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## 2015 AAHA State of the Industry Fact Sheet

**Summary**—For the last three years, AAHA has worked with IDEXX Laboratories on an in-depth data and survey analysis to identify the drivers of consistent growth for veterinary hospitals. In 2014, a report was released showing 16 key factors that differentiated top-growers in the veterinary industry from the rest. This year’s study builds on those findings – identifying four essential themes that strengthen the client/practice bonds and keep practices growing.

**U.S. economy**—Economic indicators have improved:

- S&P 500 index recently set a new all-time high <sup>1</sup>
- Composite housing prices have increased 19% over the last 5 years <sup>2</sup>
- Consumer spending was up 3.6% in 2014 relative to 2013 <sup>3</sup>
- Employment numbers are approaching prerecession levels and the U.S. Fed’s definition of ‘full’ employment <sup>4</sup>

**Veterinary hospital growth**—Average annual revenue growth for veterinary hospitals was 5.1%, slightly behind average annual growth in 2012-2013.

Despite the slight decline in industry growth and improving economy, roughly one-quarter of hospitals exhibited annual growth of more than 10% (“Outgrowers”). This is approximately the same percent as we saw last year, demonstrating practices can not solely depend on economic or industry factors to drive growth.

- Active patients grew 0.9% in 2014 relative to 2013.<sup>5</sup>
- Patient visits grew 1.4% in 2014 (canine, 1.9%; feline, -0.4%).<sup>6</sup>
- Average annual veterinary hospital revenue grew 5.1% in 2014 relative to 2013, slightly below average growth for 2013-2012.<sup>6</sup>
- 24% of hospitals exhibited annual revenue growth of more than 10% (“Outgrowers”). By contrast, 51% of hospitals had growth of 0%–10% (“Growers”) and 25% of hospitals had negative growth (“Decliners”).<sup>5</sup>
- 49% of the Outgrowers exhibited annual revenue growth of more than 10% two years in a row (“Consistent Outgrowers”).<sup>5</sup>
- 58% of the Consistent Outgrowers exhibited annual revenue growth of more than 10% three years in a row (“Power Outgrowers”).<sup>5</sup>
- AAHA-accredited hospitals exhibited more active clients, more new clients in a year, higher average transaction value and higher income per veterinarian.<sup>8</sup>



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**2014 Consistent Outgrower Survey Findings**—2014 surveys with Consistent Outgrowers revealed success factors across four key relationship or bonds that support growth.

- Survey conducted with 202 Outgrowers, Growers and Decliners examined 46 success factors across four key bonds: Pets and Owners, Practice and Clients, Practice and Patients, and Veterinarians and Staff. Of these factors, 16 were found to be statistically different for Consistent Outgrowers.<sup>6</sup>

**2015 Client Survey Findings**—Surveys were conducted with a subset of pet owners who are key to driving practice growth to examine the 16 differentiating practice factors, and some others, to determine what practice clients view as most important. Four primary themes were identified to strengthen the client’s bond with the practice.<sup>7</sup>

- Survey conducted with 1,001 pet owners who:
  - Have at least one dog and/or cat
  - See their veterinarian “regularly”
  - Are the primary care provider
  - Don’t work in the pet-health industry
- **Explain things in a way they I understand**—Based on the 2014 Consistent Outgrower findings, outgrowers are more focused on communication and communicating with pet owners in various times and ways that work for their clients. This included being more likely to use client communication software and turning the visit into an experience. This is important because:
  - **When asked why clients stay with their current practice,** “explaining things in an understandable way” was selected more frequently than many other factors, including reputation, cost and level of medical advancement.
  - **When asked why clients have left practices in the past,** communication and customer service issues were selected more often than any other reasons under the practices’ control. (Roughly 3 of 10 defections vs. 1 of 10 for cost of services.)
- **Shares test results with me**— As above, consistent outgrowers are more likely to do this in a way pet owners understand. Outgrowers not only share diagnostic results with their pet owners, they’re more likely to take the time to review a pet’s complete diagnostic history and trend results overtime. Of 10 pet owners, roughly:
  - **3 in 10 “always” agree with their veterinarian’s recommendations** for blood work at their pet’s checkup.



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- **8 in 10 who don't always agree would “probably” say yes if the value of the test were explained.** Explanations that increased likelihood of compliance included:
  - Ensuring all the internal organs are working properly
  - Helping detect and prevent bigger health problems down the road
  - Enabling both of us to track the pet's health over time
- **Treats me as a partner**—Consistent Outgrowers are more likely to describe pet owners this way. Opportunities for treating a pet owner as a partner were present around providing pet owners ways to keep themselves informed. Approximately:
  - **6 in 10 pet owners are researching their pet's health online** before or after visits, but only 3 in 10 currently receive recommendations for trusted online resources.
  - **30% fewer pet owners use search engines to research their pet's health when a trusted resource is recommended,** according to a separate study by IDEXX Laboratories.<sup>9</sup>
- **Provide guidance and ways to make preventive care easy** —Consistent Outgrowers are more likely to provide pet owners with tools for simplifying preventive care by forward booking visits, providing preventive care payment plans and holding their own practice to higher standards. This appears to reflect the value placed on preventive care by pet owners because roughly:
  - **9 in 10 view preventive care discussions as important to their pet's health,** but only 6 in 10 recall having these discussions at their pet's last checkup.
  - **6 of 10 pet owners said they would forward book their next appointment before leaving the practice.** In fact, nearly half of all pet owners said they prefer to as long as a reminder is given.
  - **The number-one preferred reminder method for upcoming appointments was postcards** or receiving something in the mail.
  - **8 of 10 pet owners indicated interest in preventive care payment plans**—and interest level was not determined by income.

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REFERENCES:

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2. *S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index©[SPCS20RSA], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/SPCS20RSA/>, February 25, 2015.*
3. *US. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/PCE/>, February 25, 2015.*
4. *US. Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/UNRATE/>, February 25, 2015.*
5. *IDEXX Institute/AAHA State of the Industry annual hospital growth analysis. "Active patients" are pets with one positive transaction during the year; n = 5,726 Data on file at IDEXX Laboratories, Inc. Westbrook, Maine USA.*
6. *IDEXX Institute annual visit analysis. Data on file at IDEXX Laboratories, Inc. Westbrook, Maine USA.*
7. *IDEXX Laboratories, Inc. Pet Owner Bonds Research conducted January 2015; n=1,001. Data on file at IDEXX Laboratories, Inc. Westbrook, Maine USA.*
8. *Financial and Productivity Pulsepoints, Eighth Edition. AAHA Press, 2014. Survey conducted in early 2014 to collect fiscal year 2013 data, n=463.*
9. *IDEXX Laboratories, Inc. Pet Owner Survey conducted December 2013; n=519. Data on file at IDEXX Laboratories, Inc. Westbrook, Maine USA.*