



Presentation at BVA Congress

24 – 26 September 2009
Cardiff, UK

PLEASE NOTE:

While this presentation may be quoted from it cannot be reprinted in full without the permission of the author and the BVA

Recession **Proofing** Managing **the Top Line**

Mark Beaney

HAZLEWOODS LLP

VETERINARY UNIT



Financial Information

Areas I will cover

- Turnover opportunities
- Gross profit, including pricing / charging strategy
- The Financial Value of your staff – quick overview
- Overhead management – quick summary



Financial Information – Your Practice

- Nothing
- Turnover & bank balance
- Key numbers
 - Sales
 - Cost of sales
 - Staff costs
- Management accounts print outs
- Management accounts full
 - Prepayments
 - Accruals
 - Depreciation etc
- Budgets / cash flows



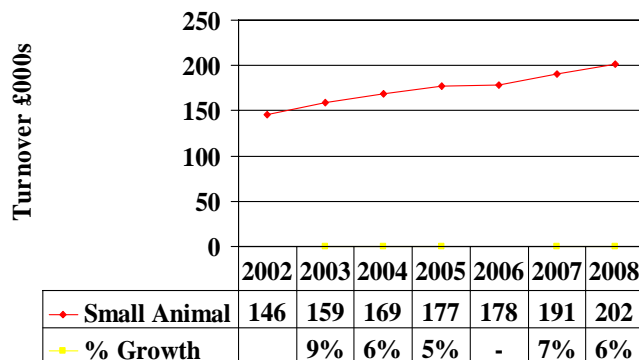
What **can** Improve **Turnover**?

- Marketing
 - New clients
 - Working up cases – some ideas in SA, LA, EQ
 - Pricing
 - Charging
- } Not for today

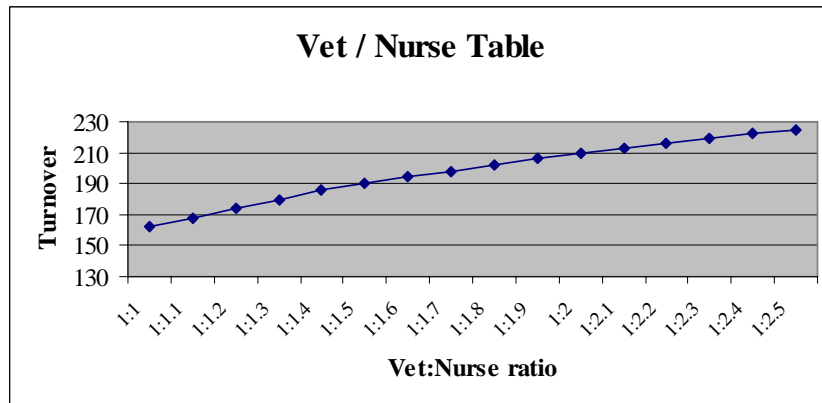


The **Veterinary** Market

Turnover Per Vet (Average)



The Veterinary Market



SA – What Information do you need?

Fees

- Consultations
- Vaccinations
- Injection / dispensing
- Operations
- Internal / external lab work
- Other investigatory work e.g. x-rays
- Fees generated per consult room
- Operations booked per consult session

Drugs

- POMs
- PMLs
- Food lifestyle & prescription
- Fleas & wormers
- Products e.g. leads / collars etc
- Nurse clinic income



SA – Protocols?

- Vaccinations
- Insurance
- Flea & wormers (use of technology)
- Dentistry
- Diet

What is your strategy with the above?



SA – Products

- 3% food sold through vet practices
- Who is driving your sales
 - Vets
 - Nurses
 - Reception
 - No one
- Reminders for food / fleas etc using text / email



SA – Opportunities?

Laboratory work

- Regular testing for long term conditions
- Pre op blood screening. Policy & procedures
- General healthcare screening



SA – Opportunities?

- Visiting specialists
 - Surgery
 - Medicine
 - Cardiology
 - Radiography
 - Dermatology
 - Physiotherapy
 - Grooming etc
- Income sharing arrangements
- Or staff who wish to take further qualifications e.g. certificates



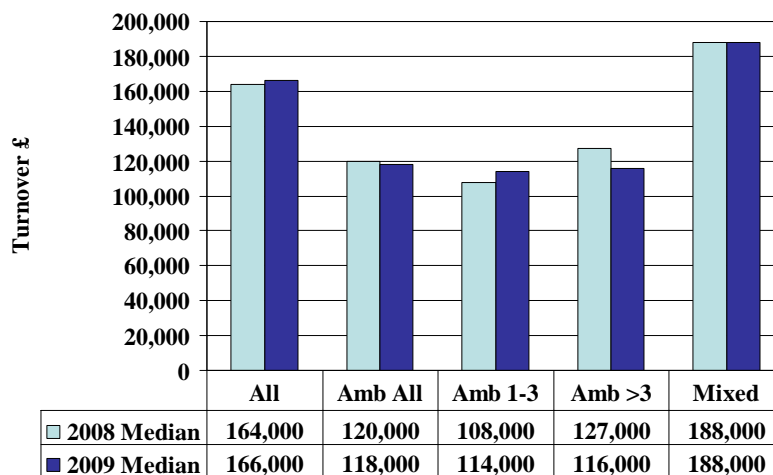
SA – Opportunities?

Nurse Clinics

- Leveraging sales e.g. food
- Freeing up vets e.g. stitches removal etc.
- Bonding clients
- Motivating nurses



Turnover per vet - Median



Equine – What **Information** do you need?

Fees

- Ambulatory
- Surgery
- Clinics
- Vaccines
- Dentistry
- Diet
- Visits
- Stud
- Racing

Drugs

- POMs
- PMLs
- Wormers



Equine – Who **do you need to develop?**

- Yard Managers
- Instructors
- Farriers
- All key influencers in the market



Equine – Opportunities?

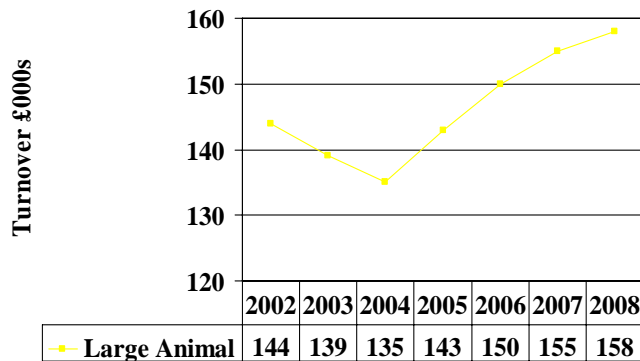
- Visiting specialists
 - Surgery
 - Medicine
 - Cardiology
 - Radiography
 - Dermatology
 - Physiotherapy
 - Grooming etc
- Dentistry work
- Healthcare approach
 - Vaccinations
 - Wormers
 - Dentistry
 - Insurance
 - Microchipping
- CPD events for key influencers and clients



The Veterinary Market

Large Animal

Turnover Per Vet (Average)



The **Veterinary** Market

Turnover per vet - large animal

Up to 1 vet	£120,000
1 - 2 vets	£134,000
2 - 3 vets	£154,000
3 – 4 vets	£170,000
Over 4 vets	£185,000 or more

Will vary depending also on fee:drug split and mark ups



Large **Animal** – What Information do you **need?**

Fees

- Contract work
- Hourly rate work
- Visits
- Laboratory
- DEFRA
- Health planning
- RDA grants

Drugs

- POMs
- PMLs
- Type of product sold & margin



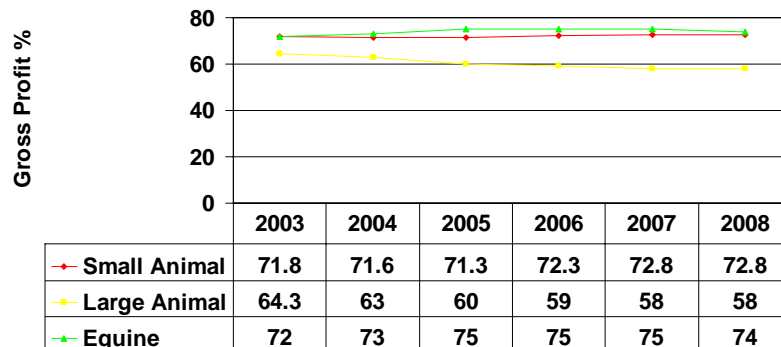
LA – Opportunities

- Farmer workshops / training
 - Foot trimming
 - Lameness
 - Mastitis control
 - Fertility
- Herd health planning
- Contract management
- Zonal management
- RDA grants



The Veterinary Market

Gross Profit (Averages)



The Veterinary Market

Gross Profit

Opening Stock	X
Drugs & consumables	X
Laboratory costs	X
Cremation & waste costs	X
Farrier costs	X
Closing stock	(X)
Gross profit	<u>Y</u>



The Veterinary Market

Fee:drug ratio

	2002	2003	2004	2005	2006	2007	2008
Small animal	1:0.66	1:0.66	1:0.66	1:0.65	1:0.62	1:0.62	1:0.61
Large animal	1:2.19	1:2.10	1:1.92	1:1.74	1:1.69	1:1.66	1:1.70
Equine	1:0.49	1:0.51	1:0.59	1:0.51	1:0.47	1:0.45	1:0.47



The **Veterinary** Market

Fee:drug ratio example – sales £1m

Fee:drug	Mark up	Fees	Drugs	GP Margin
1:0.70	60%	£588k	£412k	74.2%
1:0.45	60%	£689k	£311k	80.5%



Gross **Profit** Management

- Wholesaler & retrospective terms
- Buying groups
- 60 day terms
- Laboratory terms
- Stock / purchasing controls
- Type of drugs used



Pricing Strategy

- Market pricing e.g.
 - Vaccinations
 - Spays
 - Drugs LA etc
- Value pricing – who is determining value?
- Menu pricing – most practices
- Cost plus pricing



How can you Identify Correct Prices?

- Market prices – phone around
- Surveys – SPVS
- Benchmarking
- Costing – work out costs of delivery – complex



Pricing **the Easy Part** – **Charging!!!**

What does it cost you?

- Every free consult £_____
- Every hour of time / theatre time undercharged £_____
- Every free lab test £_____
- Every free visit £_____



Impact **of Poor Charging**

	Charge	Expected Charge	Difference	Number	"Lost Income"
Free consults	-	20	20	500	£10,000
Time	£120 per hour	¼ hour undercharged	30	500 hours	£15,000
Ext Lab test	-	30	30	100	£3,000
Free Visit	-	18	18	250	£4,500
					<u>£32,500</u>



Poor Charging – The Impact

- Vet charges £30 more per day
- 220 working days per annum
- £6,600 per vet per annum
- How many vets do you have?



Poor Charging – £30 per day

- SA – 1 more lab test, 1 more operation per week
- EQ – 2 more visit fees, 1 more work up per week
- LA – 20 minutes more time per day



Poor Charging – The Impact

- Higher complaints as inconsistent
- Poorer profits / cash flow
- Work harder to generate same return
- Unhappy owners
- Longer it goes on, the harder it is to change!



Poor Charging – What can be done?

Lead by example

- Owners charge properly
- Ensure staff aware that is what you are doing
- Peer pressure on other owners who do not comply
- Don't let other vets rebook you with appointment where expectation is "free"



Share **Relevant Financial Information**

- Create an expectation
- Competitive wall charts – aggressive
- Individual turnover performance for vet, comparative data versus:
 - Last month
 - Same period last year
- Fee & drug split, more detailed if available
- Every practice different



Target **Specific Charging Areas** **80:20 Rule**

- Identify key parts of turnover, as earlier
- Use print outs to identify main areas of problems
- Review invoices to identify key issues
- Quantify “lost income” and set targets for improvements
- Start making “noises” and keep doing it



Simplifying Pricing

- Minimise multiple selections, especially when many not used e.g. 9 lump removal fees
- Minimise “clicks” to generate a fee. The more inputs required the greater potential for errors.
- Stop “overrides” on system for ½ fees etc
 - If you cannot then ensure exception reports are generated
- Tell staff how much it costs to “open the doors” to help them understand need to charge properly
- Ensure “docket” systems are easy to use and manage



Communication – Sounds Obvious!

- Team meetings. Diagnose a case & compare prices
- Clinical protocols
- Practice philosophy
 - Clients
 - Marketing material
 - Website etc
- Appraisals, include “hard” data
- If all else fails “keep banging the drum”



Training

- In house training sessions
- One to one sessions where issues identified
- Other vets / staff train their peers where they are strong in certain areas
- External training
 - Often lots of “free” help
- Make the time. Too many owners fee earning and not developing staff
 - Multiplier effect. Train 5 vets, you have a bigger impact then doing it all yourself



Policing **the** Situation

- Daily print outs – SA
- Review invoices / dockets – LA / EQ
- Good practice manager to help
- Robust systems & processes
- Generate exception / override reports



The Financial Value of Your Staff

How can the value of staff be assessed?

- Appraisal system
 - Clinical skills – adherence to protocols
 - Client skills
 - Staff management
 - Admin / support for the owner
 - *Financial – area I will discuss*



The Financial Value of Your Staff

Staff management

- Total costs as a percentage of sales for SA, LA, EQ etc
- Vet / nurse / support staff costs as a percentage of sales (care re different Practice structures as no cost for the owner(s))
- *Individual costs / package versus turnover*
- Individual costs / package versus “gross profit” – fee:drug split
- Versus industry averages – SPVS surveys etc
- Practice staff ratios versus industry standards – vet:nurse, vet:support, owner:assistant etc
- Chargeable time – owners working, assistants not! / role of the practice manager?
- Debtor days / collection, especially for LA and EQ
- *Need to decide how much data you wish to share with staff – nothing, sales, gross profit, profit, comparison versus peers*



The Financial Value of Your Staff

Salary package as a percentage of turnover

- Small animal – 18 - 20%
- Large animal – fees, 1 ½ times package
- Equine – 20% - 40%, depending on work type



The Financial Value of Your Staff

Comparing Performance

	Package	Turnover *	Package % of Turnover
Vet 1	£45,000	£190,000	23.7%
Vet2	£35,000	£180,000	19.4%

* Includes proportion of "unallocated" turnover e.g. across the counter sales



The Financial Value of Your Staff

Comparing Performance – gross profit

	Package	Turnover *	Fee:drug ratio	GP 72.5%	Package % of "GP"
Vet 1	£45,000	£190,000	1:0.6	£137,750	32.67%
Vet2	£35,000	£180,000	1:0.6	£130,500	26.82%

* Includes proportion of "unallocated" turnover



The Financial Value of Your Staff

Profit before overheads

	Vet 1 £	Vet 2 £
GP	137,750	130,500
Package	(45,000)	(35,000)
	<u>92,750</u>	<u>95,500</u>

Vet 1 looks better at gross profit level!



The **Financial Value of Your Staff**

Nurses

- Purpose of clinics
- Generating sales
- Focused role or rotational
 - Surgery
 - Consults
 - Clinics
 - Training etc



The **Financial Value of Your Staff**

Reception staff

- Client skills
- Charging
- Telephone efficiency / booking appointments
- Generating sales
- Collecting cash



The **Financial Value of Your Staff**

Administration staff

- Financial information
- Cost savings
- Supplier negotiation / discounts
- Cash flow / debtor management
- Implementing practice strategy



Overhead Management

- Review of utilities
- Motor, fleet management
- CPD, return on spend?
- Advertising / marketing, return on spend?
- Bad debts
- Bank and credit card charges



Financial Information Helps...

- You make more money
- Transparency in the business
- Plan future investments
- Issues to be identified before they escalate
- You to understand your business



Financial Information – Improving the Quality

- In house ability now
- Training from accountant / courses
- Outsource to third party
- Ultimately decide what suits you and seek appropriate solution



HAZLEWOODS LLP

VETERINARY UNIT

Thanks for listening

Mark Beaney

mark.beaney@hazlewoods.co.uk

Staverton Court
Staverton
Cheltenham
Glos GL51 0UX
Tel: 01242 680000
Fax: 01242 680857

