



How to improve performance by 10% and generate 30% more profit!

By Julie Parker

There are two fundamental ways for businesses to increase profits - Reduce costs or increase sales! Reducing costs can be implemented quickly, so will have immediate effect. However, there will be a limit to how much cost-cutting you can perform before it starts to have a negative impact on the service you provide.

Increasing sales is a better approach, as this activates reliable and consistent growth of your business.

Increasing sales in your dental practice is more than simply setting a goal. Formulating a growth-strategy will provide you and your team with the framework and tasks that will generate the increase in profits that you are aiming for.

Thought leader and best selling author Brian Tracy states you cannot increase profits directly, only indirectly. He lists the following 10 variables as areas to improve, in order to achieve higher turnover:

1. New patient generation

How do you attract new patients? Expand on your current methods of attracting new patients. The goal is to increase the number of new patients attending your practice by increasing the ways in which they find out about you.

2. Patient conversion

How you convert new patients into ongoing visitors can also be called your patient retention rate. Train yourself and your team in better customer service and communication skills so a higher percentage of your new patients convert into regular paying patients.

3. Number of transactions

This is the number of individual “sales” or services that you make to each patient that you acquire. By increasing the frequency of purchase by ten percent, you increase your sales and increase profits by the same percentage. Increasing the number of transactions in your practice will be achieved by improving on your current numbers of patients who attend for their recalls and encouraging more patients who have outstanding treatment to attend to have this work completed.

4. Size of transaction

This is the size of the sale and the profit that you earn from each transaction. Getting patients to complete their treatment plans over fewer appointments reduces your practice costs and increases the value of each appointment. Consider restructuring your appointment book to allow for fewer, larger appointments, rather than many, short visits.

5. Profit margin per service

Profit margin is the gross profit that you make from the each service. By continually seeking ways to raise the price or to lower the cost of your services without decreasing the quality, you can increase profit.

Every dollar we raise a price, if we hold costs constant, flows straight to the bottom line as profit. Every dollar we reduce expenses, if we hold sales and revenues constant, also goes straight to the bottom line as net profit.

6. Cost of patient acquisition

This is the amount that you have to invest or spend to acquire each patient. You should be continually seeking creative ways to improve your advertising and promotion so that it costs you less to attract each new patient.

7. Increasing patient referrals

This measures the patients who come to you as the result of referrals from your satisfied patients. Developing one or more proven referral systems for our practice will have an inordinately positive impact on your profitability.

8. Eliminate costly services and activities

Ensure you are not offering services that provide little or no profit. Either modify the fee you attach to these services to make them viable for the practice, or eliminate them from your list of services.

9. Reduce break-even point

This is the number of services that you must sell each month to break-even or start making a profit. Calculate at what point through the month your practice has covered all the expenses and is now adding to profit. The sooner in the month this occurs, the better. Also use your break-even point to evaluate the potential effectiveness of any advertising or any other expense that you incur to increase turnover. Every expense to increase profits must be seen as an investment with an expected return that is greater than the cost.

10. Raise fees

In many situations, you can raise your fees by 5 or 10 percent without experiencing any market resistance. Because your services are of superior quality and your team is friendly and helpful, a small increase in your overall prices will not drive your patients away.

Developing a strategy that improves your performance in the 10 variables that Brian Tracy identifies will absolutely increase your profits.

The 10% x 5 Strategy

It is widely accepted that you will not achieve a goal simply by identifying it. Goals are achieved by breaking them down into smaller sub-goals. For example, you state your goal for the coming year is to increase turnover by \$100,000. The sub-goals are to increase monthly turnover by \$8,333, which means the daily goal in a 4-day week is to be increased by \$520.

Using the 10% x 5 Strategy goes a step further. Look at every area of your practice that influences profit, either directly or indirectly. Brian Tracy's list identifies these areas for you. Rather than increasing turnover alone by a large amount, increasing your effectiveness in all of the influencing areas of profit by just a modest degree will make a massive difference.

In the example in Table 1, I have modified Brian Tracy's list to design a strategy that is more relevant to dental practices. You will see that I have included reducing "down-time" as a key area to improve for great impact. Down-time is unscheduled time, failed appointments, cancelled appointment times that are not used, inefficient treatment planning such as allowing more time than is actually needed for a treatment and inefficient scheduling such as leaving short gaps in between bookings and losing productive time due to moving incorrectly scheduled patients.

Far greater success is achieved by improving performance in a number of key areas of your practice by 10%, instead of simply increasing the turnover by 10%. At the end of the year, you are enjoying a turnover increase of a massive 30%.

Success in business is about continuous improvement. Becoming aware of how to grow the financial value of your practice is powerful. Put the correct strategies in place and reap the benefits.

Table 1. How to apply the 10% x 5 Strategy

Example practice:

- Single chair
- 4 day week
- 2 hours lost in failed appointments per week
- 3 hours lost for inefficient booking per week
- Average appointment length is 90 minutes
- Average income per appointment \$600 (therefore hourly average of \$400)
- 30 new patients per month
- Patient conversion rate of 60%
- Cost per appointment (including aux staff wages, materials etc) \$110
- 8 hours clinical per day
- 45 weeks per year

Turnover = \$792,000

Goal = increase by 10% = \$79,200, therefore turnover goal \$871,200

Applying the 10% x 5 Strategy

10% Strategy	Impact	Revenue
1. Improve appointment book down-time by 10%	5 extra productive hours per week	Plus \$99,000
2. Improve average income per appointment by 10%	Increase fees and/or amount of treatment performed	Plus \$57,600
3. Improve new patient numbers by 10%	3 extra new patients every month	Plus \$23,760
4. Improve patient conversion rate by 10%	Improving booking of advised treatment	Plus \$53,697
5. Improve cost per appointment by 10%		Plus \$10,560
	Total	Plus \$244,617

Turnover = \$792,000

Goal = improve performance in 5 key areas by 10% = \$244,617

Therefore turnover goal = \$1,036,617

About the author

Julie Parker's whole career has been devoted to the dental industry, starting in 1987 as a dental nurse. In 2003, Julie became the first non-dentist to buy a dental practice in Australia. She owned and managed her practice in Brighton, Victoria for 10 years. During this time, she more than trebled the turnover and her staff base grew from 3 to 12 members. Julie successfully cultivated a winning team and a winning business. Her business programs on how to accomplish a dream dental business are gleaned from her wealth of experience, intensive education and an inquisitive business mind. Julie is a Certified Practitioner of Neuro-Linguistic Programming, Time Line Therapy and Hypnotherapy.

Julie Parker Practice Success offers a subscription based program that educates all dental staff in the building and managing of their practices. Members receive monthly audio CD's and workbooks that lead them along the path to personal and team success. All team members, including the dentists, receive Certificates of Completion each month for submission for non-clinical CPD points and inclusion on resumes. Memberships are available for \$395 per month. For more info, see www.julieparkerpracticesuccess.com.au.