

Dental implant competitors shake things up

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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. 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.

Straumann's strategy

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 long-standing 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 six per cent rise in first-quarter revenue compared with a six per cent decrease in the same period last year.

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 seg-



[PICTURE: ©SASHKIN]

ments, thus appealing to a wide range of practitioners and patients alike.

The Zimmer–Biomet merger

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 orthopaedic 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' sale 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. 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.

Great deal of activity

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 afore-mentioned 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.

about the author

implants

Kristina Vidug is Market Research Analyst at Decision Resources Group, a US-based market information provider. The company offers analysis and critical information on issues within the healthcare industry.

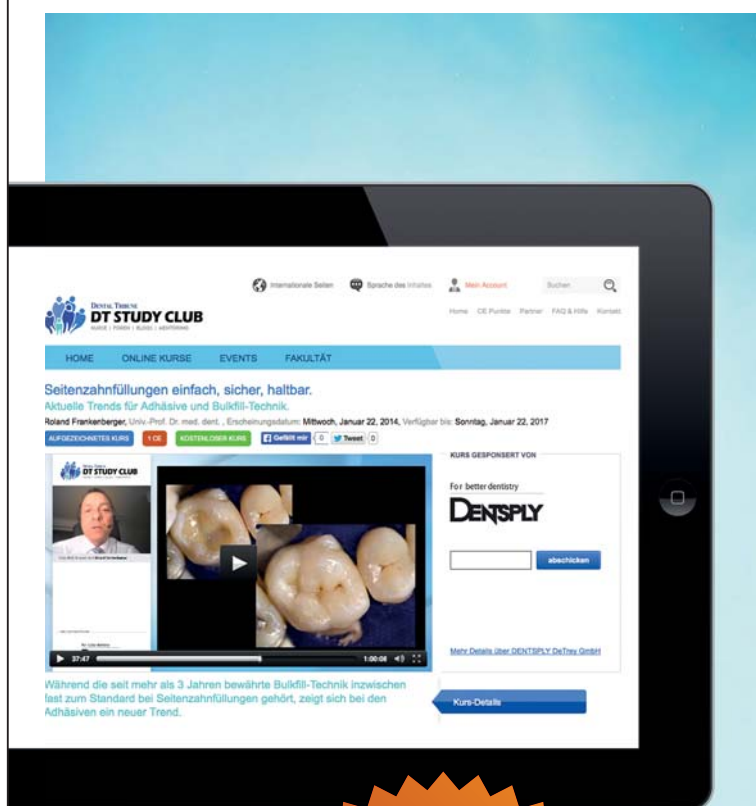
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