



Merry Christmas

The ValuVet team would like to wish you all a very merry Christmas and a safe and prosperous 2011.



PRACTICE MERGERS - A VET'S PERSPECTIVE

Recent case study

ValuVet recently had the pleasure of overseeing a merger between 2 practices in a rural town. One would probably ask why these two practices came to be separate in the first place; however the new combined entity is a testimony to common sense and good will and the combined practice will end up being greater than the sum of the two original practices so everyone will win.

Change management

A practice merger is a 'change management' exercise and must be handled carefully through the pre-merger, merger and post-merger stage. Good leadership is essential from both parties. Not all staff members cope with change so inevitably some will leave but the trick is to retain the key players who will help to build the new entity. By necessity, staff members have to go along for the ride so both leaders need to identify the gains for the staff as well as themselves. The leaders need to be totally transparent throughout the whole process in keeping staff members up to date with progress (helps to head off those small town rumours) and they need to reassure staff that they will be better off at the end of the process.

IN THIS ISSUE

- Practice mergers - a vet's perspective
- Websites: Why you need one, how to get started and where this is all going
- Practice managers
- Practice mergers – an accountant's perspective

Weaknesses

Inevitably each practice (and principal) will have weaknesses (eg. low fees, poor management..) so it is important not to bring any baggage to the new practice which may jeopardise the success of the new venture.

Inform the clients (what's in it for them)

Once an agreement has been struck to merge two practices (particularly if one is closing), the clients of both practices need to be informed of the change and 'what's in it for them'.

Partnership checklist

So if you are contemplating a merger with the practice down the road, what are some of the ingredients of success? Firstly, you will be forming a new working



DIRECTOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

ValuVet activities – Since our last newsletter, Hugh White and I have found ourselves in four states visiting over a dozen practices ranging from inner city companion animal practices to rural based mixed practices. Regardless of location or type of practice, there is a common link with all these practices in that they all provide an excellent service for their clients and the main difference is highlighted by the way they are run or managed. Practices that invest in management are inevitably more productive and profitable than those who sideline this part of their business. If you are wondering where to start or how to manage more effectively, ValuVet can help with a practice assessment.

AVPMA Conference highlights – One of the highlights to come out of the recent AVPMA Conference in Adelaide was the official launching of the AVA Chart of accounts. This is the best practice management tool to emerge in recent times and is free of charge to members. Unless you are accounting savvy, you may like to contact the AVPMA office (02 9431 5010) for advice on the implementation of the new chart of accounts in order to obtain the maximum benefit from this great resource.

UQ final year exams – I recently had the honour and pleasure (the pleasure may not have been reciprocated) of examining the UQ final year vet students in their medicine exams. As the first crop of graduates from the fantastic new facilities at Gatton, I can confidently say that there will be many young veterinarians from this year that will do our profession proud with their depth of knowledge, their attitude and their professionalism. If you are looking for an associate, you could do worse than become a New Grad Friendly practice and hire one of these excellent new veterinarians.

Embracing technology – I recently valued a practice that is leading the field in the adoption of technology. What they have done is not easy (adopting and implementing new technology has many barriers) but the systems, the equipment and the level of staff training are at the highest level that I have seen in any practice (I have not seen them all) and guess what? This is a highly profitable practice which is effectively leveraging off technology and staff training to increase efficiency and profitability. Remember, if you don't have the tools you can't offer the service!

On-line marketing – This newsletter I have the pleasure of featuring an article on Websites by James Ramsden. I attended a conference with James during the year and I was impressed his application of IT in our industry. James runs an on-line marketing business called Pet Pack.

It's Christmas! – On behalf of the ValuVet team, I would like to wish all our colleagues in practice a happy and safe Festive Season. ValuVet will be returning to the seminar circuit in the New Year with our first of the year scheduled for Townsville on Thurs 24th March.

relationship (in other words, a partnership) so as practice owners, you need to approach the exercise as you would if you were bringing in a partner. ValuVet has a checklist of partnership topics which you may find helpful to work through if you are contemplating this step. In addition, the following attributes are essential:

- The practice principals already get on well together
- They both have a need to merge in the first instance (eg. succession, time off..)
- They have similar (high level) service standards
- They will both bring something to the table insofar as skills or resources
- They are both willing to build the new practice together (no passengers)
- They are both willing to change

Benefits

Economies of scale and increased service offering are the most likely benefits from a practice merger. Economies of scale involve the reduction in the duplication of equipment, staff, running expenses and excess capacity. Increased service offering involves the ability of the new entity to be able to offer a wider range of services due to the pooling of equipment and individual skills of the team members from the 2 original practices.

One of the main benefits of a successful merger is the improvement in lifestyle for the principals with more flexibility in rosters, less time 'on call' and the ability to have regular time off.

Professionally everyone is better off with the ability to refer cases around and the increased ability to take time off to attend and to afford continuing education. In the end, the clients get a better service from the combined resources of a larger entity.

Because the merged practice is larger than the original two, there will be a need for a higher level of practice management so it allows the opportunity to hire a practice manager which will further strengthen the new business and deliver more profit to the joint owners than previously as separate practices.

The next move is up to you

In our travels with ValuVet, Hugh and I frequently see towns or communities that are serviced by two or three practices; all competing furiously and still struggling to make ends meet. In an ideal world, an obvious solution would be to merge the practices into one.

Not every marriage is made in heaven so not every practice situation will benefit from a merger (see the checklist), however in the right situation a merger is a sensible option available to improve owners' lifestyle, professional life and profitability. ■

Dr Tony Thelander (Director, ValuVet)



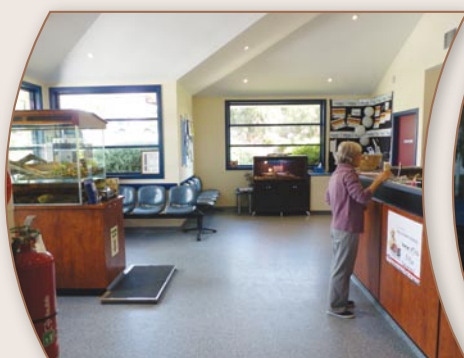
FEATURE PRACTICE



Karingal Veterinary Hospital

In this edition we are proud to profile the Karingal Veterinary Hospital on the Mornington Peninsula in Victoria. Director Scott Tinson and senior vets, Shane Simpson and Barbara Backhoy and their team can be justifiably proud of this purpose built hospital and the high quality service it provides. At the forefront

of technology, KVH offers all contemporary services including laser therapy and an automated hydrobath service for dogs. This practice has also successfully implemented Pet Map (client education system) into their customer care schedule – well done!



Waiting & reception



Merchandising display



Exam room



Pharmacy



Laboratory



Prep area



Operating Theatre



Imaging room



Wards



Veterinarians' office



Seminar room

VET'S PRACTICE MARKET PLACE

BUYERS

These buyers have all signed confidentiality agreements and are genuine buyers in their preferred areas and may be reached by contacting Valuvet on 07 3831 5555

EASTERN SEABOARD

- Buyer 407: **Capital cities/ major regional centres** 2 vet SA
- Buyer 415: 2 hrs of **major regional centre or metro** 2-3 vet SA
- Buyer 432: **Capital cities/ major regional centres** 2-3 vet SA
- Buyer 434: Mixed practice within 4 hours of airport or major centre
- Buyer 450: **VIC / Southern States** 2-3 vet SA/Mixed

VICTORIA

- Buyer 176: **Melb SE Suburbs** 2-3 vet SA
- Buyer 220: **Melb metro area** 2+ vet SA
- Buyer 300: **Melb NE Suburbs** 1-2 vet SA
- Buyer 424: **Melb and surrounds** 1-2 vet SA/Mixed
- Buyer 427: **Melb metro area** 1-2 vet SA
- Buyer 429: **Melb metro area** 2-3 vet SA
- Buyer 437: **NE VIC/Rural VIC** 1-2 vet Mixed
- Buyer 439: **Melb metro area** 1-3 vet SA
- Buyer 443: **Geelong area** 2-3 vet SA
- Buyer 444: **Melb metro area** 1-3 vet SA
- Buyer 446: **Outer East Melb/SA/QLD** 1-2 vet SA
- Buyer 448: **Melb metro or Large Regional** 2-3+ vet SA
- Buyer 449: **Melb/Cairns/Brisbane** 1-3 vet SA
- Buyer 452: **Melb metro area** 1-3 vet SA

NEW SOUTH WALES

- Buyer 309: **Syd metro area** 2-3 vet SA
- Buyer 342: **Syd metro/Canberra** 3-4 vet SA
- Buyer 394: **Syd/Central Coast** 2-3 vet SA
- Buyer 418: **South Coast** 1-2 vet SA/Mixed
- Buyer 430: **Hunter/Syd/Gold Coast** 3+ vet SA
- Buyer 431: **Syd metro area** 2 vet SA
- Buyer 436: **Syd metro area** 2-3 vet SA
- Buyer 438: **Central Coast/Hunter** 2-3 vet SA
- Buyer 440: **Central Coast** 2-3 vet SA
- Buyer 442: **Sydney** 2-3 vet SA

QUEENSLAND

- Buyer 287: **Gold Coast/Sydney** 1+ vet SA
- Buyer 370: **SE QLD/Gold Coast** 1-2 vet SA
- Buyer 409: **Sth Brisbane/Gold Coast** 2+ vet SA
- Buyer 425: **Gold Coast** 1-2 vet SA
- Buyer 426: **Brisbane metro area** 2-3 vet SA
- Buyer 428: **SE QLD/Northern Rivers NSW** 2-3 vet SA
- Buyer 433: **Gold Coast** 2-3 vet SA
- Buyer 445: **Brisbane metro area** 1-2 vet SA
- Buyer 447: **Sunshine Coast** 2-3 vet SA
- Buyer 451: **Gold Coast** 1-3 vet SA

SOUTH AUSTRALIA

- Buyer 441: **Adelaide southern suburbs** 1+ vet SA

SELLERS

These practices are for sale and information is available from Valuvet by calling 07 3831 5555

- ♣ Valuvet valuation available
- ★ Excellent facilities
- ✱ Website Listing
- ✓ Valuvet report available
- ▲ Purpose built facility

TASMANIA

- Seller 210: **East Coast TAS** – 1 vet Mixed practice ♣ ✱

NEW SOUTH WALES

- Seller 057: **SW Sydney** 4 vet SA practice ✱
- Seller 179: **Western Syd** – 1 vet SA ✱
- Seller 184: **Southern Syd / Sutherland Shire** – 1 vet SA
- Seller 195: **Warners Bay** – PETstock vet clinic ▲
- Seller 202: **Outskirts Canberra** – 1 vet SA ✱
- Seller 204: **Central Coast** – 1/2 vet SA ✱
- Seller 214: **Tamworth** – 1 vet SA ✱

WESTERN AUSTRALIA

- Seller 200: **Perth** – 1 vet SA
- Seller 212: **North of Perth** – 1 vet SA ♣ ✱

QUEENSLAND

- Seller 171: **Central QLD** – 2 vet Mixed practice ▲
- Seller 178: **Central QLD** – 3 vet Mixed practice ✱
- Seller 183: **Sunshine Coast** – 1+ vet SA ✱
- Seller 189: **Wide Bay area** – 1+ vet SA ✱
- Seller 198: **Bundaberg** – 2 vet SA ♣ ✱
- Seller 199: **East Darling Downs** – 1 vet SA ✱
- Seller 203: **Cairns** – 1.5 vet SA ✱
- Seller 208: **Brisbane Metro** – 1.5 vet SA ✱
- Seller 211: **Toowoomba** – 2 vet SA ✱
- Seller 213: **Rockhampton** – 3.5 vet SA ✱
- Seller 215: **Brisbane Metro** – 1 vet SA ✱

VICTORIA

- Seller 196: **Bendigo** – PETstock vet clinic ▲
- Seller 201: **North Melb** – 1 vet SA ✱
- Seller 207: **NE VIC** – 2 vet Mixed practice
- Seller 216: **Melb** – 2 vet SA ✱

LEASE

These practices have premises to lease, for further information please visit profiles on the website.

SOUTH AUSTRALIA

- Seller 139: **Port Lincoln** – Premises for Sale or Lease
- Seller 217: **Busselton** – vacant premises – for Sale or Lease

NEW SOUTH WALES

- Seller 187: **Upper North Shore Syd** – Centrally located specialist centre

See website advertisements on www.valuvet.com.au



WEBSITES: WHY YOU NEED ONE, HOW TO GET STARTED AND WHERE THIS IS ALL GOING

Websites have become an essential tool for vet clinics – they've come a long way since the late 90's and so too has the way in which pet owners use the Web. The web is now integral to many of our daily activities and presents a huge opportunity for veterinary practices.

Early attempts at clinic websites did not work out well. Clinics that attempted online retailing were sideswiped by innovative online retailers who sold product much cheaper. Pet owners learnt to "google" and found they could buy their flea products elsewhere for much less. This in turn reflected poorly on the clinics – "what else are they overcharging me for?" Other features such as online appointments failed – primarily because the pet owners weren't ready.

If pet owners weren't ready to use the web in the late 90's, they are now. In 2009, 94% of all research in Australia was done online*. This is the main reason why you need a clinic website. Word of Mouth and Drive Bys are still your number one source of new clients but each of

these people needs to get your phone number or address. In the past they would have gone to the phone book - now they 'google' you. One clinic we surveyed gets 50% of their new clients from the web. If you're not found on Google, you're missing business.

Simply having a site is not enough. It has to convince the prospective client in less than 30 seconds to go ahead and make an appointment and to put their trust in you. That means excellent images, correct layout, up to date templates and current material.

Once you have your site up and running it's then a question of maintenance. The site must be kept up to date on a monthly basis to ensure that when it is visited by either prospects or existing clients, that there is a sense that you are progressive, interesting and you manage your affairs well. You need to put aside 30 minutes per month for content updates and 30 minutes for someone to upgrade the site to keep it current.

*Ref: Jupiters Research

So far, clinic websites are most important for new clients - people that want to come and visit you and need key information or affirmation that you are the one to do business with. Existing clients do little on these sites – but this is about to change. As web tools develop, there will be increasing reasons for clients to use their clinic's site.

The opportunities presented by a good website fit well with the aim of most vets - helping pet owners look after their pets better - which leads to healthier animals, happier clients and more profitable practices. ■



James Ramsden is the co-founder of Pet Pack (online marketing experts)

For more information go to www.petpack.com.au

You can contact James on 03 9866 2212 or drjames@petpack.com.au

VALUVET SEMINAR IN TOWNSVILLE

"Practice Profitability and Succession Planning"

ValuVet (in conjunction with Tynan Mackenzie) will be holding a seminar at Rydges in Townsville on Thurs 24th March at 6.30pm (the night before the AVA Conference)

Come to our seminar and stay for the AVA Conference.

Secure your seat today! Call ValuVet: 07 3831 5555

PRACTICE MANAGERS

Many practice owners continue to try to manage their own practices when the practice has long since reached a size that will sustain and benefit from a dedicated practice manager.



Management duties are often performed late at night or over the weekend which poses an imposition on family life or “me time”, and may not be as efficient or effective as it is when performed by a competent person in normal working hours.

At Valuvet, we frequently value practices which have both full time and part-time practice managers and it is our experience that these practices are generally more efficient and more profitable than the practices we visit without a practice manager. The reason for this is that we are all trained as veterinarians and we generally earn the most money for the practice while we are working as a veterinarian.

In the words of one practice management guru, Cynthia Wutchiett:

“It all comes down to doing what you do, well”

In other words, vets should concentrate on being vets, not bookkeepers, payroll masters, HR managers, marketing experts and so on.

It is understandable that a vet starting a new practice may want to do all the management work in order to save money and to keep an eye on how the fledgling business is performing.

The risk is that he or she continues to perform that role when the team has grown with more vets, nurses and receptionists employed and the management tasks increasing all the time.

We have seen many cases where a busy practice has taken the plunge and employed a practice manager with suitable skills and qualifications allowing the practice to grow and develop at a much faster rate. The owners have more time to practise high quality medicine and surgery and to spend more time with their clients. This in turn increases the average transaction fee and leads to increased profitability and more satisfaction all round.

With a good practice manager you are not going to lose touch with the business. If you have set the right

KPIs to monitor the practice on a weekly, monthly or annual basis, the practice manager will be able to provide the owners with regular reports which will help to guide the practice. Budgets can be set and performance can be tracked; productivity can be measured in many different ways; payroll duties will no longer be an onerous task; and reporting to the ATO will no longer be a nightmare.

Employing a practice manager does not mean that the owners will no longer set the future direction for the practice, it simply means they will have more time to make informed decisions, without having to make the time to perform the mundane tasks on top of their regular veterinary work.

If you do not have someone performing the tasks of a practice manager, think about how much time it takes for you to perform these tasks and what impact this has on the quality of your veterinary work and your leisure time. ■



*Dr Hugh White MVSc MACVSc
Valuvet Consultant*

YOUR INDUSTRY – YOUR INDUSTRY SOURCE

www.valuvet.com.au

Designed with the sole purpose of serving our profession, our new site has the following features:

- Valuvet service information
- Meet the Valuvet consulting team
- Newsletters and articles on practice management, productivity and valuations

- Featured practices for sale
- Positions Vacant - Advertisement Board
- Vets' Practice Marketplace a forum for engagement with the veterinary industry with respect to partnerships, buying and selling practices, equipment and other opportunities.
- Lists of practice buyers and their preferences
- Links to Gold Standard industry suppliers





*David Sharp B Econ, ACA
Director DFK Richard Hill*

PRACTICE MERGERS – AN ACCOUNTANT'S PERSPECTIVE

Merging two practices is a bit like getting married....when they go well it can be a great result....when they don't they are difficult and expensive to escape from and you are never quite the same afterward....so a great deal of caution, thought and careful planning is required.

To obtain an optimum result, the financial affairs of each of the parties should be known to the other partners and to the accountants/lawyers involved. This will ensure the best financial result for each of the parties.

From an accounting/tax perspective the first matter to be considered is the new legal structure. The income tax position and planning opportunities of each partner will dictate which structure is best. Through the use of companies, unit trusts or partnerships, just about all financial requirements can be catered for. I note that Partnerships are just not limited to individuals; partnerships can also be between trusts and companies.

Due diligence is an important matter which needs to be addressed openly and should be completed on each of the individuals who will own part of the merged business. Financial and possibly criminal record checks should be completed. There are a number of online agencies that do these checks for a modest fee. An adverse finding may not stop you proceeding but you should know before, not after, and your decision should be based on foresight not hind sight. Just because you have known someone for a long time does not mean that you know everything about them. Your financial affairs are about to become entwined so a thorough due diligence makes sense.

The involvement of the accountants of each business is best practice. Accurate and complete balance sheets must be completed at the date of merger and there must be absolute agreement as to which assets (equipment, cash in bank, debtors, property) stay behind and which assets move to the merged practice. The value of each of these assets being transferred to the new business has to be agreed. All liabilities must be disclosed and again the identification of which liabilities will be assumed by the merged practice and which are left behind to be resolved by the individual practice owners must be agreed.

In some cases depending on the age and circumstances of the parties merging, the 'small business capital gains tax exemptions' may come into play and a restructuring through a merger may present significant tax planning opportunities. Your accountant should be able to advise you in this regard.

While we are speaking about your accountant, just because you are merging you do not have to also change accountants. While the merged practice will have one accountant, if it is not your own I would recommend that you continue with your existing accountant (assuming you are happy with your present accountant). Having an independent accountant who knows you gives you a person you can bounce ideas off and who can represent you if any financial problems occur in the merged practice.

Extraction from a failed merger is very difficult and expensive. Most likely your practice is not only your source of income but it is your biggest non property asset so you cannot be too careful. The attitude that everything will be worked out as you go, assuming goodwill between partners will almost certainly end in tears! Before a merger everything should be discussed. You should understand how you work and how the other practice works. Each of the parties should go to the other practice and do a thorough inspection. The list of things to check is significant.

In my opinion the key issues tend to revolve around money such as fee setting and charging habits, setting of salaries for partners and staff and taking profits out of the practice. After these comes management styles, ways of working, hours to be worked, annual leave etc.

If enough work has been done prior to the merger then, most likely the merger will be great success and then the financial position and work/life balance of all parties concerned will be improved. ■

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**AVA Queensland Division and the NQ Branch are
proud to co-host the 2011 Conference
Rydges Southbank, Townsville**

25 to 27 March 2011



Theme: "You Are What You Eat"



*This conference has been designed to
benefit every member of your practice with
an exciting international and many quality
local speakers covering large
animal, small animal and nursing topics.*



Full program out December 2010. Register your interest:
AVA Qld Division Ph: 07 3423 1844 Email: avaqld@ava.com.au

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- Practice and Equipment Valuations
- Practice Assessments
- Partnerships
- Career Advice
- Benchmarking
- Practice Marketing and Strategies

VISITING SCHEDULE

In order to defray travel costs, our visiting schedule will allow clients to co-ordinate with our inter-state movements.

DEC	QLD & NT	MAR	SA & WA
JAN	VIC & TAS	APR	QLD & NT
FEB	NSW	MAY	VIC & TAS

**Regardless of the proposed schedule, our consultants
are available at all other times as the situation demands.**

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