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Special Feature

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Dental Practice Transitions

Professional Practice Valuations
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Buyer Representation

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**Father and Son Matchmaker Team
Helps Dentists and Practices Find
Their Happily Ever After**

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By Peter Schermerhorn

Many dentists face the question at some point: How to buy or sell a practice?

A decade ago, Brian and Sean Hudson little suspected they would be the people with the answers. Brian was running Kistler/Hudson Dental Supply. His son, Sean, was studying business administration at Nazareth College. Today, as Hudson Transition Partners, Brian and Sean are regional leaders in valuing and brokering dental practices. They offer appraisals, brokerage, consulting, and buyer representation services. (See sidebar for more details.)

Brian has years of experience in the field. "I'd been in the dental sup-



Satisfied client Vince Vella, D.D.S., and Brian continue a friendship long after the transaction. Hudson designed the office space, Kristin Mathis of Distinctive Windows Inc. of Rochester, NY, added to the flair.



Sean taking inventory, just as he did when he was in high school helping his dad at Kistler/Hudson Dental Supply.

PHOTOS BY GEOFF TESCH

ply business most of my life, beginning in Buffalo with Healthco and Patterson Dental Supply," he says. "I became my dad's partner when he bought Kistler Dental Supply."

"I guess that makes me third generation," says Sean, laughing. "I learned the dental business from cotton rolls on up. Dad had me doing inventory at Kistler/Hudson Dental Supply by the time I was in high school." Sean eventually became the gofer on installations. "I told him what wrench or screwdriver to hand me and he learned by looking over my shoulder," Brian says. "By the time he was in college, he was drafting office designs for me on summer vacations."

BUILT ON KNOWLEDGE AND TRUST

Brian's relationships with the dentists on whom he called provided the foundation of the brokerage business. "Established dental clients would ask me to keep my eyes and ears open for possible successors or associates," he says. "Demand was great enough that I decided to sell Kistler/Hudson and help docs with practice transitions as my primary occupation."

Before too long, Sean was moonlighting for his dad again, taking photos of offices and computerizing the business appraisal systems. About five years ago, he joined the firm full time. One year later, Brian made him a full partner.

Both men are members of the American Business Brokers Association as well as the Practice Valuation Study Group, which meets regularly to examine, define, and refine appraisal procedures used by practice brokers throughout the United States. Sean is also an active member of the Institute of Business Appraisers, and is currently pursuing his



Brian sailing Lake Erie, summer 2006.

Certified Business Appraiser designation. He has recently become a licensed real estate salesperson.

The bulk of their brokerage work comes in the form of referrals. “Every Monday morning, I go into the office knowing that this week I’m going to be contacted by three or four dentists I never heard from before,” Brian says. “Somebody’s out playing golf and mentions that he’s thinking about retiring. Chances are one of the foursome knows us and will point him in our direction.”

SAVING DENTISTS TIME AND TROUBLE

In effect, the firm takes the load off the dentist’s shoulders. They spend time talking to buyers, listing practices, and “arguing with accountants and lawyers,” Brian jokingly says. “So our clients don’t have to,” Sean says. “Seriously, we know how important it is for dentists to focus on their time chair side. We make all that distracting stuff go away.”

It’s a time-consuming process, but one at which the pair is skilled. “We place listings in dozen of journals and on our Web site and attend tradeshows and dental meetings,” Brian says. “We’ll review maybe 10 to 15 interested parties, winnow that down to two to three qualified prospects, and manage the negotiations that yield a buyer. I’d say that close to 25 percent of our business comes from frustrated dentists who tried selling on their own for a year or more. We sell 90 percent within six months.”

Confidentiality is an important aspect of their representation. “We have safeguards that protect against prematurely disclosing a doc’s intent to sell, which could disrupt relations with staff and patients, as well as affect the value of the practice,” Sean says.

BUSINESS SAVVY AND PERSONAL UNDERSTANDING

The Hudsons’ unique combination of experience and people skills has helped foster their success. “A big part of what we do is set realistic expectations,” says Brian. “Sean and I have been in and out of dental

offices our whole lives. We have specialized and trained in appraisals and business forensics. We can dig into the books and see what income a practice’s cash flow is really going to deliver.”

In addition, they consider many factors beyond a practice’s reported gross and net income. “We also look at the quality of the patient base, competitiveness of the practice’s fee schedule, and any and all personal benefits the doctor receives from the practice,” Sean says. “And we relate our findings to the overall market data of the area.”

There’s more to it than dollars and cents, of course. “When you’re retiring after putting 50 years of your life into a practice,” says Sean, “you want to feel good about leaving your staff and patients in somebody else’s hands. On the other hand, think of the risks a freshly graduated dentist is taking when buying into or taking over a practice, which accounts for about a third of our buyers. He or she wants to be confident of minimizing debt and getting a revenue stream that will be enough to live on. The services we provide put our clients’ minds at ease. In transitions from father to son or daughter, we look at the tax ramifications and how the transfer can affect other siblings. And sadly, sometimes we’re representing an estate. We work extra hard to make sure the family understands our recommendations and what’s behind them.”

Mediation is another part of the picture. “Whether it’s an expanding group practice or a new graduate starting out, our goal is a buyer and seller



Right: Sean with the 56-pound yellowfin tuna that he caught off the coast of Outer Banks, NC.

A Primer in Practice Transition Services

Every field has its specialists. The business side of dentistry is no exception. Here's what Hudson Transition Partners provides its clients:

Appraisal

Professional practices may need to be valued for a variety of reasons, including potential sale, a new associate or partner, obtaining financing, creating a personal financial statement, estate planning, retirement, or divorce. An appraisal defines as accurately as possible the true value of a dental practice.

Brokerage

A broker represents the owner of a practice and takes the lead role in marketing, selling, closing, and transitioning the practice.

Consultation

Advice is available on a variety of matters, from partnership structuring, associate placement, practice mergers, to implementing improvements that will raise the value of a practice. Assistance with practice management techniques and office improvement is also available.

Buyer Representation

A broker can represent the buyer of a practice and provide financing advice, and pre- and post-sale consulting services to assure a successful practice transition.

who both feel like they got a fair deal," says Brian. With patient retention rates running at 94 percent on the transitions they've managed and hundreds of referrals, the father-and-son team is achieving that goal.

A FOCUS ON CLIENT SERVICE

Brian is based in Buffalo, N.Y., while Sean is based in Fairport, N.Y., a suburb of Rochester. Their territory stretches from Pittsburgh, Pa., to Albany, N.Y. "You could say I can do business anywhere I can get a cell phone signal," says Brian. "Juggling call waiting can sometimes add a stroke or two to my game, but we prefer the personal touch."

"Early on, Dad and I decided that we would only handle practices that were within a three-hour drive east or west of our homes," explains Sean. "It's just too important to us to work with our clients in person and see the practices for ourselves. My Dad says ours is a 'lunch-and-dinner business' because we meet with clients offsite and show offices after hours. It's not quite 24/7, but sometimes it's close."

Sean believes their specialized training and local presence gives them an advantage over out-of-state national practice brokerage firms. "They can only provide part-time coverage and maybe a retired dentist to do appraisals," he says. "We get so many referrals because we provide higher quality service."

FACING THE FUTURE WITH CONFIDENCE

Brian places a high value on working with his son. "I believe that fathers teach their children the right way to do things. Honesty, integrity, treating customers right. That's the family values Sean and I share."

"Dad's a great person to work with," says Sean. "He's my best friend and has stuck by me in everything I've done."

Brian and Sean help dentists build and transition sound practices. What of their own plan for business continuity?

Brian has the answer to that. "We made Sean the president of the firm last year. This way I can relax and play more golf. Of course, now I have to do what *he* tells me."

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Sean Hudson at a glance.

Is in his early 30s.

Attended Bishop Kearney High School and Nazareth College.

Is married to Julie with their first child on the way.

Lives in the Village of Fairport.

Stays close to his friends and lacrosse teammates from college.

Enjoys golf, fishing, pool, diving, snorkeling, and sailing.

Loves to travel. Most memorable trip was to Carnival in Rio and has plans to go to Fiji.

Dreams of going cage diving with Great White sharks off Capetown, South Africa.



Brian Hudson at a glance.

Is in his early 50s.

Studied business at Erie County Community College.

Is widowed with three children.

Lives in Williamsville.

Enjoys sailing, golf, and skiing, and bicycling 50 miles a week.

Loves to spend time with his family.

Close to completing the restoration of his 25-year-old sloop which he plans to introduce to Lake Erie, having sailed on lakes Ontario, Canandaigua, and Seneca.



PHOTOS BY GEOFF TESCH