

Samera presents

The Coming Crisis in UK Dentistry...

What you must do today to profit tomorrow



"Could this happen to your practice?"

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Executive Summary

21st century dentistry is in a state of change, being a dentist today is not only about being a high quality clinician but somebody with **top quality people and business skills**. Your clinical skills will not be the differentiator in today's market, it will be all those other skills, that were **never taught at dental school**, that will rule your level of success.

The intention of this report is to highlight to you, the practising dentist, that **MASSIVE changes are occurring in UK dentistry**, and failing to embrace these changes in a positive manner **WILL** be severely damaging to you and your career.

The changes occurring in the industry will **improve the level of dentistry in the UK, in terms of clinical and customer care**, however, it will be those dentists that realise **early on** what they must do to succeed in the 21st century dental market that will be the **winners**.

Over the next few years we believe there will be **7 trends that will impact UK dentistry**, in both positive and negative ways. We believe:

1. The baby boomers desire to **look and feel good will further drive the market for image conscious dentistry**;
2. But by 2010 the baby boomers spending habits will slow down, which may **affect the demand for image conscious dentistry**;
3. The increasing number of **female dentists** graduating will change the dynamics of the industry, with less demand for buying practices. **There will be twice as many dentists retiring as those graduating from dental school**;
4. NHS dentistry will become a smaller part of the total dental market, as the Healthcare and Social Act comes into effect in 2005, when **fee per item NHS dentistry is abolished**;
5. The abolishment of fee per item dentistry will push NHS dentists into the private market, **which will have a major affect on driving private fees lower**;
6. **Dentists will soon realise that they cannot be a dentist for everybody**, and that they must position themselves appropriately in the market;
7. **Niche practices will become a requirement**. Dental practices will have to show to their customers that they are different and not the same as the practice down the road.

In order to embrace these many changes in a positive manner, **we believe the only way to go forward for you, the UK dentist, is to become business skilled**. You have the clinical skills, **NOW is the time to focus on the business**, as this will be the most valuable return on any investment you will ever make in your dentistry.

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Introduction

Our view of the UK dental industry comes from two angles, one from within the industry as a dentist, and the other from outside of the industry, from a business perspective.

Two angles, same conclusion, things are changing in UK dentistry like they never have before.

Take some time to look around and you'll soon discover that things are quietly changing. These changes will positively or negatively affect every dentist and dental practice in the UK in some way, shape or form. But just knowing about these potential changes is NOT enough. After all, you tell your patients everyday prevention is better than cure.

What follows is Samera's view of what is to come. If we are correct and you prepare today, you'll be thanking us in a few years. If we are wrong, you'll still be glad you did the things we recommend in this report because they can't help but benefit you, your practice and your quality of life.

So please read carefully and put your action plan together today as you discover what lies ahead in your future in UK dentistry.

7 Trends That Will Impact your Practice and Life!

1. The Boom

Since World War II the UK economy has grown at respectable growth rates, largely due to the baby boomers that were created after the war as they helped the UK and the western world grow strong solid economies. When they were born so was suburban Britain, in their teens and 20's they created a new moral code and in their 30's they started businesses and developed careers.

But when this same group of people entered their 40's and 50's, the highest income-earning period of the average person's life, the UK economy began to grow. When the average person earns more they tend to spend more, which helps in the growth of the economy. This is exactly what happened during the 90's up until the stock market woes of early 2000.

Despite these economic woes, these baby boomers do keep earning AND spending. No wonder on every street corner we see a new health club offering free membership. The same opportunity exists for dentistry as health clubs. People want to look and feel good. Dentistry has never had such an opportunity to give people what they WANT.

2. The Bust

What goes up must come down, as probably most of us have experienced in terms of our stock market forays in the last few years. I guess the writing at the bottom of the advertisement was there for a reason.

During the mid 90's the baby boomers began to turn 50 years old and they will be retiring around 2010. So what will happen when our UK boomers retire, or at least slow down? They will start living more frugally and become conservative with their spending habits. When a large segment of the population earns less and spends less the UK economy will no doubt slow down.

What about the generation of people after the boomers, will they not replace the ageing boomers? In part they will, however, the baby boom was a one off effect experienced after the war. The following generation, known commonly as Generation X, will not be able to support the economy their elders created. This slow down in the general economy will leave nothing untouched including your dental industry.

3. The Drought

The number of dentists graduating from UK dental schools stands around 900 per annum, whilst the number of overseas (including European) dentists registering with the GDC is around 1000 per annum. The days of dentistry being the preserve of the white male are long gone, 32.5% of UK

dentists on the UK register are female, whilst if you visit any dental school more like 50% of graduates are female.

As the boomers are heading towards retirement, they are considering their exit strategies, which may include getting in an associate who will eventually buy the practice. However, this is not easy. Trying to sell your practice or finding an associate is a difficult job, the demand for dentists is much greater than the supply. This is further compounded by the changing male/female demographics of the industry.

Women tend to have a different professional practice pattern once they graduate from dental school. The average female dentist may only practice for only 6-7 years before taking a break to have a family. Many who do stay in practice during the family rearing years may tend to practice fewer hours in order to devote more time at home. Again, our purpose is not to pass any judgement on any segment of the dental population, but to highlight a fact that could influence the whole.

With the increasing number of dentists approaching retirement and the changing demographics of the industry we are moving into a time when there will be twice as many dentists trying to get out of practice as there are graduating from dental school. Supply is not keeping up with demand.

If you are planning to sell your practice it will not happen overnight, unless you are very lucky. Dental Body Corporates (DBC's) have become more discerning in what they buy, and younger dentists are taking the challenges on by starting from squats rather than buying an expensive existing practice.

4. The Monumental Changes occurring in NHS dentistry

By 2005 the UK government plans to shake up UK dentistry like it has never seen it before. When the Healthcare and Social Act is finally passed, fee per item dentistry will be a thing of the past in NHS dentistry. No longer will NHS dentists be able to rely on the government to keep paying them as they work more. No longer will NHS dentists have the incentive to work hard and earn more money. Instead, the allocation of funds from the Primary Care Trusts (PCT's) to dental practices on the basis of £x for y patients will fundamentally shift the balance of power from the NHS dentist to the NHS patient.

The NHS patient will demand treatment like they have always received. However, the dentist may not possess the necessary resources to provide the same level of care under fee per item dentistry. No longer will the dentist be able to rely on the DPB to pay up when they perform the necessary treatment, instead the cost of treatment will come from funds provided to them by the PCT's.

Anyone who believes the PCT's will provide sufficient funding to perform adequate NHS treatment is living in a different universe. To date funding to UK dentistry has been a forgotten story, especially in relation to its

European neighbours, so why will any government change the habit of a lifetime? Amongst its peers, according to WHO, the UK spends only 0.3% of its GNP on oral health. Contrast this with Germany where they spend three times as much on oral health care, 0.9%.

Country	%GNP spent on Healthcare	%GNP spent on oral health
UK	6.8%	0.3%
Netherlands	9.8%	0.46%
France	9.5%	0.5%
Germany	10.4%	0.9%

Source: WHO Study 2001

A reliance of funds from the PCT's and increasing demands from patients are enough to turn any sane NHS practitioner green and head for the course of private dentistry. Why not? NHS dentists have had it bad for long, the restructuring of the NHS dental business model could be the last straw to push them over the edge into private dentistry.

5. A shift to private dentistry?

A mass exodus from NHS dentistry to private dentistry can only really mean one thing - competition! Currently there are around 7 million registered private dental patients, growing at an average rate of 13% per annum. Much of this private dentistry is currently performed in mixed practices where some form of NHS dentistry is offered, BUT now if all those NHS practitioners suddenly decided to turn private the market fundamentals would change.

Any element of dentistry retaining its roots as a healthcare service are long gone, private dentistry purely means private enterprise which means competition. We believe that a flood of NHS dentists entering the private market will stir competition, lower prices and create a market whereby dentistry will be a consumer service. Dental patients will also be dental consumers. For instance, when they call your practice to find out the prices of a crown, they will be "shopping" trying to find the best deal for themselves. If your prices are high, the perceived value received by your customer will have to justify the price, else they could quite easily move to another dentist.

Understanding your customer, targeting your market, possessing the pre-requisite communication skills and business strategy will be essential in an increasingly private market.

6. A squeezing market

The last 50 years saw the UK economy move from the traditional manufacturing industries to one now based on the service industries. During those manufacturing times the vast majority of the UK were working middle class people, living off a working middle class income.

- 60% of the UK population were living off a middle class income
- 20% of the UK population were amongst the lower earning categories
- 20% were considered to be upper class

As result over the decades to be successful in business you had cater to the masses in the middle class. This is now no longer true. The shift from a manufacturing based industry to one which is service based has squeezed the middle class smaller. The highly specialised, knowledge based jobs have pushed many into higher earning brackets, whilst the front line service jobs are much lower paying and have moved many people in to lower income brackets.

The effect of this has been to “squeeze” the middle class smaller, dividing the UK into the camps of the haves and have nots. The rich and the poor.

Evidence of this is everywhere in the UK. Selfridges, the top end department store is expanding all around the UK, and so is Matalan the discount clothing retailer. So whatever happened to Marks and Spencer (M&S)? Marks and Spencer was the middle market, and now they are struggling to re-position to be in either the haves or have nots. They have done this with their food business, but much remains to be seen with their clothes retailing business.

As the UK has gone through an economic squeeze, so have the UK’s buying habits. We now tend to buy many of our commodities at discount stores, and then enjoy spending our savings on a high end premium product.

The lesson to be learnt here is that although there are many keys to success, there is sure one key failure - trying to be everything to everyone and you’ll end up being nothing to no one.

You cannot be everybody’s dentist!

As patient demand will rise and more pressure is imposed on you and your practice to see more patients and do more dentistry, it will be even more critical that you:

- Develop your skills of getting the right type of new patient
- Manage properly the ones you already have
- Position your practice in the market so that you are not affected by the “squeeze”

Do you have a strategy in place to do this? Do you and your team have the right business and communication skills to carry it out everyday at your practice with every patient? If they don’t, they’ll need it. As along side a squeezing market comes ...

7. The Dental Niche

There used to be a time when there were long waiting lists for mid range new cars for the middle market. Demand was so intense that many people would buy whatever they could get their hands on that would fill a perceived need. Now the waiting list is for the top end luxury cars, where the demand is far greater than supply. People's buying habits have changed.

In the past, where only one size and colour was only possible for a product, today's consumer demands greater choice. From general to specific. From mass production to bespoke. The vast mass market that once existed, where one size fits all, has been segmented and scattered into hundreds of niche markets that demand to be served in a particular way...their way.

What has happened in every other consumer industry is beginning to happen to UK dentistry. Patients are beginning to cotton on that every dentist is NOT the same. The expected increase in private dentistry will only further accentuate the point that every dentist is NOT created equal.

The Office of Fair Trading (OFT) super investigation in to the private dental market clearly highlighted the fact that many private dentists treatment plans and service offerings varied widely in terms of quality and price. The Consumer's Association will make sure that consumers know how to be more careful in picking their dentist. The outrageous "Dentists from Hell" television show also highlighted the extreme cases of dentistry. This programme certainly did not help the industry with trying to clean up its image of "ripping off" the public.

Some parallels can be drawn with the US market, whereby in 1996, Reader's Digest published an expose on the wide variation in treatment plans and prices available to patients at different practices across the USA. Rather like the OFT investigation, the Reader's digest expose changed the course of dentistry in the USA. The business savvy dentists used the opportunity to differentiate themselves amongst their target market. They began to become business skilled, addressing the patients needs by ensuring their select patient base were NOT going to any ordinary dentist. They were going to a dentist that understood their needs clinically and professionally.

The American dental success stories since 1996 have been those practices that have defined a niche market. Today, the struggling US dentists are the "General Dentists", not in terms of the clinical standpoint, but in terms of not having defined particular niche markets to work in.

Our opinion is the UK dental market is approximately 6-7 years behind the US market, but now with all the changes in demographics combined with changes in the industry the UK will start playing catch up. Continuing down the same worn route will not benefit dentistry or the consumer, now is the time for change. If the US market is to be used as a barometer for

the UK, not embracing the forthcoming changes with new business ideas could be fatal for your dental business.

So what can you do in order to:

- Take advantage of the boom
- Avoid getting crushed in the bust
- Survive the dentist drought
- Bridge the NHS and private divide
- Minimise the middle class squeeze
- Develop your business niche

Over the next few pages we outline 5 steps that you, the dentist, **MUST** now take to succeed as 21st century practitioners.

The Key Steps You Must Take!!!

1. Take advantage of the boom

The next few years represents a great opportunity for dentists, if they adopt a more professional business perspective to practice. The first and best way to take advantage of the economic changes that will occur is to invest in your most valuable asset in your practice - **you and your team.**

“15% of your practice success comes from the brains and skill on the job...your technical ability while 85% of practice success comes from the ability to run a profitable business and deal with people”

Just as there are systems for successfully producing high quality clinical work, there are business systems and processes to successfully run a dental business, in a way that will benefit your patients, your team and ultimately you.

So what are your business systems? You would never think about beginning treatment if you did not have the clinical skills to complete the treatment. Yet everyday, dentists and their teams have no idea about:

- How to attract new patients
- How to handle patients when they do come
- How to work with the patient to let them make the best decision for themselves
- The profitability of treatments offered
- The financial implications of time and prices
-

Most dental teams literally hope for the best when it comes to running the practice, or just do what comes naturally. Some may ask advice of their accountants but that is usually historic and rarely pro-active.

So here we have a simple quiz to test you to see how ready you are to profit tomorrow from all the forthcoming changes in UK dentistry.

See how you or your team measure up in these vital areas of future practice success.

	Yes	No
1. Do you have a measurable system for marketing for new patients?		
2. Do you have a comprehensive ethical sales system that works? Has the entire team been trained in its use?		
3. Do you have a system to ensure your patient obtains a certain level of customer service?		
4. Do you know what types of treatments are profitable for you?		

	Yes	No
5. Do you update your pricing and understand the implications of your business costs on your pricing system?		
6. Do you have a written down staff recruitment and appraisal system which you use on a six monthly basis?		
7. Do you have a system for dealing with troublesome patients?		
8. Do you have financial arrangement procedures in place so that your team can follow whilst keeping the patient happy?		

How did you do? The areas outlined above are just some of what we consider essential performance criteria for any successful dental team. If you answered "NO" to anyone of the above 8 questions, it is time to seriously re-evaluate the effectiveness of your dental business. Weakness in just one of these areas could mean that you are getting far less from your practice than what is possible with little or no extra effort.

No doubt it does take an investment in time, effort and training, but it is without question the highest return on investment that you can make in your practice. **You and your team's business and people skills will be the determining factor in your future success! NOT your clinical skills, they should be of the highest standard anyway.**

2. Avoid getting crushed in the bust

Expect the best and plan for the worst! As the UK economy shifts into lower gear after the boom and bust of the 90's and corporate scandals dentists will still be in some form of demand no matter what the economy is. NHS or private people are aging therefore those baby boomers will need someone to address their dental needs.

What may have been appealing to your patients when they were in their 50's may not be the same motivation when they are 65. Do you know what the difference is? Have you positioned your practice appropriately?

Now is the time to be wise and build a business, finance and marketing strategy that gives you flexibility and the ability to operate in any type of economic environment tomorrow. Just imagine the fun and peace of mind you could have whilst most of your colleagues will be in panic. What you do today in this area will determine which group you will be in tomorrow.

Make sure you get the business and financial skills you need to succeed tomorrow!

3. Survive the drought!

Depending upon the timing and when you decide to sell your practice, you may or may not be able to sell it on your terms. Eventually it will become a

buyer's market for dental practices, so here are strong reasons why you must take action after reading this today.

Build a strong profitable practice and then you shall have no problems. Through investing in your and your teams business and people skills you will have developed a practice that will stand out amongst other sellers, being better organised, up to date and the best running practice in your area. Most of all do not fall in the tempting trap of mentally retiring before you have sold your practice. This has happened on many occasions, affecting the marketability and value of your practice. You must, up until the last moment,

- Keep your motivation up
- Keep learning
- Continue to build your enthusiasm for your practice and your patients

Again, you must expect the best and plan for the worst! If you are heavily dependent on the sale of your practice to fund your retirement then think again. You may find that the actual price you can get for your practice does not meet your expectations for what they thought it was worth. As a result you may find you will be in practice much longer than you had originally planned. The only real option available is to invest in your practice, today, failing to do so could seriously damage your retirement.

4. Bridge the NHS and private divide

The NHS is a UK institution. Like it or loathe it, no government would ever scrap this 20th century creation. However, in terms of NHS dentistry, which appears to be very low down on any government's agenda, changes will occur that could see the demise, in our opinion, of the NHS practitioner.

Yes the public will complain, and feel aggrieved there is no NHS dentist in their area but sooner or later they will get used to no NHS dentist, and eventually feel that visiting the dentist justifies £50 spent on a check up.

Great! More and more dentists eventually leave the NHS and convert into private practices feeling cheated by the NHS and wanting a slice of the private action. Soon enough the £50 you charged for a private check up, is being offered by your local competition down the road for £40. Before you know it you are in a price war! OK it may sound drastic, but that is what private enterprise is all about, outsmarting your competition.

You too drop your prices to compete with the other practice, however, they continue to drop theirs. You do it again and are feeling out of your depth, by now you think you are surely losing money - but have no idea how much?

Exactly how much are you losing? No idea? Not to worry the other practice has no idea either, but the effect of each other's competition

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could wipe you as well them out of existence, leaving the arena clear for others to take up after you.

So what could the changes in NHS dentistry do to you? In a nutshell, we believe, NHS GDP's will experience early on the drawbacks of remaining in the NHS if they currently stay as they are. Those dentists that are running their practices as shoe box businesses will be the first to experience the difficulties.

Rather than rectify the problem, their lack of business skills, these dentists will believe that they need to turn private as the NHS is no longer right for them. Before you know it, you could experience a sea of change whereby many disillusioned and poorly business skilled dentists leave the NHS to open their dream private practice, but without any business foresight and planning. They will soon realise that it is not the NHS that has killed them off, but rather their lack of foresight and applicable business knowledge. Remember, prevention is better than cure?

The only winners in all of this will be the dentists (NHS or private) that have looked above the end of their dental chair and realised that 21st century dentistry is much more than just being in the clinic. It's about being a business person that provides exquisite customer care, has thorough financial understanding, and business knowledge, and of course offers the highest standard of clinical care. We never said it was going to be easy.

5. Minimising the middle class squeeze with business technology

"The only purpose of education is not knowledge but results producing action!"

Dental technology has advanced a long way in the last few years, enabling treatments that were impossible previously. Whilst dental technology has been evolving at a steady pace, so has the technology of business, at a rate far greater than dental technology, enabling all businesses to grow at rates previously unheard of.

We believe now is the time to combine your dentistry with business which will finally make UK dentistry reach a level it has always aspired to. A level whereby dentists are taken as serious business people, a level you achieve what you feel you deserve.

It is the 85% of practice success that we referred to earlier. It is the step by step business skills you must have in place if you ever expect to maximise your practice's potential.

You have the clinical skills the only thing missing between you and future success are the business skills. Business skills are the multiplier, the key factor that will leverage your practice today and maximise its value and productivity tomorrow.

These “business skills” is something that we specialise in at Samera. It is not a mix of various ideas, rather a comprehensive structured approach in how to bring business into your dentistry successfully. We are not coaches, we are not advisor’s, rather we are individuals with the right expertise to ensure you achieve the practice of your desire.

So how do you get started?

The first step in the complete process is to realise that dentistry is changing and therefore so must you. If you have got to this far in the report then you probably have the right state of mind and know that everything we have said is absolutely true.

Having the right state of mind puts you ahead of the competition straight away. Next, you must then assess you, your team and your practice and start thinking about what you really want and how you think you can achieve it. We can help you through this process, which often or not is the hardest part of the process.

Finally, get in touch with us, talk to us, attend one of our seminars, work with us on a one on one basis, because only at this stage will you learn the “How” of creating the practice you desire.

Continually developing and fine-tuning your skills is the best insurance policy in making sure you are getting as much from your practice as you are putting into it. As we move forward in this exciting time in dentistry, we’re dedicated to helping you be prepared for dentistry’s new future.

While dentistry may be changing, there is one thing that will never change and it is this:

There is just as much to learn about the business side of your practice as there is the clinical side. The more you understand your business, the less you’ll have to worry about the future of your practice. Focusing on the business will be the most valuable return on any investment you will ever make in your practice.

Now is the time for you to take action. Are you ready for what is coming? You can be, if you act today to give yourself and your team all the business tools you need to have the practice of the future.

Good luck as you embark on the adventurous road ahead. We look forward to the opportunity of being part of your journey.



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P.S. Get in touch today on 0207 724 4400 and we’ll be happy to send through to you a free case study detailing what other practices have been able to accomplish in becoming business skilled.