

# Veterinary Practices

## *Industry Snapshot*



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## Industry Data

The U.S. veterinary services industry is expected to generate revenue of \$29.3 billion and employ 315,963 people in 2010. Overall, 80% of total industry revenue is estimated to be derived from providing care to dogs and cats and other small animals.<sup>1</sup>

### Outlook

Industry revenue is forecast to increase by 4.1% on average in the five years through 2015.

|      | Revenue \$ Million | Growth % |
|------|--------------------|----------|
| 2011 | 30,309.5           | 3.5      |
| 2012 | 31,521.9           | 4.0      |
| 2013 | 32,782.8           | 4.0      |
| 2014 | 34,225.2           | 4.4      |
| 2015 | 35,731.1           | 4.4      |
| 2016 | 37,303.3           | 4.4      |

A major factor driving demand for veterinary services is growth in the availability and take-up of newer and more sophisticated treatments (such as orthopedics, dentistry, ophthalmology and dermatology) and diagnostic tests, as technology continues to migrate from the human health-care sector into the practice of veterinary medicine.<sup>2</sup>

### Ownership

The table below shows U.S. pet ownership and expenditures for the most common pets.<sup>3</sup> Household spending on pets can be seasonal. Many pets are kept indoors but in warm weather are more active outside, which can lead to increased visits to the vet for injuries, illness, or flea and other pest control.

|   | Dogs       | Cats       | Birds      | Horses    |
|---|------------|------------|------------|-----------|
| Percent of households owning                  | 37.2%      | 32.4%      | 3.9%       | 1.8%      |
| Number of households owning                   | 43,021,000 | 37,460,000 | 4,453,000  | 2,087,000 |
| Average number owned per household            | 1.7        | 2.2        | 2.5        | 3.5       |
| Total number in United States                 | 72,114,000 | 81,721,000 | 11,199,000 | 7,295,000 |
| Veterinary visits per household per year      | 2.6        | 1.7        | 0.3        | 2.2       |
| Veterinary expenditure per household per year | \$356      | \$190      | \$25       | \$360     |
| Veterinary expenditure per animal             | \$200      | \$81       | \$9        | \$92      |

<sup>1</sup> IBISWorld Pty Ltd., "Veterinary Services in the U.S." New York: IBISWorld. February 26, 2010. <http://www.ibisworld.com>.

<sup>2</sup> IBISWorld Pty Ltd., "Veterinary Services in the U.S." New York: IBISWorld. February 26, 2010. <http://www.ibisworld.com>.

<sup>3</sup> "Market Research Statistics," American Veterinary Medical Association, <http://www.avma.org/reference/marketstats/usvets.asp> (March 24, 2010).

## Employment

The majority of veterinarians work in private practices working with companion animals. The table below shows employment information for the U.S.<sup>4</sup>

|  | Total as of<br>Dec. 31,<br>2009 | Percent of<br>Total | Male<br>%    | Female<br>%  | Median<br>Professional<br>Income Before<br>Taxes |
|--|---------------------------------|---------------------|--------------|--------------|--|
| <b>Private Clinical Practice</b>         |                                 |                     |              |              |  |
| Food animal exclusive                    | 1,103                           | 1.8%                | 82.5%        | 17.5%        | \$109,000  |
| Food animal predominant                  | 3,937                           | 6.5%                | 81.4%        | 18.6%        | \$91,000   |
| Mixed animal                             | 4,328                           | 7.1%                | 63.9%        | 36.1%        | \$91,000   |
| Companion animal predominant             | 6,001                           | 9.9%                | 59.6%        | 40.1%        | \$97,000   |
| Companion animal exclusive               | 41,117                          | 67.5%               | 44.7%        | 55.3%        | \$91,000   |
| Equine                                   | 3,699                           | 6.1%                | 54.5%        | 45.5%        | \$91,000   |
| Other                                    | 710                             | 1.2%                | 36.2%        | 63.8%        | \$91,000   |
| <b>Total Private Practice</b>            | <b>60,895</b>                   | <b>100%</b>         | <b>51.1%</b> | <b>48.9%</b> | <b>\$91,000</b>                                  |
| <b>Public &amp; Corporate Employment</b> |                                 |                     |              |              |  |
| College or university                    | 6,356                           | 41.9%               | 50.6%        | 49.4%        | \$103,000  |
| Federal government                       | 1,753                           | 11.5%               | 64.9%        | 35.1%        | \$97,000   |
| State or local government                | 1,118                           | 7.4%                | 60.0%        | 40.0%        | \$94,000   |
| Uniformed services                       | 688                             | 4.5%                | 53.9%        | 46.1%        | \$79,000   |
| Industry                                 | 3,235                           | 21.3%               | 62.0%        | 38.0%        | \$148,000  |
| Other Public & Corporate                 | 2,029                           | 13.4%               | 39.9%        | 60.1%        | \$97,000   |
| <b>Total Public &amp; Corporate</b>      | <b>15,179</b>                   | <b>100%</b>         | <b>54.1%</b> | <b>45.9%</b> | <b>\$103,000</b>                                 |

## Washington State Employment

In Washington State, veterinarians make an average hourly wage of \$39.36, with the lowest 10% making \$24.49 and the highest 10% making \$53.17. By 2017, employment in this sector is projected to increase 31% to 2,076 jobs.<sup>5</sup>

## Success Factors

- Ability to access new diagnosis equipment and tests.
- Proximity to an area with a high level of pet ownership.
- The level of skills, service, reputation and facilities provided should be of an appropriate standard.
- Ability to provide a 24 hour service to clients.
- Being in a high profile location, with easy access.

<sup>4</sup> "Market Research Statistics," American Veterinary Medical Association, <http://www.avma.org/reference/marketstats/usvets.asp> (March 24, 2010).

<sup>5</sup> "Veterinarians." Workforce Explorer Washington. <http://www.workforceexplorer.com/>. (March 31, 2010)

## Risks and Challenges

### *Licensing*

This industry is heavily regulated. Veterinarians must have completed a graduate degree and obtain registration/license before practicing. In addition, they have to be registered in the state of operation, and transferring the registration between states is difficult, without sitting for individual state-based exams. Veterinarians usually have to sit a state jurisprudence exam which covers state laws and regulations, prior to commencing practice.<sup>6</sup> There is also a requirement for attending continuing education programs to retain on-going registration. In Washington State licensing is handled by the Washington State Department of Health.

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Health Systems Quality Assurance  
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### *Competition*

Many small veterinary practices are facing competition from pet stores that contract with large veterinary hospitals to provide services. Banfield has an agreement with PetSmart, the largest pet retailer in the U.S., to provide services in their retail locations.<sup>7</sup>

### *Financial*

This business can be highly seasonal so it is important that the practice effectively manage receivables.<sup>8</sup> Other challenges facing veterinary practices are the high capital investment involved in equipment, increased legal liability as pets gain more protection under the law and dependence on veterinary technicians.

## Trends<sup>9</sup>

### *Small Group Practices*

The availability of sophisticated testing and radiology equipment that can be run by relatively unskilled personnel produces the economies of scale that make two- to five-veterinarian animal hospitals financially attractive. Large animal hospitals are not generally viable because they need to draw more patients from a larger area than smaller practices, requiring pet owners to make longer trips.

### *Demand for Specialists*

Many veterinarians now specialize in ophthalmology, dermatology, radiology, and anesthesia. Treatments like acupuncture for arthritis have become popular. Pet oncologists specialize in cancer

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<sup>6</sup> [IBISWorld Pty Ltd.](http://www.ibisworld.com), "Veterinary Services in the U.S." New York: IBISWorld. February 26, 2010. <http://www.ibisworld.com>.

<sup>7</sup> First Research, Inc. 2007, "Veterinary Services." Austin, TX: First Research. March 22, 2010.

<http://www.firstresearch.com>

<sup>8</sup> Ibid

<sup>9</sup> Ibid

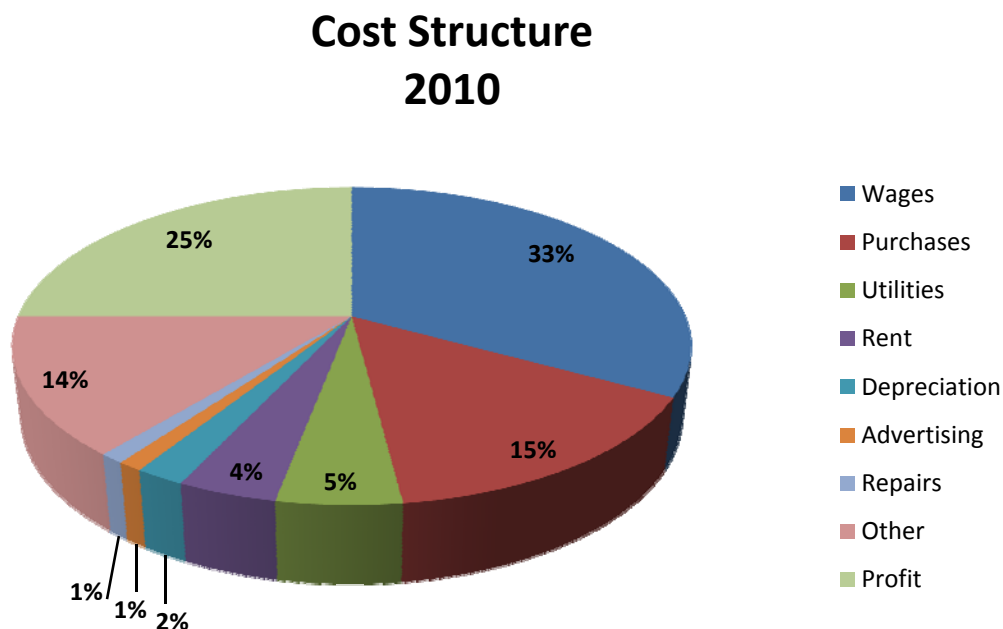
treatments that can cost upward of \$2,000. Chemotherapy is a rapidly expanding discipline for treating cancer in animals; up to 40 percent of older cats and dogs will get cancer.

### Limited Supply of New Vets

The 28 veterinary medical schools in the US accept about 2,500 new students each year, a number that hasn't increased in the past decade despite a large increase in the number of applicants and the growing need for veterinarians. To handle a large volume of business, veterinarians are leaving more routine animal care, like administering shots, to assistants.

## Financial Information

The table below shows the average cost structure of veterinary practices. The largest expenses faced by clinics are wages and purchases of goods and services such as medicine and diagnostic tests.<sup>10</sup>



The following tables represent financial benchmark information for the veterinary industry. The information is based on 48 companies, out of which 12 are small companies. The first column represents aggregate data for the 48 companies. The second column represents the same information for the 12 small companies.<sup>11</sup>

<sup>10</sup> IBISWorld Pty Ltd., "Veterinary Services in the U.S." New York: IBISWorld. February 26, 2010. <http://www.ibisworld.com>.

<sup>11</sup> First Research, Inc. 2007, "Veterinary Services." Austin, TX: First Research. March 22, 2010. <http://www.firstresearch.com>

| Income Statement            |       |       |
|-----------------------------|-------|-------|
| <b>Net Sales</b>            | 100%  | 100%  |
| <b>Gross Profit</b>         | 49.9% | 76.0% |
| <b>Operating Income</b>     | 6.1%  | 8.6%  |
| <b>Net Profit After Tax</b> | 3.2%  | 1.9%  |

| Balance Sheet                      |        |        |
|------------------------------------|--------|--------|
| <b>Cash</b>                        | 16.7%  | 3.8%   |
| <b>Accounts Receivable</b>         | 1.7%   | 2.0%   |
| <b>Inventory</b>                   | 2.5%   | 13.7%  |
| <b>Total Current Assets</b>        | 23.1%  | 19.4%  |
| <b>Total Fixed Assets</b>          | 22.3%  | 37.0%  |
| <b>Other Non-Current Assets</b>    | 54.5%  | 43.6%  |
| <b>Total Assets</b>                | 100.0% | 100.0% |
| <b>Accounts Payable</b>            | 7.4%   | 3.0%   |
| <b>Total Current Liabilities</b>   | 27.7%  | 22.7%  |
| <b>Total Long-Term Liabilities</b> | 9.3%   | 35.7%  |
| <b>Net Worth</b>                   | 63.0%  | 41.6%  |

## Additional Industry Resources

American Veterinary Medical Association

<http://www.avma.org/>

American Pet Product Manufacturers Association

[www.appma.org](http://www.appma.org)