

# Ask the Broker

December 2012

# Q

I just bought a practice and don't want to pay for the phone book advertisement as it states in the sales contract. Why should I?

## This comment comes up about

once every year or two and inevitably a new buyer feels very strongly about the subject. Upon reviewing all the issues and looking at the "big picture", I hope that buyers understand why all transition specialists handle it this way and why it absolutely needs to remain this way.

Every dental transition attorney agrees buyer assumes the advertising contracts in place at close of sale. In fact buyer's attorneys usually use language in the contract which states the seller did not change any normal business operations prior to the sale. A change in marketing efforts would be considered a material change in the practice.

The financial strength of the practice is properly presented by the tax returns and financial statements that show what the expenditures are for the promotions currently in place. The practice is presented with a history of revenue and expenses that discloses the expenses associated with any marketing expenses. An assumption is made that the buyer understands the financials prior to close.

Every dentist could argue which form of marketing is best between yellow pages, newspaper ads, Google exposure, postcards, Demand force software etc, as the list goes on and on. Some buyers feel that one or all of the above marketing techniques is a waste of money. If we were to try to accommodate all buyers that didn't want to pay for extended contracts, we would have to advise sellers to cancel their phone book ads (they are already in print) or any other longer term contracts prior to the sale. If a buyer bought that practice and experienced a drop in production for ANY reason, they could legally blame the seller for the material change and reduced patient flow due to the cancellation of the marketing efforts. Obviously the seller believes they are getting a return on their investment and these contracts typically run out within a few months of the sale. Usually all buyers use the seller's name after the purchase for up to one year.

**Bottom line:** The seller believes there is a benefit to the marketing. The cost is disclosed in the financial statements. The continued benefit is to the buyer. It is totally impractical to have sellers make a material change in marketing prior to a sale.

Questions? E-mail [wps@succeed.net](mailto:wps@succeed.net)

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