

The logo for the Quarterly Business Index, featuring the words 'Quarterly Business Index' in a white, stylized font with a green shadow effect, and a red swoosh on the right side. The letters 'MPV' are also visible in a green box above the word 'Index'.

**Summary of**  
**MPV Business Index Survey**  
*July 2009*

Website: [www.mpvconsulting.com.au](http://www.mpvconsulting.com.au)



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This is a summary of the results of the MPV Business Index Survey of July 2009. A total of 65 practices submitted data 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

Chart 1 below gives a breakdown of the participants by State, Type, Size and Location. All sub-cultural groups were reasonably well represented considering the population sizes of each group.

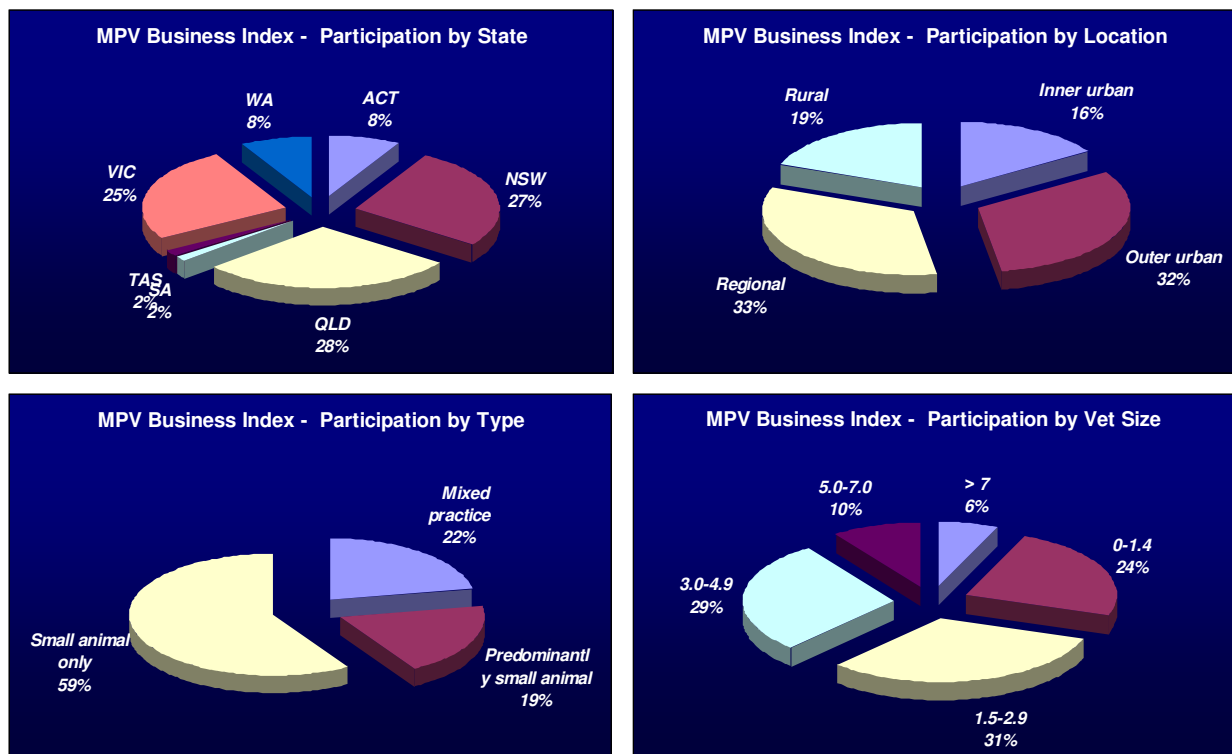


Chart 1: Demographics of participants

## Section 1: Industry Sentiment

### Feelings of Practice Owners for the Future of the Veterinary Industry

Well the great news to come out of the July survey was the positive feelings from virtually all participants about the future of the veterinary industry. Chart 2 shows that more than 2/3 of all veterinary practice owners/managers feel either *positive* or *very positive* about the future of the industry. With this sort of positive feeling we could almost be mistaken for believing that a global financial crisis has not even existed.

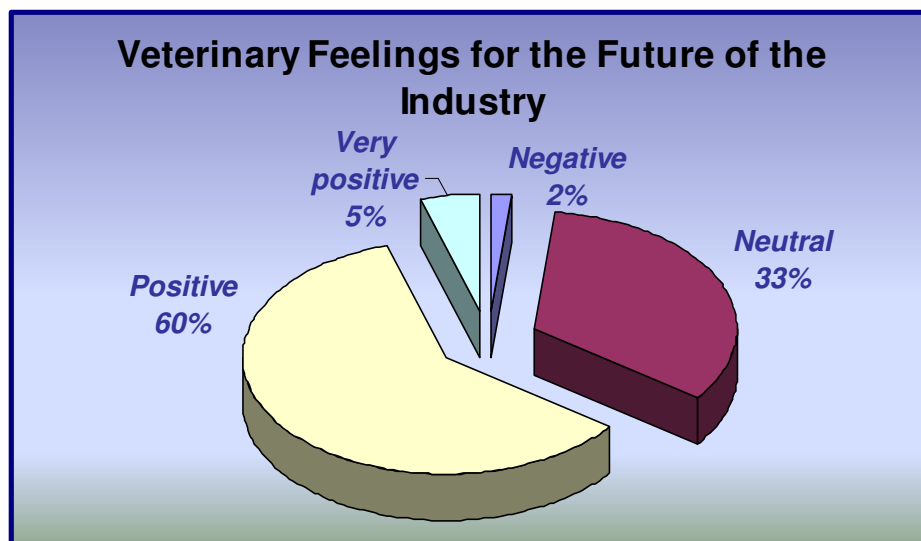


Chart 2: Feelings for the future

## Industry Performance for the BAS Quarter

The positive feelings for the future above were supported by the lack of recession that has occurred within our industry to date. The April-June quarter for participating practices has revealed a gross turnover **growth of 8.8%** compared to the previous year. Unfortunately MPV Consulting did not perform a survey in the January-March quarter so we have not had comparative data for this period. Chart 3 shows that for the last year growth has been consistently above 7%. The MPV Performance Survey for 2008-09 due for completion in late August will reveal the effect for the full financial year.

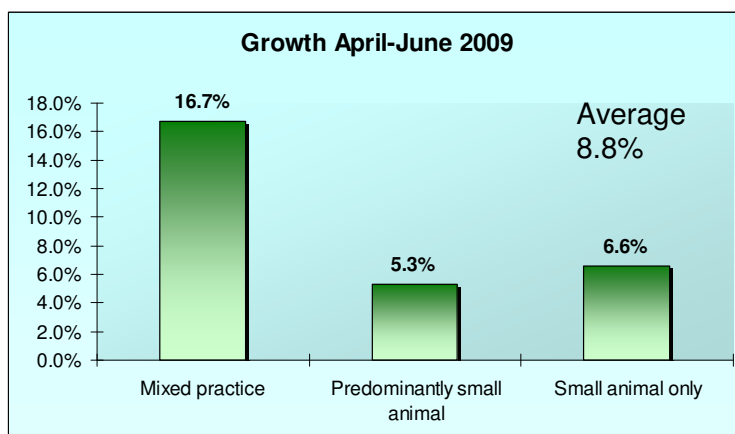
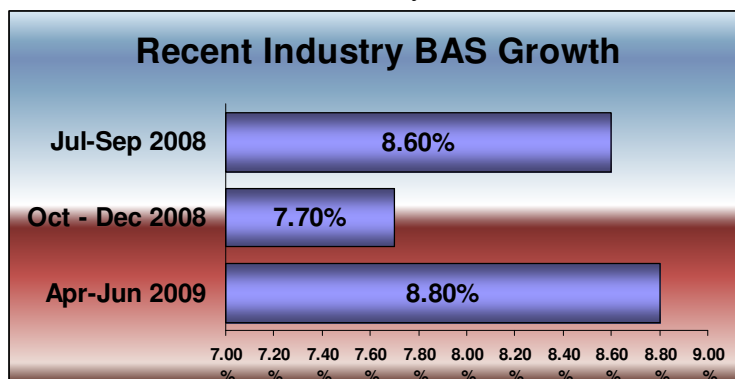


Chart 4: BAS growth by period and practice Type

The big winners for the April-June BAS quarter were mixed practices with a 16.7% growth in business. Predominantly small animal clinics appear to have suffered the most. This is possibly due to the fact that many of these practices are on the fringe of metropolitan and regional areas where pet owners may be suffering a little more than some other areas. Small animal only clinics have maintained good growth at 6.6% even though this is well down on previous years. The growth in 2007-08 financial years was on average 11.4% across all practice types

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 for 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.

## 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 (July-September 2009) and the next 12 months (2009 calendar year).

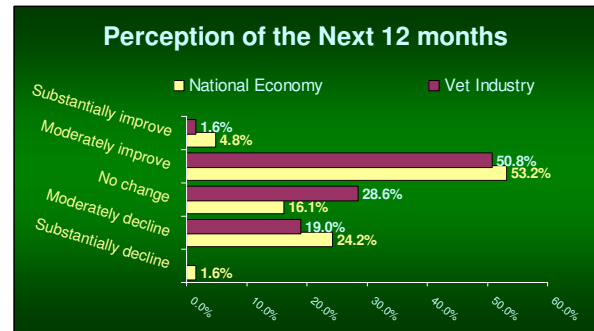
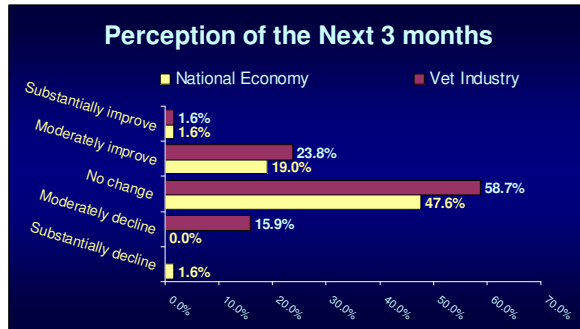


Chart 4: Projected future of veterinary industry for next BAS quarter and next 12 months

The charts above clearly show that general feeling is that the veterinary profession will perform better than the national economy over the next 3 months but the national economy will perform better than the veterinary industry of the next 12 months. This probably reflects the fact that the veterinary industry has been less affected by the recession than the economy in general and therefore the economy nationally has a larger gap to pick up on. 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. These feelings are in contrast to the feelings of the veterinary industry just 6 months ago when the identical question was asked in a previous survey. Chart 5 below shows how the opinions expressed vary considerably compared to just 6 months ago.

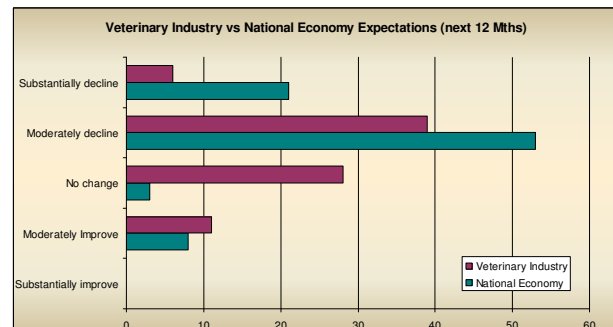
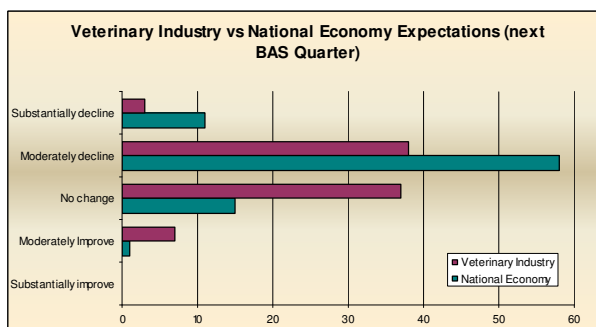


Chart 5: the same question about feeling for the future asked 6 months ago.

## Section 2: Practice Procedures Analysis

The aim of this section of the survey was to find out what was ‘normal’ within the veterinary industry for general procedural activities. We hear from all the management experts about what we should be doing. I personally have always wondered what constitutes reality when it came to applying proper management procedures. If you sometimes wonder about your own level of performance in management, then this may allow you to see if you are above average, middle of the pack or below average.

### Frequency of Fee Adjustments

Fees are an integral part of practice performance. Whilst MPV Consulting has performed the Annual Fees Survey every year for the last 5 years, we were unsure of how frequently the industry participants updated fees. Because of the busy nature of veterinary practice we have asked two questions:

- How often do you *actually* update your fees
- What frequency do you believe would be *ideal* to update fees

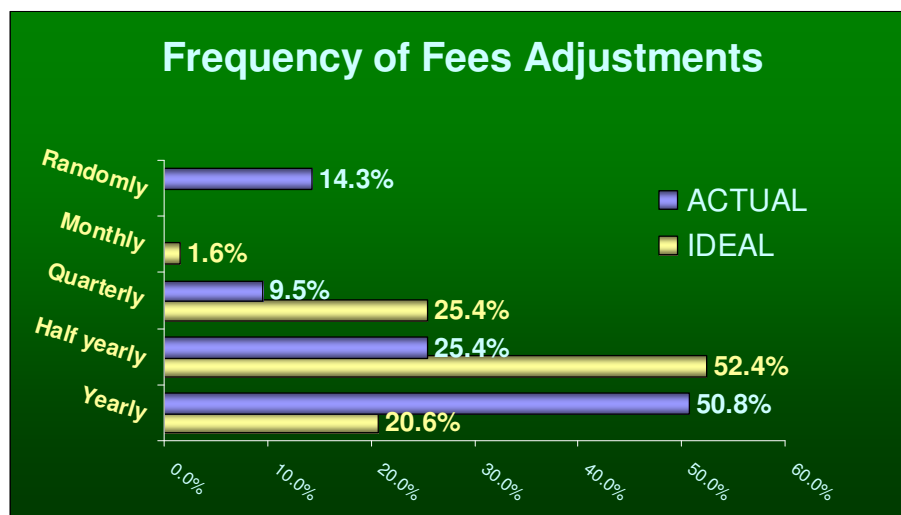


Chart 6: Frequency of fee setting

Chart 8 indicates quite clearly that most of us feel that updating our fees on a more regular basis would be *ideal*. More than 50% of practices update their fees on an annual basis. We did not ask if this was influenced by the MPV Annual Fees Survey but a number of participants suggested that we should have included this as an option. Considering the impact fees have on practice performance it is probably an area that most of us should work on a little harder. A 2-3% fee increase twice per annum will be far better for you than a 5-6% rise once per year. We should always remember that our expenses will gradually increase throughout the year in an insidious manner. Expenses will not wait for an annual fee revue!

## Staff Meetings

Communication with our staff members is one of the necessary requirements for what is considered a well managed practice. It is generally accepted that one of the best means of communication is via staff get-togethers to discuss important issues. The need for these meetings will depend on many factors that include the size and type of business. Generally the larger the group the greater the need for this type of communication.

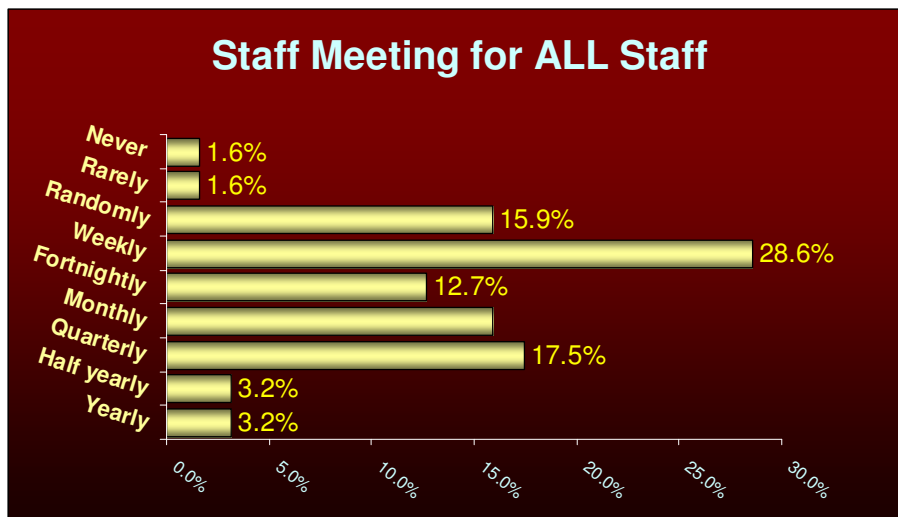
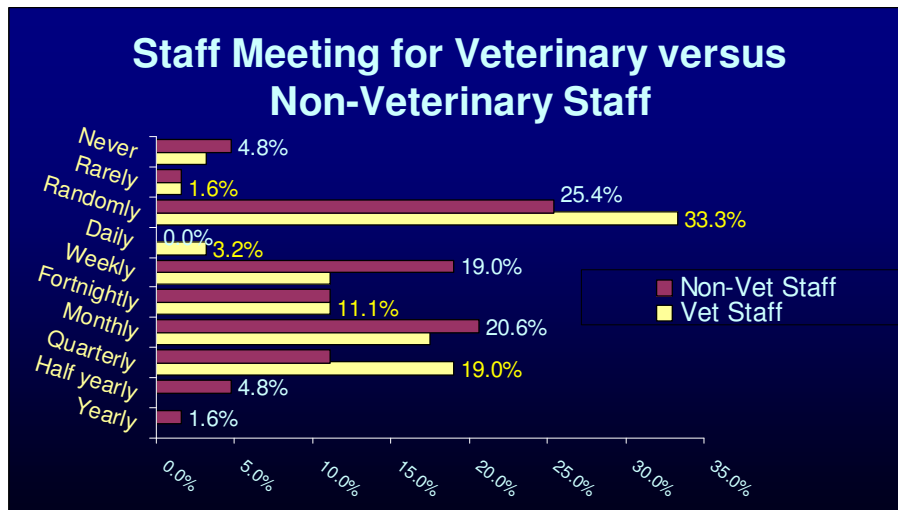


Chart 7: Staff meetings

Larger groups often require meetings of specific groups within the practice whereas smaller clinics often do not have the staff numbers to support further breakdown of meetings.





## Client Newsletters

Communication with our clients is a necessary part of running a veterinary practice. One of the ways of promoting this is a client newsletter. Each practice will feel differently about this sort of promotion so we decided to find out what was ‘normal’ for this promotional activity. The chart below shows that about half the participating practices use client newsletters on a reasonably regular basis whilst the other half use them irregularly or not at all.

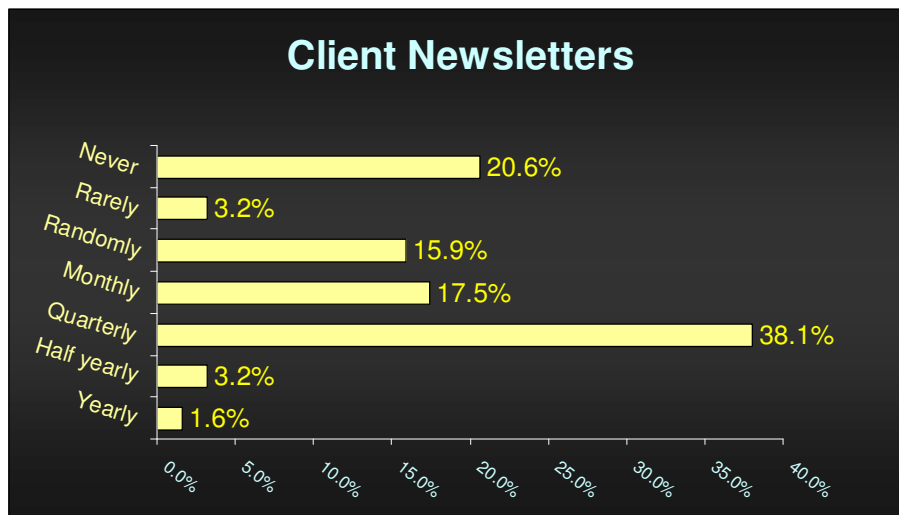


Chart 8: Frequency of newsletters

## Frequency of Vaccination Reminders

This one speaks for itself. Each practice has a different methodology that suits the practice. It is interesting to see what others do for this procedure.

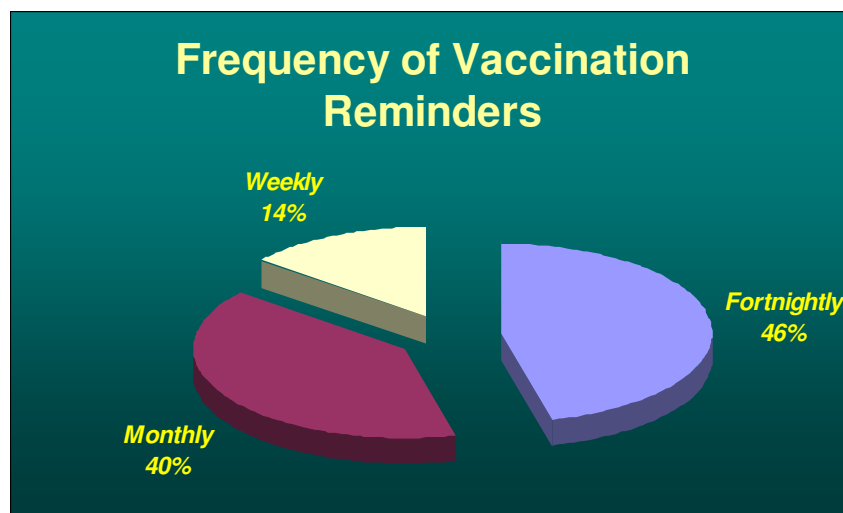


Chart 9: Frequency of sending vaccination reminders

## Paying Veterinary Associates on Performance

This one certainly is a topical issue these days. For this topic we had two questions:

1. Do you pay employed veterinarians on performance?
2. If so what form of performance do you use?

Chart 10 shows that approximately 1/3 of practices use performance based pay systems whilst 2/3 have chosen not to. Of those that do pay on performance approximately 2/3 pay on revenue based performance rather than profit based.

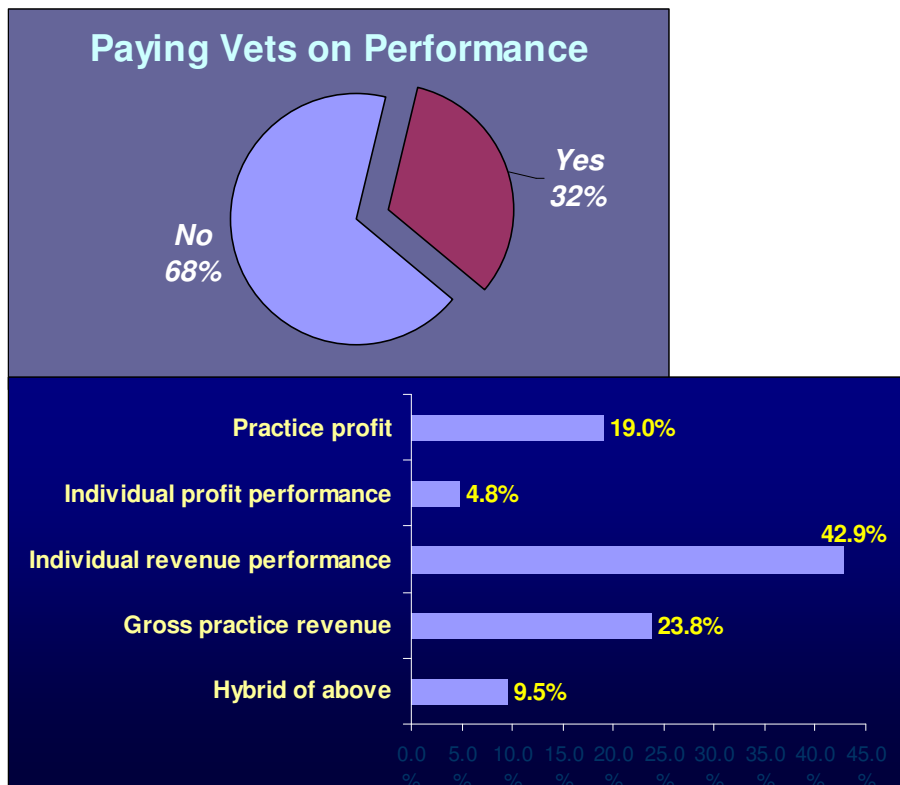
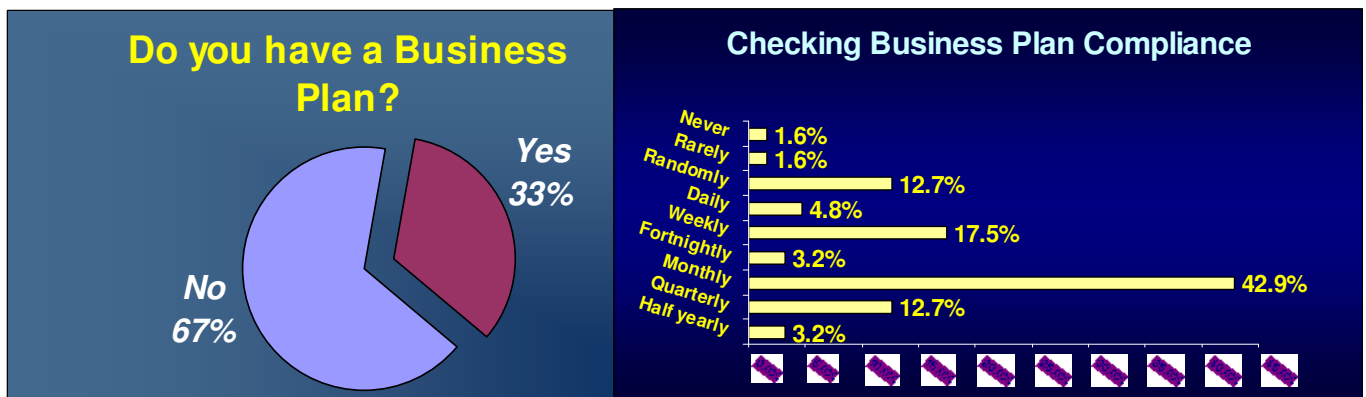


Chart 11: paying veterinarians on performance

## Do you have a Business Plan?

Well the word is out – only 1/3 of veterinary practices have a Business Plan! Of those that do many do not take the time to ensure the business is in fact following the plan.



## Do you have a Budget?

Slightly more practices have a Budget compared to a Business Plan.  $\frac{3}{4}$  of those that do have a budget will track for budget compliance on at least a quarterly basis. If you are going to take the time to prepare a budget then it is worth also taking the time to see if you are achieving budget forecasts and addressing problems if they exist.

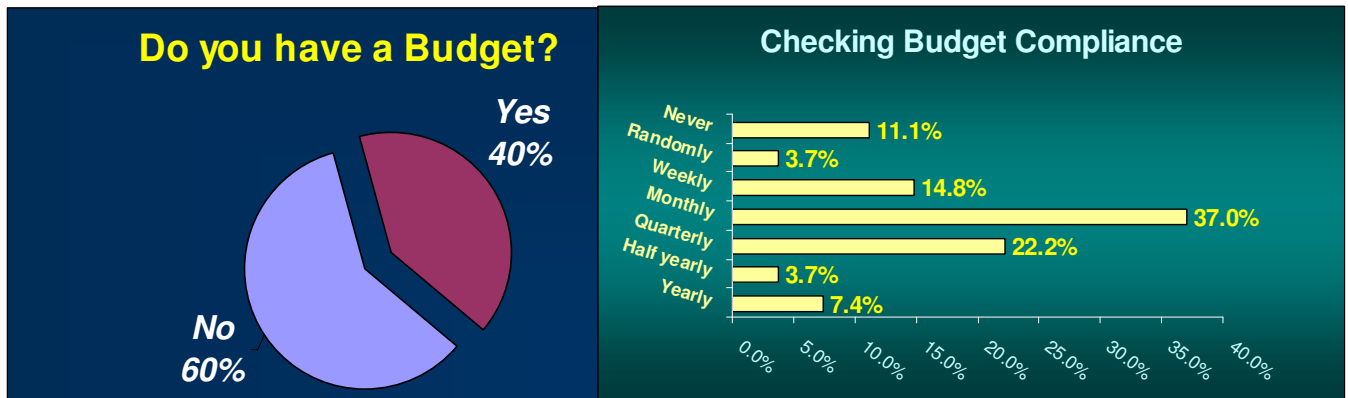


Chart13: Budget

## Use of Procedures Manuals

It is well recognised that consistency of service and, for that matter, any activity within a veterinary clinic is one of the essential elements of a great business. One way or other every veterinary clinic will have some form or procedural basis although this can range from basic to comprehensive; from undocumented to documented. This inevitably means that protocols and procedures are an essential element whether we like it or not. The chart below gives you an idea of what is happening in the general veterinary industry. This is an area that I feel most of us could improve, it is just finding that elusive thing called 'time'.

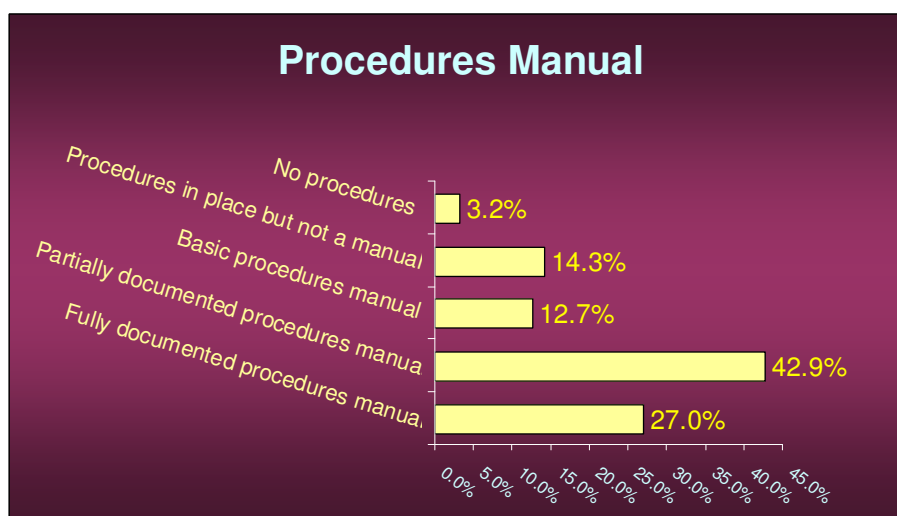


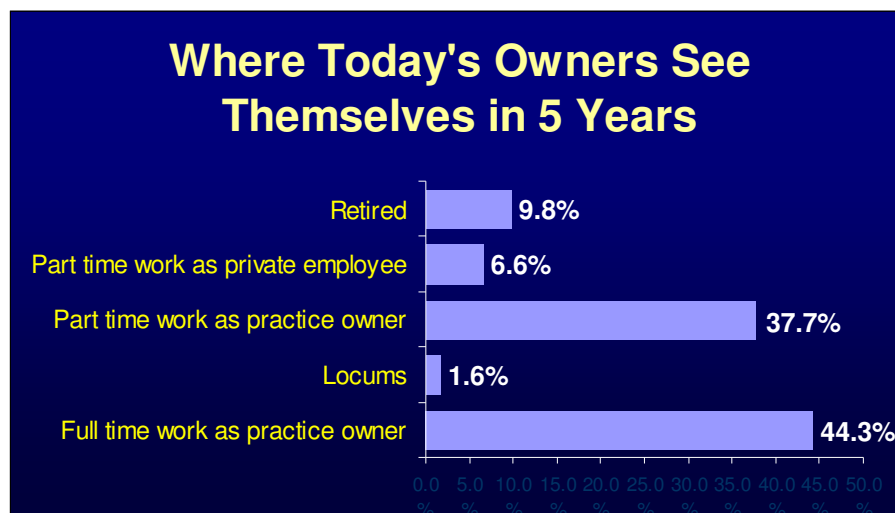
Chart 14: Procedures manuals

## Section 3: Succession Planning

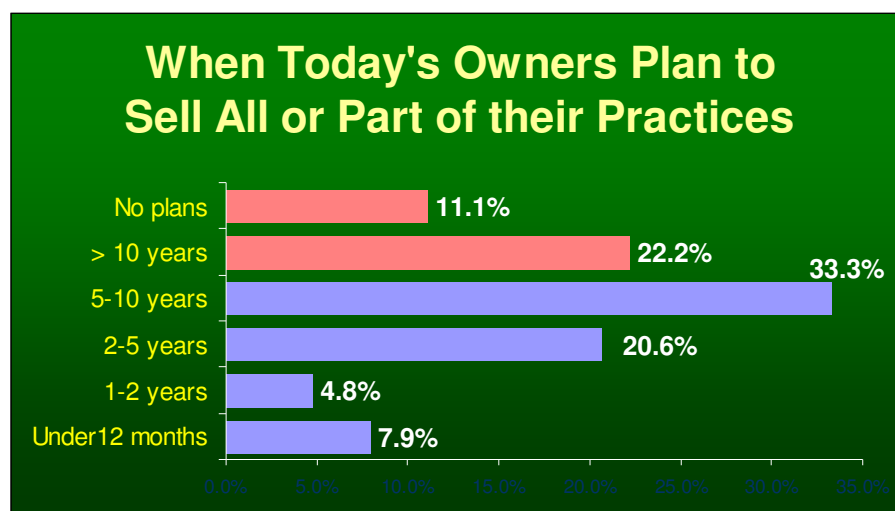
### *What do the owners think?*

#### Where do today's practice owners see themselves in 5 years?

In any investigation of succession issues it is prudent to firstly ask participants what their plans are for the future. Obviously the answers that are given will reflect what an owner *thinks* they will be doing in the future. There are many factors that cause us to change paths during the period many of which are out of our control. For example in the answers given below over 1/3 of owners see themselves in 5 years as 'Part time work as a practice owner'. This certainly is achievable with any practice but does involve planning and development of a succession plan of some sort. If this is what you want then it is time to start making it happen now not in 4 years time!



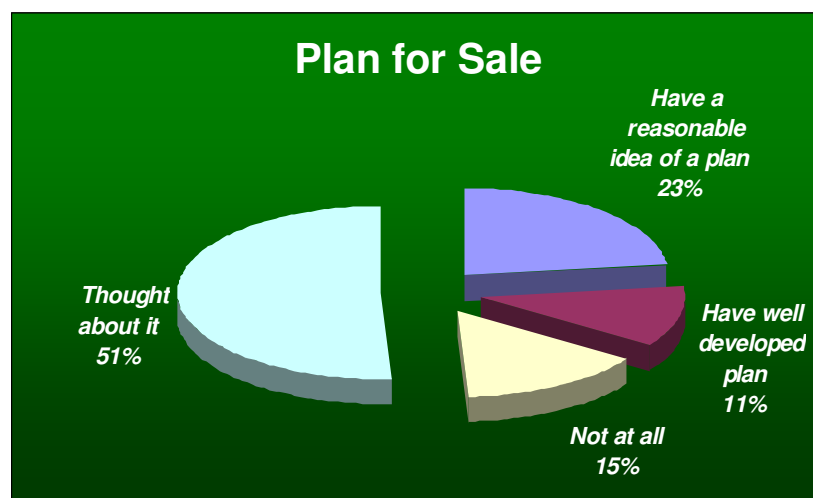
#### When will you sell your practice?



The response to this question seems to indicate that within the next 10 years around 2/3 of all practices plan to sell off either all or part of their practices. This survey had 65 practices owners answering this question but if we assume that this number is representative of the entire industry of around 2000 veterinary practices, then this means that around 1300 practices will be planning to sell all or part of their practices within this 10 year time frame. If this eventuates then it immediately raises the question – do we have enough buyers?

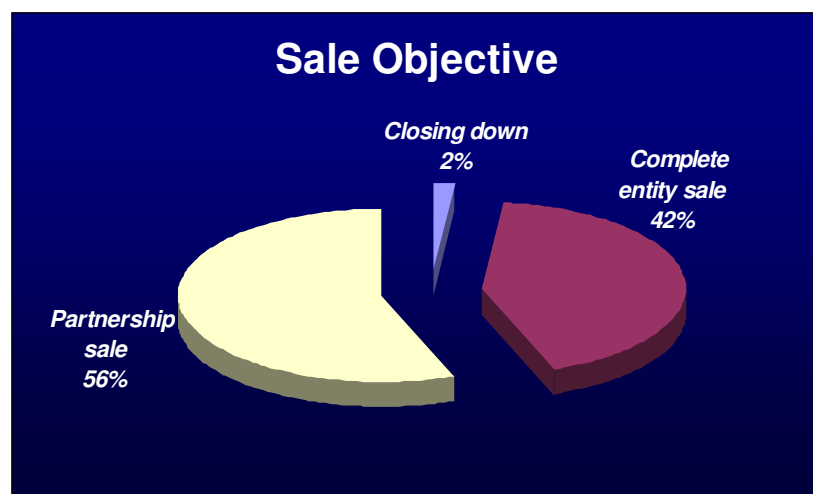
### Do you have a plan for practice sale?

Well we have found out what practice owners generally want in the previous question but now we need to find out if generally the current owner group have a plan to achieve their goals. At this stage about half the practices have *Thought about a plan* whilst only 11% have what they feel is a *Well developed plan*.



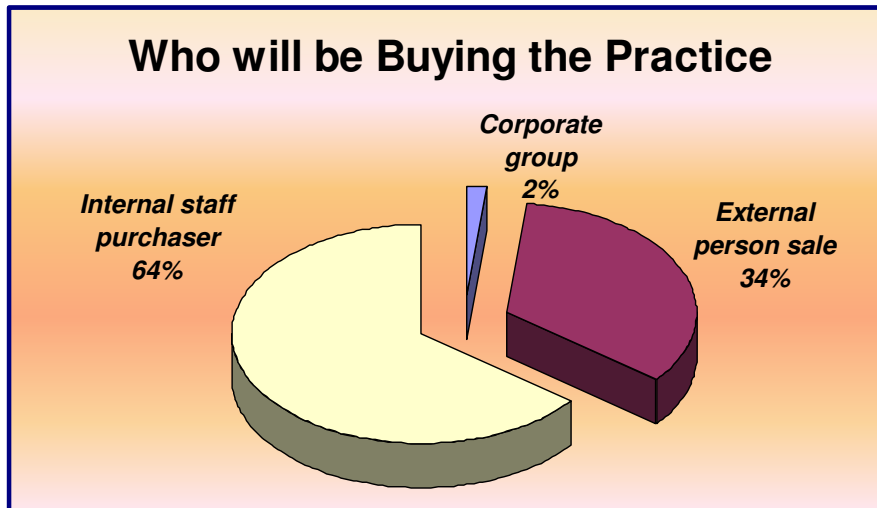
### Do you plan to sell all or part of your practice?

It is interesting to see what the general intentions of practice owners are when it comes to what they are actually going to sell. It is a concern that some practices see closing down as a likely outcome.



## Who will be purchasing your practice?

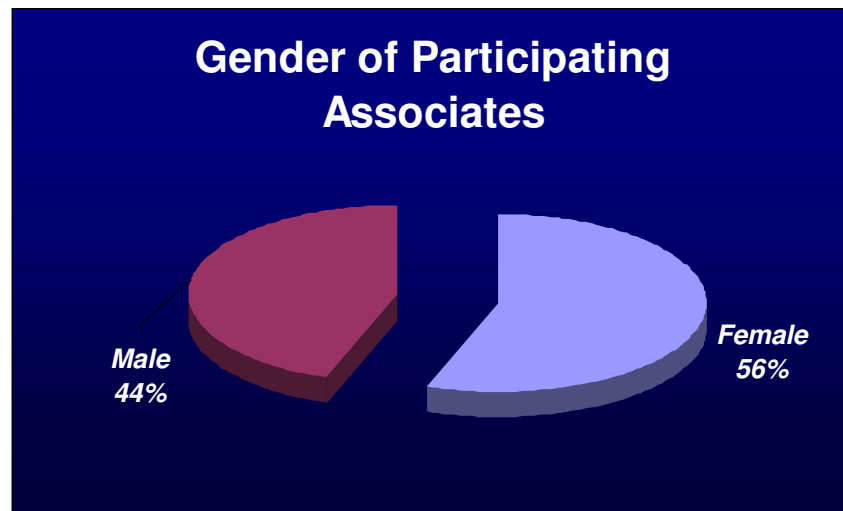
This is a question that is based on the practice owner's perception of likely buyers. Section 4 has included some responses from associates who see themselves as potential purchasers in the future. When considering this question you should go and have a look at what the 'buyers' may be thinking as well.



## What do the associates think?

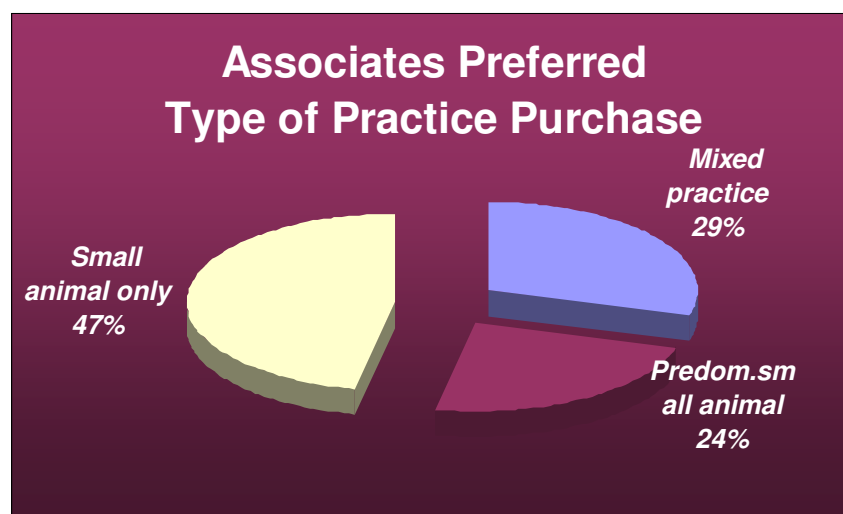
As a part of this survey MPV Consulting included a number of questions that were targeted at associates who may potentially become practice owners. Due to the fact that we do not have email addresses for most associates we requested the practice owners to forward the questionnaire onto their associates. A total of 17 associates responded which, whilst not a large sample size, certainly gave sufficient feedback to get an idea of what they thought about the issues from a potential 'buyers' perspective.

### Gender of participants



### Associates preferred Type of practice purchase

This statistic is a little surprising for me! With all the discussion about Y-generations and so forth I was of the impression that mixed practices were going to struggle to sell over the next 10 years. What does this mean? Of the participants that responded, more than 50% have indicated that their preference is for either a predominantly small animal or mixed practice.



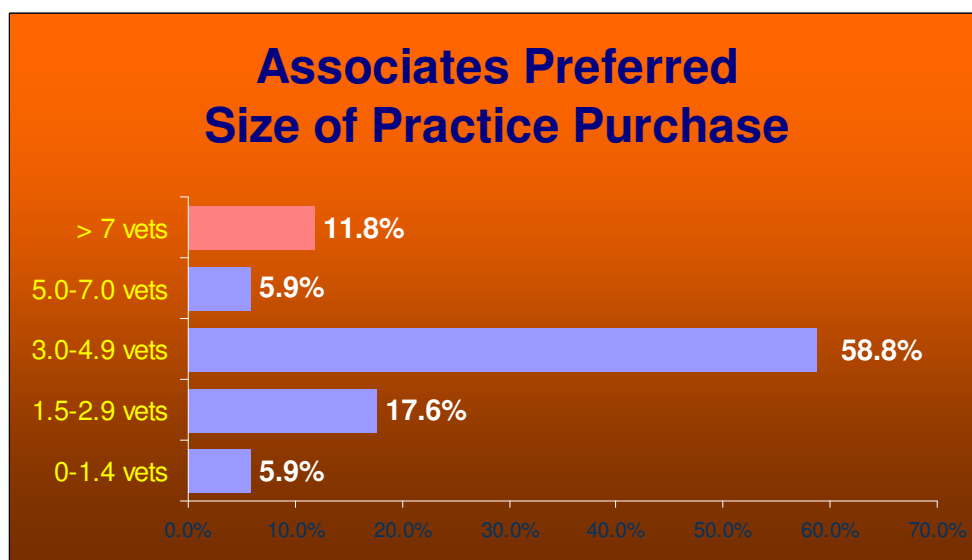
### Associates preferred style of practice purchase

This certainly is another interesting statistic. The most notable feature is that not a single associate indicated that they wished to *purchase a practice individually!* I am not sure where this leaves the single practitioners but certainly it is a warning of limited sale opportunities to some practices in the future. More than 2/3 of the associates have indicated that they would prefer to buy into a partnership. It would appear that multi-person veterinary practices offering partnerships are the most popular option.



### Associates preferred practice Size

Following from the items above it has become quite apparent that most associates have a preference for larger practices. This may be a security thing or it may be that benefits regarding hours and lifestyle are attractive. Either way there is a very clear indication of feeling of potential purchasers.







## **MPV Consulting plans for surveying associates**

Associates purchasing potential is a fundamental feature of any succession plan. It has become evident from this limited survey that some beliefs about future practice ownership may be wrong or perhaps different to what is generally accepted. MPV Consulting is in the process of planning a much wider survey directed at associate veterinarians to identify all the factors that will influence their business decisions in the future. We do need practice owners help for this to occur. Could I ask that all practice owners encourage their associate staff to register for email correspondence on our website at [www.mpvconsulting.com.au](http://www.mpvconsulting.com.au) . This will be much appreciated.