In 2013, the global dental implant market—composed of the sale of dental implant fixtures, final abutments and other devices—was valued at over US$3.7 billion. The European market, valued at nearly one-third of the global market at close to US$1.2 billion, contracted through 2014, as uncertain economic conditions continued to reduce procedure volumes and as more low-cost competitors entered the market, driving down prices.

These factors hampered the expected economic recovery and resumption of growth projected for 2013.1 As a result, the dental implant market will continue its decline before stabilising in 2015. Only then will the European market slowly begin to recover. Factors such as low gross domestic product growth and high unemployment continue to render dental implant procedures—which are primarily paid out of pocket by patients—cost prohibitive, while alternatives, such as bridges and dentures, that are perceived as more affordable will represent attractive options.

Dental implants were invented in Sweden; as a result, it is not surprising that a great number of premium manufacturers are based in Continental Europe. In the past, premium manufacturers, such as Straumann and DENTSPLY Implants, were able to rely on their longstanding reputations in the market and the high quality of their products to command higher prices than did some of their competitors.

More recently, however, some of the premium competitors have employed strategies to appeal to increasingly cost-conscious consumers. For instance, Straumann has reduced the price of its titanium implants by 15 per cent in Austria, Germany and Switzerland. While the price change only came into effect in the first quarter of this year, the strategy appears to have been effective because the company reported a 6 per cent rise in first-quarter revenue compared with a 5 per cent decrease in the same period last year.2

The price reduction has come at a perfect time: while economic conditions begin to slowly improve, consumers are still extremely price sensitive. These price cuts therefore allow dental professionals to offer premium implant products to their patients at a reduced rate.

Straumann’s price reduction is not its only foray into the value market. In the first quarter of this year, the company purchased US$30 million worth of bonds from low-cost South Korean dental implant manufacturer MegaGen. The investment, which will be converted to shares in 2016, will help bolster Straumann’s revenue while allowing it to participate in both the premium and value segments, thus appealing to a wide range of practitioners and patients alike.

Straumann is not the only company shaking things up in the world of dental implants. Zimmer Dental recently announced its acquisition of rival Biomet. While both companies are better known for their orthopedic products, they are fairly significant competitors in the dental industry as well. Lay-offs are not uncommon when companies merge, especially when the companies in question offer the same types of products. This can have a negative impact on sales in the short term, as the newly conjoined companies’ sales force decreases, leading clients to switch to other competitors.

However, this will not be the case with the Zimmer-Biomet merger, at least not in the short term, as the sales teams from both companies are expected to be retained through the merger. The cost of retaining both sales teams has been estimated at US$400 million.3 While the effect of this acquisition on the market remains to be seen, the fact that the sales force will not be decreasing bodes well for the newly merged companies, likely resulting in an increased market share in the dental implant segment.

There is discussion of merger and acquisition activity among other companies in the segment too, with Nobel Biocare reportedly in talks to sell to private equity firms and strategic buyers. While these talks are still in the very early stages, what is certain is that there has been a great deal of activity in the competitive landscape in the past several years.

This, combined with the aforementioned economic factors, is turning this once stable and mature market into a dynamic, action-filled space. With the dental implant market set to rebound in Europe and with revenues expanding in other countries—particularly in the rapidly developing BRIC and Middle Eastern markets—the global industry is poised for even further change, and the competitive landscape could look entirely different a few years from now.

Editorial note: A list of references is available from the publisher.

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“The trend towards the medium-price range has accelerated”

An interview with Straumann executive board member Frank Hemm about the company’s recent investment in MegaGen

Following previous investments in Brazil, Germany and Spain, Straumann recently announced that it has bought convertible bonds worth US$ 30 million from MegaGen, one of the largest dental implant solution providers in South Korea. At the recent World Symposium of the International Team for Implantology in Geneva in Switzerland, on behalf of Dental Tribune Asia Pacific, implants magazine Managing Editor Georg Isbaner had the opportunity to talk with Frank Hemm, a member of Straumann’s executive management board, about the investment and how it will affect his company’s position in the Asia Pacific region.

**DT Asia Pacific:** According to analysts, South Korean manufacturers are expected to dominate the market for dental implants in Asia in the years to come. Is this projected development the main reason for your investment in MegaGen?

**Frank Hemm:** South Korea is one of the largest markets for implants in terms of volume. More than two million implants are placed every year and local manufacturers are looking to expand into other Asian markets with high potential. China is a good example, where the market is still comparatively small but under-penetrated and growing quickly.

In these markets, the premium implant segment, where Straumann has been and still is very active, is growing less dynamically than the medium- and low-price segments. We see the same trend in other markets, like Brazil, where companies like Neodent sell higher volumes than premium providers do. Two years ago, we had to ask ourselves whether we could address the non-premium segment with our existing brand or whether we needed a second brand. We decided on the latter. And purchased 49 percent stake in Neodent. As an established brand in the region, MegaGen gives us a foothold in the Asian “value” (medium-price) segment. The convertible bond approach means that we have the option to gain a majority stake in 2016 with a managed low risk.

Straumann has always provided premium dental implants backed by solid scientific evidence and service excellence. These key differentiators make it necessary to use a separate brand strategy to address customers who are willing to accept lower standards and who want to pay less for implants. The value segment is growing exponentially and developing a new brand from scratch would simply take too much time and too many resources, which is the reason we chose to invest in other established companies.

Both companies have said that they will continue to operate separately. Still, do you expect any synergies to arise from this partnership?

It is important to keep both businesses completely separate to ensure that customers do not think that Straumann is MegaGen and vice versa. The only synergies we see are in supporting the value brand companies to enter selective markets, and in sharing back-office functions, like infrastructure, technology or accounting. Everything else is handled by each company independently. Straumann products are certainly produced in Straumann facilities and this will continue to be the case in the future.

Is there the risk that you might be creating more competition for yourself with this investment?

We would not have taken this step if the market situation had not required it. The trend to plants in Japan and the sales figures demonstrate the extent of the potential of our innovative technologies.

Achieving a leading position in Asia will certainly have a positive influence on our global position.

**What requirements will have to be fulfilled for you to exercise the option to convert and acquire a majority stake in MegaGen in 2016?**

We are keeping a close eye on the company’s development. MegaGen is a relatively new enterprise. It is growing dynamically and has many ambitions that still have to be realized. We also want to see how the market develops and the extent to which MegaGen can penetrate certain areas. The company’s development is another item on our radar. If our expectations are met, we can convert the bonds into shares in 2016 or require repayment with interest. That is the flexibility that this option allows.

**Should you decide to convert the bonds into stock, another large international implant conglomerate would be created. Is it only possible to survive in the long run as a large market player?**

The implant market is still very fragmented and the market share of larger corporations is actually declining. There are hundreds and hundreds of smaller providers, often founded by dental clinicians, that come and go because they do not have the capability to expand internationally.

**What position is your company generally aiming for in the Asia Pacific region?**

We aspire to market leadership in the region. We are not there yet, partly because our Roxolid implants with the SLActive surface are not yet available in the larger markets. We recently received approval for SLActive Tissue Level implants in Japan and the sales figures demonstrate the extent of the potential of our innovative technologies.

Unlike some industries, scale in the dental implant industry does not have inherent returns. Unlike in some industries, scale in the dental implant industry does not have inherent returns. Unlike in some industries, scale in the dental implant industry does not have inherent returns.
Facing new challenges in sales and marketing

Karin Laupheimer & Jan Bordon, Germany

How the dental industry can maintain economic success

Price pressure and competition are on the rise in the dental industry. Manufacturers have to take into account that their sales figures in the future, manufacturers of dental products and services will have to rethink their cost 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 cautiously positive, as leading dental manufacturers therefore anticipate single-digit growth and profit growth for the next two years. Under these conditions, rising customer demands and highly innovative manufacturers, which 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 strong 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.

An increasing number of manufacturers are therefore seeking to differentiate themselves from competitors by extending their existing portfolio and offering integrated solutions. To do so, manufacturers are experiencing increased 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.

According to leading dental manufacturers, product and service innovations in core competencies and related product areas (e.g., prosthetics, IT and consultation) will retain its importance. Ongoing digitalisation in areas such as prosthetics, IT solutions to enhance process efficiency, and new materials are among the main areas of growth and innovation (Table 1).

Table 1: Examples of important growth areas.

**Increasing competition and constant price pressure**

Despite solid market growth, businesses are expecting slightly stronger competition saddled with constant price pressure over the next few years. In particular, many regard the competitive pressure from wholesalers that develop and market their own brands and, to some extent, practise vertical integration as a crucial factor of the dynamics in the dental industry. Wholesalers with their own brands or own sales activities have considerably improved their position in the European dental 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.

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 strong price pressure in market segments in which wholesalers offer their own brands than in other segments.

Supply and demand challenges

The market developments yield four primary challenges for manufacturers of dental products (Fig. 1), which require adaptations to the changing dynamic process (Fig. 1), which require adaptations to the changing dynamic process. In this context, manufacturers will have to deal with the growing negotiating power of providers and their increasing price sensitivity, making the battle over customers increasingly tougher.

**Need for action**

In order to compete successfully in a changing market environment, manufacturers of dental products have identified the need for action in four main areas (Fig. 2).

Rethink sales structures and push forward integration

Manufacturers of complex products and solutions (e.g., CAD/CAM and imaging) particularly are planning to introduce strengthening direct sales structures to better meet the demand and supply-side challenges in the dental market. Forward integration, for example taking over lab-saler will retain its importance. A trend towards direct sales, primarily via the Internet and e-mail, can still be observed in these segments.

Redefine customer segmentation and change management

In order to adjust to the changing dental practice and laboratory environment, manufacturers are rethinking mostly on marketing and sales strategies tailored to customer types and needs. This involves, for example, segmenting customer types according to portfolio coverage and potential. It also involves developing innovative offer models that meet specific customer needs (e.g., partnership models and consulting services ensuring individual and targeted customer development). In this context, improving the structured key account management is regarded as another important success factor. Manufacturers that will primarily through wholesalers are currently being confronted with the question of how to optimise their management of wholesalers, for instance in selecting, steering, developing and incentivising, plus pricing, and controlling cross-channel and cross-border activities.

Expand portfolios and develop solutions for customers

Manufacturers will continue to offer integrated solutions to stand out from competitors. In doing so, they will expand their portfolios from products to IT solutions and from product related services to IT and consulting services. Added purchases or co-operation will open up new opportunities here. At the heart of manufacturers’ portfolio strategy considerations are work processes that are more closely integrated, and added value (e.g., guarantees regarding quality and reproducibility of results), differentiating from competition, reducing simple replaceability, as well as exploiting up-selling and cross-selling potential.

Improve value selling and value communication

Manufacturers are increasingly initiating qualification measures in marketing and sales with the aim of improving value selling and value communication. In parallel, they are developing a new way of thinking, moving from a traditional product sales approach to one that focuses on solutions for customers. Economic value drivers, for example total cost of ownership of integrated solutions versus the cost of individual products or demonstrating cost and time-savings in workflows, are gaining importance. In order to successfully realise this, manufacturers provide sales with better support by means of case studies and simulation tools.

**Recognising what needs to be done and acting on it**

Manufacturers of dental products are looking ahead with cautious optimism. In the next few years, they will continue to focus on innovation as their number one growth driver. At the same time, the industry is facing substantial changes in both supply and demand. Manufacturers have already recognised what must be done to overcome these problems, many still lack significant progress in appropriately changing sales and marketing approaches. For sustainable success 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.

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“The tissue-level implant has always been close to our heart”

An interview with TRI Dental Implants CEO Tobias Richter and CTO Sandro Venanzoni

With the introduction of the TRI Octa tissue-level implant here at the annual congress of the European Association for Osseointegration (EAO), Swiss implant manufacturer TRI Dental Implants is adding a tissue-level implant line to its existing portfolio of bone-level implants. What was the incentive for your relatively young company to launch such an ambitious product on the market?

Tobias Richter: From a scientific point of view, the tissue-level implant is undoubtedly one of the implant types that is most reliable and gives the best performance. Its low ranking status in the early 2000s was probably due to the perception of many dentists of its not being easy to place in anterior sites and thus being regarded as unsuitable for aesthetic indications. These implants, as is well known, gave way to the more commonly used bone-level implants. At TRI Dental Implants, we have always believed in the strengths of tissue-level implants in terms of longevity and ease of handling in posterior and edentulous sites. Considering the fact that many dentists now fear peri-implantitis in cases involving bone-level implants, we chose to add the TRI Octa implant line to our portfolio. It not only provides reliable long-term results, but also guarantees maximally predictable aesthetics for all indications through a rose-pink colour-coded 1.8 mm machined neckportion.

Is the addition of a tissue-level implant a market necessity or the result of a long-term development process?

Tobias Richter: Considering the fact that two key executives in our company previously worked at Straumann, the tissue-level implant has always been close to our heart as a product that could provide predictable long-term results for our customers. Combined with the opportunity of yielding better aesthetics, it will certainly gain significance in the future.

Will the abutments be available in the same colour as the implants?

Sandro Venanzoni: The main function of the pink neck is to reduce the effect of negative colour shades on the gingival tissue. It was designed to improve aesthetics even in the case of unlikely hard- and soft-tissue recession. We are convinced that the colouring could have a similar effect on the abutment lines; therefore, all of the TRI Octa abutments have the same rose gold colouring. Currently, studies on pigs’ jaws are underway at the University of Zurich in Switzerland to establish that coloured titanium offers improved transulcency compared with machined titanium. These are being conducted in collaboration with Christoph Hämmeler, Daniel Thoma and Ronald Jung (all from Switzerland). Preliminary results from this research are available at our booth at the congress (B16), as well as in the scientific section of our website.

You already did a pre-launch of TRI Octa in May this year.

Sandro Venanzoni: The feedback for our limited market release was extremely positive and we are proud to say that all 500 tissue-level implants had been placed before the product was even officially launched here in Rome. Some of the outstanding aesthetic results can be viewed in the case library on our website.

One of the main benefits that many customers immediately recognised was the enhancement of aesthetics. Many were impressed by the fact that the surgical kit that we offer with our bone-level implants is also compatible with the tissue-level implants, which enables us to integrate the tapered implant body according to the tissue level to guarantee ideal primary stability.

Another thing we received positive feedback on was the decision to integrate an octagonal connection with our TRIFriction technology to ensure implant abutment stability. This in summary helped us go forward and increase production capacity for the global launch.

Why did you decide to launch this product here in Rome?

Tobias Richter: In our opinion, the EAO congress is the flagship event of the dental implant industry and the ideal opportunity to speak with Chief Executive Officer Tobias Richter and Chief Technology Officer Sandro Venanzoni about the development and the reasons for launching the product here in Rome.

What feedback did you receive from the clinicians who were able to try the product?

Sandro Venanzoni: The feed-back for our limited market release was extremely positive and we are proud to say that all 500 tissue-level implants had been placed before the product was even officially launched here in Rome. Some of the outstanding aesthetic results can be viewed in the case library on our website.

Is this the main target group for this product?

Tobias Richter: The TRI Octa implant is the implant of choice for all implantologists looking for a premium Swiss quality tissue-level implant with superior performance that offers the best value for money.

How will this product complement your portfolio?

Sandro Venanzoni: The TRI Octa tissue-level implant complements our portfolio, which consists of the TRI Vent bone-level implant and the TRI Narrow implant. Together with our TRI+ digital interface, the combination of bone- and tissue-level implants will provide good long-term results both in the anterior and posterior regions, as well as for eden-

“Tobias Venanzoni and Tobias Richter. (Photo courtesy of TRI Implants)”

Thank you very much for the interview. ✓