

Memorandum

DATE: November 27, 2017
TO: Kimberly Brown Pokorny, Exec. Director of the Wisconsin Veterinary Medical Association (WMVA)
FROM: Emmanuel Okoro, Josie Willman
RE: Market Analysis for Paws and Claws Veterinary Clinic in Milwaukee County

Overview

The information provided in this document includes an overview of our analysis process, a discussion of potential veterinarian clinic locations, and our final recommendation. Our analysis can serve as a resource for WMVA's desire to implement Paws and Claws Veterinary Clinic (hereinafter referred to as Paws and Claws).

Process

Our analysis was conducted using ESRI's 2016 Business Analyst Program. Milwaukee County was set as our study area to create a boundary for our analysis. Within this boundary, we identified all current veterinarian clinics and animal hospitals (Paws and Claws' competitors) that fell under the code "Veterinarians" and "Animal Hospitals" in the North American Industry Classification System (NAICS). An output of 40 existing veterinarian clinics were found after running a query to identify all "Veterinarians" and "Animal Hospitals".

We assumed pet owners in Milwaukee would not drive more than five minutes to visit a veterinarian. Each of the 40 identified competitors were analyzed by creating a five-minute drive time trade area¹. Based on the results, there were several gaps in the County where Paws and Claws would have potential for success. We found four vacant lots through Google searches in these gap areas. Each location was a vacant building and consisted of the following locations:

- 2225 N Humboldt Blvd
- 8424 W Silver Spring Dr
- 2800 W Lincoln Ave
- 6207 W National Ave (West Allis)

Each potential Paws and Claws location was also analyzed by creating five-minute drive time trade areas. Using Business Analyst, we generated reports to identify each of the potential sites' population, average household income, total number of households, and the average amount spent on pets per household (See Appendices A-D for detailed reports). These figures helped calculate the estimated total income and the estimated total expenditures on pets in each trade area. The below (Table 1) shows a few of the previously mentioned calculated numbers. (More detailed figures can be found in Appendix F, Figures 1-3).

Table 1: Estimated Annual Total Income and Expenditures of Each Potential Vet Site

Estimated Annual Total Income and Expenditures of Each Potential Paws and Claws Location Trade Area (5 min)						
Potential Vet Locations	Avg HH Income	Population	Total HH	Estimated Total Income	Est. Total Expenditure on Pets	Est. Total Expenditure on Vet Care
Humboldt	\$ 38,679	40,727	16,119	\$ 623,466,801	\$ 3,967,853	\$999,898.97
Lincoln	\$ 44,263	75,062	23,455	\$ 1,038,188,665	\$ 6,500,553	\$1,638,139.42
Silver Spring	\$ 47,056	62,855	22,110	\$ 1,040,408,160	\$ 6,856,311	\$1,727,790.37
West Allis	\$ 51,597	39,859	17,573	\$ 906,714,081	\$ 5,983,958	\$1,507,957.41
Total				\$3,608,777,707	\$ 23,308,675	\$5,873,786.16

*Estimated Total Expenditure on Vet Care was calculated by multiplying the Estimated Total Expenditure on Pets by 25.2%. This percentage is from the U.S. Bureau of Labor and Statistics' report on pet expenditures/categories in 2016. (<https://www.bls.gov>).

The Silver Spring and Lincoln Ave locations have the highest population, estimated total income, and estimated total expenditure on vet care. Whereas the West Allis location, while slightly lower in each of these categories, is still a viable option as well. We will continue to analyze the Humboldt location, but realize the spending power in this trade area may not be as feasible as the other three options for Paws and Claws.

Next, we estimated the capture percentage and expected sales volume for each of our four potential vet sites. In order to calculate these figures, we first needed to determine the overlap of competitor trade areas with our four sites using

¹ Trade area is the geographic area from which a community generates the majority of its customers (University of Wisconsin-Extension, <https://fyi.uwex.edu/downtown-market-analysis/understanding-the-market/trade-area-analysis/>)

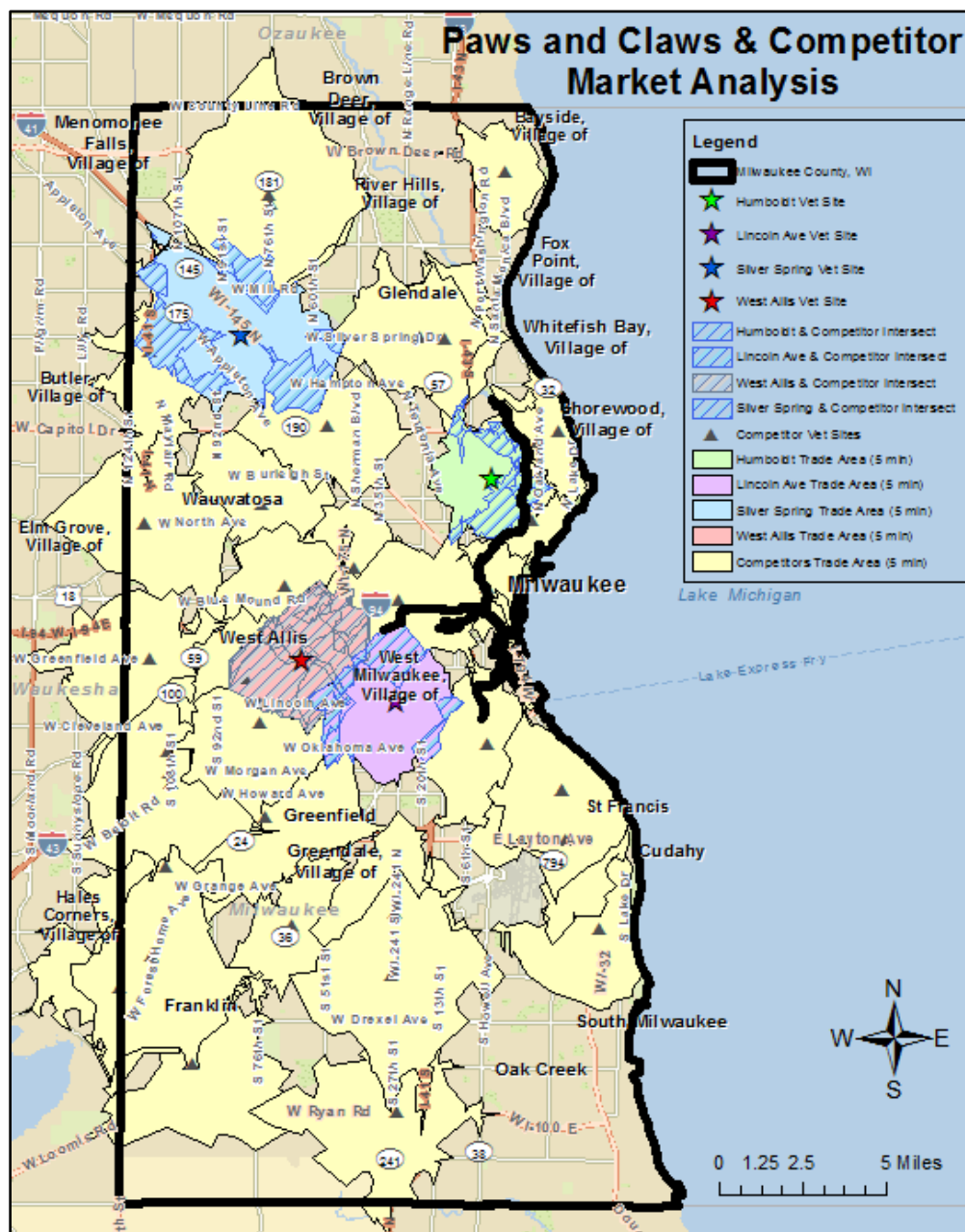
Business Analyst's Intersect tool. The results allowed us to calculate the percentage of sales Paws and Claws' competitors may take from its estimated sales potential at each of the four possible vet sites. Additionally, we assumed 5% of pet owners may purchase pet medicine online and not from their veterinarian. The competitors' sales and online sales were subtracted from the estimated expenditure on vet care to determine the final estimated sales potential for each of the four locations. The below (Table 2) details the previously mentioned calculated numbers.

Table 2: Expected Sales Volume for Each Potential Vet Clinic Location

Expected Sales Volume for Each Potential Vet Clinic Location				
Potential Vet Locations	Est. Expenditure on Vet Care	Competitor Sales	Online Sales (Pet Medicine)	Sales Potential
2225 N Humboldt Blvd	\$999,898.97	\$676,079.64	\$49,994.95	\$273,824.38
2800 W Lincoln Ave	\$1,638,139.42	\$397,334.50	\$81,906.97	\$1,158,897.94
8424 W Silver Spring Dr	\$1,727,790.37	\$736,196.99	\$86,389.52	\$905,203.87
6207 W National Ave (West Allis)	\$1,507,957.41	\$614,729.32	\$75,397.87	\$817,830.21

The Lincoln Ave location has the highest sales potential (~1.16M) and the Humboldt location has the lowest sales potential (~274K). The map below (Figure 3) shows the overall market analysis landscape for Paws and Claws, including all 40 competitors' trade areas, the four potential site trade areas, and the overlap between each.

Figure 3: Paws and Claws & Competitor Market Analysis Map



The last step included an analysis of the maximum-supported square footage for each of our four potential sites. Ten random competitor sites were selected as points of comparison. Competitor vet clinics in Milwaukee County average about \$486.95 in sales per square foot (See Appendix G, Sales_perSqFt tab for full calculations). The below (Table 4) details the previously mentioned calculated numbers.

Table 4: Maximum-Supported Square Foot for Each Potential Vet Clinic Location

Maximum-Supported Sq. Ft. for Each Potential Vet Clinic Location				
Potential Vet Locations	Sales Potential	Avg. Sales/SqFt	Target Clinic Size (in ft)	Available Sq Ft
2225 N Humboldt Blvd	\$273,824.38	\$486.95	562	2,244
2800 W Lincoln Ave	\$1,158,897.94	\$486.95	2,380	2,240
8424 W Silver Spring Dr	\$905,203.87	\$486.95	1,859	2,074
6207 W National Ave (West Allis)	\$817,830.21	\$486.95	1,679	1,904

*Google Earth was used to measure the roofs and calculate the square footage for the four potential sites and the ten random competitors.

The potential sites' square footage (Available Sq Ft above) should be comparable to the target clinic size since our measurements were rough estimates. This will ensure that Paws and Claws can operate viably in each of the four specific trade areas. The Lincoln Ave and Silver Spring locations have available square footage that aligns to the target clinic size in each of their trade areas.

Analysis of Potential Vet Clinic Locations

1. 2225 N Humboldt Boulevard

The trade area for the Humboldt Blvd. location has a smaller population compared to the Lincoln Ave and Silver Spring locations. This trade area also has the lowest average household income at \$38,679. Additionally, the estimated expenditures on vet care is the lowest of the four possible locations at \$999,898.97, which is about \$508,000 less than the trade area with the next lowest estimated expenditures (refer to Table 5). Based on the estimated sales potential, our target clinic size in this trade area would be about 562 square feet. However, the size of the potential location is 1,682 square feet larger than needed to capture our share of the market in this area (refer to Table 5).

There is also a lack of parking in the immediate area except for a few on-street spots. All of the surface lots are exclusively reserved for other businesses. However, there are a few appealing characteristics for this site including access to amenities, bus stops, and green space. There is a new Pick'n'Save across the street, a BP station on the corner, a variety of housing units, and several restaurants nearby making it a more dense and walkable area. Lastly, there are a number of close parks and greenspaces which could be more appealing to pet owners. Nevertheless, this location is not the best option for a new vet clinic based on the economic data.

2. 2800 W Lincoln Avenue

The Lincoln Ave trade area almost doubles the populations of the Humboldt Blvd and National Ave trade areas and still has about 13,000 more people than the Silver Spring trade area. Even though this trade area has the second lowest average household income at \$44,263, it has the second highest sales potential at an estimated \$1,638,139.42 (refer to Table 5). Based on the estimated sales potential, our target clinic size would be 2,380 square feet. This is nearly the same size as the available space at the 2800 Lincoln Avenue location (refer to Table 5). The building is located on a corner with good visibility and is in better shape than the Humboldt location. However, it is surrounded by residential properties making it rather isolated from other businesses. There also is no surface lot parking and pet owners would need to find street parking.

3. 8424 W Silver Spring Drive

The Silver Spring trade area has many merits that may suggest it the best fit for the new clinic. This trade area has the highest expenditure on vet care at \$1,727,790.37 and total income at \$1,040,408,160 (refer to Table 5). It has the second highest household income at \$47,056 and population size of 62,855 (refer to Table 2). Additionally, this site has the second highest sales potential of \$905,203.87 despite the highest sales captured by competitors (refer to Table 5). The site's building size at 1,904 square feet is comparable to the ideal size in its trade area at 1,859 square feet and most likely would be viable (refer to Table 5). There is also a surface lot for pet owners to park their cars during their visits.

4. 6207 W National Avenue (West Allis)

The West Allis trade area has the smallest population at 39,859 people compared to all other potential sites. However, it does have the highest average household income of \$51,597 (refer to Table 2). Despite its high average household income, the estimated expenditure on vet care and sales potential is lower than the Lincoln Ave and Silver Spring locations (see Table 5). The site's building size at 2,160 square feet is greater than the target size in its trade area at 1,679 square feet (refer to Table 5). The building size is too large to operate profitably. This location's trade area is completely overlapped by competitor trade areas. While there still is a positive sales potential, it may be hard to establish new clientele in an area that is already serviced by many other vet clinics. There appears to be a small surface lot, but many pet owners may need to find street parking.

Table 5: Final Economic Information for Each Potential Vet Clinic

Final Economic Information for Each Potential Vet Clinic Location									
Potential Vet Locations	Est. Expenditure on Pets	Est. Expenditure on Vet Care	Total Income of Trade Area	Competitor Sales	Online Sales (Pet Medicine)	Sales Potential	Avg. Sales/SqFt	Target Clinic Size (in ft)	Available Sq Ft
2225 N Humboldt Blvd	\$3,967,853.04	\$999,898.97	\$623,466,801	\$676,079.64	\$49,994.95	\$273,824.38	\$486.95	562	2,244
2800 W Lincoln Ave	\$6,500,553.25	\$1,638,139.42	\$1,038,188,665	\$397,334.50	\$81,906.97	\$1,158,897.94	\$486.95	2,380	2,240
8424 W Silver Spring Dr	\$6,856,311.00	\$1,727,790.37	\$1,040,408,160	\$736,196.99	\$86,389.52	\$905,203.87	\$486.95	1,859	1,904
6207 W National Ave (West Allis)	\$5,983,957.96	\$1,507,957.41	\$906,714,081	\$614,729.32	\$75,397.87	\$817,830.21	\$486.95	1,679	2,160

¹ ~25.2% of total pet expenditures is on vet services (Column C)

² Column B & D calculations referenced from separate spreadsheets (See Appendix F, Figures 2 & 3)

Final Recommendation

We recommend Paws and Claws be located at 8424 W Silver Spring Drive. Despite this location having the second highest sales potential, it is the most competitive in other aspects. Its trade area has the highest estimated expenditure on vet care and highest total income. The building is the ideal size to operate successfully and the location has a surface parking lot. Additionally, there is a gap in veterinarian services within this area of Milwaukee County that Paws and Claws could fill.

Please refer to Appendix E for all descriptions and limitations of assumptions made throughout the memo, and Appendix H for the Market Analysis Methodologies we used to calculate potential sales and maximum-supported square footage.

Appendices A-D

Please find Appendices A-D as attached PDFs in the Dropbox submission. Appendices A-D include:

- Appendix A_Humboldt Trade Area Demographic and Expenditure Report
- Appendix B_LincolnAve Trade Area Demographic Expenditure Report
- Appendix C_Silver Spring Trade Area Demographic and Expenditure Report
- Appendix D_West Allis Trade Area Demographic and Expenditure Report

Appendix E

Market Analysis Assumptions

Drive Time

Description

The drive time for pet owners is assumed to be five minutes. Milwaukee is a city and thus services are generally denser than a suburban area. This may lead to an increase in competing vet clinics or hospitals for pet owners to choose among. In the suburbs, a drive time of 10-20 minutes to reach a vet may be more standard and accepted compared to a city where the drive time may be less and around 5 minutes. Additionally, when pets need immediate veterinary care, then it is more likely a shorter drive time will be important.

Potential Limitations

Drive times for pet owners could be greater than five minutes in a city. If a pet owner trusts the veterinarians at a particular clinic, then they may be more likely to drive a longer distance to receive care from those veterinarians.

Online Sales

Description

Online sales were assumed to be 5% of the total estimated expenditure on veterinary care. The assumption is that only medicine would be bought online versus at clinics or hospitals. All other care is assumed to be a service for pets that would not be able to be bought or given through an online channel. Since medicine is the only product that may be lost to online channels, the assumed percent of online sales in 5% compared to other retailers who may have 20% lost to online channels.

Potential Limitations

Other products like specialty food may be requested to improve or maintain the health of a pet. These products may be more expensive at a veterinary clinic. Pet owners may also buy these types of products via online channels if they are more affordable and available. These considerations may increase the total capture of online sales from the estimated expenditure of veterinary care and ultimately decreasing the potential sales of each possible new vet clinic.

Market Segment

Description

For our analysis, we assumed the only market segment for vet care are local residents. Pet owners will generally find a local veterinarian due to convenience, immediate accessibility, and for building trust. With this assumption, we only used the total households and population for each potential vet's location for market analysis calculations.

Potential Limitations

People visiting the Milwaukee area with their pets, whether visiting friends or for a vacation, may also face a situation where an immediate visit to a veterinarian may arise. We assumed the percentage of veterinarian visits due to these types of circumstances is small and would have minimal impact on our analysis.

Study Area

Description

We assumed Milwaukee County as the only study area for our potential store locations. Based on the location of our potential stores, there does not seem like there would be much overlap from a veterinary clinic that falls in a different

county bordering Milwaukee County. There are many other competitors within the county so we decided to focus our analysis only on veterinary clinics within the Milwaukee County limits.

Potential Limitations

There may be some overlap with competitor vet clinics outside the county near the Silver Springs location. We assumed that the overlap would be minimal and would not affect the potential sales of the Silver Springs location significantly enough to include in our analysis.

Appendix F

Figure 1: Pet Expenditure Breakdown

Percentage of each category related to pet expenditure. It shows how our percentage of vet care was determined for our analysis (25.2%).

Annual HH Pet Expenditures in the United States (2015)		
Categories	Annual HH Expenditure	% of Total
Food	\$ 230	43.56%
Supplies/OTC Medicine	\$ 116	21.97%
Vet Care	\$ 133	25.19%
Pet Services: Grooming/Boarding	\$ 49	9.28%
Total	\$ 528	

Source: <https://www.bls.gov>

*Source definitions of categories found on website.

Figure 2: Estimated Annual Total Income of Each Potential Vet Location's Trade Area (5 minutes)

This figure includes for our four potential sites' trade area: the annual average household income, population, total number of households, and the annual estimated total income.

Estimated Annual Total Income of Each Potential Vet Location's Trade Area (5 min)				
Potential Vet Location	Avg HH Income	Population	Total HH	Estimated Total Income
Humboldt	\$ 38,679	40,727	16,119	\$ 623,466,801
Lincoln	\$ 44,263	75,062	23,455	\$ 1,038,188,665
Silver Spring	\$ 47,056	62,855	22,110	\$ 1,040,408,160
West Allis	\$ 51,597	39,859	17,573	\$ 906,714,081
Total				\$ 3,608,777,707

*Average HH Income, Population, and Total HH figures were gathered from Appendices A-D. Estimated Total Income was calculated by multiplying Average Household Income x Total HH.

Figure 3: Estimated Annual Pet Expenditure Total of Each Potential Vet Location's Trade Area (5 minutes)

This figure includes for our four potential sites' trade area: the total number of households, average amount spent on pets per household, and the annual estimated total expenditure on pets.

Estimated Annual Pet Expenditure Total of Each Potential Vet Location's Trade Area (5 min)			
Potential Vet Location	Total HH	Avg. Amount Spent on Pets	Est. Total Expenditure on Pets
Humboldt	16,119	\$ 246.16	\$ 3,967,853
Lincoln	23,455	\$ 277.15	\$ 6,500,553
Silver Spring	22,110	\$ 310.10	\$ 6,856,311
West Allis	17,573	\$ 340.52	\$ 5,983,958
Total			\$ 23,308,675

*Total HH and Average Amount Spent on Pets figures were gathered from Appendices A-D. Estimated Total Expenditure on Pets was calculated by multiplying Total HH x Average Amount Spent on Pets.

Appendix G

Please find Appendix G as an attached Excel worksheet in the Dropbox submission. This appendix details all calculations that were made for the following:

- Random Competitors: Details the 10 random competitors that were chosen for the Sales per Sq. Ft. calculations and their actual sales volume (RandCompetitors tab).
- Potential Vet Intersects for Competitor Sales: There are four separate tabs for each potential vet location. (Lincoln_Intersects, Humboldt_Intersects, SilverSpring_Intersects, and West Allis Intersects tabs.)
- Sales per Square Feet Calculations: 10 Random Vet competitors were chosen to compare the total square footage available at our four potential sites and the maximum-supported square footage for a vet clinic. Competitor vet clinics square footage was measured and calculated from Google Earth (Sales_perSqFt tab).
- Final Economic Information: Includes calculations and figure references from above bulleted tabs. This tab is used to determine the viability of each of our four potential locations and to recommend our final site for Paws and Claws (FinalEcon_Info tab).

Appendix H

Market Analysis Methodologies

This appendix details how the sales potential and maximum-supported square footage for each of the four potential vet sites for Paws and Claws was calculated with the help of ESRI's Business Analyst program.

Potential Sales

1. Create a study area for Milwaukee County.
2. Identify the overlap areas between competitor vet clinic trade areas and the four potential vet clinic trade areas.
3. Calculate the percentage of an overlap with the potential trade area to help determine how much sales the competitor may take from each potential new vet clinic's trade area.
4. Multiply the percentages calculated in Step 3 by the competitor's sales volume to determine the average trade area sales of competitors in a given potential vet clinic location. (When there are multiple competitor vet clinics that overlap other competitor trade areas and potential new trade areas, then the sales volume is divided by the number of competitors that are overlapping.)
5. Online sales capture is assumed to be 5% of estimated expenditure on vet care for each potential vet clinic's location.
6. Subtract the average trade area sales of competitors and total online sales capture from the estimated expenditure on vet care to determine the sales potential for each trade area.

Maximum-Supported Square Footage

1. Select ten random competitor vet clinics within Milwaukee County.

2. Calculate each random competitor's sales volume with initial sales information from Business Analyst.
3. Use Google Earth to measure the roofs of each random competitor and potential sites to estimate the square footage of each building.
4. Divide the sales volume by a clinic's square footage to calculate the sales per square foot of each site.
5. Divide the sales potential of each possible vet clinic's average sales per square foot to calculate the maximum-supported square footage.