How to Develop New Profit Centers

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1. Introduction
Development of new profit centers can greatly enhance the income and profitability of a veterinary practice. In a difficult economic environment, it can help offset diminishing income in an established profit center. They can also be established for professional curiosity and satisfaction or to maintain or gain a competitive advantage. Like it or not, clients compare their veterinarian to others in the same area. A profit center can be as large as a separate business unit or a department. It can be as small as a diagnostic or therapeutic modality.

The challenge of a profit center is to recognize and contain costs associated with the new venture. It takes money to make money! There are several steps to follow that will help ensure that the new profit center meets and exceeds its expectations.

2. Step 1: What Are Your Goals?
There are several reasons to develop a new profit center. It is important to realize what the goals are with the new endeavor. Do you want a quick return? Is this part of a long-term plan to change the focus of your practice? Is it for personal satisfaction and curiosity? As an associate are you trying to establish a niche in a larger practice? Identifying the end goal will help channel the resources you need. What kind of training is required? Is there new and possibly expensive equipment needed? Do you need to use a previously occupied area in the practice clinic or hospital? As we can see, the introduction of a new profit center can impact many facets of veterinary practice.

3. Step 2: Research
The success of a new profit center will depend to a large degree on the client’s perceived need for it. Another element to consider is if the new service is economically attractive. Most horse owners recognize the value of a magnetic resonance imaging scan, but how many want to pay for one? This is a great opportunity to survey your clients about your proposed new profit center. Prepare a small questionnaire, select several of your top clients, and ask them their thoughts. Ensure that what sounds like a great idea to you is shared by others.

4. Step 3: How to Pay for It
The cost of establishing a new profit center can be considered part of the research aspect. It can be evaluated much like you would a new piece of equipment such as a digital radiographic unit or ultrasound. Other elements to consider are the costs associated with training courses, staff training time, promotion, and time spent not performing currently available and presumably profitable services.
5. Step 4: How to Allocate Time and Training
Many new profit centers fail because not enough time or training has been given to the project. I have found it helpful to prepare a calendar of training goals for each of the practice members who are involved. I will often perform a new service at a reduced rate to an understanding client to have more training cases. It is an individual choice when one feels comfortable enough to begin charging a full price.

6. Step 5: How to Promote It
There are many avenues to promote a new profit center, including client seminars and newsletters. I have found that the promotions are more effective when planned in advance so that clients are aware of the service/technology that will be offered. By creating a “buzz” about your new area, clients will be more eager to use it.

7. Step 6: How to Measure and Price It
One can only manage what can be measured, and the same applies to a new or any profit center. There are many parameters to analyze, such as the costs involved and number of procedures performed. Keep in mind that costs will include factors such as staff, equipment, promotion, and training.

Simple supply and demand will help establish a price once the true costs are determined. If you are the only one performing an effective procedure or service, there is more flexibility in pricing. If there are numerous competitors, your clients may resent paying a higher price for a service unless there is something distinctive about your offering.

Establishing a new profit center can improve practice performance in that you can offer more services to help your patients. It can help bring a new energy and profitability to a practice that can be very beneficial in these tough economic times. Hopefully, the steps presented here will help you implement a new service, procedure, or technology to your practice that will help you maximize client satisfaction and patient outcome.