FIGHT COMMODITIZATION: DOS AND DON’TS FOR AESTHETIC PHYSICIANS

You have the power to overcome commoditization. Take the right steps to be active, not reactive.

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If you ask aesthetic physicians, “What concerns you the most in the aesthetic medicine specialty?” you will hear a variety of answers. These range from fluctuations in the economy to litigious patients to finding qualified and loyal staff members. The threat of commoditization is becoming increasingly prevalent. It is one of the few threats that you actually have control over, and—more importantly—the power to overcome.

Before setting out to conquer it, it is important to understand what commoditization is. A common definition is, “The process by which a product and/or service reaches its point in development where one brand has no features that differentiate it from other brands and consumers will buy on price alone.” As Fig. 1 shows, the number of aesthetic providers is increasing, as the number of nonsurgical treatments climbs at a record pace. Meanwhile outlets like medical spas are also seeing growth. This could set the stage for commoditization of aesthetic procedures.

Commoditization affects the aesthetic marketplace in a variety of ways. When a provider and the services/procedures he/she offers are viewed as indistinguishable, price becomes the determining factor. If you do not differentiate yourself, competition will force you to reduce your prices and therefore your practice profitability. Take a close look at the cell phone and the PC market to prove this point. When other manufacturers were neglecting customer service, innovation and differentiation, Apple was doing the opposite. As a result, other players were constantly cost cutting, while Apple was making improvements and actually raising their prices. As we all see today, Apple’s strategy of not accepting commoditization worked in their favor, and they are the clear market leader in what was becoming a commoditized market.

Faced with this dilemma, medical practices have made a variety of mistakes that actually compound the problem:

Discounting: Cuts into profitability and is basically an admission that “We offer nothing unique here.”

Mimicking the competition: The goal is to differentiate your practice and your services, not be the same.

Gimmicks: Don’t forget you are running a medical practice with medical procedures. Having someone flip a sign in front of your medical practice for “$9.99 neurotoxin” is not the answer.

BY THE NUMBERS

+17% Growth in surgical procedures from 2011 (ASAPS Data)

+44% Growth in nonsurgical procedures from 2011 (ASAPS Data)

+27% Growth in Aesthetic Physicians in ASAPS annual survey sample since 2013

+$1.66B Estimated growth in MedSpa Revenue in US since 2012

+25% Growth in Chemical Peels since 2014
Increased spend on external marketing: It is more important to focus on what you are doing with the patients you have, not those you don’t. Are you providing optimal outcomes with a high level of service? This will encourage higher spend per patient, increased referrals and a higher rate of retention.

Ignoring the problem: It is not going to go away. You need to confront it head on and have a plan of action.

WHAT TO DO
There are a variety of ways to battle commoditization. The first is branding your practice. Your brand is who you are, who you want to be, and who your current and prospective patients perceive you to be. It is important to realize that you can’t be all things to all patients. If you want to be the Neiman Marcus of aesthetics, you can’t offer constant discounts and promotions. Integrate your brand into everything you do: your logo, tagline, staff uniforms, website, external advertising and your pricing. Educate your staff on what your brand is and why your brand is what it is. I have often asked staff members “What is the brand of this practice?” and they either have no idea, or their answer is completely different from the physician’s answer. Be consistent and true to your brand and deliver on these promises to your patients.

Your staff play a major role in defeating commoditization. Your staff should be knowledgeable of your brand, the various procedures you offer, as well as the products you offer. Nothing instills less confidence in a patient than when they ask a simple question like, “Why is this retinol different?” and your staff says, “I’m have no idea, I haven’t used that one.” Having a staff that is professional and customer-centric is more important now than ever. Hold your staff accountable to your expectations. Have weekly meetings to review. Rely on industry representatives to fully educate your staff and review FAQs. Award the right behaviors and be crystal clear on what is expected. Lastly, measure quality of care. This can be as simple as a survey asking how your patient’s experience was via one of the many companies who offer emailed surveys. Not only does it show patients that you care, but there may be consistent, eye opening feedback from your patients.

Credentialing your practice is key in defeating commoditization. This is rarely done, and that is mind boggling. Perhaps providers do not want to come off as bragging or pompous. Be proud of your accomplishments and put them on display. Diplomas, certificates of advanced trainings, patient thank you letters, before and after photos, and even quoting how many procedures you have done are all differentiators. Display these in your waiting room, on your website, in patient rooms, in office loop videos, and in external marketing efforts. Often these are found in a provider’s private office which does no good. A restaurant’s 5-Star certificate does not hang in the kitchen. The chef already knows he is good. It is prominently displayed for all customers to see. This builds confidence with patients, differentiates the practice, and also shows the dedication and commitment that the provider has put into their craft to be the best.

Credentialing should start with that initial phone call to your office. There is a big difference when a potential patient asks “How much is a nose job?” and is told “$7500” vs. when the receptionist says, “I am so happy you called today. Dr. Smith is the top rated rhinoplasty specialist in the city and has performed over 500 rhinoplasties with rave reviews. He speaks nationally on this procedure and he actually just did my sister’s procedure. When is a good time I can schedule you to come in for a one on one consultation with Dr. Smith?”

Lastly, a well thought out pricing strategy can help with the commoditization conundrum. As mentioned, practices must resist the temptation to lower price and engage in price wars. In any industry, the best businesses do not just lower price or price match, they step up their game. Spend more time in the education and consultation phase. This is one of the top reasons patients list for choosing their provider, not price. They want to know that you care, what to expect from the product or procedure and feel comfortable with you. Spending a little extra time here pays dividends in differentiating yourself. Focus more on outcomes and overall experience, rather than price.

Packaging/bundling products and procedures is a way to differentiate your practice, increase your profitability, and enhance patient outcomes. Multiple syringe pricing on fillers and bundling of popular procedures with relevant skin care—implemented and communicated effectively—will change your practice. Again, these are not specials or promotions. These are everyday packages that increase your profitability, enhance patient outcomes, and differentiate your practice from others. If administering a third syringe of filler is going to take five minutes, do you need to charge the same as for the first syringe, which has a higher amount of fixed time? If the third syringe will achieve optimal correction, it is worth the extra couple of minutes. Look at the profitability per patient, not profitability per syringe. Nonsurgical procedures that do not improve skin tone and texture should be combined with topical products that do. Offering a neck and decollete product with radio frequency skin tightening and/or a chemical peel with a facelift will differentiate your practice and provide a better overall patient outcome and experience with improved before and after pictures.

TAKE ACTION
There are more aesthetic providers and more patients seeking aesthetic treatments than ever, and these numbers continue to grow. Do not sit back and accept commoditization. Take action. While it is always important to be aware of what your competition is doing, place an increased focus on improving and differentiating your practice. There are many areas out of your control, but striving to be different and the best, is not one of them.