

Developing Revenue Centers in Your Hospital

Take the Lobby Challenge

- Capturing new revenue already available in your clinic
- Clinic lobby's & exam rooms - most underutilized profit centers
- Proper use of displays and marketing - spaces can become profit centers or used to promote other services in your practices
- A practice producing \$300,000 - \$400,000 in gross annual revenue, with well planned lobby, exam room or retail space could generate \$20,000 in profit *

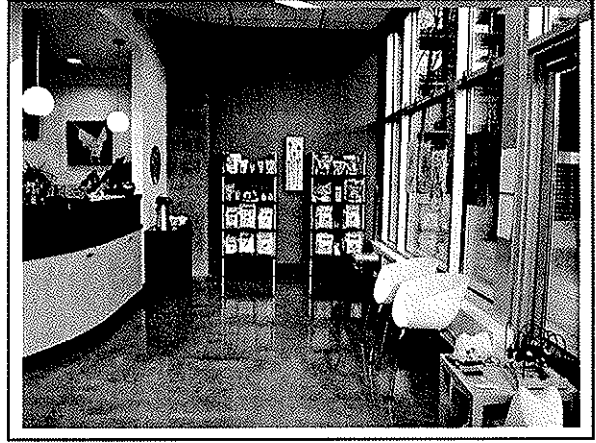
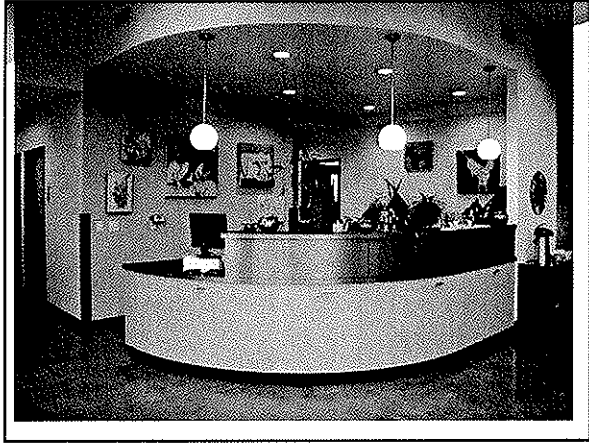
*Angela Schneider, Inventory Management Consultant

Take the Lobby Challenge

- In Part 1 we will discuss:
 - How to create engaging displays
 - Know what products to carry
 - How to market them
 - Involve staff members
 - Reminder: Change displays often

Take the Lobby Challenge

- Become the client - where do your clients spend most of their time in your clinic?
- On a weekly basis, you and your staff should enter the practice through the same doors your clients do. Do you like what you see?
- Is the location appealing? ...Clean & Organized?
- Do you become engaged with products, brochures, and other educational items on display?



Take the Lobby Challenge

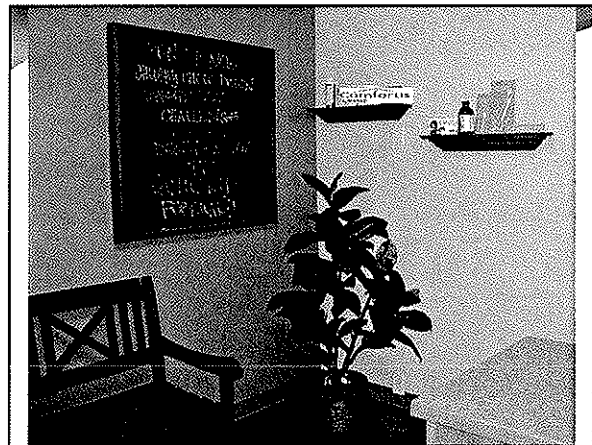
- To sell items you need to understand why people purchase the way they do.
- How does placement of products stimulate us to buy?
- In your practice, you want to provide services and wellness products without coming across as a salesperson

Take the Lobby Challenge

- Make Changes (Merchandising) monthly
- Too comfortable with the same layout (products and items are kept on display)
- Many of your clients have new puppies, new kittens, or other pets that require regular visits/care
- If nothing changes there is nothing to catch their eye, clients become disengaged with products or educational displays

Take the Lobby Challenge

- Using Observances/Health Campaigns as great marketing tools
- For example:
 - Dental Care
 - Senior Care
 - National Pet Wellness
 - During Holidays - demonstrate community support by offering baked treats from a local bakery or by donating part of proceeds from toys or gift baskets to a local shelter
 - For a more complete list of month by month animal health campaigns visit AVMA.org or Pet Product News



Creating Displays that Encourage Consumer Purchasing

- Identifying fixture options
 - **Wall Shelving** : Create a focus on specific products or services – good solution for lobby's/exam rooms with limited space
 - **Slatboards**: Helpful with products best displayed by hanging (i.e. toothbrushes, hair brushes, toys, etc.)
 - **Gondolas**: Allow you to change shelf height, have peg boards, create an ideal composition for organizing products – check stores going out of business as a source to purchase them



Creating Displays that Encourage Consumer Purchasing

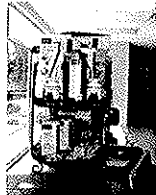
- Identifying fixture options (cont'd)
 - **Brochure Wall Displays**:
 - Allows for counter & table spaces remain clear & neat
 - Display brochures only for your "A" products & services. Should be near check in or where clients wait for their appointment, creates dialogue while waiting.
 - **Display Cases**: Useful for protecting expensive or exclusive products.
 - *Remember a client can't buy what they can't see.*
 - If display case not an option & concerned about theft, consider using empty product packages.

Creating Displays that Encourage Consumer Purchasing

- Display location is key to successful product movement
- **Point of Purchase Display**:
 - Place retail treats, wellness treats & toys near checkout - allows client to reward pet after exam
 - Coincide with monthly observance marketing plan

Point of Purchase Display

Feb. dental month- Display toothbrushes and toothpaste at checkout



Creating Displays that Encourage Consumer Purchasing

- **End Cap Display:** Retailers use them to draw customers to products that are new or on sale
 - Use them to communicate importance of pet care
 - Any standing fixture or gondola can be made into an end cap display
 - Changing products monthly, lobby sales could increase by 100%, if you offer special pricing on those "products of the month", lobby sales could increase by 300% *

*Source: Angela Schneider, Inventory Management Consultant

Creating Displays that Encourage Consumer Purchasing

- **Tips for organizing your products:**
 - Divide different products evenly (same spacing in between) & in separate compartments or peg hooks.
 - Organize products by similarity, size and color
 - Use caution when placing products (such as food) on or close to the floor (dogs are likely to urinate on them)

Creating Displays that Encourage Consumer Purchasing

- Composition is key:** Arrange products into a pyramid shape, make sure all elements are visible
- Plan highest point of composition to be in center of grouping, reduce height of items toward outer edges
 - Each day, products should be "faced" forward, not pushed backwards on hooks or shelves
 - Keep products clean & dust free
 - Use focal points & props (stuffed animals, bright signs, &/or manufacturer provided displays)
 - Have fun with focal points to help emphasize monthly observance

Creating Value in Your Products

Provide value to stay on par with competitors (i.e. pet stores, retail outlets & online pharmacies)

- Educate clients about pet insurance to help them afford needed meds
- Utilize reminder system in your practice management software to generate phone calls, postcards or e-mails
- Web-site for your practice – utilize it as a source of monthly information - animal health campaign, new product information, monthly product focus, etc.

Creating Value in Your Products

Provide value to stay on par with competitors (i.e. pet stores, retail outlets & online pharmacies) (cont'd)

- Take your lobby to next level and start your own online store: allows you to offer products you otherwise would not carry
- Leverage your expertise & your teams by educating clients on products you do carry and show them how to use them. Teaching relationship is crucial, creates value behind product and your practice
- Educate those clients considering using an on-line pharmacy - FDA "Purchasing Pet Drugs Online, Buyer Beware: client handout"

Implementing Competitive Pricing Strategies into your Lobby

- Price stickers on all products in your lobby, clients shy away from asking about cost
- Place price tag on bottom of product or on back corner, not on the front of the product package, this allows client to pick up product & become engaged in it
- On retail products, use prices that end in digits 5 or 9
- When placing products on shelf use 'rule of the right' (higher priced items of similar products placed to the right of the lower priced product – research shows clients choose products to the right)

Implementing Competitive Pricing Strategies into your Lobby

- Utilize signs as location identifiers (shampoos, flea prevention, toys, etc.) & for specials
- Offering specials & using signs to identify those specials can increase sales by 100% - don't hesitate to use other channels to announce your specials (i.e. your website, Facebook, Twitter, etc..)
- *The Veterinary Fee Reference* by AAHA Press

Tips for Displaying Certain Products

Diets: use 60/40 rule *

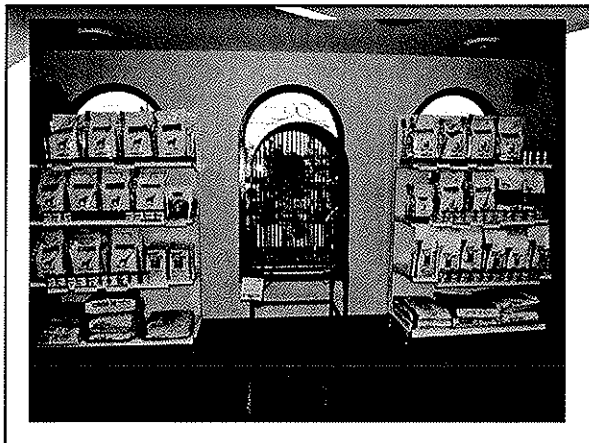
- 60% of space used for dog items
- 40% of space used for cat items
- For dog items, dry food accounts for ½, other ½ is split between moist & treats
- Cat food is split evenly between dry and moist food, only 5-10% for treats

*Angela Schneider, Inventory Management Consultant

Tips for Displaying Certain Products

Diet's (Cont'd)

- Stock heaviest on bottom
- Separate prescription from maintenance diets (if you carry both)
- Keep canine & feline foods separate
- Place a sign near larger bags: "A hospital team member will be happy to carry this to your vehicle."



Tips for Displaying Certain Products

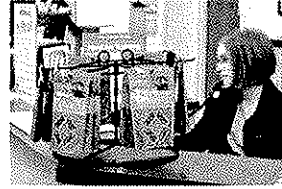
To increase compliance:

- Use 'rule of the right', if you carry same product in different quantities, remember larger quantity is positioned to the right (increasing compliance)
- For flea products, just because you carry a prescription flea product doesn't mean you hide it in the back - use empty boxes so that you can display them out front - remember your client's can't purchase what that can't see

Tips for Displaying Certain Products

For treats and toys:

- Make these items point of purchase items - place them near check out
- Place treats at eye level for children & reachable for senior citizens – biggest purchasers of treats ☺
- Create an area called "Staff Recommended" -include testimonials stating why it is recommended – Great for toys or items used for behavioral modifications, dental care, etc. Adds a personal touch to your retail strategy



Take the Lobby Challenge

- Remember, your lobby and exam rooms can be ideal profit centers
- See these areas as your clients would
- Make it a team activity and have fun with it.

The Future of the Veterinary Pharmacy

Part 2 we will discuss:

- Pharmacy as a profit center
- What products make sense to carry
 - FDA approved veterinary meds vs. human generics
 - Products available at retail outlets
- Pricing models – which pricing model is most profitable for your practice

The Future of the Veterinary Pharmacy

- Pharmacy has been a solid profit center for veterinary practices (pharmacy income avg. 18.9% with food sales adding another 4.9%)*
- Add potential retail sales (including parasiticides, shampoos, etc.) AAHA reports an additional 6.1% of total hospital income, and product sales account for more than 25% of hospital revenue.*
- So how secure is your pharmacy revenue stream with competing Internet Pharmacies, inexpensive human generics, big box retailers and other companies vying for pet owner dollars?

*AAHA's Financial & Productivity Pulsepoints, Fifth Edition

The Future of the Veterinary Pharmacy

- Years veterinarians have had relatively a monopoly on sale of prescription pet medications
- Times are changing – we have not yet reached the “tipping point” at which clients will routinely look elsewhere for pet medications*

*Lowell Ackerman DVM, DACVD, MBA, MPA

The Future of the Veterinary Pharmacy

- Clients expect to pay professional fees for veterinary expertise in medical care, diagnostic testing & treatment recommendations
- Products, however, are free to purchase from any business that offers best combination of price and convenience
- Many clients will pay slight premium for convenience coupled with counseling from staff on product's proper use – this creates value, but medication is often viewed as a commodity, not something professional fees should be attached to – it can't be exponentially more

The Future of the Veterinary Pharmacy

- Consider the following:
 - Why does cephalexin you dispense cost significantly more than what is available at a retail pharmacy?
 - If you sell the same flea product that a retail outlet sells, your client begins to question why
- If there is a large discrepancy between practice's prices and retailer's, owners may begin to question prices for services

The Future of the Veterinary Pharmacy

Human generic medications:

- Walmart – offers \$4 for 30 day supply on more than 360 generic drugs – 90-day supply for \$10
- Target – offers \$4 for 30 day supply on more than 300 generic drugs
- Kmart – offers \$5 for 30 day supply on selected generics, \$10-\$15 for 90 days on 500 generic drugs
- Walgreens – offers \$12.99 for 90 day supply on more than 300 generic drugs
- Many of the grocery store pharmacies are also offering \$4 for 30 day supply

The Future of the Veterinary Pharmacy

- You can sell generic drugs for less than branded products & make a profit
- But you can't compete with retail pharmacies
- Even if you drop dispensing fees, it is still impossible to offer human generics at a competitive price without losing money

The Future of the Veterinary Pharmacy

- What can you do?
 - Nothing and hope your client's don't pay attention despite millions of dollars retailers spend to promote their bargains
 - Stock veterinary labeled products & price them appropriately – these products are FDA approved, tested in animals for safety and efficacy, come in convenient formulations & are guaranteed if there are problems or ae's*

*Veterinary Forum December 2009

The Future of the Veterinary Pharmacy

- Manage inventory
- Price products appropriately –
 - 3 basic pricing models
 - Markups
 - Margin or cost plus models
 - Community Pricing

The Future of the Veterinary Pharmacy

Markups - most common - double or triple acquisition cost of medication, then add dispensing fee (this is extreme by retail standards)

- Consider: a practice doubles price of \$0.10 tablet, it has \$0.20 of revenue/ tablet and \$0.10 of direct cost. Now if a practice doubles price of a \$10 tablet, \$20 revenue/tablet and \$10 direct cost. Does this make sense?
- Consider: Administration of an injectable antibiotic that costs 1\$/lb. of body weight at a clinic that typically doubles costs to arrive at a retail price
 - ✦ 10lb cat = charge \$20 resulting in a \$10 profit @ client
 - ✦ 100lb dog = charge \$200 resulting in a \$100 profit @ client (Is there really a need to charge 10 times more)

The Future of the Veterinary Pharmacy

Margin or Cost-Plus Models (good alternative)

- Many already doing this with pet foods
- Adding a margin or base amount to products or services that does not vary with cost of drug or size of animal
 - Take actual unit cost of drug, add reasonable amount to cover indirect inventory costs of ordering, storage and loss resulting with full recovery cost
 - Then add a unit or margin charge for every unit (this is your profit)

The Future of the Veterinary Pharmacy

Margin or Cost-plus models (cont'd)

- Practice makes relatively more on less expensive meds, which are less likely to be priced shopped, and relatively less on expensive meds. (resulting in same net profit regardless product)
- Allows veterinarians to prescribe best med appropriate for a pet without being concerned about loss of profitability

The Future of the Veterinary Pharmacy

Community Pricing

- Setting prices based on what others are charging (i.e. other veterinary hospitals, retail prices, Internet pharmacies or other outlets - Costco, PetSmart)
- Be careful: You may be stocking & dispensing meds that are not profitable for the hospital with this type of pricing

The Future of the Veterinary Pharmacy

- Not profitable to sell products that can be purchased elsewhere at lower prices
- Retail pharmacies often sell human generics as "loss leaders" to attract customers to the store so they will buy other products
- Don't be offended when clients question prices on meds, review your inventory (are you selling same product as retailers), review your pricing models

The Future of the Veterinary Pharmacy

- Veterinary pharmacy at a cross roads
- Will it remain an important profit center or continue to erode by outside competition
- Success is in your hands
 - With careful analysis of products, appropriate pricing and effective marketing/merchandising you can be successful

