Improving Business Success for Private Practice

OSU Focus-Forward

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National Commission on Veterinary Economic Issues/Felsted Veterinary Consultants, Inc.
Before the Recession.....

• Veterinary care usage metrics declining in spite of increased pet numbers
  – Transactions per FTE veterinarian
  – Median new clients per FTE veterinarian
  – Median active clients per FTE veterinarian
  – Total veterinary visits
  – Veterinarian visits per pet
  – % of households with pets who visited the veterinarian

• Practice revenue up 7-13% (mean), 6-7.3% (median)
• Veterinarian compensation/take home earnings up
Significant Fee Increases Since 2004

- 76% of fees increased above rate of inflation from 2004-2006
  - 67% of anesthesia fees: 11-24% above inflation
  - 72% of treatment procedures: 6-22% above inflation
  - 60% of surgery fees: 8-54% above inflation
- Rate of increase slowed from ‘06-’10
Pet Owners/ Clients

• Large # of pets aren’t getting basic care
  – 23.9% of pet owning HHs spent $0 at a veterinarian’s (2006)
  – 27.0% of HH spent $1-$199/year
  – 21.9% spent over $500/year

• % of dogs getting 1+ doses of HWP in 2009 ranges from 21.5-43.4% (depending on region)
  – # getting 12 doses much less
  – Cats much less
During Recession

• Continued decline in veterinary care usage metrics
  – Transactions per FTE veterinarian
  – New clients per FTE veterinarian
  – Active clients per FTE veterinarian
  – Patients per veterinarian per week
  – Total visits

• Decline in revenue growth/absolute revenue
• Softening in veterinarian compensation/earnings
Patient Visits in Serious Decline...

Net 17% report decline (Net Decrease – Net Increase)

- 8% Increased 10% or more
- 26% Increased 1-9%
- 14% Stayed the same
- 35% Decreased 1-9%
- 16% Decreased 10% or more
- Don't know

All Respondents (n=401)

Bayer Veterinary Care Usage Study
# Practice Revenue 2010 vs. 2009

<table>
<thead>
<tr>
<th>Category</th>
<th>NCVEI</th>
<th>BVCUS</th>
<th>AAHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 increased &gt; 5%</td>
<td>27.7%</td>
<td>32.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>2010 increased 1 - 5%</td>
<td>26.6%</td>
<td>25.0%</td>
<td>27.0%</td>
</tr>
<tr>
<td>2010 was essentially flat</td>
<td>13.9%</td>
<td></td>
<td>11.0%</td>
</tr>
<tr>
<td>2010 declined 1 - 5%</td>
<td>17.6%</td>
<td>21.9%</td>
<td>24.0%</td>
</tr>
<tr>
<td>2010 declined &gt; 5%</td>
<td>14.2%</td>
<td>20.6%</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

- Overall increase 3.1% (AAHA)
- Similar spread seen in preliminary 2011 #s

NCVEI QuickPolls
AAHA State of the Industry 2010 Review
Bayer Veterinary Care Usage Study
Many Open Appointments

Bayer Veterinary Care Usage Study

Mean = 61.7%
Bayer Veterinary Care Usage Study

Step 1: Literature Review

Step 2: Qualitative Research with Veterinarians

Step 3: Qualitative Research with Pet Owners

Step 4: Quantitative Research with Pet Owners

Step 5: Quantitative Research with Veterinarians
Why Visits Are Declining

Environmental Factors
- Recession
- Fragmentation of veterinary services
- Internet information

Client Factors
- Don’t understand need
- “Sticker shock”
- Feline resistance
Pet Owners Have More Options

- **Pet Store Clinics**
  + 500 2000-2010

- **Specialty Practices**
  - Shared client
  - Loss of chronic cases

- **Mobile “Parking Lot” Clinics**
  - Low cost
  - Limited service

- **Shelters, Subsidized Care**

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Traditional Clinic
(15.3 competing clinics)

Bayer Veterinary Care Usage Study
Impact of Internet Information

- Look online first if pet sick or injured:
  - Completely Agree: 12%
  - Somewhat Agree: 27%
  - Neither A or D: 25%
  - Somewhat Disagree: 17%
  - Completely Disagree: 19%

- After vet visit, almost always go online:
  - Completely Agree: 5%
  - Somewhat Agree: 15%
  - Neither A or D: 29%
  - Somewhat Disagree: 21%
  - Completely Disagree: 28%

- With Internet, don't rely on vet as much:
  - Completely Agree: 3%
  - Somewhat Agree: 12%
  - Neither A or D: 30%
  - Somewhat Disagree: 26%
  - Completely Disagree: 30%

Bayer Veterinary Care Usage Study
Pet Owner Attitudes Towards Veterinary Care

- **Except for shots, would not take pet to vet:**
  - Completely Agree: 10%
  - Somewhat Agree: 26%
  - Neither Agree or Disagree: 30%
  - Somewhat Disagree: 18%
  - Completely Disagree: 16%

- **Would only take pet if sick:**
  - Completely Agree: 10%
  - Somewhat Agree: 23%
  - Neither Agree or Disagree: 18%
  - Somewhat Disagree: 24%
  - Completely Disagree: 26%

- **Pets usually get better on own:**
  - Completely Agree: 2%
  - Somewhat Agree: 19%
  - Neither Agree or Disagree: 37%
  - Somewhat Disagree: 26%
  - Completely Disagree: 16%

- **Routine checkups unnecessary:**
  - Completely Agree: 9%
  - Somewhat Agree: 15%
  - Neither Agree or Disagree: 23%
  - Somewhat Disagree: 21%
  - Completely Disagree: 32%

- **Indoor pets don't need checkups:**
  - Completely Agree: 4%
  - Somewhat Agree: 11%
  - Neither Agree or Disagree: 18%
  - Somewhat Disagree: 26%
  - Completely Disagree: 42%

- **Without checkups, pet more likely to get sick:**
  - Completely Agree: 11%
  - Somewhat Agree: 20%
  - Neither Agree or Disagree: 36%
  - Somewhat Disagree: 21%
  - Completely Disagree: 13%

- **Bayer Veterinary Care Usage Study**
Individual Practice Efforts

- Develop mantra similar to “twice a year dental cleaning” or USDA “Five a Day”
- Doctors & staff must tell the same story
- Educate clients about WHY exams and wellness care are so important
- Educate clients about WHAT the exam includes and how this helps veterinarians help their pet
- One message, multiple media
Profession Efforts

• Partnership for Preventative Pet Healthcare
• AVMA/AAHA/AAVMC/Animal Health Industry
• Guidelines, vet outreach, consumer outreach
• www.pethealthpartnership.org
What Vets and Techs Are Saying to Clients

• “There is allergy testing if you really want to do that”
• “Just as an FYI, you might want to get this done at some point.”
• “If you decide to do this, the estimate is good for a year. Call the front desk to set it up”
Your Client Recommendations vs. What You Provide Your Own Dogs

- Core vaccinations
- Dental care
- Preanes bloodwork
- Year-round HWP
- Therapeutic senior diagnostics
- 1-2x/year HW tests
- 1-2x/year fecal exams
- Year-round flea/tick control

Veterinary Economics 2009 State of the Industry Report
The Sticker Shock Issue

• Multiple studies prior to recession said clients would pay anything if value communicated

• “All of a sudden, the price just skyrocketed. You could go when it was 60 bucks, now I can’t get out for less than $150.”
Price is an Issue

Costs much higher than expected
- 26% Agree
- 28% Don't disagree
- 54% Total

Always looks for less expensive vet option
- 26% Agree
- 30% Don't disagree
- 56% Total

Would switch for less expensive vet
- 26% Agree
- 25% Don't disagree
- 51% Total

More difficult to increase fees
- 74% Agree
- 15% Don't disagree
- 95% Total

Client increasingly complaining about fees
- 49% Agree
- 29% Don't disagree
- 78% Total

Pet Owners

Vets

Bayer Veterinary Care Usage Study
Managing Client Costs

• Fee increases are not the only way to improve profits

• Components to pricing
  – Absolute $
  – Value
  – Payment options

• More strategic pricing
  – Price-matching on shopped items
  – Promotional discounts
  – Wellness plans
Must Improve Communication of Benefits of Pet Care

88% of veterinarians say: “I talk my clients through the exam, explaining what I am doing in detail”

Bayer Veterinary Care Usage Study
Feline Resistance

• 13% more cats than dogs
• Cat visits are ~30% less than dog visits
• Cat owners spend less on veterinary care
• Cat owners don’t understand the need for veterinary care as much as dog owners
• Lifetime value of cats is higher than veterinarians think it is
Cats Under-Represented in Patient Base

Bayer Veterinary Care Usage Study
Attributes Most Associated with Increased Visits

- Seeing same veterinarian every time (occurs in about 48% of practices)
- “Wellness exams are one of practice’s most valuable services”
- “Marketing and advertising are key part of business strategy”
  - Yellow pages and websites most used
- Active use of social media such as Facebook
  - Facebook used by 43% of practices
  - Blogging/Twitter by 4% of practices
Web Based Communication

• Dog and cat owners more likely to use social media and text than other consumers, but:
  – Only 54% of small animal veterinarians use email with clients
  – 76% of veterinarians are not at all or only slightly familiar with social media sites
  – Only 50% see social media as a marketing opportunity

2009 Nicholson Kovac Veterinarian New Media Usage Study
Attributes Most Associated with Decreased Visits

• “Advertising undermines my credibility as a veterinarian”
  – 29% agree, 24% neutral

• Lack of referral arrangements with other pet service providers
No Increase in Use of 19 Business Practices

AVMA-Pfizer Business Practices Study
Actions to Improve Profitability

- Raised fees: 95%
- Managed inventories: 49%
- Reduced expenses: 47%
- Offered new services: 43%
- More staff training: 40%
- Expanded staff: 36%
- Attended mgmt seminars: 32%
- Marketed more: 20%
- Used practice mgmt consultant: 13%
- Began charging by hour: 10%
- Began charging for phone consults: 3%

AVMA-Pfizer Business Practices Study
Can’t Manage What You Don’t Measure

Metrics checked at least quarterly

- Overall Revenue: 87%
- Expenses: 78%
- ATC: 67%
- Accounts receivable aging: 65%
- Cash flow: 65%
- Inventory levels: 60%
- New clients: 60%
- Transactions: 58%
- Doctor production: 54%
- Client visits: 51%
- Patient visits: 47%
- Rev by category: 44%
- Active clients: 27%
- % appointments filled: 13%
- Staff utilization metrics: 7%
- None of the above: 2%
NCVEI/VetPartners Final Profitability Estimator Results for 2009 & 2010

- Average 2009 profit margin: 9.9%
- Median 2009 profit margin: 10.3%
  - >18% (Superior): 11.8%
  - 16-18% (Excellent): 26.9%
  - 0-< 8% (Poor): 11.4%
  - < 0% (Negative): 13.3%

- 2010—10.87% average
Us Versus Them: Profits

“The Most Profitable Small Businesses”
Forbes.com 4/15/10
Summary

- Increase revenue
- Better business practices
- Culture
- Differentiation
- Driving change
Questions?

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