



VOLUME I

## WE ARE HIVE

**No matter what the challenge, we focus on delivering practical and long-lasting results, helping our clients develop, grow and lead their local market.**

From accountancy to wealth management to marketing and business strategy, functional excellence is a basic requirement needed to flourish.

We are happy to serve clients in whatever capacity we can be most useful, providing the expertise and capabilities needed to boost performance and build wealth.

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## THE £1M SWEET SPOT

### There's a sweet spot in all things.

You know this, I know it; we all understand it intuitively. I'm talking about that place where something you've been stubbornly hacking away at for ages starts to balance out, becomes smoother in the doing, effortless even. You don't have to think about every move any more, it just flows.

I could be talking about reaching your **10,000** hours at gardening of course, and it would be true, but I'm an accountant specialising in dentistry, and I have news for all dentists out there: the sweet spot in dentistry is **£1m**. What I've seen tells me turnover of **£1m** is the sweet spot that will make all those years of grunt work pay off for you if you are coming up in the 'new age' of dentistry where things aren't quite as simple as they used to be.



Before I go on, I recognise there's a danger this may come across as abrasive and judgmental. All I can say is people only ask me to turn up at their dental practice if they want help with their business, and note the emphasis. So, if you're happy with your **£500k/£600k** practice and content with your life, stop reading.

Unfortunately there are no shortage of reasons why this probably isn't the case, the main one being that the cost base of a practice these days is different to 10 years ago. Practices now go for a price of between **100%** and **200%** of their turnover and, if funds are borrowed as is often the case, there are loan repayments to be met. So a decent return depends on a decent turnover. But a far more interesting reason is economies of scale. I have financially modelled many practices

and, unless there is a conscious choice by the owner to run a 'lifestyle' practice and effectively subsidise the business, you need to reach a critical mass in order to get economies of scale on aspects such as:

- ❖ **Rental cost and utilisation of surgery space**
- ❖ **Staff wages**
- ❖ **Balanced, efficient and comprehensive provision of dentistry**
- ❖ **Operation of a proper marketing strategy**
- ❖ **Efficient use of equipment investment**

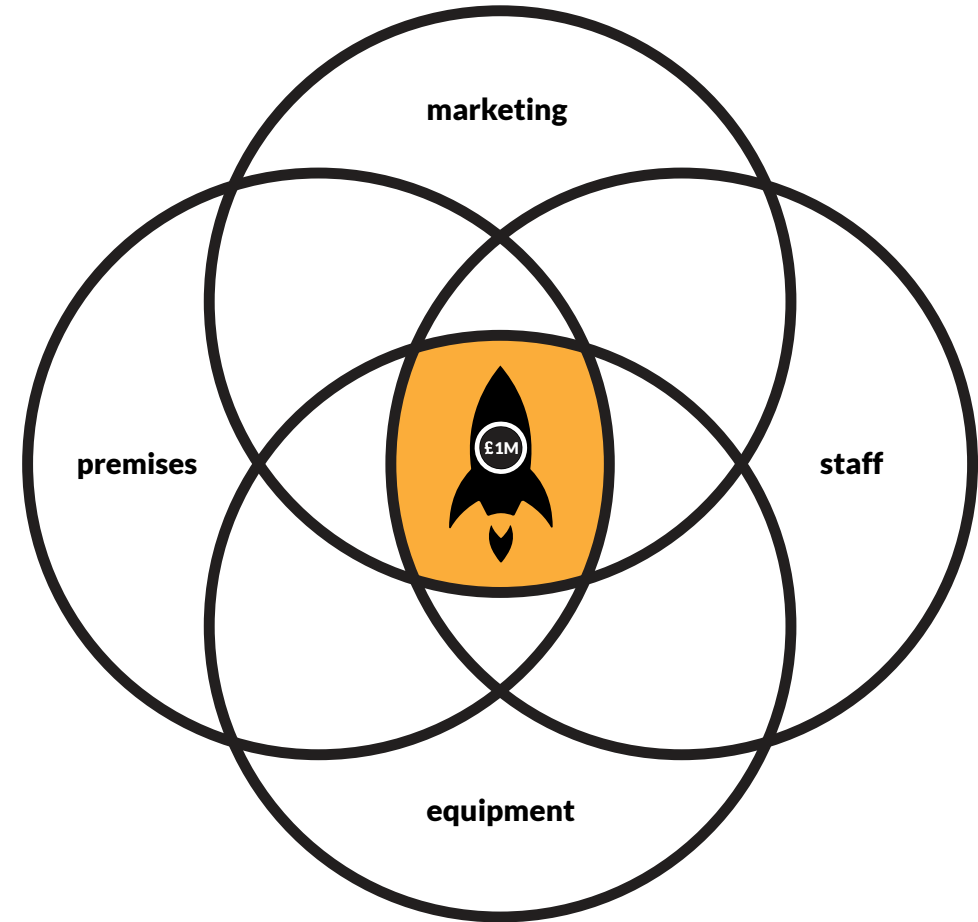
Let's go through these. Rental cost and surgery space speaks for itself: you don't have to pay double to get twice as many revenue-generating surgeries. Also, if you're running a **£1m** practice, the likelihood is you'll have the marketing means to fill all your surgery space **365 days** a year if you want to (this isn't rocket science, it just requires a **£30k-£50k** marketing budget). Looks like we covered "proper marketing strategy" there by accident.

Staff wages: it's pretty much accepted in private practice that **20%** of your turnover will be wages. That covers your admin, nurses, practice manager and, if you can afford one, your business development manager. If you turn over **£500k** you only get **£100k** p.a. to "spend" on staff. That's really not very much for a team is it?



At **£1m** you can afford **£200k** worth of staff, and so the quality inevitably goes up, and this higher quality rubs off on the associates you hire, not least because you have the capacity to recruit more than one. Having a couple of associates is better than one because you get competition and a spread of techniques and services. There goes “balanced, efficient and comprehensive provision of dentistry”. Equipment: it costs about **£50k** to fit out a surgery, and a **£1m** practice might have four, so that’s a **£200k** investment that might last 10 years. Therefore a “cost” of **£20k a year**, say, is no problem in a business that uses its equipment efficiently with full diaries. But if you sink **£70k** into a CEREC machine that isn’t being used **75%** of the time you’re not going to get value out of it.

You tend to either have a **£600k** practice or a **£1m** one. There’s not much middle ground, and that’s because the next gear up from a ‘lifestyle’ practice is a ‘business’ practice, and in a practice run on business lines you start to get value out of everything; your **premises**, your **staff**, your **marketing**, your **equipment**. That’s why your revenue pulls away so steeply – you’ve hit the sweet spot! Obviously to change gear you’ve got to know what you want and have the conviction to see it through, and the first step is to look at what you’re doing now, (you’ll be surprised how much money ‘lifestyle’ practice owners seem committed to throwing away).



**IMPROVE  
FINANCIAL  
PERFORMANCE**

**MORE  
Patients**



**LESS Tax**



**MORE  
Profit &  
Revenue**



## THE COST OF BAD DENTAL MARKETING

**Dentists, on the whole, tend to be very happy to invest in new technology and training.** They are also usually fairly open to the idea of introducing new treatments and, if you think back to your average dental practice 10 years ago, you'll realise that they receive noticeably more love these days: gone are the ragged pile of ancient OK magazines, cracked leather seats and flaking paint in the waiting room. Patients are feeling the difference, which is good, but it makes what I'm about to say even more curious: dentists still don't want to invest in marketing.

The reason this is so strange is it means all these other investments in training staff, sprucing up the practice and improving facilities and treatment range are happening in a vacuum; no one, other than regular patients who happen to notice, are





finding out about them – even with the most optimistic hopes that “word will spread” there is, unfortunately, simply no magic process by which this will actually happen unless you tell people.

I get that most dentists are uncomfortable with sales and they may want to outsource the whole marketing thing, but the problem is there are parts of marketing that you can't outsource. Take, for example, the kind of brand you want to represent. Sure, you can get any old Joe to create a name and a logo for you and you can overhaul your website and put a big sign outside, but what happens if this brand doesn't represent values that you actually believe in? When principals avoid getting involved with brand building, which includes imparting the vision and

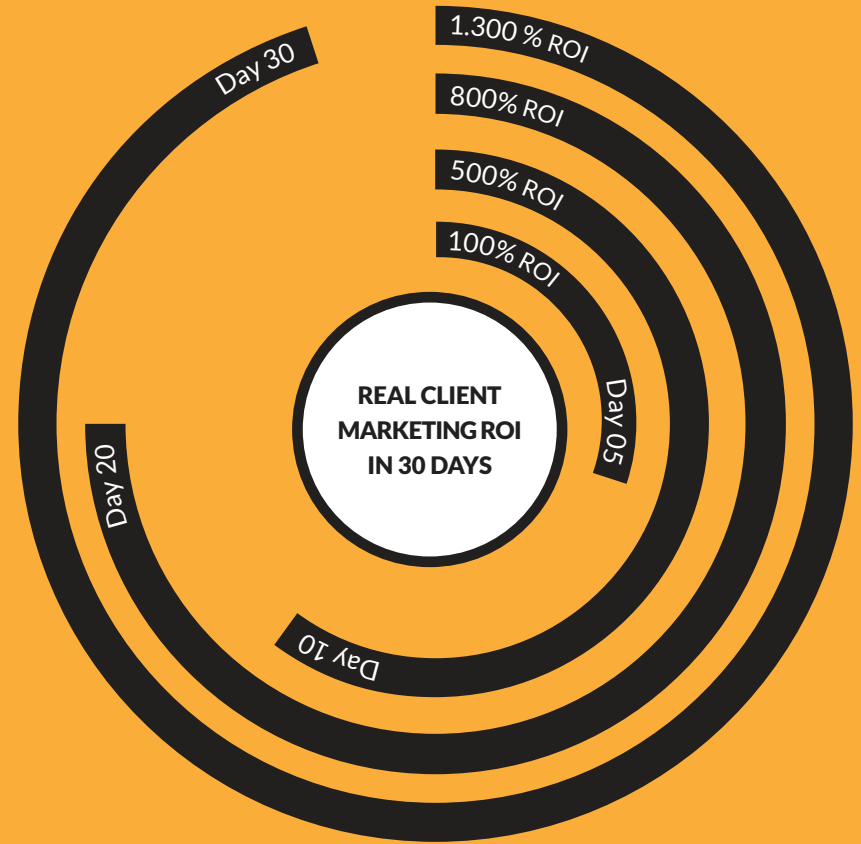
strategy of the business to their team, they are jeopardising the health of their business not just on some surface, aesthetic level, but on a nuts and bolts level: if you don't really value your own brand you're more likely to let it get tired, let your website stagnate, miss opportunities to find new lucrative channels to market; in other words, more likely to let the rot set in. Your new patient leads will gradually dry up.

Yes, much of the grunt work involved in marketing can be outsourced, but only if there's a brief, and the brief can't be a one-time only thing: it has to come up in every monthly meeting. I think part of the problem is many dentists don't value the role of marketing, and as people who have trained as skilled clinicians perhaps this isn't surprising: it can seem like



an activity that lacks integrity in comparison. But marketing can only ever lack integrity if you let it; once you are emotionally and intellectually invested in your brand values it will shine through, and when this happens it's really obvious: all your communications across various platforms will seem like the same voice. That's in contrast to the other, disjointed way of doing things where you might invest in, say, a really good newspaper ad that drives traffic to your site where it then mysteriously disappears because the neglected site doesn't work properly or god forbid, can't be found in the search results. When you take marketing seriously you make scenarios like this impossible. But I haven't even mentioned the money thing, and out of all the investments you can make, marketing is by far the best

performer. It's not unusual to get a **300%** or **400%** return, and one of our clients saw **1,300% ROI** on his digital marketing budget within 30 days. We're helping him sell dental implant treatments worth around **£20k**, so obviously, there are huge returns but, crucially, he has been part of the decision-making process; he buys into it and that, to a large extent, explains the amazing ROI. He's committed, which means he's able to deliver a high-quality marketing experience for his leads: rather than just get a call, they are invited to the practice to learn more, given refreshments and treated like the extremely valuable clients they are (known as a soft sell). As I mentioned, you can't do this if you don't believe in what you're doing, and so if you don't believe in your marketing something is wrong and needs fixing.



## YOU CAN'T GROW ON THE BACK FOOT

**One of my clients had to have a chat with his associate the other day to renegotiate their pay structure.**

In what seems to be common in dentistry, the business had been operating for 10 years in exactly the same manner, paying no attention to the cost of changing regulations and the blossoming of private dentistry. The associate asserted that as he was an “experienced” dentist he should be paid a higher percentage.

Needless to say, that’s not how things work commercially. It seems quite obvious to me that if an associate wants to earn more (as long as they are given the facilities and infrastructure to do so) it boils down to their revenue-generating capabilities.



Unhealthily high commission rates are an inefficient economic mechanism as they simply pass profit from the practice to the associate and discourage investment and growth – after all, if a practice owner is not making profit from the associate, why would he be motivated to generate new patients?

For that matter, I find many principals ask me, “Why do I bother running a practice at all?” Even if they don’t know the answer, I can guarantee it won’t be “to break even” or “to fund other people’s lifestyles”.

Dentists must be mindful of the profit margins in light of the costs of running a surgery in a high tech practice. Think about the CT scanner the associate uses now

and again, the decon room, lab costs and business rates, the well staffed reception, the separate hub that handles inbound traffic from ongoing marketing campaigns that provide the associates with new patients and, for that matter, the exorbitant lease paid in order to be in an exclusive part of town... I could go on, but you get the picture.

Many practice owners simply hire extra associates because it supports a misguided growth strategy. True, at the point where you’ve reached capacity, the idea of hiring an expensive “experienced associate” might seem appealing, even if it means paying **60%** – at least you get **40%**, right?

Well, no, actually. You get whatever is left over once you’ve paid the overhead costs per surgery per day, so do your maths first. Here’s how:

- 1** Ignore lab costs and associate / hygienist costs.
- 2** Add up your admin staff wages + rent and other premises costs + marketing costs and all other overheads and sundry items per year. Also allow an amount for equipment depreciation.
- 3** Divide the total by your number of surgeries.
- 4** Divide that by the number of days you’re open per year.

**WAGES & RENT**

**+**

**MARKETING**

**+**

**DEPRECIATION,  
SUNDRY &  
OVERHEADS**

**÷**

**SURGERIES**

**÷**

**OPEN DAYS**

**=**

**£**

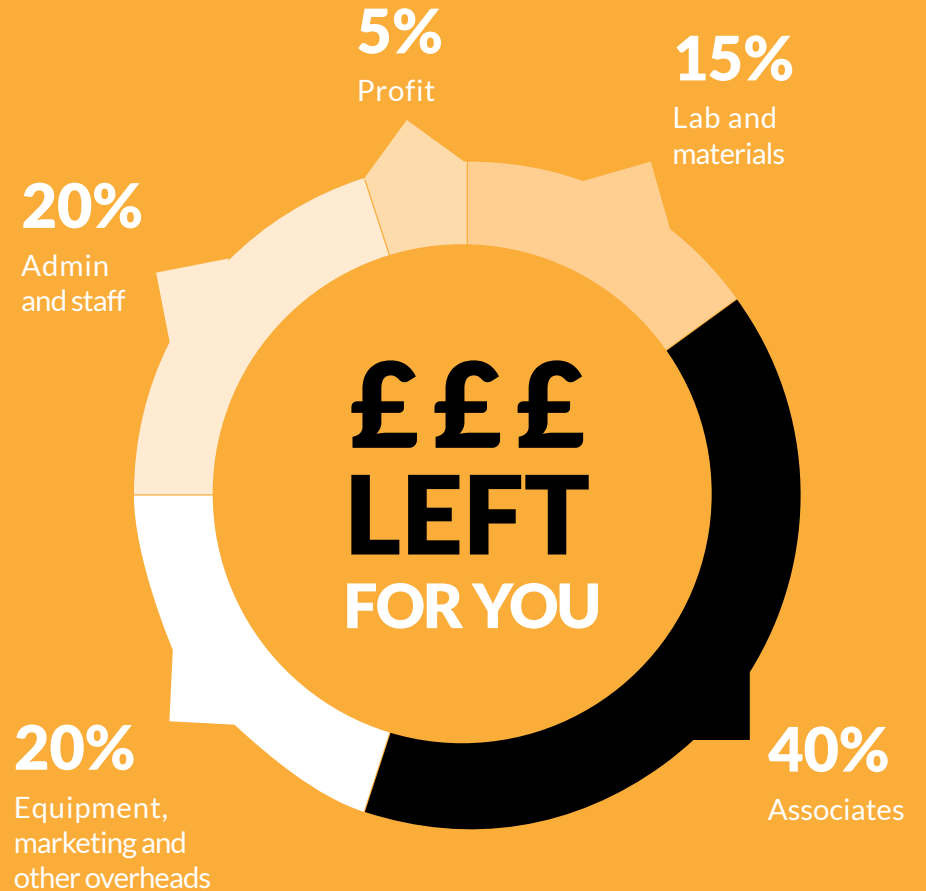
The answer will likely vary between **£450** and **£750** per surgery per day. The point is, when your associate goes on holiday their surgery is running at a loss, and even when they are there, they may not be generating profit. The question boils down to: do you want your practice to be profitable? It's probably better for everyone in the long run if you do.

Most private practice associates generate at least **£1,200** a day and lab and material costs will be say **15%**. Let's say your associate gets **50%**. You've got **£510** left, but the cost of operating the surgery could be more than that. It's for good reason that some profitable practices we work with pay associates **40%**.

Interestingly, the extra cash tends to be ploughed back into these bigger practices to fund aggressive marketing so the surgeries are never short of patients, which means despite their 'low' rate, the associates are happy because they are well supported and earn a very good living.

Realistically, even if you are paying **40%** and aren't subsidising your business, it's difficult to see how any of the following could be much less:

- 🔪 Lab and materials **15%**
- 🔪 Associates **40%**
- 🔪 Admin and staff **20%**
- 🔪 Equipment, marketing and other overheads **20%**
- 🔪 Profit **5%**



## WHY SUBSIDISE YOUR BUSINESS? NO ONE ELSE DOES

### **A lot of practice owners of the baby boom era feel comfortable.**

They don't have debt, they own the building and have no need to stretch the business. This seems to be a good state of affairs, and why not? Well, appearances can be deceiving. The problem is, and this appears to be a quirk of the dental industry, that many, many practice owners are subsidising their businesses. This means they are jumbling the business interests with their personal interests, and guess what, it damages both.

Let me explain. If you're not paying yourself rent on a building you own, you are subsidising. If you're not paying yourself as a fee earner and a shareholder, you are subsidising. If you are paying everyone first and only then, if there's enough left at the end of the month, taking the **£10k** you're used to, you're probably subsidising.



I've done the sums and this is happening a lot.

So why is it happening? Perhaps you've always had the mindset of taking **£10k**. When you can take it, perhaps it feels like everything is going well and the matter requires no further thought. The problem is, if you're grossing **£400k**, you are underpaying yourself. If the associate is on **45%**, then why not the principal? In this example the principal should be paid something in the order of **£13k** per month. The natural financial implication if this were to happen is that the practice wouldn't be able to afford to pay the principal properly, which should ring alarm bells. If you are being paid as a shareholder and a fee earner you will quickly discover how the business is performing, which is never a bad thing. Incidentally,

it's a really good basis to have honest, and equal, conversations with associates if the practice underperforming overall.

Not sure if you are subsidising your business? All it takes to find out is a simple theoretical exercise to see where the money's going.

Benchmark against the industry. What you want to hone in on is profitability. Your practice might appear to be a very healthy business, but if it is not paying rent and it is getting your own services at a cut rate, how healthy is it? Could it survive in normal circumstances? If someone else bought it and ran it as a "normal" commercial interest, what would they have to change to make it viable?

Maybe your associates are being paid too much (if you ask me, no associate should be on more than 50% any longer). Maybe the staff utilisation isn't quite as good as it should be. It could be any number of things because the chances are, if you've been subsidising the business, you have been feeding the problem.

So to summarise, there are two immediate problems with subsidising your business: one, it chokes off the scrutiny healthy businesses need to stay profitable and focused; two, you have been throwing your own money away. And there's a third problem that's connected to both of those: subsidising harms the long-term value of your shares.

The good news is dental practices, as businesses go, are relatively easy to get a handle on. There aren't loads of moving parts from a financial perspective – this is a problem that can be diagnosed and fixed very easily.



# ABOUT HIVE



## BE NATURAL

**Keep it human** and always put people first.



## BE RESPONSIBLE

**Keep promises** and be mindful of our impact on client businesses.



## BE GENEROUS

**Of time, spirit,** ideas and feedback



## BE ENTREPRENEIAL

**Chase opportunities,** be responsive and seek out innovative ways to improve performance.



## BE COMMERCIAL

**Create growth** and profit for us and our clients.



## BE EXCEPTIONAL

**Challenge stereotypes** and pre-existing best practices. Deliver excellence.