Karolina Beyer*

Uniwersytet Szczeciński

THE USE OF BUSINESS MODELS IN VETERINARY UNITS

Abstract

In the article, theoretical considerations about business models were taken and the discussion on the use of business models in animal health institutions was initiated. Analyzing the available definitions and types of business models, it was noted that no business model has been developed so far which would be adequate to the specifics of veterinary units, which differ significantly from typical enterprises.

The aim of the article is to discuss about the use of business models in the veterinary units, and thus try to answer the following questions: Is the business model a tool that can be used in animal healthcare facilities? If business models used in other enterprises can be used directly in veterinary units? Does the specificity of animal healthcare institutions require the construction of new business models? The article presents an overview of the definition of business models and an analysis of the veterinary services market in Poland. The research methods, such as literature analysis, descriptive method or comparative analysis, were used to achieve the goal.

Keywords: business model, management in veterinary units, veterinary services market, business model in vet units

* ORCID: 0000-0002-0437-1461, E-mail: karolina.beyer@usz.edu.pl.

Introduction

The contemporary environment of enterprises, its dynamics and conditions, forces enterprises to use new, more effective and often more sophisticated management tools. Medical facilities for animals, as economic entities also feels the need for change. The discussion on business models is undertaken both by managers and researchers in the field of management sciences. The business model is often perceived as a tool supporting the growth of an enterprise and increasing its economic efficiency.

1. Literature review – in search of business model definition

In the literature, the concept of business models appeared in the mid 90s, with the spread of the Internet and the development of new industries and technologies. Despite the growing interest in this field, this concept has not been clearly defined. The presentation of the business model essence is not an easy task. The problem stems from a very different approach to the category examined by different researchers. The analysis of literature and definitions allows to accept the claim, that it is difficult to talk about the business model as a coherent and mature concept, but it possible to indicate its specific elements and features (Drzewiecki, 2011, p. 336). It can be assumed that a business model is an excellent tool for describing and analyzing a company, which should explain the way the company creates and captures value and explain the mechanism of generating profits (Drzewiecki, 2013, p. 70). A business model is a tool that shows how the company creates, delivers and captures value. It can be added that the business model is a model of action for acquiring, servicing customers and transforming these activities into profits.

The lack of an explicit definition of a business model means that the concept is sometimes identified with:

- business architecture,
- company development strategy,
- strategic advantage,
- business plan.

In a certain context, a business model can be treated as a valuable asset and an element of the company's intellectual capital. The practice of selling, licensing or franchising a proven business model is also popular on the market.

One of the first definitions of the business model that took root in the literature is Timmers' view (1998, p. 4), according to which the business model is an architecture for the product, service and information flows, including a description of the various business actors and their roles; and it is a description of the potential benefits for the various business actors; and a description of the sources of revenues. While, Magretta (2002, p. 87) emphasizes that a business model's great strength as a planning tool is that it focuses attention on how all the elements of the system fit into a working whole. Another view presents Afuah (2004, pp. 9–10), who understands the business model as the activities, methods and time of their implementation in the enterprise, using resources in such a way as to create the highest value for the client and to provide the company to get value.

Another popular definition of the business model is Teece's view (2010, p. 173), according to which a business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business delivering that value.

However, it should be emphasized that despite numerous definitions of a business model in the literature, this term is often understood, due to the Osterwalder and Pigneur concept (2012, p. 18), according to which a business model describes the way to create value and provides and derives profits from this generated value. The authors present a business model in graphical form, creating a business model template called business model canvas, indicating its nine elements, which are part of the logic of the process of making profit by a company: Value proposition; Customer relationships; Customer segments; Channels; Key activities; Key resources; Key partners; Cost structure and Revenue streams.

In Polish literature the discussion on the concept of business models was also taken. Obłój defines the business model as a total concept of the company's operations: as a combination of the company's strategic concept and technology of its practical implementation, understood as building a value chain that allows for effective exploitation and renewal of resources and skills (Obłój, 2002, pp. 97–98). According to Falencikowski (2013, p. 37) s business model is relatively isolated

multi-component conceptual object describing business, by articulating the logic of creating value for the customer and capturing part of that value by the company. An interesting definition is presented by Jabłoński (2008, p. 19) who point out that the business model is the mapping of factors in a given place, time and business space that guarantee meeting the current internal stakeholders' needs, which gives the enterprise an opportunity to achieve competitive advantage and creates the future platform for enterprise growth and development, ensuring business continuity.

On the other hand, Jabłoński (2013, p. 40) defines the business model as a specific, authorial shape of the relationship between various resources and activities involved in the enterprise, in which the revenue is based on permanent pillars thanks to the proposal of appropriate value for clients.

Summing up the definitions of business model mentioned above, it can be concluded that despite differences in understanding this concept, some common elements appear. The concepts of the business model are based on the creation of values, in particular values for customers and for an enterprise.

Can the concept of a business model be used in the activities of animal treatment facilities? Can business models from typical companies be used directly in veterinary units? Does the specificity of animal healthcare institutions require the construction of new business models? The discussion on answers to the above questions was taken later in the article.

2. Materials and methods

The article is theoretical in nature and its aim is to present the essence of business models in veterinary units. In this article the analytical and descriptive method were used. The research was based on the analysis of Polish and foreign literature. The characteristic of Polish veterinary market were also presented, for this purpose source data were used and analyzed.

3. Results – The characteristic of Polish veterinary market and its units

Healthcare units for animals are economic entities subjected to different legal rules than standard enterprises. Thus, at the outset, it can be assumed that business models formulated for enterprises will be inadequate for entities providing veterinary services.

The functioning of the veterinary units in Poland is determined in detail by the provisions of, inter alia, the Act on Medical Facilities for Animals; Act on the profession of veterinary surgeon and chambers of veterinary medicine; regulations of the Minister competent for agriculture; Resolutions of the National and District Chamber of Physicians and Veterinary and others.

The definition of an animal treatment facility is specified in the Act on Medical Facilities for Animals established on 18 December 2003 (Ustawa, 2003):

Art. 1.1. An animal health facility is an animal health and welfare establishment set up to provide veterinary medicine services, hereinafter referred to veterinary services, (...) equipped with assets, and in particular, premises, apparatus and equipment suited to the scope of services provided.

It should be emphasized that veterinary services can be provided only by a veterinary doctor who has the right to practice the profession (Ustawa, 2003, Art. 2.2). The Act on Medical Facilities for Animals (Ustawa, 2003) in Art. 4.1. also defines the types of veterinary units, which in general are determined by the size of entities and the type of services provided. Also other individual regulations specify the requirements to be met when running a small veterinary unit, or large clinics, etc. requirements for premises, equipment, apparatus and veterinary equipment.

According to data from the registration of medical facilities for animals which are carried out by the Medical Veterinary Chambers, there are about 7.5 thousand of veterinary units in Poland. Figure 1 presents the number of entities in different voivodships. The largest number of veterinary units (approx. 1300) are carried out in the Mazowieckie Voivodship. Less than 800 animal healthcare institutions are registered in the Wielkopolskie Voivodship, and in the Śląskie Voivodeship, despite its small area, about 580 entities operate. The smallest amount of veterinary units operate in the Lubuskie (160), Świętokrzyskie (219) and Opolskie (229) Voivodships.

When analyzing the veterinary market, it is also necessary to characterize the clients' side. The main difference of the activity of veterinary units in relation to typical enterprises is the client's specificity. In this case, the services provided have at least two recipients. In the first place it is a patient-animal, on the other hand, it is a payer for the service – owner/carer of an animal. On the Polish market, it is estimated that there are approximately 8 million dogs and 6 million cats (TNS, 2014, p. 3). In terms of the number of dogs, Poland is in third place in Europe, after Great Britain and Germany. At the same time, according to the TNS Report, 91% (2014, p. 4) of respondents believe that caring for an animal is a big responsibility. About 94% of animal carers declare that in the event of health problems they will visit a veterinary unit with animals, and 24% of carers treat preventive visits as an element of care for the health and well-being of their pupil (Frątczak-Rudnicka, 2015, p. 10).

Figure 1. Veterinary services market in numbers

Source: own study based on records kept by the Chamber of Physicians and Veterinary on 31. December 2017.

The veterinary services market has recently undergone dynamic changes, the increase in interest of veterinary services is of particular importance. In addition, there is an increase in the expectations of animal keepers regarding the scope of the offer and the quality of services provided. Today, veterinarians in order to increase their competitive potential must, on the one hand, expand the scope of provided services, on the other they require specialization in specific diseases. The range of veterinary services currently does not focus solely on treatment, but also on prevention, comprehensive medical examination using modern equipment, as well as providing, among others, dietetic, rehabilitation or animal psychology services. A modern veterinary unit is also a shop with animal products.

An important role on the veterinary market is also played by producers of pet food, accessories or veterinary medicines. The value of the pharmaceutical market for small animals in Poland is estimated at over 190 million PLN, while the value of accompanying services at about 480 million PLN (Frątczak-Rudnicka, 2015, p. 10). In addition, expenses on pet food increase, about 20% of owners feed their animals only with ready-made meals, there is the possibility of further growth, for example in the UK it is 65%, in Denmark 95%. The market is growing faster than the number of animals, what means that expenses for an average pet grow. In 2015, the market for dog and cat food alone exceeded 2 billion PLN. It is estimated that in the next few years this market will grow at a rate of around 15% annually (Frątczak-Rudnicka, 2015, p. 11).

The shape and dynamics of the modern veterinary market induces activities in the field of management of veterinary units in order to optimally use the opportunities appearing in the environment, giving the opportunity to generate economic values. The above is a premise for analyzing business models for animal healthcare institutions, which in turn will allow the development of business models for veterinary entities taking into account the specificity of their activities.

4. Discussion – are business models in veterinary units necessary?

The above-mentioned specificity of the contemporary veterinary services market, and the dynamics of expectations from animal carers, availability of new treatment methods and innovative diagnostic equipment, make to consider the necessity of analyzing business models in animal healthcare entities.

The use of the business model in veterinary units has not been widely analyzed yet. To remain competitive in an ever-changing business environment, veterinary service providers must be able to learn about business models and be able to constantly adapt them, not only in a changing business environment, but also to adapt to the ever-changing needs of veterinary service customers.

The literature presents business models that can be used by typical enterprises, but their shape and the possibility of using them in veterinary units are inadequate due to the specificity of the sector and norms defining the functioning of animal healthcare entities. This is mainly due to legal regulations determining activities in this area. In addition, one of the barriers to acquiring customers is according to the law the inability to conduct advertising activities, which largely limits the marketing activities that can be used. Another barrier limiting the possibility of veterinary units' growth and development, for example by creating new offices, is a provision indicating that a veterinary doctor may manage only one veterinary unit. In addition veterinary facilities are subject to many other regulations that do not apply to a typical enterprise, eg. veterinary unit is obliged to care for environmental protection and to record and store waste in accordance with the relevant regulations.

Although on the one hand veterinary activity can be compared to the models of operation of "human medicine" health care institutions, it is not possible to use their business models, because veterinary units operate on different principles of financing services and relate to a different category of clients. Funding in this case is based solely on private financing. There are signs of attempts to introduce animal health insurance on the market, but the offer in this area is still limited.

Despite the barriers mentioned above, there is a need to develop business models for veterinary services, the premise in this respect is also the lack of adequate knowledge of veterinary doctors in the field of management. This fact is confirmed mainly by the lack (or very narrow scope) in the veterinary study programs of education in the field of entrepreneurial skills and running business in the form of veterinary practice. Emerging new opportunities on the veterinary market, resulting from the growing tendency of the society to use animal care, as well as the growing awareness of animal owners, make more willing to use the services of veterinary doctors. Customers have more and more needs related first of all to the need of treatment sick animals, as well as with the increasingly common prevention and possible rehabilitation. All this puts new challenges ahead of veterinary unit's owners.

Taking the above into account, today veterinary units are facing the necessity of introducing changes in managing entities, ensuring the possibility of achieving economic benefits and competitive advantage. This can be helped by the development and implementation of appropriate business models that take into account the specificity of the business and the market, which in turn will allow veterinary entities to increase the efficiency and increase the internal value and value for customers.

The veterinary business model should first determine the value for the client by expanding the portfolio of services provided. To optimize the offer, it is also necessary to cooperate with key partners, including suppliers of medical equipment, medical supplies or nutrition and animal care products. In addition, two important elements should be distinguished in the business model of veterinary units.

First, human resources, their activities and the created value in the system of service. Veterinary service and its supply process depends not only on people's (the physicians, who run veterinary practice and the employed in veterinary companies) professional competencies a lot, but on their entrepreneurship, helpfulness, attentiveness to a customer and animal, and an ability to communicate. The following personal veterinary service suppliers' characteristics/qualities are the key element of successful entrepreneurial activities (Asmenskaite, Astromskiene, 2015, p. 207).

The second element is the need to create the right contacts and relationships with the environment, both with clients and other veterinary doctors. The main element of business models is the concentration on the client. The creation of tight business relations among specialized veterinary service suppliers and the creation of veterinary tool distributors in veterinary activities, secure successful activities for all veterinary surgeons, running veterinary practice. In addition, a proper communication with the animal keeper in order to identify the need of the help necessary for an animal; supply processes of the very veterinary service and supplementary services under the aid of which there is formed the feeling of reliability, closeness, and emotional strength. Positive feelings of animal and its carer after using the service, will increase the loyalty of consumers who will become regular clients, using various elements of the veterinary offer (not only treatment, but also prevention or purchase of veterinary products). It is worth added that satisfied animal carers are the best source of advertising, their opinion may encourage other animal owners to use service.

Conclusions

The literature does not indicate a unanimous definition of the business model. There is also lack of the analysis of the shape of veterinary business models. Therefore, there is a need for a deeper examination and systematization of terms related to the business model and the possibility of its use in veterinary practices. An analysis of the veterinary services market indicates high dynamics and increased interest in comprehensive veterinary services. New conditions dictated by the environment require changes in the functioning of animal healthcare facilities. For this purpose, it is possible to use an appropriate business model. Unfortunately, the specificity of the activities of entities providing veterinary services differs from typical enterprises and typical business models do not correspond to the specificity of veterinary activity. In connection with the above, there is a need to build adequate business models that can be implemented in veterinary units, taking into account the specificity of operations and allowing the generation their value and value for their clients.

This article is based on the theoretical considerations regarding business model and the possibilities of its use in veterinary units. The importance of the subject and the complexity of the concepts in question prompts to undertake more detailed research on the topic, above all empirical ones, the results of which the author will present in subsequent scientific studies.

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WYKORZYSTANIE MODELU BIZNESOWEGO W ZAKŁADACH LECZNICZYCH DLA ZWIERZĄT

Streszczenie

W artykule podjęto teoretyczne rozważania dotyczące istoty modeli biznesowych przedsiębiorstw oraz dyskusję na temat wykorzystania modeli biznesowych w zakładach leczniczych dla zwierząt. Dokonując analizy tematy, zwrócono uwagę, że nie został dotychczas opracowany model biznesowy, który byłby adekwatny do specyfiki funkcjonowania zakładów leczniczych dla zwierząt, ze względu na swoją specyfikę w znacznym stopniu różniących się od tradycyjnych przedsiębiorstw.

Celem artykułu jest podjęcie dyskusji na temat wykorzystania modeli biznesowych w działalności zakładów leczniczych dla zwierząt, a tym samym próba odpowiedzi na pytania: Czy model biznesowy jest narzędziem możliwym do wykorzystania w zakładach leczniczych dla zwierząt? Czy modele biznesowe wykorzystywane w innych podmiotach

mogą być wykorzystane bezpośrednio w placówkach weterynaryjnych? Czy specyfika ZLZ wymaga budowy nowych modeli biznesowych? W artykule zaprezentowano przegląd definicji modeli biznesowych oraz analizę rynku usług weterynaryjnych w Polsce. Do zrealizowania celu wykorzystano metody badawcze takie jak analiza literatury, metoda opisowa czy analiza porównawcza.

Słowa kluczowe: model biznesowy, zarządzanie w zakładach leczniczych dla zwierząt, działalność weterynaryjna, rynek usług weterynaryjnych, model biznesowy przychodni weterynaryjne

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