

Good News in Challenging Economic Times

Arlan Fuhr, DC

The other day, a friend of mine shared an article that was featured on Forbes.com titled "[The Most Profitable Small Businesses](#)," written by Brett Nelson and Maureen Farrell. The article ranked the top 20 most profitable small businesses and did so by evaluating pre-tax profit as a benchmark. The authors pulled financial statements from nearly 300,000 companies, most with less than \$10 million in annual revenue, over a nine-year period to capture a full business cycle.

Twelve of the top 20 businesses were professional services ranging from health care to finance, that require years of training and certification. One of the reasons the list was so heavily weighted with professional services was the fact that these services tend to have consistent demand, regardless of economic conditions.

Of particular interest to me were the top 10 most profitable businesses, especially because of the strong presence of health care - including chiropractic - as listed below:

10. Lessors of commercial office space - 11.6 percent pre-tax profit
9. Optometrists - 12.2 percent pre-tax profit
8. Lessors of mini- and self-storage units - 12.3 percent pre-tax profit
7. Freestanding ambulatory surgical and emergency centers - 14.8 percent pre-tax profit
6. Sales financing - 15.1 percent pre-tax profit
5. Tax preparation services - 15.6 percent pre-tax profit
4. Dentists - 15.4 percent pre-tax profit
3. Other accounting services - 15.5 percent pre-tax profit
2. Chiropractors - 16 percent pre-tax profit
1. Certified public accountants - 17.1 percent pre-tax profit

The major takeaway from this article is that specialization pays off. Well-run professional service businesses generate a lot of recurring revenue. For example, if you've been seeing the same service provider for 20 years, you're not likely to switch. It pays to be in businesses that require special knowledge.

The connection between specialization and profitability holds particularly true in health services, with professionals in this area able to exercise more pricing power and flexibility. Patients who seek chiropractic, dentistry and optometry care tend to [pay out-of-pocket](#), so insurers are not taking a cut in many cases.

Given the challenges we've all been discussing with the economy, I found this article reassuring. It

also reinforces what I already knew - that we are fortunate to work in this profession and that our opportunities are boundless. Now my words are backed up with statistics that concur!

NOVEMBER 2010