

## **How a great looking location can become awful, because of you!**

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Traditionally, most dental demographers evaluate and areas (such as zip codes) based on the Dentist to Population Ratio. In reality, this by itself is not sufficient, and we'll discuss why in a later post. For now, let's look at this ratio and examine a very important, but easily overlooked factor that can significantly affect the Dentist to Population ratio: your own new practice.

In fact, the typical dental demographics report that I see gives information about zip codes, and naturally includes the "Dentist to Population" ratio as one of the points. As a future dentist, this is one of the main things we look at, because it helps determine how much competition there is in a zip code. One thing that many of us forget, however, is that if we open a practice or buy into a practice in that zip code, that will actually affect the ratio! Of course this makes sense, as an additional of a dentist will change the ratio, which would need to be recalculated! Where this becomes an issue is when you receive, for example, a "Best Sites Report" that shows you the dentist to population ratios for various "Top" Zip Codes. It is easy to look at a 1 : 4000 ratio in a zip code and feel pretty good about it, as it is more than twice the national average of 1 : 1600. However, let's look at this potential situation further. In my experience, some of the best ratios appear in zip codes with smaller populations and only a few dentists. For example, in the above example, the population of the zip code could likely be only 4000 people, and it could only have one dentist. So let's now assume another dentist starts a practice there. This zip code now has 4000 people and 2 dentists, for a 1 : 2000 ratio. Well, doesn't quite look that exceptional all of a sudden, does it?

Now, in order to truly get an accurate picture of this opportunity, what we really need to be looking at is the future. After all, you want to know if you establish you practice in this area today, that it has strong potential to be successful five years from now. So knowing the Dentist to Population ratio today is not sufficient, we would like to get to know what it will be 5 years from now. In that same example above, if that zip code is a rural zip code in a declining area and loses 1000 people by 2014. You now have 3000 people...and 2 dentists, for a 1 : 1500. Now we're in trouble! Our initially amazing opportunity just turned into a nightmare, all because we made two critical mistakes: we did not account for an additional practice, and we did not look at the future growth of the area.

However, let's say this is a suburban zip code with a lot of real estate development on the way and we're actually expecting the zip code to double in population (as can often happen with these smaller suburban zip codes in growing areas) to 8000 by 2014. Now, with our two dental practices, we are back to a 1 : 4000 ratio and can confirm that this zip code is indeed an interesting opportunity. With this information, we can confidently proceed to research this zip code further, look for commercial real estate for lease etc.

So, next time you look for the best zip codes to start your practice or order a demographics report, make sure your dental demographer is calculating the Dentist to Population Ratios that include your new practice! And don't forget to ask for what that ratio will be in 2014!