



Don't work for small potatoes



An old woman goes to the market to buy potatoes. She stops beside the first of two wagons and asks, "How much are your potatoes today?" "Dollar and a quarter," replies the farmer.

"I only paid a dollar last time," the woman protests. "Taters have gone up," grunts the farmer, and he turns aside.

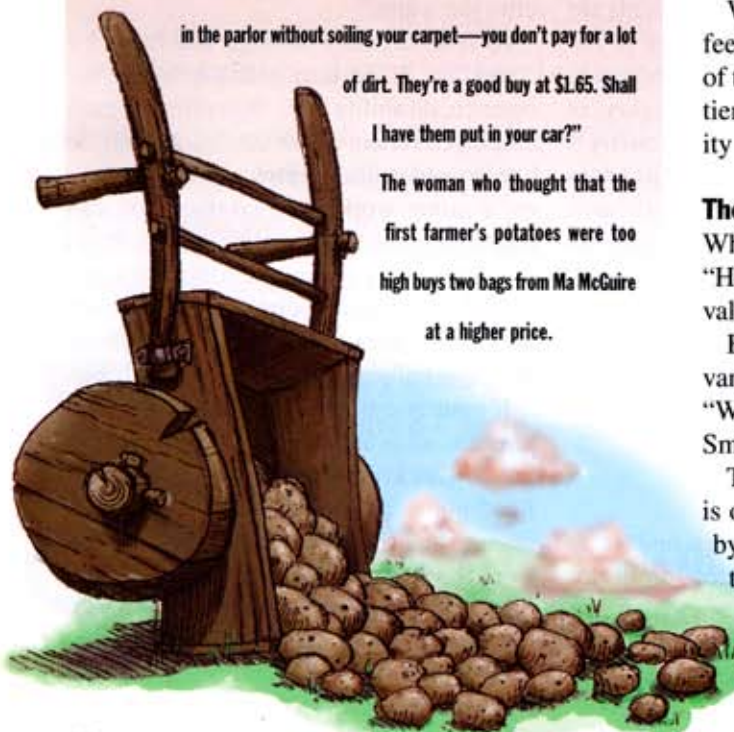
At the next wagon, the woman asks the same question, but this wagon belongs to Ma McGuire, and Ma McGuire knows her potatoes.

"These are especially fine white potatoes," Ma McGuire tells her. "We raise only the kind with small eyes so there will be no waste in peeling. Then we sort 'em by sizes. In each bag you'll find a large size for boiling and cutting up, and a smaller size for baking. The baking size cooks quickly and uniformly.

"These potatoes are clean, too," she continues. "You could put a bag in the parlor without soiling your carpet—you don't pay for a lot

of dirt. They're a good buy at \$1.65. Shall I have them put in your car?"

The woman who thought that the first farmer's potatoes were too high buys two bags from Ma McGuire at a higher price.



Stop apologizing for fees and start charging appropriately for the value of your services.

BY PATRICK WAHL, D.M.D., M.B.A. AND LORRAINE HOLLETT

In the story of the two potato farmers (left), the reason Ma McGuire is successful and able to outsell the farmer is this: She understands what her customers want and she isn't afraid to charge a premium for meeting those desires. This theory translates easily to the dental office. Still, it's surprising how many dentists approach fee-setting more like the farmer—shrugging, uncertain and, in the worst cases, even apologetic for what they charge.

Raising fees is one of the most difficult decisions dentists make. We fear that if we set fees too high, patients may feel alienated and flee from the office. Too low, and we put in more and more hours just to stay ahead.

What many dentists may not realize is that setting their fees too low may actually lessen the appeal and attractiveness of their practice to patients. Although dentists fear losing patients when a fee is raised, studies show that the vast majority of consumers don't even notice a 20% increase in price.

The value of a smile

When Larry Rosenthal, the famous cosmetic dentist, is asked, "How much is a Rosenthal smile?" he responds, "What is the value of a Picasso painting?"

Bill Dickerson, founder of the Las Vegas Institute for Advanced Dental Studies "apologizes" for his fees in this way: "We would rather have to apologize once for our fees, Mrs. Smith, than for the quality of our work for a lifetime."

These two dentists recognize an important principle: Price is only one small factor in a patient's decision to be treated by a particular person. Patients are willing to pay more for treatment that makes them feel good about themselves, for a dentist they trust, for an accessible location and convenient hours, and myriad other factors. If patients cared only about getting the lowest price, then only one den-

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tist (the one with the lowest fees) would have all the patients, right?

Think about how you make your buying decisions. Are you wearing the cheapest shirt that you could find? Probably not. The shirt's fit, style and quality entered into your decision. How about your watch, wallet or purse? Were they the cheapest available? Probably not.

Just as you look beyond price when making purchases, patients coming to your dental office are looking at more than just price, too.

When should I raise my fees?

As consultants, we often are asked, "When should we raise our practice's fees?" Our answer, almost invariably, is "Now."

Many practices suffer from "analysis paralysis," thinking that there is somehow a scientific ideal fee that can be established. They think it is improper to raise a fee without a great deal of research and reflection. Many are tempted to base fee increases on costs, but there's a key flaw in that theory: If you base your fees on your costs, then the more efficient you become and the lower your costs, the less money you make.

The proper fee is whatever the market will bear. Ironically, you will never know that your fees are high enough until you've lost a few patients. Losing patients, up to a point, may mean you're on the right track!

If you are afraid to raise your fees, here is a suggestion. Try raising just one fee for a trial period, say two weeks. See

what happens to your volume and to your profit. They will probably both go up. Your fears will begin to evaporate. And patients will find your success attractive and appealing.

"Why are your fees so high?"

A phone call from a prospective patient asking about fees can send some dental practices into a panic. It shouldn't. Many of these patients simply want to make an appointment, and they don't know what else to ask. They think they are supposed to ask the price, just as you might when you call a business. Furthermore, by asking about fees, they are creating an opportunity for you to educate them about your services.

The best response to a patient's query about a fee is a direct answer. You should be as proud of your fees as you are about the quality of your work. Answering the question directly creates an opportunity for you to explain what makes your practice superior.

When a patient tells you that your fee is higher than other dentists, your response should be, "Well, of course we're higher than other dentists. And we're very proud of that. Let me tell you why we're higher." When you acknowledge openly and honestly that your fees are higher than other dental practices, patients will become open and receptive to your

explanation.

They will then want to know why you're higher. That is your opportunity to sell them on your practice.

Sometimes, patients will compare your fees, not with those of other dentists, but with your own fees from years ago. Let's say, for example, Mrs. Smith complains that her new crown is more expensive than the last one she had done (which was sometime during the Carter administration). In this case, remember this principle: Fees never increase. They are only adjusted. Do not say, "I'm sorry, Mrs. Smith, but we've increased our fees since then." Say, "Mrs. Smith, our fees have been adjusted since then." Once again, take the opportunity to explain how the treatment will benefit her.

When a patient complains about fees, you can most easily defuse the situation by explaining value, rather than defending price. "It's the finest treatment available, Mrs. Smith," is of more interest to a patient than is the tale of your own increased expenses and general woe.

Your fee makes a statement. Patients don't know the difference in treatment quality; price is often their only indication of quality. If you look at two identical diamonds, but one is priced higher than the other, you will assume that the diamond with the higher price

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must be of higher quality. Low price makes a negative, derogatory and diminutive statement. High price makes a positive, believable and enticing statement.

What draws patients to a practice

Prospective patients are more likely to choose the practice that instills in them the greatest sense of value than they are the practice with the lowest price. You certainly do not wish to fill your practice with all the price-shoppers who choose the lowest-priced dentist. Your staff should not need to give treatment away in order to sell it.

Ironically, people who buy because of price often do so because the price is higher. If, for example, you hear that a hotel charges \$24 a night, you would question the quality of the room, and you would probably stay elsewhere. Price is usually the least important of concerns even among consumers with lower incomes.

People buy on price when they can't find exceptional quality, convenience or value. Even decisions supposedly made on price almost never are. Most travelers say they buy the cheapest airline ticket. However, people actually purchase the ticket that leaves from the closest airport, at the time they want to depart, that goes to the destination they want and that returns at the time they want to return. Avail-

ability and delivery, in other words, are always more important than price.

Low price is almost never the reason that a patient schedules an appointment at a dental office. The first concern of most callers is the timeliness of the appointment. That is, a low price may be appealing until the caller hears that it will be three months before the first opening.

Many practices consider it a badge of honor to be "booked out" six weeks in advance. But if the world is beating a path to your door, your price is too low. To better serve your patients, raise your fees. You will then be able to see the patients who want to be seen right away. And you can charge a premium for offering this level of service. You also won't have to work as hard, and can more easily plan your vacations.

Most dentists say they provide great service. Few do. Call different offices and see how soon you can get in, whether convenient times are available and how you are treated.

Understand the bottom line

Most dentists charge so little for check-ups that their practices actually lose money once expenses are paid. This sort of pricing strategy is inappropriate for the most common procedure performed in dental offices, and is often the root cause of a disappointing bottom line.

If your fees and profit margin are low, this will probably discourage in-

vestment in new technologies that growing numbers of patients value, such as air abrasion and intraoral cameras. Keeping fees low is probably not a service to your patients. When the price of candy bars was restricted during World War II, the candy bars got smaller.

Alternatively, when you are facing a disappointing net income, you may be tempted to lower your fees. Look harder. A decline in sales almost always is caused by something other than price, such as poor availability, weak marketing or impersonal service.

"If you raise your fees enough you may have some downtime. You will be able to afford it, and you will have time to sit back and think about your business," says Larry Steinmetz, Ph.D., author of *How to Sell at Prices Higher than Your Competitors*. "You might even think of ways to become more efficient and lower your costs. Perhaps you can now take time to prop your feet up on the table and plan where you're going, how you're going to get there, and most importantly, how you're going to get there profitably."

Business is a game of margins, not volume. Financial success in your practice begins with the belief that you deserve to be rewarded for your efforts. Businesses don't fail because their fees are too high. Businesses fail because their fees are too low. Do you remember the discount airline, People Express?

They were busy—right up to their last day.

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