

# Expanding during a pandemic with the looming threat of recession

**Ashkan Pitchforth**, CEO South Cliff Dental Group, discusses his recent expansion in the most difficult of times

In the words of the legendary investor Warren Buffett (CEO of Berkshire Hathaway), *'only when the tide goes out do you discover who has been swimming naked'*. What this means to say is when market conditions are favourable, most business leaders look good, however, when the tide goes out, for example in a recession, only true business geniuses will remain looking good.

Downturns are part of the normal economic cycle. Heavy growth expansions will lead into contractions, which in turn leads to expansions, and so on. It is foolish to predict when a recession will arise. A better approach is to prepare for the inevitable.

Board members and decision makers must be approachable with bad news as well as good. Moreover, it is all about decent cash flow management and the need to have strong Finance Managers or Directors in place.

Surviving a recession requires flexibility. The key in any business is to diversify your revenue stream. Global companies ride out localised country recessions with other country income streams supporting the sectors within countries facing a downturn. Within the same country this is difficult but can be overcome by expanding and bringing in further NHS guaranteed revenue streams through expansion to weather the private storm. The NHS income, essentially, makes up for the downturn in the private sales. In 2020, during the height of COVID-19, South Cliff Dental Group took over in excess of £2.5m in NHS contracts. This offset our decrease in our private sales.

Knee-jerk reactions to a looming threat of recession is to reduce expenses, such as reducing staffing numbers or limitations of investing. However, this could affect patient experience which subsequently would lead

to a reputational breach and less sales. We have to remember that patient numbers, and attendance, will determine effectively how an organisation will weather a recession. Thus, if we offer an excellent patient experience, we will be in a far better position to withstand a recession. Successful business leaders need to implement the following two fundamental key facts:

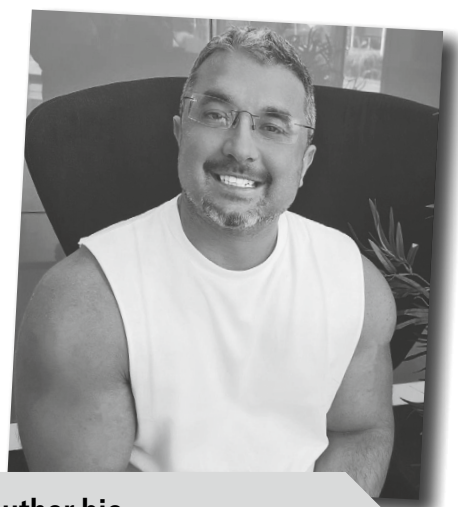
1. In periods of expansion and success, it is vital to re-invest in improving patient experience. Most organisations wrongly assume that when sales are growing, patients must already be content and loyal
2. When the economy enters a downturn, reduce expenses that will not lead to a reduction in patient experience. Expense cuts that affect patient experience will lead to short term savings but will produce long term company risks. Reduction of costs should be based around operational efficiency.

In September 2020, South Cliff Dental Group took on 20 more clinicians to improve patient experience through increasing access and providing more treatment modalities. A vast number of practices reduced their associate numbers, which was the wrong approach to take. Whilst short term savings would have been made, long term sales would be significantly reduced with reduced numbers of practitioners.

Notably, during the COVID-19 situation, a lot of practice owners feared for the future and thus decided to sell their practices. Understandably, during periods of recession, most organisations scale back on their portfolio investments. This is a fearful physiological response rather than a planned business decision. Due to the limitation

of practice sales in general, and their high demand, investments in further practices and expansion should still continue, otherwise opportunities will be missed. Equally, practice owners are more likely to be flexible on agreed sale prices, understanding their practice may de-value in the immediate short term. However, over the longer term, this value will increase and return to normality.

Above all, understanding patient behaviour during a recession is key. Whilst in a recession, a retail consumer will shift from optimism to pessimism and hold off unnecessary purchases. However, with dental patients as the consumer, and the continued growth of the selfie culture through further marketing platforms like *Instagram* and *TikTok*, the need for the perfect smile will always remain. Cosmetic dental treatment, let alone routine and emergency care, will always remain high on one's priority list in the same way paying your mortgage is. ♦



## Author bio

Ashkan founded South Cliff Dental Group in 2015. He grew the company from one site in Handcross to, as of the start of 2021, 20 sites across the South East of England, with turnover sales in excess of £14million per annum; over 200 employees; and over 100 clinicians