

Psychology Of The Sale

In this, the latest in a series of articles on the law as it applies to dentistry, Russell Abrahams, a dental expert at Abrahams Dresden, focuses in on the psychology of the sale.

So you have made the decision to sell, you have marketed the practice with one of the leading dental brokers, they have found you a number of buyers and, after a good deal of soul-searching, you have picked one of them.

First question: how did you pick the lucky winner? Was he the buyer you thought would best serve your patient base or was he the buyer whom you thought would complete the transaction most swiftly? Perhaps there were other qualities that stood him apart from the rest. The simple reality is that there are a number of buyers out there for every halfway decent practice, especially if it is located in the Home Counties.

Choosing the right buyer is one of the three crucial steps successfully to selling your practice. So what defines the right buyer? First of all, he must be old enough. A trite comment perhaps, but dentists are a cautious lot and confidence obviously comes with age. A dentist just setting out on the voyage of buying his own practice may look and indeed offer on several practices before he makes a final decision. Do not let yours be one of the practices on which he wastes time and gains knowledge. Is he funding pre-approved? Most of the brokers these days will introduce buyers to a range of leading dental financiers with whom they have meaningful relationships. In turn, this means that finance and, often finance in excess of 100% finance, can be lined up relatively speedily. The key question is, has it been lined up?

The second key issue is whether you have fully prepared for the sale. All too often, we are instructed by sellers on a sale and the key paperwork required to demonstrate title to the practice, and the fact that it is an appealing practice, is not available. Just as importantly, the practice looks a little tired. Selling a practice is like selling a house; little touches such as a fresh vase of flowers and reasonably up to date magazines in the waiting room can make a big difference, even though they have no clinical impact whatsoever. Harsh words perhaps, but all too often true. The simple fact is that whilst all young new purchasers want to make certain changes and make their mark, they do not want to believe that they are buying an antique of a practice. Just as importantly as physical presentation, it is crucial to produce comprehensive paperwork at an early stage. Bearing in mind that paperwork includes documents such as planning permission for the practice and the title deeds to the freehold/leasehold property, you should consult your solicitor at any early stage, even before you have found a buyer, so that your solicitor can help you collate all necessary papers to submit to a prospective purchaser immediately he has made an offer.

So what is the psychology of the sale?

Experience shows that the seller is generally keen to sell the Practice, however long the transaction takes from offer to exchange of contracts, the moment when the offer becomes fully binding on both parties. Conversely, the buyer's willingness to do the deal reduces with every day that goes past after the offer is made and accepted. There are three reasons for this. The first is that the buyer may indeed come across information concerning the practice that discourages him from purchasing the practice. Secondly, there are always good reasons not to do something and fewer good reasons to proceed with the deal. The more time that goes by, the more time that the buyer has to think about the reasons not to do the deal. The final clincher is the demons. We have all woken up in the middle of the night with that irrational fear of whatever small issue is weighing on our mind at that moment in time. By the morning, it has gone away, but, during the night, it is a very real fear indeed. Its simple maths; the more nights between offer and exchange, the greater the risk of the deal failing.

Over refined psychology, I hear you think. Perhaps. The simple fact is that Abrahams Dresden has been involved in over a thousand dental sales/purchases and experience shows, quite clearly, that the proportion of deals that abort, after the transaction has been running for six weeks is materially higher than the proportion of deals that abort between instructions and six weeks. Statisticians

amongst you may question this logic, but it does appear to be true in practice. Why do you think that timeshare salesman are so keen to get you to sign on the dotted line whilst you are quaffing their champagne in the show flat in Spain? I have absolutely no doubt that the proportion of attendees who purchase "on the day" absolutely swamps the proportion of attendees who purchase after they have gone home to cold, grey England.

It is of course crucial to your own psyche that the deal goes through swiftly, with the first and not with any number of subsequent buyers. It is a traumatic and time consuming process for you and it can be very expensive not just in actual money spent, for example on legal fees and brokers fees, but also on clinical time lost to administrative time in preparing for the sale.

Having chosen the buyer whom you believe is most likely to deliver a quick sale, what can you do to maximise the chances of the sale going through speedily? First and foremost, as I mentioned earlier, instruct a solicitor early, to prepare a sale package, even before you find a buyer. The sale package should not only comprise the property papers (including title deeds and planning permission), accounts information (two complete years of certified accounts and management accounts up to the most recent date possible) and practice information (maintenance agreements, waste agreements and advertising arrangements), but it should also include time consuming papers usually obtained by the buyer's solicitor, such as office copy entries of the title, a local search and a water/drainage search. If you bank with one of the recognised dental lenders, it may be prudent to have a word with your banker to see whether, given his knowledge of the practice, he might be able to make a speedy decision on lending the purchase price to your buyer.

Make time available for meetings, not just with your buyer, but with your solicitor and your buyer's solicitor. It is often the case that deals break down because the respective advisors of the parties take entrenched positions, which can easily be overcome by a pro-active broker or solicitor. Best of all, hire a solicitor who is happy to meet with you after hours, to impose the minimum burden on your clinical time.

If, in preparation for a sale, you prepare the practice, pre-arrange finance and hire an experienced solicitor, there is no reason why, with the minimum input from you, the practice should not move from offer to exchange within a four week time-frame.

Brokers these days tend to take a non-refundable deposit of some £2,000.00 against the buyer withdrawing from the purchase without good cause. Sometimes, sellers who have "had their fingers burned" on one or two previous occasions, require their solicitor to take a substantial non-returnable deposit from a prospective buyer. This is almost always a bad idea. The parties spend so long negotiating the terms on which the non-refundable deposit is to be held, that no meaningful progress is made with the proposed sale.

Above all, that I would say this, it is crucial that you have a pro-active solicitor pushing the deal through from your end.