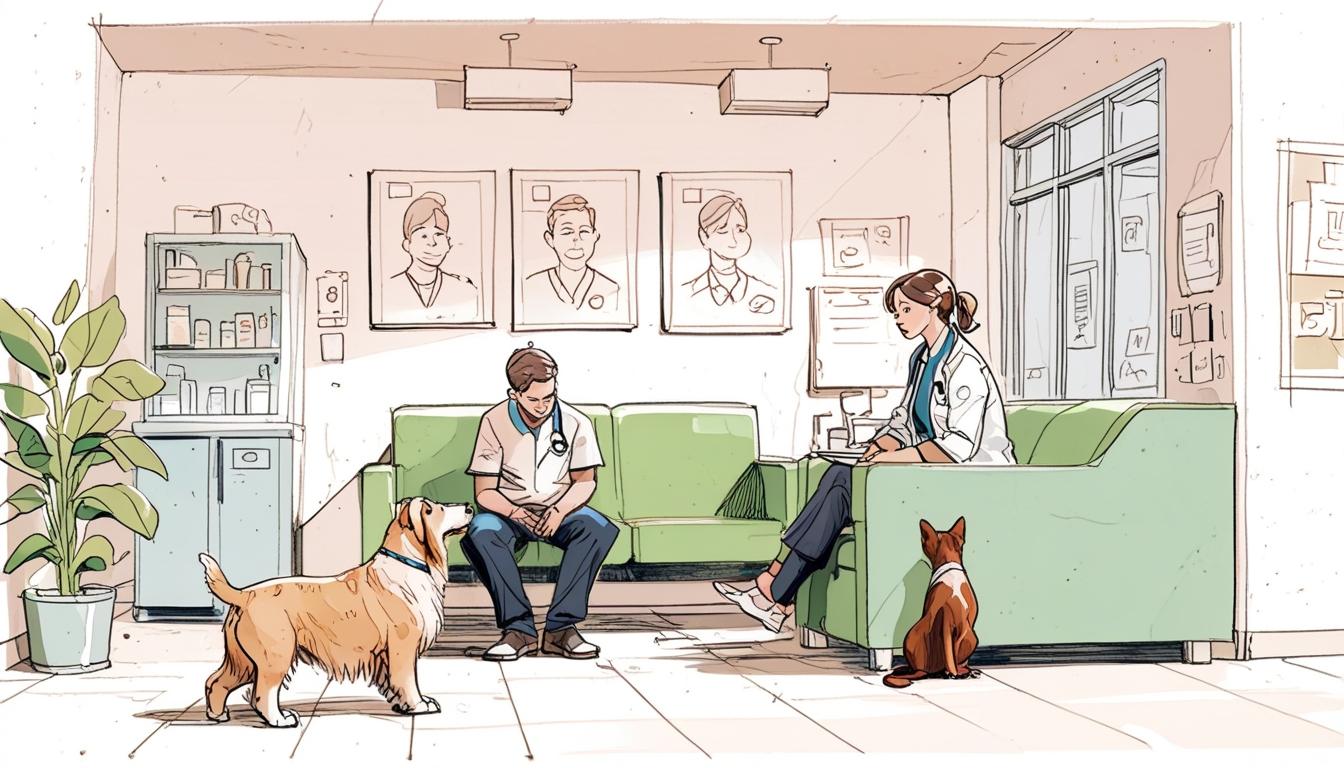
# U.S. veterinary sector faces pressure as patient volumes and revenues decline



The veterinary services sector in the United States, long considered a recession-resistant industry, is showing signs of strain as patient volumes and revenues have declined, according to a recent survey by Morgan Stanley. This shift challenges the assumption that veterinary care, encompassing routine treatments such as worming tablets and hairball remedies, remains inelastic to economic pressures.

The Morgan Stanley/AlphaWise survey, conducted among 75 US veterinary practices, revealed a 1.9% decrease in patient volumes during the first quarter of the year, marking the lowest point since the series began in mid-2021. Furthermore, this period recorded the first-ever decline in veterinary practice revenue at 0.5%, with over three-quarters of surveyed veterinarians reporting price disputes with customers. Specific areas such as new patient appointments, routine check-ups, diagnostic testing, and discretionary procedures also experienced downturns.

Morgan Stanley’s survey, often more optimistic than the broader industry outlook due to its focus on private equity-backed practices, indicates challenges even among well-capitalised firms. These private equity-backed businesses control an estimated half of the US veterinary market. However, the necessity to continuously attract new customers, especially given the average pet’s lifespan of just over a decade and the limited service areas of many practices, complicates growth prospects. Smaller catchment areas contribute to declining patient numbers.

Price inflation adds complexity to assessing the sector’s health. Data from Vetsource, encompassing over 5,000 US veterinary practices, illustrates that although visit numbers have decreased from post-pandemic highs, prices for veterinary services have surged by approximately 60% over the past ten years. The Financial Times reported earlier this year that critics attribute such price increases to reduced competition caused by private equity’s “roll-up” consolidation strategy, which has absorbed many former independent clinics. The industry counters that inflation reflects technological advances in animal healthcare and greater demand from owners seeking sophisticated treatments for their pets.

Indeed, 92% of veterinarians responding to Morgan Stanley’s questionnaire disclosed price hikes in the preceding 12 months, with nearly 20% raising prices by 9% or more. Veterinary professionals identified price inflation as a principal reason for the decline in visits, second only to broader macroeconomic conditions.

Despite these challenges, slightly over half of the surveyed vet practices have managed to achieve year-on-year revenue growth, suggesting some resilience within the market. Among the services offered, only acute care showed revenue increases during the first quarter, possibly owing to a fall in preventive treatments. If economic conditions in the US continue to deteriorate and resistance to rising veterinary bills grows, the implications could affect the health outcomes of pets such as Milo and Luna—common symbolic names used in industry analyses.

Some private equity firms appear to be adapting their strategies to the evolving market. For example, BC Partners integrated a pet crematorium operator into its VetPartners business in 2021. Similarly, Imperial Capital-owned Gateway Services has been acquiring competitors in the “pet aftercare” field, a euphemism for animal funeral services. These services command a significant premium; UK operator Dignity Pet Crematorium charges from £70 for a goldfish cremation (exclusive of additional costs), £130 for a chicken, and up to £300 for dogs. Whether demand for such aftercare services is more resistant to recessionary pressures than standard veterinary treatments remains uncertain.

The Financial Times reports that these dynamics highlight a nuanced sector where private equity involvement, economic conditions, pricing strategies, and changing consumer expectations intersect, ultimately shaping the landscape of animal healthcare and associated services in the US market.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.morganstanley.com/ideas/pet-care-industry-outlook-2030> - Corroborates the decline in patient volumes and revenues challenge in veterinary care despite previous growth assumptions, including details on pet ownership trends and spending projections which show nuanced sector dynamics. It mentions the Morgan Stanley survey insights regarding veterinary care and pet spending trends in the US market.
* <https://www.3blmedia.com/news/why-pets-could-be-long-tail-investment-trend> - Supports the claim about Morgan Stanley/AlphaWise survey findings on pet ownership growth, pet care spending resilience, and veterinary care being a key, fast-growing subsegment despite economic pressures.
* <https://www.healthpopuli.com/2023/05/26/the-growing-pet-economy-what-it-means-for-human-health-well-being-and-healthcare-costs/> - Confirms the price inflation in veterinary services and increased spending on animal healthcare, also discussing the pandemic's impact on pet ownership and the resulting sustained or increased demand for veterinary services.
* <https://www.morganstanley.com/ideas/us-pets-investing-trend> - Details the Morgan Stanley AlphaWise survey data noting that private equity-backed veterinary practices control a significant portion of the US veterinary market, including price disputes and the impact of service area limitations on patient volumes.
* <https://www.bsmpartners.net/insights/pets-in-2024-top-pet-trends-and-how-your-business-can-stay-ahead/> - Supports information about private equity firms adapting their strategies in the pet care market and the rise of new business segments like pet aftercare services, including examples like BC Partners and Gateway Services expanding in pet crematoriums.