The six step action plan to grow your practice profit and the value of your practice by 50%

Session 4 – Planning to grow the top line
Top line revenue generated from:

- product sales – dependent on clinical policies, practice philosophy about other products and mark-up
- sale of professional services – the emphasis in this session
Revenue from professional services – a function of:

- **transaction volume**
  - client database
  - professional policies and protocols
  - visit frequency - client / patient visits per annum
  - compliance (clients and staff)
  - footfall / consulting volume
  - procedure volume
  - leveraged services

- **transaction value**
  - professional fees
  - average consulting fee vs standard consulting fee
  - compliance (clients and staff)
Transaction volume - your client database

- what is a client
- how many have you got
- database rising or falling – how do you know
- do you monitor every month?
- what do you do about the lost (lapsed) clients?
- all measurable
Professional policies and protocols

- transaction volume depends in part on your clinical policies
- not a problem in a single vet practice (but note issues with locums)
- but a major issue in multi-vet practices
- cause of client dissatisfaction, poor medicine and inadequate revenue per ‘veterinary team’
- importance of agreed clinical protocols on a practice specific basis – simple example – dentals
- all measurable
Visit frequency

- FDI March 2007 indicate
- client visit frequency 6.2 x per annum
- dog visit frequency 4.6 x per annum
- cat visit frequency 4.6 x per annum
- what are the numbers for your practice?
- remember veterinary practice is a fixed cost business
- remember impact of small changes
Let’s consider a couple of examples:

- dogs with CHF – management of a long term medical problem
- dental work – a clinical procedure
Two vet small animal practice (owner plus employee VS) – *PGTW median figures*

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<th>£</th>
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<tr>
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<td>cost of supplies</td>
<td>88,200</td>
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<td>estab and overheads</td>
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John Sheridan

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10% of all dogs suffer from congestive heart failure (CHF) - Vetoquinol report

- assume: active patients per vet 1,250
- assume 45% are dogs - 563
- assume 10% have CHF - 56
- dog visits per year – 4.5 times (FDI)
- assume need to examine dogs with CHF two extra occasions per year
- then canine transactions increase by 112
- existing transactione per VS = £180,000 / £34.50 = 5,217
- after cardiology initiative increases by 112 to 5,329 equiv to 2.1% growth
Two vet small animal practice (owner plus employee VS) – *PGTW median figures*

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AAHA study – 65% of dental cases diagnosed with grade 2 or higher dental disease did not receive the appropriate treatment

- turnover per vet FTE - £180,000 (SPVS/FDI)
- average transaction value (invoices > £0) £34.50 (range £19 to £55 PGTW)
- total procedures (anaes,dentals/lab,diag procedures, X Rays etc) per 100 consultations – 53
- revenue from 100 consults and 53 procedures - £5,279
- dentals per 100 consultations – 4 (range 2 to 7)
- assume increase by 50% - 2 additional dentals
- average price per dental (ex drugs and supplies) £100
- additional revenue £200 equivalent to 3.7% growth
Two vet small animal practice (owner plus employee VS) – *PGTW median figures*

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But the success of these examples depends on:

- a written clinical protocol for each condition, agreed and implemented by all the staff
- clients who accept and comply with the professional recommendations
- management operational protocols which monitor compliance and take appropriate corrective action when needed be
If these simple examples are valid, poor compliance and poor compliance management could be having a major impact on:

- the standard of clinical care provided for your patients
- the standard of professional services received by your clients
- the job satisfaction and motivation of your staff and
- the profitability of your practice and the value of your business
The question is what can you do about it and what are the problems?

- we’re just too busy to do the work necessary to identify and improve compliance
- *busy and profitable? – efficient use of resources?*
- my staff and clients will just think we’re simply interested in the money
- *do your staff understand the commercial reality of practice? – training is the key - expose all the numbers*
- I’m confident that client compliance in my practice is already OK
- *snapshot 4 random days – you might be surprised*
What else?

- We know how much our clients can afford - if we try to sell them more services they will go elsewhere.
- **some may – but you will only build trust if you are totally honest and open with clients. Offer the best in line with your professional judgement and allow clients to say yes or no. You may be more worried about your fees than your clients are.**
- We may have poor compliance in our practice but it’s the clients fault – they don’t listen to what we say.
- **listen to yourself! – listen to your colleagues and staff, select one or two clinical issues in the first instance, do the homework then ask some clients why they haven’t followed your advice.**
The questions for your practice for these and other clinical issues is:

- do you have clear clinical protocols in place, agreed by all the clinical staff and understood by every other member of staff?
- do your clinical staff always recommend diagnosis, treatment and management in line with these protocols?
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- to what extent do your clients say ‘yes’ to the advice offered?
- do you have in place the management protocols necessary to follow up the ‘yes’, no’s’ and ‘maybe’s’?
- what level of compliance are you achieving in your practice for each of these conditions?
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- what level of compliance are you achieving in your practice for each of these conditions?
- do you monitor the clinical outcome for each of these conditions and do your clinical staff update or amend clinical protocols as a result?
- do you monitor the commercial/financial success of the management/operational policies you have in place for each of these conditions?
Footfall and consulting volume

- the ‘why was last Wednesday quiet’ issue
- what are the factors which influence your consulting room occupancy?
Footfall and consulting volume

- the ‘why was last Wednesday quiet’ issue
- what are the factors which influence your consulting room occupancy?
- only four reasons?
  - new clients – ‘phone out of the blue’
  - existing clients - ‘phone out of the blue’
  - existing clients – recommended by vet or staff member
  - existing clients – a practice initiative – reminders/mailings/offers etc
- record the data for your practice – count the next 100 consultations
- set targets for consulting room occupancy for your reception staff
Whilst we are considering transaction volume issues, here is some more data you will need for your practice.

- number of specific procedures generated from say 100 consulting appointments e.g.
  - anaesthetics, dentals, ECGs, laboratory, neuters, u/sounds, radiographs etc
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- **client database numbers**
  - active clients last month
  - active clients this month
  - new clients
  - lost (lapsed) clients
  - lost (lapsed) clients as %age of database
  - you need a marketing plan for new clients, lapsed clients and existing clients
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  - lost (lapsed) clients as %age of database
  - you need a marketing plan for new clients, lapsed clients and existing clients
- **don’t forget to measure and monitor ‘leveraged’ income from services and sales generated by your nursing and support staff**
Now let’s talk about transaction value

- your fees
- the biggest single influence on the profitability of your practice
What are your objectives?

- many business are totally market orientated – i.e. start with a price for a product or service which they believe will sell well – then they create the product or service to match that price – may be right approach for a provider of some veterinary services
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- most vets however are motivated by vocation and by a wish to practise profession to the best of ability. These services are provider orientated – so prices must be determined on basis of what is required to achieve commercial objectives
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- both markets seek to serve animal owners who trust and value professional advice – so major responsibility to continue to earn that trust.
But!

- have to accept will not be able to please all the people all the time – and that may create difficult ethical issues

- must match increased prices with increased service/value as perceived by your clients not by your staff

- seems to me that profession can best serve animals and their owners by offering the marketplace a wide range of services, standards and prices to match the requirements of a diverse market.

- choose one market segment and aim to be the best in that segment
Whichever sector of the market you service, the question for your practice is:

- do your professional fees enable the practice to achieve its commercial objectives?
How do you set your fees?

- based on what the competition is doing – totally reactive and will drag fees down – the Quicksand approach – will eventually bury your business

- art form – consider how much clients need and value service, what choices are available, how much prepared to pay – BUT when vets take that approach – results in downward trend.

- logical business approach – look at in some detail
What is required?

- not a five minute job – must take logical approach – why?
- to satisfy all the stakeholders (specially your staff – your most influential ‘clients’)
- a detailed business appraisal and financial performance report.
- can use DIY approach or management tool
  - SPVS publication ‘Practice for Profit’ by Hazlewoods
  - VetModel
Stage 1 - need to know current, accurate data for:

- client database numbers and trends
- transaction numbers and values by vet
- revenue by vet
- revenue from professional services
- revenue from product sales
- cost of drugs and supplies
- cost of all the people
- cost of establishment and overheads
and

- overall margin
- margin for professional services
- margin for product sales
- margin per vet £
- margin per staff member £
- working capital measures
- average consulting fee compared with standard cons fee – why?
The importance of your ‘average consulting fee’

<table>
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<th>Standard consulting charge (£)</th>
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<tbody>
<tr>
<td>Average consulting charge</td>
<td>18.00</td>
</tr>
<tr>
<td>Consultations per vet per day</td>
<td>10</td>
</tr>
<tr>
<td>No of consultations per vet per year</td>
<td>2,860</td>
</tr>
<tr>
<td>Current turnover per vet (£)</td>
<td>200,000</td>
</tr>
<tr>
<td>Margin at 7.5%</td>
<td>15,000</td>
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<td>Increase average cons charge by (£)</td>
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The importance of your ‘average consulting fee’

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<tr>
<td>Margin at 7.5%</td>
<td>15,000</td>
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<tr>
<td>Increase average cons charge by £1</td>
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Additional revenue per vet straight to bottom line 2,860
So margin increased by £2,860 equivalent to 19.10%
Stage 2 – make some decisions

- set target for margins
- set target for cost of supplies as % turnover
- set target for people costs as % turnover
- estimate establishment and overhead costs
- set target for revenue from professional services %
- set target for vet productivity and available hours
- set target for average cons charge
Stage 3 – do the calculations

- **professional fees - 4 categories**
  - standard consulting fee – based on marketing decision
  - average consulting fee as % standard fee – a management issue
  - shoppable non-consulting charge – neuters
  - other non-consulting professional charges
  - determining this hourly charge-out fee to achieve your budgeted revenue is key
Stage 4 – the remaining management tasks

- use this figure to determine specific individual fees
- the benefits of this approach is that every key member of your staff can become involved
- if they are involved in the process, more likely to ‘buy in’ to the results
- then discuss, identify and implement a wide range of operational policies which will be necessary to achieve your budget
Sum up

- don’t assume that lowering fees will necessarily increase volume or that increasing fees will lower volume
- decide whether you will be in control of your business or will key decisions like setting fees, be determined by doubting colleagues or staff or a small segment of your client database
- don’t get trapped into setting fees which are ‘affordable’
- must cover all your costs
Sum up (cont)

- pre-plan the required margin
- remember the 3 or 4 fee categories
- price on the high side – when in doubt, increase
- routine regular price increases
- take the emotion out of pricing decisions - why don’t vets charge properly? – because of FEAR
- the importance of value
- people will willingly pay more for services that meet their needs and offer them convenience, time saving, courtesy and real or perceived value
Sum up (cont)

- The specific fee is of little consequence – it is perceived value which is important.

- Value is enhanced by the little things – smile, cleanliness, eye contact, communication, reliability – do what you say you will do!

- Make client education a priority – clients don’t value what they don’t understand.

- Prepare fee schedules, date and review quarterly.
Create your own practice plan for top line growth

- teach every member of staff about the economic realities of practice, the need for profit and the link between revenue and salaries
- only a team can deliver effective veterinary services
- top line growth depends on delivering better medicine and better service. Address the issue of ‘overvetting’ and ‘undervetting’ and clinical audit
- set the fees and charges, make sure that they are implemented, no freebies, no discounts, charge for everything. This is a management issue not a democratic process. Sell on quality not price
- tackle the issue of price and rejection – expect up to 10% rejection on price grounds
Create your own practice plan for top line growth

- never offer a second best (cheaper) alternative
- monitor footfall and ATV – ‘quiet days are poorly planned days’
- the reception staff – what do they say?
- what are your policies for finding new clients
- don’t accept anything less than 100% commitment to client service – lead by example
- your staff must be advocates for clients and patients on clinical and customer care issues but advocates for the practice on business issues – you can’t please all the people all the time
- veterinary practice is largely a fixed cost business – small changes can have a significant impact on the bottom line – do the sums
Create your own practice plan for top line growth

- understand how and why clients make appointments in your practice
- improve occupancy – huge potential (improve the conversion rate from enquiry to appointment and from prof advice to client action)
- improve veterinary productivity – huge potential
- understand the bottom line impact of your OOH arrangements
- ensure that everyone charges in accordance with the policy manual
- go through invoices on a random basis and make sure that everyone knows
- no restriction on clinical freedom but vets need to be aware that they will be asked to account for professional decisions by their peers
- look out for MOPS and FLOPS
I look forward to our next meeting

- **Wednesday September 12th 1400 BST**
- **If I can help in the meantime**
  - call me on (44) (0)1903 740638
  - or e.mail at john.sher@btconnect.com