

What veterinary practices should prepare for:

Visiting the leading supplier of veterinary medicine

More or less unnoticed Mars Inc., the US Corporation, up to now well-known for its pet food, has become the world's leading supplier for veterinary medicine. With the acquisition of the AniCura chain of clinics in November 2018 Mars from now on will also be present in Europe. Who is behind Mars, why is the US giant, so far famous for its chocolate bars, getting involved in veterinary medicine – and most of all, what does this mean for free practices and clinics? To find out in detail bpt together with a European delegation and members of the AVMA (American Veterinary Medical Association) visited Mars Inc. A few impressions and answers:

Mars Inc. – a family owned company

Mars Inc., founded in 1911, is the 7th biggest US family owned enterprise with an annual turnover of USD 35 billion and approx. 100000 employees (in 2017). The enterprise with more than 420 branches in over 80 countries was honoured as the world's best employer in 2017. To the Mars empire belong famous chocolate brands (i.e. Mars, Snickers, M&M, Twix), brands of the Wrigleys group/'Confectionary' bought in 2007 (i.e. Extra, Dove), food and beverages (i.e. Uncle Bens, Miracoli). The pet-care segment (head-office in Brussels) consists of the segments pet food (Pedigree, Whiskas, Sheba, Royal Canin) and veterinary health (since 2007).

AniCura is now Mars

In 2007 Mars did also get involved in the veterinary health segment by taking over the majority of shares from Banfield. The complete takeover of Banfield in 2015 and the purchase of approx. 800 highly specialised VCA-clinics in 2017 for the price of USD 9.1 billion turned Mars into the biggest clinic operator in the USA and the biggest supplier of veterinary medicine worldwide. Besides the referral providers/brands Banfield (Vancouver, WA) and VCA (Los Angeles, CA) also the emergency clinic chain Bluepearl (Tampa, FL), Petpartner (Wilton, NY), Linneaus (Willows, UK) and – only recently since November 2018, the AniCura veterinary clinic chain (Stockholm, Sweden) with more than 40 locations in Germany and Europe, belong to the Mars animal health empire. In Europe, for the time being, Mars will appear mainly via the brand AniCura. Worldwide more than 11000 veterinary practitioners and more than 50000 staff members belong to the Mars branch Veterinary Health.

Coming to stay

The reason why Mars entered the Veterinary Health branch is puzzling for some and quite obvious since a long time for others. Other relevant reasons besides the corporation's decade-long affinity for animal (pet food) are:

Basically the Veterinary Health branch is considered as less recession-prone (and therefore not very risky), mostly financed by private persons (all private patients, hardly any commercial customers) and promising impressing market growth for the coming years. Besides the USA and Europe, mainly Russia and China are considered as growth markets, where it is necessary to invest now to benefit from the growing animal affinity of the middle class. And very important: the veterinary market

is considered as not consolidated to any great degree (especially in Europe), which gives Mars a considerable scope for corporate growth by purchase. Not so unimportant from the view of a global corporation considering itself as (at this time only) strategic investor, or like John In de Braekt, President of Mars Veterinary Health stated self-confidently during our visit: "We are here to stay!"

Veterinary Medicine is "New Economy"

In addition there is a number of market and strategic corporate reasons. At present, the Mars' business model is based on the field of chocolate/sugar. Not only the WHO, but also many regional governments want to fight the sugar consumption to protect public health. Therefore, it is only a matter of time until the chocolate sales will noticeably drop. This means for the head of the Mars-group to take countermeasures in a timely manner by replacing "old economy" (chocolate) by the "new economy" (veterinary medicine) and, most appropriately, to combine with already existing strong markets from/with the field of pet food (diets, special food etc.).

Earning money with healthy animals

Mars is convinced that with more prevention, specific feeding, the use of genetic engineering and digital tools it will be possible to keep a growing number of pets healthy, to prolong their lifetime and thus to expand the market.

Since many years Banfield offers a so-called "Pet-Plan" to its customers, aiming to convince pet-owners to visit veterinary practices (more) often. The monthly paid "Pet-Plan" defines different prevention-service packages, which are redeemable during one year. By now about 70 % of the Banfield-customers are visiting the practices because of their "Pet-Plan". For the practices this is a classical win-win-situation, because on one hand a well-balanced workload is guaranteed, on the other hand idle periods can be reduced.

And in future another important and lucrative working field in connection with digitalization could be developed (which so far has been ignored). About 30 % of all pet owners never take their pets to a veterinary practice (the numbers in the USA and in the EU are probably about the same). In future, these pet owners must be better informed (motto: well-informed pet owner) and with new (digital) programs/treatments put into the position to assess the health of their pets. It is not meant to make veterinarians unnecessary, but to convince uninterested pet owners that it does make sense to visit veterinary practices more often.

Veterinary Practitioners might mostly be interested in how Mars Inc. intends to/is going to turn their strategic goals into reality. The answer might be quite clear:

- First of all, with a quality strategy aimed on brands. Brands made Mars big; the 7th biggest food corporation is certain to have the respective know-how.
- And, very important: by the use of the new and diverse possibilities of digitalisation.

Quality strategy: Staff-members are Kings!

The centre of Mars' quality strategy are 3 factors (exactly in this order):

- Attract (and retain) good personnel (“Associate Experience”)
- Best possible treatment and therapy for animals (“Pet Experience”)
- Satisfied customers (“Client Experience”)

Especially attracting and retaining good personnel (employed veterinarians and veterinary nurses) is of crucial importance. In Mars' point of view the issue “personnel” (limited resources) determines not only immediate and medium-term success, but also the long-term viability of veterinary medicine. Therefore, personnel management as part of a value-orientated management is having a high priority for this enterprise, which was nominated USA's best employer in 2017. Mars identified the following aspects (“Pain Points”) for employed veterinarians:

- Learning and improving of abilities/skills
- Timely (more) flexible day structure
- Time for relaxation after a stressful day
- Help to repay study loans

To improve veterinary “know-how” a globally connected continuous education program (“Centre for Veterinary Excellence”) was created, which is pooling the teaching contents of all Mars-sections and is available to all employees around the clock, completed by national and international exchange programs. At least the same importance as the improvement of veterinary skills (hard factors) are attributed to “soft factors” like a sound body and mind (“Mental Health”), personal finances (such as repayment of study loans), career perspectives and working atmosphere.

As most important “Pain Points” regarding treatment/therapy of animals the use of the newest medical findings, affordability of veterinary services and emergency services were identified; regarding satisfied customers also emergency services, affordability and permanent availability of patient database are a top priority.

Regarding the realization of a quality promise to the pet owners Mars considers emergency services (24/7) as the key issue. Pet owners who received emergency aid are considered notably loyal and willing to pay, so the head-offices motto.

It's the brand, stupid!

Since more than 100 years the implementation of a quality promise supported by the corporate policy belongs to the core competency of Mars. Therefore, regarding veterinary medicine Mars may continue to follow its proven path. The fact that Banfield, VCA and BluePearl are still acting under their original names, suggests that in Europe the brand names AniCura and Linnaeus will remain unchanged. Advantage: different brands with different quality standards and different pricing levels.

Example: Banfields practices/clinics in the USA are usually located in pet stores working with 2 – 4 employed veterinarians (general medicine) and an average equipment and an emergency practice ‘close by’. Pricing level is considered average.

In contrast, BluePearl clinics are usually located in big cities work with 40-70 employed veterinarians (specialists), superior equipment and 24/7 emergency services. The prices are above average.

Pet owners decide via “the brand” which quality they want for which price. But not only for the pet owner, also for employed veterinarians a brand is an important management tool. While job entrants feel they are in good hands with Banfield, experts might rather be drawn to BluePearl.

Employed veterinarians – not being left alone!

One important matter during our visit was to find out whether employed veterinarians think they are in good hands. We had the opportunity to discuss with 4 veterinarians – not chosen by the Mars management, but volunteers. The result was clear: In contrast to the “free market” Mars offers good working conditions and performance-based salaries (no collective agreement), which is of existential importance regarding the repayment of study loans (tuition fees for veterinary medicine vary between USD 80000 – 350000). Just as important for the 4 veterinarians was that the group of clinics offers contact persons and assistance in difficult medical cases and with challenging pet owners – they were not left alone with occurring problems! This would be totally different in free practices, the veterinarians stated.

The big question – Digitalisation

With (at this time) more than 20 Mio animal visits per year Mars has a so far unused *treasury* of data at its disposal – regarding animals (animal health) and pet owners (consumer habits). In future, these data will be better used, evaluated and combined, for instance by using artificial intelligence to evaluate laboratory results, image files (X-ray, CT, MRT or tissue samples) or gen database, with the aim to improve animal health by early detection of diseases or purposeful feeding. Another project (Pet Insight) is based on the further development of a GPS-tracking device. At the time being it records sleeping, exercise, scratching and drinking habits and in future it might be able to measure the heart frequency of an animal. With the support of KI (algorithm), based on many million animal contacts, a diagnosis tool might be formed on this basis, allowing to give first indications to the pet owner regarding diseases/problems and possible therapies. For sure in the medium term such developments will influence the value chain in the area veterinary medicine and also change the role of veterinarians.

Due to the new digital possibilities not only new medical tools will be created, also the consumer habits of the pet owners will change. Example: The cooperation between VCA-clinics and the smart-speaker Alexa from Amazon. In future pet owners can use Alexa for appointments or vaccination reminders with VCA. Important: From Mars’ point of view it does not make any sense to fight against digitalisation, on the contrary one should take the lead, take Dr. Google for granted and trust that the “enlightened pet owner” is more confused and has more questions than before, which he wants to discuss with his veterinarian. Mars therefore invests in tele-medicine to ‘pick up’ customers on the web and bring them in contact with ‘the real life’ and their veterinarians.

Learnings– What does this mean for owner-managed practices/clinics?

- The good message: If a corporation like Mars is making long-term investments in veterinary medicine, it just means that this market is having potential for growth and the future (“Veterinary medicine is the New Economy”). And since Mars undoubtedly intends to increase an existing market, not only in the USA, but also in Europe (for instance by prevention, by winning uninterested pet-owners etc.), also free practices will have a benefit. The announcement to only appear (for the moment) on the continental European market via AniCura also means that the competition will be based on quality (medicine and service) and not on prices. Quite the opposite: Since in comparison to the EU veterinary medicine in Germany is still available for reasonable prices, Mars’/AniCura’s activities over here could lead to an increasing price level. No matter what the fee regulations state.
- The business challenges for free practices were already well-known before the arrival of Mars/AniCura, but now for owner-managed practices/clinics the need for action is rising. In future, especially the “struggle to find talent” (veterinarians and veterinary nurses) will become more intense. If there is a learning effect from the USA, then the one that to win and to retain veterinarians and veterinary nurses on a long-term basis is the key task for practices/clinics in the years to come. This addresses establishing a value-based corporate management, focussing on a high esteem for employees (assistance in the handling of problems, continuing training, appreciation etc.). It is also regarding higher wages or regulated working hours as a (smaller) part of the solution. By the way corporate management: Emergency services should not be seen as inevitable evil but as a chance to win and keep customers.
- The “black box” is digitalisation. Regarding digitalisation, how will it change the role of veterinarians, how to meet this challenge? The smartest reply I so far heard: Personalization is the best countermeasure to anonymization in the digital world. Despite of all strategies and visions I have seen in the USA I am convinced that also in future the local veterinary practice (strategically well positioned) will be the most important point of contact for pet owners.

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