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The Pet Loo: how an innovative pet product from Australia took on the world

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Case I.3: The Pet Loo:

How an innovative pet product from Australia took on the world*

Looking out of his office in Los Angeles, Tobi Skovron, the CEO and co-founder of Pup-Pee Solutions, reflected on the last 10 years since building his venture and pondered how to move the company forward to a bright future.

The beginnings

Pup-Pee Solutions was established in 2003 by Australian entrepreneur Tobi Skovron and his wife Simone Skovron. The idea for the business emerged from finding a solution for living in an apartment with a pet that did not involve cleaning stains on the carpet or early Sunday morning walks. Thus, the idea of the Pet Loo was born. The Pet Loo, also known as the "backyard in a box", is a lawn toilet on a square synthetic grass area (measuring approximately 80cm x 80cm) with a patented drainage system that allows pets to do "their business."

It is ideal for pet owners living in apartments, condos, houses, offices, or boats or anywhere that does not have an easy option for taking a pet outside. Using 100% chemical free, hygienic and odorless materials, the Pet Loo is an indoor potty option for pets.

The Pet Loo has received numerous awards, such as the People's Choice Award on New Inventors on ABC Television Australia, the Australian Pet Product of the Year

from Pet Industry Association of Australia (PIIA), and it is listed in the top 50 favorite Australian exports. The product portfolio of Pup-Pee Solutions consists of the flagship product Pet Loo as well as other waste management products, such as Pee Pods and Liquid Ate which are cleaning products for pets. Today, Pup-Pee Solutions is selling its products in about 84 countries around the world.

The entrepreneur

Tobi Skovron describes himself as an entrepreneur at heart and he was strongly influenced by his father who was also an entrepreneur and who taught him two important things: 1) “If you want something done right, do it yourself” and 2) “Don't wonder why or how, go in there and make it happen.” According to Mr. Skovron, “entrepreneurship is in my blood, I am following a dream and it is coming to me naturally. I see an opportunity and jump on it and I execute it and make it happen. I don’t sit here and think about what could have been? I don’t ever want to die wondering.” Tobi Skovron won the Australian Entrepreneur of the Year under 30 award in 2008. His wife and co-founder of Pup-Pee Solutions Simone Skovron is a qualified social worker and vet nurse and deals mostly with the people and pet side of Pup-Pee Solutions, while Tobi Skovron is primarily responsible for the major business decisions. Both Tobi and Simone Skovron are extremely passionate about pets and their business and they have turned their passion into a venture of global scale.

Internationalization

Pup-Pee Solutions started to go global in 2006. Prior to entering its first overseas markets, from 2003 to 2006, the company set all the intellectual property rights, patents, trademarks, and copyrights and proto-typed and tested everything to make sure that the product to bring to the market was second to none. Currently, Pup-Pee solutions has published patents in the USA, New Zealand, Canada, UK, Europe, Australia and Asia.

From the outset of establishing the company, Tobi Skovron displayed a strong global mindset and this was characterized by the attitude "If I can sell this in Australia, I can sell it anywhere in the world." Tobi Skovron developed a successful program in Australia first and then replicated it in overseas markets. As the Australian market is relatively small, it was going to reach its saturation point. Therefore, internationalization was a viable solution to survival for Pup-Pee Solutions. In essence, the company was carefully set up in its own backyard and then rolled out to global markets. According to Mr. Skovron, the "game" for various countries in Asia or Europe is essentially the same, only the "language" of the game is different with mild product adaptations for the respective markets. Pup-Pee Solutions entered Hong Kong, Singapore, Taiwan, UK, Ireland, Australia, New Zealand, USA and Canada within the first 12 months of going global in 2006. The first overseas market was the USA due to the attractiveness and size of the market with around 200 million cats and dogs combined and the biggest and most advanced market for pet waste management products. As Mr. Skovron explained, Australia is just 6-7% of the US market and, using a sports metaphor, USA is the "NBA" for pet products, while Australia is on "college basketball" level.

Currently, the sales ratio of Pup-Pee Solutions amounts to 60% Australian and 40% international sales. The early and rapid internationalization of Pup-Pee Solutions is a prime example of a so-called “born global company”. Born global firms are young and innovative companies that derive their competitive advantage from doing business in multiple countries right from the establishment of the company. A born global firm is generally defined as a company that achieves at least 25% international sales within the first three years of operation.

Foreign market entry mode and strategy

Pup-Pee Solutions focused mainly on distribution when expanding overseas by forming relationships with third-party distributors. The company is supplying people that are involved in distribution and they add Pup-Pee Solutions’ products to their portfolio and sell them through to their retail outlets or directly to their customers. When choosing distributors, Pup-Pee Solutions is thoroughly evaluating the skills of the distributors and is focused on developing long-term relationships rather than a “quick fix”. In addition, Pup-Pee Solutions is selling its products through its online shop on the company website to countries, such as Russia, Ukraine and Bulgaria where there are currently no third-party distributors. Pup-Pee Solutions has also set up three manufacturing warehouses. The liquid range is produced in Australia for markets in the Southern hemisphere, while the liquid range for the Northern hemisphere is made in New York and the hardware is manufactured in China. In terms of distribution, Pup-Pee Solutions has three sales subsidiaries in Melbourne, New York and Los Angeles.

An important mechanism of finding new customers was by attending international tradeshows which enabled Pup-Pee Solutions to increase its reputation in the industry and get referrals to customers via word-of-mouth. For example, Tobi Skovron attended a global tradeshow in Orlando which landed him a very large customer which, in turn, let him made bigger things in the US market. The Australian government export agency Austrade also provided valuable support by developing market analysis reports that facilitated internationalization.

Importantly, Pup-Pee Solutions focused on entering foreign markets one-by-one rather than entering several countries simultaneously at once. Thus, Pup-Pee Solutions adopted a “sprinkler” rather than a “waterfall” approach to global strategy. According to Tobi Skovron, it is crucial to set up your business in your own backyard first and carefully prepare your business plan and iron out any discrepancies. Mr. Skovron recommends “don’t sprint a marathon” and cautions that “there is no such thing as an overnight success” and “don’t let perception deceive you.” In addition, it takes a lot of determination and perseverance to succeed and “your product has to stick because easy come, easy go”.

Another key success factor of Pup-Pee Solutions related to the Pet Loo brand which attracted a large and loyal customer base. Pup-Pee Solutions made extensive use of social media channels, such as Facebook, Twitter and internet blogs to promote the company and build the brand. In addition, public relations (PR), advertising, search engine optimization (SEO), YouTube and a “sheer hunger for success” spurred the development of Pup-Pee Solutions.

In growing the company, Tobi Skovron focused deliberately on achieving healthy financial performance of the firm, as it all comes down to finances. If the sale has not been made, Pup-Pee Solutions is not able to grow. This means that distributors are selected carefully with a long-term outlook and the employees of Pup-Pee Solutions are “hungry to make a difference” and work hard to move the company forward.

How was Pup-Pee Solutions able to compete against the established and leading “big players” in the industry, such as PetSafe? Pup-Pee Solutions focused strongly on its innovative product portfolio, protecting its numerous intellectual property and leveraging the Pet Loo brand. Tobi Skovron used the metaphor that “the size of the dog does not really reflect the bite of the dog” to describe the successful global strategy of Pup-Pee Solutions.

Barriers to internationalization

Despite its worldwide success, Pup-Pee Solution’s global market entry was characterized by several key barriers. One major barrier was protecting the intellectual property of the company. As Tobi Skovron explained, “if you would like to sell your products at major retail outlets, such as Petco, Petsmart or Dr. Fosters, you have to sign a waiver that states that your product is registered, patented and you are not infringing on somebody else’s rights.” However, it happened that competitors in other countries infringed on Pup-Pee Solutions’ patents and copyrights. For example, one competitor in Canada blatantly copied the design of

Pet Loo and was later forced to withdraw the products from the shelves of its retail stores after Tobi Skovron found out about the infringement.

In addition, Pup-Pee Solutions faced some cultural barriers, such as language and misinterpretations of the product use. For instance, in Germany, the company had to put a large, red disclaimer on the Pet Loo product which stated that the Pet Loo is not an excuse not to walk your dog as some German customers interpreted the purpose of the Pet Loo in this way.

Looking ahead to the future

One afternoon in late 2013, Tobi Skovron received an invitation from Randy Boyd, CEO of PetSafe, to visit the company's headquarters in Knoxville, Tennessee. PetSafe is the industry leader and prime innovator in the development of safe, reliable and technologically superior pet products. During the meeting, Randy Boyd showed an active interest in the Pet Loo and submitted an offer to Tobi Skovron to acquire Pup-Pee Solutions.

Pup-Pee Solutions had rapidly developed over the past 10 years and had successfully exported its products to more than 80 countries. The company was at a crossroads now and important questions were emerging: How could the company further expand and grow? Should Tobi Skovron sell Pup-Pee Solutions to PetSafe or should he keep ownership of his venture? How would a potential sale to PetSafe affect his family and current employees of Pup-Pee Solutions? A difficult decision loomed on Tobi Skovron's mind…

*This case was prepared by Stephan Gerschewski, Assistant Professor of International Business at Linton School of Global Business, Hannam University, Daejeon, South Korea.

Questions:

1. Why and how was Pup-Pee Solutions established? Briefly describe the history of Pup-Pee Solutions.
2. Describe the foreign market entry strategy of Pup-Pee Solutions. What were the key factors in the entry mode process? What were some of the barriers to internationalization?
3. What is the competitive advantage of Pup-Pee Solutions?
4. Imagine you are in the shoes of Tobi Skovron. What would you do now? Would you sell the company to PetSafe or would you keep ownership of Pup-Pee Solutions? Explain your decision.