

CASE STUDY: INCREASING PROFITABILITY

Better financial understanding and team engagement increases net profit by 6% in 12 months returning the practice to profitability



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“The business consultant supported the management team every step of the way”

SITUATION

- Two branch practice lost 20-25% of clients to competitor in last 3 years
- Business in decline (reduced from 5 to 4 vets)
- Profitability low in spite of good revenue per vet and good client numbers
- Management challenges

TASK

- Halt the financial decline of the practice

ACTIONS

- Management structure established with clear reporting lines and delegation of tasks
- Staffing levels evolved to match business needs
- Financial controls put in place
 - Stock control
 - Overheads reduced
 - Staffing ratios defined
 - Financial performance shared with staff
 - Cash flow problems addressed

RESULTS

- Profit increased from 2% to 8% in 12 months
- Management structure successfully established
- Better, more motivated team
- Financial reporting shared across business

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A two branch companion animal practice in Lincolnshire, which had previously enjoyed a monopoly position, lost 25% of its clients with the opening of a competitive practice nearby. The practice has since been in decline, reducing from five to four vets.

According to industry benchmarks, the revenue per vet was very good, as was turnover per client, but the profitability was low at just 2-3%. The practice called in the help of one of the Zoetis business consultants to turn the situation around and address the fundamental issue that revenue was good but costs were high.

The business consultant immediately identified some significant management challenges, not least of which was the team of two partners who kept the practice's problems to themselves rather than sharing the issues with their staff. More structure, better teamwork and improved financial compliance were identified as the key priorities.

A management structure was established with formal reporting lines and effective delegation. Staffing was reassessed to match the business needs and staffing ratios examined so that each full time vet had the right amount of support staff. Staffing patterns were also changed so that the practice was not overstaffed during the quieter 11am to 2pm period.

Financial controls were put in place so that the order book couldn't go above a set daily limit, variable costs were reduced by 5%, staffing ratios were defined and cash flow problems addressed.

Critically, with a more formal management and reporting structure, the financial concerns previously kept within the partners were shared with the staff, which brought them all on board and motivated to help address the issue.

The business consultant supported the management team every step of the way from presenting the initial challenges to the staff, to delivering staff appraisals and sharing the financial indicators with the team.

The practice's net profit improved by 6% in 12 months and the business went into the black. A management structure has been successfully established and financial reports have been shared across the business leading to better understanding and a more motivated team.