Price pressure and competition are on the rise in the dental industry. In order to maintain their success in the future, 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 cautiously positive, 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 manufacturers, 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 are more affordable. 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. An increasing number of manufacturers are therefore seeking to differentiate themselves from competitors by extending their existing portfolio and offering integrated solutions to meet the changing demands of their customers.

Table I: Examples of important growth areas.

<table>
<thead>
<tr>
<th>CAD/CAM solutions</th>
<th>IT integration</th>
<th>Prosthetics and materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing market penetration with chairside systems</td>
<td>Higher efficiency in work processes and in cost effectiveness of practices and labs</td>
<td>Developing more robust synthetic materials</td>
</tr>
<tr>
<td>Greater use and integration of 3D scanners</td>
<td>Solutions for incompatibility problems in applying various systems</td>
<td>Applying more cost effective synthetic materials and other materials</td>
</tr>
</tbody>
</table>

How the dental industry can maintain economic success

Author: Karin Laupheimer & Jan Bordon, Germany
According to leading dental manufacturers, product and service innovations in core competencies and related product areas (synergies) 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 areas of growth and innovation (Table I).

**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 brand and, to some extent, practise vertical integration 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 continuously 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.

**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 wholesalers as their main sales channel, they also want to distinguish themselves from them as far as possible. It comes down to creating a balance between efficient wholesaler management and the highest possible level of differentiation.

On the demand side, consolidation and integration of dental practices and laboratories (e.g. dentists joining laboratory chains or practice laboratories) pose new challenges for manufacturers. End-customers' escalating cost pressure and market competition, but also their increasing levels of digital and international integration are undoubtedly responsible for these developments. In this context, manufacturers will have to deal with the growing negotiating power of providers and their increasing price sensitivity, making the battle over customers increasingly tougher.

**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).

**Rethink sales structures and push forward integration**

Manufacturers of complex products and solutions (e.g. CAD/CAM and imaging) particularly are planning on introducing or strengthening direct sales structures to better meet the demand and supply-side challenges in the dental market. Forward integration, for example taking over laboratory or manufacturing services for dental practices, is another option for manufacturers in innovative product areas to address these challenges.
In market segments with comparatively low service and consulting effort, the wholesaler will retain its importance. A trend towards direct sales, primarily via the Internet and e-mail, can still be observed in these segments.

Redefine customer segmentation and channel management

In order to adjust to the changing dental practice and laboratory environment, manufacturers are relying mostly on marketing and sales strategies tailored to customer types and needs. This involves, for example, segmenting customer types according to portfolio coverage and potential. It also involves developing innovative offer models that meet specific customer needs (e.g. partnership models and consulting services ensuring individual and targeted customer development). In this context, implementing structured key account management is regarded as another important success factor. Manufacturers that sell primarily through wholesalers are currently being confronted with the question of how to optimise their management of wholesalers, for instance in selecting, steering, developing and incentivising, plus pricing, and controlling cross-channel and cross-border activities.

Expand portfolios 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 purchases or co-operation will open up new opportunities here. At the heart of manufacturers’ portfolio strategy considerations are work processes that are more efficient, offering customers added value (e.g. guarantees regarding quality and reproducibility of results), differentiating from competition, reducing simple replaceability, as well as exploiting up-selling and cross-selling potential.

Improve value selling and value communication

Manufacturers are increasingly initiating qualification measures in marketing and sales with the aim of improving value selling and value communication. In parallel, they are developing a new way of thinking, moving from a traditional product sales approach to one that focuses 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 and time-savings in workflows, are gaining importance. In order to achieve this, manufacturers provide sales with better 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 most companies already recognise what must be done to overcome these problems, many still lack significant progress in appropriately changing sales and marketing approaches. For sustainable success in the dental industry, it is now time for manufacturers to proactively address growing competitive pressure, increasing customer consolidation and changing customer needs with smart portfolios, sales and price strategies, as well as effective organisational changes.

About the authors

Karin Laupheimer is a director in the Medical Technology Competence Center of global marketing and strategy consultancy Simon-Kucher & Partners. She can be contacted at karin.laupheimer@simon-kucher.com.

Jan Bordon is a senior consultant in Simon-Kucher & Partners’ Medical Technology Competence Center. He specialises in the dental industry.