VETERINARY BUSINESS MODELS IN THE NEW COMPETITIVE ENVIRONMENT

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Within the last 18 years in UK, varied business models have been tested with different degrees of success. During this time companies and their investors have acquired knowledge from the past, corrected and refined how they run their enterprises to face the challenges in the current competitive environment.

The traditional models have been challenged by factors such as:
- National and global economic and political changes,
- changes in client behaviours,
- generational attitudes,
- gender shifts of the veterinary profession,
- manpower alterations, etc

These factors have opened opportunities to new business models. These all have their own strengths and weaknesses but have all managed to continue and progress.

In the UK, we can distinguish five main models represented by five major groups. Other groups have emerged using slight modifications on their approach to run the business. Each one of these models will be featured using an existing company to represent it. The information presented has been provided directly by the companies and is used with their consent.

1) Pure partnership model (Medivet):

History: Medivet has been trading since 1987 and is believed to be the longest standing group in the UK.

Ownership: It trades under a pure partnership model where the company holds a majority of the shares and the vet owns the rest of the shares. Profits and expenses are shared between the partner and the company in a proportional way to the number of shares owned and the company provides the partner with business support.

Business structure: They group structure follows the ‘hubs and spokes’ model. This means that there are a number of highly equipped clinics, the hubs, surrounded by a large number of other smaller clinics. In total the group has grown to have 130 partners and around 250 practices around the UK and employs around 3,000 employees.

Clients: This model aims to attract the highest end of the small animal market. Clients can access all levels of service without leaving the company. From preventative and first opinion care at the spokes to the highest level of expertise at the hubs. They can also move around the Country, either due to holiday or relocation, and take their pet to a different clinic of this company expecting to receive the same level of service as their computers are connected allowing immediate excess to their pet’s records and the protocols are consistent throughout the clinics.

Finances: Their source of income are practice own profitability, investors, and capital from new partners who buy into the business.

2) Joint Venture Partnership (The VetGroup- Vets4Pets + Companioncare)
History: Companioncare started trading on the 90’s and by 2001 already had 28 practices and a turnover. Vets4pets started in 2001 with two surgeries. In 2004, Bridgepoint purchased Pets at Home for £230m. By 2005 all existing 37 Companioncare practices followed the JVPmodel. In 2010 KKR buys Pets at Home for 900m and Companioncare reaches 69 practices. In 2014 Companion Care and Vets 4 Pets merged forming a group of 236 practices. In 2016 the group reaches 400 practices. It currently holds 462 practices

Ownership: In 2003, with 30 practices, Companion care introduces the Joint Venture model. This model is based on the company owning the building and the brand and providing the business services. They owe what are called B shares. The joint venture partner (JVP) owes the business (A shares). Once the JVP has paid the loan back to the company and is debt free, all the profit generated by the business is theirs.

Business structure: Each practice is set up as an independent Ltd company. Each partner takes a salary as director and gets a loan. The company charges the JVP management fees as a % of the turnover and provides all the business support required. They currently have 600 JVP’s. Two-thirds of the clinics are in-store benefiting from the shop’s footfall and 1/3 are stand-alone clinics. Some of the clinics are hospitals although the company provides mainly first opinion services.

Clients: This model offers clients very high discounts on basic services, convenience of opening times, parking facilities, etc. Some products such as the vaccine-for-life can be accessed at any clinic throughout the Country.

Finances: The sources of income for the company are the practices’ management fees, the small amount of capital brought in by the JVP’s as a deposit, the loans received from the banks. This company floated in the UK stock market (FTSE100) under the umbrella of Pets at Home in 2015.

3) Industry consolidator (CVS)

History: CVS started trading in 1999. Only three years later bought the first laboratory and in 7 years was already running 50 practices and in just two more years reached 100 practices and floated in the stock market with 120 practices. In 2008 CVS purchased the first pet crematorium following the ‘from cradle to grave’ principle and reached 250 sites. In 2010 purchased the first online pharmacy and a further 200 practices. It currently has 468 sites providing services on the small animal, equine and large animal sectors; 7 crematoriums and 2 pathological laboratories plus a further 14 sites in the Netherlands. They have their own brand of pet food and own brand of medicines and have launched their own pet insurance

Ownership: Practices are bought upright by the company and all staff are employees. The company floated on the AIM stock market in 2007

Business structure: They currently employ 6.000 staff of which 1.400 are vets and 1.250 RVN’s. The practices are non-branded but follow strict protocols set by the company aiming to provide consistency on the care and services provided.

Clients: Clients don’t perceive any immediate change when a practice is purchased by CVS as their practices are not branded. The company, however, ensures that all client’s needs are met by products and services developed internally by the company. They even produce their own CPD for their own employees.

Finances: Their income comes from the provision of services and products and although at the beginning they required the use of private investment funds, since 2007 the company trades in the stock market attracting their investment in that way.

4) Vet-medicine Consolidator (Independent Vet Care)
History: IVC was founded in 2011 starting with 20 clinics belonging to initial 5 partners. They rapidly grew due to the attractive deal offered to those owners wishing to sell to them and support system for their employees. In only 7 years they owe more than 600 practices providing services to the small animal, production, and equine sectors and covering all range of markets from low cost clinics to the largest hospitals. They already trade in 8 Countries thanks to merging with Evidensia in 2017.

Business structure: The practices are bought upright but the owners are encouraged to stay as clinical directors. The group is run by vets with commercial bias rather than by managers with experience in the financial sector. One of their main claims is that they are run by vets and for vets. All staff undergoes intensive specific training and are supported and encouraged to follow a career path which will maximise their potential as individuals. The focus is to create a company culture amongst the employees.

Clients: The practices are non-branded, and clients don’t really know if the practice is an IVC practice or not. As they currently operate different models depending on the profile of the practice which they originally bought the client notices no difference other than the change of attitude and service provided by the freshly trained members of staff.

Finance: This group is financed mainly through private equity funds and their plan has been from onset to expand globally. In only 7 years they already employ almost 11,000 staff of which 3,083 are veterinary surgeons and 4,178 veterinary nurses.

5) Niche consolidator (VetsNow)

In 1999 practices were much smaller than nowadays having one or two vets most of them and there were all independent. The professional requirement for providing 24/7 emergency service to clients had been stabilised for decades and staff burnout was very common. Practices with few partners or employees had two options, provide their own out of hours service and struggle to find veterinary assistants willing to work most nights and weekends; have the practice owner to cover all nights and weekends and not have holidays, or share the on-call shifts with other local practices, their competitors, and risk losing their clients to them.

In 2001 Richard Dixon saw the opportunity to use the practices of the PDSA, a national charity, to offer exclusively out-of-hours emergency services to the local practices. Their staff would be specially trained to deal with emergencies and would rest during the day. As the charity would only take pet owners entitled to use their services during the day, they were no competition for the client practice. The client would pay high fees for a high quality service, the practice would also pay a small fee to Vetsnow for doing their out-of-hours work and they got the use of the PDSA premises for free as an exchange for providing out-of-hours service for the PDSA vets. A win-win-win situation.

The model spread like fire through the UK until they made what in the author’s opinion were some fundamental strategic mistakes such as buying a few day referral hospitals. Then starting to provide services from local private practices thereby losing the non-competition competitive edge of their business. The market had then changed, and practices were bigger and had more employees so when these clients started feeling threatened they reverted to providing their own out of hours services.

Vetsnow is still a referent on the area, with around 60 clinics. They train high quality practitioners specialised in ECC, run their own congress and the national pet blood bank and are leaders in research and development in the field.