

Seeing the Sites

Consider these top 5
factors when choosing
between locations for
your practice

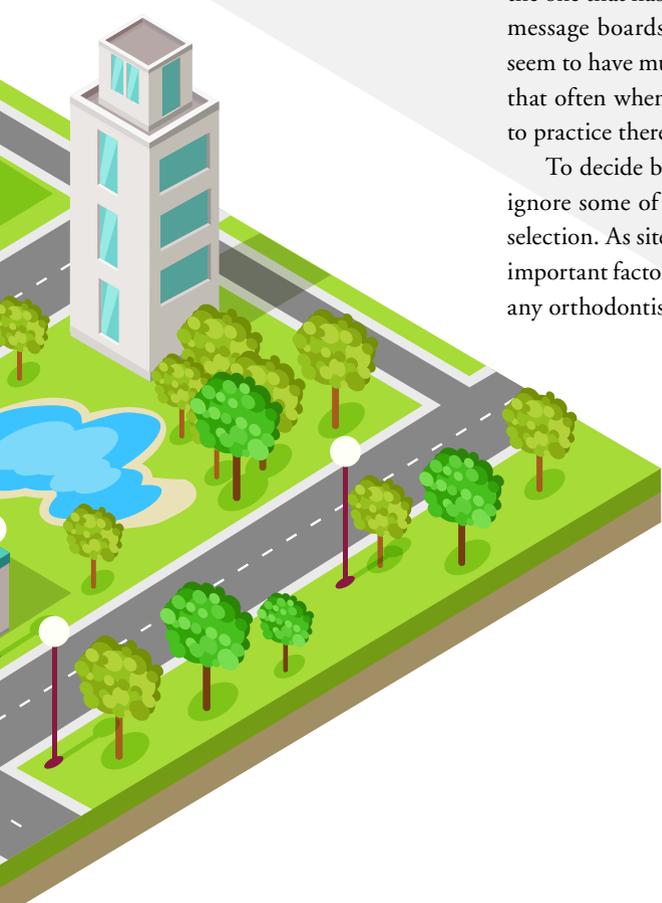


Winning
Location!

► A question I hear often from doctors who are looking to open a practice is, “How do I decide which location to pursue when there appears to be more than one good choice?” This decision can be a difficult one because many of them are confused about how to rate the factors of what makes one site better than another.

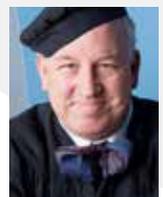
In my experience, an orthodontist’s default choice usually ends up being the one that has the fewest competitors. It comes up a lot on the Orthotown message boards when discussing the aspects of a site: “The place doesn’t seem to have much competition.” It might be wise to keep in mind, though, that often when a site has no competition, there are reasons nobody wants to practice there.

To decide based solely upon the distribution or proximity of a site is to ignore some of the most important benefits or the worst liabilities of site selection. As site analysts who advise lenders, we believe there are additional important factors about a location to consider. Here are the top five questions any orthodontist should ask before deciding upon a new location.

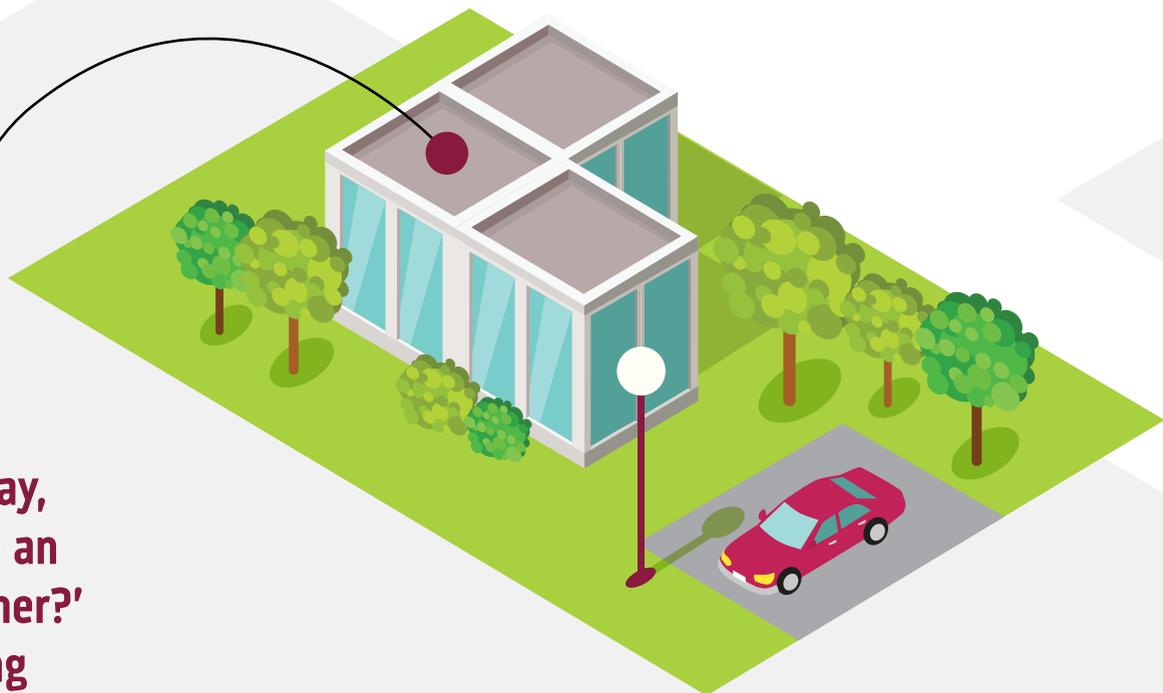


by Scott McDonald

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1 Is the area growing?

All growth isn't the same, of course, but as a rule of thumb, an area that's growing in population will always be preferable to a location that's shrinking, regardless of other demographic factors such as age, housing type or creditworthiness. A growing location with a great deal of poverty is still a better choice than a more affluent one that's losing population, because as a community loses population, the ratio of populace to doctors will get worse and existing practices will be fighting over an ever-shrinking patient base.

2 Is there sufficient population to serve as a patient base?

We've researched many locations that have a great "pocket" of potential patients but not enough to support a full-time practice. If you intend to treat patients four days per week, for example, but there aren't sufficient people to reach that threshold and growth doesn't look like it's going to reach that number in a reasonable time period, you need to select a more populated area. Orthodontists need lots of teeth to treat; it's simple math. Don't let a small population of outstanding potential patients blind you to the fact that things aren't really going to change. Production and collections are not going to mitigate that.

3 Can you make a living here?

This is a strange way to ask the question, but it certainly takes into account the overall observation on the site. Some locations may have a wonderful patient base, and even healthy growth, that won't work because the site isn't profitable. We've studied sites where real estate prices, lease rates or even the staff costs are so high that profitability would be elusive. We tend to put this in the general category of risk: Is the site too risky to make a profitable practice?

It's a point that should be considered if orthodontists are looking at even a single location, but is of even more importance if they're comparing two or more locations—particularly in urban locations with upscale populations. Some cities such as San Jose, Seattle and San Francisco are pricing themselves out of the market because the square footage costs are becoming prohibitively expensive.

To illustrate, recall from freshman statistics that a median is always figured at 100. Anything over 100 is higher, or more expensive; anything below is less expensive. In San Jose, the Index figure is 455—yes, that means it's at least four times higher there than in most of the United States. To calculate it another way, the median home price in San Jose is \$900,000. That means

that half the homes cost *more than* \$900,000. In San Francisco, the median price is \$748,300. In Boulder, Colorado (which isn't a cheap place to live, either), the median home price is \$442,200—about half what it costs for a home in San Jose.

4 Is the site an instant winner?

When you ask yourself this question, you may be surprised that you have an obvious “best location” but don't really want to believe it for lots of reasons. Often these reasons will be emotional. If you're being objective in your measurements, asking this question about which location is best will almost always answer itself.

In one case, a dentist client of mine argued that an office hidden in an obscure neighborhood that was tagged with a dodgy reputation due to crime was a *good* place. (Besides, his parents lived nearby.) In another case, the building itself was just fine but the demographic character of the site was in decline (shrinking).

It's often wise to pretend that you're evaluating

a location for someone else. When I say, “Is the site an instant winner?” I'm asking whether the patient base will be attracted to an office at this site.

5 Does one office have better accessibility?

I've long preached the message that sites that are both visible and accessible have a benefit. Curb appeal or visibility are important, but they're only one side of the equation. If people—hopefully a large number of them—can get to the office in a short time, then it's accessible. Is it easy for them to make a turn into the parking lot? Is there a convenient connection to a highway or freeway? These things matter. We like to use drive-time numbers to choose among sites because the location that's more “reachable” has a definite advantage over one that's not.

There can be other variables that could be used when deciding among locations. Signage potential, favorable neighbors, sightlines and the like do matter, but not as much as the five factors above. ■