How the dental industry can maintain economic success

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Price and competition are on the rise in the dental industry. In order to maintain their position, manufacturers of dental products and services will have to rethink their current approaches and structures in sales and marketing, for instance.

Influenced by significant changes in the market, business expectations for the dental industry in Europe, for example, are notably rising. As leading dental manufacturers there anticipate single-digit revenue and profit growth for the next two years. Under these conditions, rising customer demand and highly innovative products, which will in turn drive growth from the supply side, are considered to be two main factors for growth.

Demand-driven industry growth has resulted primarily from stronger customer interest in cosmetic treatments and dental implants owing to higher patient awareness and the availability of treatments that assure higher affordability. The increasing number of qualified and specialised dentists who perform these types of treatments has further driven this growth. Moreover, manufacturers are experiencing higher demand for services and integrated solutions. The reason for this is the shifting service spectrum and higher demand for process optimisation in dental practices and laboratories.

Manufacturers are therefore seeking to differentiate themselves by extending their existing portfolio and offering integrated solutions to meet the changing demands of their customers.

According to leading dental manufacturers, product and service innovations can create efficiencies and related product areas (synergy) which will also play a critical role in achieving sustainable business growth. Ongoing digitalisation in areas such as prosthetics, IT solutions to enhance process efficiency, and new materials are among the main drivers of growth and innovation (Table 1).

Increasing competition and constant price pressure

Despite solid market growth, businesses are expecting slightly stronger competition saddled with constant price pressure over the next three years. In particular, many regard the competitive pressure from wholesalers that develop and market their own brands and, to some extent, practise independent pricing as a crucial factor of the competitive dynamics in the dental industry.

Wholesalers with their own brands have continuously improved their position in the European dental materials market over the last few years. While they may have considerably lower market share compared with that of manufacturers of dental products, their growth rates are significantly higher than those of the rest of the industry.

Low-cost providers are another source of competitive pressure, especially those from non-European markets such as Asia. Their influence however will remain marginal for the time being owing to their inability to guarantee short turnaround order processing times and to their sometimes suboptimal product quality. As low-cost providers continually improve their quality, manufacturers assume that the price level, especially for standard segments, will drop further.

Ongoing market price pressure will also be influenced by increased customer price sensitivity. Manufacturers expect stronger price pressure in market segments in which wholesalers offer their own brands than in other segments (Table 2).

Supply and demand challenges

The market developments yield four primary challenges for manufacturers of dental products (Fig. 1), which require adaptations in their portfolio, as well as in their marketing and sales approaches.

On the supply side, the rising competition from wholesalers at product and service levels presents a considerable challenge. With regard to products, they offer their own brands as well as an expanding product spectrum. They are also increasingly investing in developing integrated process solutions (IT/workflow integration), and offer sophisticated consulting services and training seminars, placing them in direct competition with manufacturers. While manufacturers are dependent on whole- sale loyalty, they are also planning on introducing channel strategies to better meet the demand of the rest of the industry and, and offer sophisticated consulting services and training seminars, placing them in direct competition with manufacturers. While manufacturers are dependent on wholesale loyalty, they are also planning on introducing channel strategies to better meet the demand of the rest of the industry and

Table 1: Examples of important growth areas.

Challenge on the supply side

Managing wholesalers

Differentiating from wholesalers

Providing solutions

Challenge on the demand side

Marketing and sales in the dental industry

Developing customer base

Dentist management

Fig. 1: Challenges in marketing and sales facing the dental industry. – Fig. 2: The industry’s reactions and solutions.

Fig. 2: The industry’s reactions and solutions.

Need for action

In order to compete successfully in a changing market environment, manufacturers of dental products have identified the need for action in four main areas (Fig. 2).

1. Sales strategies and pricing

2. Customer experience and channel management

3. Solution selling and portfolio management

4. Value selling and management

Expand portfolio and develop solutions for customers

Manufacturers will continue to offer integrated solutions to stand out from competitors. In doing so, they will expand their portfolios from products to IT solutions and from product-related services to IT and process consulting services. Added pur- chases and co-operation will open up new opportunities here. At the heart of manufacturers’ portfolios strategy considerations are processes that are more efficient, offering customers added value (e.g. guarantees, cost-effectiveness of processes, and changing customer needs. In market segments with comparably low service and consulting services, manufacturers are dependent on whole- sale loyalty, they are also planning on introducing channel strategies to better meet the demand of the rest of the industry.

Improve value selling and value communication

Manufacturers are increasing their value communication, for example taking over laboratory services. At the same time, the industry is facing substantial changes in both supply and demand. While cost companies already recognise what must be done to overcome these problems, manufacturers are only beginning to approach the issue by focusing on solutions for customers. Economic value drivers, for example total cost of ownership of integrated solutions versus the cost of individual products or demonstrating cost savings in workflows, are gaining importance. In order to achieve this, manufacturers must develop marketing solutions with higher support by means of case studies and simulation tools.

Recognising what needs to be done and acting on it

Manufacturers of dental products are looking ahead with cautious optimism. In the next few years, they will continue to focus on innovation as their number one growth driver. At the same time, the industry is facing substantial changes in both supply and demand. While cost companies already recognise what must be done to overcome these problems, manufacturers are only beginning to approach the issue by focusing on solutions for customers. Economic value drivers, for example total cost of ownership of integrated solutions versus the cost of individual products or demonstrating cost savings in workflows, are gaining importance. In order to achieve this, manufacturers must develop marketing solutions with higher support by means of case studies and simulation tools.

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