A Brakke Consulting White Paper

Brakke Animal Health Industry Sentiment Index

Marnette Falley, PCC, and Robert W. Jones, PhD

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Brakke Consulting recently surveyed animal health industry professionals to gauge current animal health industry conditions and future expectations, resulting in the inaugural Brakke Animal Health Industry Sentiment Index. This white paper, prepared by Marnette Falley, PCC, and Robert Jones, PhD, summarizes key findings on industry optimism, innovation drivers, and near-term challenges.

Sentiment assessments are a common and valuable business tool because they capture forward-looking confidence among leaders—often before those views translate into financial performance—helping companies guide resource allocation, innovation priorities, hiring, and strategic planning in dynamic markets. Brakke Consulting intends to conduct this study annually and plans to use the information as it helps animal health and nutrition industry clients grow and prosper.

Executive Summary

Overall, respondents to the inaugural *Brakke Animal Health Industry Sentiment Index* survey conducted during December 2025 and January 2026 expressed optimism, with 60% of survey respondents reporting business conditions in the animal health industry are stable or improving compared to 12 months ago. Twenty-seven percent of respondents expect business conditions in the animal health industry to improve in the next 12 months, and almost 40% expect better business conditions for their company over the coming year. However, over 30% felt that the conditions in the industry and at their company had become worse.

The optimism appears to be grounded in a strong belief that innovation will continue to drive the industry forward. These findings are consistent with broader industry trends, including strong product pipelines and advances in medical technologies, delivery systems, new active ingredients and therapies, and long-acting formulations on the horizon.

At the same time, the results point to a more complex near-term operating environment. While not statistically significant, respondents in North America appeared to be directionally more cautious about current business conditions compared with their European counterparts. And across regions, respondents identified several factors dampening their optimism, including corporatization of veterinary clinics, veterinary products pricing and costs, veterinary services pricing and costs and industry consolidation.

These findings indicate that while confidence in long-term growth remains intact, leaders are navigating an environment shaped by competing pressures and increasing complexity.

Introduction

Economic optimism shapes leaders' approach to allocating resources, often before those decisions are visible in financial performance. When leaders are optimistic, they are more likely to invest in innovation, expand teams, and fund initiatives. And in industries driven by research, technology, and clinical advancement, like animal health, these decisions have long-term implications for growth, competitiveness, and market leadership.

The inaugural *Brakke Animal Health Industry Sentiment Index* survey was fielded December 2025 and January 2026 and it indicates a level of optimism that's measured rather than exuberant. The positive response expressed appears to be grounded in a widely held belief that continued innovation across therapeutics, diagnostics, and digital technologies will sustain industry growth. Industry data supports this perspective. Leading animal health companies report expanding pipelines that include biologics, long-acting formulations, and other advanced modalities, alongside continued investment in research and development. At the same time, diagnostics and software platforms are evolving rapidly, with increasing integration of data and artificial intelligence into clinical workflows. While regulatory timelines for new therapeutics remain measured, the overall pace at which new capabilities are introduced has increased, particularly in diagnostics and digital tools.

At the same time, the operating environment for companies serving the veterinary market has become more complex. The customer landscape now includes a mix of independent practices, corporate groups, and specialty providers, each with distinct needs and decision-making processes. Industry consolidation, evolving distribution models, and increasing integration of products, services, and data have added further layers of complexity.[1] In parallel, veterinary practices continue to face workforce constraints, operational inefficiencies, and elevated levels of stress, all of which can limit their ability to adopt and fully utilize new solutions.[2]

These dynamics—expanding innovation, increasing complexity, and potentially constrained capacity at the practice level—are reshaping the context in which animal health companies operate. Leaders are being asked to bring more sophisticated products and services to market, support customers navigating operational challenges, and adapt to a faster pace of change. As a result, economic optimism in this sector is best understood not simply as confidence in future growth, but as a signal of how leaders are choosing to act in an environment where opportunity and constraint coexist.

Methodology

The *Brakke Animal Health Sentiment Index* is intended to measure the outlook of professionals in the animal health and nutrition industry and not necessarily only that of independent or corporate veterinarians working on the veterinary services sector of the animal health industry. The survey was sent to animal health and nutrition professionals using two methods, either recipients of the Brakke Animal Health News & Notes newsletter or through the Brakke Consulting page on LinkedIn. It was fielded from mid-December 2025 through mid-January 2026, and the total number of responses was 132.

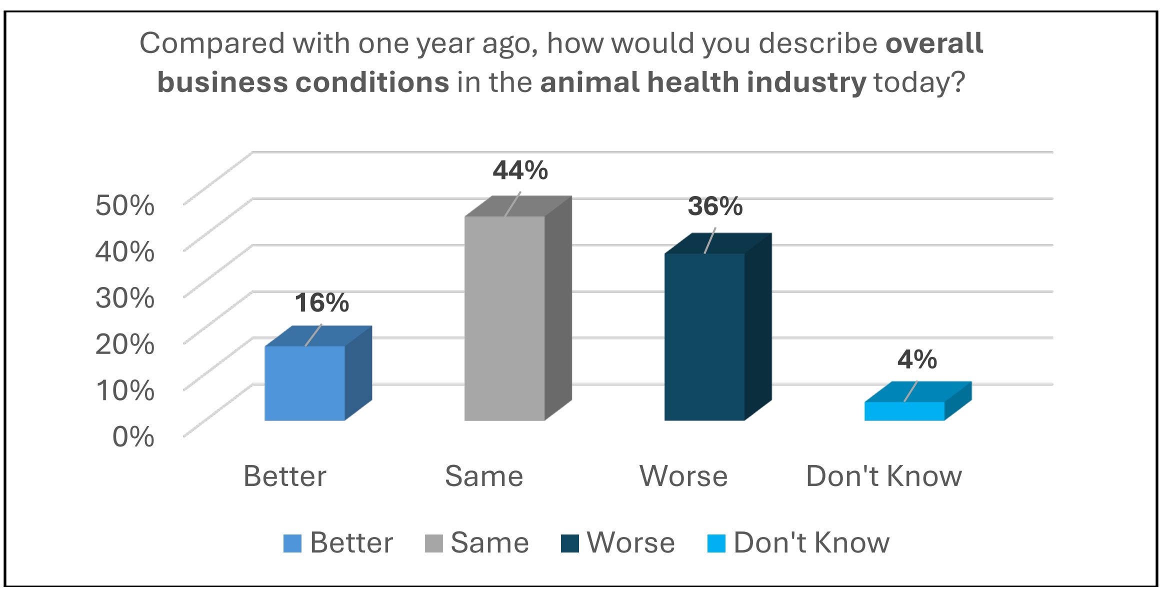
Of the total responses, 37% were from executives, 32% were managers and 31% were individual contributors. The majority of respondents, 37%, were from large animal health companies with over $1 billion in annual sales and 21% were from animal health companies with less than $1 billion in annual sales. About 17% of respondents were practicing veterinarians and the balance of respondents were from a mix of start-ups, pet food companies, financial companies, and media. Ninety-two percent of respondents were from North America. The average number of years in the animal health industry from the respondents was 33. Of the 109 respondents that indicated their years of service, 20 had 20 years or less of service in the industry and 18 had 40 or more years of service.

Market Sentiment

Current Market vs A Year Ago

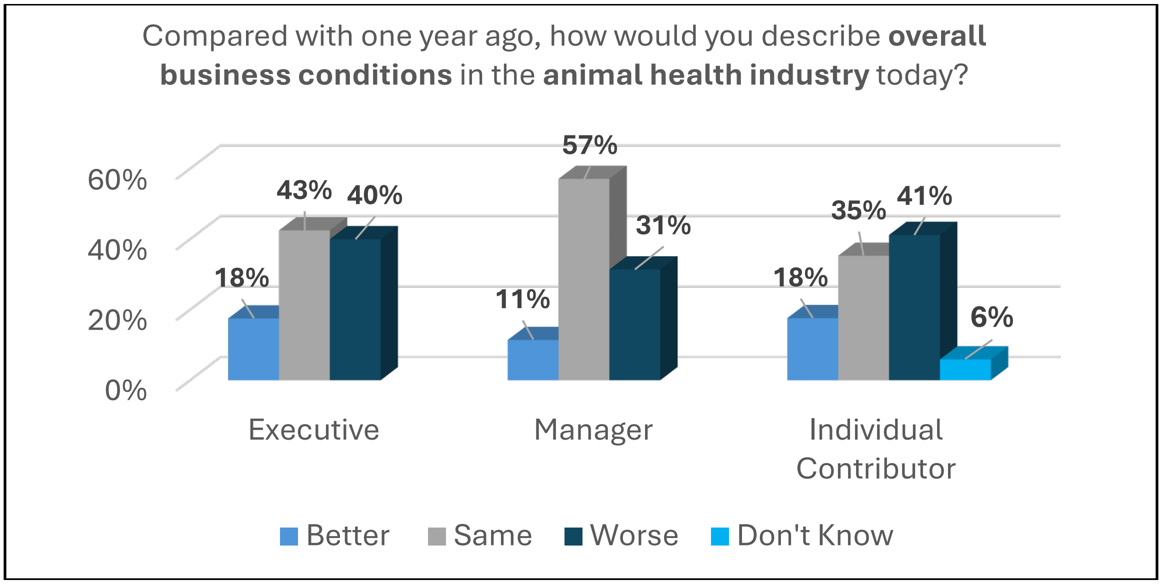
Forty-four percent of respondents describe the overall business conditions in the animal health industry as the same compared to a year ago (Chart 1). A surprising number believed it was worse (36%) and only 16% felt it was better. Said another way, 60% of survey respondents report business conditions in the animal health industry are stable or improving, indicating moderate industry optimism. However, much of this sentiment appears to reflect stability rather than strong expectations of improvement. Only 14% percent of North American respondents describe overall business conditions today as "better" compared with a year ago, while 44% report conditions being the same and 40% say current business conditions in the animal health industry are worse. While the difference is not statistically significant, respondents in North America appear directionally more cautious about current business conditions compared with their international counterparts.

Chart 1: Respondents mainly believed overall business conditions today were about the same in the animal health industry compared to one year ago but almost twice the number felt conditions had become worse as felt conditions had gotten better.



Looking at the data by role, managers showed the weakest optimism for current business conditions, with 11% reporting that conditions are better compared with 18% of executives and 18% of individual contributors as shown in Chart 2. Typically, managers in organizations have unique visibility. They get broader organizational insight and strategic direction than individual contributors, and they hear more directly from employees who interface with customers than executives do.

Chart 2: Managers are directionally less optimistic about the current business conditions than about current business conditions in the industry compared to one year ago.

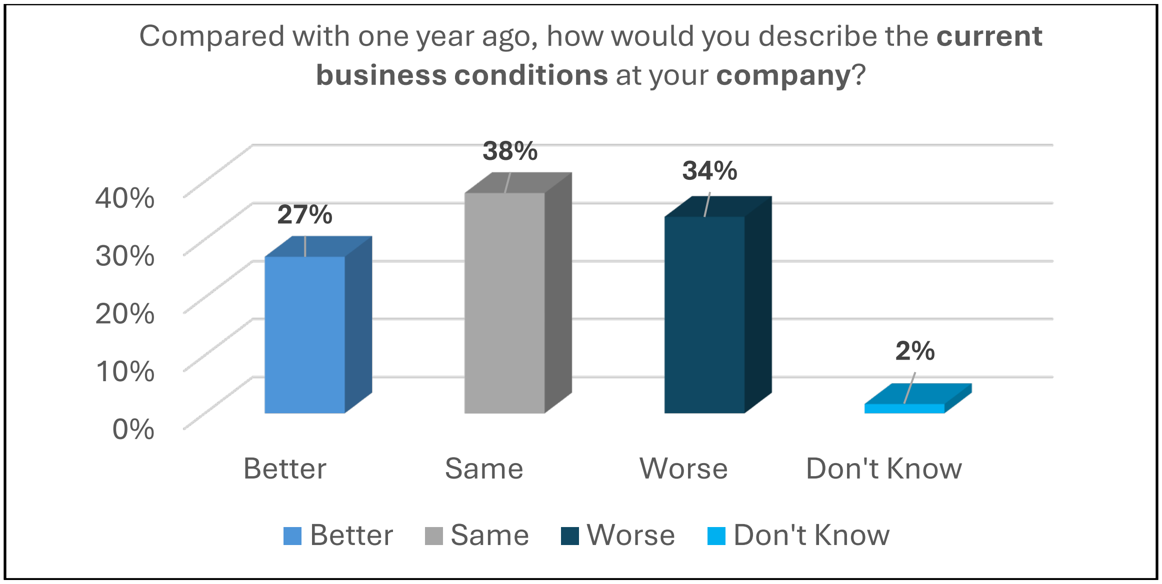


Current Business Conditions "for my Company"

When it comes to their own organizations, respondents appear more optimistic than the animal health industry. When asked how their company's current business conditions compare to conditions a year ago, 27% said "Better" as shown in Chart 3. That is significantly higher than the 16% of respondents who say general industry conditions are better than a year ago.

Respondents who said current business conditions for their company were "Worse" than a year ago aligned more closely with the percentage of respondents who said industry conditions overall are worse. Thirty-four percent of respondents said their company's current business conditions are worse, compared with 36% who said the industry conditions overall are worse today than a year ago. In fact, the data analysis shows that those respondents who think overall business conditions are worse also think the business conditions in their companies are worse and that they will continue to worsen.

Chart 3: Respondents mostly believed overall business conditions today were about the same in their company compared to one year ago but nearly the same number felt it had become worse.



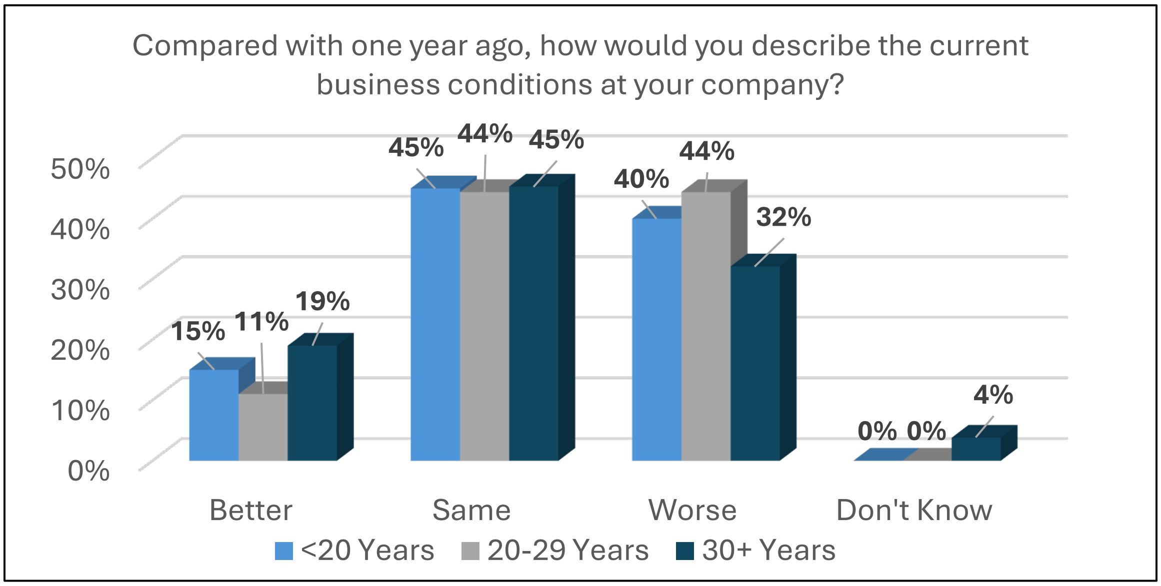
This note of caution seems to be coming particularly from experienced leaders in the animal health Industry as shown in Chart 4. Respondents who have worked in the industry for 20 to 29 years are significantly more likely to be concerned about current business conditions in their companies compared to those in the industry for fewer than 20 years and those in the industry for more than 30 years.

While a growing share of animal health products are purchased through retail and e-commerce channels, veterinary practices remain the crucial point of diagnosis, prescribing, and recommendation. As a result, the majority of product demand continues to be either generated or directly influenced within the veterinary setting. A Brakke Consulting survey of veterinary practice leaders in December 2025[4] shows they report their practices were less busy in 2025 than in 2024 (29% somewhat less busy and 5% significantly less busy). Twenty-seven percent of respondents to that survey reported their practices being somewhat or a lot busier.

Practice managers reported reduced client visits as a concern more consistently than any other practice challenge with 36% of respondents choosing this as a concerning business issue. Staff mental fatigue, the economy, staff dependability, and shortage of veterinarians were all identified as current business challenges by 20% of respondents or more. In the same study, 81% of veterinary practice leaders reported that clients were more concerned about costs in 2025 than they were in 2024.

These economic trends likely continued into 2026 and could limit veterinary clinics' ability to adopt and fully utilize novel solutions.

Chart 4: Those in the Animal Health industry for 20-29 years are significantly more likely to be concerned about current business conditions in their companies



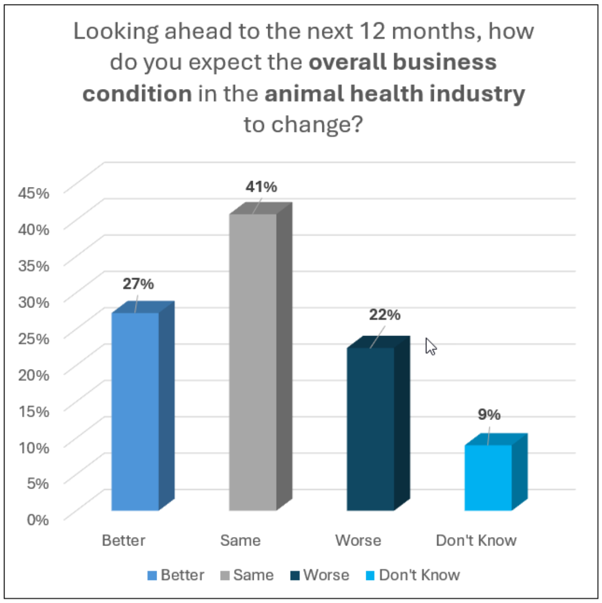
Looking Ahead

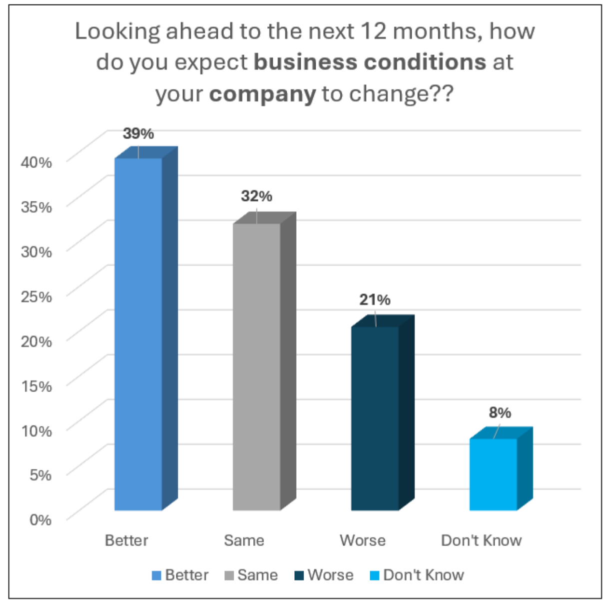
Optimism picks up significantly when respondents are asked to look ahead as shown in Chart 5. Twenty-seven percent of respondents said that current business conditions in the animal health industry are better than they were twelve months a year ago. That is over 10 percentage units over the percentage that described the animal health industry conditions today as better compared to a year ago (16%).

That optimism gets even stronger when they are asked about business conditions at their company. In fact, 39% of respondents say they expect business conditions at their company to improve in the next 12 months compared to 27% for the animal health industry. That is a gain of 12 percentage points. About 20% of respondents think it will get worse for the industry and their company too.

This suggests that while respondents see headwinds affecting the industry as a whole, they view their company as better equipped to navigate or even benefit from those conditions. It is generally a healthy and constructive signal, reflecting genuine confidence in internal advantages.

Chart 5: Respondents are more likely to expect stable overall business conditions in the animal health industry over the next 12 months, while indicating a greater likelihood of improved conditions within their own companies compared to worsening conditions.





But it can also be explained by some common behavioral patterns and perhaps by some response bias in the survey. As for behavioral patterns, the following may explain the confidence shown in the Index.

- Better-Than-Average Effect

  Leaders (especially executives) tend to rate their own organization above average. This is a well-documented cognitive bias. They focus on their company's strengths (stronger pipeline, better talent, superior execution, unique technology, etc.) while viewing the "industry" as an average that includes weaker players.

- Locus of Control

  People feel they have much more influence over their own company's outcomes (strategy, innovation, cost management, sales execution, culture) than over macro industry forces. This leads to higher optimism about things they can directly affect.

- Motivational and Cultural

  Leaders are incentivized (compensation, culture, personal reputation) to project confidence internally. Admitting the company will do poorly feels disloyal or defeatist.

In fact, there may be some real strategic differentiation among companies and so this optimism may be justified. Companies that are innovating faster, have stronger customer relationships, better digital tools, or more efficient operations genuinely can grow faster than the market, especially in a consolidating industry where winners tend to take disproportionate share.

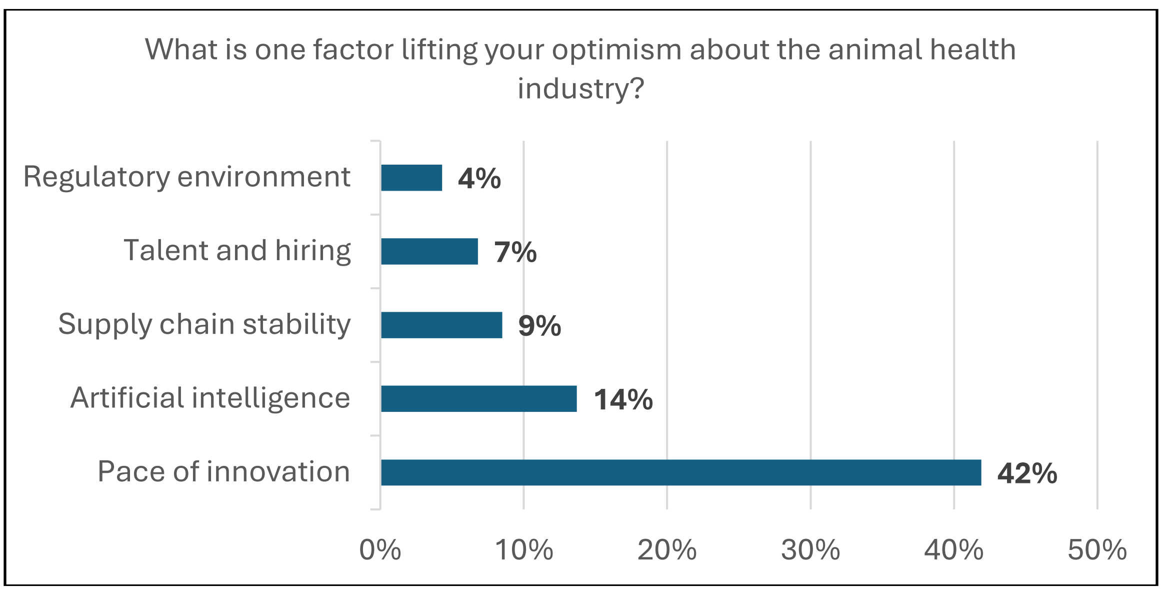
The bottom line is the 12-point gap is normal and positive. It shows that animal health leaders still believe their companies can create value even in a more challenging environment. Tracking whether this gap widens or narrows in future waves of the *Brakke Animal Health Sentiment Index* will be a useful leading indicator of whether leaders' confidence is being validated by results.

What's Driving the Optimism?

The pace of innovation is a clear force, with 42% of respondents listing this as a reason for optimism. The next most common factors respondents identified were artificial intelligence (14%), supply chain stability (9%), and talent and hiring (7%) as shown in Chart 6.

A robust pipeline of new products and technologies, including advances in diagnostics and delivery systems and medical advancements such as monoclonal antibodies, cell and gene therapies, precision oncology, and long-acting or sustained-release formulations are expanding the range of available treatments. At the same time, innovation is not limited to new therapeutics. Technology-enabled solutions, including artificial intelligence, integrated health monitoring, and workflow support tools, are beginning to influence how care is delivered. While adoption remains relatively early, these tools have the potential to improve efficiency, increase throughput, and support clinical decision-making.

Chart 6: Optimism in the animal health industry remains strong and is driven overwhelmingly by innovation.



Of course, not all innovation affects the veterinary market in the same way. Some advances extend the upper boundary of care, increasing value per case and contributing to higher spending per visit.

Others may improve operational efficiency or expand access by reducing time, complexity, or cost of care. The balance between these will shape how innovation ultimately influences market growth.

Industry leaders emphasize that sustaining innovation requires more than a strong pipeline. It depends on strategy, disciplined execution, access to capital, and a clear understanding of market needs. Organizational strength, including cultural factors such as psychological safety, effective communication, distributed leadership, and openness to change also play a vital role in translating innovation into commercial success.

All these innovation success factors depend on organizations and teams developing strong leadership skills at every level of the business. In this context, leadership is not the wielding of organizational authority in exchange for safety. Instead, leadership is the ability to inspire others up, down and across the organization to do things they otherwise would not do. A strong leader gives the people around them the courage to speak up, take smart risks, admit they do not know, and test ideas so people, teams, and the organization itself learn faster and adapt more quickly. This style of smart, dispersed organizational leadership is key to maintaining a culture that supports innovation.

Taken together, these dynamics suggest that innovation is a primary source of confidence in the veterinary market. However, its impact will depend on how effectively companies execute against market needs and respond to changing dynamics and on how effectively veterinary practices integrate innovative technologies and therapies into everyday operations. Those that can align innovation with efficiency, client needs, and accessibility are likely to capture the greatest value as the market evolves.

Forces Dampening Optimism

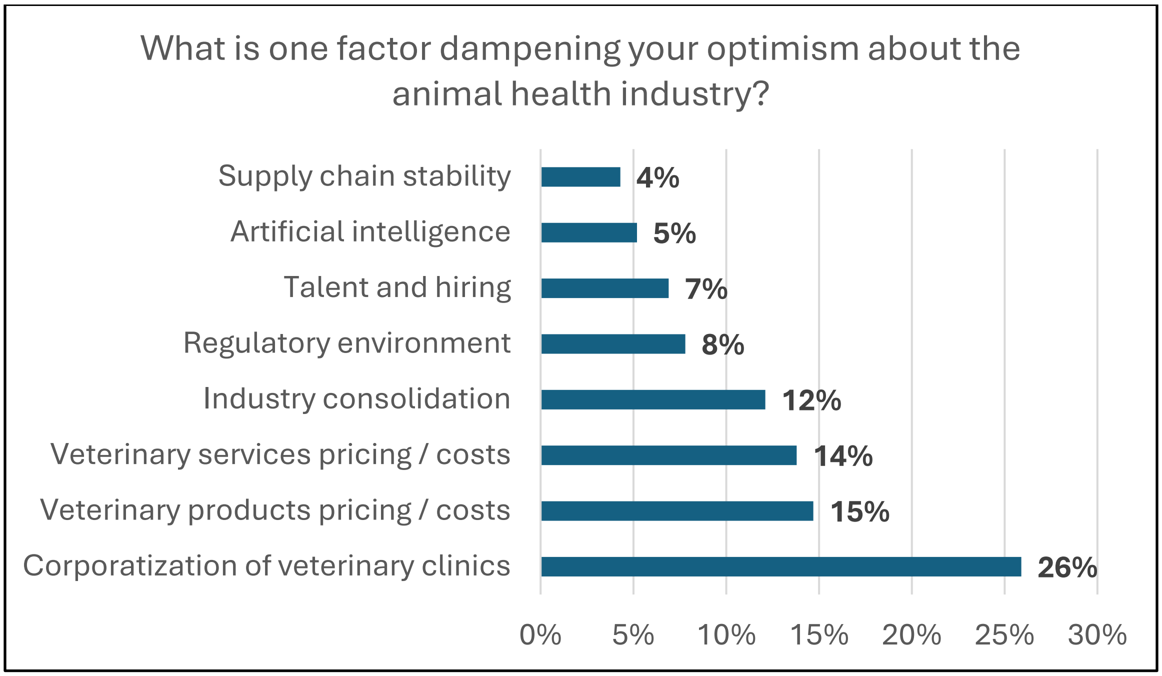
While overall sentiment in the animal health remains positive, respondents identified several factors that may be tempering confidence in current and future business conditions. These include corporatization of veterinary clinics (26%), rising costs for veterinary products and services (±15%), and continued industry consolidation (12%) as shown in Chart 7.

In recent years, veterinary practices have increased prices in response to higher labor costs, supply expenses, and broader inflationary pressures. At the same time, industry data shows that while revenue per visit has increased, visit frequency has declined. This pattern may indicate growing price sensitivity among pet owners, particularly as veterinary care competes with other household expenses.

As overall cost of living has increased, some pet owners appear to be delaying routine or preventive care or extending the time between visits. While these behaviors may not immediately reduce total spending, they may signal a shift in demand patterns over time. And concerns about affordability are becoming more visible within the profession. Industry discussions increasingly reflect the tension between maintaining high standards of care and ensuring services remain accessible to a broad population of pet owners. Continued price increases, if not matched by perceived value, may influence both visit frequency and client decision making.

At the same time, structural changes in the industry, particularly corporatization and consolidation, are reshaping the operating environment for veterinary practices. Larger organizations may benefit from scale, efficiency, and access to capital, but these models can also introduce new pressures related to performance expectations, pricing strategies, and cost management, especially given the premium price many consolidators paid to acquire established, successful practices. In response, independent practices may face increasing competition and a need to differentiate more clearly in the market.

Chart 7: Rising costs and industry consolidation, particularly the corporatization of veterinary clinics, are the primary factors dampening optimism, as they contribute to pricing pressures and shifting demand patterns among pet owners.



These dynamics are unfolding within a broader economic environment that remains uncertain. While forecasts vary, some industry observers anticipate increasing economic pressure later in the decade. In this context, veterinary practices may face growing pressure to operate efficiently and to establish a clear competitive position in local markets.

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Taken together, these forces suggest that current optimism in the animal health industry coexists with rising operational complexity. Veterinary practices are being asked to manage cost pressures, maintain quality of care, and respond to evolving client expectations simultaneously. These ongoing pressures place increasing demands on the operational and leadership capacity of veterinary teams, as they work to balance efficiency, service quality, and affordability.

For animal health companies, these signals are important to monitor, as they may influence purchasing behavior, service adoption, and demand patterns.

Fence-Sitting Factors

Several factors, including talent and hiring, the regulatory environment, supply chain stability, and artificial intelligence, ranked mid-low both as drivers of optimism and as sources of concern, all selected by no more than 8% of respondents. These results suggest that respondents may view these areas as either stable, uncertain in direction, or not yet material to near-term business conditions.

The relatively muted response to talent and hiring is notable, given the sustained attention these issues have received in recent years. Recent data shows staffing pressure in veterinary clinics has eased somewhat. While that does not mean staffing challenges have evaporated either for industry or in veterinary practice, this issue may also have become an accepted part of the operating environment rather than a changing source of pressure. Similarly, supply chain stability and regulatory conditions may be perceived as manageable or largely unchanged as respondents consider the next 12 months of business.

Artificial intelligence, however, presents a different dynamic. Despite its high visibility in broader business and financial markets, AI appears to be a less significant driver of sentiment within the animal health sector. Recent data suggests relatively limited adoption at the practice level. In a December 2025 Brakke Consulting survey[4], between 50% and 60% of veterinary practices reported not adding any AI tools in the past year. Among those that did adopt the new technologies into their workflow, the most common applications were documentation ("scribe") tools and cytology support.

Across industries, organizations are still working to develop clear test cases of AI improvements at scale, so AI may not yet be sufficiently integrated in industry workflows to influence perceptions of business conditions. At the same time, the absence of strong negative sentiment indicates limited concerns about near-term disruption or job displacement for industry respondents. These patterns suggest that while AI is beginning to enter clinical and operational workflows, its impact remains early and uneven.

Taken together, these lower-ranked factors indicate that current sentiment in the veterinary market is being shaped more by immediate operational and economic pressures than by emerging or longer-term structural forces. While areas such as AI, regulation, and talent may play a larger role over time, they do not appear to be primary drivers of optimism or caution in the current environment.

For animal health companies, this distinction is important. Near-term demand and purchasing behavior are more likely to be influenced by cost pressures, practice economics, and client affordability than by technological adoption or regulatory change.

Strategic Implications

The findings from the inaugural *Brakke Animal Health Industry Sentiment Index* suggest a market environment characterized by continued opportunity alongside increasing complexity in how that opportunity is realized. And in some cases, optimism about company performance may also reflect internal growth expectations as much as external market conditions.

As you look to apply these findings, it is important to evaluate your current thinking by leveraging three lenses:

1. <u>Clarify what is driving your outlook</u>

In a highly networked industry, perspectives on market conditions may be influenced by shared narratives as well as direct experience. Taking a more explicit view of what is informing your outlook can help separate observed trends from assumptions.

- What data or experiences are most influencing my view of current business conditions for my organization?
- Where might my perspective be shaped by internal expectations or external narratives?
- Who disagrees, and how might their perspective balance my current thinking?

2. <u>Distinguish market opportunity from execution readiness</u>

A positive market outlook does not necessarily indicate that organizations are equally positioned to benefit. Differences in execution capability, customer dynamics, and operational constraints can affect outcomes.

- What must be true for our current outlook to be realized?
- Where are we most exposed if those assumptions do not hold?
- What data would give our team even greater confidence?

3. <u>Drive innovation through leadership and communication</u>

The optimism in this report is heavily driven by “pace of innovation,” which in turn is driven by R&D efforts in animal heath companies and then pressure-testing of whether practices can actually *adopt* the new products/technologies at the speed and scale companies expect.

- Are we actively engaging employees across functions in innovation discussions, or is innovation primarily top-down?
- Do teams have the clarity, resources, and permission to experiment, learn quickly, and course-correct?
- What evidence do we have that our target customers have the time, staff capacity, and budget to implement what we are bringing to market?

4. <u>Monitor assumptions and maintain flexibility</u>

Given the pace of change in the market, assumptions underlying current plans may shift over time. Establishing clear signals and maintaining flexibility can support more timely adjustments.

- If company results differ from expectations, where are we most likely to have misread conditions?
- What early indicators would suggest that our assumptions are no longer valid?
- How quickly can we adjust priorities or resource allocation if needed?

Conclusions

The inaugural *Brakke Animal Health Industry Sentiment Index* reveals an industry that remains fundamentally optimistic about its long-term prospects, driven primarily by confidence in continued innovation, strong product pipelines, and emerging technologies. At the same time, leaders are navigating a more complex near-term environment shaped by corporatization, pricing pressures, industry consolidation, and softening demand signals at the veterinary practice level. This measured optimism—stronger for individual companies than for the market as a whole—highlights both the resilience of the animal health industry and the importance of disciplined execution in capturing future growth.

This report provides a timely benchmark for animal health leaders to assess their own perspectives against industry sentiment and to pressure-test assumptions about market conditions, innovation effectiveness, and organizational readiness.

Moving forward, the real opportunity lies in translating this optimism into sustained competitive advantage. Brakke Consulting recommends that companies use the insights and strategic lenses outlined in this report to refine their planning, prioritize high-impact innovation, strengthen internal leadership and communication, and build greater resilience against near-term headwinds.

We invite you to engage with Brakke Consulting to deepen this conversation. Whether through a customized strategy workshop, leadership team offsite, full sentiment index deep-dive, or executive speaking engagement at your next internal or industry event, our team can help you turn these findings into actionable plans that drive measurable results.

Contact us today to schedule a discussion on how the 2026 *Brakke Animal Health Industry Sentiment Index* can support your organization's success.

References

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About Marnette Falley

Marnette Falley, PCC, is an executive leadership coach and facilitator and the founder of SunRoad Coaching & Consulting. She partners with leaders and teams to navigate complexity, align priorities, and move critical work forward. With more than 25 years of experience in corporate leadership roles, she brings a practical perspective on execution in demanding environments. Her work is grounded in the belief that courage builds capacity, and that leadership behavior shapes an organization's ability to adapt, perform, and grow.

About Robert Jones

Dr. Robert (Bob) Jones, PhD, has 40 years of global experience in the animal health industry across R&D, operations, marketing, and sales. He is currently the CEO of Brakke Consulting, which is focused exclusively on the animal health and nutrition industries. At Brakke Consulting, in additional to leading the firm, Bob has been very interested in learning the foundations of sales force effectiveness through the studies Brakke Consulting has conducted. Previously, he spent 12 years at Novartis Animal Health as North America President/CEO and Head of International Animal Health. He holds degrees from Texas A&M, the University of Aberdeen, and the University of Illinois.

About Brakke Consulting

Brakke Consulting is the most experienced management consulting firm serving the worldwide animal health, nutrition, and related industries. Headquartered in Greensboro, NC, the firm also maintains offices across the United States and affiliate offices in Brazil and Japan.

Established in 1986, Brakke provides a full range of consulting services, including General Consulting, Strategic Planning, Mergers and Acquisitions, Technology Licensing, Communications Strategies and New Business Development. The Market Research business is now in a joint venture with Trone Research and Consulting.

Brakke Consulting is also the recognized leader in industry information. Each year, Brakke develops a comprehensive overview presentation on the global animal health and nutrition industries. The firm annually publishes directories of animal health companies and ethical veterinary distributors, plus several syndicated market studies.

The Brakke Consulting team is unique in that it brings together highly talented individuals who have significant CEO or division management experience. These are industry leaders who have built successful businesses, negotiated major acquisitions and divestitures, developed technology, and brought to market some of the most successful products in the industry.

Brakke consultants know the industry, the companies, the executives, the scientists, the technology, the distribution systems, the customers – firsthand.

When you select Brakke Consulting, you engage a resource for your company and your management team that is unmatched in knowledge, expertise, and experience in your industry.