

ROCKET FUEL FOR PRACTICE OWNERS #1



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Marc has over 25 years' experience growing the profitability & capital value of Owner Managed Businesses.

Marc Bennett has spent over 25 years analysing and advising on the finances of some 1,000 opticians' practices around the UK.

He is an expert in the areas of practice valuation, maximising VAT recovery and tax efficient exit strategies.

In the first of a 5 part series he'll be looking at increasing the profitability of a practice by reducing low-return activities. Over the coming months he'll be sharing strategies that have successfully propelled forward the profitability and valuation of practices in the areas of Refurbishment, Valuation, VAT & Succession Planning.

Many years ago I realised I'd been asking practice owners the wrong question. When I first met up with them my opening line was always "How are you...are you busy?". The reply was often

the same and included details of how their filing cabinets were bursting with 9,000 patient records; how there weren't enough hours in the day to examine everyone and how they had no time to assess the data coming out of their PMS.

Then it dawned on me that the question I should have asked them was "How are you...are you making any money?"

From many years looking under the financial bonnet of hundreds of practices, it soon became apparent that for many, operational activity was on the increase whilst profitability was waning. Whilst I accept there are many reasons to run a practice other than for profits, the stark reality is that a practice will not survive in the medium term, (let alone the long term), without surpluses to reinvest in equipment, staff training, marketing and rewarding owner/managers.



So what's the answer to this conundrum?

It is to reduce activity or more specifically low return activity. How would your life/work balance be improved by producing more bottom line profits from less activity?

The solution is to adapt the 7 step approach below and revisit it each year:

1. Identify & record the top 10% clients (VIP's) by turnover over the past 3 years;
2. Identify & record the bottom 10% clients by turnover over the past 3 years; this will include time bandits who drain the practice team of both time & energy and don't value the service they receive;
3. Amend both lists manually for new clients or practice ambassadors; (each year the VIP % of the practice should grow).
4. If you have more than one consulting room, constantly pre-plan the clinical diary on a weekly & daily basis. VIP's should be examined unopposed and then handed over to a DO without any interference from a time bandit.

5. Cull the time bandits. This can be done via a combination of increasing fees, channelling them away from the star Optom & DO teams or simply redirecting them someplace else ("..we need to set our price structure at a level which maintains the highest level of care our clients demand").

6. The cull in 5 above should result in an extra 7 days of practice time per annum for each 100 patients that leave. That provides an extra 30 minutes of love and attention for each 100 VIP's, more than compensating the practice financially.

7. The strategy provides breathing space for practice owners. They have created prime time to work on the business rather than working in it.

In the commercial approach above the term "Client" has been used instead of "Customer". Client infers a duty of care by a trusted advisor. "Customer" on the other hand simply infers someone who pays for goods and services. Practice owners need to brave and focus their time and energy on developing Clients.

Another area where the Less is More strategy can help practices is in the area of stock. One of the first actions I take on visiting a practice will be to open drawers and value the old / hidden / excess frames. Often this can be a shocking experience for a practice owner when they realise that the excess stock could have been reinvested in a practice refurbishment, new equipment or simply repaying practice loans.

The sheer quantity of different frame suppliers & lines can produce horrendously long stock reports that drown management. Far better to spend a proportion of the extra time now available from the above time bandit cull to formulate a tight stock policy. Establish the lines best suited to a specific practices demographics and then operate a strict stock control system on buying new frames.

The Less is More strategies mentioned above are only the tip of the iceberg to enable practices to replace being busy for being productive & profitable.

How many other areas of your practice can you apply this to?

