INDUSTRY PROFILE

Veterinary Services

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Industry Overview

The US veterinary services industry includes about 28,000 veterinary clinics and providers of veterinary laboratory services, with combined annual revenue of about $27 billion. Major companies include Medical Management International, which does business as Banfield and maintains centers in PetSmart stores, and VCA Antech. The industry is highly fragmented: the 50 largest companies account for 10 percent of revenue. The typical veterinary services company operates an animal hospital with fewer than 20 employees on staff and has annual revenue under $1 million.

Competitive Landscape

Demand is driven mainly by the number of cats and dogs kept as pets, which is affected by demographics. The profitability of an individual clinic depends on marketing skills, and by the range of services the practice offers. Large practices enjoy economies of scale in marketing as well as more capital to invest in onsite diagnostic equipment. Small practices can compete effectively by specializing in particular animals or types of treatment, or by serving an exclusive area. The industry is labor-intensive: average annual revenue per employee is $90,000.

Products, Operations & Technology

Animal hospitals and clinics treat injuries and disease, but derive most revenue from animal health procedures like neutering and spaying, vaccinations, and regular checkups. Some animal hospitals also bathe, groom, board, and provide testing services. Routine examinations and non-surgical treatments each account for about 25 percent of industry revenue; surgical procedures and lab services, about 15 percent each. Sales of pet food, vitamins, and accessories account for about 10 percent. The industry is divided into services for pets (“companion animals”) and food animals (cattle, pigs, chickens).

Service Segmentation by Revenue - Census Bureau

Of the 92,000 licensed veterinarians in the US, about 70 percent work in private practice, nearly half work with companion animals, and around 1 percent are exclusively food animal veterinarians. About 73 million homes in the US have at least one pet, according to the American Pet Products Association (APPA). Most veterinarians, and about 50 percent of industry revenues, are associated with the care of 78 million dogs, 86 million cats, 16 million birds, and 8 million horses that are pets.

Animal testing labs provide important information about animal ailments, with blood and urine testing providing the bulk of lab work. Although some testing procedures are done manually, most involve automated equipment. Acquiring, operating, and maintaining test equipment is the principal activity of testing labs. Labs and animal hospitals buy diagnostic equipment and drugs from the veterinary wings of large medical supply and drug companies. Many animal hospitals and clinics do their own testing because sophisticated equipment is available.
that doesn't require highly skilled operators.

Sales & Marketing

Although larger animal hospitals have active marketing campaigns that use print, Internet, and radio advertising, most single practitioners rely heavily on word-of-mouth. Testing labs serve large areas, soliciting business from many veterinarians and usually providing free specimen pickup. Average annual spending for routine veterinary services for dogs and cats is more than $200 per household.

Finance & Regulation

Because pets spend more time outdoors during warmer weather, companion animals are more susceptible to injury and disease during that time of year and are more prone to require the services of a veterinarian. Practices that cater primarily to farm animals can be more highly seasonal than practices that serve pets. Practices that lack a trained business manager may have receivables issues, as many pet owners find fees for critical services to be a hardship. Most practices do some pro-bono work. Many practices carry an inventory of supplies, as well as merchandise for sale; inventories need effective management in order to balance supply and demand. Often practices finance purchases of expensive diagnostic equipment or expansion of facilities.

Veterinarian licensing is handled by state agencies, and usually requires graduation from one of 28 US veterinary medical schools. The USDA regulates veterinary diagnostic equipment and procedures, while the FDA regulates animal drugs and food additives.

Some states don't allow corporations to provide veterinary medical care, in which case companies contract with medical groups, to which they provide administrative support. A growing majority of states now characterize intentional animal abuse and cruelty as a felony, and some states require veterinarians to report suspected abuse.

Regional Highlights

A US veterinarian's practice can differ from one part of the country to another, due to the effect of climate and environment on animals, and the types of animals that thrive or struggle in a specific geography. For example, a vet may prescribe a topical flea medicine once every three months for a dog in the Silicon Valley area of California, but once every three weeks for the same dog in the more humid climate of North Carolina.

Human Resources

Due to a shortage of licensed veterinarians, animal hospitals increasingly rely on technicians to administer nursing care, shots, and x-rays. The average hourly industry wage for veterinarian technicians is moderately lower than the national average. The average tuition for veterinary school is around $20,000 per year in a four-year program. Every year about 6,300 students compete for roughly 2,200 seats in US veterinary schools.

Due to day-to-day close contact with ailing animals, the illness and injury rate for workers in animal hospitals is about 170 percent higher than the national average. Common injuries include bites, kicks, and scratches.
The output of US veterinary services is forecast to grow at an annual compounded rate of 5 percent between 2012 and 2016. Data Published: September 2012

Veterinary Services Growth Improves

First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. Forecasts FAQs

Industry Opportunities

Financial Viability of Group Practices - Although the income of traditional sole practitioners has stagnated, the income of veterinarians in group practice has risen. Groups can make more efficient use of technicians and expensive equipment. Group practices can also offer specialized treatments and services more easily and efficiently.

Pets Living Longer - Thanks to advances in care, pets are living longer and have different veterinary needs, both for wellness and sickness. Some practices now offer a wellness program for aged pets with customized packages. Many pet owners are willing to pay for treatments once reserved for humans, such as blood chemistry panels and urinalysis, for their pets.

Organ Transplants for Pets - Although only a few US veterinary schools are currently performing transplants on dogs and cats, primarily for kidneys, pet organ transplants are more common. A kidney transplant for a dog can cost $20,000 and require months of follow up visits to the vet. The high cost of the treatment has raised some questions as to whether such surgery is ethically appropriate.

Veterinary Health Plans - Pet insurance policies have become more popular over the past few years, according to insurers. Less than 3 percent of pet owners currently carry pet insurance, according to industry experts. But owners who do are more likely to invest in higher cost treatments for their pets. In the US, pet insurance premiums are regulated by law.

How Does It Affect You?
To schedule an industry or benchmark review, email marketing@holdenmoss.com or phone (252) 492-3041.