



# Planting Your Practice:

## How to Find the Ideal Spot

by David James, President and CEO of REALscore

Fact: Location is the No. 1 factor that ultimately determines a practice's long-term success.

Whether you are a practitioner, associate or student, you should immediately determine if your practice's current (or future) location will support your long-term growth goals. Specifically, do the competition, demographics and overall market, based on a detailed location-strategy assessment, realistically support those goals, and does your current building make it possible to accomplish them?

How do you find the right location...or know if it's right? It seems overwhelming. In reality, determining the right location is both an art and a science. It's a science because it is critical to have the right data presented in the right format. It's an art to be able to interpret the data in light of your practice stage, your practice goals, your family lifestyle and goals, the market in a given area, and a host of other factors.

### **Location, location, location... strategy**

All of the above can be condensed into the term "location strategy." Location strategy is the most important factor of any practice strategic plan. Why? Well, let's say you need help with any operational, systems, HR, management, clinical or technology issue. You could get advice quickly and help inexpensively (often free) from a multitude of distributors, lenders, consultants and other industry experts. Free advice is always available on Dentaltown.

On the other hand, getting the practice location wrong is the most costly mistake a dentist can make. A poor location decision will have a long-term, exponentially detrimental impact on your income, practice value, estate and lifestyle. Buying or leasing an office is usually a long-term commitment, and it is very difficult and expensive to extricate yourself if the location or lease is bad. An even harder task is recovering lost opportunity costs.

When most people think about location, they often think of demographics. That's fine, but many additional factors make up location strategy, all of which interact to build a story unique to each practitioner and practice. All of the factors have different contexts and application, depending on your practice goals, your stage in life, whether you are starting up, doing due diligence on buying a practice, selling, stuck in a bad location or a bad lease, have stagnant growth, etc.

Various advisers—such as CPA's, attorneys, commercial brokers, lenders, distributors, practice brokers and more—may all play an important role in helping you evaluate location-strategy data. As the dentist goes, so goes the industry. Everyone has a vested interest in making sure the location strategy is correct.

## The 12 location strategy factors

### No. 1: Demographic and business data

This includes current and five-year-forecast demographic data, total sales, retail sales, number of businesses and number of employees in an area.

This is key for every existing or startup practice. You need to get a baseline of where you are today—it's likely to have changed significantly—and understand where your area is going.

Don't settle for just basic demographic information—evaluate

detailed data for ethnicity, age breakdown by individual and income, and much more.

One caveat—use census block data, but avoid ZIP codes. ZIP-code data frequently includes irrelevant areas and excludes relevant areas because of the irregular shapes of ZIP codes.

Evaluate your area by both geographic radius and drive time (consider staggering the two if you want to compare two market areas).

Online demographic data is notoriously unreliable and incomplete, often with missing, out-of-context and obsolete data.

### No. 2: Competition/practitioner-to-population market-saturation evaluation

The most important factor by which to measure competition is the ratio of practitioners to population.

Ratios should be compared to market saturation standards by practice type (i.e., for general dentists, a 2,000:1 ratio is a saturated market).

This is a critical factor. In certain situations it can trump all of the other factors combined.

Online practice-and-practitioner data from Google searches or maps is notoriously unreliable and incomplete—there's too much missing, duplicated, wrong or out-of-date data to be a reliable source for crucial business decisions.

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### No. 3: Future growth potential of the area

Growth potential is typically determined by the demographic data and other factors such as where people work versus where people live.

For many practices, demographics and competition levels have likely changed during recent years without your knowledge, while you've been busy serving your patients.

It's important that you stop and evaluate to make sure the market is still what you thought it was, and that it can still support your long-term goals. Knowing this now gives you the most time to pivot before it's too late (i.e., move, sell, add an office, etc.).

### No. 4: Existing patient dispersion (where they are on a map, location, drive time ranges)

If you have an existing practice, it is critical for you to understand where your patients really are.

For example, what percentage of your patients live more than 15 minutes (or what your reasonable market commute is) from your office? How does that impact your practice value and current marketing plan?

If you determine from looking at other factors that you may need to move your office, based on lack of growth opportunity or

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to take advantage of new neighborhoods or markets, what impact does that have on your current patient base?

How many patients might now—or after a move—have an excessive drive time and need extra attention?

If you are doing due diligence on a practice to buy, this is critical for practice valuation (purchase price), evaluating the patient retention risk associated with transferring goodwill to the buyer, and planning post-purchase transition and marketing strategies.

### No. 5: New patients

For your practice, are there neighborhoods or other defined areas that meet your desired demographic and drive-time profile for focused marketing strategies?

If new-patient growth has slowed or declined and you're not meeting your goals, is there a way to expand your market by moving your practice or adding a satellite office?

Even if your practice is growing, should you be looking at other growth options to maximize your location opportunity and your marketing ROI?

### No. 6: Building/office strategy

This can vary widely based on practice goals, lease terms, etc. Here are some sample questions based on data from other factors:

Should you own (purchase or build a building) or lease (or even renew said lease)?

When does your lease end? You need to start planning at least a year in advance.

Are you in the optimal location for long-term growth, or should you move?

If you move, how do you keep existing patients, yet open new markets?

Does the long-term future growth potential support your long-term goals? If so, does your current space give you room

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to accommodate the growth? Is it worth remodeling when the time comes?

Should you add a satellite office or add a different dental specialty?

What is your building strategy? Buy, build or lease?

#### **No. 7: Buy/sell evaluation/valuation**

See factors 1-6, as they all have important implications to buyers and sellers.

Every practice should have a strategic plan to maximize the practice value. Just because you don't plan to sell, you should still prepare. You never know when your circumstances or goals can change.

#### **No. 8: Specific building characteristics (accessibility, visibility, signage, parking, etc.)**

How accessible is it from major highways and major streets?

How visible is it from the road?

How large is the monument and building signage?

How much parking is available?

There are many other physical building factors that affect your practice success, and all must be carefully negotiated in lease or purchase agreements. Use experts.

#### **No. 9: Underserved areas—finding markets and areas with high practitioner-to-population ratios**

Data is showing that around many metro areas, there are still excellent pockets of opportunity—underserved areas with great income and equity growth potential, within a reasonable distance from metro areas. There are often pockets within metro areas.

If moving your practice or starting a new practice is part of your location strategy, finding the pockets of underserved areas between saturated markets provides you multiple options to consider.

The distances you use to compare locations will vary depending on your area. We typically recommend the following standard starting points: urban areas use a 1-mile to 2-mile radius, or a 10-minute drive time; suburban 5/15; rural city 10/20; rural 25/30.

These baselines are often adjusted in real-life evaluations and location searches, in order to take into account variables such as highways, mountains, water, geographical or neighborhood boundaries, the size of the rural city, proximity to other markets and/or personal or family preferences.

#### **No. 10: Risk detection, avoidance and mitigation**

Location strategy is all about using data to help avoid risk in the first place, but if potential risks are detected and become a threat to achieving your practice goals, what steps can you take to mitigate those risks?

#### **No. 11: Lending/refinancing**

Based on the other factors, is now the time to take advantage of the current low rates to start or buy a practice, upgrade equipment, buy a building, remodel, move, etc.?

Is it time to refinance existing practice or student-loan debt? Use location strategy data to build a strong case for a long-term plan.

Are market conditions right to add associates, add specialties or add offices to build practice value?

#### **No. 12: Strategic plan**

When is the last time you sat down and evaluated your current status? Are you on track with your goals, do they need to change, or have you been too busy to monitor what is going on around you?

Every practitioner should have a strategic plan for his or her life and for his or her practice. The key aspect to both is location strategy. Have you evaluated your practice location to see how viable it is and how it could be improved?

Use location strategy in conjunction with a great team of advisers, like your CPA, distributor, lender, management consultants, marketing firm, attorney, practice broker, commercial broker, and more. Location strategy impacts—and is impacted by—every piece of advice they give you. Make sure they incorporate this into their advice and that they work together for you to build your strategic and business plan.

#### **The future is just up the road**

It's easy to let strategic planning and location strategy become overwhelming—especially since you're practicing dentistry and running a business at the same time. But your business and personal goals are important and shouldn't have to take a back seat to the daily routine. Let your team of advisors help you, and remember: this is time and energy you are investing in your future. This small investment now can mean enormous returns down the road. And done properly, it will enable you to create a secure future for yourself, your business team and your family. ■

Questions for the author? Comment after the article at [Dentaltown.com/magazine.aspx](http://Dentaltown.com/magazine.aspx).

#### Author Bio



**Dave James** is a founder of REALscore with nearly 30 years of experience as a CPA, CFO and strategic consultant to companies and individuals. He is an entrepreneur and dental industry strategic and visionary leader. Realscore.com is a Townie Perks-endorsed company. Go to [Dentaltown.com/townieperks](http://Dentaltown.com/townieperks) for more information.