Facing new challenges in sales and marketing: How the dental industry can maintain economic success

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Price pressure and competition are on the rise in the dental industry. In order to maintain their competitive 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 changing. 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 that 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. The increasing number of 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 in cosmetic and related product areas (synergy) 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, practice differentiation as a crucial factor in the competitive dynamics in the dental industry.

Wholesalers with their own brands have continuously improved their positioning 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, and offer sophisticated consulting services and training seminars, placing them in direct competition with manufacturers. While manufacturers are dependent on whole- sellers, they are themselves challenged, which they also want to distinguish themselves from their as far as possible. It comes down to creating a balance between efficient wholesaler management and the highest possible level of differentiation.

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 (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 are planning on introducing new products and services to better meet the demand. They are also increasing their service and payment offerings to the market (e.g. guarantees regarding quality and reproducibility of results), and offering differentiated compensation methods such as reducing simple replaceability, as well as exploiting up-selling and cross-selling potential.

Fig. 1: Challenges in marketing and sales facing the dental industry.

How the dental industry can maintain economic success

The dental industry faces new challenges in sales and marketing. For manufacturers of dental products, innovation and differentiation are key success factors. The industry is facing substantial changes in both supply and demand. While many manufacturers have already recognised what must be done to overcome these problems, manufacturers in appropriately changing their sales and marketing approaches. For sustainable growth 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.

Demand-driven industry growth

Demand-driven industry growth is increasing significantly and is expected to continue for the next three years. In particular, many regard the competitive pressure as a crucial factor in the competitive dynamics in the dental industry.

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Table 1: Examples of important growth areas.

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<td>1. Sales structure and portfolio management</td>
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