



The Benefits of Diversification

Connie's Weekly Newsletter

Animal welfare organizations (“AWOs”), like many nonprofit organizations, are today seeking to diversify to either maintain or reach a successful growth trajectory. While there are many ways to pursue diversification, below are three considerations as they relate to animal welfare:

1. Spotting opportunities

Making sure that you are “ahead of the curve” can mean the difference between growing a profitable enterprise and struggling to maintain relevancy and financial security. Identifying new opportunities can help you to provide essential mission based services as well as providing new important revenue streams.

Ideally, focus initially on the related needs of your established market or on market segments with similar needs and characteristics. Look initially to diversify into markets with similar characteristics to your existing one, and consider your existing customer base. For example, you could look to sell adopters more pet products by making a bigger push into pet speciality retail. Pethealth’s April 2012 survey and Special Report on new adopter purchasing behavior found that almost 60% of adopters made an additional purchase of supplies at the time of adoption, yet almost 30% stated that the animal welfare organization did not have items that they needed for their newly adopted pet. With nearly 65% of those surveyed indicating they spent between \$100 and \$500 following the adoption of their pet, it makes perfect sense to diversify into this area and it’s not surprising that many groups are now making a bigger push into pet specialty retail. Indeed the trends of AWOs building new operations in residential areas or areas more heavily trafficked by consumers, and growth in the sale of pet specialty retail to adopters and the general pet owning public looks set to continue.

You’ll also need to ensure the market and business conditions are right for diversification; assess market conditions and the strength of your brand, and ask yourself, do you have the organizational strength and resources necessary to test the waters?

2. Letting the “market” work

Sometimes the tendency in animal welfare is to overlook how market based efficiencies can actually serve the better interests of seeing more animals in your care being adopted, or going to other organizations from which they will find good homes. Indeed, it is evident that the fear of increasing length of stay or facing unwanted euthanizations leads many AWOs to take steps which actually, in some circumstances, exacerbate problems. While lower adoption prices in some circumstances may solve short term problems caused by high intakes, it is equally true that increasing adoption prices will support higher adoption rates down the road by creating, in the minds of would-be pet owners, the perception of greater “quality” of the dogs and cats that an AWO offers. Often however, we see AWOs all too ready to reduce adoption prices, but rarely willing to increase prices for the dogs and cats they have available.

The same can be said for animal transport. Transport is becoming increasingly important as vacancy rates in some AWOs continue to rise, while in other cases adoptable animals (mainly dogs) remain in abundant supply. Yet the volume of transport is being hampered by the reluctance of both the sending and receiving shelters to let market forces work. The result is that those shelters with available dogs and cats (and dogs in particular) are limited financially in the number of dogs they can transport because they are not receiving “market price” for the animals that they transport. Indeed, it is growing easier to make the case that euthanizations of adoptable dogs

would decline precipitously from current levels if market forces were allowed to operate in the transport of dogs throughout the country. More vehicles would be on the road today if sending shelters were receiving “market price” for their dogs and receiving shelters were paying a “market price” for the dogs they acquire.

3. Challenging Conventional Wisdom

Conventional wisdom in animal welfare for many organizations has been that providing full service veterinary care to the communities they serve is to be done reluctantly for fear of clashing with the local for-profit veterinary community. This thinking is changing and a growing number of animal welfare organizations are now offering full service hospitals to the public. The rise of shelter medicine programs at many of the top veterinary colleges in the United States, and the growth in corporate veterinary care as clinic consolidation grows, is providing the backdrop for this change. Indeed, a strong case can be made that providing quality veterinary care to the community that an AWO serves not only will enhance that organization’s brand, but will provide the financial resources to more effectively run that organization’s sheltering operations. The days when shelter operations had to support clinic operations may soon be a thing of the past and indeed we will see more AWOs funding their shelter operations off of the revenue generated through their veterinary clinics.

In conclusion

Diversification usually requires a company to acquire new skills, new techniques and/or new facilities. Planning is important to successfully diversifying your business; to ensure that you are ready to diversify, make sure to identify the strengths and weaknesses of your business and set certain criteria that you wish to achieve. Set goals such as decreasing overpopulation, increasing income and/or decreasing reliance on fundraising dollars.

Brainstorm ideas with your employees and aim to come up with a shortlist of diversification opportunities. The key is to ensure that your organization is running as efficiently, productively and as profitably as possible – you can’t hope to make a success of diversification if you are on shaky ground. And consider exploring diversification opportunities just to get a valuable comparison between this strategy and expansion. The results of diversification can be extremely successful and profitable for you organization.

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Sincerely,

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