

Should I Stay or Should I Go Now?

TAT

When The Clash asked, “Should I stay or should I go now?” back in the early ’80s, I’m sure they didn’t have their dentist in mind.

However, in today’s economic environment, that question is a crucial one for every dental practice.

Regardless of whether your practice is killing it, just maintaining, or struggling, your location has been and always will be the No. 1 factor that determines your success. Let’s dive into the factors that affect whether you should stay in your current location, move the practice, or even add an office.

Then I’ll tell you how to make the decision simple, fast and devastatingly effective.

STEP 1: Get a baseline

One overlooked fundamental is understanding your competition and demographics.

While you’ve been hard at work, it’s likely that aspects of your market have changed. After all, since you’ve started, people and practices have come and gone, and even the surrounding neighborhoods may have changed. Keep these points in mind as you make your evaluations:

- A. Understand your population-to-practitioner ratio for all of the specialties and how to interpret it (e.g., a 2,000-1 ratio for a general dentist is a saturated market).
- B. Understand your market demographics—both current data and the future growth potential. Use only data that is collected by census block. Avoid ZIP-code data.
- C. Understand the drive-time dispersion of your active patient base. View it on a map.
Knowing this data is the key to everything, both operationally and strategically.

STEP 2: Decide if you should stay

Here are factors you should consider when deciding whether to stay in your current location:

- A. Are you happy with the current production?
- B. Are you meeting your growth goals?
- C. Is it easy to find new patients without breaking the bank on marketing?

by David James,
president and CEO of REALscore

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- D. Does the current building have enough space to expand and meet your long-term goals?
- E. Do you like your drive time?
- F. Are you active in the community?
- G. Does the data in Step 1 support the ability to meet your growth goals?
- H. Does the data in Step 1 suggest an opportunity to add new services or specialties?
- I. If you are leasing, does the data support renewing the lease? Should you buy the building?

STEP 3: Determine if a move would be beneficial

- A. Do your answers in the first two steps tell a positive or negative story?
- B. Can you move into new-growth areas and markets without disrupting your

existing patient base? This is about patient drive-time dispersion. For a typical suburban practice, you should know how many patients are driving more than 10 minutes to your office, and generally where they are coming from. If you do move, consider how many will now have a longer, more problematic drive. This has significant practice valuation implications, as well.

- C. Does your lease expire in the next 18 months? Does the market data support renewing it? This has significant implications for negotiating your lease if you stay.
- D. Does the market support investing in remodeling, or is it a waste of money?
- E. Has the practice value maxed out? Is it better to sell now and open

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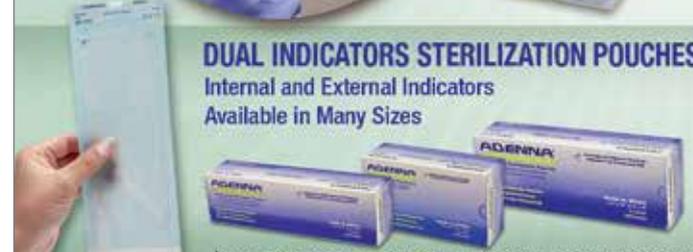


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elsewhere? Sometimes growing further will require more investment and time than you'll get on return.

- F. Can you identify an underserved market with favorable competition and demographics?

STEP 4: Consider adding an office

If you've gone through the steps and the answers have been positive, it may be a sign that you're ready to add an office. First, consider these factors:

- A. The data in the first two steps supports staying in the current office.
- B. You've maxed out the current office's growth, but the data indicates that the practice should maintain its value and be a steady source of income over the long term.
- C. You have the itch to be an entrepreneur and start a practice.
- D. You can identify an underserved market with favorable competition and demographics.

STEP 5: Understand the process of adding or moving an office

If you can identify that underserved market, here's how to proceed:

- A. Do not start by driving around or talking to commercial brokers about specific locations. Eighty percent of the time the data does not justify this, and it simply wastes time and money.
- B. Determine the maximum drive time and distance from your current practice that you can live with.
- C. Complete a location search for underserved markets in that area, using census block data to identify pockets of opportunity where the competitive ratios are not just OK, but great. They are out there, so don't settle!
- D. Once you find the top areas, go check out the intangible factors—do you like the area, are the schools good, is it close to family, etc. See if the area makes sense.
- E. Take the top handful of locations and do detailed demographic studies of each.

For sources of demographic, competition and other data, check the Dentaltown message boards and the Townie Perks for information about Practice Café, Doctor Demographics and REALscore.

Share the data with your lender, CPA, distributor and other advisers. Then you will be prepared to sit down with your commercial broker and identify specific properties in the top search areas to either lease, buy or build, depending on your overall strategic plan.

This process will save you thousands of dollars in a fraction of the time while greatly reducing risk, and give you and your family comfort that you are making a wise investment. ■

Regardless of whether your practice is killing it, just maintaining, or struggling, your location has been and always will be the No. 1 factor that determines your ultimate practice success.

Questions for the author? Comment on this article at dentaltown.com/magazine.