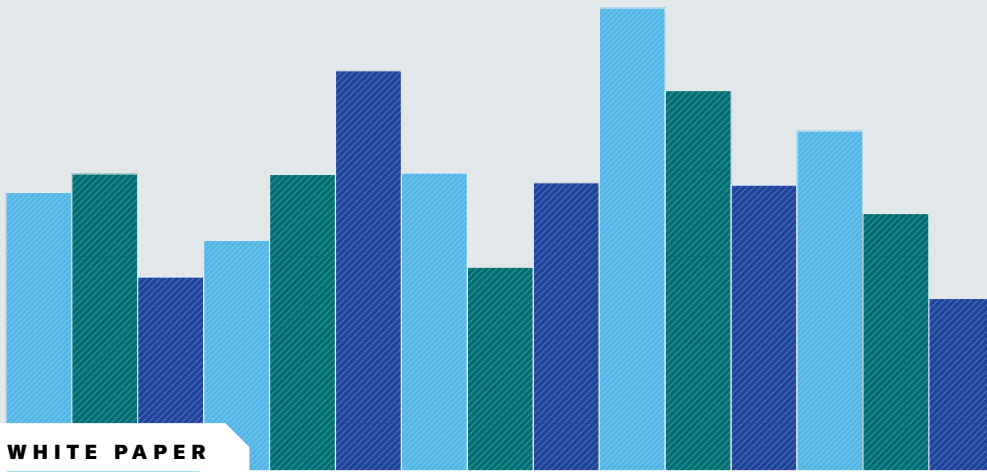




**Harvard  
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ANALYTIC SERVICES



WHITE PAPER

# Advanced Customer Segmentation as a Catalyst for Growth



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## Fueling Growth through Intelligent Customer Segmentation and Branding

The delivery of oral care is undergoing rapid evolution due to changes in consumer demand and expectation, technological advances in dentistry, and increasing public awareness of the connection between oral and general health.

In response to these industry changes, dental service organizations (DSOs) are now pursuing growth via diversification into lucrative new markets. There are, however, several barriers that can prevent DSOs from effectively segmenting their target customer base to activate their growth potential.

The staffing shortage leaves organizations scrambling to secure the human resources they need to support diverse customer segments. Scalable IT solutions that facilitate concurrent network-wide adoption of new technology are also limited. Additionally, there is the formidable challenge of uniting hundreds of diverse practices with unique treatment offerings under a single brand without jeopardizing consumer trust.

A multi-brand holding strategy can enable DSOs to leverage more opportunities to experience growth through diversification, but this is most effective when it is guided by intelligent customer segmentation. Effective segmentation involves dividing the current patient cohort and target consumer market into groups based on various factors, such as consumer behaviors, values, life stages, and motivations, to identify areas of untapped potential. With this highly targeted approach, DSOs can establish differentiated brand values that resonate with disparate consumer subsets, inform decisions pertaining to the adoption of digital technology, and even aid in attracting prospective hires.

Harvard Business Review Analytic Services has published this paper sponsored by the Straumann Group to help DSOs overcome the barriers to customer segmentation and discover strategies that can strengthen their brand, positioning them to experience sustainable growth in a changing industry.

The Straumann Group is constantly analyzing market trends and the needs of group dental practices in order to develop actionable solutions that empower DSOs to:

- Activate their growth potential through smart customer segmentation that opens up new markets.
- Sustain clinical excellence by building end-to-end and patient-centered treatment experiences that appeal to specific oral health care consumer groups and reduce variables to ensure consistent, high-quality treatment outcomes.
- Improve operational efficiency by optimizing workflows and harmonizing operations across a diverse holding of practices.

Visit [www.straumanngroup.com/DSO](http://www.straumanngroup.com/DSO) to explore the possibilities of a strategic partnership with the Straumann Group.



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# Advanced Customer Segmentation as a Catalyst for Growth

Once considered an experimental model for delivering everything from root canals to teeth cleanings, today's dental service organizations (DSOs) are evolving at an accelerated rate. In fact, the DSO market is expected to grow from nearly \$394 billion in 2021 to around \$685 billion by 2030.<sup>1</sup>

Fueling this growth is widespread consolidation through acquisition and affiliation, prompting an evolution of dentistry from a scattered landscape of solo dentist-owned practices to a global market of resource-rich DSOs. This shift is largely due to practitioners seeking access to advanced technologies, funding, administrative aid, and IT resources. As the phrase implies, DSOs (also known as dental support organizations) provide a wide array of support services for dentists, including facility maintenance, back-office business management, access to advanced technologies, marketing resources, professional training, and economies of scale in purchasing equipment and supplies. DSOs also offer financial relief to dental students, who typically graduate with nearly \$300,000 in debt, according to the American Dental Education Association.<sup>2</sup>

But with dentistry remaining one of the fastest-growing industries in health care, many DSOs are looking beyond a current wave of consolidation to establish an even stronger foothold in today's burgeoning oral health care marketplace. Among the most promising strategies for growth is creating customized patient experiences through intelligent customer segmentation. Intelligent customer segmentation works by identifying target customer segments and offering more personalized services to these select groups across specialties, including endodontics, periodontics, and orthodontics, and throughout the entire patient life cycle.

The result is a win-win situation for oral health providers and their patients. With advanced customer segmentation, DSOs are able to build their brands

## HIGHLIGHTS

With advanced customer segmentation, dental service organizations (DSOs) are able to **build their brands on a better end-to-end experience for patients** while at the same time **strengthening their business operations, improving efficiencies, and increasing market share** in the wake of massive consolidation.

Although DSOs vary in the customer segments they serve, there are a number of key factors **driving these organizations to diversify and tap into lucrative growth markets.**

However, capitalizing on intelligent customer segmentation requires **overcoming significant obstacles, from talent shortages to IT complexities.**

on a better end-to-end experience for patients while at the same time strengthening their business operations, improving efficiencies, and increasing market share in the wake of massive consolidation.

But while “DSOs are getting much more intelligent about focusing on different customer segments,” says Stephen Thorne, founder of Pacific Dental Services (PDS), an Irvine, Calif.-based DSO, gleaning value from intelligent customer segmentation requires overcoming significant challenges.

In today’s tight labor market, staffing shortages continue to plague the overall dental market. Rapid growth requires vast IT systems scalability to support the use of innovative technology. Savvy branding is critical to effective patient outreach and service management. And strong leadership must guide changes in organizational structure and corporate culture.

This report examines the need for DSOs to employ advanced customer segmentation strategies to better target customer groups and address their needs throughout the entire patient life cycle. It also highlights the operational efficiencies to be gained from intelligent customer segmentation, provided organizations overcome challenges involving talent acquisition and issues around branding.

## The Tailwinds of Customer Segmentation

From retail to finance, organizations are facing increasing demands from consumers for greater access to high-quality products and personalized services. The dental industry is no exception. DSOs are taking note, offering specialty-specific services around target customer groups for a better end-to-end experience throughout the entire patient life cycle.

“The dentistry sector hasn’t always been attentive to patients’ needs,” says Tom Riall, chief executive of mydentist, a DSO located in Kearsley, England. “But that’s starting to change. DSOs that are attentive to patient needs are seeing a migration of new patients, and with them, revenue growth.”

In fact, mydentist is a perfect example of customer segmentation at work. The dental care provider serves more than four million people across nearly 600 practices. But while “all of our practices look and feel the same, we have a number of sub-brands within mydentist that we use in a variety of different ways,” says Riall.

For example, mysmile specializes in teeth straightening with clear braces and aligners; myorthodontist provides access to specialist orthodontists; and myoptions offers affordable private dentistry to patients who either find it difficult to access publicly funded care or want the benefits of private care without the high price tag.

More than simply “a convenient way for us to label our specific business segments,” Riall says, mydentist’s delivery of customized experiences allows the DSO to run individualized campaigns around a variety of brands while better “positioning



**“Dental service organizations that are attentive to patient needs are seeing a migration of new patients, and with them, revenue growth,” says Tom Riall, chief executive of mydentist.**

these segments in the marketplace.” For example, Riall says, myoptions has “grown very rapidly over the last three or four years” due in large part to its response to the United Kingdom’s dire need for a viable alternative to publicly funded and full private dental care.


But mydentist isn’t the only DSO to use intelligent customer segmentation as a growth strategy. The Aspen Group (TAG) is a perfect example of customer segmentation at work. Founded in 1998, TAG is a Chicago-based consumer health care support organization that has expanded beyond general dentistry to include five consumer health care brands: Aspen Dental, ClearChoice Dental Implant Centers, WellNow Urgent Care, Chapter Aesthetic Studio, and AZPetVet. Depending on the brand, the TAG network offers services ranging from aesthetic procedures and dental implants to hernia repairs for canines.

By forming intelligent customer segments around emerging customer needs through organic growth or acquisition, and targeting these groups with highly personalized care and individualized brands, TAG has grown to include 1,300 branded offices, 5,200 providers, and 20,000 employees.

“For us, understanding who you’re trying to treat has been the way that we’ve been able to grow,” says Bob Fontana, chairman and CEO of TAG. “We have 1,300 locations—we built each one from scratch—and we open a new one every three days on average. The only way you can do that is by understanding who your patients are—it instructs everything that you do.”

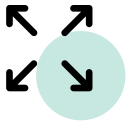
Although DSOs vary in the customer segments they serve, there are a number of key factors driving these organizations to diversify and tap into lucrative growth markets. These forces include evolving consumer demands, changing demographics, technological advances in dentistry, and a growing recognition of the connection between dental and general health care.

For example, a rise in consumer demand for aesthetic treatments such as teeth whitening and prosthetics has spurred significant growth in the cosmetic dentistry market. In fact, the global cosmetic dentistry sector is expected to



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of The Aspen Group**



“Dental practitioners utilizing our facilities and services are expanding their scope of practice from a focus on general restorative and preventative dentistry to cosmetic treatments such as whitening and more advanced treatments such as orthodontics and implants,” says Sinead Ryan, chief executive officer of Abano Healthcare Group.

grow 7.9% per year to more than \$41 million by 2028, making it a prime target for DSOs.<sup>3</sup>

“Dental practitioners utilizing our facilities and services are expanding their scope of practice from a focus on general restorative and preventative dentistry to cosmetic treatments such as whitening and more advanced treatments such as orthodontics and implants,” says Sinead Ryan, chief executive officer of Abano Healthcare Group, an Auckland, New Zealand-based DSO that embodies three major dental brands, each one catering to varying geographies and markets. “That’s definitely a shift.”

Changing demographics are also activating additional growth potential in specialty-specific areas. By 2050, the world’s population of people aged 60 years and older will double to 2.1 billion, according to the World Health Organization.<sup>4</sup> Given this population’s surge in numbers, and its increased need for tooth replacement, the global implant market is expected to grow to \$6.7 billion by 2026, up from \$4.6 billion in 2019.

“For TAG, it made sense to specialize in implants,” says Fontana. “It’s the best restoration available if you have missing teeth. We believe implants will continue to be a highly popular service both at Aspen Dental and Clear Choice.”

Significant advances in technology are also helping DSOs tap into new customer segments and deliver a more customized customer experience by simplifying complex dental procedures and making them more accessible, affordable, and comfortable for a widening demographic of patients.

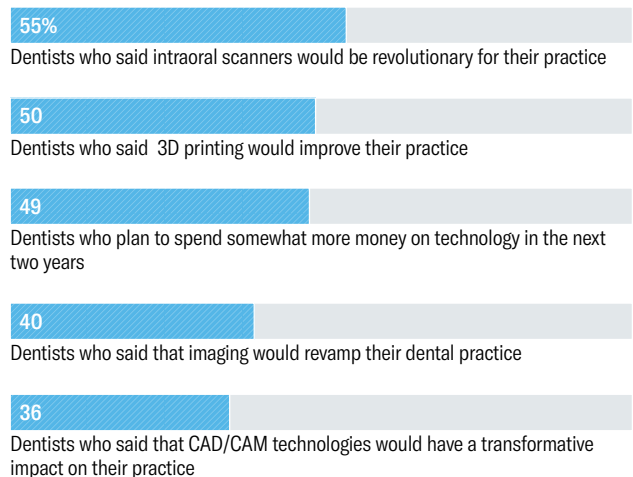
Indeed, a July 2021 survey by the American Dental Association (ADA) of 504 respondents found that 49% of dentists plan to spend somewhat more money on technology over the next two years.<sup>5</sup> **FIGURE 1** Of these respondents, 55% ranked intraoral scanners as being revolutionary for their practices. And for good reason: these handheld devices, used to create precise 3D images of a patient’s mouth, not only replace the usage of alginate impression material, the gooey substances used to make molds, but offer a faster and more comfortable experience for patients.

Among the other technologies ADA survey respondents believe will transform their practice are 3D printing (50%), imaging (40%), and computer-aided design and

FIGURE 1

### Technologies Revolutionizing Dentistry

Dentists plan to implement a wide variety of innovative tools in their practices



Source: The American Dental Association, July 2021

computer-aided manufacturing (CAD/CAM) (36%). Together, these sophisticated technologies are enabling DSOs to cater to patients who lack the time and resources for lengthy treatment plans and frequent visits.

For example, using CAD/CAM systems on-site, dentists can design, create, and install crowns, dental implants, bridges, veneers, dentures, and other orthodontic applications in a single visit.

“These technologies are enabling dental practices to offer same-day service,” says Doug Brown, cofounder and managing partner for Dental Innovation Alliance (DIA), a Raleigh, N.C., venture capital firm that invests in early-stage dental technology companies. “Many of these technologies are still expensive and may not be able to completely replace existing lab processes, but they hold a lot of promise for the industry, patient care, and improving the patient experience.”



## Forty-nine percent of dentists plan to spend somewhat more money on technology over the next two years.

In fact, Abano Healthcare Group's Ryan says technologies such as 3D printing and CAD/CAM systems are impacting "the whole life cycle of how patients receive treatment." Rather than plan for repeat visits, she says, "practitioners can make a crown on-site—many aspects of the delivery of clinical care can be delivered by dental practitioners in-house. It's a better patient experience, but it's also a better business outcome."

Another tailwind pushing DSOs toward new and potentially lucrative customer segments is the growing recognition of the connection between oral health and overall systemic health. For example, research shows a link between periodontal disease—infections and inflammation of the gums and bones that support teeth—and a variety of chronic diseases, including diabetes, cardiovascular disease, stroke, kidney disease, and lung disease.<sup>6</sup>

"We all know the correlation between oral health and overall health, ever since the U.S. surgeon general came out with his report and said, 'Look, we can't have good overall health in America if we don't have good oral health,'" says Thorne. "The science and data are clear as a bell—oral health really matters and can have a massive impact on chronic inflammatory diseases like diabetes, prediabetes, cardiovascular disease, and dementia."

In fact, as consumer interest in dental-medical integration grows, Andrew Smith, executive director of the Association of Dental Support Organizations, based in Washington, D.C., says, DSOs are likely to target this customer segment with innovative services such as salivary diagnostics, which involves analyzing a sample of saliva for indicators of a variety of diseases, including gum disease, diabetes, or even cancer.

### Obstacles to Success

However, capitalizing on intelligent customer segmentation requires overcoming significant obstacles, from talent shortages to IT complexities. Supporting today's diverse customer segments across specialties, geographies, and even sectors begins with securing the necessary talent.

"Building teams that are highly engaged with your purpose, your values, and your belief systems in a distributed

environment is critical," says Fontana of TAG. "You want to attract the right people and give them the tools and resources to be successful."

Yet, staffing issues were cited as the most significant concern among dentists, according to a January 2022 report from the ADA.<sup>7</sup> It's easy to understand why: these talent shortages have caused an estimated 11% reduction in dental practice capacity.

"The oral health industry is in a world of hurt when it comes to hiring hygienists and dental assistants," says Thorne. "Collectively, we have to solve that. Someone needs to step up, take leadership of this issue, and help solve it on a national scale, or 10 years from now, dentistry will be a different environment."

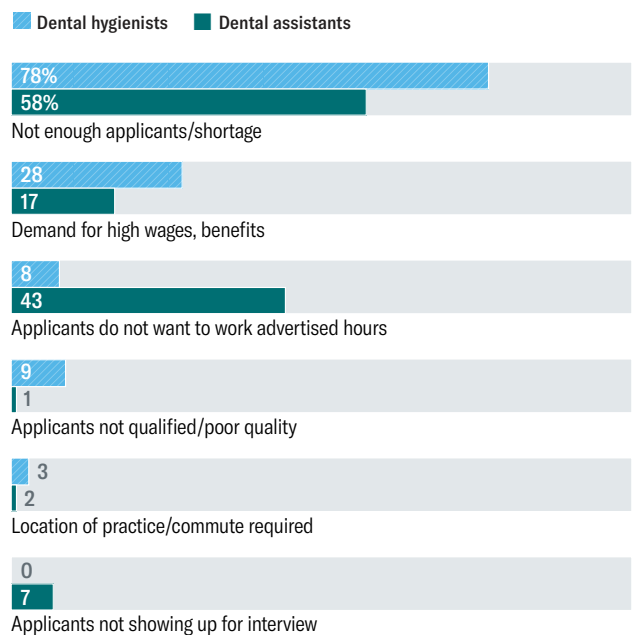
According to a separate July 2021 ADA survey of 504 respondents, among the challenges facing dentists when it comes to recruiting dental hygienists and dental assistants, respectively, are a shortage of applicants (77.8%/57.5%), a demand for high wages (28.4%/17.3%), poorly qualified applicants (8%/42.5%), applicant unwillingness to work advertised hours (8.7%/0.9%), poor location (2.8%/2%), and applicants not showing up for interviews (0%/6.6%). **FIGURE 2**

FIGURE 2

### A Labor Crisis

A dearth of talent and wage demands are hampering dentists' recruitment efforts

What specifically has been challenging about recruiting dental assistants and dental hygienists?



Source: The American Dental Association, July 2022



Then there are the challenges of maintaining brand reputation and consumer trust across hundreds of practices, many of them offering distinct services to disparate customer segments but all under a uniform brand. Without proper training and the maintenance of consistent standards, individual practices may deliver widely varying levels of patient care, compromising the company's brand. At the same time, poor branding can hinder an organization's ability to recruit prospective employees who want to know exactly for whom they will be working and what to expect.

## How to Activate Growth Potential

Despite challenges ahead, DSOs are discovering innovative technologies and techniques for supporting diversification and accelerating market growth. These strategies promise to not only help DSOs more easily identify and cater to customer segments but also increase operational efficiencies and improve the overall patient experience.

At TAG, predictive analytics is proving to be a powerful technology for improving patient scheduling and boosting practitioner productivity. By determining the likelihood that a certain patient will appear for a scheduled appointment based on historical data, Fontana says, predictive analytics is helping to “manage the patient funnel, which gives our practices the best chance of having productive days with the patients that they serve.”

For example, armed with data-driven insights into patient behavior, a DSO can anticipate any workforce gaps across customer segments and allocate resources accordingly—a critical capability in an industry plagued by severe staffing shortages.

While predictive analytics can anticipate trends in customer behavior, some DSOs are relying on data analytics to improve operational efficiencies and manage costs. Consider, for example, Abano Healthcare Group, whose branded practices are located in Australia and New Zealand.

“Think about the size of Australia and its span geographically,” says Ryan. “Without data, I have no visibility” into variables such as how equipment is performing, who is using which tools, and the ways in which equipment is being used—information that, she says, can “guide us in making sure we’re achieving economies of scale when we purchase new equipment, training our dentists correctly, and providing the knowledge needed to use new equipment and technology.”

Paradigm Oral Health, on the other hand, views data as a shared resource that can activate growth potential and enhance the patient experience across customer segments by establishing best practices and encouraging greater consistency. To achieve this vision, Paradigm's CEO, David Rallis, says, the Lincoln, Neb.-based organization created a data ecosystem that captures data “from our practice

management system, phone systems, patient surveys, payroll system—anywhere we can possibly find data. We collect this data, structure it in a data warehouse, and ultimately display this data on dashboards” that can be easily accessed by practitioners across the organization.

Today, Rallis says, the data warehouse system receives 9,000 queries per month, providing practitioners with critical information on everything from the DSO's implant success rates to the most common surgical site infections.

Another rich source of information for Paradigm is patient data. Using online surveys, Paradigm asks patients to rate their experience throughout the customer journey, from initial point of contact to their last day of recovery. Any interaction that receives a low score is flagged and cross-referenced against a wide variety of other data points to determine the root cause of an unsatisfactory experience, be it a billing error, a hastened recovery room experience, or a lengthy check-in for a routine procedure. From there, a practice can take action to create a more seamless patient experience from scheduling and check-in to recovery.

Connecting the dots along the patient continuum not only highlights areas in need of improvement, says Rallis, but can lead to cost-saving insights, such as how patient no-show rates tend to be lower when appointments are made through a specially trained scheduling coordinator rather than through other office staff.


But insights must be acted upon if DSOs wish to activate the growth potential of key customer segments. To ensure its practitioners have the necessary skills and knowledge to support diversification, in July 2022, TAG launched Oral Care Center for Excellence, a surgical training facility that provides professional development training courses for dentists. Located in Chicago, the facility not only imbues practitioners with “leadership and management capabilities but also teaches them how to talk to patients and present treatments, and encourages them to share best practices among various providers,” says Fontana.

Once practitioners have the necessary training, the next step is matching them with the right practice or brand. Much like customer segmentation, Ryan believes, dentists who utilize the facilities and services of a DSO should be categorized into groups and properly placed within the organization.

“You have clinicians who want to be entrepreneurs and always wanted their own practice,” says Ryan. “You also have lifestyle clinicians—they just want to work two or three days a week. And then you have mentors—for them, it's all about the industry.”

By classifying practitioners based on their strengths and ambitions and coordinating these groups with customer segments, Ryan says, DSOs can better develop the “clinical value proposition” for practitioners, thereby improving business outcomes and patient experiences.





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**David Rallis, CEO, Paradigm Oral Health**



“The way we go to market is by asking, ‘What are we trying to accomplish? What patient problem are we solving for? And how do we segment the market in a way that makes sure the patients we’re trying to see actually come through our doors?’ It starts there,” says TAG’s Fontana.

However, even the most thoroughly trained and strategically placed practitioners can encounter difficulties if a DSO fails to effectively communicate its brand values with consistent messaging, a unified culture, and the proper mix of marketing channels.

“We’ve been systematic about how we’ve developed our leadership and our culture,” says Rallis. “It’s not just ethereal; it’s by design.”

Nevertheless, Brown of the DIA says there’s no such thing as a one-size-fits-all approach to branding. Instead, he says, organizations must determine a path that makes the most sense for their practitioners and creates the least amount of confusion for consumers. Some DSOs operate under a uniform brand—a decision that can help strengthen a DSO’s identity and foster cohesion. However, others may choose to market themselves independently.

“Some DSOs don’t have any group branding,” notes Brown. “It’s all individual practices—and that works for them. It builds the appearance of a traditional practice, even though their business functions are supported by one organization.”

Nor are there any fixed rules for supporting customer segments with robust IT solutions, such as practice management systems and payroll software. Rather, “the broader issue is about creating operational efficiencies,” says Smith. “It’s making sure that as a DSO grows, either through organic growth or through affiliation of practices, there are standard operating procedures in place, particularly on the IT side.”

Yet technology alone cannot support the rapid proliferation of new and emerging customer segments. Offering more personalized services to select groups across specialties requires the oversight of strong leadership. While senior executives can play a key role in shaping a DSO’s culture, Rallis notes that “it’s not just one person building Paradigm; it’s a team of leaders.” In this case, a surgeon leadership group, comprised of members from each of Paradigm’s practices, meets monthly to share performance updates and discuss new initiatives.

Thorne agrees with the importance of shared responsibility for DSO success. After all, he says, “Dentistry is a team

effort—the best dentists understand that. They figure it out and know how to work in a team environment.”

## Conclusion

Dentistry is in a rapid state of flux. Advances in technology and digital innovations are revolutionizing dental practices, turning highly complex procedures into same-day treatments. Increasing recognition of the connection between oral health and traditional health care is prompting practitioners to design comprehensive treatment plans that factor in a patient’s general health conditions. And a deluge of data, culled from online surveys, payment systems, and other sources, is guiding decision making, enabling DSOs to improve the patient experience while establishing best practices for practitioners.

Despite these considerable gains, talent is at a premium as DSOs vie for a dwindling supply of hygienists and dental assistants. DSOs must also maintain consistency across IT environments and multiple brands or risk losing consumer trust.

“The way we go to market is by asking, ‘What are we trying to accomplish? What patient problem are we solving for? And how do we segment the market in a way that makes sure the patients we’re trying to see actually come through our doors?’” says Fontana. “It starts there.”

To this effect, intelligent customer segmentation is proving to be a valuable strategy for serving the needs of patients throughout their entire life cycle. Long gone are the days of siloed specialties overseen by a fragmented patchwork of local practices. Rather, DSOs are taking advantage of new and promising areas of growth by developing and investing in existing talent, gleaning actionable insights from data, establishing differentiated brand values that resonate with consumers, and encouraging practitioners to play a leadership role in shaping the business.

## Endnotes

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