

ADDING BOARDING TO YOUR VETERINARY PRACTICE

7 Best Practices



A New Guide By:



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WELCOME.

As all pet care professionals know, caring for people's pets is based on deep trust and excellence in service. More and more veterinarians are also finding that adding boarding and daycare to a practice provides an attractive financial return with minimal risk, and ensures a steady stream of revenue year-round for their basic veterinary business. It is a complimentary, high margin business. A medium sized boarding operation added to an existing veterinary practice can easily double the practice's profit.

BEST PRACTICES CHECKLIST

- Business Plan
- Facility Design
- Housing
- Services & Amenities
- Financials
- Customers
- Staffing

By expanding to include boarding, single and multiple veterinary practices are able to offer existing and new customers extended stay and care for pets while their owners are working or traveling. Because customers already trust you as their pet's healthcare provider, you have a built in, durable and sustainable competitive advantage when compared to boarding-only facilities. There are also opportunities for synergies through sharing of overhead, marketing, and a built-in reservoir of potential customers – all advantages that pet resorts lack. Finally, you will also likely see a 10% bump in your veterinary business thanks to more frequent customer visits due to boarding stays and the opportunity they present for vaccinations, teeth cleaning, etc.

This guide provides **seven best practices** to help provide you with the information you need to add boarding to your veterinary practice.



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CREATE A BOARDING BUSINESS PLAN.

The American Pet Products Association (APPA) estimates that \$4.73 billion is spent annually on pet services for boarding and grooming.¹ There is a very real opportunity for veterinarians to capture a portion of these dollars with less risk than if it were a boarding/daycare-only operation.

To be successful, there are a number of planning and financial considerations, legal decisions and business or operational issues. To investigate, determine if licenses or permits are required and if there are any other regulatory, zoning or insurance issues to navigate. Licenses can range from a basic operating license to a specific environmental permit and vary by state and locality. These considerations can be very important if you wish to have outdoor play areas as part of your boarding and daycare offering.² The U.S. Small Business Administration provides information to understand the licensing rules for your business location.

The scope of this paper is not large enough to allow for a deep dive into the construction of a complete business plan because each plan would be unique to the location and idiosyncrasies of the veterinary practice, the building's footprint, local labor rates, etc. It is better to invest in your own research and/or retain a consultant to help you. There are plenty of resources available via Internet searches, attending annual trade shows, or perusing the articles and advertisements in the trade journals (both veterinary and boarding).

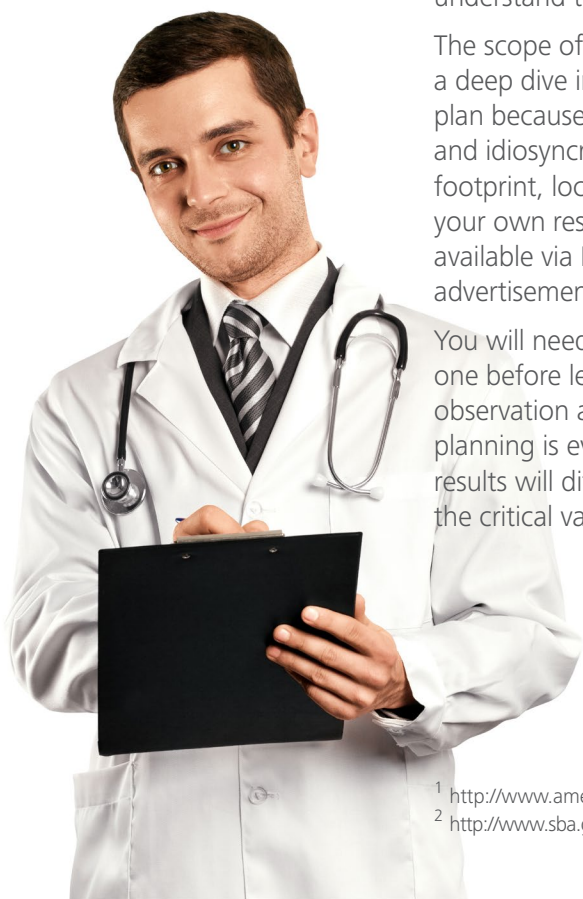
You will need a well thought out plan because your financial institution will likely demand one before lending the money. As you go about your work, though, keep in mind the observation attributed to Dwight D. Eisenhower as he planned D-Day, "Plans are nothing; planning is everything." Don't get bogged down in analysis paralysis because your actual results will differ from your plan. However, it is important to spend the time to understand the critical variables and how sensitive they are to changes in other variables.

INDUSTRY RESOURCES

- Pet Boarding & Daycare Magazine
- Veterinary Economics Magazine
- Barkleigh's Pet Boarding & Daycare Conference
- International Boarding & Pet Services Association
- Dr. Mark Crootof, Crootof Veterinary Consulting
- Homer Savar, Raintree Pet Resort & Medical Center

¹ http://www.americanpetproducts.org/press_industrytrends.asp

² <http://www.sba.gov/licenses-and-permits>



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DESIGN YOUR ANIMAL HOUSING FACILITY: *SIZE MATTERS.*

Determining the size of the facility and the maximum number of dogs and cats you intend to board is likely the most important decision you will make because it is the primary driver of cost as well as potential profit and return.

In general, most facilities offering boarding should plan on having a minimum of 80 to 100 runs. Otherwise there is not enough revenue potential to justify the investment of time and money. A single practice veterinarian, however, who adds boarding may find that 40 to 60 dog kennels is sufficient if enough additional services are offered or if the boarding is all very high-end and can bill above normal rates. Conversely, practices with multiple veterinarians may need more capacity to service the boarding needs of their expanded client base.

According to the AVMA 2013 Report on Compensation, the median professional income of private practice owners (companion animals) was \$136,000.³ Operating a small 20 run boarding operation might bring in some extra money but not enough to move the financial needle. An 80 run boarding facility with doggie day care on the other hand can bring in *anywhere from \$500,000 to nearly \$1 million in additional revenue* as described later. This is enough to move the needle!

When determining how much space you will need for your new boarding operation, a good rule of thumb is an average dog run will require approximately 40 to 50 square feet of total space, including aisle ways, food prep, etc. An 80 run kennel then would be approximately 4,000 square feet. Most boarding facilities now also offer doggie day care, both because it is a complimentary service and because customers who want one-stop shopping and convenience demand it. Plan on approximately 3,000 square feet of additional space for this service, including 2,000 for large dogs and 1,000 for smaller dogs. Keep in mind you may also need some additional parking space for customers and the new staff.

Additionally, a typical boarding facility should also have cat lodging. While most facilities will find that cats are only around 10% of their dog business, it is worthwhile to offer the service in order to attract customers who have both dogs and cats and want to drive to a single boarding facility. An 80 dog run operation might plan on starting with 12 to 16 cat condos and add more if the demand warrants. Cat condos are easy to add – they just roll off a dolly into place. Cat boarding also takes up considerably less space because the overall housing requirements are smaller and the units are typically double stacked vertically. You can comfortably house 12 to 16 cat condos in less than 200 square feet.

³<https://www.avma.org/KB/Resources/Statistics/Pages/Market-research-statistics-AVMA-Report-on-Veterinary-Compensation.aspx>

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HOUSING KENNEL AND CAGING OPTIONS.

There are a variety of options to consider in designing the housing for boarding of dogs and cats. An important consideration is that 20% of dog owners have more than one dog and 31% of cat owners have multiple cats!⁴ These owners will likely want to board their pets together rather than in separate runs or condos and the kennel and caging should reflect this desire.

HOUSING DOGS



KENNELS ALLOW CUSTOMIZATION:

- Side panels are available in a wide variety of materials from stainless steel to Wilsonart to FRP to HDPE
- Gate styles from tempered glass to stainless steel to chainlink and other combinations
- Accessories including dog feeding systems, top covers, rest benches, & doors

Run sizes vary considerably from facility to facility, but the most common size is usually 4' x 6'. Many boarding facilities are finding that larger luxury suites that are 6' x 8' or even 8' x 10' are the most popular offering and tend to sell out first because customers want the best for their best friends! These luxury suites are often designed to look like a real room and include a modern door with rooms that can be themed and outfitted with beds, rugs, pictures and televisions. Besides booking up the fastest, these luxury suites also have the highest room rates.

A clever option to increase boarding flexibility is to add guillotine doors on the sides of some of the dog runs. Opening the door allows a 4' x 6' run to convert to an 8' x 6' run. This can be very useful because as mentioned above, a significant portion of dog owners have more than one dog and want to board them together. A pair of 60 pound labradors are too big for a 4'x6' run yet fine in an 8' x 6' run.

Another consideration is to design units in tandem with your mechanical engineer to ensure proper airflow so the facility doesn't smell or have stale air. This is especially critical if glass gates are used because they provide less airflow. The National Institutes of Health provide HVAC considerations for animal facilities.⁵ Additionally, the *Association of Shelter Veterinarians* guidelines offer standards of care in animal shelters.⁶ Ventilation needs vary depending on the region of the country, making it important to consult an HVAC expert or architect regarding the appropriate design considerations. Odor can be the kiss of death in a facility – make sure your building doesn't smell!

An option for smaller dogs is to use a stacked run system. These are traditional dog runs, only smaller: typically 4' wide x 4' deep x 3' high. This smaller run will have an identical run stacked on top, creating two runs in the same space as one and effectively doubling the revenue generating capacity from the same footprint. These smaller runs can have all the accessories of larger runs: trench drains, bowl feeding systems, rest benches, glass gates, etc.

⁴http://www.humanesociety.org/issues/pet_overpopulation/facts/pet_ownership_statistics.html

⁵<http://orf.od.nih.gov/PoliciesAndGuidelines/BiomedicalandAnimalResearchFacilitiesDesignPoliciesandGuidelines/DRMHTMLver/Chapter6/Pages/Section6-1HVACDesignConsiderations.aspx>

⁶<http://oacu.od.nih.gov/disaster/ShelterGuide.pdf>

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HOUSING CATS

In the past 5 years, there has been a revolution in cat boarding. Gone are the days where cats were housed in small stainless steel boxes. Customers today expect luxury cat condos and these have quickly become the most popular option. Today's units are designed both for functionality and comfort, and typically are built around the recommendations of thought leaders such as the *University of California at Davis' Koret School of Veterinary Medicine* or *The Association of Shelter Veterinarians*. These and other organizations recommend 11 square feet of space per cat and separation of litter from food, water and living space. Portals between units offer additional flexibility, which can be important when customers interested in boarding their cats may request longer stays or have multiple cats.

FEATURES DESIRED MAY INCLUDE

- Built-in feeding/watering ledge
- Resting shelf
- Privacy area for litter
- Coated wire mesh doors, or tempered glass doors
- Internal air ducts
- Portals between units to open for multiple cats
- Glass backs for visibility



Five-foot-wide fiberglass cat units with a removable central divider to separate litter from the sleeping and living area are also ideal for cats and reducing stress. With the divider removed, the fiberglass cat condo can quickly convert into a surgery recovery unit for large dogs.

There are fewer gate choices for cats than with dogs. Cat condos typically come in either a wire grid or tempered glass fronts. The latter is more expensive but provides a much cleaner, updated look and better protection from disease, and for these reasons has been gaining in popularity. If you do go with glass fronts, make certain they are actively vented with a fan in order to provide the airflow necessary to reduce odor. Don't let your cat room smell!

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CONSIDER OFFERING SERVICES & AMENITIES.

Offering additional amenities that expand on standard boarding services can provide incremental revenue and profit while offering customers convenience. Doggie day care is one such additional service that provides an avenue to maintain a year-round customer base for your boarding business. This service has become so popular that it is almost a requirement.

CONSIDER GROUP PLAY PACKAGES THAT MAY BE ENHANCED WITH:

- Water play areas or swimming pools
- Playgrounds and agility courses
- Shade screens
- Antimicrobial turf for safe, clean play
- Activities and games that focus on healthy play, learning, weight-loss and socialization
- Calendar of pet events, activities and parties

EXAMPLES OF OTHER ADD-ON AMENITIES CAN INCLUDE:

- Frozen or peanut butter treats
- Obedience and behavior training
- Webcams
- Security system
- Extra walks or private playtime

Additionally, a bath, brush and nail clipping program or a full-service professional grooming offering can not only add to cleanliness and sanitization, but there may be more opportunity to notice a medical problem like an ear or skin infection that requires veterinary care.



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UNDERSTAND THE FINANCIALS.

Financing depends on operating costs such as the number and salary of employees, the cost of rent/bank loan payment and the supplies necessary to care for the pets, including housing and food. It is important to consider both the initial one-time costs and as well as the monthly on-going costs.

INITIAL ONE-TIME COSTS

- An 80 run boarding facility will be about 4,000 sq ft; land for doggie day care will require 3,000 sq ft; for a total of 7,000 sq ft.
- Equipment: a general estimate is \$2,000 per run though a number of factors can vary this number.
- Tenant Improvements: plumbing, flooring and walls (an estimate of \$30 - \$50 sq ft is a good initial starting point)

MONTHLY ON-GOING COSTS

- Operating expenses
- Dog food & cat food costs
- Software systems
- Marketing

Below is a table that summarizes some of the common upfront costs associated with starting an 80 run boarding kennel with doggie daycare. The table is a summary and is not intended to reflect all costs associated with starting a kennel (for example, the costs — if any — for architects, engineers, lawyers and other service providers are not included).

BANK LOAN PAYMENT ASSUMPTIONS

| | |
|------------------------------------|--------------------|
| Sq. Ft. Boarding | 4,000 |
| Cost/Sq. Ft. | \$180 |
| Sq. Ft. Daycare | 3,000 |
| Cost/Sq. Ft. | \$150 |
| Total Building Cost | \$1,170,000 |
| Equipment (Kennels, Floors, Hoses) | \$176,000 |
| TOTAL AMOUNT BORROWED | \$1,346,000 |
| Interest Rate | 6.5% |
| Term | 15 years |
| ANNUAL PAYMENT | (\$143,151) |

It is also important to have sound numbers that inform your pricing. Prices should be commensurate with your services' quality and tie to your budget to provide a year-round revenue plan that can be sustainable both during slow and busy times.



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A sample financial analysis is provided below, though numbers can vary depending upon market, geography, services offered, capacity and occupancy.

Revenue Assumptions: In addition to the daily boarding rate, kennels offer a variety of other services mentioned earlier that boost the ultimate daily charge higher.

INCOME STATEMENT - BOARDING

| | |
|--------------------------|--------------------|
| Boarding Rate/Day | \$38 |
| Days in Year | 365 |
| Revenue Potential/Run | \$13,870 |
| # of Runs in Facility | 80 |
| REVENUE POTENTIAL | \$1,109,600 |
| Utilization | 40.0% |
| NET REVENUE | \$443,840 |

INCOME STATEMENT - DAY CARE

| | |
|--------------------------|------------------|
| Day Care Rate/Day | \$30 |
| Days in Year | 365 |
| Revenue Potential | \$10,950 |
| # of Dogs | 30 |
| REVENUE POTENTIAL | \$328,500 |
| Utilization | 45.0% |
| NET REVENUE | \$147,875 |

INCOME STATEMENT - BATH & BRUSH

| | |
|--------------------------|------------------|
| Bath & Brushes/Rate | \$30 |
| Days in Year | 365 |
| Revenue Potential | \$10,950 |
| # of Dogs | 30 |
| REVENUE POTENTIAL | \$328,500 |
| Utilization | 33.0% |
| NET REVENUE | \$108,405 |

VARIABLE EXPENSES

| | | |
|---------------------|------------------|------------|
| Labor (with taxes) | \$75,453 | 17.0% |
| Dog Food | \$11,096 | 2.5% |
| Cleaning Supplies | \$12,483 | 2.5% |
| Subtotal | \$97,645 | 22.0% |
| GROSS PROFIT | \$346,195 | 78% |

| | | |
|---------------------|-----------------|--------------|
| Labor (with taxes) | \$75,746 | 51.2% |
| Other | \$5,000 | 3.4% |
| Subtotal | \$80,746 | 54.6% |
| GROSS PROFIT | \$67,039 | 45.4% |

| | | |
|---------------------|-----------------|--------------|
| Labor (with taxes) | \$82,632 | 76.2% |
| Other | \$5,000 | 4.6% |
| Subtotal | \$87,632 | 80.8% |
| GROSS PROFIT | \$20,773 | 19.2% |

The combined revenue from these three services total \$700,000 annually, which is significant when you consider that the median revenue generated by a veterinarian who owns their practice is \$400,000 (AVMA Compensation Report 2013). More importantly, the combined gross profit for these services is \$434,000, a significant amount!

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Fewer runs may still result in similar or even additional revenue if more services such as doggie day care, group play, grooming and luxury suites are offered. In addition to the supplemental income to be earned from boarding, there is also a significant opportunity to increase business for the veterinary practice from the boarding traffic since customers can benefit from both services.

There will also be some additional overhead associated with adding these services. You will likely have to hire a dedicated manager for the new boarding/daycare operation. Insurance expense will go up, as well as utilities. There will be incremental usage of office supplies, advertising, technology and other expenses as illustrated in the chart.

GENERAL & ADMINISTRATIVE

| | | |
|-----------------------------------|------------------|--------------|
| Manager (with taxes) | \$50,000 | 7.1% |
| Utilities | \$12,000 | 1.7% |
| Office Supplies | \$2,000 | 0.3% |
| Insurance - P&C | \$4,500 | 0.6% |
| IT/Internet/Software | \$6,000 | 0.9% |
| Advertising | \$6,000 | 0.9% |
| Other | \$15,000 | 2.1% |
| Subtotal | \$95,500 | 13.6% |
| PROFIT BEFORE BANK PAYMENT | \$338,547 | 48.4% |
| Bank Payment | \$143,151 | 20.4% |
| PROFIT AFTER BANK PAYMENT | \$195,396 | 18.7% |

The summary of all this revenue and expense is approximately \$195,000 in profit. This figure is almost 50% higher than the median pay of \$136,000 for a veterinarian specializing in companion animals. Adding boarding can provide a significant boost to the bottom line!

It is important to note that boarding is the primary driver of profit, with daycare and bath & brush a distant 2nd and 3rd. It is also important to understand that boarding (as well as daycare) is predominately a fixed cost business. The vast majority of costs are one-time and upfront, such as the building, the kennels, the software and relatively little varies with swings in sales. This means that a small increase in revenue can create a large surge in profit because there is very little additional cost associated with generating the incremental revenue. For example, an increase in boarding utilization from 40% to 45% (i.e., a 12.5% rise) creates a 22% gain in profit. The effects grow more pronounced with every increase: an expansion in utilization from 40% to 50% (i.e., a 25% rise) boosts profit 44%! Unfortunately, the math works the same way if sales decrease. Fixed costs businesses are all about moving sales above breakeven and enjoying those results!

U.S. Small Business Administration Finance Planning Resources:
 ULTIMATE GUIDE TO FINANCING ⁷
 A guide to many business articles on Business.gov.
 FINANCE START-UP ⁸
 All businesses require some form of financing. An integral component of starting a successful business is raising sufficient capital.
 START-UP COSTS ⁹
 Includes information on how to accurately estimate your initial and on-going costs.

⁷<https://www.sba.gov/blogs/ultimate-guide-financing>
⁸<https://www.sba.gov/content/determining-your-financing-needs>
⁹<https://www.sba.gov/content/estimating-startup-costs>

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ATTRACT MORE CUSTOMERS.

One of the biggest advantages a veterinarian has when adding boarding is the built in customer base. By offering excellent care to your current customers, you already have a pool of people who can both use your boarding/daycare and serve as referrals. Your reputation is your most valuable asset, and word of mouth can be one of your most effective marketing tools. Develop a marketing plan to automate your communications process by providing consistent, engaging communication with both existing and potential customers.

IDEAS INCLUDE:

- Ask customers for testimonials and include them in your mailings and emails as well as on your website and social networks.
- Self-promote both areas of your offering by having pictures in one area of the services provided by the other side of your business and providing direct mail or email to customers to encourage them to utilize you for boarding.
- Offer customers value-added programs such as a discount coupon, refer a friend discounts, package discounts and a free gift for first time customers.
- Provide incentives for add-on services, such as a discount on dental cleaning while a pet is being boarded.

In addition to ensuring annual pet vaccinations are current, let customers know they can schedule routine examinations or surgeries, such as spaying or neutering and declawing, while on vacation and can rest assured their post-operative care and medical needs are taken care of while they relax. Not only will this provide peace of mind for your customers that their pet can be returned with stitches removed and fully recovered, but your practice can gain more summer and holiday business while scheduling the procedures at a time convenient for you. This additional veterinary business generated by the boarding operation can total an extra 10% without an added marketing or sales cost.



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STAFF PROPERLY.

Just like with your veterinary practice, you will need to deliver exceptional pet care to be successful. Ensuring you have a strategic hiring process that attracts well-trained employees at the right staffing level is critical to thrive.

For boarding, a general benchmark is one staff member for every 30 pets. Many interested in these positions are minimum wage hourly or salaried employees who share a love for animals. Those handling facility management may earn a higher hourly wage. Team bonuses can help ensure exceptional service. In general, you should expect to see payroll account for 17% of sales. Administrative help can include two or three front desk staff, though depending upon your facility's design you can take advantage of a common front desk. Numerous other synergies with shared services can also save labor costs, including online scheduling software, accounting software and a common waiting area, restroom facilities and lunchroom or break area.

Staff training and certification can help ensure your staff delivers the same level of care as you. Workshops are available through the Humane Society of the United States, the American Humane Association and the National Animal Control Association. As with your veterinary practice, safety for the staff and animals as well as disease prevention is paramount, and proper procedures should be in place to reduce the likelihood of illness or the chance of cross-contamination.



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With these best practices, you will be well on your way to hosting a grand opening celebration for a successful boarding operation, expanding your veterinary business and adding significant profits to your bottom line.

Thanks to Homer Savard at Raintree Pet Resort and Medical Center for providing valuable insight.

