

Growing Your Practice in Today's Slow (or No) Growth Economy

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As a new year looms, owners of dental clinics face a daunting array of challenges. Dental care is not recession-proof. An uncertain economy, high unemployment, and weak consumer confidence are affecting both new and established practices everywhere. Practice owners are finding it increasingly difficult to sustain full schedules and maintain treatment plan acceptance by patients.

A recent survey by the American Dental Association found 51% of responding dentists reporting declining income, 53% reporting increases in open appointment time---marked by rising numbers of cancellations and “no-shows” --and 45% reporting that their gross billings have fallen. In a business where many payments come directly from the family's checkbook, there has been a sharp decline in those who can afford, or are willing to pay for, dental health care services, along with a steady increase in consumers willing to postpone, or even forego altogether, needed dental services.

Given the uncertain outlook, it is more important than ever for the dental practitioner and clinic management to find new ways to sustain the business health of the practice while continuing to support its growth and enhance its future value.

Location: The Key Strategy for Future Growth

In planning for more than just day-to-day survival and maintenance of the status quo, today's dentists must scrutinize every aspect of their administrative and operational overhead, including staffing, procedures, pricing and even marketing.

Perhaps no single factor plays as large a role in the growth and success of a dental practice as its physical location, which is largely dictated by the strategic real estate decisions made by its owner. The impact of administrative and operational overhead is obviously directly affected by the type and kind of space the practice occupies, whether leased or owned. Every facet of the practice's operations---recruiting skilled staff, increasing patient counts and referrals, growing revenues, and market acceptance of treatment plans---are all heavily influenced, and in many cases, can even be predicted, based on the clinic's location. Over the long-term, a clinic's geographic and demographic characteristics have the potential to either accelerate the growth of patient count, or act as a drag on that growth.

A one-time great location for a dental practice will often, over time, be affected by a variety of changes that are beyond its control: evolving demographics, such as an aging

neighborhood; competition from newer, more technologically advanced dental care providers; declining traffic counts or changes in local traffic patterns; new development which may negatively impact clinic visibility, accessibility or parking capacity; and in some urban and inner-ring suburban areas, even broader and more fundamental societal changes.

For most practices, it is virtually impossible to counter such market-specific changes with even the most aggressive and proactive local marketing effort. The result is that even long-established, successful clinics tend to “age in place,” becoming steadily less competitive and more marginal. Eventually, from a purely business perspective, such locations become a highly stressful management challenge that not only hinders the delivery of sound dental care, but devalues the worth of the practice.

Your decision to relocate your clinic or continue to operate in the same location can make the difference between a steadily declining practice and assuring long-term growth and success, as well as the ability to optimize and eventually realize its value in the marketplace.

Why A Total Relocation is Frequently the Best Solution

The physical presence of a dental practice---in terms of location and the space it occupies---should meet the three critical benchmarks of a dentist’s professional fulfillment, business success, personal security and plans for retirement. These three criteria are often best-achieved by relocating the practice to a more strategically placed facility in terms of market presence and in a newer, more contemporary space in that facility.

Enhanced dental care.

Continuing advancements in the application of new technologies to clinical practice--digital x-rays, intraoral cameras, large screen monitors--- allow a practice to differentiate itself from competing providers and result in improved diagnoses and greater patient acceptance of treatment plans. These new technologies, and other advances such as infection control materials, are more easily and economically integrated into a totally new space than retrofitted into an existing office or building.

Accelerated Practice Growth.

There are emerging statewide trends that are already affecting existing dental health care providers. The total number of dentists practicing in Minnesota is expected to increase by more than 9% by 2015. Spending by Minnesota families on dental services, currently representing 18% of total health care-related expenditures (second only to prescription drugs), is expected to match the anticipated population growth of 3% during the same period.

At the same time, there will be new dynamics at work in the dental marketplace as neighborhoods and even entire communities evolve and change. Communities that once supported a thriving practice may in the near future experience changes that will have a profound effect on the delivery of dental care. To respond, growing practices will need

to be flexible in meeting dental care expectations. A single, well-established location with a history of past success may no longer be the answer to growing and succeeding in the future. Multiple, strategically-located satellite offices, already common, may become the norm.

Practice Value Appreciation.

The value of the clinic and the dental practice itself is often a dentist's largest and most important asset and its ultimate sale is an important part of his or her retirement and estate planning. However, in today's no-growth economy---characterized by reduced treatment acceptance, increasing cancellations and failed appointments---managing the practice to assure appreciation in value has become a major challenge. To achieve it, every aspect of the clinic's operations must be optimized, with overhead costs identified and strictly controlled, and clinic operations recalibrated to assure continuity and flexibility in responding to changing health delivery patterns.

Monetizing that value at some point in the future also requires that the practice and its location represent an attractive and desirable opportunity for a potential associate or other buyer. A newer facility, with a full complement of the latest technology and equipment, strategically located to take advantage of future market growth, is a necessity for such a buy-in to succeed.

Relocating An Already Successful Practice Offers Many Benefits

A carefully thought out, prudent and market-wise decision to relocate a successful practice offers several potential benefits.

First, a stronger business base for the practice, with likely increases in total revenues, patient counts and improved collections. Patients have demonstrated their appreciation for totally new and contemporary clinic environments, state of the art dental care equipment and improved procedures with a higher rate of treatment acceptance. Patients prefer to be treated by what they recognize as a market leading facility in delivering the health care services they need. In our experience, it is not at all unusual for a practice to experience a 15-20% improvement in collections within the first 18-24 months of occupying a completely new facility.

Second, more cost-efficient operations, the result of being able to design and install the latest in fixtures and technology to assure optimum utilization and ease of movement within the office and between operatories.

Third, stronger professional reputation and higher level of trust and confidence in the practice by its network of referring doctors.

Fourth, an enhanced market position in a growing community or neighborhood with improved patient demographics and larger potential patient base; and broader clinic and individual dentist visibility, awareness and public recognition—a result of the “newness” factor.

Fifth, a better, more motivating, more comfortable work environment for both staff and doctors, and a facility that offers unique advantages in recruiting and retaining staff.

Why Lease, Rather than Own, Your New Space?

Although some dental professionals prefer to own the space they need, whether in a free-standing building or office condo, leasing space offers many distinct advantages, many of them related directly to overall profitability and control of operating costs.

-Secure a desirable, “right” location in a built-up area, and in a building that reflects and enhances your brand and practice style. Many times there are no feasible location alternatives, either due to high land costs or the existence of already fully developed commercial buildings.

-Right-size your clinic space to fit your exact needs. Most available spaces can be customized to match your planned number of operatories and other needs.

-Preserve working capital for use in the development of your practice or for investments with a higher rate of return than real estate you own and use.

-Be up and operating with a minimum of investment in time and money. The total relocation of an existing successful practice can be completed in as little as nine months, from concept through lease agreement, design and construction. Even an accelerated construction program for a new clinic building will require a minimum of 18-24 months, along with intense involvement and decision making required on the part of the dental practice’s owner.

-Avoid all of the responsibilities and headaches of managing the property. All normal maintenance issues and duties, as well as coping with emergency situations such as power outages, become the responsibility of the owner or property manager, not the tenant clinic.

- Be assured of a compatible and predictable environment, where all neighboring uses and tenants must comply with a uniform set of regulations, monitored and enforced by the owner or property manager.

Consider the Special Advantages of Relocating in a Professional or Medical Office Building

As an alternative to another type of office building or retail strip center, the highly specialized “professional” office building offers its own special advantages for the relocating dental practice.

Such a location allows the practice to network in a common location with providers of other types of healthcare. Many patients have multiple health needs in addition to dentistry, and prefer visiting only a single convenient location to meet their needs. The

cross-referral potentials between practices, and the opportunity to serve the dental care needs of neighboring doctors and their staff members, are other bonuses of such a location.

Relocation in a medical office building also offers a high degree of creditability, through association with other, perhaps larger and more visible, healthcare providers in the same facility or office environment.

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