



Why discounting your dentistry makes it hard to build your dream practice

By Julie Parker

Discounting your dental services as a way of marketing your practice is an option many business owners choose. To stand out amongst the ever-growing pool of competition, you need a point of difference. Developing this point of difference has become more challenging as many dental practices now offer the often advertised great customer service, a long catalogue of dental treatments and work with sophisticated ‘state-of-the-art’ equipment. If patients have a list of similar dentists to choose from, surely a simple discount will tip them towards you and then your practice will be more successful?

The impact of offering discounts is usually more complex. Would-be patients love the thought of getting something for less money, however, they can also be left with the impression that you are struggling to attract new patients based on your service alone. Patients who base their health care decisions on how cheap they can get it also pose a problem when you provide them with education and data to make properly informed choices about disease or breakdown management. Money certainly can be a crucial element in a patient’s assessment of which treatment choice is appropriate, however it is ideal when the patient has the mindset of personal health, personal welfare and responsibility as their overriding concern.

Attracting and building a client base that is on a constant search for “cheaper”, “discounts” and “freebies”, regardless of the level of dental care they receive, is not conducive to successful patient man-

agement in a health care setting and sets your business up for many challenges in retaining a satisfied client base into your practice’s successful future.

If the primary factor in choosing your practice over your competition is money, then in order to keep these clients, you may forever be required to work to a reduced fee schedule. If another dental practice comes in to your area with even lower fees than yours, you will be at risk of losing your patients to them. You will find yourself in a price war on how low you can go and still manage a viable business. This would hardly be the dream practice you want!

Traditionally and probably into the future, most successful dental practices work to a common principle: patient loyalty. They attract patients who are interested in quality dental care and recognise that there is a fair fee attached to this. Successful dental practices develop strong relationships with these patients and learn and recognise what it takes to keep them loyal.

Satisfied, loyal patients:

- Refer more patients;
- Keep their appointments;
- Tell you if they are unhappy about anything so you can rectify it; and
- Pay their bills.

They want you to explain treatment options so they can make good and informed decisions about their health.

It is this group of patients that is the lifeblood of a dream dental business and to minimise this concept, or move away from this ideal, is to ignore a key factor in your ongoing success as a clinician and as a business owner.

When is discounting OK?

One-off discounting when initiating a “call-to-action” in your advertising is quite acceptable. Potential patients can be on a “search” for an ideal fit and experiencing a number of dental practices is usually going to be too expensive a process. Encouraging people to attend with a 50% discount on initial consultation allows you the opportunity to show the patient your particular standard of care and the principles on which your practice is run.

Discounting as a way of “rewarding” or “incentivising” your existing clients to refer friends and family to you is also appropriate. It makes better business sense to give an incentive that brings your patient back in through your doors again rather than promote some other business, such as giving movie vouchers. Offer a complimentary scale and cleaning instead and provide yet another opportunity to your referring patient to experience your outstanding service.

Quite often, a dentist will reduce some element of the patient invoice due to the reduced time it took to complete the service or other such reasons. This discounting is a wonderful chance to develop “reciprocity” with your patient. Rather than just reduce the overall cost, list the reduction on the invoice so the patient is aware. The patient will feel that they have been treated fairly and appreciate you for the consideration you showed. They will be inclined to reciprocate this thoughtful effort of yours and the process will further deepen your relationship with them.

Table 1. Consequences of discounting your dental treatment

With Standard Practice Fees

Time spent with patient	Amount billed to patient	40% Commission to dentist
1 Hour	\$1000	\$400

With Discounted Health Fund Fees

Time spent with patient	Amount billed to patient less 30% discount	40% commission to dentist	Increased productivity needed to recover discount	Equivalent commission rate on standard fees
1 Hour	\$700	\$280	43%	28%

When is discounting destructive?

Discounting is destructive when the results compromise your effectiveness with patients or your ability to successfully manage or build your business.

This occurs when you consistently stray away from your fee list. The reasons can be a lack of confidence in your fees, apprehension over patient responses to your fees or a hand-over of control of your fees, such as occurs with health fund involvement.

It is in these scenarios that you must be aware of the impact that regular, high level discounting has. This type of discounting will eat away at your profit margin very quickly.

A recent survey of the Julie Parker Dental Management network revealed that the average difference in fees between them and two large health insurance companies was a whopping 30%! The information we then provided our network indicated the following consequences shown in Table 1.

Using an hour of treatment billed at \$1000 as an example, a dentist on 40% commission would normally earn \$400. Under a 30% discounted fee schedule, the same dentist doing the same treatment will only earn \$280. It is the equivalent to earning just 28% commission on the undiscounted fees! In order for this dentist to ensure their original earning capacity, they will need to generate an increase of 43% in their production! This is a tough call in an industry where the competition is growing at a faster rate than at any time in recent history.

Dental practice owners develop big issues for themselves when agreeing to

discount so heavily. With the income to the practice taking a big step down, so too must the expenses of the business. With fixed costs in place, big cuts need to be made with the ordering of consumables, the amount allocated to wages, the purchase of equipment and your choice in dental laboratory and other supplementary services. Staff training is one of the first losses experienced due to ill-managed finances and this has a direct impact on the standard of customer service your patient's experience, reducing their willingness or desire to refer friends and family to you.

Adding value instead of discounting

If you decide to avoid using damaging discounting as a means to grow your business, you should feel very optimistic! Retaining control over your fee

schedule is crucial to your success and consequently the overall success of this dental industry. It allows you to cover the costs that you encounter when establishing your dream of a high standard of clinical care and service to your patients. After all, delivering low standard service is nothing that you can be proud of and will slowly kill any passion you have for your profession!

Differentiate yourself from the competition by being on a constant endeavour to:

1. Be the best clinical dentist you can be;
2. Work with the best quality materials and services when treating your patients;
3. Retain the most talented staff to support you clinically to the highest standard;
4. Retain the most talented staff so you provide the highest degree of customer service; and
5. Construct the most ideal environment for your patients to receive their dental care.

About the author

Julie Parker's whole career has been devoted to the dental industry, starting in 1987 as a dental nurse. In 2003, Julie became the first non-dentist to buy a dental practice in Australia. She owned and managed her practice in Brighton, Victoria for 10 years. During this time, she more than trebled the turnover and her staff base grew from 3 to 12 members. Julie successfully cultivated a winning team and a winning business. Her business programs on how to accomplish a dream dental business are gleaned from her wealth of experience, intensive education and an inquisitive business mind. Julie is a Certified Practitioner of Neuro-Linguistic Programming, Time Line Therapy and Hypnotherapy.

Julie Parker Dental Management offers a subscription based program that educates all dental staff in the building and managing of their practices. Members receive monthly audio CD's and workbooks that lead them along the path to personal and team success. All team members, including the dentists, receive Certificates of Completion each month for submission for non-clinical CPD points and inclusion on resumes. Memberships are available for \$395 per month. For more info, see www.julieparkerdentalmanagement.com.au or enquiries@julieparkerdentalmanagement.com.au.