

# Special Report

## Executive summary of the Bayer veterinary care usage study

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Many reports have suggested that the economic recession of 2007 to 2009 had a negative impact on business volume and revenues for large numbers of companion animal veterinary practices in the United States. However, there is substantial evidence that decreases in the number of patient visits began well before the start of the recession. Data published by the AVMA in early 2007 indicated that annual dog and cat visits to veterinarians declined slightly in 2006, compared with 2001, despite substantial growth in the pet population.<sup>1</sup> Biennial surveys conducted by the American Animal Hospital Association have corroborated this trend and indicated that the decrease in number of patient visits might be accelerating.<sup>2-6</sup> Triennial surveys conducted by DVM Newsmagazine found similar results.<sup>7</sup>

The prospect that the number of dog and cat visits to veterinary clinics may be decreasing at a time when the pet population is increasing raises concerns about whether pets are getting adequate veterinary care, what impact this decrease will have on the economic state of the veterinary profession, and whether the trend toward fewer veterinary visits is reversible.

The Bayer veterinary care usage study was designed to confirm the decrease in number of patient visits that has occurred over time, to identify factors responsible for this decrease, and to identify specific actions that companion animal practitioners could take to encourage more frequent veterinary visits for dogs and cats to reverse the trend. The present report represents the executive summary of the study's findings.

### Methods

The Bayer veterinary care usage study involved 4 stages of research. The first stage was an extensive review of literature on practice trends, including revenue, transaction volume, client traffic, and factors known to limit or help improve patient visit numbers.

The second stage was a series of in-depth interviews conducted with companion animal practice owners

across the United States. Some of the interviews were conducted as small-group roundtables (ie, in-person discussions with 3 or 4 practice owners moderated by a professional interviewer). Three such discussions were held in Philadelphia and 3 in Dallas in late September 2010. In addition, in-depth telephone interviews were conducted with other practice owners across the United States to provide more geographic representation. In all, 34 practice owners were contacted, with most interviews lasting an hour or more. The goal of this research was to understand how aware veterinarians were of the decrease in visit numbers, what they thought the causes were, whether they were addressing the trend in their practices and how, and what actions were effective and ineffective.

The third stage included qualitative interviews with pet owners. Eight focus groups, each consisting of 8 pet owners, were conducted in October 2010; 2 focus groups each were held in Boston; Columbus, Ohio; San Antonio, Tex; and San Francisco. Efforts were made to recruit dog and cat owners representing a wide diversity with regard to ethnicity, socioeconomic level, age, income, and veterinary use (eg, heavy and light users of veterinary services were represented in the focus groups).

The fourth stage was a national online quantitative survey of 2,188 US dog and cat owners. Respondents were drawn from Ipsos' proprietary research panel of > 170,000 known dog owners and > 140,000 known cat owners. The sample was representative of the US pet-owning population. All respondents were the primary pet caregiver in the household or shared in pet-care responsibilities. In conducting the online survey, a detailed quota plan based on AVMA pet ownership statistics was developed to ensure that responses were representative of all regions and demographic groups. Statistical margin of error for the entire sample at the 95% confidence level was  $\pm 2.1\%$ ; margin of error at the species (dog or cat) level was  $\pm 3.0\%$ .

In designing the Bayer veterinary care usage study, Bayer, Brakke, and NCVEI consulted with several business management experts. These included John W. Slocum, PhD, professor emeritus of the Cox School of Business, Southern Methodist University; William Cron, associate dean, M. J. Neeley School of Business, Texas Christian University; and a team of professors from Kansas State University including David M. Andrus, PhD, Kevin Gwinner, PhD, and J. Bruce Prince, PhD. Dr. Slocum is an expert in organizational behavior, and Dr. Cron is an expert in marketing. The Kansas State professors are experts in customer acquisition and retention. All have experience in the veterinary field.

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## Key Findings

The Bayer veterinary care usage study identified a surprising overall finding: many companion animal veterinary practices did not track patient visits; consequently, owners did not know whether the number of patient visits to their practices was decreasing and they were not doing anything to address the issue.

The study identified 6 factors that appeared to have contributed to the decrease in visit numbers. Three were market-wide, or environmental, factors; 3 were client-driven factors.

The 3 environmental factors were as follows:

- The 2007–2009 US recession. The recession and the resulting unemployment and underemployment had negative impacts on spending for veterinary services, exacerbating an existing issue.
- The fragmentation of veterinary services. There were more points of care and a wider variety of veterinary services available to pet owners.
- Proliferation of Web usage. Pet owners frequently consulted Web sources regarding pet health issues, rather than calling or visiting their veterinarians.

The 3 client-driven factors were as follows:

- Inadequate understanding of the need for routine examinations. Many pet owners primarily associated veterinary care with vaccinations (ie, shots). Because many pets did not require annual vaccinations, pet owners, especially cat owners, visited their veterinarian less often.
- Cost of veterinary care. Many pet owners expressed shock at the size and frequency of price increases at their veterinary clinics.
- Feline resistance. Because many cats aggressively resist being put in carriers and transported to the veterinary clinic and show signs of stress during veterinary visits, many cat owners deferred taking their animal to the veterinarian. The study found that 40% of cats had not been to the veterinarian within the past year, compared with 15% of dogs.

Survey respondents were also specific about what factors would make it more likely that they would visit the veterinarian more often. These included the following:

- More predictability in the cost of veterinary care. Pet owners responded favorably to a proposal that their veterinarian clearly define what their pet would require over a year's time and how much these services would cost. Many indicated they would also welcome an opportunity to pay for veterinary services in monthly installments throughout the year, rather than in a single large invoice.
- Competitive prices for products that are also available through other channels. These included pet food, supplements, parasite control products, and other items.
- Improved convenience. Many pet owners indicated they would like to have the veterinary hospital they used open earlier or later than currently available. Interestingly, many pet owners were not aware of the service hours of their veterinary clinic or whether the clinic had pet drop-off appointments.

## Summary of Findings

**Lack of data on visits at the practice level**—For purposes of the present study, a visit was defined as examination or treatment of a dog or cat at a veterinary practice. This definition was consistent with how veterinarians said they perceived a visit. Yet, it became clear during in-depth interviews with practice owners that many veterinarians did not routinely monitor number of patient visits. In fact, only 1 of the 34 veterinarians who were interviewed knew whether visit numbers were decreasing in their practices and by how much.

Many veterinarians indicated that they recognized having many open appointments on their calendar and an overall decrease in revenues were likely signs of a decrease in visit numbers, but they had not specifically evaluated number of visits to their practices. Most veterinarians interviewed were not taking any specific actions to increase visit numbers. Many indicated that there was minimal follow-up on annual appointment reminders to clients and that there were only modest efforts, if any, to attract new clients. Finally, participants indicated that they were more likely to monitor overall revenues and average transaction charges than visit numbers and that raising fees was typically their primary or only management tactic to improve overall revenues. In contrast, we believe that when client demand is decreasing, raising fees is likely to be counterproductive.

**Impact of the recession**—Findings suggested that the economic recession of 2007–2009 likely had a negative impact on visit numbers, in that the recession was the primary concern mentioned during interviews with practice owners. The recession was also a top concern among pet owners. During the pet owner focus groups, it was clear that fears about potential job and income loss amplified concerns about the rising cost of veterinary services.

The impact of the recession was evident in the online survey of pet owners as well. Pet owners with lower household incomes (< \$35,000/y) and those who were unemployed were less likely to have taken their pet to the veterinarian during the preceding year (Figure 1) than were owners with higher household incomes. Unemployed cat owners or cat owners with lower household incomes were less likely to have taken their pet to the veterinarian than were unemployed dog owners or dog owners with lower household incomes. Given that the unemployment rate almost doubled during

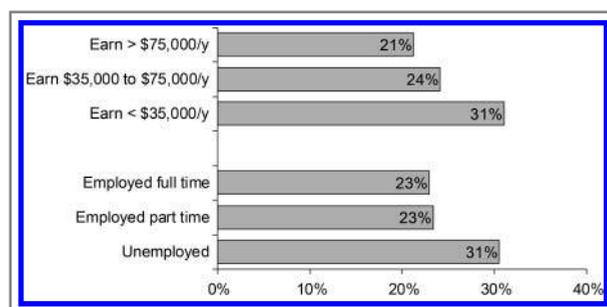


Figure 1—Percentages of dog and cat owners, classified on the basis of annual income and employment status, who had not taken their pet to the veterinarian in the past year.

the recession, we suspect that there were far more low-income and unemployed pet owners during that period.

**Fragmentation and expansion of veterinary services**—The second most common concern expressed during interviews with veterinary practice owners was competition. In general, it appeared this was related to a concern that pet owners have more veterinary practices of more different types available than ever before. Practice owners were concerned about competition from other traditional veterinary hospitals and especially from other types of practice models that they perceived had become more common in recent years. These include veterinary clinics located in pet stores, mobile vaccination clinics, veterinary services provided by animal shelters and rescue operations, and specialty referral practices.

In the online survey of pet owners, 13% indicated that they did not have a primary veterinary clinic, and 10% of those who did have a primary veterinary clinic used a practice other than a traditional animal hospital (Figure 2). Overall, > 20% of pet owners indicated that they did not use a traditional veterinary practice as a primary source of veterinary care.

The number of veterinary practices located in pet stores appears to have increased rapidly in recent years. On the basis of other studies it has done, Brakke estimates that Banfield alone has opened approximately 500 new practices in the past 10 years. Because each new Banfield practice is a start-up, it represents added competition in its market.

There is little information available on the number of specialty referral practices or mobile vaccination clinics. Brakke estimates that there are about 700 to 750 specialty referral practices in the United States and that many of these have been opened within the previous

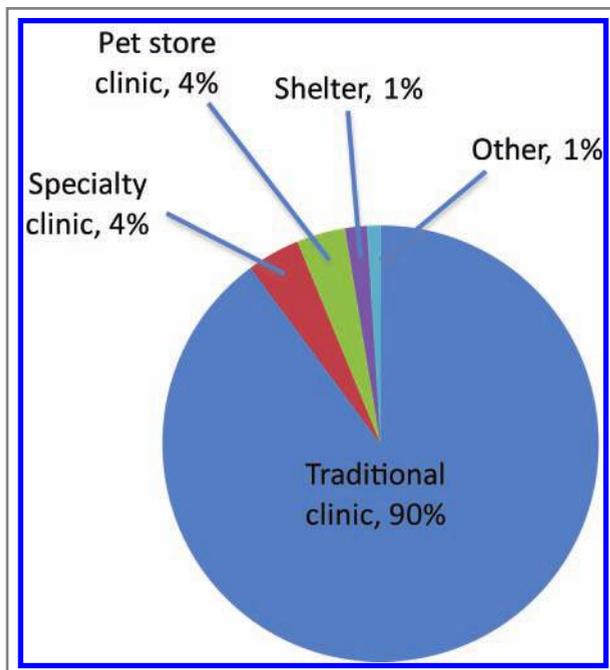


Figure 2—Type of veterinary practice used as the source of veterinary care among dog and cat owners who indicated that they have a primary veterinary clinic.

10 years. Most specialty practices only take referrals from general practices and, as such, provide services in cooperation with pet owners' regular veterinarians. However, this means that the total number of patient visits in any given year is spread over a larger number of practices and that advanced care that may have been provided by general practices in the past is now provided at specialty practices.

Mobile vaccination clinics are believed to compete with traditional veterinary practices, although the extent to which this is true is unclear. Mobile vaccination clinics typically set up on weekends in high-traffic areas (eg, shopping center parking lots) and advertise low-cost vaccinations. In the focus groups, many pet owners who routinely took their animals to their regular veterinarian for other services reported using mobile clinics for vaccinations.

Pet owners responding to the online survey reported that 24% of their pets had been acquired from animal shelters or pet rescue operations (Figure 3), which was substantially higher than the percentage reported in a previous study.<sup>a</sup> Typically, pets adopted from shelters have been spayed or neutered, vaccinated, and tested for heartworm disease and intestinal parasites before being placed in their new homes. Many of these services have traditionally been so-called starter services that veterinarians provided after clients acquired new puppies and kittens from breeders, friends, relatives, and other sources. In effect, traditional veterinary hospitals lose an opportunity to provide these services for pets adopted from shelters. We worry that it will be more difficult to educate new pet owners about the need for regular veterinary care if a veterinarian is not in contact with the pet owner soon after the pet is acquired.

Importantly, pet health-care services provided by animal shelters, mobile vaccination clinics, pet store clinics, and specialty referral practices are all provided by veterinarians. However, the services are provided outside the traditional veterinary practice model. We suspect that the proliferation of these added points of care was made possible in large part by a continued increase in the number of companion animal veterinarians.

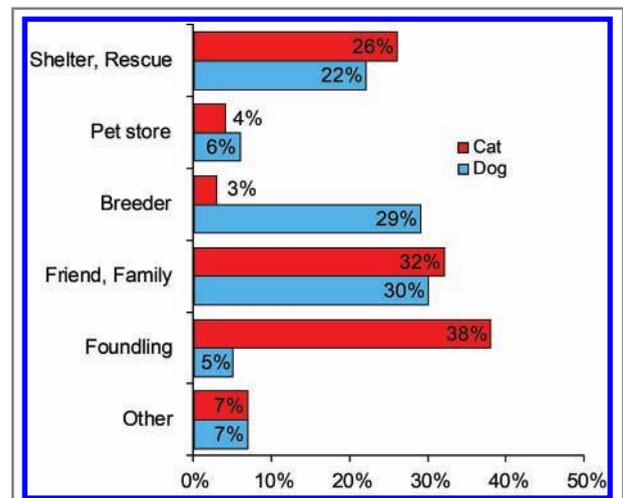


Figure 3—Sources where dog and cat owners acquired their pets.

ians. According to data provided by the AVMA, during the 10-year period from 1996 through 2006, the number of companion animal veterinary practices increased by only 11% (from 20,170 to 22,393), but the number of veterinarians predominantly or exclusively practicing companion animal medicine increased by 48% (from 30,255 to 44,785). During a similar time period, the number of dogs in the United States increased by 36% and the number of cats increased by 38%.<sup>1</sup> The fact that the number of practitioners has increased faster than the number of pets may contribute to the perception among many veterinarians that competition for veterinary services is growing more intense.

**Growth in use of the Internet by pet owners**—A key finding from the in-depth interviews with veterinarians and pet owners in the present study that was verified in the online survey of pet owners was that pet owners depended less on their veterinarian for veterinary medical information because of the ready availability of information via the Internet. In the online survey, 39% of pet owners agreed with the statement that they look online first if a pet is sick or injured and 15% agreed with the statement that because of the Internet, they rely less on their veterinarian (Figure 4).

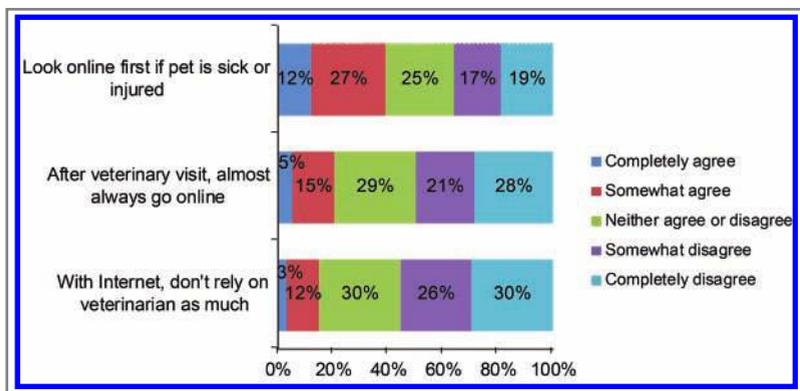


Figure 4—Use of the Internet for health-care information by dog and cat owners.

Taken together, our findings suggested that the Internet has had an impact on pet health and pet owner behavior. Veterinarians interviewed for the study stated that many pet owners, after consulting the Internet, delayed taking a sick or injured pet to the veterinarian. In some instances, clinical signs resolved within a day or so, so owners did not visit the veterinarian at all. In other instances, the animal's condition worsened, necessitating more extensive care once the animal was evaluated by a veterinarian. As stated by one experienced veterinarian, "I'm seeing pets three days sicker."

**Perceptions of the need for routine examinations**—During the pet owner focus group sessions, it became apparent that many pet owners associated veterinary care with vaccinations and did not understand as readily the necessity for routine examinations. This was corroborated by results of the online survey in that 36% of pet owners agreed that were it not for shots, they would not take their pet to the veterinarian (Figure 5). Similarly, 24% agreed with the statement that routine checkups were unnecessary.

The willingness to forego routine examinations was more pronounced among cat owners than among dog owners. According to the online survey, only 60% of cat owners had taken their animal to the veterinarian in the past year, whereas 85% of dog owners had taken their animal to the veterinarian in the past year (Figure 6). Among those who said that they were taking their pet to the veterinarian less often now than in previous years, 63% of dog owners and 68% of cat owners said they did not see a need to take their pet to the veterinarian as often; that is, they saw no need for an annual examination.

Given that many pet owners who participated in the present study associated veterinary care with vaccinations, we suspect that recent changes in vaccination protocols have had an impact on numbers of veterinary visits.

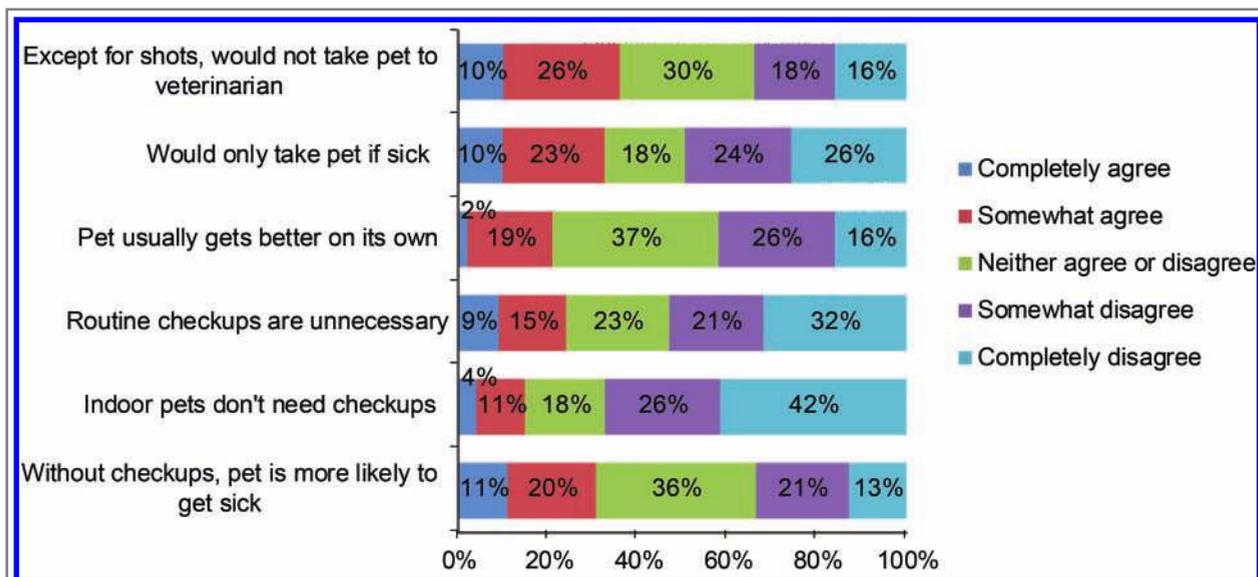


Figure 5—Attitudes among dog and cat owners regarding the need for routine examinations.

Pet owners who responded to the online survey perceived that some animals needed routine veterinary care less frequently than others. For examples, study respondents with pets that lived primarily indoors were less likely to have taken their animal to the veterinarian in the past year. Likewise, pet owners with older animals were less likely to have taken their animal to the veterinarian in the past year. Specifically, 21% of owners with cats  $\geq 9$  years old said they were taking their cat to the veterinarian less often than previously (Figure 7). The fact that many geriatric animals visited a veterinarian less often than young adult animals was alarming to the research team.

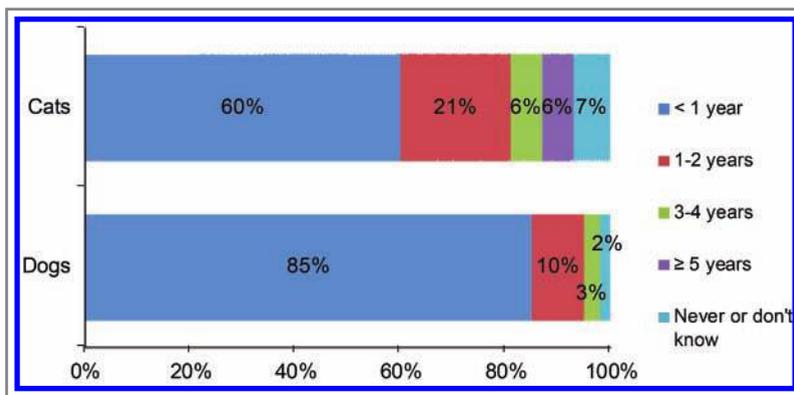


Figure 6—Time reported by dog and cat owners since their pet had last been seen by a veterinarian.

**Cost of care**—In the pet owner focus groups, one of the frequently mentioned obstacles to veterinary visits was the rising cost of veterinary care. As one pet owner said, “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.”

Similar findings were obtained with the online survey, with 53% of respondents agreeing with the statement that veterinary costs are usually much higher than expected (Figure 8). Furthermore, 26% agreed with the statement that they consistently looked for less expensive veterinary options and a similar percentage agreed with the statement that they would switch veterinarians if they found a less expensive one.

A portion of the online survey attempted to measure pet owner satisfaction with their regular veterinary hospital with regard to various attributes. Overall, veterinarians and their staff scored high, with 50% of pet owners indicating that they were completely satisfied with no room for improvement and an additional 40% saying they were satisfied. Veterinary practices scored highest on friendliness of the veterinarians and staff and on the range of services offered. Veterinary practices scored lowest on value of services and payment options.

**Owner perceptions of animal stress**—During the pet owner focus groups, it became evident that cat owners found taking their animal to the veterinarian highly stressful for the animal and themselves. They indicated that their cats hid when the cat carrier appeared; aggressively, physically resisted being put in the carrier; cried during the car or bus ride to the veterinary clinic; showed signs of stress and fear in the waiting area, particularly when unfamiliar animals, especially dogs, were present; displayed physical signs of tension during the examination; and acted remote and unfriendly for several days after returning home. Many cat owners expressed a desire to avoid the difficulties and unpleasantness associated with bringing their cat to the veterinarian.

Results of the online survey highlighted the importance of this problem. Only 83% of cat owners who responded to the survey said their animal had a primary veterinary clinic, compared with 91% of dog owners. Of those animals taken to the veterinarian, dogs had visited a mean of 2.3 times during the preceding year and cats had visited a mean of 1.7 times during the preceding year. In

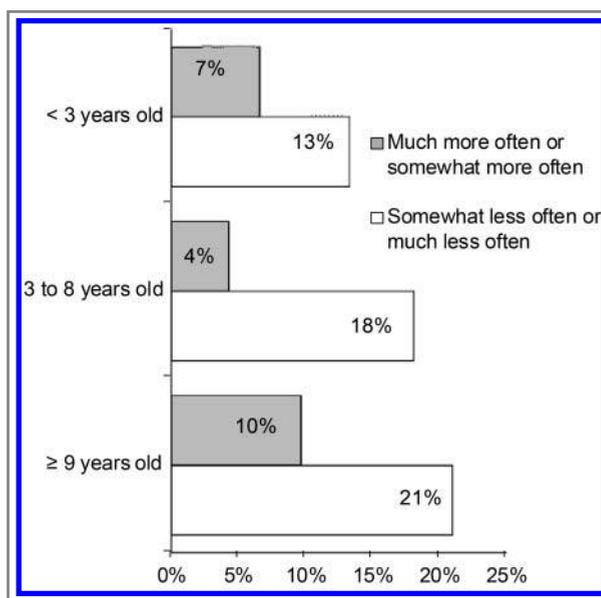


Figure 7—Change in frequency of veterinary care reported by cat owners as a function of age of the cat.

measuring pet owner attitudes toward taking their animal to the veterinarian, cat owners had more negative ratings than dog owners for every attribute, including such items as “Would not take my pet to the vet if vaccination not needed” and “My pet hates going to the vet” (Figure 9).

**Potential solutions**—The Bayer veterinary care usage study examined not only why pet owners were taking their animals to the veterinarian less often, but also what veterinarians could do to increase the frequency of patient visits. As a part of the online survey, pet owners were asked under what circumstances they would take their pet to the veterinarian more often. Four attributes scored highest both among dog and cat owners, although in slightly different order (Figure 10):

- If I knew I could prevent problems and expensive treatment later.
- If I was convinced it would help my pet live longer.
- If each visit was less expensive.
- If I really believed my pet needed examinations more often.

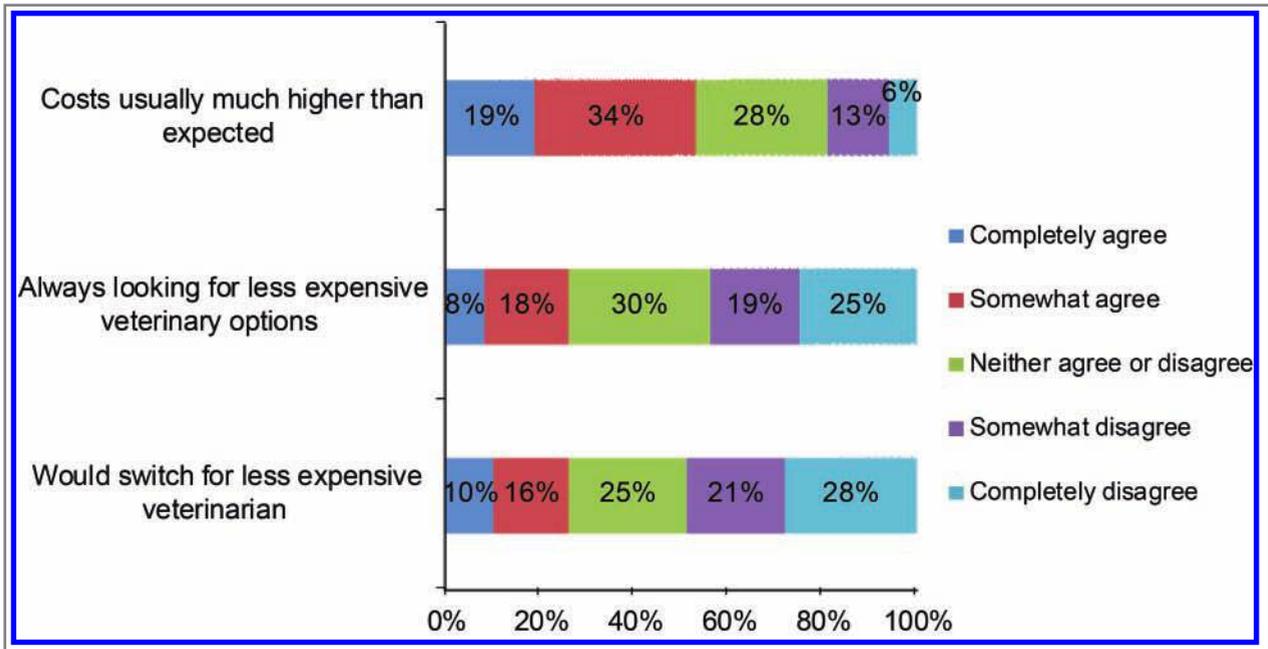


Figure 8—Attitudes among dog and cat owners regarding the cost of veterinary care.

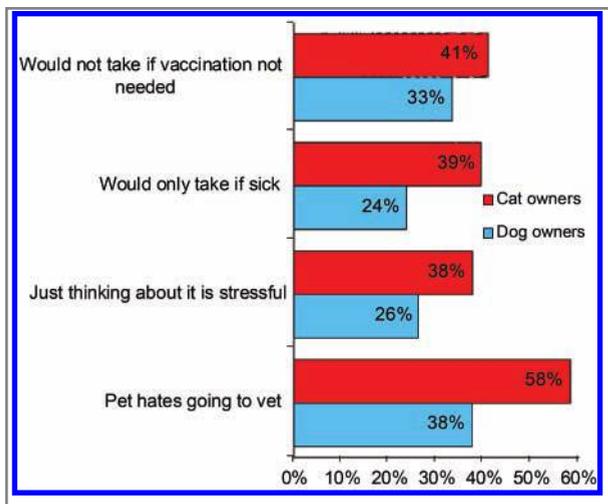


Figure 9—Attitudes among dog and cat owners regarding taking their pet to the veterinarian.

All 4 of these attributes rated substantially higher than the others listed, including friendliness, convenience, and pleasantness of the veterinary practice; shorter appointments; less stress on the animal; and other factors. These findings suggested pet owners need to fully understand the health implications for their pets and the economic benefits for themselves before they will increase the frequency with which they visit their veterinarian.

In addition, during the in-depth interviews with veterinary practice owners and the pet owner focus groups, the research team explored as many as 20 specific actions that veterinarians could take to increase patient visits. Some of the ideas were suggested by study participants and others by the research team. During the pet owner focus groups, this list of potential initiatives that were evaluated in the online survey was narrowed to 10. They included the following:

- A full-year health program for your pet developed by your veterinarian outlining what your pet needs, when you should visit the veterinary clinic, what to look out for, and how to keep your pet healthy.
- A payment plan under which you would be billed in equal monthly installments for a year's regular veterinary services that would cover all of your pet's routine health care for a full year, qualify you for certain discounts or free visits, and eliminate large invoices at the time of visit. It would not cover unexpected visits for sickness or injury.
- A website for your pet's clinic that allows you to see available appointment times online and book an appointment.
- A special, password-protected page on your veterinarian's website that has all of the information and medical records for your pet.
- Extended business hours for appointments, including availability of earlier and later appointments each day as well as appointments on the weekend.
- The ability for you to drop off your pet in the morning and pick it up after its appointment.
- Information about financing programs for veterinary care such as installment programs, pet health insurance, or special financing for emergencies or larger-than-ordinary costs.
- Prices for products (eg, flea and tick products, specialty pet foods, and supplements) that are competitive with what you find elsewhere.
- Certain days or hours reserved for cat-only or dog-only appointments to avoid encounters between cats and dogs.
- A play area with toys or games for children.

More than 50% of all dog and cat owners rated 8 of the concepts somewhat or extremely valuable. The only ones

that were rated as valuable by < 50% of pet owners were reserving certain days or hours for cat-only or dog-only appointments to avoid encounters between cats and dogs and creating a play area with toys or games for children.

In short, most pet owners who responded to the online survey found most of the services attractive. To evaluate the concepts further, respondents were asked to identify the 3 services that would most likely motivate them to take their pet to the veterinarian more often. Four services were listed most frequently both by dog owners and by cat owners, although in slightly different order (Figure 11). In general, services rated highest by the pet owners included those that contributed to convenience, economy, and predictability of costs.

## Conclusions

Although the number of patient visits to veterinary hospitals appears to have been decreasing for several years, the present study found that most individual veterinary practices did not monitor visit numbers and were unaware of specific changes in visit frequency.

Our findings indicated that 3 factors in the business environment (eg, the 2007–2009 US recession, an expanded and fragmented array of veterinary practice models, and increased use of the Internet by pet owners) contributed to the reduction in number of patient visits to traditional veterinary hospitals. In addition, 3 client-driven factors appeared to contribute to the decrease in visit numbers. Specifically, many pet owners did not to take their pets to the veterinarian or took them less often because they did not understand the need for or value of routine wellness examinations, they thought veterinary costs were too high, or they were unwilling to put up with the stress to the animal and themselves involved with taking their pet to the veterinary hospital.

Our findings also suggested that pet owners would visit the veterinarian more often if they clearly understood the health benefits for their pets and the economic benefits for themselves (eg, avoiding expensive treatments later) associated with such visits. Furthermore, pet owners indicated they would be inclined to take their pets more often if doing so were more convenient or less expensive.

Finally, our findings suggested that veterinarians could increase the frequency of patient visits through the use of the following:

- Extending business hours.
- Billing routine annual wellness services in equal monthly installments.
- Providing competitive prices for products such as pet food, supplements, and parasite control products that are available through other channels.

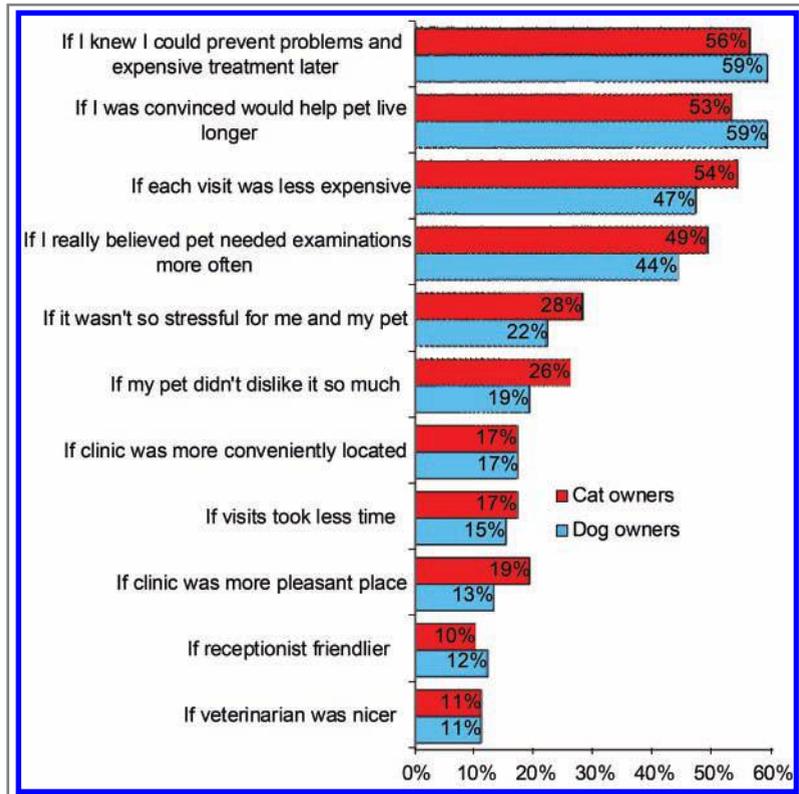


Figure 10—Reasons that dog and cat owners would take their pets to the veterinarian more often.

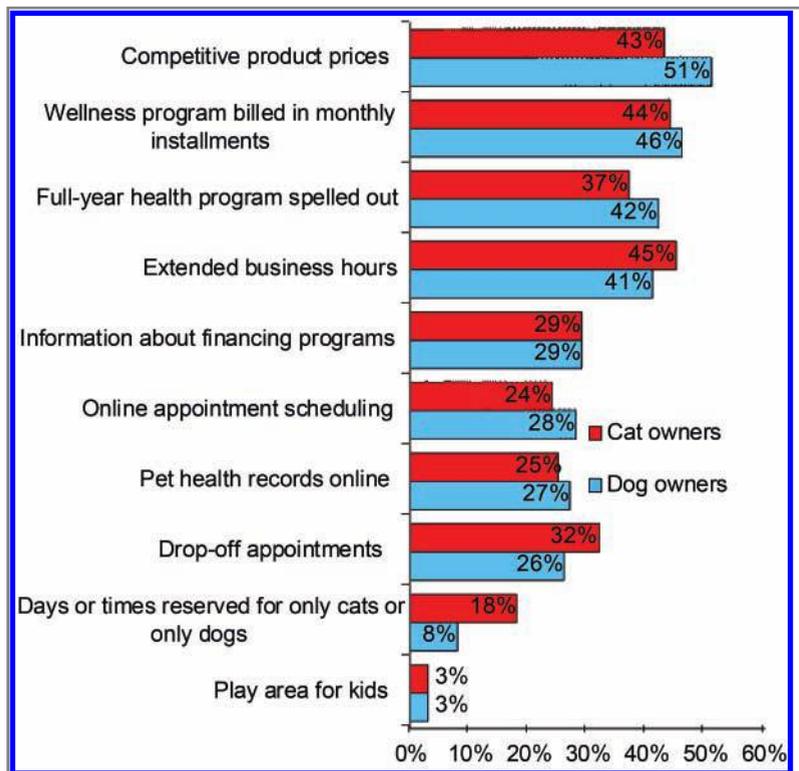


Figure 11—Concepts that dog and cats owners indicated would most likely cause them to take their pets to the veterinarian more often.

- Developing a full-year health plan that outlines what the pet needs, when the owner should bring the pet to the veterinary clinic, what to look out for, and how to keep the pet healthy.

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- a. 2009 Gallup study of the flea & tick control product market, Multi-sponsor Surveys Inc, Princeton, NJ.
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