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Independents' Day

Co-op intends to level the playing field for independent distributors

You name an industry, there's a cooperative in it, says Rich Morris. Hardware stores. Grocers. Insurers. Automotive parts distributors. In fact, it was while Morris was working at his family's automotive engine parts manufacturing firm that he saw the power of cooperatives among auto parts distributors. So taken by cooperatives was he that, when his family sold the automotive business, Morris became involved with co-operatives full time, offering consulting services to them. For the past five years, he has been active in the National Business Cooperative Association.

putting money in their own pockets," he says.

A co-op is different, for a number of reasons. "Rich Morris will not own it," he says. Rather, co-ops are owned and controlled by their members. Their boards of directors are comprised of members. And surplus revenues are



“One of the reasons distributors and manufacturers dislike buying groups is that they are an extra step in the channel, putting money in their own pockets.”

– Rich Morris

Then, two years ago, a veterinarian friend asked him what he did for a living. "I told him," recalls Morris. "And he said, 'We need one of those in the veterinary industry.'" For the next year, he investigated the possibility and, deciding the timing was right, closed his consulting business to start The Veterinary Cooperative in Evanston, Ill.

Not a GPO

Morris is careful to draw a line between cooperatives and buying groups. "If I had wanted to, I could have started a buying group," he says. That would have meant he would have owned the company and retained the profits. "One of the reasons distributors and manufacturers dislike buying groups is that they are an extra step in the channel,

returned to the members proportionate to their use of the co-operative.

Better pricing will be an important objective of The Veterinary Cooperative, says Morris. Chances are, the co-op will pursue an agreement with a single distributor, though the board must make final decisions along those lines. "I've sat on the other side," he says. "I don't want to go to every distributor and say, 'OK, everybody give us a good price,' and offer all distributors to our members. I feel obligated to tell our members they won't get the best price and service using that approach. The best way to get the best price and service is to say to one distributor, 'We're going to marry ourselves to you; we will bring business to you.'"

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Working directly with manufacturers, the co-op might explore exclusive agreements with some of them as well. Pet food might be one area in which co-op members could be competitive with the big-box retailers, Morris says. “It would be a win for us, a win for the manufacturer who partners with us, and a win for the consumer, because instead of driving 10 or 15 miles to the [retailer], they can go to their veterinarian and maintain their relationship with [him or her].”

Best practices

Market research is another potential offering for co-op members, he says. For example, the co-op staff might consider researching how much its members charge for specific services, so the membership can benchmark their own prices against the average. Another possibility is discovering and communicating best practices. “One of our jobs will be to go to our veterinary practices and ask, ‘What is it that you do uniquely that helps you be a better veterinarian, either in the services you provide your clients, the efficiency with which you run your operation, or the medical procedures you perform?’ We will bring that back to the cooperative.”

Morris says the co-op can grow to 5,000 members or more in the next three to five years. And when it does, it will be a powerful force in the market, with more buying power and locations than many of the big-box stores.

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The Veterinary Cooperative was incorporated in July 2012 and, at press time, was looking forward to signing its first members by the end of August.

“A co-op is the shared brainpower of its members, and the buying power of its members,” says Morris. “But most important, it allows the independent to stay independent and run their business the way they want to run it. And that’s why I’m doing this. I believe in independent business.” ■