

Protect Your Profitability with Referral-Based Marketing

By Roger P. Levin, DDS

Introduction

What's the best way to protect your practice in uncertain economic times? How do orthodontists ensure a continual flow of new patients and sources of referrals that will help make their practices recession-proof? Implement a consistent referral-based marketing program and you'll bring in a steady stream of new patients, increase production and generate greater profitability.

Remember, even when practices do very well with word-of-mouth advertising, most orthodontists still receive the majority of their patient referrals from general dentists. A practice's top referral source can provide from \$100,000 to \$250,000 in production per year. Project those figures over 20 years and that single referral source that sends \$100,000 yearly in referrals can account for \$2 million in revenue over time.

The Advantages of Referral-Based Marketing

A successful referral-based marketing program requires repeat, positive and consistent contact that builds relationships with referring doctors and their offices. It's true that some time and money must be invested. However, when done properly this type of marketing can offer huge returns and increase referrals for the life of your practice.

Another advantage that referral-based marketing programs offer is that they help your practice prepare for the unexpected. It's important to anticipate that over time, your practice will lose referral sources, as well as patients. At one time or another all orthodontic practices lose referral sources. It's not an uncommon scenario. Losing a key referral source is not always due to poor customer service or conflict, but rather a multitude of uncontrollable circumstances. Causes can range from retirement to disability of a referring doctor. Instituting a referral-based marketing program can prevent those losses from adversely affecting the practice over the long-term.

Your Strategy: Building a Diversified Patient Base

Referral-based marketing programs can provide a cushion in a fluctuating economy. They do this by developing a diversified patient base and a steady stream of income that increases annually. In a sluggish economy more patients will shop for orthodontic services in the same way they shop for other items. Increasing your total referrals will help your practice offset a lower start ratio. Slower economic times mean that less patients accept treatment.

Levin Group has found referral-based marketing allows practices to grow even during slow economic times.

To understand how to carry out a referral-based marketing program, familiarize yourself with the following four essential steps.

1. Designate or Hire a Professional Relations Coordinator (PRC)

Orthodontists are simply too busy with patient care to manage and implement referral-based marketing programs themselves. For this reason orthodontic practices should have a part-time staff member dedicated to referral-based marketing. Levin Group pioneered the concept of the Professional Relations Coordinator (PRC) to meet that need. The PRC builds and strengthens relationships with referring doctors and staff, hygienists, and patients. As the liaison to your referral base, your PRC establishes the organizational framework and momentum to ensure consistent communication with your referral base.

It's amazing how much impact one dedicated individual can make by spending 12-16 hours per week on the referral-based marketing program. The amount of time and money spent on this resource allows the practice to increase revenue by as much as 15 to 30 percent. Through the PRC, a consistent referral-based marketing program can be implemented with less than three or four hours of the doctor's time per week spent in communication with referring offices.

2. Develop a Targeted Strategy

Strategy and planning are at the core of a successful referral-based marketing program. Whatever your practice's vision and goals, you should develop 15-30 repeatable marketing strategies to implement. Your practice's customized marketing plan can include activities like:

- Relationship-building with referring doctors and their staffs.
- Education through seminars, fact sheets, letters, etc.
- Branding your practice as the area's orthodontic leader.
- Better customer service through internal marketing and staff training.
- Creating patient referrals through word of mouth and other strategies.

A young practice needs as many referrals as possible, while others need to capitalize on their existing success, strengthen their relationships with the referral base and grow their referral doctor network.

3. Monitor and Track Performance

To determine how successful your referral marketing efforts are, it's important for your PRC to monitor and track the statistics specific to your practice, such as:

- Number of referral sources
- Total referrals
- Referrals per doctor

- Total number of patients referred
- Number of starts per referral source
- Trends and changes in referral patterns
- A, B, C, D segmentation of referral base

This continuous tracking allows your practice to adjust and fine-tune the strategies employed. It's just as important to understand what is not working as it is to track your successes. The PRC should also segment your referral doctors into the four categories below.

A-level

These referrers are your highest referrers. This group needs to be maintained with the proper amount of attention.

B-level

This group refers at a lower rate than A referrers. You will need to work on the relationship so that they can be upgraded into A-level referrers.

C-level

Doctors in this category rarely or intermittently refer patients and are unlikely to ever become high-level referral sources. These dentists may have relationships with other key doctors. However they have little future potential as referrers.

D-level

These doctors do not refer to your office but have the potential to begin referring. With this group you must take steps to develop the relationship to help them become top-level referral sources.

4. Be Proactive With Your Competition

A strong referral-based marketing program helps protect your orthodontic practice, regardless of your competition, by making it possible to continuously maintain strong relationships. The fact is, competition will always increase, not decrease. Every business today faces increased competition and orthodontics is no different.

What are the benefits of being proactive with your competition? Here are some points to remember:

- Increasingly, orthodontists are learning to step up their marketing efforts to boost profitability. Some marketing activity is becoming the norm for most orthodontic practices. Engaging in referral-based marketing helps your practice stay competitive.
- Practices in an area well-suited for orthodontic practices will likely find that another orthodontist recognizes it and opens a full- or part-time practice. Levin Group has frequently observed the scenario where one orthodontist

predominated in an area, only to watch several competitors enter the scene and reduce the practice's referral base and revenue. Focus on your office's unique selling points in your marketing programs to make your practice stand out.

- Referral sources doing their own orthodontic treatment are an orthodontist's biggest competition. The trend of general dentists bringing orthodontics into their practices due to the introduction of new technologies will further impact the potential growth of orthodontic practices. Make sure you get the message out that your training and experience gives you the ability to offer more to patients *and* referring doctors.

Conclusion

A strong referral-based marketing program is a necessity not an option for successful practices, particularly in a struggling economy. Programs that pursue numerous contact opportunities and develop a pipeline of new referral sources can make a tremendous difference in the career of any orthodontist. Doctors are better positioned to become production leaders in their areas when they consistently and effectively engage in referral-based marketing. Moreover, these efforts are proactive steps you can take to recession-proof your practice today, to protect your income stream now and in the future.



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