



KCVMA Event

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Elanco Discussion: Parasite Prevalence and Improving Compliance

In the Elanco CE presentation, Dr. Kelly talked about parasite prevalence and challenges facing client compliance as well as the challenges of competing with the large online pharmacies. We discussed a couple ways to succeed in the changing industry:

1. Online stores and the clinic's ability to compete directly with Chewy, etc...
2. Expanding the clinic's business with current clients by improving compliance

Our conversation focused primarily on improving compliance with current clients. When discussing compliance at our dinner, I found many clinics agreed they have room to improve with compliance. When calculating compliance, I heard several clinics mention it can be time consuming to compile the information. A question regarding the use of Idexx Elisa Antigen test for hooks, rounds and whips was left to be followed up on. We have an attached white paper helps to answer that question. According to their data, the test detects antigen produced by the adult stage of the worm and therefore will detect the worm in the pre-patent period before eggs are shed. There really is no data presented for sensitivity and specificity, but my guess is that it would be difficult to determine this information since there is no fecal test that detects 100% of all infections. According to this data, the test should not elicit false positives, just earlier positives than traditional fecal floats. Please see the attachment for further details.

GPO/PSIvet Discussion

In the PSIvet portion of the presentation we discussed what a Group Purchasing Organization (GPO) is and how it can be utilized to help lower overall clinic cost/raise profit margins. PSIvet was started by veterinarians and designed to help the independent veterinarian compete with the price breaks received by corporate clinics. Some members of our meeting were already part of PSIvet and others were not. Many shared their opinions and experiences involving the different attributes and concerns of being in a GPO like PSIvet including the ones below.

- Pharmaceutical rebates do take some time to figure out and may take up to 3 months to receive a rebate through but most are instant discounts
- A GPO could reduce your overall inventory costs by 3% with just rebates and discounts alone depending on how many vendors you use. There are some discounts, which rely on waiting for your current contract to end. Examples include but not limited to credit card processing, x-ray badge service, insurance, etc.
- PSI is very easy to use and nothing changes with how you order through Covetrus.
- The Benchmark credit card service through PSI is extremely low and can save most clinics thousands at 1.65% but there are a few instances if you call around enough and consistently year after year you may find something slightly lower for a short period but you must consistently check these rates. PSI is constantly negotiating better discounts and rates through all vendors as the group grows.

- AirGas is a huge savings for most and saved one about \$150/month! There is a 2-year contract with this vendor but none of the other vendors require a contract which is very nice to not be locked into anything.
- The Merck rebate will help unless you are on the Merck One program. You can opt out of individual programs to get the best possible rebate but there are not many programs like this in the industry.
- Price decreases with many vendors are automatic including the veterinary and human generics from Covetrus
- There is a cost associated with these GPO's but PSI is only \$50/month. This \$50 will be refunded if certain goals are met.
- PSIVet members receive a lower negotiated service fee for the Covetrus Global Prescription management platform (formerly named Vets First Choice)
- There is much better negotiating power with a GPO than on your own. Why? You have the buying power of thousands of clinics in a GPO leading to lowered costs across many manufacturers.
- The one concern is losing service from companies and reps if you join a GPO? This has not happened so far but this has been a concern. Will they still do lunch-n-learns if you are more aligned with specific GPO's? This could be correct if that GPO is only aligned with certain vendors but not PSI. It is important to review the vendor list on a GPO before joining.
- A GPO does not seem to reduce inventory automatically but there are learning modules or rather a color coding sticker approach to what you are selling in 30 days could be easily accomplished. There are many learning modules on PSI that will help with various areas of staff training at very little to no cost. OSHA is a major free training opportunity.
- How do you market to every customer base and maintain a great atmosphere within the practice? How do we market to the millennial generation and still provide a personable experience? These are all questions that will be addressed at a PSI symposium. Profitability will drastically change after a meeting like this!
- PSI has the most companies listed of any GPO and many advantages with multiple services on top of the rebates
- It takes about 90 days to get everything set up with the many different companies because there are so many
- There are some choices to be made if multiple GPO's are joined because you must choose which GPO to use. This can be a disadvantage rather than just joining one but it is not impossible or illegal. An example would be being a PSIVet member for Elanco, Merck, Virbac, Ceva and Covetrus branded product benefits and VGP member for Zoetis benefits- These could all be determined with your Covetrus reps guidance.
- You should look at the vendors listed before joining a GPO to make sure those vendors match up with what you are purchasing and aligned with in your practice- again, get with your Covetrus rep for help on this.
- Healthcare with PSI could be a huge impact for the independent veterinary practice

Global Prescription Management Platform (GPM)

This portion of our discussion focused on what aspects of the platform set us apart from our competitors. Members gained some valuable insight into what an "online store" looks like compared to a prescription management system such as the Covetrus Global Prescription Management Platform (GPM). A clinic in the Kansas City area that currently switched from Vetsource to our Covetrus GPM platform said the difference in ease of use is astounding and they have sold more in 2 weeks with our GPM than they did in a whole year with Vetsource. They were on Vetsource for over 4 years, and spoke to the lack of support and poor customer service for both the clinic and the clients. To have that valuable insight from a local clinic was so great for others to hear.

Some other topics that we discussed were as follows:

Pressures facing the practice today: challenging inventory management, changing client expectations, limited practice insights, low med compliance, and uncoordinated workflow. The Covetrus GPM addresses all of these by giving you the ability to offer any product you feel medically necessary, proactively script that product and follow it through the purchase and delivery to the client's home. It will provide you with numerous reporting capabilities showing compliance and script conversion rates and has a two way PIMS writeback capability directly into the patient record, saving you and your staff time. Clients are seeking convenience, visibility to all products, low prices and or what they deem as special "deals", 24/7 access. Petmeds, chewy, Amazon and Walmart are catering to these new demands and winning. Reality is

client habits are not likely to change. A client coming in to purchase in clinic is likely to do that same thing regardless of whether you offer the product online or not. Clients are already purchasing product elsewhere. The 65 Bil dollars of pet industry spend in 2018 proves that. If we can capture even a portion of that- WE WILL WIN. The Covetrus GPM Platform will help you compete and capture a larger piece of the pie. It will provide you with significant manufacturer instant rebates and coupon codes (funded by the vendor and Covetrus- not your revenue) to lower your clients costs and keep you competitive with these online retailers.

Importance of being the record of merchant: We talked about the advantage to the clinic of being the merchant on record and how it continues the clinic and client relationship all the way to seeing the clinics name on their credit card statements. It is very important to realize revenue and profits instead of just profits- especially when looking at a practice valuation. Providing a revenue ONLINE and a revenue IN CLINIC greatly increases a valuation- don't believe me? Ask your accountant!

Ease of use compared to competition: The Covetrus GPM platform is much more user friendly for both the clinic and the clients. Dr. Kovac commented that one of the reasons he signed up was, "It was so easy to use, even I could figure it out!" In addition, we addressed the support of the Covetrus GPM and how it differs from our competition with client support, returns and complaints handled by Covetrus, dedicated account managers as well as local field reps/support.

Importance of proactive scripting: How this recaptures lost business, prevents losing future sales, and encourages refills, compliance, and in office visits. Growth potential in unserved market (70% of customers not buying from the clinic). Nationally, GPM platform members who are proactively scripting will see a 45% conversion rate in those scripts (i.e. 45% of clients click to purchase the recommended product with that proactive script email). One clinic in the Kansas City area shows a 78% conversion rate, which is astounding! They have generated over 100K in revenue YTD online through this platform!

Accelerated revenue growth of Covetrus vs Vetsource: The prescription management platform is over 70% more profitable than an online store. This was an independent published Brakke report, not affiliated with any distributor or manufacturer. The reason for this difference is due to the total package that Covetrus GPM has to offer, all the capabilities with proactive scripting, support, marketing and virtual touches we make on your behalf resulting in driving clients to you and your store.

We also addressed concerns of this "taking too much time" to get set up and started. We talked through our process and how we are there every step of the way, do all the heavy lifting, and take it at the clinics pace. We also combated the stigma of it being "too busy right now to start something like this. "This is the perfect time of the year to recapture some of those sales going to your online competition. Flea and tick and preventatives are one of the most popular products to be purchased through online sites and now is the time! The sooner we can get you signed up, the sooner you can begin to recapture that lost revenue.

What about cannibalization of in house revenues? We addressed this with the clinic success story of Kings Veterinary Hospital. They were one of 45 hospitals in a multiyear study looking specifically into cannibalization. This was named Project Thor. A pdf copy of that study can be sent to anyone who wants to read it in further detail. All 45 practices in the study showed concurrent growth in both online-generated revenues as well as incremental growth in-clinic revenues. In service non- product revenue increased by 20% = proving that this platform is proactively bringing in clients back through your doors. One of the ways we are able to produce these high revenues is through recommending auto-ship of products. We know that nationally the OPT-IN rate for a client to purchase on auto-ship is 20%. We also know that auto-ship triples the amount of doses annually that a pet receives for all preventative products. The auto-ship study we preformed included 5000 hospitals nationwide. The results are summarized here:

Heartgard- Increased 100% from 5.1 in clinic doses per client to 10.2 on auto-ship

Nexgard- Increased 133% from 3.9 to 9.1

Simparica increased 170% from 3.3 to 8.9

Revolution increased 268% from 2.8 to 10.3

Bravecto increased 76% from 1.8 to 3.4 (3 month product)

Trifexis 94% from 4.8 to 9.3

Interceptor Plus 144% from 4.3 to 10.5

Credelio- 468% from 1.8 to 6.7

Client Engagement Series of Emails: Personalized emails created by data scientists and design specialists that develop custom content to help practices compete with big box retailers. Clients can opt-out of the emails but the national opt-out rate is only 0.1%. We will send 4-6 client educational emails per month (you opt in to these and how many are sent). Chewy and Petmeds send on average 60-75 emails to a single client per month. Do not be scared to market yourself to your clients- Chewy and Petmeds is not. All of these email communications are free with the platform. Some will include coupons and discounts to your clients- all of which are funded by Covetrus and not by the clinic. Fact- practices who send these client engagement emails will see their revenue doubled on the platform compared to those clinics who opt-out.

This GPM Platform is FREE to you with no monthly FEE. There is a service fee of the retail price minus the base cost of the product and the merchant credit card processing fee = clinic profit. Full visibility to tax reports and purchases.

Please reach out to your Covetrus rep if you would like to see a demo of the platform in your practice. We are ready to help you compete and WIN! Remember, your profit on zero will always be zero.

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