



PRIME PRACTICE

Preparing to sell your Practice

– Getting the competitive advantage – Part 1

By Simon Palmer

When people decide to sell their home they will usually do some tidying up and make some small inexpensive improvements. They may put a fresh coat of paint on the walls, mow the lawn, clean the place from top to bottom, get professional photos taken of the place and generally make sure that the home looks spotless when potential buyers walk through the house for inspections.

Why do they do these things?

At the end of the day no one can say that these things will have a direct impact on the price of the home. How much extra is the house worth with newly painted walls?

The reason people do these things is that their home is in competition with other homes in the area for interested buyers and there is an emotional component to the purchasing decision. These home improvements that may cost a few hundred dollars will hopefully give a better feel to the place in the eyes of a potential purchaser and may just tip the balance between a party being interested or not, or make a significant difference in the price that someone is willing to pay.

The same logic applies to dental practice sales. You could have the best production figures in the world and the difference between an interested party or not may be the 'can't-put-their-finger-on-it-exactly' feeling that the potential purchaser gets from the practice when they see it.

An important thing to remember is that your practice is in competition with other practices for sale at that time and you need to do anything you can do to make your practice more attractive than theirs. There are plenty of small, inexpensive things you could be doing in your practice that could positively impact the sale of your practice.

1. **Get your financials in order.** Make sure that your financials are in order and as transparent and easy to read as possible. If you have been doing your financials yourself make sure that an accountant has a look at them before you use them for selling purposes. Your practice may have fantastic production figures and be highly profitable but if you have dodgy looking financial statements you will put off potential buyers.
2. **A considered strategy/plan** for how you will transfer patients (or referring dentists in case of specialty practice) to the buyer.
One of the big risks involved in buying a practice is keeping patients/goodwill once the seller exits the practice. Being able to show that you have a carefully thought out transition plan will definitely help put buyers minds at ease and help your practice sale stand out among the others. Showing consideration for the following will present you as a professional:
 - a. Present letter that you will send out to patients/ referring dentists expressing confidence in the new dentist's standard of care and abilities;
 - b. Plan for personal introductions to referrers/patients;
 - c. Offer for the practice to use your name on signage and stationary alongside theirs for a period of time to provide familiarity and continuity for patients;
 - d. If you as a seller are staying on as a part equity holder, document how you are planning to distribute new patients and/or transfer existing patients;

- e. If you are able to offer to stay on as a part or full time employee dentist for a short period, this may be attractive to a buyer as it would provide continuity for the patients with their trusted dentist and further minimise the attrition of patients in the practice.

3. **Get your house in order.** Someone purchasing a dental practice isn't just purchasing the space between the walls. They are inheriting the staff and the systems, procedures and protocols of the exiting dentist. Sure, a buyer can try to introduce new ways of doing things, but bad habits take time to break.

Someone looking at practices will be naturally turned off by chaotic practices with stressed out staff. Equally they can be attracted to practices that operate like a well-oiled machine. Remember, after purchase that will be their working environment.

4. **Aesthetics.** It is amazing how quickly many people get used to or blind to their own mess. It is only when your spouse or friend comes into your car and mentions the mess that you look around and realise that it is there.

The same thing happens with our practices. It's a good idea to get someone that you trust from outside your practice to have a walk through your practice and tell you what they think:

- Do you need fresh coat of paint on the walls?
- How cluttered is your desk in your office?
- How disorganised does your office look?
- Is the furniture and magazines in the waiting room dated?
- How does the front desk look?

5. **The lesser known figures to get in order.**

There are some figures that many selling practices ignore or fail to get in order that may just attract or discourage a buyer:

- a. Security of tenure. A business with a short lease is generally less desirable than a practice with a long one. This is because the value of a practice's goodwill lies in its security into the future. The more likely the business needs to move in the future the less secure the practice's goodwill is as a practice moving will usually result in patient attrition.
- b. Number of new patients per month or per year. Showing the number of new patients per month will show the practice's ability to grow or keep up with patient attrition.
- c. Number of active patients in the practice. The shelves or drawers of patient cards and records that the practice owns doesn't tell a buyer much. Many of these patients may not have been into the practice for 5-10 years. The active patients, that is, the unique patients that have attended over the past 18 months gives the buyer a true sense of the base of patients that he/she will be purchasing.

Next issue, in part 2 of this article we will be examining the role that the dental practice team plays in a dental practice transition...

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