

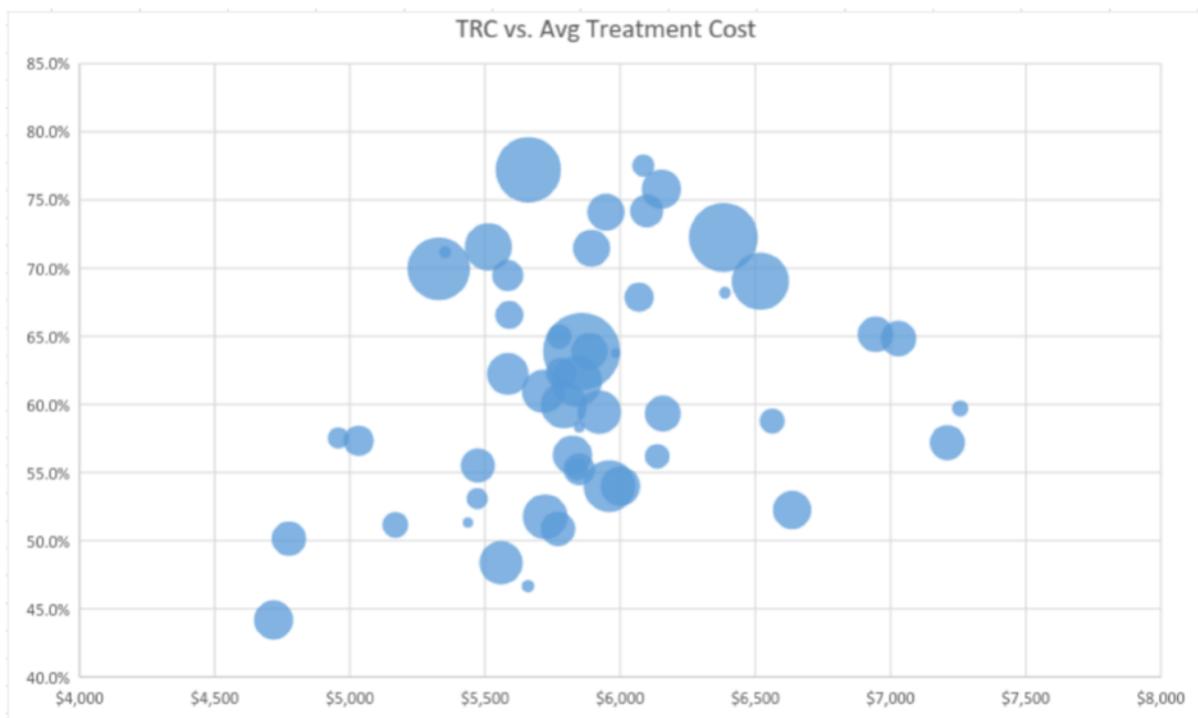
Treatment Fee vs Conversion—The data!

In a previous post, I shared data we are collecting at OrthoFi regarding same day starts. In a series of upcoming blog posts, I hope to share more of the data we have collected from over 76,000 new patient exams, 50,000 starts and over \$226,000,000 in orthodontic production. Today we discuss treatment conversion and treatment fee.

Historically, the amount of competition in the orthodontic space for orthodontic patients was limited to orthodontists and a handful of adventurous general dentists. In today's orthodontic market we have an ever-increasing amount of competitors in our space including other orthodontists, general dentists, corporate dental, mail-order orthodontics, and do-it-yourself orthodontics (gasp!).

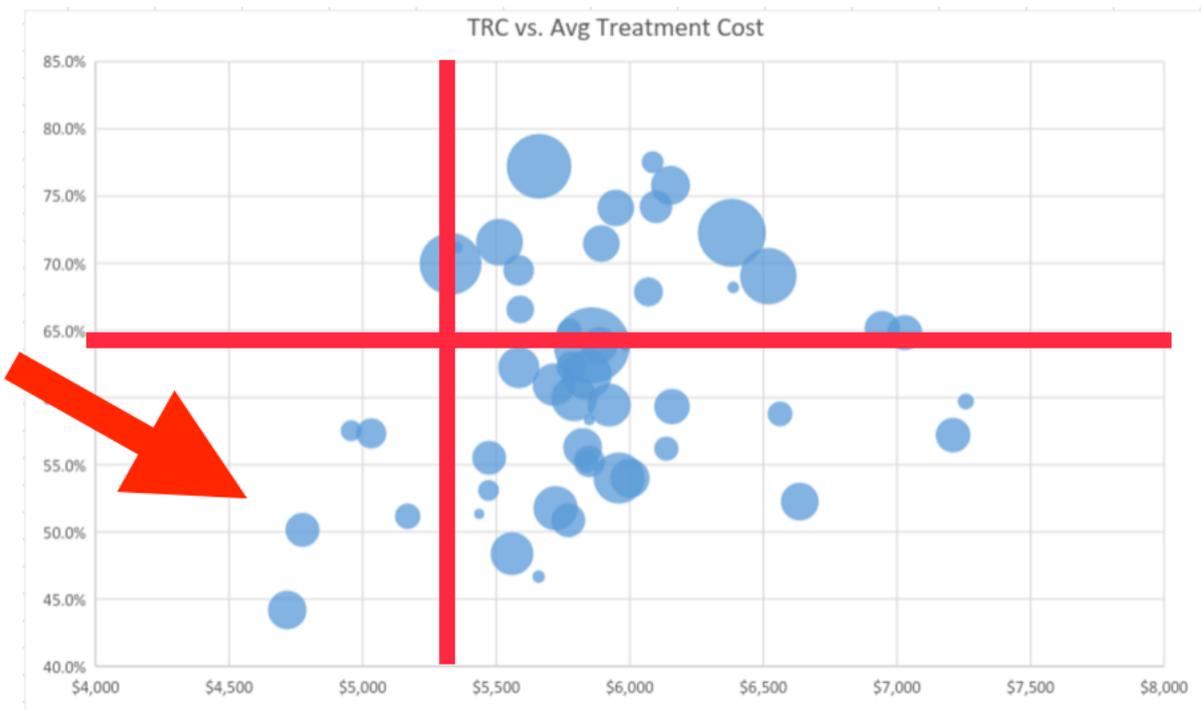
When faced with how to respond to the rapidly increasing competition, I believe most orthodontists' gut reaction is that the only way to compete with other options is to compete on fee. In a future post on messaging, the data shows the top two concerns patients have are quality and comfort. High-tech treatment and low monthly payments were tied for third, showing people wanted the best treatment so long as it is affordable within their monthly budget. But did their buying data back up their pre-treatment messaging data?

The graph below shows Treatment Recommended Conversion (TRC) vs Treatment Fee. TRC is measured by how many starts you get from those patients to whom you recommend treatment and present fees ($\#starts/\#recommends$). Although it may yield a lower number than what you're used to looking at, it's a much more accurate measure than the traditional 'case acceptance' metric ($\#starts/\#NPE$), as case acceptance can give very misleading results if the number of new patient exams is not constant and/or you have variability in your recall inflows/outflows. The data is presented on the following graph:



This bubble chart is intended to show the correlation of fees and conversion rate. On the Y-axis, you have TRC (see above), the percentage of Tx recommends that say 'YES'. The X-axis shows average treatment fee. The bubbles represent practices from around the country with the size of the bubble indicating size of the practice.

Pricing theory would normally lead you to think that the graph should have a general trend of upper left to lower right (higher price yields lower conversion). However, an interesting finding appears with addition of these red lines. The horizontal line is the benchmark conversion percentage of 65%. A TRC over 65% would be considered good and a TRC above 75% would be excellent. There are many ways to artificially inflate TRC and case acceptance, which mislead doctors to think they convert better than they actually do, but that's a topic for another post. The vertical red line is set at \$5,300 treatment fee as an aid to help uncover the underlying trend.



The bottom left hand corner of the graph shows the lowest conversion rate combined with the lowest TRC. As you can see, the group with the lowest fee is also the area representing the lowest conversion – very interesting. In fact, the office with the lowest average fee out of all OrthoFi practices also has the lowest TRC. So in most cases, building your strategy on low fees to win the day is not founded on solid ground. We do not, however, have data for offices charging less than \$4500 for full treatment.

There really isn't any correlation between price and conversion on fees ranging from \$5,300 all the way up to \$6,500. As most of us know, excellent conversion rate is the product of much more than any one single thing. But I see a lot of doctors reacting to increased competition by lowering their fee or doing a lot of discount promotions. What you probably should do if your conversion percentage is slipping is look at all the factors other than treatment fee that may be contributing to lower conversion – especially if you're a lower priced provider whose fee is under \$5,000 a year.

Any good wine tasting sommelier knows that people automatically associate a wine's price with its quality. There's a famous marketing study that backs that up. You don't need to practice in Detroit like I do to see that the automotive industry has put a lot of people with Buick budgets into Cadillacs, right? That's because car companies, even the high-end import brands, have seen huge growth in their private and corporate leasing programs – high quality at more affordable monthly rates. The future may very well have in store a reduction in treatment fees across the board, however our current data confirms: people prefer higher quality orthodontics to lower cost orthodontics – as long as it's affordable.

NEXT UP: What are the most popular down payment and monthly options?

WANT TO LEARN MORE? Attend my upcoming webinar on July 21st at 8pm EST.

Register here: <https://events.r20.constantcontact.com/register/eventReg?oeidk=a07ecxd2r-ra4e58a099&oseq=&c=&ch=>