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The  
Health  
Focus  
Guide to  
Managing  
Your  
Practice

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*The Health Focus guide to managing your practice is intended for use in medical and allied practices and to cover the majority of management issues faced in running a successful practice.*

*Health Focus is a national practice management software development company. It differentiates itself from other companies by using the software products it develops as a tool to manage the practice, rather than the focus of its business.*

*Consisting of published papers by Selwyn Moskovitz over the past 20 years, the guide covers a variety of disciplines ranging from veterinary practice; through to optometry and medical specialists.*

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## CONTENTS

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Foreword .....	6
Running a successful practice .....	8
Start the off the right way .....	12
Managing the practice .....	16
Back to Basics .....	18
The Business Plan .....	22
The Marketing Plan.....	30
Strategic Marketing Plan.....	37
Merchandising.....	46
Getting your Message Across .....	53
Recalls.....	58
Marketing Ideas .....	65
Using your database .....	77
The Importance of Filing .....	83
Budgets .....	89
Time to budget again ?.....	95
Interest Rates.....	99
Cost Containment.....	105
Credit control policy .....	114
How to boost your income .....	119
Patient Care .....	131
Discounts – are they effective? .....	136
Ways to boost Profit.....	141
Handling Losses.....	145
Bad Payers .....	149
Getting paid on time.....	151
Improving your cash flow .....	158
Negotiating.....	166
Employees.....	172
Performance Appraisals .....	174
Dishonesty.....	184
Communication in the practice .....	185

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Minimising Losses with Internal Controls.....	193
Motivating your employees .....	198
Time planning .....	202
Crisis Time.....	206
Is the Patient always right? .....	210
Choosing the right program .....	215
Need to Upgrade? .....	221
Hidden Costs (Backups) .....	226
The Internet.....	230

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## FOREWORD

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You don't really have to be a genius to run a successful practice. All it takes is common sense, using your talents, applying your creative streak and lots of patience. Of course, perseverance and guts is assumed, after all, you are already running your own practice.

But it's when you lose your focus, very easy in practice that things start to go wrong. Of course, as an outsider or consultant, you know when problems are evident immediately. Probably the best example is the practitioner who wants to change their accounting system because it's in a mess, and expects their new program to sort out the mess!

But it's when you lose focus of the core business that problems really start to manifest. The practice that starts to focus on their computer system, rather than on his healing skills, is the practice that normally needs our help.

I have been involved in medical management and medical program design for over two decades, and in this time have seen my fair share of failures as well as successes.

Applicable to all disciplines, this book is designed for those practitioners that fall into both categories. For those on the road to failure, adhering to a few of the principals contained in these papers may just well turn the practice around. For those few who are running successful practices, there may just be a few hints and tips that will systematically improve your profit potential.

Managing a practice takes a holistic approach. There is no clear-cut definition of where it starts and ends. This is why you will find a common thread between the chapters, with a degree of commonality. What works for one practitioner may not work for another, but the basic principals remain.

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And these basic principals are important. Deviating from them can have serious consequences. It reminds me of the practitioner who deliberately withheld a payment for a liability he acknowledged because he wanted 24-hour service. Soon he will start to wonder why no one wants to deal with him!

The chapters below, all of which have been published in one form or another have been selected to give you some insight into practice management. I hope you enjoy reading it as much as our volunteer proofreader, Paul Cooper.

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## RUNNING A SUCCESSFUL PRACTICE

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The key to running a successful practice is to identify the motivating factors – whether it be to get your freedom above the crowd, the freedom to be your own boss, to achieve a certain goal or even money! The trick however, is maintaining a balance.

You know that you have achieved success once you know what your motivator is, along with your goals. Without these goals, it's like winking in the dark, you know what you are doing, but no one else does!

It's easy to identify successful practices. They tend to keep up with innovation and use the most recent technology. This paradigm shift is reflected in the patient choice of frames and the stock selection, the look and feel of the practice and the knowledge of the most recent advancements in eye care and wear.

Keeping up with the times and having an innovative approach allows you to market yourself, your products and your services effectively – a sign of a successful practice.

Most practices start out successfully with all good intentions and the drive to make it work. But as the practice grows you tend to get more complacent, both in your business approach, administration and patient relations. These few tips will go a long way to shock you out of your comfort zone and to turn your profitable business into a successful practice – using the self-skills you have acquired;

*Overheads.* Avoid spending unnecessary money on overheads. Overheads tend to become long-term expenses, even if they were meant for the short-term. Typically you would not purchase a printing machine to produce recall cards, but subcontract a printer to produce them. In the same way, making use of students can go a long way to maintaining a balanced overhead.

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*Auxiliary Expenses.* Often obvious costs such as staff benefits, expected increase in telephone bills and staff related expenses are ignored and lost in the overall expense and running of the practice. Maintaining a focus on these costs reduces the complacency and helps toward profitability.

*Equipment.* Plan your capital purchases correctly, focusing on the three to five year goal of the practice. If the equipment is not required and does not support the long-term business goals and practice growth, refrain from over-capitalising and under-using equipment. If the equipment is essential, plan your purchases over a period of time.

*Delegate.* Most practices work on a tight budget. However good planning and decision making on where and how to spend your money ensures proper apportionment and allocation of resources. Coupled together with your skills and talents, and the ability to delegate tasks makes you more efficient in areas where you do not have the time or desire to do so.

*Check your Debtor.* If you know that you are not going to be paid by a medical aid, or don't have the patients membership number, don't do the job until you have the details. The reality is that you will not be paid by the medical aid if the patient information is not correct. Decide with whom you want to do business with.

*Work Smart.* While one can expect you to be cautious on where and how your money is spent, often being the cheapest, or using the cheapest can be the most expensive – especially where you end up paying for their costly mistakes. Work smart by prioritizing those parts of the practice where costs can be cut, utilising your time smartly.

*Medical Aids.* If you feel that a specific medical aid is not worth the burden of doing business, then don't do business with that medical aid or insist that the patient pays up front for the job and claims back from his medical aid.

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*Debtors Book.* The debtors' book can become a burden to the practice if not maintained and controlled correctly. Checks on debtors, making use of references should become an integral part of your practice administration procedures.

*Pricing.* By knowing the cost and selling prices of the goods and services, it becomes second nature to identify a billing problem and potential loss. Keep an eye on invoices received from creditors to ensure jobs are not billed twice. Undercharging can have an adverse affect, as the patient does not realise value for money, while overcharging can result in losing a patient.

*Price Correctly.* Start off by defining the profit margin you want to achieve. Take into consideration the fixed and variable expenses and make sure that your profit margin caters for the profit goal.

*Cash Flow.* Realise that you have both quiet and busy times, and that the turnover is reflected in the seasonal change. When planning your budgets, plan for the expected cash flow, ensuring that sufficient financial resources have been put aside for the seasonal trends.

*Offer Incentives.* Incentives to patients to settle their accounts promptly have a marked impact on the success of a practice. Check what incentives are available to you for early settlement, following up on late payers timeously.

*Under promise.* By under promising and over delivering, you attain a higher level of patient satisfaction. Over promising leads to complaints and loss of patients.

*Human Skills.* Remember how you cared about every patient when you first started? Get back to basics and treat every person who walks through the door as your potential patient. Utilise those skills that made you an entrepreneur in the first place, and never become too busy for your patients.

*Broaden Horizons.* Learning from your mistakes is a sure sign of a successful business attitude.

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It takes time, sweat and perseverance to achieve goals, especially if they are planned to be successful goals. Take the time and effort that your practice deserves to remove any obstacles that will prevent those goals from being reached. Address the challenges that face you by creating new ideas and innovative stances, with an open mind.

A successful practice is one that takes the time to build good long-term relationships with your patients. Not only does it create and build a good patient base, but ensures referrals gearing you towards the next millennium.

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## **START THE OFF THE RIGHT WAY**

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Running your own business is never easy. The spirit of entrepreneurship is a phenomenon that when under pressure, gets stronger. Focus can change very quickly, especially when things start going wrong.

Beside the patience, perseverance and guts that it takes to run your own business, it entails converting your skills, talents and creativity into a process of innovation to ensure that you remain above the crowd and offer services that patients both want and need. Following this basic principal ensures that your business will grow and prosper in the new millennium.

However, no matter how long you have been in practice, it is easy flounder in your business approach, especially in the areas of financial, patient and self-management skills.

Staying in business, and growing your practice, means that you have to keep up with the times and find innovative ways to market yourself, your products and services.

Achieving success is enhanced when you know your prime motivator, whether it be money, utilization of your talents or set goals. The trick is to keep all three in balance and to ensure you do not lose sight of the basics that made you successful in the first place.

So, let's start off with a few hints and tips that will allow you to run an even more successful practice;

- Know your patients. Spend some time on your computer system to see what services and frames you are selling, and compare it to what the patients really want. Practice growth is accentuated when you can give a patient what they want.
- Use People Skills. Use human relation skills to make good long-term relationships with people you meet and enjoy in

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both personal life activities and in the practice. This assists in building your patient base, getting referrals and acquiring loyal patients.

- Keep your staff. Think of everyone you meet as a potential client, even your staff. A positive attitude grows in the work place and is felt by the patient.
- Know your Patient Limits. Over-promising can lead to disrespect, a feeling as if you are being taken advantage of and possibly losing patients. Rather under-promise and over-deliver, it can save your reputation, and reduce frustrating confrontations
- Make Use of Recalls. Slacking on recalls equates directly to a drop in income. Even with 20% of the population moving home each year, concentrated effort should be given to bringing back an existing patient.
- Take care of debtors. When opening new accounts, check to see that the details are valid, and that you don't stand the risk of a potential bad debit. If you feel that the potential patient is a bad debt, insist on a cash payment.
- Collect Medical Aid Levies. It can add a tremendous amount of administrative costs onto your overhead by collecting small medical aid levies. Insist on collecting the levies before the work begins.
- Offer incentives on early settlement. Discounts or other incentives to enhance early payment reduces the administration and improves your profit potential. Debtors should be checked on a regular basis and followed up to ensure quick settlement of accounts.
- Know your costing. When pricing your services and profits, make sure that your costing covers both your fixed and

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variable expenses as well as your desired profit margin. Avoid undercharging so your practice does not feel the financial impact. Overcharging must be curtailed, while undercharging can give a perception of undervalue and poor service and products.

Beside the patient and human relations, it is important to maintain a regular eye on the financial and administrative aspects of the practice.

*Plan for the new year.* Plan, budget, and review the cash flow on a regular basis. Plan for difficult financial times or for diversification or expansion, by allocating funds in a reserve fund. In addition, budgets should be reviewed monthly, and adjustments, where necessary, made.

***Avoid capital expenditure.*** Your business plan should highlight the amount of funds required for capital expenditure, which will prevent you from buying equipment on a whim – and at the same time support your goals in terms of the practices growth. It is always suggested that capital expenditure be spread over a period, rather than at one go.

***Reduce overhead expenditure.*** Many successful practices use students are part time staff to fulfill their overhead needs. Salaries are generally the highest overhead in a practice, and subcontracting can reduce the financial load.

***Subcontract non-core activity.*** Most practices are on a tight budget, and don't see themselves as having to subcontract work. But contactors come in all sizes and forms, from printing promotion brochures through to display fittings. The best way to overcome this hurdle is to use your talents and skills, but to delegate areas that you are not proficient.

***Plan for retirement.*** A nest egg, which accumulates on a piecemeal basis allows you financial peace of mind and the guarantee that the practice is financially sound and growing.

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***Be cautious on your spending.*** But don't err on the side of penny-pinching. Often, selecting the cheapest can be the most expensive if you end up paying for costly mistakes.

***Negotiate the deal.*** Consignment stocks, deferred payment and extended terms all allow you to increase your profits. A useful tool, often neglected is the use of settlement discounts, which can quickly improve the profitability of the practice, and reduce administrative overheads.

***Use your time wisely.*** Prioritise the daily routines and business aspects. In so doing, you can utilise your time wisely and can focus your time on your talents, skills, and abilities.

It takes time, perseverance and patience to achieve your business goals. Stay focused on your vision, addressing and removing any obstacles as you encounter them. Rather than be rigid and narrow in solving challenges and creating new ideas. Be creative and stay open minded. Learn from your mistakes to avoid repeating them. And develop a personal and professional wisdom. Take a break every now and then to survey reality and the progress you have made. Do it carefully and methodically, paying attention to detail. And if you do, the new millennium will welcome you .....

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## MANAGING THE PRACTICE

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The success of a practice depends on a number of factors. One of the key factors is the role of the practice manager and his responsibilities.

The ideal environment for every practice manager is an environment in which every employee is committed to the success of the practice, where everyone knows to maximise the value they add, where they know why they should - and then actually do it!

To achieve this aim, you would need to ensure that certain factors are in place, namely;

*Define the practice.* Any practice manager must know the fundamental purpose for its existence and its core values. It is the duty of the manager to define whom we are; what we do; why do we do it; and whom do we do it for.

*Be a Visionary.* It is essential for a manager to have defined a business plan - essentially a map of where the practice is heading. Both long-term strategy as well as short-term tactical direction must be determined.

*Communicate the Goals.* The practice manager is responsible for the dissemination of information. He must be able to articulate and clarify the direction of the practice to staff and core players.

*Develop Policy.* Within an environment of rapidly changing factors, the practice manager must develop, guide and reinforce the core values, ensuring that the policy and goals of the practice are reached and maintained.

*Be a Mediator.* Practice managers must define how individuals interact and communicate the image of the practice to third parties, mediating any disputes and act as a force in resolving issues.

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*Guide the Practice.* It is the responsibility of the practice manager to guide the practice in order to achieve the goals laid down in the business plan. This is done by establishing the guidelines, prioritizing them and evaluating the progress.

*Ensure Integration.* A practice consists of many modules, all which need to be integrated into one coherent unit. Practice managers must oversee the integration of the units and ensure that they are in harmony with practice policy.

*Financial Control.* Practice Managers are responsible for creating the financial structures. These range from utilisation of resources, formulating of budgets, internal controls and reviews.

*Lead the Team.* Staff is a critical management function, and it is the task of the practice manager to ensure the right staff, qualified for the right job is recruited.

*Fiduciary Responsibilities.* The practice manager must ensure that the practice complies with statutory requirements and that all ethical requirements are fulfilled.

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## **BACK TO BASICS**

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Some four years ago, a practitioner opened his practice, after leaving the government service. At the time he was hesitant about the move, and was bewildered by the barrage of paperwork needed to register and start up.

But with the right business principals in place, his fears were unfounded and within a very short period of time, he had a thriving and profitable practice. I was involved at the onset of the creation of his practice and during this period got to know him rather well.

So, you can imagine my surprise when I recently heard from one of his patients, that he was a "bad practitioner". Feedback of this nature is normally the first warning sign that there is something amiss. A quick call to the practitioner, revealed that his success had made him complacent and that his patient approach had as a consequence become harsh.

There were a number of reasons for his attitude change. Amongst them, the additional staff that he had employed over time, the lack of personal attention to detail, the administrative procedures that had automated his practice to some degree; and his undue attention to practice matters.

His preoccupation with internal matters had resulted in him losing his focus and his practice success had made his approach to business too sophisticated. In summary, he had lost sight of the basics that had made him a successful practitioner in the first place.

Business basics are the foundation blocks that build up a good practice. These basics are simply good habits that ensure the success of the practice. To lose focus of these basics is tantamount to committing financial suicide, as the basics are what ensure your survival in practice today.

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However, these basics need to be learnt and maintained. In the same way that you have your daily routine, these habits act as a catalyst to ensure that you do not lose focus, and as a consequence, that you do not lose your patients.

There is no doubt that keeping your patient pays. Research has shown that it costs R6 to get a new patient, against R1 to keep an existing patient. Keeping to the fundamentals is not only a cost saving exercise, but ensures that your practice grows and that existing patients return.

While most practices differ, the basics of successful practice management are common;

### *Stay In Touch*

This is a broad topic with many facets. It includes being in touch with the market and what is expected and required from your practice.

Being in touch with your peers' gives you a broader understanding of patient demands and gives you an outside view of other practices. Keeping in touch and networking with other practices gives you opportunities for referrals.

It also includes being in touch with your staff. The trick is to ensure that you surround yourself with successful people and diligent and loyal staff. Most practitioners try to clone themselves when looking for staff and as a result land up duplicating efforts, when they should be doing it right the first time.

Focus on the patient. More often than not, when a mother brings a child into the practice, and the focus is placed on the child and not the mother, you have lost a potential long-term patient.

### *Use Professionals*

The practitioner is generally always looked up to by the patient, and often put on a pedestal. This is because of the professional knowledge and solution that the practitioner can offer. The same

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principals should apply when you need help. Don't make use of under qualified resources. If you need a legal contract drawn up, use a lawyer; If you need a computer network installed, use an accredited supplier; if you need financials drawn up, use an auditor.

### *Follow Up*

Very few practitioners remember their patient's birthday or even follow up timeously in non-practice related matters. So, if you take the effort, you stick out amongst the crowd. Taking a few minutes to say thank you, to send that card or to respond to the patient timeously, goes a long way towards building your practice and giving that individual touch that brings you down to basics.

### *Basic Instincts*

No one knows your practice better than yourself; so when your instinct says "No", don't ignore it. Remember that it is your practice and the decisions that you make will directly affect the way that you run your practice. While others may see a different viewpoint, your in-built warning system is one of the basic instincts that will guide you.

### *Focus*

Remember when you started out? Your main goal was to satisfy the patient's needs. As you employed more staff, the focus shifted to making your staff happy, then the focus shifted to keeping the practice running. If this sounds familiar it is time to start getting back to basics. Trying to make your printer work is a focus shift. You need to spend as much time as necessary with your patients and not be distracted with diversions that detract from your primary focus.

### *Manage Your Systems*

Practitioners starting out have to manage their time properly because of the limited resources. As the practice grows, tasks are delegated and systems become more intense. At the same time, systems and controls tend to stay the same and not keep pace with the growth. Much of this has to do with the fact that at the onset you knew everything that was going on in the practice. Perhaps it is now time

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to get back to basics and make use of available resources, including modern software.

### *Keep Pace*

Possibly the most difficult challenge is to keep pace with the times. The past is often hard to let go, and while most people regret what they have not done, as opposed to what they have done - keeping pace with modern trends is what gives you the competitive edge. Get to know the principals of managed care and the way medical aids now operate. This basic growing block will ensure the success of your practice.

Identifying where your shortcomings are and realising what basics you have forgotten is the easy part. Taking steps to get back to basics is the challenge. However, if you can come to terms with your practice management and realise where you have drifted from the basics, half the battle has been won.

A step-by-step approach, identifying each aspect, and then taking one basic step at a time, will allow you to grow your practice and at the same time ensure that I don't hear you are a "bad practitioner". After all, it is your practice!

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## THE BUSINESS PLAN

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Irrespective of how good you may think your plan is, you must identify whether it has potential, how long you will tap that potential, how much capital may be needed to expand or start your business and how long before it breaks even. This is particularly important if you intend approaching a third party for finance. But there are other reasons for a business plan - it forces you to take an objective look at your business so that you can better manage it and work towards its success.

Most people who have a business idea normally deal with it in a disorganised manner and don't see their venture as a whole. By developing a business plan it becomes a tool that gives you the opportunity to evaluate your business in its entirety so that you can proceed with its implementation. In addition, it allows you to identify areas of strength and weakness and to pinpoint areas that are normally overlooked.

A good business plan can also be used as a tool for identifying areas that need financing, obtaining finance, highlight potential problem areas before they arise and the ultimate tool to determine how best you can achieve your business goals.

Generally, a good business plan will;

- Help you identify your objectives
- Help you develop strategies to meet those objectives
- Help you identify problems and suggests ways to solve them
- Help you avoid problems
- Help you create a structure for your business by defining responsibilities
- Help you obtain the necessary financing

Put together correctly, a strong business plan holds few surprises, mainly because of its structure and conforms to generally accepted

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guidelines with sections that include specific elements that will clarify and identify your goals.

The structure is significant because your plan should address all the relevant questions that will be asked by those reviewing it. If your business plan is not structured to provide the appropriate information in a concise and logical sequence, your chances of satisfying the key questions will decrease.

Moreover, the structure will allow you to easily reference your objectives at a later stage and clarify aspects of your business once you have implemented the plan.

Essentially, there are six major categories that a business plan should be divided into. These are;

- The executive summary
- The description of the business
- A market analysis
- A competitive analysis
- A management plan
- The financial components

### ***The Executive Summary***

This first part of your business plan is a summary of what you want to achieve. It outlines your current position, the goals which you want to achieve, the strategy you will put in place to achieve these goals, the financing of the business, the returns you expect, how you will evaluate these returns and a time table and achievable schedule of when the goals will be met.

Overall, this is a brief summary and should not contain too much detail, but the basis of what your business plan is all about in a nutshell. Normally investors will scan through your executive summary, and if put together correctly, using sound business

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principles, will be the basis for reading and studying your plan further.

### ***The Description of the Business***

Unlike the executive summary, this section will deal with your plan in more detail and will cover the proposed structures. These include;

- *The history of the practice.* Here you would need to give a history of yourself, your qualifications and previous experience. Any specialties or specialist skills should be detailed here, along with, if available, a financial history of the business and track record.
- *The Ownership Structure.* If you have other associates or partners in the business, you should detail their share holding or equity here. Brief mention should be made of their qualifications and experience.
- *The Services Offered.* If you offer any specialist services, particularly services that are not offered in the immediate vicinity and where a demand exists for the service, it should be mentioned here.
- *The Geographical Area.* Here you would need to give the details of the area you are located, the population mix, the potential growth and services that you could offer the community in the area. If you have specialist skills, or there is no similar business in the area, mention should be made.
- *The Patient and Target Mix.* If you are a specialist business, you would need to emphasise the type of patient that would use your service. In all cases, you would need to identify the type of person who would utilise your services. Special emphasis should be made on attempting to categorise your patients, as it will allow you to identify your target market and to correlate whether the mix is suitable for the demographics.
- *The Facilities Offered.* Both the existing facilities, along with the required facilities should be listed here. Facilities range from the premises, through to the equipment. Describe

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the area as well as any long-term commitments like leases (including rental leases) and equipment owned.

- *The Organisational structure.* Staff play an important role in a business plan, and allow you to gauge future needs in terms of manpower and expansion. While you will not detail the duties here, you should list the organisation of the practices - whether they are departmentalised, who the managing partner is, who is responsible for administration etc.
- *Financial Records.* If you have a financial history, detail the last two years performances. Stick to generalisations such as net profit for 2000; increase growth on last year's revenues as a percentage etc. Turnover is also important as it will be used as a basis for cash requirements.

### ***Market Analysis***

This section deals with the market research on the demographics of the area. If well researched, it will clearly indicate you have done your homework and know your market. In addition, it will reflect any growth in the area, which is usually an indication of the business' potential growth.

- *Immediate Area.* You would need to highlight the population in the immediate area, the growth or decline and motivate a need for your services in the area. If possible, use peer statistics to compare the immediate area to a national or regional area. Suppliers are normally a good source of reliable information.
- *Identify your target market.* Attempt to categorise your patients, and in so doing, analyse each category. Use identifiable characteristics to determine the segmentation of your patients (or potential patients). Attempt to categorise as a percentage the segments that would make up your business.
- *Market Share.* While it is always easy to speculate on your market share, try to avoid this emotional pitfall. Contact the local community centres for available statistics and gauge where your business will fit.

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- *Supply & Demand.* Try to ascertain the degree of demand for a business of your type in the area, ensuring you fulfill a specific need.
  - *Growth Factors.* You would need to identify areas of growth as well as areas in which you will grow. Factors to take into account include the population growth, specialist services you offer, convenience of a local business etc.
  - *Marketing.* There are many ways to market your services; ranging from referrals from local physiotherapists, sisters and clinics; through to a strategically placed name board. Decide on how you are going to market your business, and allocate a percentage of your income to marketing.

### ***Competitive Analysis***

A good business plan will always identify the competition. A quick page through the yellow pages or a visit to the local chamber of commerce will identify businesses in your area and their specialty.

- *Disadvantages.* Note the disadvantages you may have, whether they be related to the high cost of rent, parking problems, lack of access or facilities, unknown in the area etc. Be honest with yourself, because having identified a problem is halfway to solving it.
- *Advantages.* It is important to note your advantages, as it allows you to, at a later stage, identify your strengths. Bear in mind that a business plan can be flexible, and once you have started your business, it becomes very difficult to stand back and take a clear view of the situation. Your business plan is an ideal tool for allowing you to be objective and to re-evaluate your situation down the line. If your strength is your product, your skills or your location - note it here.
- *Development Plans.* Here you identify your goals. Goals such as making lots of money is a short-term short sighted view. Rather identify clear goals, such as increasing business growth by 10% each year, or reducing overheads by 5% a year. Other goals such as expansion, new products, staff

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training, offering community service etc, should be noted in this section.

- *Risk Analysis.* Part of the competitive overview, the risk analysis should highlight any areas of risk - such as the closing of a factory where you depend on the workers, the inaccessibility of delivery vehicles etc.
- *Evaluation Methods.* You need to evaluate your progress as you proceed. Basically, there are trigger points along the way, each triggering off a spate of events, which in turn activates another process. You need to put these triggers in place by setting goals. Each goal must be measurable against the business plan. For example, if your goal was to increase revenues, then set a date to check that the revenues are indeed on the increase.
- *Strategic Actions.* Like the trigger points, you need to set a strategic goal. If it is to obtain additional equipment so that you can offer an additional service, then set the action here. For example, if you intend purchasing expensive manufacturing equipment, then set a date and how the finance is going to be raised. A typical example would be a range of dates by when to action the purchase of the machine; ranging from the date that the model will be selected, through to the dates where the machine will be evaluated, finance arranged, delivery taken and installed.

Each business will differ in their strategic actions, which are normally limited to the more important and significant aspects of the business.

### ***Management Plan***

No business plan will work without a management plan that identifies the key staff people and the role they will play. By identifying skills for a specific task, you eliminate the emotional factor, which allows you to fill gaps left by key employees that retire or resign. It also allows a potential investor or bank to evaluate the quality of skills, professional or otherwise.

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- *Key Staff.* First you should identify key staff by name, a brief summary of their experience and qualifications. Their responsibilities and duties should be outlined.
  - *Staff Positions.* In more detail you should define their roles in the business and whom they are responsible to. This indicates an administrative discipline that indicates a defined structure within the business.

### ***Financial Components***

While financial records may not be available if you are starting a new business, this section is critical as it also outlines your future financial requirements.

- *Sources of Finance.* By now your business plan should give a good idea from where the income will be derived. This is where you cap it, by detailing where it will actually come from. In addition you should list your cash requirements here; e.g.: cost of opening business R250,000 financed by ABC Bank; Cost of staff at 15% financed from operating cash flow etc. Remember to detail as many categories as possible, without breaking it down to base costs. For example, information like 1 bottle of milk per day at R4.50 or office refreshments at R300 per month is detail that is not required in a business plan. Rather group these types of expenses into one cost centre called overheads.
- *Income Statement.* If you do not have a historical income statement, then project an income statement for the next year. In the event that you do have a current income statement, compare it to last years report.
- *Balance Sheet.* A balance sheet is the key financial document and details the stability and financial position of the business. If a balance sheet is available, then it should be included as part of the business plan, as it will quickly identify areas that need attention.
- *Cash Flow Projections.* The cash flow statement is usually based on the cash budget and the planned sources and uses of cash to accomplish the goals of the business. Normally,

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the income figures are based on historical experience, while expenses are approximated based on estimates. The cash flow statement starts with an opening balance, to which all income is added and expenditure subtracted. The closing balance is then carried forward to the next period, where the same formula applies. Cash flow forecasts are normally done for two years in advance, based on six monthly cycles.

- *Break-Even Analysis.* Within this section you should detail the break-even points based on financial information on hand. While detail is not required, a summary is important. A break-even analysis would normally involve an estimated cost of establishing the business set off against the running expenses and income. If, for example, your establishment costs were R500,000 and your net income for the year was R250,000, then the break even would be two years. Always try use Rand values and percentages to illustrate your point.
- *Returns Projection.* If you are looking for an investor, be it a banker or individual, the returns projection is critical and is usually one of the deciding factors. By calculating your break-even analysis correctly, you will be able to calculate a return on the investment. A few lines should be able to summarise the return, e.g.: The return is calculated to be 25% by the third year with a full return on the investment by the fifth year.

It should be clear that a business plan describes your business, your objectives, operating plans, business environment, marketing strategies and financial projections - in essence, a road map for managing your business. And while a business plan may take a great deal of work, the time and effort taken can mean the difference between a successful business and a failure.

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## THE MARKETING PLAN

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Any practice that does not satisfy the needs of its patients now and in the future will alienate itself from its income base and slowly place itself out of the marketplace.

You may be the best optometrist in the world, but if you do not know your patient, his needs and requirements, and what he expects from you, you might as well close shop.

While this may come across as a fundamental statement, the impact and use of marketing in practice is in its infancy; with many optometrists tucked away in small corner shops; fittings reminiscent of the 1930's and frame styles to suite the age - wondering why business is not booming.

Marketing is shrouded in misconceptions and is one of the aspects of modern management that has no perceived clear definition. In order to understand what marketing is, we must identify what it is not;

- Marketing is not advertising. There are many dimensions to marketing, advertising being only a small segment. Advertising can be a bottomless pit for your well earned income if not controlled, measured and monitored, and marketing is certainly not about advertising budgets.
- Marketing is not the solution to bad sales. If sales and profits are down, it could be due to a lack of marketing, however, in most cases, the problems lie elsewhere. Marketing is a long-term investment in the future of your practice, but certainly no miracle maker.
- Marketing is not your recalls. Many practices think that they can get all their business by sending out regular recalls. This may be true of mail order companies, but where the patient interacts directly with you, influenced by your attitude and that of your staff, there are many more factors than just a recall, which promotes your practice.

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- Marketing is not complicated. Marketing is user friendly and must be understood by all those who you deal with. To embark on an educational drive to promote your products, where technical jargon is used, results in complication. If you do not get your product and service across in a clear manner, your marketing campaign has failed.
  - Marketing is not a road show. Marketing is definitely not entertainment. It is not designed to be humorous or to entertain. It is a serious business, designed to increase your profits. The use of humour in marketing should be restricted. Humour has many dangers, the least of them being the undermining of your services and what you have to offer. This is especially true if your catch phrase has been remembered, but not your product.
  - Marketing is not your handout. Brochures and handouts are designed to highlight the specifications of a product, no matter the quality and glitz. Simply producing a brochure and distribute it, will work in combination with a marketing plan, but as a stand alone, a brochure is certainly not marketing.
  - Marketing is not that telephone call. While the telephone can definitely play an important role in a marketing mix, it works much better when supplemented with an advertising campaign and direct mail. As a stand-alone tool, telesales is a poor performer.
  - Marketing is not product awareness. Bearing in mind that one of the principal goals of marketing is to grow your profits, spending money on product awareness is a dismal failure and is hopelessly ineffective, unless, of course, the product is always associated with your practice.
  - Marketing is not indirect. While you may think that an aspect of your marketing grips the target market, there is a danger of being too clever, with the result that your intellect is remembered and not your services and products. Focus should be maintained at all times on what you have to offer, not your intellectual wit.

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So what is marketing? In 1887, when Michael Marks opened his penny bazaar he formulated a five point marketing strategy to sell;

- The right products
- In the right place
- At the right price
- Promoted in the right way
- To the right people

Today, many successful marketing organisations follow the principals set down by Marks & Spencer, as valid today, as it was over one hundred years ago.

Many practices have failed to reach their potential because a marketing plan is normally the last topic on the agenda, or more commonly, the first area to be cut in times of financial restraints.

In order to establish an efficient marketing strategy, you must concentrate on the patient, and the patients needs. You do this by focusing on a few basic principals;

- What business are you in? A simple analysis of your sales will reveal your core business. So many practitioners are involved in other aspects of their business, that they have lost sight of their core business. Over time, you may have evolved into a contact lens specialist, while you believe that your business is that of professional services or other specialist disciplines.
- What kind of business do you want to do? It is often the optometrist who has evolved into a specialisation that is not of his planning, but of market forces, that want to "quit the business". Target the business you and your patients demand.
- How should you enter this business? A business plan, coupled with market research goes a long way towards the direction and strategy of entering a new field or changing direction in an existing practice.

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All these factors contribute towards the development of a marketing plan. Your next step is to ensure the market wants what you have to offer. Probably the largest source of information for a marketing plan is the patient himself;

Getting to know what patients think of the latest products. One of the most effective means of market research is to ask existing patients. Relationships built up over time make this easier and a valuable means of testing whether the direction you are moving in is correct.

Research amongst patients includes asking them what improvements they would like to see and allowing them to be bluntly critical.

The needs of existing patients form an integral part of market research and allow you to adapt to your patients requirements.

While price is normally a factor, it is not necessarily the most important factor. However, you must gauge which price points are attractive.

Market research often identifies weaknesses in your existing marketing plan. Asking existing patients what additions they would like to have implemented in your practice goes a long way towards guiding your marketing principals.

Bear in mind that any marketing strategy must have a result. There is no better way to achieve this goal than to use the underlying principal that market research equals patient knowledge, after all, if you know your market, you know your patient.

Firstly one must bear in mind that any practice is a living entity. As patients needs change, so should the practice adapt. Your marketing plan should encompass this phenomenon in order to understand and quantify these forces, and in so doing, achieve a continuous net growth of the patient base. In order to achieve this mix you would need to;

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- Analyse who needs your products and services
  - Determine your strengths in the marketplace and capitalise on them
  - Establish your weaknesses and focus on improvements
  - Determine the requirements and needs of the patients and not your perceived needs
  - Set realistic objectives, define roles and implementation dates for these objectives
  - Develop tactics to overcome your weaknesses and capitalise your strengths
  - Formulate a strategy which develops tactics to beat the opposition
  - Formulate a business plan taking into account available resources
  - Implement controls to ensure your plan becomes reality.

Your first steps would be to look at the patient base. Typically you would divide your base into past, existing and future patients. While you may have identified your target market, you need to look at a macro market. The macro market consists of the complete population that your marketing reaches. Rule of thumb is that you invest 10% of your resources into this market.

Marketing holds no bounds, and it is this premise that gives us your least profitable market - the mass or macro market. Marketing to a specific niche does not always work, because of the overspill into other areas. While the macro market may yield minimal profits, it is far too important to ignore.

The second target market would be the prospect market. This market normally generates 30% of your potential profits and is the population that fits into your practice profile, who are not yet long standing and loyal patients, but those who have been affected by your marketing and are "testing the waters". This population normally includes the population that are unhappy with the services of your competition, need the services you provide, and are looking

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for an alternative practice to fulfill their needs.

The final and smallest market, but which in terms of profitability generates the most profit, is your existing patient base.

Clearly, marketing is therefore the long-term investment and funneling process of moving your macro patients into your existing patient base, and once you have made the transition, the process of keeping them as loyal and happy patients.

Using marketing to heighten patient loyalty makes lots of sense. It costs you at least five times more to get a new patient than keep an existing patient. As your existing patient base grows, and patients migrate from the macro market to the smaller isolated market, so do your costs involved in marketing and growing patient loyalty, reduce.

It is therefore critical to ensure your marketing plan funnels the macro population into a loyal patient base. However, once they have reached that point, steps must be put into place to ensure that they remain as loyal patients. This is particularly true if you consider that successful practices place much effort on expanding their profitability from the existing base. Tactics used include, amongst others;

- Can patients absorb larger quantities of products and services in shorter periods? By promoting new products or more frequent services to your existing base, you reduce costs and increase profitability.
- Are there opportunities to market additional products to existing patients? It is considerably easier to promote a new or additional product to an existing patient as the trust and loyalty has been created.
- Can we use the existing base of patients to market our services? Quality service results in a referral base that actively markets your products and services to their immediate families and friends.

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- Are patients aware of the full range of services offered? By making your existing base aware of your full range of services, you open additional marketing avenues.

However, patients migrate. They move and they are taken away by competition. The trick is in keeping them. While most patients leave because of product or service problems, major points to consider are changing buying and spending trends as well as changes in health care. Marketing must therefore be followed up to ensure that once you have attracted the patient, that you keep him.

Above all, effective marketing is an opportunity for you to earn profits along with other optometrists in a process of building long lasting relationships with your patients - ensuring they remain loyal and are yours for life.

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## STRATEGIC MARKETING PLAN

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With the rapid changes occurring in health care, co-operations between previous rival practices, the formation of buying groups and the threat of managed health care, you need to develop a strategic plan of attack. The marketing plan is the ideal tool.

One of the strategic planning tools that every practice owner should use is the Business Plan. Updated on a regular basis, the business plan is the map that guides your business into the future and allows you to take an impartial view of your growth.

However, this is not the only tool. There is another strategic planning instrument designed to guide you in the expansion and growth of the practice, known as the Marketing Plan.

Like the business plan, the marketing plan has a rigid and structured format, designed to focus on expanding your existing services or product ranges. Working in unison with the business plan, the marketing plan allows you to channel your growth planning to the point that it becomes integrated with your business plan.

The goals and strategies devised in your marketing plan often focus on expanding the practice and take into consideration key factors such as;

- *Your market share.* By devising a marketing plan, you are forced to look at the profession as a whole and see where you have positioned yourself.
- *Your role.* One of the elements of the plan is the charting of the growth in the profession and the role that you play in the market
- *The market direction.* Changes occur continuously in the market. An evaluation of your strategy requires you to define the markets in which you operate.

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- *The competition.* In order to define your role in the profession, you need to determine the strengths and weaknesses of your competition.
  - *Your efficiencies.* Self-assessment and objectivity plays a significant role in identifying your potential for growth.
  - *Financial stability.* You would be required to project the additional income and sales based on any new product or service you bring into the marketplace.
  - *Financial focus.* Almost all growth and marketing plans have an element of capital utilisation. You would be required to identify the capital requirements.
  - *Strategic alliances.* Where necessary, you would need to determine the investment requirements, forming strategic alliances with partners.
  - *Capital requirements.* Based on the resources that you have available, you need to determine your investment requirements, or overdraft facilities.
  - *Strategy.* The plan requires you to plan your marketing strategies required to achieve the sales goals.
  - *Tactical methods.* In order to implement an effective plan, you would need to establish your tactical methods, including human resources allocated to the project.

While a business plan focuses on a strategic or overall approach, the marketing plan covers both strategy and tactics, the latter being the hands-on approach and actual responsibilities undertaken or delegated to achieve the goals. The plan itself differs in content according to the practice type, however, adopts a predefined format;

### ***The Executive Summary***

The summary allows you to view your plan at a glance and contains the basic elements of the plan, amongst them;

- A brief description of the service or product that you want to bring into the marketplace

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- A review of the product or service with emphasis on the reasons why it differs from your competitors or why it is more innovative.
  - The competitive advantages of your product or service.
  - Your primary objectives and goals
  - The monetary requirements, including the additional capital required to meet your objectives.
  - A financial summary or the expected results and profitability.
  - Bear in mind that the content of the summary is critical, especially if you are using the plan to raise capital. A well-designed summary, with content critical detail will go a long way to provide investors with a quick synopsis of your proposed idea.

If you are using the plan to raise capital, emphasis should be placed on the return on investment, the potential, yet realistic sales increase, the profitability and market share that would be captured.

Even though the summary always appears at the beginning of the plan, it is normally written last, in order to encapsulate the general gist of the plan you have developed.

### ***Product or Service Description***

This is the section where you describe your product or service that you want to grow or bring to the marketplace. The first section should deal with your product in a concise manner, while the second section should deal with objectives and strategy.

It is always useful to include in this section reference sources and statistics, especially where the sources are of a credible and verifiable nature.

### ***Market Analysis***

One of the critical elements of the plan is your market analysis that defines the target audience for your service or product. Topics covered should include;

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- The geographical area of the target market, taking into consideration seasonal trends and variations.
  - The demography of the patient. Cover areas such as ethnicity, sex, age range, and disposable income and of course, the ability to need your product or service.
  - Analyse your target market by identifying the social class, education levels, income ranges and occupational hazards.

Define the actual buyer and target patient as well as the frequency of the purchase. This in turn allows you to define the time period that your product or service can be exposed as a profitable venture.

The market analysis would normally start by analysing the broad target market, and then narrowing it down to a defined buying group. By identifying the areas, it gives you the opportunity to provide a sales history analysis, to gauge future trends and to determine the life cycle of your plan. In essence, you must define the marketability and economic viability of your plan.

*Define the need.* You would need to establish and substantiate what the demand and need is for your product or service. Establish where you fit into the marketplace and define the market share that your service or product can sustain. Include in this section;

Take into consideration the product or service life cycle, which include the wants and needs that your target market has for your service or product; as well as the frequency of demand and the period that it can be sustained.

### ***Competitive analysis***

This is where you would need to exercise your objectivity as the aim of this section is to identify your competition strengths and weaknesses and to compare them to yours. Once identified you can build a strong motivation, highlighting the viability and the advantage that your product or service has over the competition. Factors to analyse include;

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- Identifying your competitors
  - Determining their market share
  - Identify the products and services that they offer.
  - Their marketing methodology.
  - Their strengths and weaknesses

The best way to formulate the competitive advantage analysis is to create a grid or spreadsheet where you would categorise your competitors in groups based on their direct impact on your business.

Key elements include;

- Their profitability
- Their staff compliment
- Their objectives
- Patient perception of their practice
- The size of the practice
- Advertising methods and marketing strategy
- Price point positions and their cost structures
- The services and products offered
- Cost structures

It is important for you and any investor to know what the cost will be to formulate the marketing plan as well as what the costs involved in bringing a new product or service to the market.

One of the major reasons why most marketing plans fail is because insufficient focus is placed on cost structures, underestimating the cost of human resources and requirements to implement a marketing plan. Special care must be taken to ensure that the plan is costed correctly to ensure its success. In order to achieve this goal, focus should be placed on;

- The marketing goals, time restraints and associated costs
- Outside expertise required to fulfill the goals and related costs

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- Existing personnel requirements
  - Time schedules
  - Additional material, promotional or otherwise required in achieving the marketing goal.
  - A budget taking into consideration all costs including administrative costs, labour, leasing charges and equipment rentals.

### ***Campaign***

This section details the effects of how the new product or service will impact on your practice. The first area of focus is to detail the products and services you already offer and how the addition of a new product will impact on the existing resources.

### ***Management***

The management section of the plan will detail your expertise in the marketplace. Supply sufficient management information and background on yourself and your team to satisfy the curiosity of any potential investor. Areas to concentrate on include;

- Existing practice financial resources
- The available human resources and skills available
- The expertise you have on hand to implement the marketing plan.

A well-devised management report would put a financial investor at ease and pave the way toward investment. At the same time, it allows you to perceive your strengths and weaknesses and ability to make the proposed plan successful. If you are presenting your plan in order to obtain finance;

- Concentrate on the practices solvency
- Detail the capital requirements
- Highlight your management skills, growth and track record

### ***Objectives and goals***

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You need to plot your plan and create the map to your final objective. As a rule, you will plan your objectives in this section, defining your short-term, medium and long term goals. It is always a good idea to categorise the goals into financial targets, return on investment and other categories such as employment of staff. This section of the plan is probably the most significant as it details what you want to achieve.

### *The Implementation*

The marketing plan strategy covers the broad approach, while the implementation covers the tactical aspects. At this point you should have already analysed your competition and the scope in the marketplace. In so doing, you would have gauged the reaction from your competitors. You would need to put a strategy in place to handle your competitor reactions and the tactical approach to cater for any possible reaction and countermeasure.

### *Financial Projections*

If you are developing a marketing plan, which requires outside funding, this will be the most scrutinized section of the plan. Make sure that you have all the bases covered, including;

- A financial projection of costs and income
- A cash flow and needs analysis
- A balance sheet or at least, a statement of assets and liabilities
- A time schedule with trigger activation points
- A schedule of goals and points of achievement
- Measurable means of profitability
- A sales forecast
- Summary

This section purely highlights the points and viability of your marketing plan. Remember to emphasise your products and or services advantages and to focus on the key elements.

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After all, by concentrating on the positive aspects, and at the same time addressing the weak areas, you can produce a winning marketing plan, designed to boost your profits.

*You know you need a marketing plan when you are trying to bring a new product or service to the patient, yet know nothing about the market in which you operate. A marketing plan is also useful in expanding your practice. No matter how small or large your practice is – you can always benefit by implementing a marketing plan. If you are unsure about any of these questions, you know you need a plan.*

- What are your main services?
- How do you differ from your competitor?
- What are your main products as a percentage of overall practice profitability?
- How is your product or service known in the market?
- Does your packaging and corporate image truly reflect your practice?
- Are you in the market you want to be?
- What is your sale forecast?
- Can you improve your sales and profitability?
- How do you distribute your services?
- How much does it cost you to run your practice per hour?
- Does your discount policy contribute to sales, explain?
- What do you project income and expenditure to be for the next quarter?
- How have you positioned your practice?
- Are your promotions in sync with holidays or special events?
- How large will your team be in 6 months?
- How do you intend reimbursing your staff?
- What is your practice trend and theme?
- What advertising media do you use and what is the effectiveness?
- Have you budgeted for advertising and planned the theme?
- What percentages of sales products contribute towards your GP?
- What is the impact of you taking leave for a month?
- Do you have a plan in place to boost your profits?
- Is your patient mix really what you think it is?
- Do you have a plan in place to boost your profits?
- Is your patient mix really what you think it is?

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## MERCHANDISING

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Have you ever tried looking up the word Merchandising? Most pocket dictionaries will refer you to merchant, while the more sophisticated dictionaries refer to it as sales. Encyclopedia Britannica lists hundreds of entries, all related to sales, goods, produce, stock and commodities. Ask a local merchandising company what they do, and they are essentially shelf packers. Ask a large supermarket what it is, and they claim it's "the science of calculating the store coverage patterns and frequency based on the by store volume opportunity for your product". The best definition I could find was from the Merchandising Corporation of America who defines it as "the art of minding the store". The one thing they all have in common is that it focuses on the retail element of sales.

My definition is a little bit different. I see merchandising as the presentation of your stock and services arranged in such a way that it is designed to increase your sales, market share, and profits. But unlike the knowledgeable encyclopedias, journals and dictionaries, I also include the human element; and firmly believe that merchandising in the practice includes the staff. After all, the biggest asset you have in a service based practice is people and technical expertise.

*You have to create a selling environment that makes it easy for the buyer to find what they're looking for and complete their transaction. It's called merchandising.*

But the stock must still be minded, and the aim must still be profitability. In an optometry practice, it is quite easy to do, if you have the right controls in place. Two facets are of prime importance, the first being stock rotation and the importance of turning over your stock.

To do this, you have to understand what makes a frame a slow mover in the practice. There are a number of extraneous factors, such as seasonal fashions and demands, which do impact on stock rotation, but more importantly, it is the human factor. An average practice

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turns its stock over a little under twice a year, yet almost 60% of the stock simply sits on the shelves and is never sold.

A frame that is never sold slowly becomes a liability. Not in the true sense, but in a way that prevents it from generating a profit. True, it may serve a purpose filling a shelf holder, and helping to identify shrinkage by virtue of the gap, but it costs money because it doesn't generate money. The question is why.

In most cases it's because of personal preference - either the dispensers or optometrists preference. Normally, a patient is shown a frame, which the optometrist thinks, will match the patient. This is based on an intuition and years of experience. But, is the frame the optometrist recommended, what the patient wants? Too late, the damage has been done.

In the same way when you go shopping for a car and the first car you saw becomes your frame of reference, the same applies to frames. When you see your second car, you are constantly and subconsciously asking whether this car also has ABS brakes, also has an air-conditioner, also has leather seats and a radio.

Once a patient has been shown a frame, every other frame shown, uses the first frames point of reference. It is no wonder that over 80% of frames sold look similar to the optometrists' personal preference and first choice for the patient.

This certainly is not merchandising. Bearing in mind that the patient has the final say, and can refuse at any time, merchandising brings a scientific element into the question of sales.

And this is where a good computerised system comes into play. Using your stock system, identify your slow movers and move them to a separate display area. Remember, than in most cases, the slow movers are not necessarily bad or out-of-fashion frames. They are simply frames that conflict with the optometrists' personal choice.

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Next, apply a merchandising strategy, where the patient is first shown the slow movers display area. Watch you slow moving stock turn into fast movers in a very short time. Now that's merchandising!

Merchandising is about displaying and presenting your wares in an attractive manner so as to close a sale. It should enhance the practice without being too provocative, and should get a message of sincerity and security across. After all, if a patient is comfortable with your practice, you have that patient for life.

Studies have shown that 65-70 percent of all purchases and purchase decisions are made in the practice. This makes it even more important to ensure that the practice has its wares displayed and positioned neatly and correctly – and one of the ways of doing this is by audio-visual methods. In-house commercials, working on a captive audience;

- Boost impulse and add-on purchases
- Promote high profit-margin items
- Enhance your image

Increasing sales by merchandising entails a holistic approach, because it is supported by the image of the practice as a whole. Besides listening to the patient to find out what they consider to be product benefits or features and selling the patient the product benefit supplemented with the product features, you need to take into consideration;

Knowledge. Know what merchandise or services the practice offers, know where it is located and know when it is available

- Your approach. Be neatly groomed, smile sincerely, keep the work area neat and recognise the patient immediately

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- Caring & Sympathy. Be sincere, use a greeting that requires a positive response, focus on the patient and the stock you have to offer and emphasise a desire to help.
  - Listen. Listen for the message behind the words and be aware of the patient's body language
  - Merchandising becomes more complex in a practice, because the patient perceives you to be a professional and relies heavily on your professional integrity. Therefore you need to;
  - Demonstrate products using a "you"; attitude
  - Differentiate between excuses and objections
  - Ask only positive questions when closing a sale
  - Suggest complementary merchandise

Knowing your patient, and his demographic buying habits is paramount. The use of "What" questions goes a long way to achieving that goal, including the principals of AIDA (attention, interest, desire, action) and LEAR (listening, empathizing, asking questions, responding).

Merchandising varies from practice to practice; some have set themes, while franchises are designed to look either the same or similar. But there are a few common trends in all successful practices;

- Convenience. If you make it easy for the patient to use your service or to buy a product, you will sell it.
- Multi-sensory Impact. By using three basic senses: sight, sound and touch, you can reinforce merchandising concepts

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to ensure a sale. Posters, well-lit areas and the ability to handle the frames provide this impact.

- Spaced repetition. Known as the key to learning, repetition for the sake of emphasis reinforces basic practice principals and enhances brand name recognition.
- Routine. Study after study shows that if you don't put learning into practice, you soon lose it. Enforcing a regime of routine will ensure it is maintained at an optimum level.

The shortest distance between a loyal patient and you is exceptional service. Satisfied patients shop anywhere. Loyal patients return to you over and over again, and recommend you to their friends. A good, clean, well-merchandised practice, along with exceptional service will ensure that your patient keeps on coming back to you.

Merchandising is about converting a visitor into the practice to a buyer. You have to create a selling environment that makes it easy for the buyer to find what they're looking for and complete their transaction. It's called merchandising.

Good retailers understand traffic patterns in their stores, how to position products on their shelves to achieve maximum sell-through, how to create point-of-purchase displays to promote special sales and products they may want to move out of inventory, and where to place products in and around the checkout areas to initiate impulse buys. Merchandising at the retail level has become a mixture of science and art to maximize every square centimetre on the sales floor. To maximise this opportunity, you need to realise that;

- Potential buyers want to be able to quickly find what they're looking for without having to move through too many obstacles.
- Potential buyers want to be able to see the benefits, without asking embarrassing questions.

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- Potential buyers want to be informed about their choice, and whether it is suitable.
  - Potential buyers want to believe that you have a credible practice and guarantees will be honoured.
  - Potential buyers want to be able to see the price without any bother.
  - Potential buyers want to be able to see enough information on display without being too verbose.
  - Potential buyers want to know they are getting a good deal, and if an item is discounted.
  - Potential buyers want to be able to know that all special promotions are in one area, and not scattered around the practice.

So why do some practices merchandise and others don't? Why do some people accomplish so much more than others? It's about accepting change. Without change in the practice, merchandising won't achieve the ultimate goal.

When employees experience changes at work, they feel as though they have lost control over their own lives, which leads to confusion, high stress and lower productivity. It is bad for the employees and it is bad for the employer. Yet, when we feel in control of the changes, we utilise certain inherent and natural feelings, strategies and techniques that make us powerful and energetic. Merchandising is about a system of routine, and once the change is accepted, it is on the path to success.

But merchandising is not only restricted to the practice. New technologies have broken all the rules. Now, the Internet makes possible a new model, one that focuses on merchandising. If a site

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writes about something, it can sell it, too. The key is to embrace this technology and make this model work for you - by integrating commerce opportunities into every possible place on your web site.

Merchandising may well indeed be a mixture of science and art, but often it is moulded by some of the sharpest ideas to come from the new breed of practice managers who are committed to injecting fresh ideas into as many aspects of their businesses as they can.

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## GETTING YOUR MESSAGE ACROSS

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Getting a message across easily is not straightforward in today's complex advertising world. Often, the goal of minimising competition and maximising results by focusing your advertising Rands where your patients live work and play is clouded in an avalanche of competing messages.

That's why the process of recalls are an essential aspect of the practices management. Reaching your prospects where it matters most is the underlying factor of any advertising campaign, and achieving this goal with credibility and financial results is the measurement gauge.

Recalls are the process of telling your patient that he is due for a visit. It achieves two goals. The first is providing an important service to the patient by informing them that a consultation is due, and secondly; boosting the practices profitability.

For every R1 it costs to keep an existing patient, it costs R6 to get a new patient. However, with the process of managing recalls, relationship marketing kicks in, effectively saving over 50% of the new patient cost.

Recalls are totally ineffective unless a number of basic principals are adhered to;

- Direct the recall. Your computer system should be able to differentiate the type of recall. Recalling a patient for contact lenses, when the patient does not wear contacts, is tantamount to gross administrative inefficiency, and places the practice in a poor light.
- Pay attention to detail. Recalling the wrong dependant, or changing a Mr to a Mrs shows a total disregard for a patient. Make sure the information you capture is correct, and show the patient you care.

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- It is not a selling gimmick. Recalls play a very important role in patient relations. A recall is not an opportunity to tell patients what new services or products you have to offer, but a genuine notice that the patients' health needs possible attention. If you feel you have to take advantage of the advertising opportunity, insert vouchers into the letter.
  - Don't just post letters. Posting a mail merged letter, where the patient name and address details are all in upper case, where the letter is riddled with spelling and grammatical errors, and unsigned, goes against the principals of effective marketing.
  - Adhere to the principals of relationship marketing. Pay attention to detail, addressing the letters correctly. People like to be made to feel important, and a correctly addressed and written personalised letter goes a long way to achieving the goal.

Recalls should be a routine process, where one day of the month is allocated for this function. Generally, 8% of a practice's turnover is budgeted for advertising, and the recall process should be included in this allocation. Recalls are an excellent way of generating patient loyalty, and at the same time reducing this budget allocation. Practices that budget in the region of 5% of turnover for recalls tend to show a significant growth rate.

Recalls, if not done correctly, can be expensive, and quite frankly, a waste of time and money. The only way you can measure the success of recalls, is to have a system in place that measures the hit rate. Based on a simple calculation, it is relatively easy to measure the success of recalls. Calculate the number of patient recalls, against those that visited after the recall date, multiply it by 100, and you have the percentage hit rate.

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What you can't measure is the patient loyalty you have created, and how many people the recalled patient has referred to the practice.

A fact of life is that examinations are required regularly, and unless you remind the patient that a visit is due, that visit is not going to take place. Failure to perform your recalls is tantamount to doing a disservice to the patient, never mind the profitability of the practice.

Sending out recalls is only a small part of the process. What about the patients that did not turn up? The reasons vary;

- The patient may have every intention to visit, but due to extraneous pressures failed to make an appointment.
- The recall may not have reached the patient.
- The patient may have moved
- You may have addressed the recall incorrectly.
- Patient loyalty is lost and visited another practice.

If any of these reasons apply, you need to take action. The least you can do, is verify the address details, to minimize the recall costs in the next year, while if you are genuinely interested in your existing patient base, a telephone call to trace the patient and make a telephone booking is in order.

The methods of recalling a patient vary. A good management system will allow you to record the patients email address and email recalls. Faxing a recall is also very effective, both in terms of appointments being made, as well as reaching the target. Faxes still have an element of importance attached to them, and tend to have a high success rate.

Personal telephone calls, are extremely effective, and allow an appointment to be made with minimal fuss. Not only is it more cost effective than mail, but a well prepared telephone script can achieve remarkable results.

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Feedback and follow up reinforces the growth of patient loyalty. You need to know who your patients are in order to offer them what they want. The consequence is steady and strong practice growth.

Undertaking recalls can be an expensive process, especially if done incorrectly. Most practices see the cost of recalls in terms of the cost of postage, paper and envelopes, failing to see the underlying costs. These range from the cost of returns, bad databases, incorrectly entered postal codes and street selling, through to salaries, overheads and the immeasurable cost of patient perception.

In a recent study undertaken by Recall Services, a South African web based e-business company specialising in patient recalls and data warehousing, certain salient facts that were revealed are evident. These serve as an excellent basis for lessons for practices. Recall Services have the capacity for 1.2m monthly recalls and are acknowledged as leaders in the patient recall field;

- Of a sample of 250,000 patient records from a population of 1m, 48% of patient data entered was incorrect. This ranged from simple street name typographical errors through to suburbs that did not exist.
- On a sample of 1,000 recalls from a population of 10,000; R5,000 spent on recalls translated to additional business, within 30 days of sending the recall of R48,000, and a further R12,000 within 45 days.
- An average recall hit rate of 12% applied within the first 30 days of sending the recall, and a further 4% after 45 days.
- The outsourcing of recalls, including the capital equipment cost translates into a reduction of 14% of costs.

The lessons are clear;

If you are unable to administer your own recalls on a regular routine, paying attention to detail, outsource the recalls. Not only is it more cost effective, but leaving recalls to an organisation that specialises in recalls ensures a more focused job.

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Just posting letters, without ensuring the details are correct, will result in almost half the letters being returned or undeliverable, and more than 50% of the balance that reach the destination, being ineffective.

Not being able to measure the recalls and the success of the monthly recall is tantamount to winking in the dark – you know what you are doing, but no one else does.

The fact remains that recalls are the most effective way to reach and keep existing patients, offer a valuable service, and at the same time grow the practice.

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## RECALLS

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While this article concentrates on recalls in optometry, the principals apply to all disciplines.

Within any optometric practice there are a number of critical success factors or goals. These normally stem from the four principal elements of marketing - products, price, place and promotion. This article concentrates on the latter - the element of promotion.

There is no doubt that keeping your patient pays. Not only are the costs substantially reduced, but a patient that keeps on returning is one that continually contributes toward the revenue generating process. In fact, one of the most overlooked marketing weapons in any practice are referrals and recalls.

Studies have shown that obtaining a new patient is considerably more expensive than keeping an existing patient. On average, for every one Rand spent keeping an existing patient, six Rand is spent obtaining new patients - your greatest source of new patients is, and always will be, old patients.

Keeping a patient is not necessarily hard work. All it takes is administrative discipline and a positive regard for your patient. While professional knowledge plays a large role in patient loyalty, ensuring your patient returns to you, it also takes a positive attitude to keep your patient. With little effort, and working smart (and not hard), you can ensure a high level of patient loyalty and at the same time ensure that the costs incurred in obtaining new patients fall away. This is especially true if you consider you never hear from more than 90% of your unhappy patients.

Emphasis must be placed on your attitude. Clearly, a patient that is told during the examination what is taking place (and why), in contrast to one that is not, is a patient that perceives the optometrist as a professional. Together with a pleasant and professional manner, it doesn't take long to build up a solid practice - especially if you consider that;

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- The average practice never hears from 90% of its dissatisfied patients
  - For every complaint you hear, there are at least 9 others you don't hear from
  - The average dissatisfied patient tells at least 5 others about it
  - One in 20 dissatisfied patients tell at least 20 others about it
  - 70% of unhappy patients will return if you address the matter
  - 95% of unhappy patients will return if you solve the matter immediately

There is no doubt that loyal patients are profitable patients. Ensuring patient loyalty not only reduces the cost of obtaining new patients, but also saves you those bottomless pit marketing and advertising awareness charges.

In addition, network marketing, where a patient acts as a means of referral, is a good source of income. Generally good service results in family or friends of the patient being referred to you. Obviously an acceptable and high standard of service is necessary for network marketing to work effectively.

Growing your practice using referrals and recalls as a tool requires strategic planning and use of existing resources, amongst them;

Identify your scope of operation. If you specialise in certain areas, make that specialisation known. These may include strategic alliances with ophthalmic surgeons or other optometrists. Practices starting, expanding or relocating have an excellent opportunity to widen the scope and to become more well known by holding an open day, while practices wishing to expand can be creative by holding clinics and educational forums. As long as the goal of becoming better known to the people that count, is the primary focus, the scope of operation allows a practice to grow.

Identify your goal. If your aim is to have your patient return to you, then make it clear to the patient. Asking for a recall works - not only does it form a relationship, but gives the patient a feeling of

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belonging and that he is being cared for. If your goal is to have your patient refer your services, then make it clear. If you require a follow-up at a later stage, let the patient know and give him a recall card as a reminder. Generally, referrals are given with caution because there is no firm ground and a fear that the services may not be up to expectation. A high level of service and professionalism pre-empt this and gives you the necessary foundation to ask for referrals.

Use References. If you have performed a screening at a school or factory, obtain written confirmation and invite comments on your level of service. Provided you have achieved a high standard of service, you can use these testimonials to gain entry into other workplaces. All you need do is ask!

There are a number of methods that can be implemented to ensure that once you have your patient, the patient remains yours - the best being the effective use of recalls. Recalls are one area often neglected, purely because the optometrist may feel that he is operating at peak performance - when in fact his performance is misinterpreted for a lack of time management, staff controls or use of resources.

There are three essential elements of recalls. The first is that recalls are performed regularly and as a matter of routine. The second is that they are managed and finally, that they are measured.

### ***Regular Recalls***

Part of practice management is to effect recalls on a routine and regular basis. Typically a practice would set aside the first Monday of each month.. These could be the printing of recall labels, the extraction of cards or the printing of letters. Good computer software would allow you to mail merge a letter in the patients choice of language, or print labels for all those patients that are due for recall.

Recalls for the current month should be done in the current month. To send a letter or a card to a patient informing them that they are due for an examination next month tends not to work, because by the next month, his priorities have changed.

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### ***Manage Recalls***

In order to manage recalls, systems need to be in place. These include a computer or card system; which allows the quick extraction of information, the ability to identify whether a patient has returned for a recall, and a course of action to take if the recall was not successful.

### ***Measure Recalls***

The easiest form of measurement is to produce a list of "no-shows". This gives you the opportunity to call the patient and advise them that they are due for an examination, it gives you the opportunity to clean up your database and rid them of unwanted details, and of course, the opportunity to correct any addresses. By measuring recalls, you can identify the cost of a recall. Typically a recall should cost in the region of R1.00, with a R100 return. This is a sizeable return on investment if a significant amount of patients respond.

However, based on the national average, where recalls are not generally and routinely performed, a hit rate of below 15% indicates that recalls are not being managed correctly and need attention. Bear in mind that if you can measure the recalls, you can manage them.

When you recall a patient, your not just selling but fulfilling a need. The fact that you manage your recalls simply emphasises that you are managing that need and in so doing increasing your bottom line.

Patients appreciate that recall, your concern about their health and are happier dealing with someone that they know, as opposed to a stranger. By keeping your recalls exciting and staff enthusiastic, you can quickly and easily prevent patient defection.

Patients need loyal employees. Consistent staff ensure patient familiarity (they are easier to serve - they know you!) and that in itself leads to referrals - after all, would you deal with someone who you know, or rather than someone you don't?

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Once you have the patient, keeping the patient is not hard work. All it takes is the use of a few tools - such as the telephone. If you hear about a problem, call the patient and attempt to resolve the matter. An enthusiastic atmosphere and approach to patient relations goes a long way toward a positive attitude subsequent positive results.

Tools on hand include your staff, where empowerment goes a long way toward completing a task - where both the responsibility and authority is delegated. Not only does employee control foster loyalty, but it ensures a higher level of productivity. Of course, adequate training is a measure of the effectiveness of the recall plan.

The fulfillment of a recall strategy needs commitment, where the plan must be communicated to all. The aims of a recall must be clearly defined, exciting and, where possible, innovative. Above all, it must be followed up, managed and measured.

#### **AN ACTUAL CASE STUDY**

We were called in to assist a practice that felt was not achieving its potential.

An optometrist, specialising in contact lenses noticed that while the amount of examinations remained stable each month, the sales of solutions and lenses did not increase as the years went by. This clearly indicated that there was no patient loyalty when it came to contact lenses and solutions, and that the patient would, as a matter of routine, purchase solutions and lenses from other outlets.

Typically, the practice would dispense 110 packs of contact lenses per month to new patients, with a repeat rate of 15% to patients that remained loyal. A plan was then put in place to monitor, track and recall all new patients.

The first step was to identify those patients. Placing a blue dot on all cards, signifying a recall period of 90 days did this. Patients that required a recall date of 6 months or longer were identified with a red dot.

Before filing the card, the computer was fed with the information, which allowed the administrative staff to print a weekly recall list for all patients that were due approximately 85 days after they were last seen.

As a matter of routine, the list was produced each Monday morning and the patient called reminding them that their solution and lenses were "ready and waiting".

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### ***The Negative***

Initially there was a great deal of resistance to the plan.

The staff was unwilling to call patients, rather wanting to send out postcards. Based on the number of patients that needed recalling, the amount of time taken to recall each patient meant the sacrifice of most of the Monday and at later stages, most of the Tuesday.

Staff were initially demotivated, having to deal with incorrect telephone numbers, being put on hold for extended periods of time and having to deal with both patients and the telephone.

Patients had already purchased their lenses elsewhere or had acquired a stock.

### ***Overcoming the Negative***

One staff member was given the responsibility and authority for these recalls, which were termed cyclic recalls.

- Queue cards were created for automatic staff response and objections.
- Staff were trained in patient relations and handling objections
- Use was made of Telkom's facility to track and trace telephone numbers.

Initially a significant number of patients did not return as they had purchased elsewhere. However, after 3 sessions of calling (over 9 months), these patients returned - some even "feeling guilty" they had purchased lenses elsewhere. This was a clear case of persistence pays.

### ***The Positive***

The amount of sales generated from these recalls was exponential.

- Solution sales increased significantly
- Stock holding was reduced to what was actually needed, rather than what was thought needed.
- Cash flow was improved, as "redundant" stock was not ordered.
- The right stock was available and there was never an "out of stock" situation
- Because the list was printed at the beginning of the week, an accurate order report was available
- Patient relationships were enhanced and educated in terms of lens use Vs over-use
- Consultation rate was increased based on check-ups.
- Patient loyalty was increased, along with the corresponding profit levels.
- Due to the increase in sales, supplier cost prices were reduced
- The optometrist was happy!

### ***Costs Involved***

Where possible, all existing resources were used. The main cost was not in money.

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but time, requiring staff training and the education of adopting a new patient relation attitude.

One additional staff member was employed after 10 months because the workload demanded cyclic recalls being a full-time job. While this added an additional cost, in relation to the increased turnover, this amounted to a 6.1% reduction to salaries as a percentage of turnovers.

The telephone bill increased significantly, but in relation to turnover, reduced by 4.8%

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## MARKETING IDEAS

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Many practices believe that marketing plans should be left to big business. This is tantamount to saying that the rules of the road don't apply to taxis but to only expensive insured cars. A well thought out marketing plan can boost the practices profitability with little cost and effort.

It has often been said that a marketing plan is the roadmap to achieving awareness, sales and ultimately profitability. One thing is sure; without a marketing plan, it is tantamount to winking in the dark - you know what you are doing but no one else does.

This paper strives to let you understand how to create a marketing plan, what is a marketing plan and why is it so essential to the success of your practice.

Successful marketing plans are reflections of successful practices. A marketing plan can be stretched from just a few pages to reams of paper. They all have one thing in common – they are referred to at least quarterly. This allows you to ensure that you are on track with the goals that have been set and to track your performance as you follow the plan.

Generally, a marketing plan should cover at least one year. In most cases, because of the flexibility of practices, any marketing plan with a longer goal would require additional resources - mainly because of changes that happen in the practice, markets that evolve; and patients that come and go.

It was Henry Ford that once said that thinking is very hard work, which probably explains why so few people do it! You need to think about your marketing plan and allow yourself an extended period to write down the plan even if it is only a few pages long. Working the plan to its logical conclusion is what makes successful practices.

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Like a budget, everyone involved in the plan should be consulted. This goes against the norm of major companies who keep their plan private for security reasons. After all, general exposure would make them extremely valuable to the competition.

However, by involving all players in the practice involved in the marketing of your practice, the chances of achieving the goal quicker and easier can be achieved.

The plan should be sound and work in conjunction with your business plan. It should carry out the ideas implicit in your business plan and go hand in hand with the business plan. While the business plan and the marketing plan do have a lot in common you need to take steps to ensure that they are separate.

You cannot develop a marketing plan without involving all in the practice. Feedback is an essential mechanism of the marketing plan and it allows you to take all aspects of your practice into consideration.

Generally key people can provide realistic input of what is achievable, but they may be bordering on weak potential or as yet unrealised marketing opportunities. It is this additional dimension to your marketing plan that is good justification to have everyone involved.

A good marketing plan focuses on the patients. It includes numbers, facts and objectives, but is not primarily a core spreadsheet dealing with numbers. It is a strategic and tactical document of your plan of action. It dictates what you will sell and to whom you will sell it; how often and at what price; and how you will get the services and products to the patient.

There are defined steps in formulating a marketing plan. But before you attack this task, get your facts straight. Having the necessary information on hand avoids interruptions in the thinking and writing process. Some tools you would need to start the plan, include:

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Your last few years' financials, such as income and expenditure reports

A list of each product or service you offer, along with the target market.

A summary of your understanding of your marketplace: your competitors, geographical boundaries, useful demographic data and any information on trends in your practice.

A crucial list of points from staff. You don't have to include the bizarre ways of expanding your practice, but you do have to take them into account.

Now that you have some ammunition, the first lesson you will learn is that Marketing isn't a science, but it is a skill in which you can make steady incremental improvement. Much of the information relating to a marketing plan is in the minds of top management. Writing it down so that a common goal can be achieved is what makes it a plan – and a roadmap to achievement.

A marketing plan follows a defined structured format, with the aim of achieving the common goal syndrome:

### ***Executive Summary***

This summary gives the reader a concise description of what your practice plans to do in the next 12 months. It also forces you to organise your thoughts into a logical clear sequence. On a single page, sum up the facts, supported with the relevant financials. Be concise and stay focused on the big issues.

### ***Market Overview***

The market overview should paint a clear picture of the current state of the marketplace. You need to swallow your pride to ensure that an honest and blatant image is formed – allowing you to consolidate all the information into one place. It includes:

- *A definition of your products and services.* When defining the services or products you offer, you need to detail how they differ from the competitions. The more clearly and precisely you describe your service, the better you would be able to communicate what you have to offer to your target

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market. Over the years markets and products have become extremely specialized and you only need to walk through your local Hypermarket to see the broad range of peanut butter that is available. Twenty years ago there was only one type of peanut butter, today's stores offer peanut butter ranging from smooth, chunky, low fat to chocolate based peanut butter. It is exactly the same with your practice.

- *Positioning your service or products.* Positioning your product competitively requires an understanding of this fragmented market. Not only must you be able to describe your offerings but you also need to describe your competitors and show why yours is better.
- *The actual size of the market*
- *Your geographical area*
- *The patient base in terms of population, demographics and income levels* You need to understand and describe your target market. Developing a profile of your target patient is secondary in an effective marketing plan. Patients can be described in terms of demographics naming their age, sex, family composition, social needs and particular health issues. Seasonal matters also needs to be taken into account for example sunglasses during the summer period, which are not normally purchased in the winter period as well as the mentality of the patients whether they be leaders or followers, criminal, aggressive, traditional, modern, introverted or extroverted and finally peak buying periods.
- *The competition in the market.* Service positioning involves two steps. The first is to analyse your services key elements and decide and identify how they differentiate your product from that of the competitors. Secondly you need to establish what type of patient is most likely to use your service or product. Both pricing and placements are vital to competitive positioning in today's marketing culture and while professional fees are not often discounted pricing cannot be separated from the service.
- *Market requirements and needs.* You only need to ask yourself what are you selling. Is it quality? Discounted

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pricing? Convenience? Specialised services? Bear in mind that you can't offer at all. At the end of the day it boils down to one element, knowing what your patient wants, allowing you to decide what you can offer.

- *Your historical performance.* Setting a quantifiable goal is never easy without some historical information. So, start with your past. Review your past sales and growth over the years in different markets, the income generated by a new patient, and how new product and service introductions have fared. If over the last five years you have grown 50% in revenues then a goal of 15% for the next year is attainable. Make a low but reasonable projection for what you will be able to accomplish with your new marketing objectives. Set modest goals to start, until you get a feel for the terrain.

You should make it a point to limit the number of marketing objectives you take on in a given year. Let's face it, change can bring stress, disorient staff and sometimes even confuse your target market. Keep your objectives challenging but achievable. Better to motivate yourself with ambitious but worthy targets than to depress yourself by failing at too many enthusiastic goals.

Consider each of your services and products up against the matching products or services of your competitors. How well do you compare? Is there any significant market opportunity for you that neither you nor your competitors are currently exploiting?

You may find that the best thinkers in your company may well have different ideas about elements of the market overview. Your marketing plan will provide a good area to test different snapshots of the market against each other.

### ***Threats and Opportunities***

This section is an extension of the market overview and it should focus on the bad and good implications of the current market. It allows an objective view of how you can grow your practice.

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- What trends in the marketplace are against you? Managed care organisations, discount practices, competitive promotions and TV exposure, health costs etc.
  - Are there competitive trends that are ominous? Are your computer systems able to handle marketing strategies such as recalls?
  - Are your current products poised to succeed in the market as it now exists or do you need to start developing new products and services?
  - What trends in the marketplace favour you? Do you have special skills that patients need to know?
  - Are there competitive trends working to your benefit?
  - Are the demographics of your market in your favour or against you?

This is where membership of the local chambers of commerce helps. You can get a quick overview of the economic state of the region, as well as marketing opportunities. For an even greater picture, talk to your professional association and read your trade journals.

### Marketing Objectives

An objective is a goal and a peep into the future, using sound business principals. Decide what marketing objectives you want to achieve over the course of the plan. Each objective should state your goal with a short note on how it will be achieved. The objective must be attainable and realistic within the restraints you face – both resource wise and financially. Remember to be specific in your objectives, down to where and how the objective will be reached. Examples of typical marketing objective include:

- The Introduction of new services or products
- Extend your market share for an existing product
- Regain your market share for a service that is already in the marketplace, but waning.
- Open new territories for the Practice
- Increasing sales in a particular product, market or price range.

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- Bundle one product with another
  - Enter into long-term contracts with medical aids
  - Increase fees without cutting into turnover

Once you have make a list of the marketing goals for the next twelve months, make sure they are quantifiable, realistic and attainable. This is where a smart practice manager would involve the key staff members.

This section should also define your strategies and practical approach. It basically covers how you are going to market your services and products. There are many ways ranging from direct mail, advertising, PR, word of mouth, posters etc. Be careful not to go overboard and to take too much on, as it must be manageable, along with the day-to-day operations of the practice.

### ***Communication Strategy***

It is essential that the target market must not only know that your service or product exists, but must also have a favourable impression on its benefits. Recall marketing falls into this category. It includes everything from logo design and advertising through to promotions. Under this topic you need to know what your patients read, watch and listen to. You need this in order to get their attention and to get your message across to them. You also need to consider how often your patients need to receive this information and how much money you need to spend to get your message across. Typically in a large populated area where there is a local publication you would target your marketing towards the local publication rather than a national publication.

### ***Budgets***

Whether done professionally or amateurishly, whether a success or a failure, business activity always costs money. Your marketing plan needs to have a section in which you allocate budgets for each activity planned. This information should be in writing, identifying the responsible person. People responsible for portions of the marketing activity should know exactly what funds are available to

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them. In fact, you would be wise to involve them in planning those budgets.

Be as objective as you can about those costs you can anticipate. For cost centres for which you have no budget experience, add 20% to your best estimate. Your budget should allocate separate accounting for office hours and out-of-pocket (contracted) expenses. Make sure to enter the budget on a spreadsheet so you can manipulate it during its activity.

### ***Controls***

You have to know if your plan is effective. One of the ways is to have a pre-planned regular schedule of meetings that cover topics such as:

- Measure the success of the plan
- Making changes to the plan in progress.
- How progress in sales and costs will be monitored

Your marketing effort must be quantifiable with a realistic goal, otherwise, how will you be able to measure the progress? If you can't measure the progress, your plan is an illusion. All proper marketing efforts will benefit from the classic feedback loop: Act, observe, adjust, act again.

Ensure a high level of flexibility, because things do change. But schedule your meetings at least every quarter, and have those responsible provide feedback on the progress and whether the goals are attainable within the time limits and budgets specified. These feedback sessions allow you to define further action, such as deciding on whether efforts must be intensified or whether different tactical approaches must be adopted.

It is an excellent idea to update your marketing plan annually and to review it and adjust it quarterly. A solid well thought up plan should consolidate all the required information in an easy to use structure.

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And if you are thinking that your practice is too small for a marketing plan, think again. By now you should have at least an understanding of what marketing is. Now take the patients that you have seen over the past few years. A typical optometry practice has some 15,000 patients on file. National statistics reveals that some 25% of patients move neighbourhoods each year, and some 10% are relocated or lost to the practice because of price and service. This leaves some 9,750 potential patients. Assuming each patient is recalled for an examination once a year, it means that with some clever marketing, you can keep yourself busy with over 40 patients a day, over a 240 day working year.

Do the math! By marketing your recalls correctly, at an average cost of R8 a recall, you can generate a net income of approximately R165 per patient. Assuming your marketing was weak, and you only achieved a 20% hit-rate, it translates to a net income of R321750 – and that's for a small practice.

So, how do you do it? Start off by developing your marketing plan. Identify your weaknesses and strengths and concentrate on the key elements. For example, if your computer system is incapable of generating mail merged, relationship marketing letters or labels, then identify this flaw, and do something about it. The income that you will generate from recalls is far greater than the cost of a new computer system and the heartache that goes with it.

Over the years I have come to believe that practice managers lean towards pessimism, and consequently have developed every excuse in the book not to play by standard business rules. Objections are rife, and are generally the cause for good ideas never really taking off. Seeing a marketing plan through to its ultimate and logical conclusion is what makes a plan work. Some of the objections often raised include:

- *Limited Budgets.* Marketing does not have to bite deep into the budget to have a big impact. All you have to do is make your practice stand out. This can be done with conventional marketing methods, through to eccentric stunts. The

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challenge lies in making your promotion memorable, consistent with your practices image, closely linked to your service, and, above all, motivational. Even redesigning your recall letter or card so that it differentiates itself from your competitors can have the desired affect.

- *Limited Resources.* Often practices complain that they don't have the time to stuff thousands of envelopes. They forget that for every rand spent, it costs R1 to keep an existing patient, as opposed to R6 to get a new patient. More often than not, the emphasis falls on getting new patients rather than sustaining the existing patient base. The answer is simple. There are companies that stuff and post envelopes for a living. Use them! This is an economic decision and requires no thought processes.

Generally people are resistant to change. But it is the deviant in our society that brings about change. The same applies to the practice. It is change in the practice that can bring with it the rewards. Beside internal change, there are other methods of marketing, which include:

- *Getting your patients involved.* The best way to motivate patients for very little cost is to get them involved on an emotional or experiential level. Sample contact lenses are an ideal method.
- *Getting your suppliers involved.* A well thought out marketing plan can benefit both the practice and your supplier. Approach your suppliers well prepared, and they will welcome the opportunity of increasing their market share.
- *Make it Memorable.* You don't have to host a bungee jumping contest to stand out. All you have to do is create a special occasion. People like to feel important, and when it comes as a surprise or unsolicited, even better. A follow up

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telephone call or even a loyalty voucher will make all the difference. I know of one practice that never bills for the first and last visits – and the practice is well known in the area, by simply using an effective marketing technique. Another group of practices offer SAA Voyager miles – all tactics aimed at marketing and bringing the patient back to the practice. They are not called loyalty programmes for nothing!

- *Getting Known.* It doesn't matter whether you use outrageous stunts or basic marketing tactics. You still have to rely on strategic thinking to develop a core message and strategy. While stunts may be platforms for your product, they must be relevant and communicate something memorable that reflect positive on your practice. The bottom line is to have a theme you can support with other tactics, not just a single event. So it's important that your logo and message is clear and constant – appearing everywhere, and not just on your letterhead.

Now, get creative by combining strategy and fun with patient involvement, and you will grab attention. After all, marketing is about making your message stand out.

One way of marketing your practice is by using recalls effectively. Recalls generate an income that far exceeds the expense, while at the same time creating patient loyalty and providing a service to the patient. Most practices fail to exploit this opportunity, resulting in a recall-hit rate of less than 10%. Reasons for failure include:

- Computer systems that are unable to tag patients for recalls, or identify the date of last visit
- Badly worded or incorrectly spelt recall letters
- Incorrect recall or patient information, such as addresses or patient vs. dependant
- Recall notices that look like junk mail and ignore the principals of relationship marketing

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- Inconsistent recalls. Recalling patients from a database on a whim instead of on a routine or schedule is doomed to failure.
  - The mistaken belief that the cost outweighs the benefits.
  - Acting on bad information, generally incorrectly entered into the computer system

In today's business environment, a good practice management system is essential, as it is the basis for information gathering required in a marketing plan.

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## USING YOUR DATABASE

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As we flow into the 21<sup>st</sup> century, more and more emphasis is being placed on relationship marketing, where the relationship is created and maintained on a one to one level. Making sure that your database is up to scratch and storing the relevant patient information, goes a long way to ensuring that you are not left behind.

Keeping a patient pays. It costs six times as much to obtain a new patient as it does keeping an existing patient. Therefore it makes sense to keep your patient database up to scratch.

Most people think that a database simply holds basic information about a patient, such as the name and address. But a good database holds more than just that. It is a tool that can build up your practice within a very short time. After all, a patient would rather go back to a practice that he or she is familiar with, rather than tread in unfamiliar waters.

### *Creating a Database*

There are a number of basic principals that apply when creating or maintaining a patient database. A number of off the shelf packages are available for database creation, but a good medical management program should have all the relevant information.

- **Don't Invade Privacy.** Make sure that the information that is stored is relevant to your practice. The fact that a patient may be divorced may have relevance if you are a psychologist, but has no relevance if you are a veterinary surgeon.
- **Accuracy.** A database that is not accurate is as good as no database at all. Not only does it waste money and time by sending out notices to a postal code that does not exist, but also sending out a notice, which has no relevance to a patient, reflects poorly on the practice.

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- Use Advanced Tools. There are a number of aids that validate information, such as postal code and suburb checkers. Most advanced medical accounting software supports postal code checking, a source of frustration and mail returns.
  - Keys. Make use of keys to direct the promotions. Keys are tokens in the database that identify your target market. For example, you wouldn't send out a promotion for dog food to a cat household. Similarly, if the household were both a cat and dog household, you would send a combined promotion.
  - Get your facts right. Capturing your information correctly is vital. There is nothing worse than sending out a letter addressed to "Mrs.", when it is destined to "Mr.", especially if the "Mrs." is no longer around. Attention to surname spelling falls within the same category.
  - Be language specific. When designing your database, bear in mind that Afrikaans letters to English speaking households are usually turned. Make sure your database allows for the recording of the language preference.
  - Good Design. A good database should allow for flexibility and expansion. But more importantly, the design of the database should allow for the duplicate checking, or possible close matches of duplicate records.

### ***Maintaining a Database***

One of the best ways of maintaining a database is a patient questionnaire to be completed at the time of consultation. This pre-printed form should have all the relevant information that is applicable to your practice and which would help you in targeting promotions and bringing the patient back to you. Beside the obvious Information, it should include:

- The postal address as well as the physical address

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- The ID number, from which the date of birth can be derived. Ideal for sending out birthday cards.
  - Any specific clinical information that can be used for the promotion of new products and medicines.
  - Whether the patient wants to receive newsletters or promotions. Asking a patient whether they want to receive mail from you saves you the expense of having your mail trashed at its destination.
  - Check boxes for field of interest.
  - When designing your "patient input form", make sure that it is easy to complete. Making it simple ensures that it will be completed properly. Use of tick boxes, where possible, is recommended as it speeds up the process and ensures a high level of accuracy.

*Pay attention to your database.* When capturing information, pay attention to detail. It is that detail that is going to allow you to target your market and achieve results.

*Mail Merge your database.* The days of sending our standard cards are slowly coming to an end. People respond far better to personalised letters. Use a mail merge program to generate your letters. Better still, email your promotions, they are cheaper and quicker.

*Make it easy to respond and maintain.* A database should have clearly defined screens, allowing for the easy capture and maintenance. In the same way a simple capturing form ensures accuracy and completion, so does the data entry screens.

*Use Intelligent Search Criteria.* Once you have created your database, you will need to maintain it. Take into consideration that you may have company names as well as individuals within that company, and allow the facilitation of quick global searches. Most contact managers allow searching by a number of criteria.

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*Establish a backup.* A fact of life is that computers get old and break. Make sure that you have a good backup system in place for when you need it most. There is little worse than losing all your information, especially if you have placed a fair amount of effort into its creation.

Automate the functions. In many cases, the information entered can be used for recalls or reminders. Automate this function by triggering date sensitive events. In this way you provide a reminder service to your patients, but at the same time, boost your profitability.

Maintaining a database is a matter of routine and discipline. Set aside a few hours each week to get the database up to date. The best databases are those, where a specific time each week is allocated for maintenance. Keeping it up to date pays and can vastly improve your profit potential.

### ***Obtaining Database Information***

Once you have created your database, you need to populate it with information. The best place to start is in the practice, with your own information. You may already have the basis of a database on cards or on your accounting system. Obtaining information from third parties is normally expensive and reserved for the large companies.

An in house patient record card is an excellent starting point, taking care to obtain enough information about the patient that is relevant to your marketing goals.

People like to feel important, and by designing your data collection sheet in such a manner as to create this response boosts the accuracy and validity of the information. Remember, that the usage of the information is what it's all about; therefore relevant and accurate information is paramount.

Data collection should be a matter of routine. By establishing a routine, the system will be maintained and the benefits can be reaped.

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Standardisation too, is an essential element, both in terms of layout and the obtaining of information. Each patient should be asked whether they have completed the record card as a matter of course.

### ***Using your Database***

Your database should be the backbone of your marketing drive. It is an ideal means to generate business during off peak periods while providing a service to the patient, informing them of visits due, pending check-ups and market innovations. However, unless used properly, will result in an additional overhead without a return.

*Pay attention.* A sloppy letter that has not been well thought out and does not get the point across clearly simply confuses the patient and does not do any good to your credibility. Attention must be given to spelling and the general layout.

*Target the database.* If you have stored the relevant information, you should be able to target your market. Make use of the database keys that allow you to select joint database fields to ensure a correct target.

*Split your database.* Not all patients have the same requirements and needs. By splitting your database into pre-defined fields, where you can zone in on a specific group, you minimise the cost while boosting the potential income.

*Make use of a Postscript.* Even if your letter is not read, the postscript normally catches the eye. The PS at the end of a letter should be snappy and in a line or two sum up the benefits of your promotion or mail merge. A well thought out and designed database will allow the fields to be mail merged into the letter for maximum effect.

*Automate the process.* Database administration is designed to make the amount of work easier. It should not be necessary to spend much time generating reports and useless information. For example, your accounting system as a database should automatically record the date of the last visit and allow you to generate information based on

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patients who last visited you six months ago, sorted or filtered within categories.

*Don't repeat.* It is easy to have your database to generate recalls, overdue letters, reminders or promotions. But take steps to ensure that the same letter or document is not sent repeatedly to the same patient. This waste of postage and time tends to infuriate the recipient.

*Take a step into Y2K.* The Internet grows on an hourly basis, with more and more people making use of email. Capture email addresses and use the Internet for your promotions. In fact, why not go the whole way and take a leap into the 21<sup>st</sup> century by sending SMS messages for recalls?

*Confidentiality.* Keeping your database to yourself leads to patient trust. Allowing your database to be used by others is quickly picked up, especially if you have a typographical error, and leads to your correspondence being seen as more "junk mail", making waste of your efforts.

There is no doubt that a good database saves time and money and can be of great benefit to both the practice and the patient. However, it is a matter of routine and ensuring a high level of accuracy. Requiring a fair amount of administrative discipline, a good database, which is easy to establish and maintain, can go a long way to boosting your relationship marketing and profit potential. Make it easy and it will happen....

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## THE IMPORTANCE OF FILING

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If you have ever kept a patient waiting while you search for a misplaced card, then it's time to look at your filing. This article looks at the implications and effectiveness of your filing system.

A few weeks ago, I went for my regular eye examination. While I was prepared for the wait, I was not prepared for the incredible delay before seeing the optometrist. A wait of almost 20 minutes while the receptionist hunted for my card almost cost them a patient – after all, it was only two years since I had last been for a check-up.

If your records are in a mess, your storeroom bursting with boxes of old cards and documents; and your filing cabinets are full, perhaps you need to evaluate whether your systems are working and its time to take another look at your data retrieval and storage systems.

Most practices work under severe space limitations, but still have a mountain of data that needs storing. Not only are these files packed with patient records, but are contaminated with administrative paperwork such as old correspondence, payroll files, business accounts and Vat invoices.

Storing large quantities of paper is problematic and has its own set of problems. The cost to a practice in not being able to retrieve information quickly can mount. You only need an irate patient to walk out because a card has been misfiled, to start counting the costs; which can creep up quickly, especially considering;

- Retrieval of information is slowed down and can result in unnecessary duplication of patient records.
- The cost per square metre and the shortage of valuable and expensive space
- A large quantity of stored paper presents a serious fire hazard.

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- Statutory requirements exist in respect of certain data for example payroll files and tax invoices, which need to be kept for several years.

Implementing a successful and proper filing strategy depends on a number of fundamental principles:

- Each practice differs, with no two practices having the same administrative requirements. The ability to identify your practices filing needs, will allow you to design and implement a proper strategy.
- Regularly challenge your current working practices and find new and innovative ways to deal with problems that could arise.
- Explore new ideas by thinking ahead.
- Keep up to date with technology.

Most practices still have to keep hard copy records, whether they are in the traditional style patient record cards, envelopes or the larger A4 folders. So finding the right high-density storage system is typically always crucial. Certain filing systems have weathered the storm and have been around for generations – primarily because they work.

A system that is compact, allows easy retrieval and taking minimal space is a winner, such as the traditional tiny footprint carousel cabinet. It of course, has the added advantage is that several people are able to access the information at the same time.

There are several filing companies that specialise in data retrieval and produce a wide range of the indigenous filing systems. Most are PC friendly and allow you to sync your computer-generated number with the patients file number.

There are many types of filing systems on the market today. They range from simple open self-systems to computer controlled electric powered vertical carousels housing a number of filing units on the

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“roll and tell” principal. These are sophisticated and expensive systems where racks can be accessed within just a few seconds via a keypad, while others swivel in a central private region for confidentiality or aesthetic reasons. Other manufacturers have developed cabinets mounted on hydraulic racks for maximum space loadings. However, most of these are impractical for the optometrist, who generally requires a simple, yet effective system.

A word of warning through! Choose a filing system that does not allow you to match your computer file with the paper file, and you are sure to have patients walk out on you!

Ultimately, the logical step is to move to a completely computer base system for storing information. A typical optometrist would have in excess of 15 000 cards all taking up valuable space. It is not the volume of cards that matter, but the fact that they must be filed correctly to ensure proper and quick retrieval. Modern practice management systems allow integration with the patients computer based record, where the card information can all be centralised for quick and easy retrieval on a computer system. This includes visual images such as photographs or specific pathological information.

Practice management and new technologies are potentially formidable resource and partnership, which can be used to necessitate changes to great advantage. The ability to have a software-billing package, that records all your necessary patient records, scripts, notes and financial information at one point, allows quick and easy retrieval, and alleviates the necessity for all those cards. This of course assumes that the optometrist is computer literate and has a PC on the desk.

The day is not far away where patients will carry a credit card size smart card, containing all their relevant medical information and history.

Storage and retrieval becomes a problem because it is not correctly managed. How often have you gone into your storeroom to be confronted with cupboards packed with files or archive boxes? Or

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into your garage at home, where boxes and files have been gathering dust for the past few years?

Most of these documents will probably never be looked at again. Indeed, the practice would have to be facing a very serious law suite, Vat audit or CCMA hearing to justify the time, trouble and effort to search for a single sheet of paper. And then it is probably misfiled! So why not recycle?

With the exception of supplier invoices, the vast majority of paperwork in the practice has probably been computer generated. Storing two or three sets of computer backups, each kept in a separate location to protect against fire or theft, allows you to manage the paperwork, and retrieval becomes quick and easy. This effectively provides the equivalent of two or three sets of archives. There is simply no point in keeping a hard copy when you can run off a clean new copy whenever required. Hence, the importance of backups. The exception of course is your supplier invoices, which may be required for a vat audit.

To cater for the exceptions, any documents that have not been computer generated can be scanned into the computer using simple scanners. These now retail as low as five hundred Rand. Scanners operate by digitally converting text and or pictures into computer files without the need for retyping. Basic scanners can scan at a rate of three to four pages per minute. The more advanced black and white page scanners can scan up to 20 pages per minute.

Most scanners have an automatic document feeder with a capacity of at least 50 pages, so it can be left to process a fair quantity of text unassisted. Once the document is scanned, it is a simple matter to allocate the file to appropriate directories. This too, is made easy with software allowing you to do this, accompanying some scanners.

The essence remains that most practices have vast amounts of patient cards. These cards need to be retrieved quickly and easily ensuring maximum efficiency. It impresses a patient no end where a

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receptionist can extract the patient's card and know the complete history immediately. Moreso when the record is stored electronically.

Many practices also own CD ROMs, which can access vast storage of information. However they are not just used for extracting information, but can be used to hold the information. Writable CDs can store an equivalent of some 400 000 sheets of A4 paper and take just a short while to write the information. An added bonus is that most CDs will hold the information for up to 50 years.

You will need to add a CD writer to your computer in order to make this effective. Costs vary and range from an entry-level CD writer, (which normally takes longer to write the CD) at about R1000 while the more advanced SCSI (and reliable) writers cost in the region of R4000.00. The disk themselves average in the region of R10.00 and hold a massive 650Mb of data.

Compare this with one or two mega bytes that can be stored in a normal three and a half inch stiffy disk and you can begin to see the advantages of keeping all the paper on CD. A major advantage of CDs is their phenomenal retrieval speed. Access to any one sheet on the CD is virtually instantaneous, because of laser optical scanning as opposed to slower magnetic techniques associated with floppy disk storage.

A common argument against electronic storage is the misunderstanding that an original is always required. But the point is instant retrieval. It is often said that practices don't store their information electronically because it requires a signature or in the event of a legal wrangle, the original is required. Many argue that documents can be changed at a later stage if they are stored electronically. However if they are written to a CD or even a tape, proof of the date that the document was stored exists on the drive, making this argument invalid.

Moreso, a compromise is always pertinent, where a section of the administration can be computerised or digitally filed.

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Therefore there is no cause or reason not to file optometric documentation electronically. A word of warning should you decide to go this route. Once data is stored on the CD it can only be accessed by an automatic retrieval system. Therefore you must have an effective filing system allowing you to maintain the confidentiality of the information as well as to recall the information, as and when it is required.

Storing information electronically is a reality, especially with the SA Revenue Service giving the green light to submit and store important returns such as the Vat and PAYE returns electronically (and via the Internet). Practices that at this stage, don't own a computer, are at risk of being left behind.

Capacity for change is an invaluable management tool. There are very few practices in this millennium that cannot claim to be affected by increasing costs. In the health care profession, inflation is running at all time highs. As they peak, practices are growing more efficient and are seeking greater numbers of patients. As a result more paper is inevitable and the problems will grow exponentially.

The time has come to take a tough view on the way records are stored. Technology itself cannot be viewed in isolation, this should be recognised as a management tool, supporting strategic and operational needs. After all, the next time you keep me waiting for 20 minutes while you search for my file, you won't see me.

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## **BUDGETS**

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Financial discipline within the practice ensures that, with the right controls, the practice has a sustained, profitable and controlled growth within safe financial bounds. Budgets are an ideal way of ensuring these controls are in place.

A budget is essentially a financial plan, which allows you to mould your practice, define areas of expenditure, project your income and determine the financial viability of your enterprise. It is one of the most useful financial tools to gauge the progress and growth of the practice. In its simplest form, a budget is a schedule of expenses and income for a specific future time period.

The design and implementation of a budget has far reaching effects on a practice, allowing you to identify possibly unknown or hidden expenses and giving the practice the potential to stay healthy and grow rapidly

While most practices do not have a budget, it is a proven fact that those with budgets have a clearer understanding of the financial implications of running a practice, and the related financial rewards. This is especially true if you use the budgets as an overview of all financial occurrences in your practice.

It is generally the lack of understanding of budget principals and the discipline involved in maintaining budgets, which force practices to operate without a budget. These practices are normally experts at "putting out fires" and "making plans". The fact that budgets do not give immediate results, and require a period of time to see the effects, add to the factors which result in practices not implementing budgets.

Practices that have budgets in place normally have them forced upon themselves by financial circumstances or on demand by financial institutions.

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Maintaining a budget requires a strict discipline based on clear objectives, regular monitoring and quick corrective action. Because a budget is a notational amount based on possible expenditure (and income) the actual amount will differ from the budgeted amount. The difference between the notational and actual amount is known as the variance. It is these variances that need to be monitored and, where applicable, corrective action taken.

There are a number of advantages associated with budgets, which make the effort of preparation well worth the exercise. Amongst them;

- *Practice Objectives Are Defined.* By preparing a budget, you determine the financial objectives of the practice. A good budget will be able to tell you what your income must be in order to cover overheads, whether you have the resources available to expand or whether a partner or associate is the right choice.
- *Expenses Are Controlled.* Because each expense is budgeted, when you review the actual amount against the budgeted amount, you can quickly see the difference, and in this way over-expenditure is easily and timely identified, allowing you to control expenses.
- *Staff Responsibilities Are Defined.* By involving all staff in the creation of a budget, you define their spending parameters and because of their involvement, they are aware of their budget constraints and responsibilities. In addition, the budgets act as a means of measuring performance.
- *Trigger Points Are Defined.* Key actions that may need to take place in the practice are defined. By budgeting for new equipment, staff or resources, time trigger points are defined for implementation.
- *Financial Performance Monitored.* Because budgets are reviewed monthly, you have the ability to monitor expenditure, income and financial activity on a regular basis.
- *Defined Allocation of Resources.* A good budget covers all aspects of the practice expenditure, which allows you, on

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review, to determine which resources are under-utilised or over-extended, giving you the ability to prioritize the activities and resources of the practice.

- *Source of Performance.* Regular updating of budgets allows you to use it as a source document for financial institutions and their scrutiny.
- *Early Warning Indicators.* Large variances in actual versus budgeted figures can act as a clear indication of a potential problem in a specific cost centre.
- *Practice Motivation.* Used properly, the budget can act as a tool for motivation, especially if it has been drawn up in consultation and cooperation with those responsible for the maintenance of the budget.

Like most financial reports and models there are a number of steps to take in the designing and implementation of a budget, these are:

- *Establish Objectives.* When designing your budget, you must design it with an objective in mind. If, for example, your objective is growth based on profitability, then you must ensure that all expenses and income is taken into consideration. If the objective is to examine the viability of opening another practice, then you must cater for practice growth etc. Once you have established your objective, set a six month and twelve month goal. When involving others in the establishment of a budget, it is essential that individual's objectives be in accordance with the overall practice objectives.
- *Examine Individual Cost Centres.* Careful planning entails the incorporation of all cost centres and expenditure points - these range from costs that you take for granted - such as office refreshments, through to major expenses such as salaries. Your practice income should be broken into cost centres, such as professional fees, income from material and income from stock - allowing you to identify and focus on

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key areas. A good source for cost centres is last years income statement or trial balance.

- ***Eliminate Inconsistencies.*** Within any practice, cost centres should be consolidated as far as possible. If you have two telephone line, group all these costs to one telephone cost centre. To maintain a budget with hundreds of costs centres becomes intolerable. If you have a practice near a holiday resort and have seasonal fluctuations, take these into consideration.
- ***Prepare the Budget.*** While it may seem that the process of drawing up a budget is complicated, it is in fact an easy exercise, requiring minimal expertise. After all, no-one knows your practice better than you. After you have identified your cost centres, calculate your expected expenditure per month and expand it to twelve months. There are a number of computer programs which allow you to create a budget quickly, with spreadsheets remaining the all time favorite - all with one objective - ensuring that the budget is easily understood.
- ***Have it Checked.*** If you have others within the practice responsible for expenditure such as stationery or postage, have them look at the budget and give the approval. You also need to check whether the budgets are realistic. If you are opening a new practice you will be using the zero based method, which assumes no financial history or the re-creation of budgets based on projections. If you have financial statements from last year, use them to check against the current budgets to test whether they are realistic.
- ***Involve Everyone.*** Everyone in the practice, either directly, or indirectly contributes towards income and expenditure. It is important to make those responsible for these cost centres aware of the budget and the leeway or constraints that apply. While essentially a financial tool, budgets should also be

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used as a management tool, involving staff by seeking their input and advice. Not only does this ensure a greater level of accuracy, but by involving staff, it also serves as a motivation. When involving others, it is important that the budget is a negotiated figure serving as a challenge rather than a constraint. Take the necessary steps to ensure that your budget is both attainable and achievable. Assign responsibility for achieving each section of the budget to those who control the expenditure.

- ***Compare Performance.*** A budget that has been created and not monitored is not worth the effort in starting the exercise in the first place. Expenses and income must be monitored against the budget as a matter of routine. While budgets are normally prepared annually, they should be checked monthly.
- ***Feedback.*** Feedback on the budget should be of a regular and constructive nature, highlighting significant differences. The feedback should be on a timely basis so that the budget is current can be related to recent events. Focus should be placed on accuracy to ensure confidence in the budget.
- ***Adjust Regularly.*** The cost of running a practice changes regularly and are dependant on a variety of extraneous variables - ranging from seasonal upswings, through to changes in legislation. A workable budget is not one that is rigid, but flexible, allowing you to make changes as and when required.
- ***Investigate Variances.*** Because of the changing nature of the practice, the budgeted amount may not necessarily agree with the actual amount. These variances need to be investigated and appropriate corrective action taken. By comparing variances you have the necessary tools to identify problem areas and at the same time pin-point areas which are performing to expectation.

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- **Action Variances.** Variances act as warning indicators that there is something amiss in the practice. Using this trigger, after investigating the reason for the difference, you can action changes to variances. These variances could be caused by a number of factors, including; receiving information that is not accurate; receiving outdated information or an unrealistic budget.
  - **Update The Budget.** Once you have made the adjustments and investigated the variances, update the budget and let those responsible know the changes. While budgets can act as a tool for projecting future earnings, it can also serve as a tool for your bank manager, indicating that earnings (and profitability) exceed projections or that the income exceeds the expenditure.
  - **Use Opportunities.** Once you have reviewed your budget, you can use it as an opportunity to tighten control measures. If, for example, you have exceeded your budget for stationery by 200%, it is a clear indication that you have either budgeted incorrectly, or that there is abuse. Other opportunities include the confirmation of an agreed action plan and the ability to take rapid action in the control of expenses. One of the most significant opportunities a budget has to offer is the ability to compare your budget with the overall budget guide-lines to make sure your objectives are consistent - in other words, it allows you to know where you are headed

Whether you create your own budget or have your accountant do it for you, the financial discipline that ensures you remain on top of your financial decision is well worth the effort.

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## **TIME TO BUDGET AGAIN ?**

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If your outgo exceeds your income, then your upkeep will be your downfall.

Like a newborn baby that constantly needs attention, so does a business need guidelines and nurturing. One of the most effective ways of attaining this goal is by implementing a budget that acts as the roadmap for the practice.

Running a profitable practice requires adequate cash flow to ensure that operating expenses are consistently being met. Even the most conscientious person who tries to budget for an entire year may underestimate or overlook a variety of everyday expenses.

Budgeting problems can result from miscalculations, over capitalisation, overspending, or, quite simply, growing too fast. Whatever your situation, a good budgeting rule of thumb is to err on the side of caution. This means it is usually best to overestimate your expenses and to be conservative on your income.

To plan a realistic budget, practice managers suggest calculating both best-case and worst-case financial estimates, then settling on numbers that fall somewhere in between. Others feel that a visit to an accountant can prove invaluable in helping to project your business' expenses, revenues and cash flow.

There's no single, foolproof method as a budget is simply a guide as to the expected performance of the practice. As it is an estimate, it should be revised from time to time, to give as accurate an indication as possible. Generally the progress against the budget should be reviewed on a monthly basis, departmentalising the expenses where possible to enable snap-shot views of the practice. Constant monitoring of the budget;

- Enables an internal control on over expenditure

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- Helps you to remain realistic about the goals and expectations.
  - Gives you a much clearer picture of potential income and expenditure
  - Allows you to plan for taxation

Essentially there are two types of budgets. The zero based budget does not rely on any previous history, while the historical budget bases its projections on a previous accounting period. Both have costs as their prime ingredient, which include centres such as salaries and wages; rent; insurance; electricity, tax payments; materials and supplies; postage; advertising and marketing fees; telephone and fax charges; credit card, loan and interest payments; cleaning and maintenance costs; accounting and legal fees; motor vehicle expenses; and unexpected miscellaneous – just to name a few.

In developing your budget, costs should be divided into two segments. The first being fixed costs, and the second being variable costs. A typical example of fixed costs would be rent, where the amount is pre determined.

When developing your budget, it is essential that it is a team effort as all parties will play a role in maintaining the budget and measuring the performance of the practice against the budget. To achieve this goal;

- The budget must be easy to read and understand. Complicated budgets can lead to confusion and lose sight of the goal.
- The budget must be as accurate as possible so that confidence in the budget is maintained.
- The format of the budget must be of such a nature that the floor staff can comprehend the cost centres and how the budget affects their performance.
- The budget must be reviewed on a regular basis by both those who devised the budget and those who are responsible for its implementation.

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Successful budgeting is people orientated and relies on a number of management functions. These include;

- A culture of cooperation between those that have developed the budget. Because budgets must be reviewed to keep on track, you have to rely on those who established the budget to maintain the budget.
- The targets that are set must be realistic and attainable. To set unrealistic targets will not only make a mockery of the budget, but will result in inaccurate projections.
- It allows the generation of feedback and analysis as to whether the objectives have been reached.

It may seem that budgets are time consuming to prepare and review. However, they are not primarily designed to enforce constraints on the practice but to;

- Define the objectives of the practice. A good budget will highlight the expectations of the staff and give a direction as to where the practice will be in the future.
- It defines key actions that the practice may have to take in order to achieve these goals. In turn, these actions are highlighted giving staff a common goal.
- Staff duties and responsibilities are defined and the budget can be used as gauge as to the performance and achievement of these goals.
- Staff conflict is reduced because a common goal has been established.
- Because the budget outlines the financial goals of the practice, any variance against the budget will highlight potential problems and pave the way for corrective action.

Applied correctly, the budget can be a positive motivating force. And while the budget offers a complete overview of the practices activities at a glance, it allows for quick decisions especially when it

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comes to a trade-off of resources – one way in which the correct management of a practice can pay for itself in a matter of minutes

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## INTEREST RATES

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Have you ever wondered why when the interest rate changes in the USA, that it makes headlines on the local news? Or when on October 15th, when Alan Greenspan announced a change in US interest rates, the world economies rocked?

Have you ever considered why a drop in the US interest rate of a quarter of a percent makes headlines when it fails to significantly boost the U.S. economy? Or the highly unusual move of a change in the Fed's interest rate shocks investors and sends U.S. stock and bond markets soaring in late-day trading?

What does it all mean and how with a rate-drop or increase affect your practice?

Fifty or even twenty years ago, a change in interest rates in one country would not seriously affect the economies of another, mainly because of the impact of an immediate change and the time taken to disseminate news from one point to another. However, today we are part of a global economy with a village type concept – where news travels very quickly and markets react almost immediately.

In the broader sense, the interest rate is determined by the percentage that the Reserve Bank Lends money to commercial banks and the determination of the rate that one bank lends money to another. By controlling the interest rate, the government can control the growth of the economy.

The recent hikes in the interest rate have been a knee jerk reaction to the M3 money supply, that is the amount of money that is currently in circulation. Too much money in circulation generally means a risk of high inflation, which makes South Africa a unattractive for investment, which in turns slows down capital growth and the possibility of unemployment as a consequence. However, the money supply is dictated by the government, often caused by simply printing more money.

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In order to bring the money supply under control, and to restrict borrowing, the Reserve Bank interest rate is increased, making the cost of borrowing money more expensive. With the higher interest rate, consumers are expected to curtail spending and to buy less to slow the economy down, by reducing the money supply.

The opposite applies in a stagnant economy, where if the lending rate is reduced, the Reserve Bank can jump-start the economy. Generally, this follows with a drop in the "prime rate", used as a bench mark for lenders to adjust their interest rates.

Right now, the authorities believe that there is too much money in circulation and as a consequence, the possibility of increased inflation and the ability for the country to meet its financial commitments are at risk. This results in a spiral effect, where you land up paying more money for no more benefit, on loans that you may have taken at a lower rate.

Because of instant communication, global assimilation and village economics, financial prices such as interest and foreign exchange rates have become more volatile in recent years. In turn, this makes financial costs more difficult to predict and control. Many banks offer fixed rates at any given time, which in itself is a gamble because of the high fluctuations in the rates – both up and down. While there are obvious budgetary benefits to negotiating a fixed rate, changes in the economy can dictate otherwise.

Recognising this phenomenon, futures exchanges grew out of the need for a mechanism to protect lenders and borrowers from the effects of fluctuation in prices and to reduce the short and long-term impact of fluctuations in interest rates, foreign exchange rates and share indices.

Essentially, buying on credit exposes you to the risk of these fluctuations and the current punitive interest rates. Often, the need for capital expenditure is forced on you, necessitated by growth in the practice and the need for additional, new or replaced equipment.

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The trick is making sure that under these conditions that you need the equipment and that it will generate a profit in the practice.

Your return on capital is what will dictate the effectiveness and economic sense of acquiring capital goods, while proper planning and pre-planned budget formations will minimise your risk and exposure to high interest rates.

High interest rates have certain advantages for the practitioner, providing that you have cash on hand. With interest rates at an exceptionally high level, with the certainty that they will drop over time, considered investment at a fixed deposit would protect your capital where they cannot be affected by falling interest rates.

Certain principals apply when you are a borrower or lender in the current type of economic environment;

- The money market has shown good stability over the past decade. With the high rates, residual cash should be deposited at fixed rates to take advantage of the peaks.
- A delay in taking and implementing the decision costs you in terms of interest income because of the gradual swing downwards.
- A fixed rate at a high rate allows you to plan and budget accordingly
- Shop around for quotes. Like any commodity, interest rates are subject to negotiation. Loyalty to a banking institution is normally one sided (from your side), which often results in missed opportunities.
- Consider the underlying security of your investment. A high return normally carries a high risk, and in volatile markets, conservatism normally gives the safest return.
- Make use of professional advisors, including your accountant. After all, you wouldn't expect your accountant to neuter a dog, why should your accountant expect you to understand the impact of interest rates and long-term deposits or loans?

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There is concern in the money market that the Reserve Bank may step in again to protect the Rand. The risk exists, especially if there is another attack on the Rand, which could result in another hike in the interest rates. However, analysts feel that while this possibility cannot be ruled out, the money market rates are so high, that even if the Reserve Bank were to increase the rate, locking you into a 12-month investment at high returns is a minimal risk.

Changes in interest affect us all. The cost of the money outstanding on your debtor's book is a prime example. While you may be aware of the interest you are paying on your overdraft, you may not be aware of the impact cost that your book holds. Typically, if you are turning over your medication stock five times a year, it deprives you not only of the interest return, but prevents you from using the profit generated to build wealth. This capital deprivation impacts on your practices growth. Using a few basic business principles will alleviate this burden and reduce your interest exposure;

- Offer a cash discount to increase your cash flow. A substantial discount of 15% is a break-even point on a debt that takes 90 days to be collected.
- Post interest on your accounts. While you may land up reversing the interest, you let the debtor know that the amount is overdue.
- Make it easy for the debtor to pay, encouraging the use of credit cards, if payment by other means is not available.
- Make use of messages and signs. Let your debtors know that you expect payment within a certain period and that delaying payment could result in higher professional fees
- Make use of recalls, where the income of the practice can be increased with minimal risk and cost of treatment expenses.
- Credit cards too, are caught in the high interest trap. While interest is only charged on the overdue amount of a card, the rates vary between 29-32%. If you have the choice of a bank overdraft or using your credit card, the overdraft is more economically viable.

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Often, it is necessary to obtain credit, often with long-term interest implications. Bonds are a typical example, where the capital required to acquire a new surgery must be raised immediately, but paid back over an extended period of time. In essence, credit is;

- The belief and faith by a financial institution in your paying back money lent to you.
- The amount of money a company is willing to lend you.
- Your reputation as reflected on how well you pay back what you say you will.

And credit is always subject to interest – some at fixed and some at fluctuating rates. In the case of fixed rates, it becomes easy to plan and budget. However, due to the recent attack on the Rand in the open markets and the action of the Reserve Bank to protect the currency and capital base, rates have increased, which reduce your real income unless steps are taken to increase your income source.

*Pay your bills on time.  
Plan your budgetary requirements  
Have a cash flow plan in place  
Implement a business plan  
Plan capital expenditure in advance  
Evaluate your purchases based on necessity  
Make optimum uses of existing equipment to generate returns.  
Most likely you are reducing your interest rates so you can get out of debt faster. By reducing your interest rates, more money goes to pay the principal rather than interest, ensuring your debt is paid off sooner and at a lower cost.*

At the time of writing, the prime overdraft rate was 17%, and while it is expected to ease over the months ahead, you may not necessarily be paying the prime rate, as it depends on the exposure to the bank and your credit rating what rate you will be paying. There are however a number of principles in minimising your interest exposure;

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- Make payments on time. The better your credit, the lower the rate you will be charged. By building up a good credit history, you stand a better chance of attaining a better rate.
  - Negotiate. Bank managers understand the current economic climate and it is in their interest to insure that you are able to service a loan.
  - Shop around. Pay the lowest possible interest rate (The additional percentage you pay for the privilege of borrowing money) by finding what the market has to offer.
  - If your credit is bad, you will pay more than if you had good credit. This is due to an additional amount added to cover a possible bad loan (perpetually overdue) or unrecoverable loan (never paid back).

Fortunately for those of us with good credit, most of these costs are carried by those with bad credit. So the simplest way to reduce your interest rates is to make sure your credit is good.

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## COST CONTAINMENT

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Even practices, which appear to be profitable, are forced to close because of a lack of ready funds. The existence of a practice depends on the availability of short-term funds that enable it to perform its normal functions. Known as the working capital (the difference between the current assets and current liabilities), these short-term funds are normally "tied-up" in stock and debtors. If these funds are not quickly and readily available, you could be faced with a cash flow crisis with not enough ready cash to meet your creditors payments. In order to avoid a cash flow crisis, your practice should carefully monitor each item of the working capital, namely debtors, stock and creditors.

### *Debtors*

Credit sales are virtually unavoidable today and even the patient who promises to come in next week to settle the account must be considered a debtor with the consequences impacting on your cash flow. What must be achieved is a balance between giving good credit terms, effective administration and a strict collection policy.

When it comes to supplying your services on credit there are two major aspects that must be considered. First the initial risk of supplying credit, and secondly, the cost of recouping the money. In both cases, measures can be taken to ensure that both the practice and the patient benefits from this arrangement.

- *Make It Clear.* By instructing your receptionist (or displaying a sign) to inform patients of your standard terms and that you expect payment within a certain time frame, you immediately lay the groundwork for a sound business relationship. Most patients are aware that medical aids normally pay bills after three months, and therefore assume that these are your terms. Studies have shown that a standard form completed at the time of taking a new patient on, reflecting your terms are ineffective as a means of

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highlighting payment terms. Signage or reinforcement by staff has a more positive effect.

- *One-off Patients.* Practices in coastal and holiday areas are well aware of their high bad debt occurrences for treating one-off patients. Not only does this impact on your administration by having to produce and post additional statements, but also has a negative effect on cash flow and increased costs. One-off patients should be told on the onset that treatments are on a cash basis and that credit is only extended to regular patients.
- *Collection of Levies.* Medical aids that require patient levies are also contributors to negative cash flow, in that the costs to treat a patient belonging to the scheme is more than other medical aids. Firstly, you have the additional administrative burden of either writing off the levy, or printing and submitting statements to both the medical aid and patient. The whole process can be simplified by identifying the medical aids that impose levies and collecting the levy at the time of consultation. Not only does this streamline your administration, but reduces administrative costs.
- *Settlement Discounts.* There is no doubt that settlement discounts are positive contributors to cash flow. This win-win situation ensures that the patient gets a better deal and you receive your money quicker. If one considers the cost of having an account outstanding for 90 days (interest, duplicate statements, postage, staff costs etc), it may be beneficial to implement discount plans. Some practices charge SAMA rates and give 30% discount if the account is paid within 7 days and 20% discount if paid within 25 days. Discount plans come in a variety of forms and may be a percentage on medicines if paid at time of consultation, or flat rates on treatments.
- *Statement Messages.* If statement messages are used effectively, it can contribute to money being received quicker. A good accounting system should allow messages for the different billing rates, languages and days outstanding. Current statements should indicate that the

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payment is now due and overdue accounts should have messages indicating the status of the account.

- *Are your Statements Correct?* Most medical aids have specific requirements, ranging from ID numbers through to referring doctors practice numbers. If this detail is not on the statement, you will not receive payment within the first few months. Checking the medical aid requirements will ensure prompt payment.
- *Do you have a Routine?* Often practices may become so involved in daily procedures, that certain functions are just not performed - including the printing and posting of statements. By establishing a fixed routine, you not only streamline your administration, but endure continuity. e.g.: The last Wednesday of each month for printing statements, the second Monday of each month for credit control etc.
- *Consider Electronic Data Interchange.* Over 5000 practices are using EDI and statistics reveal that the national average for collection is 25 days from date of treatment. If you are submitting more than R15,000 a month to medical aids, EDI is a winning solution that pays for itself.
- *Identify Delinquent Medical Aids.* With the demands on practices today, you cannot do without a computerised system. An efficient system will be able to produce an aged analysis by medical aid. Using this report, you should identify the medical aids that have continual balances. This report should then be used as a basis for follow-ups. More sophisticated systems allow you to print reports based on the outstanding transactions by medical aid for the patient portion. This report can be faxed through to the medical aid as a consolidated medical aid statement, eliciting quick settlement and improving cash flow.
- *Identify Delinquent Accounts.* By printing selective reports you can establish trends of patients who do not pay their accounts timeously. Good accounting systems should have the facility to warn you to request payment on treatment, aiding positive cash flow.

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- *Relationships with Medical Aids.* Building a sound and honest relationship with medical aids can go a long way to quick payment. Identify key people in the medical aids, note their names and numbers and call them when you need help. Medical aids are also more receptive to doctors' queries than receptionists, requiring you to make the occasional telephone call.
  - *Check Your Administration.* While you may not physically post payments, it is your responsibility to check that the functions have been performed. It is not uncommon for payments to have slipped through your system, reflecting a balance on the account. Check to see that all payments have been posted.
  - *Use of Debtors Lists.* Like any administrative function, too much detail at the wrong time leads to inefficiencies. Use your accounting system to extract accounts over a certain amount of days, and concentrate on these accounts.
  - *Monitor Your Collection Period.* If you do not keep an eye on the collection period of debtors and they become lax, it can have an extremely detrimental effect on the liquidity of the practice. The collection period relates to the number of days for which accounts are outstanding on the debtors' book and gives you a good indication of the efficiency of the practice. The average collection period can be calculated by dividing the credit billing per month by the average debtors balance. e.g.: If the average debtors balance is R48,000 and the credit billing R40,000 - the average collection period is 1.2 months. i.e.: It takes 1.2 months for you to receive your money from time of treatment.
  - *Improve Your Image.* Practices submitting statements on blank A4 paper, rather than pre-printed stationery tend to have a poorer cash flow. There seems to be a direct correlation between the collection period and the type of statement form. If you are using blank paper, consider changing to pre-printed stationery.
  - *Peer Statistics.* Your accounting system should show you the percentage of your total debtors book outstanding at any

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time. Use peer statistics (normally available from your accountant) to gauge whether you are within accepted norms. e.g.: If 50% of your debtors book is over 90 days, expect problems.

- *Charging Interest.* Charging interest on an account normally leads to added administration, in that the interest is rarely paid and is normally credited at the time that payment is received. However, it could be worth the bother in that it makes the patient aware that the account is overdue and elicits prompt payment. Before implementing this step, consider the negative impact it may have on the patient relationship.
- *Use of a Diary.* If your diary is linked to your accounting system, have the balance due on the account print next to the patient name. This allows you to discuss the matter with the patient and identify any problem areas.
- *Medical Aid Pays Members.* It is not uncommon for the medical aid to pay the member, and the member spends the money, leaving you out of pocket. You can pre-empt this by identifying those medical aids and advising the patient that he/she is responsible for prompt settlement of the account. Some medical aids will pay you directly if you offer a discount, while others are open to negotiation. Discuss this matter with a senior member of the scheme and come to a mutual arrangement.

### ***Stock***

Correct management of stocks will ensure that you order goods just before they are needed, rather than to have money tied up in stock, along with the risks that it assumes. There are a number of scientific calculations that can aid the dispensing practice with their stock control, which if maintained correctly, can improve cash flow.

- *Gross Profit Calculation.* The gross profit (GP) as a percentage of the cost price of goods sold is a good indication of the control of stock. This formula is expressed as a percentage of the cost of the goods over the turnover.

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e.g.: If the cost of medicines was R10,000 and the turnover R20,000 the GP on cost would be 50%. Using this formula in reverse, if you added 50% to the cost of your medicines, this formula should give you 33% markup on turnover. If this is not so, it indicates that stock has gone astray or counted/calculated incorrectly. Checking your GP regularly allows you to make adjustments, identify loopholes and improve cash flow.

- *Stock Turnover Rate.* This ratio is calculated by determining how many times the stock on hand is converted into sales and is performed by dividing the average stock on hand by the cost of the goods sold. e.g.: If the cost price of the goods sold was R50,000 and the average stock holding (at cost price) is R5,000, the stock turnover rate would be 10 times a year. If this ratio is very low it normally indicates the stock is moving slowly and contributing to negative cash flow. Attempts must be made to hold stock that moves quickly, both reducing the amount of money required and improving cash flow.
- *Number of Months Stock On Hand.* This formula identifies whether the stock is moving very slowly or not and allows you at a glance, to see how much stock you are holding, and whether you are overstocked or not. If, for example, your average stock holding at cost price is R20,000 and your monthly sales at cost is R5,000 then you are holding four months stock. The optimum level to strive for would be one month's stock on hand. This ensures you maintain stocks at optimum levels and do not invest ready cash into stock on hand.
- *Check Stock Levels.* By controlling your stock, checking the stocks on hand and performing the calculations above, you can identify where the money is tied up. In addition, a good accounting system will allow you to identify both slow and fast moving stock items, allowing you to take the necessary corrective action.
- *Expiry Items.* Most chemical companies will replace stocks if they are close on their expiry date, but not after the expiry

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date. A good stock control system will allow you to identify these items and return them timeously, contributing to a positive cash flow.

- *Special Deals*. Take advantage of special deals, as they are normally at reduced prices and follow with intensive advertising campaigns. Always ensure that the special deals are medicines or materials that you would use within a predetermined time frame and beware not to overstock. Only buy what you need - after all, whether you sell them or not, you will have to pay for them!
- *Consignment Stocks*. Stocks taken on consignment are of major benefit to any practice, because there is no cash outflow or cost until such time that the goods are sold. In addition, you have the benefit of holding onto the money prior to having paid for the goods.
- *Optimum Levels*. A good stock control system would be able to allow you to enter re-order and optimum levels. Once entered, you should be able to generate reports based on the levels by either supplier or expiry date. By identifying these stock items, you have a scientific basis from which to work - avoiding the pitfalls of attractive offers, which tend to remain in stock forever.
- *Profitability*. Holding stock costs money and has a direct impact on your cash flow. If you are holding slow moving medicines or materials, you must compensate for that cost, especially since you may be holding it in stock for longer than the optimum period. It is here that profitability and gross profit plays an important role and where each specialised item must be costed on its own merits.
- *Samples*. Samples play an important role in positive cash flow and allow you to generate an income without any expense. Samples can be either classified as "buy 10 get 5 free" or based on special deals where no charge packs are part of the deal.

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## ***Creditors***

Every effort should be made to use suppliers who allow generous credit and offer you the opportunity to allow them to finance your practice. While business is a two-way relationship, care should be taken to ensure fairness as the withholding of money due can impact on future relationships, cause discounts to be reversed and credit terms withdrawn.

- *Plan Your Purchases.* Above all you must remember that creditors must, sooner or later, be paid for their goods or services. Plan your purchases carefully using a cash flow forecast as a basis.
- *Build Relationships.* Regular orders tend to build relationships with suppliers. This, in turn, allows you to negotiate terms, which will suit your practice and allow your cash flow to smooth out. While you may be hesitant in approaching suppliers, remember that they rely on practices just like yours for their livelihood.
- *Shop Around.* While medicines and materials are generally available at a selling price level at the same price, the purchase price will differ. If you consider that your profit is the amount between your cost price and your selling price, it makes sense to shop around and look for alternative deals. By improving your profit margin, you automatically improve your cash flow.
- *Know Your Purchase Power.* By knowing your purchase power, you can arrange extended terms or additional discounts. If your accounting system allows you to identify your purchases to date with a specific supplier, use that information. Extended terms will allow your cash flow to stabilise, while additional settlement discounts or reduced prices will improve your cash flow.
- *Settlement Discounts.* Most companies offer settlement discounts - if you ask. Essentially there are two types of discounts; a trade discount and settlement discount. The trade discount is the discount you receive on your medicines when you receive the invoice -while the settlement discount

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is a discount that you may take for prompt payment or payment before a specific date. By taking advantage of a settlement discount, you reduce your liability and in so doing, prevent a negative cash flow.

- *Cash Flow Forecasts.* One of the best methods of ensuring a positive cash flow is to plan your cash flow. Like most plans, the cash flow forecast is only as good as the assumptions, and as a result has to be re-assessed every few months - both to check whether you are on track, and to make the necessary changes. Like your business plan, try to be as realistic as possible, using whatever information you have on hand.

By planning your cash flow, you can determine when to invest in new equipment, or whether you are going to pay out a bonus!

From time to time, you may need additional financing, normally arranged by a simple loan or bridging finance. Be careful though, because if it happens to often it's a sure sign of under-capitalisation and that finance of a more permanent nature is required.

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## **CREDIT CONTROL POLICY**

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Almost all practices start on a small scale, and build up the practice over time. As a result, the controls in the practice area geared for a “one-man-show”, and as the practice grows, the controls start becoming inadequate; resulting in mixed messages sent to patients, and general financial and economic failure.

If you have a large debtors book, or a debtor’s book anywhere near your monthly turnover, you are a victim of inadequate controls. Implementing a credit control policy goes a long way to minimising the risk.

The aim of a credit control policy is to make staff aware of the importance of credit control in the practice, and to establish a policy so as to ensure financial control. The credit policy is subject to change as the practice grows. However, it is each staff member’s responsibility to familiarise themselves as well as to exercise the policy. Overall, a Credit Policy defines the credit business goals and procedures where credit is provided to the patients.

Granting credit is an indisputable fact when in practice. Not only do you give credit to the medical aid funders, but anyone who does not pay immediately after the visit. Therefore it is important to maximise the opportunity, by amongst others, reducing the risk. This necessitates a number of tasks, which must be implemented, to ensure the goals are reached;

### ***Initial Administration***

In the event of litigation and at the least, in the case of misunderstanding, credit facilities have to be applied for and approved. The best way to implement a system is to ensure that an application form is completed using a standard credit application. This form is also used for the basis of updating the computer system and electronic records. It is a good idea to capture the patients cell and email address as this medium is being used more frequently for

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patient contacts. It is important to retain the original documents, should they ever be required.

### ***Financing Implications***

You would need to establish the credit cycle. For most practices with a turnover of under R100,000, 45 days from date of treatment is acceptable. Once the credit cycle has been established, it is important to ensure that the invoice is generated within 2 days of treatment, and that payment is received within the period allocated.

There are a number of financial implications when you determine your credit cycle, because in effect, you are financing the patient. In order to adequately fund the credit patients you would require cash in the bank of at least 15 days of your average overhead costs. This is calculated as a credit cycle of 45 days, less the allowance for the credit period of 30 days, leaving 15 days.

Practices that work perpetually in overdraft generally have to fund their practice with external borrowings without this reserve, and then at a rate normally at prime plus one percent. If you have found yourself in this trap, it is time to start looking at your credit policy and implementing some basic procedures.

### ***Maintain the Policy***

To ensure adequate controls, the policy must be maintained. In essence, this means that no standard terms exist, and that all patients have credit limits and repayment periods. If a patient is outside the credit limit, or defaulted on the repayment period, it should be practice policy that an appointment is not made with the practitioner without his knowledge of the defaulter.

### ***Check the Status***

It should be the norm in the practice to check the financial status of the patient. Most practice management systems allow the electronic verification of medical aid eligibility, while a number of organisations exist for the sole purpose of providing credit information. The capturing of critical information such as the ID number assists greatly in this task.

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### ***The Procedures***

Procedures are essential to ensure that the financial and credit risk is minimised. The cost to the practice to maintain an account over the credit period can be exponential. Not only is the working capital minimised, but the risk of requiring external funding increased. The practices profitability (and possible subsequent staff bonuses) is also affected as operational costs such as telephone calls and statements increase. This fact is highlighted when you look at a typical practices financials. Assuming a profit of 20% and a 25% administration cost, it will take just 50 days to erode 25% of this profit, and 165 days to wipe out the entire profit. All the more important to ensure the credit period is maintained.

### ***Set a Target***

One of the first procedures to set in place is a collections target. You can calculate the target amount of the collection by multiplying the daily credit sales by the collection period. It also means that the debtors' book should never exceed the daily credit sales multiplied by the collection period.

### ***Measure the Goals***

Once you have established the credit targets, measure the collections against the target. In this way you can establish whether the credit control performance operates at an efficient level. It also allows you to establish quickly whether additional staff is required to cope with the credit collections.

### ***Set Time Aside***

A routine period in which credit control is exercised is paramount to ensure its success. Your credit controller should be tasked with the determination of the collection targets and patient follow-ups. Calls to patients should be done at a set time each week, and follow up notes recorded. A weekly log should be presented to the practitioner detailing the patient name, the overdue amount and the original due date.

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### ***Post Properly***

One of the problems experienced in practices, is identifying accounts for payments, which do not have remittance advices. Post these to a suspense account, marking clearly as much detail as possible, so that they can be re-allocated at a later stage. All payments must be accounted for and matched to the deposit slip. The basic accounting rules of division of duties apply, and one person only should always be responsible to receipting remittances.

### ***Queries***

Have a set procedure in place for account queries and use notes to record the activity. The designated credit control person should be responsible for the follow-ups. A query that is ignored or delayed can lead to complications and wrong patient impressions. Queries that are not attended to by a promised date must be escalated and treated as urgent. Failure to do so simply irritates the patient and costs the practice.

### ***Bad Debts and Write-offs***

A policy should be put in place where amounts up to a certain limit are written off on discretion. However, any amount over this discretionary amount requires the practitioner's authorisation. This should be made clear to all staff.

However, when it comes to handing over accounts, staff should have an input, while the hand-over should be with the explicit authority of the practitioner. If you have deviated from the policy, which is often a bad idea (and itself can lead to problems), verbal deviations can result in accounts that should not be handed over activated. By involving the credit control staff, you alleviate this possibility.

### ***Reporting***

The final step in the credit control procedure is to ensure that the practitioner receives adequate financial reports at the end of each month. This should include turnover, remittances and any extraneous journals – including write offs. A summary aged analysis, which indicates the amounts outstanding and percentages allows the practitioner at a glance to see the effectiveness of the credit control.

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All practices should have a credit control policy in place, not to use as a guideline, but to implement in the daily practice administration. After all, by minimising the risk and cost, you maximise the possibility of a year-end bonus.

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## HOW TO BOOST YOUR INCOME

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There is no doubt that the face of the medical practice (especially optometry) has changed over the last decade, accelerating over the last few years; with radical changes in managed care, approaches by medical aids and "new-look" optometrists all playing their role. If you have not kept up with new management approaches, it is no wonder that business is a little slow. Here we look at a number of ways to boost your business into the 21<sup>st</sup> century.

If you have been in business for a number of years, you probably need a boost to remind you of a few basic facts of business and to get you out of your well positioned, established and routine rut! The first surprise is that you are not the business, your patient is! The second surprise is that nothing really happens in your practice unless you have your patients.

Over time, the requirements of the consumer have changed. Patients expect to get a higher level of quality, both in terms of service, attitude, professionalism and approach. The changes and ease in communication have facilitated much of this change, as have the concepts of village economics. This has led to a business reality that has been proven in recent years, that unless you adapt to these changes, your practice will suffer.

In addition, today the patient expects more. Typically, a patient who perceives getting value for his money is a satisfied patient, who will refer other potential patients to you, and act as a direct marketing mechanism at no additional cost to the practice.

But it is not only the patients' attitude and perceptions that have changed. Business today carries a high risk, is complicated by control mechanisms such as levies which have been instituted by medical aids, have additional administration burdens placed on them by local authorities and can be expensive to run and maintain. Without adequate management of both practice strategy and tactics, don't expect your practice to grow!

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A practices strategy relates to the long-term goals and broad objectives, while the tactics refer to the day-to-day operational decisions within the framework of the strategy. You must decide whether you are managing the strategy or tactics of the practice and focus on areas of strengths and weakness (both yours and your competitors); look at opportunities for increasing both profits and cash flow and size both the existing and resulting threats.

Defined by the UK Association of Marketing as The management process responsible for identifying, anticipating and satisfying patient requirements profitably, Marketing too, plays a large role in boosting the practices profits. How you present yourself and your products is simply a process of;

- ***Identifying your Business Focus.*** One of the reasons why your practice may be stagnant is that you may have forgotten what your core business is. Ask yourself what business are you in and you will quickly realise that the answer may have been true 10 years ago. Practices scopes have widened to offer a larger range of products and services and your patients expect you to provide them. If not, they will simply go elsewhere! If you can take a broader view of the business you are in you can grow both in terms of size and profitability.
- ***Market Segmentation.*** It may appear fundamental to you, but many practices still maintain market segmentation, refusing to offer (or learn the skills) of wider services. Newer technology is available allowing you to expand the services that the patients require and demand. Beware of falling into the trap of offering services that are out of your depth and which can damage your reputation and bottom line.

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- ***Profit Implications.*** When devising your marketing plan consider the impact of your advertising on your profit margins. There are a number of inherent dangers, in that if your product or service is not unique you could create a demand for the product which is sold by your competitor, and which you land up footing the bill! Consider the life cycle of the product against your long-term marketing plans to ensure growth in profitability.
  - ***Differentiate yourself.*** In order for your marketing plan to be effective, you must differentiate yourself from your competition. Whether it be subtle, like a logo change and using the logo wherever you can, or as bold as a new corporate image, the patient must perceive you as being unique in terms of the services and products you offer.

While marketing plans, if effected timeously and correctly can have a high level of success in boosting your profits, there are other mechanisms of ensuring your bottom line grows, at a minimum costs. These involve looking at the global picture and your competition;

- ***Ride the wave.*** A competitors marketing drive can actually work for you if you adopt a pro-active stance. Too often have practices cursed their competition for "having done it again" instead of making use of the opportunity. Because marketing has the direct affect of awakening potential patients needs and causing a demand, chances are high that patients will call your practice in response to a competitors promotional campaign - if only to size the market. Rather than shake it off and present a negative outlook, train your staff to deal with the matter and to turn their campaign into an opportunity.
- ***Promote the product.*** If your competitor is promoting the product, there must be a good reason with a reasonable amount of market research being undertaken by them. Utilise

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this opportunity to promote the product yourself; it can only improve your bottom line.

- ***Identify and use your strategy.*** One of the first steps you have to take before implementing your sales strategy is to identify your positioning in the market place. If your practice is "skill-based" then focus on this area. If you are "price-based" then this is the area you must address. By identifying your strategy it allows you to utilise those resources into achieving the common goal - that of additional productivity, sales and hence improved profits. It is this strategy, which educates the patients into the type of practice, and services you offer.
- ***Recall Correctly.*** One of the largest asset bases you have is your recall list. Utilise this list effectively and if necessary alter the frequency of the recall. If managed correctly, patients will keep on returning to you achieving the goal of boosting your practices profits.
- ***Critically Identify Stocks.*** If you are a specialist practice you need to keep less stock than a practice covering a wide variety and tastes of patients. Look at your patient profile critically and if you have frames and stock which has not moved for the last year, you know that you have a dead stock holding and have products aimed at the wrong type of patient mix for your practice. One common mistake is for a practitioner to have more than one practice and to assume that they are identical - running the risk of devaluing stocks. A critical look at the stock holding can go a long way toward improving cash flow.
- ***Approach to Selling.*** Most practices are so used to their daily routine that they have fallen into a selling rut that used to work in the last decade but which is no longer applicable. This includes the way the practice is presented, the furniture and fittings, the available choices of frames, the (normally

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lack of) frame rotation and of course, the attitude of staff. Having an outsider criticize the practice can go a long way to improvements.

- ***The Cost of Sales.*** Sometimes, it is not worth doing a deal. Learn to look at the cost of every job and to evaluate each one at its merits and costs. By refusing to do certain non-profitable work, or even worse, jobs at a loss, you can improve the bottom line. More importantly, if you can identify areas of low margins, you can avoid them.
- ***Your Staff.*** Staff too, play an important and long-term role in ensuring the survival, growth and boosting of profitability. Well established staff are normally part of the cause for stagnation in a practice and with a few changes, ruffling of feathers and a little bit of homework, attitudes can change, contributing to practice growth;
- ***Adopt a scientific approach.*** Chart your performance over the past year. Discuss it with your staff and agree on new targets. This most basic of consultative budgeting techniques gives staff the incentive and targets to reach as well as participative management. Taking staff out of the rut need not be painful or traumatic, but once again, can contribute towards boosting profits.
- ***Involve your staff.*** Once you have established your sales budgets and targets, involve your staff in its progress on a regular basis. Not only does it keep staff on their toes, but it serves to let them know what you expect from them.
- ***Implement the ASK principal.*** Utilise and control your staffs Activity, Skills and Knowledge in dealing with patients and managing the practice. The Activity relates to how many times your staff are on leave (sick or other), utilise your time for their personal matters or any other unproductive activity. The skills relate to how well staff run

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the practice, complete jobs and deal with patients, while the knowledge relates to the products and services. Maintaining the ASK principal ensures that you have a safety cushion sustaining you through pressure periods as well as lulls.

- ***Pay right.*** Studies have shown that a basic plus commission system is the most effective means of ensuring a satisfied, productive and stable work force. Commission can be designed in a number of ways, ranging from a plan where the commission is on certain items only (e.g.: additions), to a plan where a commission only starts once they reach a specific target. At the end of the day, you want to ensure your staff are catered for and that profits are increased. Planning a pay package properly will ensure that the goal is reached.
- ***Utilising Women*** With the amount of women in Optometric practices, it only takes an outsider to see how under-utilised women are - left to do the routine, boring and other repetitive administrative tasks. On a personal note, I have dealt with over 500 Optometric practices and with very few exceptions, women often perform certain tasks within the practice, better than the managers and owners. The gross under-utilisation of women, who often have an intellectual capacity greater than the tasks given to them are rife. If harnessed correctly, the adjustment and utilisation of these skills can contribute greatly towards increased profitability.
- ***Get Commitment.*** One of the easiest ways to ensure that profits are not improved is to simply look at words and not at numbers. Staff with constant excuses are typical examples, while those where the numbers speak for themselves boost profits. Get the commitment from your staff that they will follow up on recalls, overdue jobs, unpaid accounts and the dozens of daily chores. If need be, pay a commission on money over 90-120 days collected by staff.

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- ***Train your staff.*** Involve your suppliers in staff product training, while at the same time embarking on an in-house training schedule of your requirements and standards. It is far too easy to offer excuses for not implementing training courses, but then you must ask yourself whether you want to boost the practice or not! It was a wise man who once said that we judge ourselves by our potential, but others by what they have done.

As it becomes clear that there are multiple facets to boosting a practices performance, one must not forget to watch the bottom line. The financials are a critical ingredient for practice profitability and needs to be considered as part of the global strategy;

- ***Watch the bottom line.*** While the whole business picture is normally viewed in the context of a year, taking into consideration lulls such as the Xmas holidays and other breaks, the profits in the practice are made every day. Keep an eye on the cost per job adjusting margins as required.
- ***Utilise your assets.*** Many practices have equipment, which is rarely used. This under-utilisation of assets costs the practice in terms of profitability - whether it be monthly lease charges or the refusal to turn these assets into cash. If you have sophisticated expensive equipment, which fits the bill, look at alternatives - after all, would you purchase an expensive account bursting and letter insertion machine if you were sending your accounts via EDI?
- ***Cash Management.*** The manner in which you handle your cash on a daily basis directly affects how your bottom line looks. Giving too much discount may reduce your profitability, while a large debtors book can be reduced by offering a cash discount incentive. Look at your cash management critically, especially the ratio of credit sales Vs cash sales and the cost of both. Like many practices, you may soon discover your margins are eroded not because you

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are giving too much cash discount, but because too much of your sales may be of a cash nature. A simply adjustment in your cash management will achieve the goal.

- *Financial Control.* Most practices react to problems in the business when it is too late or in crisis management mode. This is because financial reports are only available once a year (and then normally a few months after the year-end). It is a wise investment to ensure financial reports are available monthly or at least each quarter. Budgets too, revised accordingly, are valuable tools for financial control. In this way controls can be implemented within a reasonable period of time, reacting to immediate changes and requirements.
- *Discounts & Pricing.* Ask yourself whether a patient would go elsewhere if you increased the prices of your frames by 1% ? If the answer is Yes, you need to do some serious market research! While large organisations always ask for a discount, purely because they feel they deserve it because of their buying power and size, you must ask yourself whether you want their business or not. Typically, if you were contracted for the eye care for a large organisation at a radically reduced cost, you have to cost the exercise, as the volume trap is not always lucrative or even viable.
- *Cutting Costs.* There are a number of mechanisms aimed at cutting costs, which in turn increases the profitability. Obviously staff costs are typically your highest cost. However, the cutting of costs is not necessarily the answer. Efficient controls, increased sales, reduced stock holding, taking advantage of creditors settlement discounts etc all play a role in "cutting costs". Nevertheless, you can only identify those areas that need cost cutting by knowing the cost per job and knowing where the costs are being generated in order to trim them.

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No one knows better than you, the amount of administration in a practice. Doesn't it ever fail to amaze you how so many medical aids can lose so many invoices -even after you have sent them two or three copies? And doesn't it make your mind reel when you have sent a claim in at least six times and no one has a record of it? Have you ever thought of the reason? My theory is the amount of administration they have to cope with, which reaches a point of gross inefficiency. This administration overload applies to your practice as well, and adequate steps can be taken to reduce the administrative load, improving efficiency and improving profitability;

Look at the document flow in the practice, the way your patient files are arranged and filed, and the means that an invoice is produced from time of treatment to payment.

If you are hanging onto outdated equipment, even though it may do the job, look at newer technology, it may do the job better, quicker and cheaper.

- Don't waste data. Your systems may have valuable sales information or patient recall dates, use that information, don't just file it.
- Don't drown in paper, have your staff filter your reports into meaningful information, rather than reams of useless and irrelevant detail.
- Similarly, if you are generating reports, which you never look at, or use, don't. You are just wasting paper, trees, time and storage space.
- Plan your time properly. Analyse what you are doing, when and for what reason. Check with yourself, if there is any point in doing what you are doing and how it will contribute towards the bottom line.
- Delegate your responsibility and authority for effective time management and make a differentiation between line and staff management. Use the characteristics and talents of staff.
- Teach the principal that everyone works for the practice and there are common goals.

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- Take action immediately. A matter which lingers becomes and expensive matter. It could cost you a patient or even worse, negative publicity.
  - Use your computer system to its full potential, whether it be for credit control letters and mail merges or recalls.
  - Another effective method of boosting your practice is in the recruitment of staff. Our Company uses this philosophy to the fullest.

All our directors have at least one post graduate qualification and all our staff have at least one academic qualification. In summary, surround yourself with experts and professionals, and if you are lucky, people that are smarter than you are. Once you have found the best people, put mechanisms in place that keep those people. When recruiting staff, adhere to a few basic rules;

- Pick the winners. Learn to pick the winners and to avoid the losers. While it may cost you more initially to hire a higher level of staff, the cost savings in terms of efficiency, up time and productivity far outweighs the initial increased costs. In practices that I have been involved, the successful practices are those that hire computer operators that are competent and computer literate, have employed credit clerks that have experience in terms of legal collections and have employed messengers that have drivers licenses and know the routes!
- Define your job descriptions. If an employee knows what is expected of him or her, then that employee knows the limits and you your bounds. Take special care to ensure the purpose of the job is defined, to highlight the responsibilities, the reporting mechanisms and relationships with others in the practice.
- Put Training in Place. Even the oldest book in the world has the right approach; give a man a fish and you feed him for a day, teach him to fish and you feed him for life. If you neglect training and product education, you will lose the best staff and profits will suffer. Hire the best you can afford and provide ongoing training and watch profits soar. It still

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amazes me today how many optometrists employ staff to perform administrative functions, virtually run the practices administration, who I wouldn't trust to do write up the daily deposits, never mind the physical banking. It's not because of their inability or intellectual capacity, but because of their lack of training.

- Letters of Employment. A letter of employment not only protects you, but makes it clear to the employee what role they play in your company. Minimal effort to ensure that a good contract is drawn up, will go a long way to solving disputes which can arise at a later stage and where required, restrict confidential information from reaching the public domain. Properly drawn up contracts also restrict staff from competing with you after hours and form a restriction against dishonesty.

Boosting your practices profitability need not cost and by using resources which you may already have on hand, communicate changes, requirements and your demands. Communication is normally a mixture of formal and informal methods, and if managed and maintained correctly can be used to improve and give your business a boost. Transmitting both good and bad news;

Every organisation has the well-known informal grapevine. If used constructively, it is a superb method of communicating and boosting morale.

Formal staff gatherings, normally after or before trading hours are ideal mechanisms to advise changes and to invite suppliers for product education.

The establishment of a notice board, where both formal and informal bulletins can be posted go a long way in dispelling rumours, advising status of targets and other company information. If information is disseminated correctly, it can contribute greatly to productivity (or eliminate confusion and therefore unproductively) and boost the bottom line.

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Learning interpersonal skills and presentation skills can boost the way meetings are held, clear any possible confusion, reduce conflict and improve productivity.

There is nothing wrong being happy in your world if your practice is going smoothly. One thing for sure, is that the face of optometry is changing, and it's changing fast. Unless you realise this, take one step back, look at your practice and ask yourself where are you heading, you practice may just need a boost....

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## PATIENT CARE

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It is very rare that you don't pay for your indulgences, so when my son paid for his love of sweets by visiting the dentist, the bill was no surprise. But what was not expected was the attitude of the dentist.

His first mistake was telling me that he charged the scale of benefits rate. With only with a cursory look at the bill it was clearly evident that the rate was far in excess – yet when challenged, he held his ground.

Leaving this matter to rest, like any good consumer, I vote with my feet – and while our (ex) dentist is conveniently close, he has certainly lost a potential patient – and in this case, a family of patients - purely because of his lack of patient care.

It only takes a bad receptionist or an incident such as I was exposed to, to realise how fragile a practice can be, and how important patient care really is.

Patient care is a culture that is normally lost over time. Remember when you started out for the first time – how much attention and emphasis was placed on the patient – and as you grew, how it was diluted?

When a patient walks into your practice, three key indicators allow him to gauge whether he wants to deal with you in the long-term. Known as the confidence level, your patient subconsciously measures his confidence in you, the organisation and the services you offer. Failing on any one of these points, results in the loss of credibility and a possible long-term relationship with the patient. Taking into account that it costs R6.00 to obtain a new patient, against R1.00 to keep an existing patient, the cost can be devastating to the practice and your long-term existence.

Patient care is a recipe for success. There is a direct correlation between those that go out of their way to satisfy patient demands and

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the degree of patient loyalty – after all, look after your patient, and he will react to a recall. Do it properly and he will recommend his friends! The correlation continues, because the more you do for your patient, the more business he will generate for you. Because we are all aware of the fight for market share, the loyalty you will create by exercising patient care has the side effect of the patient ignoring the competition and remaining loyal.

Patient care takes many forms and there are many aspects that affect the way that your practice is perceived. Most prudent is the fact that patients are not interested in your problems and reasons why you cannot provide excellent service. Weak excuses are a sure means of failing in patient care. Put yourself in his shoes. You expect to be treated properly as a patient; surely your patient has the same right?

So how do you implement and maintain patient care? There are five basic principals that give you the tools to build your practice by implementing a policy of patient care;

- Consistency. The more people a patient must see in your practice to find a solution to his problem, the less satisfied he will be. Typically, you want to avoid the run around for lab orders, accounts and remakes. All staff must be taught to exceed the patients' expectations. For patient care incentives to work, your team must provide consistently high patient care
- Responsiveness. Put the patient first and give undivided attention to the matter at hand. Ignoring the patient whenever the telephone rings (even your cell phone) does not give the patient the assurance that he is the primary focus.
- Reliability. Patients must be made aware of the service they are receiving and to do this you have to provide a consistently high level of patient care.
- Assurance. By treating the patient as if he were unique, it gives the assurance that your professional skills are at his disposal and instills in the patient a sense of assurance.

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- **Empathy.** Patients are paying for solutions to their problems. Listen to patients to establish their needs and expectations.
  - **Tangibles.** Add value to your services by caring, and if a problem occurs, inform the patient immediately, effecting the necessary corrective action.

The easiest method to achieve these goals is by developing a patient care strategy, using the strategy as a road map to achieve your aims;

- *Mission Statement.* Develop a mission statement that lays out your goals with regard to patient care. It must be a reachable goal, which can be easily enforced, reachable and maintained. Designed in conjunction with your staff, all must be made aware of the impact and seriousness of the plan.
- *Drive It.* All your staff must know the goal with management actively and pro-actively driving the patient care initiatives – and at the same time ensuring that all staff are familiar with the goals.
- *Directed.* The goals of your statement must be able to be implemented and directed toward the patient, ensuring that the patient benefits from these goals. Systems should be put in place to ensure that all complaints are addressed, no matter how mundane they may seem.
- *Consistency.* Attitudes toward patients must be maintained on a consistent level and special care must be taken to identify inconsistencies. The level of service received by the patient should be of a high standard at all times.
- *Make it Easy.* Take care to ensure that any obstacles for the implementation of your plan are cleared to make it easy to have the new procedures in place. Bear in mind that the first impression is a lasting impression.
- *Be Critical.* Review your procedures every few months and be critical of your attitude, taking the appropriate measures. Measure your progress by asking the patients about your service and where you can improve.

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- *Reward.* Always reward your staff for providing excellent patient care. Rewards can take various forms, from plaque awards to verbal recognition.
  - *Don't Argue.* Encourage staff to build up a long-term relationship with the patient, aiming to satisfy their requirements.

When developing a strategy, make sure that you build your systems around the patients' needs and not the administrative and management procedures you have in place. By aiming to please the patient, all your promotions fall into place, where you offer what the patient wants, and have it available. False promises or 'vapourware', diminish your credibility in the short to long-term and does not achieve the goals of patient care.

Staff too, play a critical role in boosting your practice by virtue of their interaction with the patient. The interaction in turn, plays a vital role in areas such as telephone manners through to the reception area;

- When you plan your expectations, do it in consultation with your staff, measuring their ability to reach set goals and set trigger points to allow you to measure their responsiveness.
- Motivate staff by leading by example and providing regular training sessions. Job descriptions should have a slant towards patient care so that the exact role is clearly defined.
- Identify your staff's strengths and weaknesses, which will allow you to identify weak areas of patient care.
- Encourage staff to report problems and to come to the table with solutions. This empowerment should be extended to frontline staff who should be given the authority to make decisions that will increase patient care.

Patient care is not easily pictured or realised. Staff need a point of reference in order to realise a patients worth. A viable exercise is reducing the worth of a patient down to Rands and Cents, and letting staff measure the economics of patient satisfaction themselves.

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One of the most significant ways of monitoring patient care, is to establish the facts from patients who are no longer returning to your practice, and once the reasons have been identified, take the appropriate action – after all, it is your practice, and keeping your patients definitely pays!

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## **DISCOUNTS – ARE THEY EFFECTIVE?**

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Is discounting giving something away unnecessarily, or is it an evil, which we have to accept as part of running a practice? If managed correctly, discounts are an excellent tool, which can grow your business in more ways than one.

Historically a discount was given to establish a business relationship and used as a tool to build patient loyalty. However, today, the business model has changed and the reasons are as varied as the repercussions of incorrectly handling discounts.

Discounts can be categorised into two broad categories – the discount you offer, and the discount that are received from a creditor. Both have an important role to play in running the practice, and if controlled, can increase your margins significantly.

### ***Discount Received.***

Suppliers have various reasons for offering a discount. The most common being a motivation for you to pay your account in time. In many cases, this saving is significant and has the power of generating additional profit. Typically a supplier discount of 5%, if paid within 30 days, translates into a rate that is significantly less than the bank prime overdraft rate. It does however assume that you have the necessary cash flow to take advantage of the discount.

Discount received from a supplier falls into two categories; trade and settlement discount. Trade discount is the discount received at the time of purchase and is unconditional. Trade discount has a material impact on the gross profit, as the cost of your stock, which determines your profit, is reduced by the discount amount. In simple terms, your cost of sales is reduced by the discount. For example, if you were to purchase goods to the value of R100, and receive 10% trade discount, the actual cost of the goods is R90. Consequently, the Vat calculated is based on R90 and not R100.

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Settlement discount is conditional, and is normally determined by a time period, where if the account is paid by a specific date, then you may deduct the discount. In this case, the invoice would reflect the gross amount of R100, and the applicable Vat on the R100. Accordingly, the cost of the stock would also be R100. If the transaction meets the settlement discount requirements, then the discount may be applied, and R90 paid. However, the stock cost remains at R100. At the point of payment, a journal should be processed which credits the discount received account and debits the Vat received account.

The same principal applies to a discount voucher, provided the discount is applied after the invoice has been struck.

Unlike the trade discount, the settlement discount affects the net profit, as it takes the journal entry into consideration.

Taking advantage of settlement discounts is dependant on a variety of conditions;

- Do you have sufficient funds to settle the account?
- Is the discount worth the early settlement?
- What was the motivation for offering the discount?
- Was the discount negotiated as part of a deal and based on building relationships?

Considering the prime overdraft rate, settlement discounts are often more attractive, and should be carefully considered as part of your tactical cash flow plan. A nominal discount of 10% can translate into 120% discount per annum, assuming one purchase a month – considerably higher than borrowing money from a bank. In addition, it also has the affect of dramatically improving your net profit.

### ***Discount Allowed***

Discount offered to your patients are often more tricky, as unlike discount from creditors, which by virtue of their numbers are easier

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to control, keeping track of discount to thousands of patients is more difficult.

While the same principals apply to both discount receive and discount allowed, discount allowed can result in you losing patients.

A patient that is used to receiving a discount will not take kindly to not receiving a discount on a subsequent visit, especially if it is the type of patient that votes with his feet. It is therefore important to ensure that systems are in place that record and warn you when a discount must be applied. Consistency in maintaining a discount structure is the key to proper implementation.

Offering discounts to patients have numerous advantages, including the ability to save costs. Taking an example of a R500 invoice, offering a 10% discount, it may be beneficial to offer the discount if the account is paid immediately, rather than wait out the remittance period. Taking into consideration the cost of producing numerous invoices and statements, coupled with the risk of non-payment and administrative, interest and labour costs, the upfront cost of R50 is normally less than the collection costs, and allows you to plan your cash flow accordingly.

When determining a discount policy, consider the impact, taking the following points into consideration;

- Discounting professional fees needs to be carefully considered, as it is a rare occurrence.
- Is your discount policy in line with common business practices?
- Is a discount financially beneficial to your cash flow?
- Does the patient perceive the discount as beneficial?
- Are you giving away something for no reason?
- Will the discount be offset against the cost of debt collection?
- Is your debt collection risk minimized?

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Offering a trade discount to a patient simply reduces your profit without any obvious benefit to the practice. However, offering a settlement discount, which has a win-win goal, makes more economic sense. It is however paramount that once a policy has been formulated, it is adhered to. Offering a settlement discount of 10% if the account is paid within 7 days, is meaningless and makes a mockery of the administrative integrity, if the same discount is applied after 10 days. There are a few simple rules when applying a discount.

- Keep to your word. If you have a notice in the practice displaying your discount policy, stick to it. Never wait for the patient to question or respond. Most won't, but don't expect to see your patient again.
- Offer the discount. A strategy where you know what you are doing, but no one else does is fruitless. Let your patients know the policy and apply it equally.
- Stick to the rules. Be firm with your discount policy. Keeping track of deviations may make the system unworkable.
- Don't break the law. Offering different scales of discount for cash as opposed to credit cards is in breach of the agreement entered with the credit card companies.

Offering discounts is a mindset, as it is not something that is expected, especially for professional fees and services. As long as there is a clear goal for applying discounts, there is no need to give way your profits.

<b>Trade Discount</b>	<b>Amount</b>	<b>Percent</b>
Sales	1000.00	
Less cost of sales	500.00	
Gross profit	500.00	50
Less expenses	300.00	
Net profit	200.00	20

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<b>Settlement Discount</b>	<b>Amount</b>	<b>Percent</b>
Sales	1000.00	
Less cost of sales	550.00	
Gross profit	450.00	45
Less expenses	300.00	
Add discount received	50	
Net profit	200.00	20

The impact on the financials of settlement and trade discounts. Cost of Sales is defined as the Opening stock, plus purchases, less closing stock. Stock is always valued at cost, and excludes any Vat.

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## WAYS TO BOOST PROFIT

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Late last year we were called into a practice to perform a due diligence study on the viability of another practitioner purchasing the practice. What we found surprised even us. It was a typical case of bad service, which resulted in the optometrist being smeared with a bad reputation.

In fact, it had nothing to do with the professional skills. It was simply a matter of the optometrist hiring poor and badly trained staff members, who by virtue of their attitude, managed, over a period of time, to act as their competitors best ally.

What had transpired over a period of time, amongst others, is that there were numerous account enquiries. The staff had taken a very harsh and abrupt attitude toward debt collection, and in many cases, were downright rude to the patients. As a result, the patients considered the practitioner as a "bad optometrist", and over a period of two years, less and less patients came through the door. This in turn led to a drop of revenue, while the expenses remained constant. Eventually, the optometrist was forced to sell his practice.

The importance of good patient relationships and service is paramount to the well being and ongoing survival of a practice. While our due diligence study may be in the extreme, it does illustrate the significance of good staff and training.

Ensuring the patient remains ecstatic over your service leads to patient loyalty. Loyalty in itself is a saving as it reduces the cost in obtaining new patients. Studies have indicated that it costs R6 to bring a new patient into the practice, as opposed to R1 to keep an existing patient.

Keeping a patient happy simply means that you have room for improvement. Coupled with the notion that patients who are impressed with your service leads to further referrals is another important point to consider.

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### ***Make use of your resources***

Most practices have computer systems that allow you to analyse your patient information. Make use of your existing information to your advantage. Typically, your repeat patient rate as well as the length of time that they have been loyal, is a good indication of your success. Studying the repeat visits and frequency goes a long way to identifying whether you are taking the right steps.

### ***Ask your patients***

There is no better gauge of patient satisfaction than by asking. A formal, and if necessary, anonymous questionnaire will allow you to see whether your patient service is up to scratch. Bear in mind that the practice manager is normally the optometrist, and he/she is under certain time constraints, which leads to the delegation of tasks. By implementing an anonymous questionnaire, it allows the practice manager to get a true indication of the perceived level of service.

### ***Involve your patients***

I am not suggesting that you create a suggestion panel or patient advisory group. However, if you know what your patients want, you can fulfill the need. Using your records to analyse your sales will satisfy this requirement, but by involving your patients in your practice, you can identify their needs and take steps to satisfy them.

### ***Train your staff***

More often than not, the practitioner, who has every intention of training the staff, but due to time pressures, fails to fulfill the requirement, employs the personnel. While staff can always be trained on the technical skills, interpersonal skill training is not something that can be imparted easily. It is important to select staff that have good people skills and who are able, by virtue of their personality, to promote your practice and allow service to improve.

### ***Focus on your task***

One of the secrets of success is the ability to focus on your core business. By doing so, you become a specialist in your field, build patient confidence and do what you are best at doing. In zoning into

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your core business, you instill patient confidence and tend to perform the chosen tasks better, thereby improving your level of care.

### ***Use referrals***

Patients rely on you for your professional skill and knowledge. Building a relationship with an ophthalmologist allows you to exercise your professional ethics, which in turn allows you to easily refer a patient to the specialist in time of need. This tends to invoke a perceived perception of professionalism in your practice by the patient, enhancing your service levels.

### ***Keep your employees satisfied***

Studies undertaken indicate that some 15% of employees leave their place of employment because of money. The majority leaves for a variety of reasons. These range from tasks allocated, responsibility, work environment, personality clashes etc. If you keep your staff happy, you will keep your patients happy. One easy method is to rotate the workload and to vary the mundane and routine tasks. Bear in mind that if you have contented and happy staff, their level of service improves.

### ***Recall your patients***

Implement a system of recalls. The primary reason for a recall would be to generate additional revenue. The fact that you recall your patients assists in building patient relationships and improving the level of service. This is especially true if it is a recall for contact lenses and solutions where you by virtue of the recall, telephone your patient. This is an indication that you care – and at the same time improve and provide real patient service.

### ***Advertise your service***

In order to make advertising act as a tool towards providing proper patient service, you must know your unique selling position. Identify what makes your practice different or special and focus on your niche market. Once you have identified your patient base and their requirements, it becomes easy to offer a service that falls between the parameters you define. Thereafter it is a simple matter of ensuring that you maintain that level of service.

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### ***Be Creative***

Being creative and bold is an ideal approach to providing a higher level of service. With available technology, you can create a presence on the Internet. The web is available 24 hours a day and allows you to offer your services to a broad base. Creativity can take many forms. These range from getting involved in the community, through to offering bonus services.

Whichever way you want to adopt to improve your service, take steps to measure its effectiveness. After all, not knowing your level of service and how your patients perceive it is tantamount to winking in the dark. You know what you are doing, but no one else does!

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## HANDLING LOSSES

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If you think that money in fact makes the world go around, you are probably part of that elite group that thinks that the world will come to an end next week. True, money may make life that little bit easier, but when you have worked hard for your remuneration, is it not perhaps a good idea that you in fact receive what is due to you. It is all well and proper to supply your services and product, but collecting your money is another matter.

Your financial world is meaningless and your efforts wasted if you do not know the basics of collecting. These include;

- Training patients to pay on time
- What to do about non-payment
- Taking the next step after your efforts have been exhausted
- Using a Debt Collector
- Allowing credit and opening new accounts
- The credit collection steps
- The consequences of a bad debt
- Using the legal system to recover debts.

### *Training Patients to Pay on Time*

Building a relationship with a patient is paramount to good business etiquette. Part of this networking is the ability to make it easy for the patient to settle your account. Incentives, such as a settlement discount, go a long way to minimising your risk before the account becomes overdue. Tools in general business use include the use of telephones advising that the debt is due, as are reminder letters.

However, by letting your patient know when the debt is due, you educate them as to your terms. This education can be carried further by pre-empting payment and calling your patient a few days before the debt falls due.

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### ***What to do about non-payment***

With the high cost of money today, letting an account fall overdue is not only costly and prevents further growth, but if let to ride, results in a late payment culture being created. Generally, it is always the same patients that pay late. Using the telephone as a tool to elicit payment before the debt is due activates their systems and prepares them for payment. It may be necessary to follow this up with a three-phase approach, starting with a reminder, followed by a letter, then a call advising that you will be collecting the outstanding balance at a designated time.

### ***Taking the next step after your efforts have been exhausted***

Most problems occur because of cheques that are not honoured. By placing a few simple procedures in place and implementing a training program, you can minimise the risk. These include the scrutiny of cheques, the establishment of a bad debt register and the request for at least two means of identification. If all fails, your next step is to ask whether it is worth collecting the debt. If it is, then you have no option but to take legal steps. Once you have made this decision, you have to ask yourself whether you are making money? If not, you have just learnt another life-lesson.

If the debt is worth pursuing, look at the possibility of hiring a debt collector. Debt collectors normally charge a percentage of the capital amount, which if recovered will be better than a complete loss. Be careful of collecting your debts in house as you will generate additional expenses which range from staff, telephone expenses, tracing costs, computer costs, supplies and your time.

### ***Using a Debt Collector***

Careful consideration should be given to the appointment of a debt collector or a law firm willing to take on the matter of your debt recovery. If you are Cape Town based and the debtor is in Johannesburg, the costs involved in collection for a locally based firm would be considerably higher than a nationally based firm. Not only would the matter be heard in Johannesburg, but the costs involved in tracing and serving documents would increase. The fee arrangement with the firm should also be in writing and negotiated at

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the onset. You would not be the first person to spend more money on collecting a debt than the original debt, if careful care were not taken to review potential costs beforehand. Insist on regular reports as a counter check that the work has been performed according to your agreement. Of course, ask yourself whether the debt is worth collecting.

### ***Allowing credit and opening new accounts***

Always verify that the patient is authorised to enter into an agreement with you. Deal with one person in the organisation, using that person to arrange settlement. Bureaus exist which allow you to verify their credit worthiness, and while they do carry a cost, they minimise your exposure and assist in making your financial world turn around.

### ***The credit collection steps***

It is always better to minimise your risk beforehand. A few basic principals include;

- Make every effort to collect the debt on delivery
- Produce and present the invoice on delivery
- Document the sale
- Make a point of contacting delinquent payers before the debt is due
- Follow up on delinquent accounts with a pre-planned attack of telephone calls, letters and reminders when the debt becomes overdue
- Ensure that all contracts and deals are in writing.

### ***The consequences of a bad debt***

Bad debts affect the cash flow of your business and while the Receiver of Revenue allows certain write-off's and tax benefits, they are nowhere near the loss that can be incurred. The ability to roll your initial capital and generate further profit, and therefore wealth is stifled, and if the debt is large enough, it can close you down.

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***Using the legal system to recover debts.***

Because a debtor cannot be jailed - and any habitual delinquent debtor knows this – the incentive to pay is minimised. However, you can issue a summons for the outstanding amount, and instruct the Sheriff of the Court to recover items of value from the debtor, which will be auctioned to pay your debt. This can be a timely process and the risk of full recovery is minimal.

*Eminance, the flagship medical management software product from Health Focus allows the practice to automatically activate the ITC debt collection process.*

Nevertheless, recovering part of the debt is better than a complete loss. After all, it is easier to minimise your risk beforehand, than to have your financial world stop spinning because of sloppy administration.

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## **BAD PAYERS**

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When handling excuses, always be positive and suggest alternatives. Make use of settlement or payment plan contracts and be prepared for the professional excuser. Above all, be persistent, record the persons name and details, and when corresponding with that person, mark the letter Private & Confidential.

Here are some of the most common excuses and responses, which have proved to work.

- The cheque is in the post. Thank you, how much is the cheque for, and what's the cheque number. If the cheque does not arrive within a reasonable period of time, use that information and offer to collect the cheque. After all, it was already made out!
- We don't have a copy of the invoice. No problem! I'll fax you a copy now and call you in a few minutes.
- There is no medical aid number. Please confirm the membership number and I'll fax you another invoice within a few minutes.
- We don't accept faxes. Even the Department of Finance accepts faxes. Perhaps you can make an exception and photocopy the fax.
- The frame is broken. Please bring it in and we will repair it. We can settle the account at the same time.
- I am a bit tight at the moment. No problem, we will work out a payment plan tailored to your requirements, and we can arrange post-dated cheques.

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- Our computers are down. If you have the invoices in front of you, revert to a manual system - alternatively I can fax them through.
  - There is no authorisation number. Please re-confirm the authorisation number and I'll fax you another invoice in a few minutes.
  - Mr. Jones who signs the cheques is away. When will he be available? Does he have a Cell phone? Use this information to your advantage.
  - The payment is authorised, but the cheque is not drawn. I will give you 15 minutes, if I don't hear from you I will come around and collect the cheque.
  - I don't have transport. No problem! Our bank details are .... please deposit it directly into our bank account.
  - It's your error. To clear matters up, I will reconcile the account, fax you copies of the invoices and arrange collection of the cheque.
  - I'm not happy. Please come in, we will attend to the matter immediately and at the same time arrange settlement of the account.

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## GETTING PAID ON TIME

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In the same way that you never know how good your accountant is, until you are challenged by the Receiver of Revenue, you will never know how you can improve your cash flow until you implement steps to control your debtors.

Practices which may appear to be trading profitably may be forced to seek alternative help, or even close their doors - because of a lack of available cash. The existence of any practice depends on the availability of short-term funds to enable it to perform its daily tasks. These short-term funds, normally the difference between the current assets and current liabilities is known as the working capital.

While the working capital is normally tied up in stock, work-in-progress and debtors, a few simple procedures and change in practice policy can ensure that the current assets are turned into cash, giving you leeway to expand your practice and to ensure a healthy existence.

Generally, stock is easy to control, and a few pointers like identifying your fast movers and placing them at eye level; ensuring you order what your patients want and not what you want; and rotating your stocks regularly, will go a long way to effective stock management.

Debtors however, especially if your debtor is a medical aid, are not so easy to control. This is especially true if you consider that there are a number of extraneous variables, which are particular to each practice, geographical area and type of patient.

There are a few principals of successful debt collection, which if adhered to, go a long way to ensuring minimising the debtors book. Amongst them the practice must ensure that debtors are maintained at a minimal, that patients who cost you money are patients you don't want and that getting patients to pay on time is not difficult or expensive - it simply requires a little work.

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In today's economy, where a debtors book of R100,000 translates to a direct cost of R18,000 per annum in interest alone, it becomes even more prudent to ensure effective debt collection. Bear in mind that it is not only the interest charges (or losses) which affect the practice, but that a long outstanding debtors book restricts your growth in that the profit generated is a paper profit (on which you will pay tax) which does not allow you to release the cash to turn your stock over again - restricting further growth and contributing towards a cash flow crisis.

Essentially there are three classifications of debt. The first is an overdue account, where you have been waiting for payment for 30 days. The second is an account that is long overdue - normally 60 days, and the third category called risk, where the account is overdue for 90 days or longer. Obviously the longer outstanding the account, the higher the risk and chances of non-recovery.

Debt collection exercises should be performed as a matter of routine, with the goal of minimising risk and having the account settled within a reasonable time.

Like any scientific approach to management, there are fundamental rules that must be adhered to in order to ensure the success of a plan. Practices who have implemented these rules have done so successfully by turning them into practice policy.

- *Agree on a price.* It is vitally important to ensure that you have agreed up front with your patient with regard to the cost of your services and to have the job confirmed before you commit your resources. In areas of dispute that have normally left the optometrist out of pocket, there is a general trend where the initial quote omitted items such as extra large blanks, which results in patient animosity and long outstanding debts.

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- *Check the benefits.* If you are dealing with a medical aid, check the available benefits before committing to the job. If the benefits are not available or insufficient, make the patient aware of his portion and make a point of collecting that portion. Once you have established the amounts, submit your invoice as quickly as possible.
  - *Be accurate.* Contrary to belief, a claim processed by a medical aid quickly is a cheap claim. Medical aids build up administrative costs by not processing claims immediately, having to sift through repeat invoices and statements. By being precise and accurate the first time you alleviate these additional costs and increase your chances of quick payment.
  - *Send your invoice immediately.* There is a direct correlation between the time taken to receive payment and the submission of the invoice. By submitting your invoice as soon as possible from the time of service, it enhances the chances of you being paid timeously. In addition, the patient may have used benefits on the same day at a different practice - and it's the one that first reaches the medical aid that gets those benefits allocated.
  - *Make it easy.* One of the favorite excuses for not paying when a statement is sent is that they don't have a copy of the invoice. Modern accounting systems by-pass this by detailing all the items that appear on the invoice, on the statement. In other words, identify the reasons why you are not being paid and address them. These include making sure your practice details and address appear clearly, that you have a message detailing your terms and when you expect to be paid, a remittance advice and possibly a reply paid envelope.
  - *Consider Incentives.* Bearing in mind the cost to you for every day that you have a debt outstanding, perhaps offering settlement, cash discounts or even scratch cards would work

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for your practice. At the minimum of 18% interest charges today, it costs you 1.5% in interest per month - not including the cost of the follow up calls, resubmitting of statements and the additional administrative burden. Offering a settlement discount, calculated at your monthly cost of administering an account can mean the difference between good and weak cash flow.

- *Involve your staff.* Incentives to staff tend to work wonders. This is especially true if a commission is paid to staff who arrange settlement of accounts in the risk period.
- *Set Limits.* When dealing with patients, let them know what your terms are and set limits. If your terms are 30 days from invoice, allowing the debtor to slip into 60 days is an indication of poor credit control. In any event, if your terms are 30 days, and you are not strict, the chances of your debtor paying within 45 days are as slim. The telephone is a marvelous tool in speeding up debt collection. After all, the longer you wait to be paid, the longer you will be out of pocket.
- *Deal with the right person.* When dealing with both patients and medical aids, make sure you are dealing with the right person. There is nothing more demoralising than having gone through the account with an employee or third party, only to be told that they will "pass it on". Establish and maintain a contact list with pertinent names, telephone and fax numbers. A handy trick is marking correspondence Private & Confidential. In this way you are ensured that your account reaches the right person.
- *Grab their attention.* Medical aids receive thousands of claims each week, each with a red overdue sticker, followed with overdue letters threatening everything from legal action to inclusion in a national register of bad debts. Generally these are ignored and discarded. The creative letters or those

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that are the exception to the rule are the ones that grab their attention and get things moving. Handy tips include the use of full colour in your letterheads and creative cartoons. Private patients too, if they receive a creative letter, tend to react quicker. Make a note of the letters sent to ensure they are varied - otherwise they tend to land in the same place as your statements!

- *Be clear and concise.* Remember that you are trying to get your patients to part with your money. Letters should be clear and concise, detailing what is outstanding and the amounts. The first step is grabbing their attention; the next is to hold it. As difficult as it may be, steer away from offensive, threatening or demanding sentences.
- *Use technology.* Practice management and accounting systems make your life easier today, allowing you to mail merge overdue letters to accounts over a certain amount of days. Some even allow you to send one letter to accounts over 30 days, while another letter to accounts over 60 days. In many cases faxes are more effective (and cheaper) than letters, especially if one considers that faxes are perceived as having a sense of urgency and are rarely thrown away until they are dealt with (unlike statements and letters). Use that technology.
- *Pay attention to detail.* If you have been in practice for a while, you will know how frustrating it is to hound a debt, only to discover that the cheque you received and deposited was post dated, or rejected for some reason. Not only does the whole procedure start all over again, but when you reinstate the debt, it suddenly becomes current again. By paying attention to detail, and checking that cheque, you preempt any problems that may arise.
- *Play the game.* If the attitude of the practice is to hold back payments until overdue, expect your patients to do the same.

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Your attitude to settling with your creditors reflects directly on your staff and their attitude toward debt collection. Play the game by paying your accounts when due and expect the same from your patients.

- *Follow a routine.* If you exercise debt control when you need to, it's probably too late. Implement a schedule, where you implement debt control regularly as a matter of routine. For example, set aside the second Monday of each month to post off overdue letters, the third Wednesday of the month to call debtors with balances over 60 days, and get your statements out regularly. Posting statements to the same accounts more than once a month is an act of desperation. Rather send an overdue letter, that's an act of determination. While you will elicit different reactions from different people, you must act accordingly, but above all be persistent.
- *Arrange a payment plan.* If a patient is a member of a medical aid, it is essential that you advise the patient that while you will submit the claim to their scheme on their behalf, that they are ultimately responsible for settlement. Collect the patient portion before releasing the job, and if the claim is not honoured, arrange a payment plan. Here you may need to hire someone smarter than yourself (like a lawyer who has the necessary skills) and have a standard payment plan contract drawn up.
- *Is it worth it?* If a debt turns sour, you have to evaluate whether it is worth pursuing that debt. Small amounts are generally not worth the effort, as legal fees can outweigh the cost of the original debt. Rather approach the debtor with a payment plan or alternative means of settling the bill.
- *Build a relationship.* Debt collection is about building a relationship. On-going business and recalls from your patient contributes towards your survival. By advising your business terms and conditions, and not merely having them printed on

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the reverse of your invoice in a size that requires a magnifying glass, you are up-front and go a long way toward building sound business relationships.

Once you have put your debt collection plan in place, and hopefully created a new practice policy regarding overdue and risk accounts, you will need to change your attitude. Staff delegated the responsibility of debt collection can become easily demotivated, always hearing the same excuses, resulting ultimately in inefficient collections. It is important, when collecting debts, to remove the negative element and to try and assist the patient in settling the debt.

It is only once there is no possibility of settlement, where you know that the debtor cannot pay, that you should confront your debtor, whether it be directly or via legal means. Above all, if you arrange a settlement, make sure that you reduce it to writing. After all, you are trying to collect the money that is rightfully yours!

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## IMPROVING YOUR CASH FLOW

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Even practices, which appear to be profitable, are forced to close because of a lack of ready funds. The existence of a practice depends on the availability of short-term funds that enable it to perform its normal functions. Known as the working capital (the difference between the current assets and current liabilities), these short-term funds are normally "tied-up" in stock and debtors. If these funds are not quickly and readily available, you could be faced with a cash flow crisis with not enough ready cash to meet your creditors payments.

In order to avoid a cash flow crisis, your practice should carefully monitor each item of the working capital, namely debtors, stock and creditors.

### *Debtors*

Credit sales are virtually unavoidable today and even the patient who promises to come in next week to settle the account must be considered a debtor with the consequences impacting on your cash flow. What must be achieved is a balance between giving good credit terms, effective administration and a strict collection policy.

When it comes to supplying your services on credit there are two major aspects that must be considered. First the initial risk of supplying credit, and secondly, the cost of recouping the money. In both cases, measures can be taken to ensure that both the practice and the patient benefits from this arrangement.

*Make It Clear.* By instructing your receptionists (or displaying a sign) to inform patients of your standard terms and that you expect payment within a certain time frame, you immediately lay the groundwork for a sound business relationship. Most patients are aware that medical aids normally pay bills after three months, and therefore assume that these are your terms. Studies have shown that a standard form completed at the time of taking a new patient on, reflecting your terms are ineffective as a means of highlighting

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payment terms. Signage or reinforcement by staff has a more positive effect.

*One-off Patients.* Practices in coastal and holiday areas are well aware of their high bad debt occurrences for treating one-off patients. Not only does this impact on your administration by having to produce and post additional statements, but also has a negative effect on cash flow and increased costs. One-off patients should be told on the onset that treatments are on a cash basis and that credit is only extended to regular patients.

*Collecting Levies.* Medical aids that require patient levies are also contributors to negative cash flow, in that the costs to treat a patient belonging to the scheme is more than other medical aids. Firstly, you have the additional administrative burden of either writing off the levy, or printing and submitting statements to both the medical aid and patient. The whole process can be simplified by identifying the medical aids that impose levies and collecting the levy at the time of consultation. Not only does this streamline your administration, but reduces administrative costs.

*Settlement Discounts.* There is no doubt that settlement discounts are positive contributors to cash flow. This win-win situation ensures that the patient gets a better deal and you receive your money quicker. If one considers the cost of days (interest, duplicate statements, postage, staff costs etc), it may be beneficial to implement discount plans. Some practices charge SAMA rates and give 30% discount if the account is paid within 7 days and 20% discount if paid within 25 days. Discount plans come in a variety of forms and may be a percentage on medicines if paid at time of consultation, or flat rates on treatments.

*Statement Messages.* If statement messages are used effectively, it can contribute to money being received quicker. All Health Focus products allow messages for the different billing rates, languages and days outstanding. Current statements should indicate that the payment is now due and overdue accounts should have messages indicating the status of the account.

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*Are your Statements Correct?* Most medical aids have specific requirements, ranging from ID number through to referring doctors practice numbers. If this detail is not on the statement, you will not receive payment within the first few months. Checking the medical aid requirements will ensure prompt payment.

*Do you have a routine?* Often practices may become so involved in daily procedures, that certain functions are just not performed including the printing and posting of statements. By establishing a fixed routine, you not only streamline your administration, but also endure continuity, e.g.; the last Wednesday of each month for printing statements, the second Monday of each month for credit control etc.

*Improve you Image.* Practices submitting statements on blank paper, rather than pre-printed stationery tend to have a poorer cash flow. There seems to be a direct correlation between the collection period and the type of statement form. If you are using blank paper, consider changing to pre-printed stationery.

*Peer Statistics.* Your accounting system should show you the percentage of your total debtors book outstanding at any time. Use peer statistics (normally available from your account) to gauge whether you are within accepted norms. e.g.: If 50% of your debtors book is over 90 days, expect problems.

*Charging Interest.* Charging interest on an account normally leads to added administration, in that the interest is rarely paid and is normally credited at the time that payment is received. However, it could be worth the bother in that it makes the patient aware that the account is overdue and elicits prompt payment. Before implementing this step, consider the negative impact it may have on the patient relationship.

*Use a Diary.* If you use your diary, have the balance due on the account print next to the patient name. This allows you to discuss the matter with the patient and identify any problems areas.

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*Medical Aid pays Members.* It is not uncommon for the medical aid to pay the member, and the member spends the money, leaving you out of pocket. You can pre-empt this by identifying those medical aids and advising the patient that he/she is responsible for prompt settlement of the account. Some medical aids will pay you directly if you offer a discount, while others are open to negotiation. Discuss this matter with a senior member of the scheme and come to a mutual arrangement.

### ***Stock***

Correct management of stocks will ensure that you order goods just before they are needed, rather than to have money tied up in stock, along with the risks that it assumes. There are a number of scientific calculations that can aid the dispensing practice with their stock control, which if maintained correctly, can improve cash flow.

*Gross Profit Calculation.* The Gross profit (GP) as a percentage of the cost price of goods sold is a good indication of the control of stock. This formula is expressed as a percentage of the cost of goods over the turnover. e.g.: If the cost of medicines was R10,000 and the turnover R20,000 the GP on cost would be 50%. Using this formula in reverse, if you added 50% to the cost of your medicines, this formula should give you 33% mark-up on turnover. If this is not so, it indicates that stock has gone astray or counted incorrectly.

Checking your GP regularly allows you to make adjustments, identify loopholes and improve cash flow.

*Stock Turnover Rate.* This ratio is calculated by determining how many times the stock on hand is converted into sales and is performed by dividing the average stock on hand by the cost of the goods sold was R50,000 and the average stock holding (at cost price) is R5,000, the stock turnover rate would be 10 times a year. If the ratio is very low it normally indicates the stock is moving slowly and contributing to negative cash flow. Attempts must be made to hold stock that moves quickly, both reducing the amount of money required and improving cash flow.

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*Number of Months Stock On Hand.* This formula identifies whether the stock is moving very slowly or not and allows you at a glance, to see how much stock you are holding, and whether you are overstocked or not. If for example, your average stock holding at cost price is R20,000 and your monthly sales at cost is R5,000 then you are holding four months stock. The optimum level to strive for would be one month's stock on hand. This ensures you maintain stocks at optimum level and do not invest ready cash into stock on hand.

*Check Stock Levels.* By controlling your stock, checking the stock on hand and performing the calculations above, you can identify where the money is tied up. In addition, a good accounting system will allow you to identify both slow and fast moving stock items, allowing you to take the necessary corrective action.

*Expiry Items.* Most chemical companies will replace stocks if they are close on their expiry date, but not after the expiry date. A good stock control system will allow you to identify these items and return them timeously, contributing to a positive cash flow.

*Special Deals.* Take advantage of special deals, as they are normally at reduced prices and follow with intensive advertising campaigns. Always ensure that the special deals are medicines or materials that you would use within a predetermined time frame and beware not to overstock. Only buy what you need - after all, whether you sell them or not, you will have to pay for them!

*Consignment Stocks.* Stocks taken on consignment are of major benefit to any practice, because there is no cash outflow or cost until such time that the goods are sold. In addition, you have the benefit of holding onto the money prior to having paid for the goods.

*Optimum Levels.* Use the stock system to enter your re-order and optimum levels. It allows you to generate reports based on the levels by either supplier or expiry date. By identifying these stock items,

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you have a scientific basis from which to work - avoiding the pitfalls of attractive offers that tend to remain in stock forever.

*Profitability.* Holding stock costs money and has a direct impact on your cash flow. If you are holding slow moving medicines or materials, you must compensate for that cost, especially since you may be holding it in stock for longer than the optimum period. It is here that profitability and gross profit plays an important role and where each specialised item must be costed on its own merits.

*Samples.* Samples play an important role in positive cash flow and allow you to generate an income without any expense. Samples can be either classified as "buy 10 get 5 free" or based on special deals where no charge packs are part of the deal.

### ***Creditors***

Every effort should be made to use suppliers who allow generous credit and offer you the opportunity to allow them to finance your practice. While business is a two-way relationship, care should be taken to ensure fairness as the withholding of money due can impact on future relationships, cause discounts to be reversed and credit terms withdrawn.

*Plan Your Purchases.* Above all you must remember that creditors must, sooner or later, be paid for their goods or services. Plan your purchases carefully using cash flow forecast as a basis.

*Build Relationships.* Regular orders tend to build relationships with suppliers. This, in turn, allows you to negotiate terms, which will suit your practice and allow your cash flow to smooth out. While you may be hesitant in approaching suppliers, remember that they rely on practices just like yours for their livelihood.

*Shop Around.* While medicines and materials are generally available at a selling price level at the same price, the purchase price will differ. If you consider that your profit is the amount between your cost price and your selling price, it makes sense to shop around and

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look for alternative deals. By improving your profit margin, you automatically improve your cash flow.

*Know Your Purchase Power.* By knowing your purchase power, you can arrange extended terms or additional discounts. The program allows you to identify your purchases to date with a specific supplier. Use that information. Extended terms will allow your cash flow to stabilise, while additional settlement discounts or reduced prices will improve your cash flow.

*Settlement Discounts.* Most companies offer settlement discounts - if you ask. Essentially there are two types of discounts; a trade discount and settlement discount. The trade discount is the discount that you receive on your medicines when you receive the invoice -while the settlement discount is a discount that you may take for prompt payment or payment before a specific date. By taking advantage of a settlement discount, you reduce your liability and in so doing, prevent a negative cash flow.

*Cash Flow Forecasts.* One of the best methods of ensuring a positive cash flow is to plan your cash flow. Like most plans, the cash flow forecast is only as good as the assumptions, and as a result has to be re-assessed every few months - both to check whether you are on track, and to make the necessary changes.

Take the same approach for your cash flow forecast as your business plan; try to be as realistic as possible, using whatever information you have on hand. By planning your cash flow, you can determine when to invest in new equipment, or whether you are going to pay out a bonus.

The successful implementation of a cash flow plan is like an antibiotic - if the course is not taken at regular intervals and completed, it's not effective.

One of the ways of improving cash flow is to identify accounts over acceptable limits and to educate your patients that you expect be to paid within a reasonable amount of time. Rather than printing

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complete aged analysis reports, for cash flow purposes, use the filters to select accounts over 60 days and concentrate on these accounts.

You should check your collection period on a monthly basis by dividing your monthly credit billings by the average total debtors balance - obtained from Control Totals. This is an excellent means of monitoring your progress.

By performing a few simple calculations based on the figures generated from the programs stock system, you can quickly improve your cash flow by identifying slow movers, stock movers, stock holdings and stock turnover

From time to time, you may need additional financing, normally arranged by a simple loan or bridging finance. Be careful though, because if it happens to often it's a sure sign of under-capitalisation and that finance of a more permanent nature is required.

***Stock Pointers***

*Calculate your GP*  
*Identify fast movers*  
*Get rid of slow movers*  
*Identify expiry items*  
*Check stock levels*  
*Maintain order levels*  
*Check minimum margins*  
*Scrutinise special deals*  
*Negotiate trade discounts*  
*Offer settlement discounts*  
*Implement controls*  
*Perform regular stock take*  
*Don't invest in dead stock*  
*Check your stock rotation*  
*Calculate "days-on-hand"*

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## NEGOTIATING

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It happens to the best of us. We become so entrenched in our success, our ability to take an idea and to turn it into reality; soaring above the rest; that we forget the basics and come back to earth with a bump.

And being in business for more than 25 years, the bump was not a pleasant one. It started when I asked a friend to provide some press releases for a practice management system that our company had been developing for the last six months, and which was due for release later in the year.

With him having a reputation for creative script and a perfect grasp of the English language, and being unemployed, I thought that I would kill the two proverbial birds with one stone; provide him with work, and get a good deal in the bargain.

How wrong I was. A hyper inflated bill, accompanied with a note saying that I got off lightly, in comparison to what an establish company (with hyper inflated overheads) would have charged, made me realise why he was unemployed.

I had forgotten the basics of negotiating with suppliers, and in doing so, suffered the consequences of my stupidity. Negotiation is an art with defined rules. Follow the rules and you won't get ripped off. Deviate and like me, then suffer the consequences and pay up.

- Know what you want. Before ordering, know what you want. Research your requirements and be precise. Allowing your supplier to direct you to a market that you neither want to address or have any interest, is futile, and simply adds to the bill. You wouldn't be in business if you didn't know your market and what you wanted to achieve. Use that experience and know-how, to your advantage.

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- Know the price beforehand. Before committing to any deal, know the price beforehand. Be very wary of any deal where the price is an unknown factor, and don't commit until you know the price. If the negotiation is on a professional fee basis, then negotiate a capped amount, so that when the bill arrives, it's not too great a shock. A capped fee also allows your supplier to know what you are expecting.
  - Know your budget. If you are working with a supplier that bills on a time basis, let your supplier know your budget allocation. Negotiating on a cost per item basis is far easier, because it's simply a mathematical calculation. It allows your supplier to tailor his services to your needs.
  - Know your supplier. Like knowing your enemy, it makes it easier to handle the negotiations. Long established suppliers have their reputation to uphold, while freelancers and newly established suppliers have to prove themselves. If you are dealing with a new supplier, take the effort to ask for references and other patients, following them up to the point that you are comfortable dealing with them. Don't rely only on your perceptions and what you are told in the negotiations.
  - Stay in control. The underlying definition of negotiation is to get the best deal for yourself, while at the same time ensuring your suppliers satisfaction. When negotiating, remember your goal and stay in control, It is very easy for control roles to be reversed, which result in assumptions being made, and ultimately the cause of souring relations.
  - Choose the right company. If you are commissioning a service, whether it be accounting, legal or a maintenance company, make sure that the potential supplier knows your business. You can land up paying your supplier for the privilege of getting to know your business. If you select a

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company that already knows your business, you reduce the learning curve, time factor and subsequent cost.

- Define the parameters. When negotiating, never commission a job, and then ask what the bill is going to be. If you are placed in a predicament, where you are told that a price cannot be given until the job is completed or assessed, then request a no charge assessment first. Don't wait until the job is complete, and then wait to negotiate. It strains relationships and will result in you never using that supplier again.
- Arrange a deadline and price. Negotiating can be like winking in the dark. You know what you are doing, but no one else does. Be upfront with your supplier and arrange a strict deadline and price beforehand. Many practices have standard terms and conditions, but fail to make them heard. At the onset, inform your supplier of your trading terms and how you operate.
- Give and Take. Negotiation is not always a compromise, but an agreement between two parties. One party agrees to give, and the other to take. If each knows exactly what their roles and responsibilities are, later complications are avoided and the deal goes down smoothly.
- Agree on the terms. You may used to be paying your accounts at the end of each month, or deducting a settlement discount. But if you are dealing with a new supplier, who is unfamiliar with your trading terms, it could lead to strained relations. Agree beforehand on the settlement terms.
- Build Relationships. Negotiating is generally about long-term relationships, where a supplier can rely on you using his services or purchasing his goods over a period of time. No supplier wants to invest in a practice only to discover that the long-term costs cannot be recuperated.

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- Know your buying power. If you have established a relationship with a supplier, your buying power is known. This can be used to negotiate a better deal, which translates into higher profits, and a better deal for the patient.
  - Be reasonable. Suppliers too, must make a profit. Be reasonable in your negotiations and aim for a win-win situation. Suppliers are aware that if they rip you off it sours future business, and they know that if they look after you, you will come back. The reverse is also true. Being unreasonable may result in the current deal going through, but don't expect repeat business.
  - Guarantee. In the negotiation, a guarantee of the product or workability of the service is paramount, as it can cut directly into your profits and may result in a bad marketing experience.
  - Honour. Having a honest relationship with your supplier ensures a long-term relationship. Many negotiations have broken down because of promises of vast volume movements and promises of orders that never materialize.
  - Good Accounting. Paying your account on time stands in good stead for any future negotiations, and allows you to negotiate off a solid platform, enabling you to estimate the benefits of the deal in terms of likely rewards.

Negotiations often fail because of the ego factor, where personal matters lead to power struggles. Effective negotiations should be objective, with a defined goal. Matters of the heart tend to overshadow the goal, resulting in failure.

With the basics in place, before committing to a deal, let the supplier know where he stands. You know your deal is successful if you have minimized your risks and looked at;

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- The advantages and disadvantages of the outcome, including the price of the product or service.
  - Have evaluated the major risks and thought through the deal to its logical conclusion. This includes how to price and market the product. In the case of a service, whether it will achieve its goal.
  - Have considered whether the deal has been offered to the competitors and how profitable they are.
  - Whether the market can absorb the consequences of the deal or whether you will land up sitting with the stock on the shelf, or a service, which was a complete waste of time.
  - How large is the market and whether the service or products you will be offering can be adsorbed into the market.
  - Why should the products or services be bought, or are you wasting your time and money.
  - Precisely what will be sold and to whom, and whether the profit is sustainable.
  - Whether the amount of working capital or cash flow allows for the deal to take place.

Of course, always ask yourself whether the product or service is suitable. I have known of practices that have purchased bulk of expiry items because of a “good deal”. There is nothing wrong in this type of negotiation at all. But if the amount purchased is five times the normal quantity sold during the date expiry range, it could translate into a substantial loss.

When negotiating you will have to perform a number of skilled functions, handling each aspect in a well prepared logical sequence, avoiding reaching a fixed position without thought and too quickly.

- Introduction. Set a tension free atmosphere.
- Objectives. Lay down your objectives and assess the differences in your positions.
- Interpretation. Ensure that you are both speaking about the same topic.

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- Define the Issues. Specify what you want to resolve.
  - Ask for what you want. Avoid conflict and realise that goals have to be modified on both sides.
  - Compromise. The old adage, which says that you have to give something to get something, applies.
  - Agree. Make sure both parties understand each other and that agreement has been reached.

So the next time you need a product or service, and you are dealing with a new supplier, listen to the voice of experience, and follow the rules of negotiation. After all, it's you that will pay the price.

<b><i>Negotiating with the Advantage. Ask yourself these questions first !</i></b>	
What advantages do I have that are of concern to the other party?	What strengths does the other party have that are of concern to me?
How much do you need the deal to go through?	How much does the other party need me?
What don't you want exposed in the negotiations?	What are they hiding that could be of advantage to them?
What do I know that the other party does not know?	What do they know that I don't know?
What time pressure is involved?	What is the urgency?
What pressure is being placed on you?	What pressure is being placed on them?
Is there a fear of failure?	Do you want the negotiations to succeed?
Can you manipulate and influence the negotiations?	Can you make the other party feel guilty?

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## EMPLOYEES

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TO FINISH XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Interview questions that allow you to decide on an effective choice. Questions are divided into categories that will help you probe potential employees more thoroughly than you might otherwise.

Reference checking has become more complex in recent years due to legal precedents in the handing out of negative references and affirmative action placements. This means that when interviewing a candidate, special attention must be given to what is not said and be persistent in probing for a realistic assessment of applicants.

Communication in the workplace is fundamental for effective management and the feedback of information. Communication is a two way process, where the practice manager must be trained to address both sides of any potential conflict.

Dishonesty among employees is a factor that many practices consent with. Managers can be on the lookout for dishonesty by watching for discrepancies in the dispensary, unreconciled deposits and the employee that never takes leave.

Like any business, a practice manager has his share of employee problems. Managers need to be able to respond to these issues by developing a clear set of procedures for handling problem employees, with an emphasis on providing clear steps and consequences.

Retrenchment and affirmative action appointments can lead to a legal web of problems. There are a number of ways to handle the termination process - ensuring a level of dignity for all parties and ensuring you stay out of the legal wrangle.

Employee motivation can contribute to higher levels of efficiency and profitability. While different people have different financial motivations, all want to be treated fairly and

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honestly. Here are ways to use those universal desires to get great results from your employees.

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## PERFORMANCE APPRAISALS

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Performance Appraisal has its roots in the early 20th century and can be traced to Taylor's pioneering Time and Motion studies. The aim of the study was to improve productivity and to isolate weak areas, with the aim of improvement. So how do you measure a doctor's performance? By the number of patients that die in any one year?

As the practice grows, so does the need for performance appraisal. Staff need to know how they are doing and how they perceive you to be doing. It can be used as an opportunity to let them know where you want them to go and as the tool to steer them in that direction. The review is also an opportunity to establish how the employee is doing against your expectations.

However, measuring staff performance is a tedious task at best, and often, without professional help, impossible. And once you have devised a way in which to measure performance, how do you rank and evaluate?

It is for this reason, that a performance appraisal is generally fine-tuned for the specific practice with different appraisals for the different positions within the practice. Typically a software engineer can be measured by whether he achieved the deadline, if the program bugs on release were less than 99% and whether there was a grasp of the situation. But what criteria do you implement to measure a nursing sister or an optometrist? Or a Vet for that matter? Is it based on how many dogs died while being spayed, or whether the cash flow is 30% up on last year?

The term performance appraisal has been called by many names, including performance review, performance evaluation, personnel rating, merit rating, employee appraisal or employee evaluation. A performance appraisal has been defined as any personnel decision that affects the status of employee regarding their retention, termination, promotion, transfer, salary increase or decrease, or admission into a training program.

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Performance appraisal is never an easy task. The questions raised must be relevant to the job description, and one of the failings of an appraisal is to base the appraisal on the last few weeks work, when in fact it should be on the performance since the last review.

Often the appraisal makes two promises that cannot be kept, one of them being the association of a salary increase, and the other being a mismanaged plan where at the review, the employee is informed that improvement needs to take place in certain areas, and will be reviewed at the next appraisal. The follow-up does not take place; performance is not improved; the employee's services terminated; and you receive your first notification from the CCMA.

It is important to separate salary reviews from appraisals. Let your profits and an employee's achievement of pre-determined goals determine increased earnings. Otherwise, employees come to expect automatic pay increases for just doing their jobs.

Performance evaluations provide an excellent opportunity for you and your supervisor to discuss your employment on an ongoing basis.

One failing of a review is that it is often not regular enough. They should be based on the overall performance in relation to the job responsibilities and will also take into account conduct, demeanor, record of attendance and tardiness.

Performance evaluations do not include wage or salary reviews, and do not suggest that pay increases automatically occur.

Your first step is designing the appraisal. Even though a great deal of flexibility exists in creating the performance appraisal format, a few essential elements are still required to effectively process and evaluate the appraisal:

- What do you need to evaluate?
  - Successful achievement of goals.

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- Are the practices goals clearly related to group or individual goals?
  - Demonstration of required behaviour and how the work is done.
  - Achievement of competencies. Does the employee have the knowledge, skills and attributes needed to successfully perform the work?
  - Which goals/factors apply practice-wide? Which goals/factors apply only to specific work groups or specific jobs?
  - What does successful performance look like?
  - What standards, expectations, criteria will be used to make judgments?
  - Who should be evaluated?
  - Decide on who will be evaluated. Individuals? Groups as a whole? Both?
  - Who should evaluate? The practitioner? Supervisors only? Peers? Yourself? Patients? All of these
- When should the evaluation take place?
    - How many appraisals do you need to do each year? One? Two? Four?
    - When is the best time to do an appraisal? Employee's hiring anniversary date? Slow work periods? Beginning of the year?
    - Do you measure and evaluate performance on an ongoing basis, even between formal appraisals?
    - How should the evaluation take place?
    - What format will work best? Standard template? Customised?
    - What process will work best? Meetings? What steps to follow and in what order?
    - What training will be needed for evaluators? For recipients?

Before you can start on a performance appraisal, you need to be prepared. While the appraisal can be in an informal meeting, you still need to have a basic outline on what you are going to cover in order

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to make the exercise effective. Bear in mind that one of the prime functions is a feedback session for both you and the employee. Defined areas to include in the appraisal include:

- Clarify the job description and responsibilities
- Clarify the employee development interests and needs
- List specific development areas for concentration
- Review performance objectives and performance standards
- Review progress toward objectives through ongoing feedback and periodic discussions

One of the traps is failing to get across practice goals as opposed to individual goals. This is why it is essential to decide on the purpose. Typically the purposes will include giving employees answers to:

- What he is expected to do?
- How well he is doing.
- What are his strengths and weaknesses?
- How he can do a better job how he can contribute more?

The appraisal combines both feedback and goal setting, so it is important that both parties be aware and recognise that performance appraisal involves human judgment and information processing, and therefore the process can never be totally objective or infallible. However, in formulating your appraisal:

- The system should aim to be easy to operate, easy to explain, easy to maintain, and easy to administer.
- The system should be job related, relevant, sensitive, reliable, acceptable, practical, open, fair and useful.
- Employees should participate in the development.
- You need to take legal issues into account.

Performance Appraisals often fail because of resistance. In the busy practice, reasons are more complex as managers may have limited contact with subordinates or may be poor at giving feedback. But

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more significant is the threat of employee organisations or the CCMA. Appraisals must be transparent and legally correct:

- Encourage employee participation in establishing the reviews.
- Standards must be based on critical elements of the job.
- Employee must be advised of critical requirements before the appraisal.
- The System should not be based on interpersonal comparisons and should be as objective as possible.
- The review should be conducted at least once a year, and recorded in writing, signed by the employee.
- Employees must be allowed to respond to any allegations both orally and in writing.
- The appraisers must be provided training.
- Constantly evaluate and refine the process.

Because of the subjective nature of appraisals, you need to ensure that questions and procedures are in place to minimise the subjectivity. These include:

- A defined set of questions.
- Whether the system is valid and if the ratings established are reliable.
- Whether performance measures are job related.
- How the results will be interpreted.
- If the system distinguishes high from low performers

Employees are often less certain about where they stand after the interview and generally few constructive actions or significant improvements result from this process. Added with the fact that no one likes negative feedback, it is even more important to keep the interview to job related tasks.

Planning a performance appraisal will take some of your valuable time, and there is never a convenient moment for an appraisal, but performed regularly, and at least one a year, it provides a valuable feedback aid, and lets both you and your employees know what you

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feel about their work - and an opportunity to work together to systematically improve the practices profit potential.

Performance Appraisals often fail because of resistance from both the employee and employer. While a necessity in even a small practice, taking into account just a few points can prevent a disaster. This article looks at just 22 ways to ruin the appraisal.

1. Forgetting the goal. The goal of an appraisal is to find areas of improvement in the employee, not to apportion blame. Using the session to find a scapegoat normally results in distrust and making a mockery of the process. If there is one point that needs to be made abundantly clear, it is that employees and managers need to work together for the common good of the practice, and that the appraisal is a means to achieving this goal in a better way.
2. Comparing Employees. If you want to reduce morale to an all time low, use the opportunity to compare employees or departments with each other. This practice can create a rift between employees and goes a long way to breaking team spirit. Remember, that you have to manage the rift that you created.
3. Associating with an increase. Let employees know that you are about to undertake a performance review without letting them participate, leads to all type of assumptions, including the association of increases or salary adjustments linked to a review. Have fun explaining this to staff after the next payroll run!
4. Preconceived ideas. If you have preconceived ideas, shelve them now. I was in a position once that even before the evaluation took place, a suggestion of the salary reviews landed on my desk based on a non-existent performance appraisal. To have such preconceived ideas negates the necessity of the exercise.

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5. Don't Plan. Spending more time on the appraisal than planning it will result in the appraisal being based on the last few days or weeks performance. You need to take into account the period to date attendance, attitude, interpersonal relationships, Job Knowledge, Work Quality, Work Rate, Communications and Policy compliance (just to name a few) since the last appraisal. Don't rely on your short-term memory, when the exercise requires a long-term consistent view. The actual appraisal should cover accomplishments, areas to improve, overall levels of performance and a performance plan.
  6. Over-rate the Appraisal. Performance appraisal is the end of a process that goes on all the time - a process that is based on good communication between manager and employee. It stands then to reason, that your time should be focused on preventing performance problems all year round, rather than evaluating a staff member at the end of the year. You know that you have done a good job when the appraisal runs smoothly, simply because you have done your job during the year and there are no surprises.
  7. Use it as a weapon. If you want an appraisal to fail, use it to justify or withhold pay releases. A bad practice won't bother with appraisals if pay is not connected to it. With the result that appraisals will only be abused: or in fact never take place unless there is a salary review. Remember that we are all social beings, and it would be nice once in a while to get some feedback about how we are doing!
  8. Think it's objective. People tend to devise all kinds of questionnaires, not because they are right, but because they are faster. Typical of this is the 1-5 questionnaire. Remember that even these types of questionnaires are subjective. You need to be conscious all the time that you must be as objective as possible

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9. Think you are qualified. Beside the fact that daily practice demands cause us not to see our staff as often as we would like to, don't be fooled into thinking that you are qualified to evaluate employees. Most people are not in a position to constantly monitor others, and to give qualified assessments of their work performance.
  10. Postpone or delay sessions. This is just one more way to tell an employee that they are not important. Not only will you be depriving the employee of possibly telling you something that has weighed heavily on his mind, but also you degrade the importance of an evaluation. By canceling a meeting, you dilute the importance of the appraisal, while at the same time being disrespectful to the employee.
  11. Bottle Up. I have theory regarding stress. Basically it purports that stress is due to uncompleted tasks. So, if you handle them immediately, there is no cause for stress. The same applies to an appraisal. If there is something bothering you, bring it up at the time. Don't bottle it up for the year-end appraisal and shock the employee. It's a sure way to break morale and give you one more crisis to manage.
  12. Think all positions are the same. When devising your appraisal, bear in mind that not only are all people different, but that jobs too, are different. Simply ask yourself whether you would apply the same appraisal principals, procedures and appraisal tools to your receptionist as you would the CEO of Telkom?
  13. Increase the Paperwork. While keeping a paper record is important, and the appraisal needs to be acknowledged and signed by the employee, you know you have made a mistake when the priority shifts to the paper. Use the interview as it should be used, sharing ideas and means of improving the person's job performance. Complete the paperwork afterwards, concentrating on the review itself.

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14. Get off the Point. Without a plan, it's so easy to divert and change the review into a "bitching" session. Bear in mind it's about improving the person's job performance and establishing a mechanism for feedback, not blaming him for every woe in the practice!
  15. Get stuck on trivialities. Murphy's Law is not often wrong, and one of the laws is that the easiest things to measure are the least important things in life. Returning calls within 2 hours is one of those examples. What is not easy to measure is the overall standard of quality index and patient satisfaction. Try measure the difficult achievements, and not emphasising the trivial.
  16. Be Legal Wise. If you think that a signed appraisal is going to prevent a legal wrangle, think again. Appraisals are subjective, and beside the fact that a performance appraisal can impact negatively on the employee, you stepping out of line can have serious repercussions.
  17. Think before using a PC. There are a host of appraisal programs on the market, but at the end of the day, a performance appraisal is an interpersonal and interactive relationship between two people – something that no computer program can hope to achieve (at least not at the time of writing this). A program to do the work is not only a waste of money, but detracts from the point of doing a review.
  18. Know Too Much. Selecting an off-the shelf evaluation may work for the organisation that designed it, but the chances are that they are a waste of time for you. You need to tailor your appraisal for each department or employee in the practice. It's almost as bad as using untrained people to administer an appraisal.
  19. Let your employees go in blind. If you don't explain to your employees what the appraisal is all about, you would have

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lost a valuable opportunity to gather feedback and to nurture growth in your employees. Let them know what it's all about, and encourage interaction.

20. **Be Superficial.** Employers can find it difficult and even intimidating to perform a performance appraisal. One means of handling this, is to be superficial and not to get involved in the real issues. Identify them beforehand and be prepared with your questionnaire.
21. **Make it useful.** If the appraisal is simply going to be filed, then you may have wasted everyone's time. Appraisals cost in both time and money, and can provide valuable feedback. Feedback that can turn the practice around, or help towards systematically improving the practices profit potential. Be pro-active and take steps to implement well thought out ideas.
22. **It's a waste of time.** If you think it's a waste of time, imagine what those who are being appraised think! One reason managers procrastinate with respect to doing appraisals is that they don't see the point. It's your job to make them see the point! One way of doing this, is to include this task in your own appraisal.

Performance appraisals have an important role to play in the practice. It may take some time and planning, but many a practice has had ideas from staff that have made all the difference – both in productivity and profitability. It's the same reason why you should take the initiative, and listen to how your staff can help you grow your practice.

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## **DISHONESTY**

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Dishonesty among employees is a factor that many practices consent with. Managers can be on the lookout for dishonesty by watching for discrepancies in the dispensary, unreconciled deposits and the employee that never takes leave. Financial controls in the practice determine how easy or difficult it becomes to have a third party siphon off your profits. Here are two handy hints that will allow you to see if your systems allow easy fraud:

Post a credit note today, back dated into a previous month. If this transaction does not show on the current months audit trail, it allows any person to post a back dated credit, and to pocket the receipt.

Any good system should allow you to differentiate the amount of money that came in, in the form of cheques, medical aid payments, cash, credit card, postal orders etc. Randomly check your daily daybook or audit trail, and check if the total received for that day, was in fact deposited. If it was, check to see if the payment types tally. If they don't cash can disappear from your practice by using the common method known as "cash substitution".

Proven dishonesty is one of the few offences for which an employee can be summarily dismissed.

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## COMMUNICATION IN THE PRACTICE

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Getting the message across may seem easy, but having it understood correctly is another matter altogether and can lead to severe problems in the practice. This article looks at the effectiveness of communication in the practice.

Communicating amongst colleagues may seem a simple matter of exchanging information. But whenever people get together in the work place, messages tend to get distorted - either deliberately or by accident. This paper looks at some of the causes of vague communications and uses a number of pointers to improve the quality in order to get the message across.

Before proceeding we have to understand what communication is. One definition is that of the exchange of information between a sender and the receiver with the effect of meaning. Therefore an individual's personality, motivation, personal development, mood and mental state at the time, all affect the way that he or she hears or receives information transmitted by another.

In the practice, there are a number of factors affecting communication and the accuracy of the message. Some of the more significant influences include:

### ***The Organisational Structure***

Generally, when a practice opens for business, it is started with a small infrastructure, growing as the demand increased. A hands-on approach by the practitioner meant that time was spent focusing on matters elsewhere, with the result that the management controls remained static for a one-person practice, while the organisational structure grew. Consequently, organisational structures have become one of the main stumbling blocks to effective communication.

This is compounded by the natural order of the professional practice, where an automatic hierarchical structure appears by virtue of the practitioners' expertise. A receptionist of long standing will have

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picked up the clinical terms, and is quickly perceived as a semi-professional. An addition to the staff will then result in extending the hierarchy, with a new layer of subordinate.

This arrangement can create communication difficulties with a lower status members (those without much power) suppressing contentious information. Subordinates tend to be concerned about their superiors, especially because of the perception that they may be regarded as unfavourable or in a poor light when they pass on negative information. The result is that they communicate only what they feel their superior wants to hear.

Depending where you as a manager fit into this hierarchy, you may or may not be party to these negative comments. If you consider your partners your peers, you will feel happier passing on bad news. The down side of this is that you may not hear all you need to hear from your staff.

Typically, this is where the grapevine kicks in and information is heard second hand and normally when a crisis is activated. On the other hand if you stand with the auxiliary staff and represent their voice, you may find it difficult to stand your ground with the practitioners.

Skilled communication, on the other hand, will fit somewhere in-between, allowing the message to be received and sent correctly.

Within your organisation the larger and more specialised your work groups are, the greater the possibilities for this misunderstanding. Employees in different teams and groups have access to more or very different information. This discourages sharing and increases the potential for misunderstanding amongst staff. In turn, a consequence is conflict or being viewed as an outsider. Typical comments elicited, include those such as “but are we not part of the same practice?” Skills and specialist knowledge exacerbate the problem even more.

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The differences in power, skills and expertise in departments (ranging from secretarial and reception, management and professional, patient care etc) may make communication difficult, resulting in discord, gossip and make the environment conducive to back-biting. Office politics tend to thrive under these conditions.

### ***Interpersonal relationships***

The relationship between two people communicating directly, effects the accuracy with which messages are given and received. An important factor in this phenomenon is how much trust there is between the two. When people trust each other, communication tends to be more accurate and open. Another factor to consider is the fear of potential employment loss. When the receiver of the message has considerable influence over the sender, the communication may be modified or guarded so as to safeguard the position. It makes sense that someone seeking promotion would modify the message in such a way that it enhances his or her position or personal development. In summary people hear what they want to hear.

### ***Group norms***

Group norms or expected standards of behaviour may limit the amount or type of information people feel that they can discuss. Of course, the type and content of communication, differs in different context anyway. The relax chat of the staff room or weekend braai, differs from the more formal discussion in the boardroom.

### ***Incomplete meetings***

This is particular relevant when an employee's performance is being appraised and discussed. If the manager relies only on one source of information when judging performance, bias impressions and messages are very likely to occur. Knowing the facts and the whole story is paramount to communication.

### ***Barriers to effective communication***

The most common barrier to effective communication is a lack of feedback. If you do not get any acknowledgement that you have been heard and understood you do not know if your messages have been received. It is prudent to remember that because of the

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inherent power differences, we as managers, are thinking of large quantities of information and giving direction to staff, without providing an opportunity for them to indicate whether they understood the message or not. We need to allow leeway for this. There are various reasons why managers may not use two-way communication like this. In most cases it is because of a lack of trust in the staff's ability to contribute, or lack of self-confidence (they think I don't know the answer).

A common mistake is to assume people have the same goals, ideals and motivations as us. How often have you said "But it is obvious I meant...", or surprised that a simple instruction was misinterpreted? The responsibility for encouraging two-way communication stops with management. Your staff must be able to inform you, as their manager, about their needs and values. Withholding information because they distrust you or are antagonistic towards you is a clear indication that staff dynamics are not as cohesive as you think, and if this is the case, clearly attention is needed in this area!

You have the responsibility to re-define the trust between you. Communication should be as open as possible and one way you can help make that possible is to create a supportive communication climate for people to feel able to talk without feeling that they are being judged.

Communication amongst colleagues is not just simple a matter of exchanging information. There are a number of points that should be avoided.

If you are behaving in a defensively, anything you say can be interpreted as passing judgment. Blaming, calling for different behaviour and even praising is evaluative and judgmental. Instead create a supportive environment by giving and asking for information, in a more neutral way.

- You are perceived as controlling the practice when you attempt to persuade others by imposing your personal

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attitude. Instead collaborate with your colleagues by jointly defining the problem and seek the solution together.

- When you attempt to manipulate others constantly, instead of dealing more spontaneously and openly without deception, you break down strategic communication.
- Avoid uncaring behaviour. Instead demonstrates your concern. Show empathy by identifying with your colleagues positional problem.
- Superiority is a known communication inhibitor. Rather show your respect to others by de-emphasising the status of power differences.
- Being dogmatic and absolutely certain about the solution and wanting to win, rather than striving to solve the problem, will stifle communication. Instead, show your openness to new information and interpretations and postpone taking sides.

Using non-verbal communication is one of the best methods of improving communication skills. Surprisingly, most of what we communicate is conveyed non-verbally. Tone of voice, gesture and body movements can clarify the meaning of verbal communication or increase the messages impact. This is also true of material items. For example, what you are wearing indicates the apparent wealth or status reflected in your surroundings. Non verbal signals may also contradict a verbal message or alter its meaning. This is particularly important in a manager's subordinate communication, where there are also usually obstacles to fake expressions of opinion or inhibit full disclosure of information. A good communicator watches out for signs of contradictions and encourages a more honest discourse.

As a manager you power dress or your physical office places you in a position of superiority. Your environment counts and therefore you may need to make more effort to meet your staff equally. These non-verbal signs are manifested in the practice, where the largest consulting room is usually held by the most senior partners or for those who hold the most power in the practice.

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Be aware of the non-verbal signs of dominance around the practice, such as the large office. A clear uncluttered desk and surroundings also reflects superiority. These too, can impede the communication process. These non-verbal signs illustrate that the higher you are in the practice, the less you have to do in terms of hands-on work and that your job is just to think and plan. An enviable position indeed.

Generally, someone feeling uncertain of their position in the hierarchy will place their desk in a comfortable distance from the door. A visitor would have to experience the humble experience of having to walk a fair distance before being within the communicable distance. Unless you need for some reason to remind you staff you mean business, create a more comfortable less oppressive environment. Sit them at right angles to you, not opposite you with a desk between you. This environment is conducive to a good working and communication environment. Status should come to you through being respected not feared.

Your gestures and body movements may serve to repeat and reinforce subtle underlying verbal message. However, care should be taken to ensure that the non-verbal message is not in contradiction to the verbal message. If the subliminal messages are in conflict with the verbal message and undermine this communication, reinforce the verbal message. A more supportive communication climate allows you to you get a clearer picture. These principals are known as communication hurdles, and are overcome by unblocking the lines of communication:

It allows you to have a number of guidelines for listening, especially considering the role-played as counselors. Listening skills certainly have their place.

- Allow plenty of time for discussion where there are no interruptions
- Listen with full interest and attention. This may be all you need to do. Usually, if people are given the chance to talk uninterrupted with your full attention, they unravel the

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problem themselves. Even if what you believe what they are saying is wrong or irrelevant, allow them the time to say what they will. Indicate simple acceptance, but not necessarily agreement by interjecting with the occasional “um”, “I see”, or some other kind of acknowledgement.

- Ask questions only to clarify the position or acknowledgement that you have been heard. For example, “So that annoyed you?” Keeping your tone neutral reassures the person that you are listening to them and that they have your full attention and interest. Encourage the other person to speak, making only the occasional responses.

Avoid direct questions and arguments and make clear that you may want to review the evidence later. While a review is irrelevant as to how a person feels now, when the other person does touch on a point you want to know more about, simply repeat the statement as a question.

Check to see that you have correctly received the sender’s message by repeating the statement. Typically “...and you no longer like the type of work you are doing”

Listen for what isn’t said, evasions of pertinent points and the indication of someone too eager to agree, need to be addressed. Such behaviour can be in contrast with what the person is really feeling.

Refrain at this stage from telling your colleagues what you think of the problem and do not suggest solutions. Listen carefully and without interruptions.

If the other person generally seems to want your point of view, be honest in your reply and try to advise. In the listing stage try to limit the expressions of your view since these may conditionally suppress the message that other person is trying to express.

Try to understand the feelings that a person is expressing, as well as the intellectual content. If your colleagues or subordinates start to show strong feelings of anger (or tears) try not to stop them.

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Encouraging them to suppress these emotions will only increase the discomfort, and discourage them from trusting you. In cases of this nature ensure confidentiality.

Focus on the content of the message and try not to think about the next statement. For the person who is talking, it is felt quickly and negates a good communication process. Exercise patience, and while this is difficult; it is an aspect that requires concentration and focus.

Don't make judgments until all the information is been conveyed.

Getting your communication right in the practice environment will lead to better communication with the patients, ultimately improving the practices profit potential.

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## **MINIMISING LOSSES WITH INTERNAL CONTROLS**

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Ever wondered why your stock count doesn't tally at the end of the year, why you need to finance the capital equipment or why that birthday present makes an impact on your bank balance. This paper looks at internal controls and how you can minimise losses.

Theft in the practice is a sensitive issue, primarily because it impacts on the team relationship that you are always attempting to build. But how can you trust an employee who steals from you. The answer is simple. You can't.

Theft takes many forms. It ranges from making that personal telephone call, through to cash substitution and using company assets for his/her own benefit. It is very difficult to detect theft without having the controls in place, and it is far better being pro-active by having the controls in place first time round.

It is far easier to control external losses by implementing a habit of ensuring that frame display units are always full, or expensive items are out of reach or inaccessible behind glass.

It is far easier to define and establish these controls if you know how company assets can be abused. They range from the non-issuing of an invoice or receipt for over the counter goods, and the cheque swapped with cash at a later stage (so that it all balances), through to generating a credit note and pocketing the proceeds.

Internal control comprises of a system of measures introduced into the practice for managing it in an orderly manner, irrespective of the size of the practice. As a practice starts up, the owner tends to know the whole gambit of the business. However, as it grows, the controls tend to remain stagnant, opening loopholes for abuse. It is therefore vital that controls are implemented, irrespective of the size of the practice, and are reviewed from time to time.

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These controls are designed to protect the assets of the practice and to ensure accurate financial records.

Controls are determined normally by the size of the practice. Controls for a smaller practice, could differ substantially to that of a larger group or multi partner practice.

An internal control has a number of basic principals:

- **Accountability.** The system must ensure that all income is received and accounted for. Systems should be in place to track that credit notes are authorised correctly, and minimise the opportunity for credits to be posted without a valid reason. This is one of the most common methods of funds misappropriation and consequential losses.
- **Authorisation.** A good system will ensure that expenses are paid with the proper authorisation. To have an employee have the authority of signing cheques without cross-reference to the fact that goods have been received and placed into stock (and a creditors invoice) may sound fundamental. However, trust of this nature, can lead to closure of the practice.
- **Assets.** The system must ensure that company assets are properly cared for. This ranges from capital equipment, through to the good name of the company. Use of company assets for private purposes should be well examined.
- **Paper Flow.** Ensure the paper flow is routine. Most small practices cannot afford to have one person ordering and another paying the creditors (division of duties). However, if you have a system in place, where the stock goods received voucher is linked to the creditors invoice, which in turn is linked to the creditors remittance, you have implemented a control.

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- **Provision.** The system of internal controls should ensure that provision is made for any liabilities that are raised. This principal drills down to the basics of making sure you have the funds and means to pay for what you buy. Allowing an expensive capital purchase without the means, makes a mockery out of the controls.
  - **Recording.** It must ensure that accounting records serve as a reliable basis for the preparation of annual financial statements.

A good internal control system must take care of a number of aspects in the practice – and not only those of a financial nature. It must ensure the longevity of the practice and if implemented, will allow for the smooth running of the administrative process.

- Staff must know what their duties and responsibilities are. Job descriptions, and well-defined letters of appointment go a long way to achieving this aim.
- It should cater for a division of duties, ensuring that the same person who places the order is not the same person who pays for the order, without the proper controls.
- Internal controls should be of a simple nature and easy enough for all to understand and implement. Complicated statements lead to a breakdown of controls and open loopholes.
- Staff should also be competent at what they do and trained for their task.
- Accounting records should be checked regularly and balanced at least before the month end – as should bank statements, which should be reconciled weekly (or as often as received).

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- Internal controls include a procedure relating to proof – where all deliveries are signed for by a responsible person. In this way, tracking is made easier.
  - Leave is a crucial part of controls. If an employee takes minimal leave, or refuses to go on leave, it's time to investigate, as it is normally an easily warning signal.
  - Every person involved in the financial or administrative function should be required to take leave at least once a year. If you cannot afford leave, then a periodic rotation of duties serves as a compromise.
  - Large practices should institute a sequence of internal audits aimed at validating the internal procedures and financial information.
  - It is important to review control measures from time to time due to the changing nature of practices and staff.

There are a number of ways to track whether controls are effective. One method is to use financial formula to track losses and shrinkage:

***Profitability.*** The profitability ratio is a direct reflection of the success of the practice and shows the use of resources on hand. If you know your average markup, a low percentage indicates abuse or losses. This formula can be applied on a regular basis and is an ideal barometer on the effects of your controls.

$$\text{PROFIT} = \frac{\text{PROFIT}}{\text{SALES BEFORE TAX}} \times 100$$

***Efficiency*** -Rapid stock turnover indicates good stock control, while slow stock movements indicates potential cash flow problems. Regular stock takes to compare the physical stock against the

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theoretical stock will soon let you know if you have a shrinkage problem.

$$\text{STOCK TURNOVER} = \frac{\text{SALES}}{\text{STOCK}}$$

**Collection Period.** The average collection period is the amount of days taken to receive your money. If there is a deviation, check that all your accounts are in fact going out, and that a process of selection is not taking place. A selection process could mean that a patient has paid, but that you have not received the proceeds!

$$\text{AVERAGE COLLECTION PERIOD} = \frac{\text{DEBTORS}}{\text{SALES PER DAY}}$$

**Return on Assets** - Profit is closely related to the assets employed and is a good measure of calculating the return on specific assets. A reduction in the return on assets could indicate asset abuse.

$$\text{RETURN ON ASSETS} = \frac{\text{PROFIT}}{\text{TOTAL ASSETS}} \times 100$$

Maximising profit in the practice is not a difficult task if done correctly. It necessitates keeping a careful eye on aspects such as petty cash, through to checking of the orders placed and paid for. Doing it correctly involves spending some time designing and implementing controls – and if necessary – using your accountants – after all, it is your practice .....

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## **MOTIVATING YOUR EMPLOYEES**

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The Implications of the new Basic Conditions of Employment Act are vast. The whole Act can be summed up in once Sentence. If you don't look after your employees you are in trouble. Just being employed is no longer a motivator.

As a manager your job is to ensure the well being of your staff in the workplace. You have a duty to your practice to ensure that staff are motivated in order to deliver the best that they can and to ensure maximum staff efficiency.

Due to the nature of working in a practice, staff are often asked to work longer hours and to put in that little bit extra. If this is done willingly, it is a sure sign of a motivated staff. However, often your employees are required to take on extra responsibilities without reward, but with the threat of insecurity, whatever form it may take. This often leads to low morale and high levels of frustration.

Often motivating staff is encumbered with numerous external factors, ranging from capital limitations, lack of payments from medical aids, the perceived notion that the medical aid will settle the bill (rather than the patient) and the lack of understanding of medical benefits.

All these factors de-motivate employees, resulting in complacency and a lack of work performance. These factors are exaggerated if you have just started your practice, where funds are limited and staff are required to work just that little bit harder.

Established practices too, are affected by cost cutting exercises. Generally salaries are one of the major cost centres of a practice, and streamlining or rationalisation results in staff retrenchments. The elimination of jobs results in those remaining expected to increase their productivity, take on extra tasks and make a greater contribution to the practices profitability.

So how do you motivate staff?

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Everyone needs recognition. Psychologists have always maintained that the most important person in your life is you, and that is the basis for motivation, recognising the achievements, limits and capabilities of that person. When a person is recognised for their ability or achievement, it directly affects their morale and encourages them to be more productive.

Recognise the Ego. Being egocentric beings, we all have an ego, whether it is perceived or not. By boosting ones ego, you expose the inner core of motivation. Conversely, by diminishing the ego, and using "the stick" taskmaster approach, you de-motivate staff.

Staff motivation is closely aligned to behaviour modification. By changing the attitudes and behaviour of both employees and employers, you take the first step to a strong and highly motivated work force. A well designed and thought out motivation plan offers that incentive that provides the recognition that increases morale and team spirit. This in turn can have a dramatic affect on relationship marketing, improved patient relationships and a boost in productivity. Like all plans, a motivation plan must be maintained and reviewed from time to time.

Any motivation plan can take numerous approaches, almost always based on incentives. Research has shown that remuneration is never on top of the list, and that staff losses and de-motivation is rarely the cause of money, even though it is regularly used as an excuse. While money does play a role, the approach is the motivating factor. For example, a task master approach, where you would threaten that no annual bonus will be paid due to lack of performance; as opposed to a paternalistic approach where a bonus will be paid if targets are reached; has the same bottom line effect, but a different motivating effect.

When devising your plan, there are a number essential elements and factors that must be taken into consideration;

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- Reasonable. When setting the objective, ensure that you are reasonable and fair. Typically, you cannot expect an employee to work every day of the week and expect the person to be motivated.
  - Be Specific. Make the objectives clear. A comment like "Improved Patient Care" is far too broad to expect any change and effect.
  - Set a Goal. The incentive plan must be goal orientated with a defined time period.
  - Involve the staff. By involving the staff in the decision process, and delegating the responsibility with the authority, you stand a better chance of improving productivity and motivating staff; after all, they then control their destiny.
  - Monitor the progress. Regular surveys from both patients and staff will allow you to measure the rate of success of your program.
  - Feedback. Employees need to know what the ultimate goal should be. Communicate your goals on a regular basis and emphasise your successes.
  - Be adaptable. If a motivation plan is not working, be ready to change – recognising your limitations and weaknesses.
  - Reward efforts. If you achieve your goals reward the staff. Rewards need not take a monetary value, but can be in the form of an afternoon off or the use of facilities. Rewards generally have a long lasting effect, especially if they are tailored to the need of the employee and serve as future motivators. Be careful of cash rewards as they don't often leave a lasting impression and are quickly forgotten.
  - Recognise your successes. If you have achieved your goals, let staff know that they have been reached. There are various forms of recognition, ranging from a practice person of the month, through to peer recognition.

A good incentive and motivation program very often produces positive behaviour in employees, but more importantly, it continues to reinforce positive behaviour and attitudes to staff as a whole.

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When devising a reward program, careful consideration should be made of individuals needs. Factors include working mothers with children, rewards such as holidays, where staff cannot or do not have the opportunity to utilise the incentive; and personal tastes which conflict with the incentive.

When devising an incentive and motivation plan, bear in mind that the only cost is time and that the rewards far outweigh any costs that may be incurred. After all, if the motivation plan does not work, no incentives will be forthcoming.

Incentives can also be pro-active, for example, when hiring staff. If a good incentive program is in place, where certain rewards are offered if goals are achieved, at the point of appointing new staff, goals can be set at the onset, reinforcing motivation goals.

The ex-CEO of South African Airways has the right idea. Due to the phenomenal increase in absenteeism, he sent a bouquet of flowers to those that reported ill. If there was no one at home to receive the flowers a letter followed querying the non-receipt of the gift. Suffice to say that attendance and motivation has improved dramatically.

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## TIME PLANNING

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I believe that one of the reasons people start their own businesses is freedom. The freedom to get their head above the crowd and be their own boss. But being your own boss has a price, and often the freedom to be your own man results in you not being able to schedule and plan your time correctly.

One of the easiest ways to calculate the value of your time, is to figure out how much it would cost to hire someone to do your work. This reality shock makes one realise very quickly that there are many more things in life than just working at the practice all day. And while the old adage saying that there is no return without risk has much merit, with the proper controls in place, time planning should be an essential part of running a practice.

For example, if you were preparing a recall mail shot, how much would it cost you to hire a student for the day? Assuming you paid R30 an hour, could you not be practicing earning R100 an hour, yielding a profit of R70 an hour? Smart working is what time management is all about – simply replacing yourself at R30 an hour and at the same time yielding a profit which you would not normally have attained.

When starting your practice, you tend to do all the tasks yourself: Consulting, dispensing, invoicing and all the follow-ups, from filing to organising couriers. However, as the practice grows, you may consider that much of this "menial" work unimportant and can be easily replaced.

However, because of the variety of tasks and cross-specialisation, your replacement would have to be a quick learner. While you answering the telephone may be a standard chore for you, employing a person who has the same dedication as you, may be more of a challenge.

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One of the biggest problems facing human resource managers today is finding that right person. The employee that can multi-task with diversity, an employee who is flexible, self-motivated and willing to be in your employ long enough to master the complexity of the practice. Finding someone that cares as much about your business as yourself is not an easy task. And if you do find that magic person, be prepared to pay! That is why more practices are turning toward computerisation and automation to streamline the workflow and to ensure the daily tasks are completed within the time allocated.

Automation today is no longer a luxury, but a necessity. Imagine trying to run your practice without a fax machine, or having a PC to produce your statements, or sending medical aid claims manually.

There are many temptations designed to waste your time. The freedom to waste your time is one. There are many more, especially since you are your own boss and rarely conform to the 9-5 brigade. Recognise some of these time wasters:

- Family and Friends; because you work for yourself and don't have a regular 9-5 job, how many times have family and friends dropped into the practice to see how you are doing? Family and friends don't realise that working for yourself demands a strict discipline, and that you are simply not available for lunch at the drop of a hat.
- The Telephone; those calls where the caller does not listen to what you are saying, especially when they are friends who think that you have all day to play.
- Lunches. How often are you invited out to lunch when you cannot afford the time, and if you do go, how pressing issues at the practice dominate most of your thoughts.
- Junk Mail. Isn't it amazing how you suddenly receive so much junk mail, unsolicited invitations, brochures and useless catalogs. With the quality of junk mail improving, it is quite easy to get caught in the trap of wasting time on irrelevant mail.

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Some experts insist that a successful practice is one where you keep regular business hours. Others argue why did you bother committing to your own business if not to control your own schedule? While practice hours are essential, the amount of time dedicated to the business represents the number of hours that the business requires to succeed. A simple business plan will allow you to identify what those hours are.

The problem with just letting the practice evolve without planning accordingly is that most of us fall into a pattern of working too little or too much. Owning your own business is different from working for someone else in that you are not rewarded for your work for at least three to six months.

By sacrificing your business, you are sacrificing the next quarter's earnings, but your bank account won't reflect that until next quarter.

Conversely, working too much has its own set of problems. Some practice owners start out or become workaholics, working for the sake of working. Not only can it ruin your personal life and the lives of those you love. It can also make you terribly inefficient and eventually reduce the practice earnings because you are working less intelligently.

No practice will thrive with an owner who does not back off from the business enough to keep a balanced perspective. The trick is in using the resources that you have and scheduling them accordingly.

*If you were not able to work for one month, which tasks would you have wanted to have completed or made significant progress? The answers are your priority tasks.*

Schedule your week to take advantage of the control you now have over your time.

It is a known fact that increased productivity is generally the result of efficient workers and systems – and that you are your best worker. Increase your productivity by working smart and scheduling your activities around your own productivity cycles.

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- Consultations. You must schedule time to return those calls and to be available during normal office hours.
  - Time to think. Schedule time during your day to be creative. If you are on a roll, don't suppress the creativity, but make up the routine at a later stage. The ability to stand back and reflect can only do the practice good.
  - Prioritise. Routine tasks such as filing, correspondence and the like can be done at any time. Don't use your bursts of energy on these tasks.
  - Work Smart. Don't waste time by trying to do everything yourself. Delegate both internally and externally. Also use local facilities, such as couriers and students – where they come to you, rather than wasting time in Post Office queues.
  - Schedule and Plan your appointments to allow you to plan your time and reduce time constraints and stress. Patients know when they are not wanted, and that can quickly make you a "bad practitioner".
  - Know how to cut an appointment short. Keep a professional stance even in the most difficult of conditions – and telling the truth always helps.

The first few months of running your own practice are always the most difficult when it comes to scheduling time. Some days you may find yourself unable to function because you just don't know which task is most important. When anxiety strikes, get out of the practice, and take a walk. Seeing the practice in a different light, even if it is 100 metres away, always helps.

By keeping track of your schedule, and planning your time, the priorities will slowly creep to the top; after all, you know what's important in your practice.

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## **CRISIS TIME**

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A short while ago, we were appointed to investigate the downfall of a practice. While practice failures are not uncommon, this case warranted investigation because the practitioner claimed that there were no warning signs. In any type of closure, warning signs are always evident, manifesting themselves in different ways.

If you know what to look for, you can anticipate the warning signs and act immediately, preventing the embarrassment and hardship of a liquidation. With interest rates rising and financial pressures being forced on the practitioner, financial strains are not always evident immediately - simply because the will to succeed can be so powerful, that it hides the ability to see the warning signs.

One of the main reasons for the downfall of a practice is the lack of controls associated with the growth of the practice. Failures generally have one common thread. The practitioner starts off on his or her own, and at the onset has full control over the practice, knowing exactly what is happening. As the practice grows, the controls remain in place and don't adapt to the growth. It results in poor stock control, lack of credit control, cash flow problems and opens the gateway for the opportunity of theft. Ultimately, it is the practitioner that suffers.

When the indicators manifest, practitioners tend to ignore the problem, rather than attacking the problem while they are still small enough to remedy. One of the best means of addressing this problem is to monitor the practice financials on an ongoing basis.

But there are other mechanisms, such as feedback from employees. Your staff are generally in touch with the patients and creditors. Make a point of generating feedback from employees on a regular basis to establish your standing with those you interact. Other external sources (such as professional groups) can generate a wealth of feedback as to your perceived image in the marketplace.

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It is your staff that will give you the first indication that there is something wrong in the practice. Normally these warnings are not direct, but if you know what to look for, you can take action at an early stage. Key warning indicators include:

- *Lack of Loyalty.* Front-line staff are sensitive to any rumblings in the practice. Generally people do not want to be associated with failures, yet they need their pay cheque at the end of each month. The sudden switch to staff working exactly from 09h00 to 17h00 and taking their lunch hour to the minute, is a sure sign that you are losing loyalty and that they feel something is amiss in the practice.
- *Division in the Ranks.* In order for any practice to survive and grow, everyone must have the same goal and work in the same direction. Once you have internal strife and an "us and them" mentality, the primary objective is lost and de-fragmentation occurs in the practice. This early warning sign indicates that it is "each man for himself" and preparations are underway for staff to distance themselves from the pending repercussions.
- *Staff Turnover.* A sure warning sign that there is a problem in the practice is a sudden increase in staff turnover. This indicator is easy to monitor. However, when it comes to replacing staff, and it becomes more difficult to replace staff; it indicates that there is a broader indication that your practice is in trouble; making the task of salvaging the situation even more difficult.
- *The Goal.* Within the practice, everyone working towards a goal is a basic management principal to ensure the success of the practice. After all, if everyone knows what the goal should be, you have a unified team trying to achieve that goal. A sure sign of pending failure, is when staff do not know your mission; and there is no general consensus on the clarity of the goal.

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- *Patient Complaints.* If the incidents of patient complaints have suddenly increased or if the incident has risen to a high level, it indicates that your staff no longer take pride in their work, resulting in sloppy administration. This warning sign has a spiral effect, which directly influences the bottom line and proves that your staff has stopped caring about the practices future.
  - *Creditors Complaints.* If you suddenly find creditors asking for COD deliveries, bank guaranteed cheques, or you no longer find it easy to get stock on consignment, don't ignore the warning. If the overdue reminder letters become more frequent, and you are unable to take advantage of your settlement discount, it is time to take drastic action.
  - *Bank Demands.* Bank demands are an important indicator, as the bank manager would not contact your staff, but you directly. Never ignore this type of warning, because if the bank feels you have a problem – you really have a problem - and it is in their interest to initially help you solve the issue. Ignoring warnings of this nature is tantamount to performing financial suicide and not taking advantage of an opportunity to neutralise the problem.
  - *Change in Turnover.* If you suddenly have a change in turnover, even if it is an increase or a change in your deposit patterns, it should be investigated. Capital expenditure or under utilisation of capital resources can trigger a warning indicator. These should be monitored on a regular basis for any significant changes.
  - *Rep Visits.* Almost all companies have a cycle schedule, where you are tagged for a visit on a regular basis. If these visits start to dwindle, it can indicate that you are being perceived, by your supplier, as being a bad risk. This warning, coupled with events where you have low staff

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attendance and representation, is a sure sign that your practice may be in trouble.

- *Bad Communication.* Often, it is not the practitioner's fault that things go wrong. On occasion, it is because of misinformation being fed. A sure sign that you are in trouble is when your employees start lying to you, and time to take action.

The reality is that the warning signs do not manifest themselves in any combination or necessarily in the forms above. It often takes only one sign to realise that there are problems in the practice and identifying them takes you to the half way mark. Solving the problems is another issue altogether. However, there are certain rules when addressing these problems:

- Attack the problem head on. Never ignore the warning signs because without action, they tend to get worse and not improve the situation.
- Reaffirm the practice's mission and goal and inform your staff as to why the practice exists and what its ultimate goal is.
- Get back to basics and establish controls that allow you to work effectively and profitably.
- Be open with your staff and explain the situation, requesting them to suggest means of addressing the problem and implementing their ideas.

While a recovery procedure does not happen overnight, identifying and addressing the warning signs will go a long way to ensuring the existence of your practice and to put it back on track.

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## IS THE PATIENT ALWAYS RIGHT

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As a prolific writer, with the aim of producing a clean presentable document, I have always used one type of printer, and as a result, have quite a collection. Without warning, the ink tanks became contaminated on three of the printers, and if you use bubble jet technology, you know how expansive that could be!

So off the printers go to the agents, only to be told that the “heads have gone” and they would need to be replaced. A call to the national technical director results in a run-around, and the local representative has used every trick in the book to avoid addressing the issue.

At the onset, I made it clear that I wasn’t claiming under guarantee, but felt aggrieved that printers that have done a little over 1000 copies can ruin heads and inks worth thousands of rand.

It reminded me of Bergeron’s book on Developing a 360 degree of the patient, who states that “Patient Relationship Management (CRM) is the dynamic process of managing a company / patient relationship such that patients elect to continue or increase mutually beneficial commercial exchanges and are dissuaded from exchanges that are unprofitable to the company”.

It goes without saying that my next fleet of printers won’t have separate ink tanks, and I will no longer support the company. The question of course, is how many patients have you offended in a similar way? Knowing it costs six times as much to get a new patient, than to keep an existing one, it can indeed impact on the practice; and if you have patients like me, there are at least 50 other people who know about your lack of service.

There is no doubt that keeping your patient pays. Recalls and a good practice management system are just part of the process, but there are a host of additional factors to consider. The trick is ensuring that your interactions with patients are both friendly and legal.

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There are a number of legal issues that practices should consider when it comes to patient interaction. These include advertising, retail pricing and return policies, guarantees, and consumer protection laws.

### ***Advertising.***

The Advertising Standard Authority (ASA), a self-regulatory body, who take steps based on complaints to ensure that adverts are legal, decent, honest and truthful, governs advertising. However, individual consumers and competitors may also take action against a practice that violates advertising laws.

There has been much debate over the years regarding advertising by professionals, with general acceptance being the norm. Good examples of global advertising include web sites such as [www.saoa.co.za](http://www.saoa.co.za) and [www.rams.co.za](http://www.rams.co.za) ([www.bhf.co.za](http://www.bhf.co.za)).

Action by the ASA is generally limited by an attempt to persuade the practice to take voluntary action, which if unsuccessful can lead to court interdicts.

To prevent any misunderstanding by patients, and by doing so, ensuring that your patient understands what you have to offer, there is a number of advertising compliance rules you would need to follow:

### ***Don't promise more than a product will deliver.***

Be sure the pictures you show in your advertisement reflects honestly what you are offering

- If you're using copyrighted work, such as a photograph, be sure you get written permission
- Don't knock your competitors or what they are offering.
- Have sufficient quantities of advertised items in stock or state, "Quantities are limited."
- Be careful about advertising something as "free", when it is part of a bundle.

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- If you advertise credit terms or lay-by, you should provide all details such as down payment amount, terms of repayment, annual interest rate and so on.

Having a patient question the ethics of your advertising, or not delivering up to what you advertise can lose you more than just a patient.

### *Product Pricing*

Although practices don't generally advertised discounted services, cash settlement incentives on frames and accessories are almost the norm. Using terms such as "reduced" prices is fine if you can prove that you offered the merchandise at a particular price for a specified period of time before "reducing" it.

The way in which prices are projected should be honest and not detract from the image of the profession.

### *Return Policies*

Generally, a cooling down period doesn't exist in the realm of the practice. But you may want to do so anyway to promote good patient relations. If you have a refund or exchange policy, you should make it clear and conspicuous.

### *Administration*

Billing a patient, when there should be no charge leads to administrative costs and burdens. It also tarnishes the image of the practice, and should be curtailed.

### *Guarantees.*

Express guarantees are statements or promises about a product or about a promise to correct defects or malfunctions in a product which can be either oral or in writing. Any statements in product literature or in an advertisement may be considered a guarantee, and does not need to part of a formal written contract to be legally treated as one. Of course, a mere opinion such as "You look good in those frames" is not a guarantee.

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Implied guarantees, also known as warranties, are automatically assumed and imply that the product is fit for ordinary use and any special uses the seller is aware of. For example, that a pair of readers will help the patient to be able to read!

And where does the liability lie if the product fails to live up to its guarantee? The liability is in part determined by who made the guarantee to begin with and how much the practice was involved in assisting the patient to select the product. This is a complicated legal area and requires competent legal advice.

### *Consumer Protection Statutes*

Consumers can exert a great amount of pressure and can claim not only the cost of the actual loss but in some cases additional punitive damages; even if the violation is not proved to be intentional on the seller's part. And this is where patient relation management (CRM) comes into the picture.

CRM became the rage in the last decade. It resulted in many companies investing in specialised software, and practices retuning their software to cater for relationship management. Personalised recalls, correspondence and patient communication boomed - but just for a short while.

The initial effects proved that CRM had a role and that the investment was worth the return. Practice managers were able to justify the expense of allowing them to analyse and understand their data - and in so doing, understand their patient. After all, if you don't know what your patient wants, how can you satisfy their needs and in turn, generate a profit?

But it failed. CRM software did not produce instant results, mainly because of the quality of the information captured. It became apparent very quickly that data became dated and therefore useless.

And it failed for one major reason - it was based on debtor information.

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Over the years much effort and focus was placed on CRM, in an attempt to retain and understand the Patient; and to grow the Patient base. Practice management software has evolved over the years to generate custom letters based on relationship management principals and to zone in on business acumen, rather than account information.

But when a patient is unhappy, it has serious repercussions. It could very well be because of poor service, improper advertising or the attitude of staff. Whether the patient is always right initially doesn't matter. Your attitude in dealing with the patient will determine the outcome, which includes, amongst others:

- Think before you speak. Because you have the controlling decision, you hold the trump cards, and can say whatever you want to say. But think of the ramifications, the effect you want, and then choose your words wisely.
- Make an impression and look and act like a leader. Take the time and effort to listen and to understand the patient's point of view. A good trick is when you shake hands; hold the grip for two seconds longer than you normally would.
- Involve others and act modestly, getting the story from others involved to establish the facts. Give credit where credit is due.
- Get your message across clearly. If you feel the patient is right, let him know so.
- Be willing to lead by taking a decision. Don't procrastinate but be decisive. There is nothing more that impresses than immediate and decisive action.

And if the patient is really wrong, explain why you are not willing to compromise. But do so in such a way that you both agree, otherwise expect to lose a patient for life!

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## CHOOSING THE RIGHT PROGRAM

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While there may be dozens of software packages available in any given market, the fact remains that between 10 and 20 % of these systems are doing 80% or more of the business. There are many reasons for this. First, these systems have proven themselves over the years by providing constant improvements and proving to the buying public that their product is stable, supportable and has a following of consultants and resellers who are dedicated to selling and supporting the product. If you ever become dissatisfied with your local vendor (or they go out of business) you want to be able to find someone else to support you. Does this mean you are foolish to consider anything but the most popular products? No, but the risk of making a bad choice is greatly reduced when you wander off the trail to the lesser known products.

***Do a real need assessment before you begin your software search.***

Most practices wait until a prospective vendor comes in before they really start evaluating their requirements. This approach does not give you enough time to carefully consider priorities and to work out compromises with staff on what must be done. A real needs assessment can involve some or all of the following:

- Strategic plan
- SWOT analysis (strengths, weaknesses, opportunities and threats)
- Internet positioning statement
- E-commerce planning
- Department by department assessment of current information requirements and opportunities for improvement
- Statement by key management of data requirements
- Needs of operational personnel in the areas of data entry
- Audit trails, and operational reporting
- Financial reporting needs, current and anticipated

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***Use a professional consultant when necessary.***

Just as any professional knows he needs help from experts, there are times when a consultant can make a profound difference in the process of choosing software. When you want to perform a thorough evaluation of all systems and procedures, are completely unsure of your priorities and what software you should be looking at, then engaging outside help can be your best move.

***Avoid using product resellers to do your needs assessment.***

Yes, they will usually do it for free but the old axiom "you get what you pay for" applies. Don't you know that the product reseller is biased toward his own product? You have not given yourself a fair chance to learn and compare when you use a vendor for needs assessment. There are a few who are truly objective even when they sell a product but they are few and far between. Do you want to risk it? Remember, you get what you pay for.

***Qualify your reseller/vendor by having them follow a scripted demo.***

Are you familiar with the term "scripted demo"? If not, you are going to be at the mercy of vendors when they come in to do demos of their product. A scripted demo is really nothing more than a detailed script for the vendor to follow when they demo their product. Ideally, it includes your actual data, transaction data, reports and the like. In other words it simulates your actual operational needs. It does take time to prepare a scripted demo and it takes time for the vendor to respond. But keep in mind that this exercise will force you to think through the details of what you need and force the prospective vendor to do some serious preparation for the demo. It goes without saying that the vendor who puts the most into a scripted demo has pre-qualified himself as someone you would like to do business with.

***Pay attention to the little features as well as the big ones.***

There is often the tendency to focus on the big items (e.g. financial reports and statements). But what about some of the more regularly used options – like what it takes to find records during a search lookup, or send a claim via EDI.

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***Some systems are decidedly better at doing that than others.***

Another important but often overlooked item is how to void transactions in the system? Voiding invoices, may be quite easy or a royal pain depending on the product. These are repetitive type transactions that you want to make easy for operating personnel, while at the same time ensuring the integrity of the system and eliminating the possibility of fraud. The best way to uncover the less visible, but important features is to talk to operating personnel. They are well acquainted with the nuisance items and will love to tell you about them.

***Use "off-line" customisations to accomplish complex computations.***

Let's say you have a very complex statistical report, which involves unusual calculations. You may be tempted to try to find a system, which does it exactly the way you need, but it may be much simpler to make an off-line custom change. This could, for example, involve exporting essential data to a spreadsheet for the calculations and then printing out the statistics on an external report. It may not be exactly pretty but it could be far less costly to do that than to change program code.

***Avoid source code changes whenever possible.***

Changes to program code mean that upgrades may be more difficult to accomplish and that you will be dependent on outside programmers. It is less risky, and usually less costly, to use "front end" or "back end" custom changes than to rewrite code. An example of a front end solution might be a custom clinical record scanning program, which lets you scan the data the way you want. A back end solution might involve extracting the data for a special report or analysis that cannot be performed within the management system itself.

***Integrate business planning with software selection.***

For some practices this will mean nothing more than to pick the brain to see what the vision of the practice is 3 to 5 years out. It surely will involve issues that are not even being thought about by those who

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use the software now. It may involve patients, medical aids, other funders, e-commerce and other issues that should be factored in.

***Believe nothing the salesman says until he proves it.***

Have you ever heard the adage that we buy the salesperson and not the product? Well, it is true in many cases. You have to be smart enough to look past the pleasant personality to what substance there is behind it. Often sales specialists are not good product specialists. We have heard of many cases when the salesperson misrepresented his product not so much because he was dishonest but because he simply did not really know and was never challenged on it. Always make them prove it. That's what scripted demos are good at!

***Pay close attention to data conversion issues.***

When choosing software, users often assume that they can get their data moved from their old system to the new system without much of a problem. Sales people are quick to confirm this. The fact is that data conversion often is the single biggest headache when putting in a new system and often requires a custom data conversion program to do it. Even then there is no assurance that the data will come over properly without something getting screwed up.

Be sure to get a specific proposal on exactly what data is going to be moved and check it carefully after it is moved. Conversion can get very tricky with the need for converting data codes and the like, and it is a rare conversion where something does not go wrong. If you do insist on a conversion, limit yourself to the patient master file, and not the transactions.

***Avoid overbuying.***

Possibly the single biggest risk today for software buyers is not buying a bad system but overspending for what they need. Buying a prestige brand name product may bring a sense of security but if the product is way beyond your real needs and requires more training and support than a simpler product you could wind up spending double or even triple the amount necessary to meet your needs.

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***Evaluate the report writer very carefully.***

An often stated reason for purchasing new software is better data access or easier maintenance. Well, data access depends heavily on the report writer. You may ask the vendor how you could prepare a particular report. One of the more frequent complaints we hear is that the custom report writer is anything but easy to use. In fact, some of them practically require some level of programming skill. Spend time looking at the report writer you will be using and see what it takes to do custom reports.

***Don't confuse what you want with what you need.***

Many companies get caught up with looking for a lot of advanced features they might see offered by vendors but are really not needed by them. An example might be some advanced cash management abilities or fancy inventory control algorithms. You pay for these in many ways - the cost of software, training, etc. Take an attitude of compromise with you and know what you will bend on to get the best solution for what you truly need to operate your business.

***Hidden costs***

Bringing in a new system brings many costs you may not have considered. These include maintenance of software, purchase of new hardware, conversion costs, staff training, and more. A rule of thumb is that you can expect to spend two or three times the cost of the software itself for the entire installation.

***Planning***

Plan your implementation and allow enough time. Many users get tripped up when they try to rush their software installation. The fact is that there are few things in life more complex than a new software installation. This is true even for small practices with relatively simple operations. There are just so many details to keep in mind that it takes time to plan everything. You will need the cooperation of all staff to put this over.

***Get buy-in from key staff members***

It is not enough to say - ok, we are getting this new whiz bang practice management system that will make your life easier. You

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must sell it to employees by getting their active participation in the decision making process, otherwise they will not feel that they "own" the system. This fundamental principle of human nature is especially important when bringing in software since almost anyone who is involved in the business operations can sabotage the new system either by ignoring it, being afraid of it, or misusing its capabilities. Why would anyone do that, you ask? Simply because they were ignored during the decision making process.

***Be sure to name a practice software champion.***

This is a person whose main goal is to make sure the system goes in and works for everyone. This individual must have good human relations skills as well as some technical computer skills. He or she also needs to be current with information technology issues so that they are not blown away with jargon spouted by software vendors. You need to have someone on staff that can see through the maze.

***Don't try to automate when the current system is in chaos.***

Many practices assume that they can solve their software problems simply by bringing in a new system. This will only add to the confusion. Don't even think about getting a new system until the one you have is working smoothly.

***Check out your reseller very carefully.***

Know whom you are dealing with on the software installation. There is a great difference in quality and competence between software resellers. Be sure to get references from several patients and be sure there is a personality fit between your staff and the primary interface person.

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## **NEED TO UPGRADE?**

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If your PC is slowing you down and productivity has hit an all time low, consider upgrading or replacing your computer.

With the commonality of powerful operating systems and programs running under Windows, you are probably one of the many practices investigating whether you should upgrade your computer system.

Combined with the phenomenon that computers double their power every six months and simultaneously drop in price, this is not always an easy decision – especially if you consider the range and options that are available.

And then there is the question of whether you should upgrade your existing computer, or simply buy a new one.

Budgetary constraints, fear of new technology or even the advancement in technology may tempt you to put off upgrading or buying a new computer system. Even with the increase in power and cost reductions, postponing your decision to enhance your computer systems can cost you dearly in the long-term. Not only can you lose out on the available software designed to run on powerful machines, but you limit your possibility of upgrading in the future and restrict your software choice. So when should you upgrade your equipment?

- When the performance of your computer restricts your productivity
- When you work faster than your PC
- When you don't have the memory capacity to run off-the-shelf programs
- When you can no longer find compatible peripherals
- When you keep running out of hard disk space
- When you can't run basic software applications that would improve your productivity

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- When your business performance is reduced or diminished due to computer performance
  - When your PC no longer supports your business processors
  - When your network is outdated and no longer supported.

Because no practice is the same, and the needs differ from practice to practice, it is best to establish a needs analysis, defining what you want to achieve and working from the bottom upwards. Once you know what the PC will be used for, it becomes easy to establish your needs.

Of course, the question as to whether you should upgrade in the first place is valid, and obsolescence is certainly a concern. However, your immediate and short-term needs should override this concern, and if you are reluctant to invest in a completely new system, there is also the possibility of upgrading individual components. Simple upgrades such as memory, processors, faster modems and disk drives can be an affordable way to boost your PC's performance and your productivity.

Remember that putting off the inevitable simply makes you more inefficient and leads to frustration. A new system can give your productivity a boost. While the cost will most certainly reduce and power increase within the first six months, console yourself with the fact that you don't have to upgrade every time a manufacturer makes an improvement.

### ***Choose an Operating System for Your Needs***

While the operating system you choose is dependant on the practice management program you are using, computers today almost always come standard with Windows. However, if your practice management system is using a different operating system, make sure that your PC comes loaded with the appropriate system. You can cause serious problems if the operating system is not compatible with your program, as Windows is not always compatible with older operating systems such as DOS. An appropriate and compatible system is the name of the game!

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Most PC manufacturers make your task of choosing the right PC easier by bundling systems designed for small businesses. These computers have the right amount of performance, hard drive and memory without too many bells and whistles. In addition, they normally include a word processor, e-mail and functional business tools.

### ***Maximize Speed and Memory Performance***

With the volatility in the PC market, processors are being updated continually. It is therefore important to consider as your first upgrade option the processing power. Today, the entry level processor is a 166 megahertz (MHz) processor, with the 200MHz processor as a standard. However, always buy the best you can afford. Your next consideration would be the amount of Random Access Memory (RAM). Most computers come standard with 16 megabytes (MB) of RAM, even though 32Mb is recommended.

Upgrading a processor can be as simple as removing the old chip and plugging in a new, faster chip. Even ancient computers like the 486 can be upgraded. Older Pentium systems can be inexpensively upgraded with the Overdrive processor.

Your computers RAM directly affects the performance of your computer and with prices at all time lows, most computers can be upgraded at a far lower cost than replacing your PC. However, be careful on over capitalising your PC with old technology.

If you only need one or two components to improve the performance, it will probably be more economical to upgrade. However, if you need to upgrade in several areas because the system technology is so out of date, it will make more sense to invest in a new PC featuring the most current technology.

### ***Evaluate Storage Space Needs***

In the past few years, technology has grown due to user demands, resulting in large applications needing huge amounts of hard disk capacity. In addition, the powerful new software applications and

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large graphics files available from the Internet add to this demand. Your practice could benefit from expanding the space available in your system to handle these storage demands. For the most versatility, consider buying or upgrading your system with:

- A Large hard disk 10Gb or larger
- 3.5" high-density 1.44Mb disk drive which is standard on most PCs today
- A CD-ROM drive, at least 40 x speed
- A tape drive for backups
- Other options include external disk drives that hold 100Gb upwards. They are ideal as data backup systems as they allow you to copy information from a fixed hard drive to a removable drive

### ***Your Communications Needs***

Most new computers come standard with modems that allow you to transfer data from one computer to another using the telephone lines. With a modem and the right software you can:

- Send and receive faxes from your PC
- Send and receive electronic mail (e-mail) from your computer
- Access your computer from a remote location
- Connect to the Internet

Using your computer to send faxes is a viable alternative to using the post. Not only is it quicker and cheaper, but also fax still has a sense of urgency. The convenience of a PC based fax adds to the flexibility, with software allowing you to merge patient data and to send the faxes at predetermined times. Added with the reduction in fax paper use, it makes sense to choose the highest performance modem you can afford.

Modem performance is measured in speed or Bits Per Second (BPS). The higher the modem speed, the quicker the data is transferred over the telephone lines. Faxes can travel at a maximum of 14,4Kb, while

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data can travel safely over telephone lines at a maximum speed of 56Kb. Obviously, the lower the speed, the more expensive your telephone call.

Generally, the lowest speed modem you want to use is a 33K modem, especially if you are using email and transferring files or graphics.

### ***Improve Your View***

Most computers come standard with a 14-inch monitor, which is ideally suited to the standard data entry in the practice. However, if you spend a fair amount of time in front of your computer, it may be a good idea to upgrade to a 17" monitor, which offers approximately 40% more viewing space. Under Windows, a larger monitor also allows you to see more in any window space. The benefits of larger monitors, including the reduction of eye strain, the swivel base for easier viewing should be obvious to any optometrist.

### ***Where do you buy your PC?***

Where you upgrade or buy your PC depends on your personal preference and how you like to shop. Once you have defined your needs and your budget, research the name brands, the guarantee and upgrade possibilities. Your next step is to select your dealer. If you are computer literate and know what you are looking for, most national stores have a computer department. However, if you need guidance, then it makes sense to use a value-added reseller, which has the in-house expertise to customise systems for your needs. After all, using experts goes a long way to ensuring productivity and reducing those frustration levels.

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## **HIDDEN COSTS (BACKUPS)**

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Any practice that holds its patient information or records on computer, is at risk of losing that information if adequate backups are not in place. Because of the nature of computers and their architecture, hard disk drives, which store the data, statistically stand a 30% risk of failure within five years of use. If you are not prepared for this eventuality, the hidden costs associated with computer failure soon become evident.

Backing up your information is the process of transferring information from your computer to another recording device, without affecting the original data. It is a security measure, which ensures that your data is always available elsewhere and that it can be transferred back to your computer with minimum fuss and computer down-time.

However, a backup is only as good as the information that can be transferred back to the computer - and taking bad backups is not an uncommon occurrence, costing the practice dearly, and normally discovered when it's too late.

One only need imagine the consequences if your computer was destroyed in a fire, stolen, or simply aged away - and your backups failed. While the program disks may be on hand, they become useless without data - especially if you have had customised changes to your software. And data is not all that may need to be backed up. In many cases it may even be necessary to backup the programs. Windows based programs such as MS-WORD take up to an hour to install, and become customised for your computer on installation. Multiply the time taken with the amount of programs you use, and you could easily lose a day's work just re-installing and configuring the programs!

Backing up your data should be a matter of routine. Once you have devised your backup strategy, it should be maintained on a regular basis. One of the best devised strategies is to have a backup for each

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working day, only used on that day. This is then followed with a backup for each month, only used at the end of that month. For example, if you are backing up to disk, have a set of disks for Monday through to Friday, using only Mondays disk on Monday, Tuesdays on Tuesday etc. In turn, you would have a disk for January through to December, using the January disk for your month end-backup in January, the February disk for February etc. In this way, in the worst circumstance, you only stand to lose one day's work.

Taking regular and good backups is one way to ensure that you do not become a victim to the hidden costs of computer failure. Emphasis is placed on the fact that backups must be sound - and the only way of checking the validity of the data is to restore and check the data. As a safety measure, this should be done on another computer and the data compared.

There is nothing worse than taking regular backups, to discover that you are using inferior media, which caused the restoring of the backup to fail. Regular testing is the only foolproof verification method.

The type of media used to backup your computer is dependant on the practice profile. If you have vast amounts of data, it becomes impractical to use dozens of floppy disks - not only does it increase the risk of error, but can be an unproductive waste of time, leading to backup resistance. Similarly, if you run a small practice, where the data can be backed up onto a single disk, then it becomes impractical to invest in a high-speed tape or removable drive backup system.

There are a number of types of effective backup systems. They range from floppy disks, stiffer disks, tapes, hard drives and removable disks. Each has their own advantages and applications.

Floppy or stiffer disks are the most common form of backup media, but they also have the highest risk of failure, normally due to incorrect handling and storage. If disks are used, they should be recycled regularly - especially when one considers their low replacement cost.

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Sophisticated networks allow the facility of mirror disks, where whatever changes happen on one hard disk drive, is mirrored on the other. This ensures an automatic backup in the case of system failure, with minimal down-time.

One of the most popular methods of backing up data is onto tape. Today, a Quarter Inch Cartridge (QIC) tape backup device is relatively inexpensive, available for under R1000 for a standard system. These tapes have the ability to compress data, allowing you to store up to 400Mb of information on a single tape. In addition, they tend to be reliable, but must be replaced at least every year, as they tend to lose their magnetic properties, as they get older. Unlike disks, a tape has the disadvantage that the information is stored sequentially and cannot be accessed directly. In the event of a disk crash, the disk drive must first be repaired, and then the tape restored.

While the tape steamer is the hardware to copy your data to tape, one important aspect, very often overlooked, is that of the tape backup software. If you are considering investing in a tape system, make sure that the software does what you need. Some software allows you to backup only updated files, while others require that you backup your complete hard drive. Other facilities include the ability to schedule a backup - where you stipulate a time, and the software automatically starts backing up the data in unattended mode at that time. Some software restricts you to one tape, while others allow you to insert additional tapes if required.

One feature you should look for is software, which allows you to verify or compare the data on tape to your hard drive - ensuring maximum security and peace of mind that the backup was successful.

The size of the tape is also important. Opting for a tape steamer that only meets your short-term requirements can be costly, as it's not only the cost of the tapes that must be considered, but also the replacement of the steamer unit itself - not to mention the

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inconvenience of having to physically change tapes and therefore forfeit any unattended backup facilities.

Performance is also significant. Certain types of tape streamers can take up to two hours to backup a single hard drive, while others do the same job in less than 20 minutes.

A relatively new form of backup device is the removable cartridge. While more expensive than tape systems, they are basically a removable hard drive, which is used to copy your original data onto. There are a number of advantages, in that they can replace your complete hard drive - so that if your system does crash, there is no down-time. They are also considerably quicker and easier to use, and last longer than tapes. The disadvantage is that they are sensitive and can get damaged if handled roughly.

Before deciding on your backup media, you should calculate the cost per megabyte of storing the data. Take into consideration the cost of your tape streamer and tapes Vs the cost of the removable drives. An overriding factor is the cost of reinstating your system, if your hard drive fails.

Whatever backup device you choose, there is one thing certain - taking proper backups may be an inconvenience, but can save you an incalculable amount of time and frustration in the long-term.

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## THE INTERNET

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Internet commerce is no longer some hazy concept on the horizon. It's a reality. Even commercial institutions, banks and prominent commercial enterprises are exploiting the convenience and accessibility of the World Wide Web.

Every few years there is a dramatic development in technology that brings about phenomenal change. In the last year, one of the largest impacts has been the development of the Internet. Flamed by the "browser war" between Microsoft and Netscape, Internet access is open to more than 400 million people, of which over 400,000 are estimated to be in South Africa.

Clearly a market of this size cannot be ignored, especially if one considers that the global market is brought closer to home, and that the corporate presence on the Web is a de facto standard today. A presence on the web allows you to focus on your companies' competitive edge. This is especially significant if one considers that many of today's products and services are so similar to each other that the only difference is in their marketing.

So why not create your own web site? Almost every type of service and product can be found on the web, ranging from laser surgery centres, through to purchasing your frame via the Internet. It is estimated that sales on the Internet are in its infancy, with an estimated \$6bn market share by the end of this year.

Based on the cost of establishing a web presence and the potential return, the effort in establishing a web site is well worth the risk. However, this risk must be managed. There are many sites on the Internet, which receive millions of hits, or visits a day, however, there are also those that receive one or two hits a day. In order to ensure your web site is not doomed to failure, we take a look at some of the success factors of web sites.

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### ***Have a Mission***

When taking the decision to create your site, know why you want to establish a presence. You must have a clear object and design your site around your objective. These can range from collecting potential patients, offering your products on-line in an electronic shopping mall, announcing new products, educating patients etc. Once you have established what your goal is, ensure that the end result achieves this goal.

### ***Budget Accordingly***

Before establishing your site, know how much money you are willing and prepared to spend. Costs that must be taken into consideration include the software, design and implementation. Normally, once a site has been designed, the maintenance is low and can be done with minimal effort. However, if you are sending large files, bear in mind the cost of the on-line telephone charges and on-going updates.

### ***Research***

There are numerous commercial web design products that allow you, with little or no experience to create a web site. Advanced software packages such as Microsoft's FrontPage allow you to create a sophisticated web site without typing a single word of HTML, the Internet Hyper Text Markup Language. Most of the design software packages are available on a 30-day trial basis, which allows you to experiment before committing yourself.

### ***Use Feedback***

One of the powerful features of the Internet is the mail facility, which can be incorporated into a web site. By using the mail facility you can generate leads and reduce communication costs. Invite browsers (those who visit your site) to leave their details in an address book. This goes a long way toward identifying your potential market on the web. Not only is this a substantial cost saving, but also the correct use of feedback can generate additional business quickly.

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### ***Inform***

With over 10,000 new sites being registered globally each month, you need to advertise your site. This can be done by printing your web address on your stationary or by registering your site with search engines. The search engines visit your web site and take key pages and insert the information into their database. Users can then enter key words and if matched with those found in your site, provide a link to your pages.

### ***Promote Your Site***

There are a number of ways to promote your site. These include the "buying" of advertising space on other web sites, placing the address in all your advertising, and using web registering sites such as [www.submitit.com](http://www.submitit.com), who will register your web site free with about 20 search engines. Reciprocal agreements with similar web sites go a long way to promoting your site.

### ***Market your practice***

An on-line questionnaire will see to this requirement, where you can gather information about your potential patients. Make a point of asking the browsers what they want and expect. A "wish list" or section is normally an ideal vehicle to gather this detail.

### ***Be Clear***

When designing your web site, make it easy to find the information. Bear in mind that many users will leave a site quickly if it is graphic intense and takes ages for the page to appear. A smooth flow of information with all links functional ensures continuity and invites browsers to explore further.

### ***Get Feedback***

Ask the visitors to your site whether they want to be notified about new products or services. The Internet makes it very easy to build up an electronic database, which can be used for emailing information. When using email, make sure you stick to the rules:

- Include your real name and qualifications. This gives your message credibility.

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- Use a signature file which should include your web address, it goes a long way to increasing your hit rate.
  - Use the subject line as it indicates to the recipient the importance of the message
  - Take care to ensure that your spelling and grammar is correct, after all, the message is a reflection of your practice.
  - Always answer your mail
  - Use your Edge

Focus on your competitive edge. One of the best ways of doing this is by monitoring your competitor's site, keeping abreast of developments and trends.

### ***Keep up to Date***

A web site that is stagnant for a period of time is a sure way to lose visitors. Keep your site maintained and current.

Setting up a presence on the Internet can be quick and easy, and can contribute towards your practice success – and there is no shortage of ideas, with over 1,000,000 sites already in existence. All it takes is a few hours of planning, and if implemented correctly, can take you beyond 2000.