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Easy Strategies for Better Pricing

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Speaker Bio



Rich Lester

CEO of Ackerman Group

- 15+ years in the veterinary industry
- Joined Ackerman Group in 2021
- Founder of Veterinary Practice Partners (VPP) in 2011. As CEO of VPP, he steered the company's growth to 65+ hospital partnerships by early 2020.
- Prior to VPP, was President of Brightheart Veterinary Centers

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High-Level Thoughts

Positioning of Your Hospital Based on Price

● How do you position your hospital in your local market?

- High quality, High touch
- Value hospital, Lower price, Efficient service
- Middle of the road

● Does your pricing reflect your positioning?

- AAHA Accredited – Are you premium priced?
- 15-Minute vs. 30-Minute Appointments – What is truly high touch?

● Does your medical equipment reflect your positioning?

- Digital X-Ray
- CT or MRI
- Endoscopy / Laparoscopy



Does your Building Reflect Your Positioning?

- **Interior space relative to local competition**

- Branded de novos typically have high-end interiors – are they your competitors?
- Do you need to do a refresh?
- Client-Facing areas Vs. Entire interior

- **Building is a 'reflection' of quality from a client's perspective**

- **Exterior look and feel matters as well**

- **Perception of quality starts physical space**



Pricing vs. Positioning

- Few hospitals think they are 'value' hospitals
- Few hospitals charge premiums when they truly are high-touch in nice buildings
- Understanding how your clients view the hospital and its level of service is more important than your perception of the hospital!!



Match Demand vs. Supply

- Do you have available appointment, or is the hospital booked out 2+ weeks?
- If down a DVM (many are), is the appointment book full?



Appointment Book vs Pricing

- When the demand for appointments outstrips supply of appointments – *you should...???*
- Need another DVM, earn more per appointment through pricing...
- Increase efficiencies of the current DVMs and staff – leverage technology
 - Scribes and AI
 - Vet Efficiency vs. Veterinarian Supply

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Shoppable vs Non-Shoppable

What Prices Do Clients Understand?

- Selected services are 'shopping' and need the most attention when pricing
 - Exam Fee
 - Selected Wellness Vaccines – Distemper, Lepto, Lyme, Rabies, FVRCP
 - X-Rays
 - Spays/Neuters
- Exam fee is the most visible and an important pricing decision
 - Wellness exam fee is shopping. Sick exam fee is less shopped
- Mystery shopping
- Pricing strategies
 - Low Prices on shoppables, Higher Prices on non-shoppables
 - Price to your market position on everything
 - Other options

80/20 Rule

80% OF YOUR REVENUE COMES FROM 20% OF YOUR LINE ITEMS

- In vet medicine, more like the top 20-25 line items = 50% of the revenue
 - Most important pricing decisions
 - Not all are shoppables – especially labs
- Pricing the less frequent line items are also important
 - More pricing 'power' on these items since they are not frequently utilized
 - Understanding the 'value' of these clients is important

Exam Fees and Labs



How many Different Exam Fees Do You Have?

3 is the most you should have

- Wellness
- Sick (same day appointment)
- Recheck (limited use and one type, not multiple)

Exam utilization of each type of exam fee and determine if it is being used appropriately.

- Note: Lower fees tend to be overused, not higher fees
- Charge for a tech appointment (ie. recheck exams)



Lab Pricing

Should have 70%+ profit margins on labs

- $((1 \text{ minus lab costs}) \text{ divided by Revenue})$

A handful of labs should be the majority of your prescriptions

- Price those appropriately

Higher cost labs have lower % markups but higher \$\$ margin

- IF a lab costs \$50, harder to price to 70% margin than a \$20 lab

Individual Line Items vs. Invoice Pricing

- If you have available appointment slots, invoice totals are even more important
- Pay attention to wellness exam total cost
 - Each individual line item pricing matters but so does **entire** invoice
 - Do you frame wellness around exams and vaccines with labs as an add-on?
 - Clients who paid \$400+ on last wellness exam may be reluctant to return in soft economy
- Wellness reminders and phone calls can focus on vaccines and exams (labs as optional) if you have the capacity



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Product Pricing

Some Keys to Product Pricing

- Pills are different than injectables
 - Use of ProHeart 12 and Convenia
 - Convenience to client, brings client to practice and away from the internet, and more profitable for business
- Parasiticides have their own pricing strategy (internet competition)
- Dispensing Fees are a key lever to ensure both profit margins (%) and \$\$ profits
 - Primarily on pills
 - Some will use for injectables as well
 - \$12-20 depending on the market
 - Not used on Parasiticides given internet competition
- Pill Pricing
 - Specific % mark-up: works for some drugs
 - Fixed \$\$ mark-up: works for other drugs
 - A combo of % and \$\$ mark-up

Pill Pricing Requires Thoughtful Analysis

Low-cost medications required minimums

		Retail Per	Dispensing	Client price
<u>Pill Cost</u>	<u>Markup</u>	<u>Pill Price</u>	<u>Fee</u>	<u>30 Pills</u>
\$0.05	100%	\$0.10	\$15.00	\$18.00
\$0.05	\$1.00	\$1.05	\$15.00	\$46.50
\$0.05	100%+\$10	\$0.10	\$15.00	\$25.00

Minimum

Higher cost medications can't be priced too high

		Retail Per	Dispensing	Client price
<u>Pill Cost</u>	<u>Markup</u>	<u>Pill Price</u>	<u>Fee</u>	<u>30 Pills</u>
\$3.00	100%	\$6.00	\$15.00	\$195.00
\$3.00	\$1.00	\$4.00	\$15.00	\$135.00

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Parasitocides and MAP Pricing

What is MAP?

All manufacturers of Parasiticides have set MAP Pricing for Chewy and others.



“Minimum advertised price is a policy set by a manufacturer that specifies the lowest price a retailer (including online) can advertise a product for sale. MAP policies are intended to prevent retailers from selling products below cost or undervaluing them.”

MAP Pricing

- Ask your Manufacturer Sales Rep for MAP pricing for each Parasiticide sold
 - Zoetis, Elanco, Merck and BI all have MAP pricing in place (pre-COVID)
- Typically leads to 35-45% profit margins (or 55-65% COGS)
- Pricing at MAP helps retain clients
 - Competitive with Chewy and others except...
- Online retailers price below MAP with 'specials'
 - Ex: "Sign-up for 'auto-ship' on your first order and get % rebate"
 - Typically, specials are only after clicking through an initial price



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Thank You!

Do you have any questions?

