

Hiring the Right Dental Practice Broker

Selling a dental practice is a huge life event for a practice owner and will have a significant impact on your financial stability and quality of life after the sale. In previous articles, we discussed the reasons for hiring a dental practice broker and their role in the transition process. While it is important to understand the role of a broker and the importance of utilizing their services, it is also imperative that you hire the RIGHT dental practice broker to represent you in the sale and facilitate a smooth transition. When selecting a dental practice broker, consider asking the following questions before signing a listing agreement:

What experience do you and your team have with dental practice transitions? Your dental practice broker and their team should possess a significant amount of experience in practice transitions/sales and a diverse skill set including an understanding of finance, accounting, marketing, and professional sales. Since the broker will be involved in valuing your practice prior to a sale, it is essential they are able to analyze your practice financials, reports, and equipment list to arrive at a fair market value which is in line with current market conditions. Experience in marketing (both traditional and internet) is also necessary to give your practice as much exposure as possible to potential buyers. You will also want to inquire about how many transitions the broker has been involved with in your area over the course of their career and particularly over the last couple of years. This will give you sense of how active they are in the local market and is a reflection of their experience in pricing practices properly, marketing effectively to potential buyers, and working with all parties to successfully close practice sales.

Who do you represent in the sale? It is our belief that a dental practice broker should work diligently to structure a win-win transaction but represent only the seller's interest in the sale. By exclusively representing the seller, clearly disclosing this fact to the buyer, and assisting both parties in building a strong team of advisers (including a knowledgeable accountant and attorney), the broker has the ability to represent the seller's best interest while ensuring the buyer has proper representation and is positioned for success following the purchase. Beware of working with a broker who advocates dual representation, in which they represent both the buyer and seller. Under this arrangement, the broker is obligated to share all details with both parties, including any statements made by either party concerning pricing or terms. Since the seller's and buyer's interests are typically converse to one another, it is very difficult for the broker to fairly represent both parties under a dual representation arrangement.

How are you involved in the local dental community? It is crucial for your dental practice broker to have intimate knowledge of the local dental market. To truly understand the market, the broker needs to be actively involved in the local dental community. Are they involved with the local dental society and various study groups as both sponsors and guest speakers? Are they actively networking with dental supply companies, local dental attorneys and accountants, practice management consultants, local financial investment firms, commercial real estate brokers, dental lenders, etc.? Are they hosting seminars to educate dentists on practice transitions and the process of buying or selling a practice? Are they cultivating relationships with potential buyers? If your potential dental practice broker isn't doing these things then you will need to consider whether they truly understand and are committed to the local dental market.

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How will you market my practice and qualify potential buyers? Your dental practice broker should have an informative and comprehensive website in place to market your practice and educate potential buyers on the process of purchasing a practice. The broker should also market their company and listings in local and state dental journals. While this is absolutely necessary in marketing a practice, it should only be the starting point. Once a buyer inquires about a listing, your broker should spend time with them prior to visiting any offices to discuss their background, career goals, practice philosophy, personal financial condition, etc. During this initial meeting and subsequent practice showings, the broker should be learning about what type of practice is a fit for each buyer. If your dental practice broker places a priority on developing relationships with buyers then they should have a pipeline of qualified doctors who may be the right fit for your office when the practice is listed.