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The Bedder Way Co.

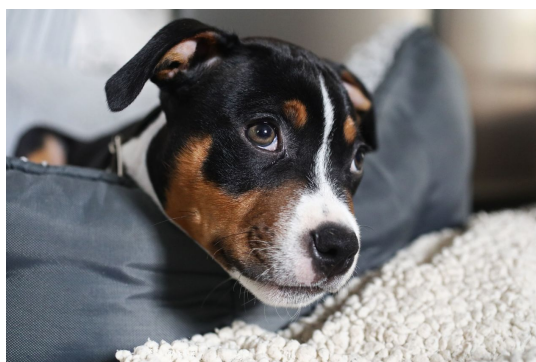
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BUSINESS | ON BUSINESS

# The Long Tail of the Pandemic Puppy Business

Changes to the ways we live and work could mean years of extra business for pet-supply stores

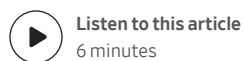


Furry friends acquired during Covid will continue needing beds, toys and food long after lockdowns have become a thing of the past.

PHOTO: JEPPE GUSTAFSSON/TT/ZUMA PRESS

By [Erich Schwartzel](#)

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When it comes to counting the winners of the Covid-19 economy, some contenders have more bark than bite. Those specializing in home-gym equipment or back-porch furniture have years of tough comparisons ahead.

Last week, another company that has seen business boom during the pandemic reported it had added millions of new customers in the previous 12 months—most of whom it expects to stick around.

Petco, the animal-supply retailer, was a beneficiary of a pet boom during the long months of stay-at-home orders, when more than three million new pets were purchased or adopted.

“They made being at home richer and gave somebody to go hug,” Petco Chief Executive Ron Coughlin told me.

But the trends driving business to Petco tell us more than just how Americans handled the emotions of this past year. They reveal details on how months of living and working at home have created new business opportunities in unlikely places, even at brick-and-mortar retailers whose best days were once thought to be behind them. Pet ownership in the U.S. has become its own economic barometer, similar to the way RV sales famously foretell how economically secure the country is feeling. The puppy boom is more than adorable. It's telling in what it says about how we want to work and live in a post-pandemic world.

Mr. Coughlin sees trends in home sales and changes to office life that bode well for his company's future, and not just because the pet industry can count on years of consumer spending on food, bedding, toys and other essentials. As Mr. Coughlin reminded his investors on a recent conference call: "Once the garage is remodeled, you're not going to do that again for a decade." Revenue for 2020 was up 11% at Petco, which added a million new customers in each of the year's two final quarters, bringing the company's total to more than 20 million.

Last April, my partner and I joined those thousands of other households that accelerated plans to get a puppy. Our golden retriever, Howard, arrived in November—and like most of his pals at the dog park, is younger than the country's 12-month quarantine.



Now that Americans are used to working from home, they will likely be loath to leave pets behind when they return to offices—and some employers are moving to accommodate that feeling.

PHOTO: K.C. ALFRED/ZUMA PRESS

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Puppies are the kind of investment that rewards a blurring of in-person and online shopping habits. They have to visit a veterinarian or retailer like Petco for vaccinations, but heavy bags of dog food can be ordered online and delivered to your door.

Then there are the homes where these new pets are going. Sales prices for homes in suburban locations outpaced those in U.S. cities during the pandemic, a trend that has only started to reverse as the return to work begins. But the shift to the suburbs has kept markets hot across the country, from New York to Orlando to Richmond.

The move to the suburbs is one reason Mr. Coughlin says Petco, Chewy and other pet-oriented companies are seeing revenues rise. "More Americans are seeking homes with

more space,” Bank of America analyst Elizabeth Suzuki wrote last week in a report that upgraded Petco stock to “buy” from “neutral,” saying the real-estate trend would enable “positive growth in 2021 on top of 2020’s acceleration.” (In an equation run by Mr. Coughlin, he figures “suburbs” equals “bigger yards” equals “bigger dogs” equals “more dog food sold.”)

Then there is perhaps the biggest economic consequence of Covid-19: a decrease in birthrates across many advanced economies, including in the U.S. Late last year, the Brookings Institution estimated there were at least 300,000 fewer births in 2020 than in 2019, as couples put off childbirth during a time of economic and public-health uncertainty.

Young people may not be having as many kids, but they are buying dogs and cats and lizards, and some of the disposable income that would have gone toward baby shoes is being used on leather collars and fancy leashes. “Millennials are even more likely to take care of dogs than old fogeys like myself,” said Mr. Coughlin.

He has doubled down on this demographic with a deluxe line of pet products designed for those customers who are putting off kids but might use a pet as “training wheels” for an eventual human addition. The brand, which includes dog puffer jackets and hoodies, is called Reddy.

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*What kind of changes in post-Covid work routines do you expect to see pets inspire? Join the conversation below.*

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“If that connection got so much deeper over the last year, then it’s going to be that much harder to part,” said Mr. Coughlin.

There is the question of what happens when all of these new owners leave the house for the first time in months. Citigroup this week announced it would allow most employees to work from home at least part of the time even after the pandemic ends, joining Facebook and Microsoft in permitting a hybrid model that will outlast the quarantines.

The past decade was defined by the workplace becoming more like a college campus, with rock-climbing walls and ping-pong tables. An incorporation of the domestic sphere could be next, whether that comes in the form of on-site child care, flexibility with personal appointments or dogs at the desk.

Mr. Coughlin is already identifying another business opportunity for when we do return to the office after more than a year with our new pets. Petco has deepened efforts to work with companies on ways to turn their offices into more pet-friendly environments, including tips on designing dog runs and waste-bag placement.

Of course, not everyone can turn into Dorothy, never leaving Toto’s side. It’s one reason I have bullish expectations in the months ahead for psychologists specializing in separation anxiety—for the owners as much as their pets.

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