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Hidden Value

In a recent issue of *Ontario Dentist*, (“The New Patient Obsession”, January/February 2007) we discussed the buyer’s concerns about new patient numbers when purchasing an existing practice. A similar logic — being short-sighted — holds true for office equipment, layout, esthetics and overall visual appeal. Our client, the selling dentist, typically falls into one of three categories:

1. The first decided to set up practice soon after graduation, possibly 30 to 50 years ago. He or she equipped and outfitted their premises when dental office sizes, styles and needs were much different than today. In most cases, other than some minor cosmetic upgrades such as new paint and carpeting, the facility looks pretty much as it did way back then.
2. The second has a mismatch of both old and new equipment as some outdated technologies were replaced on a random, year-to-year basis without a master plan. The hygiene rooms often contain the older dental units, while the dentists’ operatories are the only rooms that have been upgraded. Neither of the first two offices may have much to offer in the way of modern appeal, especially when none of the colours match!
3. The third category, and definitely the smallest group of clients we serve, includes those who are attracted to the newest and sleekest equipment, and have an additional penchant for high-tech gear. These offices are often state of the art.

We appraise equipment and leaseholds at the present fair market value using the “equipment in profitable use” method. This means that if you are using a dental chair to generate revenue on an ongoing basis, then this chair has a higher dollar value than if it was sitting in storage, unused. Even though it may be an older chair, it still works, it’s well-maintained and it generates income. Most appraisers will provide both the current fair market and the current replacement values of the equipment and leaseholds. This provides the buyer with an idea of the cost (in terms of insurance proceeds) to outfit the office to a “brand-new” condition in the event of fire or total loss.

The purchasers we speak with often agonize about the additional expense they may incur to completely modernize the office. They comment about shutting the office down, and losing revenue to re-equip or renovate.


In many instances, they have lost sight of the greatest asset of the practice — the patients. This group of loyal patients has attended the practice, regularly, for many years. It is highly probable that most will continue to attend the practice, regardless of whether it is modernized or not. These patients rarely complain about the older

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décor, or the unsightly chair in one of the operatories. They chose to attend the practice because of many reasons, including the staff, the friendly welcome they receive when they arrive, and yes, even the ambiance.

Patients find comfort in the many "trophies" of the dental environment. In an article in *Ontario Dentist* several years ago, ("Trophy Marketing," September 1998) Ann described dental offices that have old family and pet photos on the wall, outdated magazines in the waiting room, a display of the owner's fishing or curling awards or many other things that make a practice unique, given the owner's personal style. Try to identify this element of the practice you are buying and make certain it matches your particular style.

The best advice we can give buyers is this: don't make any changes that are not absolutely necessary in the first year after the sale. Go ahead and purchase new software, an intraoral camera and transmit dental claims via EDI. Try not to shock or intimidate your patients, and make your changes gradually. The patients want the opportunity to meet and develop trust in you and they need time to make this adjustment. You also need some time to adapt to the new challenges of running your own practice.

When purchasing an older practice, look for the real hidden value: the staff, systems, and most important — the loyal patients! 

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