Since 2008, few dental practices have been immune to the downturn in the economy throughout North America. This is evidence that dentistry is no longer recession-proof.

At the same time, dentistry has seen technological advances that were unimaginable 20 years ago. Staying “current” means higher capital and operating costs for practice owners. In a declining economy, spending on upgrades for equipment and infrastructure may be one way to survive and thrive. But acquiring capital to acquire a practice or build, renovate or expand an existing clinic facility may be challenging for some dentists, particularly first-timers.

Adding a line of credit is advisable for temporary cash flow coverage and is recommended for added peace of mind. But before deciding to build, expand, or upgrade the physical plant or invest in any other practice enhancement, it is vital to consider how it will impact all aspects of your business, so you can make informed choices. In other words, this is the time to develop your practice business plan.

A business plan, sometimes called a marketing plan, is a valuable tool for any practitioner. Beyond it being a requirement for borrowing through a traditional lending institution, it is a foundation for policies, protocols and processes that will give the practice operational structure. It will serve as a guide for the principal, professional advisers, employees and others who will be involved in the practice.

The process for creating a practice business plan, which is a modified business plan, varies slightly depending on whether it is for a start-up or an existing practice, but the principles are the same. The five Ps – product, promotion, place, price and people – are the basic elements that should be given equitable weight, recognizing the interdependent relationships that exist between them and further understanding that each will have multiple impacts that contribute to measurable outcomes.

Budgeting is part of the “price” element within the practice plan and should be done as the final step, after considering all of the other four components. There are two parts to preparing the budget — revenue and expenses. Think conservatively — under forecasting revenue and overestimating operating costs can provide peace of mind to any investor.

Estimating revenue is dependent upon the operator’s skills, anticipated demand, composition and quality of the dental team, fees, billing and collection, etc. An experienced clinician will have reasonable expectations of his production capabilities.

Other considerations need to include the operating schedule and types of services that will be delivered. For example: Number of hygienists and their operating schedule will influence the demand for dentistry, and, of course, referrals to specialists will impact production. Daily practice production can range from $2,500 to $10,000.

For many dentists, the expenses may be more challenging to predict. Capital costs and operating expenses are generally separated for planning purposes. Operating costs should recognize fixed (those which are not production-related, such as rent and utilities) and variable (those which are directly influenced by production, such as dental supplies and lab fees). Today, total (capital and operating) expenses have escalated during the past decade and now average 60 to 80 percent for many family practices.

In today’s dental marketplace, investing in a practice takes more than money. Time, effort, skills and collaboration turn dreams to realities, starting with developing a custom practice plan. Even for a mature dentist, this may require expertise from a team of experienced professionals who can help turn challenges into opportunities.

The experienced team of professionals at Dental Equities LLC provides education and support to dentists in private practice at all stages of career and business cycle. Visit www.dentalequities.com for more information.