

# Market Your Practice For A Successful Sale

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**M**any of you have spent the last twenty or more years of your career building a successful orthodontic practice. Are you now considering selling a portion or all of your practice? While you may have decided to hang your own shingle and build a practice from the ground up, we find that over 80% of graduating residents and retiring military orthodontists are buying into an existing practice.

There are many reasons orthodontists have for selling a portion or all of their existing practice. The most common reasons include recovering equity from the entity they have built, retirement, downsizing, relocation or a career change. Whatever the reason behind the sale, this is a sophisticated transaction that is best completed with the help of a practice transition company.

Depending on the size, location and type of practice, the selling timeframe can vary greatly. There is no way to pinpoint how long it will take to sell, but planning ahead will allow you to potentially improve the practice and allow sufficient time to market it, ensuring a higher response rate from available candidates.

The first step to successfully selling a practice is having a valuation prepared by a qualified and objective third party. By looking at a number of practice metrics, including cash flow, economic benefit to the owner, overhead, practice location, number of active patients, contracts receivable, paid in full accounts, debt, and other important statistics, a fair market price can be determined using a common and well-defined valuation methodology. For orthodontic practices, it is most common for a practice to be valued using a capitalization of income approach.

While some believe they can save money by performing a valuation themselves or by allowing their CPA or attorney to derive a value, this is not generally the best option. Many conflicts of interest occur in the negotiation process if you take this route. A valuation by an independent third party will ensure that the buyer will receive a fair purchase price and will be able to repay the purchase debt in a reasonable time frame, while the seller will obtain the amount that the market dictates he or she deserves. A valuation should only be prepared by a certified valuation analyst or appraiser, or by someone with similar nationally recognized valuation credentials.


A practice typically does not sell itself; it will need some help from the seller. The owner should be knowledgeable of the practice's patient demographics, nearby schools, the community and area. Having the ability to communicate the positives of the practice and its surrounding

areas is strongly encouraged. It is important to be able to identify whether or not the area is growing, whether the patient population is moving in one direction or another, how many schools are within a ten mile radius of the practice, and what the projections for the 9-14 year old population are. A realistic assessment of the competition is also important. Many buyers will be very interested in the school system in the area, the housing market and the recreational activities nearby. Information about the housing market in the general area can be especially important to the spouse of your potential candidate.

The best way to market the sale of your practice and contact the most potential candidates is to contact a variety of firms and organizations within the orthodontic industry. Consultants are a great way to locate potential buyers as well as your local supply and service representatives, particularly your bracket representatives. Companies that deliver valuations to orthodontists will have the most up-to-date information on selling trends and demographics for your practice and locality. Some valuation and transition companies that serve the orthodontic market have good relationships with residents and keep current records of the locations to which they are looking to move, the type of practice they are looking for and the dates they will graduate.

Selling a practice without help from an outside source can be a long and overwhelming task. Sellers can place ads in journals, post their listing with state and regional associations and mention it to their supply representatives. Universities can post a listing so all residents can be informed about the practice. However, it is often the case that a transition company holds the best information on potential buyers.

The selling process can seem like a daunting task, but planning ahead can allow time to find the best candidate for your practice. Starting the selling process well in advance of the intended selling date insures reaching a larger population of potential buyers. If a potential buyer turns out to be available prior to your time frame for selling, then you may choose to hire him as an associate to work for you until you are ready to sell (but only if your practice is large and profitable enough or experiencing sufficient growth to sustain two doctors).

Selling a practice is a once-in-a-lifetime activity, possibly the second most important practice business decision you will ever make, outside of choosing where and how to start your own practice. If you align yourself with proper expert advice, do your homework and be prepared to start early, your chances of finding and transacting a fair deal for a buy-in or buy-out are greatly increased. 

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