

Top tips on

**HOW TO
DEVELOP
A MORE
PROFITABLE
PRACTICE**

welcome

Profitability is the lifeblood of any business and dental practices are no different.

Your ability to provide high quality, long-term dental care for your patients relies on you having a thriving, profitable business that is able to invest in the future through the development of yours and your team's skills and stay up-to-date with new technological developments.

So, how do you develop a more profitable practice?

Here are a few tips to get you thinking...



1 Know your numbers

How well do you know your business?

Sounds like a silly question, but you'd be surprised how many dental practices operate on little more than a wing and a prayer, relying on the snapshot provided by year-end accounts rather than compiling management accounts to help truly manage the business.

Understanding the key drivers of profitability in your business will help you control the finances more effectively and make better informed decisions. How many of these questions could you answer...

Do you know...

- Your hourly rate?
- Your profit margin?
- Your chair utilisation rate?
- Your lab bills and material costs as a % of your turnover?
- The average value of a new patient?
- The cost of attracting a new patient?
- The number of new enquiries you get in a week?
- How many of those enquiries are converted into patients?

The list goes on! If the answer to any of those questions is 'no' – you're missing some vital information that would help you understand how your practice is performing, which means you could be operating in the dark.

Understanding the mechanics of your business will help you control the finances more effectively



2 Manage and **protect** your cash flow

Many businesses, including dental practices, that are fundamentally financially sound put themselves at risk as a result of poor management of their cash-flow.

Better financial planning can avoid things getting to a crisis point and avoid the need to introduce relatively expensive emergency measures which can erode your profitability.

- Prepare regular cash-flow forecasts that can give you early warning of an impending problem and allow you to take less costly evasive action.
- Introduce and build a strong and well-supported patient plan into your practice.

Not only will a substantial membership base provide you with a regular and predictable income, research shows that patients who belong to a membership plan turn up for their appointments more regularly, which both support a preventive approach and increases the opportunities for discussions about cosmetic options.

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3 Involve the whole team and make things **visual**

Developing a profitable and financially secure practice is the responsibility of every team member, yet many dentists choose to hide the financial performance of the practice from their staff.

With no indication as to how the practice is performing financially, this can lead to the team effectively operating in a vacuum.

It's difficult to commit fully to a cause that might require bold decisions if you don't know how well you're doing, along with any associated risks and rewards. If you take a more transparent approach and set clear targets with rewards for the team then if they're achieved, you'll get a much higher level of buy-in.

Make things visual – create and post performance charts in the staff area and use them as discussion points in team meetings – an engaged and informed team will always deliver higher performance than those that are kept in the dark.

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4 Review your prices and be prepared to **put them up**

That's a phrase that might send a few shivers down the spines of many dentists, but it's definitely something worth considering.

A large number of dental practices have a fear-filled aversion to increasing their prices believing that it will drive patients away. As such, prices often remain unchanged or even reduce over a period of years.

Of course, during this time, overheads such as rent, staff wages, lab bills and dental supplies are generally increasing, which means that profits are squeezed more and more. Carry out a price review of your practice and consider increasing your prices by a small amount year on year to keep pace with inflation and also to fully reflect the value and expertise that you deliver to your patients.

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-  **BETTER**
-  **BEST**
-  **CHEAPEST**

5 **Upsell or Cross sell** (ethically, of course)

Price is not always the determining factor in a patient's decision-making process. In fact, in dental terms, it's rarely the deciding factor.

Patients want choice and they want to feel that they're getting the best treatment they can afford. So make sure you always give your patients all of the options open to them, you might be surprised how few opt for the cheapest.

Also, do you discuss complementary treatments with patients? A patient who has invested in orthodontic work might well also be interested in tooth whitening, for example.

But very often, they're waiting for the dentist to mention it – to give it legitimacy. If it's not discussed, quite often the patient moves on and the treatment opportunity is lost. No one wants to 'sell' unnecessary treatments to a patient, but there is a huge amount of work that walks out of dental practices every day for the sake of a simple conversation.

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6 Maximise **effective** use of your chair time

Do you know at what rate your surgery utilisation is running?

Time invested in ensuring you minimise gaps in your appointment book could contribute more to your profitability than other activities.

Setting targets for utilisation can prompt the creation of effective recall systems that are adhered to more rigidly when the goal is clear.

It can also prompt a more disciplined approach to creating, maintaining and using a list of patients available at short notice should a cancellation arise, as well as lead to the adoption of zoning techniques for the appointment book.

Minimising gaps in your appointment book could contribute more to your profitability than other activities



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Go retail

Dental practices today are also retail environments, but most practices miss out on the potential additional income that can be generated from selling consumables because they don't take that side of the business seriously.

Think about it, each day you have a captive audience who are primed at that point to be thinking about their dental health.

Why would you allow them to leave the practice and pop down to the local chemist for their dental supplies? It's easy to learn from the best in this instance – just like the big supermarkets, additional purchases should be available and easily accessible at reception (check-out).

A simple question as to whether the patient needs anything will stimulate sales. Or even better, introduce a 'recommended products' slip into the surgery process. If you're recommending a particular toothbrush or perhaps some interdental brushes to a patient, write it on a note as they leave the surgery and ask them to present it at reception, where the sale can be completed.

Each day you have a captive audience who are primed at that point to be thinking about their dental health



8 Make it easy for patients to say **YES!** to the treatment they want and need

Dental practices are fantastic at erecting barriers – ways of stopping patients from committing to a particular treatment.

For instance, have you and your team mapped out a patient journey that allows the patient the time to absorb the information about the choices available to them and the environment in which to ask questions of significance to them?

- Does everyone in the team have a clear idea of their role in that journey?
- Do you offer patient finance?

If you don't and you offer a range of high value treatments, you are undoubtedly turning business away. Cost is rarely the issue for patients, affordability is.

The ability to spread the cost of a treatment over one or two years (particularly if it's interest free) makes the treatment 'affordable' and as a result, increases the chances of the patient going ahead. You should always be thinking from the patient's perspective and coming up with ways to make it easy for them to say '**Yes**'.

*Cost is rarely the issue
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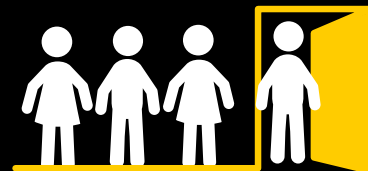
Seek out inefficiencies

There are only a few ways to increase your profits – increase your prices, sell more or reduce your costs.

- Do you have your finger on the costs coming into your practice?
- Could you get a better deal on your dental supplies?
- Could you reduce the cost of materials you use by a few per cent?
- How much money is tied up in stock, stock that could be going out of date?
- Could you root out inefficiencies within the practice and make your team more productive?

Any one of these things will result in an increase in your profits.

*Could you get
a better deal?*



10 Invest in **marketing**

Running a profitable and successful practice relies on a regular stream of new patients coming through the door.

As such, a well-focused marketing strategy is essential. Unfortunately, many dental practices look on marketing as a cost and not an investment and as a result, leave too much to chance.

Your marketing spend is as much an investment into the practice as a new team member or a new piece of equipment. You should be able to measure its success in tangible ways – the number of new patients, the best source of new patients, the amount of treatments carried out, etc - that way you can determine whether it's your front desk that needs prioritising for attention or the communication skills of the clinicians.

If you're not measuring such areas, you could end up throwing money at a marketing problem that doesn't exist while neglecting one that is very real which will damage rather than help the pursuit of your profit goals.

*A well-focused
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11 Celebrate **success** and share the spoils

Here's a question... if your team were to deliver a ten per cent uplift in the practice profits over the next twelve months – would you consider putting two per cent back to fund some sort of performance recognition?

Of course you need to be mindful of professional standards and the GDC, but dentistry is a team game and the team should win or lose together.

Creating a win/win environment will incentivise team members to go the extra mile and to invest time in developing and implementing new ideas to drive the practice forward.

Would you consider putting two per cent back to fund some sort of performance recognition?

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