Amplifying pet and veterinary care business value

January 2024

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Human and pet health care gap narrows, driving innovation and opportunity for pet businesses

However, the growing sophistication and cost of diagnostics and treatment options are creating significant challenges in affordability of care for pet parents.

Challenges facing pet care players

3%

Annual visits to vet practices declined by 3%[1] in 2023 vs prior year. Rising cost of care is increasing financial burden on pet parents, leading to less veterinary visits and decreasing practice volume

75%[2] of pets are at risk of not receiving care by 2030 driven by a shortage of vets due to burnouts and practice inefficiencies, which are impacting standards of care and pet parents' experience

4%

Only ~4%[3] of pets are insured in the US and low levels of insurance adoption directly impact poor compliance in seeking preventative and critical care. Insured pets visit vets 2x (4 visits) more often than uninsured pets

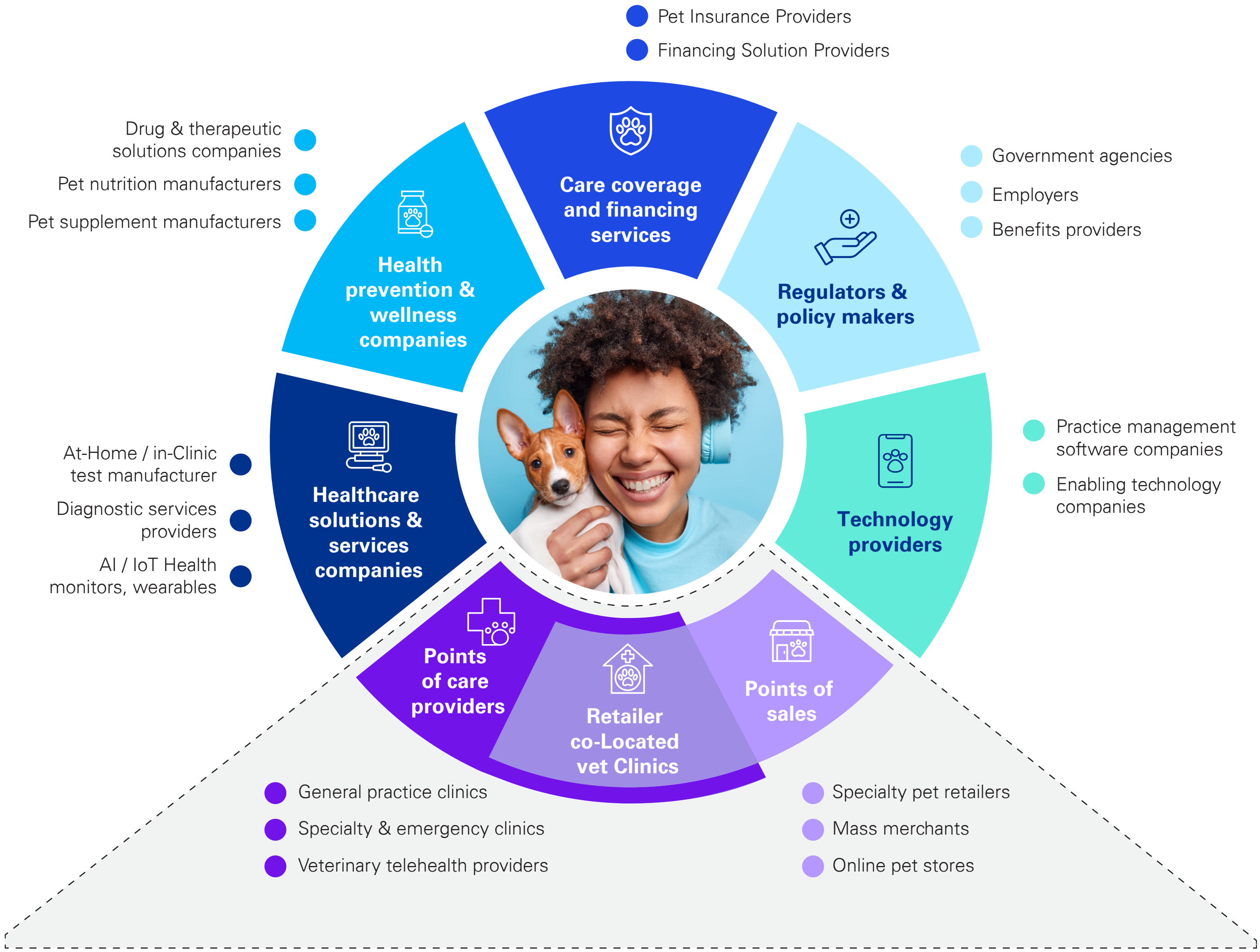
Only 20%[5] of employers provide pet insurance as a voluntary benefit. Regulators and policymakers have not made strides to offer benefits similar to human health care

Opportunities to enhance and amplify value

- Similar to human healthcare, the spectrum of care continuum is being increasingly embedded in veterinary education to provide care tailored to the needs of individual pets and pet parents
- At-home and in-clinic diagnostics are reducing costly emergencies through early detection and more data-led, accurate treatments
- Application of technology is improving cohesive practice insights and pet parents' experience
- Emulating the health insurance model, strategic partnerships are evolving between pet insurance providers and vet clinics and pharmacies, driving greater insurance adoption and affordable care

A collaborative approach across the pet care ecosystem amplifies value and impact

Each pet care industry player has a distinct individual role and a role as part of the ecosystem. A collaborative approach to addressing pet and pet parent challenges amplifies the value and impact.



Trends across the pet care ecosystem that are driving innovative solutions

Evolving technologies, market dynamics, and other challenges are reshaping how players pivot approaches in pet care.

Points of Care Providers

With more veterinarians exiting the profession than entering it has led to an alarming veterinary care shortage in the US with an expected gap of 25,000 vets by 2030[6]. Vets and vet technicians are overworked and experiencing burnout due to high workload and ongoing pressure to meet financial targets, largely in clinics owned by clinic aggregators. These factors contribute to a decline in standard of care, particularly in the absence of a personalized "spectrum of care" approach. Inconsistent investments in practice management technologies further hinder productivity and a positive pet parent experience.

Healthcare Solutions & Services Companies

While there is significant progress in developing at-home and in-clinic diagnostics tests (e.g., gut microbiome, arthritis, cancer detection, etc.), there is minimal integration with treatment protocols and plans to better tailor care. Similarly, application of AI in pet health wearables is expanding from location and behavioral aspects to early disease detection like osteoarthritis, presenting an opportunity for integration with treatment protocols.

Health Prevention & Wellness Products

With increased availability of preventative pet health diagnostics, non-systemic collaboration to provide insights into drug development during clinical trials is throttling success rates and R&D processes for a faster market launch. Greater progress is observed in developing specific nutrition and supplements for chronic conditions like joint and skin health, kidney function and digestion support.

Care Coverage & Financing Services

Pet insurance adoption in the US (4%) lags European markets with ~25%[7] of pets insured in the UK and ~60%[8] in Sweden. Albeit a higher US growth rate over the past 3 years, lack of care coverage makes it difficult for pet parents to get critical, preventative or acute care. Insurance products are evolving to become more needs-based (e.g., microinsurance) creating greater optionality for varying pet parent budgets. Network-based approaches between pet insurance providers and veterinary clinics started forming, creating human-like HMOs to offer discounted care.

Technology Providers

Growing needs pressures of veterinary practices require greater reliance on technology to streamline operations, improve patient care, and enhance pet parent engagement. The shift toward cloud-based solutions and API development are allowing clinics easier integration of records while telehealth is alleviating capacity constraints through initial triage. However, technology adoption remains low given the required upfront investment and the lack of time and resources for implementation.

These evolving market trends create new opportunities across ecosystem players

Like human health care, cost containment, quality, and access are three competing elements. New technologies, delivery models, and strategic partnerships among ecosystem players can improve all three.

Solving for the confluence of factors that lead to increased cost of care is not sufficient to preserve quality and access. A purposeful, collaborative approach across pet care ecosystem players can have a significant impact.

Faster access to capabilities

Faster scaling of innovation

More targeted solutions

More proactive and preventative care

At-Home / In-Clinic Test Manufacturers | Drug & Therapeutic Solutions Companies

- Integrated diagnostic & drug therapy solutions
- Reduced R&D cycles
- Data sharing & analysis

Pet Insurance Providers | General & Speciality Veterinary Clinics

- Increased patient volume
- Increased frequency of visits
- Reduced claims amounts
- Greater adoption of insurance
- Increased CTLV

AI / IoT Health Monitors / Wearables Companies | Veterinary Clinics & Telehealth Providers

- Data-led, cohesive insights
- Accelerated diagnoses
- Tiering and delineation of in-person and remote services

Key opportunities to enhance value

Pet care businesses and investors can leverage advancements in innovation and technology to enhance value and impact as well as foster affordable pet care solutions and an improved pet parent experience.

Opportunities exist to:

- Expand reach across the pet care ecosystem to forge relationships along the pet parent journey/stages to better serve pet parent needs (additional insight Pet products and services are converging)
- Explore opportunities beyond business boundaries to solve for challenges with augmented capabilities and greater scale (additional insight Veterinary M&A industry trends)
- Challenge practice operations and service delivery models to unlock efficiencies, promote agility, and lean into differentiated pet parent value
- Experiment with new business models to jointly address pet care challenges through strategic partnerships/JVs

How KPMG can help

KPMG's dedicated Pet Care practice and thought leaders collaborate with organizations across the ecosystem to address challenges and convert opportunities into actionable pathways.

Strategic M&A targeting

Organizations exploring potential acquisitions to augment capabilities in new markets, new channels and broader product or services portfolio offerings

Operational efficiency optimization

Organizations seeking to enhance productivity in practice operations to improve cost efficiency, DVM/CVT leverage and resource allocation, and pet parent in-practice and post-visit experience

Channel or segment expansion

Organizations seeking to expand their reach of pet parents and touchpoints across the pet parent journey within the pet care ecosystem.

New business model design

Organizations exploring whitespace market growth and strategic partnerships/joint ventures to capitalize on cross ecosystem dynamics.

Contact us

Whether you are in the early stages of considering strategic options or are planning to accelerate in-flight transformative initiatives, KPMG can help you craft a strategic plan that meets the needs specific to your company and industry. Connect with one of our leaders to discuss how KPMG can help you achieve your unique business goals.

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Sources

[1] Source: American Veterinary Medical Association (avma.org) “facing-economic-uncertainty-clients-delay-veterinary-visits“ 2023

[2] Source: Michelson Found Animal Foundation “how-the-veterinarian-shortage-will-impact-pet-owners” 2023

[3] Source: North America Pet Health Insurance Association State of the Industry Report 2022 and 2023

[4] Source: Nationwide study in collaboration with VetSuccess 2023

[5] Source: Plug & Play – Pet Insurance Webinar 2023

[6] Source: American Veterinary Medical Association (AVMA); “2023 State of the Veterinary Profession”

[7] Source: Mintel UK Pet Insurance Report 2023

[8] Source: Svensk Forsäkring “The-market-for-pet-insurance-is-growing 2022”

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DASD-2024-14401