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Interview with Dr. John Walton

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*Roundtrip airfare is from Toronto. Connecting flights to other major cities will be quoted at time of inquiry.

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A HELPFUL RESOURCE FOR YOU AND YOUR PRACTICE

PROFITABLE PRACTICE

Veterinary edition

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Spring 2012
Veterinarians are a diverse group. Most Canadians are only aware of one or two types of vets. If they live in a city, they are familiar with small animal practitioners dealing mostly with cats and dogs. If they live in a rural community, they are likely aware of the work of large animal veterinarians.

Some Canadians with unconventional pets have dealt with an exotic animal/bird veterinarian. Others take their animals to specialists; for example, equine vets, who deal almost exclusively with horses and donkeys. There are also vets that specialize in wildlife, zoo animals, specific animal ailments and animal research and on and on the list goes.

Vets, although they are among the most highly respected professionals in Canada, go about their business with a minimum of fuss, often unseen and largely away from public scrutiny. Many ‘Boomer aged vets’ of fuss, often unseen and largely away from public scrutiny. Many ‘Boomer aged vets’

and the interviews valuable references and suggestions for future issues.

We welcome readers’ comments and suggestions for future issues.

Timothy A. Brown outlines why it is beneficial to use a broker when selling a veterinary practice and in a short story relates the impact a retirement can have on the staff left behind. Bill Lacke provides vets with a scholarly study of the importance of maintaining customer loyalty.

Andrea Chan outlines eight major reasons for vets to employ an accountant and how an accountant can make a practice more profitable. David Bazak gives advice to vets at all stages of their careers about the importance of choosing the right bank and banker for the long term. Dan Pieck offers a marketing primer that all vets can understand and use.

Doug Jack provides a succession process from a legal perspective for all vets to consider and follow. Caroline Brookfield advises vets about how to go about hiring a locum for their practices with considerations to all involved. Todd C. Slater makes a case for caution when buying property in the U.S. and suggests a timeline for planned investment.

Mariana Bracic describes a Brave New World that requires legal knowledge when it comes to current employment issues. Warren Mackenzie provides investment advice to all types, make-ups and backgrounds of today’s veterinarians and related professionals. The topics will cover all aspects of their practices, from management strategies to preparing for retirement.

In addition, the magazine will attempt to educate and entertain at times with the human stories of veterinary practice. Feature interviews will focus on the achievements of vets at every stage of their careers.

This inaugural issue will feature a number of different topics of interest to vets. Dr. Peter Lemiski, a dentist and owner of a large donkey farm, talks about his research into donkey pigmentation and working with vet undergraduates. Natalia Decise of Full Contact Marketing provides visual and literal amplification of the themes presented in the magazine’s articles.

Readers, no matter what their veterinarian background and specialty may be, should find many of the above authors’ articles and the interviews valuable references and resources for their practices.
Developing your Banking Relationship
by David Bazak

As you make the transition from student to working professional or from associate to business owner, your banking relationship will change too. At the onset, you might require advice on managing student debt. Next, you might need guidance to develop a business plan and gain access to capital to start or acquire a practice. Eventually, you will be faced with many decisions around managing that capital to best serve your personal and business goals. What you need from your financial institution, and the support you require from your banker, will change depending on the stage of your life and your career.

Success in any profession can be measured in many ways—job satisfaction, career development, a sense of accomplishment, to name a few. One way to ensure financial success is to start off with the right bank and clear expectations.

Choosing the Right Bank

Make that “choosing the right banker.” The products and services offered by various banks are usually similar, if not identical, in terms of accounts and credit, for instance. But that doesn’t mean that all banks are alike. Your dealings with a bank will hinge in large part on the working relationships with individual banking professionals. In order to meet your business and personal needs, you might encounter two types of relationship managers: personal and business advisors. A personal financial advisor will be able to provide products like a mortgage to purchase a new home. A business advisor could provide financing for a new practice or to expand your existing practice. Having all of your banking needs provided by the same bank is often beneficial, giving your banker a complete picture of your finances. This will allow them to make appropriate suggestions about how best to manage your financial situation.

Regardless of the complexity of your banking needs and where you are in your career, having a solid foundation with your banking partner is essential. To find the right relationship:

• Talk to your current bank, friends, veterinarians whom you know and other advisors to get recommendations. Who do they trust?
• Decide if you want a banker that has specific experience in dealing with veterinarians. Some banks have specialists in this area, which could be particularly important to you if you’re looking to go into business for yourself.
• Talk to or meet with a few bankers to get a feel for the best fit. You want someone who seems eager to learn about your career and life goals, and one who is interested in helping you think of what you will need (in terms of finances) to accomplish those goals.
• Learn if the banker will be your relationship manager (i.e., will he or she always be the person you can call on for service or questions?) You want a relationship that’s comfortable and gives you confidence.

What Should You Expect From Each Other?

Your banker isn’t just there to open an account, complete a transaction, and handle paperwork. To have a truly productive relationship, each of you should be meeting certain expectations. Consider what you should be providing each other.

From Your Banker:

• Referrals as needed, whether inside the bank (e.g., other professionals who can bring to bear their areas of expertise, from financial planning to mortgages) or outside (e.g., an accountant or lawyer).
• Information that adds value—not just information about bank products and services, but information regarding your career opportunities. If your banker specializes in the field, then he or she may have valuable market intelligence (e.g., information on equipment and trends in veterinary practices, data on how you’re performing and progressing compared to other veterinary practices).
• Advice on what you need to reach the next stage, in terms of your life goals. If you want to own a practice or expand from one location to several, your banker needs to be able to tell you if you’re in a position to do so. If so, how do you do it? And if not, what do you need to have in place to make this happen?
• Invitations to financial seminars and briefings, and other resources (e.g., on starting a business, budgeting, financing, etc.) that can expand your knowledge and understanding.

From You:

• Open discussions about your short-term and long-term goals, so your banker can shape the best possible advice and direct you to the most appropriate products and services. Your relationship is based on an ongoing dialogue.
• A willingness to seek advice that helps you to think about your future. Your banker can be a sounding board for your ideas well before you implement them (or need specific assistance), and he or she can offer new ideas to manage your finances and maximize your financial potential.
• If you’re seeking credit, a complete picture of your financial affairs and plans (e.g., assets, liabilities, income, business plans, etc.).

Regardless of your career or life stage, developing a strong relationship with your banker can help you meet your personal and professional financial goals. Working together in partnership, with clear expectations and open communication, provides a solid foundation for success. Beyond providing information on products and services, your banker can provide advice to help you succeed in your practice and your personal life.

Bottom Line: This article advises veterinarians, at any stage of their career, about the importance of choosing the right banker for both their personal and professional banking needs.

The information contained in this article is for informational purposes only and is not intended to provide specific financial, business, tax, legal, investment or other advice to you, and should not be acted or relied upon in that regard without seeking the advice of a professional. Your adviser can help to ensure that your own circumstances have been properly considered and any action is taken on the latest available information.

David Bazak
Vice President, Health Care Professionals
Royal Bank of Canada

David leads the Health Care Professionals segment at RBC Royal Bank. The Health Care team includes commercial account managers who have extensive experience helping health care professionals at every stage of their career.

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by Mariana Bracic

**O Brave New World!**

If you were a Canadian veterinarian who had been cryogenically frozen twenty years ago and just “thawed” today, you would be shocked at the different employment-law world to which you awoke. Decades ago, you arranged matters with employees on a handshake. You were exposed to a minimal risk of lawsuits at the hands of your staff. As an employer, you encountered little regulatory burden. You could virtually ignore employment law with impunity and you were statistically unlikely to suffer as a result. Moreover, you could continue in such blissful inattention to employment law until you sold your practice, when you were likely to secure a buyer who would happily agree to hire all of your staff “on the same terms”, thereby taking over all of your contingent liabilities and relieving you of same. Today, you emerge and, like Shakespeare’s Miranda, marvel at this brave new world. Today, proper management of employment law issues is absolutely essential to your profitable practice and is ignored at your peril.

**So what changed? Increased Litigiousness**

Historically, Canadian society had a relatively low level of litigation. No more! A recent study commissioned by Fasken Martineau, for example, “2008 Litigation Trends in Canada” shows that over 40% of respondent companies had been sued the prior year alone. Also of significance in the study is that employment law issues were the single, biggest concern for the companies. Similarly, a recent human-resources association poll found that fully 69.6 per cent of respondents felt that employees were more likely to institute a legal claim than five years before. Moreover, 78.8 per cent of respondents predicted this would only get worse in the next five years.

**How did we get here?**

There is a host of reasons that contribute to increased Canadian litigiousness. First, there is the now-universal permissibility across the provinces of contingency fees. A contingency-fee arrangement is one in which a client agrees to pay no fees to her lawyer unless and until she recovers from the defendant. If she wins the lawsuit, then the agreement provides that her lawyer will be paid a percentage (often between 20% and 45%) of the proceeds. It was only as recently as 2004 that Ontario lifted its prohibition against contingency fees and the result has been, as many predicted, a movement in Canadian society toward American-type litigiousness. Our firm (which specializes in protecting doctors) has clearly seen a rise in claims being made by employees against our clients that simply would not have been financially viable for employees to pursue historically. Contingency fees allow employees to proceed with a claim despite not being able to afford to pay a lawyer a retainer. And the very fact that this fee arrangement is an economically viable business model for employee-side lawyers attests to the fact that Canadian employment law is very pro-employee: that is, there is a lot of money there to be recovered.

To the same effect, class action lawsuits have further increased the level of litigation in Canadian society. Class actions allow claimants with relatively small claims (remember the recent class action for overtime claims by bank workers?) to combine them and therefore make it economically feasible to pursue what would otherwise likely be abandoned. The result: more litigation.

Thirdly, the proliferation of information on the internet has made employees much more “system savvy”. As recently as 2004 that Ontario lifted its prohibition against contingency fees and the result has been, as many predicted, a movement in Canadian society toward American-type litigiousness. Our firm (which specializes in protecting doctors) has clearly seen a rise in claims being made by employees against our clients that simply would not have been financially viable for employees to pursue historically. Contingency fees allow employees to proceed with a claim despite not being able to afford to pay a lawyer a retainer. And the very fact that this fee arrangement is an economically viable business model for employee-side lawyers attests to the fact that Canadian employment law is very pro-employee: that is, there is a lot of money there to be recovered.

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Thirdly, the proliferation of information on the internet has made employees much more “system savvy”. With expert, timely employment-law advice, a buyer can reduce that additional cost to a negligible amount. A savvy seller will get specialized employment-law advice at least five years before closing, as you stand to benefit greatly from cleaning up your employment issues before you list your practice for sale. A savvy buyer will not sign anything without it. Proper handling of the employment law issues can make the pie significantly bigger for the seller and purchaser to share.

For all of these reasons, gone is the world in which a profitable practice can afford to ignore employment law issues. But with good advice, and proper employment contracts and policies, you can, like Miranda, embrace with optimism this brave new world…

**Sophisticated Buyers**

Employment issues are now also dramatically different at the time of the sale of your practice. Our firm is regularly contacted by young veterinarians who wish to purchase a practice. You will be greatly surprised, my dear Miranda, at how savvy these young veterinarians are today! Not uncom- monly, they call us even before they have identified a practice to purchase—they simply want to be well-informed. Our most important advice to a buyer is this: the total price of a practice is not fixed at closing, but must also include the amounts the buyer will spend in the 18-36 months post-closing to clean up the vendor's employment-law problems, which sometimes adds six figures to the purchase price. With expert, timely employment-law advice, a buyer can reduce that additional cost to a negligible amount. A savvy seller will get specialized employment-law advice at least five years before closing, as you stand to benefit greatly from cleaning up your employment issues before you list your practice for sale. A savvy buyer will not sign anything without it. Proper handling of the employment law issues can make the the pie significantly bigger for the seller and purchaser to share.

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Some people grow up hearing stories about the good old days, others learning how to play sports. I grew up hearing and learning about the intricacies of veterinary practices.

Being the son of a vet, I had the privilege of a childhood that was both informative and interesting. From a young age I recall spending my weekends and evenings in my father’s animal hospital in Hamilton. In those days, not more than 2 years old, I was riding my ‘mobie’ up and down the halls creating quite a commotion as the visiting animals howled and barked. Now that I think of it - wow! - the staff must have just LOVED me.

In the years to follow, I grew up and matured with the practice, I graduated to cleaning tables, after office calls playing with kittens and puppies, and of course, being teased by the staff and lovingly locked in a cage when I misbehaved. Some practices have “hospital pets”, but my father’s hospitals had a “hospital kid” - what a mascot!

The older I got, the more responsibility I eagerly took on. Through-out high school, I helped with the kennel staff responsibilities, in the laboratory and aided in surgery. Although this was all very interesting to me, the real learning occurred when I was working in the prac-tices while attending university. In those days, I again was a ‘jack of all trades’ helping wherever needed, but more importantly learning from my father how to manage a successful animal hospital.

For me, the best learning occurred at the dinner table after the workday concluded. There my father and I would discuss practice issues, how he corrected them in the past, and we discussed how to correct them moving forward. He related his past experiences, the processes he used to become so successful, and we discussed how to become more profitable, how to market effectively, and how to stay ahead of the com-petition and remain a highly functioning, successful clinic.

One of the best lessons my father taught me was that to become a successful veterinarian, you not only had to know how to treat the patient (the animal), but also how to ‘treat’ the client (the animal owner). To be successful, you must communicate effectively with your clients, maintaining their trust and confidence in you, and your practice.

An effective approach my father took to build client relations, as well as grow the general public’s awareness, was to appear on television every Friday at lunch hour for a short session on adopting an animal.

During this brief TV session, he educated the public on prevalent issues that affected a person’s companion animal and promoted preventive veterinary medicine.

I asked my father why he did not speak more of his animal hospital on the show, as I believed this was a great way to bring in new clients. His response to me was, “I am not doing this show to get new clients. I am doing this show to help educate people in diseases that can be treated if caught early enough. Whether they bring their pets to my clinic, or another clinic, it does not matter. The important thing is that the animal is getting the treatment that it needs and deserves.”

I should not have been surprised by this answer, as it was typical of my father’s personality. He loves to teach, and those talks he gave on television reminded me of his office calls with clients and his general demeanor in life.

As my father matured in his career, the ever-looming questions appeared:

- When do/can I retire?
- Do I have enough saved?
- Is there anyone out there who will buy my practices? Etc…

My father and I struggled with these questions, and we felt like we were floundering around in the dark, scrambling for answers.

We took the logical step, and had the practices professionally appraised, which informed us of their values, several years before we were ready to sell. We were then fortunate that a buyer presented himself, making us an offer on the practices.

We had thought our work was almost done, but we were both unpleasantly surprised. Selling a practice is much more than simply finding a buyer that is willing to make an offer.

After considerable stress and much hard work, both practices were sold and my father is enjoying semi-retirement, consulting a few days a week as he chooses. Seeing this process, and the stress it brought to our family, I concluded that there had to be a better way, leading me to my chosen career.

Every veterinarian deserves to retire with dignity, and profit-ably. I am excited to help by providing professional practice appraisals and brokering services, as well as providing much helpful literature and advice gained by both my father and myself from the over 52 years of combined practical experience.

Bottom Line: A personal account on the ups and downs of growing up as the son of a veterinarian.
Dr. John Walton does not want to be the ‘last man standing’. At 59 he wants out of veterinary practice. He watched one partner die and three retire over his career. He loves what he does and if given the choice to do it all over again, he answers enthusiastically ‘yes’ he would. But it is time to go.

In a perfect world, he would work in his former practices (clinics at Hamilton and Burlington, Ontario) 8 to 10 weeks a year and the rest of the time catch up on his cottage time, slot machine restoration, skiing and Sci-Fi reading.

He related that the best Sci-Fi writers today are female and often portray female heroines in charge of the spacecraft or dealing with an alien threat.

Like so many other occupations, women are now 80% of the graduating veterinarian classes. He points out that 80% of his clients that bring their pets to clinic are female. He speculated that women as graduating veterinarian classes. He points out that 80% of his clients that bring their pets to clinic are female. He speculated that women as many years and thousands of surgeries later, he identified 3 phases in a vet’s career.

The first phase focused on the surgery, both the every day procedures and those that were more complex and life threatening. Soon after surgery has been mastered, phase two becomes more and more evident.

He admitted that while veterinary medicine prescription was a part of phase one, it is the central focus of phase two. During phase two the veterinarian prides him/herself on the diagnostic aspects of veterinary medicine and the subsequent following of the right course of action.

Phase three involves practice management, staff enrichment and ‘mentoring’ young graduates. For Dr. Walton this was a logical progression and conclusion to a veterinarian’s career.

When dealing with clients and their pets today, he points out that many have already consulted Dr. Google and have some knowledge about the possible ailments their pets have. Speaking to the client he suggests that like the television show Dr. House need to make a careful and informed diagnosis and prognosis. In the end the pet (family-member for many) benefit from both a ‘little knowledge’ and a ‘great deal of knowledge’. The end result is better care for that pet.

Dr. Walton answered the following questions:

**Good questions.**

In 1978, Dr. Walton graduated and started practicing in New Brunswick before moving back to Ontario. At that time, he thought that bringing a veterinarian was all about surgery and becoming a saving force in an animal’s life. Doing expert surgery was the measure of success. Now many years and thousands of surgeries later, he identified 3 phases in a vet’s career.

Will the bottom line improve for most practices?

Will women stay in the profession as long as men have in the past?

How will practices change?

**Good questions.**

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Dr. Walton answered the following questions:

**Why did you become a Vet?**

It wasn’t my first choice. I attended Royal Military College to become a Jet Pilot. When it was obvious that this was an impossibility, I turned to my second love, namely the care of animals.

**What advice do you have for young students wishing to pursue a career in veterinary?**

There are four things they have to know and accept. The nature of the job and its many facets, the little amount of free time they will have, the quality of life that this career brings and a realistic view of the income they will earn. In my experience, young people have little idea of what the reality of these four things are and have a very inflated idea of the glamour and income of this career.

**What is your advice to students who you mentor?**

My advice is that they be ‘on time’ and in fact, be early. Realize that people can only do so much for their pets and they are financially restricted and offers and that as a veterinarian you have to work within these parameters. My best advice is that they treat both the client and the pet. This requires time, sensitivity and experience.

**What curriculum changes would you suggest veterinary schools make?**

There should be far more emphasis on the business and practice management aspects of owning and operating a practice. More time should be devoted to surgery. Veterinary schools excel in the medical aspects of the practice and today’s students are better prepared in this area than I was.

**How do you build a great staff for your practice?**

Staff can make or break you. The rule to follow is hire for ‘attitude’ and fire for ‘aptitude’.

Your reputation is crucial. Charisma has to be present in your practice either in a staff member(s) or one (or more) of the vet professionals.

Finding humour and sources of laughter daily is very important and necessary as a stress reducer.

If staff feel that they are treated fairly and with respect, trained properly and given professional development, you are likely to have a good working environment.

**Are there any final thoughts to share?**

Veterinarians are really about who and what they are as people and not about how much money and prestige they have.

Bottom Line: An interview with a well-known, successful veterinarian who transitions into retirement.
Could your Veterinary Practice be More Profitable?
8 Ways your Accountant can Help

by Andrea Chan

When it comes to realizing the profit potential of your veterinary practice, are you making effective use of a valuable resource: your accountant?

If you only speak to your accountant at year end regarding financial statements and tax returns, then you may be missing an important opportunity to improve the profitability of your business – and keep more of your hard-earned money. When you look to your accountant as a “profit advisor,” this professional can help you identify financial strengths and weaknesses in your practice and advise you on ways to optimize revenues, cash flow and profits. Following are some examples:

1. Do you have a business plan?

A business plan is one of the most effective ways of planning for – and achieving – profitability. Even if your practice has been up and running for several years, a well-structured plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits. For example, this document can help you evaluate your competitive position for several years, a well-crafted plan can provide numerous benefits.

2. Have you assessed the benefits of a professional corporation?

Incorporating a veterinary practice can enhance profitability by providing flexibility with respect to remuneration and tax planning. For example, you can defer tax and claim the small business deduction. In fact, setting up a professional corporation could provide you with up to $150,000 a year for investments or repayment of debts. Depending upon how funds are drawn from the corporation, you could also benefit from additional tax savings. Incorporation can also reduce insurance costs, generate more retirement planning options and facilitate the sale of your business.

Your accountant should be able to help you weigh the advantages and disadvantages of a professional corporation and determine how to structure and manage this entity to deliver optimal results.

3. Are you minimizing income taxes?

Next to payroll, income taxes are often the next major expense for a veterinary practice. Thus reducing income taxes is crucial to enhancing profitability. Your accountant can advise you on various strategies to minimize taxes payable such as ensuring that you take advantage of every available deduction. There are also numerous ways to structure contracts for superior tax results. Leases, for example, can be devised to allow faster write off of leasehold improvements.

4. Do you have cost-effective financing?

The way you finance your business can significantly impact profitability. Buying or establishing a practice, expanding or relocating premises, purchasing equipment – these are taxes when you will likely require capital. Matching your needs with the appropriate type of loan or lease can enhance cash flow and increase tax deductions.

Your accountant can advise you on the most appropriate form of financing for your needs, and guide you to practical sources of financing.

5. Do you use a cash flow budget?

A budget is a powerful profitability tool. Starting with current revenue and expenses, a budget enables you to set goals for future revenue and spending and increase profits by proactively managing income and expenses.

Your accountant can help you to develop a realistic cash flow budget, compare it with actual operations on a timely basis, and suggest ways to implement improvements. For example, the efficient management of cash flow is key to the health of your practice. He or she can also provide guidance related to timing of payables and receivables, leveraging purchase discounts and reducing cost overruns and uncollectable receivables.

6. Do you have reliable financial information for decision making?

Financial statements are essential diagnostic tools for assessing the financial health of your practice. Timely, comprehensive income and cash flow statements and balance sheets enable you to track revenues and expenses and identify problems. Moreover, they can help you plan properly for the future by enabling you to accurately answer questions such as “do we have the means to expand?” or “to purchase a building?”

Your accountant can help you devise the most appropriate financial reporting for your situation, interpret results and realize the full profit potential of your practice.

7. Do you know how well you are managing your business?

By adopting key performance indicators, you can measure the performance of your business, compare it with others and set goals to improve efficiency. Your accountant can help you select appropriate benchmarks and assess the progress of your practice over time. This will enable you to address performance challenges on a timely basis and ensure continued profitability improvements.

8. Is your practice sale-ready?

Business and life are unpredictable. Since your veterinary practice may be your most significant asset, it is prudent to consider how to maximize the value of this asset and to minimize taxes payable in the event you need or want to sell it. Proper planning could yield tax savings of more than $170,000.

Thus begin planning now and work with your accountant to address business structuring, operational efficiencies and tax strategies that will maximize sale proceeds. Your accountant can also advise you regarding how to assess value when buying or selling all or part of your business as well as the most profitable and tax efficient way to undertake a merger.

These are only a few of the many ways that your accountant can contribute to the profitability of your veterinary practice. Be sure to meet on a regular basis to discuss your hopes for the future and ways to continue driving profits so those dreams become a reality.

Bottom Line: A must read if you as a veterinarian want to know what an accountant can do for you.
Marketing and Your Animal Hospital
it’s all about dollars and sense
by Dan Pisek

As a concept, the marketing plan is pretty big. In reality, though, it’s a combination of steps that are relatively easy to execute as long as you’re willing to apply some dollars and sense.

If you haven’t created a formal marketing plan before, you may be wondering where to begin. My recommendation: the beginning.

What’s your vision?
Or, to quote The Dave Matthews Band, “where are you going?” Successful marketing plans are built on measurable objectives. An objective could be to

staff, computer equipment and diagnostic technology, most veterinarians acknowledge the need to invest in estimated tasks in managing any small business. While business goals! it really doesn’t matter how many goals self to one when you can pursue both or still other 10 new clients per month. of course, why limit your-

increase revenue by 15% or to acquire a minimum of What’s your vision?
many fail to set aside dollars for marketing, and this overnight costs them. Like any wisely allocated investment, strategic marketing can reap immediate and long-term benefits. Consider this, an investment of $2,500 can buy you a professional mailer-campaign targeting 5,000 homes. That mail-drop could potentially deliver 20 new clients who could remain with you for years, refer you to friends and family, and bring you tens of thousands of dollars in revenue over time. How much should you set aside for marketing?

there’s no golden rule, but 2 to 4% of gross revenue is the magic number I tend to recommend to my clients. Ultimately, anything is better than nothing so consider this, an investment of $2,500 can buy you a professional mailer-campaign targeting 5,000 homes. That mail-drop could potentially deliver 20 new clients who could remain with you for years, refer you to friends and family, and bring you tens of thousands of dollars in revenue over time. How much should you set aside for marketing?

Let’s talk sense
As well as making the right first impression among new prospects, you want your existing clients to feel they’re in the capable hands of a leading animal health care provider. If you’re not confident that your business name and logo project a progressive and professional image, invest in a new image or at the very least a brand refresh. Internet Marketing: Earlier, we talked about the value of having a website you can be proud to promote. It’s a must for any business these days. As you embark on development, focus on creating a site that’s visually appealing with crisp, persuasive copy. This is a sales tool, after all.

Local Community Marketing: There are many ways to promote your practice throughout your community. Mailer campaigns, including oversized postcards and magnets, are an effective ways to get noticed. A word about expectations: be realistic, especially when it comes to projecting immediate results. Remember, you’re in this for the long-term. While there might not be a need for animal health care in a given household in the week or month your mailer hits, when the need does arise you want to be top of mind.

Proactive Customer Communication: Your existing customers represent an audience that is loyal and open to hearing what you have to say – so speak up. Newsletters, print or electronic, are just one way you can keep in touch between appointments. Inside your clinic, you can implement a formal client referral program and some poster prints to make your clients aware that you are welcoming new clients.

Rules of engagement
If the above sounds like more than you’re able to bite off and chew, remember, marketing is a team sport. Whether you’re outsourcing tasks to professionals or handling it all in-house, hold regular staff meetings, delegate whatever you can, and inform team members about any programs that you’re running so that they can get involved and help maximize results.

Set your eyes on the prize
Good practice marketing is no small undertaking. It takes dollars, sense and time, but if you manage it well you can look forward to great returns.

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In the short-term, the reward of your investment could be as simple as 12 new clients resulting from one community mailer you deployed last month. In the long-term, however, you’re looking at an increase in revenue, and subsequently an increase in the overall value of your practice by the time you decide to sell.

Chances are you’re not quite ready to hang your hat, so for now I suggest you focus on the 12 months ahead. Set the right course and a year from now you’ll have plenty to smile about.

Bottom Line: This article suggests professional marketing strategies for a veterinary practice that can produce results within a twelve month period.
Dr. Peter Lemiski
the dentist and the donkey farm
Editor Interview

Peter Lemiski's story is predictable when it comes to his dentistry career. At a young age, he witnessed first hand, the practice and lifestyle of his uncle, Dr. Peter Snylksi, an Oral Surgeon. The die was cast and later, after graduating from the University of Toronto, Peter began his dental career. Some years later, he owned and operated at one point three practices in Oakville, Rockwood and Acton, Ontario.

Today, Dr. Lemiski practices five days a week, in one office in Acton and operates a full-time donkey farm, owning the largest registered miniature Mediterranean herd in Canada. His farm, Tri 6, located just north of Acton, has 110 and counting mostly spotted miniature donkeys.

What has been your relationship with veterinarians over the years you have raised donkeys?

I deal regularly with a local vet clinic that has been very helpful. A number of vet students from OVC at the University of Guelph have visited and worked on the farm. At some point I would like to have the farm accredited as an 'offsite' teaching facility of the University. The students benefit and I obtain sources and information important to what I am doing here.

If you had to do it over again, would you choose to be a dentist or would there be a thought or two given to being a veterinarian?

Yes! 150% 'yes' to being a vet. I enjoy working with these animals that are highly sociable, intelligent and fun to be with.

What led you to becoming something of a 'donkey scientist and researcher'?

I guess I liked the enjoyment of research and animal research in general as a result of buying a farm. For a while I boarded 21 horses, which was not all that satisfying. I went that up and thought about converting a part of the farm to a "petting" zoo. This didn't materialize and the real joy for me started about seven years ago when I bought two miniature donkeys. One was a baby girl who became "Sugar" and a baby boy, eventually named 'Mr. Guy'.

What happened next?

I loved them. I started buying average donkeys mostly from U.S. breeders. I then spent over 2,000 hours of investigation, as to what do I really want to do. I have evolved with many setbacks, and lots of money to get to where I am today. Research. He hopes to obtain a government research grant in order to help offset the costs of the research.

What is your best result of your research and the work of others for miniature donkeys and their welfare?

I would say to consolidate and create a high percentage of dark skinned miniature donkeys. This would be beneficial worldwide as these 'beasts of burden' would be healthier and live longer.
The answer is not surprisingly, “yes” and of course, “no”. Let’s start off with why you should not buy in the U.S. Do not buy in the States if you think you are going to make a quick buck. That ship has sailed and the truth is the market could be looking at a 10 to 20 year recovery period.

Wow, now that is a good question! The U.S. is scrambling with the worst downturn in real estate values since the Great Depression. I actually think it is worse than in the Depression because people have now turned their homes into ATM machines (which is a discussion for another time!).

Canada is now being bombarded with real estate offerings in the U.S. by people who thought Canada was a northern state! You see – we have never seen such a demand for Canadian money in the United States. The advertisements are telling you that you are buying at a third of the price but hold on for a moment.

In real estate, market value is defined as what a seller is willing to sell it for and what a buyer is willing to pay for it. So, MARKET VALUE is what they are really selling it at. If you are willing to pay it.

But the real question still remains; should you buy real estate in the United States?

Secondly, if you are buying as a rental income property, you will have to either manage it yourself, or have a management company in another country manage it for you. One major issue with U.S. rentals right now is the fact that the very people you are renting to, your tenants, have been through quite a lot in the last few years. Some have lost their homes and their credit ratings, and paying rent on time may not be very high on their priority list.

Keep in mind as well that due to the large number of foreclosures, in some areas you will find a lack of repairs to utilities, common areas & neighbourhoods, so you must be very careful where you choose to buy.

But there ARE opportunities for those of you that can be CASH BUYERS. Recently, an associate of mine was able to purchase a 3000 sq ft bungalow on a golf course for $200,000.00. Now I would have to say, that was a great deal!

So, when to buy? In the next 6 to 18 months we will see, more or less, the bottom of the market. I am not just speculating, there is a mathematical reason for this and it is very SIMPLE: The reason is 5. Yes, I said 5. The years 2006 & 2007 saw the peak of the real estate market in the United States. The highest number of sales occurred at the highest prices. When the buyers obtained their financing, they typically took 5 year terms for their mortgages and we are now approaching the renewal dates of those mortgages.

The biggest problem facing those owners today is the amount owing on the mortgage versus today’s depressed values. This will lead to more foreclosures and the bottoming out of the real estate market. There will be more deals to be had; you just have to be patient.

Here are a few tips when buying in the United States:

1. Contact a U.S. real estate lawyer who has an office in Canada.
2. Talk to the correct tax advisor. You need the proper understanding of U.S./Canadian tax implications.
3. Property Management: Make sure you hire a firm that is reputable and has been around for a long time. Also, make sure they have Canadian clients, but are a U.S. brand company. Canadian companies managing in the U.S. is not advisable.
5. View the property. You really need to invest some of your own time and money to go and look at the property you are going to own.

I am sure at this point you are thinking that I am not an advocate of U.S. real estate but I have to say that I am. I am just very cautious in markets that have so many variables that are still largely unknown.

As The Simple Investor, I believe that as a hard working veterinarian, you need to invest in solid real estate that will give you long-term passive income and real estate that the banks will lend on. And of course, if you are looking for lifestyle and enjoyment, there are and will be some great opportunities in the future; maybe I will see you on the course! Until next time… TCS

Bottom Line: A guide to buying and selling real estate in the USA.
Dealing with Vacations and Absences

by Caroline Brookfield

If you are like most veterinarians, you started your practice with few staff and even fewer clients. The challenge and excitement of starting a business can be all consuming. Perhaps you find yourself wondering where the time has gone, suddenly you are celebrating a clinic or personal milestone. Like many health professionals, in order to take a vacation you may need to enlist the help of a locum tenens (temporary veterinarian stand-in).

While finding a locum is stressful, the stress is compounded with staff and client concerns. Finding the right person to fit into your practice can be difficult, then arranging logistics such as accommodation, travel, vehicle, especially if your practice is outside of a major centre, can seem overwhelming.

Here are things you can do to mitigate the stress of hiring a locum:

1. Use a checklist of required skills and clinic procedures when doing a preliminary interview with a locum. Ask your staff for input on this checklist, they may know things about your practice and your style that you don’t realize.

2. Understand that the locum may not generate the same revenues as you. Losing revenue is more manageable than losing clients or valuable staff members if the locum is not suitable. A loss of a few thousand dollars for a vacation is recoverable. You will never recover the time you are gifting yourself to relax or spend time with family and loved ones.

3. Give yourself plenty of time to find a locum through advertising, local veterinary associations, word of mouth or locum agencies. Start looking for a locum up to a year in advance, sometimes longer for busy times such as summer or holidays.

4. Allow a generous budget and be honest with what you can afford. If you hesitate on a locum that seems perfect because of their fees, likely someone else will see their potential and book them up.

5. Prepare your clients for a locum. Many veterinarians do not think to prepare their clients for a locum’s arrival. In my experience, some practice owners seem to just hope their clients won’t notice!

I recommend that your approach to preparing clients for a locum should depend on the situation. Some of your clients, with healthy animals, will be in your clinic for annual wellness examinations. For these clients, ensuring that they are aware that they will be seeing a locum may be enough. Other clients, with pets with ongoing health issues, may need more preparation for their vet’s absence. Direct your reception staff to reinforce the locum’s positive attributes when booking appointments. If a client prefers to wait to see their regular veterinarian, I believe it is important to respect that wish.

If your email list is available, a short bio with a picture of the locum will help with communication. Clients with anxiety about seeing a new vet may be comforted in knowing the locum’s background, skills, years of experience, and that locums will rarely drastically change existing protocols for chronic illnesses.

Advance preparation for the veterinarian’s absence and building expectations is helpful. Throughout the year, the staff and veterinarians can mention past or upcoming vacations, and refer specifically to good experiences they have had with locums.

You may wish to display a copy of the bio of the locum with picture, and a brief description of what a locum means, on display at the front desk for a few weeks before the new veterinarian comes to take over. Your reception staff can hand them out to clients in the waiting room, or at earlier appointments before their regular vet leaves.

In a clinic where locums are a frequent occurrence, the locum bio may be all that is required to give clients a sense of ease to know about the veterinarian they will be seeing.

With the tips above, hopefully hiring a locum will not seem as daunting. There will be some work initially to prepare for the locum’s arrival, but time well invested to keep clients and staff happy.

**Bottom Line:** This article outlines the steps to take when hiring a temporary veterinarian for your practice.
Do You Really Need a Broker?
by Timothy A. Brown

As a professional, you have learned to listen to your clients’ questions and provide careful answers designed to educate them about the benefits of preventive care for their pet/animal. As a broker, I have similar experiences and a similar set of answers about our services.

Why do I need my practice appraised?
Much like your clients who do not understand the obvious benefits of regular preventive care, some veterinarians (vets) are unaware of the benefits of a practice appraisal. An appraisal serves as a tool that addresses many career and business needs:
- retirement and estate planning
- property and personal insurance reviews
- re-financing
- practice sale
- incorporating and ‘freezing’ capital gains
- uncovering business system inefficiencies

ROI Corporation has worked with veterinarians who cannot understand why their colleagues fail to invest in a practice appraisal. The benefits of doing so are numerous.

Why should I employ a broker to sell my practice?
Much like the trend towards do-it-yourself (DIY) home renovations, many vets take on the task of selling their own practices.

As a professional, you have learned to listen to your clients’ questions and provide careful answers designed to educate them about the benefits of preventive care for their pet/animal. As a broker, I have similar experiences and a similar set of answers about our services.

Ask yourself these questions:
Would you sell your own car?
Would you sell your own home?
Would you sell your own practice?
For the majority, the answer may be, “I would like to DIY and save the fees but what are the results?”

The market has proven that those who sell their own practices rarely achieve more than the result of a third-party professional who specializes in the art of selling the asset. The National Association of Realtors (a US-based group) has studied the For Sale By Owner (FSBO) results versus those of Realtors® and found that in a large majority of sales, a Realtor not only achieved a higher sale price (before commissions) but he/she usually negotiated more favourable terms for the seller such as preferred closing dates and fewer ‘inclusions’ (appliances etc.).

When I listen to stories of vets who elected to sell their own practices, the results are not what you may expect. While many say the deal “more or less went as I thought it would,” they also admit they made some miscalculations and failed to achieve what they first had anticipated.

One of the key errors of the DIY vet is not properly identifying what he/she owns, and its appropriate market value. Even with the aid of a professional appraisal, many admit they “gave away” some assets during the negotiations in order to induce a buyer into the final deal. Brokers, on the other hand, are not in the business of giving anything away.

Other DIY vets reveal they did not understand some of the intricate strategies for reducing taxes, and limiting the costs of selling.

Other benefits from brokered sales include:
- adjusted closing dates
- notification obligations for staff terminations
- pay-outs of equipment leases
- payouts of landlord fees to assign a premise lease

In short, a broker will almost always yield a higher total sale price — simply because it’s in his/her best interest to do so.

A broker should also be familiar with the most current tax structure or cost reduction strategies for a selling vet. It’s wise to consult with a professional to be advised of recent changes.

Some accountants, who are so busy with the bigger picture of taxation rules, reveal they sometimes do not know the finer points of a vet practice sale or the allocations of sale price that may be favourable to their clients.

The Missing Bicycle
by Timothy A. Brown

We just sold a professional practice and I attended the retirement reception last night. 150 patients came out to honour their doctor of many years and to meet the new owner. Their spouses, the staff and a few industry advisors were all there to witness the event. It was touching!

During the function I approached the staff and asked “how is the new guy working out?” and they were all very supportive and excited about the opportunity to work with a younger, vibrant and handsome fellow! Not that my client was not respected and admired, but he was getting a little gray...

One comment that a staff member made that really resonated with me was that she misses the bicycle! I asked her to explain... she told me that each morning when she would arrive, Dr. Mark would invariably be there first and his bicycle would be at the back of the building where the staff parked. He is a dedicated rider and even rode in the winter months, rarely missing a day due to bad weather. I asked her why she missed the bicycle and she teared up and said, “I miss him and when his bicycle is not there each day, it reminds me...”

She did manage to say once again, that she really likes her new boss and that she is happy, but the story is a simple reminder that we form relationships with our staff and ‘departure’ is an emotional event for all the persons involved.

In the end, I suggest that the DIY vet will net the same proceeds from a practice sale when using a broker as when selling on his/her own. I also submit that you can choose to pay a commission to the broker, and let him/her manage the deal, or you can pay the commission, in effect, to the buyer as he/she negotiates a better price and/or terms.

Many buyers see a DIY vet as being unprofessional and their immediate belief is that “I’m going to get a good deal from this vet.”

While this may not be true, the perception is that the DIY Vet is a rookie and the buyer will gain an advantage by means of a lower sale price.

Is that how you wish to be seen?
Bottom Line: A poignant vignette about staff relations.

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Bottom Line: A poignant vignette about staff relations.

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WHAT’S YOUR “LOYALTY” SCORE?
by Bill Locke

Customer Loyalty is fast becoming a key strategic initiative for all business organizations. Loyal customers stay, patronize and become advocates of the organization. Revenue and profitability are important business indicators, but too often they reflect decisions an organization made yesterday; whereas growing a loyal client base is a key predictor of future success.

I’m discovering in my Customer Loyalty seminars the need to address the specific issues connected to this important development process. Also, many organizations overlook the fact that they cannot have loyal customers if they do not have loyal employees. Employee loyalty can be defined as employees being committed to the success of the organization. It is not about tenure. Loyal employees are positively self-motivated to consistently contribute to the success of the organization, internally and externally.

Points of Connection:
So what do your clients remember about your practice? Is their experience exceptional? Changes are necessary to make your practice exceptional in the perception of your clients at every possible point of connection?

Any organization that consistently provides exceptional service is strategically aligned to create customer loyalty. Although the following reference is outside the animal health industry it demonstrates how to positively influence customer loyalty. I read an article by John DiJulius about Cameron Mitchell Restaurants (27 restaurants located in seven US states). What I read wasn’t about exceptional food or price. What I read about was their exceptional customer service. They realized the necessity to quantify and create a positive climate. The primary goal was to focus on making each point of connection a positive emotional experience.

**Their promise:** “The answer’s yes. Now, what’s the question?”

Their customers remembered the “promise,” exceptional service, good food and found it exceptional enough to tell their friends. This exemplifies how a simple statement in the competitive restaurant industry can influence the customer’s positive emotional experience and at the same time engage employees to walk the talk.

**Have you wondered what is exceptional about your practice?**

Here is a suggestion: Ask your clients.

Becoming exceptional is the goal. Every veterinary practice needs to measure up, internally and externally.

**Measuring Customer Loyalty:**

In his book, The Ultimate Question, Fred Reichheld suggests how to measure customer loyalty by asking one simple question:

“**How likely is it that you would recommend us to friends or family?**”

Assure anonymity and ask your internal customers (staff), as well as external customers.

The responses are sorted on a scale of 1-10 with 1 being ‘not at all likely’ to 10 being ‘extremely likely.’ Here’s how it works:

Your Loyal Customers (9-10) are those who are absolutely delighted with your products or services and their experience during the entire client experience process and follow up. These clients will enthusiastically promote your practice through word of mouth (referrals) and will repeatedly patronize your goods and services. They are your **Loyal Customers**.

Your Neutralizers (7-8) are those who are unenthusiastic about their experience with your products and services, not totally turned off, but not enthusiastic about it either. They are open to patronizing your competitors or perhaps you if the right promotion or situation arises. They are your **Neutralizers**.

Your Diminishers (0-6) are those customers who are unhappy enough with their experience and/or someone or something within your practice to actively look for an alternative source, which immediately costs you a revenue opportunity. They are your **Diminishers**. They not only refuse to patronize your practice, but they may also actively discourage others. Your Diminishers will raise expenses because now you need to spend more time, energy and money on marketing, advertising and image rebuilding.

The only real difference between you and all the rest is your staff and your loyal clients. Discover the true internal and external loyalty scores of your practice to measure where you stand on the “Loyalty” scale.

**Bottom Line:** This article provides expert advice for practice owners on measuring and improving their customer loyalty.

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**Bill Locke**

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Working after age 60

There are four reasons why veterinarians continue working after age 60.

1. They enjoy their work.
2. They have not yet accumulated sufficient capital to retire.
3. They don’t know what they want in the future.
4. They fear the unknown.

Let’s take a look at each of these.

Working for pleasure
Research shows that people have longer and happier lives, and they remain sharp well into their old age, when they are gainfully employed at work.

Working to build a retirement nest egg
Everyone should continue working until they have enough to retire. The key question is how much is everyone should continue working until they have

For sure you want to avoid the sad situation where you continue to work at a stressful profession while not realizing that you have already accumulated enough to retire.

If you need to build a larger nest egg there are two routes to follow. One is to keep adding, year after year, thousands of dollars to the investment portfolio and hope that the portfolio will grow in spite of losses, fees and underperformance. The other strategy is to take charge and carefully monitor performance. If you have a large portfolio, and if you take control, insist on an investment policy statement, and stop the underperformance, that alone (over the next 20 years) could add a million to your portfolio. In many cases, simply managing the portfolio wisely (possibly with professional and independent oversight) will allow you to retire five years sooner.

Don’t know what they want in the future
For many successful professionals the most difficult part of financial planning is becoming clear on the most important objectives. Is the objective to leave tens of millions in a large estate? Is the objective simply to ensure long term financial security and a comfortable lifestyle?

You really can’t make the decision to sell your practice and retire until you are clear on your objectives and you are certain you can achieve them. But once you know what you want and have confirmed that you have enough — any further delay is simply avoidance. In order to maximize your happiness it is critical that you take control and make decisions that are consistent with your goals. It helps to use an independent expert who acts as a sounding board.

Fear of the unknown
Most veterinarians are so busy they don’t have a lot of time for contemplation about the possibility of a different lifestyle. But life should be lived to the fullest. The main regret many people express on their death bed is for things not done, opportunities not explored, chances not taken.

Summary
It is great to be a part of one of the most respected professions. Even better is the opportunity to be well paid for practicing one’s profession. Choosing to become a veterinarian was an important decision for you; knowing when to let go and start planning to maximize your happiness in retirement is equally important.

Bottom Line: This article explains why some veterinarians should continue to work after age 60.

Hire your Buyer?
As a veterinarian, you have spent the better part of your professional career building your practice, making it a profitable and saleable asset. For years, you have reaped the rewards of your hard work. Now you would like to slow down but wearing two hats, the ‘primary veterinarian hat’ and the ‘owner/manager hat’ is quite demanding.
How should you go about selling your practice?
Are there buyers out there?

Over the past decade, vets have experienced difficulty selling their practices for a value that reflects the hard work they have expended in growing their practice. As a result, many veterinarians have shifted their mindset to ‘hiring your buyer’, that is, selling a percentage of your practice to either an associate or a third party in a cost-sharing or partnership type of agreement.

Having observed and overseen many different types of professional arrangements, I recommend the following course of action.

Sell your practice when you are ready and able to sell it all.

If you wish to practice veterinary medicine, do so as an associate for the buyer of your practice. Selling only a portion of your practice often leads to more negative than positive results and inevitably a partnership breakdown. Every partnership ends at some point — a high percentage due to partnership problems.

Veterinarians, when asked why they wish to sell a portion of their practice, usually give the following reasons for doing so:

1. An associate has been asking for a partnership for years and if I do not offer one, the associate will leave the practice.
2. I need to sell a portion now, so I have a buyer for the remainder of my practice later.
3. No buyer will be able to afford buying my whole practice, so I must sell portions of it at a time.

While partnerships are not uncommon in veterinary medicine, I caution my clients of the pitfalls of partnership, and examine a partnership that is ending, the following common elements are evident:

1. Partners rarely share the same vision for the practice; whose ideas do you incorporate if you are 50-50 partners?
2. Partners rarely share the same personal goals as to career goals, leading to one working harder than the other.
3. One partner is slowing down as they reach the end of their career, while the other is in his/her main earning years.

A common problem in many equity partnerships is quite simply one partner grossing more than the other. For example, you are producing $400,000 a year, and your partner is producing $300,000 a year.

Many experienced veterinarians sell a partnership to a younger partner believing that when they are ready to retire, their partner will buy out the remaining shares of the practice. This is a risky assumption at best.

1. What if the individual you sold to decides they are too busy as it is, and does not want to buy your remaining percentage and become the sole owner.
2. What if they say, “I just finished paying off the first half, I don’t want to go right back into debt.”
3. What if in the years you were partners, the practice value has grown significantly and your partner does not want to pay the new heightened value of your shares?
4. What if they just won’t cooperate?

Your options are now very limited, and the salability of your practice has greatly decreased. You may now require a third party to purchase your shares of the practice, and into this existing partnership. Now you are further behind than when you initially decided to form a partnership.

There are many different options for your exit strategy and transitioning into retirement or semi-retirement.

If you decide to enter into a partnership, be aware of your purchaser and their goals, and realize that life events can change everyone’s plans. Keep your financial matters separate from those of your partner. Remember sharing costs is easier than sharing revenues and profits.

In my professional opinion, remain in your practice a few more years rather than entering into a partnership — then sell the practice as a whole and remain on as an associate or consultant.

Use the resources around you whatever path you choose. Contact a professional appraiser and broker to help you. In many veterinarians’ careers, selling a portion or an entire practice will only occur once. Take the necessary steps to ensure you get the most out of your practice sale.

Bottom Line: This article provides advice on selling all or part of your practice as you approach retirement.

Successful Succession: Preparing For the Practice sale
by Douglas C. Jack

Many veterinary practice consultants continue to encourage clinic owners to devote some thoughtful time to the development and implementation of a succession plan; unfortunately, while many practice owners accept that it is prudent to develop such a plan, my experience is that very few actually undertake this significant task.

My view is that the most significant barrier to this important job is that most practitioners are simply overwhelmed by the process — “where on earth do I start?” As such, there are a growing number of veterinary clinic owners that suffer from the “ostrich syndrome” — a sense that avoidance of the problem will simply make the problem go away. Unfortunately, that is not the case and the failure to appropriately plan for the transfer of the ownership of the clinic can lead to some serious compromise in realization of the value of the clinic. The purpose of this article is to offer some insights on what veterinary practice succession is and offer a case-proven template for the development and implementation of a succession plan.

“Practice Succession” - What is it?

Ultimately, the notion of “practice succession” will vary depending on the principal objectives of the owner: while there is likely no consensus on what the term means there is no doubt that the successful plan will involve both the transfer of asset value and the transfer of management competency. The most important aspect of veterinary practice succession though is that one must remember that it represents a “process” as opposed to an “event”. Succession is not transactionally-based; rather, it represents the culmination of careful thought and planning over a number of years to ensure that the value is maximized and that the management strategies are well implemented and transferable.
A Veterinary Succession Planning Template

Having been involved in the development of various veterinary succession plans, what follows is a "template" that appears to be helpful for participants to understand the evolution of an appropriate succession strategy. It involves five separate steps which are readily identifiable by the veterinary professional and which aids in "compartmentalizing" the process - it tends to reduce the feeling of being overwhelmed that many practitioners complain of.

Step One: Exploration Phase

In this phase the practitioner must be encouraged to undertake a number of initiatives surrounding the gathering of information critical to making important decisions. Data relating to the practice operations must be collected and shared with the relevant associates or other potential purchasers: tax returns, financial statements, deeds to real property, copies of mortgages and other loan documents, up-to-date loan balance figures, copies of policies of insurance (property, public liability, life, disability, critical illness etc.), copies of relevant agreements, including premises and equipment leases. In my view, a fundamental requirement is to obtain a valuation of the clinic from an independent veterinary practice valuator - not only will it provide critical guidance in establishing an ultimate sale price, it may point out "gaps" in the practice where improvement can be implemented to increase the value. As well, the purchaser's financial institution will no doubt require a valuation prior to making any funding decisions on loans needed to purchase the practice.

The other important aspect of this phase relates to the establishment of objectives: each of the "founder" and the "successor" should be asked to determine what his or her objectives are with respect to the succession plan outlining their plans for such things as retirement dates, income needs, lifestyle desires, personal goals and the date upon which a change in management control is contemplated. It is important to search out any "secret agendas" that could jeopardize the successful implementation of the plan.

Step Two: Conciliation Phase

The second phase relates to determining whether or not there is compatibility between the various objectives established by the participants and, to the extent that there is no consensus, effective dispute resolution techniques introduced to seek the necessary compatibility. Obviously, if the objectives of the parties are too diverse and there is unwillingness to compromise, then it is unlikely that a transfer can take place between these particular participants and new participants must be sought out.

Step Three: Presentation Phase

The third phase in the template relates to the development of various options by various advisors as to how to achieve the common objectives of the parties. It is at this stage that the legal and accounting counsel together with the banker, insurer, and financial planner work together in suggesting various options for the participants to consider setting out the respective advantages and disadvantages of each. The parties will need to assemble a "team" of advisors to assist at this stage so that all of the potentially complex issues are appropriately addressed.

Step Four: Instruction Phase

The fourth phase of the succession template contemplates the veterinary practitioners reviewing the options presented by the "advisor team" and reaching consensus on the critical path to be followed and instructing the advisors to proceed. It is at this stage that the objectives of the parties established in the "Exploration Phase" may be reviewed to ensure that the instructions provided to advisors remain consistent with the intentions of the parties.

Step Five: Implementation Phase

The fifth and final phase of the suggested template is when the actual preparation of documents, registrations and filings take place. It is at this stage that the legal counsel will prepare various ownership agreements (partnership or shareholder agreements, sale agreements or merger agreements), loan agreements (promissory notes and security documents), and estate planning documents (wills and powers of attorney). Accounting advisors will assist in the development of financial plans based on valuations obtained from appropriate valuers and appraisers. The banker will arrange for appropriate, competitive financing facilities. The insurer will seek out and obtain appropriate policies of insurance to effectively deal with the issues presented in the succession plan. It is important that each of the parties seek and obtain independent advice on all of the important facets of the final transaction.

A Call to Action

With a renewed sense of confidence in the methodology of developing a succession plan, the current group of veterinary practice owners can proceed to realize upon the years of effort devoted to establishing a successful practice. There is no doubt that commencing the process sooner rather than later will yield optimum results.

Bottom Line: A five phase process all veterinarians should follow when preparing their practice for sale.