



FIRST IMPRESSIONS COUNT – DON'T THEY?

Those of you who attended the AVPMA stream at the AVA Conference in Darwin last year would have heard the principal speaker Donald Erscg expound on the benefits of presenting (or positioning) your practice with respect to the clientele you wish to attract. Donald's weeklong message was categorically that 'First Impressions Do Count!'

Whether we like it or not, our client's sub conscious mind does notice those dead plants in the garden, the faded carpark lines, the chipped paint on the entrance door, the faint odour of 'kennels', the clutter on the reception desk, the hair under the waiting room chairs and those promotional posters blue tacked to the exam room walls.

Regardless of the number and standard of services you offer your clients, their subliminal perception of your practice is influenced by 'first impressions'. Unfortunately, as veterinarians, you work in your practice each day and you become oblivious to those odours, those posters and dead plants. Remember also that at any one time, probably 20% of your clients are new to the practice so the appearance of your practice will be there to create an

IN THIS ISSUE

- First impressions count – don't they?
- To renovate or rebuild – which is best?
- Partnerships
- 3 common questions and answers about valuations
- Lost opportunities

impression on a daily basis. You need to make sure it is the right impression not the wrong one.

I visit veterinary hospitals on a weekly basis and as an outsider, I would have to say that despite offering (in many cases) the most amazing standard of veterinary service, many veterinarians are letting themselves down by creating a less than optimal impression of the practice as soon as clients pull up in the carpark (or even before if your external signage or building needs attention).

So what should a practice and business owner do to ensure that clients are not being 'stopped at the door'? A couple of simple, low cost ideas are: Firstly, you could do the 'Moments of Truth' exercise with your whole staff by assembling on the footpath down the street from your



EDITOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

Practice assessments – More and more of our work at ValuVet seems to be in the 'consulting' field. Because we visit the practices we value, it is very easy for an outsider to spot problems a mile off. Our practice assessments are a formal way of examining a practice in depth and identifying opportunities for the practice to move forward. The most enjoyable part of our job is being able to turn things around for our clients with a bit of advice. If you have problems with running your practice, give us a call. We may be able to help.

Web Reviews – You can find most things on the Web nowadays including your business. Before visiting a clinic or hospital, we Google the practice first for a couple of reasons. Firstly to see where the practice is and how to get there. Secondly to see what your clients see! With 'True Local' and other sites offering 'self rating' facilities, it shocks me to occasionally see extremely visible, slanderous testimonials levelled against our colleagues (fortunately most testimonials are highly complimentary). These ratings can be removed so Google your own practice on a regular basis to check.

Tony Thelander away – After 40 years in practice and a couple of hard years at work with ValuVet, I am going to take my own advice and have a decent holiday (I shall be away for 6 weeks from 10th April). All phone numbers will remain current and direct enquiries should be made to my colleague Hugh White (ph: 0412 668 067 and Email: hugh@valuvet.com.au)

Mixed practice – We see all types of practices throughout the year and I am happy to say that the true 'Mixed practice' is still very much part of the Australian scene. With changes in demographics, transport and World markets; more and more, mixed practices are becoming increasingly companion animal orientated. The typical practice we see is 75% small animal, 20% equine and 5% everything else (give or take). You need to tailor your service offering accordingly with the appropriate marketing, skills and equipment.

Pan Pacific Conference – 23rd to 28th May 2010 will see the Pan Pacific Veterinary Conference held here in Sunny Brisbane. There is an excellent academic program this year and always a great opportunity to catch up with colleagues. Hugh White and I will be attending all week so come and have a yarn with us if you have any issues you would like to discuss. See you there!

practice then follow the path taken by your clients on to your property and into the exam room via the carpark, waiting room and reception. Ask your team to document any item they feel creates a less than favourable impression to your visitors – you should now have a checklist to work on.

Secondly, you could ask a 'mystery shopper' or a non client (preferably a female) to visit your practice to document their first impressions.

So what will all this cost? In most cases, very little and anyway, every practice should budget some money for routine maintenance. How much does it cost to re-paint the lines in the carpark, paint the architraves and the front door, replant the garden and remove old wall posters? Apart from costing very little (in most cases), your clients will notice the change and subliminally this will convey a positive message that your practice is looking after itself as well as their pets. Anything that creates a good impression of your practice is a good investment. ■

Yes, first impressions do count!

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**



FEATURE PRACTICE



Boronia Veterinary Clinic



The Boronia practice in North East Melbourne is a splendid example of what can be achieved with a long standing, well run partnership. Drs Lowry, Gooey, da Silva and Costa can be justly proud of the fine facility they have built and the great service they offer to their community. At the forefront of the profession, the practice offers a referral service to neighbouring practices and is involved in the development of the new Open VPMS software which many practices are now adopting. Well done fellas!



Reception



Director's Office



Laboratory



Examination Room



Theatre



Imaging area



Cat cages



Nurses station



Dog cages

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 432: **Capital cities/ major regional centres** 2-3 vet SA
 Buyer 434: **Mixed practice** within 4 hours of airport or major centre
 Buyer 407: **Capital cities/ major regional centres** 2 vet SA

VICTORIA

Buyer 049: **Victoria** any size SA
 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 Est Melb/SAS/Qld** 1-2 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
- ✓ Valuvet report available
- ★ Excellent facilities
- ▲ Purpose built facility
- ✱ Website Listing

NEW SOUTH WALES

Seller 057: **SW Sydney** 4 vet SA practice ✱
 Seller 166: **Riverina** 3 vet Mixed practice ✚ ✓ ✱
 Seller 179: **Western Syd** – 1 vet SA ✱
 Seller 184: **Southern Syd / Sutherland Shire** – 1 vet SA
 Seller 195: **Warners Bay** – PETstock vet clinic ▲

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 197: **Innisfail** – 2 vet SA / Mixed practice ✱
 Seller 198: **Bundaberg** – 2 vet SA
 Seller 199: **East Darling Downs** – 1 vet SA

VICTORIA

Seller 196: **Bendigo** – PETstock vet clinic ▲

WESTERN AUSTRALIA

Seller 200: **Perth** – 1 vet SA

LEASE

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

NEW SOUTH WALES

Seller 185: **Carlingford** – Vacant SA Premises on main road
 Seller 187: **Upper North Shore Syd** – Centrally located specialist centre

See website advertisements on www.valuvet.com.au



TO RENOVATE OR REBUILD – WHICH IS BEST?

This is a common dilemma for practice owners when faced with an expanding business coupled with a premises that suffers from overcrowding, parking restrictions, low marketing image, poor design and functionality, ventilation/ odour problems, and inadequate fittings and materials.

As expected the answer is not simple, as it depends on your image and position in the local veterinary market. Questions you should ask are:

1. Where do you want your practice to be in the next 10 -15 years?
2. Do you have the courage to take on a large financial investment in a new or refurbished facility that will give you an adequate return on investment?

Here are a few quick pointers to consider roughly in order:

Existing location Is it commercially valuable or would you be better finding a new site that would solve your problems? Is it that easy? Usually not, but if you are lucky, starting elsewhere you take out one of the biggest hassles – trying to hold your practice together as you live with the building disruptions.

Renovation If you stay, can you work out of the existing facility on site while the new one is built out the back, alongside etc. with perhaps the old building being demolished at the finish to make room for (say) a car park?

Disruptions If it has to be a renovation/addition expect some client reduction as new or potential clients tend to steer away from premises that look like building sites. Also, the building disruptions may limit your capacity to provide full services such as observations, workups, intensive care, hospitalisation, surgery etc.

Building costs Importantly, consider the cost and your ability to service the loan. Properly designed buildings with simple car parking, basic fixtures and fittings such as flooring, lighting, joinery, hand washing sinks, air conditioning/ventilation systems, but with no specialised equipment such as cages, wet tables, theatre lights etc. start at about \$3,000 per square metre.

Floorspace Consider the number of full time veterinary equivalents (FTVE) in your practice. As a rule of thumb you need roughly 100 square metres for each FTVE, so two full time vets = 200 square metres, three vets = 300square metres and so on. And remember, plan ahead for 10 years plus.

Returns Is it all worth it? Most practices opening in a new or well refurbished building experience a halo effect for the first 2-3 years with a flattening off over the next few years. How big is the halo effect? It is not uncommon for practices with good marketing to experience a gross fees increase of 20 to 40 per cent over and above normal growth. ■

Dr John Hamilton
Hamilton Veterinary Design
7 Thornber Street
Unley Park SA 5061
T 08 8272 3807
M 0414 96 2424
E vetdesign@adam.com.au





Dr Hugh White MVSc MACVSc

PARTNERSHIPS

One of the many interesting facets of visiting a number of practices in a variety of locations around Australia is to see the different partnership structures which have evolved over time. I use the word evolve because that is how many partnerships appear to have developed.

Rather than having a formal structure with a legally binding partnership agreement, some partnerships exist as a very loose arrangement which equates more or less to a hand-shake agreement.

Recently, we have visited two very different long term partnerships where the principals have been in partnership for well over 20 years. In the first instance the partners ceased communicating somewhere around the 5 year mark, yet they are still joint owners of the business! In the second, the partners still have a good working relationship, but the absence of a firm, legally binding partnership agreement is now starting to cause

problems due to different earning capacity, differing ages and the need to develop succession plans.

Opinions are divided about the value of partnerships - some say that one should never enter a partnership as it is akin to, or potentially more hazardous than a marriage! Others can see the benefits of taking in partners in order to share the responsibilities of the business and to simplify succession arrangements. We see many examples of very successful, long-lasting partnerships.

From our experience and perspective, the best partnerships have a good, strong, binding legal partnership agreement which is not draconian or over-prescriptive, yet includes provisions for the more likely contingencies.

Easy-in/easy-out clauses are a great asset so that entry and exit of partners is as seamless as possible.

Most people entering a partnership have no idea how quickly the years slip by and what may pass as a suitable agreement at the outset may prove to be a liability in later years, when people's aspirations have changed due to a host of circumstances which may have seemed unlikely, or unimaginable many years before.

At ValuVet, we encourage all vets who consider entering into a partnership to seek sound legal advice. Templates exist as the basis for good partnership agreements, but it is always wise to pay the fees



to get advice from an experienced commercial lawyer, in order to make sure the agreement covers your particular circumstances. Similarly, existing partnership agreements should be extracted from the bottom drawer on a regular basis (say 3 years) to ensure they are still relevant under current conditions and particularly when new partners are about to be included. ■

1970 Queensland Graduation Reunion Dinner

A 40th reunion dinner is being organised for the 1970 UQ graduating year at the 2010 Pan-Pacific Veterinary Conference in Brisbane (23-28th May)

For enquiries, please contact Dr Tony Thelander on 0409 478 762.

Booking is essential so if you would like to attend, please contact AVA (Qld) Division Office on 07 3423 1844 or avaqld@ava.com.au

***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.



3 COMMON QUESTIONS AND ANSWERS ABOUT VALUATIONS.

David Sharp B Econ, ACA – Director DFK Richard Hill

1 **Q** – Why do you have to visit the practice; what is wrong with just using the financials?

Answer – Quite simply the financials do not tell the full story. The practice location, signage, staffing skills and longevity, the quality of the equipment, presence in the local community, number of clients, affluence of local community, the schedule of fees, the practice fitout, strength and closeness of competing practices etc. all have significant impacts on the value and saleability of your practice. A purchaser will always visit the practice in order to truly understand what it has to offer and so too will a valuer (who is an independent reviewer) who needs to make an accurate assessment. Without a visit to the practice this is just not possible.

2 **Q** – What is the normal range of multiples for capitalization rates?

Answer – The general range for a generic small business (turnover to say up to \$5,000,000) is generally 2 to 4 times or 25% to 50%. Veterinary practices fall within this range with a well organized larger practice in an affluent suburb in a capital city achieving 4 times multiple or 25% cap rate and a mixed rural practice more likely to achieve a 2 times multiple or 50% cap rate. The majority of practices fall between 30% to 40% cap rates. The cap rate/multiple is the factor which reflects the sum of all those factors noted from the visit. Without the visit the cap rate/multiple cannot be as accurate.

3 **Q** – So does the Profit x Multiple = the value of my practice?

Answer – NO!! The value of your practice is made up of goodwill + equipment + debtors – creditors - bank debt – leases – employee entitlements + property. Our valuation technique values the goodwill and the equipment separately. We do it this way because we believe it is more accurate. ValuVet has experienced vets who visit your practice to accurately assess the factors noted in 1 above and who are also able to value veterinary equipment. Unfortunately most accountants cannot do this, so if there is no access to experienced veterinary equipment valuers a different technique is used.

The alternative (and in my opinion less accurate alternative) is to add back the depreciation to the profit and then multiply/capitalize the increased amount and treat the resulting value as being a combined value for both equipment and goodwill. In most cases the depreciation amount included in the Profit & Loss Statement is based on tax requirements rather than the actual value or the standard/condition of the equipment. In my opinion this distorts the value calculated for both the goodwill and the equipment. Your own Accountant should help you with calculating all the other elements of the practice value other than

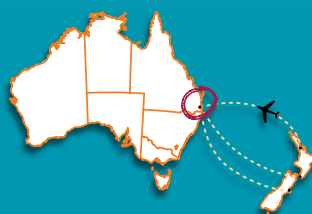


Pan Pacific
Veterinary Conference

AVA & NZVA
BRISBANE 2010

Embracing Challenges
23-28 May 2010

Brisbane Convention & Exhibition Centre
Queensland Australia



Register online at www.panpac2010.com/registration

LOST OPPORTUNITIES

With the very best of intentions, many of us in practice call in a consultant, buy a book, a piece of equipment or attend a seminar to try to fix our problems; we pay lots of money but when the consultant's report arrives, we probably read it once then we put it aside until we have time to act on the recommendations. The trouble is – most of us are busy in practice and we often don't get time to come back so the report goes on the top shelf and there it stays. Don't laugh, I have done this myself! I also see expensive ultrasound machines sitting idle in corners because no one knows how to operate one.

So why do we spend money on solutions to fix our problems and we end up not implementing the advice we are given or not using the equipment we have bought? Obviously there is a big gap between identifying a problem and fixing it. It all comes down to human nature...

- We think that by 'buying' the solution we will actually fix the problem
- We may personally lack the skill to fix the problem
- Fixing problems involves change and most of us are not comfortable with change
- We misunderstand the magnitude of the problem (both in cost and time involved)
- We don't prioritise our goals appropriately
- We don't delegate the task to the right person.

Now that we know the cause of the problem, how do we avoid this situation in the future? To some extent the solution lies in avoiding the weak links in the chain (above) but before you invite a consultant in to the practice, purchase an expensive ultrasound machine or implement a new service or system you should consider the following:

- Have a clear vision of what you are trying to achieve
- Do some research first so you fully understand the need or the problem
- Be prepared to lead from the top (all change requires leadership)
- Delegate where possible and delegate to the right person
- Ascertain if the supplier of the service or equipment can assist with the change.

In an effort to assist those (like myself) who are not great implementers and who need a bit of guidance, ValuVet have instigated a 'Follow up Service' (see advertisement this issue) to help fill this void. Nothing gives the author of a report more satisfaction than to be asked questions or to hear later that the practice has benefited as a result of the recommendations in the report. ■

Dr Tony Thelander (Director ValuVet)

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



- 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.

MAR	VIC & TAS	JUN	QLD & NT
APR	NSW	JUL	VIC & TAS
MAY	SA & WA	AUG	NSW

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

CONTACT US

12 Victoria Park Rd
Kelvin Grove QLD 4059

T 3831 5555

F 3831 5555

E mail@valuvet.com.au

www.valuvet.com.au