL all-star will help our company gain publicity.

The remaining staff will consist of a nine employees: secretary/receptionist, Saw operator, Debarking operator, Kiln operator, Builder, Builder's assistant and a general labourer. Two general labours will help moving the raw materials around the shop and assist the rest of the employees. The operators and the builder will report to the four managers, mainly the production manager. The assistant will report to there respective chiefs and the general labourer will help the rest of the staff were needed. Because of the small number of employees there won't be a major problem with communication. If the company grows the use of co-managers will keep the company a relatively "flat" organization to maintain communication.

A lawyer will be established once the company is in operation and will be used when needed. There will be no interest in using a business advisor or consult in the early stages of the company. Also an accountant won't be needed because all accounting services will fall under the financial manager's duties.

Ownership of Company

The four managers, Production, Sales, Marketing and Financial, all will have an even stake in the ownership. Each will own 25% of the companies stock. In the early stages of our company stocks will remain private and with the four Managers. Our

Company does not anticipate any public funding and if received this would not change the ownership of the company.

labourers experience in the wood industry and skill in operating the machines will be requirements for employment. We hope to hire local people for all jobs.

Raw materials

The raw materials for our dog houses will mainly be lumber from the Williams lake area. This lumber will come from small diameter trees that present an environmental problem to the mule deer of the area. The harvesting cost will be around 50\$ per cubic meter. Each tree has roughly 1.4 cubic meters of recoverable wood. The average size of tree being harvested is roughly 10 meters tall and 3cm in diameter; this means each tree is around 2.8 cubic meters in volume. Our operation intends to have a 50% wood recovery factor, which is normal when working with trees of this size. There is approximately 275,000 acres of the small diameter trees in the William Lake area. This is enough to supply our company for many years. The remaining materials for the dog houses will be screws, lining material, sealer/preservative, shingles and other materials which will be purchased from local businesses. All waste materials will be given to local companies to be used as fuel free of charge.

Anticipated production schedule

Once the construction of the plant is completed, the harvester and harvester's assistant will begin work at once to ensure a supply of material for when the rest of the staff begins work. The four managers along with the two general labourers will begin working to get the plant and the company ready for production. Preparing the company and the plant for production will take one to two weeks and after that the rest of the staff will begin their work. Once production has begun the plant will operate 8 hours a day five days a week every week, except on government identified statutory holidays the mill will be closed.

Long range plans

The goal of our company is to be the number one Canadian made, environmentally friendly producers of dog houses. We intend to build a reputation as a producer of Canadian made and environmentally sound products that is of high quality.

Using this reputation we will be able to continue to expand across Canada to other major cities. Given the critical mass of trees in the Williams lake area available to us, we will use that supply of wood for many years and the processing facility will remain in Williams Lake. The facility will be upgraded and expanded if necessary to fit higher volume. Our Company will operate in a progressive business environment where opinions and feedback from employees and customers will be listened to and considered by the management team.

FINANCIAL PLAN

A. CAPITAL REQUIREMENT

Machine Estimated Capital Cost (\$CAD)

1. Purchase of land	\$40,000
2. Building of facility	\$160,000
3 Gas powered Forklift	\$10,000
4 Debarking Equipment	\$2,000
5 Stationary Bandmill	\$50,000
6 Industrial Table Saw	\$20,000
7 Gang Saw	\$45,000
8 Small Kiln	\$50,000
9 Jointer	\$7,500
10 Planer	\$10,000
11 Shaper	\$10,000
12 Belt Sander	\$25,000
13 Pallet Jack	\$2,000
Total	\$431,500

Total Estimated Start Up Costs (\$CAD)

Manufacturing Equipment and facility	\$431,500
Wages and Benefits	\$228,760
Maintenance	\$2,000
Utilities	\$2,000
Administrative Costs	\$1,500
Advertising and Marketing	\$5,000
Total	\$670,760

B. TOTAL COST FOR ONE PACKAGED DOG HOUSE

ESTIMATION OF THE LUMBER REQUIRED FOR ONE DOG HOUSE

FRAME:	5ft - 1x1 =	0.000735 m ³	- x8	= 0.0588 m ³
	4ft - 1x1 =	0.000588 m ³	- x4	= 0.002352 m ³
SIDING:	5ft - 1x3 =	0.00202 m ³	- x104	= 0.21008 m ³
TOTAL:				= 0.2712 m³

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