

Down Is the New Up By David Nunnally

Automation is going to change the laboratory industry in many ways, and some of these changes are already underway.

Technicians will be paid more, considerably more, because it will take fewer technicians to accomplish the same amount of work. For example, we have two Cercon systems and our technicians working with those systems can produce three times the amount of work as technicians using conventional techniques. The higher pay scale—plus the computerized nature of the work—will make dental technology a more appealing career to younger people.

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Even though salaries will be higher, our cost-of-labor percentages will be lower because of the greater production efficiencies. We're now fabricating 35% of our fixed work (about 7,300 units) with CAD/CAM and our labor percentage has dropped from 35% to 27%. We haven't raised our prices in three years—in fact we *lowered* our zirconia crown price by \$50 per unit—and yet our profitability has never been better. As we get more into CAD/CAM, our labor costs will continue to go down.

Because of open architecture and increased competition, our material costs will also go

down, maybe even as low as \$8 to \$10 per unit for zirconia. When rapid prototyping technology is able to work with zirconia powder and all-ceramic restorations can be layered rather than milled,

material costs will go down even further.

Lower lab costs

As our labor and material costs decrease, laboratories will charge

lower fees and yet generate a higher profit margin so both the laboratory and its clients come out ahead. As laboratory fees decline, so too will the appeal of offshore outsourcing because >>



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Down Is the New Up Continued

U.S. labs will be price competitive with foreign labs.

As lab fees decrease, chairside milling is going to fizzle out. Dentists will figure out that the \$100,000 equipment, material costs of \$40 to \$50 per unit, don-gle fees plus the cost to hire someone to operate the system aren't cost effective. Plus with digital impressions, virtual models, in-lab milling and rapid prototyping, labs will be getting crowns back to the dentist on the same day; crowns will be treated like denture relines are handled today.

Automation is the future. I think smaller laboratories, meaning five people or less, will need

to merge with similar size or larger labs in order to take advantage of automated technologies and ensure their success. With equipment costing \$100,000 to \$250,000, a small lab can't generate enough volume to cover its costs so it needs to share the burden. Although outsourcing is an option, it cuts into profitability.

David Nunnally, CDT, is president of Derby Dental Lab, a 48-person full-service lab in Louisville, Kentucky. He is a member of TEREC, an alliance of North American full service regional dental laboratories that serves as a resource and council to promote the business success of its members. ■

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At \$11 Billion By 2014, C&B Reigns

By Jim Glidewell



By 2014, dental prosthetics will be an \$11 billion per year industry. C&B will still represent the majority of that volume with PFM units being flat or on the decline, veneers growing by 50% and other all-ceramic units continuing on a growth trend.

Other changes I expect in the near future:

- C&B labs will become “CAD/CAM companies” within the next five years.
- In 10 to 15 years, 40% of our business will come from offshore, up from the 20% that's currently being imported from 26 different countries.

The economic threat of offshore outsourcing to U.S. laboratories is real and CAD/CAM is the only way to beat it. The technology makes complex, labor-intensive services predictable, routine and profitable. It lowers labor costs, allowing you to not just compete but to win the battle.

Two key ways in which labs can maintain a competitive edge:

- **Get involved with implants.** The U.S. implant business grew 12% between 2006 and 2007 and although growth in 2008 was not as high, I'm still optimistic about this market. I also base this recommendation on my own personal experiences: after a 15-year hiatus due to concerns about litigation, my laboratory re-entered the implant market in 2007 and it has been the lab's strongest growth area for the past two years.
- **Open your own web portal** through which you can communicate with your doctors. On-line

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Laboratories of all sizes can access CAD/CAM via outsourcing and the technology also opens the door for labs to become centralized manufacturing/milling centers. However, I caution against outsourcing exclusively because at some point you'll just become a middleman and people will figure out how to do it without you.

Automation will change the skills required of technicians in the future. The new “digital technicians” must be computer-oriented and able to visualize in 3-D, meaning have an eye for digital scan and design versus traditional waxup, and rapid prototype manufacture versus casting and hand-layered ceramics.

communication between doctors and labs grew 500% in 2007 and in anticipation of this trend continuing, we're improving our website's “My Account” section to facilitate more on-line contact.

Jim Glidewell, CDT, is president and CEO of the largest independently owned laboratory in the U.S., Glidewell Laboratories headquartered in Newport Beach, California, with facilities in Costa Rica and Mexico. Glidewell directs the Research & Development Department at the laboratory and has been instrumental in developing new equipment and techniques with the objective of reducing laboratory expenses and creating cost-effective restorations. ■