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Scott Ragan, president and self-proclaimed chief dog lover of Three Dog Bakery, holds a tray of "doggie bagels" in the company's packaging area.

## Three Dog collars natural food trend

Investors plan to increase revenue 25 percent a year

BY SUZANNA STAGEMEYER | STAFF WRITER

During the next three years, four local investors plan to make Three Dog Bakery's bark three times as loud.

They said they think the pet food bakery chain offers just the treats to accomplish that trick. In the midst of a pet food scare and widespread recalls, the brand will begin expansion plans that include tripling the number of bakeries and doubling factory sales of the all-natural, oven-baked, human-quality pet food.

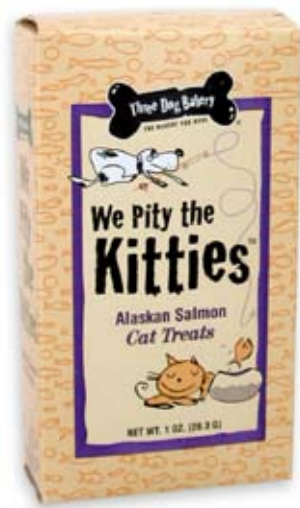
The timing may be perfect because boutique-style pet food stores have reported increasing sales as concerned pet owners shy away from big pet food brands that have experienced recalls.

"We have a number of great things coming together that are complementary," said Scott Ragan, the company's new president and "chief dog lover." "The industry is exploding with growth ... and we have products that happen to meet the trends."

Three Dog Bakery, founded by two entrepreneurs in 1989, took off in the following decade, earning media coverage from the likes of *The Wall Street Journal*, *People* magazine and Oprah Winfrey. But in the past few years, co-founders Dan Dye and Mark Beckloff found themselves itching to retire, and the company's growth slowed amid a bounding industry.

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## Company changes leadership, trots out new products to move to front of pack



Kansas City-based Three Dog Bakery occasionally goes to the cats.

Three Dog Bakery needed a capital investment and team of executives to help it grow up, said Ragan, who has been CEO since Nov. 1.

With a \$1 million investment from Ragan and three silent partners in the fall, the company is poised to relaunch its brand and ride the wave of a booming pet food industry. U.S. pet food sales are expected to reach \$16.1 billion this year, a 5 percent increase from \$15.4 billion in 2006, according to the nonprofit American Pet Products Manufacturers Association Inc.

“We are giving the company new resources it hasn’t had in the past couple of years,” Ragan said.

The all-natural sector is growing two to three times faster than regular pet foods, he said. On top of that, Three Dog welcomes pets into bakeries and creates luxury, personalized items for them, which aligns with another growing trend of treating pets as family members.

The APPMA cited spoiling pets with luxury and personalized items, and increasing concern for feeding pets healthy food as persisting trends.

Three Dog Bakery’s revenue was about \$10 million last year. The company has 39 bakeries in the United States and Canada and eight bakeries in Japan. It plans to open 15 bakeries in 2007, including three in April and a second Kansas City location later this year, and to have a total of 130 bakeries by 2010.

With the expansions, Ragan said he expects the company to increase its revenue by more than 25 percent each year, bulking up the positive but small growth percentages of recent years.

To enhance growth, the investors restructured company leadership, bringing on a team of four executives experienced in new product development, marketing

and finances. Previously, positions such as “chief marketing dog” were filled by people who balanced a wide array of duties.

On April 9, new products and all-new packaging will reach stores, including Wal-Mart, Target, Price Chopper, Hy-Vee and Hen House. The new packaging offers brand consistency, allows customers to see the package contents and features large print highlighting that the food is all-natural. The latter has quickly attracted trend-savvy retailers, Ragan said.

The company also will introduce several new products during the next few months, including Spearmint Bagels, which freshen large dogs’ breath; Itty Bitty Bones, spearmint treats that freshen small dogs’ breath; Entree for Dogs, 12-ounce, gluten-free and natural wet meals for dogs; and a reformulated, all-natural, gluten-free Dry Kibble Dog Food.

Products headed for retail stores are beginning to filter out of Three Dogs’ cinnamon-scented Kansas City factory, which is loaded with molasses, carob and bags of “European Artesian Flour.”

Manufacturing Manager Jorge Garcia joined the Three Dog Bakery factory staff about a month ago.

“I really, truly believe it’s a growing industry,” Garcia said. “I have pets of my own and want to take good care of them, and I know others do, too.”

Garcia said he believes in the product enough to snack on it himself.

Just as Three Dog’s creators left other jobs to guide their fledgling business, Ragan left a position as a vice president of H&R Block Inc. to lead the new Three Dog charge.

“We’re just having so much fun; it’s hard not to love this,” Ragan said.

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