

FORTY YEARS IN THE BLINK OF AN EYE

As Change Quickens Time Seems to Contract



In the 1970s consumer sarcasm went something like this: *my car stopped running before I finished paying for it*. Fast forward to the 2010 and the complaints sound more like this: *the apps on my cell are outdated, and I haven't even got the first month's statement yet*. It is a cliché to talk about how rapidly technology advances or how often new cultural trends emerge and how often movements in society become established and then reestablished. Things move quickly nowadays, and we're fairly nonchalant about it. Nonetheless, it is breathtaking when you stop to actually consider what just happened.

For instance, in 1970, *two-door* American-built sedans were practically twice the size – in length and weight – as the four-door compacts introduced four years later in the wake of the first Arab oil embargo. Between 1970 and 2009, crop yields per acre of corn doubled, but farmers will have to cultivate more food in the next 40 years than mankind produced in the last 10,000 years.

Or consider these:

- In 1970 the population of the United States was 200 million. It had taken the country 200 years to arrive at that census figure – and another 100 years if you count the colonial days. By 2010, only 40 years later, there were more than 300 million Americans.
- In 1970 Americans officially registered about 39 million dogs. By 2010 there were nearly 80 million.
- The U.S. equine population in 1970 started to rebound from a low of around 4 million in the previous ten years. By late 2007 there were 9.2 million horses of which almost 4 million were used recreationally. There were 2 million horse-owning households.
- The life span of a dog in 1970 averaged six to eight years. By 2010 canine life expectancy was 13 years – that is the average; the mean age depending on breed and size is a couple years longer.

Here's a look back on how the world was and what events and milestones shaped Durvet from an interesting business concept to a \$100 million animal health distribution operation.

The 1970s: Prelude to the 21st Century

PanAm's first two Boeing 747 jumbo jets flew into commercial operation in the spring of 1970, initiating an era of inexpensive international travel not just for wealthy jet-setters but for millions of Americans who never thought they'd ever fly to New York or Los Angeles let alone London, Paris and the Far East. The world seemed to shrink a little as more people were able to parlay their wanderlust into real experiences made affordable by the economies of scale jumbo jets offered.

In the same year, computer scientists started weaving an electronic web that would pull the ends of the earth even closer. Fred Smith pioneered the unique concept of overnight mail delivery when he launched Federal Express. Now office workers dilly-dallying early in the week could still get those documents to the client by Thursday. Xerox opened the Palo Alto Research Center, the prequel to Silicon Valley, and by the end of the year work had begun on transforming mainframe processing systems into personal computers. In 1971 IBM invented the 8-inch floppy disk; and Ray Tomlinson, an electronics engineer sent the first email. He is credited with selecting the "@" sign for email addresses.

In 1975, Bill Gates and Paul Allen started Microsoft so they could sell their operating software for the Altair computer. The following year Steve Jobs and Steve Wozniak designed the single-board Apple I followed by the Apple II – which literally ignited the personal computer industry.

Later in the decade Intel rolled out the 8088 microprocessor paving the way for the IBM personal computer. Home Depot opened its first stores, and Smiley Faces showed up everywhere.

The 1970s Vital Statistics

- U.S. Population: 204,879,000
- Average Salary: \$7,564
- Average Cost of Home: \$23,450
- Life Expectancy: Male, 67; Female, 75
- Consumer Costs: Milk, 33 cents/qt; bread, 24 cents/loaf; round steak, \$1.30 lb.
- National Debt: \$382 billion

The 1970s Pet Statistics

- Pet Owning Households: 37.8 million
- Dogs: 40 million
- Horses: 1 million recreational/companion



The 1980s Vital Statistics

- U.S. Population: 226,546,000
- Average Salary: \$15,757
- Average Cost of Home: \$68,700
- Life Expectancy: Male, 70; Female, 78
- Consumer Costs: BMW auto, \$12,000; Mercedes 280E, \$14,800
- National Debt: \$914 billion; \$2 trillion by 1986

The 1980s: Computers Take Hold of Business and Culture

In 1982, Time Magazine overlooked human candidates for its annual “Man of the Year” accolade – naming, instead, the computer as Machine of the Year. Said Time publisher John A. Meyers of the choice, “Several humans might have represented 1982, but none symbolized the past year more richly, or will be viewed by history as more significant than a machine: the computer.” Two years later Apple introduced the Macintosh in a George Orwell “1984” – themed commercial during the Super Bowl. The ad featured the destruction of Big Brother through the power of personal computing – which ironically some might argue became the newer, bigger brother who had even greater control over society. The term “Internet” was used to describe the technology that could connect separate computer networks. Initially the Internet was used by the military, university research and the government; there were 100,000 hosts. In 1989 the first commercial email was sent. The computers weren’t all business, however. Electronic toys came of age as Nintendo inaugurated the era of home video games.

Retail operations turned from discount stores to “category killers” and club stores like Home Depot, Circuit City, Sam’s Club, and Toys ‘R’ Us. The rise of superstores had begun.

In the 1980s, the first test tube baby was delivered, the reusable space shuttle Columbia was launched, Barney Clark received the first artificial heart implant – and Mt. Saint Helens erupted, blowing half her snow-covered cap off to remind us that despite our technology advances, nature still has a pretty good grip on mankind.

The 1990s: Point and Click

At the University of Minnesota in 1991, Mark MaCahill and his team developed the “gopher” tool for navigating the files of the Internet. He described it as the “first Internet application my mom can use.” That same year in Switzerland, Tim Berners-Lee created computer code, alt.hypertext, that allowed users to click on a “link” that brought them a document from the down the hall or the far corners the world. The World Wide Web had arrived. There were 300,000 hosts that year. In 1992 the number of hosts reached a million, and in 1993 traffic on the Internet was expanding at an annual rate of 341,634%. At the end of 1998 there were 29 million Internet hosts.

At the outset of the decade, retail “category killers” comprised one-third of total U.S. retail sales. To compete with these big box superstores, owners and managers of malls, specialty stores, grocery stores and restaurants stressed the quality of shopping in addition to the products they offered. “Retailtainment” became a destination and an experience. Minneapolis’s Mall of America opened in 1990. In 1995 retailers initiated a strategy focusing on the store as the brand.

Economic expansion erupted in the early 1990s at such a rate that the Federal Reserve Board raised interest rates six times in 1994. Median household net worth surged 18% between 1995 and 1998. In 1999 retail sales climbed 8.9% to \$3 trillion, the largest annual growth in 15 years. Brick-and-mortar stores sold nearly \$20 billion worth of their inventory over the Internet.

T I M

1970/ James D. Bradley joins with St. Louis-based S.F. Durst, a small human health product manufacturer, to form Durvet. The name “Durvet” derives from Durst and veterinary. Durvet is a pioneer in bringing together a group of OTC distributors and a leader in establishing private label brand for the animal health industry nationwide.

1970/ Bob Hormann, current president, joins Durvet as sales manager.

1970/ 37.8 million U.S. households own one or more pets.

1971/ Durst declares bankruptcy and Durvet’s original 12 animal health distributors take control.

1971/ Hormann leaves company with a caveat to return when the company becomes more stable.

1972/ Durvet releases first recorded sales figures: \$1,146, 174

1973/ Durvet relocates in Kansas City’s stockyard district sharing space with Ozark Supply.

1974/ Bradley takes over New Holland Supply in Pennsylvania.

1975/ Hormann returns to run Durvet and moves company into new facilities in Blue Springs, MO

The 1990s Vital Statistics

- U.S. Population: 248,709,873
- Average Salary: \$28,960
- Average Cost of Home: \$123,000
- Life Expectancy: Male, 73; Female, 80
- Consumer Costs: New car, 16,000; pork chops, \$2.99 lb.; gallon of gas, \$1.34
- National Debt: \$3.2 trillion; \$5.4 trillion by 1999

The 2000s Vital Statistics

- U.S. population: 281,421,906
- Average Salary: \$39,914 (2000); \$45,565 (2009)
- Average Cost of Home: \$207,000 (2000); \$270,000 (2009)
- Life Expectancy: Male, 74; Female, 80
- Consumer Costs: Loaf of bread, \$1.72; stamps, 33 cents; gallon of gas, \$1.26
- National Debt: \$4.6 trillion; \$10 trillion by 2010

2008 Pet Statistics

- Pet Owning Households: 67 million
- Dogs: 77 million
- Cats: 82 million
- Horses: 5 million recreation/companion

ELINE



1982/ The Center for the Human Animal Bond is established at the Purdue School of Veterinary Medicine: *the concept of this bond is the engine that drives veterinary medicine and companion animal health care to new heights.*

1982/ Durvet sales reach \$10 million.

1981/ Ivermectin registered for use with cattle.

1980/ 43.6 million U.S. households own one or more pets.

1979/ Parvovirus vaccine introduced.

1975/ Ivermectin discovered in soil on Japanese golf course: the compound is recognized as one of the most significant anti-parasite medical breakthroughs ever.

1983/ Drontil introduced – a broad spectrum worming product for dogs and cats that for the first time effectively controls round worms and tape worms with one tablet.

1984/ Hatch-Waxman Act introduces the era of facilitated manufacture, registration and use of generic drugs.

1984/ President Ronald Reagan says of the Hatch-Waxman Act: *“This bill will provide regulatory relief, increased competition, economy in government, and best of all, the American people will save money, and yet receive the best medicine that pharmaceutical science can provide.”*

1984/ Durvet realigns its corporate structure and registers as a Missouri Corporation operating as a cooperative, and initiates a dividend payout to member distributors.

1988/ The Hatch-Waxman Act is extended to include the generic production of animal pharmaceuticals.



1989/ Durvet sales top \$20 million.

1989/ Animal health companies – Durvet included – embrace generic drugs as a way to private label products.

1989/ The generic drug scandal breaks when the government budget concerns force cut backs on regulation programs and regulators.

1990/ Phoenic Scientific, Inc., is founded by a group of distributors to make bio-equivalent (generic) pharmaceuticals for private labeling. By 1991 PSI completed construction of its state-of-the-art GMP (good manufacturing practice) plant. In 1994, PSI would receive approval for its first Abbreviated New Animal Drug Application.

1990/ 50 million U.S. households own one or more pets.

1991/ “Durvet is focused on supplying more products to the market,” declares President Bob Hormann, “20-30 new product lines per year is our goal. Introducing more products, maintaining flexibility in our operation and expanding our facilities symbolizes our long-term commitment to the animal healthcare market.”

1994/ Durvet sales top \$30 million

1995/ Durvet moves into its current modern facilities with 39,000 square feet of warehouse space.

1997/ “Advantage” flea and tick control is introduced, igniting a marketing war as Bayer aims its advertising directly to pet owners (instead of veterinarians); promotional costs rise exponentially – to more than \$100 million.

1997/ Merial sues Phoenix Scientific, Inc. claiming its generic ivermectin infringes on its patent.

1997/ Durvet sales top \$40 million

1999/ Durvet steps up diversification of its product line, getting more involved in the companion animal market while maintaining its commitment to its core business – livestock.

1999/ Merial and Phoenix settle their legal differences; Merial grants Phoenix the right to make its own 1% injectable ivermectin products.

2000/ Durvet publishes the first issue of *ProfitBuilder*.

2000/ 59 million U.S. households own one or more pets and spend \$26 billion on their animals.

2001/ In two years Durvet’s sales spike \$24 million as its ivermectin pour-on benefits from the momentum generated by the Merial-Phoenix lawsuit settlement and the availability of the 1% ivermectin injectable. Sales top \$70 million.

2004/ After tripling sales between 1994 (when it first built its current facilities) and 2004, Durvet again increases the size of its warehouse, from 39,000 to 78,000 square feet.

2008/ Durvet sales top \$100 million.

2009/ 71 million U.S. households own one or more pets and spend \$45.5 billion on their animals.

2010/ Durvet celebrates its 40th Anniversary. Americans will celebrate their pets by lavishing \$47.7 billion worth of care and attention on them:

- Nutrition: \$17.56 billion
- Supplies/OTC Medicine: \$10.41 billion
- Veterinary Care: \$12.04 billion
- Live Animal Purchases: \$2.16 billion
- Pet Services: \$3.36 billion

The 2000s: World Becomes Unfriendly

The world didn’t end on January 1, 2000 like some harbingers thought; nor did the Y2K Millennium Bug collapse the world’s computer systems and networks. But much of the Americans’ swagger and confidence plummeted and the fragility of the nation’s economy – particularly in the retail sector – was exposed. The attack on the World Trade Towers and the Pentagon by Islamic fundamentalists sent shock waves through the country.

At year end, the 2000 Dow Jones Average fell 6.1% from 1999, and analysts described the drop as the worst investment bubble-burst in 100 years. Sears, Roebuck closed 89 stores in 2001 while J.C. Penny shuttered 50 outlets. Montgomery Ward called it quits, and surviving retailers called 2001 the “year of the markdown.” Before mid-decade, other retailers were on the run: Wal-Mart downsized its workforce and inventory; K-Mart filed for Chapter 11, closing 284 stores. In 2009 Circuit City closed all of its stores. On the bright side Home Depot opened its first store in Manhattan, while weekly online retail sales reached a record \$2 billion in 2003 – an increase of 25% over 2002. Toys ‘R’ Us reshaped its mission to include a focus on baby products.

The 2004 tsunami in Southeast Asia, Hurricane Katrina in 2005 and the 2010 earthquake in Haiti confirmed the power Mother Earth wields. At the end of the decade more than 10% of U.S. workers were jobless, most Americans had lost a significant portion of their savings and investment value and the International Monetary Fund issued its worst outlook for the world economy in 60 years.

But other than all that, Americans, as perhaps the world’s most resilient and resourceful people, still maintain their optimism. In a recent straw poll of retail farm, equine and pet store owners and dealers in the South Central states, *ProfitBuilder* learned that about 85% of were looking for a good year in 2010.