

TICKET RIDE THE AKC TRAIN

WHO ARE THE CUSTOMERS AND THE STAKE HOLDERS?

“DOING NOTHING IS NO LONGER AN OPTION.”

By Carmen L. Battaglia

Folks in the business world will quickly tell you that change is what good business is all about and organizations who change reap the benefits while those that don't become stagnant and in many instances fall behind or fail. The challenge for AKC is how much change is enough? At a glance, the few minor tweaks here and there have not been enough to keep up with the competition. This suggests that AKC, as a business, needs to examine a long standing problem. The market forces have changed and AKC needs to address what and how services and products are being delivered. In order to understand one aspect of AKC as a business, a review of the core business (registrations) is the subject of this article.

THE FACTS

During the ten year period (1991–2001) the dog population in the United States increased by 9 million dogs, which is a 17 percent increase. Within this decade the percentage of purebred dogs in the United States increased from 57% in 1996 to 64% by 2000. Even though the number of purebred dogs increased, the number of dogs registered with the AKC significantly declined since peaking in 1992.

AKC's customer base is built on a structure that is very diverse. For example, AKC supports more than 195,000 individual breeders, 5,000 clubs, and 21,000 events that annually attract in excess of 1 million exhibitors, vendors, and spectators. While these numbers are

impressive, if we drill down into them, other important concerns can be noticed. For example, although the number of entries in 2007 increased slightly (3 million dogs at all venues) the number of unique exhibitors is declining. In other words, the increase in entries is attributed to the fact that fewer exhibitors are entering their dogs more often. In Conformation, the number of unique dogs competing per year has declined 4% since 2000. This is directly correlated with the decline in dog registrations. Furthermore, there has been a large decrease in the number of dogs entering 1-6 shows, with a gradual increase in dogs entering 7 or more shows. In 2007 AKC data also shows that, on average each unique dog is entered 12 times per year in Conformation events.

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Underlying these data are more serious numbers.

1. Dog registrations have declined every year since 1996 (with the exception of a small increase in 2004) at an annual average rate of 4%. However, the decline is worsening, with dog registrations down 7% in 2007 and 11% YTD 2008.
2. AKC litter registrations peaked in 1997 at 564,962 and have declined every year since. In 2007, AKC registered less than 400,000 litters for the first time since 1980.
3. Sporting breeds lead in registrations, with Labradors and Golden retrievers at the top, though dog registrations for these two breeds have declined 24% and 43% respectively since 1996.
4. Terrier registrations are the lowest of the seven groups.
5. Herding registrations declined 21% from 1997-1999, and Hounds declined 18% from 2000-2002; both groups continue a modest average yearly decline of 4%.
6. Working Group and Non-Sporting breeds have fallen more drastically than the other groups, both down 52% since 1996.
7. Toy breeds, after rising 16% from 1995 to 1998, have declined 30% since their peak in 1998.

THE FUNDAMENTAL QUESTIONS

The above facts are not in dispute. What needs to be addressed are:

- The implications of this data.
- Who needs to take action?
- What plans and tasks are being implemented to stop the decline?

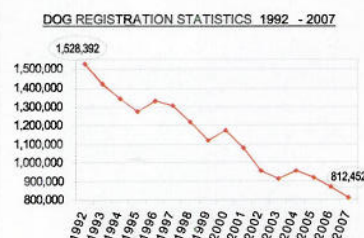
If registrations continue to decline at the projected rate with no intervention, what will most likely happen to AKC's future might be very unpleasant. In this regard, we can say that, historically, the AKC Board and the Delegates, in various ways, orchestrate the core "business" and therefore, from time to time, need to examine the status of the core business. Table 1 provides some insight into the trend and direction of that business which suggests that major changes are likely to occur unless there is intervention.

No matter the business, if there is competition, change is inevitable for survival. For more than eight decades, AKC has enjoyed an environment in which there has been no significant competition in dog registrations with only one exception, the United Kennel Club in Kalamazoo, Michigan. However, over the past 15 years market conditions have changed and by 2007 more than 37 stud books had opened their doors to American dog owners. Collectively they have changed the AKC landscape by eroding registrations away from AKC. At the 2008 June Delegates meeting, AKC President Dennis Sprung addressed this issue. He reported on declining registrations to the delegates and pointed out that during the months of March and April, dog registrations declined by more than 8%. He also stated that the sixteen years of slow and consistent decline in registrations would have an impact on the future of AKC. The implications of his report were far reaching. What was left unsaid was the impact that these declines would have on AKC breeders, their breeds, shows, clubs and AKC's potential for legislative influence. What seems to have gone unnoticed is the decline in the number of unique exhibitors and the fact that this may be the beginning of the unwinding of the sport piece by piece. The facts clearly show that the direction of decline, as shown in Table 1, is already beginning to have its effect on several areas.

At first glance Table 1 shows the steady decline in dog registrations that the delegates, clubs and breeders have grown

accustomed to seeing. Little notice has been given to the impact of the decline on the sport as a whole (breeds, clubs and exhibitors). For example, AKC registered 521,147 more dogs in 1996 than in 2007. What happened during this period cannot be ignored. Nineteen breeds realized a 5-digit loss accounting for 87% of the decline. Table 2 shows the 9 breeds that have each seen a decline of more than 20,000 dogs. This accounts for 61% of the total decline. The nine breeds include: Rottweiler, German Shepherd Dogs, Labrador and Golden Retrievers, Cocker Spaniels, Dalmatians, Pomeranians, and Shetland Sheepdogs. What was also less obvious was the impact of these declines on each of these nine breeds. For example, Rottweiler registrations

Table 1.



declined 84% in 2007 over 1996. If these trends continue, Rottweilers and other breeds will become low entry breeds and their parent clubs will see declining memberships.

Table 2 - DOG REGISTRATIONS BY BREED

DOG REGISTRATIONS BY BREED					
Breed	1996	2007	Difference	% Change over 1996	Decline as % of Difference In Total Registration
TOTALS FOR ALL BREEDS (Not just those below)	1,333,599	812,452	(521,147)	-39%	100%
Rottweiler	89,867	14,211	(75,656)	-84%	15%
German Shepherd Dog	79,076	43,376	(35,700)	-45%	7%
Labrador Retriever	149,505	114,113	(35,392)	-24%	7%
Cocker Spaniel	45,305	12,483	(32,822)	-72%	6%
Dalmatian	32,972	1,014	(31,958)	-97%	6%
Poodle	56,803	26,369	(30,434)	-54%	6%
Golden Retriever	68,993	39,659	(29,334)	-43%	6%
Pomeranian	39,712	16,605	(23,107)	-58%	4%
Shetland Sheepdog	33,577	11,755	(21,822)	-65%	4%
TOTAL FOR BREEDS ABOVE	595,810	279,585	(316,225)	-53%	61%

The following scenario is based on the data presented above. The assumption made is that the delegates and board might not act in a timely manner to stop the decline of the core business (registrations). If the decline as shown in Table continues, the impact will reach far beyond the reduced number of dogs remaining in each breed. There will also be a loss of genetic diversity, which has other serious implications.

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Judges and Entries: Other significant events have already been affected by these declines. For example, the AKC judges department (2008) released their new list of 49 (33%) "low entry" breeds. This list is significant because all judges who are attempting to complete provisional assignments will have greater difficulty meeting their provisional requirements. A low entry breed is defined as one whose entries fall below 3,500 in a year. When the lack of entries is spread across all AKC shows, both our judges and breeders will experience the residual effect of fewer dogs and breeds. Majors will become scarce and exhibitors over time will start to become disinterested and will stop showing dogs they cannot finish. The IT department (2007) also added insight into the registration decline when it reported that there are now forty-six breeds (30%) that register fewer than 100 litters per year. More importantly, there are 29 breeds (18%) that register fewer than 50 litters per year which is less than one litter per state each year. When all of this is taken as a whole, these breeds on the average will provide less than 200 show dogs each year. To find competition for championship points, exhibitors in these breeds will have to enter more often and travel farther to find majors. Going forward, most of us are not likely to see many of these breeds at AKC shows in the future.

Brand Name, Events, and Club Membership: If the registration decline is not addressed soon, adverse impact on a central piece of AKC structure is likely to occur, namely the value of its brand name and its events. Unless the slope of the 16 year downward curve changes, AKC is scheduled to register fewer than 750,000 dogs in 2008 and only about 300,000 to 400,000 by 2015. At this reduced level of registrations, the number of breeders and exhibitors interested in AKC events will be fractionally lower with huge consequences. The superintendents have indicated that, if unchecked, the decline will impact club membership and the need for more outside workers to set up and host a show. Most clubs are already suffering from the graying effect with little or no new membership being reported. Costs will go up and by 2015 entry fees will be north of \$70.00 per dog. Large shows are estimated to be in the range of 600-800 entries.

Health And Breed Diversity: As the registration problem continues to worsen, there will be fewer breeders left to benefit from the new DNA tests that are now being developed. The millions of dollars invested in research for purebred dogs will have a dwindling number of users. The number that could benefit from these new discoveries will have already disappeared during the 2009-2014 time frame. See "THE FACTS".

Legislative Influence: Another structural area that will be affected is AKC's influence on legislation and the societal anti-breeding sentiment that is growing. Sprung stated "the fact is not only are we losing the initial registration, but that bitch's future litter as well -- and all generations beyond. The highly prevalent 'one-time breeder' still exists, but increasingly they are registering with other organizations." As the losses trickle down so will the potential for influence in mat-

ters of legislation and the opportunities to educate and market our brand.

It is clear that there are many factors affecting dog registrations. Competing registries continue to make a difference because they are offering financial incentives to cost-conscious puppy buyers. The cost of a registration at a competing registry is often free or included in the purchase price. Dennis Sprung reported that AKC is receiving more than 400 inquiries per week from dog owners with "papers" from other organizations wanting to know if they can still register their dog with AKC. The competing registries have developed a business model that has shifted Americans away from the AKC as is evidenced by the declines in the number of breeders and exhibitors who participate in AKC events. See "THE FACTS."

SOLUTIONS, SUGGESTIONS AND RECOMMENDATIONS

Experience tells us that most successful companies review their business strategy, customer base, status of their core business and market conditions. Successful companies also pay close attention to trends, which is why they invest in new ideas in order to create opportunities to reach broader groups of consumers. The question that is now before the house has to do with the AKC legacy and what will be left of it to enjoy. A dark cloud is moving toward the AKC and the sport of purebred dogs. This problem brings with it two fundamental questions: (1) Whose AKC dogs will be registered? (2) Will all AKC breeders be welcomed?

The question is one of choice and who gets to do the choosing. In the past, it was the numbers that kept AKC strong and able to influence legislation and opinion. That advantage is slowly being lost.

Attention and action has shifted to the delegates, the delegate committees, and their clubs. For 16 years everyone has watched the steady decline in registrations and the growth of competitors with little or no interest in the problems that would follow. All of that has now changed, and doing nothing is no longer an option.

When most of us started with our first AKC registered dog we were given what I call the "AKC ticket to ride". We were able to pick and choose whatever venue we were interested in and we could join a local club of our choosing. Majors were not hard to find and life was wonderful in a sport that was a lot of fun. Unless we change what is happening to our registrations there will not be enough tickets left for our children and grandchildren.

The time to think out of the box for new ways to recapture registrations, breeders, and club members is now.

We should all come to the September meeting with suggestions and ideas.

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