

Is Advertising Damaging Our Profession?

When I graduated as a dentist in 1986, advertising was limited to a small announcement in the local paper that could appear three times. The message could include your name and location. It was a classy display to indicate you had started in practice to begin your new career in dentistry. I had physicians, lawyers, engineers and members of the public offer written notes and verbal congratulations on my new practice.

Fast forward to 2019. As I drive down the road I get a lump in my throat. I come across block after block of huge yellow signs advertising various dental services. I turn on the radio and there is a dental office with a song advertising dental services. A bus passes by with a huge advertisement about sleep dentistry posted on the side. I approach a corner and there is a massive tooth on a building decked out like a Las Vegas nightclub with massive neon lettering about collecting direct from insurance. I arrive home, turn on my TV and yet another dentist is advertising their clinic. And, of course, on my iPad, the dental advertising is everywhere.

The lump in my throat is joined by a tear in my eye. What other profession acts like this? Next time you think of advertising just think about what you are doing to our profession's status. I am perfectly aware that the dentistry environment of 30 years ago is gone. We have experienced an explosion of technology and a significant growth in the number of licences, but please step back and take a look within. How does this public display of widespread advertising affect our profession? The public image of our profession in my opinion is dropping. Advertising, as currently implemented, relays a general message of desperation in the profession. After viewing so much advertising, patients can become skeptical and suspicious of the profession.

Advertising in dentistry needs to be tightly restricted to reverse this negative trend. If you wanted to be a business person without health care as the major focus, you should have pursued an MBA instead of a DDS/DMD.

The integrity and prestige of our profession is at stake. We need to remain a "health-service model" rather than a "health-business model."

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Interest Drives Interest

In response to the article written by Dr. Dolansky and Mr. Henderson in the October 2019 issue of *Ontario Dentist* ("The Sellers' Market for Dental Practices; Has the Exuberance Gone?"), we would like to share our appreciation. As partners in a dental practice brokerage with the intention of increasing transparency in the processes of practice valuation, we were encouraged to see the data the authors provided. Their figures depict the average Ontario GP practice selling price as a percentage of gross revenue over time. We assume this information was limited to practices that contracted the authors' brokerage. Interestingly, we've collected a large volume of appraisals produced by four other dental practice brokerages in Ontario over three years and found the average appraisal value between 2016 and 2018 was 1.32 times the gross revenues, which corroborates the authors' findings. Also, the data we've collected was taken from varying sources of appraisals and different methodologies used to attain a practice valuation.

The following trends were also noted in the authors' article:

1. A decrease in growth in average GP practice values.
2. A decrease in the number of bidders and prices paid above appraised value.
3. An increase in both the scrutiny of practice appraisals and caution to purchase practices by potential buyers and lenders.

If we ask why these trends are being seen, we believe the answer lies in the consideration of interest rates, cash flow, and saturation of dentists in our province. There is a ceiling that can be paid for a practice, above which the costs of financing decrease the cash flow to the point that a buyer is no longer able to attain a reasonable cash flow. As costs of borrowing increase, cash flows at a given purchase price decrease on a relative scale. As such, it could be said that interest rates drive buyer interest. Beyond this, the saturation of the marketplace makes the retention of goodwill a greater challenge. But this question should also be asked: "Is appraised value increasing?" Perhaps not, but if this is the case, the prices paid above appraised value could be decreasing, too.

It is our experience that there still exists a remarkably strong exuberance for practice purchase, but that we can only have demand when a purchase price for a given practice presents an opportunity for a buyer to have a reasonable income after covering the costs of the practice and paying the bank. 

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