Increasingly, dental practices are being forced to conform to general business principles to maximise profitability. But what's the best way to grow your business? Trim costs or boost revenue? By Amanda Scotland

John Fara, director of Fiducia Advisors, has been providing tax accounting and advisory to the medical and dental professions for over 15 years. Fara says that dentists often come to him initially for tax advice, but soon find that there is a deeper issue they need to address.

Over time, Fara says that the needs of the industry have changed. Where, once, it might have been enough to build up a loyal client base with consistently good service and regular referrals, in today's business environment dentists have to do more to grow their revenue.

In determining how a practice can grow in this environment, Fara take a big picture approach. "We look at their practice as a whole, not only accounting and tax but everything from running the practice to daily life as a practitioner and how to maximise wealth outside the practice.

"The bottom line with dental practices is that the revenue is directly linked to how many patients a practice can see and how much they can charge for that service—that's your limiting factor. You either need to see more patients or increase the amount you receive from each patient," says Fara. However, with downward pressure on fees, limited Medicare support and punishing 'no gap' insurance agreements, the challenge is that dentists are often now seeing more patients for less.

The solution many established practice owners have arrived at is to take on an associate or contractor to service their steady stream of patients. Typically, the fee is then split at a ratio of 60/40. Similarly, a practice owner might take on a qualified nurse or allied health practitioner to provide peripheral services at a fraction of the cost to the practice, freeing up the dentist to focus on high value work. At the same time, a practitioner may also want to prescribe a course of treatment or therapy that can be provided by someone else, but require follow-up and maintenance of that therapy that they can provide, driving ongoing revenue.

Limited by available space and hours in the day however, practice owners who follow this model will eventually discover that they need new strategies to maximise revenue beyond a division of labour. According to Fara, there are two main strategies all practitioners should be adopting to increase their productivity: education and branding.

Educating your patients

“People will only pay a premium when they understand what’s happening,” says Fara. The more a practice educates its patients about their health and issues that may arise in the future, the more a patient will understand and value the service being provided. The more a patient understands the value of the service, the more inclined they will be to pay a premium for it. Whether you’re providing a regular check-up or a cosmetic procedure, the principle is the same: people want to know they’re getting value for money.

Patients want to know why the dentist is doing something and what value they can offer that another, possibly cheaper, dentist may not. This kind of ongoing flow of education and information can be provided face to face, but also through the clever use of letters, newsletters, reminders, advertising and (where appropriate) social media. Fara says, “If you’re not having those conversations you’re likely to have your client base stagnate or reduce in size, moving to more proactive practitioners.”

Branding your practice

Another option for increasing revenue and adding value to customers, according to Fara, is quasi-specialisation. While you may offer general dentistry, focusing on an industry specialisation such as children or aged care will help you begin to generate brand recognition.

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Brand image is part of this, and active marketing now features heavily in many successful Australian dental practices. In addition to focusing your marketing attention on one area, you can also reorganise your practice around that specialisation. You might achieve this by creating a fun environment that children will want to come back to, or employing staff sensitive to the specific needs of the particular group you are targeting.

“Essentially that’s what’s going to drive revenue to your door,” says Fara. “Word will get around and people will know that your practice is the one to go to.

“The core business is still ‘teeth, jaws and mouth’ but the way you position yourself in the market and differentiate yourself is going to be key moving forward.”

Cutting costs

Regularly reassessing the costs of your business can also drive revenue. For new start-ups, the greatest cost will be in the fit-out and new equipment. To improve your cash flow, it is helpful to finance this investment over a period of time. The structure of your finance arrangements will be one of the first things a financial advisor looks into when evaluating your fixed costs and they will tell you that it pays to shop around for the most attractive rate and conditions.

While John Fara, director of Fiducia Advisors, believes that most dentists are quite cost conscious, he adds that it can also be helpful to evaluate consumables and wastage on a regular basis. “It’s just being conscious of what you’re using and how much you’re throwing away,” he says. By buying in bulk, particularly as the financial year comes to an end, you may not only receive a bulk discount but also maximise your deductions for the year.

Labour will be one of your biggest ongoing costs; however, you also need to bear in mind the cost of recruitment and retraining. workplaceinfo.com.au argues that the cost of a poor recruitment decision can be as much as two-thirds of the employee’s salary. Clever investment in training and staff incentives can pay off over time as well-trained and loyal staff drive the efficiency and success of your business.