

Observations on growing an orthodontic practice: part 2



Chris Bentson continues his discussion on how to grow a practice with a sound foundation

As mentioned in part one of this article, featured in the January/February 2013 issue of *Orthodontic Practice US*, an orthodontic practice must have good systems in place. Without a sound system foundation, practice growth cannot occur. Perhaps the most important sequence of events to grow a practice is the patient enrollment process. Let's begin part 2 of our observations on growing a practice with a discussion of the new patient process, and the importance to improve and polish the systems that surround it.

Start more patients

There is a series of milestones nearly every new patient must pass in order to get to a start. Perhaps the most traditional view is:

1. New patient phone call
2. New patient exam

3. Records
4. Consultation
5. Separator or bonding/banding

Collectively, these steps could be described as the production wheel for a practice, and executing at the highest level in each of these areas is a skill set.

There are multiple systems in the production wheel. Consider what it takes to get a potential patient to pick up the phone and schedule a new patient exam. That process can touch many areas, including marketing, website, SEO, online reviews, referring relationships, patient referrals, etc. When the office phone rings, who picks it up? What does he/she say? How does he/she say it? Does that change at 3 in the afternoon? Is something mailed or emailed afterward; if so to whom? Whew, lots of areas that need to be done extremely well, and we're not even to step two — the new patient exam, which is far more complex.

Truth be told, most orthodontists do a great job once they get to do doctor stuff. Many practices do not do a good job in all steps of the production wheel described above. Doing everything well takes training, scripting, and timing. Growing practices focus a great deal of resources in perfecting these systems that lead to production. Consultants are a great benefit to the practice owner who needs

improvement in any of these steps.

Interestingly, the *Journal of Clinical Orthodontics'* (JCO) Orthodontic Practice Study reports that, on average, over the last 30 years of the studies, less than 17% of practices engaged with a practice consultant. Yet, consistently over this time period, the data reported in the studies show that those who do use a practice consultant start significantly more cases (223.8 case starts for practices that do not use a consultant versus 285.7 starts for those that do in the most recent 2011 JCO's Orthodontic Practice Study).

In our valuation studies, we consistently observe that practices that invest with management consultants are larger, typically value higher, and measure above norms in almost every financial and operational metric. Practices owners who want to grow are well served by getting sound systems in place with an emphasis on executing all the necessary systems needed to get a patient to start. Even very mature practices see continual improvement in this area with the use of consultants as the backbone of polishing the new patient process.

Find more patients

To grow a practice in today's economic environment with today's consumer



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behavior, one may need to develop the skill of locating patients. Practices that learn how to find patients are growing at high rates. The first question to ask is, where are they? In large numbers, they are located in four places:

1. In one's reception area
2. On social media sites
3. At school during the day
4. On the ball field on weekends

A growing practice has a marketing plan that addresses all these areas.

Point number one speaks to internal marketing. This is a learned skill for most practices, but the brothers, sisters, moms, dads, and friends of a patient who either come and sit in a practice's reception area, or have a relationship of some kind with current patients, are all prospective new patients to a growing practice. Learning when and how to ask for a referral is usually an acquired skill.

The second area speaks to social media marketing execution. Social media sophistication is critical in today's market in a growing practice. Having a website is only the starting point. Having a social media strategy that includes a YouTube channel, blog, SEO monitoring, backlinks from other sites, Facebook, Twitter, and LinkedIn are all parts of an overall social media strategy. The statistics on the percentage of parents (usually moms) that hit a practice's website, read practice reviews, watch videos, read the practice's blog prior to picking up the phone, and calling an office are staggering, some say upwards of 80%. Consultants can help, and so can younger employees, in making sure the social media presence is relevant, continually monitored and updated, and on point. Doing it right and carefully is extremely important, so consult with the experts for advice if this is not already part of a practice's marketing plan. Practices that are growing are heavily leveraging a social media presence in speaking to the community and patients through various outlets.

Going to the ball field and being involved in the schools can be hard work, but a presence in the community is a common thread for growing practices. Think beyond writing a check and more about participation to get the most mileage and interaction with potential patients when structuring strategies.

Remember that growth is a choice; it's intentional. Growth takes an investment of time, money, and monitoring. Consultants can help in the growth process.

Product mix

Besides aligner therapy, there are a number of newer treatment modalities available to orthodontists practicing today versus 10 years ago. Some companies producing these products have been very successful in marketing their product directly to the consumer. Consider Invisalign® and Damon® in particular. Has a patient called the practice to ask about Invisalign? Or Damon? Or clear braces? The answer is probably yes.

Examine Invisalign sales (since they are public, they are reported), and one will find that since the recession ended in the second quarter of 2009, their shipments to orthodontists have gone from 17,970 cases per quarter to 35,885 as of the third quarter in 2012. The aligner business to orthodontists has doubled in the last 40 months. The number of orthodontic practices submitting Invisalign cases has gone from about 3,600 in 2009 to 4,660 as of the third quarter of 2012. This means that the 4,660 orthodontists currently are submitting an average of 7.7 cases a quarter or 30.8 cases a year.

Understandably, there are other aligner products available from other companies, but the point is that just about 50% of the practices in the country utilize Invisalign. Those practices have almost doubled their use of the product over the last 40 months, a difficult time for growth for many practices. The question is, does

adding aligner treatment to a practice's product mix make sense? Opinions differ, but if there is a desire to grow, the evidence seems to indicate that growth can be added to a practice with aligner technology as a component.

We often hear orthodontists tell us that one of the reasons they do not offer aligner treatment is that "every general dentist is offering it in their area." Again, the facts from Invisalign do not bear this. The most recent Invisalign sales data from the third quarter of 2012 reports that 11,925 general dentists submitted 34,725 cases in the quarter, for an average of 2.9 cases per quarter. There are about 130,000 practicing general practitioners in the country, meaning that only 9.1% of the practicing general dentists are submitting cases. Put another way, 90.9% of the general dentists are not submitting cases. The argument that large percentages of general dentists are taking the orthodontic market share is just not so.

Some growing practices are adding lab-intensive products or consumer branded products to their product mix in order to differentiate or offer multiple types of treatment. Some examples are: SureSmile® (OraMetrix), Itero™ (Cadent), Incognito™ (3M), i-braces™, Damon, Insignia™, as well as all types of clear and esthetic brackets. There is much discussion about a raft of forthcoming scanning products. Most of these options are either higher priced products to the orthodontist or have lab fees associated with them. Practices that invoke these systems or technologies are often successful branding or differentiating their practice with these offerings. However, practice owners must carefully analyze and balance the cost/benefit ratio, as overheads often increase with many of these treatment options.

Buying a competitor

The mean age of the practicing orthodontist in North America has been rising year after year and is now approximately 54 years of age. We will be seeing more practices come on the market as a result, and many of these practices will be good opportunities for younger practitioners to purchase and merge into their existing practice. This merger and acquisition idea was rampant in the mid- and late 1990s in corporate America. It is an idea

to strategically prohibit a competitor from entering one's drawing area and buy some revenue at the same time.

Merging two businesses requires a great deal of planning, and there are some considerations that must be taken into account in order to proceed with a given merger. Some of the major considerations are:

- **Culture:** The two practitioners should be compatible with regards to service and practice philosophy.
- **Death of a corporation:** Typically one company dies, and the other lives. This means the benefit package of the dying corporation ends and is picked up by the buying corporation. Few staff members are satisfied with fewer benefits or lower pay. Analyzing the differences and "truing up" to make sure the staff has similar pay and benefits must be examined.
- **Treatment philosophy:** If the two companies are too divergent, the merger can be difficult as one prevalent treatment philosophy typically survives.
- **Physical plant:** If one location is going to close as a result of the merger, can the surviving facility adequately handle two doctors for a time and the influx of patients? If both locations are going to survive, due diligence on overhead effect is very important.
- **Staffing:** Do the staff from both offices survive the merger? Not always, and this can make for some difficult discussions and decisions.
- **Fees:** It is usually problematic to have two fee structures merge that are more than \$1,000 apart. Think through how the two fee structures will be handled, and if a new fee for the new enterprise will be instituted.

Open a satellite

Many practices have been in the same location for over 20 years. During that time,

the community where many of the young families used to live may have moved. Opening a satellite can be a good growth option.

There is a prevalent belief that adding a satellite will have a material negative effect on overhead causing an increase. With several years of analysis, this does not appear to be true. In our practice valuations, we have noted:

- A mature 1 day a week satellite typically produces \$300-\$400K in revenue.
- During 2011, practice overhead increased only 0.9% when comparing solo to multi-practices' overhead. In 2010, the variance was 2.4%; in 2009 the variance was 0.7%; and in 2008, the variance was 0.8% (according to the *Bentson Clark reSource's* annual practice survey data).

While it seems that many orthodontists believe that adding a practice location will result in a corresponding material rise in overhead, the data analyzed over the last several years would contradict that belief. Certainly, complexity of practice life occurs when adding a satellite. Appropriate

demographic analysis and adhering to a budget for the buildout are important factors to consider when adding a satellite location.

Conclusion

Growing practices must consider a number of options. We have reviewed some ideas that have been implemented in many growing practices. Several dozen or even hundreds of ideas can be added to this short list when discussing growing a practice. Be sure to focus on systems. Remember that growth is a choice; it's intentional. Growth takes an investment of time, money, and monitoring. Consultants can help in the growth process.

Practices are growing in all areas of the country, in all kinds of competitive environments. Why not make your practice the one that is growing in your drawing area? Good luck, and enjoy the process; the results are very rewarding.

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