

Getting Them Thru the Door without Rolling Out the Discount Carpet©

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With clients reducing their veterinary visits over the last few years, many veterinarians have responded by frequently and heavily discounting their fees. Indiscriminate discounting can be self-defeating however, because veterinary practices still need to meet (and hopefully exceed) their business goals. While veterinarians generally are compassionate professionals dedicating their careers to serving their patients, reducing fees charged for veterinary services and products can threaten the practice's financial viability. Broke practices cannot provide any veterinary care at all, much less practice high quality veterinary medicine. So veterinarians may be better served by changing course and adopting a "no discounting" policy; so long as this policy is accompanied by some creative measures designed to increase both the frequency and value of practice client traffic, as further described in this article.

After conducting a survey of 2,000 US pet owners, interviewing veterinarians and pet owners, and reviewing recent literature, a 2011 Bayer Veterinary Care Usage Study¹ identified six primary causes for the decline in small animal practice visits:²

- Perceived high cost of veterinary care.
- Perception that regular medical check-ups are unnecessary for dogs and cats.
- Feline resistance or the unpleasant experience some cat owners endure when they attempt to bring their cat into the veterinarian's office.
- Clients using the internet to diagnose pets' ailments instead of seeking veterinary attention.
- The economic impact of the Great Recession (December 2007 – June 2009).
- Increased competition, including from animal shelters and other low cost limited service providers.

Regarding the perceived high cost of veterinary care, the study published an interesting survey result. While 53% of the veterinary practice clients surveyed agreed that costs are usually higher than expected, 44% indicated that they were not always looking for less expensive veterinary options, and 49% would not switch to a less expensive veterinarian.³ These responses show that many clients remain loyal to their veterinarians even if their veterinary pet care costs are higher than expected. This in turn suggests that heavy discounting is not necessarily the best--or even a good--remedy against decreasing practice visits.

Veterinarians should also consider the significant disadvantages of unstructured discounting and the long-term implications it may have on the profitability of their veterinary practice. Heavy discounting can transform a practice into a "No-Lo" practice, i.e., a practice with no value or low value, because (quite simply) veterinary practices values are based on *profit, not revenue*.⁴ To illustrate this point, consider the following basic accounting equations:

Price (of the product of service provided) x Volume (of product/service sold) = revenue

Revenue – Cost = Profit

¹ Candidate Doctor of Veterinary Medicine, 2012, Cornell University

Discounting veterinary products and services has a particularly pernicious impact on practice profits—a sort of double whammy if you will-- because discounting *decreases the revenue without decreasing the costs*. Such discounting when coupled with the failure of appropriately invoicing for services (estimated to equal \$64,000 per year, per full-time equivalent veterinarian), has significant negative impact on the practice's financial success.

To more fully appreciate the negative impact discounting has on profits, a useful exercise is to record the discounts given to clients over the year and determine the additional revenue the practice would have generated if the clients had paid the full invoice balance. Then calculate the loss in profits. While veterinarians may think they are helping their clients by offering discounts, they are also threatening the financial viability of their practice. Practicing high quality veterinary medicine requires resources, and No-Lo practices have a much harder time scraping the money together to pay for them.

So while clients believe their veterinary care is expensive, improving client communication rather than heavy discounting may be a better response. Clients may not fully appreciate the variables that must be factored into establishing fees for products and services—especially if the practice's pricing is opaque. Clients may also take for granted the intangible benefits of the practice, such as the friendliness of the staff, the cleanliness of the waiting area and examination rooms, and the medical experience of the team—especially if no one reminds them. Veterinarians should of course also use this client education opportunity to combat the second main cause of practice visit decline found by the Bayer Veterinary Care Usage Study-- the perception that pets don't need regular medical check-ups.

But efforts to convince clients of the value of the practice's services, and the benefits of regular check-ups are likely to fail, *unless* practice personnel not only truly believes that the clinic really does provide superior veterinary care, but also makes it part of their job to communicate this to the clients. So educating clients and changing their attitudes starts with educating and changing the attitudes of practice personnel.

Veterinary practice owners should also explain to practice personnel how discounting undercuts practice profitability, and why practice profitability is important to them. In candid and simple "bottom line" terms: no profit, no practice, no job. In this regard, it is important to show that even if each veterinarian discounts "just a little," the cumulative effect over a year can add up to be quite large.

The comprehensive Bayer study also found that 72% of the responding veterinarians believed that wellness examinations are the most important aspect of the care they provide to their patients.⁵ Veterinary practices could motivate clients to bring their pets for these examinations by offering wellness plans, or a package deal that bundles several services together (so each service's price as part of the package is lower than if it was purchased separately). These plans also can be designed to permit installment payments instead of a single, large (and daunting) upfront fee. Practice staff must of course educate clients regarding the benefits of these plans for them to be successful.

Veterinarians also could attract clients by offering discounted or even free products but charging services at their normal rates. For example, new clients would pay full price for an examination, vaccinations, and the diagnostics performed during the visit, and then receive a "free" bag of dog treats. The success of the offer will of course depend on how widely it is advertised (and the cost of such advertising).

Veterinarians also may choose to implement a loyalty reward program similar to those offered at stores such as CVS, American Eagle, and Sephora. Under this system, clients would purchase practice products and services and would become eligible to receive other (lower margin) products or services at a discount after they spend a certain amount of money.

While these package deals, freebies for new clients and loyalty reward programs do involve discounting, they are designed to actually raise revenue by increasing client traffic and its value.

Selling gift cards or gift certificates, which can be offered by your clients to their pet owning family members and friends, is another way to increase and maintain the practice's client base.

The AVMA website includes a pet wellness calendar focused on events and opportunities involving owners in the health and well-being of their pets; and veterinarians could benefit by coordinating practice marketing with this calendar. For example, the AVMA has designated February as National Pet Dental Health Month. The practice could offer a dental package deal to encourage more clients to use veterinary services as well as to inform clients of the benefits of maintaining their pets' oral health. This could be a good way for veterinarians to market their practice while simultaneously increasing client awareness about important animal health issues.

Veterinary clinics may also benefit from informing their clients about opportunities to finance their pet care costs. One such financing option is CareCredit. Clients can use this pet healthcare credit card to pay their pet's medical bill in monthly installments. With CareCredit, veterinarians automatically receive monthly payments, which saves them from the dreaded task of nagging clients to pay their bill. More importantly, CareCredit seems to positively impact practice revenues. According to a Brakke Consulting, Inc. study,⁶ not only did practices using CareCredit have full-time equivalent veterinarians generating significantly more revenue than those at hospitals without CareCredit, but clients who used CareCredit also spent more money 1) during each veterinary visit, 2) for each pet annually, and 3) towards veterinary services annually.⁷

Finally, more and more clients are using pet insurance to manage their pet care costs. According to another Brakke Consulting study,⁸ pet insurance made it easier for clients to pay for medical emergencies and encouraged them to schedule more veterinary visits. Clients with pet insurance also spent up to twice as much on veterinary expenses throughout the life of their pets.⁹ Accordingly, it may be a good idea to encourage clients to look into pet insurance.

Conclusion:

Frequent discounting may feel compassionate; but it's unwise if it substantially decreases practice profitability. Veterinarians may find it more profitable to educate their clients about the virtues of regular pet health care at the practice, and to also create incentives for clients to patronize the practice more productively.

¹ Conducted by Brakke Consulting, the National Commission on Veterinary Economic Issues (NCVEI), Ipsos-Forward research team, University Consultants, and the Bayer Marketing Research team 2011.

² John Volk, et. al. "Special Report: Executive Summary of the Bayer Veterinary Care Usage Study," *Journal of the American Veterinary Medical Association* 238:10 (May 15, 2011): 1276.

³ Volk, et al. JAVMA, 1280.

⁴ Valuation Issues Committee of the Association of Veterinary Practice Management Consultant and Advisors. "Avoiding the No-Lo Practice, March 2009, http://www.avpmca.org/associations/9613/files/0903_NoLo_Publication.pdf, August 24, 2011.

⁵ Veterinary Economics. "Bayer Study, Part 2: Half of Veterinarians Seeing Fewer Patients", <http://veterinarybusiness.dvm360.com/vetec/article/articleDetail.jsp?id=731689> (July 18, 2011).

⁶ Impact of CareCredit on Veterinary Hospitals" study from Brakke Consulting, Inc., cited in John Volk, "Impact of CareCredit on Veterinary Hospitals," Brakke Consulting, Inc., July 2011, 6.

⁷ Ibid.

⁸ "A Veterinarian's Guide to Pet Health Insurance" published by Brakke Consulting, Inc. for the 2009 North American Veterinary Conference, cited in John Volk and Christine Merle, DMV, MBA, CVPM, "How Pet Insurance Affects the Practice, the Client, and the Patient," <http://vets.petinsurance.com/> (August 25, 2011). [Original Source: John Volk and Christine Merle, DMV, MBA, CVPM, "How Pet Insurance Affects the Practice, the Client, and the Patient," Brakke Consulting, Inc. and the National Commission of Veterinary Economic Issues, January 2009.]

⁹ Ibid., 2.