



PRACTICE GOODWILL

written by Dr Tony Thelander - Director ValuVet

Definition

When you sell a veterinary business, you normally sell goodwill, equipment and stock. Property may or may not be involved but we consider this to be a Real Estate investment. So what is goodwill? There are many definitions but in simple terms, it is what a buyer would be prepared to pay for an established business and income stream instead of establishing that business from scratch. This is not dissimilar to the decision making process involved in deciding between purchasing an established home or electing to build a new home.

Components

Goodwill has often been described as 'blue sky' or an 'intangible asset' recorded in a business' Balance Sheet so does it have any tangible structure or components? In the veterinary industry, the goodwill of a practice consists of a number of influencing components and these require an intimate knowledge our industry and of the individual practice concerned:

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- Practice Goodwill
- Change Management
- Continuing Professional Development.
A chore or a benefit?
- 10 Tips for getting the most out of
your accountant.

Practice location: By virtue of the geographic location (eg. prominent corner block on a major arterial road), some practices benefit from a locational contribution to goodwill.

Practice clients: The number and quality of clients including loyalty, visitation rate and spending rate will all have a contribution to goodwill.

Practice facility: Well constructed, well presented, well equipped, well maintained and easily accessible hospital premises will have a positive contribution to goodwill.

Type of practice: The type of practice and the size and quality of the service offering, including the systems and



EDITOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

Director's Message

Christchurch NZ

I have just been to the ASAVA Conference in Christchurch NZ where there are approximately 200 Australian and 40 NZ registrants – a near record attendance to hear an excellent program on enterology, urology and cardiology. Naturally the feeling there was extremely positive with no talk of recession or hard times. One would like to think that things can only improve from here for our profession.

Our Website

After months of talking about it, our new website is up and fully functioning at last (just Google 'valuvet'). Through Vets' Practice Market Place, we aim to become the premier site for buying and selling practices – have a look and see what's available on the site now!

Positions vacant?

Looking for a partner or an associate? We are in the process of developing a section in the Website where practice owners can advertise their employment positions and at the same time profile their practice in order to generate more interest from prospective applicants (www.valuvet.com.au).

Partnerships

Much of our work in valuing practices involves partnerships (either coming in or going out). Sadly we have recently had a run of enquiries for dissolutions and sadly none of these partnerships have a partnership agreement to guide the business through good times and bad. We all know of enduring partnerships that have survived on a handshake but these are the exception, not the rule. Simple – if you are entering a business relationship with another party, get professional legal help to set up properly.

Equipment

What a huge investment we have in our equipment – literally hundreds of thousands of dollars in some of the bigger practices and who is in charge of looking after the equipment in the practice? We can take a leaf out of corporate practices' books here: They do an annual inventory stocktake; they have a budget for replacement; they appoint a responsible person to oversee the proper use, storage and maintenance of the equipment. Shouldn't we all do the same?

Back to work

In order to stay up to date and in touch with the profession, Hugh White and I have both gone back to doing the odd day in the clinic. After nearly 40 years in clinical practice, I realise that I actually enjoyed the work that I did with animals – perhaps I really did chose the right career after all?

equipment available to produce those services will have a contribution to goodwill.

Practice staff: A dynamic, well trained, customer orientated team who take ownership of the business will have a positive contribution to goodwill.

Practice principal: Invariably, the greatest contribution to a business is made by the principal (or practice leader) by mere fact that the owner of the business will always go the extra mile to ensure the continuation of the business. In the event of the sale of the business, the biggest challenge is to ensure that the totality of the goodwill of the principal is transferred to the purchaser.

Ownership

The question of ownership of a practices' goodwill often arises where a veterinary associate has worked in the practice for a number of years. Will that person have an entitlement to a percentage of the goodwill of the practice by mere fact of tenure, seniority or income generated? Categorically; provided a veterinary employee is paid a fair salary for services rendered, the goodwill of the practice always remains the property of its owners.

Valuation

So how does ValuVet value goodwill in a veterinary business? There is a number of valuation methodologies for goodwill employed by accountants, bankers, valuers and financial advisers (including several 'Rules of Thumb' methods) but the fairest model applicable to our industry is the capitalisation of maintainable net profit (Maintainable Net Profit x Capitalisation Rate). Net profit is what a practice generates as a result of its normal trading activity throughout the year. The Capitalisation Rate (or Cap Rate) is the percentage multiplier employed in the goodwill calculation and is influenced by the contributing components of goodwill.

Conclusion

The goodwill value of a veterinary business should not be 'blue sky' but a tangible value based on the net profit of the business and the contributing extrinsic and intrinsic factors pertaining to the practice which influence the size and continuity of that profit. Unlike other industries (eg. some medical, legal and accounting firms), goodwill is still an extremely relevant component in the valuing of profitable, well run veterinary practices.

■



FEATURE PRACTICE



Eltham Central Veterinary Hospital

Drs Barton, Galbally and Team should be congratulated on their fine facility in Melbourne which carries ASAVA Accreditation and is also an AVA 'Practice of Excellence'. Great practices are not just good facilities; they invariably have good leadership and are well managed. Eltham Central is one of those hospitals.



Reception



Practice Office



Examination Room



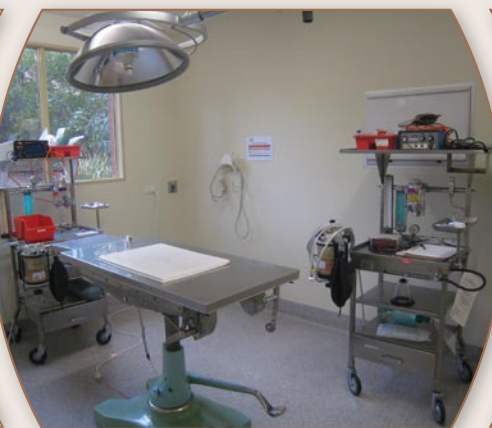
Award



Grooming Room



Imaging area



Theatre



Pharmacy

VETS' 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 432: **Capital cities/ major regional centres** 2-3 vet SA
Buyer 434: **Mixed practice** within 4 hours of airport or major centre

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

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

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
- ✓ ValuVet report available
- ★ Excellent facilities
- ▲ Purpose built facility
- ✱ Website Listing

NEW SOUTH WALES

Seller 57: **SW Sydney** 4 vet SA practice
Seller 166: **Riverina** 3 vet Mixed practice ✚ ✓ ✱
Seller 179: **Western Syd** – 1 vet SA ▲
Seller 184: **Southern Syd / Southerland Shire**
– 1 vet SA
Seller 190: **Northern Tablelands** – 1 vet Mixed
Seller 192: **Outer Western Syd** – 1 vet SA

QUEENSLAND

Seller 171: **Central QLD** – 2 vet Mixed practice ▲ ✱
Seller 178: **Central QLD** – 3 vet Mixed practice
Seller 181: **Nth QLD** 1-2 vet 85% SA / 15% Equine
Seller 183: **Sunshine Coast Hinterland**
1 vet 85% SA / 15% LA ✚
Seller 189: **Wide Bay area** – 1+ vet SA
Seller 194: **Goald Coast North** – 2 vet SA

WESTERN AUSTRALIA

Seller 180: **Murray Shire** – 4-5 vet Mixed

Lease

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

NEW SOUTH WALES

Seller 184: **Carlingford** – Vacant SA Premises on main road
Seller 187: **Upper North Shore Syd** – Centrally located specialist centre

QUEENSLAND

Seller 193: **Beenleigh** – Long established SA hospital

See website advertisements on www.valuvet.com.au

CHANGE MANAGEMENT

You have just bought your new Practice and have some great ideas to grow your business. How do you successfully implement these ideas with the full support of your new employees who already have an ingrained culture, different to your own?

Change does not come easily to most and the way you approach change could mean the difference between a smooth transition and a sudden high staff turnover.

There are many techniques involved in successful change management but three elements which need to be addressed before the whole process begins is to keep all your staff informed on what your intentions are before they happen, try and involve them as much as possible and most importantly choose an employee who has the most influence over the rest of the staff to assist in implementing and promoting the positive benefits of these changes.

How fast you implement change directly relates to your least supportive employee. So now you

have worked out your game plan you need to weed out who is with you and who is against you. Who is going to join and support you in growing your business into a successful, profitable Veterinary Practice? Once you have identified the staff members who don't share in your goals and who don't want to join you in the adventure, support them in looking for other employment.

There are many ways to grow your business and many resources in the industry to help you with ideas so now you just have to actually implement these ideas. Start with a Staff Brainstorming meeting, list your ideas and get feedback on how to implement them. Allocate tasks to the Practice Manager or a key staff member/s. This staff member/s will be in charge of the day to day management of the ideas which will include monitoring compliance, recording the results and reporting on how these tasks are progressing at regular staff meetings.

With the processes in place to integrate different changes to grow



your business at regular intervals and staff which are trained and eager to implement these changes you can spend more time on pleasurable pursuits such as family, leisure, sport and time out from the practice. ■

Article by: Simone Fitzsimon

Ph: 07 3359 8387

VETfocus – www.vetfocus.com.au



NEPAL - SPIRIT OF ADVENTURE

Wanted – colleagues with a sense of adventure who are looking for an experience of a lifetime.

Tony Thelander is leading a small tour back to Nepal in late November for a 3 week trek around the Himalayas. If you are interested, please give me a call on: 07 3831 5555 as soon as possible.

Excitement guaranteed!



CONTINUING PROFESSIONAL DEVELOPMENT. A CHORE OR A BENEFIT?

Well run, profitable practices tend to make an investment in their own and their staff's CPD through support for attendance at conferences and workshops. Good managers see this as maintaining a solid knowledge base while providing a tangible benefit to their employees.

In the three months since the last newsletter, Tony and I have been to a number of well attended conferences- Once again, we have noticed the value to vets of attending conferences, not just for the scientific content and the accumulation of CPD points for continuing registration, but for the collegiality and interaction with other members of the profession. Social interaction is every bit as important as attending lectures, when you can meet and listen to vets of all ages talking about a broad range of issues.

During our visits to practices, as a part of our routine assessment of the practice, we ask about the role of continuing education for the team, both veterinary and non-veterinary.

From the replies it is apparent that many vets and nurses do not get to attend major conferences. CPD is often picked up through wine and cheese evenings, dinner product launches or sometimes one day workshops. The reasons given usually relate to a busy lifestyle or an inability to attend a longer conference due to financial constraints, or other priorities. With many vets working part-time and juggling family and work commitments, attendance at events becomes difficult.

Study leave is recognised in the Veterinary Surgeons Award, yet it appears many practice owners do not do all they could to support and encourage the effective use of this leave. Of course, attendance at a conference involves far more than the registration fees- there are travel and accommodation costs and more commonly the costs and difficulties associated with providing childcare. While many practice owners use annual conferences as an opportunity for a family holiday built around the conference, many employed veterinarians do not have this opportunity.

Good leaders look after their staff when it comes to conference leave and expenses because they realise that everyone who returns from a conference is refreshed – stimulated and reinvigorated by knowledge, contact with friends and peers, and a decent break from their daily routine. Of course, the maximum benefit to the practice occurs when newly acquired knowledge or experience is transferred to the rest of the practice team, and this should be a prerequisite condition for subsidised attendance.

Why not look at how you can help all of your team? Consider salary packaging conference expenses to assist everyone to attend an extended event and you will find it has benefits well beyond those gained by the individual. ■



Dr Hugh White MVSc MACVSc



Practice Assessment

- ***Is your practice stagnating?***
- ***Has your income reduced?***
- ***Have you run out of ideas?***
- ***Are you thinking of selling at some stage?***

Have you considered having your practice assessed by ValuVet?

A visit by a ValuVet consultant and a Practice Assessment Report may be a great investment in these hard 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.

10 TIPS FOR GETTING THE MOST OUT OF YOUR ACCOUNTANT.



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

We accountants do this job because we enjoy what we do and like a new ultrasound machine or surgical instrument, the more you use us the more useful we tend to be!

1. Value your time – Don't waste it trying to find answers that your accountant can provide more quickly and accurately. Don't try to be an accountant; you will earn far more working as a vet than what you may save trying to be an accountant.

2. Maintain good records – Engage an experienced bookkeeper or invest in training a staff member. You will likely reduce the accountants' fee. The added benefit is that you and your accountant will have financial records that will help you both manage your business in real time.

3. Understand how your accountant charges – Most accountants charge on a time incurred basis. If you want them to provide good professional advice,

give them the time to do so and be prepared to pay accordingly.

4. Be proactive – Your accountant is there to be used. Generally you will be the first one to identify a business problem; the quicker you get to the accountant often the better the result and the cheaper the solution.

5. Know the accountants staff – In most cases the Partner/Principal will not process your annual tax return personally. By knowing the person who processes the return, you can ensure questions are resolved quickly. It will also give you a second person to ask simple questions if the Partner/Principal is busy.

6. Advance warning – If you require information or wish to discuss an issue with the accountant send them an outline of the matter first. This provides the opportunity to have a productive telephone consultation or if the matter requires you to meet then the accountant can be prepared; again the process will likely be faster and less costly.

7. Enjoy and have confidence in your accountant – If you don't like your accountant or if they do not have your complete confidence, change them. There are lots of accountants; you are paying the fee so find one you like and trust. You will end up with a better result.



8. Your accountant as a point of reference – Accountants in business services see hundreds of businesses, most of which are struggling with many of the same issues as you. Your accountant is a great source of general business knowledge for ground level, real world economic conditions.

9. Your accountant as a confidante – It can be lonely at the top in business. No one will know your business as well as you do but when you need good independent, no holds barred feedback, your accountant in most cases, is the first person you should turn to. Use your accountant to help with making the big decisions.

10. You get what you pay for – The good news is that it is not necessary to pay a fortune for a good accountant. In my experience most accountants tend to charge fairly and transparently (see 7 above). I can almost guarantee that if you make a decision based on cost alone, you will likely end up with what you paid for and then have to pay for it to be fixed. ■

YOUR INDUSTRY – YOUR INDUSTRY SOURCE - [valuvet.com.au](http://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

Help us do our part for the environment ...

Signup to receive our newsletter via email TODAY! www.valuvet.com.au

VETS' PRACTICE MARKET PLACE

Despite hard economic times, we have many willing buyers but a shortage of practice sellers. If you are selling whole or part of your practice, why not list it with ValuVet?

ValuVet may be able to help with contacts, marketing, feasibility analysis or valuations.

Confidentiality guaranteed!

Contact us for more information on...

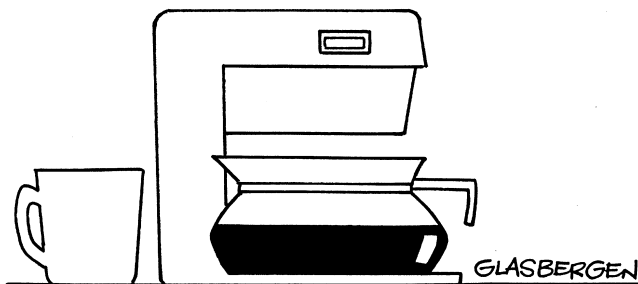
Phone: **0409 478 762**

Email: **mail@valuvet.com.au**

or search current listings online at

www.valuvet.com.au

**Try our new services...
Positions Vacant and
Property For Sale**



Because of his ongoing ability to increase office productivity, the "Employee Of The Month" award again goes to Mr. Coffee.

WEBSITE NEWSLETTER

Help us 'Save the Trees' by letting us send you our Newsletter electronically. If you would like to receive an electronic newsletter, why not 'Contact Us' through the website at www.valuvet.com.au and send us your E-mail address



- 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 movements.

| | | | |
|-----|----------|-----|-----------|
| AUG | NSW | NOV | VIC & TAS |
| SEP | SA & WA | DEC | NSW |
| OCT | QLD & NT | JAN | SA & WA |

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

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