

EXECUTIVE SUMMARY

Benchmarks 2016 offers the latest from some of the top Well-Managed Practices across the country, and we're happy to say the news looks good this year! Revenue growth is strong (check out the tables at the bottom of the page), and the change in transaction numbers is remarkably optimistic.

Well-Managed Practice owners attribute the revenue growth, in part, to getting more efficient and productive (see page 80). Could this efficiency improvement be a result of higher staff numbers? For the first time since 2012, the staff-to-doctor ratio is up. (See the details on page 7 in the Introduction.) The ratio held steady at 4-to-1 until this year—now it's 4.7, with the biggest change in the technician and veterinary assistant positions. Are those additional people paying off?

Of course, it's not just tweaking numbers. A special combination of leadership and management skills are required to achieve results like these. Leadership and management have

complementary yet different areas of focus, and you need both to build a high-performing team on a solid foundation of common values, consistent behaviors, high-performing culture, high-performing individuals and a high-performing team. Guest authors Jennifer Hock, MSSL, DEL, and Michelle Guercio-Winter, RVT, CVPM, share tips for inspiring while you manage in Chapter 2.

In Chapter 3, we share some amazing, hard-hitting advice from in-the-know experts to boost your technology ROI. You can finally figure out what you have when it comes to data and technology, what you need to protect and what you need to update to stay ahead of the game.

We round out Benchmarks 2016 with a chapter chock-full of timely advice to ensure you're firmly in control of your transition—whether an exit is soon or years away. A panel of experts and a few former owners give us the skinny on what to do now before it's too late.

Revenue growth (per full-time-equivalent DVM)			
	Benchmarks 2015	Benchmarks 2016	
Medical revenue	\$582,000	\$614,700	Up 6%!
Diets and other revenue	\$66,200	\$80,500	Up 22%!
Total revenue	\$648,200	\$695,200	Up 7%

Transaction growth (per full-time-equivalent DVM)			
	Benchmarks 2015	Benchmarks 2016	
Doctor-provided transactions	2,900	3,800	Up 31%!
Rx refills and other nondoctor transactions	2,400	3,400	Up 42%!
Total transactions	5,300	7,200	Up 36%!

2. Uncover trends in veterinary practice. Study participants face the same challenges you do, and gathering detailed information about their finances from year to year brings new trends to light quickly. Armed with this information, we provide strategies to help you address new challenges—before your practice suffers.

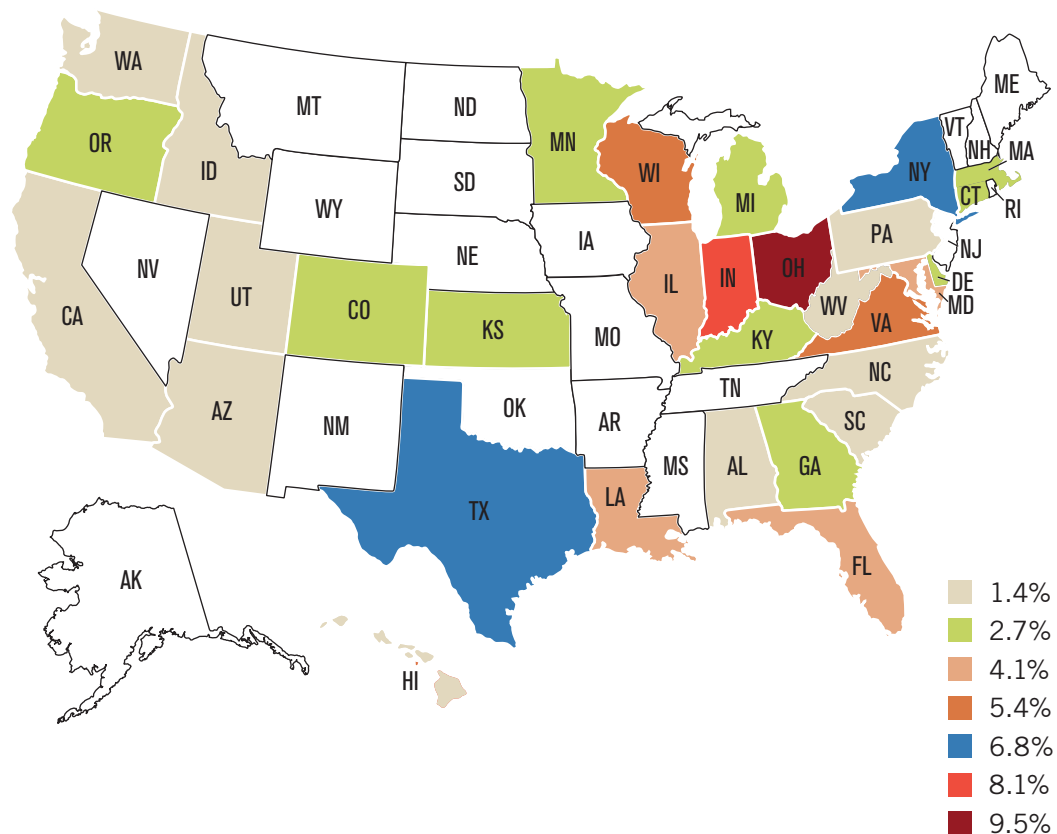
3. Share tactics that help you improve your standard of living and reinvest more money into your hospital. In the pages that follow, you'll find a detailed report of the complete study findings, including easy-to-read charts and graphs that give valuable insight on pricing, growing revenue, managing costs and planning for personal and practice success, all to assist you in managing your practice's financial health.

So how does your practice compare? Benchmarks 2016 includes tools to help you find out. We invite you to use the study results, advice from practices and management tools in these pages to build lasting success in your veterinary hospital.

The numbers behind a Well-Managed Practice

On the following pages are charts and statistics to give you a behind-the-scenes look at the financial situation at Well-Managed Practices. Unless otherwise noted, numbers are for the most recent and complete calendar year—2015. Consider whether these benchmarks are true of your practice, and then read on to find more details on time management, mentorship, marketing and explaining the value of your services to clients—plus tools to help you get where you want to be.

What percentage of the total number of Benchmarks 2016 participants practice in each state?



REVENUE

Make marketing and sales work for you

TOOLS:

- 29 8 steps to excellent phone calls
- 31 Monthly potential new-client caller log
- 33 10 ways veterinary practices scare cats
- 34 10 ways cats leave veterinary practices calmer
- 35 8 power tips for your website
- 38 Q&A: Two doctors, two visions of “sales culture”
- 42 A call to calm down
- 43 Beautify your veterinary practice in 7 steps

Two-thirds of Benchmarks 2016 survey respondents expect to increase practice return on investment (ROI) by 1 to 6 percent this year. While a small percentage of practices said they’ll improve their ROI by reducing expenses, by far the majority believe focusing on revenue growth is the ticket to greater profitability.

Increasing sales can also promote better medicine. How is this possible? Greater profits offer you the option to invest in equipment and facilities, pay salaries sufficient to retain your best staff members and provide an optimal experience for patients and their owners.

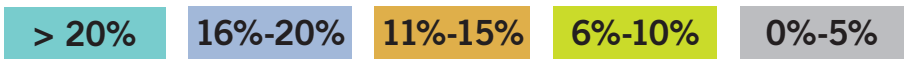
Michael Watts, DVM, at Clevengers Corner Veterinary Care in Amissville, Virginia, says he, his associates and his staff got into veterinary medicine to help pets, not for the money. This is also very likely for you and your practice. However, Dr. Watts notes

that the money serves as a good measure of how well you’re doing in reaching the goal of best serving patients and clients. In fact, he chooses to share sales figures with his staff. He creates a culture where sales are a measure of compliance, and compliance is a measure of how well pets are getting the care they deserve.

The patient drives the medicine and the medicine drives the business. With this focus in mind, we cover these ideas from all angles: the growing power of the low-stress care movement (Fear Free!) ... what healthy “sales culture” looks like ... easy (and less expensive) hospital design tweaks to clients’ first impressions ... website tweaks that do the same thing. This chapter is smorgasbord of approaches to boosting revenue, all of which will depend on your passion and leadership and your team’s buy-in. Let’s get to it!

What estimated percentage increases are you seeing as a result of changes you made in your practice to lower pets' fear and anxiety?

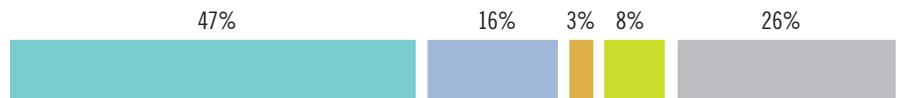
Percentage increase



Increased average daily transaction



Increased staff morale



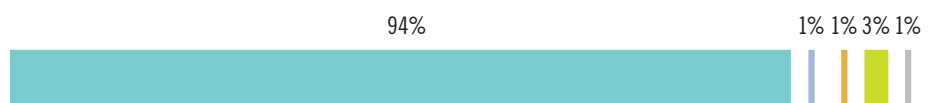
Increased new clients



Increased new patients



Decreased number of lapsed patients



TOOLS:

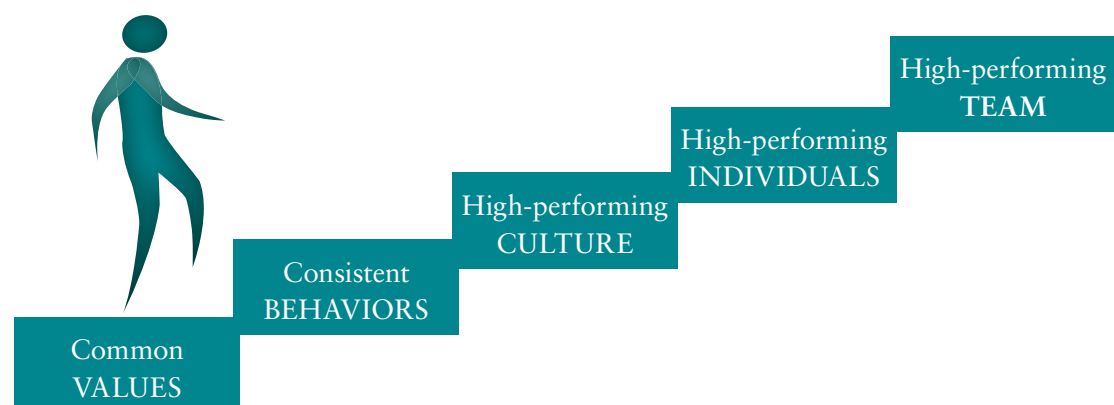
- 63 Leadership vs. management activity
- 65 Leadership traits assessment tool
- 68 Belief systems development tool
- 71 Behavioral interview questions
- 74 How teams evolve
- 75 What you need in an employee manual

Practice owners and managers often get caught up in the day-to-day running of the veterinary practice. It's easy to lose sight of the significance of their role within the practice. Today, the importance of balancing management with leadership is even greater due to the rapidly changing market of the veterinary profession. One of the biggest and most powerful assets a veterinary practice has is its team—the practice's best competitive advantage.

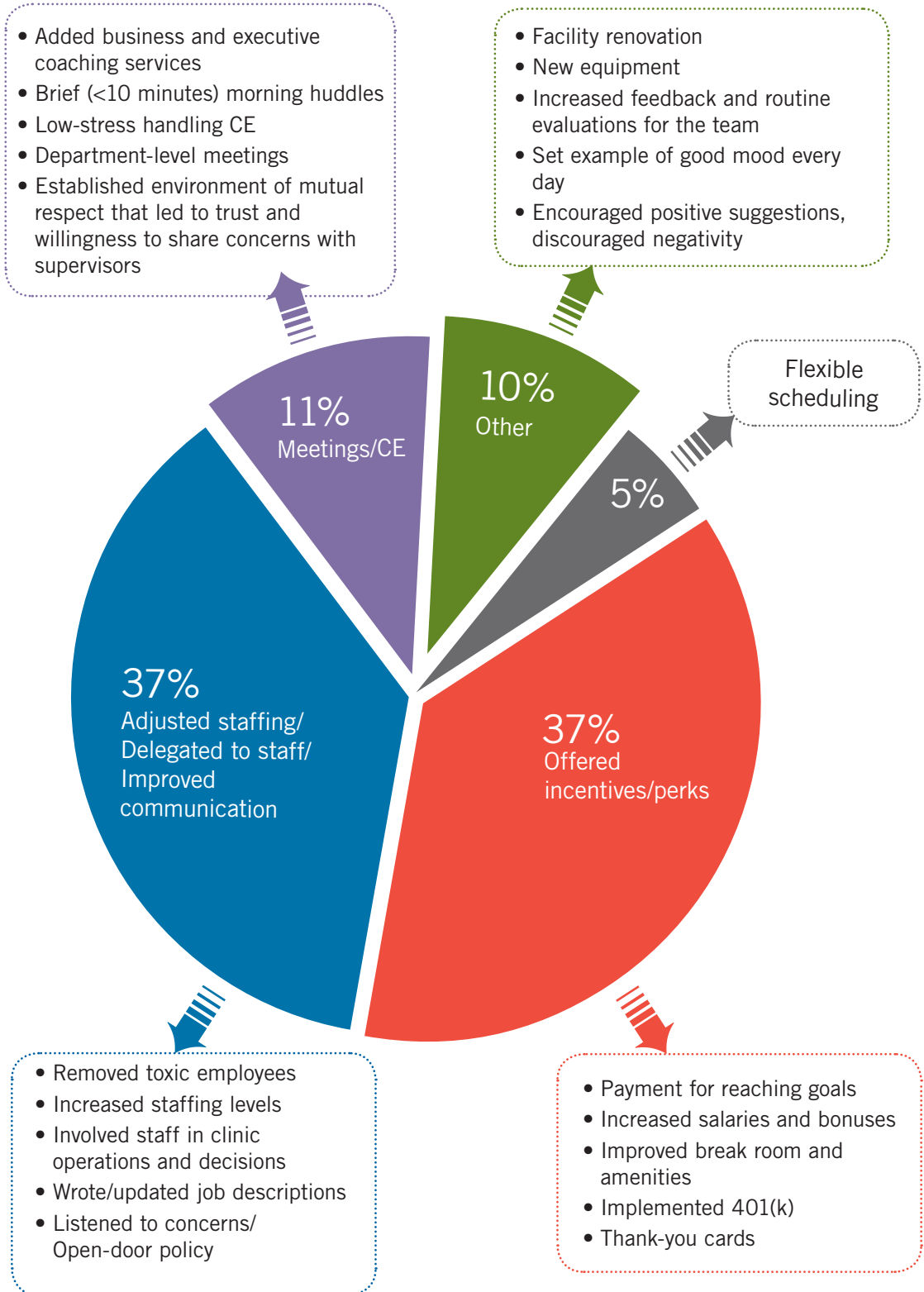
Every practice, practice owner, manager, team member, client and patient benefits when a team of people in a veterinary practice is high performing. They provide a veterinary practice with a significant competitive advantage and function as an engine of service within it. Developing a group of productive, solutions-oriented,

accountable people who consistently deliver great performance is the responsibility—and, sadly, only sometimes a goal—of managers and practice owners.

The problem is, it's easy to get stuck trying to build a dream team by focusing efforts on just the team and the expectations you have for the team's performance. A high-performing team is the goal, not the origin by which it can be reached. High-performing teams are built on a solid foundation of interdependent high-performing individuals working towards a common goal fueled within a high-performing culture. A high-performing culture is formed through consistent behaviors derived from common values. Imagine the steps to a high-performing team and you get something like this ...

Steps to a High-Performing Team

What's the most important thing you did last year to improve staff job satisfaction?



“TECH”-NIQUE

Boost ROI with your tech toolbox

TOOLS:

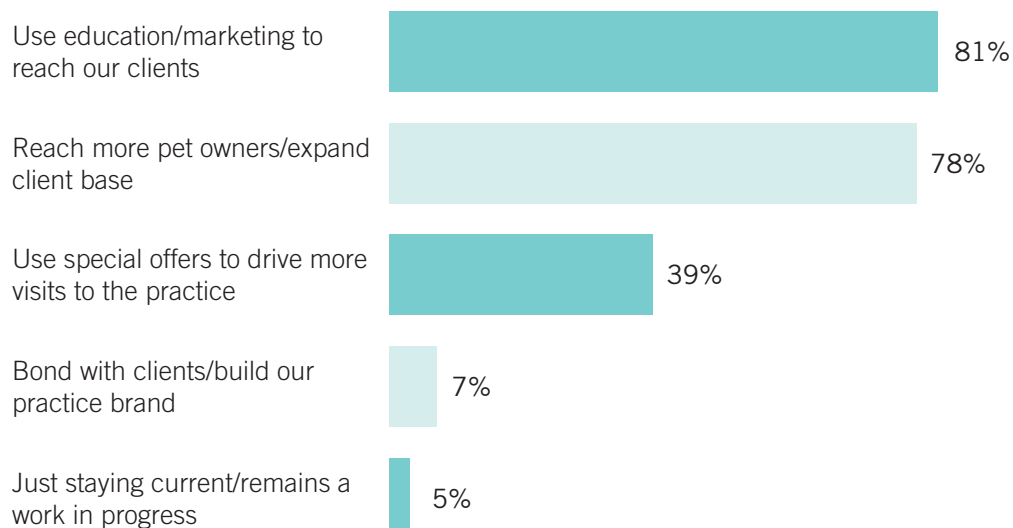
- 84 SWOT analysis for a Well-Managed Practice
- 87 12 steps to a veterinary practice SWOT analysis
- 88 Using what you pay for: A marketing and technology inventory
- 90 There's a better way: How to dig through online reviews and SEO
- 92 Creating your data inventory: A guide to protecting your information
- 94 3 free dvm360 resources for the Internet-savvy (and Internet-fearing)

Technology: It's funny how this word can invoke so many mixed emotions: excitement, confusion, aggravation ... maybe inspiration? Technology is constantly evolving, which makes it challenging to stay at the forefront of the latest tools and services available. At the same time, technology can greatly increase our productivity and allow for many

conveniences. Double-edged sword, anyone? Love it or hate it, technology is here to stay. If you haven't already, now is the time to open up your mind and fully embrace all of the technological opportunities available to help strengthen the client and patient bond, educate clients about your services and enhance your value proposition.

Key expense findings Questions and Results

What are your goals for your practice's social media? (Respondents selected all that applied.)





12 steps to a veterinary practice SWOT analysis

Put your entire team’s brainpower to work for your practice with this step-by-step process to identify your hospital’s strengths, weaknesses, opportunities and threats.



TRANSITION PLANNING

You, your practice and your buyer

TOOLS:

- 105 5 crucial questions to plan a terrific transition
- 106 Owner compensation in a Well-Managed Practice
- 108 Personal budget: Current living expenses
- 110 Plan for financial independence
- 111 9 contract, law and tax pitfalls to avoid in a practice sale
- 113 Business mentorship in a Well-Managed Practice
- 117 List of suggested business and management reading
- 116 Mentorship monthly planning calendar

It's easy to delay planning for the eventual sale of your hospital given the typical to-do list of veterinary practice owners. But, all sympathy aside, a transition plan is essential for the continued existence of the practice and your family's future financial security. No crystal ball exists to tell you exactly what the future holds. Life happens. But with a little preparation—OK, a lot of preparation—your odds for success are much greater.

Let's begin at the end with post-sale insights from previous Benchmarks participants and owners who sold their practice.

'We all needed and wanted a chance to say goodbye'

Dr. Marlene Mackie owned Escanaba Veterinary Clinic in Escanaba, Michigan, for 36 years. She loved medicine, her patients and staff, and enjoyed her ties to the community and the long-term client relationships she'd developed over the years. In 2013 she started the process of selling her practice. The sale was finalized in late 2014.

TAKEAWAY TIP

Keep complete records of your veterinary hospital's equipment purchases, leasing, maintenance and upgrades. Prospective practice buyers will ask for more information about your assets, not less.

"Selling the practice was very emotional. Owning was part of my identity. I felt beat up and vaporized after the sale. I promised myself I would take at least 12 months to reflect and enjoy my friends, family and hobbies and do some volunteering before deciding what's next. I know I'm not done with veterinary medicine—I just don't know yet what the next chapter holds."

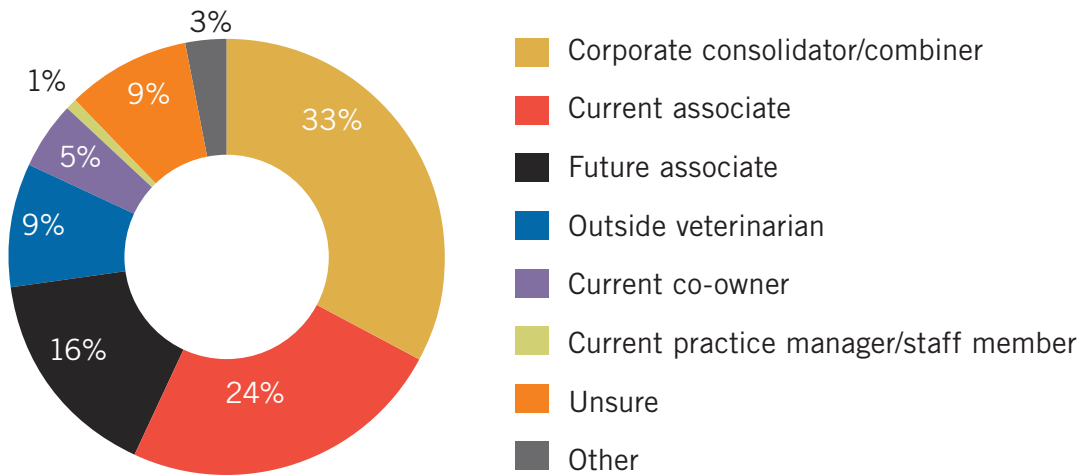
—Marlene Mackie, DVM
Former practice owner

We asked Dr. Mackie if there were any surprises in the process or things she wasn't prepared for. She shared: "In terms of the asking price, one of the most difficult pieces had to do with the equipment. I didn't have the best records of my equipment purchases, and I really didn't have any idea of everything I had in the building. I felt like I was on trial, being dissected, trying to defend my equipment value."

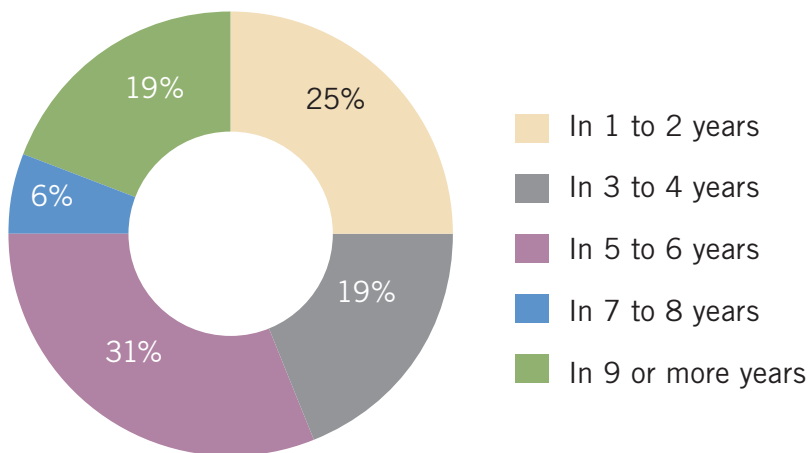
Dr. Mackie also spoke eloquently of the impact on her staff. The very best practice sale can be hard on staff who've grown to love and trust you as a practice owner and now have to shift their thinking in new ways with a new captain of the ship.

"In hindsight, one thing I wish I would have done differently is be much more up front with the staff and involve them more in the process.

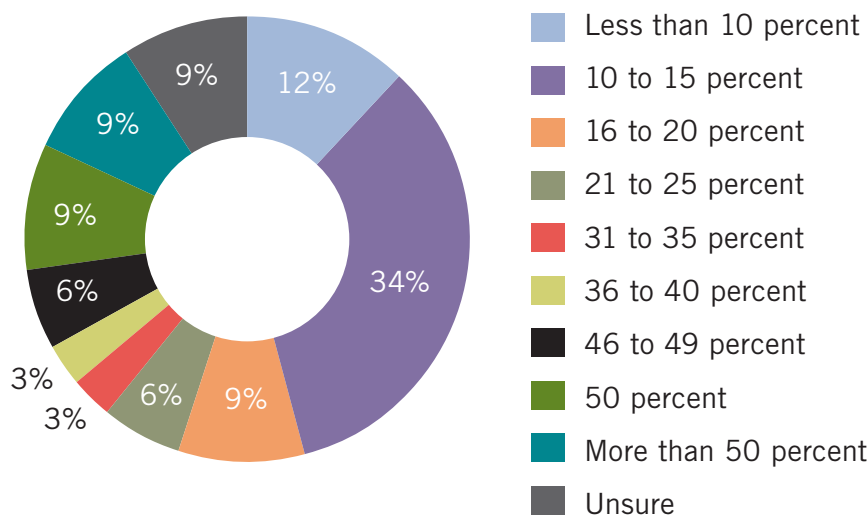
Who is most likely to buy your share of the practice?



If planning a partial practice sale, what is your time frame?



If planning a partial practice sale, how much are you selling initially?



NOTE: No one answered “26 to 30 percent” or “41 to 45 percent.”