



Timothy A. Brown

Practice Management

The Private Sale

Are you thinking of selling your practice privately?
Timothy Brown points out the potential problems.

Occasionally, after we have completed an appraisal, clients tell us that they are going to attempt to sell their dental practice to an associate, or to another colleague. While a broker would prefer to act as an agent, thus earning the usual commission, we do not insist that our appraisal clients also use our brokerage services. This is known as “tied selling” and my regulator frowns upon it.

What are the benefits of the “private” or “Limited Market Exposure” (LME) sale? Are there any pitfalls?

The first perceived benefit, held by the seller, is that he or she will save the usual and customary commission paid to the broker. Sellers then conclude that this will increase the net proceeds of the sale. While this is entirely possible, informal research on the topic reveals it may not always be the case. The primary reason the net proceeds of a private sale are not as high as anticipated, when compared with a brokered sale, is that buyers are quick to suggest that the lack of a commission should entitle them to a reduced sale price. I asked several leading and reputable bankers, accountants, and lawyers who are active in the dental market what their clients were actually saving when a private sale occurs. The answer may surprise you — most of these market experts

readily admit that the sale price was notably lower, when compared with similar ‘brokered sales’ and that the client’s anticipated savings rarely materialize.


Another concern for the private seller is the accidental withholding of valuable information. Buyers are afraid to insult the owner by asking some of the more difficult questions about financial matters or clinical philosophy, but rarely have this same reservation when working with brokers. I have often heard a buyer say, “I wish I had known that before buying this practice” and I reply with, “Why didn’t you ask?” The answer is invariably “I did not want to insult him.” Similarly, sellers who have sold their practice privately, tell me they wish they knew more about the buyer before the sale was completed, but they conclude with a remark such as, “I didn’t want to discourage him, so I never mentioned some of the aspects of my practice.”

For the buyer, the obvious benefit is that he or she does not have to compete with the multitude of other buyers in the marketplace. This affords the buyer more time to investigate and reduces the pressure to increase the offer. One major shortcoming for the buyer is that not all the relevant facts about a practice may be revealed before proceeding, due to

the desire to safeguard professional relations. Difficult questions must be asked when buying a practice.

Professional relations are important to dentists, since they genuinely want to trust each other, and in the large majority of sales trust is earned. However, in today’s ever-changing market, generational, gender and ethnic variables are now playing a large role in the buyer and seller interaction process.

I believe that dentists who try to buy a practice privately will undoubtedly offer a lower sale price in the absence of a broker. Further, if a buyer knows that he or she may be the only “option” being explored by the seller, they may secretly feel a distinct advantage — perhaps to the extent of exploiting this at the seller’s expense.

Buyers have remarked they think private sellers are either cheap or naive. Is that how you want to be perceived by the buyer of your practice? 

Timothy A. Brown is the President & C.E.O. of ROI Corporation & ROI Capital, companies that specialize in dental practice appraisals, brokerage, consulting, locum placements, associateships and practice financing across Canada. Timothy can be reached at 905-2784145 or timothy@roicorp.com.