



So you're thinking of buying a dental practice...

By Julie Parker

Buying a business is an ambition that many people dream of, fewer people actually do and in which even fewer people thrive.

The positives to owning your own dental practice are many and powerful:

1. You control your own destiny;
2. You are the sole determiner of how you treat patients (if you are a clinician);
3. You direct the workplace culture;
4. You have more control over your work-life balance;
5. You are building a saleable investment;
6. You are securing your employment;
7. You choose who you work with; and
8. You have more control over the money!

As with everything in life, there are also negative aspects to owning your own dental practice including:

1. You risk losing money on your investment if the business is not successful;
2. You risk "failing" (this can be a positive or negative; it depends upon your personal thoughts, beliefs and values);
3. You need to make tough and unpopular decisions with your team and patients;
4. Your workload is enormous;
5. You are required to take on many roles and responsibilities;
6. You need to continually counter pitfalls and be constantly strategising;
7. Often, in the early days of business ownership, you need to work on a smaller (or no) wage; and
8. The weight of responsibility for actions/needs of staff can be overwhelming.

Life is what you make of it though, and I know that owning my own dental practice for ten years was one of the most

character-building experiences of my life and contributed strongly to the person I am today. Albert Einstein is quoted as saying "*The only source of knowledge is experience*". We do need to step outside our comfort zone in order to develop and grow. However, I found that in business ownership, you have to extend a step further than this. You need to EMBRACE being outside your comfort zone and in fact, seek it. Problems are problems when we resist them. It is when we embrace our problems wholeheartedly that they are instead challenges and the search for their solution becomes our routine.

Which practice should you buy?

The primary piece of advice I always give is, if you can, buy an ongoing concern. Starting from scratch is absolutely do-able and I don't advise AGAINST this, however buying into a practice that has an assurance to generate an income for the business from day one gives you markedly better chances of success.

The following is a guide for all prospective dental practice buyers on what to look for and consider when choosing an established dental practice to purchase.

1. Location

Your location will either be your burden or your blessing. Once you are there, you cannot change it (without the costs of relocation), so ensure you research the area well. Strong "foot traffic", obvious signage and exposure and ease of access will all be to your advantage.

Look for proximity to the following:

- Close to shops - amongst a strip of shops is ideal;
- Public transport within a short walk;
- Church/places of worship;
- Restaurants and Cafes;
- Car Parking - vital for keeping patients;
- Easy access for both children and the elderly and ideally disabled access. Stairs tend to be the most common barrier to easy access;
- Schools and Child Care Centres generate foot traffic in the area and are also great for business promotion;
- Future planning projects in the area that may impact positively or negatively on your business; and
- Population demographics - Who lives in the area, their age, income, profession, number of children... all of this information is important to be aware of in order to establish whether the services you are planning to offer are relevant for that community. Source data on the Australian Bureau of Statistics website <http://www.abs.gov.au> and also on sites such as www.realestate.com.au that include profiles on every suburb.

2. The business

There are reports, documents and figures that you will want to assess with your accountant and lawyer. Feel entitled to ask for the following from any seller:

- Last 3 years turnover (dental software generated report, separate reports for each year);
- Last 3 years Profit and Loss reports;
- Current Balance Sheet;

- Longevity of business;
- Monthly lease for premises and copy of Lease Contract;
- Are there any other existing leases (such as equipment) that would be transferred to your responsibility?;
- Ask for all contractual arrangements the current business has with other entities, including health funds, co-tenants, affiliations, etc; and
- What is the financial value being allocated to:
 - a. Goodwill;
 - b. Plant and equipment;
 - c. Furniture and fittings; and
 - d. Stock and instruments.

3. The practice

Feel entitled to ask for the following from any seller:

- Copy of the Fee List;
- Are they currently affiliated with any health fund as a “preferred provider”? If so, is this transferable to a new owner?;
- Number of new patients generated every month;
- Current marketing campaigns in place, the costs involved and the impact on new business coming through the doors;
- What services are currently offered? Consider how are you going to be able to maintain these services and also add to them, in order to grow the success of the business?;
- How heavily booked are the days? Physically look at the appointment books of every provider of the practice;
- The number of active patients on file? The dental software can generate a report on this;
- How many production days make up the turnover? From this, you will then be able to determine what the practice turns over daily;
- If there are multiple providers, get a breakdown of the turnover and calculate the production of each individual;
- Is it a “pay on the day” practice or is there an amount in outstanding accounts? If so, what is this amount?;
- Realise that a high turnover practice is usually the result of the level of experience and skill of the selling dentist. If you do not yet possess this degree of expertise, you are very unlikely to generate the same income. This means, for you, you will be paying too much for this practice.

4. The premises

- Is there room to expand and add more surgeries in the future?
- Does the building comply with relevant building regulations?
- How many car parks are allocated by council to the practice?
- Assess the fittings, structure and furnishings. Will you need to immediately allocate funds for refurbishment? If so, get a quotation of the amount to add to your Business Plan.

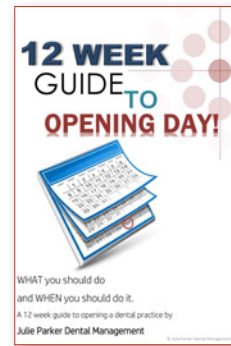
5. Equipment

- Ensure all equipment is in effective working order. It is your responsibility to replace if it breaks down even an hour after signing sale contracts, so I encourage you to get an equipment technician out onsite to assess all equipment for you; and
- Collect copies of all equipment warranties and receipts of purchase.

6. Existing staff

- Are existing staff expecting to continue on after the sale? This can help you in many ways but in some cases can hinder your efforts in gaining the trust of existing patients and other staff. Think carefully before making this important decision;
- Get a list all leave entitlements of employees and contractors (if staff are continuing on with no break in employment, determine with the seller on the percentage of long service leave entitlements he/she will be responsible for);

- Copies of all employment contracts and have your lawyer assess; and
- Is the selling dentist continuing on as a contractor/employee? Get advice from your lawyer and write up a secure contract that will address both of your interests, along with the promotion of the future success of the business



Getting the foundations for your success is vital. Opening day will be chaotic if not planned well. To assist new dental practice owners in the 12 weeks leading up to opening

day, I have put together my *Step By Step Guide to Opening Your Dental Practice Successfully* and it is available for just \$19.95. Simply email me at enquiries@julieparkerdentalmanagement.com.au.

The dental surgery landscape has changed. Strong, long-established practices are difficult to find. So the price tag on a dental practice no longer depends primarily on turnover. Dental practice prices, like anything, go up with scarcity. Bring in your accountant and lawyer and other trusted advisors in your circle as part of your decision making process. If you make more right decisions than wrong and are enthusiastic about achieving success for yourself, your staff and your patients, you will enjoy many years of generating healthy profits.

About the author

Julie Parker's whole career has been devoted to the dental industry, starting in 1987 as a dental nurse. In 2003, Julie became the first non-dentist to buy a dental practice in Australia. She owned and managed her practice in Brighton, Victoria for 10 years. During this time, she more than trebled the turnover and her staff base grew from 3 to 12 members. Julie successfully cultivated a winning team and a winning business. Her business programs on how to accomplish a dream dental business are gleaned from her wealth of experience, intensive education and an inquisitive business mind. Julie is a Certified Practitioner of Neuro-Linguistic Programming, Time Line Therapy and Hypnotherapy.

Julie Parker Dental Management offers a subscription based program that educates all dental staff in the building and managing of their practices. Members receive monthly audio CD's and workbooks that lead them along the path to personal and team success. All team members, including the dentists, receive Certificates of Completion each month for submission for non-clinical CPD points and inclusion on resumes. Memberships are available for \$395 per month. For more info, see www.julieparkerdentalmanagement.com.au.