



**BUYING or SELLING
A PRACTICE?**
Check out our website
www.valuvet.com.au

TARGET MARKETING

Too often we veterinarians try to please all of our clients all of the time. A good example is when we set our fees purposely low so that we become affordable to ALL clients. Target marketing is not just about maximising income but also curtailing expenses (eg. why waste money targeting your services to the wrong people?)

By target marketing, we aim to promote our services both internally (in the clinic) and externally (in the community) to those groups of animal owners who are most likely to become our clients. You may have heard that it costs up to 11 times more to gain NEW clients than it does to keep your current ones so you need to identify the recognisable groups of animal owners in your communities and promote your services accordingly in order to make best use of the marketing dollar.

How do you identify these groups within your practices' community? The ABS or the local council office is a good starting point with their Census statistics. You will be able to identify your community by nationality, occupation, age grouping, home ownership, education etc. For example, if you live in an area where there are a high number of immigrants, you may want to use 2 languages in your mail-outs and employ a multilingual receptionist.

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Another vital source is your computer program. Most of the recognised veterinary software programs have a reporting facility which is tailor made for target marketing. On your existing clients, you can run 'client by postcode', owners of various species, those clients who have missed their vaccination etc. How easy it becomes to market to your various client segments using your computer?

Target marketing to prospective new clients within your community requires a little imagination and thought. Once again, it is always a good idea to consult the ABS or local council office for a demographic profile of your area before selecting your various target clients to find out where they work, rest and play. In addition, you may like to apply the MASA profile to the various groups:



DIRECTOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

The times – So what's happening to our industry in the current economic climate? I am hearing two messages from the clinics I visit: The first is that the last few months have been a bit quiet and the second is that 'we are doing better this year than last'. Overall, I get the feeling that most clinics are still weathering the GFC storm well, despite the fact that the economic climate overseas is still a little uncertain; that the final quarter of the financial year (winter) is the quieter time of year for most in our industry and on top of that, the uncertainty that an election seems to bring. For those practices that are feeling the pinch – take heart, optimise your costs and focus on your clients.

Rob White's most recent MPV Industry survey indicated that business confidence in our industry had fallen a little in the current year but surprisingly those in Mixed practice were more optimistic for the future. I think this is reflective of the diversity of the business as well as the perception that in provincial areas, mixed practices are seen as an essential service.

Equipment – I have spoken before about the importance of maintaining your equipment inventory. Too often we see practices that espouse high standards of care but are not prepared to invest in their inventory. If you maintain and invest in your inventory, you are not only able to offer additional services for your clients but you improve your staff morale. Maintaining and investing in new equipment demonstrates to your team and clients alike that your practice is moving forward and that's important for morale.

Conferences – I was lucky enough to attend the ASAVA conference in Hobart just recently and once again it was a top quality conference which was well organised and well attended. Speakers, Prof Tim Gryffud-Jones and Prof Michael Day were able to hold the attention of 150 delegates on the subjects of virology, genetics and immunology. This was cutting edge information which once more reinforced the importance of our keeping up to date with our professional knowledge.

In September, Hugh will be running the CVE Neurology course in Fiji (some people get all the breaks) and I will be attending the AVPMA conference in Adelaide in October. We are always happy to talk to our colleagues confidentially about their practices over a cup of coffee.

Consultations – Along with valuations, Hugh White and I have been kept busy with a steady stream of practices requesting practice assessments with the view to improving their practices and hence profitability. Although we have both sold our practices, we reflect how different things may have been if we had the benefit of a set of fresh eyes examining our practices from the outside while we were working hard being veterinarians and business owners. So if you feel you are stuck in a rut – give us a call and we can have a chat about moving your business on to the next level.

Measurability: Can the segment size and their purchasing behaviour be measured?

Accessibility: How easily assessable are the various target groups?

Substantiality: How economically sustainable are the target groups?

Actionability: How easy is it to design an appropriate marketing program to the target groups?

Undoubtedly the most successful practices are those who target their various market segments both internally and externally. For example, if you are targeting local dairy farmers; externally you may need to be seen at field days, advertise in the appropriate newspaper or journal and network locally in your community. At the same time, internally, your staff needs to be trained to accept calls and answer questions regarding dairy farmers and their cattle and you need to stock dairy supplies.

I have recently seen a city clinic effectively targeting the gay community; I have seen a rural mixed animal practice attracting birds from all over rural New South Wales and I have seen a cat practice in a provincial town. How is this possible? By target marketing, of course – understanding your different market segments and effectively marketing externally and internally to those clients.

So, if your practice has stopped growing or if you have expertise or resources that you are not using fully, consider target marketing the clients in your community that might need your services. If you are planning a promotion or some form of advertising, first consider the target market you wish to attract and market your services to that segment specifically. Mass market advertising (eg. Harvey Norman TV advertisements) is hugely expensive. It is far more cost effective to market to smaller groups within your community or to your existing client base. ■

Dr Tony Thelander (Director ValuVet)

Is your practice stagnating?

Has your income reduced?

Have you run out of ideas?

**Are you thinking of selling
at some stage?**

A visit by a ValuVet consultant and a Practice Assessment Report may be a great investment in challenging times. Why not visit our website www.valuvet.com.au for more information or contact us directly and we will explain how we can help your practice? (References are available.)



FEATURE PRACTICE



Peninsula Vet Care East Mornington

One of the pleasures of inspecting other people's veterinary hospitals is that every now and then you find a practice that really works for patients, clients and veterinary team alike. East Mornington is such a

practice. Designed by John Hamilton Hospital Design and built in 2006, Partners Clancy, Lethlean, Trezise, Willems and Maughan and their team can be justly proud of their facility.



Waiting & reception



Hydrobath area



Merchandising display



Pharmacy



Laboratory



Exam room



Operating Theatre



Xray



Dog runs

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

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 435: **Brisbane metro area** 2-3 vet SA
- Buyer 445: **Brisbane metro area** 1-2 vet SA
- Buyer 447: **Sunshine Coast** 2-3 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 ✱

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 ✱

VICTORIA

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

WESTERN AUSTRALIA

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

NEW SOUTH WALES

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

See website advertisements on www.valuvet.com.au

PURCHASING NEW EQUIPMENT

I think most vets like their 'toys' and the equipment inventory is fairly standard in most practices we see (eg. most have X-ray, gas anaesthetic, patient monitoring, basic laboratory equipment, surgical and dental gear – mixed practices have hoof and obstetric equipment as well). We vets tend to use our equipment until the day it dies (good use of assets) but when it comes to buying new equipment and keeping up with technology, we often procrastinate and are left far behind by our medical and dental counterparts. I was no different in practice – I persevered with wet tank X-ray developing for about 10 years longer than I needed to – what a waste of time and resources!

Why invest in new equipment?

Like it or not, part of maximising the profitability of a business (our industry is no exception) is to continually invest in technology to stay competitive. Almost on a weekly basis we see practices that are 'making do' with poor equipment and missing valuable opportunities to expand their service and their bottom line. There are 3 main areas of technology that I see our profession procrastinating over:

- Computer software
- Imaging equipment and
- Laboratory analysers

One of the truisms in practice is that if you have something, you will invariably use it more often (particularly if it has to pay its way).

So how can you practically assess the affordability of a new piece of income producing equipment? I would start with

a **break even analysis** on the item (perhaps using your current chargeout fee for the service or the MPV Survey mean fee, whichever is greatest).

Consider the purchase of a new CR Digital X-ray system cost \$50,000 (ex GST).

Lease \$50,000 at 8% interest over 48 months = \$54,000 total commitment over 4 years. Monthly commitment = \$1,125, so approximately 7.5 X-rays per month (charged at \$150 per 2 views) would be required to cover the monthly payments. Any more than about 8 X-ray cases per month would add to profit.

In addition, you should add the depreciation of the item (say 20% pa), the cost of labour for processing, insurance, maintenance fee and the running costs of your X-ray machine. On the plus side, you may subtract the tax benefit (say 30%) and the existing cost per plate of 'wet' processing.

Staff morale – On the negative side, we often fail to consider the loss of income and the demoralising effect that non-functioning or poorly functioning equipment has on practice team members. One of the most frequent requests by staff members in our practice assessment interviews is for new equipment or for current equipment that needs repair or upgrading.

By contrast, an important consideration in the purchase of new equipment is the beneficial effect it has on building team morale. If staff members are proud of the clinic's new acquisition, they will transmit their enthusiasm to your clients by word of mouth, thus making it easier to sell the service. Both clients and staff alike like to be part of a successful business that is moving forward.

Service offering – Finally, if you wish to provide your patients a full range of services, you need to have the appropriate items of equipment to provide those services. How many of us think that we are offering a comprehensive service but do not have the equipment to provide that service? ■

Dr Tony Thelander (Director, ValuVet)

NEW

PRACTICE MONITORING SERVICE

In addition to valuing practices,

a large part of ValuVet's time is taken doing 'practice assessments' in order to identify problems in our clients' practices and to assist them forward. Unfortunately there is a large gap between identifying a problem and fixing it (for all sorts of reasons) so to this end, ValuVet has decided to introduce a PRACTICE MONITORING SERVICE.

After we have written your practice assessment report

- We will discuss the recommendations with you then ask you to prioritise them.
- We will establish what you would like to monitor and set appropriate KPI's (key performance indicators) to measure your progress
- We will then establish a realistic time frame in which to work and we shall tailor our monitoring service accordingly. We need to establish how often we need to call

- We will also establish at what level you wish to be monitored (we propose at 3 levels) and the cost will vary according to complexity and involvement.

Every practice is run differently and each practice will have different monitoring requirements so the service is tailored to suit the situation. So if you need a bit of assistance in keeping your practice on track and moving forward, why not give us a call and see if we can help?

Call Dr Tony Thelander
07 3831 5555



Dr Hugh White MVSc MACVSc
Valuvet Consultant

SURVIVING THE RECESSION

Many practices are finding things a bit tough in the present economic climate but in a bizarre way, tough times often serve to help us realign our businesses by focussing on our clients' needs and finding more efficient ways to deliver our services.

Remember that all practices are in the same boat so if you can adopt a recession survival strategy then your practice will emerge from the down times in better shape than ever. Some of the areas I would focus upon to formulate a strategy are:

1. Leadership:

You need to level with your practice team – keep them in the loop and let them know how the practice is going. Work out some realistic KPIs and set some targets then get your team involved to work out a plan to achieve those targets.

2. Do something!

Pick up the phone and call clients. Purge your client files for opportunities (how many have missed their vaccinations etc.). Have a clean-up and do some repairs. Have a team meeting and make a list!

3. Research:

Survey your clients! Hold a focus group or send out questionnaires – find out what your clients think and what services they want and act accordingly.

4. Marketing:

Quiet times are not the time to cut back on marketing but you can save money by selective 'target marketing' to various groups of clients and potential clients. Run promotions that may appeal to clients who are trying to make ends meet or reward clients for referrals or revisits.

5. Customers are king!

Once again, surveys are a good way to find out what your customers think of your practice and to get ideas for improvement. Customer service is very much a team event so your whole staff needs to be meet regularly for training. In the end, having a 'customer focus' makes your practice 'easy and enjoyable to do business with'.

6. Differentiation and Diversification:

To compete in today's competitive market you need to be 'different' (in a positive way) from other practices and one of the best ways to do that is to offer different services than the practice down the road. Find out what your clients need and then offer a service to meet that need.

7. Technology:

It is always hard to spend up big in a downturn when money is scarce but technology is your practices' competitive advantage. You cannot offer services if you don't have the equipment. In addition, the Government will offer incentives to re-invest in your business so be sure to ask your financial advisor.

8. Retain your most valuable asset:

Your trusted and well trained staff should be the last thing to go when times get tough because you will find great difficulty and added expense in replacing them when things turn around. Provided you keep them informed, some staff members will be prepared to work shorter shifts etc. rather than lose their jobs.

Remember that everything is cyclical (including the economy) so as sure as night follows day, good times will always return but those practices that adopted a 'do something' philosophy during the quiet times will not only survive the quiet times but will be streets ahead when the economy turns upward again. ■

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

CAP RATES AND PROFIT MULTIPLES

One of the most frequently asked questions by our veterinary clients is 'What Cap Rate or Multiple do we apply to our goodwill valuations?'

By way of definition, the two factors are defined thus:



Capitalisation Rate = $\frac{\text{Operating Profit}}{\text{Cost or Market Value}}$

Profit Multiple = $\frac{\text{Cost or Market Value}}{\text{Operating Profit}}$

So a Cap Rate is just the inverse of a Profit Multiple. This is easy to work out if you have the operating profit and the Market Value or Cost but in most cases we need to identify the Cap Rate first to calculate the Market value.

The first factor to keep in mind with the Cap Rate is that it is a direct reflection of the amount of risk that is associated with achieving a continuing stream of operating profit into the future. The second factor to consider is the level of demand there will be for this income stream.

There is a huge amount of research and writing on investment risk and the calculation of cap rates. Unfortunately this is nearly exclusively limited to income streams from large companies and investments. Very little of this can be directly applied to small businesses.

The principal reason for this is that small business have many and varied risk factors, most of which are hard to quantify and some of which are simply unknown. Historically cap rates for small business tend to cluster around the 25% to 50% range. Movements either side of this will tend to be supported by specific and generally well documented industry knowledge which supports the higher or lower cap rate.

Our view of the veterinary industry supports this range. By way of example... a well run, long established, multiple partner veterinary practice well located in an affluent suburb of a capital city would achieve a 25% cap rate. A sole practitioner located in a smaller country town several hours travel from a capital city with a substantial general large animal component would achieve a 50% cap rate.

The majority of veterinary practices would attract a cap rate of 33% +/- 5% so the general range we work in is 28% to 38%. To go outside this range generally is direct reflection of the low or high risk associated with achieving the same operating profit results as in prior years and the likely number or interested parties there would be to buy into the practice.

The factors that go into selecting the exact cap rate in this range are many and varied and without exception are subjective. What may be a negative to one purchaser may be a significant positive to another. What a vendor may perceive as a huge plus may not be seen this way by a purchaser. It is not possible to get a cap rate that everyone will agree upon absolutely and in fact, within Valuvet we often have robust discussions as to the +/- impact of factors we have

identified. In the end the market will decide. For this reason, at Valuvet we always compare the value we have calculated with recent similar sales to make sure that the calculated value is supported by the market.

Finally I should point out that the valuation method we use at Valuvet recognises two income streams from a veterinary practice. One stream of income comes from return on the capital investment in equipment and fitout made by the practice. We value the equipment and fitout and then assume a 10% return. We then calculate the Practices future maintainable earnings, deduct the return on equipment and fitout and then capitalise the balance to calculate the value of goodwill.

For the purchaser, a valuer can ensure that they do not pay too much or can provide comfort that the income stream can support the amount they intend to pay. For the vendor, a valuer can ensure they do not ask too little or alternatively ensure that expectations are realistic and a potential sale at a market price is not missed. In short a valuer's role is only to identify the market price, whether a "good" price is achieved is up to the negotiating skills of each party. ■

POSITIONS VACANT!

Forget "Seek" and "Career One" – listing your position vacant on Valuvet's website, will give you targeted exposure to over 6,000 industry professionals and over 350 new graduates.

**Pricing packages starting from...
\$110 for 3 months – you can't beat that!**

Create your listing today! www.valuvet.com.au



LOYAL CLIENTS – THE 80/20 MARKETING RULE

How much do you spend on marketing each year? \$100's, \$1,000's? The most cost effective way to market your business is by training your staff to give outstanding customer service to increase the number of loyal clients who come through your door. The old saying "80% of business comes from 20% of your referrals" is still correct and your customers who refer your business should be encouraged and rewarded.

Obtaining and maintaining your loyal clients takes practice and not every employee is a natural at customer service and communication. Unfortunately one bad experience if not dealt with positively and correctly will turn a loyal client into a disgruntled client spreading negativity about your practice at any opportunity.

There are many different ways to service your clients which create loyalty such as saying their pets name when they walk through the door or helping them carry a heavy bag of dog food to their car. However the backbone of your success in customer service is in three key areas:

Listening Skills –

Listening to what the client is really trying to say and making sure you haven't missed anything your client thinks is important even though you might not feel it is relevant.

Rapport Building Skills

– Finding out more about your client not just their pet builds a rapport and rapport builds trust. If your clients trust you they will be more likely to take your advice and proceed with the recommended service or product.

Understanding Different Personality Types

– Each client has a different personality and likes to be treated accordingly. It takes practice but the abrupt client who just likes to get the job done probably wants you to treat them similarly. They will want an appointment at a specific time and don't keep them waiting. On the other hand, you need to book your retired pensioner who is a bit lonely and tends to talk a lot into a time slot when you are the least busy. They don't work so can usually come in at any time of the day.

You can accommodate your client's specific needs by understanding how they like to communicate. Simple techniques can be learned to deal with any type of personality to create loyalty which in turn will grow your business so be sure to incorporate this important topic into your team's training schedule. ■

Simone Fitzsimon

*B.Bus. HR, Dip. Marketing
Vet Focus*

Mobile: 0439 11 8387

STRATEGIC PRACTICE VALUATIONS

How much is your practice worth now?

If you can't answer that question then you should be able to.

- What if you were suddenly approached by a genuine buyer?
- What if you plan to borrow from the bank and build your Taj Mahal?
- What if the senior partner in the practice were forced to retire suddenly?
- What if you are trying to make strategic decisions for the direction of the practice?

These are all reasons that ALL practices should be VALUED periodically to make sure your business is in the best shape it can be ALL the time.

**Why not call us and discuss your
practices' situation confidentially?
Call Valuvet: 07 3831 5555**



- 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.

SEP	VIC & TAS	DEC	QLD & NT
OCT	NSW	JAN	VIC & TAS
NOV	SA & WA	FEB	NSW

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

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