

Try before you buy

Abi Greenhough looks at the pros and cons of the philosophy applied to dental practice sales.



Who doesn't love a free trial or a free sample of something? It is a well understood sales technique and can range from being given something as simple as a free key ring to a holiday.



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Marketeers consider it a great way to build trust in a product or service. I experienced it myself recently. I was invited by some friends of to join them at the Ribeye Boats Winter event in Dartmouth, Devon. Ribeye builds bespoke leisure boats and my friends were interested in buying one.

We were welcomed with bacon sandwiches and coffee. We had an accompanied tour of the factories and learned about the different boats and the specifications their new owners had requested. Then we boarded one of their demo boats in Dartmouth and left the safety of the river Dart for some high intensity sea trials. It was a great experience and it really helped my

friends with their decision making. So, an all-round positive experience.

Can this kind of strategy work when selling your dental practice? There is no doubt it can in the right circumstances, but there are also significant risks to consider. I have met dentists who have tried this approach in one of three ways.

1 The principal has identified an associate dentist within their business who specifically expressed ambitions to buy their practice at some point in the future.

2 An associate approaches a principal suggesting they would like to buy the practice if they can work in the practice for a period.



offer accepted through a broker then the principal can be confident their broker has carried out their own due diligence to ensure the buyer can access the funds to complete on a deal. The broker will also coach the buyer through the acquisition process. When the prospective buyer has made a private approach then the principal will have to do their own due diligence to reassure themselves they can pay the price.

The sale of any business is likely to involve some intense negotiations. It is not personal, it is business. If the buyer and seller work together as part of a team within a practice then those negotiations can impact their relationship as colleagues in the same business.

I have had clients where their purchaser is an employee and their sale has been delayed, sometimes by years because that purchaser's life circumstances have changed. I have clients whose sale was delayed in order to put more pressure on them to concede on things simply to get a deal done. I have seen examples of purchasers assuming the role of owner before they have completed on a deal which leads to confusion and mixed messages within the practice.

With deals I have brokered I generally advise my clients not to employ the dentist who has agreed to buy their practice, but to wait until completion before letting them in. It may seem counter intuitive but ultimately the deal is more likely to get to completion with both parties understanding where they stand and in the shortest possible time.

3 The principal has agreed to hire an associate who has had an offer accepted during the due diligence process, but prior to completion.

It can seem like a great opportunity for the principal to get to know the prospective purchaser and vice versa. It enables the associate to start developing a relationship with the patients. It means the principal may be able to leave immediately a deal completes, or within a shorter time period than might otherwise be expected. The vision is that the sale process will be a pleasant transition with a trusted colleague. It could be that you could also avoid paying a broker's commission as the principal manages the sale themselves.

I have to be transparent here. I typically speak to principals where none of these strategies has got the outcome the principal expected or wanted. It is these clients who engage

us to help get their exit plan back on track.

I often write about the fact you should market your practice with as many interested parties as possible and not just a subset or in examples one and two above only one person. Typical subsets might be corporate buyers, priority buyers or someone's little black book of buyers. For the best results there must be a competitive bidding process around the sale of your practice with multiple interested parties. It is always the market and the skills of whoever is negotiating on behalf of the practice which determines the value of a dental practice. It is not the valuation. That is simply a starting point for the discussions. By limiting the practice to one potential buyer armed only with a valuation principals are eliminating those 'competitive market forces' from a deal.

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