Veterinary Services

Industry Overview

Companies in this industry employ licensed veterinary practitioners and provide medical and health care services for animals. Major companies include Medical Management International and VCA Antech (both based in the US), as well as CVS Group (UK), and Greencross Vets (Australia).

The US and the UK have typically been leading pet-owning countries. However, nations such as China and India are experiencing an increase in pet ownership rates as economies develop and people’s attachment to pets drives spending.

The US veterinary services industry includes about 28,000 veterinary clinics and providers of veterinary laboratory services, with combined annual revenue of about $28 billion. Key growth drivers include the popularity of pet ownership.

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 US industry is highly fragmented: the 50 largest companies account for 10 percent of revenue. The typical veterinary services company operates a clinic with fewer than 20 employees on staff and has annual revenue of less than $1 million.

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 80 percent work in private practice, and about 75 percent of private practice vets work exclusively or predominantly with companion animals, according to the American Veterinary Medical Foundation. About 73 million homes in the US have at least one pet, according to the American Pet Products Association (APPA). Most veterinarians 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**

Revenue can be seasonal: 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. 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. The industry is labor-intensive: average annual revenue per employee is $90,000.

**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.

**International Insights**

Animal health and welfare is considered a priority for public health and food safety around the world. Veterinarians treat and assist not only pets, but also are involved in every stage of the food chain: livestock production; processing; transportation; and distribution. The World Organization for Animal Health (known as OIE) is responsible for improving animal health and fighting animal diseases around the world.

Demand for veterinary services is increasing as the world pet market grows. The US and UK have typically been leading pet owning countries. Countries such as China and India are experiencing an increase in pet ownership rates as economies develop and people’s attachment to pets drives up spending.
The OIE, made up of more than 175 member countries, also supports developing countries as they establish veterinary infrastructure and resources. While most established countries have quality veterinary services, the level of veterinary services available is typically tied to the economic development of a country.

Veterinary education and services vary from country to country. The World Veterinary Association, which represents licensed veterinary professionals around the globe, promotes veterinary education and develops standards for veterinary training. Many veterinary schools are recognized by the governments of their home countries, and their graduates are qualified to practice veterinary medicine within that country. Foreign veterinarians can work in the US once they obtain certification from the American Veterinary Medical Association Educational Commission for Foreign Veterinary Graduates.

Regional Highlights

In the US, a 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, clinics increasingly rely on technicians to administer nursing care, shots, and x-rays. The average hourly wage for the veterinary services industry is slightly lower than the national average. The median annual salary for a veterinarian in private practice is about $82,000.

Due to day-to-day close contact with ailing animals, the illness and injury rate for workers in animal hospitals is significantly higher than the national average. Common injuries include bites, kicks, and scratches.

Industry Employment Growth

Bureau of Labor Statistics

Average Hourly Earnings & Annual Wage Increase

Bureau of Labor Statistics
How Does It Affect You?

To schedule an industry or benchmark review, email Chuck at marketing@holdenmoss.com, or phone (252) 492-3041. If you’d like a more specific industry report, just ask. (No charge.)