

Maximising your profits

Business advisor Andy McDougall highlights how tough times can actually be good for business

That’s why I have called it cost management. This isn’t about slashing as much cost as possible. This is about undertaking a cost efficiency audit that encompasses every aspect of your business to determine potential savings without detrimentally affecting the integrity of your service and the satisfaction of your patients.

Quarters and halves mean shaving small amounts of cost from across your P&L. There will inevitably be places where your lack of focus has led to the proliferation of non-value-added activity through inefficient processes and the acceptance of a spend culture. By implementing a culture for managing the quarters and halves you could literally add tens of thousands of pounds to your bottom line profits without increasing your sales. In my experience of working with practices, I have yet to discover anyone who could not add at least £20,000 to their bottom line, off the same sales, by managing their quarters and halves. Cumulatively, the quarters and halves make a significant difference!

Efficiency and effectiveness

Good business management is all about taking the time to plan to do the right things and then spending the rest of the time ensuring those things are done right. Each task in the business should be considered from the perspective of the two Es: am I doing the right thing, which is essentially about being effective; and am I doing those things well, which is all about efficiency.

Generating additional business

In difficult economic times being cost efficient is even more important. There are tens of thousands of pounds of additional profits just waiting to be generated off the back of flat sales through better management of the cost base, and with the right focus and the correct financial management tools, they are available to everyone. So let’s look at a few of the hiding places.

Purchasing and stock control

Managing your purchases can literally save thousands. That doesn’t mean you have to buy the cheapest products and jeopardise the integrity of your treatments but it does mean you should be negotiating the best possible deals with your suppliers. These are tough times and the same market conditions prevail for everyone so your suppliers will be keen to continue to do business with you. How often do you price check your commodities? How many quotes do you get for bigger purchases and do you haggle, for instance by offering cash payments for an early settlement discount? This is a buyer’s market, which puts you firmly in the driving seat so take the opportunity to ensure you are getting the best deal possible.

Monitoring performance

It is the little savings here and there that make the difference and in any drive for efficiency, you should get the whole team involved. They will have ideas for how to cut costs and by asking for their input, you get their support. After all, they also have a stake in the success of the practice. If you do things a certain way because that’s the way you have always done them, then that is a sure sign that inefficiencies will prevail.

When you have undertaken this exercise and discovered a whole host of small savings that when added up, make your annual performance much healthier, don’t stop there. Put performance measurement in place so that each month you can check to ensure the good work continues.

Remember, it is all about the quarters and the halves.

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About the author

Andy McDougall has over 25 years experience of business planning and brings technical and expertise from a wide range of commercial and competitive business sectors. Andy now delivers business planning services to help members of the dental community to respond to the dynamics of an increasingly commercial and competitive environment. Join Andy’s session at the British Dental Conference & Exhibition in Glasgow on Friday June 5th in his presentation entitled, ‘Planning for profit – driving your business to success. For further details visit http://www.bda.org/events/annual-conference/. To find out more about his business planning contact details please visit Andy’s website www.spoton-businessplanning.co.uk or calling 01909 851 279.