



Where to locate an OMS practice

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Whether the decision is to purchase an office, open a satellite or create a practice from scratch, the selection and evaluation of a practice site is a decision that will need to be made.

Recently, the magical word “demographics” has been invoked to provide an objective criterion to determine what makes one site better than another. The relative value of one demographic statistic over another has somewhat eluded many oral and maxillofacial surgeons.

There is a simple fact every oral surgeon knows but often doesn't think about: the vast majority of people out there don't want or need oral surgery. The people who do need your services can be selected demographically. True, there are people of every age, income group, race and ethnicity who are going to need an oral surgeon, but look in terms of trends and tendencies to determine those locations that will be more fruitful for your efforts – who tends to need and want your services.

These three elements are vital to every OMS practice site:

- Proximity to a referral base
- Access to a major transportation artery
- Population with a tendency to need/want OMS services

Being close to a hospital may or may not be important based on the kind of oral and maxillofacial surgery you want to do. The smaller the town, the more important proximity to a hospital will be because this will satisfy the three elements listed. In larger communities and metropolitan areas, that is not so much the case.

Referral base

This is the most important element in determining a location for an OMS practice. It is even more important than competition. After all, surgeons tend to cluster around healthcare hubs. Putting the practice close to referring

practices only makes sense. The means of defining “close” may need a little explanation.

The number of referring practices that create a threshold minimum for a practice is a function of how many cases will come from the offices. In some rare cases, a single oral surgery practice can survive with as few as five large general practices that refer all their patients. This is not likely nor is it desirable.

Most general practices refer to several oral surgeons. As a rule, the average OMS practice should have no fewer than 10 general practices in its target geography. While it is terrific to find some degree of exclusivity in an area, it is not realistic in most U.S. markets. As an aside, when looking at a community with only one oral surgeon, the number of extractions done by general dentists goes up dramatically.

Transportation accessibility

An “isochrone” is a distance measured in time. Due to the advent of the automobile, most people determine distance by how long it takes to get from one spot to another. One may say, “It takes 15 minutes to get to our office.” There is a limit to how far a particular demographic group will travel to a dental office. The more densely populated a practice area is, the less time people are willing to travel for most professional services.

The difference between a practice area in Duxbury, Mass., and one in Boston, Mass., is primarily the commute times in Duxbury are much longer than in most parts of Boston. Duxbury will tend to draw from a much more scattered population.

For this reason, a map showing the relative practice area of a rural or isolated suburban population will show more square miles than one in an urban area. This is important because even though there may be relatively few people living and working around a particular practice site, the practice map will take in more area. When considering the ideal population-to-dentist ratio, it is necessary to accept a set radius won't tell you what you need to know. A four-mile radius in Chicago, Ill., is not the same as a four-mile radius in Lake Forest, Ill.

Isochrones also are important because they relate to the distance between a practice and large transportation

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arteries with high speeds. Close access to a turnpike or expressway off-ramp means people are often willing to travel from a greater distance because the time it takes to get to the office is shorter. An isochronic map will show the potential reach of a practice is longer along highways than unpaved streets.

In urban areas, an OMS practice should be located within 20 minutes of the core (60 percent) of the referral base. In suburban areas, it should be no more than 30 minutes. In rural areas, it can be as much as 40 minutes (with much more flexibility in rural sites).

Population and households

It is vital to have sufficient numbers of people to treat. Without the people, there can be no practice. But the simple population statistic can be deceptive. People in any geographic area are divided into daytime (workers and shoppers) and nighttime (residents) populations.

Daytime populations may be far more important. This is especially true of areas dominated by large employers in office buildings surrounding a practice site. The resident population may be poor while the daytime population may be quite desirable.

The number of people in a given geographic area is a dynamic rather than static matter. Many areas have a large, stable population. Homeowners don't move for decades. Generally speaking, this population tends to be tied to their present dental practices. On the other hand, if there

are many new residents because of transplants or a net increase in the number of housing units, the number of available patients will be higher. For this reason, an area of little growth or an aging population will not be as desirable as one that is growing or at least changing.

Establishing the critical mass of population to justify an OMS practice is not a simple matter. It is tempting to provide an optimum population-to-dentist ratio to evaluate the value of a site. But as you doubtless know, not everyone visits to seek treatment. Women usually outnumber men by 10 percent in dental visits. Blue-collar

workers seek treatment less often than white-collar workers. Older patients are more faithful referrers than young ones. Therefore, additional demographic statistics are required to evaluate their relative worth.

Assuming other statistics show a population that is affluent, well-educated and motivated to seek treatment, the population-to-dentist ratio can be as low as 1,100-to-1. On the other hand, with 5,000-to-1 ratios, some practices suffer for want of available patients. In short, the character of the population (more than its size) is a crucial statistic.

Prime OMS demographic factor: age

Age is one of the most important facts about a population to determine the value of a given practice site. Age so often predicts dental need. For example, pediatric dentists will want children ages 3 to 10, and orthodontists will want youths ages 10 to 18.

Most dentists already understand the relationship of age to given dental procedures. They know 18- to 25-year-olds do not often seek treatment of any kind (with the exception, perhaps, of third molar extractions) because their physical condition is as good as it will be in their lives and because they don't have money and little insurance to pay for it. Conversely, people 45 to 60 years of age often have significant dental need (including dental implants) and the resources to pay for it.



If the practice desires many third molar extractions, there must be significant numbers of people who have that need. As stated, age is one of the primary indications of this expressed need.

Age is measured in three ways:

- Absolute number of the population broken out by age
- Relative distribution of age
- Median age

The first figure tells us how many people of a specific age are in any geographic area. This will help provide an idea of how many age-related dental procedures can be performed on the base population.

The second measurement takes the entire population and breaks it into age groups by percentage of the total population. This is particularly useful in comparing one area of similar size to another. It tends to show the character of a population.

The third measurement, median age, is figured by taking the ages of every person in the community and finding the age that falls in the middle of the bell curve. This statistic is good for comparing one area to another but also is helpful to use as a marketing baseline for direct mail. Typically, if one were ordering a mailing list, one would choose heads-of-household who fall near the median age. Median age also figures prominently in determining a psychographic profile (discussed later).

It is extremely useful to compare the median age of a practice area to the median age and age-distribution of a patient base. This exercise will indicate how closely the practice's patient population matches the community profile. Most dentists (GPs and OMSs) who have worked in a practice for five years or more will have a median age for their patients within five years of their own age, either younger or older. It is important, therefore, for a purchasing oral surgeon to understand this if the practice is being sold by an older, retiring doctor. A patient base that is much older than him or her will tend to have less loyalty and require additional marketing efforts to replace patients who move on.

Local economics

Just as an investor may make a fortune when the rest of the stock market is down, local economies differ from the larger

state or national economies. Each practice area has a different economic potential from the larger geographic setting.

The local economic outlook is determined by several factors such as household income, consumption potential and employment.

Household income

Just as with age, household income can be looked at in three ways:

- Absolute income earned
- Relative distribution of incomes
- Median income

It is possible to find out how much money is being produced or earned in a given geographic area. Perhaps the easiest geography to comprehend is the ZIP code. Its boundaries are well-defined, and it is useful as a marketing area as well.

It also is possible to determine the relative categories of income are being earned per household. For example, it is useful to know the percentage of people in earning categories per ZIP code. The standard categories used by the U.S. Census Bureau include:

- Under \$15,000
- \$15,000 to \$25,000
- \$25,001 to \$50,000
- \$50,001 to \$100,000
- \$100,001 to \$150,000
- Over \$150,000

These data can be used in comparing one area to another. The median household income is useful in the same way as median age to determine a character of the population in the site as well as for making marketing decisions.

Consumption potential

Everyone spends money on different things. Demographers have long-tracked the various things people buy to determine the nature of the population's choices. For example, if people in a given area spend a great deal of money on investments,

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we can conclude they have investment income. Therefore, this population is meeting its other financial obligations to the point it has disposable income. There are many categories of consumption potential that are measured. A few examples include:

- Insurance
- Home repair
- Pet supplies
- Health insurance
- Movie rentals
- New car loans

Most of the time, the consumption potential is expressed as an index. This index has a baseline of 100, which represents the national norm. Any score above or below this line indicates there is more or less spending in that category for that geographical site.

Employment

Some areas have as their economic base a single large industry. As an example, for decades, Gloucester depended on fishing as the sole base for its economy. When demand, technology and foreign competition threatened, a financial crisis ensued. This is the case of many Rust Belt communities that depended upon a single large factory or plant for employment.

Diversity in the economic base is much more common than ever before. Nevertheless, many communities in the state continue to be dependent on one or two industries for support. At first glance, it appears some industries are immune to market forces. Such was the thinking of several communities in California such as Sacramento. Nevertheless, when the U.S. military decided to close four military bases around the city, dental practices had to scramble to reconsider the economic base of their patients. Property values shifted as did insurance plans, population growth and character as well as transportation patterns.

Those parts of Massachusetts that depend only on government-granted funding (including colleges and universities), tourism and the military may look secure but are not always.

Many sites depend on the economies of surrounding communities. This is certainly true of suburbs. Residents earn their money elsewhere and return home with it, often

crossing state lines doing so. In fact, these communities tend to have more inherent stability because they draw from several diverse sources for their ultimate economic base.

Another variation on this is the retirement community. In this case, people have earned their money elsewhere (often in a different state) and are spending their savings and retirement income to live. For that reason, retirement communities are often the communities with the most stable economic outlook.

It is useful to consider the ratio of employers to employees per area (such as a ZIP code) as it will reveal the impact of a specific business or industry on the practice base.

Psychographics (lifestyles)

While it is very useful to determine the individual characteristics of a population, demographers have created a kind of shorthand to look at groups of people. They classify them according to characteristics they have in common. Using algorithms of the available data, they have divided the U.S. populations into several lifestyle clusters. The various vendors of this information differ in the number of categories (from nine to 50) with each company using its own algorithms to determine the differences between them.

The demographic/market research provider EBIS-ESRI has developed a system to break the U.S. population into consumer groups. The product is called Tapestry. These clusters carry names that are somewhat descriptive. Two groups found in large numbers in most of the United States are Suburban Splendor and Main Street USA. Each is quite different from the other. Both lifestyle groups are relevant to oral and maxillofacial surgery (among others).

■ **Suburban splendor** – These are typically high-income, married couples with children. They live in owner-occupied, single-family detached units in new suburban areas. They have a high level of education and work in white-collar occupations.

These adults are more likely than average to be in the age ranges between 40 and 54 and over 10 percent more likely than average to have children ages 10 to 17. They are among the top 10 percent of wage earners in the United States.

■ **Main Street USA** – This segment consists of married couples who are divided into single-family homes (which they likely did not purchase new) or multifamily apartments. They live in smaller communities, mostly in the Midwest. They



have gone through some college education, have medium income and work in management, skilled and service-oriented jobs.

Adults in this segment are more likely than average to be between 31 and 39 years old. They have a high likelihood of having a teen in the home. A significant percentage will be baseball fans and watch a significant amount of network TV.

Obviously, these two lifestyles are quite different. The relevance to dentistry is most clear when one considers each group will have its own particular wants and needs for dental care. As a rule, non-married people are more mobile. They represent most of the new patients found in any given area. They also are less stable and difficult to establish a relationship with. Frankly, those practices that rely upon new resident mailing lists get far more singles and renters than married homeowners.

Knowing lifestyles or psychographics is important because it can provide valuable insights into:

- The nature of the wants and needs of a population for a particular treatment, location, method of practice or payment model.
- The media and messages used to market to them can be crafted to be more cost-effective.
- Inappropriate or undesirable lifestyles that can be avoided as the targets for marketing.
- How a practice's patient base can be analyzed to determine how alike or dissimilar they are from the general population.

This information on psychographics is invaluable, therefore, in evaluating a practice site and practice database. It also is very



useful as a tool to base future internal and external marketing activities by providing a rational target market that will bring the kind of patients the practice most desires.

'Know thy practice site'

The famous Oracle at Delphi has engraved above it, "Know Thyself." Using modern demographic and psychographic research, it is both possible and practical to "know thy practice site" so these important and risk-filled decisions can be made rationally.

It is always a good idea to get these facts and analysis from someone familiar with the dental profession and the factors that lead patients to join a practice. ■



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