

WestVet Finds A Winner In VisuaLab

One Idaho veterinary center finds opening a lab has improved their financial forecast

WestVet Animal Emergency and Specialty Center in Meridian, Idaho added it up—the costs of outsourcing lab work. Resulting in a six-figure sum every year, it was time to take action before more was taken out of the company coffers. Dr. Jeff Brouman, owner of the center, had been looking into creating a lab in-house but realized he needed assessment. With the help of a consultant, they quickly figured out that the local area was open to a nearby lab and certainly hadn't been thrilled with the costs they'd been paying. "It seemed like a no-brainer after we looked at all the data," says Elizabeth Soule, operations manager for WestVet. "It showed that it was really fear that holds many places back from opening a lab instead of good business sense. You're allowing the Idexx's and Antechs of the world to make money on what should be *your* deals." Besides the survey going out to surrounding vets, they were also able to get some of the monthly test reports from another clinic about how much they used Idexx and Antech and were able to determine cost projections per test cost.

WestVet was also surprised by how fast it took them to set up the lab. "The consultant came aboard in November of 2009 and we opened July 26 of the following year," Soule says. "It's hard to keep momentum going on an idea so I think seeing the finish line helped."

The instruments chosen for the lab were the Cobas Integra 400 for chemistry, the Immulite 1000 for endocrine, Cell-Dyn 3700 for hematology and TREK diagnostics system for microbiology. "We were focused on finding the best combination of reliability and lower service maintenance," Soule assesses. "The TREK especially was picked because we wanted something automated for microbiology that could ID the organisms and then do the drug sensitivities."

Of course, data showing potential customer interest is one thing—converting them into sales is another. "The best way to approach for new business is to understand that change can be hard for a lab and to alleviate their fears," Soule says. "They can start with a biopsy which might not be as important to them so they can test you out without feeling it's much of a risk. Once a lab sees how we do, we felt confident we're getting their business long-term." She also found that follow-ups on initial sales calls had greater importance because, again, if they're making a switch that potential customer may want to know you're serious enough to work for the sale. "We have shareholders in 10 clinics and they were happy to find negotiation with pricing," she says. "They also realized they can call up both our pathologists any time to speak with them which is different than the big two. We sell it as 'buy local, stay local.'" Soule said the Southwest Idaho gain was actually a 10% sell-through for the amount of places they approached, modest considering that the time was minimal for an introduction. They teamed the marketing manager and a clinician to hit each place with a firm presentation of both the numbers and overall efficacy.

In retrospect, Soule says, they would have done many more calls based on the positive data they've collected. "I can only imagine how many places we would have lined up if we had worked to create that base," she says. "The earlier you get started with this, the more word of mouth can come into play and quickly expand this thing."

Business has been increasing to the point where there are eventual projections in profit margin of 17-20%, though even that, Soule says, could be conservative when it's all said and done. "At the end of November we added more clinics in Southwest Idaho," Soule says. "Again, we have found that the only thing holding us back are the number of places we make time to approach. That will be changing but you also don't want to go at a pace that's outside what you can serve with quality."

Running the lab was also surprisingly simple considering that it's not a large staff. WestVet only has three full-time technologists and one part-time; two pathologists are also part of the team, one an anatomical and the other clinical. Soule rounds out the team. The business is also only open from 8am-10pm Monday through Friday then eight hours on Saturday. The space they use is 1,000 square feet and they recommend not going much smaller. "We were going to go 500 square feet but extra room was needed to be able to have a necropsy room and microbiology area," Soule says. "With microbiology, you don't want it next to all the instruments because there's the possibility of having cross contamination. It's best in a separate area and also make sure to have a biopsy cutting area as well."

Still, there was a concern when it came to correlating samples. "We have to run a certain amount of correlations on our instruments with labs that have the same instruments to compare apples to apples," Soule says. "We have to do 20 samples per test per machine per instrument but we've found that our quality assurance and quality control is working well. That's vital to the success of a lab."

They also found their old software wasn't necessary for the new venture. "It just didn't do everything we needed it to," she says. "It didn't have the capability for interfacing with instruments that we have. We want to be potentially working with herds, getting into the large animal sector. When herd samples come in its set up for clients and not reports."

A Growing Name

Beyond the future profits, Soule also says the new lab opened up eyes to the WestVet emergency name. "The name recognition let the community become more aware of all we can offer," she says. "Our vision is to become a one-stop shop for the needs they have. People want to save time and just know there's a single place to rely upon. Making them feel better in that way leads to more consistent business."

Soule sees continued expansion for the future to complete self-sufficiency as a realistic goal but one that will take time. "We would like to be able to run 95% of our tests in-house," Soule says. "Right now we send out anything with radio isotope needs like Free

T4's and equilibrium dialysis. We have a full service biopsy area and we send biopsies to be processed on to slides for us—blocked on first and then laid on slides. We'd like to be able to do that down the road as another way to grow things. Be more of a freestanding lab instead of depending on outside labs for some of our work.”

Of course, Soule knows you can't get ahead of yourself but it's easy to once you see what a little independence can do. “Our goal is quality with each step of this process but you can't help but get excited by what we've seen so far. We keep saying the same thing over and over again: “Why didn't we do this before!”

Sidebar

A Consultant Rundown

Soule found a consultant was a huge benefit to opening a lab and had recommendations for assessing one when going that route. “It's one of the most important things you can do,” she says. “The original consultant we had was good but didn't have a full spectrum of knowledge. We wanted financials. ‘What's the profit margin? ‘What are your typical problems you'll encounter as a little start-up?’” When looking for their new consultant they found having an ability to negotiate instruments from manufacturers could be as important as getting things set up in the lab. “It also involved special testing for endocrine since you have to denature protein and serum,” Soule recalls. “It's also setting up the IFA department, along with the broad base of the problem that can come up in the daily of running a lab.” The consultant was also instrumental in getting spreadsheets for ordering and protocols from when samples come in to when they finish. “You need to have every sample handled the right way,” Soule says, “and have the SOP (standard operating procedure) and paperwork to hit the ground running.”