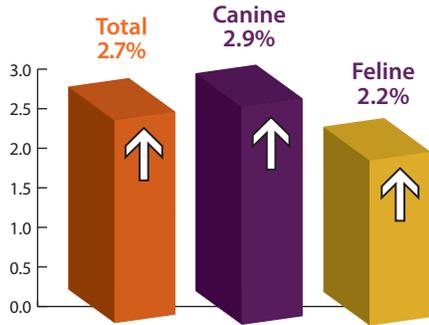


The Insider's Insight Benchmark Report is published by the Veterinary Hospital Managers Association (VHMA) on a monthly basis. The report tracks several key economic indicators to determine how VHMA member practices are performing, as well as results from VHMA surveys on issues impacting the profession. There are about 700 VHMA member practices who regularly contribute key economic indicator data. Data is representative of companion animal practices only.

## October, 2019 vs. October, 2018

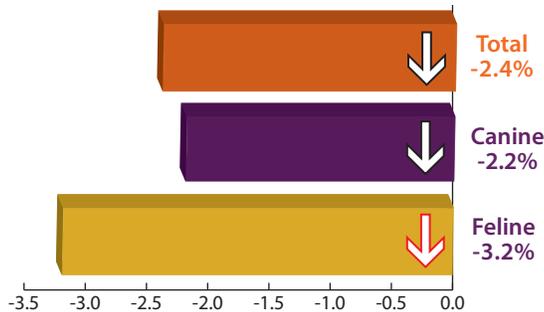
**Revenue Growth**  
October, 2019 compared to October, 2018



### Revenue Growth

Companion animal practice revenue for the 693 VHMA practices included in this month's study grew 2.7% from October, 2018 to October, 2019. There were the same number of workdays (27) in October of 2018 and 2019. Canine revenue growth was 2.9% and feline revenue growth was 2.2%. Year-to-date growth for 2019 is 4.3%; which is higher than the 2018 growth of 3.4%. This growth continues to be stronger than the overall growth seen in the US economy; the real US GDP growth was 3.1% for the first quarter of 2019, 2.0% in the second quarter and 1.9% in the third quarter.

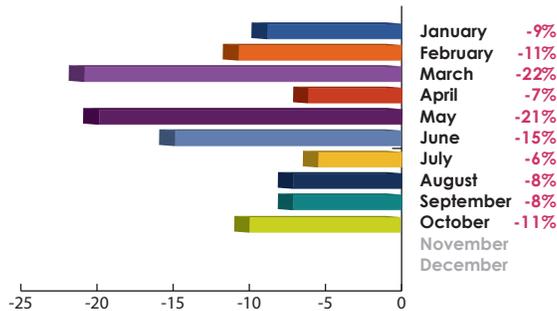
**Patient Visits**  
October, 2019 compared to October, 2018



### Patient Visits

Total unique patient visits for the same period, October, 2019 compared to October, 2018 declined by 2.4% with canine visits down by 2.2% and feline visits down by 3.2%. As noted above, October of 2019 and 2018 had the same number of workdays. Total visits for year to date 2019 are down by 0.6% compared to the same 0.6% decline in 2018. (Note that the term "visits" is defined as unique purchases of either products or services for an individual pet.)

**New Client Growth**  
October, 2019 compared to October, 2018



### New Client Growth

New client numbers in October, 2019 compared to October, 2018 declined by 11%; the year-to-date 2019 decline is 12.2% compared to a 12.6% decline for the full year of 2018. This continues to be a discouraging trend as these numbers have declined almost every month of the last four years.

Remember that the above figures represent averages across all the practices in the study; in order to understand what is going on in YOUR practice, you need to look not only at what your revenue growth was during these months (and going forward) but also at the drivers of growth in YOUR practice such as changes in invoices, visits, ATC, fee increases, new clients and client retention. This will give you the information to make intelligent decisions about where to focus your time and efforts to increase growth.

## Do Clients Accept Your Recommendations?

by *Karen E. Felsted, CPA, MS, DVM, CVPM, CVA PantheraT Veterinary Management Consulting*

Unfortunately, many clients don't accept the veterinary team's recommendations regarding the best care for their pet. There can be multiple reasons for this — cost, lack of understanding about why the care is needed, confusion over what is needed and others. This month's Insiders' Insights survey explores these questions and correlates these findings with information just released in the [VHMA's Pet Owners Economic Value Study](#).

**The first question in this month's survey asks for the veterinary team's perception of pet owner compliance with eight common veterinary services.** These are the same eight service packages used in the Pet Owners Economic Value Study and include vaccinations, a physical exam, spay/neuter, dental care, parasite testing, a basic lab panel, x-rays and a monthly pet wellness plan. A detailed description of these services can be found on page 4 of this report or at [www.vhma.org](http://www.vhma.org). Compliance results are show below:

<b>1. Select the option that best describes your perceived client compliance with these eight services.</b>				
	No Compliance	Some Compliance	Majority Compliance	Full Compliance
Essential vaccination package	1.16%	9.83%	81.50%	7.51%
Physical examination	0.00%	8.62%	72.41%	18.97%
Spaying or neutering	0.57%	12.64%	71.84%	14.94%
Dental care service package	0.57%	69.54%	27.59%	2.30%
Parasite testing	0.00%	37.93%	56.32%	5.75%
Basic laboratory test panel	0.57%	48.28%	49.43%	1.72%
X-ray package	9.41%	50.00%	36.47%	4.12%
Monthly pet wellness plan	59.29%	29.29%	10.71%	0.71%

**Responses: 174**

Not surprisingly, the highest levels of compliance are with common preventive care services—vaccinations, physical exam and spay/neuter. Full compliance with any of the eight service recommendations isn't common although ~19% of practices said they had full compliance with the physical exam recommendation and ~15% said they had full compliance with the spay/neuter recommendation. Many practices don't offer monthly wellness plans which explains the high non-compliance with this service. Of the other seven services that almost all practices offer, there was the least compliance with dental care recommendations.

As noted previously, there can be multiple reasons why clients don't accept the veterinary team's recommendations including cost, poor communication, lack of understanding about the value and others. The next question asked: **"Why do you think your clients don't comply with your staff's recommendations?"** The same eight service packages discussed in question 1 were used here as well.

**2. Why do you think your clients don't comply with your staff's recommendations?**

	<b>Don't understand the medical needs</b>	<b>Don't understand the recommendation(s)</b>	<b>Don't value the service</b>	<b>Inconvenience</b>	<b>Cost</b>
Essential vaccination package	21.60%	6.79%	30.86%	8.64%	32.10%
Physical examination	26.25%	4.38%	40.63%	9.38%	19.38%
Spaying or neutering	27.22%	5.06%	15.19%	4.43%	48.10%
Dental care service package	21.56%	5.99%	17.96%	0.60%	53.89%
Parasite testing	36.59%	8.54%	32.32%	8.54%	14.02%
Basic laboratory test panel	26.51%	7.23%	18.67%	1.20%	46.39%
X-ray package	22.01%	5.03%	15.72%	2.52%	54.72%
Monthly pet wellness plan	21.11%	15.56%	31.11%	8.89%	23.33%

**Responses: 172**

The survey respondents felt that, overall, not understanding the recommendation or the inconvenience of providing a service were less likely to be the reason pet owners didn't comply with a recommendation; this was true for all eight services. Overall, cost was the biggest reason it was thought clients didn't accept recommendations although this varied some across the service packages. Cost was thought to be the biggest issue with x-rays and dental care and the smallest issue with the physical exam and parasite testing.

The most common "other" responses were:

- Some clients don't believe in pet vaccines just as they don't believe in human vaccines
- Many practices require physical exams so compliance is high
- Clients can often get spay/neuter services cheaper elsewhere
- Anesthesia concerns are a reason some pet owners decline dental care
- Compliance with parasite testing in sick pets is excellent but only fair for healthy pets
- Compliance with x-ray recommendations is often stronger than for a wellness service because it is "medically necessary"

## Compliance vs. Cost of Service

Until now we have had very little direct information about the specific dollar amount pet owners are willing to pay for particular services and what aspects of the veterinary visit experience would induce them to pay more. The August, 2019 release of the [VHMA Pet Owners Economic Value Study](#) changed that by adding a new dimension to our knowledge of pricing in veterinary medicine.

The study was conceived of and spearheaded by the Veterinary Hospital Managers Association (VHMA) and sponsored by VHMA, CareCredit, Nationwide and Merck Animal Health. The primary author of this study is Utpal Dholakia, Ph.D., a well-known marketing and pricing expert and the George R. Brown Professor of Marketing at the Jesse H. Jones Graduate School of Business, Rice University in Houston, Texas.

The study was conducted through a nationwide online survey of dog and cat owners throughout the country, covering a diverse range of pet owner ages, household incomes, and geographic location. A total of 3,452 pet owners (1,949 dog owners and 1,533 cat owners) completed the survey. The study employed the price sensitivity meter (PSM) methodology for evaluating customer willingness-to-pay for veterinary services; this technique is widely used across different industries to discover the economic value that consumers place on products and services.

The first section of the survey identified what pet owners were willing to pay for various common services provided by companion animal general practices. The services included in the study are:

- Essential vaccination package including a physical exam and all vaccines required to keep the pet safe from common diseases for the next year
- Physical examination
- Spay or neuter including pre-anesthetic bloodwork, anesthesia, the surgery itself, IV fluids, and appropriate pain medication during and post-surgery
- Dental care service package including pre-anesthetic bloodwork, a full dental cleaning, any minor extractions, dental X-rays, pain medication, and antibiotics if necessary
- Parasite testing including fecal and heartworm test
- Basic laboratory tests including CBC, blood chemistry and urinalysis
- X-ray package including 2 views and in-house interpretation
- Monthly payment for a pay-by-the-month preventive care plan including an annual physical examination, all core vaccinations, parasite testing, and year-round prevention of parasites through appropriate medications

Price information determined for each of the eight services included:

- The **preferred price**: what pet owners consider to be an attractive or desired price for the service; it is a “customer-friendly price” providing a good balance of costs and benefits and delivering good value
- The **reference price**: a common reasonable price for the service that is available in the marketplace according to the customer
- The **acceptable price range** is one in which pet owners are likely to consider buying the service and price acts as less of a deterrent in buying decisions; prices outside this range are considered by the customer as so low as to be suspicious or so high as to be unaffordable or unwarranted

Included in the charts below are the amounts pet owners say they think are fair prices for the essential vaccination package as well as information from the most recent AAHA Veterinary Fee Reference about what practices actually charge.

<b>Pet Owners Economic Value Study</b>	<b>Preferred Price</b>	<b>Reference Price</b>	<b>Acceptable Price Range</b>
Dog: Essential vaccination package	\$59	\$75	\$50-\$100
Cat: Essential vaccination package	\$50	\$64	\$49-\$75

<b>AAHA Veterinary Fee Reference: Adult preventive care exam, DHLPP &amp; Bordetella (or FVRCP) and 3 year rabies vaccine (2016 prices, may not reflect package discounts)</b>	<b>Average</b>
Dog: Essential vaccination package	\$114.68
Cat: Essential vaccination package	\$92.85

While vaccine prices vary widely amongst hospitals, there is some evidence to suggest that what is charged by practices is more than what clients say they want to pay. However, this is the service package for which the Insiders' Insights survey shows the greatest amount of compliance. 81.5% of the survey respondents reported that a majority of their clients complied with their vaccine recommendations and another 7.5% said they had full compliance. So in spite of possible price issues, this is a service that clients find enough value in to pay for. No doubt this is because these recommendations have been drilled into clients for many, many years; it is probably the first service pet owners think of when they think of veterinary care.

The physical exam is the service for which there is the closest correlation between what pet owners think is a fair price and what practices actually charge.

<b>Pet Owners Economic Value Study</b>	<b>Preferred Price</b>	<b>Reference Price</b>	<b>Acceptable Price Range</b>
Dog: Physical examination	\$51	\$57	\$50-\$76
Cat: Physical examination	\$49	\$59	\$41-\$66

<b>AAHA Veterinary Fee Reference (2016 prices)</b>	<b>Average</b>
Dog/Cat: Sick pet examination	\$50.33
Dog: Adult preventive care examination	\$45.20
Cat: Adult preventive care examination	\$46.37

Compliance with a physical exam recommendation per the Insiders' Insights survey is also very high with 72.4% of respondents saying a majority of their clients accept this recommendation and another 19% saying they have full compliance. This may be due to the above price correlation but is also no doubt influenced by the fact that exams are often required components of many services offered by a veterinary hospital.

Spay/neuter prices are another area in which it appears that many practices charge more than what pet owners are expecting or are willing to pay. However, this is also a service for which practices report higher compliance; 71.8% say the majority of their clients comply and another 14.9% say they get full compliance. Again, is this due to years of pet owner education? Or are the practices who responded to the Insiders' Insight survey doing something different to get these high compliance rates? Are there prices lower?

Pet Owners Economic Value Study	Preferred Price	Reference Price	Acceptable Price Range
Dog: Spaying or neutering	\$101	\$101	\$76-\$141
Cat: Spaying or neutering	\$76	\$101	\$52-\$101

AAHA Veterinary Fee Reference (2016 prices, does not include bloodwork, unclear regarding IV fluids)	Average
Dog neuter (< 25 #)	\$198.64
Feline neuter	\$123.29
Dog spay (<25 #)	\$236.43
Feline spay	\$198.24

The service for which there appears to be the biggest disconnect between what practices charge and what pet owners want to pay is dental care. This is the service package for which practices report the lowest level of compliance with only 27.6% of responding practices reporting that the majority of their pet owners accept their recommendations and another 2.3% report full compliance. The difference between the desired and the actual prices is very large and, of course, it's obvious that the prices pet owners say are acceptable aren't even reasonable compared to the cost of providing this service. In spite of all the focus on dental education over the last ten years, it is clear much more is needed. And, of course, practices must focus on efficiency and careful pricing for dental care.

Pet Owners Economic Value Study	Preferred Price	Reference Price	Acceptable Price Range
Dog: Dental care service package	\$75	\$90	\$51-\$101
Cat: Dental care service package	\$65	\$77	\$51-\$101

AAHA Veterinary Fee Reference (2016 prices, exam, bloodwork, dental rads, pain meds, anesthesia, IV fluids, scaling & polishing, fluoride, monitoring, antibiotics, hospitalization)	Average
Dental	\$516.13

There is a lot of information in the VHMA Pet Owners Economic Value Study and not enough room to dissect it all here; however, some initial conclusions are discussed below.

1. The response to this study shouldn't be to decrease all your fees but it does mean the practice may be more limited in future fee increases unless it can provide greater value to the pet owner or has a niche group of pet owner clients who are willing and able to pay more.
2. Greater value to support higher prices has to be in the form of something the pet owner wants and finds value in, not what the practice thinks the pet owner should want. The VHMA Pet Owner Economic Value Study also measured the kinds of things pet owners are willing to pay more for— not specific services but the client service environment in which those services are provided. For example, are pet owners willing to pay more for the ability to make online appointments? Or if the practice offers house calls? That section of the study isn't discussed here but has a great deal of very interesting and useful information for the management team of your practice.
3. If clients don't accept your recommendations, there is a reason. It may not be price, but that has to be a consideration in any analysis.
4. Not all pet owners want the gold standard level of care nor can they genuinely afford it. Veterinary medicine, both at the profession level as well as at the practice level, needs to focus on providing a spectrum of care and not just the best care. All care must, of course meet some minimum standard of care but pet owners are more likely to provide care if they have choices that match their personal circumstances.
5. Practices must continue to educate pet owners about the need for veterinary care and why it is so important.
6. Pricing strategies shouldn't just be about the percentage by which fees are increased. Pricing changes can be used to accomplish many goals including increasing revenue, increasing profits and encouraging clients to provide better care for their pets by accepting more of the practice team's recommendations. This can often be done in other ways too via strategic bundling of services, discounts, offering good-better-best service packages or pricing a service at a level that stimulates volume. Visit the [VHMA website](#) to download their series of best practice tools discussing these types of pricing strategies.
7. Raising prices isn't the only way to improve profitability; revenue and profits can also be increased through other means such as increasing marketing programs and bringing in more clients, better retention of current clients, reducing expenses and improving productivity.

The full version of this study is available from the Veterinary Hospital Managers Association at [www.VHMA.org](http://www.VHMA.org) and includes more detail by demographic segment as well as an expanded discussion of the methodology and findings.