



Leap of faith

It's not jumping into the unknown if you know what's coming – **Patrick Miscampbell** looks at preparing yourself as a first-time practice owner

Like every new business venture, starting a new dental practice can be a daunting experience, and not a decision to be taken lightly.

It's effectively about taking that 'leap of faith'. The key to a successful conversion from associate to practice owner is about doing your homework and weighing up all the risks and benefits, ultimately making an informed decision.

There are two main ways you can start your own dental business, and pros and cons for each.

1. Purchase an existing dental practice

If you purchase an existing practice, you will usually be inheriting a patient list with,

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hopefully, long established patients. These patients are likely to be loyal to the practice based on both the existing dentist and, quite often, the location of the practice.

The existing practice owner will usually expect to receive an additional payment for this patient list, often referred to as a 'goodwill' payment, and it is important for you to weigh up future earning potential from these patients to ascertain whether or not the premium is worth it.

It is highly recommended that financial projections are prepared in order to 'model' the profit and loss position, along with the cash position. This will double up to help you make an informed decision on the investment and affordability of any debt repayments. Quite often, banks will require projections before they lend to a new business venture.

You will usually notice that the existing practice owner has not been working 'flat out', generating new patients and marketing the practice; this is usually due to the fact that they are generally approaching retirement, and so there may be an opportunity to market the practice better and look at offering additional treatments. It is often useful to try and retain the outgoing

principal for a short period as an associate to help with patient handover.

It is likely that the fixtures and fittings and equipment may not be state of the art, and you may need to invest to update. It is important that this is factored into the financial projections.

It is good practice to seek sound legal advice if you are acquiring a new practice. Often, you will be taking over existing agreements and contracts, and it is critical that a contract is drafted to ensure everything you want to be transferred is in fact transferred without any issues coming up down the road.

An example of this could be a lease agreement being assigned to you but later finding out that there is a cost for the re-assignment, or perhaps a legal dispute with an employee you have 'inherited'. A legal advisor with the relevant dental expertise will flag this up or at least warrant against it within the contract.

You will need to consider if the premises are for sale and if you can afford this, along with the acquisition of the stock, fixtures, fittings and equipment and goodwill. If the premises are not for sale you will need to consider an alternative building, especially

for those patients who are loyal to the practice based on location. It may be worth exploring if the existing owner is willing to rent the existing premises.

2. Start from scratch in new premises

Setting up as a 'new start' has many advantages. Firstly, you are not inheriting any existing patients (although this can also be a disadvantage) and presumably you are setting the practice up exactly where you want it, rather than taking on existing premises.

Almost certainly, you will have to make many alterations to the building, however this can be an asset as you will end up with a practice designed exactly as you want.

It can be challenging to find a bank willing to fund a new premise as there is no trading history to work from and any projections are based on speculated figures, as there is obviously no existing patient list.

You will then have to equip it with everything that is needed in a dental practice, and as you are probably aware, none of this comes cheap! However, you can often negotiate good discounts on

everything, particularly in the current economic environment. You may also consider leasing some of the equipment.

A vital aspect of any modern dental practice is the practice management software: don't go for the first one you see or one that you may have used in the past – have a demonstration from at least two different suppliers before you make your decision.

Once you have all this in place you need to get patients. Unfortunately, the days when you could simply open a practice (pretty much anywhere) and have a queue of patients waiting to join you are long gone, and you need to have a marketing strategy in place – patients won't just come and find you, you have to go out and get them and when you've got them you have to keep them; marketing never ends.

One step ahead

Now that you have set up your practice you will also need to consider the following:

- Registration with the regulators and Dental Council (the RQIA in Northern Ireland) and planning for ongoing

WATCH YOUR STEP

- Understand the pros and cons of purchasing an existing dental practice or a new one
- Prepare yourself, your team and your practice for visits from the regulators
- Ensure you have a solid financial structure in place
- Be ready to market to new and existing patients.

regulatory visits. If you have planned for visits and trained your staff in recording all the necessary information it will hopefully make the visits run smoothly

- Continued marketing of the practice and exploring 'niche' areas and treatments to try and boost profitability
- What financial vehicle do you want to operate your practice through? For example, limited company versus sole trader. It is critical that non-financial factors are considered alongside the financial factors; you need to ensure that the regulations permit you to change the financial vehicle. **D**



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