The 2004 AVMA-Pfizer Business Practices Study—The Equine Practitioner’s Perspective

John Donecker, VMD, MS, Diplomate ABVP, FAAVPT; and Kevin Ryan

The 2004 AVMA-Pfizer Business Practices Study has identified 8 key business/managerial behaviors which are exhibited by successfully managed equine practices. The information contained in this study will help the equine practitioner to better understand today’s veterinary business environment. Using this information an equine practitioner can plan activities that will help encourage strong cash flow, retain personnel and maintain a stable practice environment. Authors’ address: Pfizer Animal Health, 150 East 42nd Street, New York, NY 10017; e-mail: john.donecker@pfizer.com. © 2006 AAEP.

1. Introduction

Long days, late-night calls, and hours behind the wheel are normal parts of your practice. With a strong dedication to the community you serve, you often sacrifice personal and family time as you strive to meet your clients’ needs and keep your equine patients healthy. Ensuring that you are properly compensated for that sacrifice and that your practice grows well into the future are activities that often get left behind in the rush of everyday work.

In a recent study, Pfizer Animal Health teamed with the American Veterinary Medical Association (AVMA) to learn more about the business of veterinary medicine. The AVMA-Pfizer Business Practices Study had three simple objectives: benchmark progress made in practice management since the 1998 Brakke Management and Behavior Study; identify similarities and differences in practice management for equine, companion-animal, and food-animal practices; and identify essential business practices for success in veterinary practice.

Key findings of the study for all veterinary groups were largely encouraging. Veterinary incomes are up significantly, although the gender gap has increased. Some practitioners are using the business tools provided by the National Commission on Veterinary Economic Issues, and most of those who do so have seen a positive impact on their incomes. The business elements identified as essential for all veterinary businesses were personnel management, financial management, and client relations.

Unlike previous veterinary-business studies, this one yielded data specifically on equine veterinary practices as well as companion-animal and food-animal practices. Both large and small equine practices can apply this information to better understand the veterinary business environment today and plan activities that will help encourage strong cash flow, personnel retention, and stable practices.

2. Study Design

The AVMA-Pfizer Business Practices Study was completed in conjunction with the AVMA 2004 Biennial Economic Survey. It used a 14-page detailed questionnaire; recipients included members of the AVMA, the American Association of Bovine Practitioners, the American Association of Equine

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Practitioners, and the American Association of Swine Veterinarians.

From the resultant 47,611 unduplicated names identified, a sample of 17,063 was used; 1750 of these were tagged as equine veterinarians. The mail and web-based surveys were completed from April to June 2004 with a return rate of 16% (2655) for all species groups and 14% for equine veterinarians specifically.

3. Equine Veterinarian Profile

The study yielded a succinct profile of the average equine veterinarian and the average practice. Practices were, by and large, mobile or ambulatory (65%), and a smaller percentage were specialty/referral practices (16%) or animal hospital/outpatient clinics (14%). Practices were an average of 17 yr old with three full-time veterinarians and eight full-time non-veterinary staff; 32% reported having a practice website.

Equine veterinarians averaged 44 yr of age and 16 yr in practice (14 yr in practice if owning their own practices). Many practitioners actively engaged in routine health or preventive programs (59.5%), and 29.6% were engaged for sick animal or reproduction work only (the latter consisting of 16.3%).

Of all the veterinary practitioners in the United States today, ~24.9% work with horses at least some of the time. As the amount of time spent specifically with equine practice rises, the number of veterinarians fitting within each category falls. For instance, 10.2% reported that horses took up >20% of their time, whereas just 6.2% reported that they spent >50% of their time working with horses. Only 5.4% responded that >75% of their time was dedicated to equine work.

4. Income and the Gender Gap

Exclusively equine practices are the fourth largest group found by the study. Exclusive companion-animal practices were found to be the most populous (63%) and predominately companion-animal practices were second largest (16%) (Fig. 1).

Data taken from the AVMA-Pfizer Business Practices Study showed that equine veterinarians had the second highest income group (Fig. 2). Mean income was $103,150 for equine practitioners, which was just below the high mean of $109,790 for swine veterinarians and slightly above the $95,550 reported as average by small-animal practitioners. The mean for all groups was $94,740.

Data taken from the AVMA-Pfizer Business Practices Study shows that despite the relatively high figure among all the means, equine practices as a group have some of the lowest incomes of all veterinarians. Fourteen percent of equine veterinarians reported a mean income >$175,000/yr (compared with 9% of all veterinarians), and 29% saw >$124,000 per year (compared with 22% of all veterinarians).

Twenty-three percent of all veterinarians reported incomes of <$52,000, but 33% of equine veterinarians found their earnings in that category. Going even lower, 12% of all veterinarians reported incomes <$40,000/yr, whereas 19% of equine veterinarians were in that income group.

It is not surprising to learn that equine veterinarians work extremely hard, beyond the average for all veterinarians, to earn their incomes and satisfy their clients’ needs. Equine practitioners put in 48.1 wk/yr—right on par with all veterinarians—but during those weeks, they worked 50.2 h. That is significantly more than the 44.1 h that served as the average for all veterinarians.

Mean incomes varied by type of practice for all veterinarians (Fig. 3). Sixty-five percent of equine veterinarians reported mobile/ambulatory practices, 14% reported animal hospital/outpatient clinics, and 16% had specialty/referral practices.

Data taken from the AVMA-Pfizer Business Practices Study showed that despite their often higher than average incomes, equine veterinarians had production figures slightly below average at $325,626 ($332,185 for all veterinarians). Of more concern, however, is that 34% of those in equine practice do not know their production—a key figure essential in measuring overall financial success within a practice.

One somewhat concerning fact revealed by the Business Practices Study is the presence of a widening gender gap in incomes. The study showed that among all veterinarians, male associates with 1–7 yr of experience working >40 h/wk could expect to make $80,720/yr; female associates had a salary expectation of just $64,100.

The gender gap holds true for practice owners as well. Male practice owners with 15–22 yr of experience working >40 h/wk made $109,970; female practice owners made just $76,600.

In companion-animal practices, men’s incomes are rising faster than women’s income. For instance, male owners have seen a 69% rise in mean income from 1997 to 2003, whereas female owners saw only a 41% increase.

One possible reason for this gap might be lower expectations on the part of female owners and associates. The study found that female associates reported being highly satisfied with their incomes at $73,370, whereas it took $107,280 to make male associates choose this option. Female owners were highly satisfied with $120,680, but male owners reported high satisfaction at $163,250.

5. Overall Income Trends

The good news is that veterinary incomes seem to be on the rise. For example, the study found that, after adjusting for inflation, companion-animal incomes have increased 41% in 6 yr.

This income trend seems to have been driven by several key actions taken by veterinarians across the board to improve practice profitability (Fig. 4).
In fact, 96% of all veterinarians reported having increased fees, and 46% had reduced expenses. Another 46% reported that they began offering new services.

Data taken from the AVMA-Pfizer Business Practices Study also showed that veterinarians worked to improve their business acumen; 27% attended management seminars, and 18% increased their practice marketing. Staff training was increased by 17% of respondents, and 10% used the services of a consultant.

Many noted that particular services could potentially increase revenues in 2004/2005. Among those holding the most promise for equine practitioners were ultrasound (52%), pre-purchase exams (45%), dentistry (43%), diagnostics (41%), reproduction (39%), alternative medicine (21%), preventive or herd health (21%), nutrition (18%), and geriatric medicine (15%).

Equine veterinarians were concerned with many issues that could possibly affect their practices. See Figure 5 for additional information.

Data taken from the AVMA-Pfizer Business Practices Study showed that the overall income of all veterinarians was influenced by many factors, most of which were largely out of the practitioners’ control. Among these are age and experience, gender, size of practice and number of staff per veterinarian, size and prosperity of the community, and region of the country. One important factor, however, was highly actionable and easily controlled by each individual practitioner—business skills and practices.

6. Pillars of Financial Success
Recognizing the importance of business skills as a predictor of overall financial success in practice, the AVMA-Pfizer Business Practices Study gave particular attention to examining this aspect of practice. The study looked at 60 individual business-management variables using a sample set comprised of individuals who reported that >75% of their time was spent with equine patients. Out of those variables, the study uncovered 25 practices/skill categories, including eight key business/managerial predictors.

From all of this information, the study identified the three pillars of financial success in veterinary practice: personnel management, client relations, and financial management.

Pillar 1: Personnel Management
The pillar dubbed “personnel management” included both employee development and employee management. The study found that there is definite room for improvement in this area among equine practices. Only 24% of equine practices had clear selection criteria and processes for employees; just 22% had written job descriptions, and 15% offered annual performance evaluations.

Employee management also could use increased attention in equine practices. Employee productivity was measured by only 25% of practices, and 33% said that they promoted employee longevity. Only 19% measured employee satisfaction, and 10% reported that employee rewards were tied to client satisfaction or loyalty.

The reason for the concern surrounding these low numbers is that employee development and management are both highly correlated with higher veterinarian incomes. In fact, the mean income was found to be $110,610 for practices reporting a high degree of employee development and $76,140 for practices reporting low employee development. These findings were similar in terms of employee management with a mean income of $110,060 for practices with high employee management and $78,770 for those with low employee management.

Hiring quality, talented associates is the first step to an effective employee-development plan. The study found that the most important factors to attracting associates included:

1. Quality of medicine and surgery.
2. Initial compensation and benefits.
3. Location of practice.
4. Flexibility in work hours.
5. Employees valued as part of the team.
6. Employees treated with respect.

To retain associates to grow into the practice and become more valuable over time, the study found a slightly different set of factors important to associates:

1. Regular salary increases.
2. Quality of medicine and surgery.
3. Employees treated with respect.
4. Recognition for work well done.
5. Employees valued as part of the team.
6. Flexibility in work hours.

Personnel management is one of the most overlooked pillars of financial success. Fortunately, a few simple steps can help improve this critical aspect of practice.

- Provide written job descriptions for all employees so that they know the expectations of the practice as well as the role they fulfill as part of the team.
- Give clear, constructive, timely feedback to keep employees up to date with their progress; correct problems promptly when they occur.
- Offer written and oral annual performance evaluations to give employees a chance to see, in writing, the ways in which they contribute to the practice and how they might improve in the future.

Pillar 2: Client Relations
Compared with their performance in personnel management, equine practices did relatively well...
when it came to client relations and client loyalty. A vast majority (93%) felt that most of their clients would continue to use their practices; nearly as many (92%) said that their clients frequently recommended their practices. A large majority (81%) reported that their practice earned client loyalty.

As with all of the identified pillars of financial success, client loyalty was highly associated with increased mean incomes for veterinarians. For respondents reporting high client loyalty, mean income was measured at $109,420, whereas low client loyalty was associated with a mean income of just $80,520.

Increasing client loyalty requires a small commitment on the part of the veterinarian or practice. Beyond providing quality, timely care for clients’ animals, you can improve client relations by taking the following steps.

- Send new clients a welcome letter to help them feel valued by the practice.
- Establish a program to reward referrals, which can encourage increased business through already satisfied customers.
- Send periodic surveys to clients requesting feedback, which will allow you to clearly identify potential problem areas as well as areas of strength for both you and your practice.

**Pillar 3: Financial Management**

Of the three pillars of financial success identified by the study, financial management was the most diverse and complicated, consisting of no fewer than five subcomponents: business orientation, negotiating skills, frequent financial-data review, financial acumen, and sound judgment.

Business orientation is simply defined as a practice’s ability to see itself as a viable business rather than simply a clinic or veterinary practice. Equine practices rated themselves relatively low on this measure with just 34% reporting that they defined staff goals consistent with practice goals. Salary increases were linked to practice productivity in 34% of cases, and 35% used financial concepts to manage their businesses. Only 31% used industry trends to better define client services.

The gender gap can be seen not just in income but in business orientation as well. Male veterinarians rated themselves higher in business orientation than female veterinarians (Fig. 6).

Not surprisingly, data taken from the AVMA-Pfizer Business Practices Study showed that business orientation was highly predictive of income. For respondents reporting high business orientation, mean income was found to be $122,460. This contrasted sharply with respondents reporting low business orientation, whose mean income was just $75,390.

Although business orientation was extremely important, the number one income driver found in the study was negotiating skills. Equine practices did fairly well compared with all of the practices studied; 71% said that they like to win in any competitive situation, and 62% assessed themselves as good negotiators. Forty percent said that they actually enjoyed negotiating, whereas 56% enjoyed trying to persuade others to their points of view.

Frequent financial-data review was the third component identified under the pillar of financial management. This essential skill was, again, highly predictive of income with a mean income of $138,060 for respondents reporting a high financial-review frequency and a mean income of $95,490 for respondents with low financial-review frequency.

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**Fig. 1.** Primary focus of practice. Data taken from the AVMA-Pfizer Business Practices Study.

**Fig. 2.** Equine vets second highest income group. Differences not statistically different. Data taken from the AVMA-Pfizer Business Practices Study.
Only 37% of the time, equine veterinarians tracked their profit-and-loss on a monthly basis; another 37% tracked key performance indicators monthly. By contrast, 67% tracked revenue increases or decreases monthly, and 68% calculated the production per veterinarian each month.

One slightly disturbing trend found, given the importance of financial-data review, was the number of both owners and associates who did not know their personal-revenue production. Among owners, 21% of men and 26% of women did not know the figure. Among associates, 44% of men and 56% of women did not know the figure.

Financial acumen and sound judgment were the last two components of financial management. When it came to financial knowledge, 58% of equine veterinarians felt confident about managing the financial aspects of their businesses. Only 33% had taken courses in accounting and financial management, and just 28% had a deep understanding of and familiarity with accounting terminology.

Judgment, by contrast, is less a learned set of responses than a skill born of experience and critical thinking. Not surprisingly, equine veterinarians did well in these measurements with 91% reporting...
that they consider alternatives before making a decision and another 89% reporting that they do not have difficulty making tough decisions when necessary. Planning ahead to minimize problems was part of the game for 61%, and 53% set long-term goals and focused on strategies to meet them.

As mentioned earlier, financial management can be the most problematic pillar of success for equine practitioners. Lack of time to track key figures and increase knowledge of non-medical topics can present a serious challenge for the practicing veterinarian—particularly for those with primarily mobile or ambulatory businesses.

Still, by following a few simple steps, you can help increase your knowledge of financial issues as well as your ability to set and meet future goals. Practice owners can

- Calculate the revenue production for each veterinarian in your practice on a monthly basis. This figure is a key predictor of how well your practice will perform for the year. Knowing this figure will also help you track the financial progress of each associate so that you can link salary increases to performance.
- Evaluate key performance indicators and profit-and-loss figures on a monthly basis.
- Strengthen your negotiating skills and set long-term goals to create an environment for financial success well into the future.

7. Checklist for Improving Personal Income

Consider a few simple actions under each of the identified pillars of financial success.

Personnel Management

- Write job descriptions for all employees.
- Provide clear, constructive, timely feedback.
- Give annual performance evaluations.

Client Relations

- Give each new client a welcome letter.
- Create a program to encourage and reward referrals.
- Conduct periodic client surveys.

Financial Management

- Calculate per veterinarian production monthly.
- Track key performance indicators and profit-and-loss monthly.
- Link salary increases to individual and practice performance.
- Strengthen negotiating skills.
- Set and meet long-term goals.

8. Summary

The AVMA-Pfizer Business Practices Study reveals a group of equine practitioners who are dedicated, hard working, and committed to patient health. Long hours and ambulatory work have become facts of life for many veterinarians in the field. Although overall incomes are on the rise, it is apparent that many veterinarians are not being properly compensated for their work in medicine.

Fortunately, increased knowledge of financial management and an eye on personnel management can help practitioners to increase their personal incomes and help ensure the viability of their practices in the short term and well into the future.

As a follow up to the study, Pfizer Animal Health, in cooperation with leading practice management experts, has developed a kit of useful tools for practices. It includes such items as sample job descriptions, employee evaluation forms, customer surveys, and sample key-performance indicators. To obtain the materials, contact your local Pfizer Animal Health sales or technical service representative.

John Donecker, VMD, MS, DABVP, FAAVPT, is senior veterinarian at Pfizer Animal Health; Kevin Ryan is the company’s group director of global marketing research.

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