

**BUSINESS PLAN FOR A PET SITTING AND DOG WALKING
COMPANY**

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Abstracto

O objetivo principal desta tese é criar um plano de negócios para uma empresa que oferece serviços para animais de estimação, especificamente, Pet Sitting, Dog Walking e outros serviços relacionados.

O processo de desenvolvimento da tese iniciou com a análise de teorias relacionadas tanto com animais de estimação como com a criação de um plano de negócios. Assim, o passo seguinte consistiu em aplicar algumas das teorias estudadas para examinar o contexto, tais como a análise PEST, a análise das seis forças de Porter e a análise da SWOT sistémica.

Seguidamente, a concorrência existente foi analisada em termos de vantagens e desvantagens assim como os potenciais clientes foram estudados através da aplicação de um pequeno questionário colocado em lojas de animais, veterinários e pequenos cafés.

Seguidamente definiu-se o mercado-alvo e o posicionamento que deveria ser utilizado, considerando a fase do ciclo de vida em que o mercado se encontra, assim como os fatores críticos de sucesso para o mesmo. Com base no trabalho desenvolvido, a estratégia da empresa foi descrita. Outros aspetos como nome, visão, missão, logótipo e slogan foram escolhidos.

Posteriormente o marketing-mix foi delineado, com base nos sete P's do marketing de serviços previamente estudados; produto, preço, distribuição, promoção, pessoas, processo e aspetos físicos.

O passo final foi executar uma análise financeira, avaliar a viabilidade da empresa, a sensibilidade dos resultados obtidos e retirar conclusões destas análises.

Palavras-chave: Plano de Negócios, Empreendedorismo, Pet Sitting, Dog Walking

Abstract

The main purpose of this thesis is to create a business plan for a company which provides services for pets, namely Pet Sitting, Dog Walking and other related services.

The process of development of the thesis began with the analysis of theories connected both to pet issues and to business plan creation. As a result, the following step was to apply some of the studied theories to examine the surrounding context, such as the PEST analysis, Porter's six forces analysis and the Systemic SWOT analysis.

Afterwards the already existing competition was analyzed in terms of advantages and disadvantages while the potential customers were studied through the application of a small questionnaire placed in pet shops, veterinarians and small coffee shops.

The following step was to define the target and positioning that should be used, taking into account the phase in the life cycle in which the market is at, as well as the key success factors for the market. Based the previous work the company strategy was characterized. Additionally aspects such as name, vision, mission, logo and slogan were chosen.

Subsequently the marketing-mix was delineated in terms of the previously studied service marketing seven P's; product, price, placement, promotion, people, process and physical evidence.

The final step was to perform a financial analysis, assess the viability of the company, the sensitivity of the results obtained and draw conclusions from those analyses.

Keywords: Business Plan, Entrepreneurship, Pet Sitting, Dog Walking

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1. Executive Summary

O objetivo desta tese de mestrado é a apresentação de um plano de negócio para a criação de uma empresa que oferece serviços para os animais de estimação, na própria habitação dos seus donos, nomeadamente Pet Sitting, Dog Walking ou outros serviços com características semelhantes.

Para realizar esta tarefa, foi necessário começar por analisar teorias já existentes sobre assuntos relacionados, como por exemplo empreendedorismo, inovação, estratégia, marketing e as tendências e benefícios associados com animais de estimação.

Após a realização desta análise, procedeu-se a um estudo do contexto envolvente a empresas do setor. Este estudo englobou não só fatores como a economia e fatores político-legais, mas também fatores tecnológicos e sociais.

Prosseguiu-se um estudo à envolvente específica de uma empresa nesta área. Neste ponto foram abrangidos assuntos como o número de animais na Europa e em Portugal, o abandono e a adoção dos mesmos.

De seguida foram examinadas as relações entre os vários intervenientes neste negócio, nomeadamente concorrentes, novos concorrentes potenciais, clientes, fornecedores, parceiros e outros serviços com a mesma finalidade. Os aspetos mais importantes nesta análise revelaram-se ser os clientes e outros serviços com finalidades semelhantes.

Posteriormente aplicou-se uma ferramenta denominada SWOT sistémica que assiste não só na identificação de oportunidades e ameaças à empresa, pontos fortes e fracos da empresa, mas também desafios, constrangimentos, perigos e situações de vigilância.

O passo seguinte tratou-se de uma análise dos concorrentes que já se encontram a prestar serviços através da identificação das suas respetivas vantagens e desvantagens.

Para melhor compreender os clientes que a empresa irá servir, procedeu-se à realização de um questionário colocado em lojas de animais, veterinários e cafés locais. Através dos resultados obtidos, chegou-se à conclusão que a percentagem de pessoas que já utilizou um dos serviços que a empresa irá prestar é bastante baixa, mas que o interesse demonstrado em usufruir dos serviços por aqueles que nunca os utilizaram é significativamente alto.

Com base em todas as informações obtidas, definiu-se o tipo de clientes a que a empresa se irá dirigir e o modo como a empresa pretende que estes a percecionem. Em seguida, os fatores que são essenciais para que a empresa tenha sucesso foram determinados, tendo-se concluído que estes são as referências positivas de clientes assim como a sua lealdade.

Tendo por base todo o estudo realizado até esse momento, foi então possível definir a estratégia da empresa, assim como outros elementos da mesma. Dois desses elementos foram o nome da empresa -“Care4Pet - Cuidados Para Animais” e o slogan associado de “We do 4 you!”.

Em termos dos serviços que a empresa irá prestar aos seus clientes, para além dos serviços básicos de Pet Sitting e Dog Walking, a empresa irá também personalizar o serviço de forma a ir de encontro às necessidades dos seus clientes, sejam essas necessidades ter mais do que um animal de estimação, estes precisarem de mais ou menos atenção, ou qualquer outra necessidade específica dos animais e dos seus donos. A empresa irá prestar também outros serviços adicionais, nomeadamente, levar os animais ao veterinário, levar os cães à tosquia e ao banho quando os donos não o podem fazer e trazer a comida dos animais a casa dos clientes.

Relativamente à área em que a empresa irá atuar, procedeu-se a um pequeno estudo que conclui que esta será Loures, contudo a empresa também poderá servir alguns clientes em áreas envolventes. Quanto ao modo como a empresa se irá publicitar, a melhor forma será boca à boca, através dos clientes já existentes para potenciais novos clientes. A empresa irá também utilizar o seu próprio website, outros websites, o facebook, panfletos e brochuras, cartões-de-visita e um cartão magnético no seu carro.

Quanto aos recursos humanos da empresa devem ser honestos e fidedignos, capazes de inspirar confiança da parte dos clientes assim como gostar de animais e preocuparem-se com os mesmos. Devem também ter conhecimentos e terem treino sobre como lidar com animais.

O passo final tratou-se de realizar uma análise financeira à empresa para determinar qual o seu valor. O VAL final obtido foi de 14.074,21€ e foi também determinado que um investidor na Care4Pet conseguiria receber o seu investimento de volta dentro de 3 anos. Visto tratarem-se de valores previstos, foi também efetuada uma análise em relação à sensibilidade destes valores. Assim, apesar de haver sempre riscos associados com qualquer empresa ou projeto, a recomendação final para um investidor seria a de investir.

2. Introduction

This thesis' goal is to create and present a business plan for a company which provides Pet Sitting and Dog Walking services, as well as other related services.

Pet Sitting is a service provided when the owner has to leave the pets at home alone, and ask a Pet Sitter to visit them at least once a day to take care of their needs, not just the physical and hygiene needs, but also the needs for affection. Dog Walking happens when the owner cannot take the dog out and hires a Dog Walker to do it.

The process for the development of this thesis started by an analysis of existent theories related with the benefits of pets, innovation and entrepreneurships, creating business plans and some useful tools.

Afterwards, the author proceeded to study the context in which the company will work in, with the help of the PEST analysis, a Market analysis and the application of the Porter's six forces analysis. Based on these analyses, the systemic SWOT analysis was also applied.

Following this, the competitors for the company were analyzed. This included both an analysis of the substitute products, or other solutions used to fulfil this need, as well as an analysis of the characteristics, advantages and disadvantages of the other companies providing these services.

The next step was to study the company's future clients, which was done through the application of a questionnaire developed by the author.

Having studied the context of the company, it was then possible to segment the market and choose the target and the positioning of the company. The key success factors were also determined and from there it was possible to define the strategy for the company and characterize it.

The next step was to describe the company's marketing-mix for the seven P's, namely product, price, distribution, promotion, people, process and physical evidence.

Finally, a financial analysis was performed to identify if the company is economically viable, and the results were studied through a sensitivity analysis.

3. Literature Review

3.1. Innovation and Entrepreneurship

Innovation and Entrepreneurship are two concepts that are extremely connected to each other. In fact, Drucker says that *“Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service.”* (1997, p. 17)

Unlike what many may think, entrepreneurship is more than just creating a new business, or a new small business. After all, a new small business can be exactly the same as any other new small business, but entrepreneurship can appear in any area of one’s life and create something new, change something (Drucker, 1997). That is the core of Drucker’s definition of both entrepreneurship and the entrepreneur: *“the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”* (1997, p. 25)

An example considered by Drucker (1997) of an innovation which led to a profound change is management, or rather new applications of management. An example given by the author is the McDonald’s case, where the company did not invent a new product, as any restaurant previously produced much of the same in America, but created a new market and customer by applying management concepts and management techniques.

3.2. Strategy

There are several ways to define the concept of Strategy, even when that concept is applied to the business world. According to Drucker (1974) it can be separated into three different questions *“What is our business? What will it be? What should it be?”*

This definition differs from Ansoff’s (1987, p. 78), which says that the business strategy is a set of *“rules for developing the firm’s relationship with its external environment”*.

Chandler (1962, p. 13) also gives us a different definition for the concept, saying that *“Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”*

Another definition to be considered among the many possibilities, can be Andrews' (1980, p. 13) which says that "*corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers and communities.*"

Despite all these definitions which say that it is rules or goals and how to reach them or even patterns of decisions, there are some things that strategy, or strategic planning, is not. Drucker (1974, p. 123) says that "*It is not a box of tricks, a bundle of techniques*", however they may be used. Models can be helpful but they are simply useful tools which have their uses and may or may not be used in a specific case.

As such, some of these tools can be considered. For example, there is the PEST analysis that can be used to organize information and categorizes the environmental influences by source (Grant, 2008). The information can be included into several factors, which are political, economical, social and technological. Examples of some of these factors are changes in government policy, characteristics of the population, changes in life-styles, and changes in technology, among many others. (Hollensen, 2008)

Another tool that also studies the external environment of the company is the Porter's Five-Forces model analysis, which considers the "*state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market*" (Thompson, et al., 2007, p. 54). These areas are the threat of new entrants in the industry, the threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers and the rivalry within the rival sellers in the industry; however it is important to keep in mind that each industry has different forces take different levels of importance due to their underlying structure. (Porter, 1991)

The Porter Analysis is useful, as it allows for an understanding of the competition and a prediction of the alteration in profitability based on the changes in the industry structure yet it has been subject to several criticisms. According to Grant (2008) this analysis is static, as the structure of the industry may reshape itself at a fast rate which the Porter Analysis does not

consider. There are also studies which show that industry factors only account for less than 20% in profitability differences for a company.

Another criticism is that there is no consideration of other relationships between products other than substitutes; however there are other relationships to consider, such as complementary products.

This type of relationship, unlike that of substitute products, increases the value for the industry but their power must also be managed, as such it is possible to add a sixth force to Porter's framework, complementary products (Grant, 2008). These complementary products are not necessarily goods, for example, personnel with specialized skills are necessary to create certain products, such as mining engineers are needed for coal mining. (Porter, 1998)

After an analysis of the external environment, a tool that can be used as a basis for a strategy that "*capitalizes on the company's resources, aims squarely at capturing the company's best opportunities, and defends against the threats to its well-being*" (Thompson, et al., 2007, p. 97) is the SWOT analysis. This analysis identifies which are the company's strengths and weaknesses and what are the external threats and opportunities for the company.

There is however a limitation to this theory, as it fails to consider that a factor may be both a strength and a weakness or both an opportunity and a threat. The classification into these four categories is not as important as a careful identification of both internal and external factors and a subsequent analysis of their implications (Grant, 2008).

Other limitations for this model are the lack of a connection between the internal and external analysis which may in turn lead the strength of certain internal aspects when affected by external aspects to be overlooked (Todo Bom, 1999).

As such, "*it is possible to build up combinations between the four existing variables, allowing more powerful analyses and possibly action programmes issued from those analyses.*" (Todo Bom, 1999, p. 50). The possible alignments can be seen in Graph 1, and they are challenges, constraints, alertness and dangers.



Graph 1 - Systemic Approach through alignments in the SWOT Analysis

(Source: Todo Bom, 1999)

Challenges are strengths that can be used to take advantages of the opportunities; constraints are weaknesses that block the company from using opportunities; alertness are strengths that allow the company to block potential threats; dangers are weaknesses that increase threats and may risk the company's existence (Todo Bom, 1999).

From this change in the initial SWOT analysis, there can be suggestions as to strategic movements for a company to make. In the case of conjugation between strengths and threats the suggestion is to Limit Risks, when strengths and opportunities combine the proposal is to Lead. When it is the weaknesses joining with threats the suggestion is to Defend and finally when weaknesses are conjugates with opportunities, the suggestion is to Move. (Carvalho, 2008)

Another analysis that is often used is the Product Life Cycle approach, which classifies the evolution of products or markets through four phases, introduction, growth, maturity, and decline. During the initial phase, there are few competitors in the market and there is high importance to advertising and increasing awareness of the product. During the second one sales increase attracting new entrants and giving more importance to advertising the brands. The third phase is characterized by stagnation in the sales and the fourth phase is when these begin to drop. (Ellis & Wong, 2007)

3.3. Services Marketing

Marketing, like strategy, is a concept that can be defined in many ways. One such definition is one which says that *“Marketing consists of individual and organizational activities that*

facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas.” (Dibb, et al., 2001, p. 5)

Another definition is Kotler and Keller’s (2012, p. 27) which sees “*marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering and communicating superior customer value.*”

Drucker on the other hand claims that “*The aim of marketing is to make selling superfluous*” (1974, p. 64).

Studying the marketing for services is important for two reasons. The first reason is the increasing relevance of services in the economies of developed countries and the second reason is that service markets have specific characteristics which make the conception and implementation of their marketing strategy substantially different when compared to one for tangible products. (Lindon, et al., 2009)

While services themselves can be very different from each other, it is possible to generalize a few characteristics that they share, even if these differences may not be applied equally to all services. According to Lovelock & Wirtz (2004) some of the most important basic differences between goods and services are:

- Customers do not obtain ownership of services; there is no tangible element that the client gains possession of after the purchase;
- Service products are ephemeral and cannot be inventoried, as it is an action which is transitory and perishable a service cannot be stocked and when there is less demand any unused capacity is wasted while if there is more demand and there is no capacity customers can be sent away or asked to wait;
- Intangible elements dominate value creation, even if there are tangible elements associated with the service, such as a restaurant meal, the service is more intangible than tangible as it is a performance that is consumed, but not possessed;
- Customers may be involved in the production process, for example in self-service, which may lead them to be a part of their own satisfaction with the service;

- Other people may form part of the product, when the customer enjoys the service he or she can also be dealing with other customers or people and their behaviour affects the customer's feeling and satisfaction;
- There is greater variability in operational inputs and outputs, as there are people involved in providing a service (both employees, the customer and other customers) and services are often produced while they are consumed, there is a higher probability of mistakes happening and a higher difficulty of shielding the customer from those mistakes, making the final products harder to make consistent;
- Many services are difficult for customers to evaluate, the service can have characteristics which the client does not have the knowledge to evaluate, such as surgeries;
- The time factor assumes great importance, customers place a value on their time and often services are delivered when the customer is present, making the time variable more and more important in a service. Even when customers are not present for the service to be performed, they have expectations as to how long that service should take and they value speed in a good service;
- Distribution channels take different forms. Services do not always need to have a physical distribution channel, as they can use electronic means to distribute their services to a greater geographical area. Advances in technology, such as the Internet, allow information-based services to be delivered all over the world instantaneously.

While the activities of marketing can appear in several forms, the traditional way to portray them, as defined by McCarthy, is in the form of the marketing-mix, which he called the "4Ps" of marketing: product, price, place and promotion. (Kotler & Keller, 2012)

Despite this, the specific nature of services has led people to consider not the "4Ps" but the extended marketing-mix of "7Ps". The "7Ps" include three other points in the marketing-mix which are people, process and physical evidence. (Dibb, et al., 2001)

When it comes to the people aspect, it is especially relevant in the case of most services because there is a direct interaction between the personnel and the customer. There is also interaction between the organization's staff and in some cases between customers. As such, the selection, training and motivation of employees are key aspects to consider (Dibb, et al., 2001).

Concerning the process aspect, they are operation issues that affect the consumer perception and satisfaction. In the case of services, due to their perishability and the direct involvement of the customer in the service production, there is greater emphasis in the process of the transaction. (Dibb, et al., 2001)

Regarding the physical evidence aspect, it means the environment in which the service is offered and consumed, which affect the way the consumer understands the service as well as his or hers satisfaction. In other words, *“Layout, décor, up-keep; noise and aroma; general ease of access and use – all become part of the service and product”* (Dibb, et al., 2001, p. 637)

3.4. Pet Trends

It is also relevant to analyse the world trends in the pet business. First of all, pet ownership around the world continues to rise and people think of the companion animals more and more as valued members of the family. So it makes sense that pet spending in the United States was \$53,33 billion for 2012 (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013) which was an increase when compared to the value of \$50,96 presented the previous year (<http://petshops.about.com/od/The-Paw-Sweet-Journal/qt/Pet-Business-Trends-For-2013.htm>, 2012).

This growth in the world pet market is attributed to the humanization of pets, as more cultures and people regard the animals as important family members (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013). According to social scientists and industry insiders this growing care for pets is due to: a declining birth rate as people choose to have less or no children, thus using the pets for companionship and love, leading pets to become the new children; the changes in certain negative attributes given to pets; and lastly the fact that more and more people are facing the current turbulent times by seeking solace in the love and affection pets provide (<http://petshops.about.com/od/PetStoreOperations/a/Pets-Of-The-World.htm>, 2013).

However, while the United States and the United Kingdom have been the leaders of the world pet market, the worldwide sales of products and services related to pets reached the value of \$81 billion in the year of 2010 (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013) and are expected to reach \$95,17 billion by the year 2017

according to a Global Industry Analysis report which was released in January of the year 2012 (<http://petshops.about.com/od/PetStoreOperations/a/Pets-Of-The-World.htm>, 2013).

Some of the other growing markets include China, where the market has grown 28% in the last five years which is attributed to new pet legislation and the ongoing economic development; India, while there is a slow embracing of commercial pet foods due to a preference for home-made food, that growth exists caused by changes in lifestyles and Euromonitor expects this market to grow at a 10 to 15% rate in the following years; and Russia, where Royal Canin Russian subsidiary profits increased 33% in 2010 (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013).

Others growing markets are Japan, Brazil (growing at 17% per year), Mexico, Latin America in general (which according to an article in the Economist has an increased pet spending of 44% from 2006 to 2011), Vietnam and, surprisingly Iran where, despite the cultural objections, having dogs as pets has become popular and a sign of status, leading owners to hide them, particularly the smallest breeds (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013).

In regards to India, it is interesting to see that among their pet-related products and services there are pet-grooming, pet behaviourists, yoga for dogs, pet magazines, dog-friendly restaurants (<http://petshops.about.com/od/PetStoreOperations/a/World-Pet-Market-Trends.htm>, 2013), veterinary care, grooming products and supplements (<http://petshops.about.com/od/PetStoreOperations/a/Pets-Of-The-World.htm>, 2013).

When it comes to the trends predicted for 2013, for the United States, there is a predicted expansion in Healthy Pet Foods, generally due to an increase of conscience and education regarding the pet's nutritional requirements and health; the Pet Business Marketing is expected to become more High-Tech, including the strong use of social media, video marketing, interactive newsletters and phone apps; the Pet Insurance Sector which should continue a steady growth, not just because of the increased care for pets but also due to the crisis and turbulent times leading people to wish to protect their wallets in case there is a need for expensive veterinary care; and also Pet Services are expected to expand, such as pet grooming or natural holistic products for pets (<http://petshops.about.com/od/The-Paw-Sweet-Journal/qt/Pet-Business-Trends-For-2013.htm>, 2012).

Some Pet Services which have shown an increase in popularity are dog training, spa services (for example massages), pet behavioural consulting, pet portrait photography, pet sitting, mobile pet grooming, pet-friendly travel (places allowing pets to stay with the owner when travelling), pet health insurance and self-serve dog-wash. Other services that are also becoming popular, but less are yoga for dogs and pet psychic communicators, which are not huge by themselves, but have potential (<http://petshops.about.com/od/PetStoreOperations/a/Hot-Industry-Trends.htm>, 2010).

3.5. Pet Benefits

There are also several benefits associated with having a pet. The European Pet Food Industry Federation (FEDIAF) considers this fact very important and addresses it in length in its website considering not just overall benefits, but also specifically health benefits and benefits for disabled people, children and the elderly. The mentioned benefits are the following.

In general, pets can be playmates or partners and they provide companionship, affection and protection. They play a role in every stage of human development, for example, in the case of adults they provide a reason to make contact with others such as when walking the dog. There are also studies that show that pets can help to cope with loss and help decrease stress, anxiety and blood pressure as well increase the chances of recovery in heart patients.

Pets can also serve as protectors or deterrents against intruders or even have other roles, such as sheep and cattle dogs, drug sniffer dogs, tracker dogs, mountain, sea and avalanche rescue animals and police dogs. It is interesting to know that these animals' handlers tend to think of them as pets that have simply been trained for specific purposes.

There examples all over history of relationships and affection between people and their pets from the ancient Egyptians likely use of cats to catch rodents, to kings and queens with their favoured pets and animals as symbols of qualities in medieval times. However, *“the relationship between humans and animals is far deeper and more rewarding than even pet owners themselves are aware.”*

First of all, there are health-benefits associated with having a pet, which are increasingly being recognized. For example, caring for a pet introduces added responsibilities, such as shopping or going out to exercise the dog, which leads to a more active life. In fact dog

owners have improved health due to regular exercise and the increased conversations and social interactions when walking the animal.

Pets can be used for therapeutic reasons in hospitals and nursing homes, as they give the patients something to look forward to and talk about after their visit. One example is non-communicative clinically depressed patients whose withdrawal can be gently alleviated by the introduction of a cat or a dog. In fact psychiatrists can prescribe the adoption of a pet to combat depression, inactivity, neurosis and stress.

Secondly, there are benefits for children, as scientific evidence shows that children which grow up with a pet can develop better social skills and have a greater respect for living things. Pets can teach children about life and having one encourages a sense of responsibility, caring and communication, while the relationship between the both instils confidence and friendship. They can even increase the attention span of children with learning difficulties.

Thirdly, there are benefits for disabled people. Most people are aware of the existence of guide dogs and their values, but animals are also being trained to help deaf people to understand and react to signs. There are also more and more assistance dogs which help the severely disabled. Assistance animals help people live a more normal life, but besides the real help and companionship, the best thing they provide is a large measure of independence.

A study also found that assistance dogs could save authorities money, not only for health services, but also because they allow unpaid family members acting as carers to seek employment, thus reducing state support costs.

Lastly, there are benefits to having pets for the elderly people, which are companionship and a link between the owner and the outside world. Pets give the elderly with limited access to human communication a sense of purpose and particularly to those living alone they are the answer to the loneliness and monotony.

4. PEST Analysis

In order for a business plan to be believable it is necessary to have analyzed the external environment that will surround the company. A useful tool for this task is the PEST analysis, which structures the study by dividing the external environment in four points within which the relevant factors can be analyzed. The factors studied are Political and Legal, Economical, Social and Technological.

4.1. Political and Legal Context

In the last few years, and connected with the crisis the country has been going through, there have been alterations in the laws which have strongly affected everyone. These changes include the reduction of pensions for the retired, which starts at 3,5% reduction for those who receive more than 1350€ and even reaches 10% on pensions above 3750€; and reduced salaries for the working class, such as the extraordinary surcharge on the IRS which will be of 3,5% in 2013, among other situations and in general have caused most people to try to reduce as much costs as possible.

When considering the legal context, it is important to consider both the laws which are relevant for our clients and the laws which the company must follow. As such, what follows are the more relevant laws related with owning an animal and transporting it.

Decree-Law no. 313/2003, 17th of December – This law creates the obligation for pet owners to register their dogs electronically (6th article) and defines the conditions for this registration as well as other obligations for the pet owners and veterinarians. It also creates the System of Identification of Canines and Felines (SICAFE - Sistema de Identificação de Caninos e Felinos) as a national database (1st article) where dogs have to be registered.

The electronic identification, in a normal situation, should be done when the animal is between 3 and 6 months and can only be done by a veterinarian (3rd article).

Ordinance no. 421/2004, 24th of April – After the electronic registration, the owner must license and register the animal, cat or dog, in the area of domicile within 30 days and present the health bulletin and the original or the duplicate of the record sheet provided by SICAFE, both filled out by the veterinarian (3rd article). The license must be renovated annually (4th article).

Should the dog disappear or die, the owner must communicate the occurrence, as if the animal is found he or she can face abandonment charges. This communication must happen within 5 days of it happening (Decree-Law no. 313/2003, 17th of December, 12th article)

Decree-Law no. 314/2003, 17th of December, article 7 – this law states that it is mandatory the use of a collar with an identification of the animal's owner as well as the use of a leash or muzzle for dogs, when circulating in public places.

In urban buildings, there can only be housed up to three adult dogs or four adult cats, but there is a maximum of four animals per dwelling (3rd article).

Ordinance no. 81/2002, 24th of January – This law creates the obligation to give the rabies vaccination to all dogs that the DGVet (General Directorate of Veterinaries) deems necessary and have three or more months of age.

The 29th article of this law states that if an animal causes harm, or material damage to a third party or to its owner, the owner is responsible for the resulting expenses.

In terms of transporting an animal, according to the 10th article of the Decree-Law no. 276/2001 of 17th of October, the transportation of animals must be done in vehicles and containers appropriate to the species and number of animals to transport, specifically in terms of space, ventilation or oxygenation, temperature, security and water supply, to protect the transported animals, other animals and people.

Whether it is for a trip transporting live animals of short duration (less than 8 hours) or long duration (more than 8 hours), it is necessary to register and pay a fee to obtain the authorization as well as make sure to follow the specifications of the Regulation No. 1/2005, 22th December 2004 and be adapted to the species, type of animal and trip as the 3rd article states that no one may transport or order the transportation of animals in a condition where they may be harmed or suffer unnecessarily.

According to the Decree-Law no. 265/2007, 24th of July, in the case of a long duration trip, the following documents have to be provided to the DGVet: emergency plan, certification of professional aptitude for the driver/s and/or handlers, certification of approval of the vehicle/s, proof of payment of the necessary fees and a document detailing the process through which the movements of the vehicle are to be registered as well how the contact with the drivers will be made during the trip. The certification of approval of the vehicle/s must be emitted by the

DGVet upon inspection of the vehicle requested by the transporters and is valid for five years (article 6).

4.2. Economical Context

The first aspect that comes to mind when analyzing the economical context nowadays is the financial and economical crisis which has been strongly affecting Portugal over the last years. By observing the evolution of the Gross Domestic Product – GDP (Annex 1), which represents a measure of performance of an economy, it is possible to see that after a relatively steady increase from 2004 until 2008, there was 2,9% decrease in 2009, when the economical crisis began. In the following year, most likely as a result of attempts to counter the crisis, the GDP once again presented an increase, however that proved to not be sustainable value as the provisional value for 2011 once again shows a slight decrease, this time of 1,6%.

Projections consider this decrease to be even stronger in 2012, but in regards to 2013 while there is still a decrease predicted, its percentage is lower. The central scenario of this projection also considers that there will be a return to positive variations in the countries' GDP for 2014. (See Annex 2 – Expected Portugal GDP).

In terms of the inflation, over the years, starting from 2006 it decreased until the year 2008. The year of 2009, as the previous points have shown was an atypical year where the inflation presented a negative value, as a result of the decrease in prices brought on by the crisis. In 2010 and 2011, the values were once again positive, being 1,4% and 3,6% respectively, showing that the prices once again increased (See Annex 3 – Average Inflation Rate Change). Projections predict that in 2012 the inflation should remain positive, but decrease and for that tendency to remain for 2013/2014 where it should stabilize near the 1% mark, as shown in the Annex 4 – Portugal Expected Inflation Rate Change.

By observing the Gross National Disposable Income per capita (Annex 5 – Gross National Disposable Income), a trend similar to the one shown by the GDP can be seen, as while unlike the GDP, the National Disposable Income per capita has a decrease in the year 2008; it also presents a decrease in 2009, a slight provisional increase for 2010, but which proves not to be sustainable with a small provisional decrease for 2011, this time with a value of approximately -17%. The significance of these values is that the per capita income available for final consumption and gross savings has been decreasing in general, which means that the population has less money available to spend or save, due to the crisis.

It can also be important to observe where and how the population spends their income (Annex 6 – Household Expenditure). The Portuguese people have been spending the most of their money, around 17%, on Food and non-alcoholic beverages, that is, in their sustenance. Following it, there is Transportation and Housing, water, electricity, gas and other fuels, with Transportation having a sharp decrease in 2008 and 2009 and not having fully recovered yet, by 2010.

It is also important to analyse the fourth and fifth categories where the Portuguese people spend, which are Restaurants and hotels and several goods and services. From 2000 until 2005 the spending was higher in restaurants and hotels, however the spending in goods and services increased significantly and that trend turned around in 2006 and the difference kept increasing until 2008. In 2009 the spending in goods and services started decreasing which led to the spending being equal in both categories in 2010.

In terms of total of spending by families (Annex 7 – Portugal Total Family Consumption), it can be seen that the steady increase it had been presenting was broken in the year 2009, with the most likely reason for this being, once again the economic crisis. However, in 2010 the consumption recovered increasing slightly, even if it did not yet reach the values it had in 2008.

4.3. Social Context

The social context of any company involves the people in that environment as well as other, more business specific, factors, such as the reason for people to abandon or adopt their pets.

The demographic distribution of the Portuguese population can be observed in the Annex 8 – Portuguese Population Pyramid in the form of a population pyramid graph, which shows the usual pyramid present in developed countries with an aging population where there are more adults than children. The age bracket where there are more people in Portugal, for both male and female, is the one between 35 and 39 years.

The reasons for this pyramid graph and the aging population are because of the decreasing birth rate (Annex 9 – Gross Birth Rate), which means that every family, on average, has fewer children, which in turn, results in each family also being smaller; and because each person also tends to live longer.

In terms of the older population, namely people over 65 years old, it is possible to see that their percentage has increased over the years (Annex 10 – Population Aged 65+). In 2002 the percentage of people aged 65 or more were 16,5%, but that value has been steadily increasing and has reached 18,1% in 2012. The predictions are of a continued increase with over 19% of the population of Portugal being 65 or over that age by 2017.

It can also be observed that in 2012 approximately 15% males had ages equal or above 65, while almost 21% of women have the same ages. This difference is also present over the years and predictions follow the same trend.

The increase in the number of population in this age bracket can be explained through the increase in living and health conditions, leading to an increase in the life expectancy one has at birth. This increase can be observed in the Annex 11 – Average Life Expectancy, where the total average life expectancy at birth has increased from 77 years in 2002 to almost 80 years in 2010.

The fact that women's life expectancy is always higher than that of men's over the years is also in accordance with the higher percentage of women with ages equal or above 65, as they tend to live longer.

As the loneliness resulting from having lost a spouse and living alone, or even from having less or no children, may lead people to acquire a pet, it can be interesting to also consider the gross widowhood over the years (Annex 12 – Portuguese Gross Widowhood), and view that while the rate has remained mostly unchanged over the years, this means that every year slightly more than 0,4% of the population becomes widowed every year.

It is also interesting to observe the distribution between sexes in the Annex 13 – Portuguese Gross Widowhood, 2010 where, as expected, there are more female becoming widows, as women tend to live longer. The percentage of women becoming widows in Portugal is actually 0,61% while men's is 0,27%.

In the same Annex it can also be observed, the distribution between different regions, and conclude that Alentejo is the region with the highest percentage of widowhood at 0,61% while the lowest percentage is in the North. In all the regions, the percentage of female widowed is always higher than that of male widowed.

In regards to other factors, there is a need to consider animal abandonment. According with both AZP (Associação Zoófila Portuguesa) (http://www.azp.pt/lista_conteudos.asp?Idcont=285) and LPDA (Liga Portuguesa dos Direitos dos Animais) (<http://www.lpda.pt/02companhia/abandono.htm>) in Portugal, estimations say that over 10.000 animals are abandoned every year. The main reasons cited are:

1. Holidays; people may think that there are few places to leave the animals when going on holidays and simply abandon them.
2. Pregnancy; fear that the animals may hurt or transmit diseases to the babies.
3. Irresponsible adoption of the animal; this may lead to the realization that the owners do not have the necessary financial conditions to care for the animals, or they may not be able to properly teach the animals leading to frustration with their behaviour.
4. End of the hunting season which may lead the owners not interested in spending money the rest of the year when the dog is no longer useful for the intended purpose.
5. Changing houses, or a divorce between couples.
6. That animal is no longer considered trendy; so the owner may want a new one and abandon the previous one, as they would do with a car.
7. Old age or illness of the animal; as they are no longer cute and require extra care.
8. Using dogs in dog fighting; after the animal is no longer useful for fighting, they are thrown in the streets with serious injuries.
9. A real inability of the owners to care for the animal; either because the owners have lost their jobs, because of illness or death. Due to the crisis, it is possible that the number of times this happens may have increased.

4.4. Technological Context

The most important factor in terms of technology is the existence of identification chips which are required by law to be placed in the animals. All dogs must have identification chips and be registered in a national database called SICAFE, as was mentioned in the Political and

Legal Context analysis. By observing the Annex 14 – Registrations on SICAFE, it can be seen that even though the database was only created in 2008 it had over 40.000 registrations that year and an increase of over 25% the next year. In the following years, the rate of growth stabilized with roughly 9 and 8% for 2010 and 2011 respectively.

This database is useful not just for government control purposes but also in case an animal is lost, as it becomes possible to scan the chips on lost animals to determine the original owner, thus allowing for the animals to be returned to their proper owners no matter their location. This is even possible in different countries through international databases.

In a more general basis, the internet also needs to be considered, as one of the technologies which have changed the way the world works in recent times. In fact, observing the values for the number of Internet Accesses by Year (Annex 15 – Number of Internet Accesses) there is a very clear upwards trend as well as see that from the year 2000 to the year 2011 the number of accesses has increased more than six-fold.

In the Annex 16 – Computer use by Age Group, the percentage of people who use the computer by age group can be observed, and from there it can be concluded that younger people have a higher percentage of computer use with people with ages 16-24 having a computer use that is superior to 95% in 2012 and that as the age increase the percentage of people who use computer decreases. When it comes to the oldest people, between 65 and 74 the percentage is much lower being only 17% in 2012. However, by observing the evolution of the percentage of people who use the internet it is clear that there is a very high and constant increase over the years on all age groups and the older age group is no exception.

The same exact trend can be seen in the Annex 17, which shows the number of people who use the Internet by Age group, with the number for the Internet users being only slightly lower than those for the use of computer. While most young people use the internet, almost 17% of people aged between 65 and 74 also use it.

5. Market Analysis

In the market analysis the author will examine several factors which can affect this specific business. As it is not a business that has been around for a long time there is little information related directly to it, so factors such as spending in pet products and the number of animals, number of adoptions and abandonments will be analyzed.

While the author was not able to find any statistical information about Portuguese spending in the pet products industry there is information available (<http://www.petproductnews.com/web-exclusives/european-pet-product-market-continues-to-expand.aspx>), using the market research firm Euromonitor International as a source, that European sales increased in 2009 and that the 2009-2014 growth forecast is 2,3%.

According to the European Pet Food Industry Federation (FEDIAF) facts and figures of 2010 the annual sales of pet food products resulted in a turnover of 13,5 billion € while the annual value of pet related products and services resulted in a turnover of 10,5 billion €. These values correspond to a three year average annual growth rate for the pet food industry of 2,0%.

Once again there is an absence of any general Portuguese statistics, however it is possible to consider the values presented by the Matosinhos municipality (Annex 18 – CROM Statistic on Abandonment and Adoption) and assume that the values for other locations are similar. The values presented represent the number of animals captured on the street, the number of animals delivered to the CROM - Centro Recolha Oficial de Matosinhos (Official Gathering Centre in Matosinhos) for adoption and the number of animals adopted.

By looking at the totals of the three years presented, 2010 to 2012, it is clear that the number of animals captured in the street has increased. These animals can be found in the street either because they were abandoned or because they were already born in the street from other street animals. While the number of wild animals in the street is a serious problem in today's society, it is also reasonable to assume that part of the reason for the increase in the number of animals caught is the increase in the number of abandonments.

However, while the number of animals caught have increased, the same is true for the number of adoptions, which means that the number of people who adopt animals has also increased. Both this factors most likely contribute for the number of animals delivered to the CROM, as

the crisis has led more people to abandon their pets, but there are also more people who are conscious of the cruelty of the abandonment.

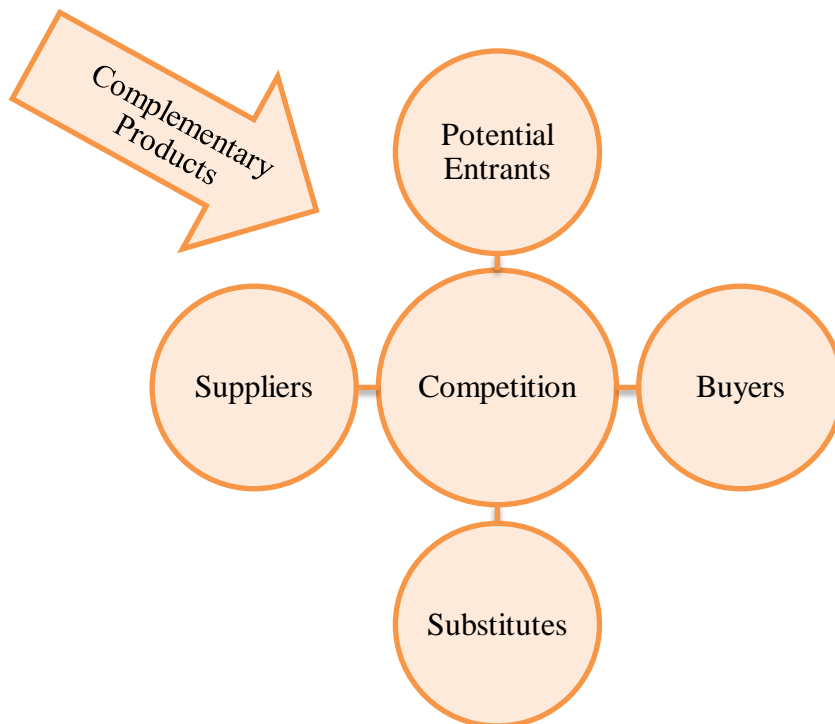
In terms of number of pets both European and Portuguese, using the FEDIAF's facts and figures of 2010 as a source, it can be seen that the estimated percentage of households, in the European Union, owning at least one dog is 27%, while that same percentage, but for households owning at least one cat is 24%. Those values for Portugal are 40% and 21% respectively.

The distribution of the pet population of the European Union, in 2010, can be seen in the Annex 19 – Pet Population of the EU in 2010 while the values for the number of pets in Portugal can be seen in the Annex 20 – Portuguese Pet Population.

These values are different from the ones shown previously as these are the total number of dogs rather than the number of dogs registered (See Annex 14), and there are restrictions on registration, as animals cannot be chipped if they are not physically capable of handling the procedure. There is also a need to consider that there might be people who have yet to register their pets and the existence of wild dogs.

As the company will operate in the Lisbon area, it is also relevant to see the dogs registered by area in that district (Annex 21 – Number of Dogs Registered), as they are the potential market for the company.

6. Porter's Six Forces



Graph 2 - Porter's six force analysis

(Source: Grant, 2008)

6.1. Threat of new Entrants

In an economy where many people are unemployed and struggle to find work, creating your own company can be an attractive idea. The Dog Walking and Pet Sitting business is even more attractive due to requiring very little in terms of initial investment, and many people have a love of animals which makes spending time with them fun.

The biggest barrier to new entrants in this business is the difficulty people having in trusting strangers to enter their house and care for their pets in their absence. A company already in the business with a client list that can give references has an advantage and most likely some loyalty from their clients.

As such, the threat of new entrants in this business is Medium-High.

6.2. Threat of Substitutes

The threat of substitute is the threat that the client, instead of coming to us or a competitor, will use a different service to take care of the same need. More specifically, if the client is

unable to take the dog for a walk, or if he or she will be away from home for some time and cannot take the pets with him or her, a need is created.

The options that potential clients can take are to ask for help from their family, friends or neighbours, to take the animal with them when going away, to leave the animal at a kennel or a cattery, to leave the animal at a hotel or even with a veterinary. The advantages and disadvantages of each of these substitutes will be analyzed later.

As there are many potential substitutes available for the client, the threat of substitutes in this business is High.

6.3. Bargaining Power of Suppliers

The company's potential suppliers are pet stores, which sell animal food and other pet accessories. They are not necessary in all situations, as some customers can have preferred brands of animal food for their pets, or even be the ones to buy the food. There are also several options available to the company, with little differentiation between the different stores.

As a result of this, the bargaining power of suppliers is Low.

6.4. Bargaining Power of Buyers

In this business, the buyers are of critical importance, as there is some competition; information is easily accessible, mostly through the internet; there are several substitutes and there is a very high price sensibility.

However, there is not a high likelihood of the customers to switch companies, due to the level of trust in the company being extremely relevant, as pets are considered beloved members of the family for many people and the fact that the service involves allowing company workers into the client's house.

In conclusion, despite the lower probability of trading companies, the power of the buyers is still High, especially as references are very important in this business.

6.5. Intensity of Rivalry

In terms of the intensity of Rivalry between the companies, there are several of them with high similarity as it is difficult to differentiate.

As it is a service, the most differentiating aspect is the people who provide the service and the amount of trust they inspire in the clients. Already established companies, which have gained trust from their clients through trustworthy workers, have the advantage of loyalty and good references. However, due to current economical situation of the company, differences in price are felt strongly.

The intensity of rivalry in this business is Medium.

6.6. Complementary Products

Complementary products or services are those that provide more value to the customer if they are together rather than apart. In this business complementary services can be veterinaries, shearing services or pet care associations. Pet shops, in addition to being suppliers, can also be considered complementary services, as they can sell products which are meant for pets, but are not necessary for the Dog Walking and Pet Sitting service.

If the business for these types of services increases or decreases, then the service for a Dog Walking and Pet Sitting company should follow the same trend.

A good way to take advantage of these factors is to create partnerships.

7. Systemic SWOT

In the systemic SWOT the strengths, weaknesses, opportunities and threats for the company and the industry will be enumerated, and then they will be analyzed through the approach of the four different alignments, namely challenges, constraints, alertness and danger.

In terms of opportunities and threats it is relevant to mention that they are external to the company and as a result they are applicable to the whole industry. In the case of strengths and weaknesses it is important to mention that they are for a company which has not been created, which means that they are predicted points and they will certainly change over time.

Systemic SWOT		Strengths			Weaknesses		
		Member of Pet Sitter International	Partnerships with pet shops and veterinarians	Possibility of choosing low price or personalized service	New in the market	Lack of experience	At the start, it will have only one worker.
Opportunities	Growth in number of people who care for animals and their well-being, as well as an increase in number of pets	<u>Challenge</u>			<u>Constraint</u>		
	Loneliness caused by having less children and living longer may lead people to adopt a pet for companionship	<ul style="list-style-type: none"> - The higher credibility provided by the strengths can be used to attract the clients who care for their pets as though they were family. - The personalized service can be used to answer the specific needs of each pet to insure their well-being. - Someone who has to spend more time working and has 			<ul style="list-style-type: none"> - The lack of experience and the fact that the company is an unknown in the market can make it difficult to attract clients. - The existence of only one worker may cause a constraint where the 		

	The crisis may lead people to spend more time working	to use this service can choose to spend more or less money in accordance with their needs.	worker will not be able to take advantage of potential clients.
Threats	The crisis leads many people to try to spend less money	<p style="text-align: center;"><u>Alertness</u></p> <ul style="list-style-type: none"> - The credibility provided by the strengths may cause clients to choose this company over existing competitors or new ones. - The low price service can be used even by clients trying to save money, especially if it is an emergency. - The ability to choose between two kinds of services can be used to counter the already existent loyalty to other competitors. - The partnerships may offer an advantage towards the competition and create a barrier against new entrants. 	<p style="text-align: center;"><u>Danger</u></p> <ul style="list-style-type: none"> - The lack of experience and the fact that the company is an unknown in the market may cause clients to choose other companies over this one. - The existence of one worker may cause clients to choose a competitor; for fear the worker will not be available when needed.
	Increase in unemployment means that more people are home to take care of pets and have less money available		
	Few barriers to new competition and the existence of substitutes		
	Existence of competitors in the market, which may have gained the loyalty of their customers		

Table 1 - Systemic SWOT analysis

8. Analysis of the Competition

8.1. Advantages and Disadvantages

To be able to analyse the existent competition there is a need to consider what the other options are, when potential clients need the company's services.

If someone is unable, for any reason, to take their dog for a walk, their first option will be to ask their family, friends or even neighbors if they are available. If no one is available the only other action is to hire a Dog Walker, or use a Pet Sitting approach.

When it comes to Pet Sitting, the situation is a little different, as besides asking a neighbor, friends or family to take care of the animals, there is the option of taking the animal with the owner, or hiring a Pet Sitter or even dropping the animal off at kennels or catteries, at a hotel for animals and there are even some veterinarians who will take care of the animals while the owner is away, for a price.

8.1.1. Family, friends and neighbours

This is without a doubt the cheapest option and one where the client trusts the one taking care of their pet, giving the owner a certain peace of mind. However, it can be hard to find someone who is available and after several times, it may be hard to keep asking that favor. There might even come a time when no one is available and the pet owner really does not have this option.

In the case of Pet Sitting, there is also the decision if the pets will stay at home, or at someone else's house. If it is the second case, the pet will also suffer from the stress factors associated with leaving its usual environment.

8.1.2. Taking the Animal

This is only possible if the owner is taking a holiday, as most of the time it is not reasonable to take pets with you in business trips.

In case of the owners taking a holiday, they can take their pets with them and share their happy and fun times with the animals always knowing that they are okay. However there are some problems associated with this choice, as the owner will have to make sure to only stay in a place where they will accept animals. It is also a very stressful situation for the animal, as

they are rarely used to long trips, they will be taken away from their usual environment and routine, being exposed to unknown animals or diseases.

There are also the specific stresses associated with the means of travel. For example, if the trip is made by car, there should be several stops for the animal to eat and drink some water.

8.1.3. Kennels and Catteries

Another option available is to leave the animals at kennels or catteries, as they are the cheapest location to do so. However, as most of these are either municipal institutions or run by charity associations, they have very little funding which leads to low conditions for the animals to be kept in.

This option also leads to stress on the part of the animal, taking it away from the usual routine, environment and eating habits, as well as exposing it to unknown animals and diseases.

The owner might also be concerned during the time away, wondering if the animal is happy and in the best possible conditions.

8.1.4. Hotels for Animals

Hotels are very similar to kennels or catteries, with the exception that as they are slightly more expensive, they are able to have better conditions and provide the animals with all of the things they need. In this case, the owner can go on a holiday and know that their pets are being taken care of and being very well treated, as they are guests. However, sometimes the owner may not be sure if the animals are being treated as good as he or she wants, considering that hotels have many pets to take care of at the same time.

On the other hand, hotels also present much of the same disadvantages as the previous option, as the animal will be in a different environment, with different people, different eating habits and unknown animals.

While the hotels demand that any animal they take in be vaccinated to avoid the possibility of animals being exposed to diseases, this does not completely eliminate the risk. There are also disadvantages associated with this, as the vaccinations involve extra costs that normally the owners would not need to incur in, and they should also be done more than 15 days previous

to leaving the pets at the hotel, which can be hard if the situation is unexpected, or an emergency.

8.1.5. Veterinaries

Some veterinaries offer the possibility of keeping the pets and taking care of them while the owners are away, though it is not always possible, as the veterinary needs to have some location with the necessary space available.

The advantages of this option are very similar to hotels, with the added certainty that if there is a problem, there is proper medical care immediately available. The other side of this option is that, as the veterinary also has the regular patients to take care of, the pets can feel slightly lonely and receive less attention during their stay.

Once again, the stresses of being away from home are the same, with different environments, eating habits, routines, exposure to unknown animals and diseases.

8.1.6. Dog Walkers and Pet Sitters

After having analyzed the other options the client has, it is also important to consider the advantages and disadvantages of Dog Walking and Pet Sitting, and later analyzing the specific competitors that fall under this category.

While having family, friends or neighbours who will take the dog for a walk, should the owner not be available for any reason, is certainly cheaper, if there is no one available, then hiring a Dog Walker is certainly a good option.

The Dog Walker will ensure that the dog has a good walk, thus exercising the dog, reducing stress and tiring it out, all while contributing for the animals' health and giving the owner peace of mind for knowing that someone is taking care of their pet and the owner will no longer have to ask for a special favour every time he or she is not available to take care of the animal.

Choosing Pet Sitting is advantageous when compared with the other choices, for the same reasons as Dog Walking, but also because the animal remains in its usual environment, routine and feeding habits, reducing stress and avoiding the travel-related stress. However, it

is important to mention that this option is more expensive than leaving the animal at a hotel as it is a payment by service rather than by day/night.

The pet also avoids contact with unknown environments and animals, thus greatly reducing the danger of exposure to diseases and avoiding the need for the owner to spend money on vaccines that would not be given otherwise. If there is more than one pet, Pet Sitting also tends to be cheaper than placing the pets somewhere.

The greatest disadvantage associated with this choice is the uncertainty the client feels when it comes to allowing access and giving the key to their house to a stranger. Even if there is a prior meeting with the Pet Sitter, that is no guarantee for the client that it is not a dishonest person trying to find a way into their home.

8.1.7. Analysis Table

To better be able to understand the differences and compare between the different possibilities, Table 2 represents the most important of the previously discussed aspects with a numerical value attached. The values are 3 for the Best options, 2 for the Medium ones and 1 for the Lower ones.

	Price	Trust	Availability	Stress	Disease Risk	Average
Family/Friends/Neighbours	3	2	1	3	3	2,4
Taking the Pet	1	3	3	2	1	2
Kennels/Catteries	3	1	2	1	1	1,6
Hotels	2	2	2	2	2	2
Veterinarian	2	3	1	1	2	1,8
DogWalking/PetSitting	1	1	3	3	3	2,2

Table 2 - Analysis of choices for Pets

After creating the average and assuming that each of the six aspects (Price, Trust, Availability, Stress and Disease Risk) has the same level of importance, it is clear that the Kennels or Catteries are the least attractive option. The most attractive options are Family, Friends or Neighbours followed by a Dog Walker or Pet Sitter. The reason for this is that while the first are much better in terms of costs and are more trusted when compared with the later, their availability is very low.

8.2. Direct Competition

When it comes to Dog Walkers and Pet Sitters, there are two kinds of people to consider that provide this service, namely, companies and individuals with small advertisements in the newspaper, the internet or notices.

In terms of the individuals with small advertisements, they tend to be people who do this service in their free time in order to get some more available cash. Their advantage is that they tend to be cheaper, however they may not always be available, in other words, they can be unreliable. There is also rarely any training or experience, which means that the level of trust that can be placed on them tends to be lower.

In terms of companies, the characteristics of the companies which operate in the area of Great Lisbon are analyzed on the Annex 22 – Analysis of Local Competition and their advantages and disadvantages can be seen on the Annex 23 – Advantages and Disadvantages of Local Competition.

9. Analysis of the Questionnaire

The author created a questionnaire to better be able to understand the potential clients for the company, as well as who would be more interested and in which situations the people thought this service would be the most useful.

After creating the initial questionnaire, two pilot tests were made with different results in terms of feedback. Afterwards, alterations were made to the questionnaire which was once again tested, before integrating the new feedback. The final version of the questionnaire can be found in the Annex 24 - Questionnaire.

The questionnaires were placed in pet shops and veterinarians in four areas, namely Linda-a-Velha, Algés, Massamá and Loures, to try and obtain results from people from different areas. Some questionnaires were also placed in coffee shops in the same areas (with the exception of Algés), due to a difficulty in obtaining assistance and results from some veterinarians and pet shops.

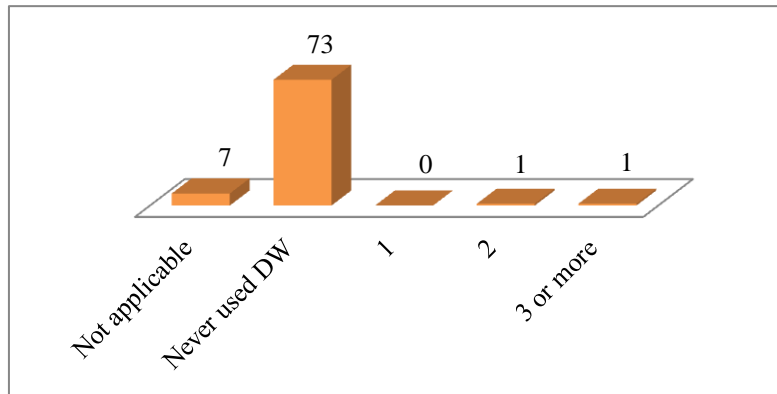
The author made the decision to place the questionnaires in local coffee shops because of the familiarity that the workers in these places have with their customers as well as the fact that they often know if the clients have dogs or not, as they are commonly left outside waiting for the owners.

The questionnaires were placed between the 25th of February and the 15th of March 2013. The characterization of the questionnaire respondents can be seen on the Annex 25 – Sample Characterization.

9.1. Questions related with Dog Walking

The second question was about the Dog Walking Service. It is important to mention that those who do not have a dog and have never had one, were asked to skip this question, which resulted in the Not Applicable responses.

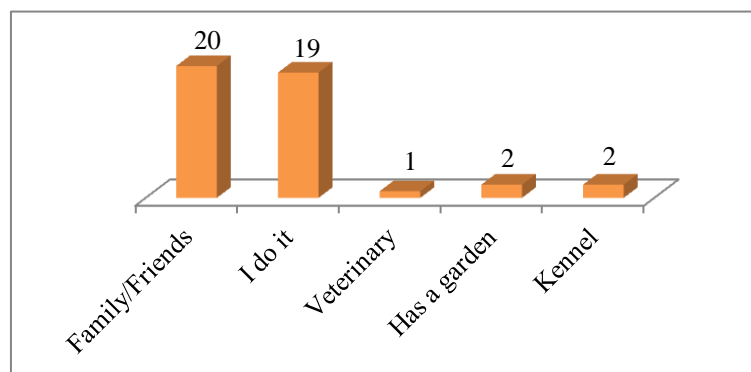
Almost all of those who have or have had a dog never used the Dog Walking service and only two people of the total used it with one of them having used the service only twice while the other used it three or more times. This low percentage of people who have used the service can signify that the business has potential, provided that people are interested in using the service.



Graph 3 - Number of Times the Dog Walking Service was used

From the respondents that have used this service, only one answered to the question about in which situation the service was used and that was during the holidays. The same happened in the question about which were the most relevant aspects in the choice of dog walker, in which the respondent said that the most relevant aspect was references to the detriment of the other options, price, training in the area, decreasing the pet's stress and decreasing the pet's risk of disease.

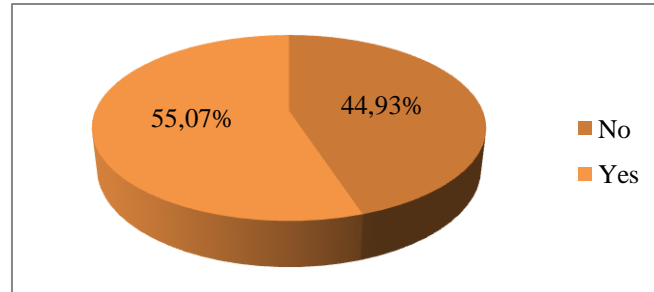
The questionnaire also included a question to the respondents that have never used Dog Walking, about what the alternative they used was. The following graph does not consider the missing values, which are 38 in total. The most common alternative when people are unable to take the dogs for a walk are family and friends, but many respondents simply said that the animal waits until they are available. Less common alternatives are leaving the dog at a kennel or having a garden which eliminates the need for the owner to always be available.



Graph 4 – Alternatives to Dog Walking

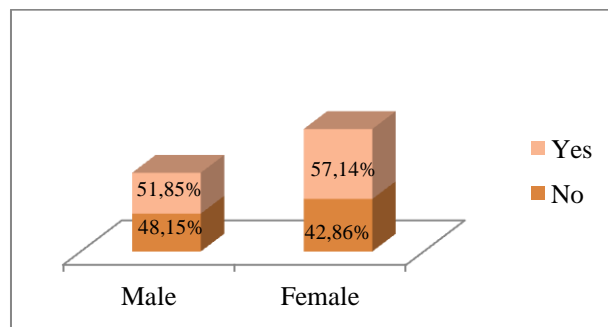
It is also important to mention that the person that answered that they used a veterinary is a veterinary herself, thus if there is no one available she can take the animals to work.

As there are many people who have never used this service it is now important to see if they are interested in potentially using it in the future. From the people who answered this question, over 55% of them answered that they would be interested in using this service in the future.



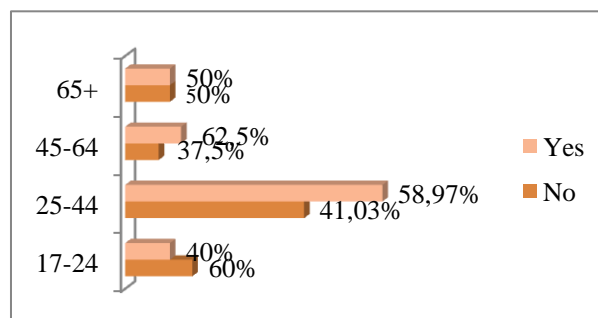
Graph 5 – Percentage of Interest on DW

In regards to the type of people who answered positively or negatively, while there is a majority of males and females with interest in the service, the value is slightly higher for females.



Graph 6 - Interest in DW by Gender

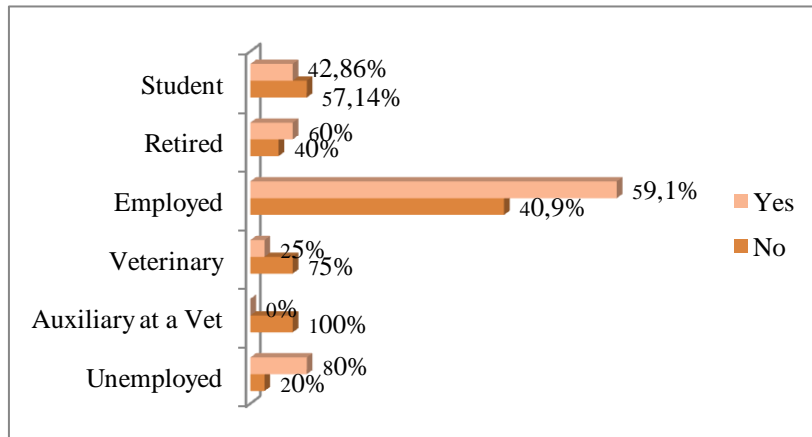
Additionally, young people under 24 years of age seem less interested in the service, with only 40% of positive answers. The highest percentage of interest, 62,5% can be found in the age bracket between 45 and 64, though the people between 25 and 44 years also present a percentage of interest close to 60%.



Graph 7 - Interest in DW by Age

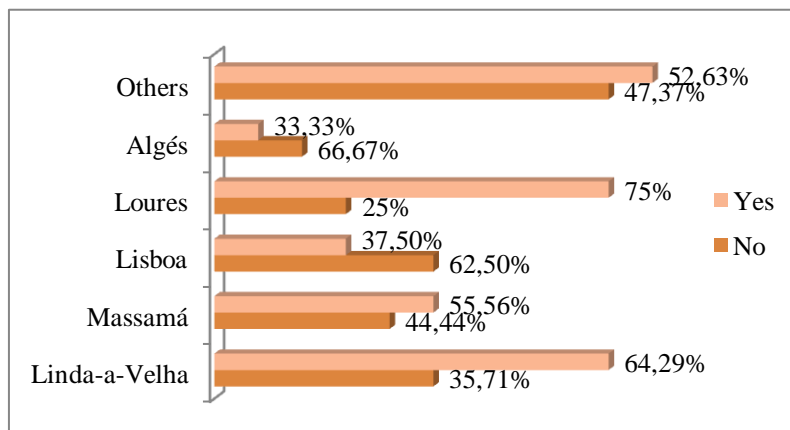
By analyzing the interest in Dog Walking by occupation it is possible to see that it follows a similar trend, as the younger people, students, also seem to be less interested in the service.

When it comes to the employed, their level of interest is close to 60%. It is also interesting to note that both veterinaries and auxiliaries at veterinary clinics seem to show no interest in the service, likely because they can take the pets with them to work where there often is space for them, as well as several people qualified to care for the pets.



Graph 8 – Interest in DW by Occupation

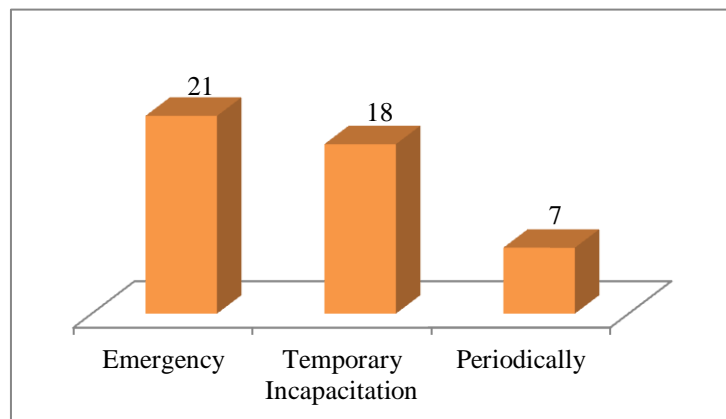
Analyzing the different areas, Lisboa and Algés present a higher number of people not interested in Dog Walking, both having over 60% of negative answers; while Loures, Linda-a-Velha, Massamá and the others show the opposite. In the second group Others show the lowest percentage of interest, being the only one with an interest below 60%.



Graph 9 – Interest in DW by Area

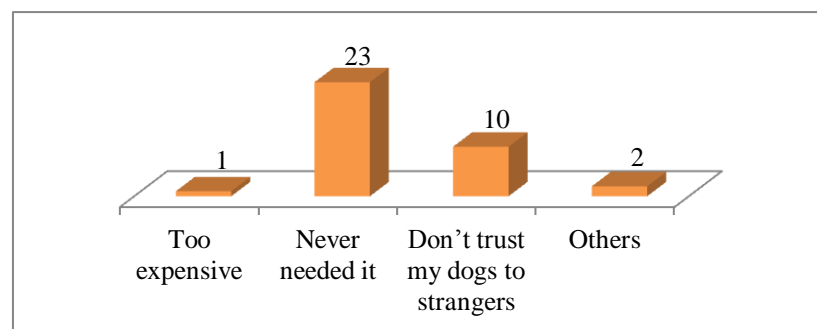
The next question inquired the people who had answered positively what were the situations in which they expected to use the Dog walking Service. In this case 54% of respondents said that they would use Dog Walking in an emergency and the remaining 46% considered they

would use the service due to a temporary incapacitation. Of the total respondents, 18% also considered as a second choice that they would use the service periodically.



Graph 10 – Situations where respondents expect to use DW

It can also be important to see why people are not interested in the Service, so that in the future the company may try to change that idea. By analyzing the responses it can be seen that the reason chosen more often is that there was never a need for it, but that not trusting the dogs to strangers is also very relevant. Since there is only one person who thought it was expensive, then it is possible that people have the idea that the service is relatively cheap.



Graph 11 – Reasons for No interest in DW

A general analysis of this data can lead to several conclusions. Firstly, since there are few people who have used the service, and over 50% of people are interested it can be said that the business has potential.

Trusting the person is a very important aspect of the service. This conclusion can be reached because the most common alternative to the Dog Walking service is family and friends, which is obviously the cheapest option but where there is also trust in the person caring for the dogs; and because references was the most relevant aspect of choice for the person who has used the

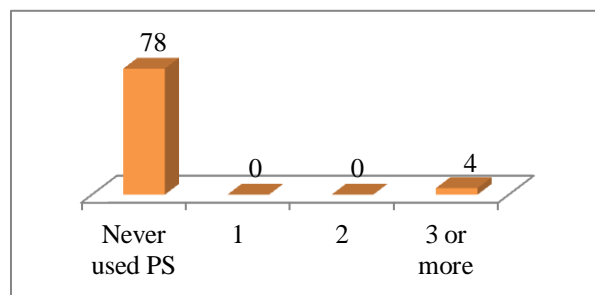
service. Information that also supports this conclusion is that there are several people who are not interested in Dog Walking because they don't trust their dogs to strangers.

The people who have interest in the service mention an emergency as the most likely reason for them to use it, and the people who have no interest say that it is because they have never needed it. A conclusion to take is that even the people who say that they are not interested may need to use this service in an emergency.

9.2. Questions related with Pet Sitting

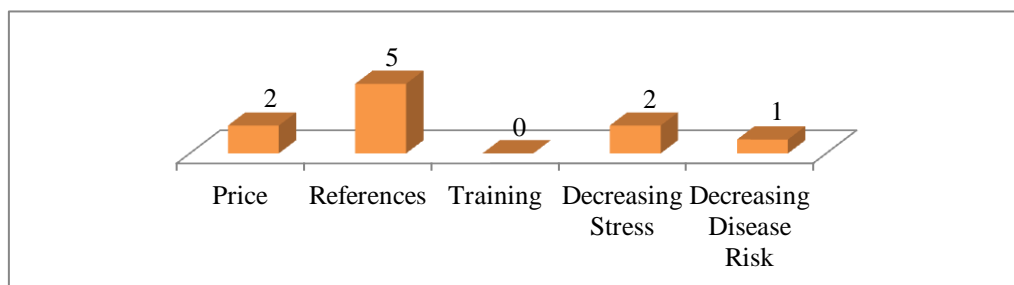
The third question is very similar to the second one, but adapted towards the Pet Sitting Service.

In terms of the number of people who have used the Pet Sitting service, it is not very different from Dog Walking, as only four people have used it and all of them have used it three or more times. This might signify that those who use this service are willing to use it again.



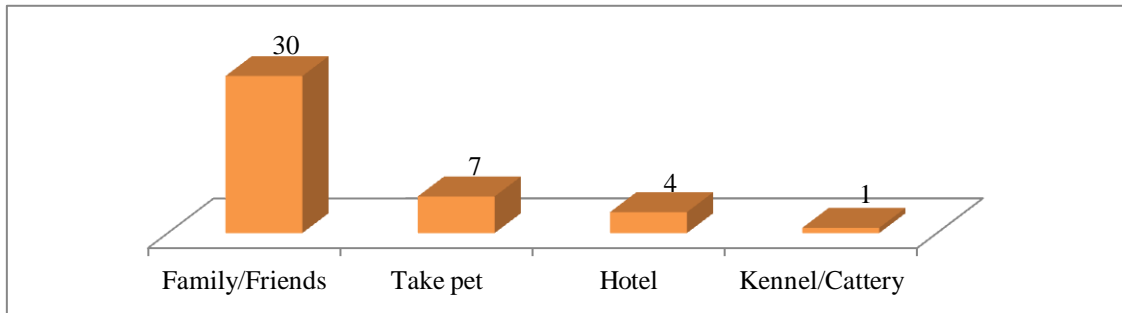
Graph 12 – Number of times the Pet Sitting service was used

All of the people who used Pet Sitting in the past identified that the time when they used the service was when they were on holidays and in regards to the aspects considered relevant in their choice, all of them selected references. The training aspect was not considered relevant by any of the respondents.



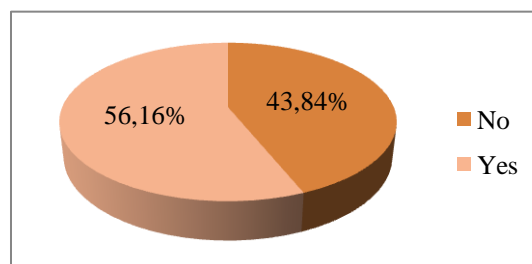
Graph 13 – Aspects relevant in the choice of Pet Sitter

In terms of the people who have never used the service, in response to the question of what their alternatives were, the answer given most of the times is family and friends, however, other options include taking the pet with the family and leaving at a hotel or kennel.



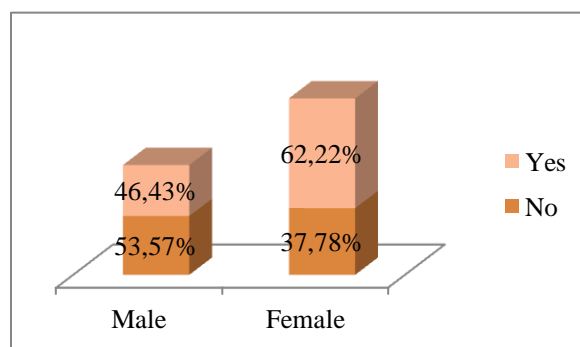
Graph 14 – Alternatives to Pet Sitting

Once again, there are many people who have never used this service, so there is a high importance in seeing if they are interested in this service in the future. From the people who answered this question, while there are few people who have used the service, more than half shows interest in using it in the future which is similar to the result seen previously. However, there is a slightly higher interest in Pet Sitting, when compared to Dog Walking.



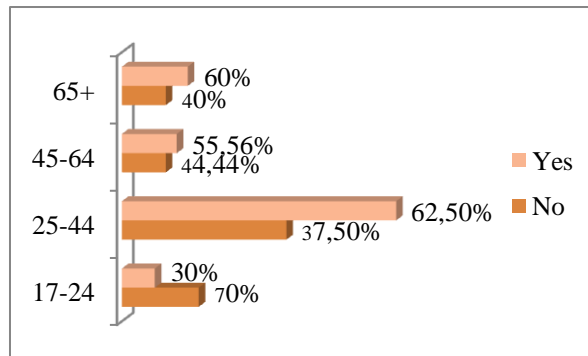
Graph 15 – Percentage of Interest on PS

The type of people who showed an interest in the Pet Sitting service will now be analyzed. In terms of gender, over 60% of females expressed interest in using this service, however that value is only 37,78% for males.



Graph 16 – Interest in PS by Gender

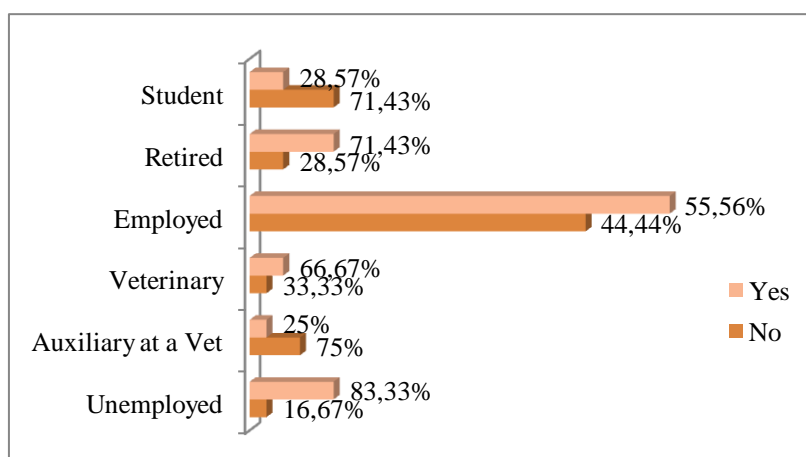
When it comes to interest by age, once again, the younger age bracket shows very little interest, with 70% of respondents answering negatively to the question. All of the other age brackets show more interest, with the highest percentage present in the 25 to 44 age bracket being 62,5%.



Graph 17 – Interest in PS by Age

The analysis of the interest in Pet Sitting by occupation reveals that, as expected, students show very little interest in the service, with over 70% of negative answers. Retired people however show interest, with the same percentage of positive answers.

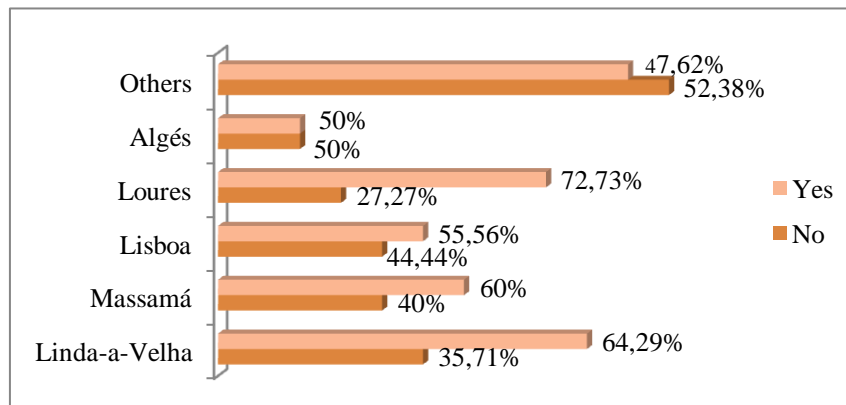
When it comes to the employed they show over 55% of interest in the service. Interestingly, the highest percentage of interest can be found in the unemployed. It is also important to note that both auxiliaries at veterinarian’s clinic and veterinarians have shown more interest in this service than in Dog Walking, even if there is only one auxiliary and two veterinarians interested in the service.



Graph 18 – Interest in PS by Occupation

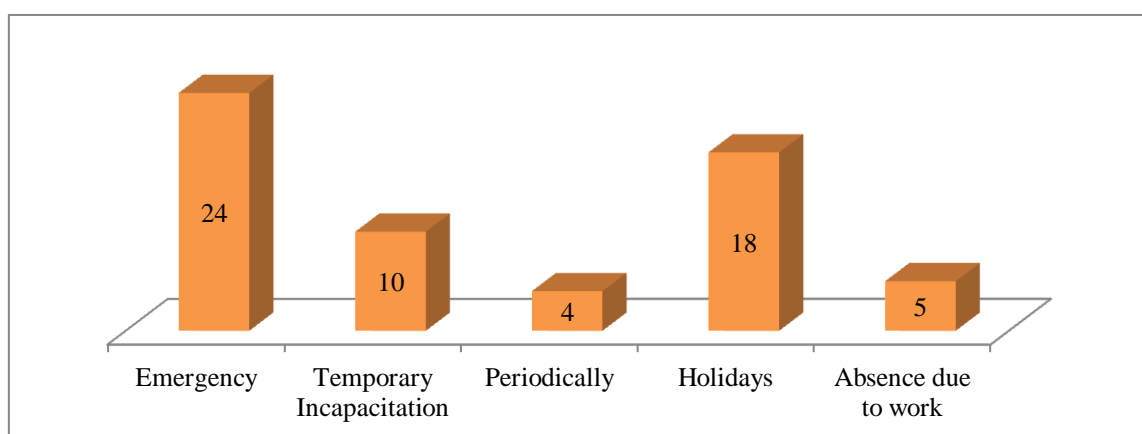
Analyzing the different areas it can be seen that the trend is different from the one shown in the Dog Walking, as while Loures, Massamá and Linda-a-Velha also show interest above 60%, the Others show less than 50% of interest, having 52,38% of negative answers.

Algés and Lisboa also show a change in trend, with an increase in interest for Pet Sitting, as they both had less than 50% of interest for Dog Walking and now Algés presents 50% of positive answers and Lisbon 55,56%.



Graph 19 – Interest in PS by Area

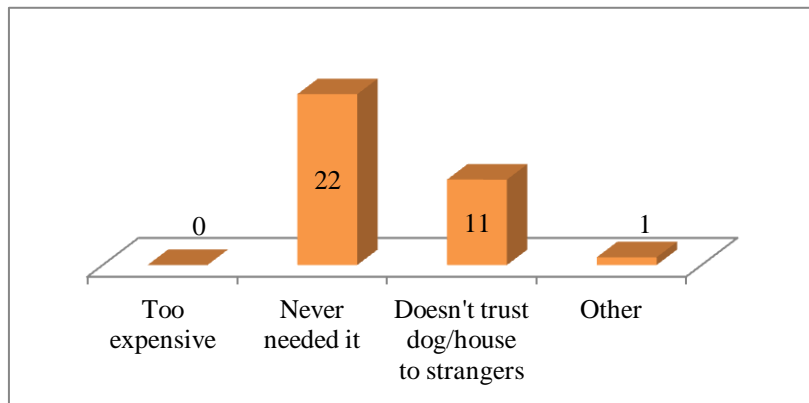
The next question had the objective of determining in what situations the people who had shown interest in the Pet Sitting service expected to use it. In this case, over 50% of the answers considered emergencies. The holidays were the second most mentioned answer, followed by temporary incapacitation. Only five people considered they would use the service due to a work related absence and only four considered using the service periodically.



Graph 20 – Situations where respondents expect to use PS

In the case of Pet Sitting, the people who said that they were not interested in the service were inquired as to the reason for that. The reason mentioned by most was that they had never needed it; however 11 people say that they don't trust the house of the pets to strangers.

It is interesting to mention that no one thought the service was too expensive, once again implying that people have the idea that the service is relatively cheap. One person also mentioned that the dog was old and as such they were unlikely to need the Pet Sitting service.



Graph 21 – Reasons for lack of interest in PS

Some conclusions to take from this data are similar to the ones taken before. There are very few people who have used Pet Sitting, yet more than 55% said they were interested, so this business has potential.

The most likely time for people to use this is holidays, as demonstrated by the fact that all of the people who used this service used it in that situation and because it is the second most cited situation where those that are interested in Pet Sitting expect to use it.

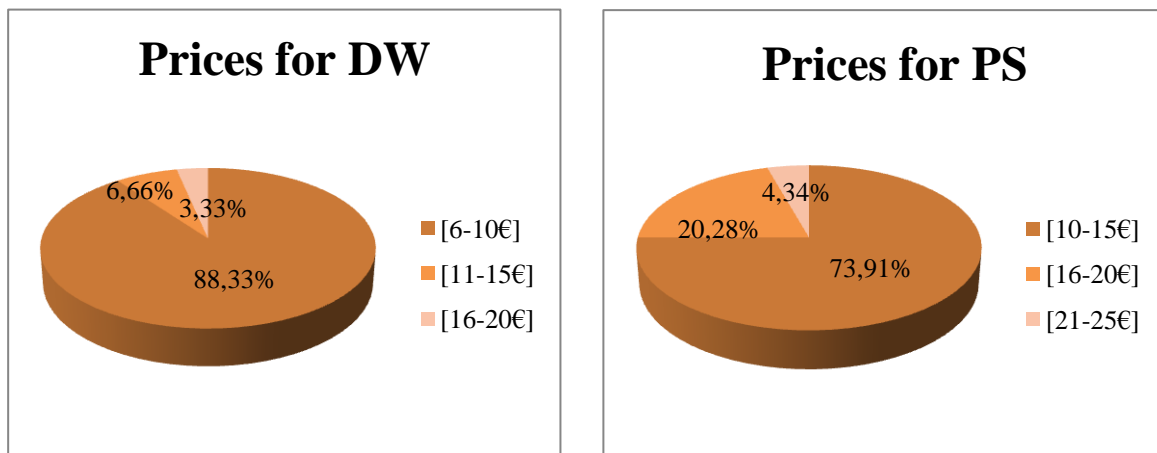
Trust is also a very relevant aspect, which is proven because once again references is considered important by all of the people who used Pet Sitting and because asking family and friends to keep the animals is the first alternative chosen. The fact that the second most chosen alternative is to take the pet with them when leaving town also supports this conclusion.

9.3. Questions related with Price

The last question inquired to the respondents how much they would be willing to pay for each of the two services between three available price bracket possibilities.

The results were very similar for both services, as around 88% of respondents chose the cheapest option [6-10€] for Dog Walking and around 74% did the same for Pet Sitting prices [10-15€]. Only 3% and 4% of respondents chose the highest price brackets for Dog Walking and Pet Sitting respectively.

There are more people choosing the middle bracket for Pet Sitting, implying that people attribute more value to this service.



Graph 22 – Responses in terms of prices for DW and PS

It is important to mention that in both cases several people who had said they were not interested still answered, so only the results of those who were interested or have used the services in the past will now be analyzed.

In terms of Dog Walking, only two people who have used it in the past answered this question. The person who has used it twice chose the lowest price bracket [6-10€], while the person who has used it three or more times chose the highest price bracket [16-20€]. When it comes to people who have not used the service, but showed an interest, the most people, 30 in fact, chose the lowest price bracket, and the other two brackets only had one person each.

Regarding Pet Sitting, there were four people who answered this questions and had previously used the service, all of them 3 or more times. While two people chose the lowest price bracket [10-15€], one of the other two went for the middle bracket and the other for the highest.

From the people who have not used the service but have shown an interest, 26 of them, which is close to 67%, once again chose the lowest bracket; however, the number of people who chose the middle bracket is significantly higher than in Dog Walking, being close to 28%. The remaining 5%, which means two people, chose the highest bracket.

To conclude, people have the idea that both services are relatively cheap as most of them chose the cheapest option possible. However, people are more willing to pay more for Pet Sitting, which means that they recognize more value to this service.

10. Segmentation, Target and Positioning

In order to understand what are the main customers that a company has or will have, as well as how to best address them, it is important to segment the market using several criteria. Afterwards, using those segments it is possible to define first, what the target-market is, in other words, what are the characteristics of the customers and secondly, how the company will position itself to reach those clients.

10.1. Segmentation and Target

Firstly, the demographic criterion age will be studied, secondly it will be the geographic criterion type of area and lastly the social criterion social class will be studied.

The bases for this study are the results obtained previously from the questionnaire as well as information provided by the website Pet Sitters International (www.petsit.com) on their 2013 Pet Sitting Industry Forecast. It is important to mention that this information comes from a 2011 industry survey performed by the website to its members.

- Age – According to the questionnaire results, the age bracket under 25 years old was the only one to have more than 50% of respondents saying that they are not interested in both the Dog Walking and the Pet Sitting services. The results of the PSI survey are in accordance with this fact as clients under the age of 25 only make up around 4,3% of the total clients.

In terms of both Dog walking and Pet Sitting, according to the questionnaire results, both the 25-44 and the 45-64 age brackets seem to show a high interest in the services. The PSI survey information corroborates this, as 45,5% of the clients can be have ages between 36 and 50. The age brackets 26-35 and 51-66 each represent more than 20% of clients.

- Type of area – It can be said that in rural areas, animals tend to be loose and often take care of themselves. As they have big spaces there might be very few people who have a need for Dog Walking. Due to similar reason there should also exist a lower need for Pet Sitting.

According to the PSI industry forecast, 44% of pet sitters primarily service suburban areas. Taking into consideration these two factors, it can be concluded that both city areas and suburban areas have a need for Pet Sitting and Dog Walking, even if suburban areas have more necessity.

This conclusion seems supported by the results of the questionnaire which shows that Lisboa, which is a city area, has less interest in the Dog Walking service and while the interest in Pet Sitting is higher, it is still lower than the interest shown by other more suburban areas, such as Loures, Massamá, or Linda-a-Velha.

- Social class – It is clear that anyone who wishes to take advantage of any kind of service must have the necessary funds to pay for it. While the Dog Walking and Pet Sitting services can be used in emergencies, it makes sense to consider that those with less money available would try as much as possible to leave their pet with family friends and neighbours. As such these two services are clearly more targeted towards the upper-middle and upper class.

In conclusion, the target-market to which the company will attempt to serve are people who have animals and care about them, who are between 26 and 66 years, live in suburban areas and are from the upper-middle and upper class.

In addition, while the current target-market are people with ages between 26 and 66 due to the little interest shown by people above 65 years old in this service, this is intended to be temporary, as the population in this age bracket has been increasing and should continue to do so.

As a result, in the future, the company will include the older age bracket in its target by making sure that the current target-market is satisfied with the service and earning their loyalty. This way the clients that are close to the retirement age can continue to use the service when they retire and the clients themselves can create an interest in the older people close to them.

10.2. Positioning

To define the positioning of the company, it is important to consider in which situations each of the service will be used, which is once again done using the information obtained from the questionnaire.

By observing the answers to the question about in which situations the people expected to use Dog Walking, the most often mentioned reason is an emergency, with temporary

incapacitation being a close second. As such, it can be concluded that people expect to use the Dog Walking mostly in emergency situations where they may not have any other choice.

Looking at the reasons cited for a lack of interest in this service, the biggest reason is that the people have never needed the service, which means that if they were to ever have an emergency, they might have to use the service.

In terms of the Pet Sitting Service, the results are slightly different as while the most cited reason is still an emergency, the second most given reason is holidays. In this case temporary incapacitation is only the third option. The conclusion is that while people still expect to use this service in an emergency, they also consider using it in the holidays. The reason cited for a lack of interest in this service are similar to the previous ones as having never had a need is still the first chosen option.

The second option in both cases is not trusting the pets or the house to strangers, which emphasizes the need for the dog walker and pet sitter to be trustworthy and reliable as well as the importance of references to change the mind of those not interested in either service.

Considering this information the company can position itself in a different way for each of the services, but always aiming for convenience.

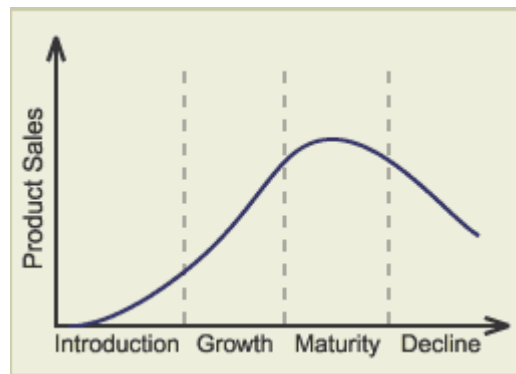
On the one hand, there is Dog Walking, which people consider more of a service for an emergency. The service in this case should be positioned as cheap and convenient in the client's mind.

On the other hand, there is Pet sitting, which people not only use for emergencies, but also for holidays. As the holidays are planned in advance, the clients might be more willing to pay extra for extra services. As such, the service should be positioned as personalized and convenient. The company will do what is convenient for the client.

In this last case it is important for the basic service to still be cheap for those that are using this service for an emergency and do not wish to spend extra money.

11. Key success factors

Each product, service or market has a life cycle. This cycle begins with the introduction, which is followed by the development or growth phase, the sales tend to settle around the maturity phase and lastly there is the final phase, the decline. The typical life cycle is shown below.



Graph 23 – Product life cycle

(Source: QuickMBA.com)

When it comes to the Dog Walking and Pet Sitting services, they are both in the development phase in Portugal, as they are still relatively unknown, but already existent.

During this phase of the life cycle the key success factors tend to be good commercialization, for example excellent customer treatment or making the brand known and appreciated.

In this case, having good references is the most important success factor, as proven by the questionnaire answers. This can be concluded both by the fact that all of the people who have used either service choose references as an important factor and because a reason mentioned often by those not interested in the service is a lack of trust in strangers.

Another reason for the importance of references in this business is that they will allow the company to extend its customer base at a low cost. As a consequence, loyalty is another critical success factor, as that loyalty will lead to references. To obtain loyalty the company has to be considered trustworthy in the clients' mind.

12. Company Strategy

Having defined the intended positioning of the company in the clients' minds, the adopted strategy must be in accordance with that same positioning.

The company will initially have two types of positioning; a cheap and convenient positioning for the Dog Walking service and one of personalization for the Pet Sitting service. Afterwards, the company will try to attract the Pet Sitting clients who are willing to pay more money, to the Dog Walking service in what constitutes a cross-selling strategy.

The main advantage of the cross-selling strategy is that it is easier to provide more services to already existing customers than it is to gain new clients. Additionally, if the customers are satisfied with this new service they may increase their loyalty level to the company.

While initially with the Dog Walking service there will be a relatively low cost idea, in the future, due to the cross-selling, the strategy is for the company to distinguish itself by providing a personalized service. This way, the strategy presented by the company is one of differentiation.

13. The Company Brand

In order to be able to differentiate itself in the mind of the clients the company needs to define itself in accordance with the several factors defined before. The brand plays a very important factor in this, as apart from the people who provide the service, it will be how the client views the company.

In the mind of the consumer the brand is not just the company's name, but a group of all the things associated with the company. There are the people with whom the client interacts, the company's name, the logo and the slogan.

It is also important to define the vision and mission of the company, not just for them to be a part of the idea the client has of the client, but also because they help the people who are a part of the company to define what the company is and act accordingly, thus increasing the consistency in the image shown to the clients.

13.1. The Name

The name chosen for the company is Care4Pet – Cuidados Para Animais.

The first part of the name is meant to give the idea of a modern and dynamic company which cares deeply for animals and that the company is providing the service for the good of the pets.

The second part of the name is in Portuguese in the case of a potential client does not understand the language, but it tries to pass the same idea of caring for animals and wanting the best for them.

13.2. The Vision

The company's vision is "To become the market leader in terms of Dog Walking and Pet Sitting in the Great Lisbon area, and have the customers be the natural promoters of the brand."

This vision shows where the company wants to be in the future, as well as the best way for the company to have a sustainable, long term growth, which is to have the customers use word-of-mouth communication to spread the word about Care4Pet.

13.3. The Mission

A company's mission states how it intends to reach its vision. Care4Pets' mission is "We want to do reach our vision by providing an adaptable and caring service that fits each client and pet specifically, always with the best and most trustworthy people."

13.4. The Logo

The logo for the company can be seen in the Annex 26 – Care4Pet Logo and it is modern and dynamic, like the brand name. It also showcases the company's enthusiasm friendliness, as the letters are in the shape of animals, which is what the clients and the company are concerned about.

13.5. The Slogan

The chosen slogan is "We do 4 you!" This slogan once again shows the company's personalization aspect, while invoking the brand name by using the number 4 instead of the letter. It also shows enthusiasm through the use of an exclamation.

14. Marketing-Mix

When it comes to services, rather than the usual four points, there are seven points that must be defined in terms of the marketing-mix. These points are the product, which in this case are the services themselves, the price, the placement, or distribution, the promotion, the people, the processes and physical evidence.

All of these points of the marketing-mix must be defined and adapted in accordance with both the positioning and the strategy that were previously defined.

14.1. Services

As there are two different services it is necessary to define them separately. However, for both cases, there will be a cheaper basic service, and a special service with extras that can be personalized by each client, according to their needs.

The special service will have an appealing name to emphasize the difference and help the client better understand that this is the personalization aspect of the service.

Apart from the two basic services there will also be other special services that the company provides, all for the convenience of the Care4Pet clients.

Before any service, the company will work out a time, at least 24h earlier except for the emergency special, to allow the customer to meet the dog walker or pet sitter, and for the last one to know the pets, their personalities, and any specific needs they may have.

14.1.1. Dog Walking Basic Service

The Dog Walking basic service lasts around 30 minutes and it involves, going to the customers' house, picking up the dog and taking him for walk, where the company member will also run with it to help tire it out as well as exercise and finally bring it home. During their time together, the walker will play with the animal with affection.

The basic service also includes walking more than one dog of the same household, but with a small extra per dog.

The animal's droppings will always be caught, and the dog walker will take water and a recipient, to make sure the dog does not dehydrate.

14.1.2. Walk4Dog

The Special Dog Walking Service will be called Walk4Dog, both to give the idea that it is for the dog and to show that it is special and personalized.

In this service the customers have several extra services which they can request, always with the ability to choose which ones they want from a group of different options. For each possible option there is an associated increase in price. The possible options are:

- Extra time; the client may want the dog to run and exercise more, or have an emergency and need to keep the animal out of the way for a longer period of time. If the owner only wishes for the walk to last less time than the standard, that option is also available.
- Extra walks; if the client requires the dog to be taken for a walk more than one time per day.
- Group Walks; several dog owners in the same area can ask for the dogs to be taken on group walks to socialize as well as tire them out. All of the dogs must meet before, to make sure that there will be no problems.
- Other; if the customer has any other specific needs, the company will do its best to serve them, as the slogan claims.

14.1.3. Pet Sitting Basic Service

The Pet Sitting Basic Service also takes around 30 minutes and it involves going to the customer's house, clean the pets' area, play with them, change food and water, administer medications if they need it. If there is a dog, the pet sitter will also take it for a walk. The basic service can be used for people with more than one pet, for a small extra per pet.

The pet sitter will take a couple of pictures of the pets which will later be sent to the clients' e-mail. Care4Pet also includes a basic house-sitting service for no extra charge, which includes recovering the mail and changing the blinds' positions.

14.1.4. Care4Them

Much like the special Dog Walking service, the Pet Sitting special service also has a different name, to convey the idea of personalization and care for the pets, which is Care4Them.

Care4Them works in the same way as the Walk4Dog, as there are several options available to the customer, all of them with an associated price increase. The client can choose the ones he or she wants to use, thus personalizing the service. The possible options are:

- Extra time or extra visits; if the owner wishes for their pets to have some company for longer that day, or more than one visit per day, the pet sitter will fulfil that need. If the owner only wishes the pet sitter to be present for less time, that option is also available.
- Overnight sits; if the owner does not wish for their pets to spend the night alone, the pet sitter can stay at the customer's house overnight.
- Other; if the customer has any other need other than the ones already mentioned.

14.1.5. Emergency Special Service

The Emergency Special service is for those people who have an unexpected emergency and have not used any Care4Pet services. As any service requires a previous meeting at least 24 hours earlier, there may not be enough time between the potential client having an emergency and needing the service.

In this case, for a small extra, the initial meeting can be less than 24 hours earlier, that is, it can be in the actual day. If there is a need the meeting can be right before the company performs the service.

14.1.6. Other Services

Care4Pet also provides other additional services to its customers, such as taking the pet to the veterinarian or taking the pet to the Groomer, for a bath or a shearing if the owner is not available to do it.

Another available service is Food Transportation, where Care4Pet will take the pet food, which often comes in big heavy bags, to the client's own house, thus saving them the trouble of doing so themselves.

In the case of regular customers who plan to use Care4Pet's services more times, there is also the possibility of buying a package of Walks or Sits with a 10% discount.

14.2. Price

In terms of the Basic Services and based on the questionnaire results, the Dog Walking price should be in the lowest price bracket as almost all of the answers are in that price bracket, but it should be a high value within that price bracket, as the person who has used the service three or more times chose the highest price bracket. The Pet Sitting price should also be in the lowest price bracket, but it would be more acceptable for this value to be closer to the second price bracket as around 20% of people chose that price bracket.

When it comes to Pet Sitting, the values for dogs are more expensive than the value for cats and other animals, as the dogs have a Dog Walking service associated. If there are extra pets which are fish, they do not have an added price except in special circumstances. The price table can be found in the Annex 27 – Price Table.

14.3. Distribution

When it comes to service distribution, or placement, there are two things to consider. First of all, how the customer will reach the company to request the service has to be considered, and secondly the area of operation, which is where the company will act.

When it comes to the distribution channel, that is, how the customer will reach the company, it will be a direct channel, as the client will contact the company either through the website, or through a phone call.

While the main booking of the dog walker or pet sitter should be through the website, it is still important to have a phone number, as a personalized service should always give the clients a way to reach them more immediately. Talking with someone over the phone is also another way of increasing the trust the potential customer may have with the company.

In terms of which location to operate in, the author decided to do a small study to decide what might be the best area in terms of several aspects. To begin with, as the targets are people in suburban areas, the areas which will be studied are those closest to the district of Lisbon. Those districts are Oeiras, Cascais, Amadora, Odivelas, Sintra and Loures, which turned out to be the districts where the competition is also located in the district of Lisbon.

The factors considered relevant for the study were the number of competitors by area, the number of dogs in each area, the purchase power and the population density. While the

number of pets by area would be better information for this study, that information is not available leading to the use the number of dogs.

The following table shows the values attributed to each area. The more competition there was in one area, the lowest the value associated with that area. The bigger the number of dogs in one area the bigger the value associated with that area with the same happening for the purchase power and population density factors.

As there is a different importance for each of the variables, a weighted average can be used. The most important factor is the purchase power, as it is related directly with the client's financial capacity for paying for a service. The second most important variable is the number of dogs as the higher this number is, the bigger the potential market for the company.

The third most important variable is the competition, as if there is less competition in the area, the company has a bigger market available, especially considering that there is some loyalty associated with this business. The last variable is the population density, as the higher the value for this variable means that there are more families in this area, which means that there are more potential customers.

Table 3 shows the values attributed to each of the variables for the different possible locations, based on the information present on the tables found on the Annex 28 – Localization Factors.

	Competition	Number of dogs	Population Density	Purchase Power	Weighted Average
Oeiras	1	2	3	5	2,9
Cascais	3	3	2	4	3,25
Amadora	4	1	5	2	2,5
Odivelas	4	2	4	1	2,35
Sintra	2	5	1	1	2,45
Loures	5	4	1	3	3,6
Weight	0,25	0,3	0,1	0,35	

Table 3 – Location Study

By observing the results it is possible to see that the location with a higher value is Loures. As such, the company will operate mainly in this area; however it is important to keep in mind that it is likely that Care4Pet will get requests from other areas, which the company might consider.

Loures can also be considered a good area to operate, as the questionnaire respondents for this area had the best results in terms of interest in both the Dog Walking and Pet Sitting services, as the percentage of interest is above 70% for both cases.

14.4. Promotion

In terms of promoting the company and their services it is important to always keep in mind that one of the most important things is trust while at the same time passing through the idea of personalization.

As such, the company will apply the following communication methods.

14.4.1. Word of Mouth

This method is the most important method, as the people who promote the company also give their own opinion of the company and its people, and it is part of both the Mission and the Vision of the company. The level of trust the potential customers give to this method is very high, because it is not the company promoting itself, but rather their own friends who they trust and whose opinion they are more likely to listen to.

The disadvantage is that the company initially can only rely on friends, neighbours and acquaintances to spread the word, and has little control of what is said.

14.4.2. Company Website

The company will have its own website, which serves several purposes, as it is used for people to contact the company, to request the company's services, an informational purpose and of course, the promotion purpose.

The website should be pleasing to the eyes and easy to navigate with all of the information readily available. There should be links to other locations where the company is also promoted, as well as references to the partnerships with food stores, veterinarians and animal associations.

The site should also show a few references and mention that potential clients may ask for contact with references, as well as reassure the potential clients by showing the training that the dog walkers and pet sitters have in the area.

14.4.3. PSI and other websites

As the company will be a member of PSI, it will be a part of their Pet Sitter Finder search engine. To become a member of this website there is an associated fee as well as a Certification Program, which to those that reach Care4Pet through this method will increase the level of trust.

The company can also be mentioned in other websites which provide lists of the existent companies which provide these services. Websites of pet associations may also link to Care4Pets' website, as they already do for other companies as a way to increase awareness of the existence of these types of companies to try to decrease the number of abandoned pets.

14.4.4. Facebook

Nowadays it is very important for any company to be present in Facebook, as people spend increasingly more time there. In the Care4Pet case it is also relevant, because it is one way for people to easily share their experiences with the company and promote it to all of their friends.

Care4Pets' Facebook page should have in an easily seen location a link to the main website as well as state that all of the information can be found in this website. This way, potential clients may go the company's Facebook page after a friend shared it, liked it or referenced it in any way, and from there easily be able to access the website.

The Facebook page should also be updated often with interesting facts, funny images and other appealing information, so as to keep it in the newsfeed of its friends and as such keep the company in the mind of the clients.

14.4.5. Business Cards

The existence of business cards that the dog walker or pet sitter can deliver to both first time clients and potential clients is a good way to pass the idea of personalization as well as a possibility of a connection with the service provider which may increase the trust.

14.4.6. Brochures/Fliers

The company can leave brochures and flyers with its partners, such as pet stores, veterinaries and pet associations, as well as with the local stores which will allow it, such as coffee shops,

dry cleaner and others. This last group should be places where people often stop and stay for a bit and if they are interested or know someone that might be interested they may take the fliers of brochures with them and later search for more information in the website or the Facebook page.

14.4.7. Magnetic Car Signs

The company can have a magnetic sign which can be placed in the car which will promote it. Potential customers or interested parties may approach the pet sitter or dog walker and ask for further information or take the information to later check the website or Facebook page.

The reason why the car sign should be magnetic is for pet sitters to be able to remove it easily when providing that service, so as not to leave clues that their client's house is currently temporarily empty.

14.5. People

The people are the most important aspect in any service, as they are the ones who are directly responsible for its quality. In this case they are even more important, as the client will be allowing them into their own house and trusting them with their pets which for many are a part of the family. For this reason the people working for Care4Pet should be trustworthy, be able to put the client at ease, inspiring their trust and have a love of animals. The people will also have training in how to deal with animals, as well as have the PSI certification.

Another way to emphasize the personalization of Care4Pet and its care for the clients is for the company's worker to show concern and to try to remain informed of the condition of a pet known to be ill, weather the customers used the service of taking them to the veterinarian or not.

In the beginning there will only be one person who works for the company, however, as the number of services increases, especially in the high season, there will be a need of at least one other person who can supply the same service when the initial one is not able do so.

14.6. Process

The most important goal that Care4Pet needs to make sure it reaches is that the clients trust the company as well as its people. To do this there are several processes that the customer

need to be aware of as a way to increase his or her trust and inspire confidence in the company.

First of all there is the initial meeting, which is mandatory. This meeting is not only a way for the dog walker or pet sitter to get to know the clients and their pets, but also a way for the customers to get to know the people who will be providing the service and watching as they interact with the pets. This way the possibility of an incompatibility between any of the three participants can be decreased or caught earlier.

The second aspect of the process of the service that needs to be explained to the client is the fact that the pet sitter or dog walker will need access to their home. In case there is a neighbour, or someone close, who has a key and agrees to allow access to the service provider, Care4Pet will always make sure that this person is aware of who they are, so that they will only allow access to the correct person and never a stranger.

In the case that the company needs to have access to a key, then that key will be stored in a safe and only taken out when it is to be used for a service. Inside that safe, the key will only be marked with a code rather than the corresponding address, to insure safety.

Another way to reassure the client that Care4Pet is a serious company and that the service provided will be of the utmost quality is to have insurance. Not just insurance that covers work accidents but also covers care, custody and control.

The final process to consider, are forms which the dog walker or pet sitter will fill by asking the clients about the characteristics of their pets. This is important not only because, as each animal is different from all the others it will help in providing a better service, but also because it gives the idea of professionalism which can increase trust.

14.7. Physical Evidence

As there is no physical store, the physical evidence is presented in the magnetic car sign, which as I have mentioned would be taken off when performing Pet Sitting duties so as to not leave clues that there might be an empty house in the client's area. This precaution is important even in situations where it would be difficult for potential burglars to know which house is the one belonging to the client, for example in the case of an apartment complex.

15. Financial Analysis

What follows is the financial analysis which is based on the Assumptions that can be found on the Annex 29 - Assumptions.

15.1. Sales Projection

Services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Dog Walking	1.704,51 €	2.953,58 €	3.711,14 €	4.468,71 €	5.151,86 €	5.681,70 €	5.983,83 €
Extra Dog	118,70 €	205,81 €	258,28 €	311,26 €	358,64 €	395,32 €	416,71 €
Walk4Dog	Extra Time	11,50 €	25,93 €	40,67 €	58,82 €	77,93 €	94,50 €
	Extra Walks	70,20 €	139,97 €	197,61 €	261,96 €	324,47 €	375,54 €
	Group Walk	79,56 €	220,72 €	415,49 €	600,87 €	796,17 €	1.068,49 €
Basic Pet Sitting	5.830,10 €	10.102,41€	12.693,57€	15.284,72€	17.621,39€	19.433,65€	20.467,03€
Extra Pet	517,82 €	897,02 €	1.127,71 €	1.357,41 €	1.565,33 €	1.726,72 €	1.817,80 €
Care4Them	Extra Time	240,88 €	417,28 €	524,59 €	631,44 €	728,16 €	803,23 €
	Extra Visit	377,37 €	686,41 €	906,08 €	1.145,17 €	1.386,60 €	1.606,04 €
	Overnight	31,89 €	63,53 €	89,85 €	118,97 €	157,77 €	191,44 €
Emergency Service	24,59 €	42,60 €	53,53 €	64,46 €	74,31 €	81,95 €	86,31 €
Other Services	Take to Vet	171,22 €	364,63 €	459,76 €	554,88 €	650,00 €	713,41 €
	Take to Groomer	107,56 €	230,49 €	294,51 €	345,73 €	396,95 €	448,17 €
	Food Sales	5.435,12 €	11.776,10€	14.795,61€	17.815,12€	20.532,68€	22.646,34€
Discount	798,22 €	1.388,24 €	1.750,84 €	2.116,06 €	2.448,43 €	2.709,69 €	2.863,19 €
Total	13.922,79€	26.738,24€	33.817,57€	40.903,45€	47.373,84€	52.453,68€	55.380,10€

Table 4 – Sales Projection Table

The basis for the sales projection can be found on the Annex 30 – Sales Projection. However, it is also important to mention that the Other Services are considering that 30% of clients want the Take to Vet service, and that 30% of the clients who have dogs want to use the Take to Groomer Service. There is also the assumption that half of the total client base uses the service where the company takes food to their homes buying an average of 5kg a month each.

The discount that can be seen on the table is the quantity of customers who buy packages of services and obtain a 10% discount on those. The final value represents 10% of both basic services, plus 10% of the extra pets services both for Dog Walking and Pet Sitting.

15.2. Investment

The necessary investment for the company to operate is a car and a computer.

In terms of the car, one van will be purchased through a leasing (See Annex 31 – Leasing), with the value of 12.816,56 € (not considering the VAT value), and it will be depreciated over the course of four years. This price includes the van itself plus some alterations to make sure that it can carry animals safely and in accordance to the law. The company does not purchase another car, as even though its life cycle is over, it is still considered as able to function.

In terms of the computer, one will be purchased in the first year with the value of 730,89 € (not considering VAT) and it will be depreciated over the course of three years. As the life cycle of the computer will end after three years, the company will purchase another computer of the same value, but adjusted for inflation (760,57 €), on year 4, which will also be depreciated over the same period of time.

15.3. Costs

When it comes to costs there is a need to consider three kinds of costs: payroll costs, cost with food sold and other costs. In terms of payroll costs, there are two kinds; the costs with the workers who provide the services and the costs with the manager.

The costs with the workers are commissions of 40% over the value received by the company and as such, they are always variable. It also has the advantage that when the company requires extra personnel if the initial worker cannot keep up with the workload, the cost is the same. This happens starting from the third year in the high season, when a second worker is hired to respond to the services when there is a need.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Sales	8.487,66€	14.962,15€	19.021,96€	23.088,33€	26.841,16€	29.807,34€	31.525,95€
Commission Costs	3.395,07€	5.984,86€	7.608,78€	9.235,33€	10.736,46€	11.922,94€	12.610,38€

Table 5 – Payroll costs with Commissions

The costs with the manager are calculated considering two hours of work during the weekdays, plus the 23,75% of social security that the company is required to pay.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Manager	1.322,73€	1.335,95€	1.362,81€	1.404,10€	1.461,11€	1.535,65€	1.630,12€
Social Security	314,15 €	317,29 €	323,67 €	333,47 €	347,01 €	364,72 €	387,15 €
Manager Costs	1.636,88€	1.653,24€	1.686,47€	1.737,58€	1.808,13€	1.900,36€	2.017,27€

Table 6 – Payroll costs with Manager

The costs with goods sold are calculated considering that the company purchases the food at the same price it sells it (an average of 6,19€ with VAT), except that it obtains a quantity discount. This quantity discount increases over the years as it has more clients requesting this service. During the first year that discount is only 5%, however it increases and starting from the fourth year, there is a 20% discount. These values do not consider VAT.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Food Sales	5.435,12€	11.776,10€	14.795,61€	17.815,12€	20.532,68€	22.646,34€	23.854,15€
Food Costs	5.163,37€	10.598,49€	12.576,27€	14.252,10€	16.426,15€	18.117,07€	19.083,32€
Discount	5%	10%	15%	20%	20%	20%	20%

Table 7 – Costs with goods sold

When it comes to the Other Costs, they can be seen in detail on the Annex 32 – Other Costs.

15.4. Working Capital

In terms of the working capital it is important to mention that the company has no inventory or clients, as the food purchased every month is only the ordered amount and the client's payment is done either in cash, by bank transfer or by check.

When it comes to the security reserve for treasury, it is calculated by adding the value for the fixed costs the company had to support for one month, namely with insurances, accounting, administrative costs and costs with the manager. In this case, the values for the costs were considered with the VAT, as those are the values that the company must actually support.

The values for the suppliers refer only to the purchasing of pet food, as there is the company has a one month average payment period.

	Month	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Needs for Exploration								
Inventory		0,00€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
Clients		0,00€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
SOPE	3	485,19€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
Security Reserve for Treasury		419,74€	416,94€	426,58€	432,50€	439,42€	447,83€	457,92€
Total		904,93€	416,94€	426,58€	432,50€	439,42€	447,83€	457,92€
Resources for Exploration								
Suppliers	1	529,25€	1.086,35€	1.289,07€	1.460,84€	1.683,68€	1.857,00€	1.956,04€

SOPE - VAT	3	0,00€	735,48€	958,35€	1.306,67€	1.539,90€	1.723,71€	1.829,47€
SOPE - SS	1	38,30€	38,69€	39,46€	40,66€	42,31€	44,47€	47,21€
Total		567,55€	1.860,52€	2.286,88€	2.808,17€	3.265,89€	3.625,18€	3.832,71€
Working Capital		337,38€	-1.443,57€	-1.860,30€	-2.375,67€	-2.826,47€	-3.177,35€	-3.374,80€
Investment on WC		337,38€	-1.780,95€	-416,72€	-515,38€	-450,79€	-350,88€	-197,45€

Table 8 – Working Capital

The values for investment in Working Capital are almost always negative, which is a result of the company having one month to pay for the purchased food, but receiving quickly from its customers. The details for the state and other public entities (SOPE) items can be found on the Annex 33 - SOPE.

15.5. Financial Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Financial Resources							
EBITDA	-2.674,50€	3.013,12€	5.779,59€	9.125,91€	11.392,58€	13.141,50€	14.079,93€
Loans	15.764,37€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
Share Capital	5.100,00€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
Divestments on WC	0,00€	1.780,70€	416,51€	515,14€	450,56€	350,69€	197,34€
Interest on short-term applications	0,00€	0,00€	1,29€	24,98€	65,42€	195,39€	261,11€
Total Financial Resources	18.189,87€	4.793,81€	6.197,39€	9.666,03€	11.908,57€	13.687,58€	14.538,38€
Financial Needs							
Investment	13.547,46€	0,00€	0,00€	760,57€	0,00€	0,00€	0,00€
Investment on WC	337,64€	0,00€	0,00€	0,00€	0,00€	0,00€	0,00€
Debt Amortization	3.276,91€	3.505,08€	3.749,13€	5.233,25€	0,00€	0,00€	0,00€
Financial Costs with Debt	1.015,61€	787,44€	543,39€	278,04€	0,00€	0,00€	0,00€
Tax on Profit	0,00€	0,00€	116,33€	351,99€	2.144,52€	3.401,68€	3.728,67€
Dividends	0,00€	0,00€	0,00€	0,00€	0,00€	5.343,33€	8.763,67€
Total Financial Needs	18.177,62€	4.292,52€	4.408,85€	6.623,85€	2.144,52€	8.745,01€	12.492,34€
Annual Balance	12,25€	501,29€	1.788,53€	3.042,17€	9.764,04€	4.942,57€	2.046,04€
Accumulated Balance	12,25€	513,54€	2.302,08€	5.344,25€	15.108,29€	20.050,86€	22.096,91€
Short-term Applications	0,00€	96,60€	1.875,49€	4.911,75€	14.668,87€	19.603,04€	21.638,99€

Table 9 – Financial Plan

In the financial resources, for the first year we can see that the company is financed through the debt associated with the car leasing and the share capital, which is 5.100€.

When the Accumulated Balance is higher than that needed for the security reserve for the treasury, the company invests the remaining value on short term application, which yields 1,85%¹.

15.6. Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenues							
Services	8.487,66€	14.962,15€	19.021,96€	23.088,33€	26.841,16€	29.807,34€	31.525,95€
Food Sales	5.435,12€	11.776,10€	14.795,61€	17.815,12€	20.532,68€	22.646,34€	23.854,15€
Expenses							
External Supplies and Services	6.133,49€	5.273,36€	5.894,99€	6.275,94€	6.728,84€	7.085,46€	7.298,96€
Payroll Costs	5.031,94€	7.638,10€	9.295,26€	10.972,91€	12.544,59€	13.823,30€	14.627,65€
Cost of Goods Sold	5.163,37€	10.598,49€	12.576,27€	14.252,10€	16.426,15€	18.117,07€	19.083,32€
Other Expenses	265,77 €	209,76 €	263,80 €	266,44 €	269,11 €	271,80 €	274,52 €
EBITDA	-2.671,78€	3.018,54€	5.787,25€	9.136,06€	11.405,16€	13.156,06€	14.095,66€
Expenses of depreciation	3.447,77€	3.447,77€	3.447,77€	3.457,66€	253,52 €	253,52 €	0,00 €
EBIT	-6.119,55€	-429,23 €	2.339,48€	5.678,40€	11.151,63€	12.902,53€	14.095,66€
Finance revenues	0,00 €	0,00 €	1,40 €	25,20 €	65,77 €	195,79 €	295,33 €
Finance expenses	1.015,61€	787,44 €	543,39 €	278,04 €	0,00 €	0,00 €	0,00 €
Earnings before tax	-7.135,16€	-1.216,67€	1.797,49€	5.425,55€	11.217,41€	13.098,33€	14.390,99€
Tax on Profit	0,00 €	0,00 €	116,84 €	352,66€	2.153,54€	3.405,56 €	3.732,81€
Net Earnings	- 7.135,16€	-1.216,67€	1.680,65€	5.072,89€	9.063,86€	9.692,76€	10.624,15€

Table 10 – Provisional Income Statement

The net earnings for the company in the first year is negative, with a relatively high value, as it is the beginning year. In the second year the company does not generate profit yet, however, starting from the third year the results are positive and continue to be positive and higher every year since then.

¹ The source for this value is the Santander Totta bank.

15.7. Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
ASSETS							
Non-current Assets	10.099,68€	6.651,91€	3.204,14€	507,05€	253,52€	- €	- €
Fixed Assets	10.099,68€	6.651,91€	3.204,14€	507,05€	253,52€	- €	- €
Current Assets							
Inventory	- €	- €	- €	- €	- €	- €	- €
Clients	- €	- €	- €	- €	- €	- €	- €
SOPE	485,45€	- €	- €	- €	- €	- €	- €
Cash and Banks	431,99€	930,49€	2.728,66€	5.776,75€	15.547,71€	20.498,69€	22.507,32€
TOTAL ASSETS	11.017,13€	7.582,40€	5.932,80€	6.283,79€	15.801,23€	20.498,69€	22.507,32€
EQUITY AND LIABILITIES							
EQUITY							
Realized Capital	5.100€	5.100€	5.100€	5.100€	5.100€	5.100€	5.100€
Legal Reserves	- €	- €	- €	- €	- €	1.811,99€	2.500,00€
Retained Earnings	- €	-7.137,88€	-8.359,98€	-6.686,60€	-1.623,40€	281,23€	463,75€
<i>Subtotal</i>	5.100,00€	-2.037,88€	-3.259,98€	-1.586,60€	3.476,60€	7.193,22€	8.063,75€
Net Earnings	-7.137,88€	-1.222,10€	1.673,38€	5.063,20€	9.059,96€	9.681,69€	10.612,37€
TOTAL EQUITY	-2.037,88€	-3.259,98€	-1.586,60€	3.476,60€	12.536,55€	16.874,91€	18.676,12€
LIABILITIES							
Long-term Liabilities							
Loans	8.982,38€	5.233,25€	- €	- €	- €	- €	- €
Current Liabilities							
Suppliers	529,25€	1.086,35€	1.289,07€	1.460,84€	1.683,68€	1.857,00€	1.956,04€
SOPE	38,30€	773,65€	997,08€	1.346,36€	1.581,00€	1.766,78€	1.875,17€
Loans	3.505,08€	3.749,13€	5.233,25€	- €	- €	- €	- €
TOTAL LIABILITIES	13.055,01€	10.842,38€	7.519,40€	2.807,20€	3.264,68€	3.623,78€	3.831,21€
TOTAL EQUITY AND LIABILITIES	11.017,13€	7.582,40€	5.932,80€	6.283,79€	15.801,23€	20.498,69€	22.507,32€

Table 11 – Provisional Balance Sheet

The value in the Cash and Banks is reached by adding to the accumulated value of the financial plan, the value of the Security Reserve for Treasury.

The details regarding the legal reserves, the retained earnings and the dividends can be found on the Annex 34 – Auxiliary Map for Balance Sheet.

15.8. Cash Flow

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
EBIT (1-t)	-4.530,48€	-321,65€	1.725,54€	4.194,50€	8.242,90€	9.537,10€	10.419,15€
Amortizations	3.447,77€	3.447,77€	3.447,77€	3.457,66€	253,52€	253,52€	0,00 €
Operational Cash Flow	-1.082,71€	3.126,13€	5.173,32€	7.652,16€	8.496,43€	9.790,63€	10.419,15€

Table 12 – Operational Cash Flow

Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Financial Resources							
Operational Cash Flow	-1.082,71€	3.126,13€	5.173,32€	7.652,16€	8.496,43€	9.790,63€	10.419,15€
Divestment WC	0,00 €	1.780,70€	416,51€	515,14€	450,56€	350,69€	-
Residual WC	-	-	-	-	-	-	-3.373,29€
Residual Capex	-	-	-	-	-	-	-
TOTAL	-1.082,71€	4.906,82€	5.589,83€	8.167,30€	8.946,99€	10.141,32€	7.045,86€
Financial Needs							
Investment in Capex	13.547,46€	0,00 €	0,00 €	760,57€	0,00 €	0,00 €	0,00 €
Investment in WC	337,64€	0,00 €	0,00 €	0,00€	0,00 €	0,00 €	-
TOTAL	13.885,10€	0,00 €	0,00 €	760,57€	0,00 €	0,00 €	0,00€
Cash Flow	-14.967,81€	4.906,82€	5.589,83€	7.406,73€	8.946,99€	10.141,32€	7.045,86€
Discounted Cash Flow	-14.967,81€	4.377,77€	4.449,42€	5.259,98€	5.668,74€	5.732,67€	3.553,44€

Table 13 – Cash Flow

NPV	14.074,21 €
PV (Interest Tax Shield)	565,67 €
APV	14.639,88 €
IRR	37,55%
Payback Period	3,16
Profitability Index	2,00 €
Continuity Value	43.931,04€

Table 15 – Evaluation Criteria

Risk free	5,04%
Bonlevered	1,18
(Rm – Rf) - Market Risk Premium	6,00%
Discount Rate	12,09%

Table 14 – Discount Rate

After having calculated the Cash Flows of the project for this company, the results must be analyzed, so as to conclude if the company is economically viable or not. To do this, there are several methods that can be used, such as the Net Present Value (NPV), the Internal Rate of Return (IRR), and the payback period, among others.

In order to reach the NPV of the company, the predicted future Cash Flows, both inflows and outflows, have to be discounted at a discount rate, which is usually considered to be the return rate required by the investors. This rate, according to the CAPM model, takes into consideration the risk free rate and then adds an unlevered risk, or beta, multiplied by the market risk premium.

Usually, the risk free rate is considered to be the rate for the country's treasury bonds. However, due to the current situation that Portugal is going through, that value would be too high, as such to reach a more reasonable value, the risk free rate was determined by calculating the average between two averages; the average of the monthly rate of return of the Portuguese Treasury bonds between the years 2000 and 2008 and the average of the same values but between January and August of 2013².

When it comes to the unlevered beta considered, usually a value for the industry average is used. However, as this service is not included in an industry that is studied, the author considered the average of the unlevered betas of the entertainment (1,24) and recreational industries (1,11)³. The reason for this is that, while these two industries are very dissimilar from Pet Sitting and Dog Walking, they both have a higher than average risk and are services where the client has a tendency to think things thoroughly before purchasing and tend to be the first things one stops purchasing in case of financial troubles. The market risk premium is assumed to be 6%.

After the necessary calculations, the final value for the considered discount rate is 12,09%, and the sum of all the cash flows in the future discount at that rate results in a final NPV value of 14.074,21€. As this value is higher than zero, this means that the project is able to recover enough to compensate for the necessary investment and still obtains extra money, which means that the project is economically viable.

The cash flows used to calculate the NPV are considered free cash flows, because they disregard the way that the company decides to finance itself. The choice of a company to have debt increases its costs, which provides an advantage as it pays fewer taxes, and increases the value of the company. This value, when considering the way how the company finances itself, is the Adjusted Present Value (APV) and is result of adding to the NPV the present value of the Interest tax shield.

² The source for these values is the Bank of Portugal.

³ The source for these values is the Damodaran website.

The interest tax shield was calculated earlier and it amounts to 565,67€ which results in a final APV of 14.639,88€ for the company.

The IRR is the rate at which the sum of the discounted cash flows would be equal to zero. This means that the rate at which the cash flows are being discounted must be lower than the IRR, for a project to be considered viable. As the discount rate considered is 12,09%, which is lower than the 37,55% of the IRR then this means that once again it is possible to conclude that the company is economically viable.

The payback period is the number of years needed to recover the initial investment in a project, that is, the number of years necessary to equal the NPV to zero. This method does not test the viability of a project, but it is an indicator of risk, that is, the sooner the initial investment is recovered the less risk there is for the investor. The payback period for this company is 3,16 years, which means that during the third year of activity, the company will have managed to offset the initial investment needed, which is earlier than the period of 7 years of which this project was analyzed.

The profitability index allows us to evaluate the profitability generated per unit of invested capital. As it derives from the NPV method, the conclusions taken regarding the economical viability of the company are equal. In this case, the profitability index is 2,00€, which means that for every euro invested in the company, there is a return of the initial investment plus 1€.

All of the methods used so far have assumed that the company will close after the evaluation period, which is why in the last year of the Cash Flows the residual value for both the fixed assets (capex) and the working capital is accounted for. Another alternative is to consider that the company will remain operating after the analysis period and calculate the continuity value assuming a constant growth rate.

The assumed growth rate for the continuity value was 2% as that is the constant rate that the European Bank intends to keep for the inflation. The discounted continuity value reached for the company was 43.931,04€, which means that should the company keep operating in a perpetuity it would generate nearly 44.000€, over the company NPV previously determined.

Besides the analysis of the company value and economical viability, it can also be relevant to analyse certain indicators of the state of the company over the years. This analysis can be found on the Annex 35 – Indicators.

15.9. Sensitivity Analysis

Having analyzed the value of the company set on a given number of assumptions, it is now important to analyse the sensitivity of that value to variation of certain assumptions. The author decided to analyse the sensitivity of variations to the number of services the company will be able to get, the sensitivity of variations in the earnings and the costs. The author decided to alter each of the variables both positively and negatively by 5, 10 and 20% and the results obtained can be seen on the table below.

When it comes to the variation in earnings and costs, the variations were applied assuming that there was an increase in the value received, or in the costs incurred, without any alteration in other variables. The number of services variation on the other hand necessarily affects other values however the assumptions were the same.

Negative Variations	Number of Services			Earnings			Costs		
	-5%	-10%	-20%	-5%	-10%	-20%	+5%	+10%	+ 20%
NPV	12.321,70€	10.561,13€	7.051,81€	7.367,37€	660,53€	-12.753,16€	8.582,56€	3.090,90€	-7.892,41€
IRR	34,51%	31,44%	25,24%	25,98%	13,42%	-	27,84%	17,92%	-
Payback Period	3,34	3,55	4,04	3,95	5,56	-	3,82	4,74	-
Continuity Value	41.205,05€	38.455,33€	32.979,49€	33.484,10€	23.037,16€	2.143,28€	36.141,41€	28.351,77€	12.772,50€
Profitability Index	1,87€	1,75€	1,50€	1,52€	1,05€	0,09€	1,61€	1,22€	0,44€

Positive Variations	Number of services			Earnings			Costs		
	+5%	+10%	+ 20%	+5%	+10%	+ 20%	-5%	-10%	-20%
NPV	15.873,84€	17.592,60€	21.104,96€	20.781,05€	27.487,90€	40.901,58€	19.565,87€	25.057,52€	36.040,83€
IRR	40,60%	43,63%	49,71%	48,74%	59,89%	82,97%	47,33%	57,37%	78,99%
Payback Period	2,99	2,82	2,54	2,59	2,18	1,59	2,64	2,24	1,65
Continuity Value	46.680.76€	49.430,48€	54.906,42€	54.377,98€	64.824,92€	85.718,80€	51.720,68€	59.510,31€	75.089,58€
Profitability Index	2,12€	2,25€	2,50€	2,48€	2,95€	3,90€	2,39€	2,78€	3,56€

Table 16 – Sensitivity Analysis

By observing the results of the sensitivity analysis, it is possible to see that the same percentage of alterations on earnings leads to a higher effect on the results, than on the other variables. The second variable that affects the results the most is costs, while the results are less sensible to alterations on the number of services, which is likely due to the high existence of variable costs which depend directly on earnings and as such the final margin tends to be similar.

It is also important to see that even with negative alterations of 5, or 10%, the company continues to always be economically viable even if the value is lower, and the payback period goes from 3 years and can reach almost 6 years.

On the other hand, with negative variations of 20%, in both the case of fewer earnings or higher costs, the company value is very negative. In the case of the earnings being 20% lower than expected the company's negative VAL is nearly as high as the expected positive VAL. In this case, as the company is not able to offset the investment, it is not possible to calculate the IRR, or its value is negative which loses its meaning. Additionally, the payback period is also higher than 7, the time period in which the company was studied, and the IR is lower than 1, which means that for every euro invested, the investor would not even be able to recover it.

In the case of positive variations, as expected, it follows the same trend but favourably to the company's value, resulting in a payback period that is always lower than the expected 3 years and going as low as 1,59 years. In the case of the IR, it even reaches 3,90€, in the best case scenario where there is a 20% increase on earnings.

Having studied the sensitivity analysis it is important to remember that this analysis only considers the variation of one variable while assuming that the remaining ones continue stable. As such, to analyse these variations a Decision Tree was applied, where the resulting NPV of the company, when there are both negative and positive variations of all the variables, was analyzed. While the variables were altered both positively and negatively, in this case, for simplicity's sake, only variations of 5% were considered. See Annex 36 – Decision Tree.

16. Conclusions

Having studied the economical viability of the company it is important to mention that there are limitations to this analysis; namely the fact that there is little information from the portuguese market available and that the market from where it is easier to find information is the one from the United States of America, which is significantly different from the Portuguese one.

Another difference in market information is that the results of the questionnaire showed that people were interested in the services; however, people who actually provided this service stated that they started profiting early, but with a low value. There are two possible explanations for this difference; firstly, the information from the market can be slightly skewed as a way to attempt to create a barrier to entrance and protect their client base and secondly, the potential clients who replied to questionnaire were previously uninformed of the service or think that it is too expensive for them.

Taking into account the level of uncertainty of the obtained information, the assumptions applied over the course of this thesis were cautious ones that tended to be conservative.

Additionally, the author would suggest another possibility to increase the final NPV of the company, which would be to add another related service that was not studied during this thesis due to time constraints, namely Dog Training. This service would not only be a way to attract more clients to the base service, but also a way to increase revenue.

To sum up, if the assumptions are correct or even if they are altered negatively by 5 or 10%, the conclusion that can be taken is that the company is viable even if, as expected the final NPV value could be considered low. However, as the services still have a small presence in the Portuguese market it can be expected that in the future, as the market grows or the economical crisis' effects decrease, this business could become one with a good potential.

Furthermore, anyone wishing to apply this business plan should keep in mind that a very important matter in the whole operation would be to educate the people as to the existence and advantages of these services, which would then make them potential customers of the service and increase the potential market for both this company, and others.

The final conclusion would be that, as the company is financially viable, with an NPV of 14.074,21€, the recommendation is to invest. Nevertheless, investors must keep in mind that

every project involves some risks and there is always the risk that the actual results obtained are different from the predicted ones. Another ever present risk is the possibility of the existence of other projects with similar risks and higher potential returns.

More specifically to this project, it is possible to see from the sensitivity analysis that variations on demand have the lowest effect on NPV; however variations on earnings affect it significantly. Variations on the predicted costs are the least likely ones to happen, due to the specifications of this project with few fixed costs.

As such, the biggest specific risk resulting from the sensitivity analysis, to consider is that for any reason, the price would need to be lower, thus resulting in lower earnings, and potentially making the company not economically viable.

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18. Annexes

Annex 1 – Portugal GDP

Portugal Gross domestic product at market prices (volume change rate; annual)

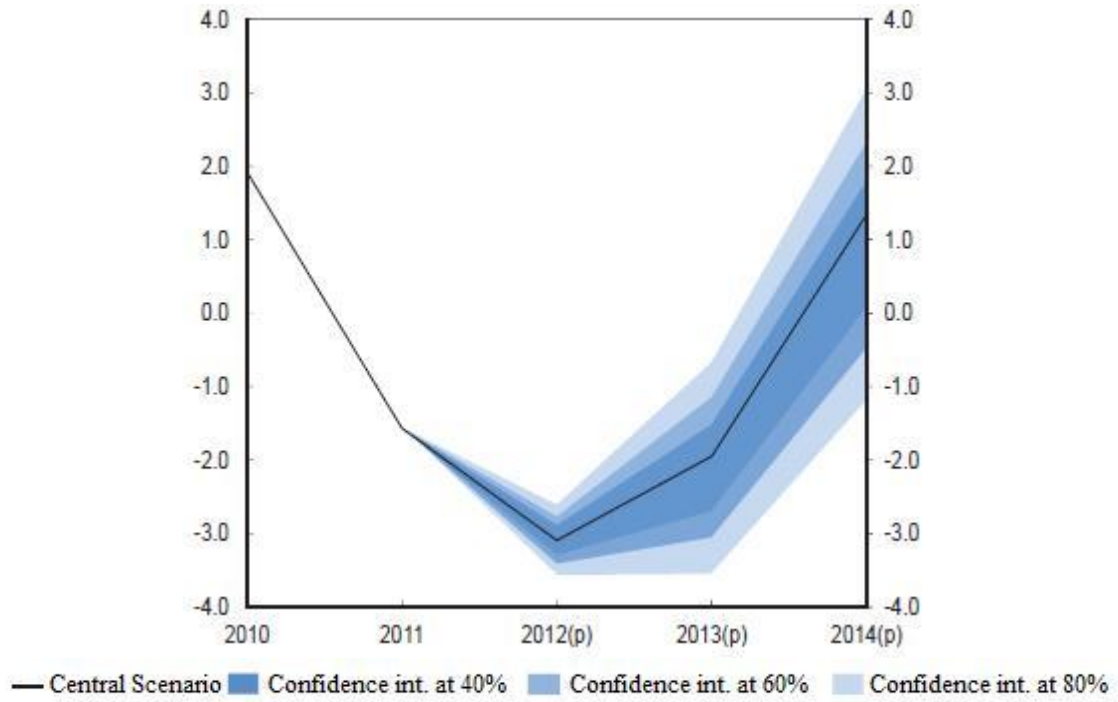
Year	Gross Domestic Product (%)
2000	3,9
2001	2,0
2002	0,8
2003	-0,9
2004	1,6
2005	0,8
2006	1,4
2007	2,4
2008	0,0
2009	-2,9
2010	1,9
2011*	-1,6

**Provisional value*

Source: INE – Instituto Nacional de Estatística

Annex 2 – Expected Portugal GDP

Portugal GDP variation rate in percentage



Note: (p) - projected

Source: Banco de Portugal; INE – Instituto Nacional de Estatística

Annex 3 – Average Inflation Rate Change

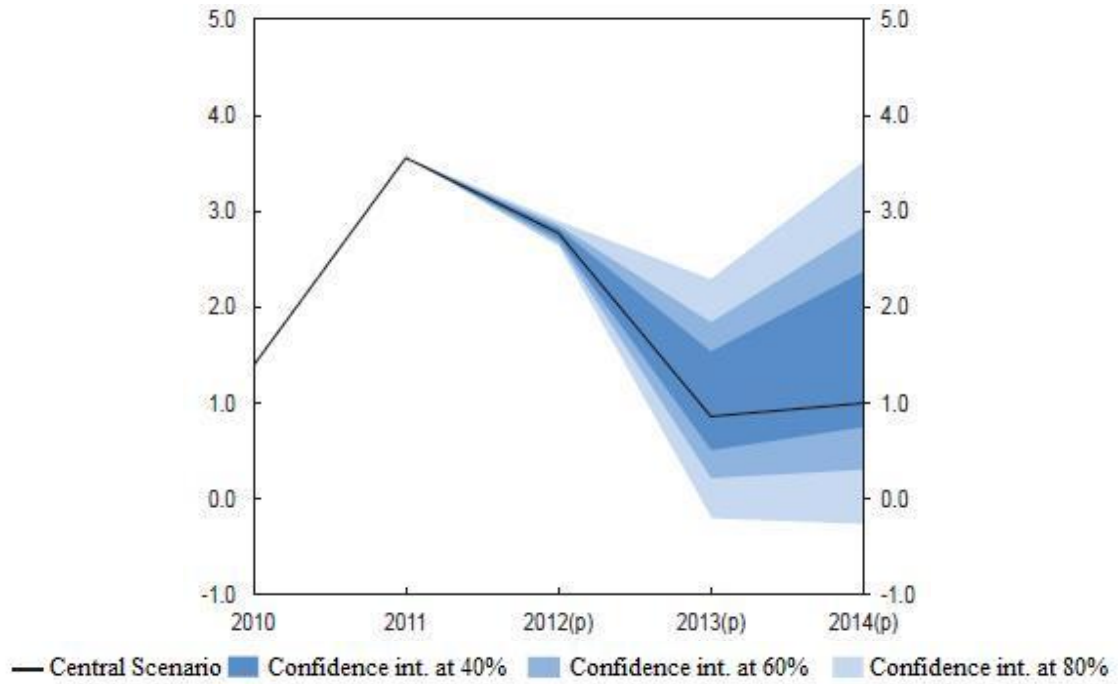
Annual Average Rate of change of the Inflation Rate

Time	Average Inflation Rate change (%)
2000	2,8
2001	4,4
2002	3,7
2003	3,3
2004	2,5
2005	2,1
2006	3
2007	2,4
2008	2,7
2009	-0,9
2010	1,4
2011	3,6

Source: Eurostat

Annex 4 – Portugal Expected Inflation Rate Change

Portugal Inflation rate variation, in percentage



Note: (p) - projected

Source: Banco de Portugal; INE – Instituto Nacional de Estatística

Annex 5 – Gross National Disposable Income

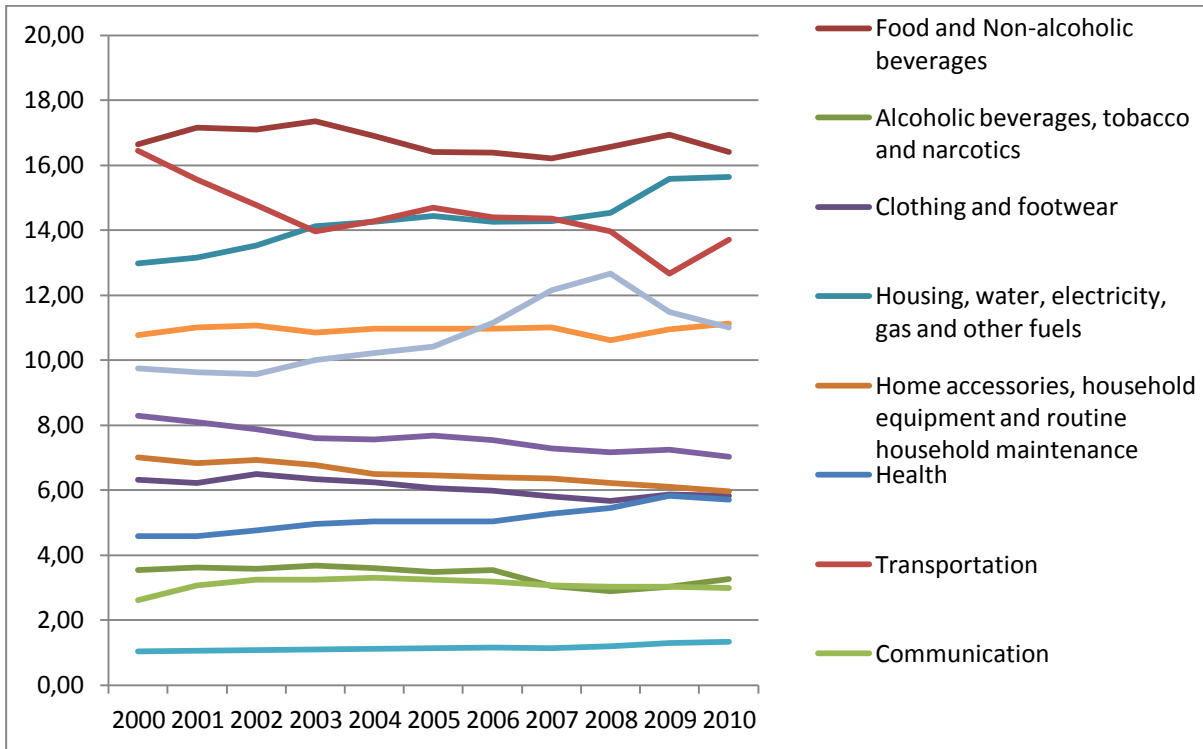
Year	Gross National Disposable Income per capita PPS - PT
2000	15513,9
2001	15835,7
2002	16322,7
2003	16460,3
2004	16731,5
2005	17726,7
2006	18316,2
2007	19216,3
2008	19005,1
2009	18157,7
2010*	19121,5
2011*	19088,9

**Provisional value*

Source: Pordata

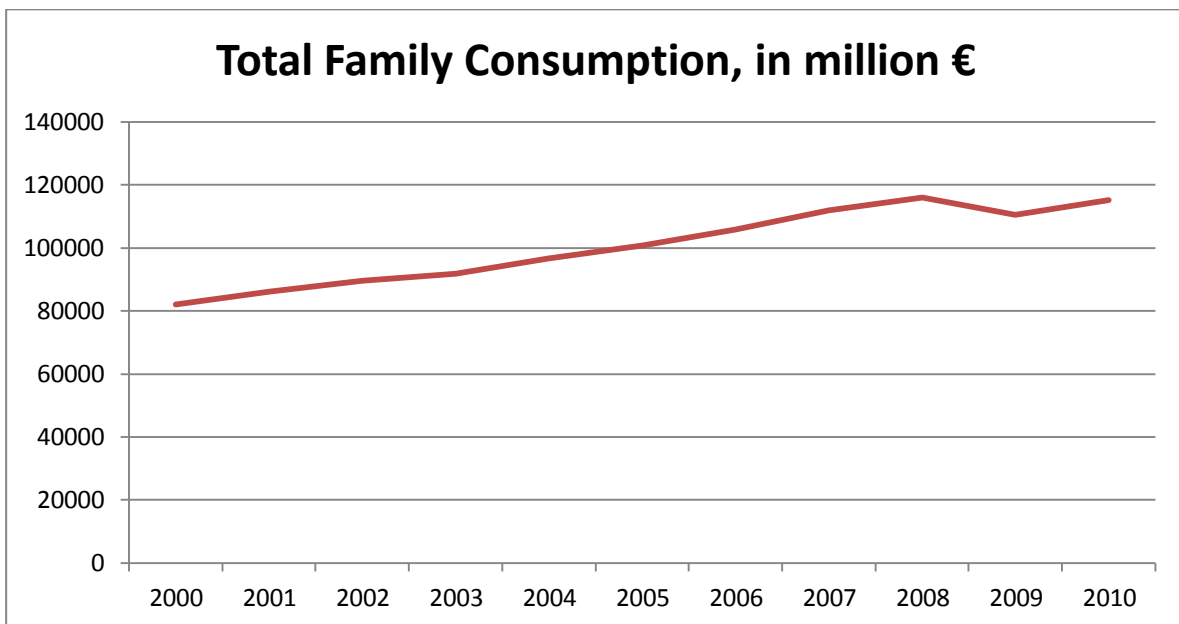
Annex 6 – Household Expenditure

Final consumption expenditure of households on the economic territory by type of goods and services, by percentage



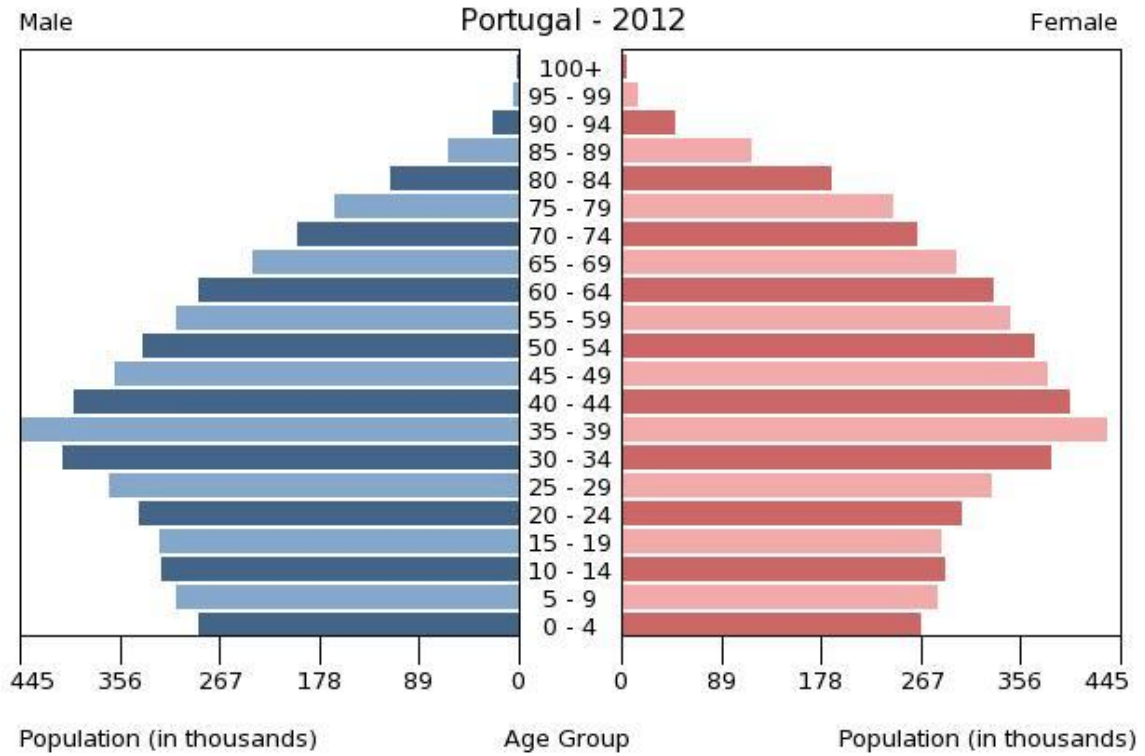
Source: Pordata

Annex 7 – Portugal Total Family Consumption



Source: Pordata

Annex 8 – Portuguese Population Pyramid



Source: www.census.gov – US Census Bureau

Annex 9 – Gross Birth Rate

Year	Gross Birth Rate (PT), (number of live births per 1000 inhabitants)
2000	11,7
2001	11,0
2002	11,0
2003	10,8
2004	10,4
2005	10,4
2006	10,0
2007	9,7
2008	9,8
2009	9,4
2010	9,6
2011	9,2

Source: Pordata

Annex 10 – Population Aged 65+

Percentage of Population aged 65+			
Year	Percent Both Sexes	Percent Male	Percent Female
2002	16.5	14.1	18.7
2003	16.7	14.3	19.0
2004	16.9	14.4	19.2
2005	17.1	14.5	19.5
2006	17.2	14.6	19.6
2007	17.3	14.6	19.8
2008	17.4	14.7	19.9
2009	17.6	14.8	20.2
2010	17.8	15.0	20.4
2011	18.0	15.1	20.7
2012	18.1	15.2	20.9
2013	18.4	15.4	21.2
2014	18.6	15.6	21.5
2015	18.9	15.8	21.8
2016	19.1	16.1	22.1
2017	19.4	16.3	22.4

Source: www.census.gov – US Census Bureau

Annex 11 – Average Life Expectancy

Average Life Expectancy at Birth			
Year	Total	Male	Female
2002	77	73,6	80,2
2003	77,4	74,1	80,6
2004	77,7	74,4	80,9
2005	78,2	74,8	81,3
2006	78,5	75,2	81,6
2007	78,7	75,5	81,8
2008	78,9	75,8	81,9
2009	79,3	76,2	82,2
2010	79,6	76,5	82,4

Source: Pordata

Annex 12 – Portuguese Gross Widowhood

Year	Gross Widowhood (‰)
2000	4,5
2001	4,5
2002	4,5
2003	4,5
2004	4,3
2005	4,4
2006	4,3
2007	4,3
2008	4,4
2009	4,4
2010	4,4

Source: INE – Instituto Nacional de Estatística

Annex 13 – Portuguese Gross Widowhood, 2010

Portuguese Gross Widowhood by Region and by Sex (‰)			
Region	Total	Male	Female
Portugal	4,4	2,7	6,1
Norte	3,9	2,4	5,4
Centro	5,1	3,1	7
Grande Lisboa	4	2,4	5,5
Península de Setúbal	4	2,5	5,4
Alentejo	6,1	3,8	8,3
Algarve	4,4	2,3	6,4

Source: INE – Instituto Nacional de Estatística

Annex 14 – Registrations on SICAFE

Year	Number of Registrations on SICAFE
2008	44.433
2009	56.089
2010	61.267
2011	66.281

Source: SICAFE Database/DGAV

Annex 15 – Number of Internet Accesses

Reference Period	Number of Internet Accesses (Portugal)
2000	338201*
2001	466813*
2002	664678*
2003	903948*
2004	1223566
2005	1436486
2006	1580050
2007	1611695
2008	1676385
2009	1898008
2010	2104315
2011	2212412

*: Rectified data

The data relative to “Subscribers of Internet access” have been revised since 2000, referring now to each individual as a single client, although able to use several different operator and access to the internet.

Source: INE – Instituto Nacional de Estatística

Annex 16 – Computer use by Age Group

Computer use by Age Group (%)							
Time	Total	16-24	25-34	35-44	45-54	55-64	65-74
2002	27,4	55,2	40,2	27,6	19,5	8,1	2,6
2003	36,2	71,2	50,6	35,5	28,2	§	§
2004	37,2	72,7	53,9	38,1	29,2	12,6	4
2005	39,6	78,1	57,4	42,4	29,5	14,7	3,5
2006	42,5	82,7	63,2	44,4	32,1	16,7	4,4
2007	45,8	89,8	66	49,1	33,2	21,5	5,7
2008	45,9	89,6	74	53,3	34,8	23,2	6,1
2009	51,4	92,2	82,4	59,6	41,3	26,9	8,1
2010	55,4	94	82,1	66,9	46,7	32	12,7
2011	58,2	95	85,2	72,9	50,5	31,3	13,9
2012	62,4	97,1	91	76,8	55,5	35,5	17

Source: Pordata

Annex 17 – Internet use by Age Group

Internet use by Age Group (%)							
Time	Total	16-24	25-34	35-44	45-54	55-64	65-74
2002	19,4	42,8	30,2	17,8	11,7	4,3	1,3
2003	25,7	56	37,3	22,3	18,2	7	§
2004	29,3	63,7	42,5	29,5	20,3	8,3	§
2005	32	70	46,2	33,6	21,1	9,8	2,3
2006	35,6	75,2	53,9	36,3	24	12,1	3
2007	39,6	84,8	58,4	40,5	26	16,7	4
2008	41,9	87,4	69,5	47,3	30,5	18,7	5,2
2009	46,5	88,1	77,1	53,3	36	21,4	6,6
2010	51,1	89,3	79,2	62,4	40,6	27,7	10,4
2011	55,3	92,7	82,1	70,6	45,7	28,3	12,5
2012	60,3	96,8	89,6	74,3	52,2	32,7	16,4

Source: Pordata

Annex 18 – CROM Statistic on Abandonment and Adoption

Year	Animals captured in the street			Animals delivered to the CROM for adoption			Adopted Animals		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
January	*	15	29	*	3	3	*	2	11
February	*	22	22	*	3	4	*	1	8
March	*	13	41	*	3	4	*	6	6
April	*	28	22	*	4	1	*	3	8
May	29	35	36	26	5	2	2	4	9
June	31	22	40	10	9	4	16	4	11
July	23	45	54	12	10	4	7	8	4
August	16	49	31	20	6	8	10	12	13
September	35	33	24	13	6	6	9	12	8
October	22	31	28	1	2	7	4	13	6
November	37	37	74	2	5	12	6	16	8
December	10	37	27	2	2	6	3	7	3
Total	203	367	428	86	58	61	57	88	95

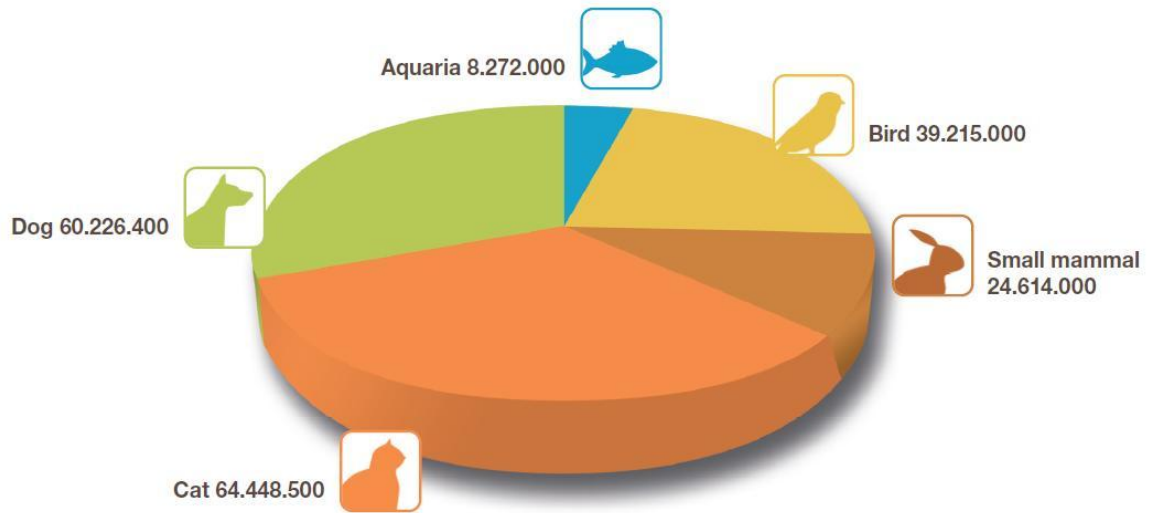
* no available information

Note: CROM - Centro Recolha Oficial de Matosinhos

Source: Matosinhos municipality

Annex 19 – Pet Population of the EU in 2010

Total European Union: 196.775.900



Source: FEDIAF - European Pet Food Industry Federation

Annex 20 – Portuguese Pet Population

Pet Population in Portugal 2010	
Dog Population	1.940.000
Cat Population	991.000
Bird Population	640.000
Aquaria Population	74.000
Small Mammal Population	200.000

Source: FEDIAF - European Pet Food Industry Federation

Annex 21 – Number of Dogs Registered

Area	Number of dogs registered on SICAFE At 31/10/2012
Alenquer	8279
Amadora	2175
Arruda dos Vinhos	2227
Azambuja	3032
Cadaval	1652
Cascais	6637
Lisboa	7619
Loures	9819
Lourinhã	2890
Mafra	12802
Odivelas	4064
Oeiras	4103
Sintra	13635
Sobral de Monte Agraço	3052
Torres Vedras	16388
Vila Franca de Xira	5771

Source: SICAFE Database/DGAV

Annex 22 – Analysis of Local Competition

Competitor	Areas	Dog Walking	Pet Sitting	Other Services	Notes
Petsitting– Personalized Service of Home Care for Pets	- Lisbon (County) - Almada - Barreiro - Seixal - Sesimbra - Alcochete - Montijo - Moita - Palmela - Setúbal	Yes	Yes	- House-Sitting - Night Service - 24h Service - Lodging (Rodents, birds, reptiles) - VIP Service (Daily photos) - Burial Service	- Dog Walking services are only provided in the area of Barreiro - Partnership with Animal Behaviour Appointments - Member of PSI ⁴
Trela & Companhia	- Lisbon	Yes	Yes	- Exercise Walks - Longer Walks available for when there are guests at the house	- Works on free time
Lisbon DogWalker	- Lisbon (County)	Yes	No	- Trips to the vet	
Paula Alexandra – Home Support to Pets	- Cascais - Oeiras - Sintra - Lisbon	Yes	Yes	- Animal Transportation - Workshop– Animal Well-being	- Dog Walking not available for Lisbon
Pet Sitting – Home Support to Pets	- Lisbon - Amadora - Oeiras - Queluz - Aqualva - Cacém - Odivelas - Loures - Sacavém - Almada - Seixal - Montijo	No	Yes	- Extra services to be determined	- Dog Walking could be an extra service.
Dog Walker Cascais	- Cascais - Sintra - Oeiras	Yes	Yes	- Trip to the vet - SOS Basic Training	

⁴ PSI – Pet Sitters International

	- Lisbon			- Emergency assistance	
Ms Pet Sitting	- Oeiras - Amadora - Lisbon - Sintra - Odivelas	Yes	Yes	- Pet nursing - Trips to the vet	
Lisboa Dog-Walker	- Lisbon	Yes	No		- Very recent. Just starting
Marradinhas	- Cascais - Lisboa - Oeiras	Yes	Yes	- Grooming (baths and shearing) - Pet Taxi - Workshops and training - Alternative therapies for pets - Accessories and food for pets (with home delivery) - Assisted activities with dogs	- Partnership with travelling agency
Mimos & Amigos	- Oeiras - Cascais - Sintra	Yes	Yes	- Grooming (includes baths and shearing) - Home delivery of pet food - Pet-Taxi - Home sitting - Cooks home-made food (provided by owner) for pets	

Annex 23 – Advantages and Disadvantages of Local Competition

Competitors	Advantages	Disadvantages
<p>Petsitting – Personalized Service of Home Care for Pets</p>	<ul style="list-style-type: none"> - Member of Pet Sitters International, which gives clients a degree of security. - Variety of Services, not only for cats and dogs. - Several partnerships which give discounts to the clients. - Owners have formation as Assistant Veterinarians as well as other courses in the area. - Existence of an initial meeting free of charge. - As there are only two people providing the service, the client knows that the people taking care of his/her pets are trustworthy and reliable. 	<ul style="list-style-type: none"> - To be able to have a budget or information, one has to fill out a form and give out personal information. - To be able to compare with other companies, the client has to wait for the answering e-mail with the budget. - Dog Walking is only available in the area of Barreiros, and if a similar service is required in another area, the rates will be the same as if it were Pet Sitting. That service is also only available from 12h to 16h. - As there are only two people, reservations may need to be done earlier, especially in the high-season. - For the same reason, there is a lower probability of them being available during an emergency.
<p>Trela & Companhia</p>	<ul style="list-style-type: none"> - Allows for the possibility of offering a gift certificate with these services to friends. - Pet Sitting services require an initial meeting, which leads to a better trust in the sitter. - Works with other Pet Sitters to be able to provide the service outside of the regular schedule, when needed. - Exclusive Dog Walking for each household. 	<ul style="list-style-type: none"> - The schedule on work days only goes from 19h to 24h, as the service provider works on her free time, which means that the service may not be available at a certain time, when it is required. - The sitter does not have specific training in dealing with animals, which could cause apprehension in new customers. However, she has started a course which will eliminate this disadvantage.

<p>Lisbon DogWalker</p>	<ul style="list-style-type: none"> - Existence of a promotional package where you pay less for more visits. - Differentiation of prices according to the dog's size – small, medium or large. - Takes into consideration if the dog prefers smaller groups for the walks or the size of animals it prefers to socialize with. 	<ul style="list-style-type: none"> - They say that there is training to provide the best service, but do not specify what kind of training.
<p>Paula Alexandra – Home Support to Pets</p>	<ul style="list-style-type: none"> - Service provider has training as assistant to a veterinarian clinic as well as education in dog training. - There is an option for the Pet Sitting visit to last either one hour or just 30 minutes. 	<ul style="list-style-type: none"> - The Dog Walking services are given when the owner is home, as part of a home support, and the entire service last only around 15 minutes. - Does not say if, when providing a Pet Sitting service, will send a report to the owners, or not.
<p>Pet Sitting – Home Support to Pets</p>	<ul style="list-style-type: none"> - Extra services in the home-sitting area, such as watering plants, feeding birds or the fish and giving the house a lived-in look, can be included with no additional cost. - There is an initial meeting between the owner and the sitter. - The pet sitter is available to discuss any extra services the client might need. 	<ul style="list-style-type: none"> - There is no information in regards to price and a potential customer needs to send an e-mail to acquire information. - The potential customer has no information about how long an answer to the e-mail might take, and as such cannot even compare budgets with other competing firms.
<p>Dog Walker Cascais</p>	<ul style="list-style-type: none"> - Provides basic training based on Jan Fennel's Amichien technique. - Provides different types of Dog Walking, from the Basic Walk 	<ul style="list-style-type: none"> - There is no information in regards to price and a potential customer needs to send an e-mail or call to acquire information. - There are no details regarding what

	<p>(15-30min), to a No Stress Walk (1h30) to the Exhaust Walk (3h). Walks with different durations are also available on request.</p> <ul style="list-style-type: none"> - Is available for emergencies and Day Care. - If the person is incapable of taking care of the animals due to old age or physical impairments, provides a volunteer service. - If required, the pet sitter will take care of the dog, outside the owners' house. 	<p>the pet sitting service entails.</p> <ul style="list-style-type: none"> - In Pet sitting, does not mention if there will be reports provided every day. - The Pet Sitter/Dog walker has no specific training in the area.
Ms Pet Sitting	<ul style="list-style-type: none"> - Can also take care of other animals. - During the dog walking, the animal's temperament, that is, if the animal is more or less sociable, is taken into consideration. 	<ul style="list-style-type: none"> - The main website is on facebook and all of the information available is very hard to find. - To have access to extra information and budgets a potential client has to send an e-mail and has no indication of how long an answer will take.
Lisboa Dog-Walker	<ul style="list-style-type: none"> - Has hotel service. - There is the possibility to create packages appropriate to the client's needs. - Special circumstances, such as the elderly, single parents or in case of illness, allow for a discount. 	<ul style="list-style-type: none"> - It is very recent, which means that trust is harder to build. - The main site is on facebook and has only little information which is hard to find. - Only has an expected price, but gives no further details.
Marradinhas	<ul style="list-style-type: none"> - Partnership with a travelling agency (slide-in). The owners go travel, and they take care of the pets. - Other than the regular pet 	<ul style="list-style-type: none"> - Price information is only available at a services site where they are registered. However in their own site, there is nothing to lead a potential customer to that site.

	<p>services, there are also alternative therapies for animals, workshops and activities, as well as a pet shop.</p>	<ul style="list-style-type: none"> - The price information does not specify what services it is related to, thus if the client wants a budget, they will have to e-mail or call the company. - There is no information about the specifications of the pet sitting and the other services, such as if there will be daily reports or not.
<p>Mimos & Amigos</p>	<ul style="list-style-type: none"> - Besides the Dog Walking and Pet Sitting services, bath and shearing services are also available. These services do not require a trip by the pet owner, as they are provided in a van. - The price for Pet-Taxi, Pet Sitting and Dog Walking consider extra animals at only the additional cost of 1€ (for Pet Sitting and Pet-Taxi) or 2€ (for Dog Walking) per animal. 	<ul style="list-style-type: none"> - Despite the price considering the number of visits, requiring extra visits does not lead to a discount.

Note: All of the companies which provide Pet Sitting send a report to the animal owners every day, unless stated otherwise.

Annex 24 - Questionnaire

I am a Master student writing a thesis consisting in a business plan for a Dog Walking and Pet Sitting company. This questionnaire is anonymous and its purpose is solely as an analysis tool. Thank you in advance for your cooperation.

Dog Walking consists in picking up your dog, walking it when you are not available to do so, and bringing it back home.

Pet Sitting consists in going to your house, when you are away, and taking care of your animals, which included cleaning the pet's area, changing their food and water, playing with them, administer medications and, in the case of dogs, taking them for a walk.

Gender F M Age _____ Occupation _____

Location of Residence _____

1. **How many pets to you have?**
- | | | | |
|----------|----------------------------|----------------------------|------------------------------------|
| Dog | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 or more <input type="checkbox"/> |
| Cat | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 or more <input type="checkbox"/> |
| Birds | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 or more <input type="checkbox"/> |
| Reptiles | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 or more <input type="checkbox"/> |

2. **Have you ever used a Dog Walking Service?** (If you don't have and have never had a dog, advance to question 3)

Yes How many times? 1 2 More

No If not, what is your alternative solution? _____

In which situations have you used this service?

If you have ever used this service, what were the most relevant aspects in your choice?
(Choose up to 3)

Price

References

Dog Walker had training in the area

Decreasing the pet's stress

Decreasing the risk of disease for the pet

Others _____

If you have never used this service, would you be interested in using it?

Yes In what situations? Emergency

No Temporary Incapacitation

Periodically

Others _____

If you answered no, why?

Too expensive

Never needed it

I don't trust my dogs to strangers

Others _____

3. Have you ever used a Pet Sitting Service?

Yes How many times? 1 2 More

No If not, what is your alternative solution? _____

In which situations have you used this service?

If you have ever used this service, what were the most relevant aspects in your choice?
(Choose up to 3)

Price

References

Pet Sitter had training in the area

Decreasing the pet's stress

Decreasing the risk of disease for the pet

Others _____

If you have never used this service, would you be interested in using it?

Yes

In what situations?

Emergency

No

Temporary Incapacitation

Periodically

Holidays

Absence due to work

Others _____

If you answered no, why?

Too expensive

Never needed it

I don't trust my dog/s and/or house to strangers

Others _____

4. How much would you be willing to pay for each use of this type of service?

Dog Walking [6€ - 10€] [11€ - 15€] [16€ - 20€]

(30 min)

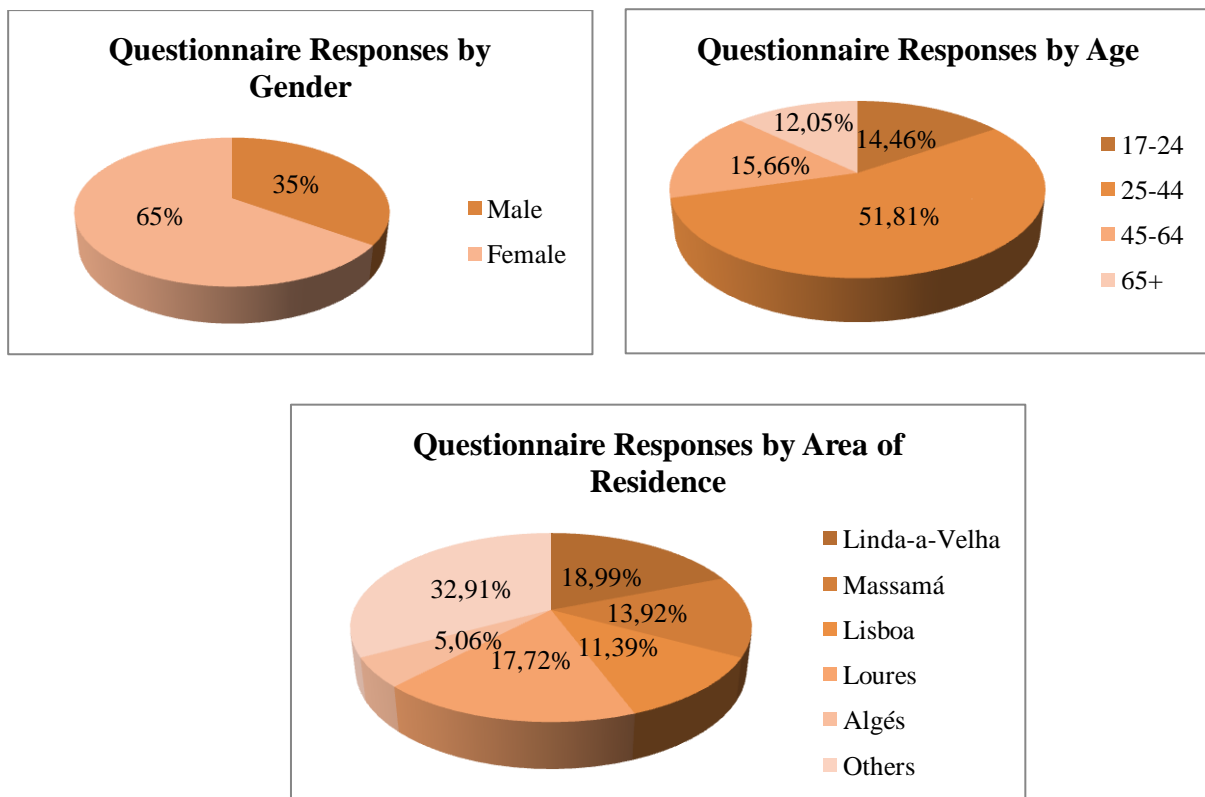
Pet Sitting [10€ - 15€] [16€ - 20€] [21€ - 25€]

(per 30 min visit)

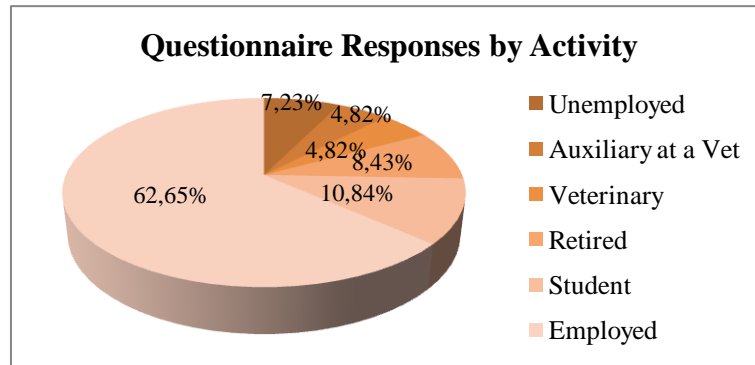
Annex 25 – Sample Characterization

The author was able to obtain 83 replies to the questionnaire; of those 29 were male while the remainder 54 were female and were found between the ages of 17 and 85, though there were four missing values in the age variable.

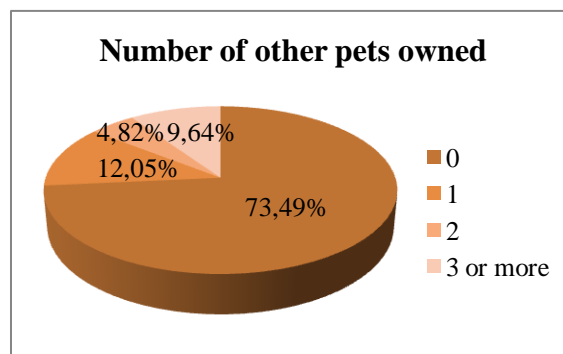
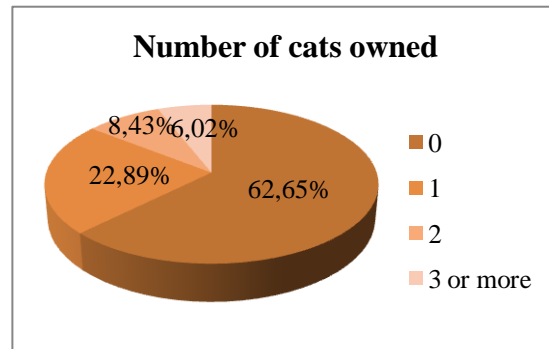
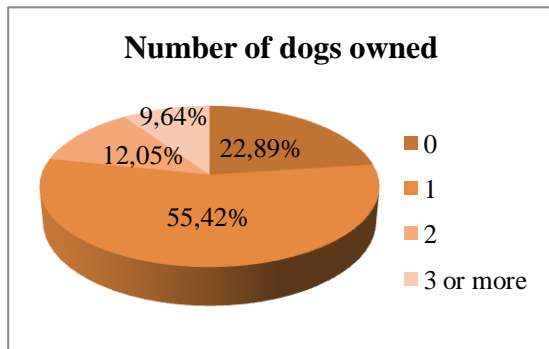
While the majority of the responses came from the areas where the questionnaires were placed, Algés was the exception as it represented only 5,1% of responses. Lisboa, while not one of the original areas represents more than 11% of responses. Close to 33% of people said that their area of residence was a different one, likely because those are their work areas, rather than residential.



When it comes to the distribution of the occupation of the responses obtained, the author decided to distinguish between employed, unemployed, retired, student. However, as the questionnaires were left in veterinaries it occurred that there was a number of responses by veterinarians and assistants at veterinary clinics; as such the author decided to also use them in separate categories to later evaluate if their answers are different, even if they only represent 4,82% of the total of responses each. In the end, more than 62% of respondents are employed, which is likely a result of the fact that over 67% of respondents are between the ages of 25 and 64.

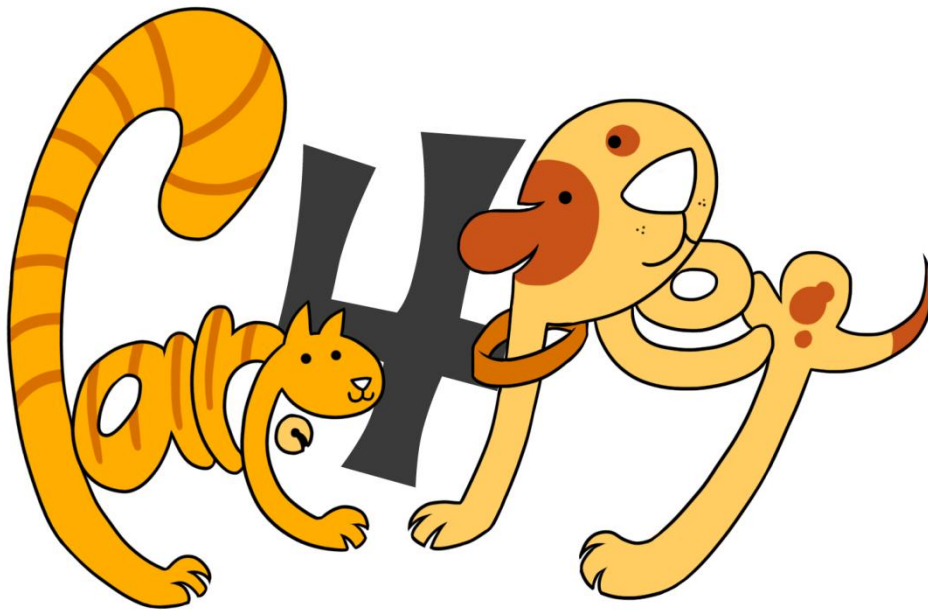


The number of pets and what kind they were can be observed in the graphs below. While these graphs are divided in number of dogs, cats or other pets owned, it is important to keep in mind that it is possible for the same person to have more than one kind of pets.



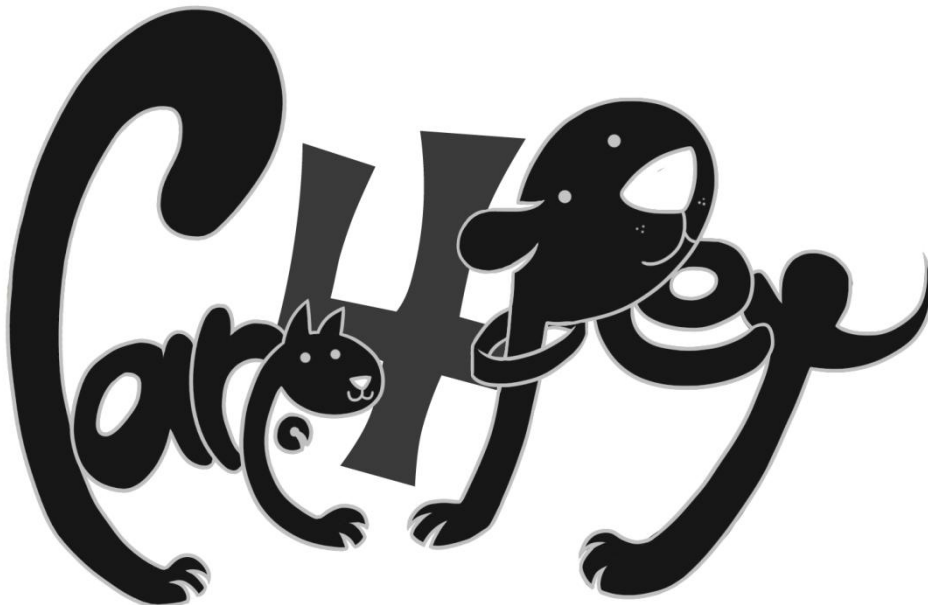
Annex 26 – Care4Pet Logo

Color version



Source: Sara Santos

Black and White version



Source: Sara Santos

Annex 27 – Price Table

Service		Price
Basic Dog Walking		9 €
Extra Dog		2 €
Walk4Dog	Extra Time	5€ first extra 30 min
		3 € after
	Extra Walks	6 €
	Group Walk	To be decided
Other	To be decided	
Basic Pet Sitting	Dog	14 €
	Cat/Other	13 €
Extra Pet	Dog	2 €
	Cat/Other	1 €
	Fish	free
Care4Them	Extra Time	5€ first extra 30 min
		3 € after
	Extra Visits	5 €
	Overnight Sits	15 €
Other	To be decided	
Emergency Sits		2 €
Regular Customer Special	Take to Vet	7,5 €
	Taker to Groomer	7,5 €
	Food Transportation	-

Annex 28 – Localization Factors

Number of Competitors per Location

	Number of Competitors	Value to Assign
Oeiras	6	1
Cascais	4	3
Amadora	2	4
Odivelas	2	4
Sintra	5	2
Loures	1	5

Source: Own research

Number of Dogs per Location

	Number of Dogs	Value to Assign
Oeiras	4103	2
Cascais	6637	3
Amadora	2175	1
Odivelas	4064	2
Sintra	13635	5
Loures	9819	4

Source: SICAFE Database/DGAV

Population Density per Location

	Average number of people per Km²	Value to Assign
Oeiras	3751,3	3
Cascais	2119,9	2
Amadora	7363,4	5
Odivelas	5484,3	4
Sintra	1183,6	1
Loures	1211,2	1

Source: Pordata

Purchase Power per Location

	Purchase Power per capita (2009)	Value to Assign
Oeiras	185,27	5
Cascais	150,63	4
Amadora	115,76	2
Odivelas	94,20	1
Sintra	93,33	1
Loures	121,60	3

Source: INE – Instituto Nacional de Estatística, Pordata

Annex 29 - Assumptions

Inflation	1%	This is the rate considered through the seven years.
Commission	40%	Commission to be paid to the workers.
IVA	23%	
IRC rate	25%	
Derrama rate	1,0%	This is the Derrama rate for Loures.
IRC Tax	26,0%	This is equal to the tax rate plus the Derrama rate.
Social Security:		
Company	23,75%	
Worker	11,00%	
% clients with discount	10%	
Growth Rate (perpetuity)	2,00%	

Annex 30 – Sales Projection

In order to determine the projected sales for the project, it is important to start from the market information. As such, the author considered the number of families in the area of Loures, and assumed that the initial total market would be the number of families that have at least one cat or one dog.

As the estimated percentage of households in Portugal owning at least one dog is 40% and the ones owning at least one cat is 21%, it is reasonable to assume that, considering that there are households with both cats and dogs the average percentage of families with at least one cat or one dogs is 50%.

Assuming that approximately 50% of those families are interested in the service, as that is close to the general percentage obtained in the questionnaire results in the potential market.

Afterwards, to reach the available market, the author assumed that 30% of those families would be interested and have the necessary means to acquire the service. To reach the number of clients for the first year the author assumed that the company would be able to reach 1% of those families.

Number of families (Loures)¹	80464		
Total market	50%	40232	All actual and potential buyers of the product.
Potential Market	50%	20116	Consumers who have interest in the market supply.
Available Market	30%	6034,8	Consumers who have interest, income and access.
Market for the first year	1%	60,348	Number of clients the company expects to reach in the first year.

¹In 2011 - Source INE – Instituto Nacional de estatística

Starting from the number of clients, and assuming a growth for the following years, the values for the number of clients of the company over the years can be obtained. The growth rates assumed are higher at the beginning because that is when the company will develop faster and subsequently the growth rates decrease as there is stabilization.

To reach the number of base services provided by the company per year the author assumed that the company will have an average of 1,4 services per client, per month, to consider the clients who only purchase the service once in a while and the clients who are more regular and request the service two or more times per month, on average.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Growth		30,00%	25,00%	20,00%	15,00%	10,00%	5,00%
Number of clients	60	78	98	118	136	150	158
Number of services	756	1310	1646	1982	2285	2520	2654

To reach the final values for the sales, there is a need to consider the different services to be provided, and assume percentages for each of them.

To reach those values the author started by defining the percentage of each month that would be considered high or off season. Those percentages can be found in the table below and consider in January the New Year, in February the Carnaval, in March the Easter, the summer holidays and in December, Christmas and once again the New Year.

Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
High season	15%	25%	50%	0%	0%	50%	100%	100%	50%	0%	0%	38%	36%
Off season	85%	75%	50%	100%	100%	50%	0%	0%	50%	100%	100%	62%	64%

Secondly, to reach the values in the following table, the number of services in months where there was 100% off season and 100% high season were defined and the percentages above were used to ponder the number of services in terms of Dog Walking and Pet Sitting for the other months.

The number of Dog Walking services for the off season considered was 30 due to an average of 2,5 walks per weekend, plus one walk per weekday. The number of Dog Walking services for the high season was 40, taking into consideration that the owners might want to go to a beach or another place where they cannot take the dogs, and considered one walk per weekday every week, for an average of 1,5 clients, plus one walk per weekday, for two of those weeks.

The considered number of Pet Sitting services for the off season was 20, resulting from four sittings every weekend for four clients, plus one sitting over the week, every week. The number of Pet Sitting services for the high season considered was 175, which comes from an average of 3 clients per week, with two sittings a day, every day for the whole month, plus an average of 1,75 sittings each weekend.

The number of services of the second year was used due to the fact that the first year is the start up year and is therefore atypical.

Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
#DW services/month	32	33	35	30	30	35	40	40	35	30	30	34	404
#PS services/month	43	59	98	20	20	98	175	175	98	20	20	80	906
Total	75	92	133	50	50	133	215	215	133	50	50	114	1310

Through these values it is possible to calculate the total percentage of Dog Walking and Pet Sitting services a year, which are respectively 30,8% and 69,2%, and it is assumed that they will remain equal over the years.

This way, it is possible to reach the percentages of each service over the years which can be seen in the table below.

Year		Prices	1	2	3	4	5	6	7
Services		€	%	%	%	%	%	%	%
Basic Dog Walking		9€	30,8	30,8	30,8	30,8	30,8	30,8	30,8
	Extra Dog	2€	31,3	31,3	31,3	31,3	31,3	31,3	31,3
Walk4Dog	Extra Time	5,06€	1,2	1,6	2,0	2,3	2,7	3,0	3,1
	Extra Walks	6€	5,7	6,6	7,4	8,2	8,8	9,2	9,4
	Group Walk	21€	2,0	3,2	4,8	5,8	6,6	7,3	7,7
Basic Pet Sitting	Average	13,71€	69,2	69,2	69,2	69,2	69,2	69,2	69,2
	Extra Pet	2,21€	55,0	55,0	55,0	55,0	55,0	55,0	55,0
Care4Them	Extra Time	5,15€	11,0	11,0	11,0	11,0	11,0	11,0	11,0
	Extra Visit	5€	17,8	18,6	19,6	20,5	21,6	22,7	23,8
	Overnight	15€	0,5	0,6	0,6	0,7	0,8	0,9	0,9
Emergency Sits		2€	2,0	2,0	2,0	2,0	2,0	2,0	2,0

The table also presents the percentages assumed for the extra services, which cost extra to the clients. In terms of extra dogs considering the results obtained from the questionnaire there are 12,05% of respondents that have two dogs and 9,64% which have more than that. When it comes to extra pets, there are 45% respondents with only one pet, as such 55% should have more than one.

In terms of extra time, for Pet Sitting, the percentage of people who have more than three pets, where at least one of those is a dog are considered to require this extra service. On the other hand, from the people who have dogs, half of those are considered to request one extra visit for Pet Sitting.

Regarding the emergency service, there are always considered to be 2% of people who require this service. When it comes to the remaining services, an initial percentage is assumed and afterwards that percentage tends to evolve over the years.

When it comes to certain prices, they are not the ones mentioned before, as they result from an average. For example, the extra time for Dog Walking price considers that 2% percent of clients requested more than 30 minutes. The basic Pet Sitting average price considers that 71% of people have dogs and the remainder have only one or more cats. The group walks price is considering three people paying 7€ each.

It is also important to mention that these prices are the ones that the consumers will pay, and as such, consider the value added tax (VAT). However, the sales projection table values do not consider the VAT.

Annex 31 – Leasing

The leasing is done over the value of the car, with VAT considered, and with a final payment of 10% of the total value on year 4, which allows the company to keep the car.

The fixed rate obtained was 6,75%⁵, and the monthly rent is 357,71 €. There is also a management commission which amounts to 4,31 € per month.

	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Debt Value	15.764,37 €	12.487,46 €	8.982,38 €	5.233,25 €	0,00 €
Amortization	3.276,91 €	3.505,08 €	3.749,13 €	5.233,25 €	0,00 €
Interest	963,95 €	735,78 €	491,73 €	230,69 €	0,00 €
Rent	4.292,52 €	4.292,52 €	4.292,52 €	3.934,81 €	0,00 €
Final Debt Value	12.487,46 €	8.982,38 €	5.233,25 €	0,00 €	0,00 €
Interest Tax Effect	250,63 €	191,30 €	127,85 €	59,98 €	0,00 €
Commission	51,66 €	51,66 €	51,66 €	47,36 €	0,00 €
Outflow	4.041,89 €	4.101,22 €	4.164,67 €	5.451,32 €	0,00 €
Present Value of Tax Effect	250,63 €	170,68 €	101,77 €	42,59 €	0,00 €

This leads to a present value for the Interest Tax shield of 565,67 €.

⁵ The source of this value is the BPI bank.

Annex 32 – Other Costs

Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Fuel costs	1.072,964€	1.859,236€	2.336,109€	2.812,982€	3.243,019€	3.576,547€	3.766,728€
Other Items	56,91 €	57,48 €	58,05 €	58,64 €	59,22 €	59,81 €	60,41 €
Insurance (worker)	280,00 €	280,00 €	280,00 €	283,80 €	283,80 €	283,80 €	283,80 €
Insurance (car)	893,23 €	893,23 €	893,23 €	893,23 €	893,23 €	893,23 €	893,23 €
Accounting	1.800,00 €	1.818,00 €	1.836,18 €	1.854,54 €	1.873,09 €	1.891,82 €	1.910,74 €
PSI Costs	57,61 €	50,43 €	50,93 €	51,44 €	51,96 €	52,48 €	53,00 €
Marketing	91,54 €	92,45 €	93,38 €	94,31 €	95,25 €	96,21 €	97,17 €
Training	406,50 €	82,11 €	205,28 €	83,76 €	84,60 €	85,45 €	86,30 €
Website	399,39 €	140,41 €	141,82 €	143,24 €	144,67 €	146,12 €	147,58 €
Admin.	265,77 €	209,76 €	263,80 €	266,44 €	269,11 €	271,80 €	274,52 €
Investment Costs	1.075,34 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Total	6.399,26 €	5.483,11 €	6.158,79 €	6.542,39 €	6.997,95 €	7.357,25 €	7.573,47 €

It is important to mention that the other items include gloves and plastic bags and that the PSI costs are the costs to be registered and obtain information from the Pet Sitters International website.

The investment costs include the costs to create the company and a value for any unforeseen costs. As they are investment costs, they only exist on the first year.

Annex 33 - SOPE

SOPE	Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Services	23%	1.952,16€	3.441,29€	4.375,05€	5.310,32€	6.173,47€	6.855,69€	7.250,97€
Food Sales	23%	1.250,08€	2.708,50€	3.402,99€	4.097,48€	4.722,52€	5.208,66€	5.486,45€
Liquidated VAT		3.202,24€	6.149,80€	7.778,04€	9.407,79€	10.895,98€	12.064,35€	12.737,42€
Food Purchases	23%	1.187,57€	2.437,65€	2.892,54€	3.277,98€	3.778,01€	4.166,93€	4.389,16€
Fuel	23%	123,39 €	213,81 €	268,65€	323,49 €	372,95 €	411,30 €	433,17 €
Other Items	23%	13,09 €	13,22 €	13,35 €	13,49 €	13,62 €	13,76 €	13,89 €
Accounting	23%	414,00 €	418,14 €	422,32 €	426,54 €	430,81 €	435,12 €	439,47 €
Marketing	23%	21,05 €	21,26 €	21,48 €	21,69 €	21,91 €	22,13 €	22,35 €
Other	23%	61,13 €	48,24 €	60,68 €	61,28 €	61,89 €	62,51 €	63,14 €
Car	23%	2.947,81€	- €	- €	- €	- €	- €	- €
Computer	23%	168,11 €	- €	174,93 €	- €	- €	- €	- €
Website	23%	91,86 €	32,30 €	32,62 €	32,94 €	33,27 €	33,61 €	33,94 €
Training	23%	115,00€	23,23 €	58,08 €	23,70 €	23,93 €	24,17 €	24,41 €

Deductible VAT		5.143,01€	3.207,86€	3.944,64€	4.181,12€	4.736,40€	5.169,53€	5.419,55€
VAT to pay/receive		-1.940,77€	2.941,94€	3.833,40€	5.226,67€	6.159,58€	6.894,82€	7.317,88€

When it comes to the fuel, it needs to be referenced that, as the car used uses diesel oil it can be deducted, but only at a proportion of 50%.

In terms of the final value, if the deductible VAT is higher than that of the liquidated VAT, then the company has a need for exploration in the working capital. On the other hand, if the liquidated VAT is higher, than the company has a resource for exploration in the working capital.

In the first year, there is a negative VAT value due to the purchases of the necessary investment, namely the car and the computer which have higher values leading to a higher deductible VAT. The remaining year do not have such high values leading the liquidated VAT value to always be higher.

Annex 34 – Auxiliary Map for Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Retained Earnings	-	-7.137,88€	-8.359,98€	-6.686,60€	-1.623,40€	281,23€	463,75€
Net Earnings	-7.137,88€	-1.222,10€	1.673,38€	5.063,20€	9.059,96€	9.681,69€	10.612,37€
Accumulated Retained Earnings	-7.137,88€	-8.359,98€	-6.686,60€	-1.623,40€	7.436,55€	9.962,92€	11.076,12€
Legal Reserves	0,00 €	0,00 €	0,00 €	0,00 €	1.811,99€	2.500,00€	2.500,00€
Dividends	0,00 €	0,00 €	0,00 €	0,00 €	5.343,33€	8.811,17€	10.522,31€

The retained earnings are calculated by decreasing the accumulated retained earnings the value of the dividends and the increase in legal reserves. The accumulated earnings are the result of the sum between the retained earnings and the net earnings.

The legal reserves have to be created, by law, when the retained earnings are positive, until they reach 20% of the share capital or a minimum of 2.500€. In this case, when the company has positive retained earnings, it creates the legal reserve with 20% of profit until it reached the minimum value.

The dividends are distributed between the share holders when the retained earnings are positive and they constitute 95% of the positive result minus the increase in legal reserves.

Annex 35 – Indicators

There are six types of Indicators considered in the table below; the economical ones, the economical and financial ones, the financial ones, the liquidity ones, the financial equilibrium ones and the business risk indicators.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Economical Indicators							
Growth Rate		92%	26%	21%	16%	11%	6%
Operational Efficiency		13%	21%	29%	32%	33%	34%
Operating Margin		-1,63%	7%	14%	24%	25%	25%
Gross Profit Margin		-5%	5%	12%	19%	18%	19%
Economical and Financial Indicators							
Return On Investment (ROI)		-131%	61%	88%	58%	47%	47%
Return on Assets (Gross ROA)		-5,73%	39,30%	90,20%	70,49%	62,87%	62,56%
Asset Turnover		353%	570%	651%	300%	256%	246%
Fixed-Asset Turnover		402%	1055%	8064%	18678%	-	-
Return on Equity (ROE)		37%	-105%	146%	72%	57%	57%
Financial Indicators							
Equity Ratio		-43%	-27%	55%	79%	82%	83%
Debt to Equity Ratio		-333%	-474%	81%	26%	21%	21%
Debt Ratio		143%	127%	45%	21%	18%	17%
Long-term debt to Equity		69%	0%	0%	0%	0%	0%
Liquidity Indicators							
Current Ratio		17%	36%	206%	476%	566%	587%
Acid Test Ratio		17%	36%	206%	476%	566%	587%
Financial Equilibrium Analysis							
Capital Employed		1.973,27€	-1.586,60€	3.476,60€	12.536,55€	16.874,91€	18.676,12€
Fixed Assets		6.651,91€	3.204,14€	507,05€	253,52€	- €	- €
NET WORKING CAPITAL		-4.678,64€	-4.790,74€	2.969,55€	12.283,03€	16.874,91€	18.676,12€
Cycle Requirements		- €	- €	- €	- €	- €	- €
Cycle Recourses		4.835,47€	6.522,32€	1.460,84€	1.683,68€	1.857,00€	1.956,04€
WORKING CAPITAL REQUIREMENT		-4.835,47€	-6.522,32€	-1.460,84€	-1.683,68€	-1.857,00€	-1.956,04€
Treasury Assets		930,49€	2.728,66€	5.776,75€	15.547,71€	20.498,69€	22.507,32€
Treasury Liabilities		773,65€	997,08€	1.346,36€	1.581,00€	1.766,78€	1.875,17€
NET TREASURY		156,83€	1.731,58€	4.430,39€	13.966,71€	18.731,91€	20.632,16€

CONTROL :NT = NWC - WCR		156,83€	1.731,58€	4.430,39€	13.966,71€	18.731,91€	20.632,16€
NWC Variation			-112,10€	7.760,29€	9.313,48€	4.591,88€	1.801,20€
WCR Variation			-1.686,85€	5.061,48€	-222,84€	-173,32€	-99,04€
NT Variation			1.574,75€	2.698,81€	9.536,32€	4.765,20€	1.900,24€
Business Risk Indicators							
Gross Margin		16.130,71 €	21.228,53€	26.634,43€	30.926,74€	34.312,35€	36.270,57€
Operating Leverage		-1320%	1186%	492%	276%	262%	253%
Break Even Point		33.787,19€	28.130,61€	26.822,04€	25.005,18€	16.244,26€	16.530,54€
Margin of Safety		-4,98%	26,03%	63,51%	191,51%	217,17%	241,76%

In terms of the fixed-asset turnover, it is possible to see that in the last two years this indicator is no longer possible to calculate, as the fixed assets are all fully depreciated.

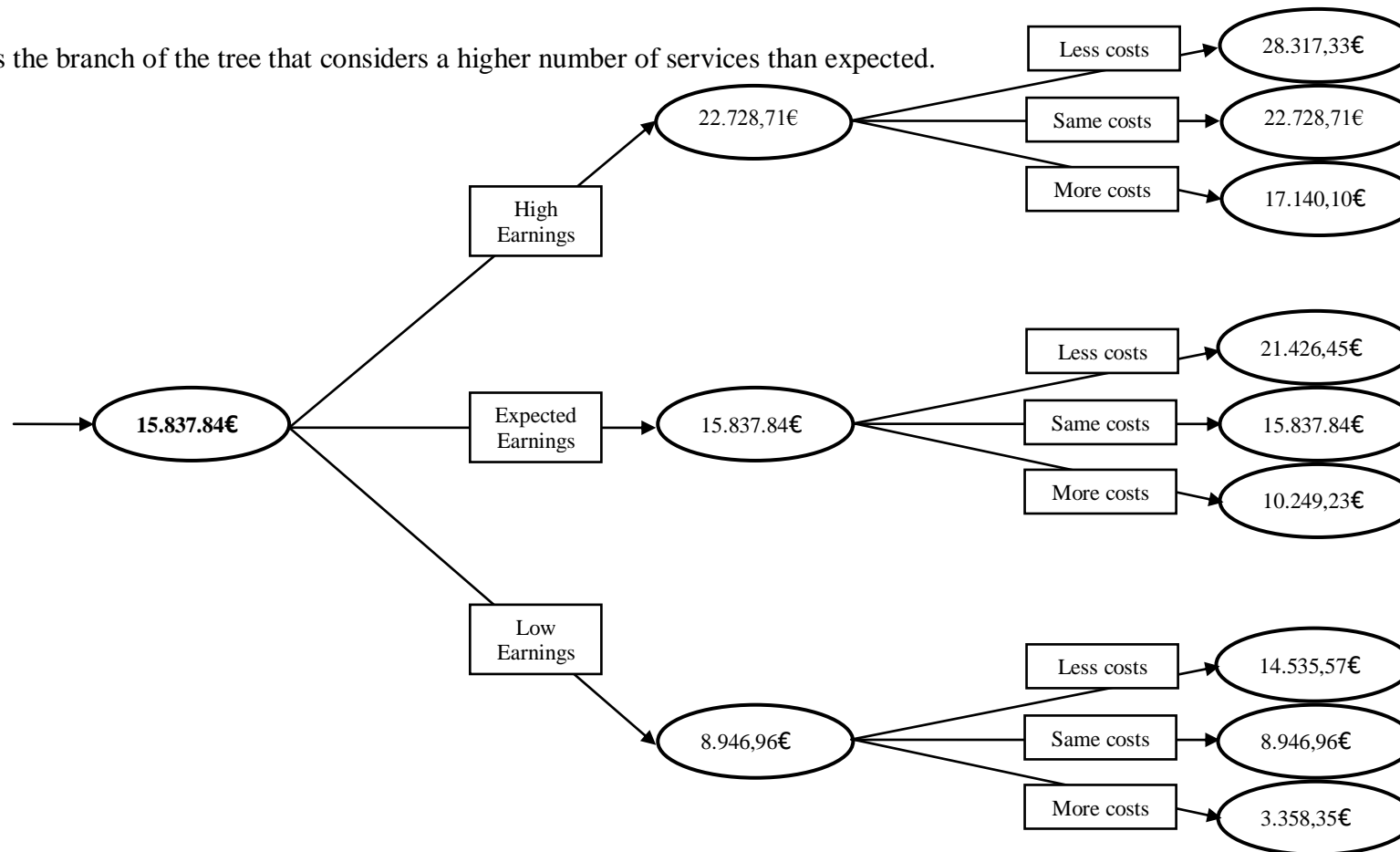
When it comes to the long-term debt to equity, as the debt is fully paid in the fourth year, the remaining debt in the third year is considered current liabilities and as such, from the third year this indicator is always zero.

The Acid test ratio is equal to the current ratio, as the current ratio is the current assets divided by the current liabilities and the acid test ratio is the current assets minus inventory, divided by the current liabilities, and the company does not have inventory.

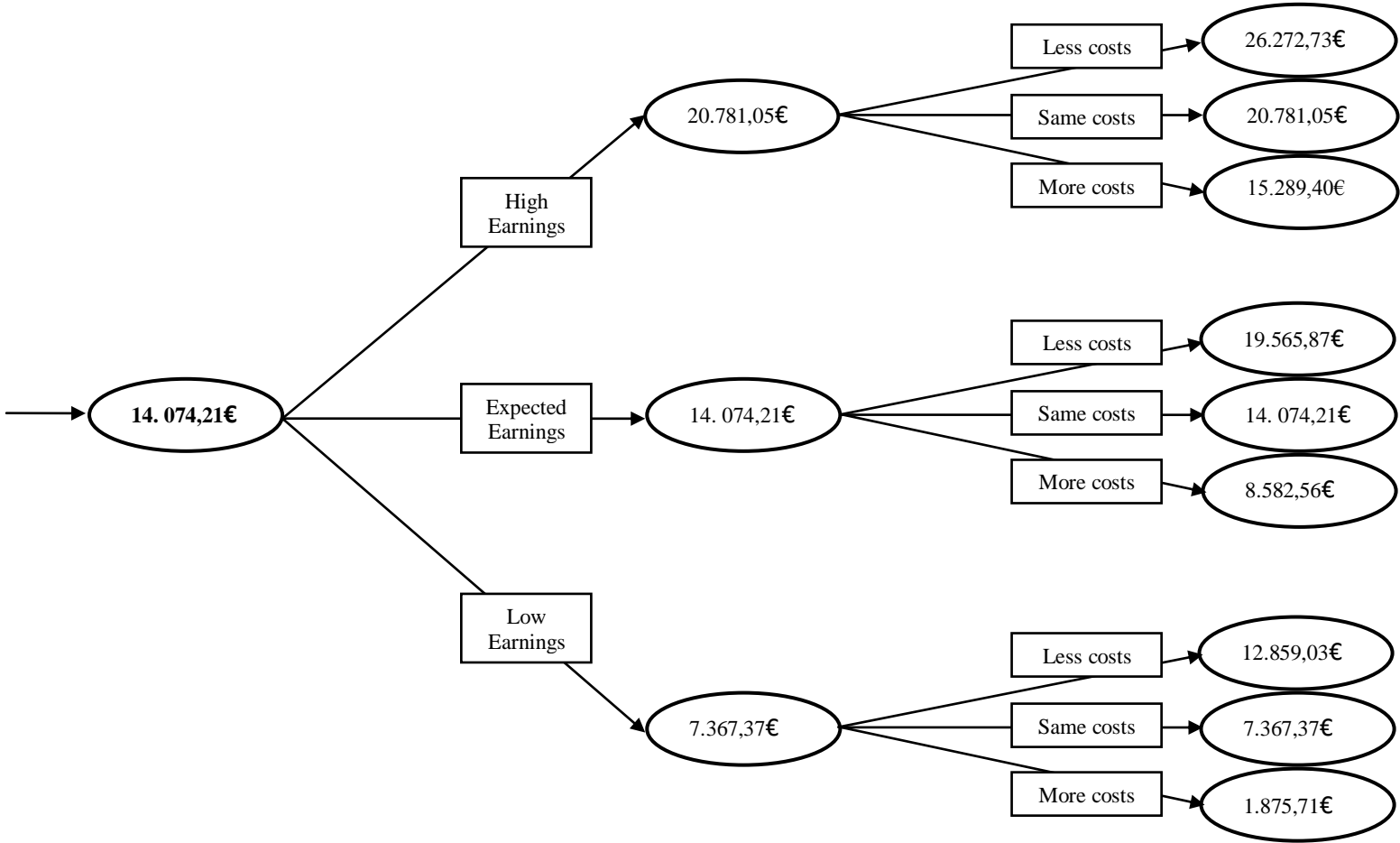
Annex 36 – Decision Tree

The decision tree considers, in the initial possibility, whether the number of services is higher, equal or lower than expected number. Afterwards, in each branch, the earnings were considered higher, equal or lower than the expected ones and subsequently, the cost variable are considered lower, equal, or higher than expected.

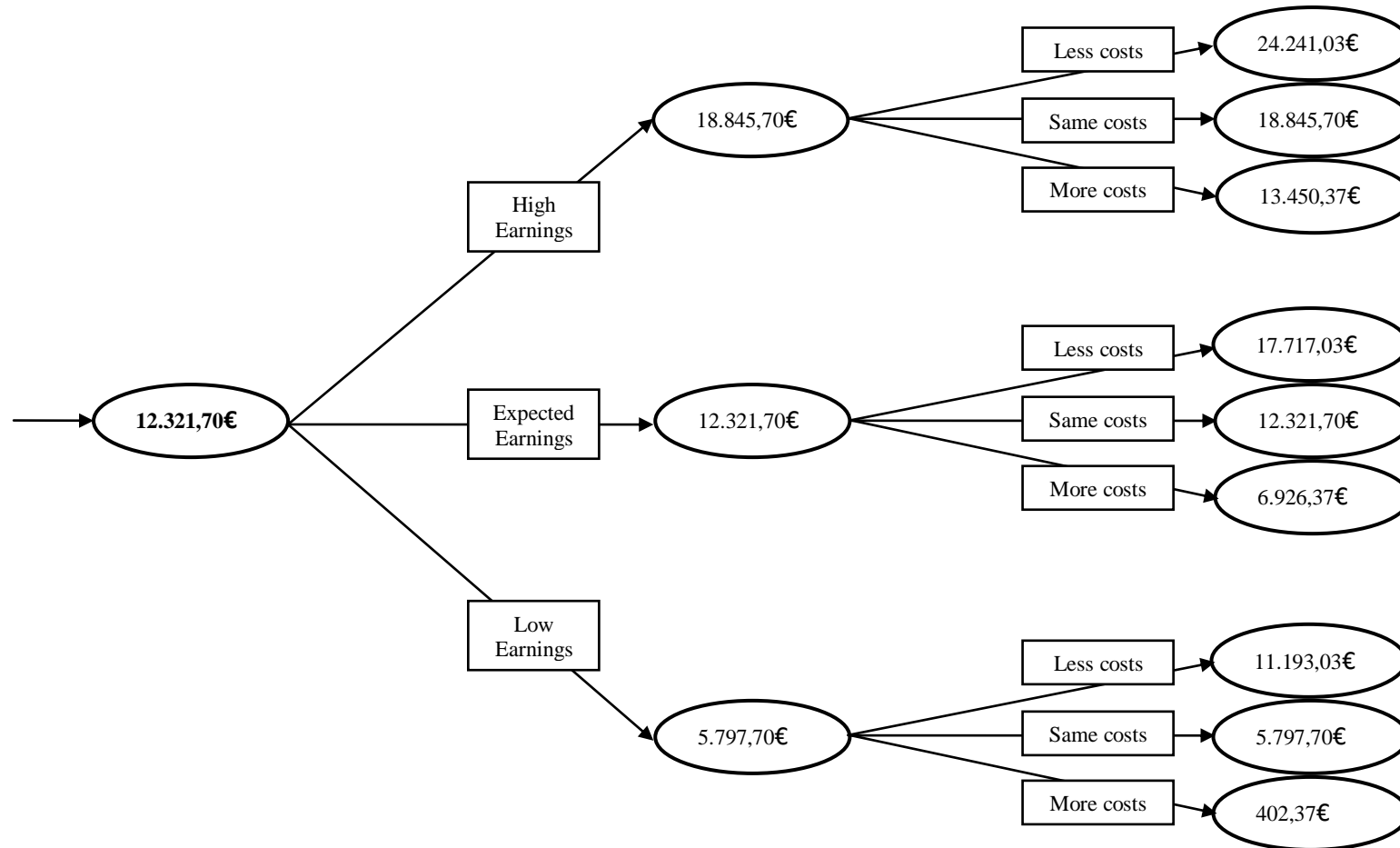
Below is the branch of the tree that considers a higher number of services than expected.



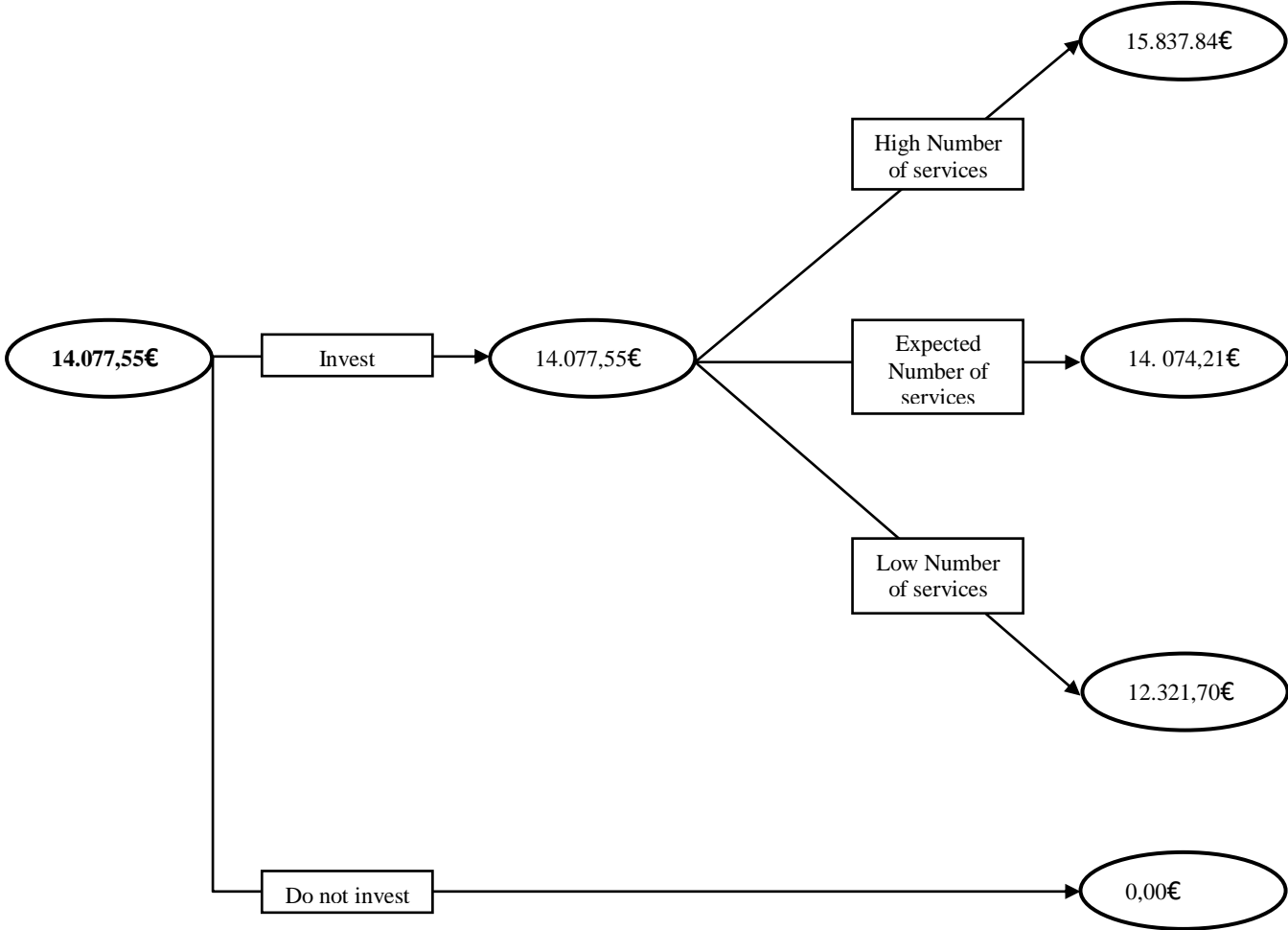
Below is the branch of the tree that considers the expected number of services.



Below is the branch of the tree that considers a lower number of services than expected.



Below is the initial branch of the tree, where the final values come from the beginning of each of the previous branches.



To calculate the probabilities of the high, equal or lower than expected results to happen, on the previous branches, a higher probability (40%) of the expected results happening was considered, while the lower and higher results than expected were considered to have equal probabilities of 30% each. These probabilities were applied through the entire decision tree.

The initial decision of the tree is whether to invest or not invest. In this case, as it is a decision unlike previously, the choice is always the branch that has a higher value. As the NPV of investing is higher than not investing, which was considered to have a zero value, the decision is to invest.

As the variations considered were all of 5% the resulting NPV is always positive, so the final decision is to invest. However, it is interesting to see that even though the variations were only of 5%, the resulting variations were higher than before. For example, when considering a high number of services, if the other two variables are also higher than expected, then the final NPV more than doubles over the expected one, however if there is a higher number of services, but both of the other variables are lower than expected the NPV is more than four times smaller than the expected NPV.

This trend can be observed through the entire decision tree and, when all three of the variables are lower than expected the final value for NPV is 402,37€.