

Directors' Report: Our Performance

Services: This segment comprises NVS and our Laboratories; DLS and DSL

NVS Management Team



Martin Riley
Managing Director



Dan Shipman
Finance Director



Steven Williams
Operations Director



Peter Cronin
Sales and Marketing Director

NVS Network



What we do

NVS is the UK market leader, as measured in terms of market share, in the supply and distribution of veterinary products to veterinary practices and other approved outlets. NVS stocks a range of over 14,000 products, including pharmaceuticals, pet products, consumables and accessories. NVS has also developed a range of IT solutions for veterinary practices.

Operational Structure

The business is managed by an operating board of four experienced directors. NVS employs 426 people across the UK, 111 of whom are delivery drivers.

The centralised inventory held in Stoke-on-Trent, England is picked and packed throughout the afternoon and evening and then distributed overnight to nine trunking depots via HGVs. Van drivers are employed locally at these depots to distribute the goods directly to our customers. NVS has developed an advanced communication system for its customers and through this 85% of orders are received automatically without requiring human input.



Our Market

Our principal customers are UK veterinary practices of all types: small animal, equine, farm animal and mixed species practices. Footfall through UK veterinary practices has remained consistent throughout the year; however, increased volumes of unregulated products, such as diets and shampoos, are now being purchased through internet pharmacies as consumers look to reduce the costs of pet health spending. The consolidation of veterinary practices into large corporate groups seen over recent years has continued within the period, putting pressure on margins and cash flow.

Key Strengths

NVS offers very high levels of service, a large range and depth of stock supplied via our reliable next day national delivery service. Additionally, NVS supplies a range of business solutions for veterinary practices including practice management software, benchmarking systems and marketing and business support.

Achievements

Services revenue grew by approximately 6.5% compared to the corresponding period last year. Operating efficiencies were gained in the period; however, operating margin declined in the first half of the financial year at NVS due to an increase in discount allowed and the decline in the proportion of revenue from higher margin product groups. The increase in discount allowed has been a feature of the highly competitive market over recent years. The sales mix has been influenced by consumers buying products such as pet diets from internet pharmacies, a sector in which we are currently underweight. A strong focus by the management team ensured that operating margin showed a small improvement in the second half of the financial year.

Following several years of planning, a new integrated IT system went live at NVS on 1 July 2011, coinciding with the beginning of the financial year being reported. This system has bedded in and Phase I completed. This has allowed management to focus more closely on our customer requirements and as a result communication and services have been significantly improved. Furthermore, the IT platform has allowed us to develop a new range of services to practices, such as an online Web Shop and an in-depth analytical tool for practices to monitor and manage their business performance.

