

IS A BROKER NECESSARY TO SELL A PRACTICE?



The answer, as always, depends.

I have been studying the dental practice buy-and-sell marketplace since I was a teenager. Over the years, I have come to a few brutal truths that not all brokers want to acknowledge.

The first is this: not every dental practice sale requires the services of a competent and licensed broker.

My research indicates that just over 50 percent of dental practices are sold through the service of a broker, while just under 50 percent are sold privately.

For example, if you have a family member already in dentistry or one who is close to obtaining their dental license, you will need a professional appraisal, but you may not need a broker. There are exceptions where certain heads of family prefer arm's-length management of the transaction. In those cases, many brokers will assist on a limited basis for a reduced commission.

Another instance is the growing DSO phenomenon.

2 to 3 percent of Canadian practices are expected to sell to DSOs over the next two to three years, and they typically approach owners directly. They will strongly encourage you not to engage a broker, largely because they prefer not to compete with other buyers. Frankly, no buyer does.

Some owners are comfortable with this approach because of the perceived confidentiality and discretion of a direct transaction. I do not fault anyone who chooses to accept a corporate offer, cash the check, and continue working for another 3 to 5 years within a corporate system.

For some, that is a perfectly reasonable and acceptable career choice, and I do not contest it.

Another common example is the nearby dentist who is a legitimate and honorable competitor and has the capacity to absorb your practice into a larger, more modern facility.



For owners operating in older, outdated offices that are not worth upgrading, this can be a logical choice. When the lease expires, the practice can be wound down, some staff members may transition to the new location, and patients can be gradually and peacefully moved over to the new office. The selling dentist may then continue working part-time in a modern facility for the remainder of their career.

In these situations, an exceptionally large majority of patients have been proven to follow.

There are also the unsolicited “please sell me your practice” letters that you get from unknown buyers. Some owners take those meetings, and a small number sell through that route.

In all the examples above, professional appraisal is still needed, particularly when bank financing is required. My firm, along with a few other highly reputable firms, is pleased to provide independent valuations on that basis.

But do you need a broker in those instances?

The honest answer is maybe.

Some of you are very capable. You have strong business acumen, you have bought and sold real estate or other businesses before, and you are comfortable managing a transaction yourself with the support of a professional appraisal, a lawyer, and an accountant.

In those cases, the short answer is simple: not everybody needs a broker.

So, who is most likely to engage a broker to sell their practice?

Typically, it is the owner who has no dentists in the family, no associates, no partners, and no meaningful relationships with local competitors (some dentists avoid local colleagues like the plague 😊). These owners often prefer the power of the wide-open marketplace, believing it to be the most ethical and proven way to determine the highest price an asset will achieve in an unrestricted market.

Yes, that process requires exposure. A broker must present the opportunity to qualified purchasers.

One of the jokes running in my business is that a dentist approaches me and says:

“Tim, please sell my practice, but don’t tell anybody about it.”

That is humor, of course. And it is important to understand that it simply does not work that way.

Brokers exist to expose opportunities efficiently and fairly to the marketplace. We encourage multiple qualified purchasers to make competing bids, and even though we run a silent, sealed-bid process where no bidder knows the identity or price of another, we can ethically motivate competition. In many cases, that competitive process results in sale prices that exceed appraised value.

The “Do you need a Broker?” Test:

Ask yourself these three questions:

1. Do you want to do it yourself?

The dentists who sell their own practices are often classic do-it-yourselfers. They mow their own lawns, launder their own shirts, change the oil in their cars, fix their own dental equipment, and pride themselves on self-reliance. If that describes you, you can try selling your own practice.

2. Are you comfortable dealing directly with purchasers and their advisors?

This includes negotiating with buyers, as well as interacting with their lawyers, accountants, and bankers. Some owners are perfectly comfortable in that environment. Others want nothing to do with it and prefer the arm’s-length comfort of an intermediary. That intermediary is the broker.

3. Do you want the highest possible price the market will bear?

Or are you comfortable settling for slightly less in exchange for privacy and avoiding brokerage fees? They do not have to go through the whole open market process. Some owners prefer to sell privately to someone they know or to a buyer who has approached them directly. That can work, but it may come at the cost of leaving money on the table.



roicorp.com

The evidence at my disposal reveals this: brokers achieve higher sale prices.

This is not due to the broker's skill but because of the power of the unrestricted market. Such a market is rational, competitive, and extremely efficient. A DIY seller, by contrast, cannot access this level of market exposure.

It would be like trying to sell a stock without access to the stock exchange. Simply impossible.

That's not even considering the expertise of a savvy broker, who can ethically uncover latent and hidden values.

Do we brokers recover the commission they charge? Not always, but often the sale price achieved is higher than what you could get on your own.

Of course, only a broker with sufficient reach and deep knowledge of the market can demonstrate, validate, and prove this value proposition.

So, do you need a broker? That is now for you to think about.

Sorry, there's no perfect science here; trust use your instincts, talk to others who have sold their practices, and consult your lawyer, accountant, and banker.

P.S. Your dental rep will NOT give the big DSO's a favorable review. Why?

Because DSO's buy directly from the suppliers, bypassing the field reps to achieve lower supply prices.

Dental sales reps do not like DSOs for this one simple reason – they make nothing from those accounts.

We are always here to support the dental industry, myself, and my honorable competitors. If you want to know about the top brokers and their private phone numbers, please let me know whether they work for my firm or not, and do your research. Interview, compare, and learn before deciding whether to engage a broker or go it alone as a do-it-yourselfer.

One last thing, some brokerages try to scare dentists into using their services, claiming that selling without a broker is the worst decision you could ever make. They warn that you will be taken advantage of, sell your practice for below market, make costly mistakes, and face legal headaches.

I call that poppycock. It is nothing more than marketing propaganda.

I despise the implication that you are naive or incapable. Most of you reading this are successful business owners, and you do know what you are doing. You might not know every nuance of selling a dental practice privately but stop letting companies tell you that you are not a capable businessperson.

I am insulted on your behalf, and I suggest blocking those mailing lists, deleting those contacts, and ignoring fear-driven messaging designed purely to drive you toward a particular company.

I am not a fearmonger, and I never will be.

I do not want to frighten you into calling my company.

My goal is to educate, to provide clarity, and to help you make the best possible decision for your practice and your future.

Thank you for reading.

Subscribe to my newsletter: [Timothy's Newsletter](#)

TEXT me @ (416) 520-7420 for a FREE estimate of the fair market value of your practice.

Refer a friend and you will BOTH receive a **REVERSE Tariff** professional courtesy of up to \$1,500 each toward your ROI Appraisals. A total savings of \$3,000.

Working with i-Dentists™ since 1984 (*actually, a little bit longer than that!*)

Written by:



Timothy A. Brown,
FRI, CEO & Broker of
Record



roicorp.com