

Success Strategies for Practice Owners

**EXAMPLE 1 EXAMPLE 1 EXAMP** 

Improving Veterinary Profit and Performance



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PLATINUM PRACTICE

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I qualified as a Veterinary Surgeon in Queensland, Australia in 1979 and have 21 years experience in Small Animal, Equine and Farm practice in Australia and the UK. I owned and run my own mixed, multi-branch practice for 12 years in Purton, Wiltshire and studied for a Diploma in Management. During this time I also worked as a consultant for three years in the areas of technical service, training, product development and marketing for a veterinary pharmaceutical company.

I sold my practice in 1997 to further develop a role in management consultancy and coaching. I successfully delivered coaching and management consultancy in electronics, pharmaceutical, global retail and veterinary industries.

I am currently director of Vet Dynamics, a veterinary practice development company based in the UK working with many major pharmaceutical suppliers such as Fort Dodge, Virbac, Novartis, Pfizer, Elanco and Bimeda as well as over 200 Independent veterinary practices.

Projects in the veterinary market include

- Practice benchmarking Fort Dodge Indices and Virbac Vaccine Growth Programme,
- Regular speaker at seminars and conferences BEVA, VPMA, BSAVA on management topics,
- Course Director for the 12 months modular Certificate course in Veterinary Business Studies and Certificate in Practice Development for Improve International (Veterinary CPD provider),
- Practice development and marketing for individual veterinary practices in UK, Ireland, Norway and South Africa.
- Platinum Practice Development Coaching programmes for select number of progressive practices working together to improve practice performance and profit.

For more information on how we can help you have a more profitable practice go to <u>www.vetdynamics.co.uk</u> or call us on +44(0)1793 435333

# 5 Ways to Immediately and Massively Grow Your Veterinary Practice

Have you ever wondered what the difference is between a practice that consistently and predictably realizes extraordinary growth and another practice that struggles just to make ends meet?

Or take two practices that operate in the same regional area. They both sell the exact same products or the same services for the exact same prices. Why can one business continually grow and prosper, while the practice owner spends a good portion of his or her time away from the practice on trips and vacations with their family and the other owner spends an inordinate amount of time working harder and longer hours just trying to pay the bills and never taking any time off?

The purpose of this book is to provide you with revealing insights into your own practice – and to get you geared up to implement some of the ideas and concepts you will learn while listening, watching and reading the material you will receive at the seminar.

When you get right down to it, there are really five basic principles any practice, can use to increase its business.

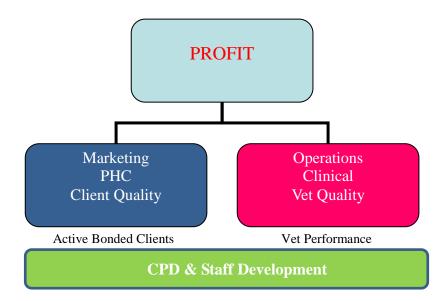
- First, a practice can increase the number (and quality) of new customers they have.
- Second, they can generate more income from their existing customers.
- Third, they can **increase the efficiency of their operation**, cut their expenses and improve their margins.
- Fourth, they can determine and then ethically exploit the **Lifetime Value** of their customers.
- And finally, they can create a clear, compelling and irresistible reason for their prospects and customers to do business with them, and not their competitors.

Each one of these categories on its own has enormous potential to dramatically affect the bottom line profits of your practice, but if you combine two or more of them, they can have a synergistic effect, and the results will be exponential.

It is important to remember that you cannot 'make' profit - profit is only an outcome of 1) Having the 'best' client base that you can attract and retain – not necessarily the wealthiest but the best in their commitment to pet owning and

2) Having the 'best' vets delivering value to those clients in terms of clinical, client care, financial and practice outcomes.

This necessitates directing your practice and people development focused on delivering these two essential outcomes.



In this book, you're going to learn how to implement this strategy with a handful of practical ideas that have worked for some of the best practices in the UK that will work for you in your practice, as well. Ideas and strategies that you can begin to use immediately to quickly and easily take your business to the next level and begin adding profits to your practice bottom line.

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# **Bonding of clients - Client Attraction**

The quality of the medicine and surgery is paramount to most vets in practice. However financial success of any practice requires two pillars of excellence – the quality of the clients and the quality of the veterinary service available. The attraction and retention of quality clients is directly related to the quality of the client care the practice can provide. In this respect the importance of the practice nursing and reception teams in bonding a client for life cannot be underestimated.

In terms of marketing (activity to gain and retain clients) annual vaccination and vaccination reminders are probably the only proactive marketing activity that many practices undertake to actively encourage clients to return to the practice on a regular basis.

Vaccination reminders are still only a relatively recent innovation in many veterinary practices over the last 10 to 15 years. With the advent of computerisation and the help of Animal Health companies this is now becoming routine for the majority of practices. Vaccine revenue is a major proportion of direct practice income as well as potentially a significant part of indirect income for preventative health products and diets in practices. Vaccination provides the basis for a more complete whole of life preventative healthcare plan.

There are TEN GOLDEN OPPORTUNITIES that can be realised in a good Preventative Healthcare Programme are:

- 1. Vaccination preventative disease control and annual health exam
- 2. Worming internal parasite control & public health
- 3. Flea control external parasite control
- 4. Insurance & payment schemes treatment enhancement and full PHC
- 5. Nutrition life stage nutritional advice and sales
- 6. Neutering health, convenience and breeding control
- 7. Behavioural problems safety and welfare
- 8. Microchipping security and peace of mind

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- 9. Dental care prophylaxis, dental products and diets.
- 10. Skin & coat care including anal glands and ears.

If you add to these the potential for pre-anaesthetic laboratory work, early disease diagnosis and geriatric medical problems such as heart, thyroid and arthritic conditions as well as preventative and corrective surgery, the potential income over an animal's life time (12 - 15years) is exponential.

However, despite this potential, vaccinations are considered the boring, mundane part of veterinary work and are often treated as a "quick buck" and not the huge marketing development potential it should be. Equally this perception of "poor value for money" (a rip-off!) is growing from the customers point of view in line with the economic situation as well as some significant health concerns about frequent vaccination in animals - resulting in less frequent vaccination.

Unless the "booster jab" can be perceived in a more crucial role in the marketing of the veterinary practice there is not only the lost revenue from lost sales and potential sales, there is also the loss of opportunity for quality clinical preventative medicine and surgery and the long term threat of the devaluation of the role of the veterinary practice in providing vaccination at all.

For every practice it should be a priority to develop Preventative Health Care services to cater for the increasing number of clients who regard their pet as family members and whose main priority is that they stay healthy. This should be a client driven process, managed and supervised by a competent and experienced nursing and reception team.

#### **Preventative Health Care (PHC) Plans**

Considering that at any one time there are probably more healthy animals than sick ones, it is the vaccination and annual health examination that has the greatest potential for practice growth and sustainability in terms of 'bonded clients'. Preventative Health Care (PHC) Clinics

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allow the practice (particularly nurses and receptionists) to work proactively with pet owners to enhance their pet's health, quality of life and longevity.

A well-structured PHC plan takes advantage of all the opportunities available for preventative health care that the practice has to offer including a regular comprehensive physical examination (health check), routine vaccinations, nutritional advice, parasite control, dental check-ups, regular weighing, neutering, pet health insurance and diagnostic tests as required.

PHC Plans have three distinct benefits for the practice:

- To improve the health of pets under care, leading to a better quality of life and greater longevity of the pet.
- To provide a quality client service through better pet healthcare.
- To enhance client bonding (repeat visits and taking up more products and services).

It is important to remember that clients tend NOT bond to clinical services; they bond to initiatives aimed at client satisfaction and value for money, in which the client takes part and enjoys the experience, i.e. healthy, happy pets. (It is perverse to think that it is only vets who 'enjoy' sick animals!)

#### **Benefits of Bonded Clients**

- Responsible for 78% of consultations
- Pet <u>vaccination</u> up-to-date
- Pet has annual health check
- Attend the surgery almost ten times more frequently than casual clients
- Three times more likely to have PHI
- Less likely to require out-of-hours service
- Less likely to complain
- 30 times less likely than casual clients to require discounted fees
- 10 times less likely to require credit than casual clients
- 10 times less likely to become a bad debt than a casual client

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#### **Client Bonding**

It is clear from practice data that those clients with up to date vaccinated pets AND use veterinary preventative health care come in to the surgery more frequently and spend more at each visit because they take up more products and services offered by the practice. These clients can be responsible for up to 80% of Turnover and Transaction Volume though they may only represent 25 – 50% of the total client base.

Recent figures also show us that these proportions also apply to those other important areas of Preventative Health Package such as neutering, dentistry, lifestyle diets, worming, flea control and Pet Health Insurance. In fact there seems to be a positive correlation between all these "wellness" items contributing to significantly higher Turnover, Transaction Volume and Average Transaction Value (FDI 2010). *It has been estimated that the Annual Client Spend of Bonded Clients can be, on average, up to 3 times that of casual clients.* 

Perhaps then, it is this concept of focusing on the Bonded Client that is most important to the future viability of many successful practices. Bonded clients are loyal and valued clients; they treat their animals as family members, are knowledgeable on most aspects of pet health care, visit the practice on a regular basis and purchase a wide range of products and services.

This process of setting up, marketing and implementing each one of these Preventative Health Care Plans will attract clients to the practice, improve turnover and grow and sustain a profitable veterinary business. However, remember that good marketing will only bring in more and better customers – good veterinary care and excellent customer care will convert them to clients and keep them coming back.

#### **The Current Situation**

National UK veterinary trends show some startling statistics:

- Clients and patient numbers declining due to demographics and competition
- Low client compliance for preventative and clinical care

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- Typical treatment course for worming and flea treatments only 90 days per annum
- Only 59% of clients returning for boosters after primary vaccination declining to 40% thereafter
- Average compliance for long term NSAIDs is less than 120 days (optimally 5 to 7 years!)
- Inter veterinary competition increasing in quality & quantity
- External competition threatening from retail & internet providers

The reality is that practice compliance for preventative products is very low and declining in the current economic market! The average uptake of common PHC services and products by clients in UK veterinary practices is shown below:

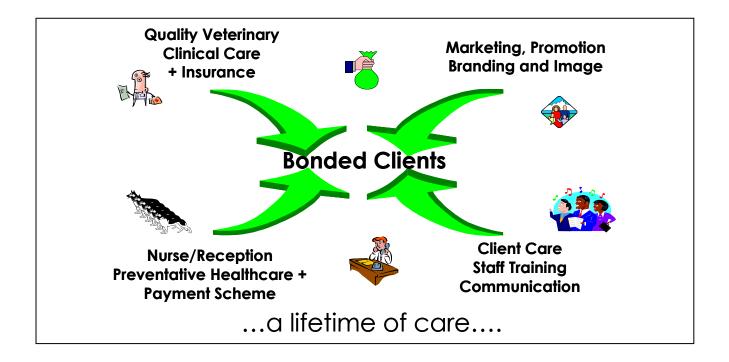
% of Clients with	Dogs	Cats
Vaccination	54%	46%
Worming Treatments	37%	39%
Flea Treatments	25%	38%
Lifestyle Diets	5%	8%
Prescription Diets	8%	9%
Routine Dental Care	6%	6%
Insurance	19%	10%
Microchips	25%	17%
(FDI 2010)		

#### **Nurse clinics**

There is no doubt that nursing clinics such as Adolescent, Adult and 'Senior' clinics as well as weight and behaviour clinics, 'clinical' clinics for blood pressure, dressings, arthritis, patient admission and discharge do increase visit frequency and client compliance though still in only small numbers. This is because there is often no 'whole of life' approach to the provision of preventative care but a disjointed and poorly marketed 'clinical' approach that seldom engages clients (or nurses) in the care of healthy pets.

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The four elements necessary to create a 'Bonded Client'. It is the first three, Marketing, Client Care and PHC that have the greatest impact on client perceived value when selecting and recommending a veterinary practice. Once you have a Bonded Client you can practice a better level of veterinary care.

For further information about Customer ServiceTraining and Development go to: http://www.vetdynamics.co.uk/Services/CustomerServiceTraining.aspx



# **Bonding of clients - Client Retention**

#### **Starting the Bonding Process**

The bonding process starts with the new puppy or kitten. These new owners turn to a veterinary practice not for their clinical skills but with the expectation of care and the best information available for the care of their new (healthy) family member. The perception of these owners of these puppies was overwhelmingly (74%) as a child, companion or friend. 56% considered their new puppy not so much as a child but as a special member of the family to care for.

Beyond the responsibilities of cleaning, training and walking, many owners explicitly expressed their fondness for the puppy and their desire to 'want the best for him/her', how much there is to learn and asked where, in fact, do they turn for the best information? The three things a client wants are:

- They HAVE a healthy pet
- To be TOLD they have a healthy pet
- To be TOLD they are good pet owners!

How often do you hear that in a vet consultation..?

As a process for promoting your practice's products and services such as nutrition, insurance, flea and worm products it would appear that new owners will respond to the advice and information presented to them at the time of the puppy's primary vaccinations by the veterinary practice.

From a marketing perspective it may be worth considering how to present PHC in terms that the client can understand...

The clients' view of ...

- Vaccination disease prevention
- Worming public health, protecting children
- Flea control -'yuck' prevention

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- Nutrition –good health, coat, vitality
- Neutering / breeding 'family planning'
- Behavioural training euthanasia prevention
- Pet ID / Microchips safety & security
- Dental care 'breath control'
- Insurance peace of mind

However, the concept of the Puppy Party or Socialisation Clinic is rapidly taking over as the best format for client <u>and</u> patient education. The purpose of the Puppy Party is:

- To provide socialization and behavioral experience for the puppy or kittens in a safe and controlled environment
- To provide client education on routine Preventative Healthcare issues
- To provide an interim assessment of a puppy or kittens developmental progress between the primary and first booster vaccination
- Maintain the practice bond with the client
- Provide a fun "non-clinical" experience for the pet

The Puppy Party is also an excellent venue for introducing and educating the client to the best health care information and products recommended by the practice. When a recommended diet sample pack and a discount voucher for puppy food were presented with a Puppy Socialisation Pack, 76% of new owners tried the sample on their puppies, 65% kept or used the discount voucher and 10% converted to the sample product from other diets. Owners also read and responded very well to other recommended product and services information provided in the pack such as flea and worm products, insurance and payment plans.

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This demonstrates that all elements of the Puppy Party and the accompanying socialisation information can generate a significant response and can be a successful and powerful marketing tool for the practice by providing accurate veterinary information for the client, promoting the practices recommended products and services and bonding the client immediately to the practice. This is also an excellent time to promote a whole of life Preventative Health Care plan

#### **Marketing Preventative HealthCare**

In the UK of all puppies and kittens seen in the first 12 months of life 85% received primary vaccination, however less than 50% continue to receive booster vaccinations throughout life. Vaccination recall rates in the first 12 months drop by 25% and 16% in the second and a 9% drop off after that so that by the time dogs reach 7 years old only 40% are receiving regular vaccination. Cats show a very similar profile.

Dog Vaccination Recall Rates

	Primary vacc			Primary vacc 1 <sup>ST</sup> Booster			ubsequent boosters
100 pups	===>	85%	====>	63 %	====>	54 %	
	84%		75%		84%		

The biggest drop off in vaccination recall rates is between Primary vaccination and the 1<sup>st</sup> booster vaccination

This presents two obvious strategies

- Recruit more puppies and kittens and allow the drop-off...but that may be very difficult in the current economy!
- Do something to retain more clients in the first 15 months of pet ownership a clear window of opportunity to bond and retain clients for life.

 Primary vacc
  $1^{ST}$  Booster
 Subsequent boosters

 100 pups
 ===>
 90 %
 ===>
 77 %
 ===>
 67 %

 90%
 85+%?
 87%

#### Marketing Rule #1:

Don't ever sell vaccinations...or wormers...or flea control! Instead...... sell whole of life Preventative Healthcare packages to attract and bond a large <u>healthy</u> patient base to the practice, concentrating on **quality**, value for money and convenience for the client.

Of all the opportunities available for routine healthcare, only four are actually mandatory, required every year and several times a year for the lifetime of the pet for optimal health and under the direct control of the veterinary practice

- Vaccination
- Internal parasites worming
- External parasites flea control
- Health Examinations

These can constitute the basis of the mandatory healthcare provision offered by the practice *that every pet needs every year of its life!* It is suggested that these four items are bundled up into a 'Basic' 12 month Healthcare package, discounted to incentivise the purchase of the bundle and paid for on a monthly basis by Direct Debit, Standing Order or Credit card to remove the financial dis-incentive at the time of purchase.

The other services and products are discretionary and required at different stages of the pets' development

- Nutrition/diets
- Insurance
- Neutering / breeding
- Behavioural training
- Pet ID / Passports / Microchips
- Dental care
- Skin and coat care (ears & anal glands)

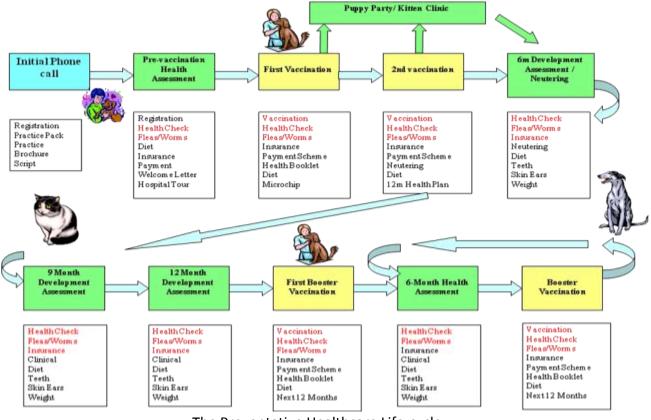
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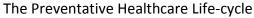
These can be offered as required but marketed and incentivised with discounts and bundles to encourage uptake at the appropriate time throughout the pet's life.

### The Preventative Healthcare life-cycle of the pet

The marketing principle that you need to consider with this strategy is that the practice profit lies in the <u>lifetime value</u> of the client. If we consider the long-term life-time (~12 years) opportunities from the sale of just one Primary Vaccination we should, in theory, put aside for that individual pet:

- Microchips x 1
- Neutering x 1
- Wormers x 48 doses
- Flea Control x 144 doses
- Booster Vaccinations x 12





To bundle up a manageable 12 month PHC package consider the opportunities at Booster Vaccination?

- Next Booster vaccination
- Wormers x 4
- Flea Control x 2 packs
- 6 month health exam x 1

The challenge is not to sell 10 things every vaccination but to sell one thing once, per year, for life! Therefore your mission in providing essential routine healthcare that your clients require for their pets is:

## "To change the provision of routine veterinary healthcare from a discretionary purchase to a mandatory obligation"

The PHC strategy is to develop a bespoke, branded and comprehensive Preventative Healthcare (Whole of Life) scheme to optimise Preventative Healthcare provision and increase utilisation and job satisfaction of the nursing and reception staff.... but it is important to keep it simple enough for staff to sell and clients to buy!

The outcomes of a successful Preventative Healthcare scheme should include

- Increased client visits
- Increased client spend
- Increased client attraction
- Increased client retention
- Improved cash flow
- Increased transaction values

A typical Health-care Plan would provide

• Monthly payment plan (Direct Debit) to provide

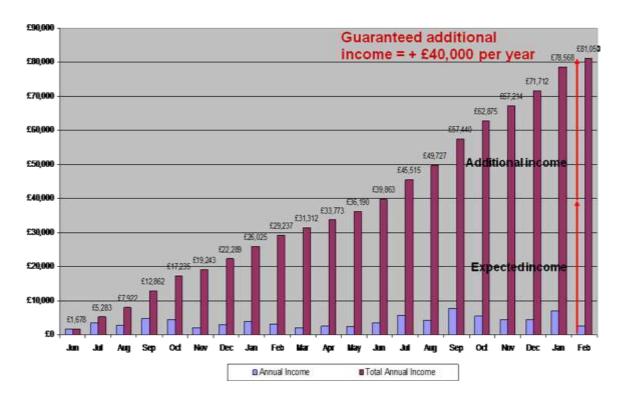
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- Next year's booster vaccination,
- o all worming/flea products and
- paid 6 month nurse health assessment
- typically discounted 10% -15%
- Initial discount of primary or booster vaccination at joining typically 10% 15%
- Additional discounts on selected services typically non clinical or one-off preventative procedures such as neutering, microchips, additional vaccinations and diets.

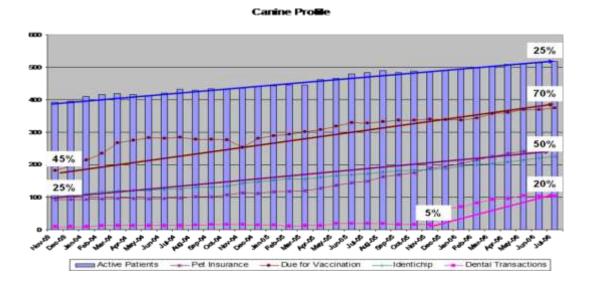
#### Does it work?

Research conducted with practices running PHC schemes showed that

- Average increased Healthy Pet Club spend per pet £58 per annum
- Average increased visits to surgery -1.6 times per annum
- Improved client recruitment: the percentage of reception/nursing staff response to question "Is your Healthy Pets Club a useful tool when new clients contact your surgery" was 94% responded either 'very useful' or 'useful'
- Increased client retention: Average client retention for vaccinated animals <70%
  - o 94 % complete first year with Healthy Pets Club
  - 91% continue with plan to second year
- Comparative Business Example
  - 100 clients with puppy/kittens that join Healthy Pets Club receive 15% discount on £50 vaccination course and contracted to spend £116 per annum compared to 100 clients paying full value for vaccinations, worming and flea control. National average non-HPC return for first booster with yearly spend of £59
  - 5% discount factored into HPC monthly payments and admin @ £9 per client
  - Assumes 94% income collected and 91% complete HPC. 86 renew of which 91% complete and 94% income collected.



In financial terms PHC schemes differentiate your best clients by allowing them to identify themselves as the 'best' and committed clients. These clients come in more often and take up more products and services thereby increasing their annual spend, improve relationships with the practice and tend to recommend new clients by word of mouth. This then provides the basis for offering an increased quality of care and profitable levels of veterinary medicine. Ignore them at your peril...



For further information about Pet Health Club schemes go to: www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Preventative-Healthcare

# How to achieve maximal profitability from your existing veterinary business

Veterinary practice is a reactive business. Practices tend to wait and see what happens to them (e.g. legislation, internet, competition, etc.) then react positively or negatively to the consequences. As a result life in practice can be chaotic, reactive and stressful – many vets working far too hard for too many hours for too little return.

The principle cause of this is vets' failure to charge profitably for their professional time. Reacting to a broad, ill defined, demanding and fickle client base whose demands and motivation are only occasionally aligned with the vets desire to practice high quality medicine and surgery and run a proactive and profitable business means the vet owner is constantly working reactively and inefficiently.

Often they don't know what their professional time is worth except in terms of the consultation or surgical fee and these are often determined by what other practices charge rather than based on the needs of the practice finances and profitability.

Then vets often 'give away' time (the free consult) to appease the client, discount professional time (the repeat consult) to appease themselves and miss real opportunities to sell their professional time through 'being too busy' or fear of 'selling'- resulting in failure to offer full compliance veterinary services to the client and fulfilling the clients' and patients' needs. These activities have serious financial, clinical, and customer service implications on the clients, the practice and the staff.

These next chapters will show how practices can control costs, determine a realistic veterinary professional fee based on their financial needs and then demonstrate the consequences of giving away or discounting their professional time and missed opportunities for practicing good veterinary medicine for the benefit of the client, the patient and the practice.



To maximise profit managers need to concentrate on three key issues:

- 1. Profit Analysis and Cost Control
- 2. Pricing strategies for Preventative, Clinical & Drug sales
- 3. Vet Sales Performance
  - a. Invoicing strategies charging for what you actually do
  - b. Missed and Failed Opportunities for Professional Services

#### Cost and profit analysis

This allows you to analyse the separate Strategic Business Units in your practice – Equine, Small and Farm practice, 1<sup>st</sup> opinion and referral practice, hospital and branch practice. A Business Unit is defined by having different Customers OR different Competitors. Managers also need to analyse cost and cash flow to produce accurate monthly management accounts for each business unit.

- Set accurate budget projections for the year.
- Set quarterly planning and review meetings with practice owners.
- Focus on key cost areas (stock control) for analysis and budget setting.

For more information go to:

#### www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Profit-Performance-InSight.aspx

#### Strategic Pricing of Preventative care, Clinical care and Drugs

In practice 'shopped' products and services such as consultations, vaccines, neutering, PHC products and visit fees are more competitive and are often discounted to unprofitable levels. Drug sales are coming under threat from competition, regulation and internet providers driving their profit margins down. As a result true 'professional' or 'clinical' veterinary fees make up a relatively small percentage of practice income. With the investment in vets, staff and equipment professional fees, drugs and PHC need to be priced profitably to cover costs and make a profit for the business to thrive.



#### **Vet Performance**

#### i) Correct invoicing

Correct invoicing is about setting and sharing Standards of Care based on the best medicine for the patient and clear information to the client. These processes will be discussed and implemented to enhance the income from clinical work and insurance rather than drugs and preventative services.

#### ii) Proactive Medicine

Proactive medicine is based on the Standards of Care that the practice chooses to adopt. It will generate more income (profit) from each client transaction through taking up missed opportunities for professional services and encourage vets to visit each client more frequently (more transactions). If practices took up all the opportunities for professional services that were offered to them, they invoiced the work they did do properly and collected the money they invoiced they would improve their cashflow, income and profits overnight by 50% -100%.

# **Maximising Practice Profitability**

## **Profit Analysis and Cost Control**

Profit is what is left over to reinvest in the practice after all the other costs (including owners' remuneration) have been paid. It is wholly dependent upon 1) how much money the practice earns minus 2) the costs incurred to earn it.

Costs fall into two types

- 1) **Variable costs** or costs incurred due to the work done. These are typically consumables such as drugs, lab consumables, cremation services, etc.
- Fixed costs or costs that need to be paid irrespective of the work done. Typically in veterinary practice these are staff wages, building, administration, marketing and finance costs.

An easy way to manage these costs is to monitor them in terms of a percentage of turnover, leaving profit as the 'leftover amount available for further remuneration or re-investment'.

It is important at this stage to be aware that statuary annual practice accounts as produced by the accountant are NOT representative of your managed profit but are a calculation of how much tax to pay before partners drawings – a very different figure from the amount of profit being produced by the business.

A further important consideration is to separate all specific business units – branches, retail 'vet shops', grooming, referral, farm and equine and small animal departments in the financial and marketing management of the practice. They all have different customers, financial metrics and marketing requirements that differ considerably from each other – amalgamating business units masks a multitude of inefficiencies and subsidies that cost money and lose profit.

For Small Animal first opinion practice in the UK we work on the following percentages providing an average 10% Net Profit for the practice for re-investment.

Income (Fees and Drugs) =	100%
Consumables (drugs, lab, cremation, gases, etc.) =	28% (max)



Staff Costs (including partners reasonable remuneration) =	40%
Building Costs (rent, rates, utilities) =	8%
Administration Costs Phone, Computer, stationery, Insurances =	5%
CPD (developing staff to perform better) =	2%
Marketing (activity to gain and retain clients) =	2%
Finance Costs (interest on loans, overdrafts, leases) =	5%
PROFIT (what's left over) =	10%

Very efficient or high earning practices performing above average generate Net Profits of 15%-20% by a combination of increasing turnover and reducing costs.

The financial issues facing practices that prevent this being achieved are:

- Low or reduced profit before Tax and Capital costs
- Consumables >30%. Far too high and need to reduce to <25% URGENTLY. This will free up turnover to bottom line
- Staff costs high >40% in comparison to Turnover. Higher than this suggests over staffing OR under performance of some or all vets
- No Marketing budget to cover costs of client attraction and client retention.
- No CPD budget to cover costs of training and improving skills.
- Return on Investment too low needed for re-investment and Future Business
   Development

				Actual		2008		-			
		Q1		Q2		Q3		Q4		TOTAL	
1.1	INCOME	163039		164164	1	199473		201468		728144	
2.1	CONSUMABLES	44907	28%	47945	29%	54098	27%	55603	28%	202553	28%
	Gross Profit	118132	72%	116219	71%	145375	73%	145865	72%	525591	72%
3,1	STAFF COSTS	64632	40%	71495	44%	62046	31%	71415	35%	269588	37%
3.2	BUILDING COSTS	15760	10%	13131	8%	18548	9%	14593	7%	62032	9%
3.3	ADMIN COSTS	6903	4%	9863	6%	5002	3%	13653	7%	35421	5%
3.4	MOTOR EXPENSES	1658	196	2700	2%	2510	1%	1726	1%	8594	1%
3.5	CPD	3249	2%	1949	1%	1577	1%	2098	1%	8873	1%
3,6	MARKETING	377	D/%	322	0%	755	0%	2731	1%	4185	1%
	Departmental Costs	92579	57%	99460	61%	90438	45%	106216	53%	388693	53%
	Profit before Tax & Interest	25553	16%	16759	10%	54937	28%	39649	20%	136898	19%
4.1	FINANCE COSTS	15669	10%	15930	10%	16437	8%	16770	8%	64806	9%
	Net Profit	9884	6%	829	1%	38500	19%	22879	11%	72092	10%

A typical quarterly financial monitor reflecting costs as a percentage of turnover.

To measure and monitor costs the practice needs to produce monthly management accounts which are then accrued quarterly for review and planning. Many practices try to monitor monthly which proves too erratic and leaves no time for implementation. A quarterly planning cycle is more consistent to compare this quarter with this quarter last year, the previous quarter and gives 12 weeks to plan and implement for the following quarter as well as set yearly, quarterly and monthly spending limits. This process requires accurate and regular monitoring.

For more information on Profit and Cost Analysis go to <u>http://www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Profit-Performance-InSight</u>

# **Maximising Practice Profitability**

## Pricing strategies for Preventative, Clinical & Drug sales

Most vets work far too hard for far too many hours for too little return. The principle cause of this is vets' failure to charge profitably for their professional time. Often they don't know what their professional time is worth except in terms of the consultation or the surgical fee and these are often determined by what other practices charge rather than based on the needs of the practice finances and profitability.

Then vets often 'give away' (the free consult), discount (the repeat consult) or miss real opportunities to sell their professional time through fear of 'selling', resulting in failure to offer full compliance veterinary services to the client and fulfilling the clients' and patients' needs. These activities have serious financial, clinical, and customer service implications on the practice and the staff.

This chapter will show how practice managers can determine a realistic veterinary professional fee based on their financial needs and then demonstrate the consequences of giving away or discounting their professional time and missed opportunities for practicing good veterinary medicine for the benefit of the client, the patient and the practice. To improve profitability in small animal practice we need to concentrate on two key issues:

- 1. Strategic Pricing Profitably price all services and drugs
  - 1. Preventative services
  - 2. Drugs
  - 3. Clinical services
- 2. Vet Sales Performance
  - 1. Invoicing strategies
  - 2. Missed and Failed Opportunities for Professional Services M.O.P.S. & F.O.P.S.

## **Strategic Pricing**

Every member of staff needs to know about the need for profit and the link between practice revenue and salaries and investment. Income growth depends on delivering better

medicine and better service and being able to charge for it profitably. For this to happen the client needs to perceive value from the consultation and any further recommended procedures.

Correct Pricing and Correct Invoicing will generate more money from each sale by increasing the Average Transaction Value (ATV). This has the potential of adding an immediate 30% -40% in pure profits to the bottom line because it involves no more work and no more costs. In this way pricing activity acts directly on the profit margin. However there is an unfounded concern that it will adversely affect client and transaction numbers. This is true but the equation has a definite upside to consider.

If fees <u>increased</u>, you can afford to lose a percentage of transactions (clients?) without losing any profit, e.g. if profit margin is 20% and you increase fees by 10%, you can reduce number of transactions (clients?) by 33% without losing existing profit – an unlikely scenario.

If fees <u>decreased</u>, you have to increase the number of transactions (clients?) to maintain your profit, e.g. if profit margin is 20% and you decrease fees by 10%, to maintain profit at same level, you must increase transactions (clients) by **100 %** - a very likely scenario...

If you are selling on Value and Quality there will always be some people complaining about price but, normally less than 2% will actually reject the pricing in the face of good value. If you are not getting some price rejection you're probably too cheap! However, get your vets to accept 10% of clients with price *queries* and the need to itemise and explain your pricing principles and value.

However, once you have a client relatively high prices DO NOT scare clients away. This does:

- Poor service and poor quality (inconsistency of service, advice or pricing)
- Poor price information (estimates and updates)
- Poor communication (clear expectations and keeping clients informed)

Pricing is a management issue not a democratic process for each individual vet within their own consulting room! Every practice needs good, clear and consistent Invoicing Rules:

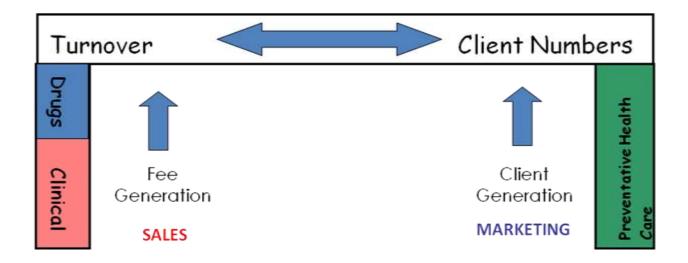
• Know your minimum rate and set the fees and charges profitably,

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- make sure that they are implemented consistently by all the staff,
- no 'freebies' and no (unofficial) discounts,
- charge for everything you do and make sure it adds value (to the client!)

However in every small animal practice there are three specific business units that the practice needs to have a separate pricing strategy for:

**Preventative Health Care** is a competitive pricing strategy based on high volume with lower profit, leveraging nurse and reception staff and delivering a bundled Product and Service mix of mandatory routine preventative healthcare for the lifetime of the animal. This moves your strategy away from the price based competition. The currency of preventative healthcare is the number of bonded clients it attracts and retains. See the previous chapter on Preventative Healthcare for further information.



**Drug Sales** is the retail business of buying sufficient stock at the lowest price, marking it up by a suitable margin and reselling the same volume at the higher price. These mark-ups are traditionally based upon their pharmacological category e.g. POM, PML, etc. Unfortunately client compliance, particularly for long term (chronic) medication is very low due to high prices, dispensing regulation and inconvenience. Therefore it is worth considering mark ups based on Usage – not category

For Acute short-term and in-house service driven (non-competitive) products a much higher mark-up is justified for urgency, availability, storage and wastage issues.

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Many of your top selling drugs particularly in senior animal (>7 years old) 70% - 80% of drugs and services are repeatable.

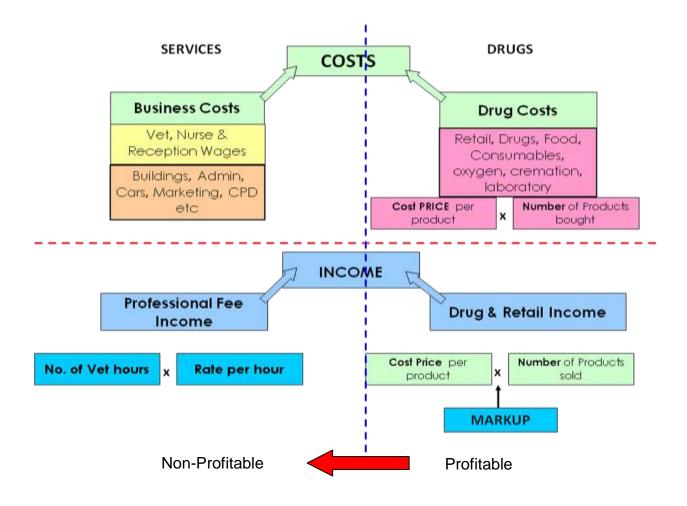
- Vaccines /Wormers / Flea control
- Diets Prescription and non-prescription
- NSAIDS / Arthritics
- Dental products
- Cardiac / Thyroid / Skin / Ear preps
- Clinical & Laboratory monitoring

Once an animal has been prescribed these 'chronic medications' they should provide a revenue stream for the rest of the animals life. Unfortunately the average compliance of these products is less than 3 months in many cases because of cost, poor case management and inconvenience to the client. A far better strategy is to provide full case management with lower cost drugs over a longer period of time – make less on the drugs initially but more on the additional services over a longer time.

Therefore for Chronic long-term health maintenance drugs (e.g. arthritics, cardiacs, endocrine, etc.) to maintain compliance a lower product mark-up and bundling up with a package of clinical services to maintain the condition over the lifetime of the animal will provide better clinical care and result in longer tem product compliance (and sales).

**Clinical Services** are essentially selling your professional time in 10 or 15 minute increments called consultations or surgical time. Two problems are prevalent in the majority of veterinary practices. In the current competitive (UK) environment for preventative products and services and drug sales (deregulation, retail and internet) veterinary income will increasingly be reliant on your income from your veterinary professional time. In the UK first opinion practice Professional Fees generate on average 65% of income and Drug Sales generate 35% of income. One would assume in both parts of the business profit would be generated in approximately the same ratio. In general terms the income the practice generates from professional time needs to cover all the fixed costs of the practice and generate 10% - 20% profit. The Income from Drug Sales needs to cover the cost of

consumables and generate a 10% - 20% profit. Unfortunately in many practices this is not achieved - the majority of practice profit (if not all) is generated from drug sales and often the Professional Fee income business runs at a substantial loss!



Professional Fee Income is determined by Number of chargeable veterinary hours x

veterinary Rate per hour

Therefore to increase the Professional Fee Income you really only have three choices:

- 1. Sell more veterinary hours i.e work longer hours or employ more vets but this of course incurs the substantial fixed cost of wages
- 2. Do more consults per hour (for the same price) but this of course starts to affect the quality and delivery of clinical care
- 3. Increase your rate per hour or cost per consult.

As in other professions it should be possible for more experienced vets to charge at a higher rate than say a new graduate. This rarely happens in practice except perhaps at the 'specialist' level. Practice ownership or grey hair (or no hair) is not a reliable indicator of tangible clinical skill. Clinical expertise, in first opinion work, tends to be a 'given' for most clients. Perhaps the reason for this is that in first opinion practice it is very difficult for the practitioner to differentiate their 'clinical' expertise to the client. Clinical skills determine how we respond to the patient and their pathology and how quickly they come to a Diagnosis – not necessarily the client need. In fact, it may create a jargon-filled communication barrier between the vet and their client in their haste to deal with the patient.

The most important aspect of 'Clinical' work (as distinct from preventative or drug sales) is that for the bonded pet-owner faced with a sick or injured pet (family member) the buying behaviour tends to be experiential, highly emotional and therefore value based. It becomes:

- Mandatory I want it!
- Emotional I want it now!
- Quality/Value driven I'm willing to pay for the best quality of care (IF I can see the Value to me and my pet)

The 'Value' for the client lies in the interpersonal and communication skills of the individual vet and their ability to enhance the client experience in a stressful situation. This is dealing with the 'Illness' - how the sick patient, it's symptoms and treatment is affecting the life of the client and whether it is going to get better, or not (the prognosis). Therefore in the 'Clinical' practice the Pricing behaviour can be based on two complementary principles:

- PROFESSIONAL TIME needs to be the minimum rate per hour needed to cover fixed costs, wages and a reasonable PROFIT – this will depend upon the practice setup and cost base (not what the competitors are charging!)
- VALUE BASED if you can <u>add value</u> to your professional time and the <u>client</u> <u>experience</u> you can increase your rate i.e. positive client value will add positive variance to the price (think low cost supermarket vs. high-end supermarket – Lidl vs. Waitrose in the UK)

#### **Determining your Professional Rate per Hour**

In small animal practice it has been calculated that the number of chargeable vet hours (consulting and surgical time) averages around 30 hours per week i.e. 180 x 10 minute units per week. This tends to be fairly consistent in most practices, therefore it is important that the practice can determine and maintains its veterinary professional fee rate. Let's take an example of a 4 vet practice averaging 30 chargeable hours per week for 46 working weeks a year per vet and turning over £800,000 (ex VAT) with 10% net profit.

А	Turnover	£800,000	
В	Vet Wages	£200,000	25%
С	Fixed Cost incl Staff Wages	£300,000	38%
D	Total Fixed Costs (B+C)	£500,000	63%
Е	Variable (Drug) Costs	£220,000	28%
F	Total Costs (D+E)	£720,000	90%
G	Profit (A-F)	£80,000	10%
Н	Number of Vets	4	
I	Billable hours / week / vet	30	
J	Working weeks / vet /year	46	
к	Working days per year	1,380	
М	Billable Vet hours / year (GxHx IxJ)	5,520	
Ν	Billable Units per Year	33,120	

This practice has 5,520 chargeable vet hours and 33,120 chargeable 10 minute units per year in which to make £800,000. Averaging this out and excluding drugs this means the practice is currently working at a profession fee rate of £105 per hour or \$17.52 per 10 minutes.

Averaged Productivity	Turnover	Cost	Profit	Drugs
Per Vet Per Year	£200,000	£125,000	£20,000	£55,000
Per Vet Per day	£580	£362	£58	£159
Per Vet Per hour	£145	£91	£14	£40
Per Vet Per 10 minutes	£24.15	£15.10	£2.42	£6.64

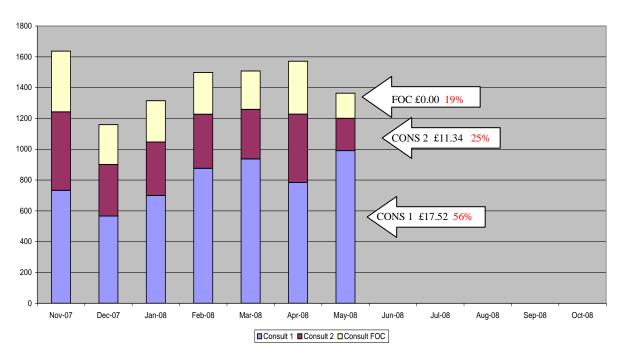
Charging £17.52 per 10 minutes

#### Charging £105 per hour

For more information on Pricing Strategies go to

http://www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Invoice-Workshops

Interestingly this is very near the espoused consultation rate of 17.83 (£107 per hour) However most practices allow official discounting of this rate by having reduced rate (discounted) consultations (consult 2 and 3) as well as giving away a large number for Free of Charge consultations that are not adequately included in other charging and the ability for vets to undercharge if they so wish.



C1:C2:FOC

#### VETS

			Repeat	1		
CONSULTATIONS	Number	% of Total	Rate	Price	Income	
Consultation primary 1	5587	56%		£17.83	£99,616	
Consultation subsequent 2	2519	25%	45%	£11.34	£28,565	
Consultation (free of charge)	1945	19%	35%	£0.00	£0.00	
Total Consultations	10051			£9.72	£128,182	
Total 2nd consults	4464	44%	80%		£28,565	22%
Average Income per first consult		£17.83	=	£107	per hour	-
Average Income per all consults		£12.75	=	£77	per hour	
Average income per Repeat consult		£6.40	=	£38	per hour	

The effect of these reduced charge and FOC consultations is to dramatically lower the professional rate per hour - in this case down to £77 per hour - considerably below our required rate of £105 per hour to achieve our income and profit. Having studied this ratio in many UK practices *it has consistently shown that your practice consultation fee virtually determines your veterinary income rate per hour.* 

In this case the Average Income per 10 minutes =  $\pm 17.89 = \pm 107$  per hour and the Primary Consultation Rate =  $\pm 17.83 = \pm 107$  per hour

Therefore we can make some assumptions regards practice charging:

The lower your <u>Primary Consultation</u> rate the lower the Average Rate per Hour The lower your <u>Repeat Consultation</u> rate the lower the Average Rate per Hour The <u>More</u> Repeat Consultations at a lower rate the lower the Average Rate per Hour <u>FOC</u> consultations <u>dramatically</u> lower the Average Rate per Hour

#### Charging appropriately for your Professional Time

In order to maintain your required income rate perhour you need to consider the consequence of reduced charge and FOC consultations which determine your overall income generation capacity.

#### Recommendation 1: Calculate your MINIMUM Consultation Charge

In this case for the  $1^{st}$  or  $2^{nd}$  or <u>any</u> subsequent consultation the minimum consultation charge needs to be £17.89 + VAT per 10 minutes (or £26.84 + VAT for 15 minutes). The (minimum) Consultation 2 charge needs to be increased to at least £17.89

#### Recommendation 2: make sure there are NO Free of Charge Consultations

- Include Post-op and suture removal time in the Surgical Fee
- Decide how many post-ops to include and charge for the rest (more for a cruciate than a lumpectomy)
- Use nurses for all PHC and pre and post op procedures.
- Up to 25% of consulting case load can be done by trained nurses.



# **Maximising Practice Profitability**

## **Vet Performance**

## i) Correct invoicing

It's easy enough to say put up your consultation charges and you will make more money but it is obvious that the vet in the consulting room must convince the paying client (as well as themselves) that they have recieved sufficient value to justify the higher fees. The typical veterinary consultation in the UK is still 10 minutes which is a surprisingly short time to go through a thorough consultative process including...

- Start late...?
- What's the problem? anamnesis and history
- Full Clinical Examination of 12 body systems (shouldn't we?)
- THE DIAGNOSIS! The most important part of quest for the vet
- Treatment decision, planning and instigation
- Maybe recommend additional\_diagnostic procedures
- Dispense and explain drugs
- Book follow-up??
- Write up notes??
- Next consultation...late..

The ability to cope with a very short consultation time, reach a diagnosis and instigate treatment is a prized skill by many seasoned veterinary surgeons and an aspiration for many new graduates. However, what are the missed opportunities in this approach and how does this erode value in the clients' eyes and price in the vets' eyes?

#### Adding Value to the The Consultation

This approach tends to produce a rushed, probably clinically accurate process but of little percieved value for the client paying a high fee for 'a few minutes of the vets time'. The two principle consequences of the 10 minute consultation are poor client communication and therefore poor perceived value leading to poor client compliance. Compliance studies from the AAHA show that up to 55% of the clinical work presented to vets in the consulting room walks straight back out the consulting room door. The largest drop off in compliance from vets' recommendation for products and services is the vets' failure to recommend in the first place based on the vets' feeling that the procedure is too expensive or the client will not want what is being offered.

The second reason is that although vets did make the recommendation for treatment the client chose not to go ahead (the vet assuming probably due to price).

From the clients' perspective the reality is that the reasons for the same non-compliance comes down to:

Lack of <u>effective</u> recommendation by the vet.

- 1. The client didn't know about the recommendation i.e. it wasn't even recommended therefore they never had the choice regardless of the price.
- The vet giving too much information or choices in a short time creating confusion and ambiguity in the clients mind as to what exactly the vet was recommending and why.
- 3. The need or benefit of the procedure was not explained as to how it would improve the outcome of the case i.e. no prognosis

The vet requires the Diagnosis (or at least a differential) to manage the case - clients want and need a Prognosis! The value to the vet is in the **Diagnosis (disease)** answering their question **"***What's the pathology?*"

The value to the Client is in the **PROGNOSIS (illness)** answering <u>their</u> question *"Is he/she going to get better...?"* It's an improved or accurate prognosis that the client is willing to come back for pay for and and engage in further treaments and consultations.

#### Ten Consultation Tips to Increase Percieved Client Value

The following 10 consultation tips are offered to improve effective communication increase client compliance and add value to the client experience in the consultation.

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- 1. Know what you are worth (or cost!). Be willing to charge a fair price for your professional time and experience.
- Aim to be <u>respected</u> first and liked second! Act professionally in the interest of the pet. Make recommendations to ensure the health and welfare of your patients. Reducing cost and failing to recommend appropriate diagnostics and treatment do not serve the patient, the client or the practice.
- 3. Learn to live with 2% price rejection and up to 10% price negotiation! Always start with the best clinical options and the price then compromise on the treatment you can offer based on the clients' financial circumstances if necessary. However, remember that 90% of your clients are perfectly happy to comply and pay your reasonable fees if they perceive the value they require (sometimes even when they don't)
- 4. Offer the best treatment options to get the best <u>prognosis</u> first. Vets want a DIAGNOSIS
   Clients want a PROGNOSIS. The prognosis is what the client perceives as the value "Will it get better?" Always sell a prognosis at every stage.
- 5. Involve the client in the decision process. In a busy, time pressured consulting process vets typically ask a string of short closed questions which tend to exclude the client from the decision process. Ask Open questions that inform, educate and involve the client in the diagnostic and prognostic decisions. Deal with the Illness (effect on the client) of the condition not just the disease (pathology)
- 6. Use <u>agreed</u> 'best practice' protocols for the most common presenting clinical conditions to provide consistency and the best clinical standards.
- Don't use veterinary jargon and technical terms top explain complicated medical and surgical options. I often say that you need to have a 12 year old child in the room – if they understand you probably got it right.
- 8. Use well presented and branded handouts and practice information sheets such as Life learn and Vetstream to explain difficult concepts and give the client something of tangible added value to take home to the family.
- 9. Take your time if you need double or longer consults (min 15 20 minutes as standard?) either rebook the client so as not to keep the next client waiting or arrange for longer consults for particular conditions (second opinion, behaviour, dermatology, etc.). Don't forget to inform the client as to the extra cost!

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10. Don't assume clients can diagnose & prognose - Refer cases back for YOU to examine. Do NOT say "Bring it back if it's no better" The best person and place to make that judgement is you in your consulting room.

In the next chapter we will look at how measuring and monitoring vets' performance is the quickest and most efficient way of increasing average transaction value and five common MOPS and FOPS – Missed and Failed opportunities for Professional Services by the veterinary surgeon in the consulting room.

For more information on Invoicing and Vet Performance go to <a href="https://www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Practice-Profit-Builder.aspx">www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Practice-Profit-Builder.aspx</a>

# **Maximising Practice Profitability**

### **Vet Performance**

### ii) Missed and Failed Opportunities for Professional Services

Measuring and monitoring vets' performance is the quickest and most efficient way of increasing clinical; standards, increasing average transaction value and increasing profit in any veterinary practice.

What we are looking for are MOPS and FOPS – Missed and Failed opportunities to Professional Services by the veterinary surgeon in the consulting room. As we have said before this strategy is driven not primarily by profit but by the desire to practice as good veterinary medicine as we can – keeping our standards of care as high as possible. With that said we now need to make sure our vets agree to do three things to achieve a profit:

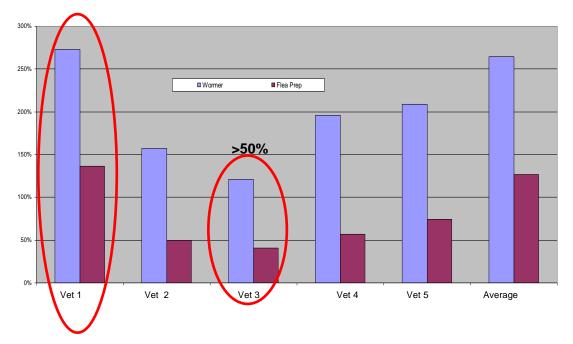
- 1. Price our products and services profitably and agree that they are fair
- 2. Invoice correctly just charge for what we actually do
- 3. Do the work that is put before us practice to the standards that we have agreed.

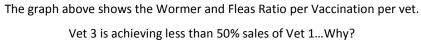
The following are five common areas that vets fail or miss opportunities to deliver professional services that are available.

Preventative Health Care – vaccines, flea, worm, etc.

Every vaccination is an opportunity to provide full preventative healthcare cover and promote worming, flea control and good nutrition – the very basics of keeping a pet healthy. Compliance levels are appallingly low in practice – most clients with vaccinated animals only worming once a year and only using flea control when they see a flea. Your vets vary greatly in how they promote your services. Seek out those that do it best and find out what they do! See the previous article on Preventative Healthcare programmes to improve PHC uptake and pricing.

One way to measure PHC compliance is to measure the ratio of products and services that are generated as a result of having a vaccination. Typically every primary kitten or puppy vaccination should produce a year's flea and worm product sales, a microchip, a six month health assessment, a neutering operation (in most) and some level of food sales AND a booster vaccination in 12 months. Every booster vaccination should produce a year's flea and worm product sales, a six month health assessment, dental care (in most) and some level of food sales AND a booster vaccination in 12 months. All this should be monitored as a 'Vaccination Ratio' against the number of primary or booster vaccines sold, decide on target ratios and create protocols to achieve them.





#### **Repeat consultations:**

Do you send your clients off with a vague reminder to 'come back in three weeks' or to call

'if the animal seems worse'

How many times have you told your client:

- If Fido isn't better in five days, call me
- Let me know how Fluffy is when she finishes her medicine
- If that lump starts to grow, bring Sparky back in

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What we don't realize is that when we use these phrases, we are doing our patients and our clients a grave injustice. How? By making the client the vet, and thus delegating to him or her our responsibility for evaluating the pet's health. The results can, at the very least, cost you the client's trust.

Measure the rate your vets create repeat or subsequent consultations from an initial consultation. In clinical cases, if practicing good medical protocols, animals should be seen at more frequent intervals if the case is being managed pro-actively. Avoid "We'll try this and call me in a week if no better! " In most practices the repeat consultation rate (number of subsequent consultations to primary consultations) is often less than 100% The reality is that it could easily be 150% -175% by practicing improved compliance protocols and practicing better medicine – better patient care and all extra revenue from the same number of clients. C2:C1 > 100%.

The Vets	C2:C1	C2:C1	C2:C1
C2:C1	83%	100%	150%
Cons1	£26.40	£26.40	£26.40
Cons 2	£19.80	£19.80	£19.80
C1 Number	100	100	100
C1 Income	£2,640	£2,640	£2,640
C2 Number	83	100	150
C2 Income	£1,643	£1,980	£2,970
Total Consults	183	200	250
Additional Consults		17	67
Total Income	£4,283	£4,620	£5,610
Additional vet Income/week		£337	£1,327
Practice Income/week		£1,683	£6,633

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#### Seven-step recheck protocol

1. Educate the Client - explain what you find, what you are doing and the need to monitor the outcome

2. Establish a convenient day of the week for scheduling the recheck

3. Offer two choices – day and time – agree and record the client's choice

4. Accompany the client to reception; confer with the receptionist in the client's presence

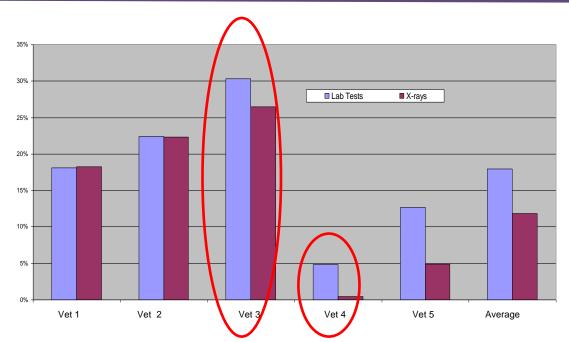
5. Schedule the date and time and complete an appointment card

6. Send a reminder - If the scheduled appointment is more than 3 weeks ahead, ask the client whether they would prefer a reminder by mail or e-mail. Record their wishes and ensure that the reminder is sent on time.

7. Make a reminder telephone call – 24 hours prior to the recheck appointment

**Diagnostics** – laboratory work, radiology and ultrasounds are all areas to add value to the diagnostic process, improve patient health and provide objective prognostic indicators. Measure the number of diagnostic procedures carried out per vet as a ratio of consultations – i.e. **'The Diagnostic Ratio'**. How many blood tests/ x-rays per consultation? You will usually see great variation between vets and their potential to generate extra income. Obviously we are talking about professional and ethical practice to improve the diagnosis and prognostic rate for the client. These figures should be measured on a per vet basis as well as for the practice. Any difference in performance needs to be discussed between the vets and a suitable protocol developed to optimise patient care and clinical performance. This is a measure that your vets can relate to far more easily than other financial indicators.





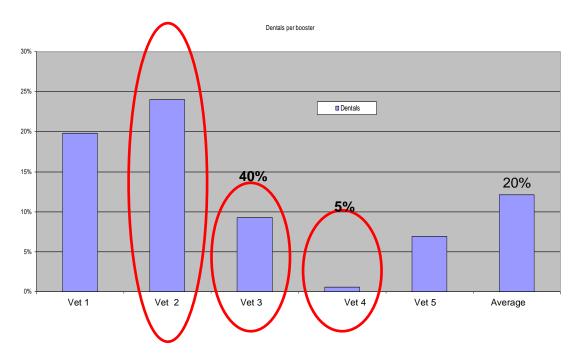
The above graph shows the Diagnostic ratio for Lab Tests and X-rays generated per consultation. Vet 4 is shown to produce far less diagnostic work than all other vets.... Why?

**Dentals charges** – UK benchmarking reports (FDI) tell us that only about 6% of pets receive routine prophylactic dental care. The reality is that 60-70% of the animals examined in the practice need some sort of prophylactic dental treatment or dental surgery. Unfortunately many are left far too long before they are treated. Focus on dental treatment and catch them early. Dental disease in dogs and cats is a serious clinical (and welfare) condition causing pain, bacteraemia and organ damage if left untreated. As vets we have a professional obligation to diagnose and treat dental disease early. Leaving teeth rotting until they literally fall out is a serious dereliction of our professional duty. Use nurses to educate clients about dental care and to carry out routine scale and polish procedures to lower the cost base for the client to encourage compliance in younger animals.

Opportunities for dental prophylaxis are usually detected at routine vaccination and health examinations therefore the **'Dental Ratio'** indicates the number of routine dental procedures generated per booster vaccination and can be measured on a per practice or per vet basis.

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The graph above indicates the Dental Ratio per vet as the number of Routine Dental procedures generated per Booster. Again we see a wide variation in veterinary performance... Why?

**Hospitalisation and treatment charges**. One of the biggest loss of revenue in practice is undercharging for hospitalisation vet and nursing time and failing to charge for products and procedures used while animals are hospitalised – bandages, drips, infusion pumps, diets, injections, tablets. Check invoices of discharged animals and you will be horrified at what you are giving away. Hospitalisation fees should be based on the Vet and nurse time involved in providing care while hospitalised – NOT the size of the animal.

Hospitalisation Fees - Professional Time based

- I Boarding Fee for 12 and 24 hour rates
- II Boarding + non-invasive treatment (nurse time twice daily)
- III Boarding + Treatment + 2 x consultations (vet time) + nurse time
- IV Boarding + I.V. treatment & monitoring (++ Vet & nurse time)
- V Full intensive care + overnight (+++++ Time)

How your veterinary surgeons and staff perform is a practice management function, not a democratic or discretionary process for each vet to decide on the day. The process of regularly looking at invoices and discussing the best protocols for treatment between vets can massively improve standards of care, consistency of treatment and increase profits

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immediately in any veterinary practice with no more clients, no more patients and no more case load – just practicing good medicine and good business with what you already have.

For more information on how to improve Vet Performance go to <u>http://www.vetdynamics.co.uk/Services/Pricing-Invoicing-Profit/Invoice-Workshops</u>



## How to Handle the Slowdown

Talk of 'Recession' or 'Slowdown' may appear perverse to many very busy and overstretched veterinary surgeons and their staff but the economic trends have been very consistent for a few years now. The indications are that the world economy is slowing down. America has finally admitted that they are in recession due to 'sub-prime mortgages' despite the massaging of major financial accounts.

The veterinary industry has been facing static and decreasing turnover growth and profits as well as suffering the blows from increasing legislation and overheads. In the UK the Competitions Enquiry, Marsh Report and possible changes in drug dispensing regimes are all threats the industry need to contend with. Additionally an unprecedented level of competition for customers from the retail sector and internet as well as from practices themselves fuels the problems in store over the next few years.

The old adage "If you do what you've always done – you'll get what you've always got!" is, unfortunately not true anymore. If you do what you've always done in the current environment you stand a real possibility of getting far less than you've always got! However some practices are succeeding and doing some things right. No matter what your situation, one of the greatest dangers now is that you will stop doing what you're already doing right. To remind us of what we <u>should</u> be doing here are three principles to work to and twelve tactics to employ...

#### Three principles:

 Maintain a clear-eyed view of reality, no matter how unpleasantly it may differ from what you expected. It is amazing how many practice owners jump to marketing and promotional gimmicks that are often expensive and ineffective, without any real strategy or goals in mind except 'to do better!' Use your financial and performance benchmarking to get a view of your reality, plan a strategy, get some help if you need to, and set some achievable goals.

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- 2. This is non-negotiable focus on the quality of your people. In the customers' limited perception, all veterinary practices are much the same. There is very little to differentiate them except the quality of the people they interact with. Your staff are your ONLY source of competitive advantage. Yet when times get tough practices stop recruiting and cut back on training as a way to raise profits quickly. The best practices hire the best people and make them better.
- 3. **Continual, day-by-day insistence on improving productivity**. Reduced productivity in a slowdown is not an inevitable fact of life. In veterinary practice productivity comes from good systems and protocols that improve efficiency of work, good pricing and profitability structure, commitment to a vision and improved communication. There are practices proving this fact on a daily basis. Then all you need are the customers to work with. Without customers even the most efficient practice cannot make money.

Speed is the key. Most practices will eventually be forced into making changes, when they're forced to. Your challenge is to make them first.

- Use the downturn as an opportunity to evaluate your people. Anyone can look good in boom times but a slowdown brings out the problems very quickly. Use this to appraise their performance and development. Categorise your people as A, B & C players and take action on the C's, particularly your fee-earning vets!
- 2. Expand the pond. You need new sources of revenue that are profitable and capitalefficient. There is going to be excess capacity in the veterinary industry and demand has already begun to fall. Cutting prices only cuts profits. Preventative Healthcare is the process of reviewing the total needs of your existing and potential customers and satisfying a larger proportion of them. Certainly focus on getting the new business but make sure you retain them. New customers are great but make sure you're getting a larger share from your current customers.
- Get out of the Bunker. 'When the going gets tough the tough get going'.
   Traditionally vets have ridden out the storm or been unaffected by the global economy. This time it is affecting us! Now, more than ever is the time to face

outwards, get out there and promote and differentiate yourself to customers, suppliers and your own staff – get creative, get branded, get visible! Many practices are improving their overall branding and image, both internally and externally with very good results.

- 4. Get right with the bank. Bank managers prize credibility more than anything and in a worsening economy when other businesses are in worse trouble, now is a great time to improve your standing and your financial position. Don't postpone the inevitable tell the bank what your problems are, how you plan to address them, and what results you honestly expect. What they want to hear is about tangible, pragmatic growth programs you're executing.
- 5. Be a hero to your customers. This is the greatest opportunity available to practices at the moment. Don't make the mistake of allowing quality and service to degrade during the slowdown. Instead take the lead in building relationships and cementing the bond with those you already have. Use your receptionists and nurses; ask your customers what their issues are and teach them how to manage their pet's health properly, conveniently and cost-effectively. They'll be grateful.
- 6. Get even closer to your suppliers. The connection between you and your suppliers is a complex one – it has social elements as well as economic ones and needs careful management during a slowdown. They, like your bank manager are willing to help practices showing initiative, flair and creativity – they are not willing to give handouts. Their business is dependent upon your business and want to invest in those that are willing to succeed.
- 7. Lower your break-even point before your competitors do. Don't threaten cash flow. Spending heavily on capital items for a possible return in the future can be risky unless the plan is carefully thought through. Look for the highest leverage – spending X should return 10X. Be willing to cut your loss making resources, branches, equipment, drug inventory and staff sooner than later.
- 8. Innovate focus on nurturing new ideas. There is no shortage of new ideas in marketing and management it's a very creative process! However, selecting the ones that fit into your strategy and getting them implemented as a working process is where most practices perform badly. This is hardly surprising innovation requires the right people, the right resources and a system of meetings, assessments and

communication that relentlessly conveys the values supporting change and innovation. Get some outside help if you need to.

- Keep investing in technology. Particularly computer database management and communication as well as web-based InfoTech. Training is essential part of any new technology. Clinically, invest to keep up with the best in quality medicine and surgery.
- 10. Overhaul your budget process. It needs to be quick, pro-active and frequent. Doing a yearly budget plan then not reviewing it is a waste of time. Spend one day once a quarter with the management team reviewing budgets, performance, and progress. Produce monthly management reports of the key indices. Use your computer technology to track and plan for changes. Propose plans, resolve conflicts, make decisions and involve the practice.
- 11. Keep track of early warning signals. Last year's accounts are useless except to financial historians. Use benchmarking to track business processes on both clinical and preventative healthcare. Track industry trends regionally and nationally. Benchmark against the best practices NOT the average. Use monthly financials to track budget vs. actual. Speak to your colleagues at meetings and in other practices. Speak to managers in other industries. Get to know the important indices to track and watch them carefully.
- 12. Keep communicating. When conditions are changing fast, everyone customers, suppliers, employees and, for corporates, shareholders need to know your view of the world. Develop a clear view and keep telling them what it is. That will allow you and your colleagues to help each other more effectively.

The economic trends are fairly consistent. It may get worse before it gets better but it will be a real test of management for many practices. Effective managers will follow this advice: Be Bold. Act Soon. Move Fast. Do that and whatever the outcome for others you will come out stronger. That's your goal. Good Luck!

> For more information on how to improve your practice go to www.vetdynamics.co.uk/Services.aspx

Have you ever wondered what the difference is between a practice that consistently and predictably realizes extraordinary growth and another practice that struggles just to make ends meet?

In this informative book, Alan Robinson, veterinary surgeon and Veterinary Business Consultant draws upon all his experience working directly with veterinary practice owners and his Platinum Coaching Group, to offer new insights into how practices actually make, and more importantly, lose money in their practices. By 'plugging these 5 key leaks' practice owners can Immediately and Massively Grow Your Veterinary Practice Profits.

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# FREE Bonus chapter

*How to Handle the Slowdown - 3 Key Principle and 12 important strategies to make your practice "Recession Proof"* 



