The “Magic Formula” for Practice Revenue Generation

I’m a practice owner, and I’m afraid for my practice. Don’t get me wrong; I love my job. Or at least I love the job in which I keep healthy pets healthy and improve the health of those that are ill. But I’m afraid that my practice may not flourish, or even survive. I have tried trimming expenses to enhance profitability, but the results of my efforts are disappointing. My staff has voiced concerns about their job security and doubt that they will ever see another raise in pay. I can feel their diminishing drive just when I need them most! I want to regain our momentum toward financial success. What can I do differently?

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Focus on Revenue

Expense management is certainly a critical component of profitability. However, without concurrent attention to revenue generation—and strategic efforts to enhance revenue—profitability that measures up to practice industry benchmarks will remain elusive. Let’s take a closer look at the ways in which your practice can promote revenue growth. We will base our discussion on the following themes:

1. **Simplicity vs. Complexity.** We crave simple solutions to practice challenges. However, complexity is a reality of business life. Courage and fortitude enable us to engage the complex issues that veterinary practice faces.

2. **Tools.** Formulas serve as “tools,” similar to computer systems and medical equipment.

3. **Teamwork.** As a team, we work to identify (“diagnose”) potential sources of revenue growth, then develop and implement plans that create positive change.

4. **Freedom.** We recognize that our practice has unique needs based on purpose and goals, and we are free to choose the revenue generation projects that will have the greatest impact.

5. **Outcomes.** We must be mindful of desired outcomes and know that we are not entitled to them. They are a result of commitment and hard work.

**The Basics**

Although there is no shortcut through the work of generating practice revenue, we can begin by considering a basic formula that helps us break down the process into manageable pieces:

\[
\text{Number of Client Visits} \times \text{Average Client Transaction (dollars)} = \text{Revenue}
\]

Seems pretty simple, right? These figures are easy to track using veterinary software systems. Revenue data can be viewed within set time periods, in association with individual veterinarians, or to evaluate specific profit centers. Using these figures to establish a “baseline” for selected projects provides a way to compare current production with established benchmarks and to measure your progress over time. Your practice purpose and niche in your professional community will influence decisions regarding patient appointment duration, fee structure, and scope of services.

**Complexity is Real . . . and Normal!**

The desire for simplicity will be ever present in our work. But complexity has become a way of life in business, and revenue generation in veterinary practice is a clear example.

“Managing a business today is fundamentally different than it was just 30 years ago. The most profound difference, we’ve come to believe, is the level of complexity people have to cope with.”—Sargut and McGrath

Strong practice teams are positioned to take a courageous approach to the complexity of practice revenue generation. They understand that complexity is here to stay and is a normal part of practice life. In expanding the “basic” formula illustrated previously, we create a tool that helps us understand the relationships of revenue sources to each other and to desired outcomes. At a glance, the “magic formula” depicted in Figure 1 may seem overwhelming. But take the time to carefully study the “flow” of revenue through practice activities, and you will notice a select few that could use some further development in your practice. Use financial statements and references such as *Financial Productivity Pulsepoints* (AAHA Press) to confirm your suspicions that these areas hold growth potential. In identifying these challenges as a team, you can then move on to plan and delegate the steps needed for completion, and
to establish a timetable for completing them.

Our online handout, The “Magic Formula” for Practice Revenue Generation: Tips for the Whole Practice Team, offers suggestions to enhance revenue sources illustrated in the “magic formula” (see Figure 1). Use the suggestions as is or as a springboard to generate original ideas that align with your own practice goals. Feel free to jump in anywhere. There is no need to adhere to a universal or prescribed project sequence. Dedicate 15 minutes during regular team meetings to a discussion of revenue generation. You will promote creative brainstorming and hold the team accountable for planned projects. Proven progress toward your revenue goals will become something everyone looks forward to.

Strong Teams
Revenue is an outcome that is be-
beyond the reach of anyone working alone. As illustrated in the “magic formula,” strong teams form the infrastructure in all revenue-generating activities. It is beyond the scope of this article to detail the ways in which strong teams are formed, but simply be reminded that we cannot expect practice productivity without a cohesive team of committed employees. Each team member, regardless of job description or position within the hospital, contributes uniquely to prioritizing, planning, and implementing revenue-generating projects. Genuine individual concern about successful project completion and realization of goals is the driving force that sustains productivity over time.

A Word About Outcomes

The “magic formula” for practice revenue generation (see Figure 1) depicts 3 potential outcomes:

- **Revenue**
- **Client loyalty and trust**
- **Happiness**

We have already explored the factors that influence revenue generation within this article and in the online handout available at myEVT.com/magazine.

Client loyalty and trust result from the consistent delivery of extraordinary service. The resultant bond that forms between clients and your practice sustains revenue generation and promotes future growth through referrals.

> “Developing a bond built on personal integrity and professional trust will help us demonstrate the value not just of the products we prescribe, but of the knowledge and support we provide. Pet owners who enjoy a good relationship with their veterinarians are more likely to bring their pets in twice a year or even more often.”—Michael A. Paul, DVM

And finally, let’s not overlook the importance of happiness as an outcome of our work. In veterinary practice, happiness is a “virtue” that we often dismiss as superfluous. However, history has proven it to be a timeless virtue. According to Aristotle, “Ethics seeks to discover the good for an individual and a community, and so it begins with an examination of happiness. If it is to be the ultimate end, happiness must be complete.”

Contemporary studies in the realm of business support Aristotle’s time-honored belief. In a recent issue of *Harvard Business Review*, for example, the editor answers the question, “Why write about happiness when so much of the global economy is still in a funk and people are manifestly unhappy across the world?” this way:

> “...because emerging research from neuroscience, psychology, and economics makes the link between a thriving workforce and better business performance absolutely clear. Happiness can have an impact at both the company and the country level.”

Happiness is therefore not an old-fashioned notion. It both results from and forms the foundation for practice prosperity. Don’t dismiss it from the “magic formula” in your practice.

Refer to our online handout, *The “Magic Formula” for Practice Revenue Generation: Tips for the Whole Practice Team* (myEVT.com/magazine). You can also distribute the magic formula graphic to your team and use it to stimulate brainstorming at your next staff meeting. In the end, your plan for revenue generation will be customized for your practice and team members will understand their individual roles in achieving successful growth.

See Aids & Resources, page 63, for references and suggested reading.