



A GUIDE TO VETERINARY PRACTICE PLANNING



Introduction To Veterinary Practice Planning

A veterinary practice can be defined as a business for the profitable delivery of veterinary medicine. Many veterinarians are under the mistaken belief that a successful practice will come from the delivery of effective veterinary medicine. The reality is that veterinary practices, particularly those providing small animal health care, are in an extremely competitive environment whereby the veterinarian must not only be a successful animal health care provider but also a practice manager and entrepreneur (Brown & Silverman 1999; Heinke 2001; Shilcock 2002). Although it is not essential for veterinarians to have formal qualifications in business it is considered important they have a foundational understanding of business practices relevant to the veterinary industry (Brown & Silverman 1999; Shilcock 2002). This practice management and planning knowledge will assist the veterinarian to not only make a valuable contribution as a future employee but in many cases, understand the reality of self employment opportunities.

The Triple Care Bond (TCB) is a new philosophy of total veterinary practice quality management. The TCB philosophy is founded on the veterinary practice being focused on the care of the animal and it is from this bond with both the animal and customer a successful practice will exist. Practices are in a position to provide good medicine only whereby they have the financial means to maintain a strong ethical and professional approach to animal care (Heinke 2001; Horner 2002). Financial stability occurs as the result of good practice management and business planning (Bower et al. 2001). Accordingly it is considered important that veterinarians and graduates have a strong understanding of the framework and associated business processes in the planning of a start-up veterinary practice.

The Role of Practice Manager

The role of a practice manager is to enable the good management of the veterinary practice so that the principals or owners can continue to carry out their animal health care functions without the need to devote too much expensive time to management (Shilcock 2002). The practice manager traditionally takes overall responsibility for both the clinical and commercial aspects of the practice. In many cases the manager often comes from a nursing background but with the increase of technology driven networked practices veterinarians are now taking a more active role in practice management. The practice manager is responsible for overseeing human resources, stock control, clinical administration, bookkeeping and customer management (Catanzaro 1998; Heinke 2001). The reality for many small veterinary practices is that it is becoming increasingly difficult to maintain commercial viability and accordingly veterinarians must become good practice managers in order to have financial success (Brown & Silverman 1999). The TCB philosophy promotes financial success as a means to deliver effective clinical service.



The Business Plan & Practice Concept

Before starting a new veterinary practice or expanding an existing one, you should develop a Business Plan. The Business Plan will serve many purposes. First, it will help you define the purpose of your practice and organise it. It also helps you determine the practices growth patterns and any consequent problems before they arise; thus enabling you to more effectively deal with them. The Business Plan is an agreement on how your employees plans to carry out certain functions to achieve business results and serve as a means of measuring the enterprise's performance. Lastly, the Business Plan is a document that will assist when raising capital from banks, private investors, or other sources. The Business Plan should strongly communicate the Business Concept, its viability, the business model and the management structure that will be used to reach the business objectives (Thompson 2003c; Thompson 2003b).

Outlined within this guide is a road map, or checklist, to assist you in the Business Plan writing process for veterinary practice. Although every business plan should reflect the opportunities, concepts and entrepreneurial team that fit a particular business, it is important to consider the full range of issues you and your potential investors are likely to face. A Business Plan may often build and refine the key concepts developed within the business feasibility study that you conducted to formally justify the practices commercial viability prior to committing the resources needed to develop a formal Business Plan (Thompson 2003b; Thompson 2003a). The following outline represents a cumulation of knowledge gained from many years of practical business experience and academic rigour.

Function of a Business Plan

The best veterinary practice Business Plan is both a management guide and selling tool.

- Writing a business plan should help you think through most of the issues you will face starting a business. While you will not prevent all surprises, at least you should be able to plan for the more likely eventualities, freeing yourself to respond creatively to the true surprises.
- Communicating a business plan to partners - including investors, major customers or suppliers, and key employees - should generate useful feedback on all aspects of the business.
- Finally, the Business Plan itself should serve as a useful tool - along with personal contact - for convincing such partners to sign on to your vision.



The Business Plan Storyline

A strong veterinary practice Business Plan will communicate a compelling narrative about how a particular business venture will grow to take advantage of a promising commercial market opportunity. There are five key sections of most plans:

- **Executive Summary** – This section is written last but presented first. This is the most critical component of the report because many stakeholders will only review the executive summary and will not proceed unless they are engaged.
- **Practice-Oriented** – This section profiles the scope of the veterinary practice, the nature of the business venture and describes in detail the type of clinical animal health care services and products to be offered.
- **Market-Oriented** – This section provides a bridge of reasoning between the practice clinical services, products and market. It identifies the market niche that best supports consumer (animal owners) demand and looks at the shape and size of the market. This section should be strongly supported by evidentiary information and business market analysis.
- **Financial and Operational** - This section demonstrates the fiscal viability of the business venture. It identifies the operating capital requirements and communicates any financial assumptions that have been made.
- **Exit Strategy** – This section communicates how and when the practice owners will exit the business or achieve personal goals such as income, wealth creation. If the practice is reliant on investors, a business model for return on investment should be clearly demonstrated.

Outline of a Business Plan

- Executive Summary
- Table of Contents
- Main Contents
- Introduction
- Practice/Business Description/Background
- Clinical Services/Product/Other Service
- Technology



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Market Environment
Competition
Industry
Business Model
Marketing and Sales Strategy
Practice Design/Stock Control/Clinical Service Management
Management and Personnel
Governance and Reporting
Intellectual Property
Regulations/Environmental Issues
Critical Risk Factors
Operational Schedule
Executive Financial Highlights
Financial Statements & Narrative
Conclusion
Appendices (Example Only)
Veterinarian/Management Resumes
Market Research
Supporting Analysis and/or Research
Animal/Farm/Customer Profile
Promotional Material
Visualisation of Product or Service.
Design of Practice ie floor plan
Overview of Human Resource Structure/Job Descriptions
Business/Management Model
Management Milestones (table format).
Business Feasibility Study
References and other documentation
Accountants Financial Certification



Executive Summary

The Executive Summary is a summary of all key sections of the veterinary practice Business Plan and should work as a separate document. Investors and lenders read this document first and perhaps glance at the financial section when making a decision. Therefore it is considered the most important component of a business plan. Often investors decide whether to schedule a meeting with the entrepreneur based solely on the Executive Summary. While the Executive Summary is often written last, it is placed first, either after or before the Table of Contents. For a traditional SME Business Plan the Executive Summary should be no more than one to one and a half pages long (Thompson 2002; Thompson 2003b).

Key points to consider for your executive summary:

- An Executive Summary should explain why you wrote the report, emphasise your conclusions and recommendation and include only the essential information used to support those conclusions.
- Executive summaries are usually organised according to the sequence of information presented in the full report, so follow the order of your report as you discuss the reasons for your conclusions.
- Executive summaries are usually proportional in length to the larger work they summarise - typically 5%. Most executive summaries are 1-2 pages maximum.
- Write the executive summary after you have completed the report and decided on your recommendations. Look at the first and last sentences of paragraphs to begin to outline your summary. The executive summary should have continuity through the use of key words from within the main report. Make the summary concise, but be sure to show why you've arrived at your conclusions.
- You can not introduce any new information that is not in your report.
- Executive summaries should communicate independently of the report. That is, tell the whole story in its own right. Ask someone not familiar with the report's examples to read your executive summary to see if it makes sense.
- In taking a simplified approach the executive summary should generally consist of three paragraphs, and communicate the PROBLEM (i.e. introduction, mission, purpose, approach); the SOLUTION (i.e. analysis, facts and recommendations); and the SO WHAT (i.e. outcome, success, risk, conclusion).



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Remember to spell-check and proof read. Don't trust the spellchecker. The Executive Summary is often the only contact that many people may have with your report/proposal and as these first impressions are significant, get it right first time. A poor executive summary can adversely affect an otherwise great report.

Table of Contents

Table of Contents are an essential part of the Business Plan. Ensure you list sections, appendices, and if necessary, figures, tables. If using Microsoft Word make use of the auto index feature that will save you considerable of time when you update the master plan document.

Main Contents Narrative

Introduction

The introduction is an important prelude to what the actual Business Plan report is about; that is what is its purpose; who the report has been prepared for; who the report has been prepared by; what approach has been taken; and what has been addressed. The introduction traditionally only will take a few paragraphs, which at their conclusion lead into the Business Description section. Your page number should start at page one for the introduction section.

You will need to clearly define in the Introduction section what the purpose or type of the proposed practice is. i.e.

“The purpose of this report is to provide a business plan for the establishment of a small animal veterinary practice in Murdoch.....”

Business Description/Background

Briefly cover the following topics:

- When the enterprise was formed, by whom, why the entrepreneurs/owners/veterinarians intend/started the practice and the clinical and commercial objectives of the practice.
- The legal structure of the practice should be defined ie sole trader , partnership or company (Pty Ltd). Remember a sole trader and partnership have direct personal liability for the business.
- Which clinical services, products and other services will the practice initially focus on. (This can be more of an overview and expanded in more detail in the Clinical Services/Product/Other Service Section.)



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- Initial target market(s). (One sentence.)
- Industry. (One sentence.)
- Investments profile/funding requirements - who have invested how much when, what funding/borrowings are required.
- Growth, size, and market share objectives, strategy to achieve these, and time frame.
- Intended value adding strategies ie what will do to create profit centres.
- Desired exit strategy (sale of practice, running of practice for high return on investment etc.) if any, and time frame.
- Milestones achieved to date. For instance:

"To date, the practice has completed a business feasibility study, has a secured a commercial lease on premises. It has also raised \$100,000.00 from private investors."

Clinical Services/Product/Other Service

- Describe the clinical services and product mix to be offered. You may also wish to identify more clearly what animal target market you intend to service. Remember use lay terms as the audience of the report may not be veterinarians. i.e. examinations, immunizations, drugs and medical supplies, clinical nutritional products, diagnostics and inpatient services.
- Describe what (non-clinical) other services you intend to offer. Many veterinarian practices are now turning to non-clinical services to establish profit centres that in turn can financially support improved clinical care and practice sustainability. i.e. animal grooming services and products, animal transport and shippage, animal health care insurance.
- Describe any agent or licensing arrangements you have or intend to have in place.
- Describe if any what products you intend to manufacture yourself ie pet shampoo etc.
- Describe how these services and products will relate to defined profit centres in the practice. Competition of other practices may force you to focus on other services not provided in the area or provide competitive services at lesser or equivalent rates.



Technology

- As necessary, provide further technical information about the clinical services and product or service.
- Describe what technology or hardware is required to support those services or products.
- Describe the reliability of the technology in terms of prior history, serviceability, upgradeability and marketability.
- Describe the uniqueness of the technology and how it will contribute to the competitive advantage of the business.

Market Environment

- Define and describe the target market(s). Distinguish between animals and customers (owners). Your target market analysis will include the animal and also the owners who would be aligned to your practice. (Much of the analysis will be included in an appendix.)
 - o Demographic factors, such as income level, age range, gender, educational level, and ethnicity.
 - o Psychographic factors.
 - o Behavioural factors such as frequency of product purchase and shopping behaviour.
 - o Type, sex and species of animal/pet
- Be clear how customers benefit, and why they would buy your practices services or product in preference to competitors.
- What is the unmet need your product(s) or service(s) fulfil and what opportunity is there for growth of the practice gauged against the target market size. i.e

“Although the current target market is sufficient to support the proposed veterinary practice the strategic location of the practice within a new suburban development is expected to provide significant growth opportunities over the next decade.”

- Estimated market size, the industry the target market is in, key players, frequency of product purchases, replacement needs vs. expansion, purchasing process (Many veterinary practices providing specialised serviced often have the ability to attract referral business from other practices in the region.)
- Initial targeted geographic area. (Ideally visualised using map in appendix)



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- Note for a rural veterinary practice targeted geographic area should include farm numbers and locations correlated against animal species.
- Practices targeted market share.
- Estimated length of sales cycle. i.e. the repeat business of customers, annual anticipated income per customer.

Competition

- Describe direct and indirect competition (as it pertains to the target markets only). i.e existing veterinary practices. (This can often be represented in a Competitors Matrix and attached as an appendix.)
- For key competitors give market share, resources, product and market focus, goals, strategies, strengths and weaknesses.
- List all key barriers to entry. (What issues relate to you to you're your practice established versus what may prevent other future practices from being established.)
- Describe what is unique about the practices product/service compared to the competition. Make sure this is consistent with the unmet need of the target market(s). (Remember following the Triple Care Bond philosophy customers don't care how much you charge until they know how much you care.)
- State how difficult it will be for competitors to copy the veterinary practices services and products.
- Describe how competitors will most likely react to the enterprise's product launch and the enterprise's response strategy. i.e. will your new practice drive prices down and will you have to respond by lowering your prices.

Industry

- Clearly define and describe the veterinary practice industry in the region in which the enterprise intend/operates. Include the size, growth rate, and outlook. Define key industry segments and state where your veterinary practice model is a good fit.
- Describe demand and supply factors and trends.
- Describe the larger forces that drive the market – i.e. customer demographics, seasons, regulation, etc.



Business Model

- Describe the practices business model. How will the practice generate revenue (i.e. promote and sell the service, will it be retail by a fixed location surgery or will it part of a practice network?) Will there be recurring revenue? Will there be customer contracts? Will there be internet interaction with clients?
- If an exit strategy is communicated within the Business Plan for you and investors, the business model must be aligned with this and where possible, a business valuation model discussed in order to identify projected return on investment. If the exit strategy relates to providing a long term return on investment for the owners/veterinarians then such return needs to be clearly defined.

Marketing and Sales Strategy

- Lay out the marketing and sales strategies. Keep it simple, how do you intend to attract the customers and then how do you intend to add value to customer relationship. i.e direct marketing, e-marketing, service branding
- How have you identified your target market, through existing product alignment, survey methodology or an existing customer base? Have you been able to access demographic data ie local council records
- Discuss any strategic partnership the practice has or is planning to form. Do they provide critical market access or other resources? What are their rights and responsibilities?
- Describe the distribution strategy (direct retail practice sales or alternatives such as online ordering, mobile delivery/visits. Relate strategy to profit centres and provide a typical profit margin or mark-up expectations, commissions, and other expected compensation.
- Describe the pricing strategy and justification. Include the expected gross profit margins. Relate to profit centres and customer base.
- Describe typical payment terms for customers. For example;
 - o Cash on Delivery
 - o Customers: 60 days from invoice.
 - o Vendors: 30 days from invoice.
- Other issues and their impact (e.g. warranties, liabilities, animal health insurance contracts).
- Quantify the marketing budget for at least the first year.



- Describe how the (what technology) will be used to track and manage the sales and customer relationship. How will this support value-adding through repeat customer revenue.

Practice Design/Stock Control/Clinical Service Management

- Describe how and where the practice will manufacture/deliver services and/or products.
- Practice space usability is critical so ensure the viable operation of the practice so ensure that key issues are defined. Give location, size, age, condition, capacity of planned premises and defined what facilitates will be used, i.e. care centre, reception, drug and medical storage, hospital, offices, duty staff accommodation, customer parking etc.
- Will space be owned or leased? Will renovations be required? If so at what cost? Note that for a long term lease many owners will fit out the premises for you; however it is often easier to borrow funds to purchase the premises and fit it out yourself.
- How complex is the animal care process? Will there be any special requirements i.e. treatment rooms, sound proofing.
- Describe equipment needed and costs.

What operating model will apply?

- Describe the intended hours of business. How will the on-call/after hour's services work?
- Who will be responsible for in-patient care?

In providing both clinical and non-clinical services and products:

- Describe how will the service be designed, delivered, monitored and improved?
- Describe where the profit centres will be?
- What partners will the practice? What will be the terms of the contract? Are there substitute partners?
- Describe the relevant accounting, inventory (drug, medical supplies), medical records, management information systems, and operating systems.
- Describe relevant risk management strategies for general business risks (e.g. worker's compensation; liability, property, casualty and business interruption insurance; and contingency plans).



If the practice intends to outsource production or distribution of any services or products offered:

- Describe supply sources. Are sources of supply readily available? Give purchase lead times.
- Outline the relevant contract terms, Explain how the relationship will work.
- Describe the enterprise's plan to protect its proprietary processes, trade secrets and quality control.

Management and Personnel

- Describe your people philosophy. Will you be using the philosophies of the triple care bond. .
- List key managers, titles, responsibilities (job descriptions), relevant background, experience, skills. (Provide a diagrammatic (visual) representation of the human resource structure and relationships – this may in fact be best as an appendix.)
- Briefly describe:
 - o How key decisions will be made.
 - o How management will address management conflicts.
 - o How will you evaluate patient care and outcomes.
- Discuss plans to fill open positions.
- Sketch personnel requirements. What people will be needed now, in a year and two years? Include skills and qualifications required.
- If the business plan is in support of a new and unproven business, then a detailed profile of each key manager should be included in appendices. The perceived strength of the key owners/ veterinarians in being able to operate the proposed practice will be critical to investor/ lending institution confidence.

Governance and Outside Advisors

- Describe the ownership structure, including who will be responsible for major decisions about strategy and resource allocation.
- Board of Directors or Board of Advisors. If there is or will be one,



describe briefly its composition (including internal and external seats), structure, meeting frequency, etc.

- A clear (visual) representation of the management and business entity model should be attached as an appendix and referred to when required in the main report. i.e who reports to who.
- What local government approval/licences are required. Have they or will they be obtained.
- What veterinary/medical/drugs licence and records needed to be kept or reported on and will this be managed.
- List professional advisors including roles, experience, qualifications and firms.

Intellectual Property

- Briefly describe patents, copyrights, and trademarks obtained and in process. Give all names that are on issued patents. If IP has not yet been established outline what your intentions are in this area and incorporate a timeline.
- If the practice is operating under a licensing agreement or network arrangement, give the name of licensor/assignor, describe key terms (i.e. exclusivity, rights, and responsibilities) and give termination or renewal date.
- A veterinary practice is often about proving animal health services and subsequently developing a critical bond with both the animal and customer. The customer's relationship with the practice, and often the opportunity for repeat business, is dependent on the identity of the practice. A registered business name or company name does not provide the owners with a legal right of ownership to the identity of the practice. A registered trademark is the only mechanism that does this and prevents others from benefiting from your business profile.

Business Regulations/Environmental Issues

- Key government regulations and the practice plans for compliance.
- Do you need to consider Australian Standard AS 2507 -1998 The storage and handling of agricultural and veterinary chemicals.
- Inspections required, including type and frequency. Outline any environmental problems on property, plans to address the problems and associated costs.



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- How the practice plans to dispose of any waste materials.
- Any other regulatory or political issues.

Financial Summary

Within the business plan narrative provide an overview/summary of the financial section, highlighting key assumptions, significant logic, general projections (e.g. income, expenses, and profit all in graph form), break even analysis, funding needs and timing of those needs. Put the details - projections, assumptions, etc. - in an appendix. Ensure you link these statements to the main report content section.

Critical Risk Factors

Describe critical risks faced by the firm (both current or in the future). Examples include internal characteristics, uniqueness, investment, external characteristics, sales growth, product availability, customer availability, technical obsolescence, etc. Be sure to describe how you will mitigate each risk.

Milestones

Describe the enterprise's milestones, the major events in life of venture by listing the timetable/deadlines for completion of phases of venture. Be sure to demonstrate the relationship of events and to keep the milestones, financial requirements, personnel requirements, etc. consistent. The format presenting the milestones will vary but traditionally inclusive of a brief description in the main content and then followed by a detailed schedule as an attached appendix.

Financial Statements & Narrative

Financial Narrative

- Highlighting key assumptions underlying and logic governing your projections. Include financial history, if any (e.g. equity and debt) and likely financing stages, including information about funding sources and uses. NOTE THAT THE MAJOIRTY OF FINANCIAL INFORMATION IS ATTACHED AS SEPARATE APPENDICIES AND THEN LINKED BACK TO THE MAIN REPORT.
- Provide a page or two of footnotes for each financial spreadsheet attached explaining the assumptions behind each major line item.
- The format of the financials may vary in consideration of the business proposal. The following financial format recommends provide a one to three perspective for projected financials but it is not uncommon to have projected financials for up to the first five years of business.



- Unless the entrepreneur has a proven history of commercial success to support investor confidence or has sufficient capital assets to sustain capital borrowing, it is recommended that the entrepreneur have the Business Plan and in particular the financial projections verified and validated by an external accounting professional. Known as an Accountants Financial Certification (AFC), it involves the investigation and analyses by the accounting professional of the accuracy and reliability of the financial projections within the context of the Business Plan (Neff 2003; Thompson 2003c; Thompson 2003b).

Balance Sheet Projections

- Three years, if possible.
- Highlight inflows of capital.

Income Statement Projections

- Year 1: Monthly or quarterly.
- Years 2 and 3: Annually

Cash Flow Projections

- Year 1: Monthly or quarterly.
- Years 2 and 3: Annually

Break-even Analysis

- When will the firm begin to turn a profit?
- When will investors begin to see a return? (linkage to any exit strategy is important).

Cost Benefit Analysis

- The cost benefit analysis should have already been conducted within the feasibility study as to the overall viability of the business concept and model.
- The cost benefit analysis is traditionally attached as an appendix either as part of the feasibility study or as a separate business plan appendix.
- The cost benefit analysis will often be referred to in the Business Concept introduction component of the business plan and again in the conclusion.



Return on Investment (ROI)

- A return on investment provides a calculation of the expected return on the overall investment. It often distinguishes the returns associated with the owners/veterinarians investment and for those who may make and investment such as astute investors, family or lending institutions.

Appendices

- Veterinarian/Management Resumes
- Market Research
- Supporting Analysis and / or Research
- Animal/Farm/Customer Profile
- Promotional Material
- Visualisation of Product or Service.
- Design of Practice ie floor plan
- Overview of Human Resource Structure/Job Descriptions
- Business/Management Model
- Management Milestones (table format).
- Business Feasibility Study
- References and other documentation
- Accountants Financial Certification

Special Note: Proof of Business Concept (Feasibility Study) vs Business Plan

Traditionally a Business Feasibility Study (Proof of Business Concept) is conducted prior to the Business Plan being completed. A Business Feasibility Study determines the fiscal and business viability of the proposed business. However it is often the case that no feasibility study is conducted, and the practice manager, owner, or entrepreneur will go directly to the Business Plan preparation. It is important that in such cases the business plan also contain key components of the Business Feasibility Study so that the business plan not only communicates the management model but also provided evidence of the justification (validation) of the business itself (Truitt 2002; Thompson 2003b; Thompson 2003a).



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