

# **Stop the Leak: How to Compete With Online Pharmacies and Big Box Stores**

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A lot of veterinarians are MAD AS HELL! Others are hopeless and distraught. Their tidy business world has changed – quickly and radically. The profession immensely enjoyed and largely took for granted the decades when billions of dollars freely flowed into their practices via very high mark-up product sales. Unfortunately, too many veterinary practices grew increasingly and perhaps dangerously reliant upon those same product sales. Too many practices failed to keep pace with service sales. Rare is the practice whose service sales have grown as fast as their product sales (on a percentage basis) over the past 20 years. The great risk that that cash cow might someday be slaughtered has become reality. The veterinarian – once and for all – has lost the vice grip that once kept those dollars captive to the veterinary channel. Today, popular pet drugs can be quickly, easily and conveniently found on the internet (e.g. [www.1800petmeds.com](http://www.1800petmeds.com)), at grocery store pharmacies (e.g. Winn Dixie), at pet retailers (e.g. Petco and PetSmart) and mass-market discounters (e.g. Walmart, Costco, Target).

This is a brave new world. Veterinarians have never had to compete for this business. Nobody said life was fair. Get over it. Yelling, screaming, or rolling over and wetting yourself will not help solve this problem. Shed the emotion – find the logic and be rational. How to react if someone is taking your livelihood away, stealing your kids' college education or your retirement? Take off the gloves. It's time to COMPETE...to FIGHT BACK! This is America...it's what you're supposed to do! And by the way, is it really good medicine that a clear majority of dogs leave your clinic without a single dose of heartworm preventive? Is it good medicine that fewer than 20 percent receive the recommended 12 doses annually? Of course the stats are far worse when we examine flea/tick control and pet nutrition. Mom was right, when we point a finger, we have three pointed back at ourselves!

## **Primer on how to compete in business**

Michael Porter – the world's foremost business strategist, noted author and longtime Harvard Business School professor – says every company must choose how to compete. He offers four options to secure a relative competitive advantage:

- Selection
- Price
- Quality
- Service

Your strong suits are quality and service. It's usually unwise for a veterinary practice to compete on the basis of selection and price. You don't have the buying power and square footage that large format retailers enjoy, but your competitors can never provide the expert opinions, professional advice, quality and service provided by your veterinarians and health care team members.

By the way, this isn't new or novel. A Google search on 'how to compete against Walmart' reveals more than two million hits. Success and failure over the last five decades have taught retailers what to do – and what not to do – when Walmart comes to town. Walmart will never match your client experience and convenience, and you will never match their everyday low prices. If possible, carry products that they do not, and go upscale wherever possible.

One possible exception for competing on the basis of selection: An on-line pharmacy can allow for greater selection since the products are not stored and merchandised on-site. And an on-line pharmacy and store allows you to avoid the myriad inventory carrying costs.

There are myriad other arguments in favor of having a veterinary-friendly on-line pharmacy and store, including:

- 24/7/365 availability
- It's often wise to outsource your non-core competencies (e.g. retail sales)
- Increased compliance via reminders, text messages, email messages, and auto refills
- Increased client communication, contacts and touches
- Delivering a high-tech, up-to-date, modern image to pet owners

Featuring a professional, easy-to-use, inexpensive, veterinary-friendly on-line pharmacy and store with home delivery in 2012 is non-negotiable – it's required. While client expectations and satisfaction are the paramount concerns, it also makes great business sense – and those facts are indisputable. Again, don't complain – compete!

## **Got serenity?**

Remember the Serenity Prayer? God, grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.

So, what are some of the things you cannot change?

- You cannot change the fact that ‘your’ products are sold online
- You cannot change the fact that ‘your’ products are sold in Big Box stores
- You cannot change the fact that some of ‘your’ clients will buy ‘your’ products elsewhere
- You cannot change the fact that some of ‘your’ clients are motivated by a lower cost, a wider selection, or greater convenience. In fact, I bet you and your family use exactly the same criteria in your day-to-day consumption
- You cannot change the fact that you don’t have the buying power of these multi-billion dollar companies
- You cannot change the fact that you don’t have a multi-million dollar advertising budget to promote your wares

What are some of the things you can change?

- You can change your clients’ perception of your price. Unless told otherwise (repeatedly, and in multiple media), clients will assume your prices are higher than the alternative. After all, you’re a very small business, and the 1800 PETMEDS commercials tell me it is so. But is that always true? Are you sure? Look and you will see – your prices are probably “competitive” or “in the ballpark” (assuming you’ve said ‘goodbye’ to the thoughtless 100 percent markup. Are your prices clearly displayed on all products held for sale? If not, the message conveyed – which reinforces what clients already believe – is that you’re embarrassed by your inability to price products competitively. What about price per dose for flea/tick and heartworm? Don’t forget to factor in the free dose(s) or cash back. Now, how does your cost per dose compare to Costco? Target? Walmart? Petco? PetSmart? Shout the good news from the top of the mountain (e.g. banner out front, signage in reception and exam rooms, footer on reminders, footer on invoices, social media posts, email blasts, newsletter shout-outs, etc.). What about extra/incremental cost per day for pet food? Clients dropping \$5 per day at Starbucks might actually spend an extra \$0.25 per day to feed a food you recommend and believe in! You might even be able to show the cat owner annual savings of hundreds of dollars by switching to a hospital dispensed brand! Compare the retail price of your smaller bags to Petco and PetSmart.
- You can (and must) deliver exceptional client experiences – every time
- You can (and must) have a professional opinion and express the same with conviction. As it relates to pet food, surely you remember that nutrition is AAHA’s 5<sup>th</sup> Vital Assessment (along with temperature, pulse, respiration, and pain). Every pet, every time – deserves a specific recommendation.
- You can change the product promotion (e.g. merchandising, reminders, etc.)
- You can change the value proposition. For example, as it relates to flea/tick, you can convey confidence, credibility, and peace of mind via the doctor/client/patient relationship. You can deliver your professional opinion. You can assure the product is authentic and not counterfeit, that it is in-date, and that it has been stored at appropriate temperatures. You can offer a serious guarantee. You can open the packaging, demonstrate how to apply, and apply the product in the clinic
- You can change client education. You can show prevalence maps (see [www.capevet.org](http://www.capevet.org)). You can ‘show and tell’ the consequences of noncompliance (e.g. go to youtube, and search for ‘heartworm removal surgery,’ or ‘fat dog’ or ‘canine tooth extraction’ or ‘hookworm.’ You can show the cost to prevent versus the cost to treat. You can offer social proof (“just about all our clients apply this product to their dog/cat every 30 days” “responsible pet owners have their pets on an appropriate nutritional plane,” etc. You can quote authority (AVMA, AAHA, CAPC, AHS, CDC, etc.). You can quote the FDA re. risks of buying elsewhere.

In closing, if you (and everybody in your clinic) can’t confidently and competently answer these questions, your business doesn’t deserve to survive or prosper: “Why should I buy from you?” “What do I get at your practice that I don’t get at 1800 PETMEDS, Walmart, Costco, Target, Petco or PetSmart?”