Cosmetic Dentistry
State of the Industry
Survey 2011

American Academy of Cosmetic Dentistry

www.AACD.com

AACD State of the Cosmetic Dentistry Industry 2011

About This Study

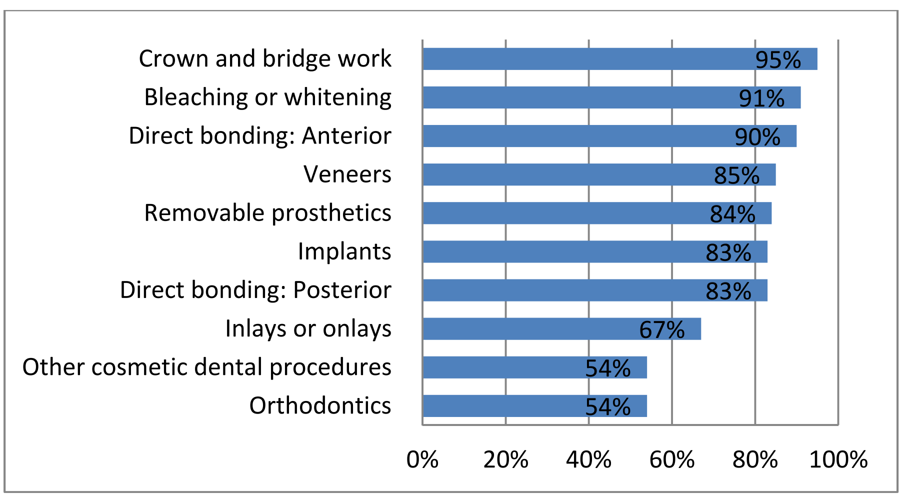
This single-mode survey (email driving to an online instrument) of dental practices was conducted by the American Academy of Cosmetic Dentistry (AACD) to better understand the dynamics of the cosmetic dentistry market and determine the size and impact (in terms of procedures and revenues) of this market.

Previous benchmarking surveys were conducted in 2004 and 2007 by Levin Group, Inc. and Readex Research respectively. Data for the 2011 study was collected between October 6 and November 22, 2011. A total of 1,068 responses were tabulated, with fewer respondents completing the latter portion of the survey. *The net number of respondents is noted on each exhibit.*

The invitation to participate was primarily offered via email to the AACD membership at large, but also distributed to non-AACD member dental professionals via the Dentalcompare network and other dental media to provide an outside-in view of non-member dental practices that derive income from cosmetic procedures.

Procedures Participated In

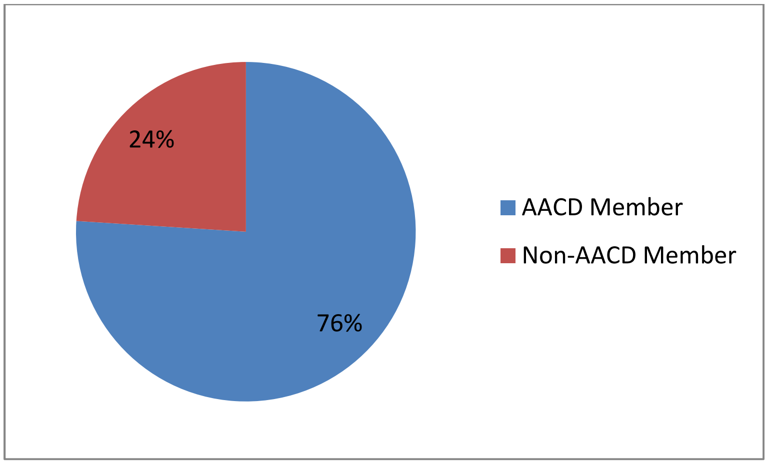
While the smallest in terms of procedures performed in the past year, orthodontics showed the largest positive shift (10% more than data collected in 2007), while veneers have dropped 8% since the 2007 study.



1,058 responding

AACD Member vs. Non-Member Respondents

76% of those responding were current AACD members and 24% were non-members.

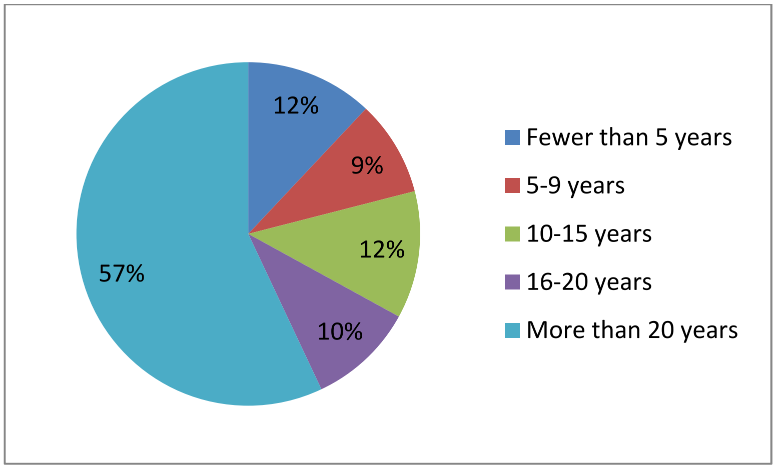


1,068 responding

FINDINGS: Practice Profile

Staying Power—How many years has your practice been in operation?

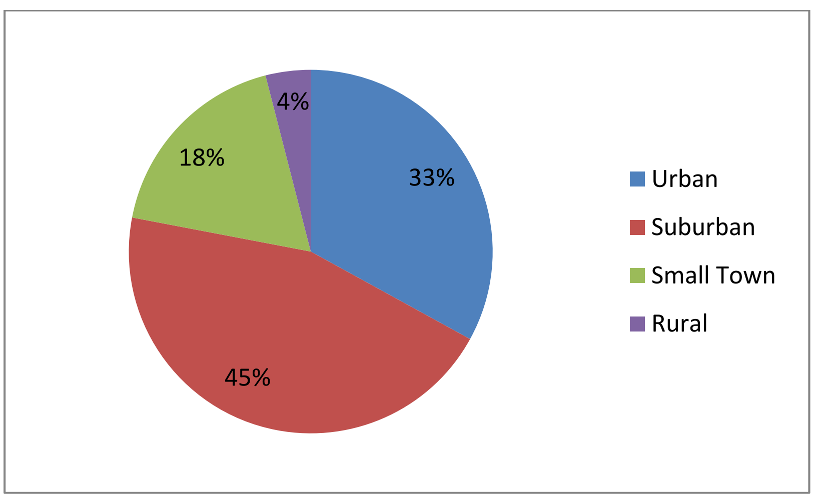
Most cosmetic dentistry practices are well-established within their communities. More than half (57%) have been in operation for 20 years or more. Newer practices (in operation fewer than 5 years) represent 12% of the total. The typical (median) practice has been in operation for 21 years.



1,057 responding

Cosmetic Dentistry Now More Urban—In what type of community is your practice located?

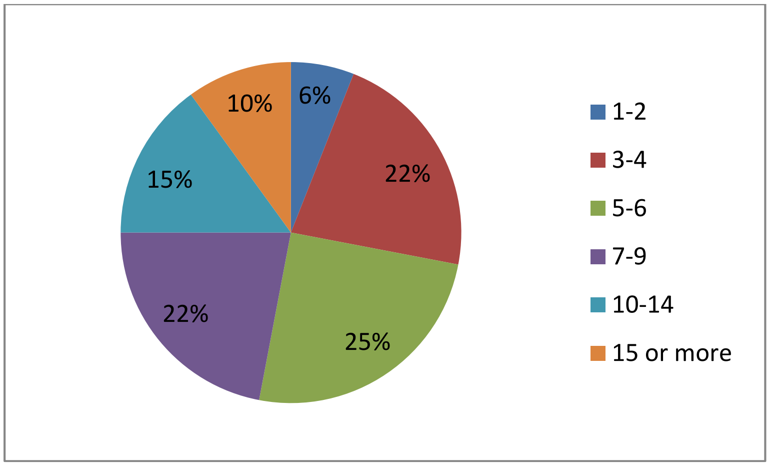
Since the benchmarking study of 2007, there's been a migration away from suburban and rural settings to more urban environments, a category which has increased 7 percentage points in the past four years. Still, almost half (45%) of cosmetic dentistry practices report the type of community in which they are located as suburban.



1,053 responding

Head Count—Total number of employees working at your practice

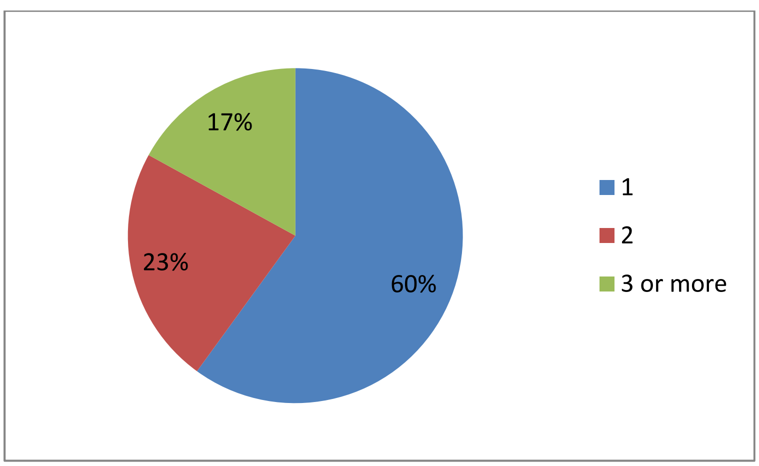
Respondents were asked to indicate how many people, in total (dentists and others), were employed by their practices, both full- and part-time, in 2011. Smaller practices (fewer than 5 employees) represent 28% of the total, an 11% increase since 2007. However, those employing 10 or more individuals make up a quarter (25%) of practices—a 3% increase since 2007. Most practices have between 3 and 9 employees, with the average reported at 7.7.



1,053 responding

Total number of dentists performing cosmetic procedures at your practice

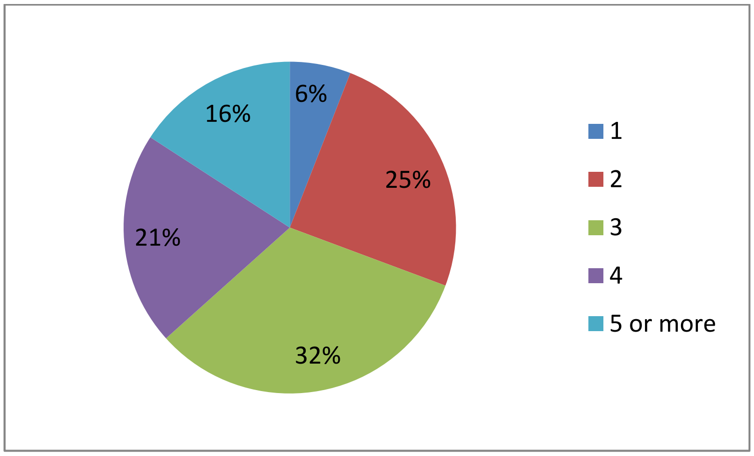
Respondents were asked to indicate how many dentists performing cosmetic dentistry procedures were employed in their practices in 2011. The majority of respondents (60%) indicated a single dentist performing these procedures; however, this is a 15% decrease since 2007. Those answering 3 or more (17%) represent a 12-point increase since 2007. The overall average is 1.6 cosmetic dentists per practice, an increase from 1.3 dentists in 2007.



1,042 responding

Laboratory Loyalty—How many different dental labs does your practice patronize?

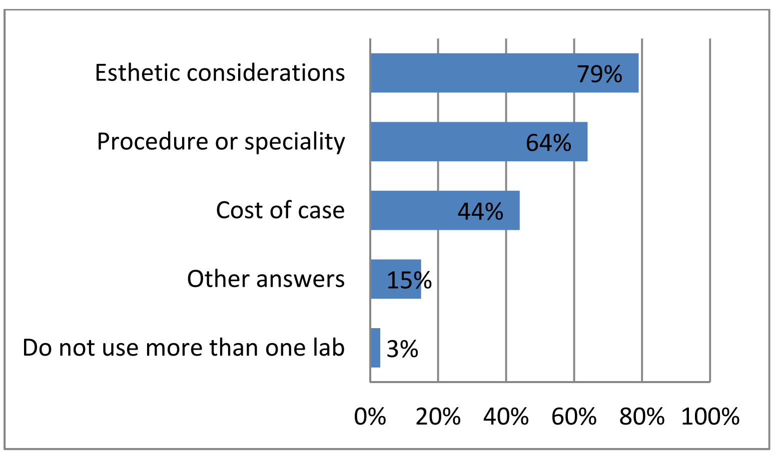
The use of multiple laboratories by cosmetic dentistry practices is common. Only 6% indicated their practices used a single laboratory in 2011, representing a 2-point increase since 2007. The majority (57%) indicated use of two or three labs, while 37% used four or more laboratories. The average is 3.15, an indication of increased lab loyalty over the 2007 average of 3.5 labs used.



1,045 responding

When deciding which dental laboratory to use, what are your primary considerations?

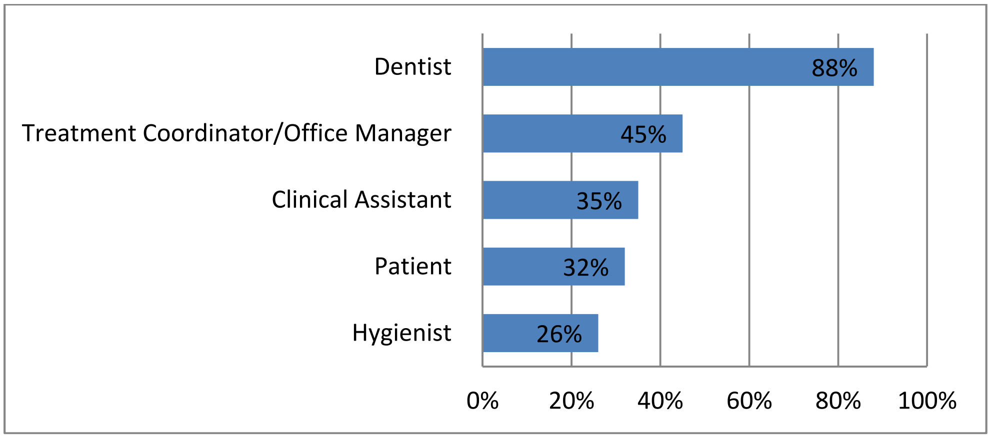
Respondents were able to choose more than one answer, indicating their primary considerations for deciding which laboratory to use in each case. "Esthetic considerations" was the top mention (79%) with procedure or specialty not far behind at 64%, while 44% indicated cost of the case.



1,050 responding

A Team Effort—Primary individual initiating dialog about cosmetic dental procedures

Respondents were able to choose more than one answer. Instigation of new business is overwhelmingly driven by the dentist—a 20-point increase over previous benchmarks. However, it's clear that the entire dental team is involved in recommending procedures in their practices, while 32% of respondents indicated that patients also initiate dialogue regarding treatment options.

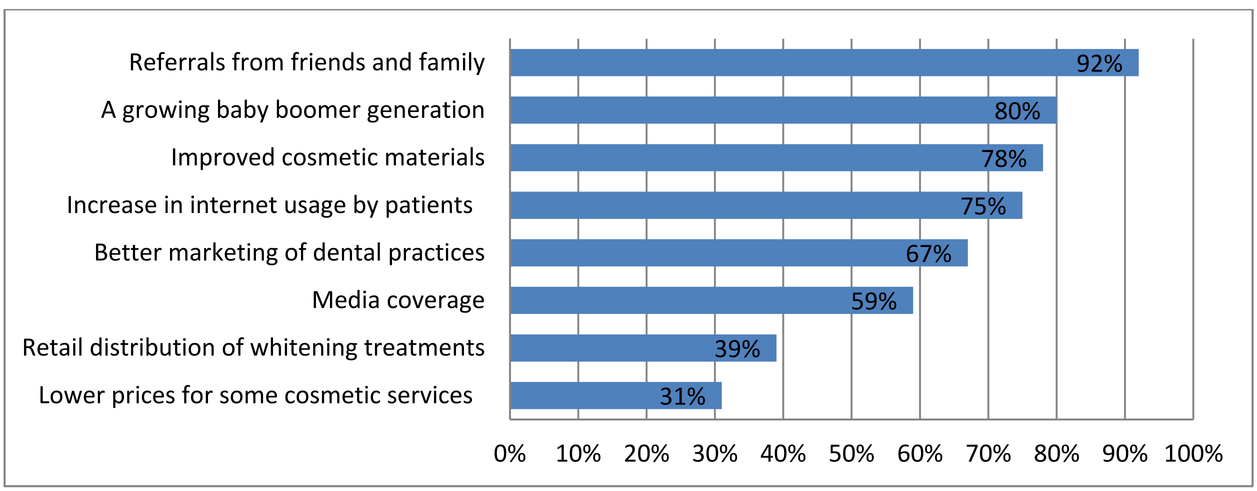


883 responding

Referrals Rule, Plus the Internet Generation Gaining on Baby Boomers—Importance of factors in driving cosmetic dentistry demands

Using a 5-point scale, where 5 = extremely important and 1 = not important, respondents were asked to indicate how important various factors are in driving demand at their practices. Respondents believe the continued demand for cosmetic dentistry is primarily driven by referrals from others who have had a positive experience (92%). The biggest change from the 2007 benchmarking survey is the factor "increase in Internet usage by patients," which—not surprisingly in this connected age—is up 25 points.

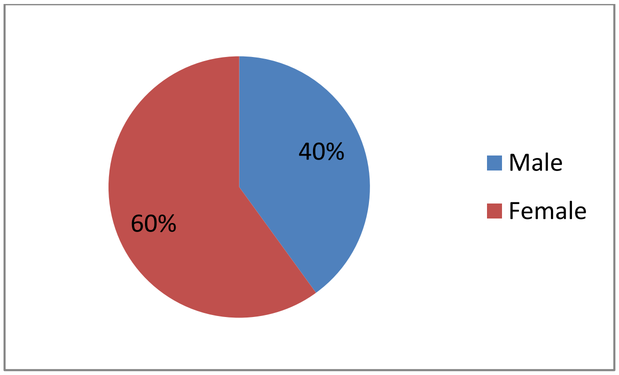
(Percentages indicated are from respondents selecting either a 4 or 5)



870 responding

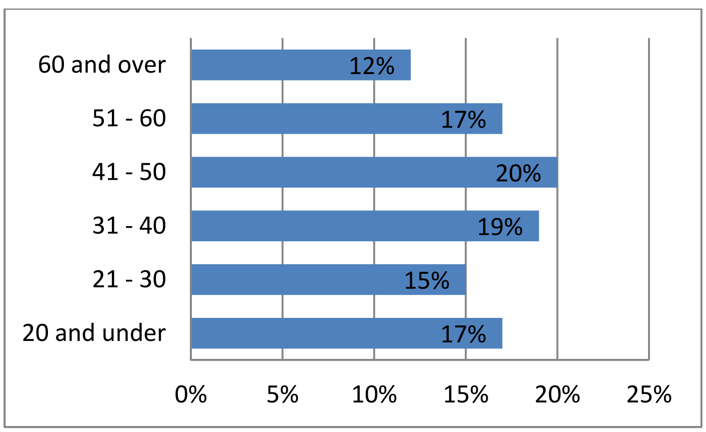
More Guys Getting Comfy with Cosmetic Dentistry—Gender and age range of cosmetic dentistry patients

Respondents were asked to indicate the percentage of their patients in 2011 by gender. Three-fifths of cosmetic dentistry patients were female (60%), and two-fifths were male (40%) representing a 7-point swing toward males from the 2007 survey.



850 responding

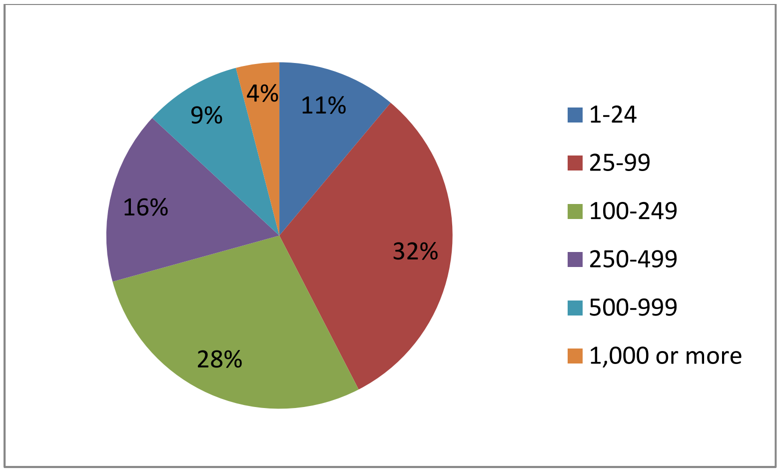
Regarding the age of cosmetic dentistry patients, the distribution is fairly even across all age ranges with close to half of patients (49%), on average, between the ages of 31 and 50. The big change from the benchmarking survey is the skewing toward younger patients, specifically those under the age of 20, a category that grew significantly to 17% from only 5% in 2007.



814 responding

The Doctor Will See You Now—Number of patients seen by your practice for cosmetic dentistry procedures in the previous year

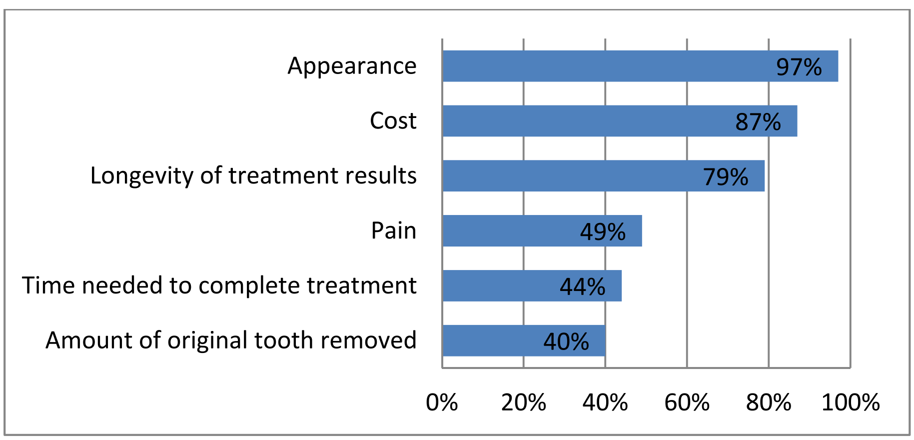
Respondents were asked to indicate the number of patients their practices had for cosmetic dentistry procedures in 2011 (counting multiple visits by the same patients as one visit). At the top end of the distribution, 4% of practices had 1,000 or more patients—a marked decline since 2007 when 16% of respondents reported 1,000 or more. At the opposite end of the spectrum, 11% had fewer than 25 patients. The average number of cosmetic patients per practice in 2011 was 247, down significantly from an average of 485 in 2007.



877 responding

What Patients REALLY Care About—Issues of primary concern

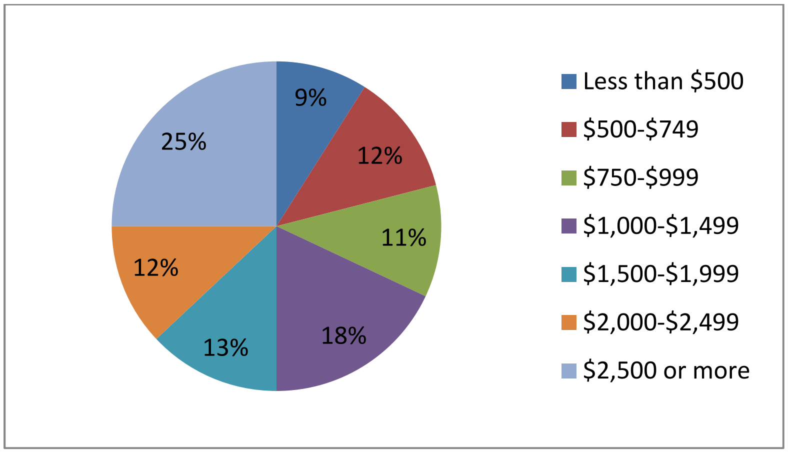
Using a 5-point scale, where 5 = great concern and 1 = not a concern, respondents were asked to rate the degree of concern various issues are to patients when considering a cosmetic dentistry procedure. Defining ratings of 4 or 5 as a true concern, at the top of the list is appearance, indicated by 97%. Indicated by fewer, but still substantial majorities, are cost (87%) and longevity of treatment results (79%). Other concerns, such as treatment time, pain, and original tooth integrity were mentioned by fewer than half.



854 responding

Show Me the Money I—Average production per cosmetic patient *per visit*

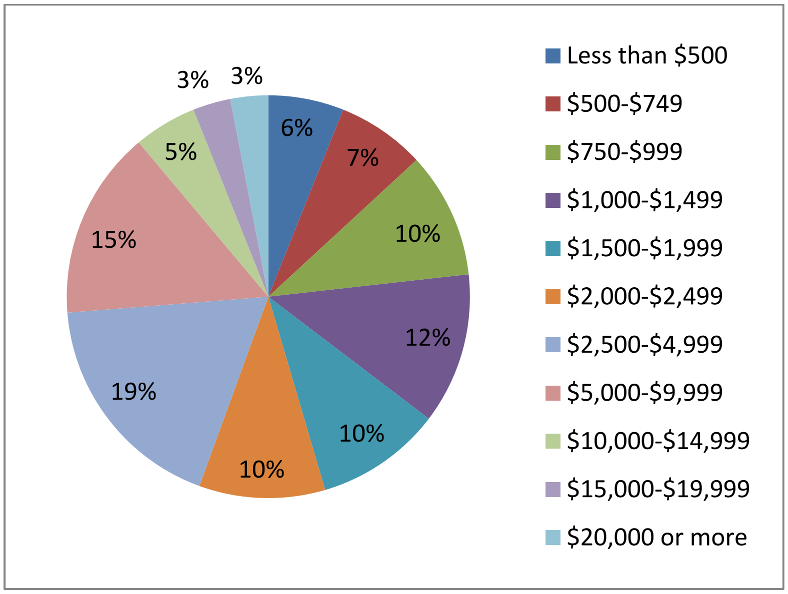
Respondents were asked to indicate their practice's average production *per scheduled cosmetic dentistry patient visit* in the past year. One out of four respondents (25%) indicated the highest category available on the survey, $2,500 or more. A fairly even distribution of responses was received for the dollar ranges immediately below. The average for per-patient visit is $1,603.



828 responding

Average spent per patient on cosmetic dentistry services *per year*

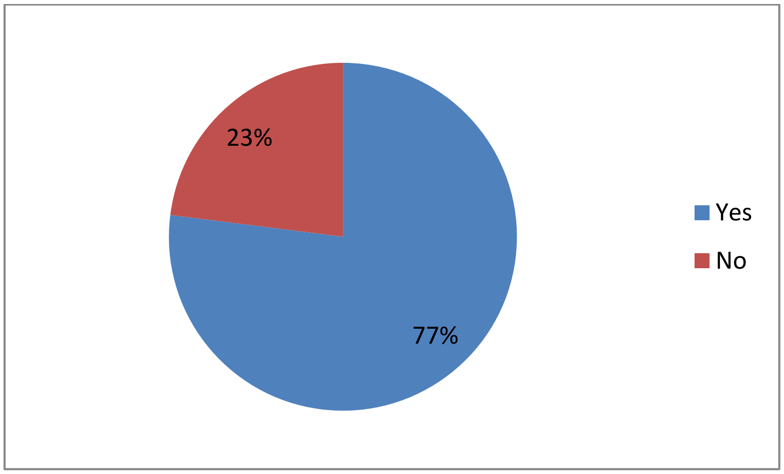
Respondents were asked to indicate how much the average cosmetic dentistry patient spent on services *in the past year* at their practices. At the high end, 3% of practices indicated an average amount of $20,000 or more spent per patient—the same as indicated in the 2007 benchmark survey. At the other extreme, 6% of practices reported average patient costs of less than $500—a 4-point increase since 2007. The modal (most often indicated) categories were $2,500 - $4,999 (19%) and $5,000 - $9,999 (15%), both down several points since 2007.



823 responding

Financial Assistance—Did your practice offer third-party financing options?

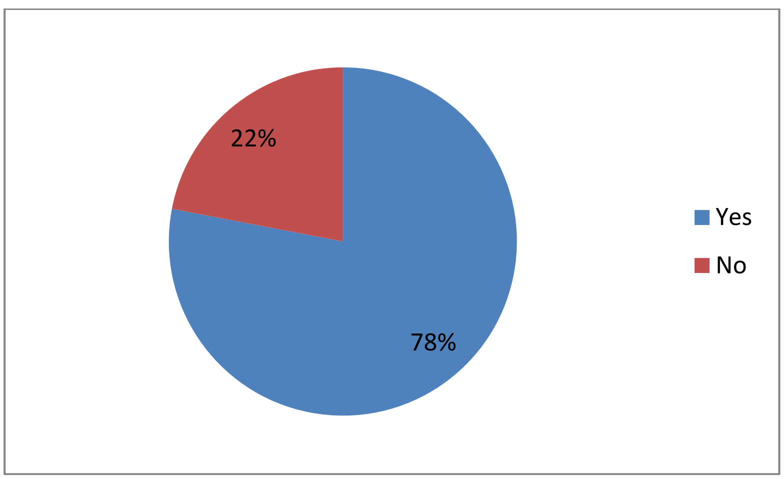
77% of practices indicated they offered their cosmetic dentistry patients third-party external financing services in the past year, a decrease of 10 points since the 2007 survey.



855 responding

Case Acceptance Boosted—Did offering external financing help with treatment acceptance?

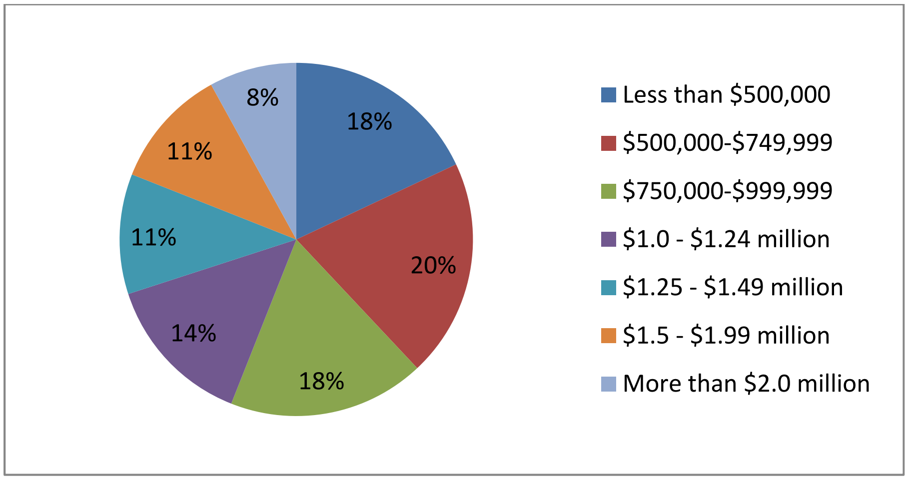
Of those offering financing, 78% of respondents reported that third-party financing options helped patients get to a "yes" decision.



729 responding

Show Me the Money II—Total revenues for ALL dentistry procedures (cosmetic and non-cosmetic)

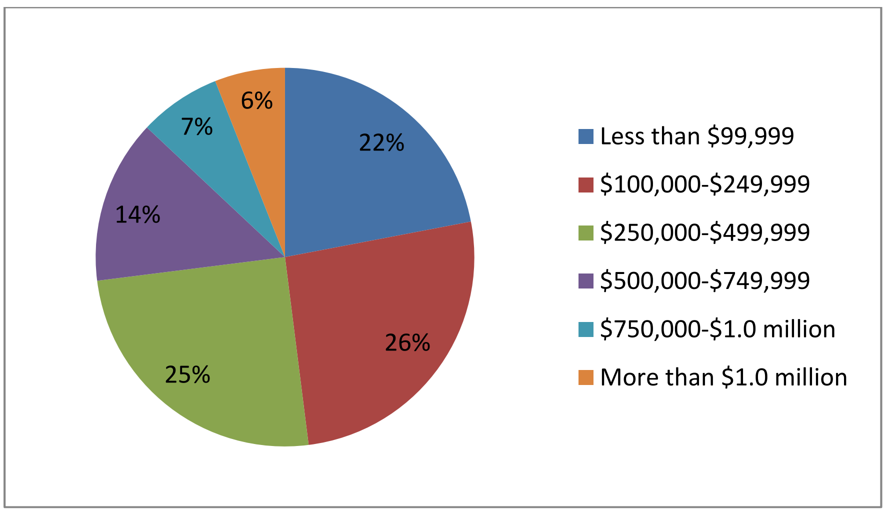
These results address practice activity in total revenues. The average practice reported total revenues for all dentistry procedures (both cosmetic and non-cosmetic) in 2011 at $1 million, comparable to data collected in 2007. Compared to the 2007 survey, the lowest category (less than $500,000) has increased by 6 points; offset by the 6-point positive swing in the $1.25 million to $1.99 million categories. The "more than $2 million" category remained unchanged since 2007 at 8% of those reporting.



822 responding

Total revenues for cosmetic dentistry procedures

Nearly three-quarters of respondents (73%) reported total cosmetic revenues at $500,000 or less for the previous year (aggregate of the first three ranges). For comparison, the 2007 survey indicated those same three groups at 57%. For the "more than $1 million" category, the 6% represents a 4-point drop since the 2007 survey. The average revenue for cosmetic dentistry procedures for all those reporting is $375,000 per practice.



815 responding

Financial Impact Summary

Using the baseline multiplier (5,500) established in the 2007 State of the Cosmetic Dentistry Industry survey and multiplying it by the average revenue figure, the data suggests that the cosmetic dentistry industry has declined by 13% since 2007, primarily driven by the poor economy and recessionary behavior of those seeking treatment. However, when looking at specific cosmetic dentistry procedures in the table, below, participants overwhelmingly believe that revenues generated from these procedures have either increased or stayed the same year over year, and the expectation is that revenues will continue to increase or stay the same into next year, suggesting optimism for the future.

Revenue Change from Cosmetic Procedures

Compared to the revenue generated by **bleaching/whitening procedures** in the year previous, this year was		
568 responding		
an increase	130	23%
a decrease	148	26%
about the same	290	51%
Do you expect the revenue generated by bleaching/whitening procedures in the coming year to		
571 responding		
increase	183	32%
decrease	69	12%
stay about the same	319	56%

Compared to the revenue generated by **crown and bridge work procedures** in the year previous, this year was		
541 responding		
an increase	151	28%
a decrease	149	27%
about the same	241	45%
Do you expect the revenue generated by crown and bridge work procedures in the coming year to		
545 responding		
increase	234	43%
decrease	58	11%
stay about the same	253	46%

Compared to the revenue generated by **direct bonding posterior procedures** in the year previous, this year was		
530 responding		
an increase	168	32%
a decrease	79	15%
about the same	283	53%
Do you expect the revenue generated by direct bonding posterior procedures in the coming year to		
532 responding		
increase	211	40%
decrease	41	8%
stay about the same	280	52%

Compared to the revenue generated by **direct bonding anterior procedures** in the year previous, this year was		
531 responding		
an increase	151	28%
a decrease	91	18%
about the same	289	54%
Do you expect the revenue generated by direct bonding anterior procedures in the coming year to		
536 responding		
increase	199	38%
decrease	40	7%
stay about the same	297	55%

Compared to the revenue generated by **implant procedures** in the year previous, this year was		
530 responding		
an increase	221	42%
a decrease	86	16%
about the same	223	42%
Do you expect the revenue generated by implant procedures in the coming year to		
530 responding		
increase	283	53%
decrease	37	7%
stay about the same	210	40%

Compared to the revenue generated by **inlay or onlay procedures** in the year previous, this year was		
516 responding		
an increase	94	18%
a decrease	99	19%
about the same	323	63%
Do you expect the revenue generated by inlay or onlay procedures in the coming year to		
524 responding		
increase	139	27%
decrease	56	11%
stay about the same	329	62%

Compared to the revenue generated by **orthodontic procedures** in the year previous, this year was		
513 responding		
an increase	144	28%
a decrease	63	12%
about the same	306	60%
Do you expect the revenue generated by orthodontic procedures in the coming year to		
516 responding		
increase	186	36%
decrease	36	7%
stay about the same	294	57%

Compared to the revenue generated by **removable prosthetic procedures** in the year previous, this year was		
520 responding		
an increase	110	21%
a decrease	105	20%
about the same	305	59%
Do you expect the revenue generated by removable prosthetic procedures in the coming year to		
517 responding		
increase	120	23%
decrease	87	17%
stay about the same	310	60%

Compared to the revenue generated by **veneer procedures** in the year previous, this year was		
517 responding		
an increase	127	25%
a decrease	139	27%
about the same	251	48%
Do you expect the revenue generated by veneer procedures in the coming year to		
528 responding		
increase	201	38%
decrease	70	13%
stay about the same	257	49%

Compared to the revenue generated by **other cosmetic procedures** in the year previous, this year was		
507 responding		
an increase	116	23%
a decrease	87	17%
about the same	304	60%
Do you expect the revenue generated by other cosmetic procedures in the coming year to		
515 responding		
increase	163	32%
decrease	45	9%
stay about the same	307	59%

FINDINGS: Executive Summary

General

- A total of 1,068 responses were tabulated, with fewer respondents completing the latter portion of the survey. 76% of respondents were American Academy of Cosmetic Dentistry (AACD) members.
- Previous benchmarking surveys were conducted in 2004 and 2007.
- While the smallest in terms of procedures performed in the past year, orthodontics showed the largest positive shift (10% more than data collected in 2007), while veneers have dropped 8% since the 2007 study. (See page 2)

Cosmetic Dental Practice Demographics

- More than half of the practices reporting (57%) have been in operation for 20 years or more. Since 2007, there's been a migration away from suburban and rural settings to more urban environments, which increased 7 percentage points in the past four years. Still, 45% of cosmetic dentistry practices report the type of community in which they are located as suburban. (See page 4)

- Most practices have between 3 and 9 employees, with the average reported at 7.7. The total number of dentists performing cosmetic procedures at reporting practices average 1.6 cosmetic dentists per practice, an increase from 1.3 dentists in 2007. (See page 5)
- The average number of dental laboratories used is 3.15, an indication of lab loyalty over the 2007 average of 3.5 labs used. Esthetic considerations was the top concern (79%) in selecting which dental laboratory to use, with procedure or specialty not far behind at 64%. (See page 6)
- While it's clear that the entire dental team is involved in initiating dialogue about cosmetic dentistry and recommending procedures, the instigation of new business is overwhelmingly driven by the dentist—a 20-point increase over previous benchmarks. (See page 7)

A Bit about the Patients

- Respondents indicated that demand for cosmetic dentistry procedures was primarily driven by referrals from others who have had a positive experience, while the biggest change from the 2007 benchmarking survey is the factor "increase in Internet usage by patients," which—not surprisingly in this connected age—is up 25 points. (See page 7)
- Three-fifths of cosmetic dentistry patients were female (60%), two-fifths were male (40%) representing a 7-point swing toward males since the 2007 survey. (See page 8)
- Close to half of patients (49%), on average, are between the ages of 31 and 50. The number of patients age 20 and under grew significantly to 17% from only 5% in 2007. (See page 8)
- When asked to indicate the number of patients their practices had for cosmetic dentistry procedures in 2011 (counting multiple visits by the same patients as one visit), 4% of practices had 1,000 or more patients—a marked decline since 2007 when 16% of respondents reported 1,000 or more. At the opposite end of the spectrum, 11% had fewer than 25 patients. The average number of cosmetic patients per practice in 2011 was 247, down significantly from an average of 485 in 2007. (See page 9)
- Respondents were asked to rate how much of a concern various issues are to patients when they consider a cosmetic dentistry procedure. Defining ratings of 4 or 5 as a true concern, at the top of the list is appearance, indicated by 97%. Indicated by fewer, but still substantial majorities, are cost (87%) and longevity of treatment results (79%). (See page 9)

Cosmetic Dentistry in Dollars and Cents

- When asked to indicate their practice's average production per scheduled cosmetic dentistry patient visit in the past year, one out of four respondents (25%) indicated the highest category available on the survey: $2,500 or more. The average for per-patient visit is $1,603. (See page 10)
- When asked to indicate how much the average cosmetic dentistry patient spent on services at their practices *in the past year*, 3% of practices indicated an average amount of $20,000 or more spent per patient—the same as indicated in the 2007 benchmark survey. At the other extreme, 6% of practices reported average patient costs of less than $500—a 4-point increase since 2007. The modal (most often indicated) categories were $2,500 - $4,999 (19%) and $5,000 - $9,999 (15%), both down several points since 2007. (See page 10)

- 77% of practices indicated they offered their cosmetic dentistry patients third-party external financing services in the past year, a decrease of 10 points since the 2007 survey, but of those offering financing, 78% of respondents reported that third-party financing options helped patients get to a "yes" decision. (See page 11)
- The average practice reported total revenues for all dentistry procedures (both cosmetic and non-cosmetic) in 2011 at $1 million. Compared to the 2007 survey, the lowest category (less than $500,000) has increased by 6 points; however, this is offset by the 6-point positive swing in the $1.25 million to $1.99 million categories. The "more than $2 million" category remained unchanged since 2007 at 8% of those reporting. (See page 12)
- Nearly three-quarters of respondents (73%) reported total cosmetic procedure revenues at $500,000 or less for the previous year. The average revenue for cosmetic dentistry procedures for all those reporting is $375,000 per practice. (See page 12)
- The cosmetic dentistry industry has declined by 13% since the 2007 survey primarily driven by the poor economy and recessionary behavior of many seeking treatment. (See page 13)
- However, when looking at specific cosmetic dentistry procedures, participants overwhelmingly believe that revenues generated from these procedures have either increased or stayed the same year over year, and the expectation is that revenues will continue to increase or stay the same into next year. (See pages 13 – 16)