American Veterinary Medical Association Annual Convention
July 18, 2011

BAYER VETERINARY CARE USAGE STUDY:

THE DECLINE OF VETERINARY VISITS AND HOW TO REVERSE THE TREND

NATIONAL COMMISSION ON VETERINARY ECONOMIC ISSUES NCVEI

Brakke Consulting, Inc.

Bayer HealthCare

Speakers

Cristiano von Simson, DVM, MBA
Director, Veterinary Technical Services
Bayer HealthCare LLC, Animal Health Division

John Volk
Senior Consultant
Brakke Consulting

Karen E. Felsted, CPA, MS, DVM, CVPM
Chief Executive Officer
National Commission on Veterinary Economic Issues

Agenda

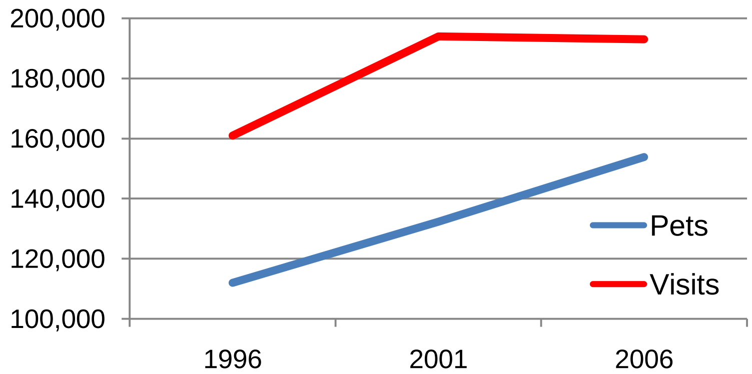
- Background
- Goals and objectives
- Methodology
- Key findings
- How to apply research to build patient traffic in your practice

Cristiano von Simson, DVM, MBA
Director, Veterinary Technical Services
Bayer HealthCare LLC, Animal Health Division

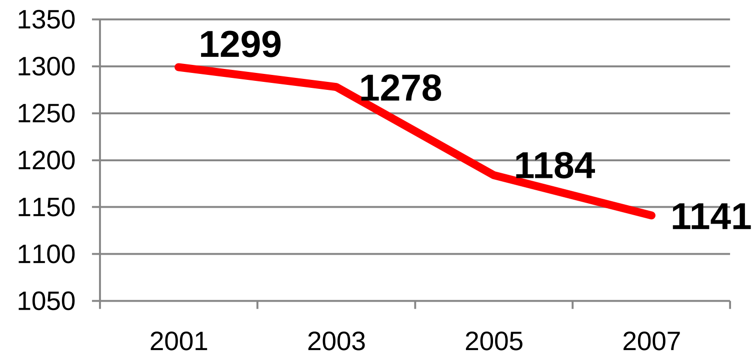
Veterinary Study Goals and Objectives

Too Many Downward Trends

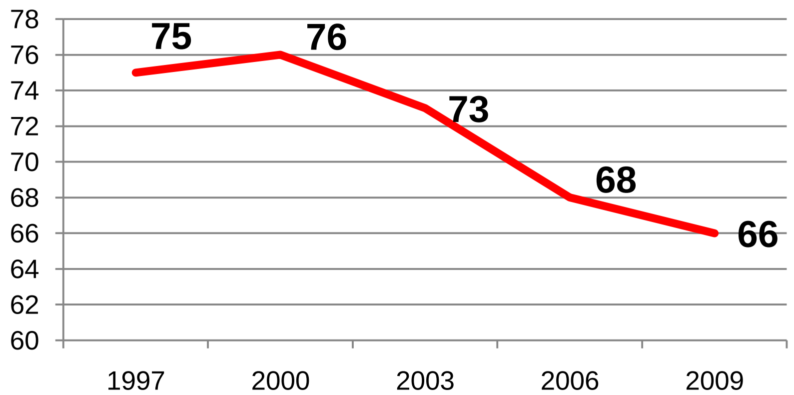
Pets, Visits 1996-2006



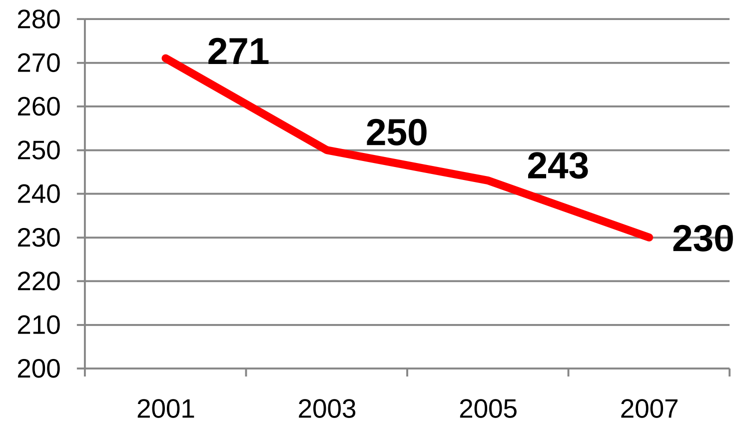
Active Clients/Vet



Patients/Vet/Week



New Clients/Vet



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Research Goals

- Identify root causes for decline in patient visits
- Determine what, specifically, can be done to reverse the trend

Research Team

- Brakke Consulting
  - Project design, management
- NCVEI
  - Expertise in economics of veterinary medicine & practice management
- Ipsos-Forward Research
  - Field studies
- University Consultants
  - KSU, SMU and TCU
- Bayer Marketing Research
  - Project oversight

Five-Stage 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

Veterinary Study Objectives

- Measure visit trends and impact at practice level
- Confirm findings of pet owner research
- Measure veterinarian use of and interest in service concepts preferred by pet owners
- Identify key drivers for visits and opportunities for building patient traffic

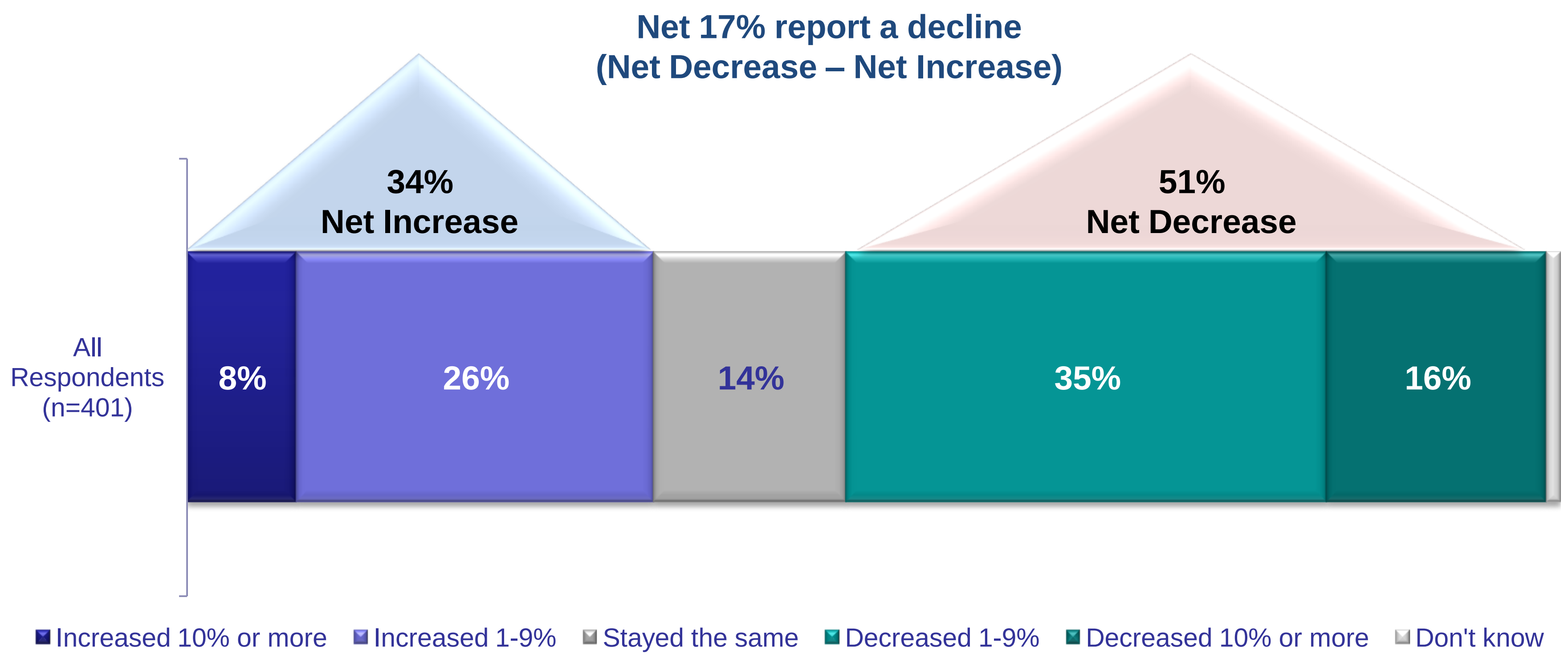
John Volk
Senior Consultant
Brakke Consulting

The Veterinary Study

Methodology

- Online survey using proprietary Ipsos-Forward panel
- Fielded May 9-16, 2011
- 401 respondents
  - Sample representative of practice owners
- Statistical margin of error ± 4.9% at 95% confidence level

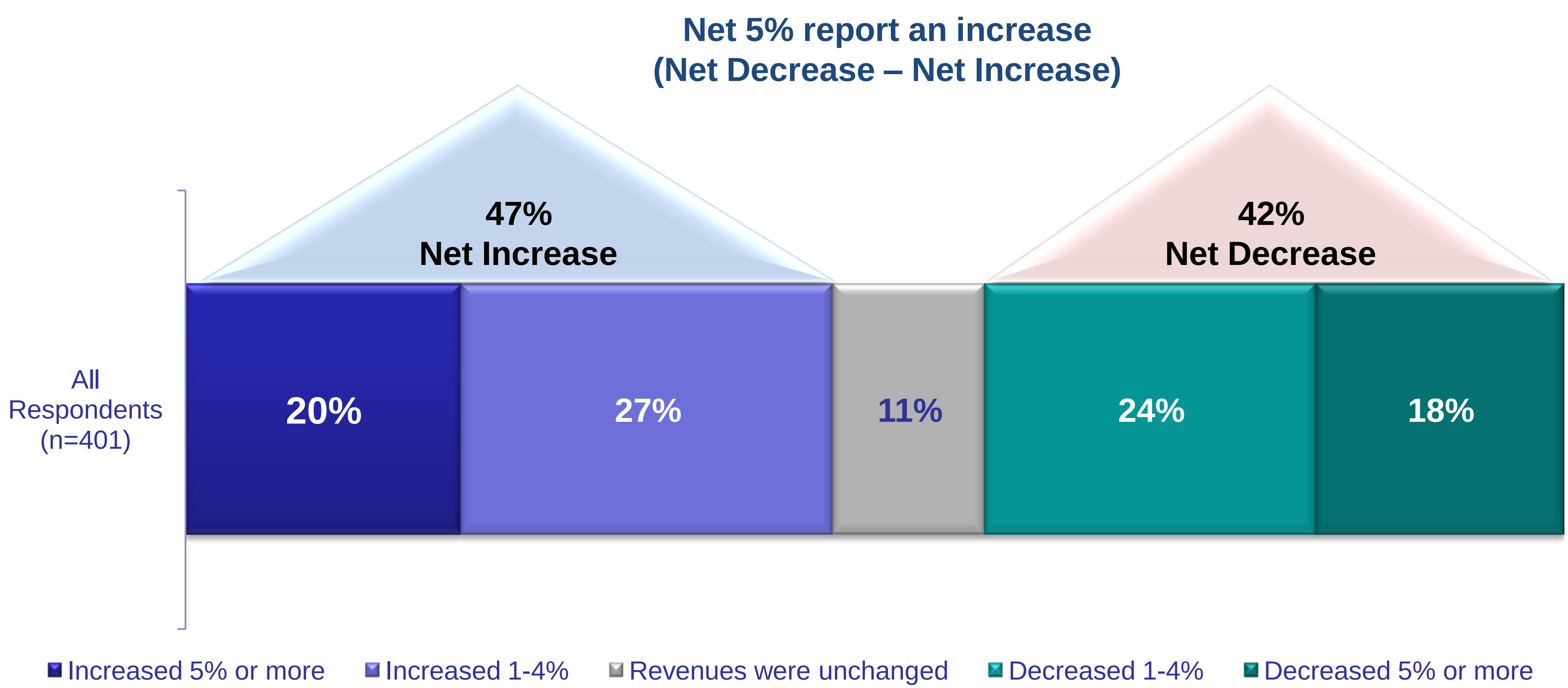
Patient Visits in Serious Decline…



Q28. Which of the following best describes the degree to which pet visits to your clinic have increased, decreased or stayed the same during the past 2 years?

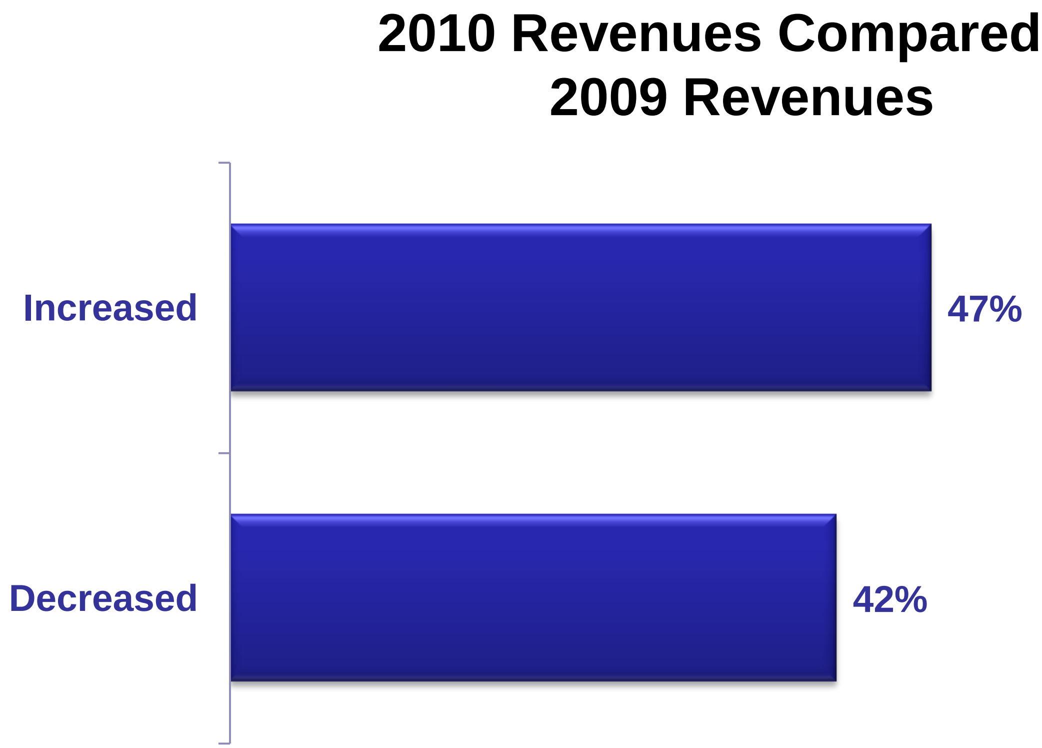
Base: All respondents (n=401)

... As Is Revenue for Many



Q3. How did your practice's 2010 revenues compare with 2009 revenues?
Base: All respondents (n=401)

Most Practices with Visit Increase also Grew Revenue



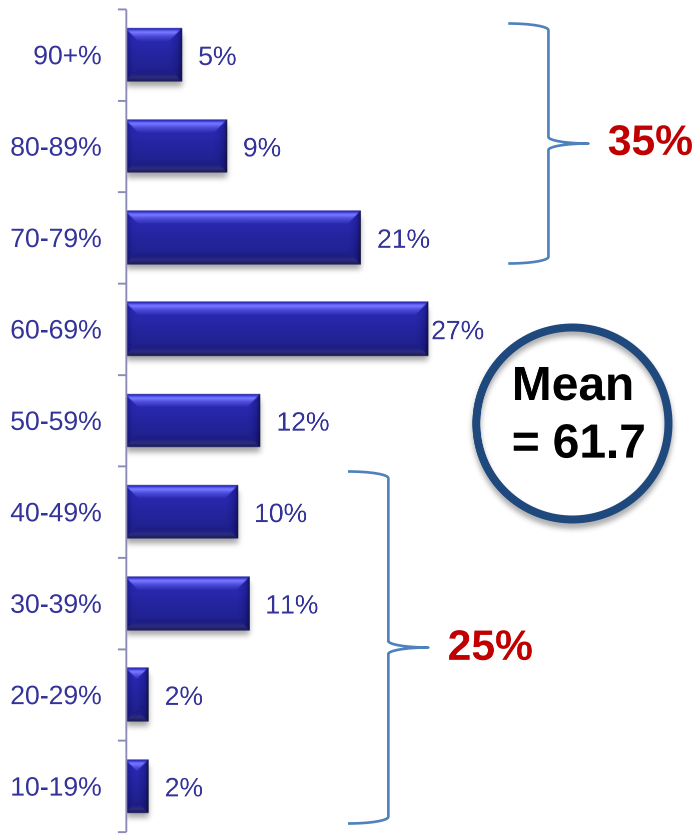
88% among practices with visit increase

Q3. How did your practice's 2010 revenues compare with 2009 revenues?

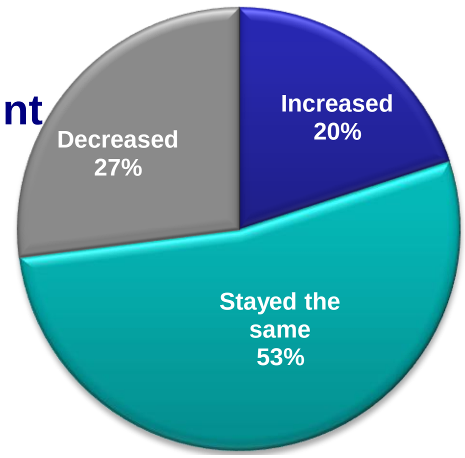
Base: All respondents (n=401)

Many Open Appointments, Some Staff Reductions

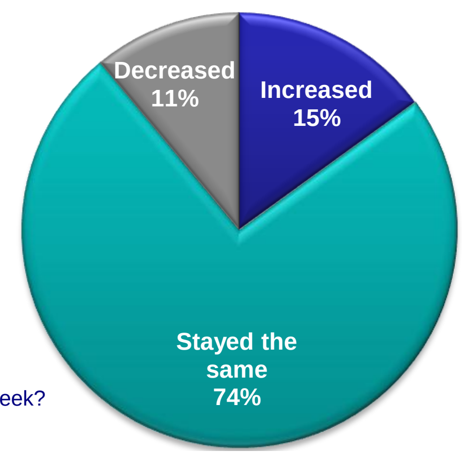
Appointments Filled



Staff Headcount Relative to 2 Years Ago



Veterinarian Headcount Relative to 2 Years Ago



Q10. During the first 3 months of 2011, approximately what percentage of your available client appointments were filled each week?

Q8. Thinking back over the past two years, has your total employee headcount increased, decreased or stayed the same?

Base: All respondents (n=401)

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Driver Analysis

- Of the variables measured in this study, these were the most consistently associated with increased visits
- Consider them foundational elements
  - Not the only things you need to grow your practice, but a very solid starting point

Attributes Most Associated with Increased Visits

- Seeing same veterinarian every time
- “Wellness exams are one of practice’s most valuable services”
- “Marketing and advertising are key part of business strategy”
- Active use of social media such as Facebook

Attributes Most Associated with <u>Decreased</u> Visits

- "Advertising undermines my credibility as a veterinarian"
- Lack of referral arrangements with other pet service providers

Recession

Fragmentation of veterinary services

Internet information

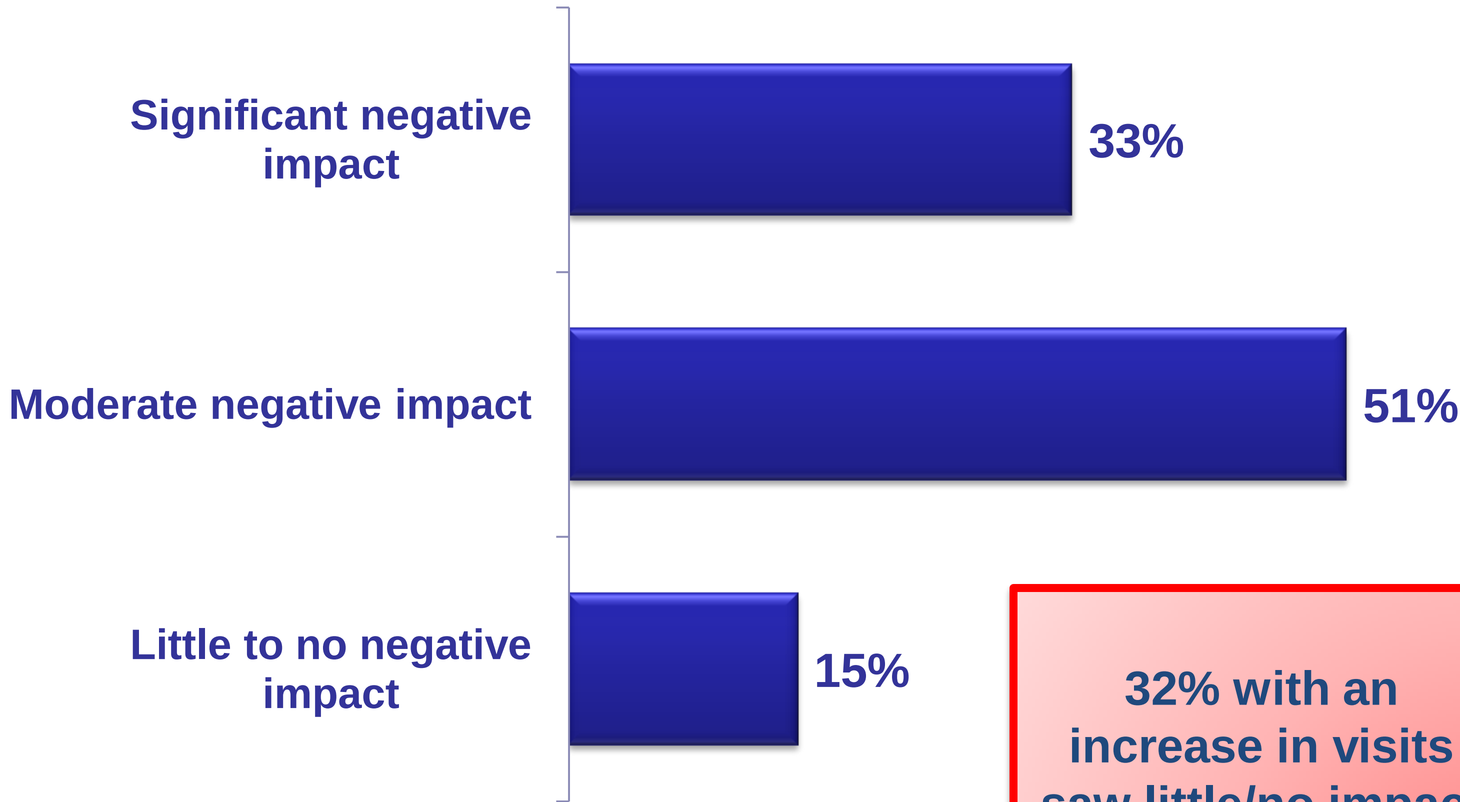
Don’t understand need

“Sticker shock”

Feline resistance

How Six Factors Impact Practices

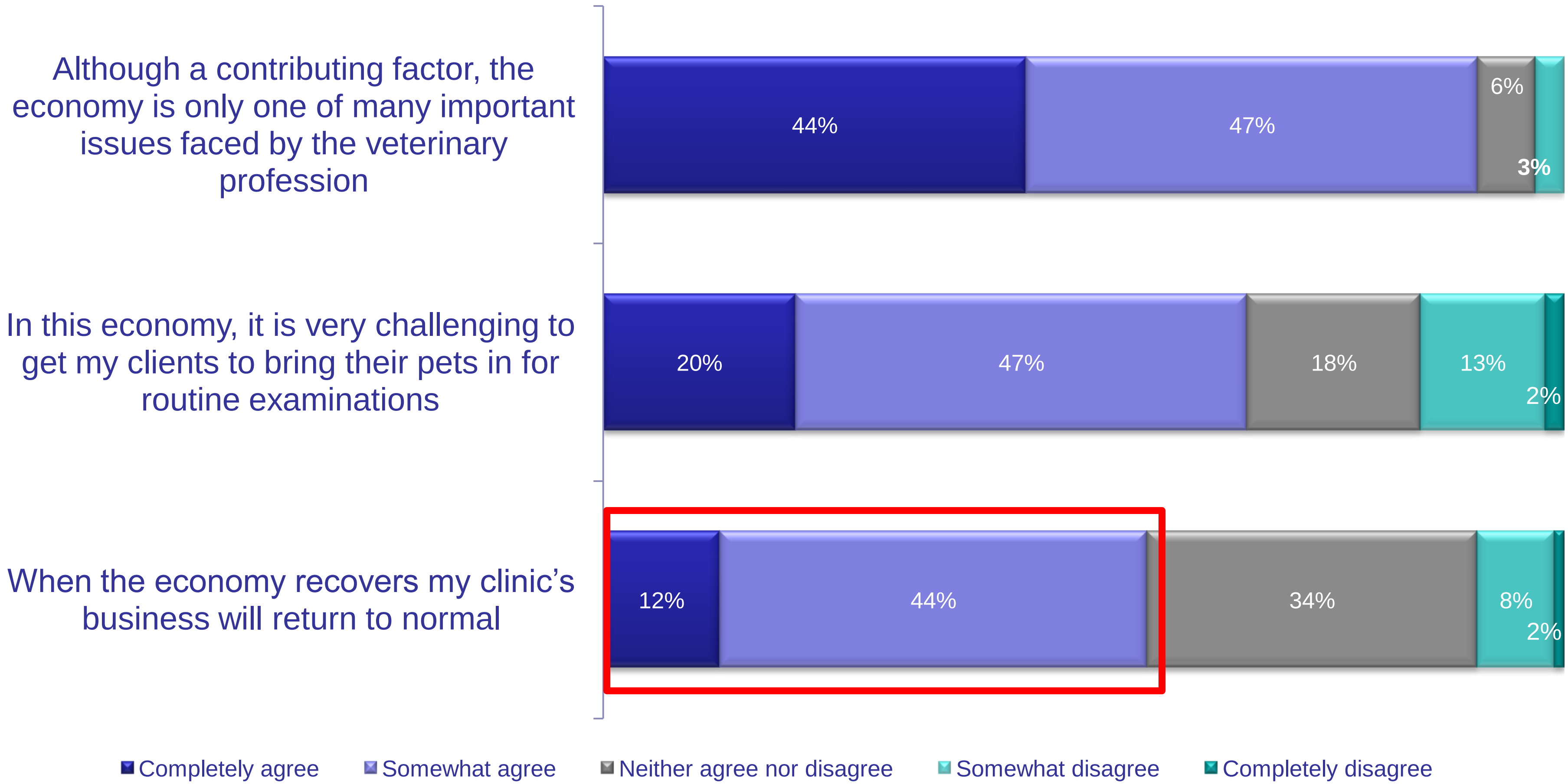
1. Recession: Perceived Impact on Local Economy



32% with an increase in visits saw little/no impact

Q4. To what extent did the recession impact your local economy?
Base: All respondents (n=401)

Recession: Veterinarian Attitudes



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.

Base: All respondents (n=401)

2. Fragmentation: More Competition

Mean: **15.3** Competing Clinics

	Other independent practices	Corporate clinics (e.g., VCA, NVA)	Mobile vaccination clinics	Pet store clinics (e.g., Banfield)	Specialty-referral clinics	Shelter vets, other low cost/limited service clinics
No. in trade area	**9.6**	**1.1**	**1.0**	**1.0**	**1.4**	**1.2**
Increased	**38%**	23%	23%	24%	28%	**32%**
Stayed the same	56%	76%	74%	75%	71%	68%

Q5. Approximately how many of each of the following operate in your practice's trade area?
Q5a. Please indicate if the number of each has increased, decreased or stayed the same in the last 5 years

Base: All respondents (n=401)

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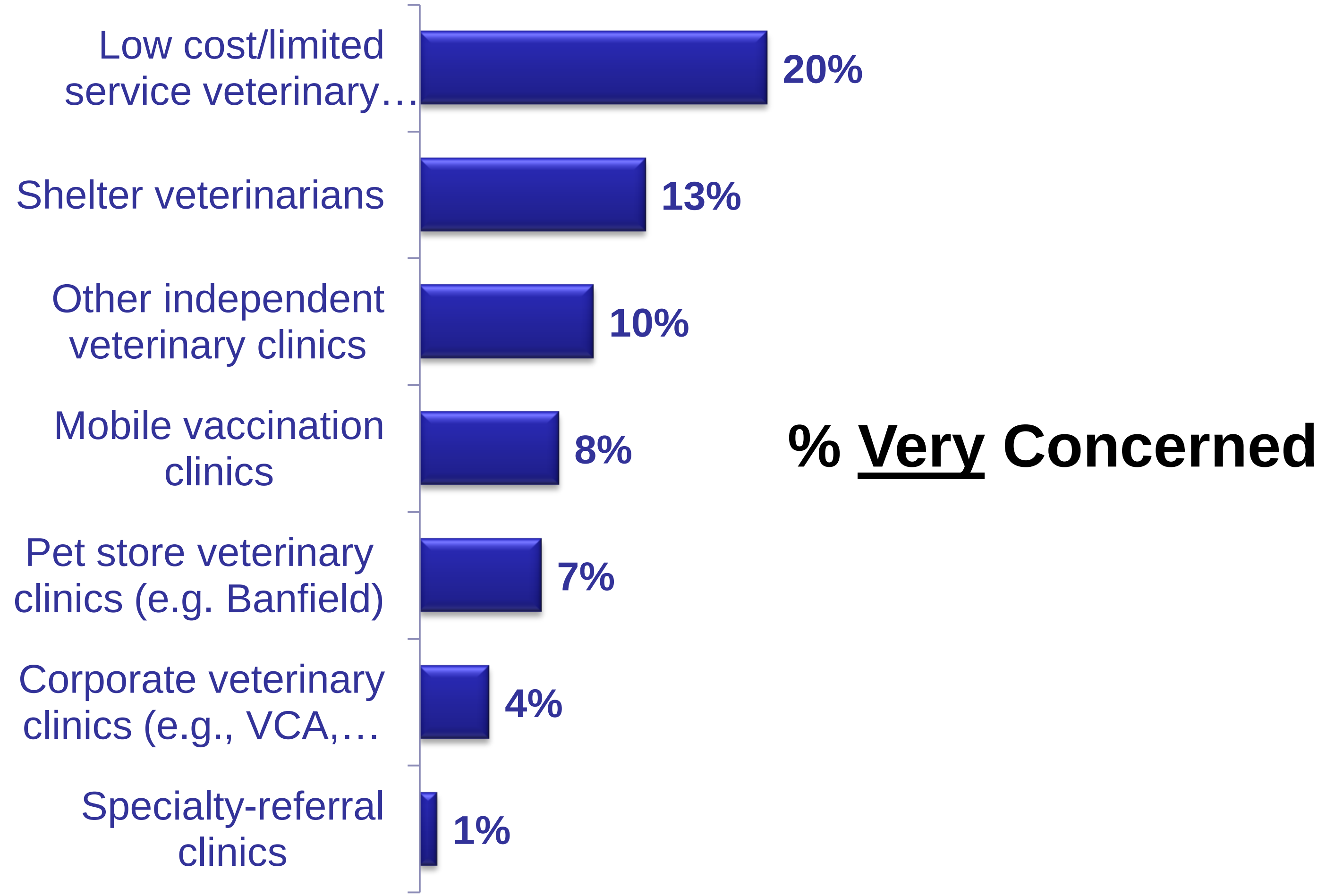
Some Level of Concern



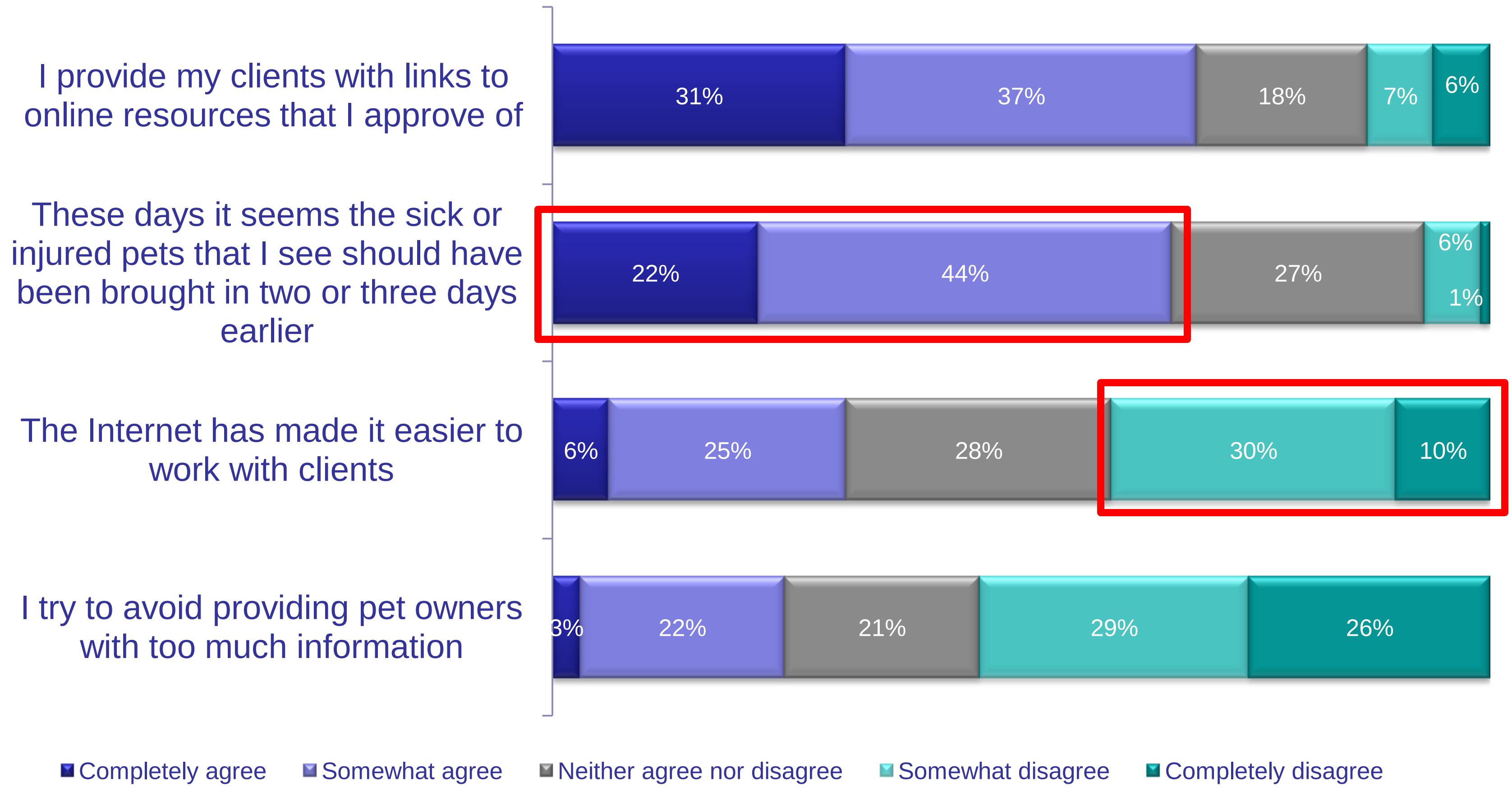
Q6. Please indicate the degree to which you are concerned/unconcerned with competition from each of the following types of veterinary clinics.

Base: All respondents (n=401)

Not All Are Highly Confident

Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.
Base: All respondents (n=401)

3. Internet: Impact on Practice



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.

Base: All respondents (n=401)

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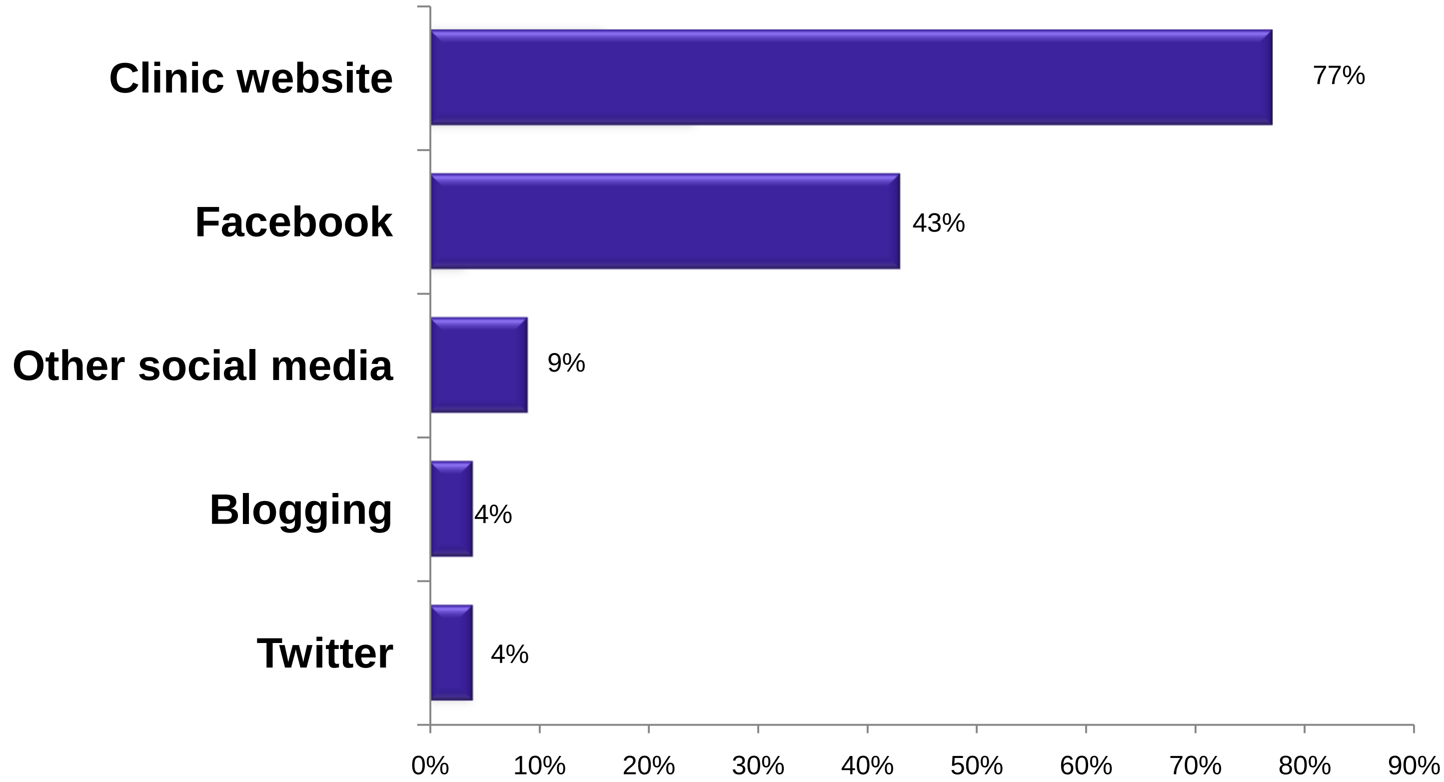
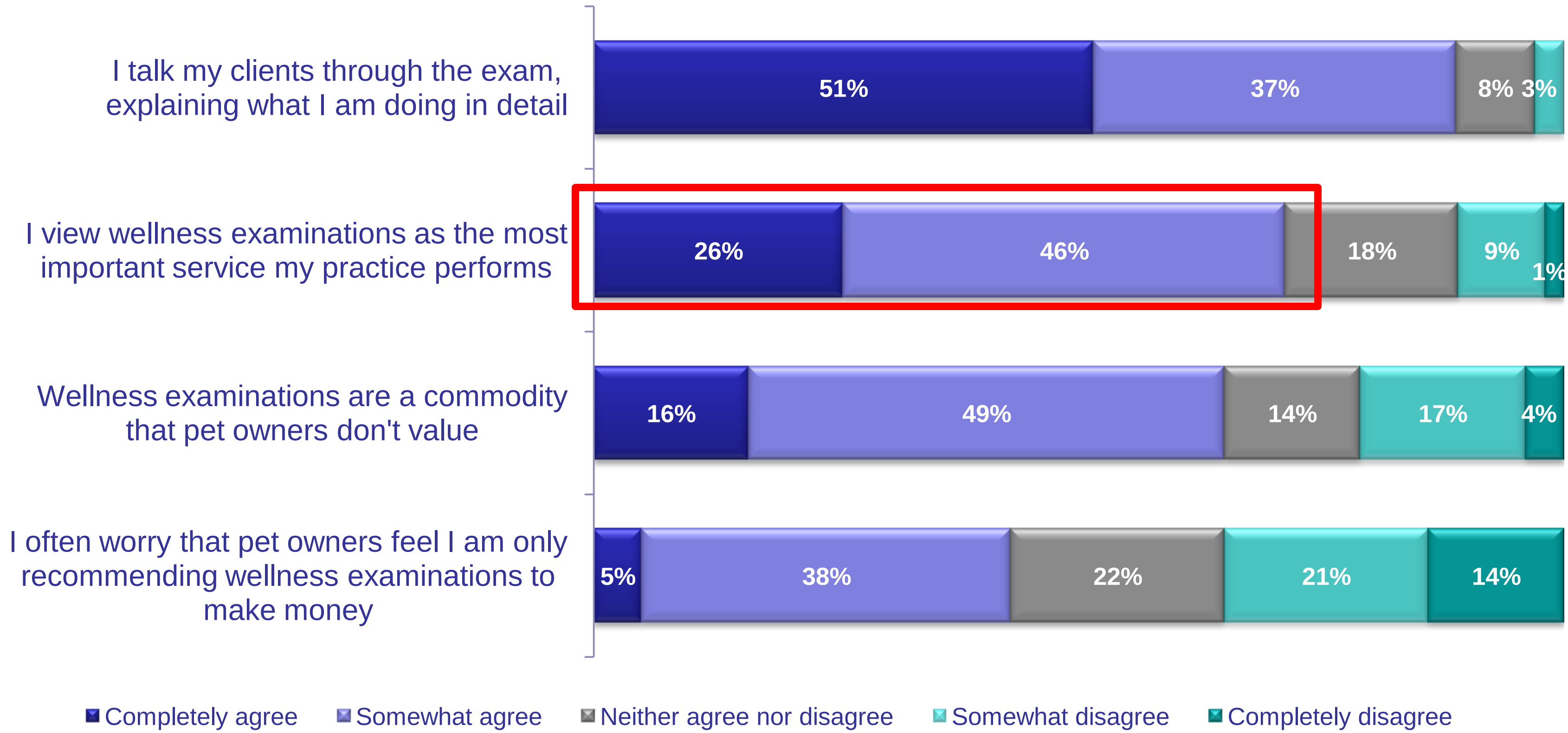
Somewhat Limited Use of Internet in Practice



Q19. Which, if any, of the following activities did you utilize to promote your clinic during the past 12 months?
Base: All respondents (n=401)

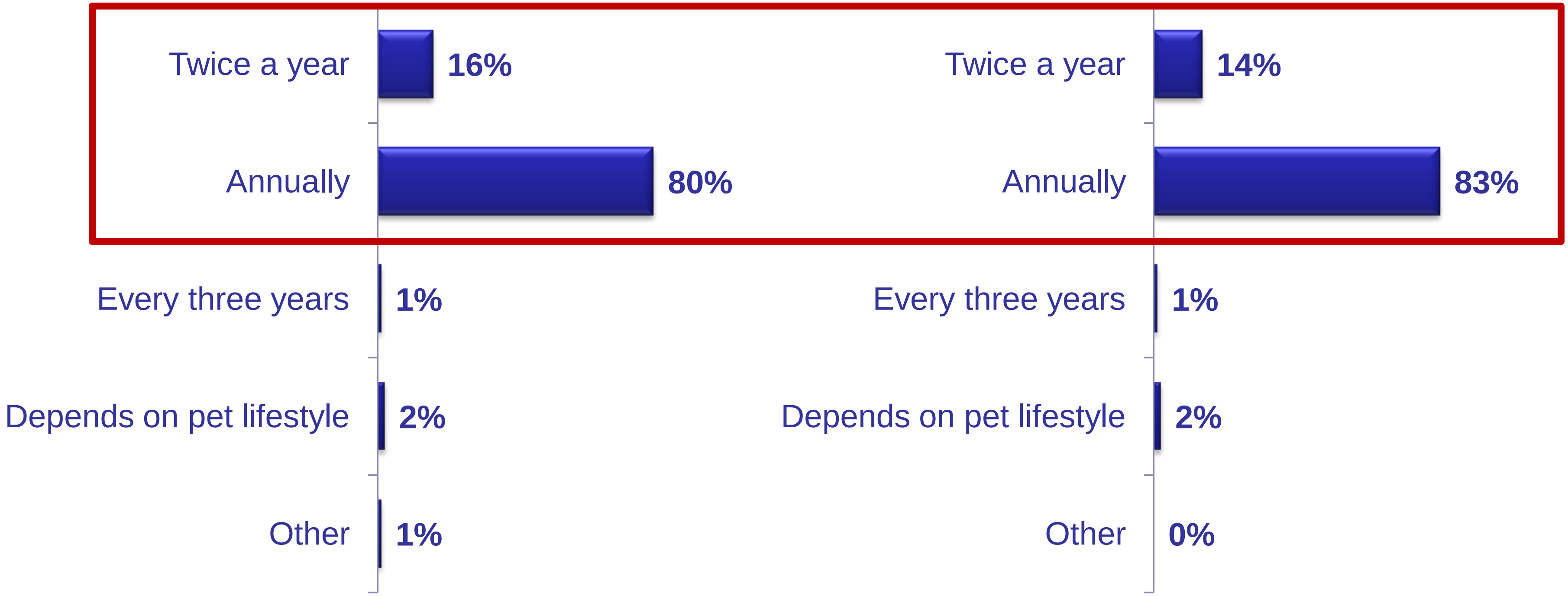
4.Clients Don't Understand Need: Vet Attitudes Towards Wellness Exams



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.
Base: All respondents (n=401)

What Veterinarians Recommend

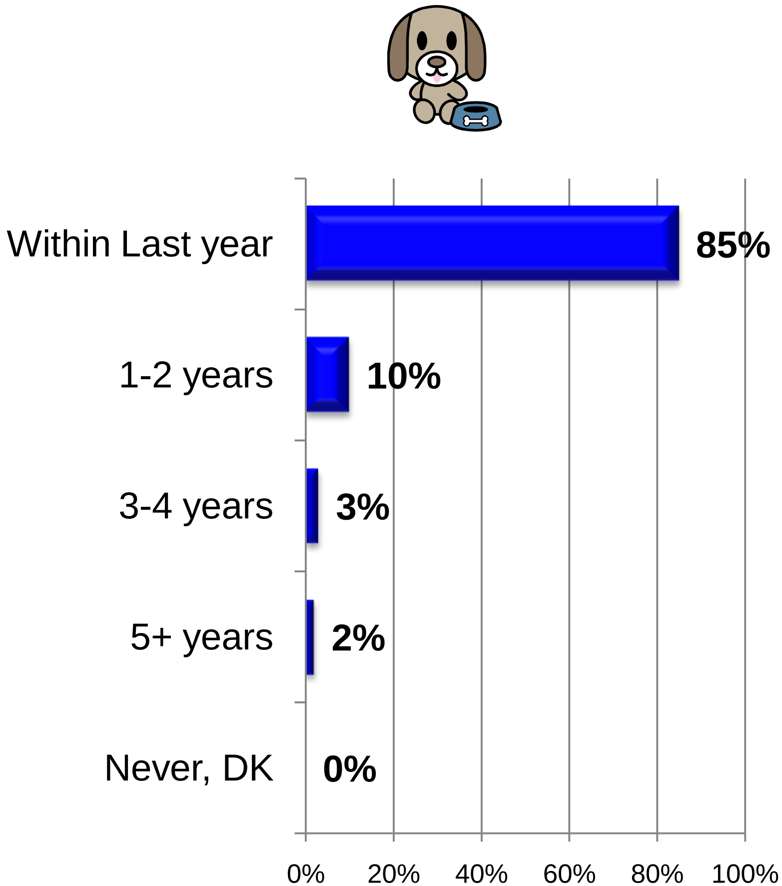
Adult, non-senior pets

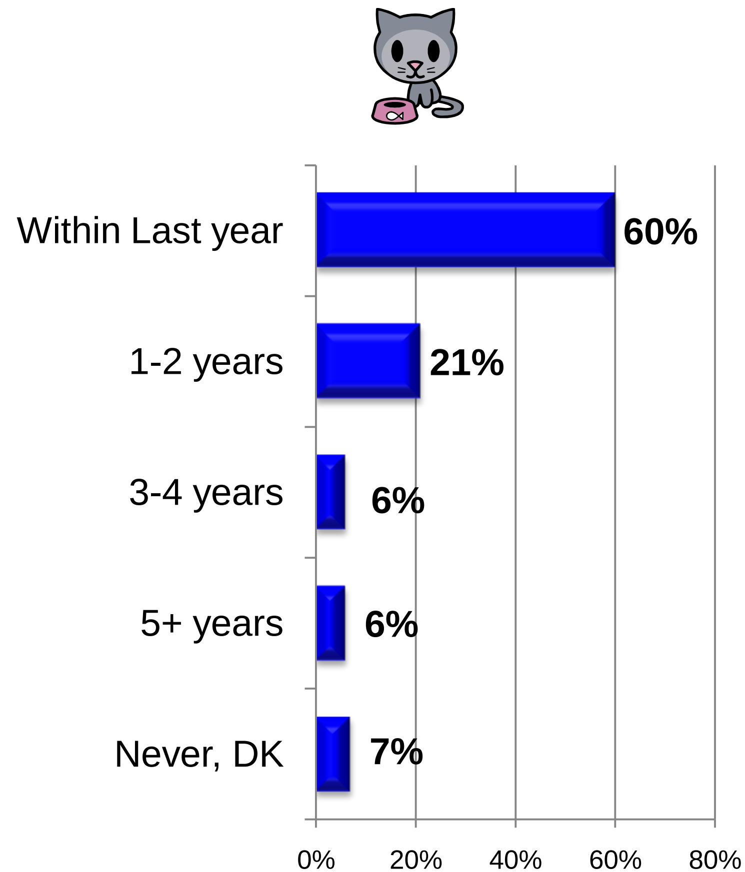


Q22_1. [Dogs] At what intervals does your practice recommend wellness exams for adult, non-senior pets?
Q22_2. [Cats] At what intervals does your practice recommend wellness exams for adult, non-senior pets?

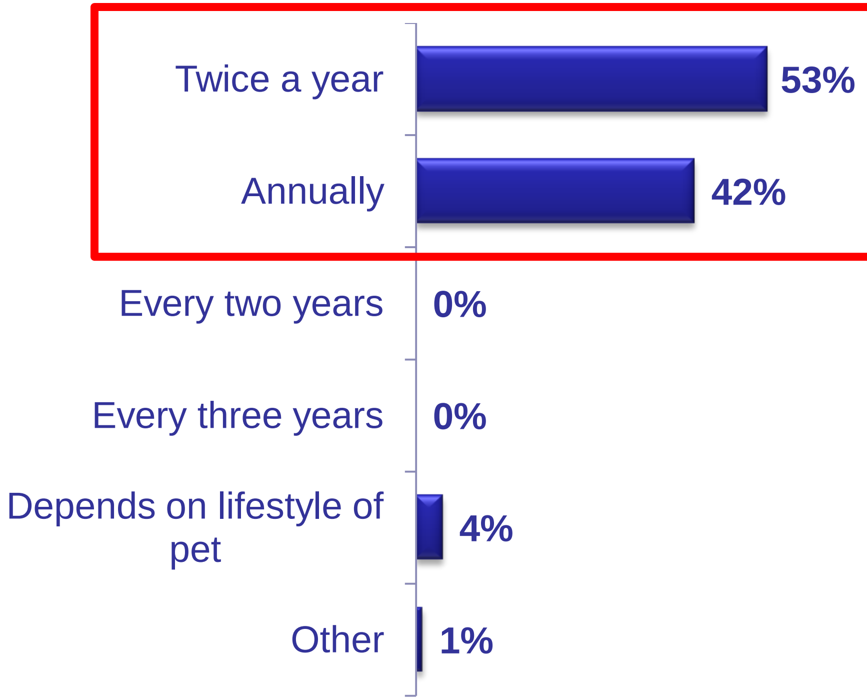
Base: All respondents (n=401)

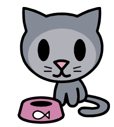
What Clients Do

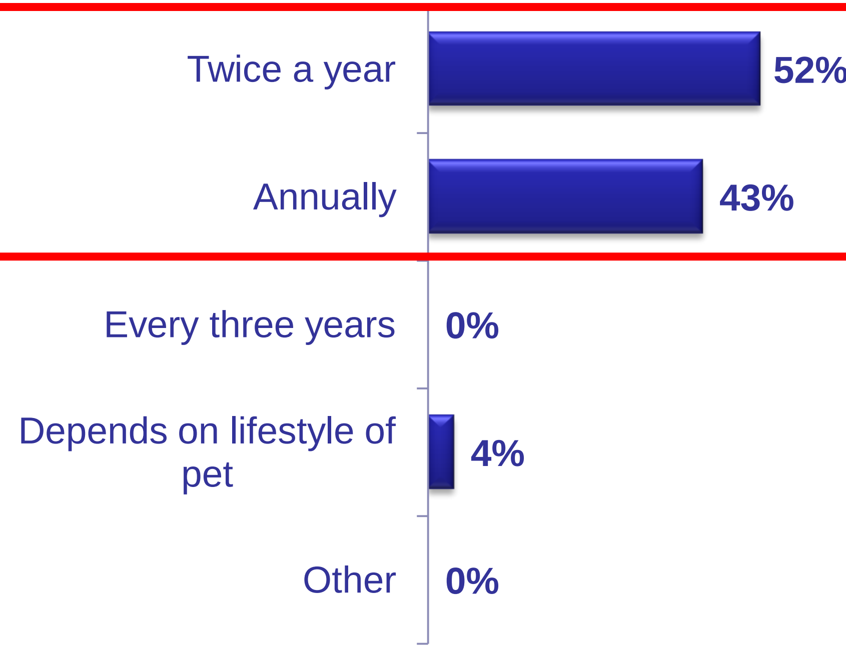




What Veterinarians Recommend for Senior Pets

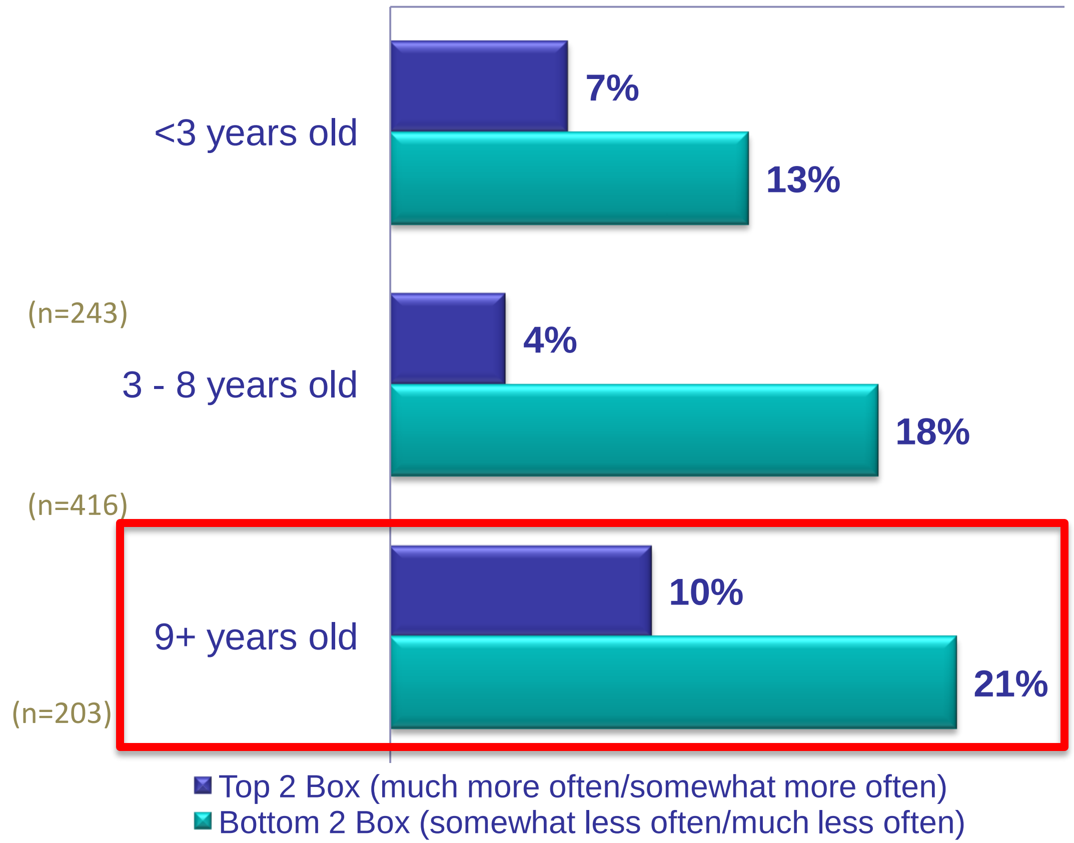






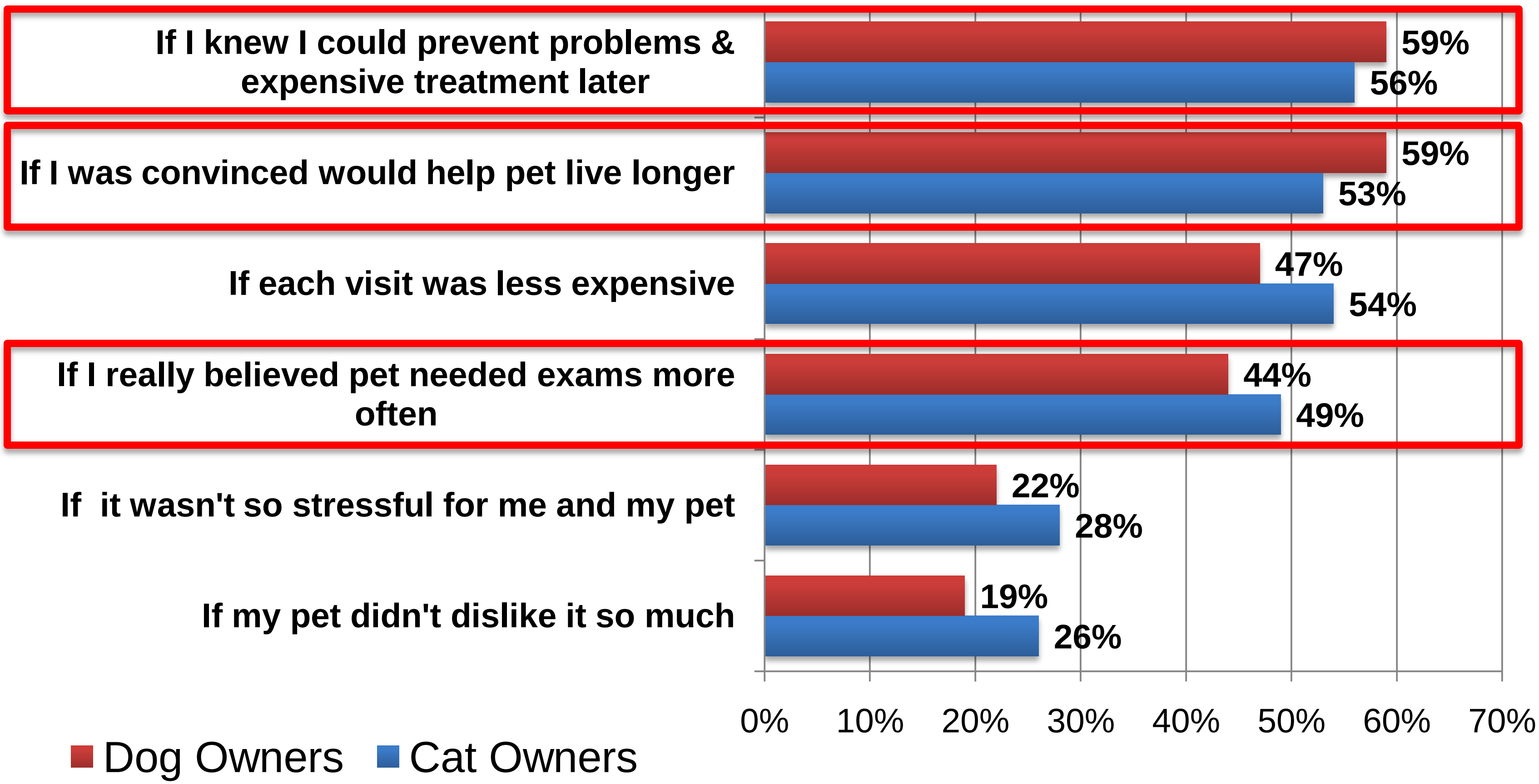
Q23_1. [Dogs] At what intervals does your practice recommend wellness exams for senior pets?
Q23_2. [Cats] At what intervals does your practice recommend wellness exams for senior pets?
Base: All respondents (n=401)

But Owners Bring Older Cats in <u>Less</u>



Q8. Generally speaking, would you say you take [SURVEY PET] to its primary veterinary clinic more often, less often or the same amount as two years ago?
Base: All survey pets that have a primary veterinarian (Cats n=862)

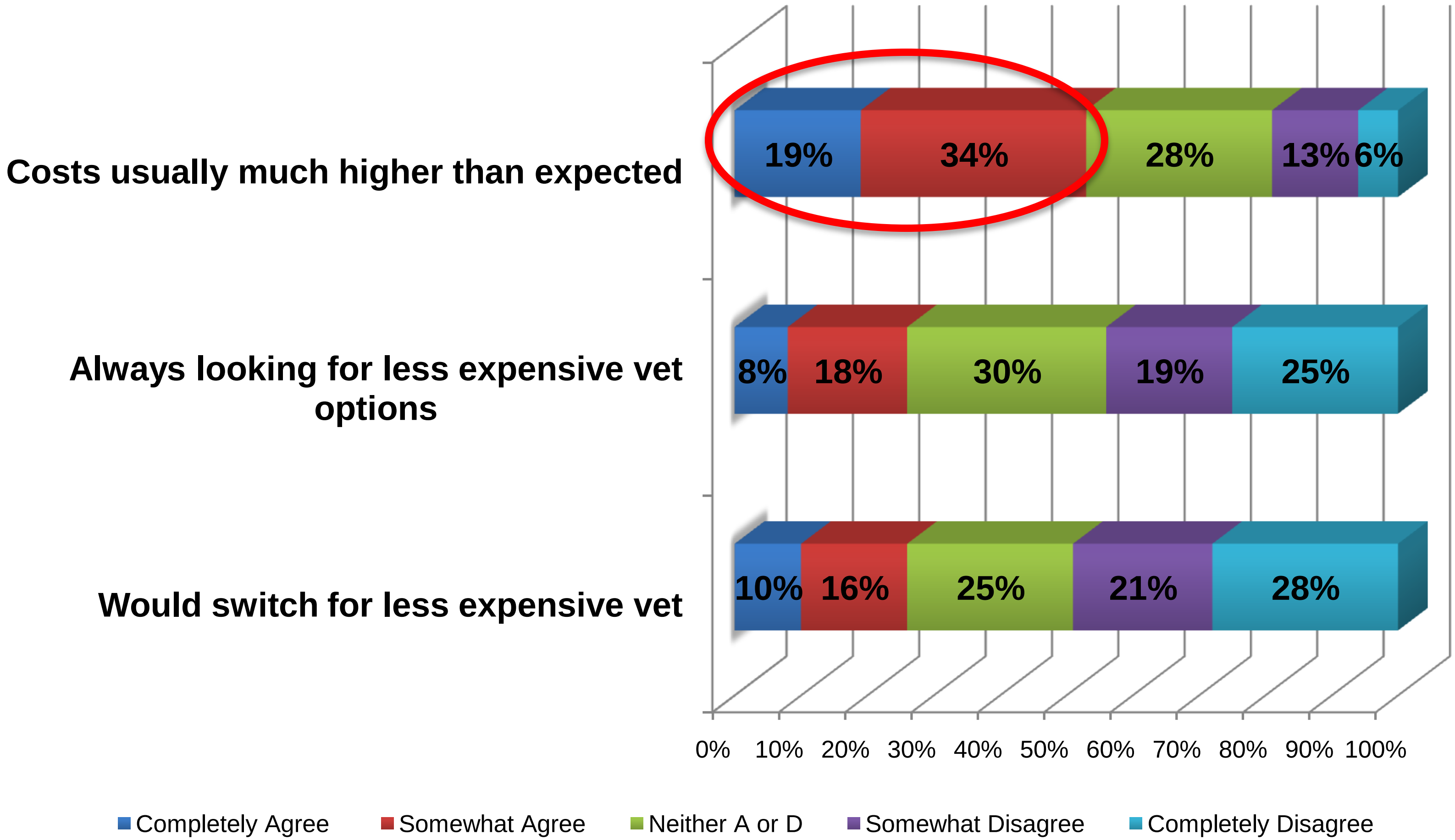
Would Take Pet to Vet More Often...



Q23.Please indicate your agreement with each of the following using the scale provided...I would take [SURVEY PET] to the veterinarian more often if...

Base: All respondents (Dogs n=1096)(Cats n=1092)

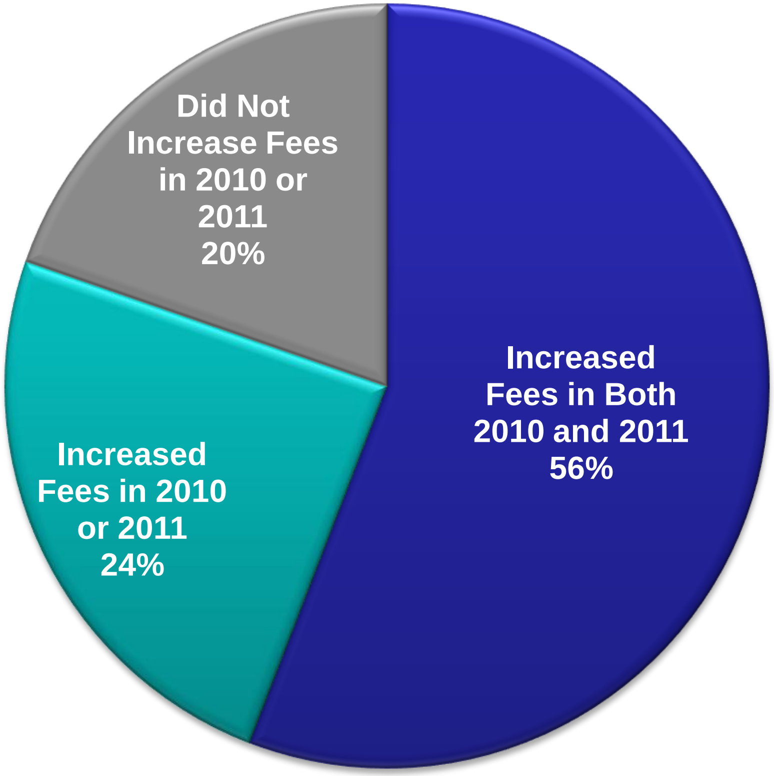
5. Client Sticker Shock



Q22. Please indicate your level of agreement with each of the statements listed below using the scale provided. If you do not have a regular veterinarian for [SURVEY PET] , please think of the veterinary clinic you last took them to.

Base: All respondents (n=2097)

% of Practices Increasing Fees



Mean Fee Increases:

2010 4.8%
2011 4.3%

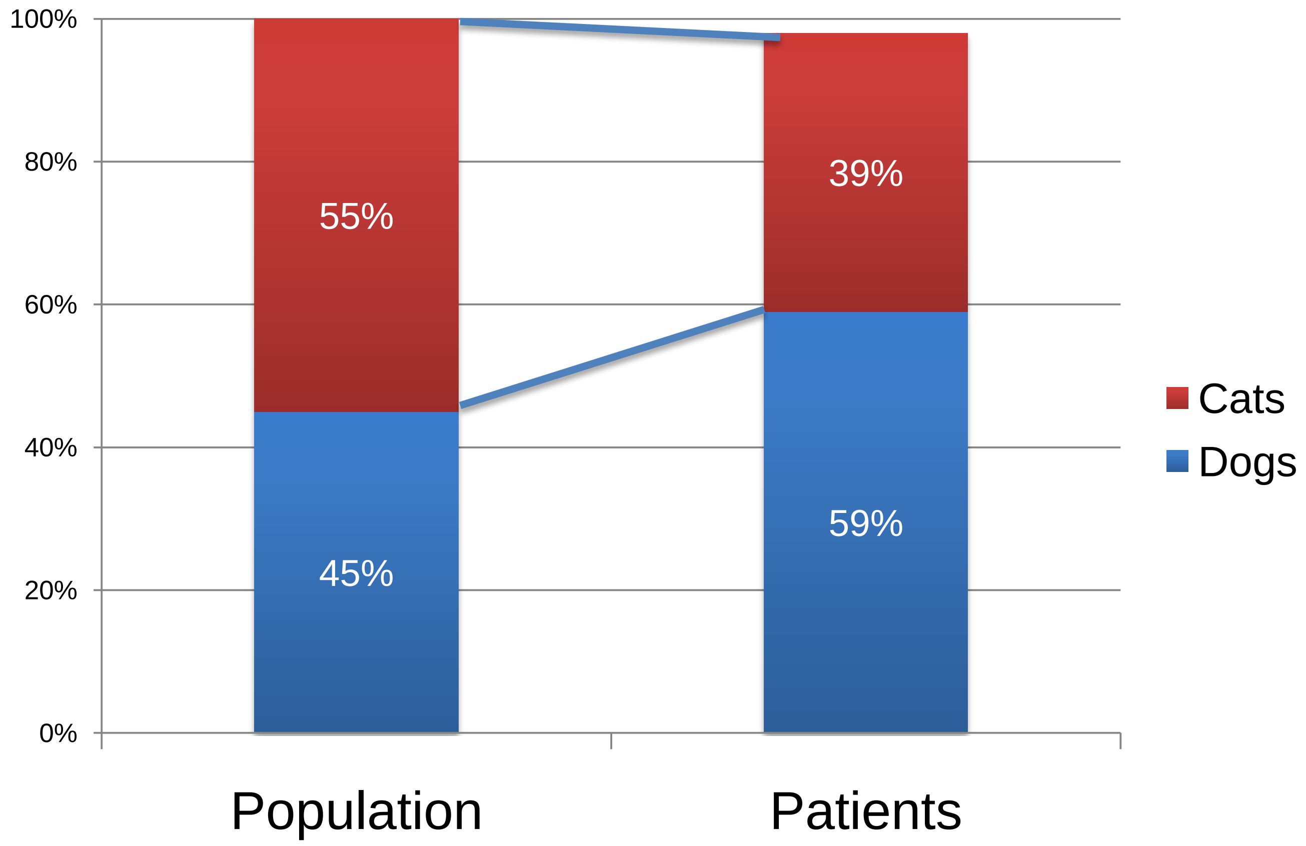
Q29. By what percent did you raise fees in 2010?
Q31. By what percent will you raise fees in 2011?

Base: All respondents (n=401)

6. Feline Resistance: Vets are Locked in a Test of Wills with Cats

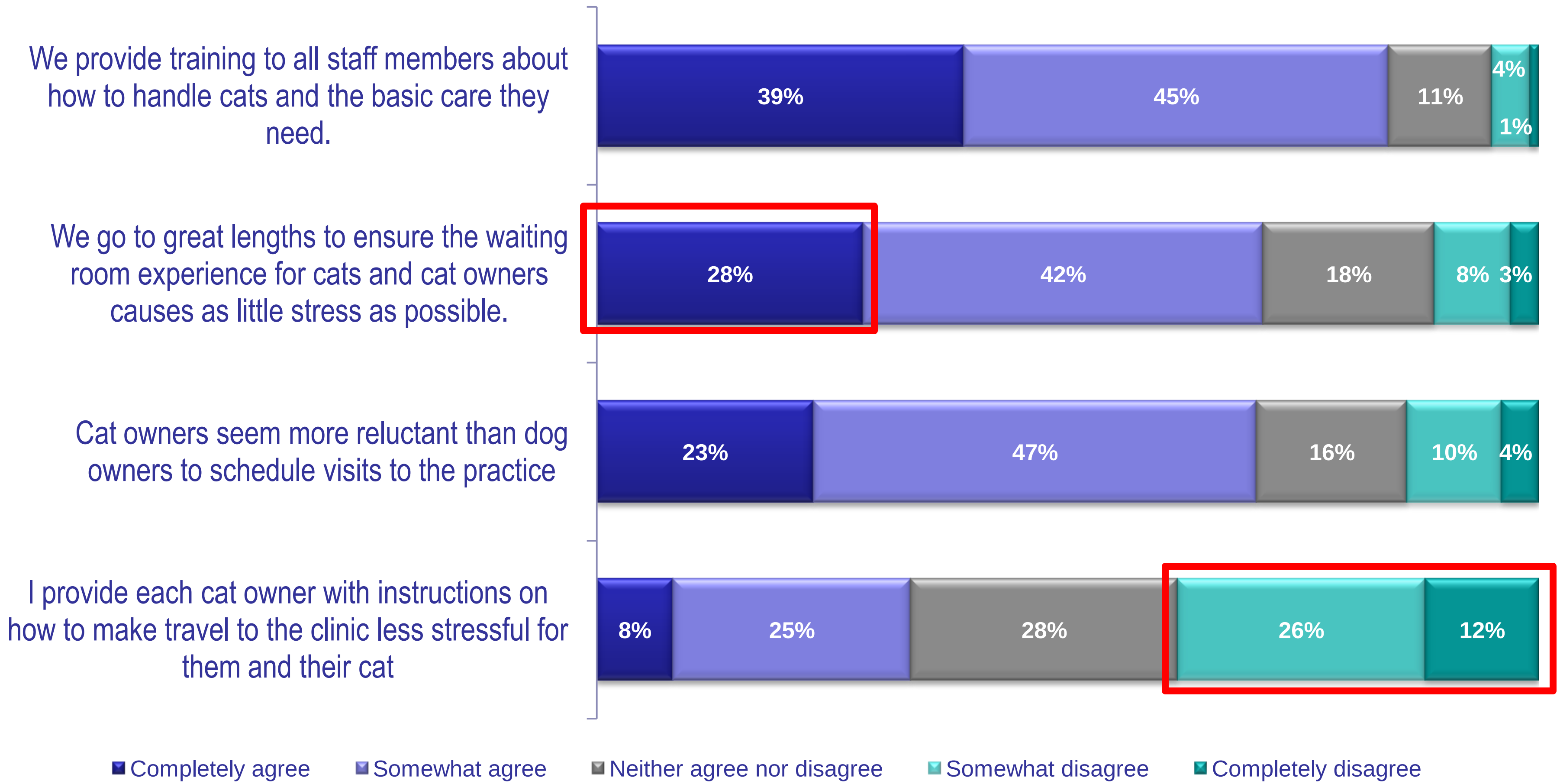
And cats are winning.

Cats Significantly Under-Represented in Patient Base



SC1. What percentage of your total patient base are either dogs and/or cats?
Base: All respondents (n=401)

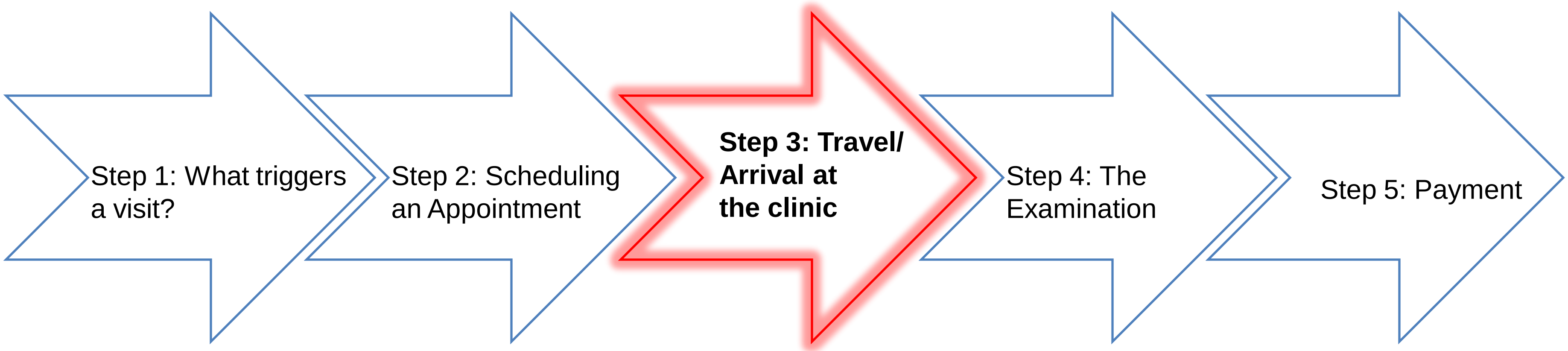
Veterinarian Attempts to Accommodate Cats



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.

Base: All respondents (n=401)

Big Opportunity



- Travel/Arrival at clinic identified as key friction point
  - It defines the experience of a cat owner
  - Key point of differentiation between lighter and heavier users
  - Where opportunity for dissatisfaction begins

Factors Responsible for Visit Declines are Consistent

- Findings of veterinary quantitative survey reinforced earlier vet interviews and pet owner survey

- No new issues surfaced

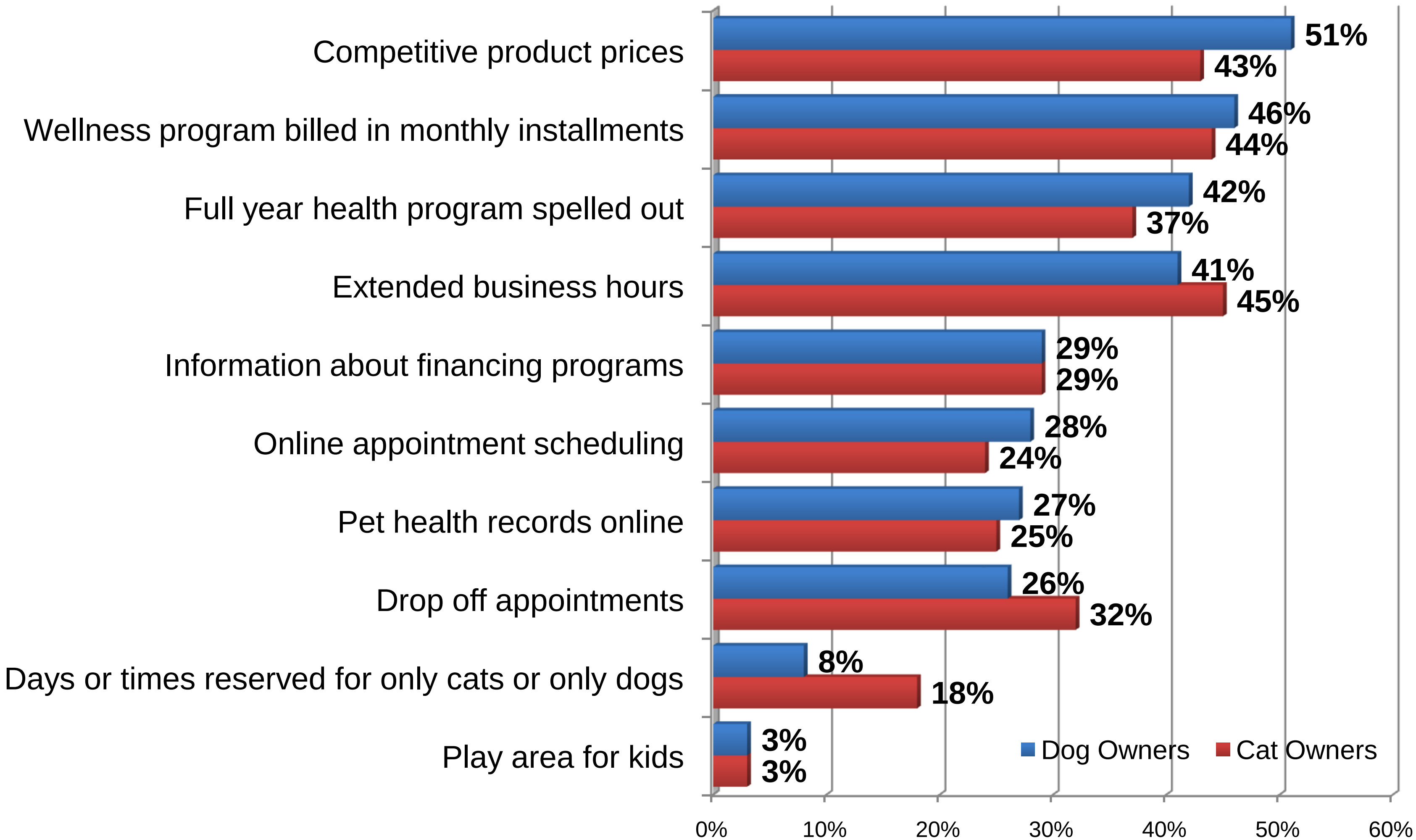
Karen E. Felsted, CPA, MS, DVM, CVPM
Chief Executive Officer
National Commission on Veterinary Economic Issues

How to Address the Problem

Solutions

- Veterinary receptivity to pet owner service concepts
- Research-based recommendations

Services Most Likely to Increase Visits



Q25. Please select the three concepts which, if implemented, would make you most likely to take [SURVEY PET] to their veterinarian more often.
Base: All survey pets that have ever visited the veterinarian (Dogs n=1057) (Cats n=1040)

Where Opportunity Lies

Service Concept	% Clients Would Visit More if . . .	% Vets Offering Now	% Vets Willing to Offer	
Competitive product prices	47	73	8	
Wellness program billed monthly	45	5	29	Opportunity
Develop full-year health plan	39	22	40	Opportunity
Information about financing programs	29	47	17	Opportunity
Online appointment scheduling	26	18	29	Opportunity
Pet health records online	26	20	24	Opportunity
Drop-off appointments	29	85	3	
Days/times reserved for dogs/cats only	13	2	10	
Play area for kids	3	25	4	
None		2	28	

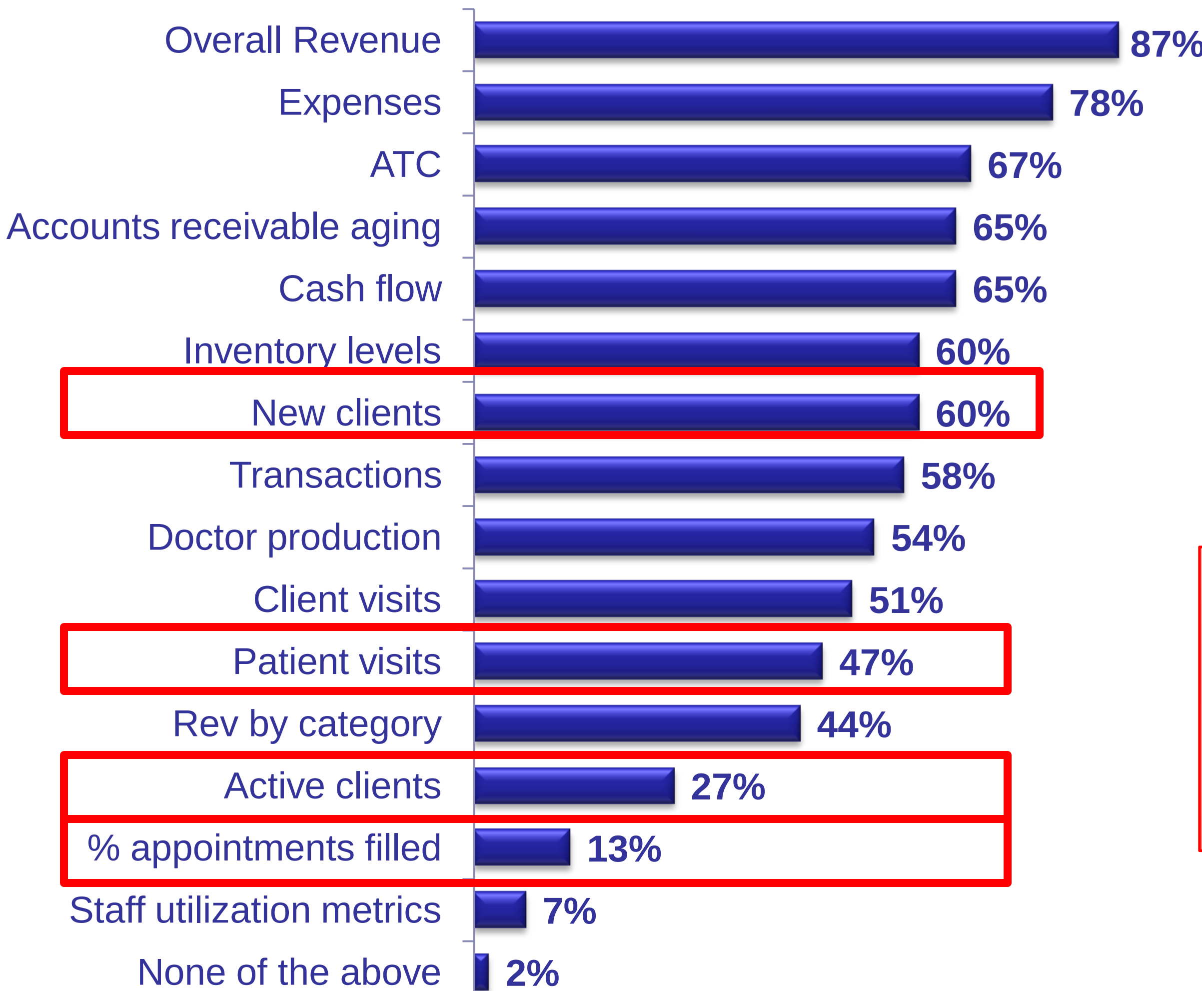
Q32. Please indicate which of the following services are currently offered by your clinic.
Q33. Which three of the following items would you most be willing to implement in the next year

Base: All respondents (n=401)

Management-based Recommendations

- Track visits and related metrics
- Market your practice
- See same veterinarian for every visit
- Communication of need for care
- Manage pricing
- “Friend” cats
- Make it easy to schedule and keep appointments

You Can't Manage What You Don't Measure



Metrics checked at least quarterly

Q27. Which of the following do you review or check at least quarterly. That is to say, at least once during the past three months.

Base: All respondents (n=401)

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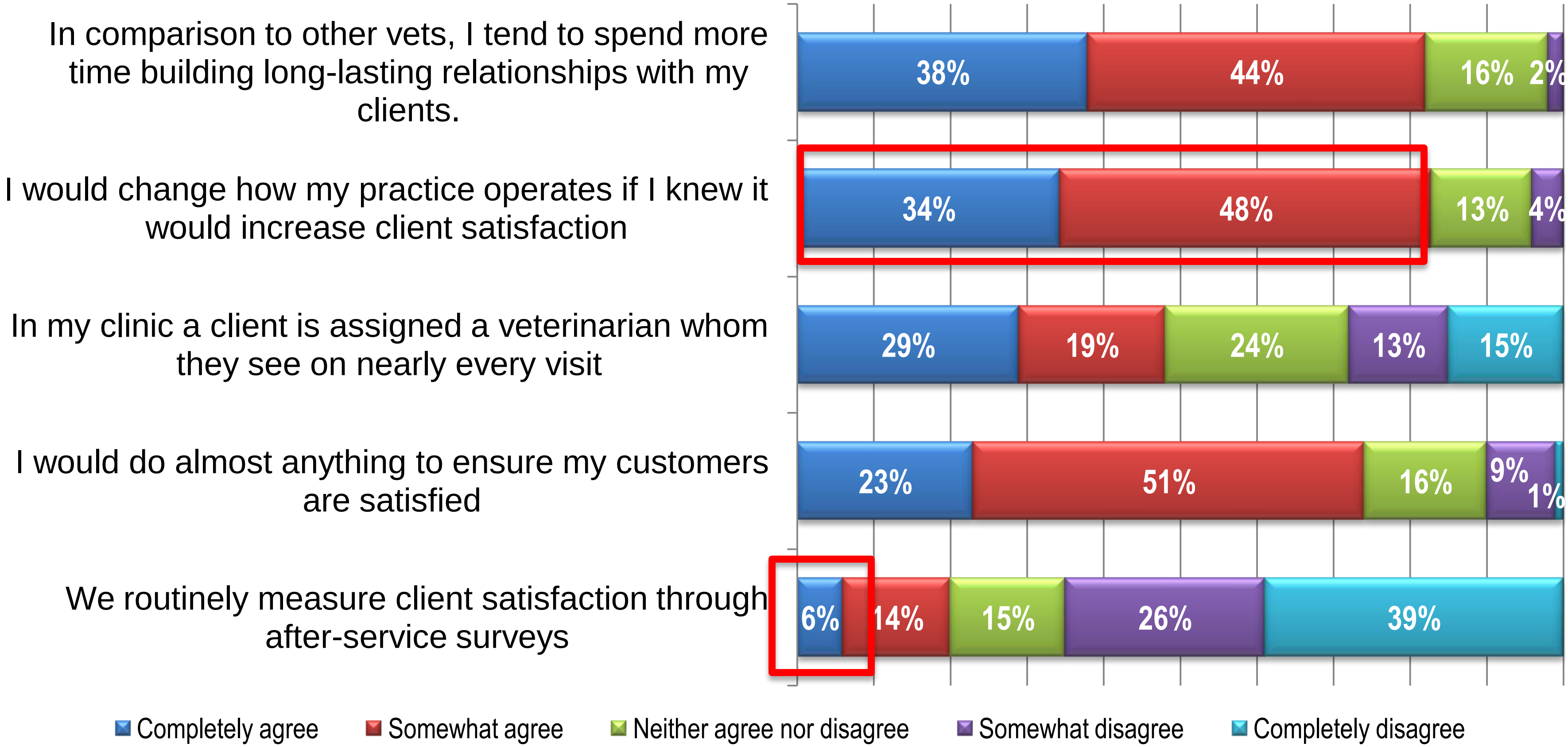
Two Basic Ways to Grow Visits

- Retain existing clients and build frequency of visits
- Attract new clients

Remember: only 61.7% of appointments are currently filled

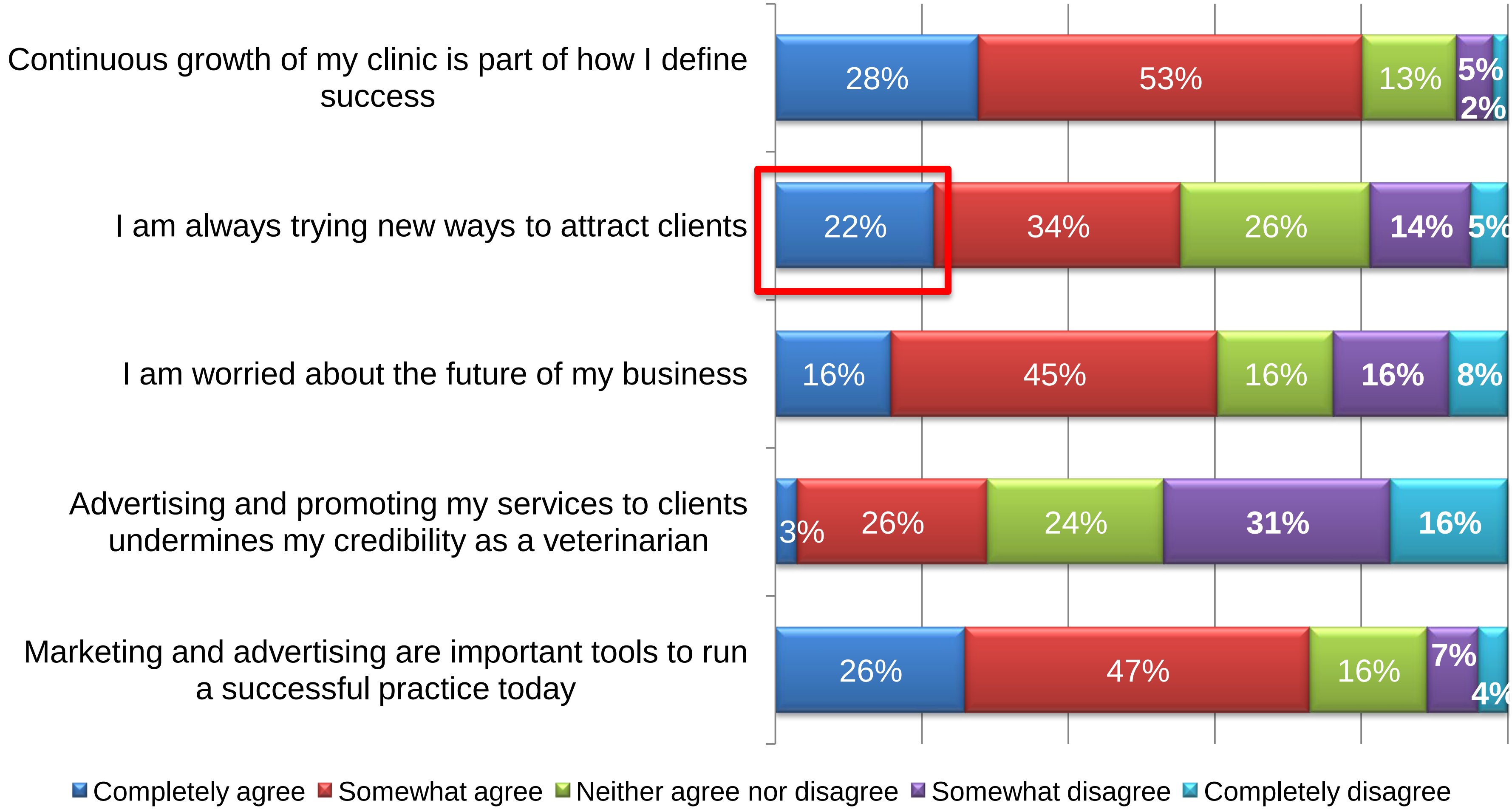
Approach to Existing Clients



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.

Base: All respondents (n=401)

Attitudes Towards New Clients



Q34. Please indicate the extent to which you agree or disagree with each of the following statements using the scale provided.
Base: All respondents (n=401)

Marketing/Advertising Including Social Media are Key Drivers

Q19. Which, if any, of the following activities did you utilize to promote your clinic during the past 12 months?

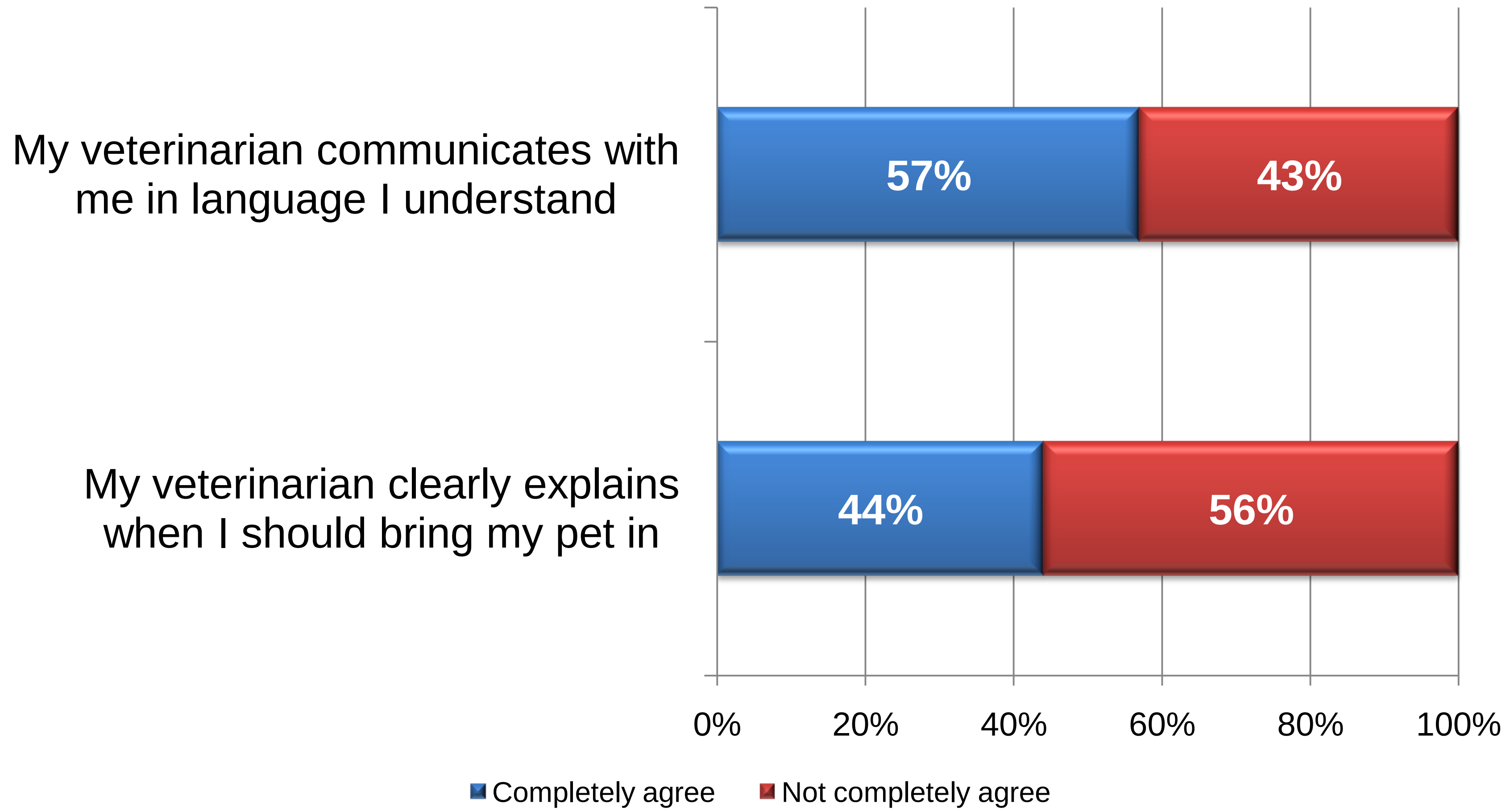
Base: All respondents (n=401)

Referral Programs Used

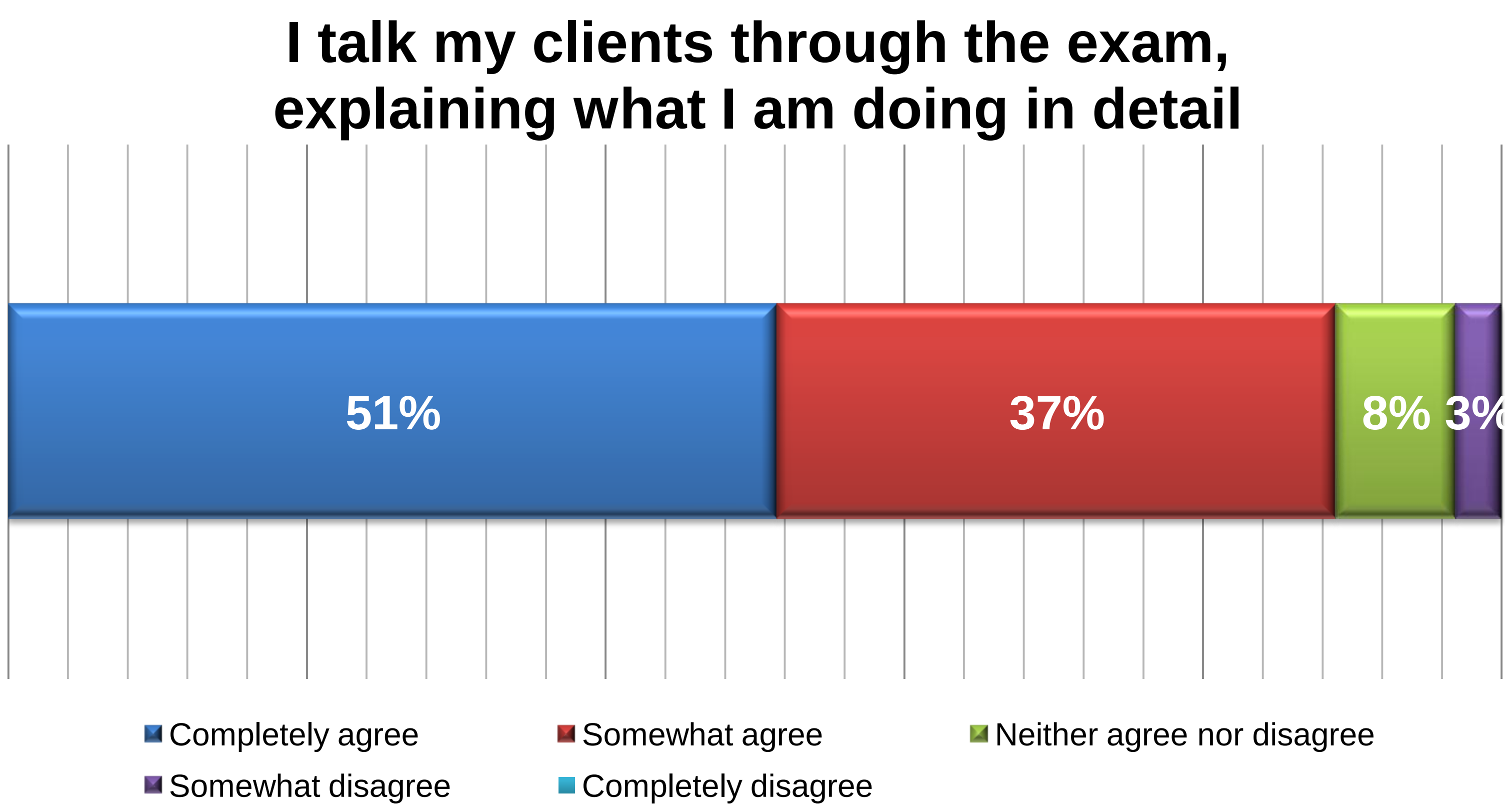
Incentives to existing clients who refer new clients	37%
Referral arrangements with other pet service providers	20%
Sponsorship of 'Welcome Wagon' or New-to-community Services	12%
Employee referral relationships with local companies	6%
Referral relationships with local realtors	5%

Q19. Which, if any, of the following activities did you utilize to promote your clinic during the past 12 months?
Base: All respondents (n=401)

Communications Not Always Clear



Communicating About the Exam



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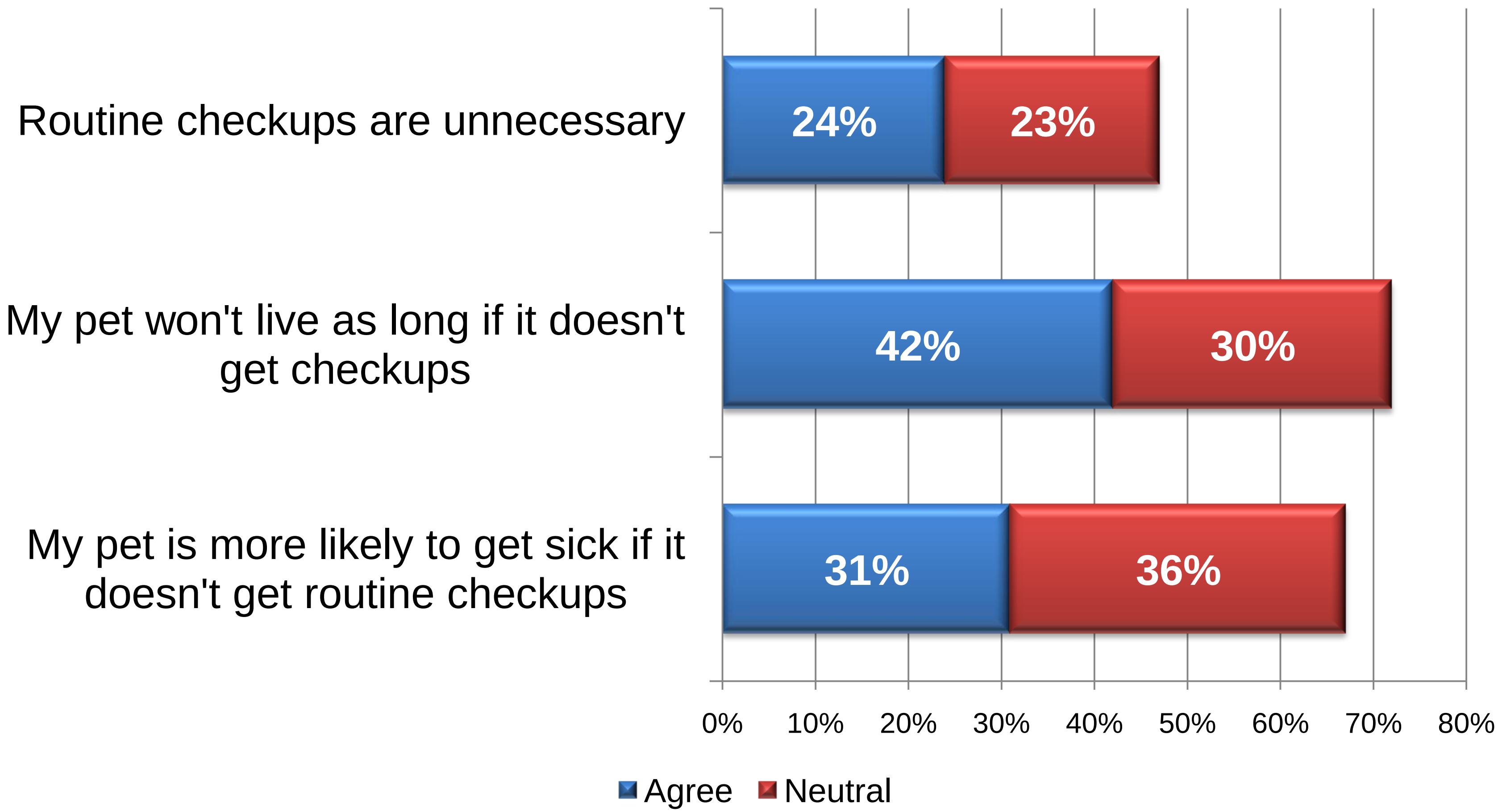
Talking to Clients

- “There is allergy testing if you really want to do that.”
- “At some point you might want to get that done, just a suggestion.”
- “If you decide to do this, the estimate is good for a year. Call the front desk to set it up.”

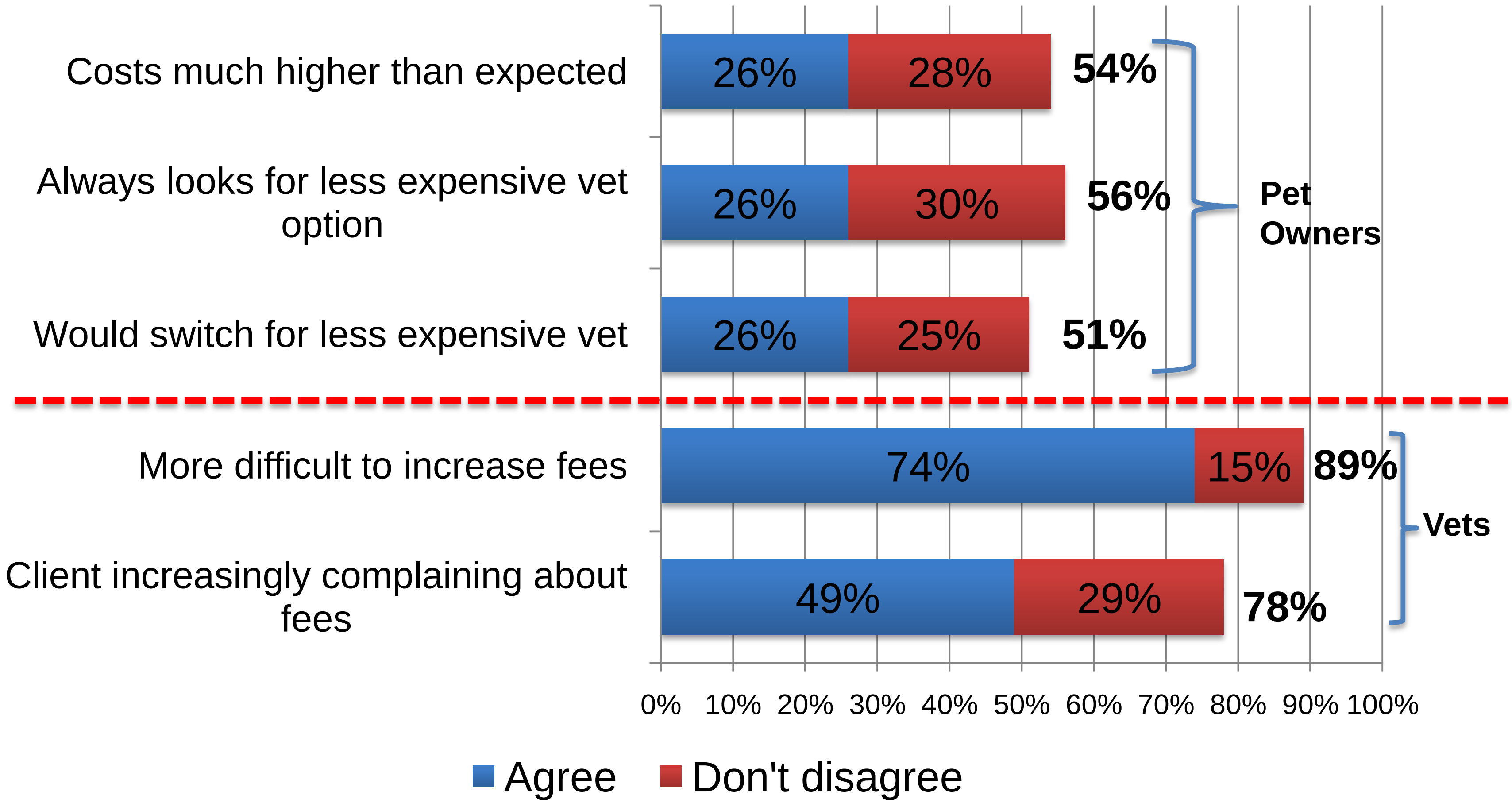
Many Pet Owners Confused, Uninformed



Physical Exam – Describe it as You Go

- “I’m listening to Fluffy’s heart—the heart rate is normal and I don’t hear any murmurs.”
- “Fluffy’s abdomen feels normal—the kidneys are of normal size and shape and I don’t feel any masses.”
- “I don’t feel any lumps or bumps as I run my hands over her legs.”
- “Fluffy has a moderate degree of periodontal disease—Let’s schedule an appointment in two weeks for us to clean her teeth.”

Price is an Issue

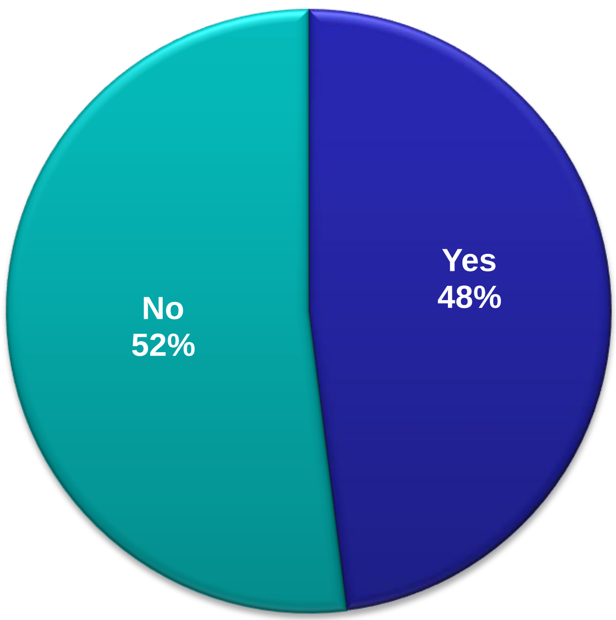


Managing Client Costs

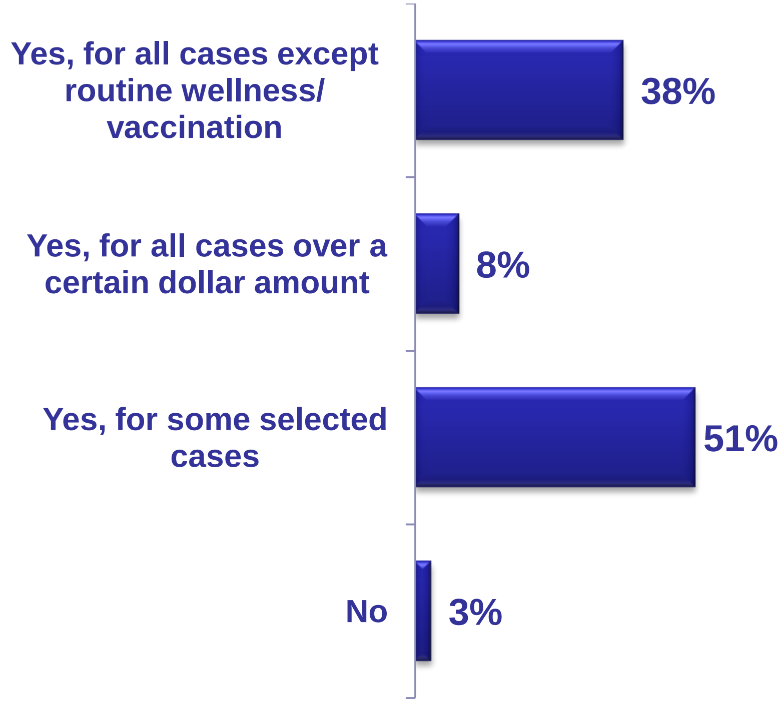
- Fee increases are not the only way to improve profits
  - Counter-productive in some cases
- Written financial policy important
- Many options for managing client costs
  - Price-matching on shopped items
  - Expanded payment options
  - Promotional discounts
  - Wellness plans

Practice Financial Policies

Clinic Has a Written Financial Policy



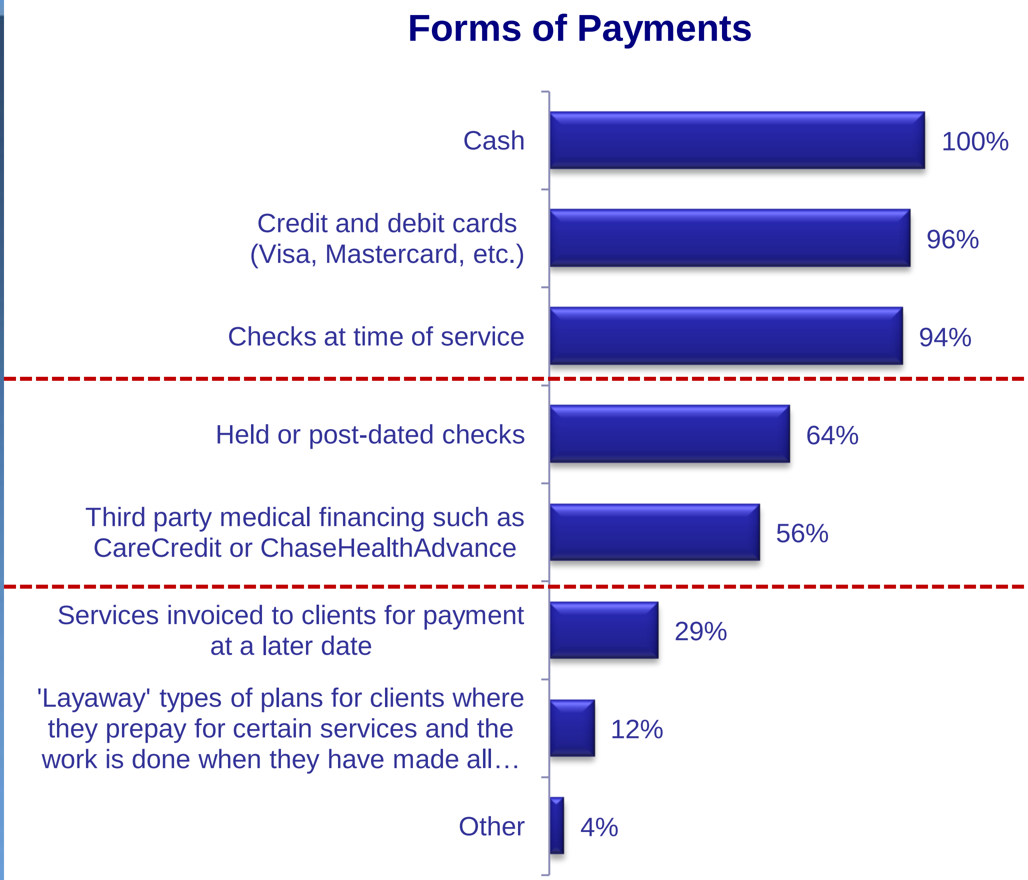
Preparation of Written Estimates Prior to Starting Treatment

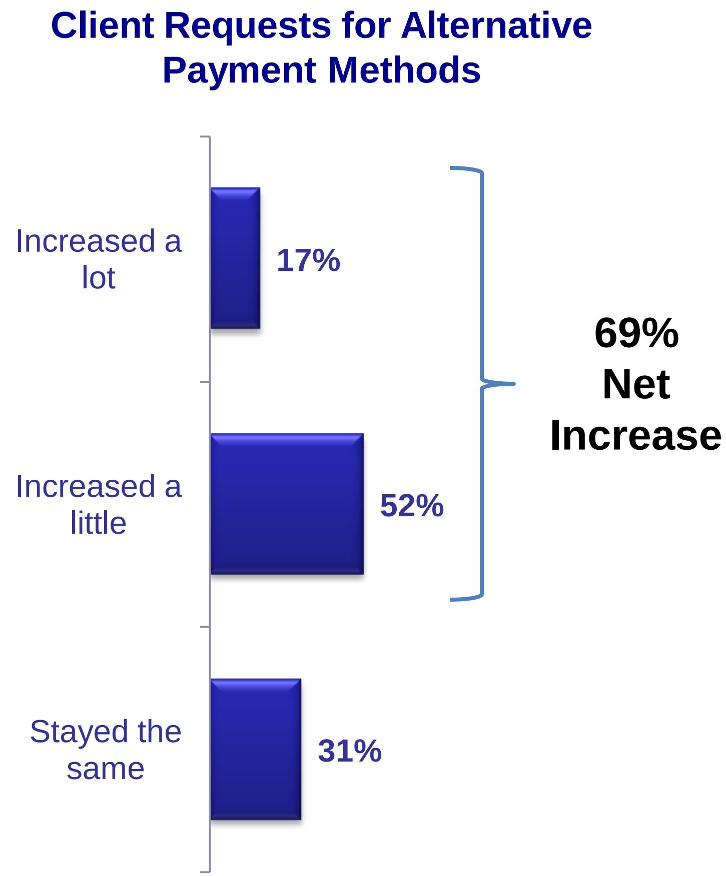


Q11. The next few questions relate to client payment options. Does your clinic have a written financial policy for clients to review?
Q12. Does your practice prepare written estimates for services before starting treatment?

Base: All respondents (n=401)

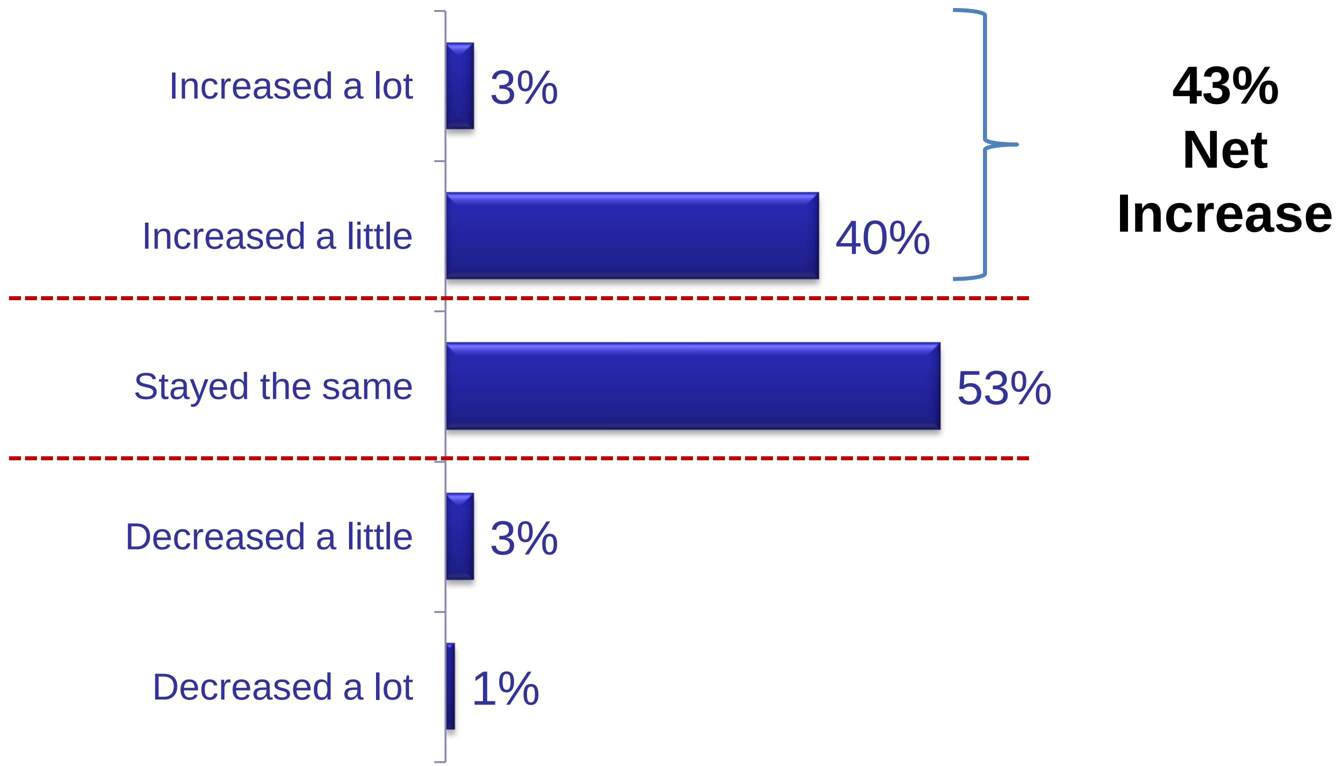
Client Payment Options





Q13. Which of the following forms of payment does your clinic accept from clients?
Q14. Thinking back over the past 12 months to what extent have client requests regarding alternative methods for payment increased, decreased or stayed the same?
Base: All respondents (n=401)

Client Interest in Pet Insurance



Q16. Which of the following best describes the overall interest in pet insurance among pet owners in the past 12 months? Has it...
Base: All respondents (n=401)

Use of Promotional Discounts

First exam free for pets adopted from shelters	45%
Price matching on pet products sold at your clinic	36%
Specials or discounts as part of promotions	28%
New client discounts	16%
First exam free for pets purchased from pet stores	15%

Q19. Which, if any, of the following activities did you utilize to promote your clinic during the past 12 months?
Base: All respondents (n=401)

Discount Strategy

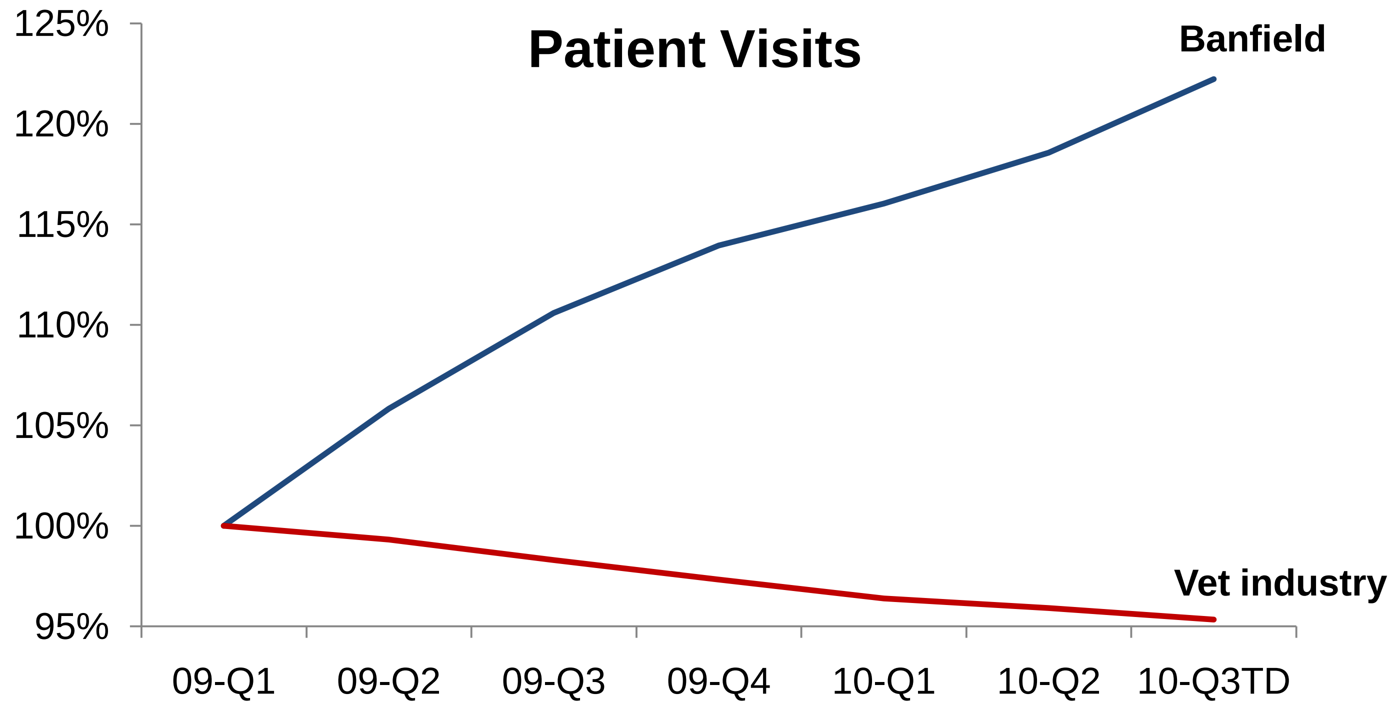
- Use discounts to reward desired behavior

- Examples
  - Move appointments from rushed times to slower times
  - Attract patients not seen in last year
  - Increase visits from existing clients
  - Expand use of particular service

Wellness Plans

- Annual care plans paid for on a monthly basis
- May include free office calls
- Include specific services
- Some practices significantly discount services included; others don't
- May include discounts for services not included in the plan
- Must increase traffic to be profitable

Banfield Attributes Growth in Visits in Part to Wellness Plans



Source: IDEXX & VetInsite; Banfield

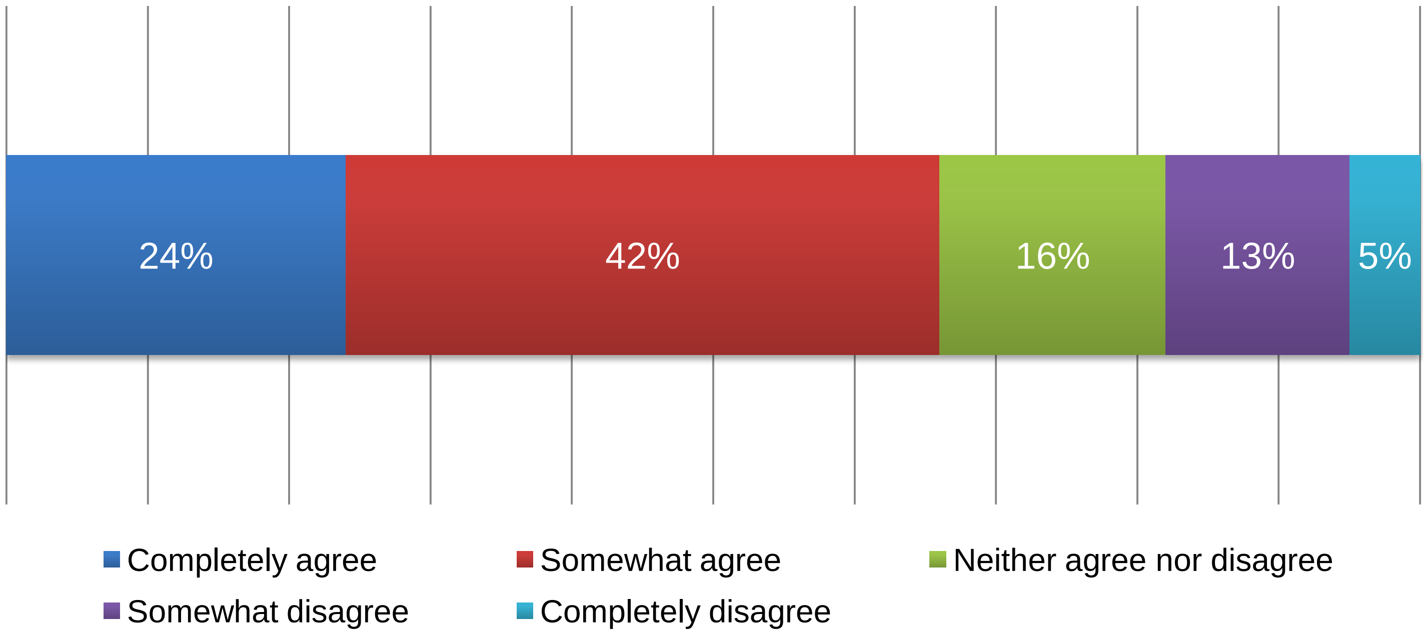
80% of Growth Potential is Cats

- 13% more cats than dogs
- Cat visits are ~30% less than dog visits
- 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

Changing the Care Cats Receive

- Identify all the cats owned by your clients
- Educate clients about the need for care
- Create a cat-friendly facility
- Teach your clients about cat-friendly transport
- Focus on cat-friendly handling and examination
- Improve your knowledge of cat-friendly healthcare
- Help clients understand payment options

Asking About Other Pets During Every Visit



Resources

- American Animal Hospital Association
  www. aahanet.org

- American Association of Feline Practitioners
  www.catvets.org

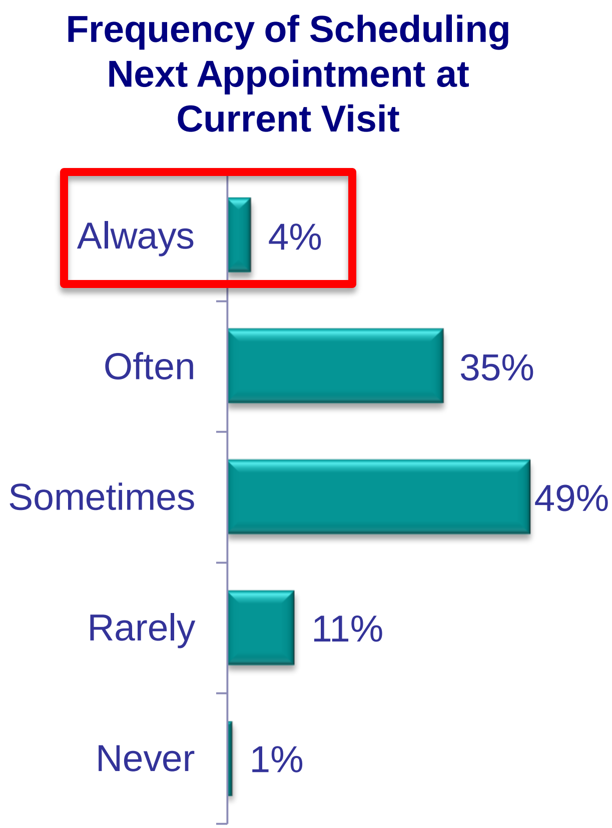
- CATalyst Council
  www.catalystcouncil.org

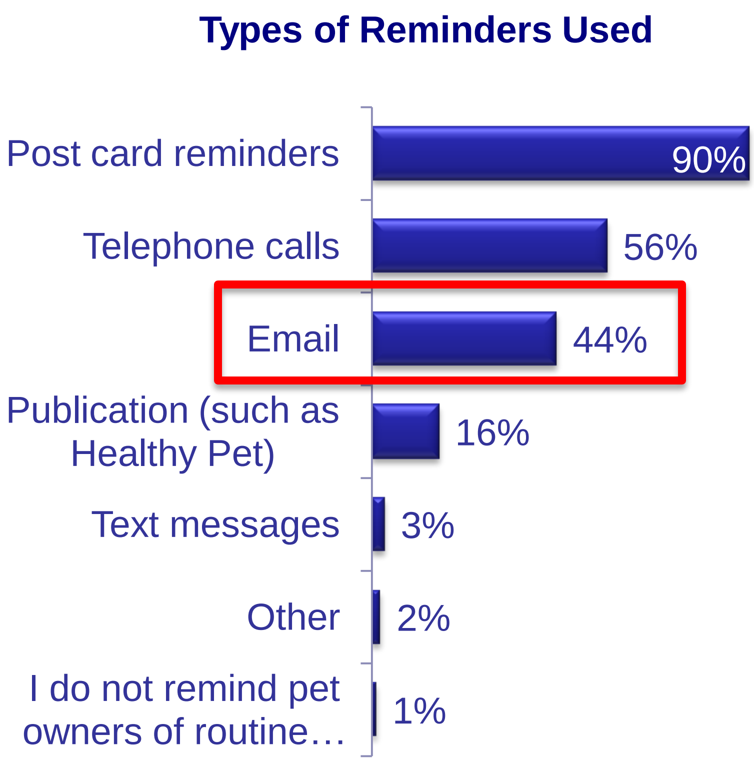
- Feline Advisory Bureau
  fabcats.org/publications/index.php#cfp1

Make it Easy to Schedule and Keep Appointments

- Schedule the next appointment before patient leaves practice
- Use email reminders <u>in addition to</u> mail and telephone reminders
- Extended hours may bring in more clients
  - Pet owners want them, but data ambiguous

Make it Easy to Schedule and Keep Appointments





Regardless of Visit Trend, <u>Every</u> Practice Can Boost Traffic

- Develop annual pet health plans
- Offer monthly billing for wellness package
- Ask about other pets on every visit
- Always schedule next appointment before pet leaves
- Start a Facebook page
- Send email reminders
- Communicate need for care
- Dedicate space in waiting room for cats only
- Arrange referrals with realtors, new home owner programs
- Teach kitten owners how to train pet to carrier
- Promote pet insurance
- Send satisfaction surveys
- Stay open late two nights a week
- Offer discounts for pets not seen in last year

John Volk

Senior Consultant

Brakke Consulting

What it all boils down to…

What the Bayer Study Tells Us

- Pet owners want a veterinarian that knows them and knows their pet; someone in whom they can gain confidence. The way you know if you're meeting their needs is by asking – through after-service surveys.

What the Bayer Study Tells Us

- Clients want consistency and predictability; they don't like surprises. Value is important too. That's why they eat at McDonald's. That's why an annual health plan for the pet and monthly billing are so attractive.

What the Bayer Study Tells Us

- There is no low-hanging fruit. Times are tough out there and they aren't going to improve dramatically soon. It takes effort just to stay even. It takes a whole bunch of effort to move ahead. There's a lot of competition; differentiating your practice is important.

What the Bayer Study Tells Us

- Your clients have moved to the Internet. If you want to keep in touch with them, you need to be there too. It's not the only place to communicate with them, but it's an important one.

What the Bayer Study Tells Us

- The time and energy spent building clinic traffic (patient visits) are worth it. There are pets out there, especially cats, that need better care. Their owners are willing to provide it if they know what to do. They need you to find them and tell them.

What the Bayer Study Tells Us

- It takes:
  - A team
  - Leadership
  - A plan
  - Some trial and error
  - Trying new things
- Each veterinarian needs to find out what works best for his or her practice.

Questions & Answers

THANK YOU!