R
ecession. There aren't many words in the Eng-

lish language that evoke such a variety of strong emotions from business owners, ranging from fear to uncertainty. Others may take refuge in their igno-
rance, either knowingly or not. This is a time to review the validity of each of these as well as the op-
portunity the current economic climate presents to the dental practice owner.

Fear can be a healthy re-
sponse to a potentially threaten-
ing stimulus. It can also be an un-
warranted reaction disproportionate to the actual circum-
stances and cause the business owner to make decisions that sti-
fle the economic growth of the business. Many dentists will be tempted with the urge to shut down their business while they ‘weather’ the recession storm. Savvy dental practice owners will see this portion of the eco-
nomic cycle as an opportunity to thrive while others brace for the worst.

Uncertainty may be the most stressful emotion of all. At least the fearful and blissfully ignorant have a plan. The uncertain prac-
tice owners are paralysed by an inability to move in any direction, or they go one way and then the other, wasting both time and re-
sources.

Others will choose to ignore the obvious events occurring in the economy and their ramifica-
tions to their local marketplace, oblivious to or refusing to ac-
knowledge how they are affected by it.

Many of these dentists have the ‘head in the sand’ mentality if they don’t think or talk about it, then they will not be im-
pacted by it.

The answer to all three of these responses to a recession is a large dose of reality. What are the facts? We know that a barrel of New York light sweet crude oil has for the first time eclipsed $90.48, resulting in our patients has for the first time eclipsed


5. Focus on profit.

Profitability is the ultimate contingency plan. The typical re-
action when times are lean is to downsize, freeze all spending and wait out the recession. In-
stead, the focus should be on maximizing profit as a contin-
gency against the inevitable ‘down’ month or two that accom-
panies a recession.

Spending is only one compo-

nent of the profitability formula, and the equation for this is: (pro-
duction X collection rate) – ex-

penses = profit. Systems that pos-
itive impact any component on the left side of the equation lead to more profit. When times are lean, cash is king. Protecting cash flow by focusing on the bot-
tom line gives you the resources to take advantage of the opportu-
nities available in this economy.

Planning for more profitabil-
ity starts with a budget. The budget allows you to determine how much you need to collect and produce and, therefore, al-


is a dynamic instrument that is evaluated periodically and updated as necessary with the help of keeping the busi-
ness on track for maximum prof-

ability.

Conclusion

A successful practice is not im-

mune to the ebb and flow of the general economy. The degree to which it is adversely affected by a recession is determined by its re-

sponse to the marketplace and its needs, taking its marketing methods to a new level, refining key practice systems, expanding patient services, and focusing on practice profitability.

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