

Understanding the Basics of Dental Practice Through Service-Customer Matrices

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In the last issue of *Communiqué*, we discussed how to develop a positioning strategy based on a competitor service-customer matrix (SCM). A competitor SCM is a useful way to understand the competition and begin to formulate a profitable strategy.

The easiest way to create a competitor SCM is to start by constructing an SCM for your own practice. This requires you to categorize your services and to segment your customers. You then add the services and customer groups of your competitors. A competitor SCM therefore gives you an appreciation of all the services provided and all the customer segments served by both you and your competitors.

Categorizing Services

A service is any activity or group of activities that a practice delivers separately to customers. (Providing home bleaching kits as a component of an in-practice bleaching service is not a service itself, but part of a service. If home bleaching kits are sold separately, i.e. unbundled, then it is a service.) When categorizing services, you should try to focus on service characteristics that are important to customers. You can classify dental services according to:

- procedure codes or groups of procedure codes (preventive, hygiene, amalgam fillings, cosmetic [bleaching and veneers], crown and bridge, endodontics, oral surgery, etc.);
- types of personnel employed (dentist, hygienist, certified dental assistants);
- features of the dental services (the quality of the service or the time of day it is provided [regular hours, early morning, lunch time, evenings or weekends]);
- nature of inputs (periodontist, dentist or auxiliary; gold, porcelain, composite or amalgam);
- cosmetic, non-cosmetic or pain relief;
- location (urban, rural, retail storefront or professional building).

These categories are not mutually exclusive. For example, you might have a category that combines production technique, personnel employed and time of service delivery. However, using too many combinations generates a large number of narrowly defined services. You should

decide which categories are most useful. Sometimes it is easier to construct a number of SCMs, each with a different way of categorizing services.

Segmenting Customers

Dentists tend to underestimate the importance of customer segmentation. They also often fail to recognize that while patients are the end-users of dental services, they are not always the only customers. Customers also include:

- physicians and other health-related professionals who refer patients and their staff, including receptionists and hygienists;
- dentists who refer patients or contract specific services from the practice such as panoramic X-ray services (this customer segment is especially important for specialists);
- insurance companies;
- the government (for people in the military or on welfare, recent immigrants, etc.).

Each customer group can be segmented into subgroups. Patients should always be subdivided according to:

- demographics (e.g., age, gender, income, first language);
- type of insurance or insurance comprehensiveness (the latter can be further divided into various coverage categories such as basic, crown and bridge/implants, etc.);
- patient dental IQ (knowledge of the benefits of dental treatment);
- patient status (new patients, regular recalls or emergency/episodic patients);
- benefits sought or life-style considerations of the patient (psychographics),

i.e., cosmetic benefits, pain relief, balance of performance/price or "cachet" (wanting to have their teeth done in the same practice as the community's elite);

- proximity to practice.

A Practice SCM

Figure 1 is an example of a practice SCM. The cells show the percentage of practice revenues from each service-customer segment. This information can be obtained from the Practice Analysis Module of most computerized dental practice systems. The practice SCM in Fig. 1 is typical of many established practices.

For basic strategic purposes, it is essential to know which services the practice provides to which customers; thus, some cell entries in a practice SCM will be filled or left blank, depending on whether the practice covers specific service-customer segments. It is useful, however, to include segment-specific information on some or all of the following:

- number of patients or percentage of patients relative to the total number of patients;
- revenues or percentage of revenues;

Services	Customers (Patients) Segments		
	Recall or Referrals	Emergency Needs	Total
Preventive Hygiene	45%		45%
Endo/Perio/Oral Surgery; Amalgam Fillings	6%	4%	10%
Composite Fillings	29%	6%	35%
Crown and Bridge	10%		10%
Total	90%	10%	100%

Figure 1: Practice Service-Customer Matrix

Practice Management

- trend or percentage change in revenues;
- contribution margins (revenues minus operating costs);
- names of competing practices.

This kind of information helps clarify which segments are the most important in terms of volume of business, revenues, profits, etc. Many dentists are unclear about these fundamental facts. This information is necessary to decide which segments the practice *should* serve as well as *how* it should compete in each one. More than one piece of data can be included in each cell, but it is usually better to have separate matrices for different kinds of information.

A Competitor SCM

Dental practices compete against other dental practices. For strategic purposes, it is useful to know all of your competitors and in which segments they compete. An easy way to construct a competitor SCM is to start with your practice SCM, then consider each competitor in turn, deciding whether the matrix applies “as is” or should be expanded by adding rows (services) or columns (patients).

A competitor SCM is presented in **Fig. 2**. The target practice, which is identified as practice T, provides four services to two customer groups — the area defined by the bolded lines. Practices A and B cater to patients requiring cosmetic procedures, as well as more traditional recalls, referrals and emergency patients. They operate only during regular hours, like the target prac-

tice. In contrast, practice C provides some services in the evening in addition to regular hours; it also caters to traditional recalls, referrals and emergency patients.

The Importance of Location

It is worth emphasizing that the competitor SCM in **Fig. 2** is for a particular practice in a specific geographic location. Location is a given here and is an important variable when developing a positioning strategy. It is costly to recover from a poor practice location decision. Before deciding on a location, you should analyze the profitability of alternative locations. Once a location analysis has been done, even already established practices might want to consider whether to move, stay or expand by setting up one or more satellite practices. We will deal with the importance of choosing the right location in a future article. ■

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Services	Customers (Patients) Segments		
	Recall or Referrals	Emergency Needs	Cosmetic Needs
Preventive Hygiene	T,A,B,C		
Endo/Perio/Oral Surgery; Amalgam Fillings	T,A,B,C	T,A,B,C	
Composite Fillings	T,A,B,C	T,A,B,C	
Crown and Bridge	T,A,B,C		
At-home Bleaching Kits			A,B
Chair-side Bleaching			A,B
Veneers			A,B
Targis/Vectris Metal-free Restorations			A,B
Preventive Hygiene in Evening	C	C	
Endo/Perio/Oral Surgery; Amalgam Fillings in Evening	C	C	
Composite Fillings in Evening	C	C	

Figure 2: Competitor Service-Customer Matrix