



# 2016 State of the Industry

## AAHA 2016 State of the Industry Fact Sheet

**Summary** – The American Animal Hospital Association worked with IDEXX Laboratories and the Daniels College of Business at the University of Denver to compile data for the AAHA 2016 State of the Industry. The 2016 report looks at an updated snapshot of the overall economy, shares research on the success factors of practices, and examines a new study from DU on culture and its impact in the veterinary practice.

**U.S. economy**– U.S. economy is relatively healthy despite uncertainty and challenges.

- Stock market is down by 10% year over year
- S&P 500 index remains close to an all-time high
- Personal Consumption Index up 2.8% since March 2015
- Unemployment rate down to 4.9% in January 2016 v. 5.5% in March 2015

**Veterinary hospital growth** - Active patients, patient visits, and overall practice revenue continue to grow.

- Active patients in 2015 grew 2.6% relative to 2014
- Patient visits in 2015 grew 3.2% relative to 2014
- Overall practice revenue in 2015 grew by 6.4% relative to 2014
- Outgrowers exhibit 8.7% growth in active patients
- Growers exhibit .9% growth in active patients
- Decliners exhibit a 7.1% decrease in active patients
- Outgrowers now make up 35% of veterinary hospitals

**Successful behaviors of Outgrowers** - Location does not determine growth – Growers and Decliners exist in all geographies. However, research shows that Growers and Outgrowers focus on strengthening the bonds across four key categories: Pets and owners, practice and clients, practice and patients, and veterinarians and staff. Culture and the relationship between veterinarians and staff can impact the metrics of success of a veterinary practice.

**Cultural impact on veterinary practice performance** - AAHA worked with the Daniels College of Business at the University of Denver on an in-depth data and survey analysis to understand the qualities of organizational culture in veterinary practices, to evaluate the overall and specific subcultures in veterinary practices, and to determine how culture affects veterinary practice metrics.

Eight dimensions of organizational culture were assessed:

1. Staff relationships with veterinarians
2. Training and career development
3. Teamwork and staffing
4. Employee involvement and goal setting
5. Supervision
6. Leadership skills
7. Institutional fairness and communication
8. Rewards and recognition



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## Key findings:

- Perceptions toward **relationships with veterinarians** and **training and career development** were rated well above average
- **Teamwork and staffing, employee involvement and goal setting, supervision, and leadership skills** were also rated positively
- **Institutional fairness and communication** and **rewards and recognition** were rated positively but scores indicated room for improvement

**AAHA accreditation impact on culture** - The DU culture study revealed a positive relationship between AAHA accreditation and both culture and veterinary practice metrics. AAHA-accredited practices scored higher on six of eight cultural dimensions (all but reward and recognition), and perceptions toward veterinarians. Accredited practices also performed better on production per FTE veterinarian, client retention, number of active clients, gross income, and number of new clients.

**Cultural dimensions affecting veterinary practice metrics** – Three cultural dimensions impacted veterinary practice metrics: Relationships with veterinarians, teamwork and staffing, and leadership skills and opportunities to contribute.

- Positive perceptions toward veterinarian relationships were associated with:
  - Fewer new clients
  - Lower gross incomes
  - Fewer employees
- Stronger scores on teamwork and staffing were associated with:
  - Fewer new clients
  - Fewer employees
  - Lower gross incomes
  - Fewer FTE veterinarians
- Stronger scores on leadership skills and opportunities to contribute were associated with:
  - Fewer employees
  - Lower gross income
  - Higher production per FTE veterinarian

**Cultural perceptions affecting veterinary practice metrics** – Three cultural perceptions impacted veterinary practice metrics: Production per FTE veterinarian, number of employees, and gross income.

- Higher production per FTE veterinarian was associated with more positive cultural scores on:
  - Leadership skills
  - Employee involvement
  - Supervision



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- Fewer employees and lower gross income were associated with more positive cultural scores on:
  - Leadership skills
  - Teamwork and staffing
  - Relationships with veterinarians
- Staff in smaller veterinary practices:
  - Enjoy more positive relationships with veterinarians
  - Experience more effective teamwork and staffing practices
  - Have more opportunities to contribute

**Impact of veterinary practice job function on perceptions of practice culture** - Results suggest a dichotomy in the way that culture is perceived, particularly between management/administrators and associate veterinarians.

- Management/administrators rated overall culture more positively than other job functions
- Associate veterinarians, licensed technicians, and support staff rated overall culture less positively than other job functions

Perceptions of cultural dimensions by job function:

- Management/administrators rated training and development, rewards and recognition, leadership skills, institutional fairness and communication, employee involvement, teamwork and staffing, and relationships with veterinarians more positively than other job functions
- Licensed technicians rated training and development and relationships with veterinarians more positively than other job functions
- Support staff rated training and development more positively than other job functions; support staff rated relationships with veterinarians less positively than other job functions
- Associate veterinarians rated training and development, opportunities to contribute, employee involvement, and teamwork and staffing less positively than other job functions

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