

Bayer Veterinary Care Usage Study

***“The Decline of Veterinary Visits
and How to Reverse the Trend”***

UNDERSTANDING THE PROBLEM

The Recession is NOT Over...

How did the number of patient visits for the first 9 months of 2010 compare to the same period in 2009?

- 2010 increased > 5% 13.0 %
- 2010 increased 1 - 5% 16.4 %
- 2010 was essentially flat 15.5 %
- 2010 declined 1 - 5% 30.0 %
- 2010 declined > 5% 25.1 %

Recession isn't our Only Issue

- Pet numbers ↑
- Transactions per FTE veterinarian flat or ↓
- Median new clients per FTE veterinarian ↓
- Median active clients per FTE veterinarian ↓
- Total veterinary visits, primarily due to dramatic decline in cat visits ↓
- Veterinarian visits per pet ↓
- Percent of households with pets who visited the veterinarian ↓
- Patient visits per week ↓

AAHA Financial & Productivity Pulsepoints/JAVMA/AVMA US Pet Ownership & Demographics
Sourcebook/DVM Newsmagazine

ABOUT THE BAYER VETERINARY CARE USAGE STUDY

Three Major Concerns

- Are pets getting the veterinary care they need?
- What impact is it having on the economic health of the profession?
- Can the trend be reversed?

Goals

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

Key Findings

- There are 6 key factors that limit visits
- Veterinarians can impact four, especially the three most important
- There are specific actions that each practice can take to grow client traffic and improve patient care
- Veterinarians as a profession need a consistent message on the importance and frequency of veterinary care
- It is highly likely that the trend can be reversed

WHY PET OWNERS AREN'T GOING TO THE VETERINARIAN

Methodology

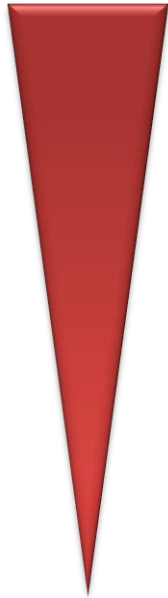
- Literature review
- In-depth interviews with veterinarians
- Focus groups with pet owners
- National quantitative survey of pet owners
 - Online survey of 2,000 pet owners
 - Statistical reliability: $\pm 2.2\%$; $\pm 3.1\%$ per species
- National quantitative survey of veterinarians
 - To be conducted Q1 2011

Why Visits Are Declining

- “Environmental” Factors
 - Recession
 - Fragmentation of veterinary services
 - Impact of Internet—information, communication, commerce
- Client Factors
 - Don’t understand need
 - “Sticker shock”
 - Feline resistance

Recession: Top of Veterinarians' Minds

More Top-
of-Mind



Less Top-of-
Mind

**Impact of the
Economy**

Competition
on Services

Competition
on Medication

Information
Age

Change in
Vaccine
Protocols

Clients with
Less Time

Pressure to
Continuously
Improve Diagnostic
Equipment

Increased Cost
of Employee
Benefits

A Trend
Toward Indoor
Pets

More
"Rescue" Pets

Increased Role
of Pet Insurance

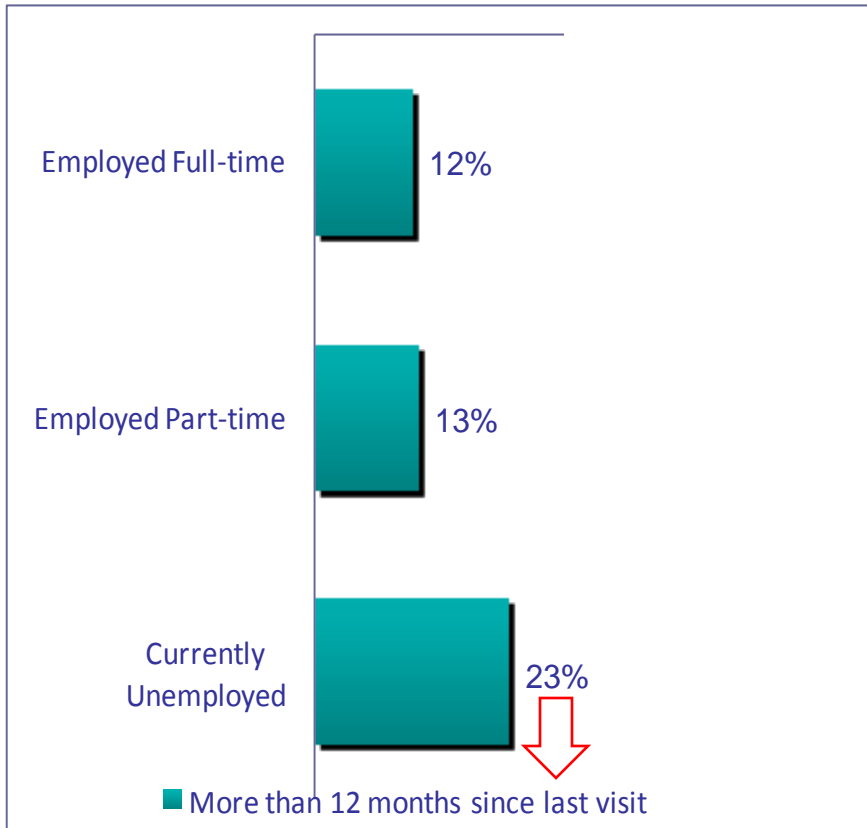
Medication is
Better

Debt Burden
for New
Graduates

Fee Increases

Unemployed Visit Less

Dog Survey Pet



Cat Survey Pet



Lower Income Visit Less

Dog Survey Pet

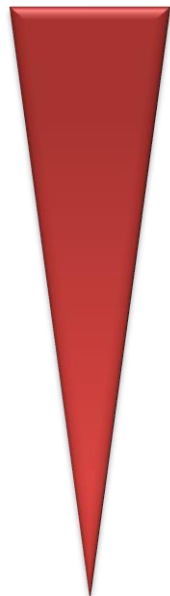


Cat Survey Pet

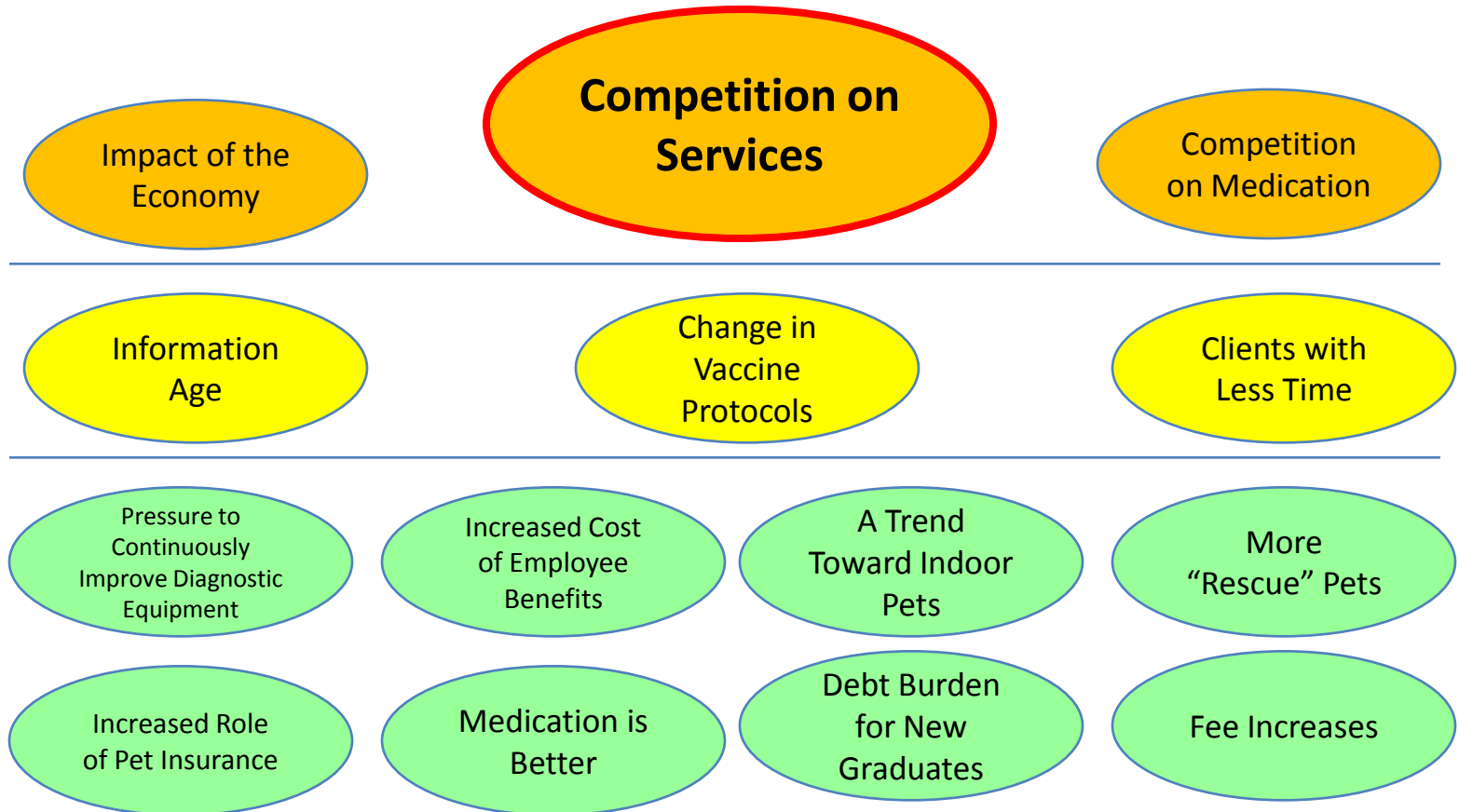


Fragmentation: Also High on Veterinarians' Minds

More Top-of-Mind



Less Top-of-Mind



Pet Owners Have More Options

Pet Store Clinics

+ 500 (2000-2010)

Specialty Practices

- Shared client
- Loss of chronic cases

Traditional Clinic

Mobile “Parking Lot” Clinics

- Low cost
- Limited service

Shelters, Subsidized Care

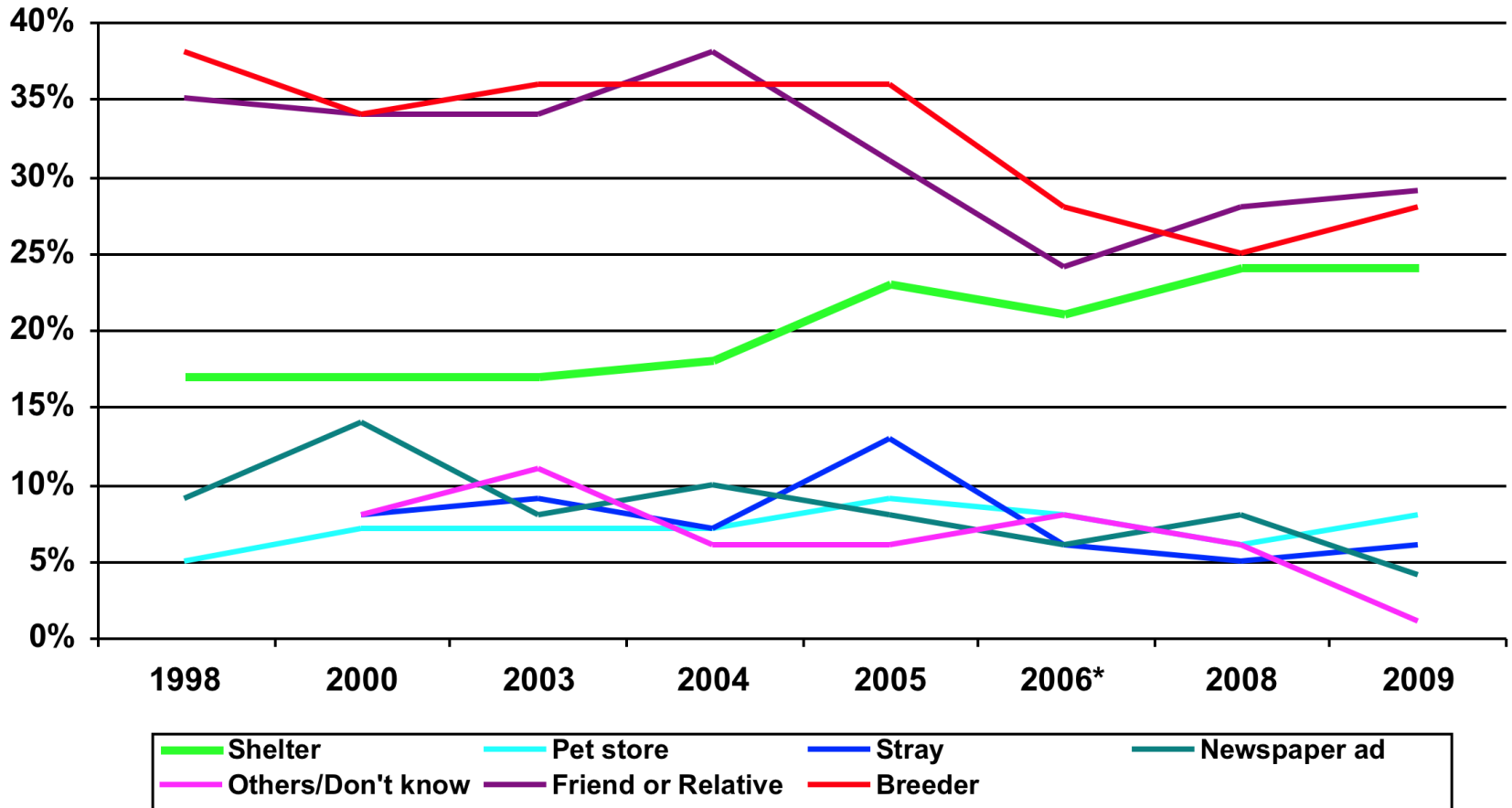
Veterinarian Supply Growing Faster Than Pet Owner Demand

	1996/1997	2006/2007	%Change
CA Veterinarians	30,255	44,785	+48
CA Practices	20,170	22,393	+11
Dogs	52,922	72,114	+36
Cats	59,094	81,721	+38

Impact of Fragmentation

- There are more veterinarians, in more types of practices
- Pet owners have, and use, more choices
- Loss of “starter” services
 - Spay-neuter
 - Vaccinations

Where Dog Was Acquired

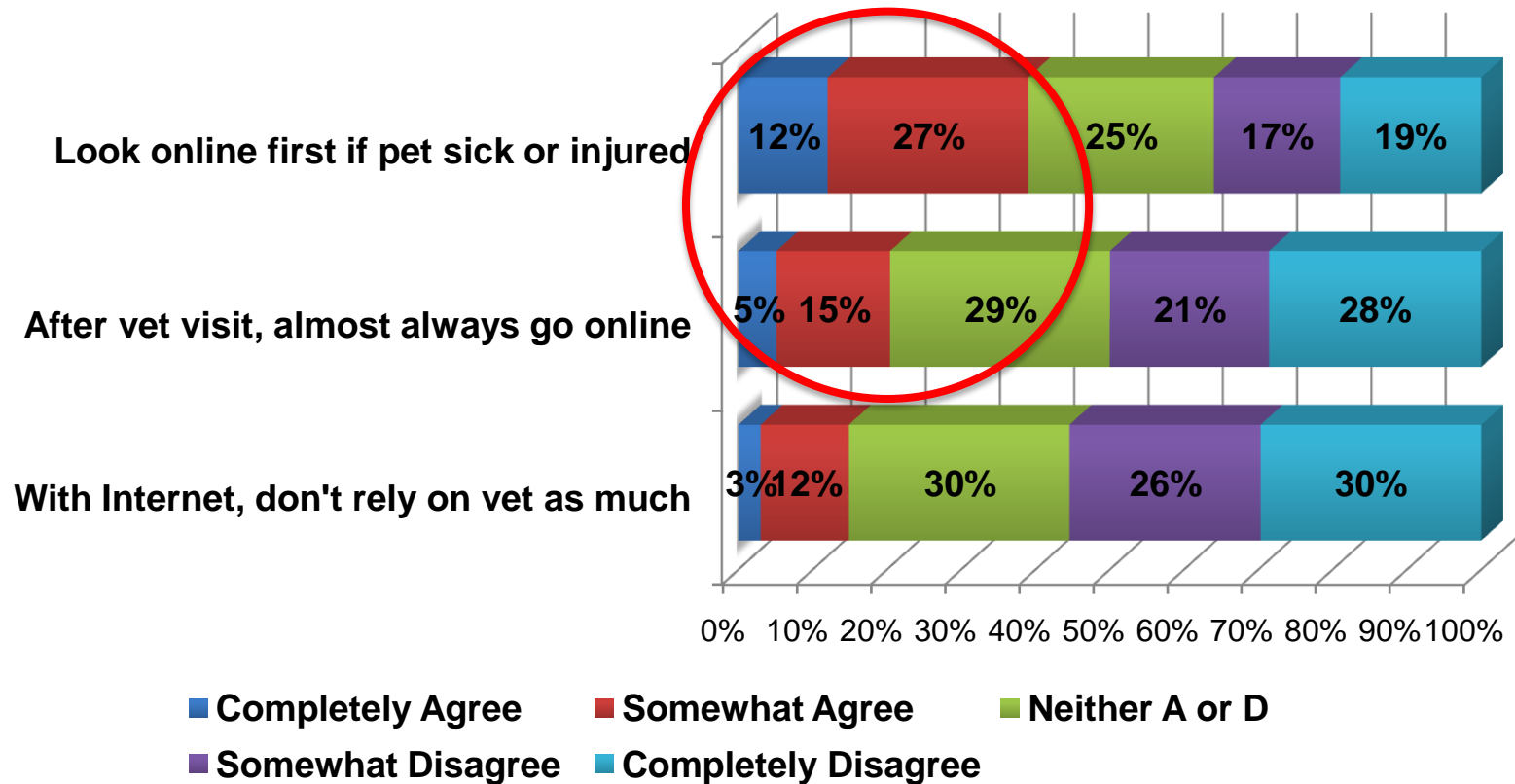


2009 Gallup Study of the Flea & Tick Control Product Market conducted by Multi-sponsor Surveys, Inc. Number of respondents varies from 494 to 919. Q51: "Where did you get your dog?" *Method of data collection changed in 2006.

Internet: “Paging Dr. Google”

- When pet gets sick or injured many pet owners turn to Google
 - Reduces number of calls to veterinarian
 - Less “bring pet in so we can check it over”
- Vets: Many pets recover without treatment
- Those that don’t recover may require more serious care
 - “I’m seeing pets three days sicker”

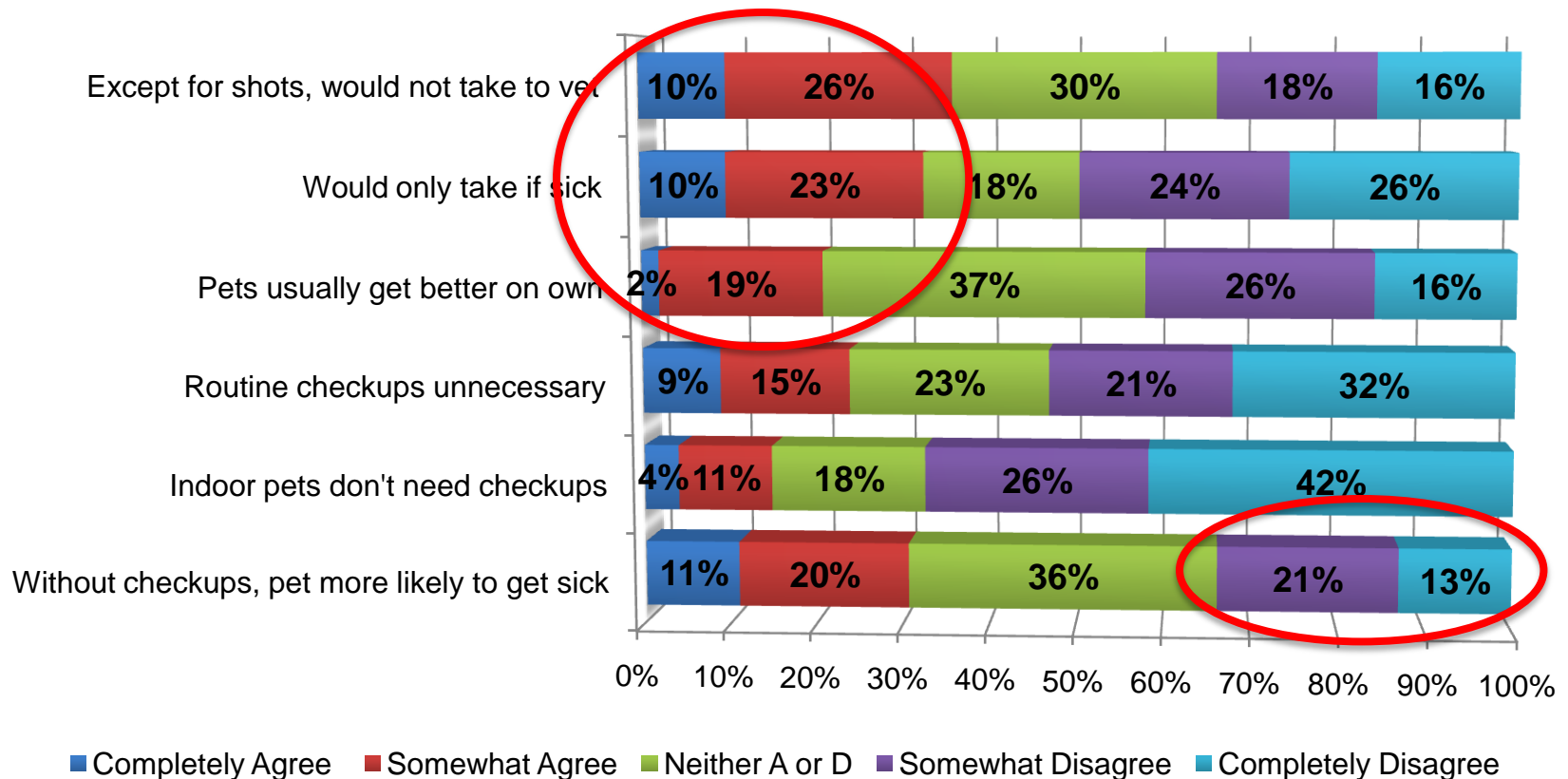
Impact of Internet Information



Need for Exams Not Understood

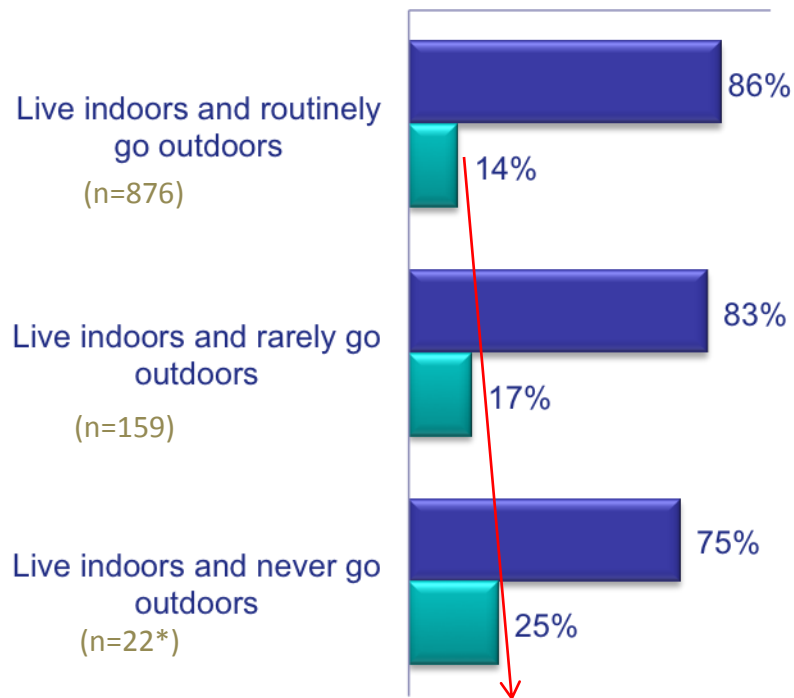
- Vet = Shots
 - Change in vaccine habit not replaced by exam habit
- Many owners don't understand how often pet should have exams, why, and what the benefits are to pet and owner

Attitudes Towards Routine Exams



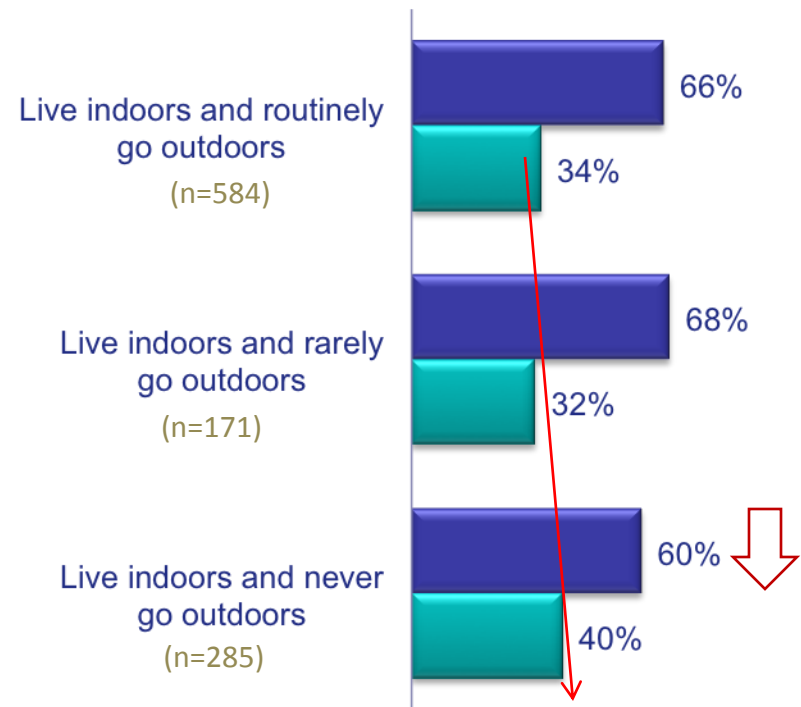
Perceive Indoor Pets Need Less Vet Care

Dog Survey Pet



■ Less than 12 months ■ More than 12 months

Cat Survey Pet

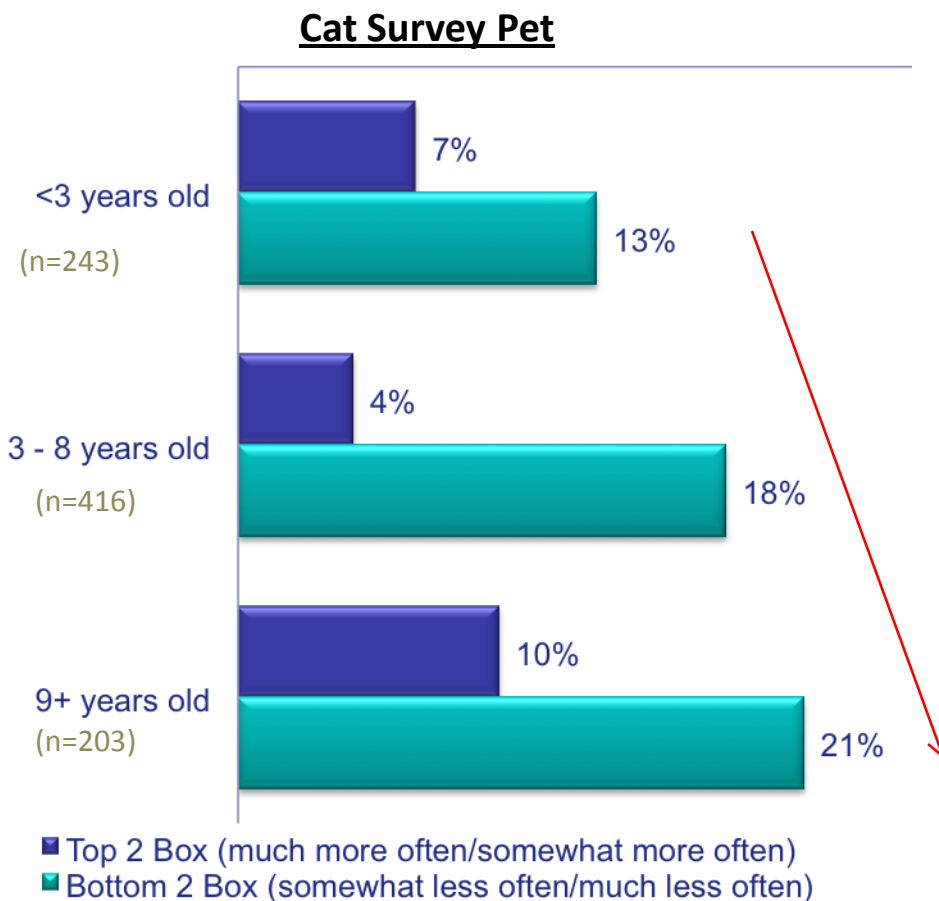


■ Less than 12 months ■ More than 12 months

Q4. Using your best estimate, how long ago did [SURVEY PET] last visit a veterinary clinic?

Base: All survey pets that have ever visited the veterinarian (Dogs n=1057) (Cats n=1041)

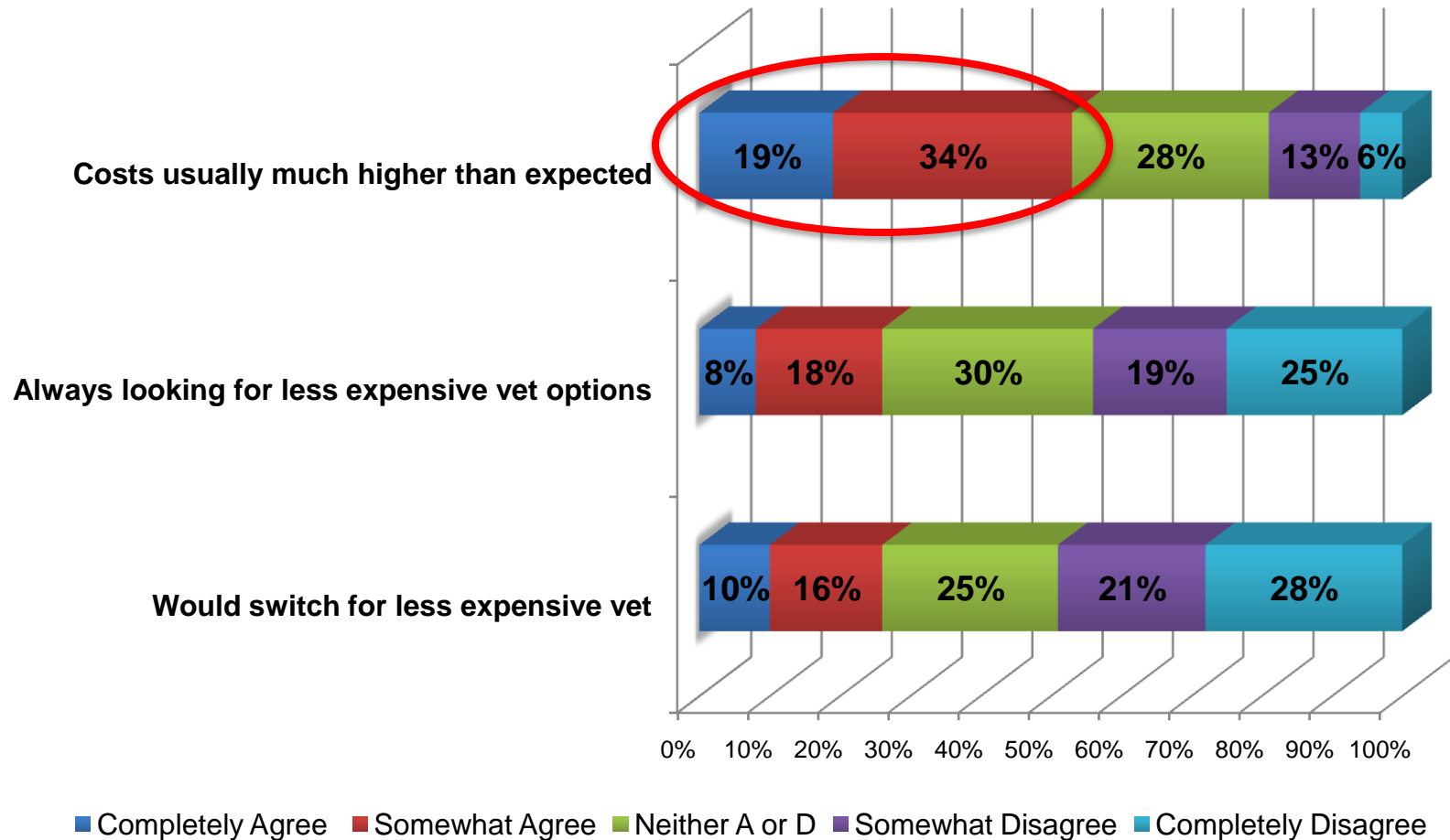
Older Animals, Especially Cats, at Risk



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)

Cost of Care Issue

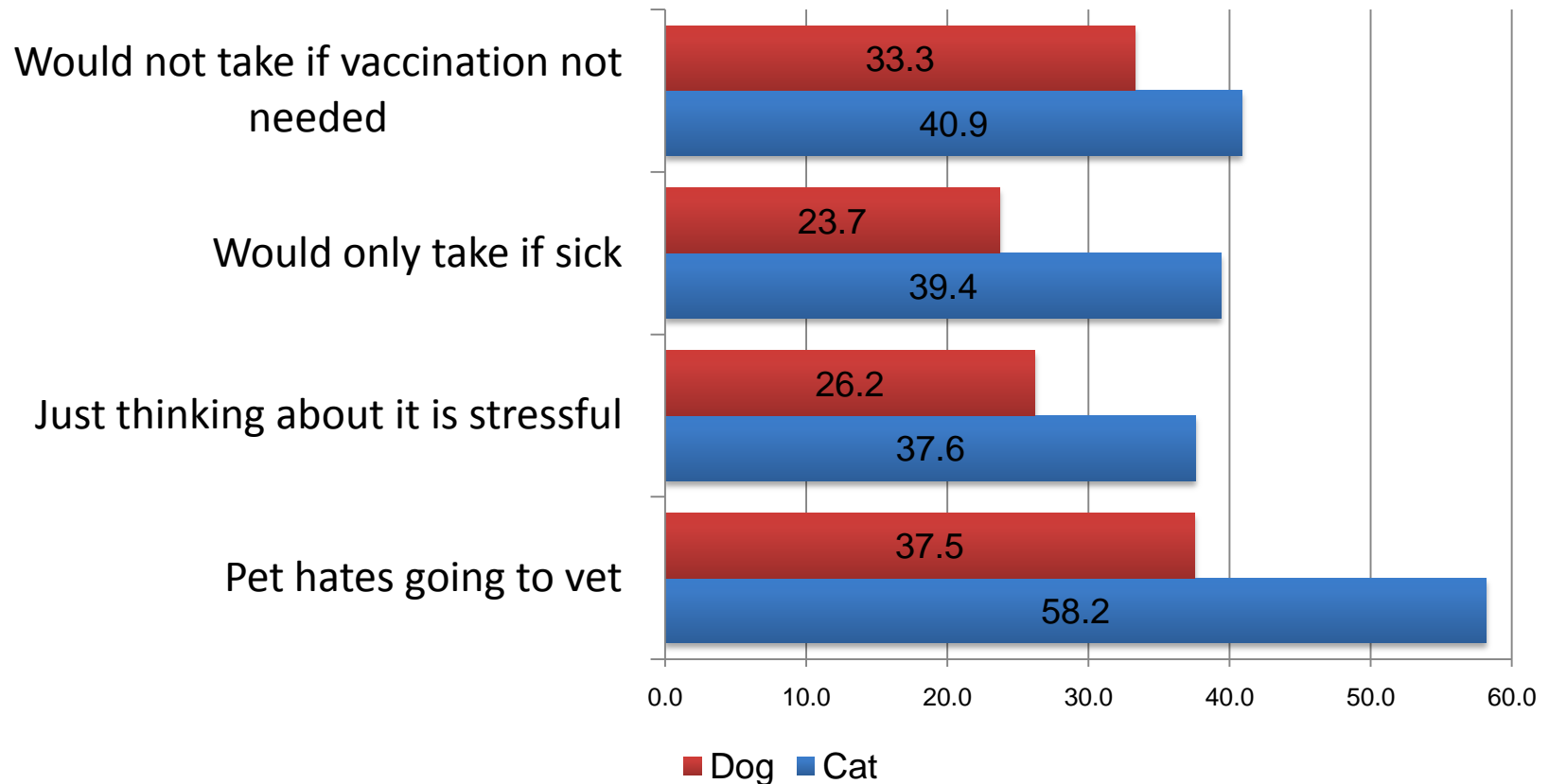


Vets Are in a Test of Wills with Cats

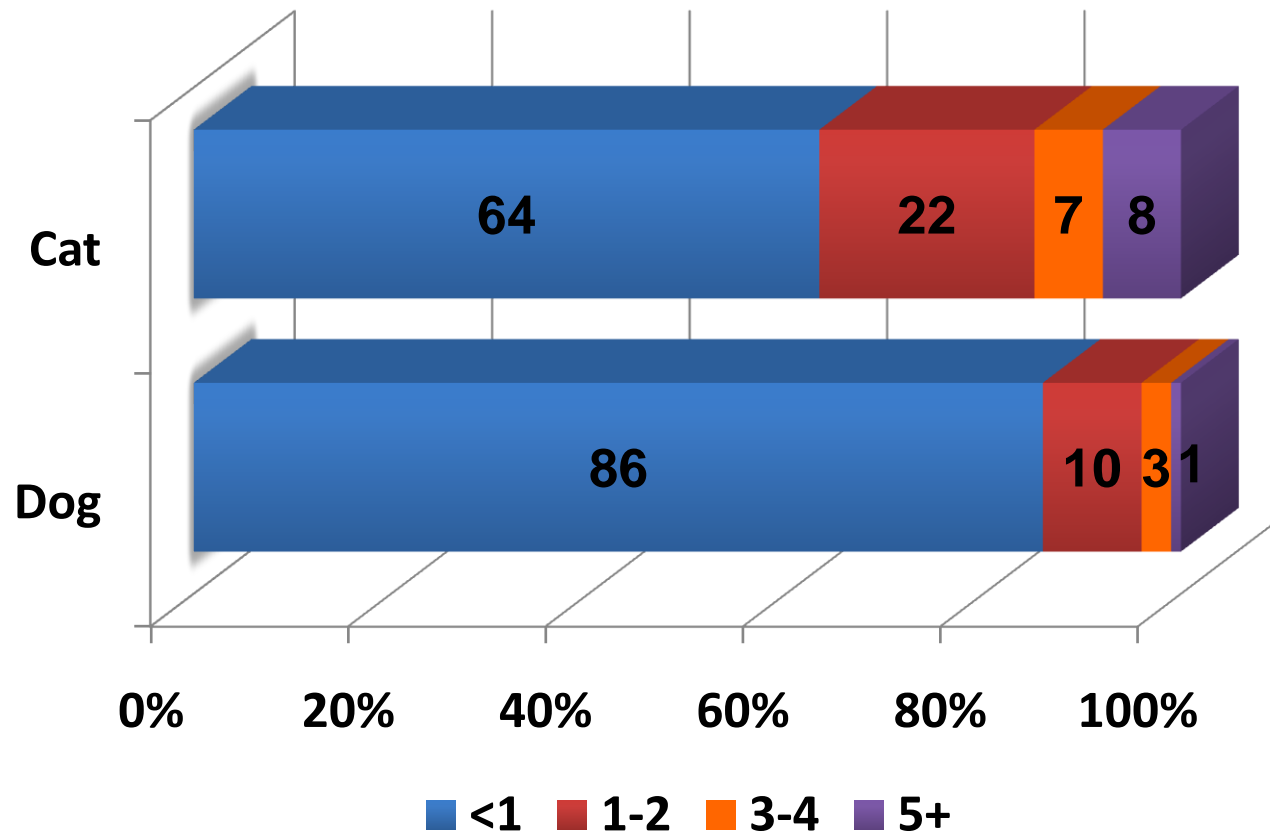
And cats are winning.



Attitudes Toward Vet Visits



Most Recent Vet Visit, Years

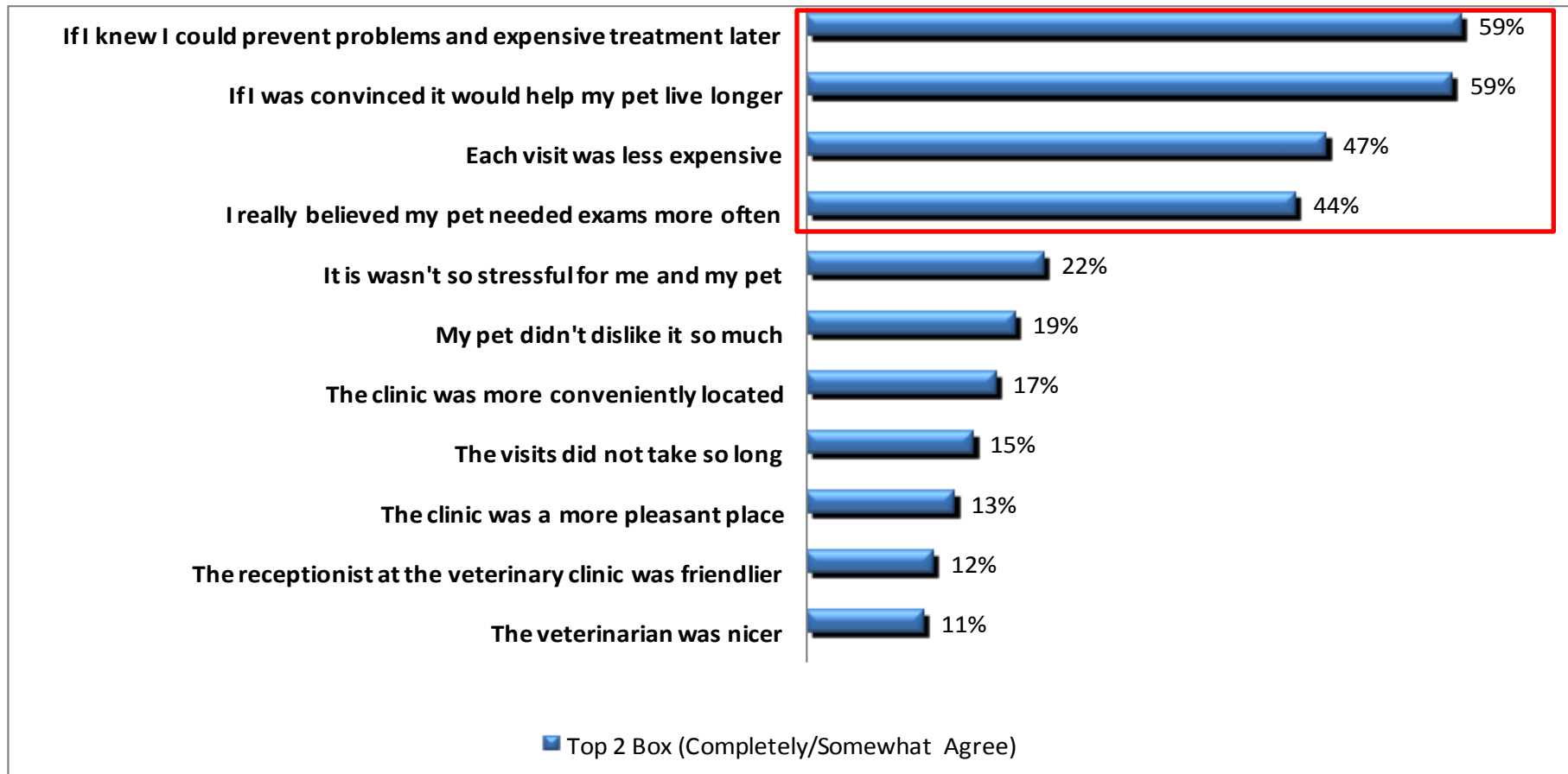


HOW TO INCREASE VETERINARY VISITS

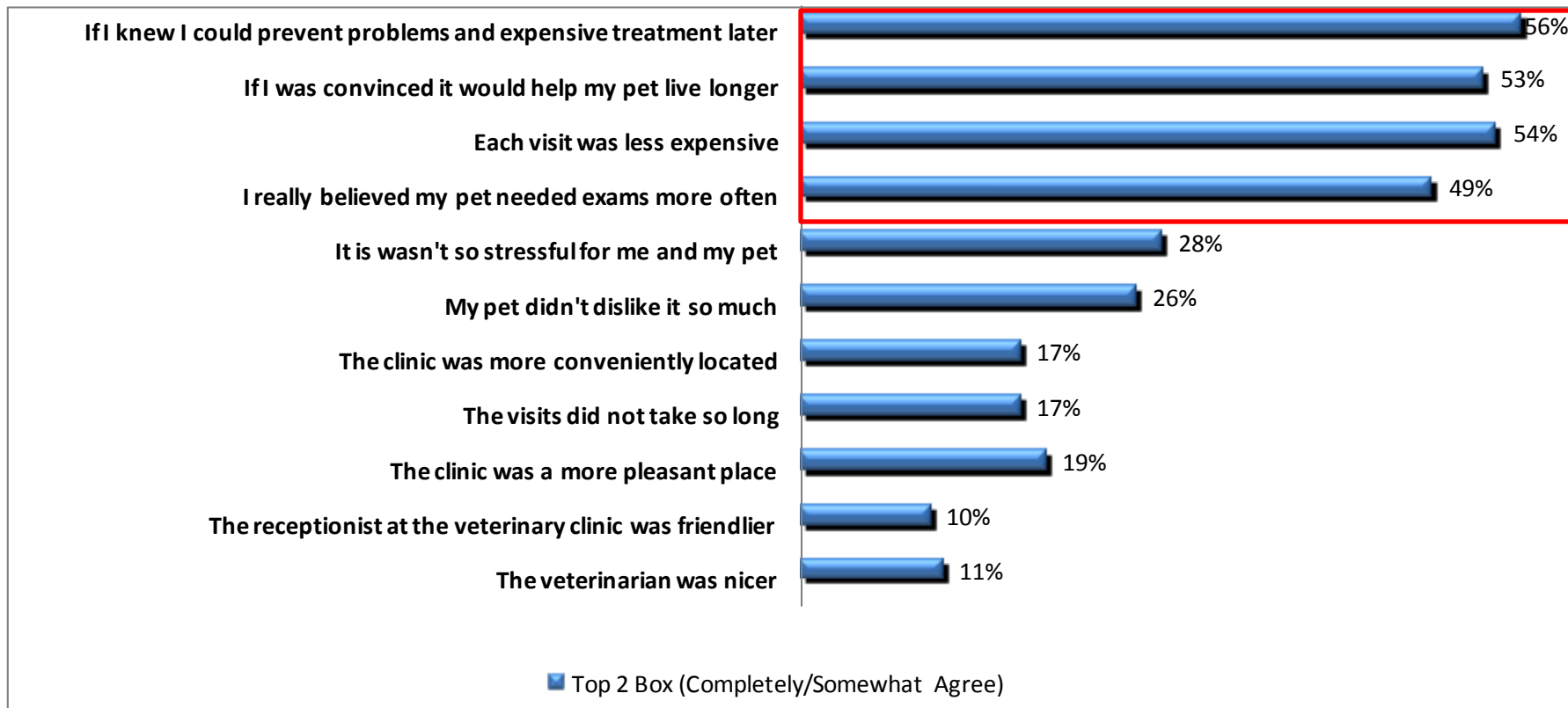
Increasing Veterinary Visits

- Client Factors
 - Don't understand need
 - “Sticker shock”
 - Feline resistance
- Environmental Factors
 - Recession
 - Fragmentation of veterinary services
 - Impact of Internet—information, communication, commerce

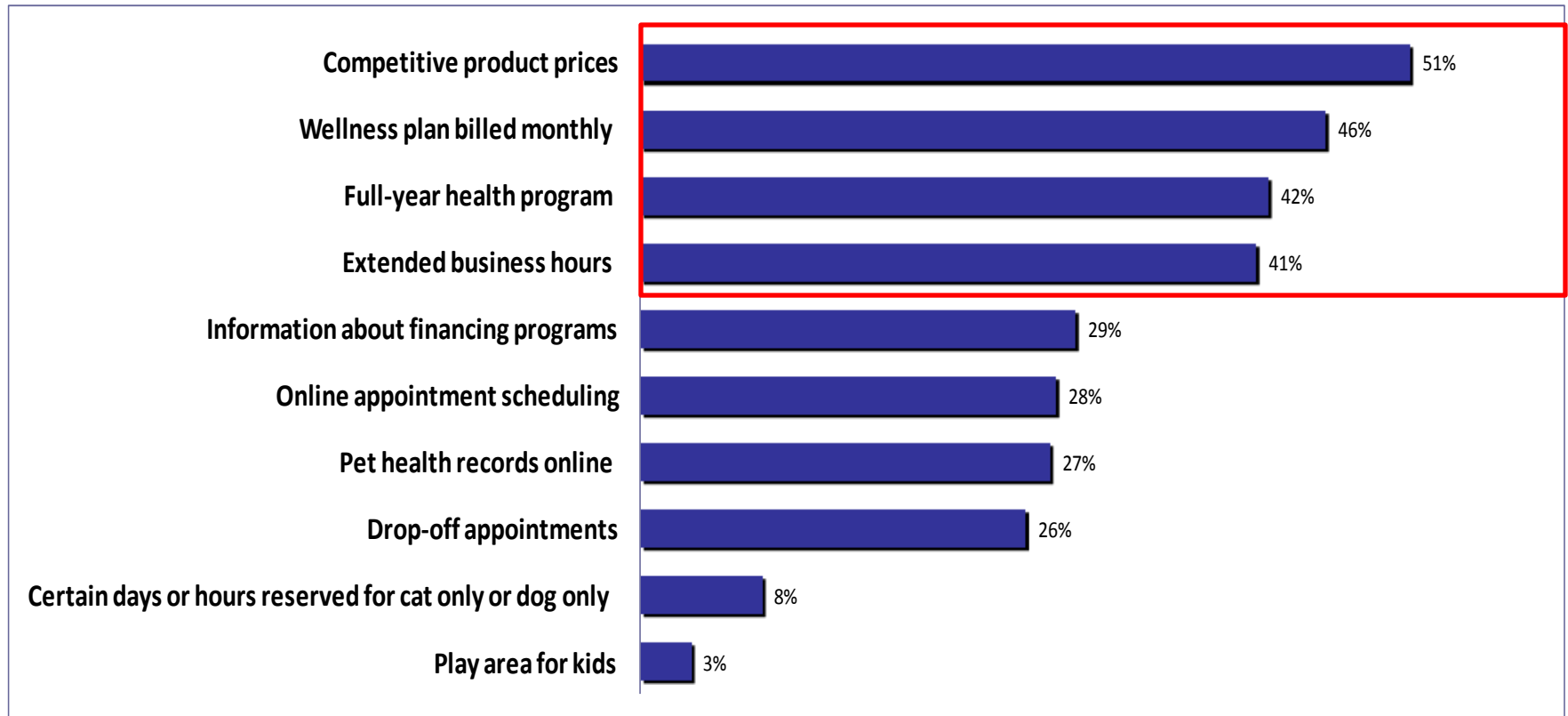
I Would Take My Dog to the Vet More Often if.....



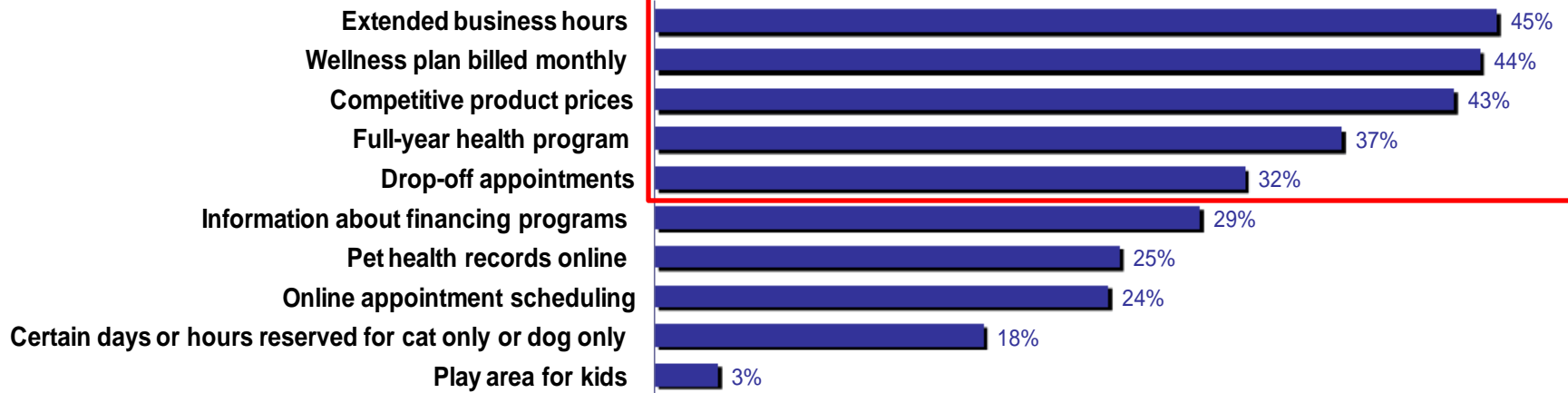
I Would Take My Cat to the Vet More Often if.....



Increasing Dog Visits: Things Veterinarians Can Do



Increasing Cat Visits: Things Veterinarians Can Do



Five Key Solutions

- Track visits and related metrics monthly
- Develop and communicate a profession-wide mantra regarding need for exams and other care
- Manage pricing and communicate value to avoid “sticker shock”
- “Friend” the cats in every practice
- Make it easy for clients to schedule and keep appointments

Track Visits and Related Metrics Monthly

- Can't manage what you can't measure
- Visits and transactions are not the same—need to track both
 - Visit = pet coming to the practice for an exam or procedure (annual physical, dental, surgery)
 - Transaction = any invoice
- Visits may be more difficult to identify in practice management software
- Other metrics still important—no single metric provides all information needed for good management
- Practice profitability is still the gold standard for measuring practice financial success

Develop and Communicate the Need for Exams and Other Care

- Profession-wide efforts
 - Develop mantra similar to “twice a year dental cleaning” or USDA “Five a Day”
 - Identify and disseminate science-based information regarding need for exams and other wellness care
 - Initiate research in areas where science-based information is lacking
 - Reduce fragmented information initiatives—profession should work together to provide ONE go-to resource about pet health care

Develop and Communicate the Need for Exams and Other Care

- Practice efforts
 - Educate clients about WHY exams and wellness care are so important
 - Prevention of future problems
 - Longer life for pet
 - Happier/healthier pet now
 - Educate clients about WHAT the exam includes and how this helps veterinarians help pets
 - Develop one message to be communicated by all doctors/staff in a practice

Develop and Communicate the Need for Exams and Other Care

- Practice efforts
 - Develop client friendly communication materials in multiple media formats: brochures, website, podcasts, posters and models
 - Harness the internet as an information source—practice's own website, other trusted websites, social media
 - Train doctors and staff members to talk in a pet-owner friendly manner about common recommendations and conditions
 - Expand reminder system
 - Types of items for which reminders are sent
 - Language that communicates value
 - Different formats: e-mail, texts, phone calls, mail

Sticker Shock – Price is an Issue

- Absolute price and escalation
 - “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”
- Pricing should be a component of an integrated marketing and business plan, not a stand alone business strategy
 - “My business dropped by 20% last year so I raised my prices by 20%”
- Across the board large annual price increases aren’t a long-term viable strategy
- Must also consider communication of value and payment options
- Price increases are not the only way to improve profits

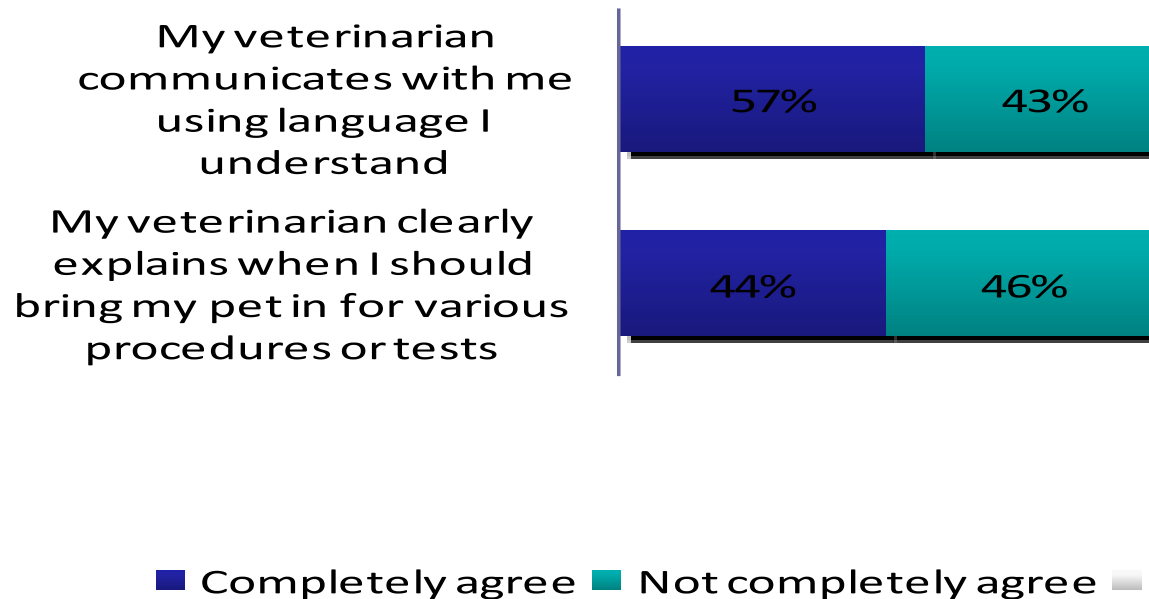
Sticker Shock – Alternate Strategies

- “Things my veterinarian could do that would make me most likely to take my pet to the practice more often”
 - “If I had a payment plan where I would be billed in equal monthly installments for a year’s regular veterinary services” (46% dog owners, 44% cat owners)
 - “Prices for products (flea and tick products, specialty pet foods, supplements) are competitive with what I find elsewhere” (51% dog owners, 43% cat owners)

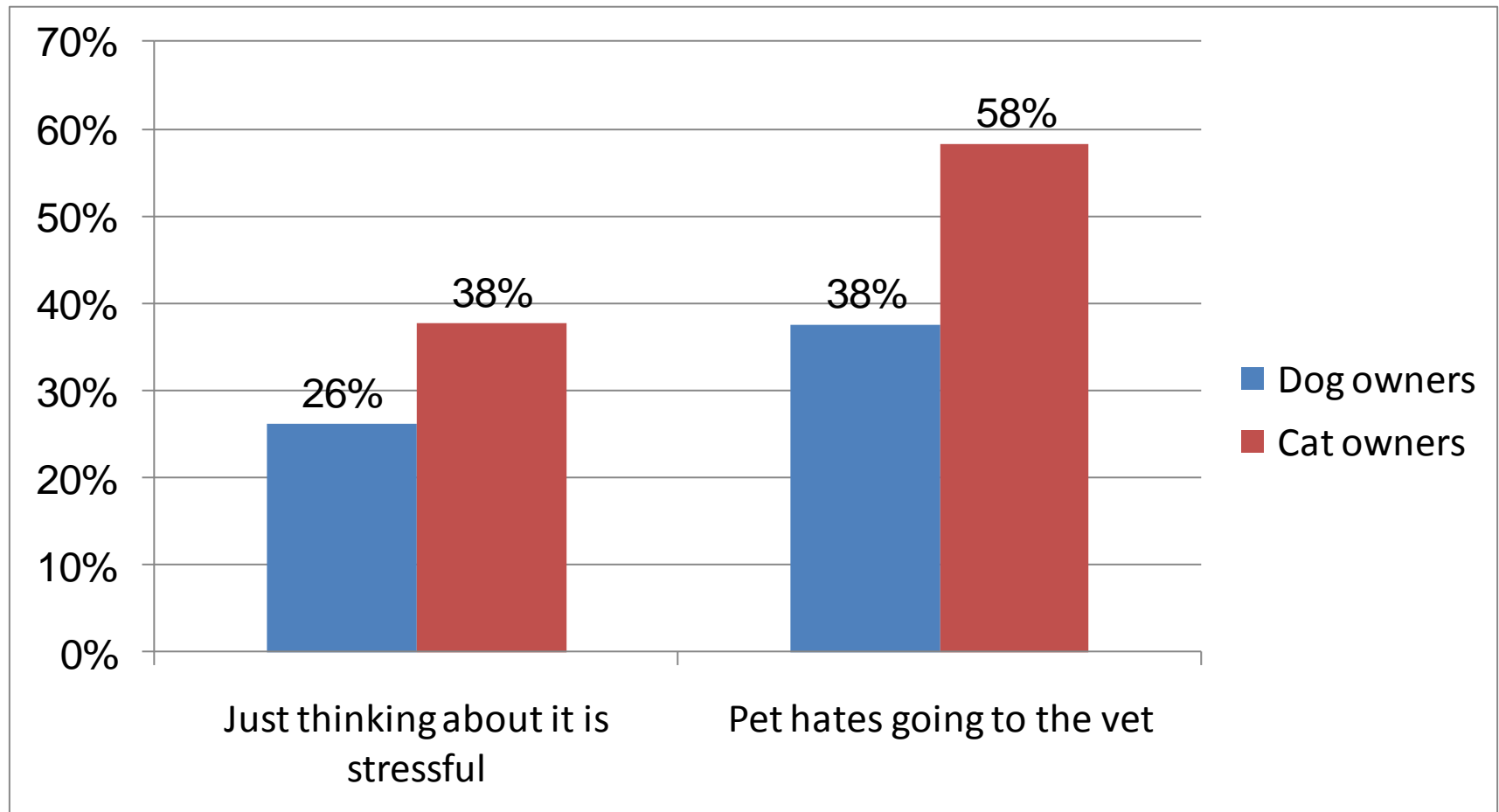
Sticker Shock – Alternate Strategies

- Routine care plans with monthly billing and set services included
- Targeted discounts for lapsed clients in slow months
- Lower exam fees—reduce barrier to entry
- Premium prices at peak times; lower prices during slower times
- In-house online pharmacies

Sticker Shock – Communication of Value



Taking the Cat to the Vet is a Hassle



Be a Cat-Friendly Practice

- Identify all the cats owned by clients
- Train doctors and staff about cat issues and healthcare
 - AAFP/AAHA Feline Life Stage Guidelines
- Help owners comply with veterinary recommendations
 - CATegorical Care: An Owner's Guide to America's #1 Companion (Catalyst Council)
- Promote cat-friendly handling
- Promote cat-friendly reception areas and entrances

Things That Make it Easy for Clients

- Book the next appointment before the pet leaves the practice and explain why
- Send reminders religiously—postcards, e-mail, text messages, mail
- Make scheduling available online
- Remind clients by telephone and/or e-mail 48 hours before appointment
- Consider extended hours
- Let clients know you offer drop off services

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