

Positioning Strategies for the Dental Practice

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The key to understanding and developing strategy is positioning. A positioning strategy is essential for dentists to compete effectively and perform well in the long run.

Positioning strategies include niche, customer-focused, service-focused, hegemony and mixed strategies. These strategies depend on the services provided and the customer (patient) segments served. **Figure 1** illustrates how the scope of the practice's services and customer segments results in a particular positioning strategy. A mixed strategy includes elements from two or more cells.

		Scope of Customer (Patient) Segments Served	
		Few	Many
Scope of Services Provided	Few	Niche strategy	Service-focused strategy
	Many	Customer-focused strategy	Hegemony strategy

Figure 1: Alternative Positioning Strategies

Your positioning strategy can be identified from your positioning or "coverage" of a competitor service-customer matrix (SCM). In this article we explain how your dental practice can use a competitor SCM to determine its current positioning strategy and to formulate a future strategy. In the next issue of *Communiqué*, we will explain how to construct a competitor SCM.¹

Using a Competitor SCM to Identify Your Current Positioning Strategy

The best way to determine and understand the strategic positioning of your practice is to analyze a competitor SCM. A competitor SCM is a two-dimensional matrix that gives you a clear appreciation of the types of services offered and the customers served by you and your competitors.

The competitor SCM in **Figure 2** has been segmented into six categories based on dental procedures and time of delivery. Patients have also been segmented into six categories based on income, insurance, age and gender. It doesn't matter whether high-income patients have insurance because they are not price-sensitive. Furthermore, it

is not necessary to subdivide this group on the basis of age and gender because, generally, they are few and practice specialization on a small demographic subgroup is infeasible. For price-sensitive patients, it is important to know whether or not they have indemnity insurance because those with insurance may demand more dentistry. These patients can be further segmented into four groups: children, adult females, adult males and seniors. Different demographic groups generally have different needs and require different services. When the market is large, a dentist might focus on a demographic subset. For patients without indemnity insurance, it is important to know whether or not they belong to a managed care plan.

The cell entries in **Figure 2** contain letters corresponding to different competing dental practices. Each practice pursues a different positioning strategy.

Practices A and F each follow niche strategies. Practice A focuses on providing cosmetic services to high-income patients during regular and extended hours. Practice F focuses on providing services during regular hours to price-sensitive seniors with indemnity insurance.

Practices B and D pursue customer-focused strategies (sometimes called needs-based positioning), offering a full range of services to a few groups of customers. Practice B focuses on meeting the needs of high-income patients, while Practice D focuses on meeting the needs of price-sensitive female patients with insurance.

Practice C pursues a service-focused strategy (sometimes called variety-based positioning) by offering cosmetic dentistry to all customer segments (although managed care patients are not encouraged).

Practice E pursues a hegemony strategy, i.e., it offers a complete line of services to all

patient segments, during regular and extended hours.

To determine your current strategy, look at which service-customer segments you cater to. The cells can simply indicate whether or not you operate in each segment. If possible, enter the percentage of patients in each segment; the column and row totals will indicate what type of strategy your practice pursues.

Every practice has a positioning strategy that is the result of either random decisions or deliberate actions.

Developing Strategy: Matching Positioning to Practice Attributes

Successful practices plan their positioning strategy. The decision about which segments to focus on depends on many factors, including profitability, demographics and potential growth, patient needs and wants, and skills in the dental practice. Each positioning strategy requires a different set of practice attributes. For example, a niche strategy focusing on cosmetic dentistry to high-income patients (e.g. practice A) generally requires a location in a high-end neighbourhood, a quality external appearance, charming chair-side manner, posh waiting area and operatories, high-tech equipment and, perhaps most important, an excellent reputation. This type of practice may have few dental assistants but many other staff who pamper patients.

A customer-focused strategy requires different attributes. Practice D, which focuses on adult female patients, needs to have the following attributes: safe location, convenient parking, female dentists, caring dentists, concerned staff, clean and friendly ambience, technical and professional competence, convenient appointment times and easy payments.

The service-focused strategy adopted by Practice C requires some or all of the following attributes: good scheduling management,

Services	Customers (Patients)							
	High Income	Middle and Low Income with Indemnity Insurance				Middle and Low Income without Indemnity Ins.		Total
		Children	Adult Females	Adult Males	Seniors	Uninsured	Managed Care	
Cosmetic - Regular Hours	A, B, C, E	C, E	C, D, E	C, E	C, E, F	C, E	E	
General Practice/Remedial - Regular Hours	B, E	E	D, E	E	E, F	E	E	
General Practice/Preventive - Regular Hours	B, E	E	D, E	E	E, F	E	E	
Cosmetic - Extended Hours	A, B, C, E	C, E	C, D, E	C, E	C, E	C, E	E	
General Practice/Remedial Procedures - Extended Hours	B, E	E	D, E	E	E	E	E	
General Practice/Preventive - Extended Hours	B, E	E	D, E	E	E	E	E	
Total								100%




Key:  Niche Strategy  Customer-Focused Strategy  Service-Focused Strategy

Figure 2: A Competitor Service-Customer Matrix Illustrating Alternative Positioning Strategies

efficient production techniques (fast hands), office that is easily accessible but not too expensive, convenient hours and staff with knowledge about indemnity insurance to minimize patients' costs.

Hegemony strategy (e.g., Practice E) is a difficult strategy to execute well because different practice attributes are usually necessary for different segments. A practice with a set of attributes tailored to one segment usually does not do well when it enters different segments. For example, it is difficult for the same facility to offer services to managed care patients and to provide "elite" services such as cosmetic dentistry.

Often a more focused competitor can out-compete a practice that tries to be all things

to all people. In practice, the only way for hegemony to be successful is to have a group arrangement with different dentists specializing in different areas. In fact, many practices pursue mixed strategies. They focus on just one or a limited group of customers or services, but also compete slightly in all other service-customer segments.

Strategic Choice and Profitability

There is no one best strategy. Choice of strategy depends on many factors including rivals, sector trends and practice competencies. In general, successful strategies are unique and hard to imitate. Formulating a successful positioning strategy requires making hard choices about which segments to compete in.

Hegemony strategy is difficult to implement successfully and is unlikely to be highly profitable. Mixed strategies, while common, also suffer from the same problems. They do not have a specific set of activities tailored to specific segments and they can be imitated, so they do not have a sustainable competitive advantage. For these reasons, they are also not likely to be highly profitable.

Knowing your positioning strategy is a necessary precursor to subsequent strategic analysis. With this knowledge it is easier to develop an appropriate locational positioning strategy and to develop a complementary set of attributes. You need to know and focus on your positioning strategy to be successful. Dentists should try to avoid "flavour of the month" business strategies, as switching is expensive. ■

Reference

1. See also Armstrong JL, Boardman AE, Vining AR. Eight steps for strategic analysis of dental practices. *J Can Dent Assoc* 1999; 65:553-5.

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