

Business

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Competition heats up in dog-eat-dog supply stores

By David F. Stein
special writer

The Pet Emporium, Pet Supermarket, Pet Supplies "Plus."

They are to pet owners what the Sports Authority is to athletes or what F & M is to the health and beauty aid shopper.

Within the last several years, a mass merchandising concept for pet foods and pet supplies has taken hold. The new large stores, at 5,000-7,000 square feet, are taking aim at the pet sales of grocery stores and smaller neighborhood pet shops.

These stores don't sell pets, but their supermarket-like aisles are loaded with just about anything you might need to feed, restrain, house, train, transport, entertain or clothe your pet.

The stores feature premium pet food lines, competitive pricing and special events like having Fido pose with Santa as a benefit for pet shelters or anti-cruelty groups. Many welcome pets in the stores, and bulletin boards are festooned with photos of owners' pride and joy.

Perhaps the most prominent newcomer is Pet Supplies "Plus," developed by Farmington resident Jack Berry, which began with a 7,000-square-foot store and corporate headquarters in Redford in 1988.

Within three years, Pet Supplies "Plus" has expanded to five corporate and eight franchise locations in the Detroit area. Other area stores are in Farmington Hills and Union Lake. Pet Supplies "Plus" will have 30 stores in Michigan by the end of this year, and Berry is prepar-



Redford's Heather Gray rings up a customer at the Redford Township Pet Supplies "Plus."

Photo by DAVID STEIN

ing for national franchising.

"The pet business, up to that point, was basically a hobbyist business with pets. People running pet stores were hobbyists, not business people," said Berry, part-owner and chief operating officer.

"Basically, all I've done is I've taken the pet category and moved it into the '90s," added Berry, who has more than 40 years of experience in the grocery business.

THE PET FOODS and supply market is nothing to bark at. More than 50 million dogs and more than 50 million cats are kept as pets in the United States.

Overall, Americans spent more than \$2 billion on pet supplies and food in 1990. Gross sales and service per pet store nationally has increased 40 percent in just three years, from an average of \$169,000 in 1987 to

\$238,000 in 1990. Companies spent \$128 million advertising pet products on network television in 1988, the last year for which figures are available.

All three stores carry extensive lines of premium pet foods, including Iams, Science Diet, Nutro, Purina Pro Plan and Nature's Recipe brands. The typical Pet Supplies "Plus" location may have more than 100 different kinds of dog food, counting the familiar grocery store lines they also carry. Sales for pet foods account for as much as half of total sales at these larger stores.

"The health consciousness of everyone has increased in the last five or 10 years and that health consciousness is carrying over to pet products," said Chuck Haffey, owner of Pet Supermarket stores.

Haffey opened a 6,000-square-foot Livonia store in

1989 and has added outlets in Farmington Hills and Pontiac.

Tom Talbot, who opened the 4,800-square-foot Pet Emporium in Livonia in March, said grocery stores are his main competition.

"The grocery stores are the main competition of every store like us because they own 85 percent of the pet food market," said Talbot, a retired Southfield policeman.

THE NEW STORES, according to Haffey, reflect the search for good business opportunities by those finding less upward mobility on today's downsized corporate ladders.

"A long time ago, all the auto parts stores were little, tiny places; Murry's Discount Auto turned it into a supermarket for auto parts," Haffey said.

"People want the service. They are willing to pay for it, but they want someone who is clean and presentable and professional about it."

Perhaps the move to large pet stores was begun locally by Specialty Pet Supplies of Plymouth with a 5,000-square-foot store that opened in 1979.

"Everybody copied us; 10 to 12 years ago there were no stores with strictly supplies, said Tim Bennett, who opened a second store in Farmington Hills in 1989.

Bennet does not believe her stores are competing directly with the larger newcomers.

"We specialize in service," Bennett said. "We have a wide variety of everyday pet needs plus specialization in unusual, hard-to-find items that need backup with information."

These items include show dog equipment and a full line of supplies and training aids for hunting dogs.

"What we are successful at is service; it never gets stale," Bennett said.

Bennett echoes managers and owners at smaller, traditional shops that sell pets as well as food and supplies. They contend that the combination of special attention to service and knowledge about pets will retain the important food and supply part of their business. But they also admit that the pet supply mass merchandisers are formidable competitors.

"It hurts business a little bit, but I don't think the warehouse store can offer the individual service," said Steve Schultz, manager of Twentieth Century Pets in Westland.

"They have more clerks, but not a vast knowledge of products and the care and upkeep of animals. I think once (small stores) get a sound clientele base, people are willing to pay the few extra cents to get the extra knowledge they need."

Duty drawback: pennies from government heaven?

By Brian Lyasgh
staff writer

Harvey O. Larson is used to explaining what he does for a living. It's good for business.

Larson is president of the Farmington Hills-based Duty Drawback Service, Inc. The firm helps clients claim little-known rebates called duty drawback from the U.S. Customs Service. The rebates are available to firms who pay tariffs on components goods, then export either the components or products that contain them. Up to 99 percent of the original import duty can be refunded.

Larson estimates "hundreds and hundreds" of eligible Detroit-area companies are unaware of duty drawback.

"It's been around since 1789 and people still don't know much about it," said Larson, whose father founded Duty Drawback Service in 1956. Duty drawback was authorized by an 18th century U.S. tariff act.

According to Larson, the U.S. government annually collects more than \$16 billion in customs duty, \$2.4 billion of which is eligible to be returned to companies as duty drawback. But only \$400 million of that is claimed.

"There is really millions of dollars

going uncollected," Larson said. That's because companies don't know about the arrangement.

The customs service makes efforts to inform the business community, and Larson does his part because it's good for business, he said.

Here are some examples of companies that can qualify for drawback:

• Company A imports microchips for use in widgets that it assembles and exports.

• Company B is eligible if it buys microchips that Company C imports, then uses the microchips in widgets that Company B exports.

• Company D imports microchips, stores them and includes them, along with domestically produced microchips, in widgets it exports.

DUTY DRAWBACK may be the closest thing to pennies from heaven that the government provides. The purpose of drawback is to help American firms compete in foreign markets, Larson said.

Not surprisingly, the customs service wants extensive documentation and paperwork in order.

"There is a myriad of forms, rules and procedures that have to be followed," he said. Larson's company usually works for a percentage of the drawback.

The U.S.-Canada Free Trade Agreement will eliminate or limit some kinds of drawback in 1994, but Larson said he didn't expect the agreement to affect his business and Larson does his part because it's good for business, he said.

The company has about 200 clients, some large, some small. The larger are among the newest and largest in Ford Motor Co. The truck components manufacturer Kelsey-Hayes is another. Some larger companies have their own duty drawback departments. Larson's father worked in General Motors duty drawback department before launching his own company.

Harvey O. Larson joined his father's company in 1968. They later sold the firm, and in 1990 it was purchased by John V. Carr and Son Inc., a customhouse brokerage and freight forwarding firm. Manufacturer's National Bank owns Carr and Son.

Duty Drawback Service moved to larger quarters in Farmington Hills this summer, and increased staffing by 30 percent.

"We have to hire people who know nothing about drawback and teach them everything," said Larson, adding that the refund arrangement is not even covered in some business textbooks.

Overall car sales, including the Lincoln Town Car are down, Carroll said.

Ford expects a turnaround by spring, Carroll said.

"Our annual production rate (for the Lincoln Town Car) has been increasing," Carroll said.

The AODE line incorporates new technology with robotic and gauging systems.

Lasers, which can reach 5,000 watts, are used to weld steel parts together, resulting in increased strengthening, accuracy and quality, said Dennis McGregor, a welder, during a plant tour.

ALL TRANSMISSIONS are tested by a computer-controlled system that cycles each unit through its full range of operating conditions and loads.

Car sales are down, Calza said. "Our minds are ready for a team approach," Calza said. "We work by classification."

Actual production of the AODE depends on projected sales of the

1992 Lincoln Town Car, said Bill Carroll, manager of the Ford Motor North American news bureau. No jobs will be added to build the transmission.

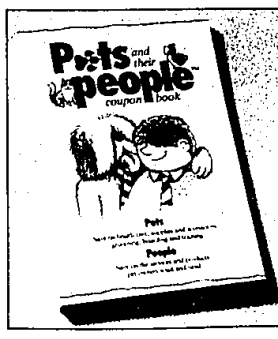
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Booked for discounts

Couponing isn't just for people anymore. Entertainment Publications, the Troy-based business that specializes in discount coupon books, has added owners of furry and feathered friends as its target audience. Its "Pets and their People" contains more than 300 coupons on pet products, grooming, boarding and training, plus there's a people section. When purchased through non-profit organizations such as the Animal Welfare Society, the \$15 book raises funds to the selling organization. For information, call 637-8444.

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Customers with an existing Home Equity Loan from Huntington Banks can change to the new rate by paying a \$75 transfer fee.

Ford unveils new line at Livonia transmission plant

By Susan Buck
staff writer

Ford Motor Co. has invested nearly \$400 million in its Livonia Transmission plant for production of a new electronic automatic overdrive transmission (AODE).

The plant, located at Plymouth Road and Levan, will be the only Ford plant to produce the transmission.

The AODE is a four-speed electronically controlled automatic transmission that Ford expects will improve and strengthen the powertrain lineup. The first production units will be installed in the 1992 Lincoln Town Car built at the Wixom Assembly plant.

Ford expects to add the AODE to the Ford Crown Victoria and the Mercury Grand Marquis in the spring.

"Launching this highly advanced transmission required installing 91 new machines and required more than 20,000 hours of employee training," said Gene Wise, plant manager.

"Successfully completing this effort

reflects the cooperation, hard work and dedication of our salaried and hourly employees, the leadership of UAW Local 182 and Ford management who comprise the Livonia team."

Ford officials are lauding what they call an "employee involvement" process which created "cross functional teams" of hourly employees, supervisors, process engineers and quality control representatives for each AODE component.

"The whole program is built on the team approach," said Tim Wisniewski, a plant engineer.

JOHN CALZA, vice president of UAW Local 182, in Livonia views the AODE transmission as a "new product, but nothing unique." The AODE represents one step further in automation, further impacting on future jobs, he said.

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