

SPECIAL EDITION

# veterinary focus

The worldwide journal for the companion animal veterinarian 2023

## PRICING STRATEGY IN 2023

**Inflationary pressure: pricing strategy -**

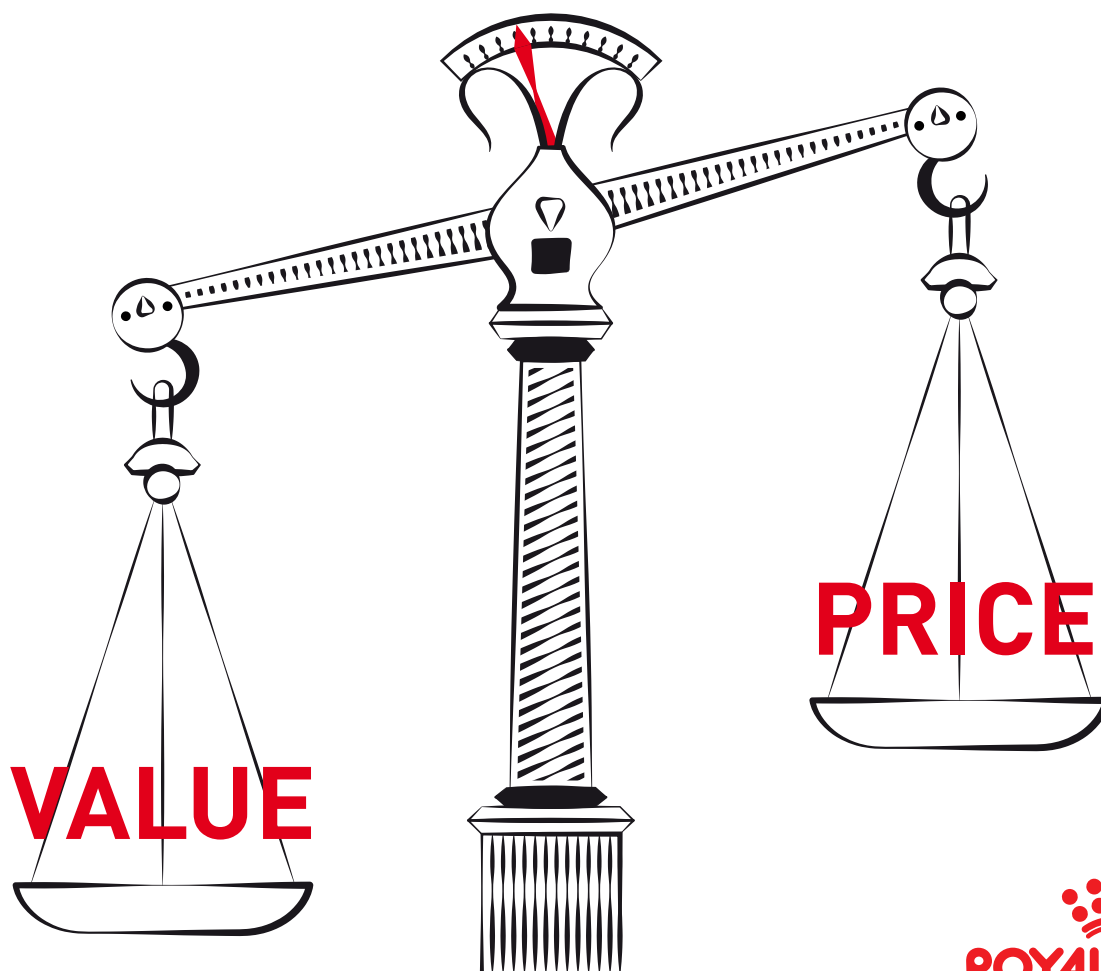
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Over the last few years, the veterinary profession has faced some significant challenges. After COVID and its limitations, after the shortage of veterinarians and support staff, after the increase in workload from the growth in pet ownership, and with high levels of burnout amongst our colleagues, we now face the fact that high inflation rates are impacting everyone, requiring us to make further adaptations on how we work on a daily basis in practice.

Like all parts of the pet care ecosystem, Royal Canin has also been affected by this new economic scenario and the problems it brings – such as the rise in the cost of our raw materials, energy prices, and more. However, what doesn't change is our commitment to the high quality of our products: we remain true to our "Cats and Dogs First" belief and continue to work tirelessly to provide the best for you and the pets you treat.

We recognize that price rises add to the complexity of running a business, and can lead to tensions. That's why we have asked three specialists in practice management, Philippe Baralon, Antje Blaettner and Pere Mercader, to share their expertise in how to approach pricing for veterinary services and products.

We sincerely hope that the future will be better and that this short Special Edition of *Veterinary Focus* brings you the support you deserve. Take care.

**Philippe Marniquet**  
DVM, Dip. ESSEC  
Health Affairs Royal Canin

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# INFLATIONARY PRESSURE: PRICING STRATEGY



## Philippe Baralon

DVM, MBA, Phylum, Colomiers, France

Dr. Baralon graduated from the École Nationale Vétérinaire of Toulouse, France in 1984 and went on to study Economics (Master of Economics, Toulouse, 1985) and Business Administration (MBA, HEC-Paris 1990). He founded his own consulting group, Phylum, in 1990 and remains one of its partners to this day, acting primarily as a management consultant for veterinary practices in 30 countries worldwide. His main areas of specialization are strategy, marketing and finance, and he is also involved in training veterinarians and support staff in the field of practice management through lectures and workshop, as well as benchmarking the economics of veterinary medicine in different parts of the world. A prolific author, he has authored more than 50 articles on veterinary practice management.

This paper is one in a series of three articles written by specialists in veterinary management (alongside Antje Blaettner and Pere Mercader). It looks at the factors to take into account when considering a practice's annual price list revision, especially when inflation rates are high.

## KEY POINTS

It is important to know what a veterinary practice's internal inflation rate is when planning to increase a clinic's fees for products and services.

A practice's internal inflation rate will probably differ from the national inflation rate, as it is largely dictated by the varying costs of wages, rent and – in most cases – not a lot by energy bills.

It is important to understand what impact a chosen price increase will have on overall margins, as otherwise the overall profitability of the business may be reduced in future years.

It is extremely important to price veterinary products and services correctly, especially when the national inflation rate is high.

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## Introduction

Following three decades or so of price stability in most developed economies, inflation is now back with a vengeance. Veterinary practices, as with all businesses, have to deal with this unusual situation, and most of them struggle to understand what should (or should not) be done. In order to consider how a practice should adjust its fees to allow for inflation, let's focus on a case study using some simple data and questions.

## PremiumVet price review

PremiumVet<sup>1</sup> is a first opinion companion animal veterinary practice that trades as a partnership. It has what is regarded as an adequate pricing policy

<sup>1</sup> The name "PremiumVet" is hypothetical and has no relation to any actual practice or business of the same name.

– i.e., consistent with its market positioning – and a satisfactory level of profitability from the perspective of the two partners, Jane and Kevin.

The two partners meet in late December each year to decide on their annual price adjustments for the upcoming 12 months (**Figure 1**). For the meeting in December 2022, Jane prepares as usual by collecting relevant data. This includes a simplified projected forecast of PremiumVet's final Profit & Loss (P&L) account for 2022 (**Table 1**) and details on the inflation rate.

Nationally, the final overall inflation rate for 2022 is expected to reach 10%, fueled mainly by rises in energy and food prices. As of late December 2022, the majority of forecasts roughly anticipate the same level of inflation for 2023, although



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**Figure 1.** Practice owners must consider their pricing strategy when faced with a high inflation rate; this also requires careful discussion and explanation within the veterinary team.

uncertainty remains very high (most economists anticipate between 5 and 12%). Of course, not every cost rose by 10% in 2022, so Jane reviewed the data for all their expenditure, as summarized in **Table 2**.

Now Jane and Kevin have to make some major decisions:

1. At their annual meeting at the end of 2021, Jane had proposed to increase prices for all veterinary services by 2.5%, (i.e., roughly the 2021 inflation rate), with staff salaries increased by 2% from 1<sup>st</sup> January 2022, and Kevin had agreed immediately. However, March-April 2022 saw energy prices take off, and then in late spring many other prices also significantly increased, such that pressure on salaries within the business became a concern. At this point Jane proposed to add an extra 4% to fees, but Kevin was reluctant to do so; eventually, in late September, he agreed to a 2.5% increase from October 1<sup>st</sup>, with a further 4.5% increase in staff wages at the same time. They now face the question; what price adjustment should be implemented on services for 2023? Should it be an adjustment across the board at a set percentage, or would it be preferable to make different adjustments according to service categories? They also feel that they need to give their staff a 5% increase in wages from January 2023.
2. For products sold at the clinic, the 2021 adjustment was almost automatic: the partners applied their usual mark-up rates to the updated purchase prices. For this year, it is even more difficult to make sound decisions for products than for services, as there have been huge variations in purchase price increases (between 2 and 38%! ). The conundrum is best illustrated by considering two products stocked by the practice (with all prices excluding VAT for simplicity):

**Table 1.** Simplified projected forecast of PremiumVet's final Profit & Loss (P&L) account for 2022.

	K€
<b>Total revenue</b>	<b>1,000</b>
Cost of sales (drugs, pet food, consumables)	230
<b>Gross margin</b>	<b>770</b>
Staff costs	465
Cost of premises	55
Energy costs	15
Other overheads	85
<b>Total costs</b>	<b>620</b>
<b>Profit</b>	<b>150</b>

**Table 2.** PremiumVet's inflation rates over 2022/2023. Note that simply using the average or national inflation rate will mask the varying increases in different expenditure categories, and it is better to identify the specific inflation rate for each sector wherever possible.

Expenditure	2022 inflation rate	Remarks and anticipation for 2023
Staff costs	+6.5%* *See note below Table 3	+ 2% in January & + 4.5% in October 2022, then 5% in January 2023
Cost of premises	+3.0%	Annual contractual rise, should remain below 4%
Energy	+55.0%	Unpredictable – estimated cost
Other overheads	+3.5%	Very variable, could increase a bit further



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**Figure 2.** Clients will usually purchase products from the practice if there is little competition from other market sources.

- For Product A the purchase price in 2022 was 30€, and it was sold to clients at 54€ (a mark-up of 1.8). The 2023 purchase price is expected to be 31€. Furthermore, product A benefits from having little competition from other channels – i.e., clients will usually purchase it from the practice (**Figure 2**).



- For Product B the purchase price in 2022 was 60€, and it was sold at 84€ (a mark-up of 1.4). The 2023 purchase price is expected to be 75€, probably because of the increased cost of specific raw materials and/or high energy costs. In addition, product B suffers from major competition, *i.e.*, clients can also source it from non-veterinary competitors, mostly on-line stores (hence the historic choice of a lower mark-up than for Product A).

## ●●● The partners face three important questions

### 1. What is the increased gross margin PremiumVet needs to maintain its profit (in constant currency) in 2023?

Using the information collected by Jane, the two partners were able to calculate their internal inflation rate, as shown in **Table 3**. Total costs for 2023 were estimated to be €43K more than the 2022 costs; if inflation is assumed to be 10%, this would mean that a comparable profit for Jane and Kevin in 2023 would be €165K, (*i.e.*, 10% higher than 2022). To achieve this their gross margin would have to go up from €770K to €828K.

It's important to note they used the national inflation rate only to calculate their maintained profit in constant currency; for all other items they used specific data. The required gross margin – 828 K€ – means that PremiumVet needed a gross margin that is 7.5% higher than in 2022 to maintain an equivalent net profit for the partners.

In front of that, the practice increased prices by only 3.1% on a full year basis (2.5% on January 1<sup>st</sup> and 2.5% on October 1<sup>st</sup>) although the level at December 31<sup>st</sup> will be 5% higher than a year before<sup>2</sup>.

<sup>2</sup>To be absolutely accurate, two consecutive 2.5% rises in prices result in a 5.0625% rise (1.025 x 1.025) and if the first one is applied from January 1<sup>st</sup> and the second one from October 1<sup>st</sup>, the average rise is 3.14% (2.5% x 3/4 + 5.0625% x 1/4).



**“Price increases should not be applied automatically, but should rather be chosen depending on various factors, including what your competitors charge.”**

Philippe Baralon

**Table 3.** The calculation required to maintain the profit level for PremiumVet's owners by applying the appropriate inflation rate to each expenditure category.

	2022 K€	Uplift (from Table 2)	2023 K€
Staff costs	465	+6.5% <sup>1</sup>	495
Cost of premises	55	+3.0%	57
Energy costs	15	+55.0%	23
Other overheads	85	+3.5%	88
Total costs	620		663
<b>Profit</b>	<b>150</b>	<b>10%</b>	<b>165</b>
Gross margin	770	<b>+7.5%</b>	828

<sup>1</sup>To be absolutely accurate, two consecutive rises in wages of 2% and 4.5% result in a 6.59% rise (1.02 x 1.045) and if the first one is applied from January 1<sup>st</sup> and the second one from October 1<sup>st</sup>, the average rise is 3.15% (2% x 3/4 + 6.59% x 1/4).

### 2. What is an appropriate level for their service prices in 2023?

Considering PremiumVet prices are adequate – *i.e.*, consistent with its market positioning – the simplest method to update service prices is to increase each of them by 7.5%. Nevertheless, the partners may decide to increase some of them by more than this if they think it's needed and/or possible, and others by slightly less only if it's absolutely necessary (for instance if the fees charged by other local veterinary practices are competitive), provided that, on a weighted average – taking into account the volume of each service – the increase reaches at least 7.5%.

Of course, the two partners agreed to keep an eye on the situation throughout the coming year, and to be ready to move again as the situation required. After all, their decisions for January's price adjustment are only able to offset the last part of 2022's actual internal inflation and barely include the minimum anticipated for 2023.

### 3. How should the issue of product pricing be addressed?

When it comes to setting product prices, the two examples given show two opposing situations. The purchasing price of Product A is to rise by only 3.3% in a category which is not affected by any major competition, whilst the price of Product B is expected to rise by 25% in a category heavily exposed to alternative channels.

If PremiumVet sticks to its previous strategy and applies its usual mark-up rates (1.8 for Product A and 1.4 for Product B), the practice will only increase its gross profit by an additional 80 cents, or 3.3%, for Product A. For Product B the increase in gross profit would be an extra 6€, which is a 25% uplift. In the first example, the price increase is below the required 7.5% rise in gross margin to maintain an acceptable level of profit (as calculated in **Table 3**) and will not optimize the opportunities offered by low competition. In the second example,

**Table 4.** PremiumVet's pricing options using the practice's "standard" mark-up rates and with a 7.5% increase on gross margin. The table shows how a flexible and considered approach to different products can preserve or increase the profit.

product	2022 purchase price	Mark-up rate	2022 selling price	2022 gross margin	2023 purchase price	2023 selling prices			2023 gross margin
						Usual mark-up rate	+7.5% gross margin	Final decision	
A	30€	1.8	54€	24€	31€	55.80€	56.80€	60.00€	29€
B	60€	1.4	84€	24€	75€	105.00€	100.80€	100.00€	25€

**Table 5.** A summary of the price strategy implemented by PremiumVet where price increases vary according to the level of competition.

	Product	Increase in purchase price compared to required increase of gross margin (7.5% for PremiumVet in 2023)	
		< 7.5%	> 7.5%
Competitive context	Low competition (consumables, injectables, one-off deliveries...)	> Standard mark-up ≥ + 7.5% in gross margin	Standard mark-up
	High competition (large packs of well-known OTC brands or preventive or long-term products available from non-veterinary channels)	Standard mark-up Close competition monitoring	< Standard mark-up Maximum + 7.5% in gross margin Close competition monitoring

the price adjustment will exceed the gross margin objective but exposes the practice to the risk of losing sales to competitors.

A better alternative would be to increase the gross margin made on each product by 7.5% – so for product A, take the 2022 gross margin of 24€ and increase it by 7.5%, which gives a new gross margin of 25.80€ and therefore a selling price of 56.80€ (31 + 25.80); for product B, the same 7.5% increase would give a selling price of 100.80€ (75 + 25.80).

However, an even better option would be to then adjust the final pricing from this basis considering the specific competitive context. **Table 4** sums up the pricing options using the practice's "standard" mark-up rates and by using a 7.5% increase on gross margin, and presents the final decisions Jane eventually proposed to Kevin.

Kevin agreed in principle, but asked for a general policy easily implementable to all products sold by PremiumVet. In return, Jane proposed the price adjustment policy (summarized in **Table 5**) which takes into account both the requirement for an increase in gross margin and the need to consider product placement in a competitive context.

## Take home messages

The above exercise illustrates some basic points to bear in mind when reviewing fees and product prices in a veterinary practice. There are at least three important messages here:

- It is useful to depart from the standard annual price adjustment of services and usual mark-up rates applied to products when inflation rate exceeds 5% per year, and it is absolutely essential to do this when it reaches 8%.
- In addition to the national statistics, it is very interesting to survey the "internal inflation rate" of a veterinary practice. Moreover, it is important to ensure that annual profits increase annually, at least in line with the national inflation rate, otherwise practice profitability will drop in constant currency. Using the appropriate data, it is possible to set a target for a gross margin evolution of X%.
- Service prices should be raised each year by at least X% using a weighted average. If inflation is established in the national economy, it is preferable to adjust service prices two or three times a year, rather than in one sharp rise. When it comes to products, the authors recommend the guidelines set out in **Table 5**.

## CONCLUSION

After several years of near-zero inflation, veterinarians need to adapt in the way they increase the price of their services and products. There is no simple solution, but this article highlights the different parameters to be taken into account in order to optimize your pricing strategy.

# CHOOSING THE RIGHT PRICE FOR YOUR SERVICES



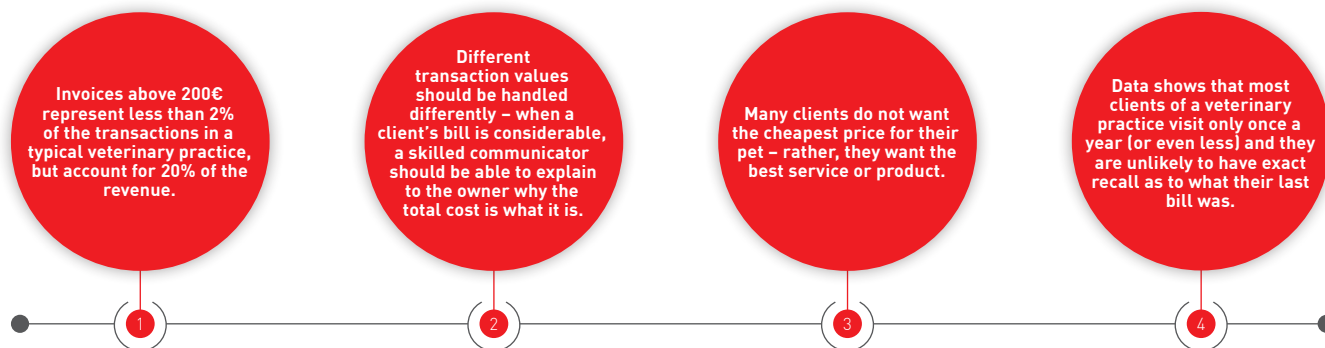
## Pere Mercader

DVM, MBA, Veterinary Management Studies (VMS), Barcelona, Spain

Dr. Mercader established himself as a practice management consultant to veterinary clinics in 2001 and since then has developed this role in Spain, Portugal and some Latin-American countries. His main accomplishments include authoring profitability and pricing research studies for Spanish veterinary clinics, lecturing on practice management in more than 30 countries, and authoring the textbook "Management Solutions for Veterinary Practices" which is published in Spanish, English, Italian and Chinese and has sold worldwide. In 2008, he co-founded VMS, a business intelligence firm that provides a benchmarking service for more than 800 Spanish veterinary practices. Dr. Mercader was also a co-founder of the Spanish Veterinary Practice Management Association (AGESVET) and served on its board for eight years.

This article, which is part of a series looking at the business side of practice (written in conjunction with Antje Blaettner and Philippe Baralon), looks at the perception of veterinary prices – how do clients really see our fees, compared to how we think they see them?

## KEY POINTS



## ●○○ Introduction

Many of the financial aspects of running a practice have always been a problem for most veterinarians. This may be partly because we are primarily clinicians, not business managers, partly because we are bound up in the emotional aspects of caring for pets, and partly because we do not have the skill set that allows us to know how to structure our fees and then explain them to owners. This article offers an evidence-based approach for when it comes to choosing the right price for our services and products.

Making sound pricing decisions has historically been a challenge for many veterinarians. There are several reasons for this:

- It is difficult to calculate the real cost of veterinary services. Since most of the outgoings in a practice are fixed (people, equipment, premises), it is not obvious how to allocate a fair portion of these costs to a specific medical procedure. This is especially true if we have never been trained to do it as part of our university education!
- It is difficult to appreciate and understand how the pet owner's perception of value is created. This often results in veterinarians overestimating the clients' sensitivity to price.
- A lack of communication skills and training puts us at a disadvantage; if we cannot properly explain to a client the reasoning behind our treatment recommendations and the value that

they will provide to their pet, it is not surprising that some clients reject these recommendations – not because of the actual cost, but rather because of the perceived lack of value!

- The role that emotions play, and in particular the unjustified feelings of guilt that are generated in our minds whenever cost is an issue. Many veterinarians feel bad when there is a confrontation with a client about the cost of a procedure, often forgetting the paradox that undercharging for services normally implies underpaying their team for their effort.

As veterinary surgeons we need to get over these problems, as they hold us back from developing the business and offering the best possible animal care. Data can play an important role in this context, bringing clarity and preventing emotional biases from confusing our analysis. Let's look at three evidence-based case studies which may help us view "the pricing issue" from a different perspective, unmasking (and debunking) some of the common financial myths that are unfortunately entrenched in our profession.

## CASE STUDY #1



### "The true (and surprising) size of most veterinary bills"

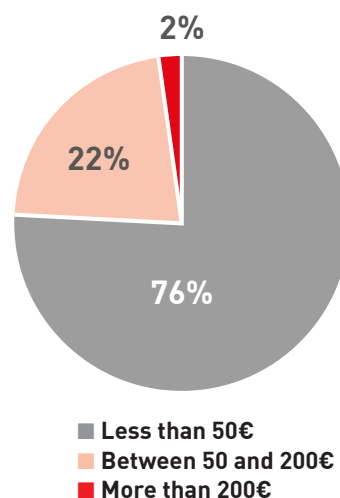
What is the average transaction value (ATV) involved when an owner visits a veterinary practice? This was key question in a recent VMS survey ([www.estudiosveterinarios.com](http://www.estudiosveterinarios.com)) that analyzed 6.5 million transactions from around 1,000 Spanish practices during 2020. **Figure 1** shows the cost distribution split into three categories, while **Figure 2** shows how each category contributed to the overall revenue stream of the practices involved.

We can highlight certain facts from these results:

- A surprisingly large number of transactions (76%) are of relatively small monetary value (50€ or less), so they are highly unlikely to trigger any major financial conflict with pet owners. Most of these transactions are probably routine in nature, with low communication complexity, and can be managed by any appropriately trained member of staff.
- At the other extreme, an invoice of 200€ or more represents less than 2% of the total number of transactions; however, their economic relevance for the business is important, since they account for 20% of overall revenue. Therefore, it would seem reasonable to approach these transactions more carefully, with a structured message and ideally with the direct involvement of a veterinarian equipped with good communication skills.
- The relative proportions of these categories will change depending on the particular segment of the veterinary market. Major referral hospitals

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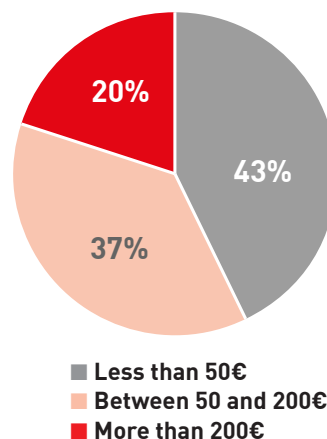
% of transactions per value



**Figure 1.** The average transaction value (ATV) in a veterinary practice, when split into three major categories, is generally relatively low. Source: VMS study Spain

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% of total practice revenue coming from transactions in each range



**Figure 2.** Although only 2% of transactions in a veterinary practice are above 200€ in value, this fraction makes up a considerable portion of the clinic's overall turnover. Source: VMS study Spain



**"For a consumer, a very low price can be suspicious, whereas a higher price can signal quality."**

Pere Mercader



will certainly have a much higher number of larger value transactions, and their staff will need to be better equipped with the necessary communication skills and techniques to handle the ensuing economic conversations with clients.

#### CONCLUSION

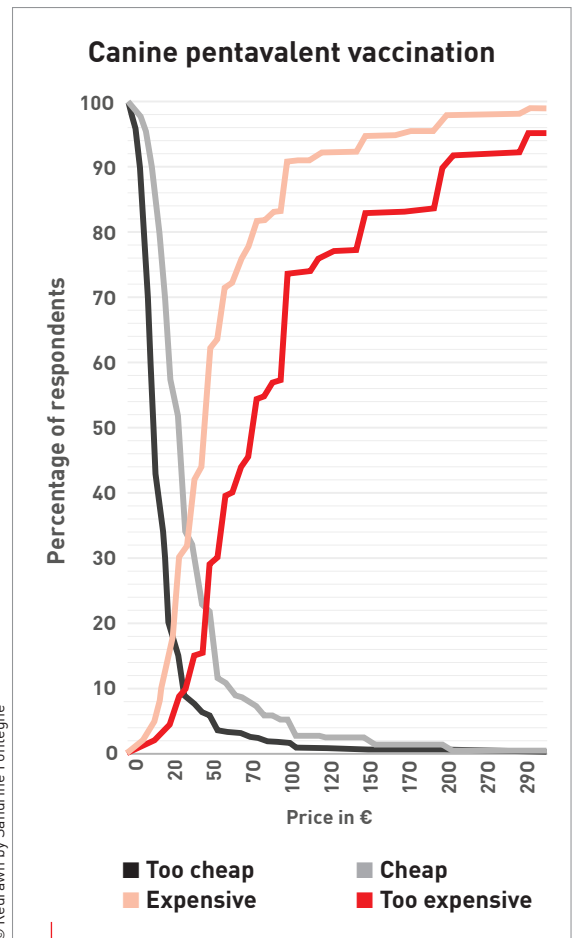
Data shows that 98% of interactions with clients result in a bill lower than 200€. Pricing can certainly be an issue with some clients and with some procedures, but we need to see this topic in the overall context.

## CASE STUDY #2

### “Understanding the psychology of veterinary service pricing: why pet owners don’t always prefer it cheaper”

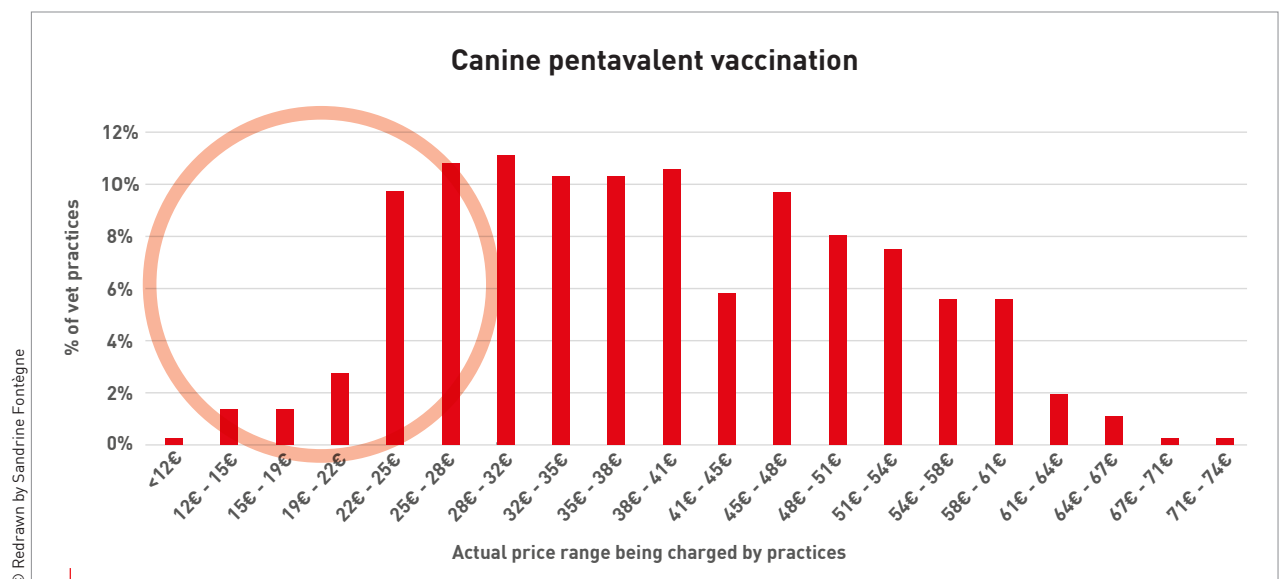
Understanding how consumers evaluate prices has always been an important challenge for marketing experts. It is hard to use traditional techniques such as surveys to find out if a certain price is seen as low, high, or fair, since many people will tend to answer these questions strategically (i.e., rather than telling the truth, they will answer in a way that they believe is more beneficial for them). The Dutch economist Peter Van Westendorp became famous for developing a technique known as Price Sensitivity Meter (PSM) that overcomes this problem. The technique works by first exposing the consumer to a detailed description of the product or service which is being evaluated, for instance:

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**Figure 3.** Price sensitivity meter (PSM) for canine pentavalent vaccination.

- **Low marginal price** = 30€ (lower than this is suspicious)
- **Expected price** = 40€
- **High marginal price** = 50€ (higher than this is considered to be excessive)



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**Figure 4.** 25% of Spanish veterinary practices were found to have a “suspiciously low” price for canine pentavalent vaccination when compared to the price sensitivity meter (PSM) in Figure 3.



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**Figure 5.** Canine vaccinations are a routine part of small animal practice, but research shows that many veterinarians actually charge a fee that is perceived by the owner as being too cheap for the service received.

**“Canine pentavalent vaccination:** this involves administration of multiple vaccines to your dog by a licensed veterinarian; this will protect it against five common canine diseases (distemper, adenovirus, parainfluenza, parvovirus, and leptospirosis). Before the vaccine is administered, a full physical examination will be carried out on your dog to confirm that it can be vaccinated without risk to its health”.

A series of four questions is then asked:

1. What would be a price so low for this service that you would reject it because you would be concerned about its quality?
2. What would be a price low enough for this service that you would consider to be attractive and a good deal?
3. What would be a price for this service that you would consider to be expensive but which you would still see as acceptable if your perception of quality and trust towards the service provider was good enough?
4. What would be a price for this service that was so high that you would consider it to be ridiculous, and therefore not even contemplate accepting it?

**Figure 3** shows the actual results obtained when VMS applied this technique with 2,000 Spanish pet owners in 2021. When the findings were compared with the actual vaccine prices being charged by 600+ Spanish veterinary practices (**Figure 4**) it became evident that almost 25% of these practices were charging a price that owners regarded as suspiciously low! (**Figure 5**).

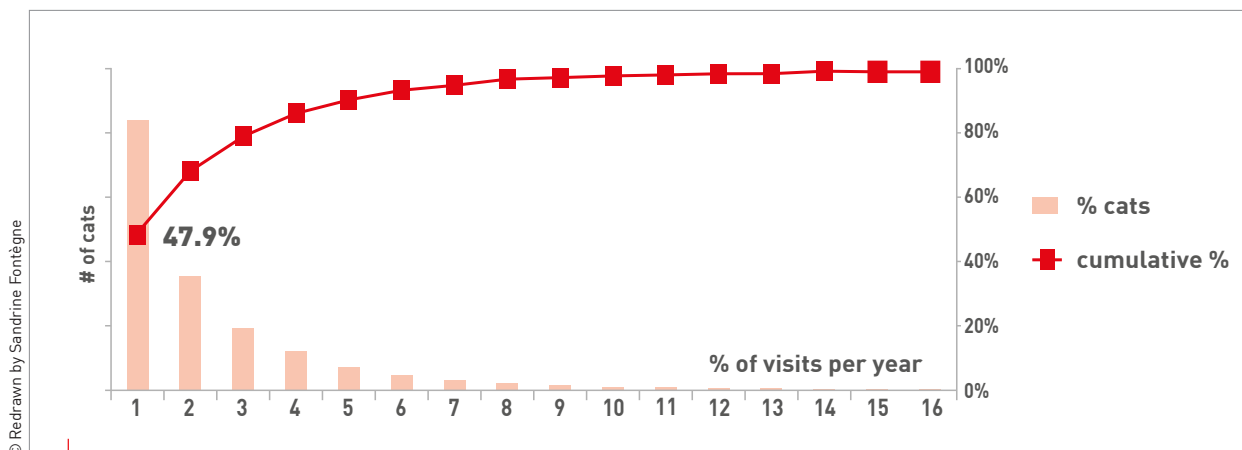
#### CONCLUSION

Consumers (*i.e.*, pet owners) don’t always necessarily prefer lower prices. Where a person has difficulty assessing quality level (such as in veterinary medicine) a very low price may send the wrong signal about reliability.

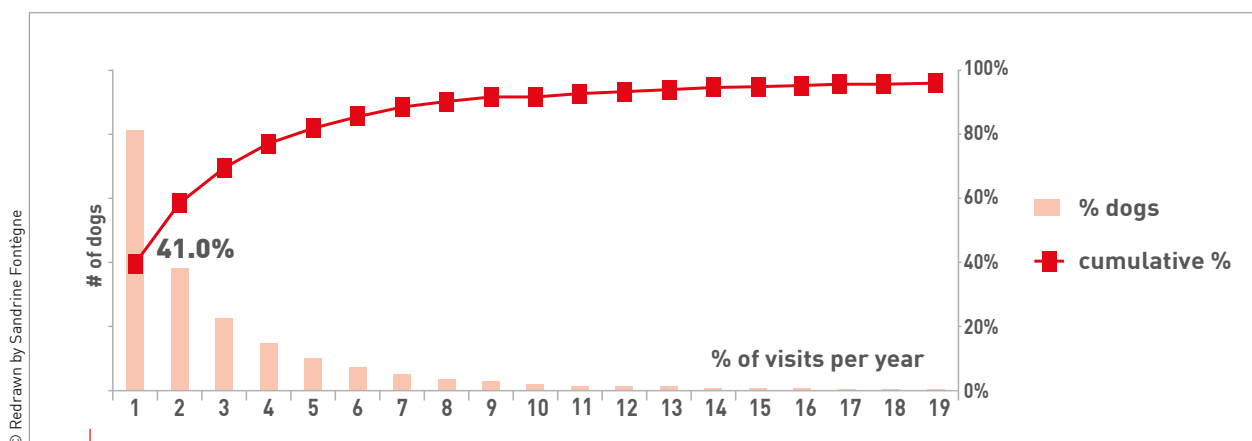
#### CASE STUDY #3

●●● **“Most clients don’t think as much about our prices as we do”**

**Figures 6 and 7** show the cumulative frequency of canine and feline patient visits to Spanish veterinary practices from a 2019 VMS survey. In summary, 47.9% of all cats and 41% of all dogs



**Figure 6.** % of cats visiting the veterinary practice once, two times, three times, etc. per year.  
Source: VMS study Spain



**Figure 7.** % of dogs visiting the veterinary practice once, two times, three times, etc. per year.  
Source: VMS study Spain

were taken to their registered practice only once a year. On top of this are the large number of the nation's pets that were taken to a veterinary practice less than once a year (estimated at 10-15% of all dogs and up to 50% of all cats). With these figures in mind, do we believe that most clients can remember precisely the cost of all our services, and are going to complain bitterly when we update our price list due to inflation?

#### CONCLUSION

A large percentage of pet owners visit their practices so infrequently that it is unlikely they will have precise recall of how much they paid previously.

#### CONCLUSION

When an evidence-based approach to practice fees is used, it reveals unexpected facts which should remove any anxiety from veterinarians dealing with pricing issues. Consumers are often less price-sensitive than we imagine, and we should set the price of our products and services properly. A considered and proactive approach to the finances of the business will ultimately result in the practice team, our clients and the pets we treat all being winners.

# DISCUSSING VETERINARY FEES WITH PET OWNERS



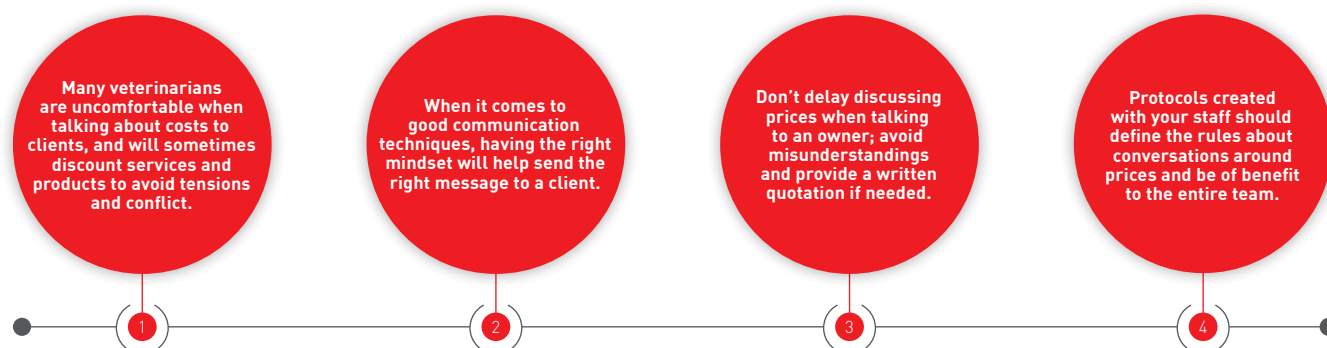
## Antje Blaettner

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Dr. Blaettner grew up in South Africa and Germany and graduated in 1988 after studying Veterinary Medicine in Berlin and Munich. She started and ran her own small animal practice before undertaking postgraduate training and coaching course at the University of Linz, Austria and then founded "Vetkom". The company provides training to veterinarians and veterinary nurses in practice management in subjects such as customer communication, marketing and other management topics. Dr. Blaettner also is editor for two professional journals, "Teamkonkret" (for veterinary nurses) and "Veterinärspiegel" (for veterinarians).

This article (one of a series, authored with fellow veterinary management specialists Philippe Baralon and Pere Mercader) encompasses some of the financial aspects of veterinary practice. It considers why we often shy away from talking about our prices, and offers some practical ways to positively communicate with our clients about the costs of veterinary treatment.

## KEY POINTS



## ●○○○ Introduction

Informing clients about medical procedures, services and products comes naturally for most veterinarians. It's when the client asks "How much is it going to be?" that communication often tends to get slightly tricky and uncomfortable, leaving us trying to avoid conflict around fees and prices by granting discounts, by reducing the total cost, (e.g., by not billing for every service delivered) and by generally trying to deflect this sensitive topic. But why is this happening? And how can we change it? This article will offer a quick guide to an easy and stress-free communication of price and costs for all practice team members.

## ●●○○ First steps

To help find solutions for comfortable discussions on price, it helps to begin by asking ourselves some questions:

- Why are we often uncomfortable when talking about costs to our clients?
- How can we effectively overcome this feeling of discomfort?
- Which tools can help us to act as confident professionals in every aspect of client communication?

The answers are perhaps easier than you might expect!



## ●●● Reframe the veterinary mindset

It seems that a historical paradigm affects the entire sector, or at least for the majority of veterinary professionals worldwide: It says that clients actually don't want to pay (much) at the veterinary practice. Sadly, this paradigm greatly affects how we interact with our clients, because an assumption like this can be a real hurdle for our business, preventing us from offering owners the best we can deliver by focusing on their needs, instead of constantly thinking about the client's purse.

Taking a mental step back and analyzing the assumption that clients are unwilling to pay for our professional services, it's clear this attitude makes no sense at all. Why? Because every client and customer are fully aware that the act of buying something always involves a fee – even at the veterinary practice. This is also confirmed by the VMS study from Pere Mercader, which proves pet owners don't necessarily prefer lower prices and don't think about prices as much as we believe. And do not forget: the strength of the human-animal bond will mean that the pet-owner's mindset is such that they want to take good care of their beloved family members, and of course this includes getting the best veterinary services. If owners are fully informed and understand the benefits and value of services and products for their pets, they are usually fully prepared to pay their bills (**Figure 1**).

## ●●● Be aware of self-fulfilling prophecies

Sadly, a negative mindset (e.g., "my clients don't like to pay") often leads to exactly the reaction we want to avoid: the pet owner is reluctant to pay and shows signs of discomfort when the veterinary professional talks about services. This often results from the devastating impact of the



**"It's important to avoid preconceived ideas about what a pet owner can or cannot afford."**

Antje Blaettner



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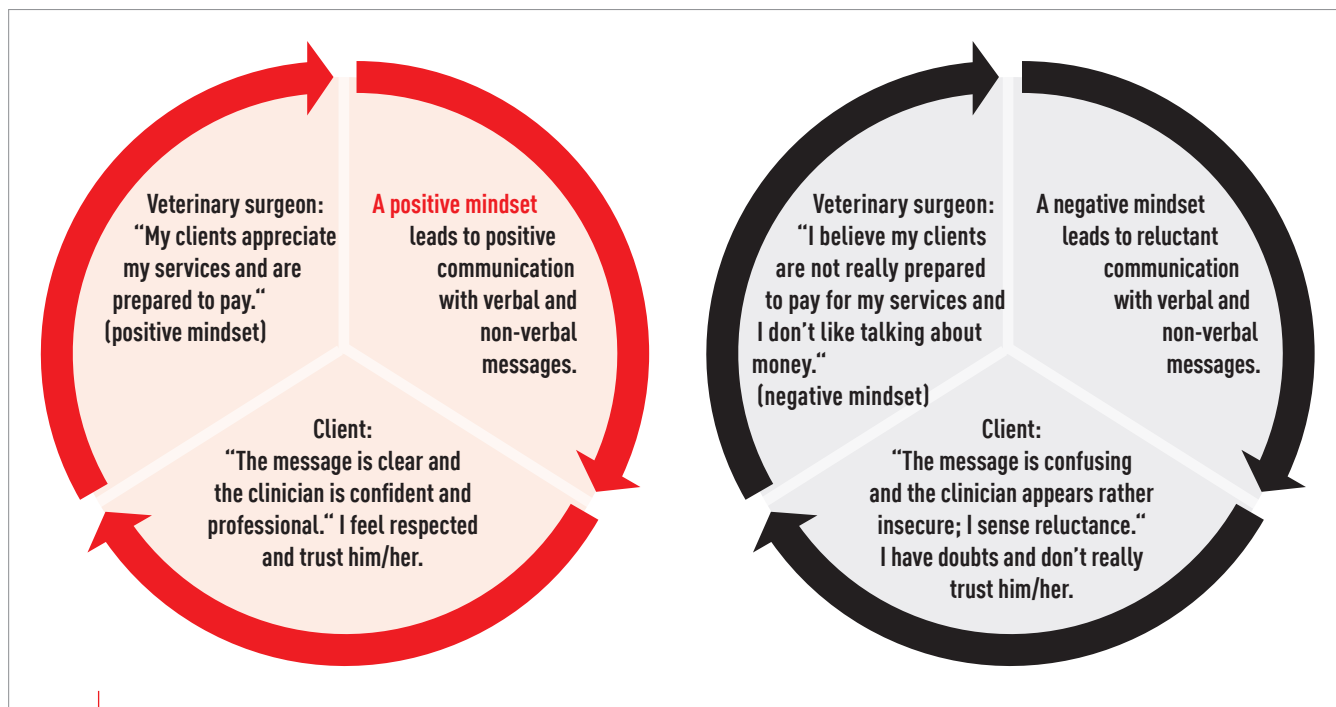
**Figure 1.** It is important to construct a full quotation or an accurate estimate before discussing matters with the owner; once the treatment is discussed in detail, and the fees explained, an owner is more likely to accept the overall costs.

so-called self-fulfilling prophecy: if we think that clients are generally reluctant to pay our fees, we then unconsciously display this mindset in our body language, rhetoric and the way we construct our dialogue (often avoiding the issue of payment). This leads to a client receiving an impression of our discomfort on an unconscious level, and then reacting consciously by saying things like "I have to think about that" or "I'm not sure that this is a good idea". When this happens, we feel affirmed in their belief that clients don't like to pay, but we are not aware that it was our very own mindset that led to clients mirroring our discomfort and having second thoughts about saying "yes" to services and products offered. The conclusion is that we then recognize the client's reluctance and think: "I knew it! They don't want my services!"

Therefore, it is often our inability to generate a positive and structured approach to speaking about cost that leads to the conflict itself – a beautiful example of a self-fulfilling prophecy. The assumption (and sometimes even expectation) that clients won't pay leads to the clinician displaying controversial and negative body language and an avoidance of the topic, resulting in a reluctant client who starts to have doubts about the treatment that is being recommended.

So to emphasize – the starting point of the problem is not at the client's end, it's the veterinary professional's "prophecy" aided by his or her false assessment of the client, that fulfils itself. The most important thing needed to overcome our discomfort and to tackle self-fulfilling prophecies when discussing fees is to reframe our mindset by





**Figure 2.** Effects of a positive (left) and negative (right) mindset during client communication. A positive mindset enables a relaxed communication, whereas a negative mindset can invoke trust-issues with the client.

adopting a positive attitude that says: “Of course my clients are totally prepared to pay an appropriate fee for the services received at my clinic” (**Figure 2**).

## ●●●○ Create protocols to help you and your team

From the above, it’s clear that our profession has to focus on a positive mindset and find the tools that help defuse the discomfort around the issue of costs and price in client communication. And one of the most effective ways to tackle the “when and how” in everyday practice is to create a protocol for informing clients about costs: develop a structure that is tailor-made for you, your team, and your business, and that defines when and who talks to your clients about the costs. Answering the following questions can help you construct a written protocol for this, which can be shared and discussed within your team, and then installed as a “must-do” into your client-communications:

- **When’s the best time point to mention costs during the consultation?** Reflect on your habits and try out several possibilities. The author believes that the issue of price is best included directly when talking about the respective services and/or products. This way the client feels respected, informed and secure and won’t be surprised when checking out of the clinic. The other advantage of this approach is that it offers the chance to adapt the treatment plan (if the client says they can’t afford it) and to answer questions that arise before starting a course of treatment.

- **Who should talk about money?** This clearly depends on the services and products that are presented. If clients want to know the price of something (e.g., an antiparasitic check and deworming medication) it does not have to be the veterinarian that give the answer – educated and trained staff can handle this, especially if there is a protocol for which information is to be given on certain services and products (**Figure 3**). Medical procedures, diagnostics and complex treatment and preventive healthcare plans, plus their respective costs, should be explained by



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**Figure 3.** Trained staff can easily talk to clients on money issues, especially if there is a protocol for which information is to be given on certain services and products.

the clinician, because they have more insight on these matters and are able to handle all questions professionally. Of course, they should also be trained on how best to create value by presenting medical options and preventive measures in a client-focused and easy to understand manner, helping owners to make informed decisions.

## ❖❖❖ What to avoid?

Finally, let's list some things that should be avoided when talking and/or discussing costs with clients:

- Don't let clients apply emotional pressure when the conversation involves money. Some clients may try to lower your fees by saying things like "I thought you loved pets and want to help them, so why are you so expensive?" Stick to and express your (new) mindset when diffusing this attempt at emotional blackmail by answering: "You are right. I love pets and love helping them get better and stay well. This is why I've built this clinic with devoted staff and the best equipment to focus on the needs of your pet. Of course, this investment has to be shared by the clients that consult us. But be assured, we calculate our fees in a fair and appropriate manner in line with existing laws and guidelines of our profession."
- Don't try to justify your fees by summing up the costs incurred to run and maintain the clinic. These may be the exact same arguments that pet owners use to explain why they don't have enough money – they have to pay for rent, energy supplies,

transportation, food, clothing, etc. Focus on your fairly calculated fees and point out the value that clients (can) get at your office.

- Don't give in to clients that pressure you, e.g., by lowering your fees. This will spread through the pet owner community (e.g., via social media!) and set an example for other clients, eventually leading to an increasing number of owners that appear at your clinic having heard that you have a "big heart" when it comes to money.



## CONCLUSION

Whether we are the business owner or an employee, the entire veterinary team needs to know how to discuss financial aspects of pet care with owners, know why fees are set at a certain level, and know how our clients perceive their transactions at the clinic. Veterinary fees do not have to be a headache for the veterinary business, but we cannot and should not ignore this vital aspect of our work – after all, a profitable business means that the staff are well paid, new equipment can be purchased, and the practice can flourish.

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