



Summary of MPV Business Index Survey

January 2009



INDEX:

PARTICIPANTS SUMMARY	3
INDUSTRY PERFORMANCE FOR THE BAS QUARTER.....	4
VETERINARY PRACTICE OWNER / MANAGER FEELINGS FOR THE FUTURE	5
EXPECTATIONS ABOUT YOUR OWN PRACTICE	6
<i>General practice performance.....</i>	6
<i>Likely direction of capital expenditure</i>	7
WHAT DO VETERINARIANS PLAN TO DO WITH FEES IN 2009?	8
EMPLOYMENT RELATED ISSUES	9
AVAILABILITY OF VETERINARY GRADUATES.....	9
LEVEL OF SUCCESS FINDING A VETERINARIAN	10
THE IMPACT OF GENDER IMBALANCE	11
VETERINARIANS OPINION.....	12
1. <i>The Effect of Corporate Veterinary Practices on the Industry</i>	12
2. <i>The impact of drought on veterinary practice</i>	13
3. <i>The impact of internet sellers on veterinary practices.....</i>	14
4. <i>The impact of manufacturers selling product via non-veterinary retail outlets.....</i>	15
5. <i>The effect of government policy on veterinary practices.....</i>	16
GENERAL FEELINGS ABOUT THE FUTURE OF THE INDUSTRY	17

This is a summary of the results of the MPV Business Index Survey of January 2009. A total of 85 practices submitted information that has allowed MPV Consulting to analyse the information. We sincerely thank these practices and hope that you will get some valuable information from this results summary.

Participants Summary

As already mentioned, 85 practices have submitted information for this survey. Chart 1 below gives a breakdown of the types of participant by State, Type, Size and Location.

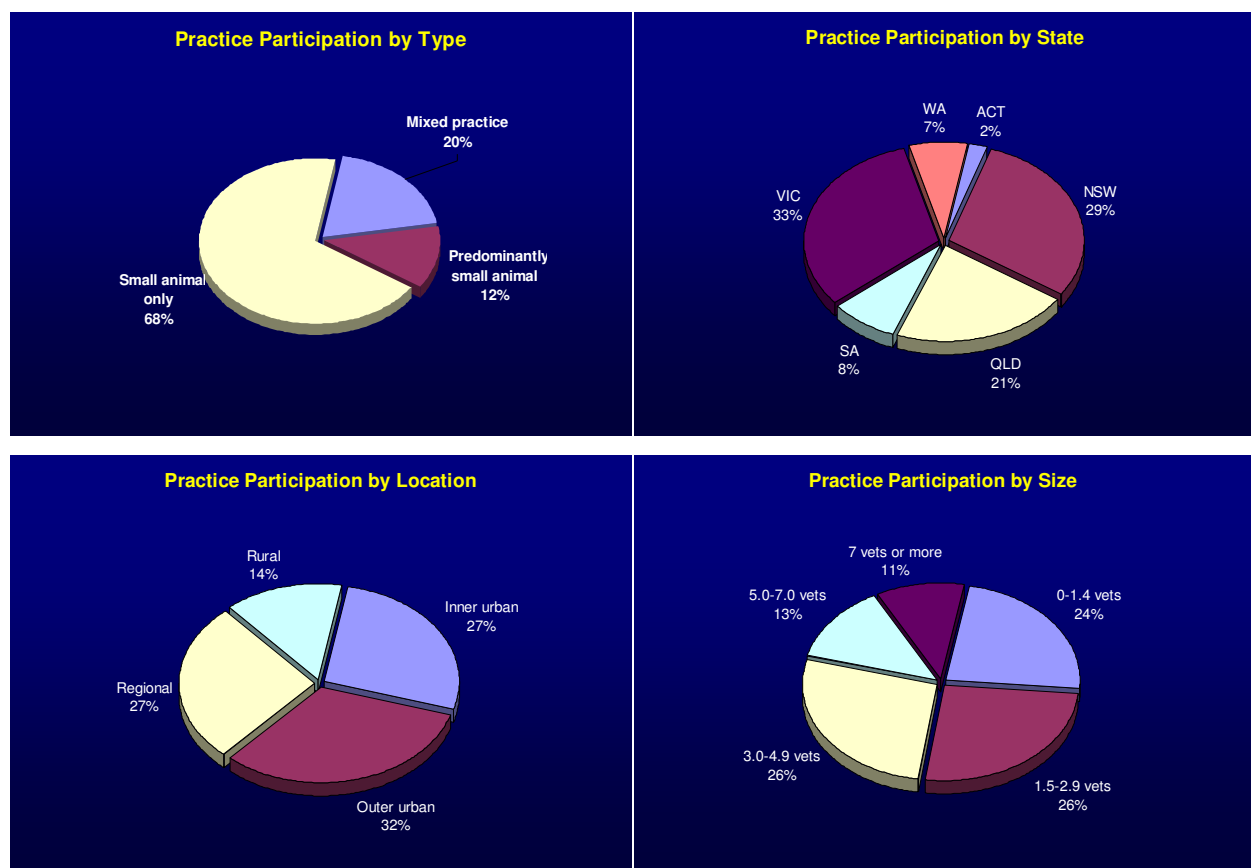


Chart 1: Participant Summary

Industry Performance for the BAS Quarter

One of the main aims of this survey was to determine how well the veterinary industry is holding up to the global and national economic situations. A recession by most definitions occurs when we have two consecutive quarters of negative growth. I am glad to say that the veterinary industry as a whole has stood up quite well and shows no sign of a 'veterinary recession' as yet. In the MPV Surveys performed in November 2008 and January 2009 have revealed that the median growth in the veterinary industry in July-September BAS period growth of 8.6% and in October – December period of 7.66%. This is obviously no where near negative growth and shows that the veterinary industry as a whole is not experiencing anything like a recession.

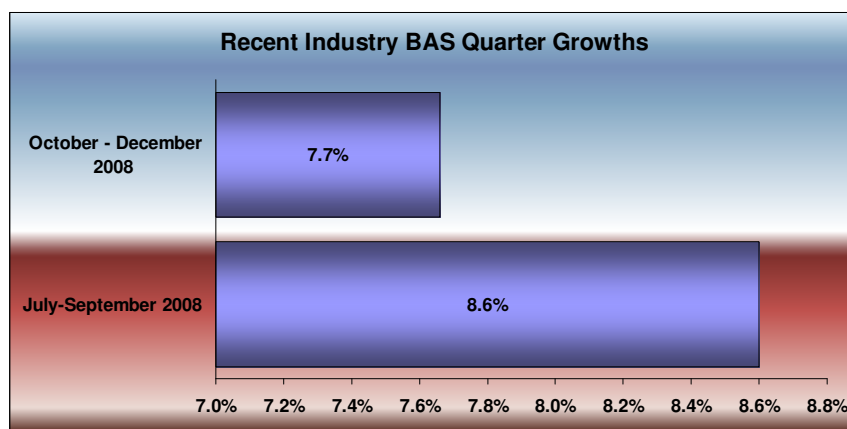


Chart 2:

This is for the industry as a whole and does not reflect what specific individual practices or groups of practices may be experiencing. It is unfortunate that some practices are in fact suffering considerably whilst others have done very well. I would recommend that those that are suffering should not be disheartened and may consider more promotional activity to see if your practices can weather this storm as well as possible.

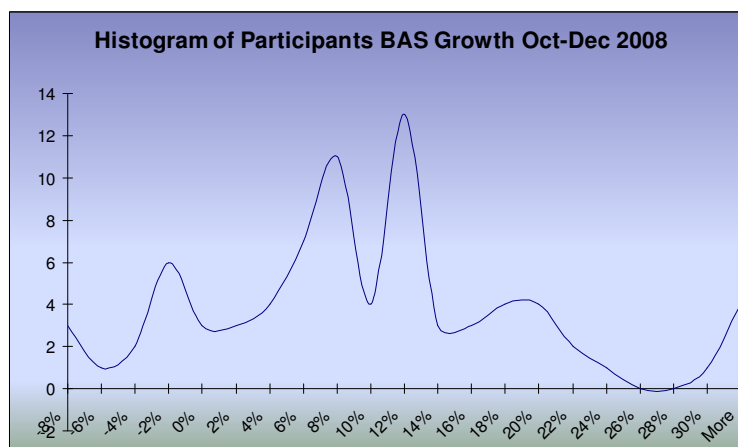


Chart 3: Histogram of participant BAS growth for Oct-Dec Quarter 2008

Veterinary Practice Owner / Manager Feelings for the Future

In the survey questionnaire veterinarians were asked their opinions of how they see the future of both the national economic situation and the future of the veterinary industry. This included the next BAS Quarter (January-March 2009) and the next 12 months (2009 calendar year).

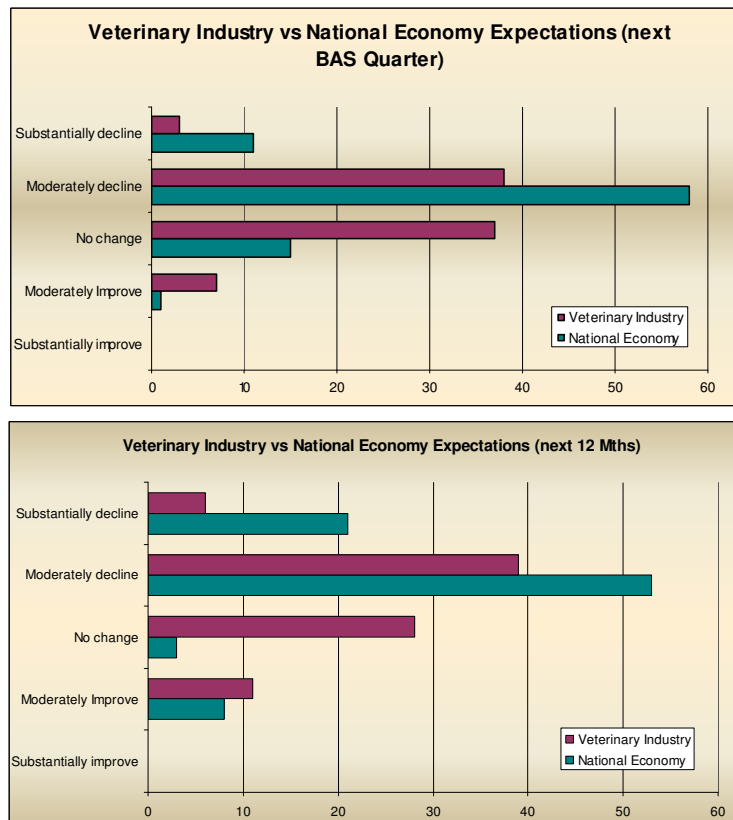


Chart 4: Projected future of veterinary industry for next BAS quarter and next 12 months

The charts above clearly shows that the predominance of veterinarians feel considerably more positive about the future of the veterinary industry than they do about the national economy generally. This is consistent with a number of published opinions that indicate that the veterinary industry as a group are less inclined to be affected by recession than many other industries. There is however a feeling that whilst the short term will represent a modest problem, the next 12 months will continue to be a difficult period.

Expectations about your own practice

General practice performance

Having looked at how practice owners and managers feel about the future of the industry as a whole, they were also asked how they saw their own practice performance of the next BAS quarter and the next 12 months. This was done as 3 separate inputs: 1. how they perceived the general performance of their practices; 2. the future direction of expenses within the practice; and 3. the likely direction of practice profitability.

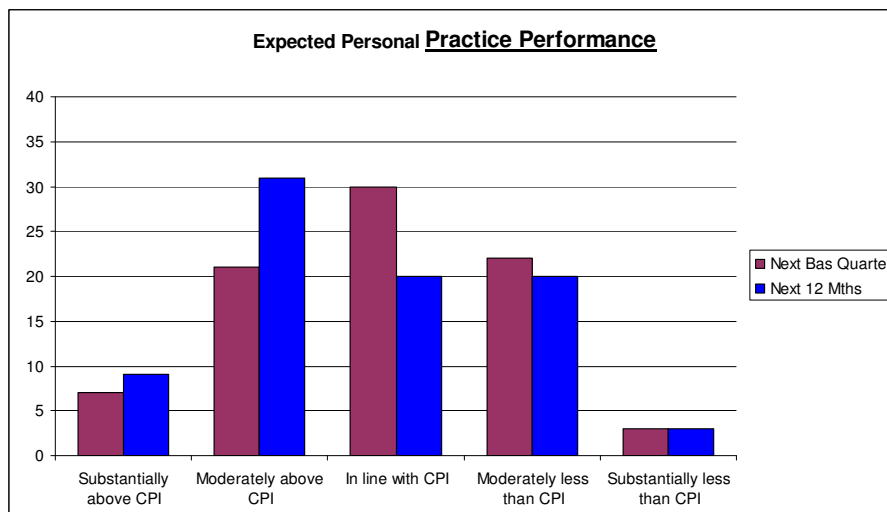


Chart 5: Expectations of general practice performance

This again was an overall positive feeling with the predominance of veterinarians feeling that their practices will grow at CPI or better. It is interesting to note that practices generally feel that expenses are likely to grow for the most part at or greater than CPI but at the same time are relatively confident that practice profits will continue to perform at least at a level close to or above CPI. This would indicate that practice owners are again confident that gross practice turnover will increase sufficiently to cover these situations.

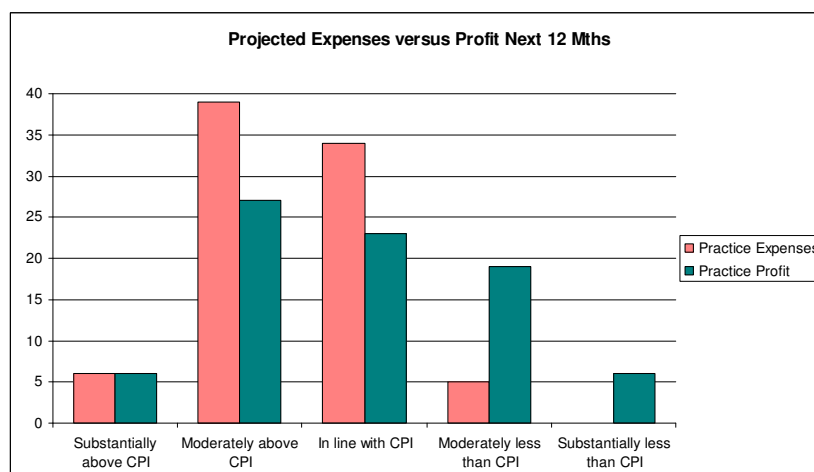


Chart 6: Projections of practice Expenses and Profit for 2009

Likely direction of capital expenditure

Practice owners and managers were asked to indicate what they felt their practices had spent on capital items in 2008 and what they projected that they may spend in 2009. You will notice in every capital expenditure sector the “No effective investment” group is higher for the projected 2009 year when compared to 2008. There is a general shift of attitude to the right in the graphs in Chart 7. If this does eventuate it means that the even though the veterinary industry is positive about its future, it will be behaving like many other industries by reducing investment during this time of global strife.

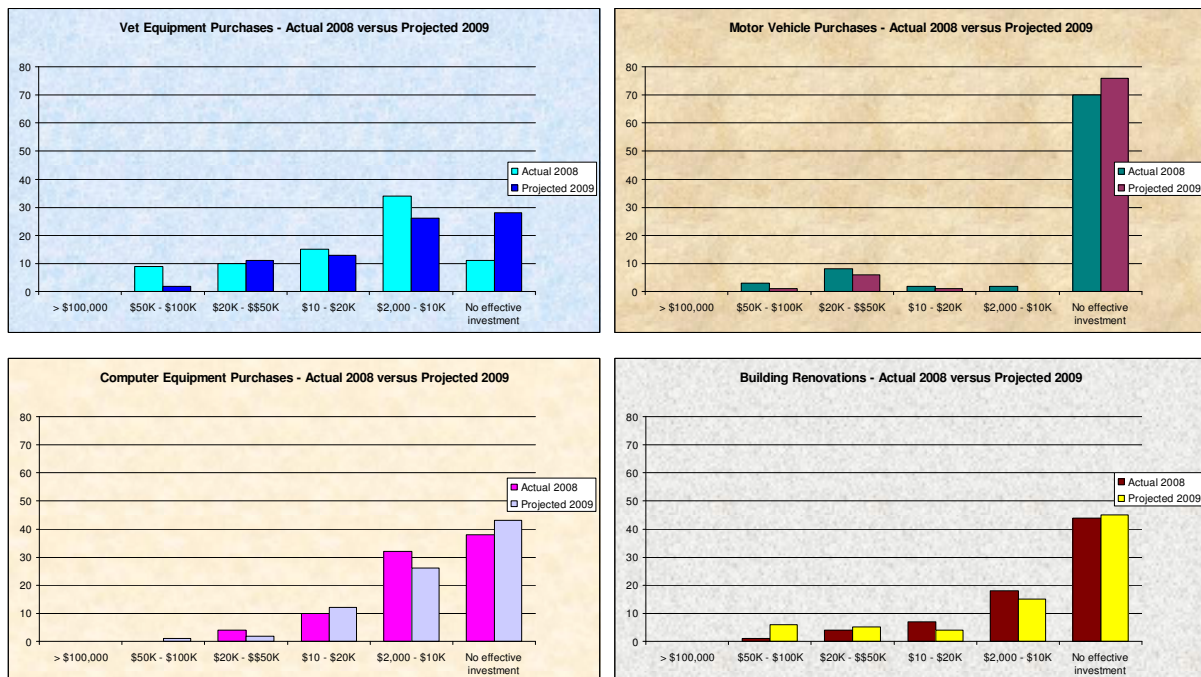


Chart 7: Comparison of Actual investment in 2008 versus Projected investment in 2009

What do veterinarians plan to do with Fees in 2009?

Fees are an integral part of practice performance. With talk about possible recession and less availability of consumer funds the level of confidence in increasing fees becomes an interesting question. In the MPV Fees Survey of 2006, 2007 and 2008 the level of fees for veterinarians across the board increased at a rate well above CPI in every year. For the MPV Business Index Survey we asked practice owners and managers what their intentions were regarding changes to fees in 2009.

Chart 8 indicates quite clearly that veterinary practice managers are quite confident about increasing fees in 2009 with almost 97% of participating practices planning to increase fees at or above the level of CPI.

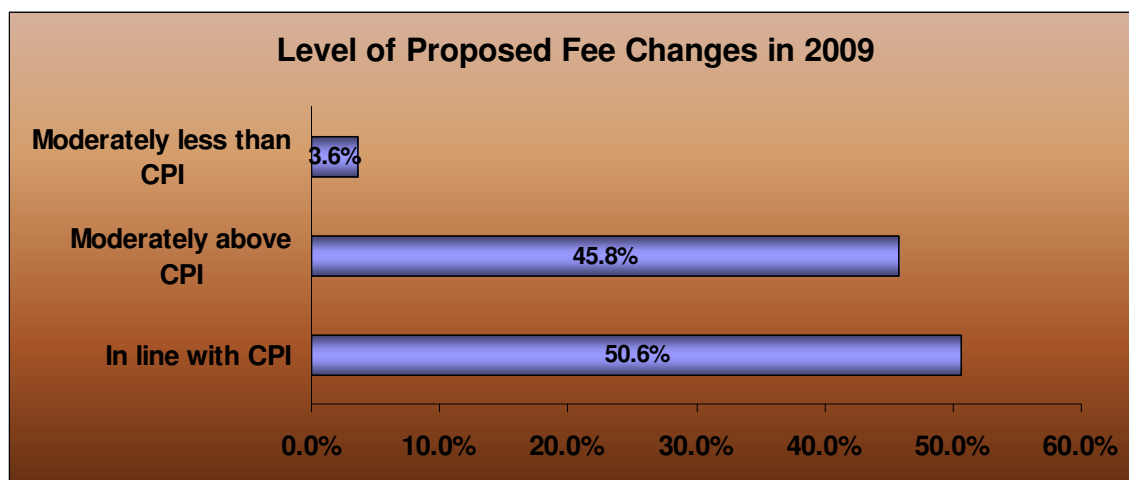


Chart 8: Level of proposed fee changes in 2009

Employment Related Issues

Availability of veterinary graduates

We have all had discussions with each other about the difficulties of finding a suitable veterinarian for the practice. This has raised the question about the availability of veterinary graduates. Not only do we need to know about general availability, but because these issues are affected by the wide variety of locations of veterinary practices, we wanted to understand the opinions of availability based on Location. Chart 9 show that the predominance of practices do not feel that the availability of veterinary graduates has any impact upon their businesses. This may potentially mean that these practices have no immediate intention of employing a veterinary graduate or may mean that they see employing a veterinary graduate as not a likely obstacle. The balance of opinions is a little confusing when it comes to interpretation because there is no consistent trend on opinions of whether this impact is positive or negative. We may have to clarify opinions on this matter in future surveys.

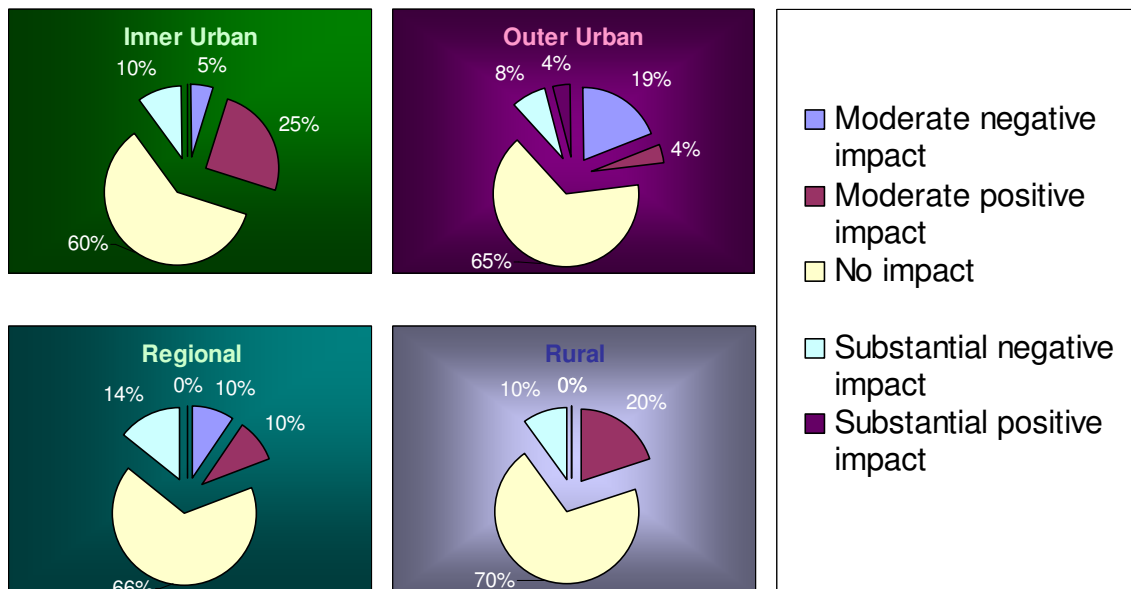


Chart 9: Impact of the availability of veterinary graduates by location.

Level of Success Finding a Veterinarian

Similar to the previous item on availability of veterinary graduates, the MPV Business Index Survey asked practice managers if they had actively sort to employ a veterinarian in 2008. Of those that indicated that they had actively sort a veterinarian, we asked them to specify what level of success they had achieved.

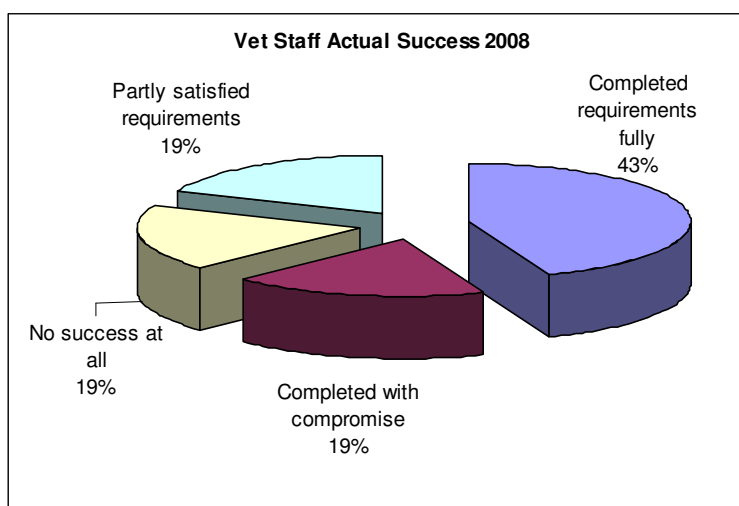


Chart 10: Level of success in finding a suitable veterinarian for employment in 2008

Chart 10 shows that almost 20% of those looking for a veterinarian in 2008 had “No success at all” and only 43% “Completed requirements fully”.



Chart 11: Comparison of opinions about predicted success of employing a veterinarian in 2009 versus the actual success in 2008.

This chart shows that practice owner expectations about the success of employing a veterinarian are considerably less positive than what the historical reality has been. Perhaps those planning to employ and veterinarians in 2009 may be in for a pleasant surprise about their success!

The impact of gender imbalance

These days veterinarians graduating from university exhibit a heavy gender bias towards significantly larger numbers of females. The MPV Business Index Survey is aiming to find out from the industry as a whole how this bias may impact on their practices. Because of the wide nature of veterinary practices we thought that it would again be prudent to try and get an indication of how 'type of practice' influenced these opinions.

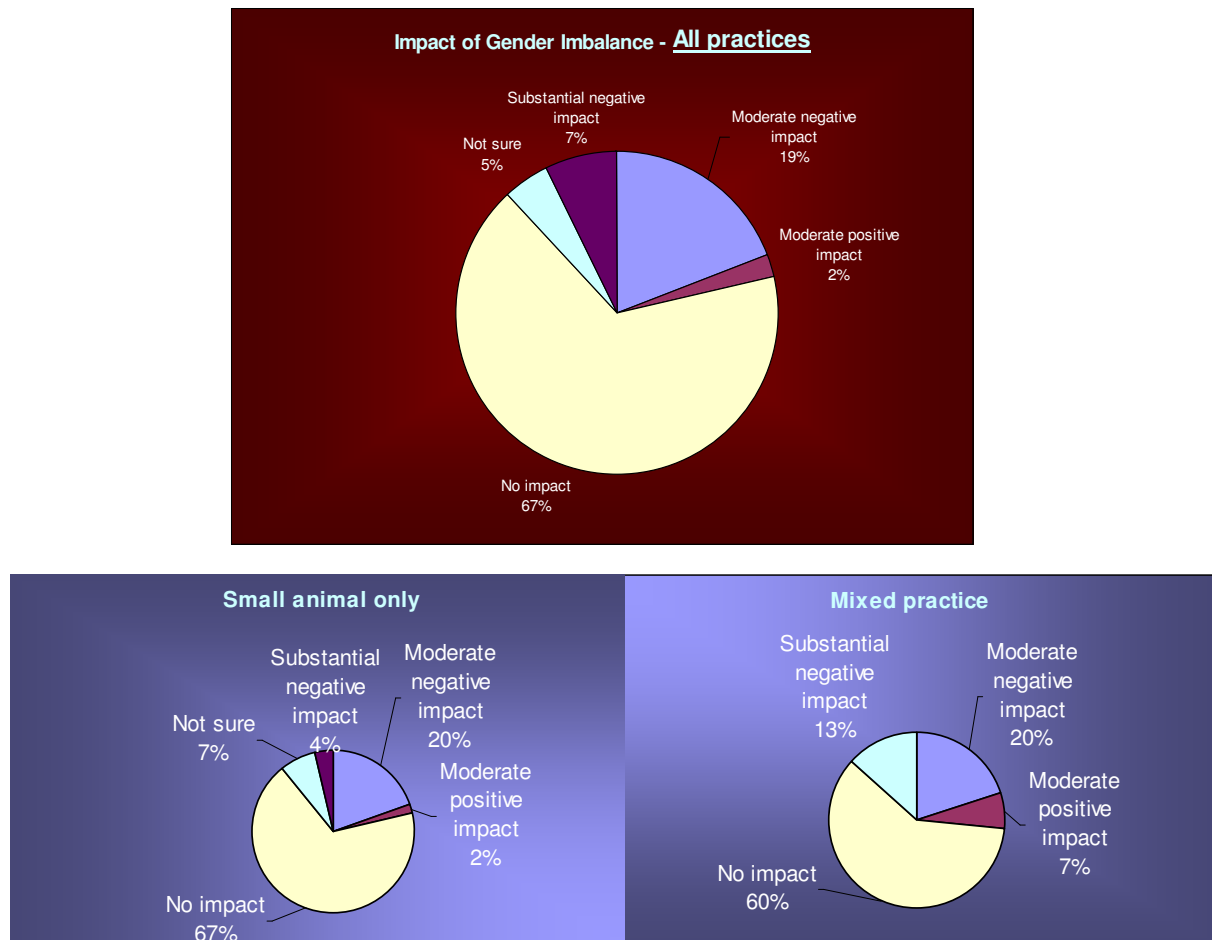


Chart 12: The impact of gender imbalance in veterinary graduates

The preponderance of feeling is that the gender imbalance has little impact on most practices. This applies to both small animal only practices and mixed practices. Both groups however have a significant and sizable minority that feels that the gender imbalance does impact on the veterinary industry.

Veterinarians opinion

1. The Effect of Corporate Veterinary Practices on the Industry

With the advent of corporate veterinary practices over the last few years it has often resulted in opinions about what will be the effect of the new phenomenon from within existing veterinary practices. The MPV Business Index Survey of January 2009 has revealed that the majority of veterinary practices feel that corporate veterinary practices will have no impact on their own business.

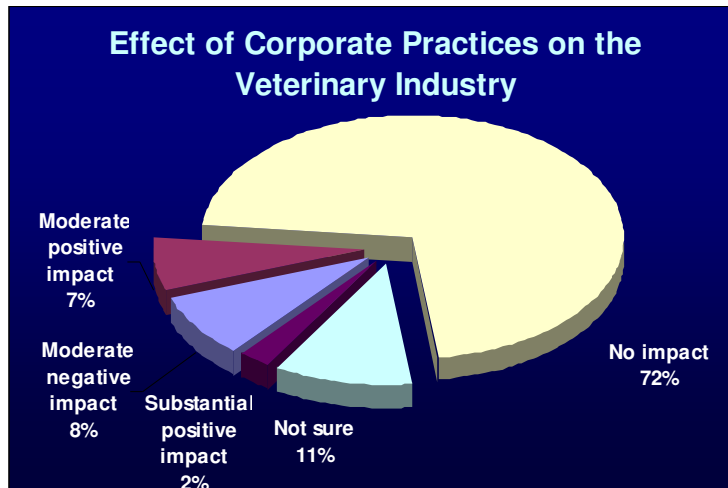


Table 13: The effect of corporate veterinary practice on the industry as a whole as seen by existing veterinary practice managers and owners

The reality is that these corporate groups are focused mainly on small animal only practices and as the result are more urban orientated. Even so the regional and rural veterinary groups have opinions on the effect that these organisations may have. It is possible that they may view the growth in corporate groups as being an indirect effect on their own businesses rather than a direct effect. This may be in the form of perceptions of higher or lower practice value changes and / or the perceived changes that may directly or indirectly affect the distribution of qualified veterinarians between urban and rural or regional locations.

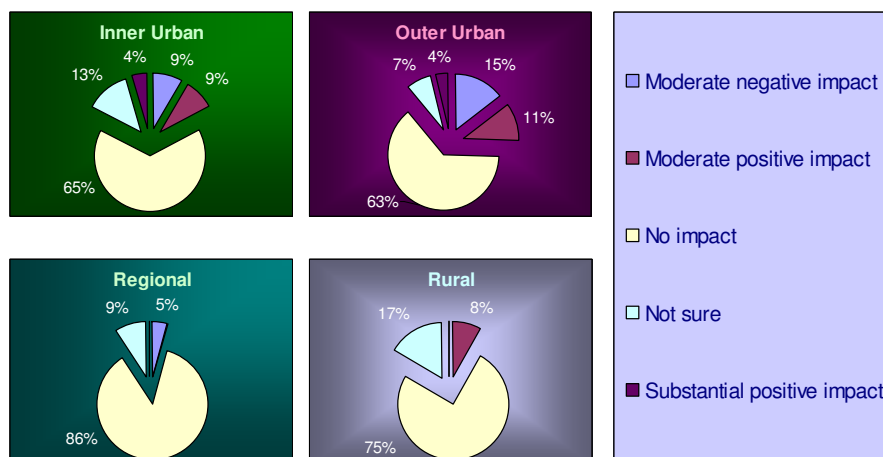


Table 14: The breakdown of opinions based on location of existing practices

2. The impact of drought on veterinary practice

The effect of drought is a significant item to many practices. Those in *inner urban* practices in this survey generally found drought had little or no impact with only 1 participant out of 24 expressing the feeling that drought had a moderately negative impact. A similar sentiment was found on *outer urban* practices but with a slightly higher number of 4 in 27 participants feeling that drought had a moderately negative impact. As we would reasonably expect, it was the mixed practice group that has suffered mainly at the impact of drought.. Only 38% of mixed practices felt that drought did not impacted on their practices whereas 62% felt that drought had either moderately negatively or substantially negatively affected their practices.

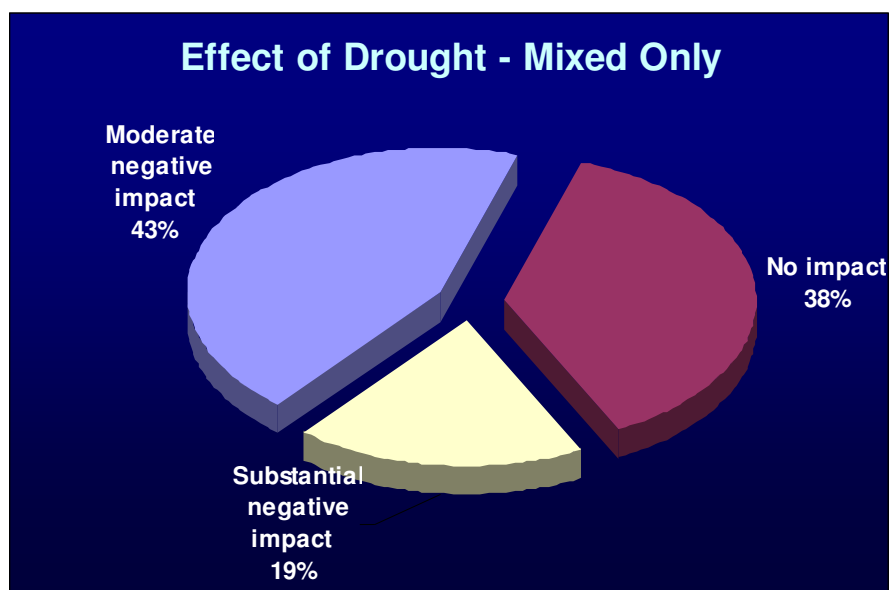


Chart 15: Impact of drought on mixed practice.

3. The impact of internet sellers on veterinary practices

Internet sellers have become a part of the pet care landscape these days even in areas that veterinarians have traditionally considered to be their own domain. These sellers generally retail identical products at substantially reduce prices and hence under-cut margins that veterinarians have traditionally sold at. This results in both lower margins and reduced sales volumes. The graph below shows that all groups of practice have a predominant opinion that these internet sellers have at least *moderately negatively* affected their businesses. No participants at all felt that this phenomenon had any positive impacts for their businesses at all.

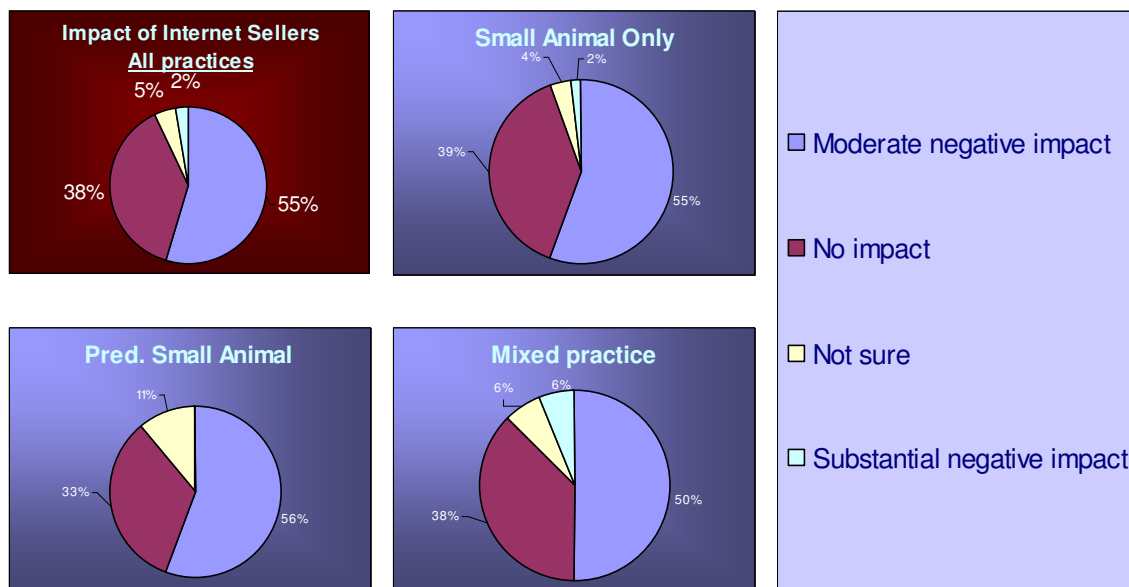


Chart 16: Impact of internet sellers

4. The impact of manufacturers selling product via non-veterinary retail outlets

In recent times manufactures have started to direct products that have traditionally been sold through veterinary practices for sale via outlets such as supermarkets and pet shops. In this survey MPV decided to ask veterinarians how they felt this impacted on their businesses. Whilst the industry as a whole found this to have a moderately negative impact, we found that these feelings varied considerably depending on the size of practices. The larger practices felt that the impact on this issue was lower than other smaller practices. This may possibly reflect a greater dependence on merchandising in smaller practices.

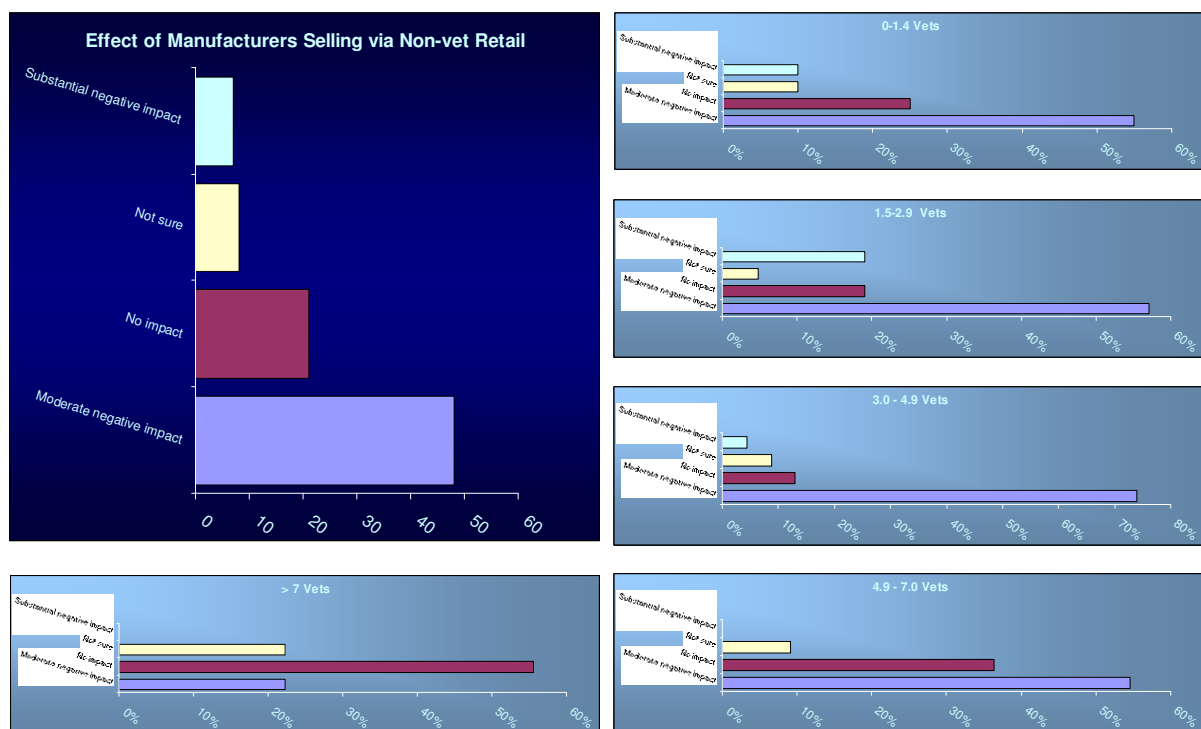


Chart 17: Impact of manufacturers selling product direct via non-veterinary retail outlets

5. The effect of government policy on veterinary practices

There are a variety of opinions about the impact of government policy on veterinary practices. Whilst most practices see either *no impact* or are *not sure* about the impact, a sizable group feel that government policy does impact on veterinary practice. To analyse these feelings further we would probably have to look into what policies seem to have the most impact.

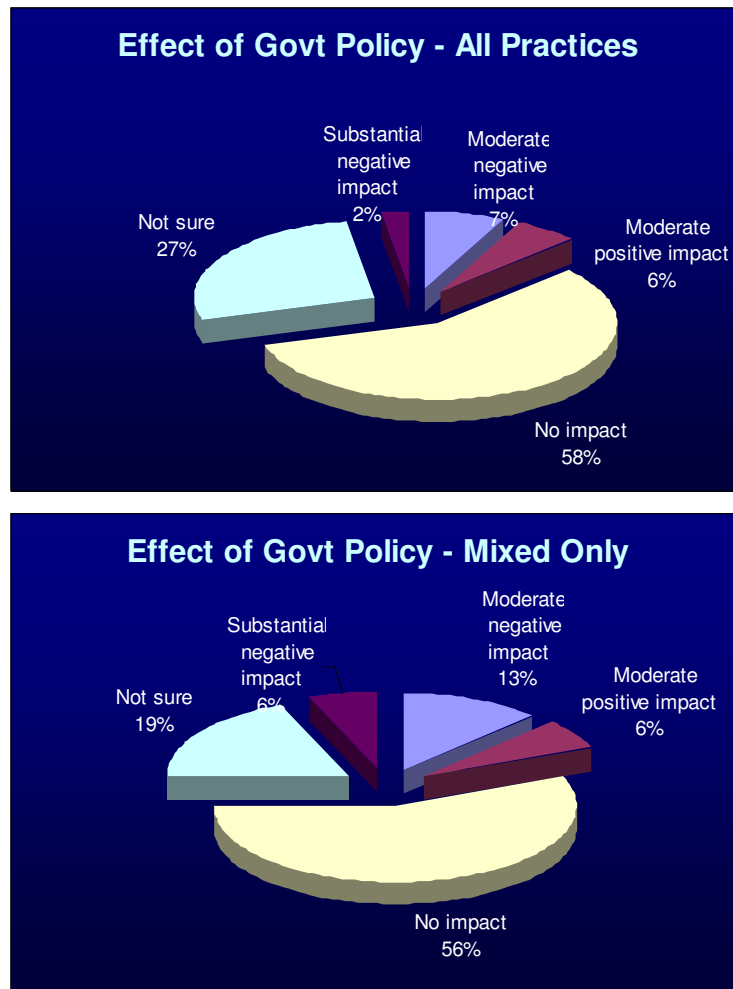


Chart 18: Impact of government policy on veterinary practice

General Feelings about the Future of the Industry

