

# 2012 Hearing Industry Benchmark Study Outcomes

PHONAK

life is on

ERIC TIMM

Vice President, Phonak  
Sales, Marketing & Customer Care

# Value of the Study and the conference sessions

## WHERE YOU ARE NOW

Benchmarking determines the best - who sets the standards and what the standard is

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**A purposeful complement**

## HOW YOU GET TO THE NEXT LEVEL

Productivity analysis helps you identify primary barriers to maximizing your time and your staff's output potential

A purposeful complement

## Select metrics we'll highlight

- Median profile of respondents
- Practices
  - By size
  - By performance
- Revenue Assessment
- Staff Productivity
- Practice Profitability
- Marketing Planning & Execution



## Survey methodology

- **410 practices** responded to the web-based survey – very good sample size
- Respondents drawn from five sources with valid e-mail addresses:
  - Census of Phonak commercial accounts/individuals
  - Academy of Otolaryngology Administrators (AOA)
  - Academy of Doctors of Audiology (ADA)
  - International Hearing Society (IHS)
  - MegaGroup, ENT customers, AAO members



## Methodology – cont'

- Data from survey self-reported
- Survey fielded and findings prepared by Customer Care Measurement & Consulting, LLC.
- References to “2011 results” and “2010 results” reflect actual practice performance data for these years (e.g., “What percentage of 2010 gross revenue...”)
- References to “2012 study” and “2011 study” reflect practice characteristics/opinions in the years these studies were conducted (e.g., “How many full-time and part-time office locations does the practice have?” – asked in the 2012 study; refers to office locations in 2012)



## Median respondent profile

56% female

44% male

Median 18 years dispensing

39% hearing specialist; 57% AuD or audiologist

41% private dispenser practice; 46% private AuD practice or ENT office

57% practice owner; median 12 years at location

40%

belong to buying group



## Median practice profile

Single, full-time  
location

Average one full-time fitter

Median 2,400 hours/year

Hours down 20%; number of FTEs down 1 over 2011

Median 4 total FTEs –  
down 1 over 2011



## Interesting profile trends across performance levels

	Net profit	Profit margin	Median
Male	40%	48%	44%
Female	60%	52%	56%
AuD	45%	47%	39%
MA Audiologist	21%	27%	17%
HIS Specialist	38%	37%	40%

No significant profile difference across performance tertiles



## Key takeaway

**Who** you are doesn't matter  
as much as **what** you do

What criteria define “Top Performers?”

**Profitability**

The great equalizer

If you measure performance by units, there are too many variables (# of locations, # of fitters, etc.)

If you measure performance by revenue, same variables apply

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In some comparisons, we'll show both:

Net profit vs. median

Profit margin vs. median

# Profit margin or total \$\$?



\$100

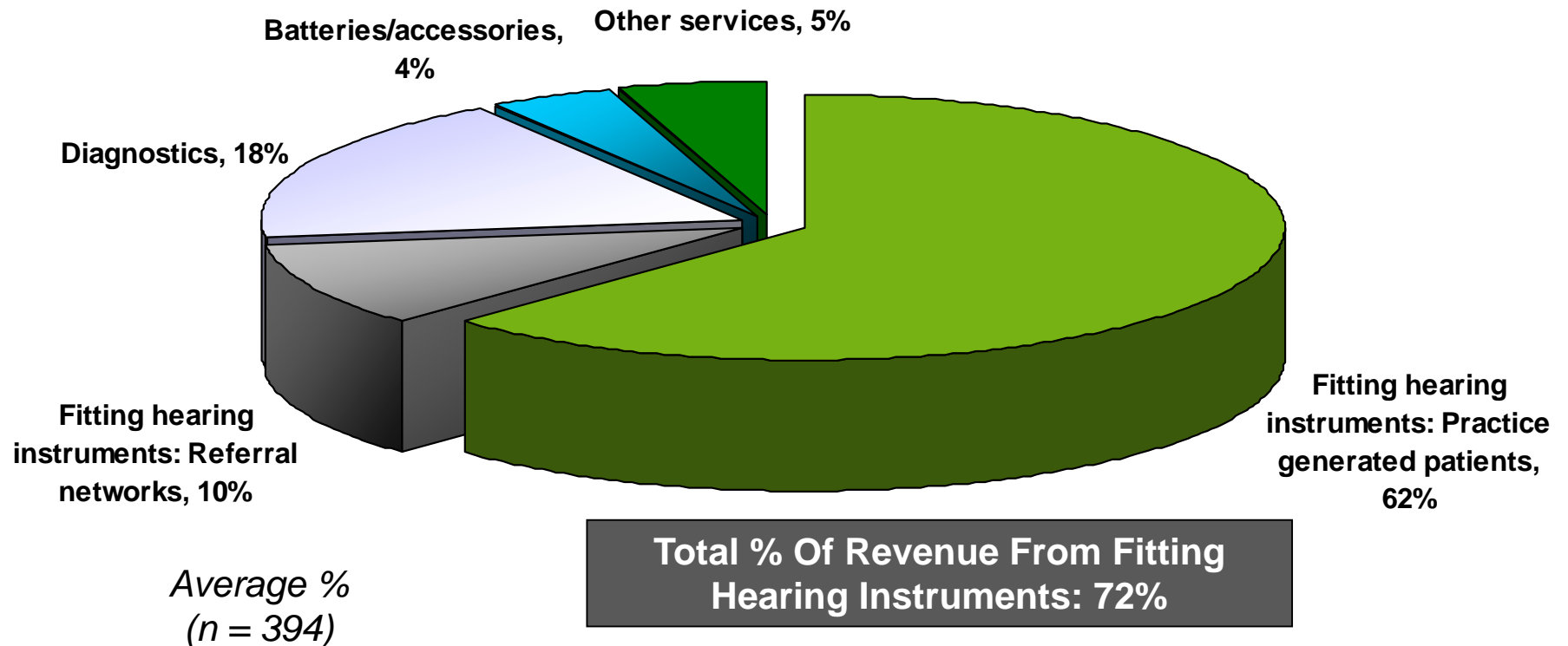
50% = \$50



\$1,000

25% = \$250

# Hearing instrument fittings are 72% of revenue; flat over 2011



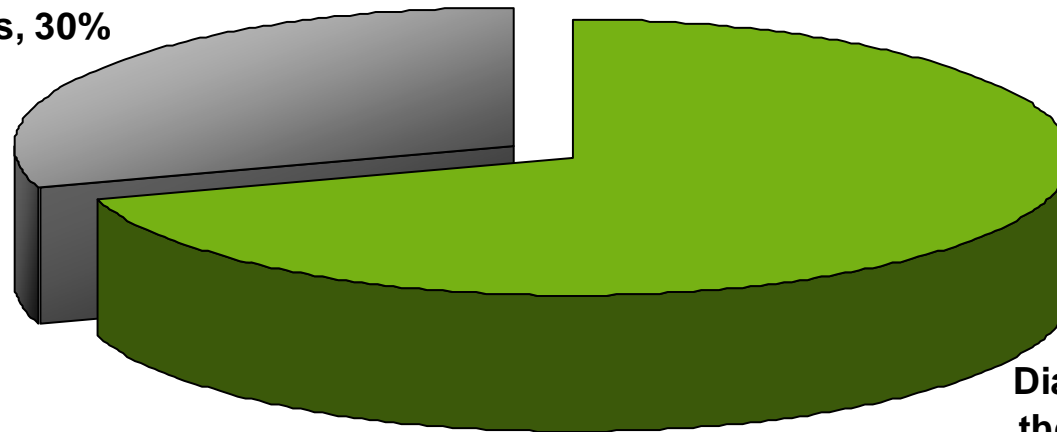
## % of 2011 gross revenue attributable to products and services

\* The category 'Fitting hearing instruments' was broken down into two separate categories: Practice generated patients (i.e., walk-ins, generated by marketing, etc.) and Referral networks (i.e., EPIC, Hearing Planet, HearPO, etc.).



70% is fitting diagnostics; 30% medical diagnostics

Diagnostics for  
the purpose of  
medical  
diagnosis, 30%

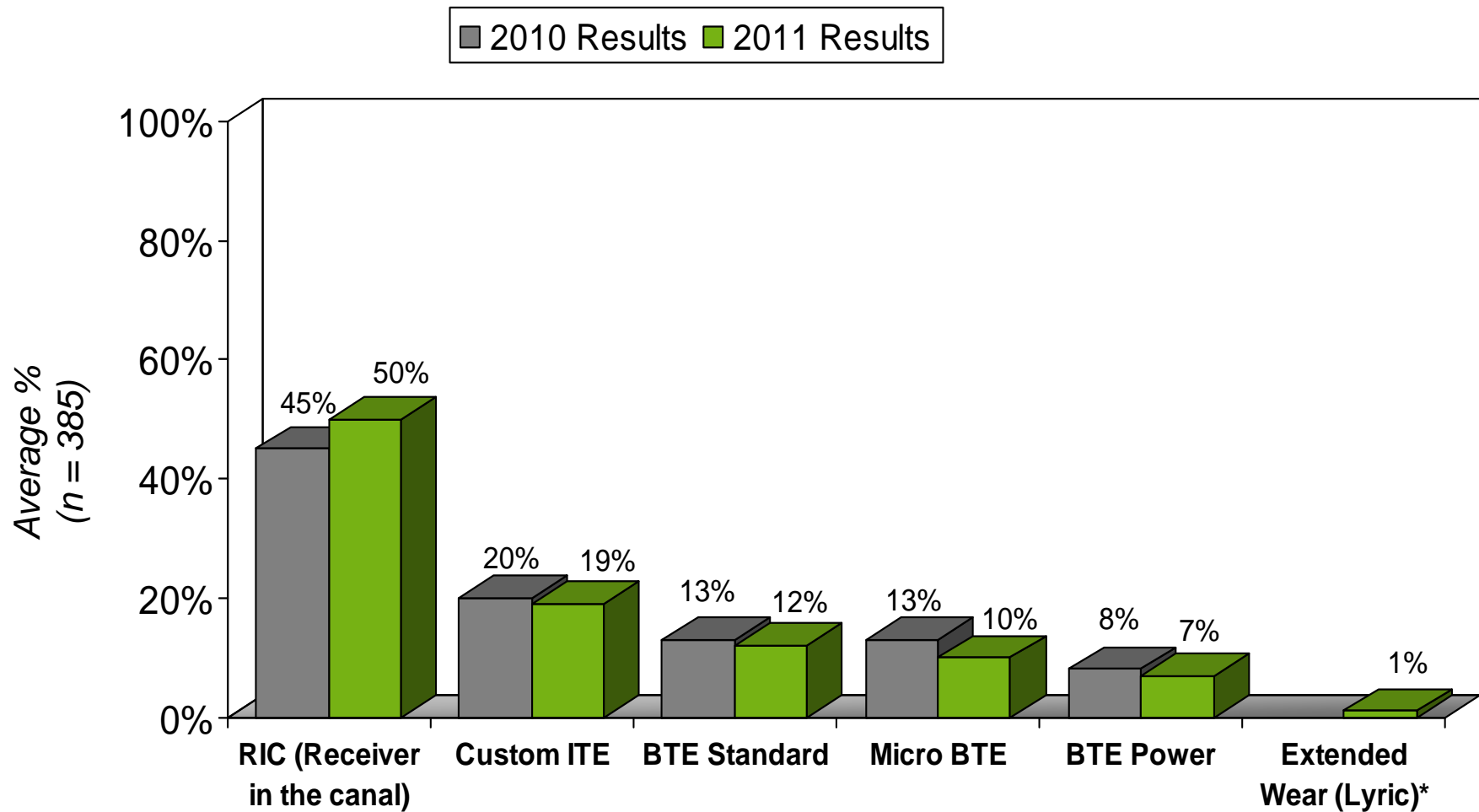


Diagnostics for  
the purpose of  
fitting hearing  
instruments, 70%

Average %  
( $n = 274$ )

% of diagnostics to fit hearing instruments  
vs. diagnostics for medical diagnosis

# RICs represent half of total units sold



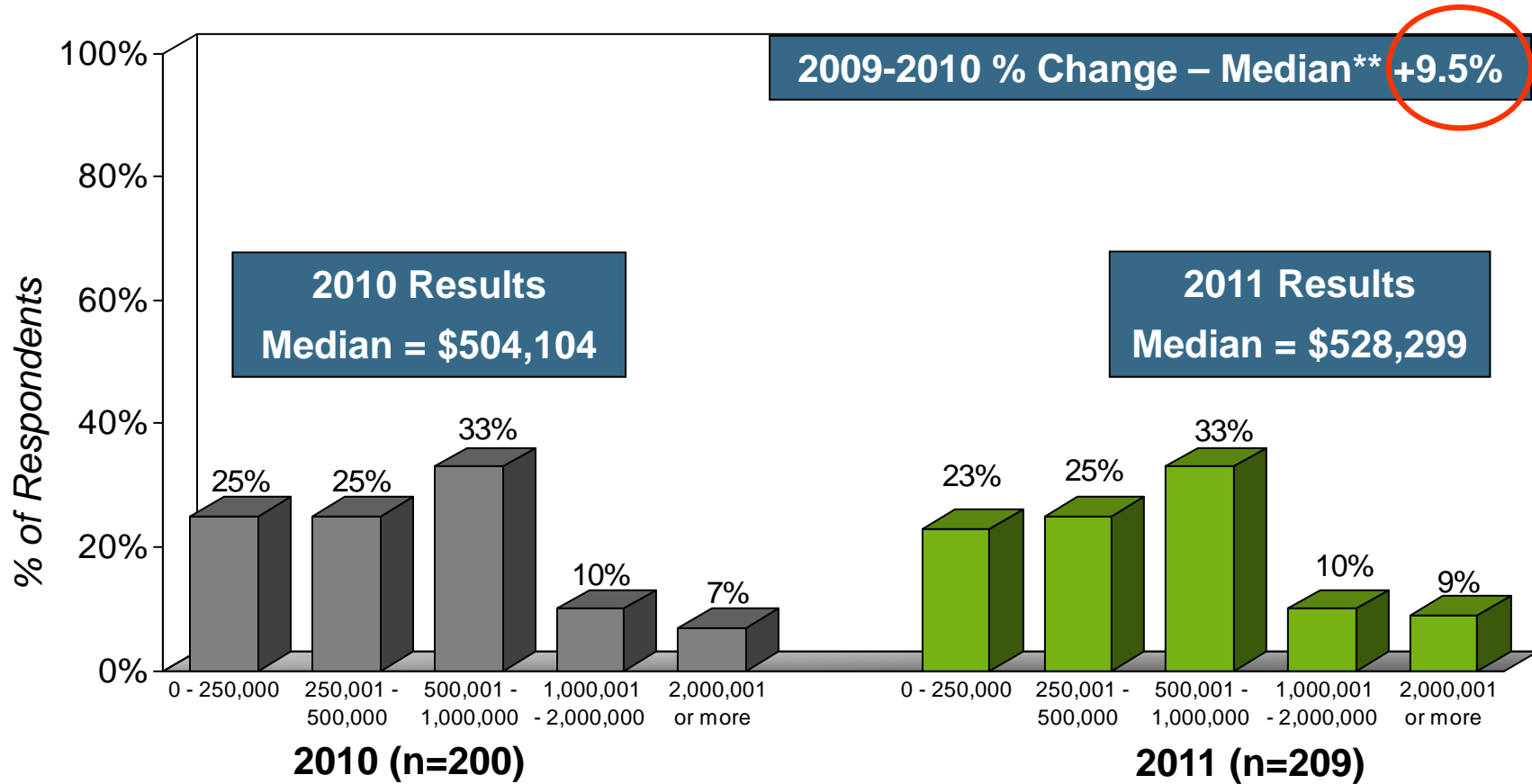
Percentage sold by form factor sold in 2011

\* This response was not offered as an option in the 2011 study.

# Productivity benchmarks

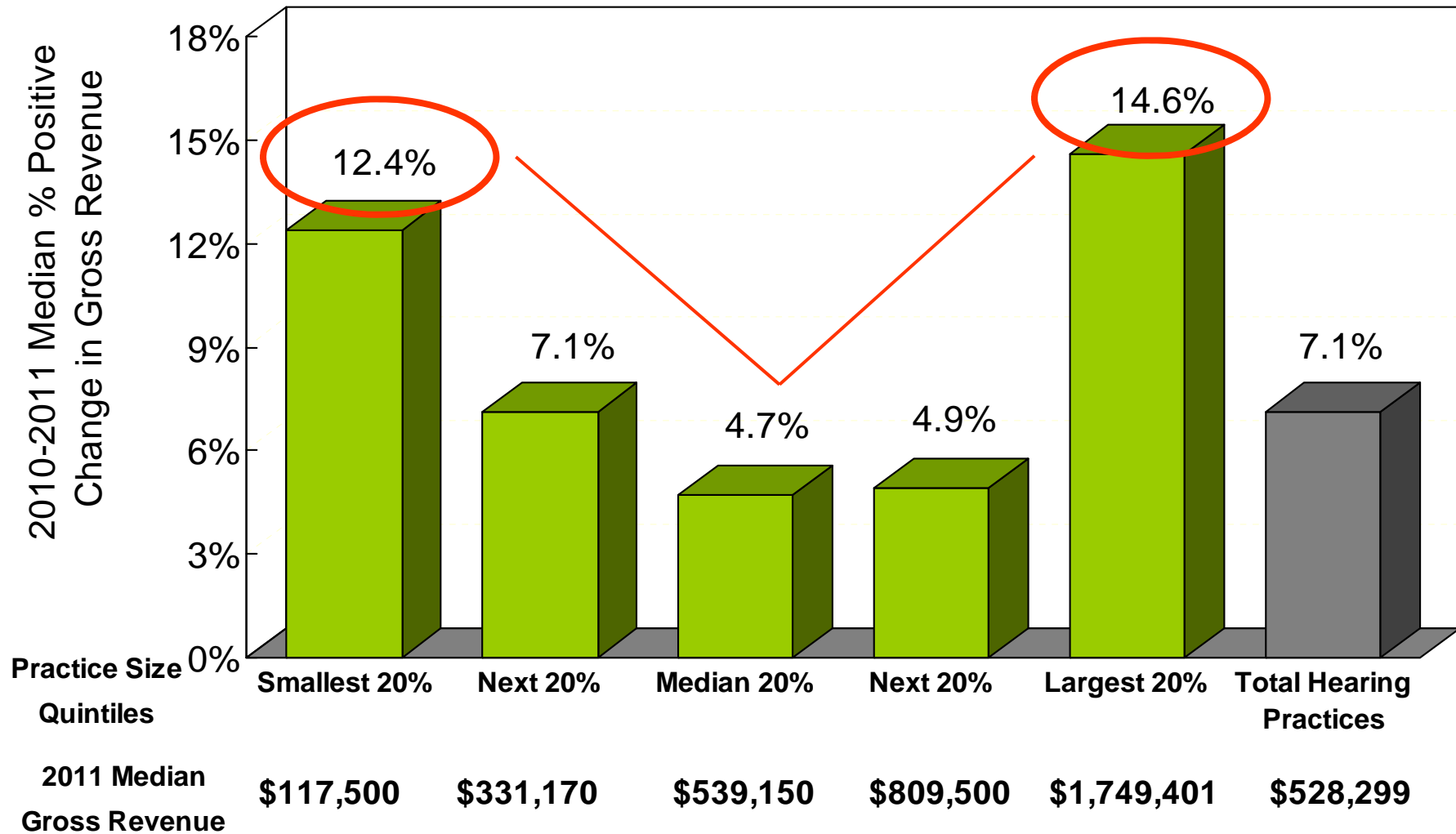


# Median gross revenue increased 7.1%



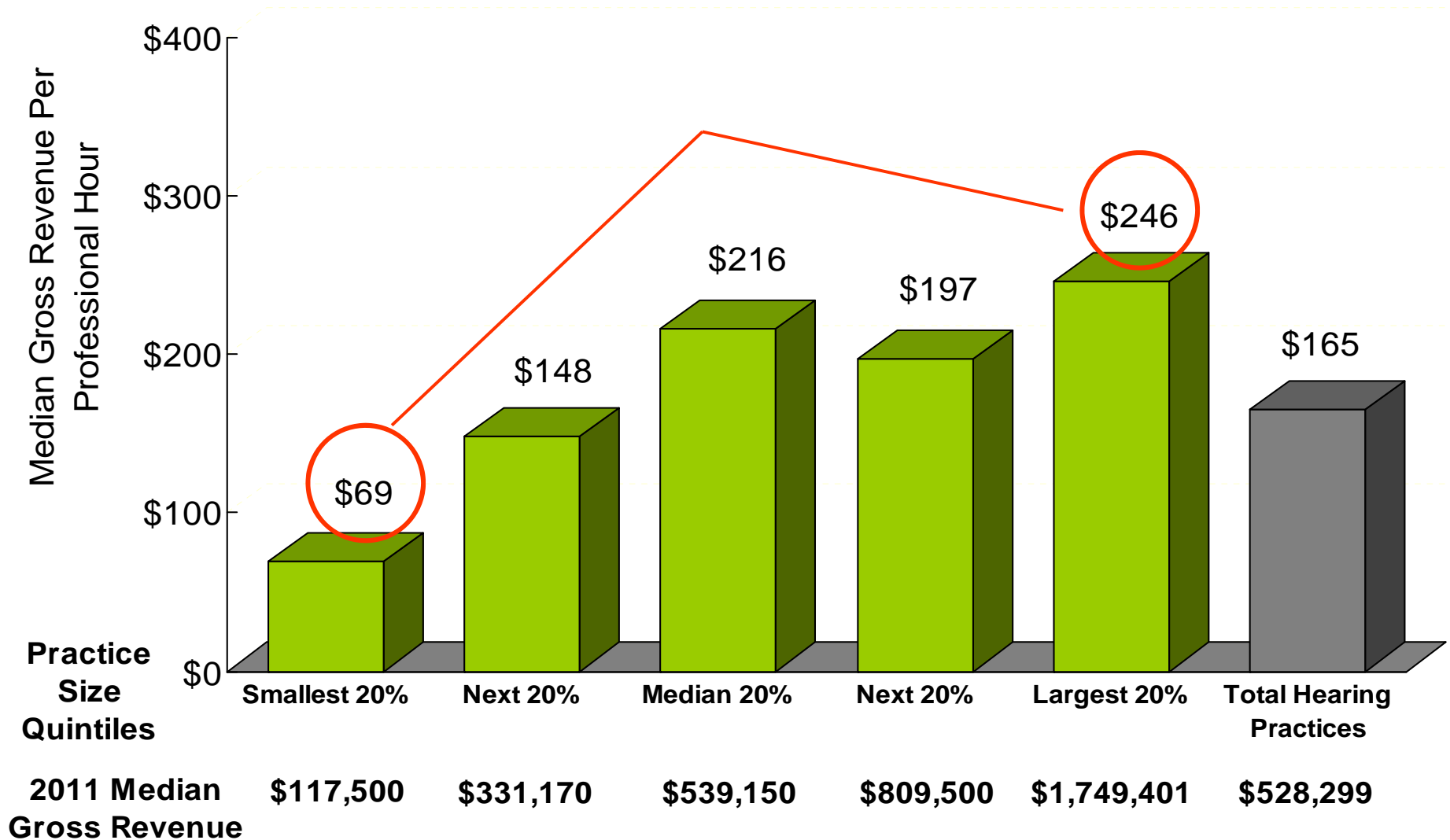
Total collected gross during calendar years 2010 & 2011

# Percentage increase of gross revenue most significant across smallest and largest practices

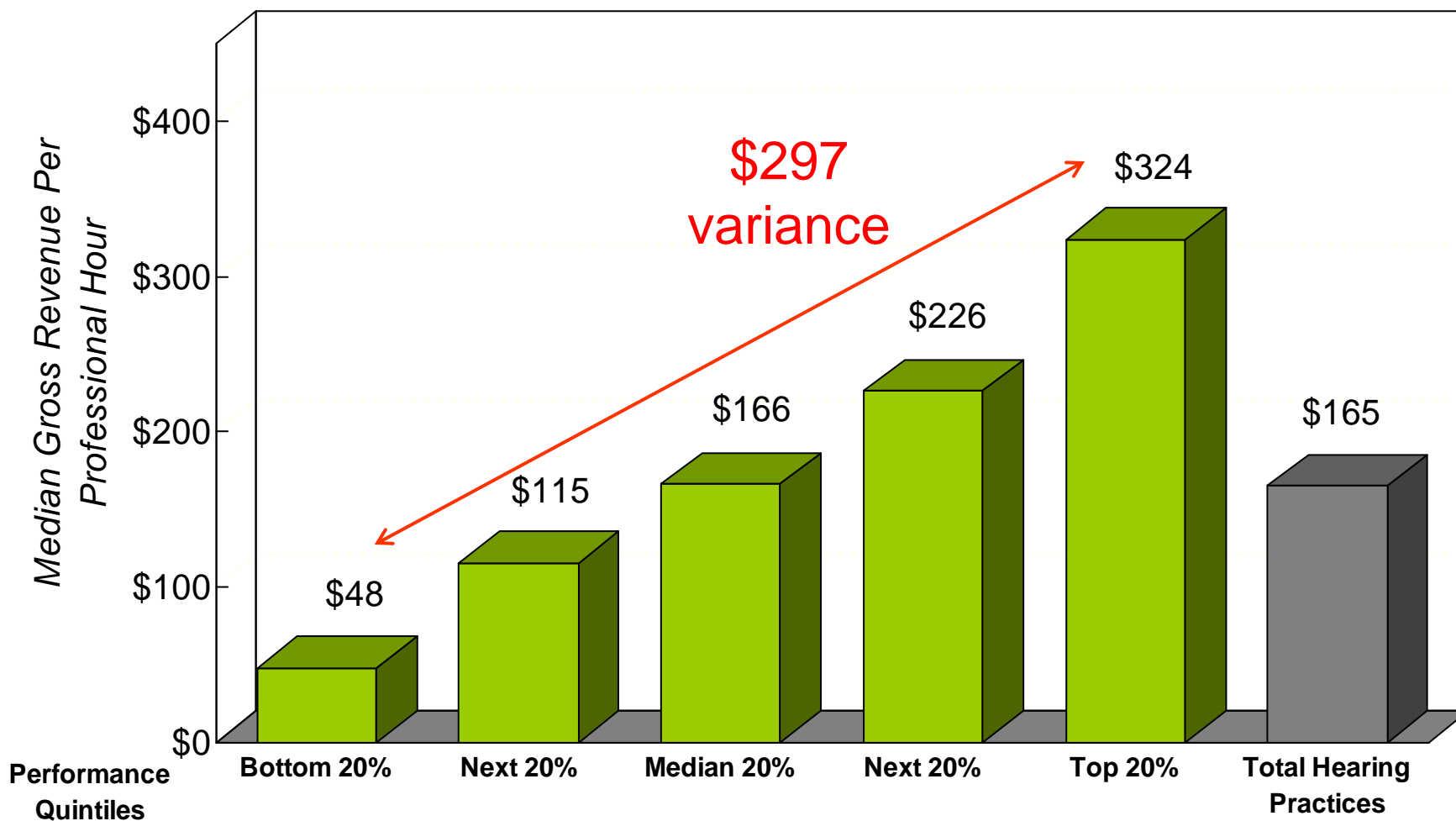


\* Includes only practices reporting gross revenue for both 2010 and 2011

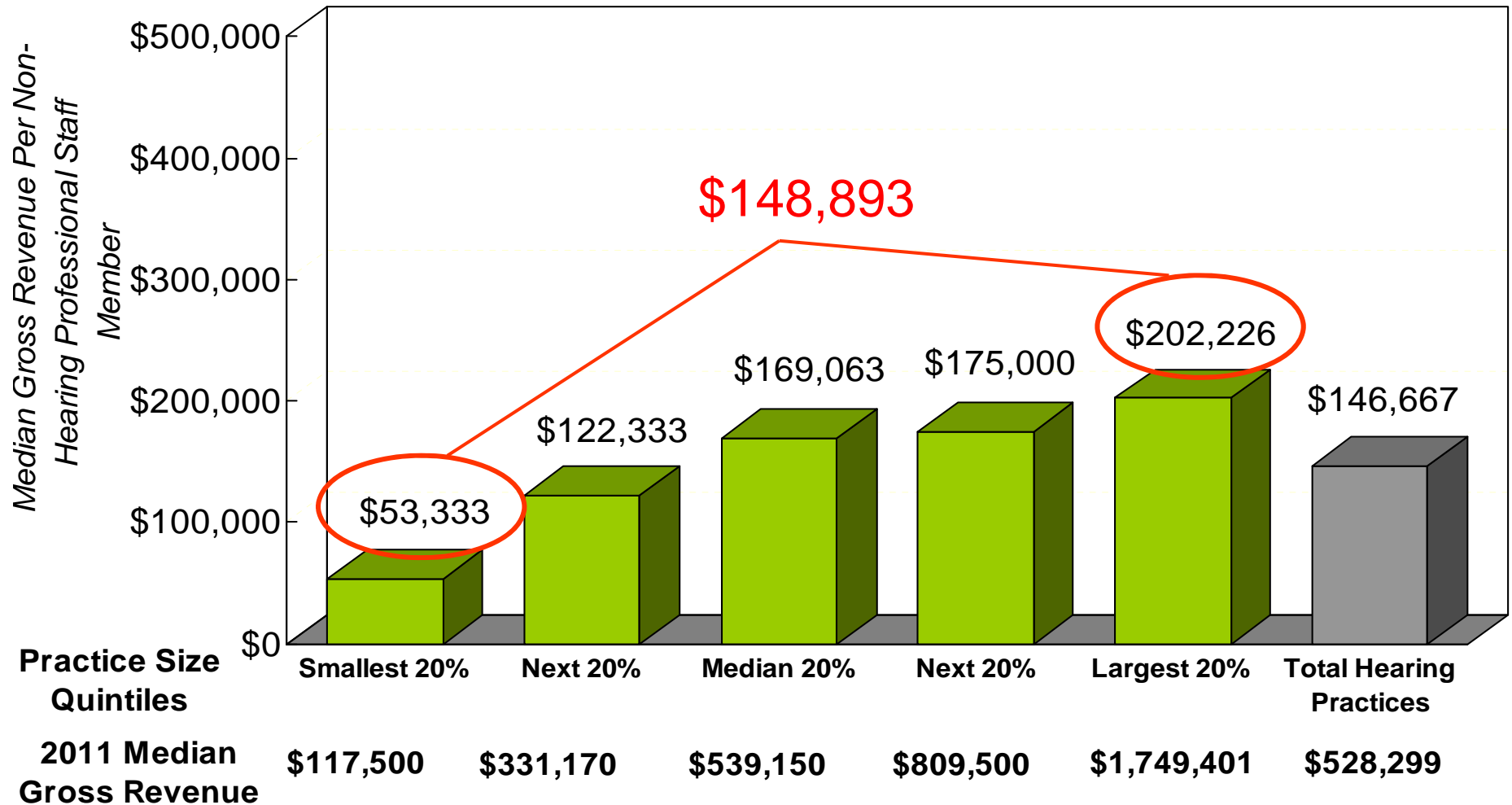
# Largest practices generate 3x the revenue per professional hour than the smallest practices



Significant variance in gross revenue per professional hour between top and bottom performers – same as past two years

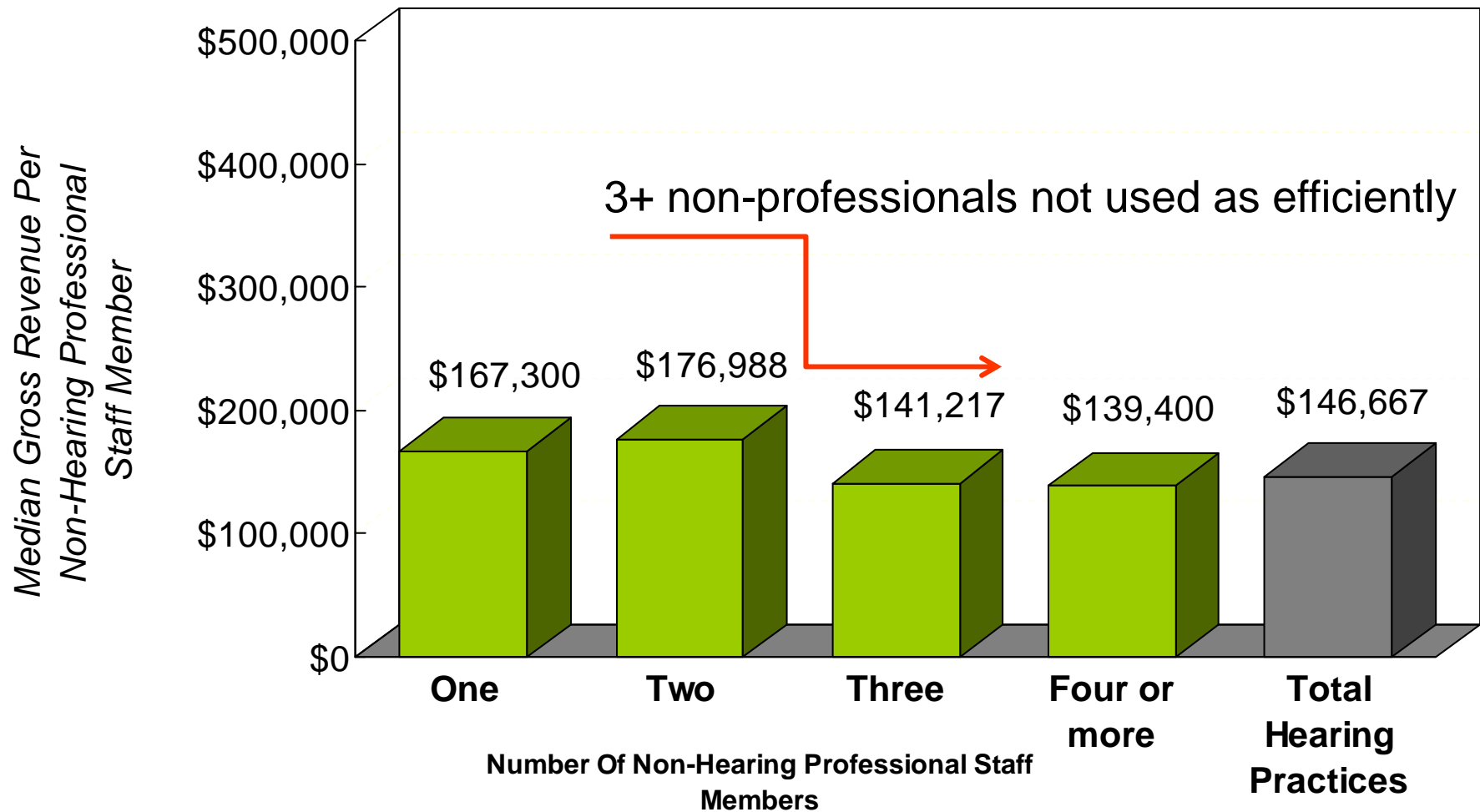


# Revenue per non-professional increased significantly with practice size





# Gross revenue per non-professional hour decreased as number of staff increased

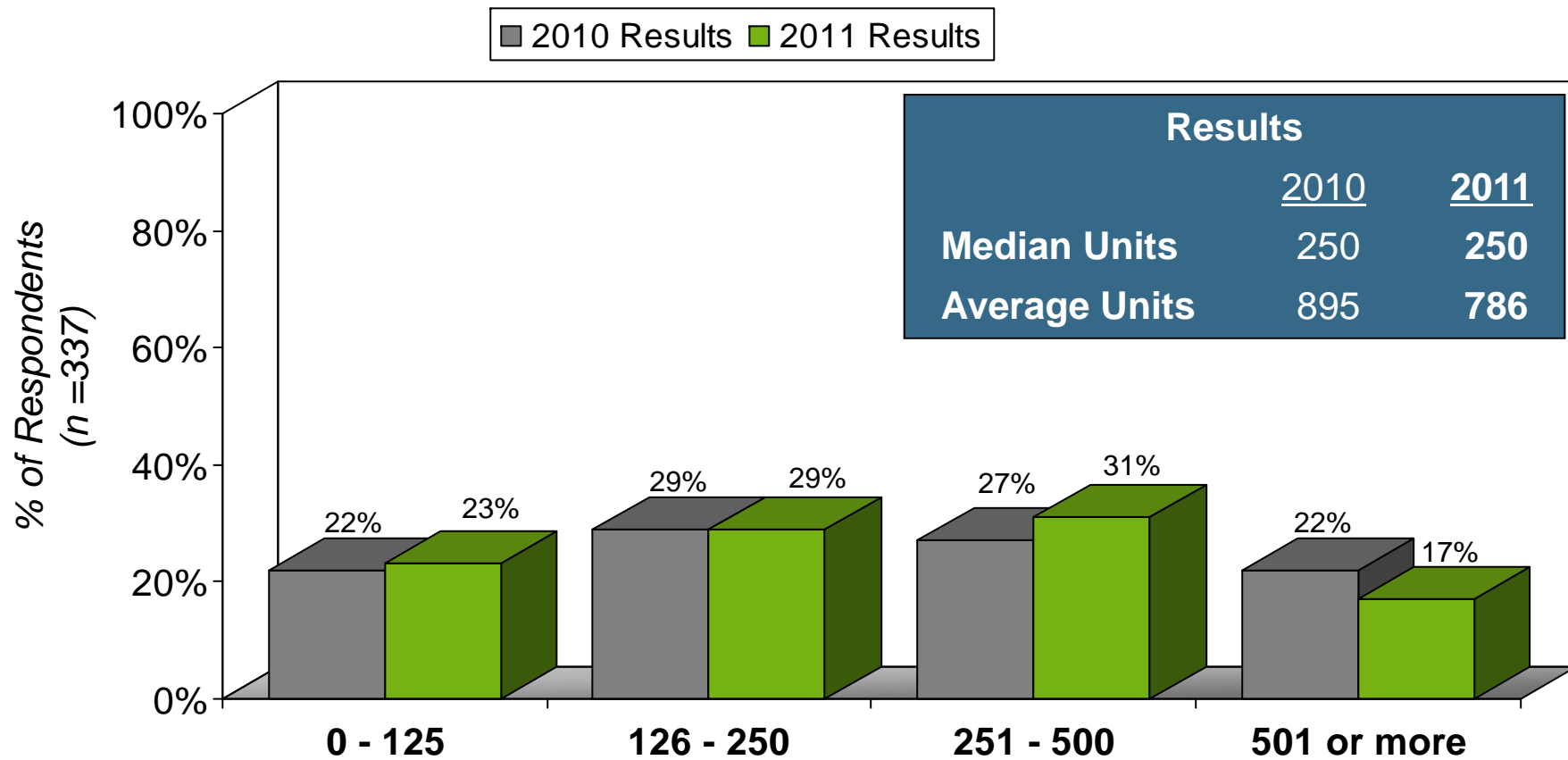


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Practice gross revenue  
per unit dispensed

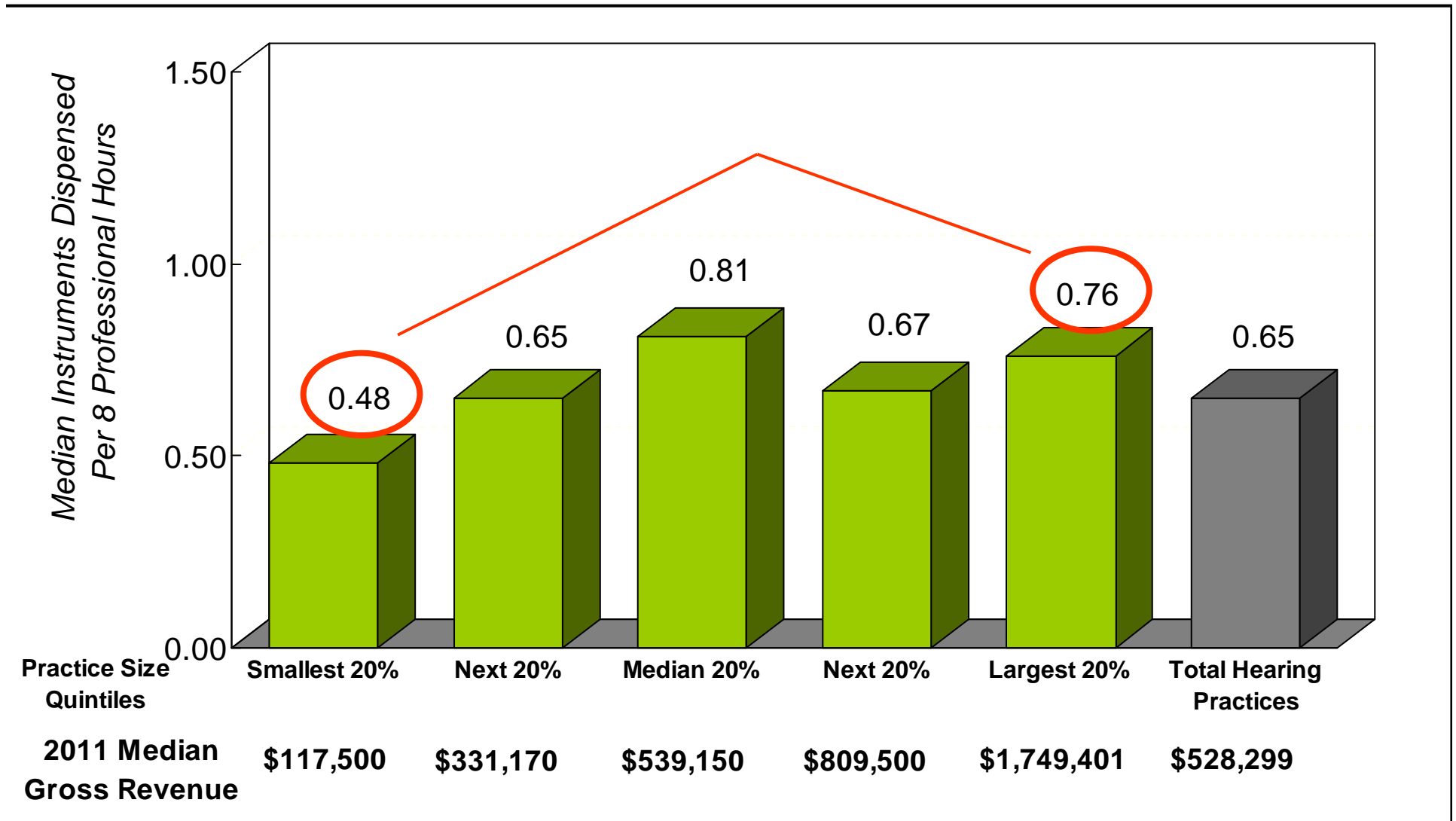


# Median HI units sold was flat; largest practices down 5 percentage points



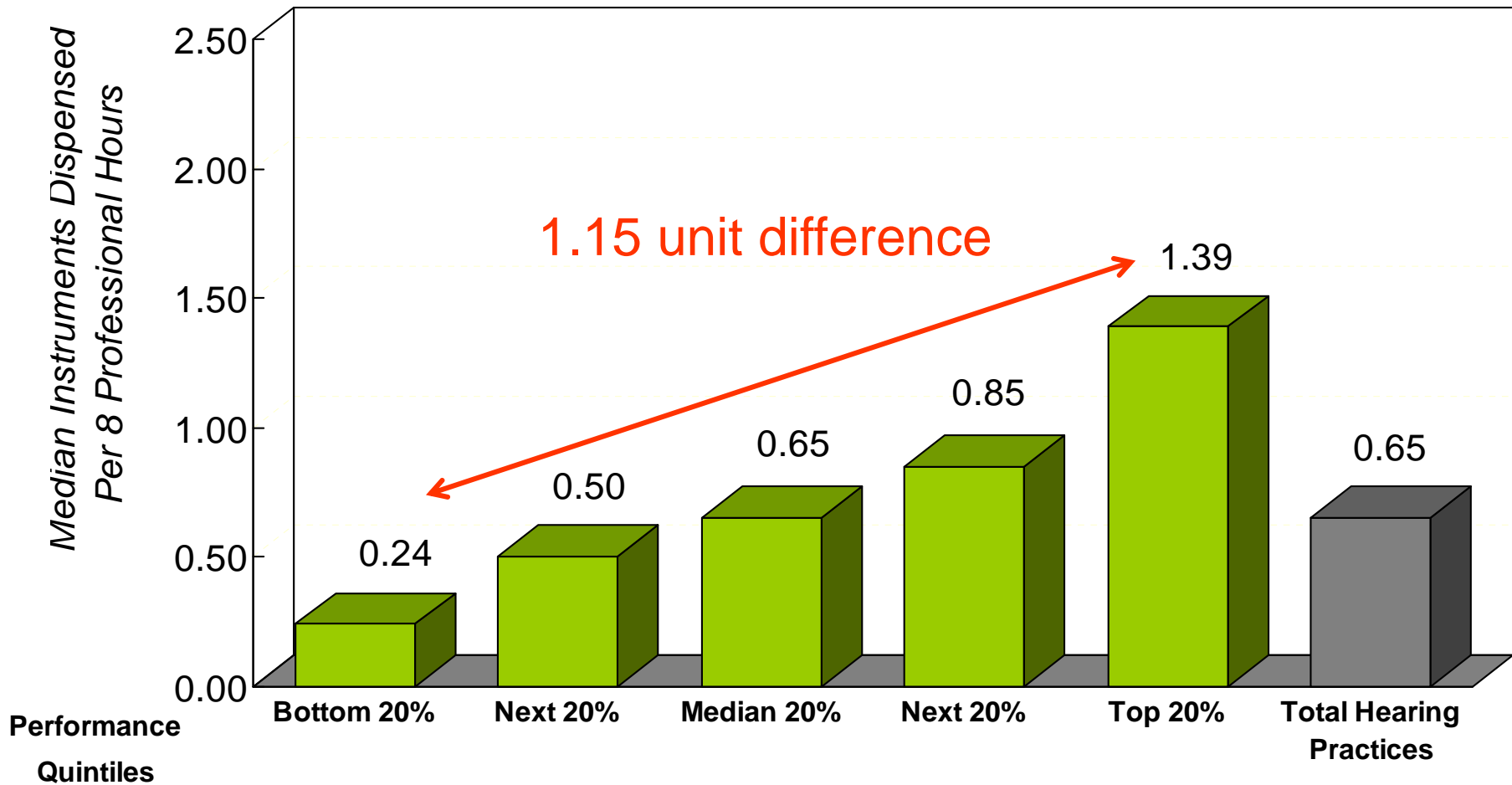
Number of HI units dispensed by the practice in 2011

# Largest 20% dispensed nearly double number of units per day over smallest 20%



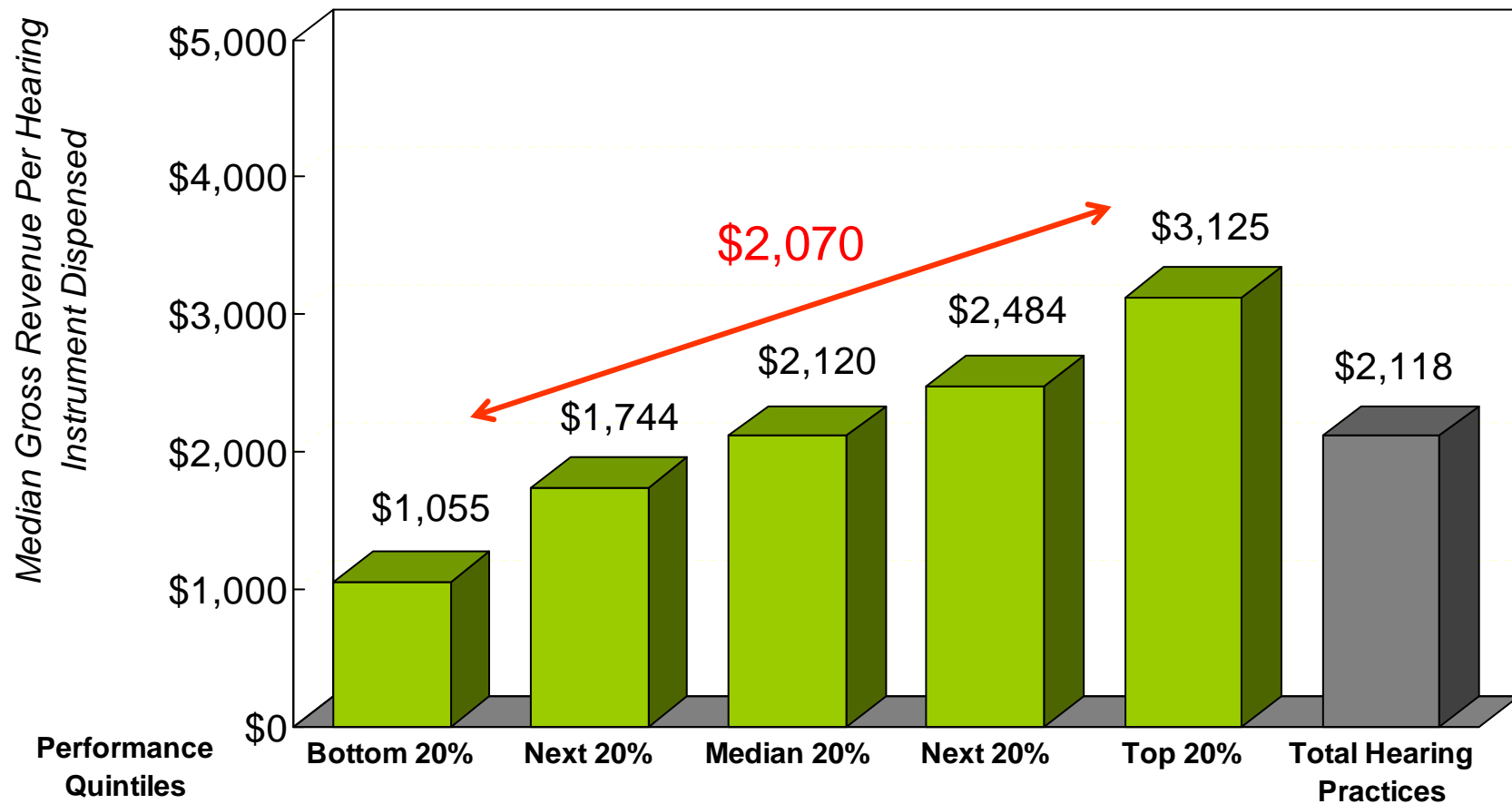
\*Units dispensed divided by (annual professional hours divided by eight)

# Top performers dispense an additional one unit per day than bottom performers

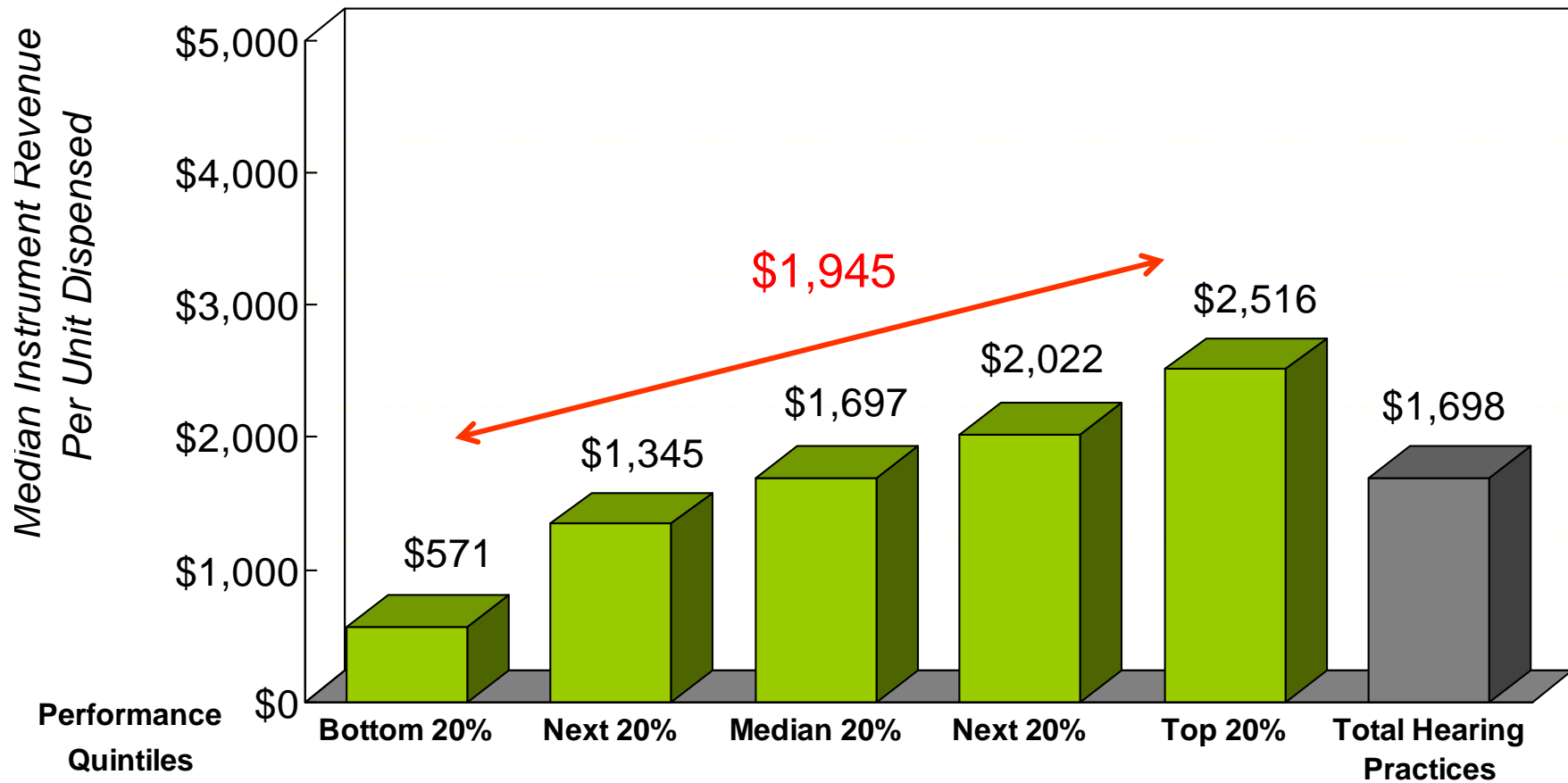


\*Units dispensed divided by (annual professional hours divided by eight)

Top 20% generated \$2,070 more in gross revenue per unit than bottom 20% (bundled)



Top 20% commanded \$1,945 more per unit than bottom 20% (HI unit only)



# Re-fittings only represent roughly a third of unit volume

Both NP & PM:  
43% refits vs 57% new fits

Risks with lower re-fitting mix:

Refittings for existing patients, 36%

You could be losing current patients to competition  
More expensive to acquire a new lead vs. a current patient

2010 Results	
New fittings	63%
Re-fittings	37%

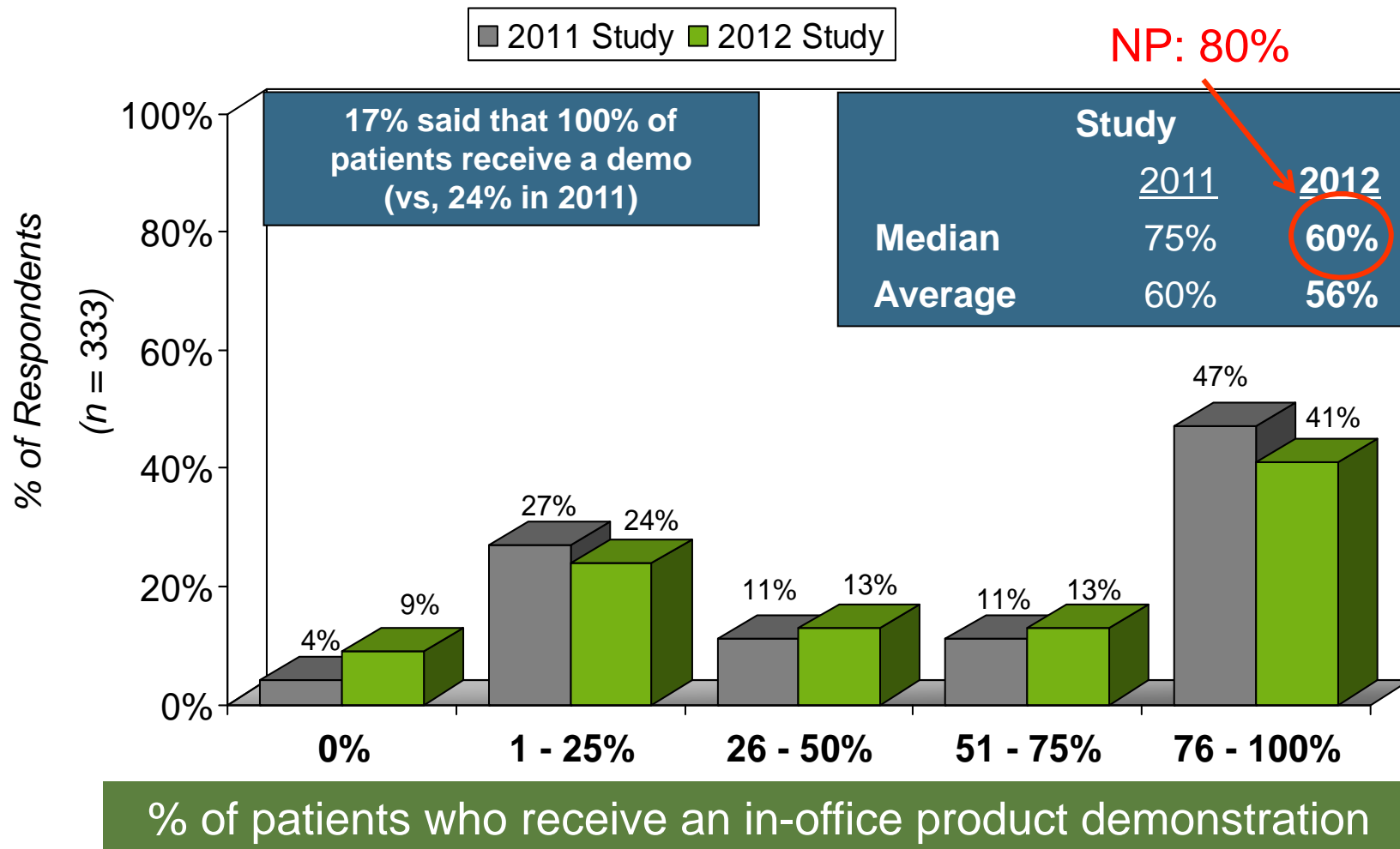
Average %  
(n = 378)

New fittings for first-time patients, 64%

Percentage breakout of new fittings vs. re-fittings

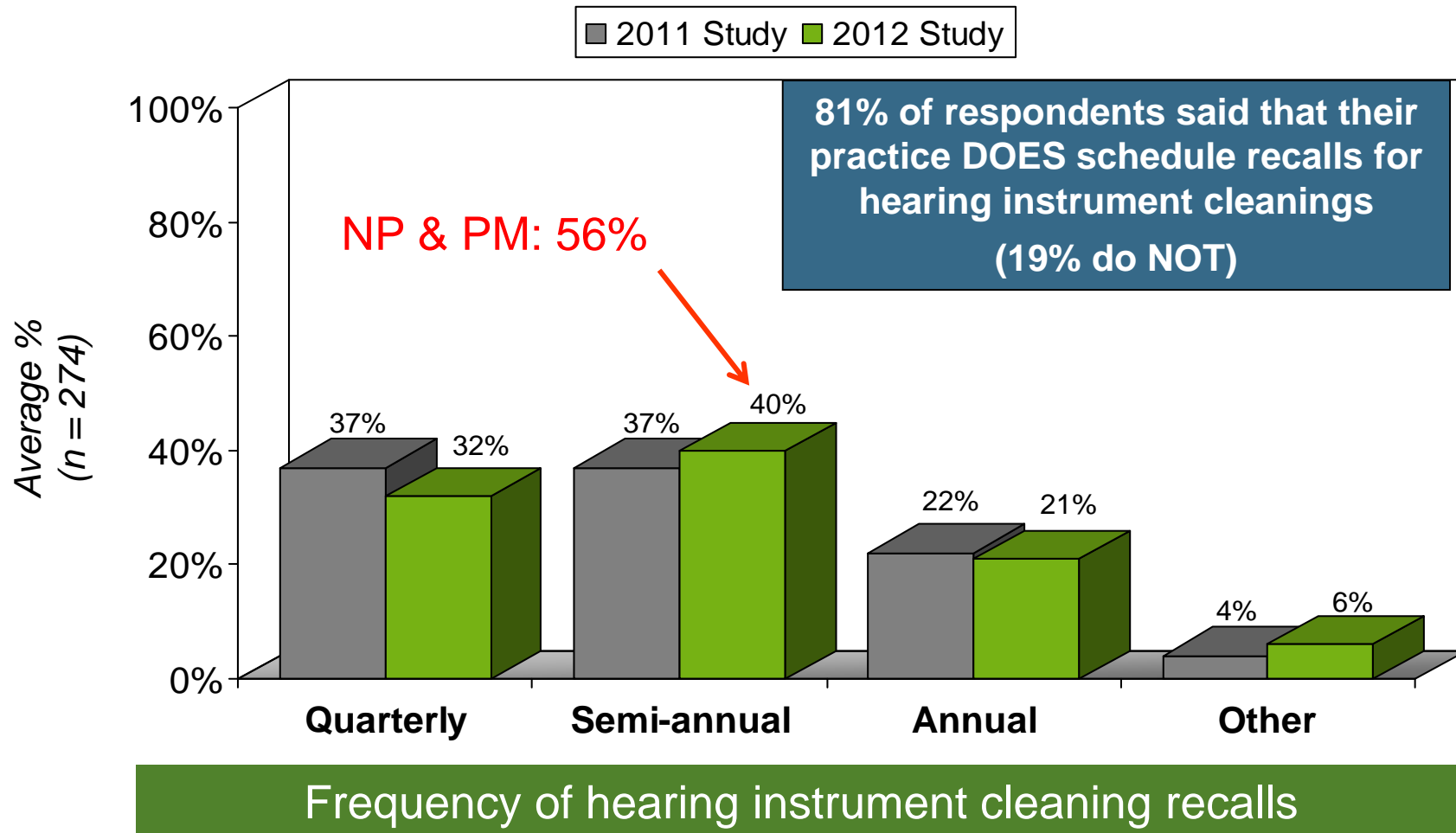


# Percentage of product demos decreased significantly – 15 percentage points

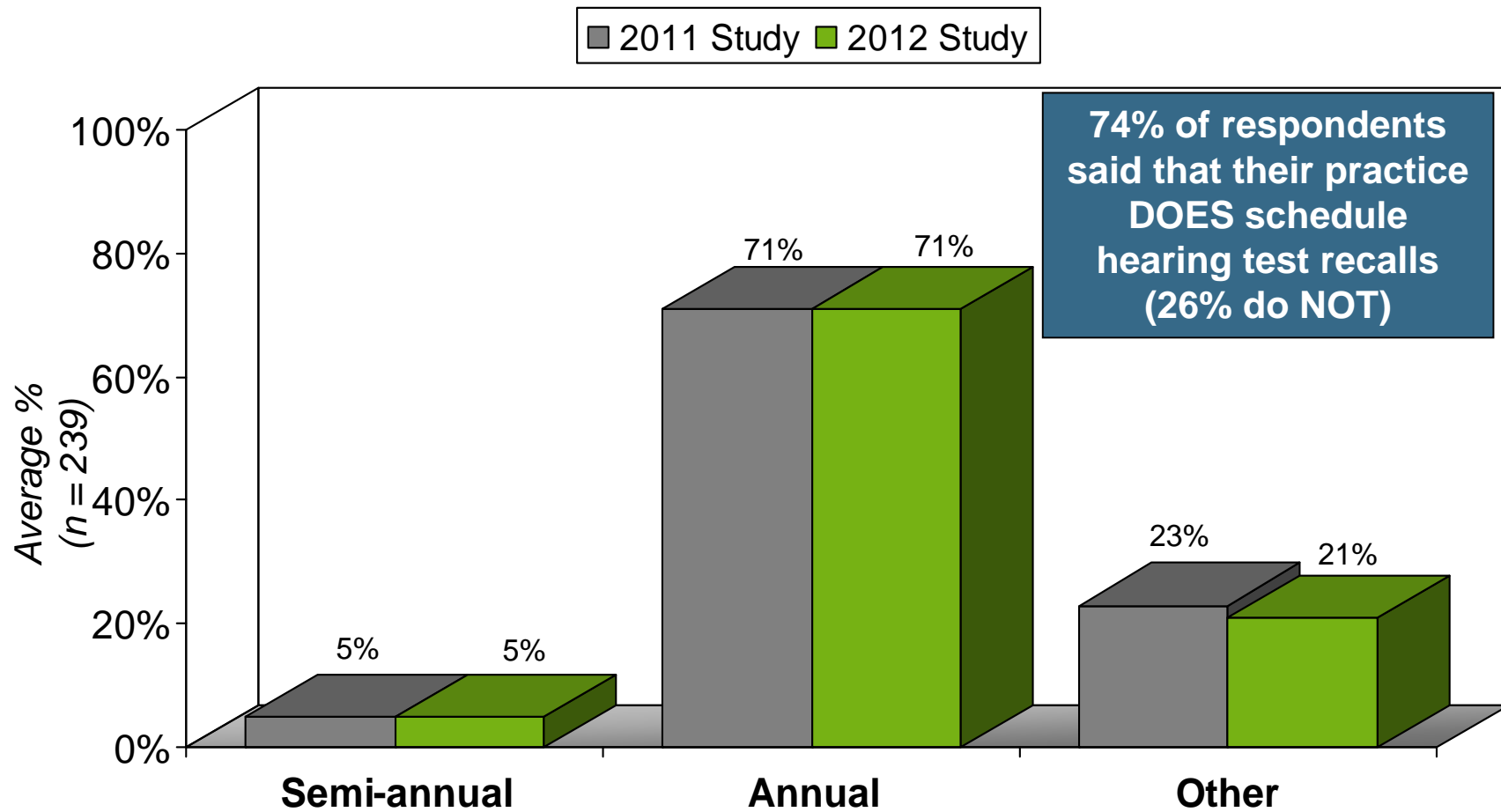


\* In the 2012 study, the wording was changed from 'a hearing aid demonstration' to 'an in-office hearing instrument technology demonstration.'

Majority of practices schedule cleanings every 3-6 months; 19% don't do them at all



# One-fourth do not schedule annual test recalls

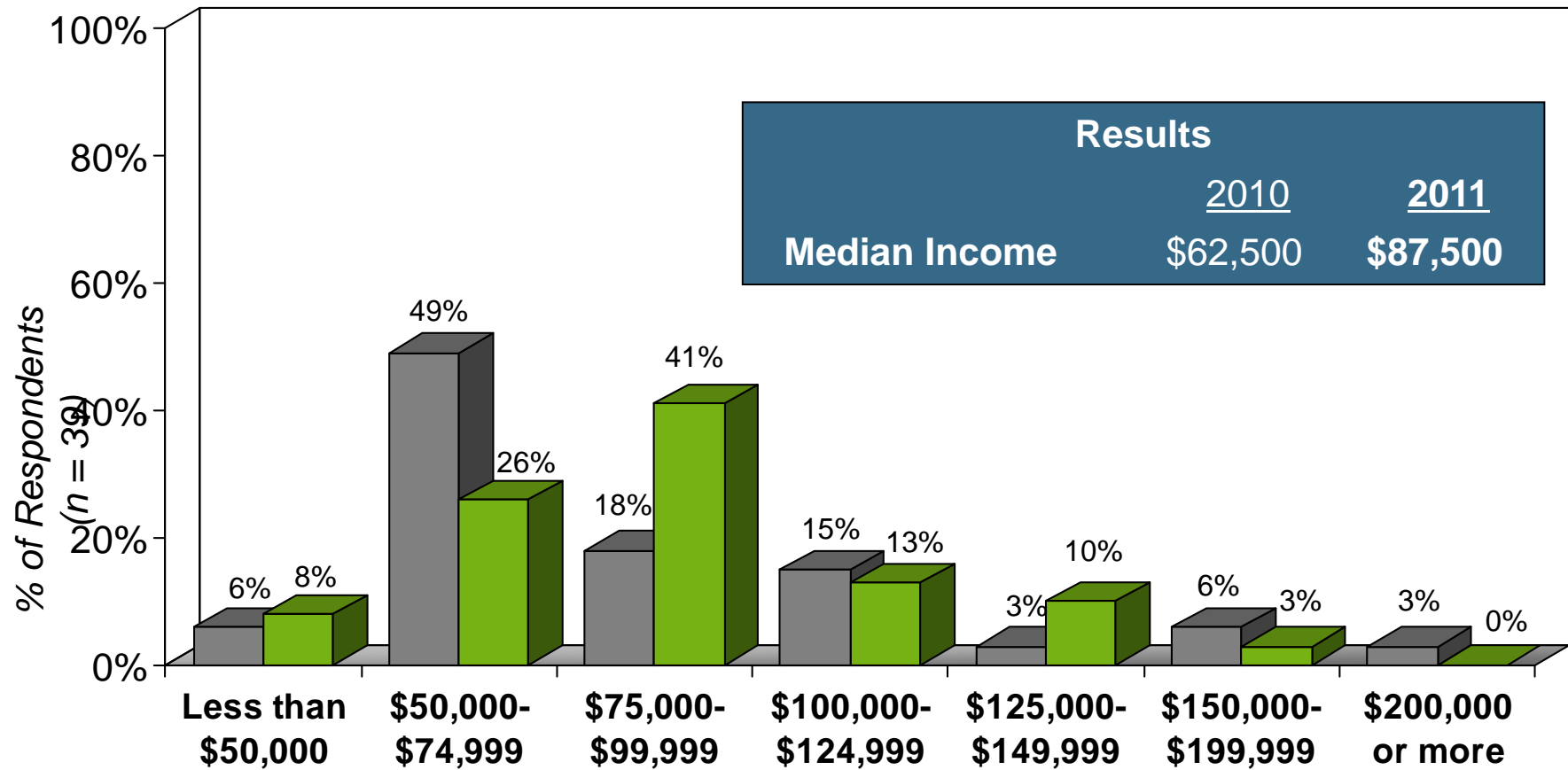


% of patients recalled for annual hearing tests

# Compensation Practices



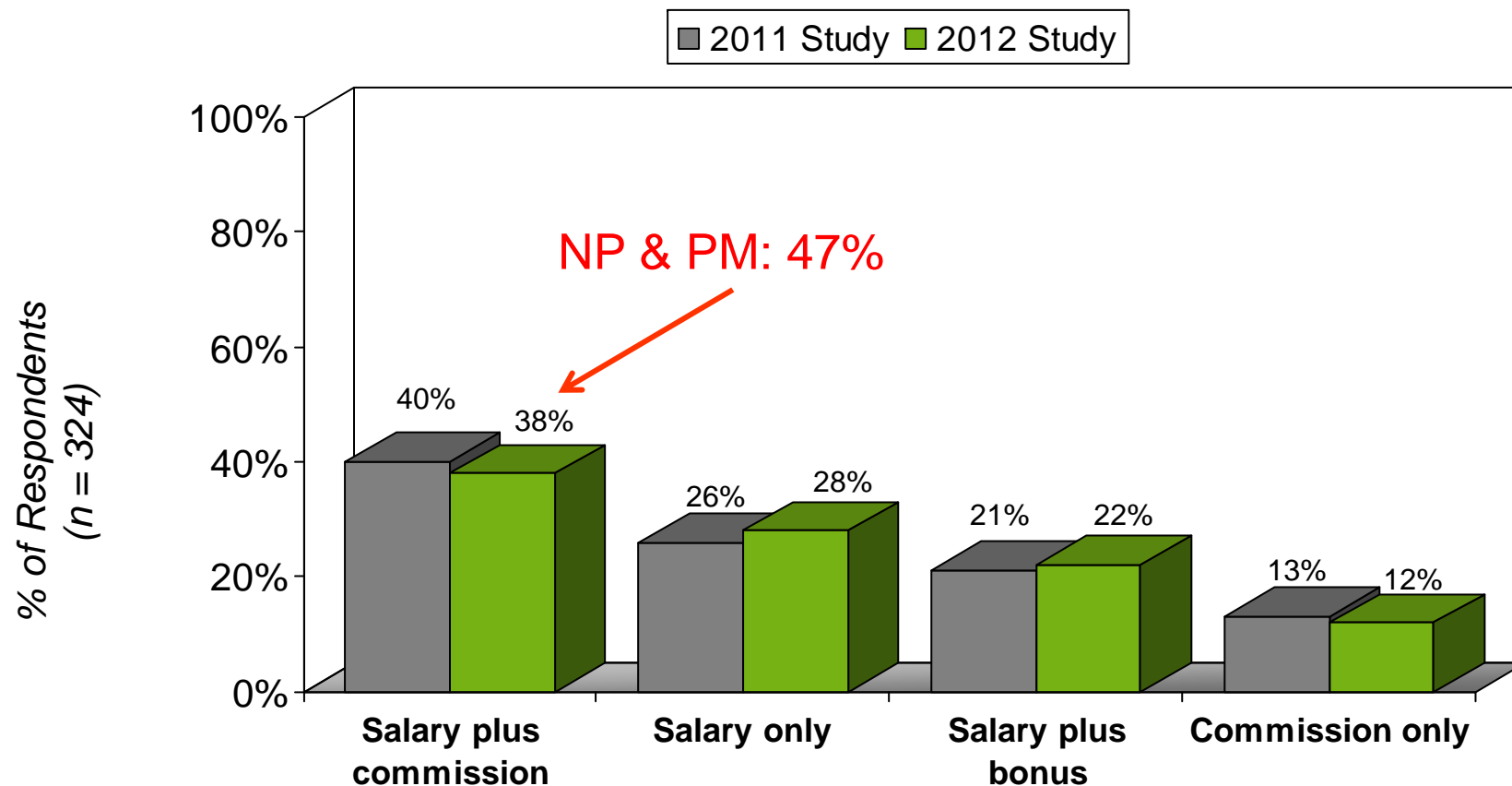
# Fitter income increased 28%



## Total personal income earned from the practice

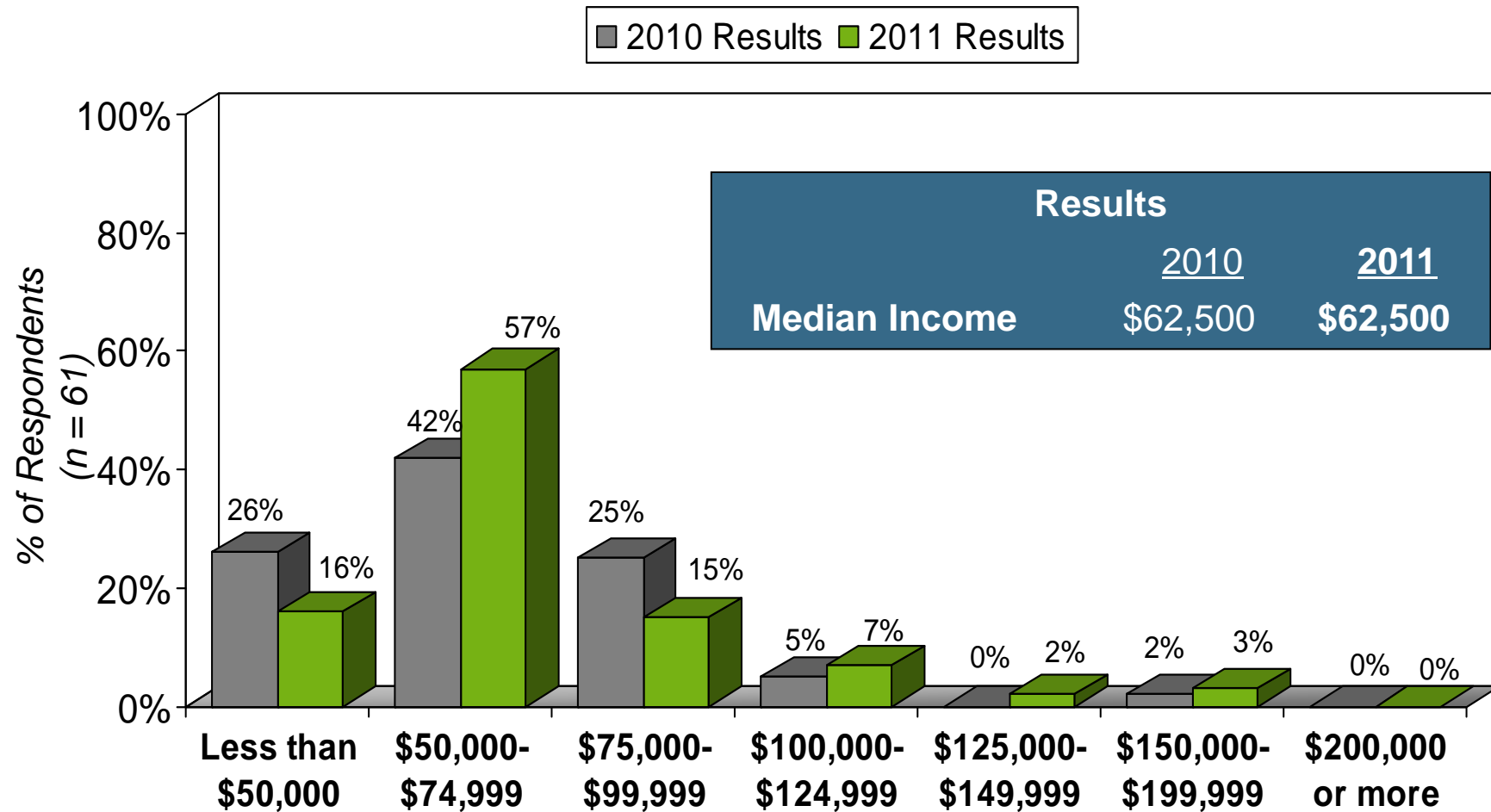
Note: 6 of the 45 respondents (13%) to the question said that they 'Prefer not to answer' and were therefore not included in the above chart.

# Salary + commission compensation down slightly; a shift away from pay-for-performance?



Compensation plan for licensed hearing professionals

# Administrative employee income was flat



**Total 2011 personal income earned from the practice**

Note: 13 of the 74 respondents (18%) to the question said that they 'Prefer not to answer' and were therefore not included in the above chart.

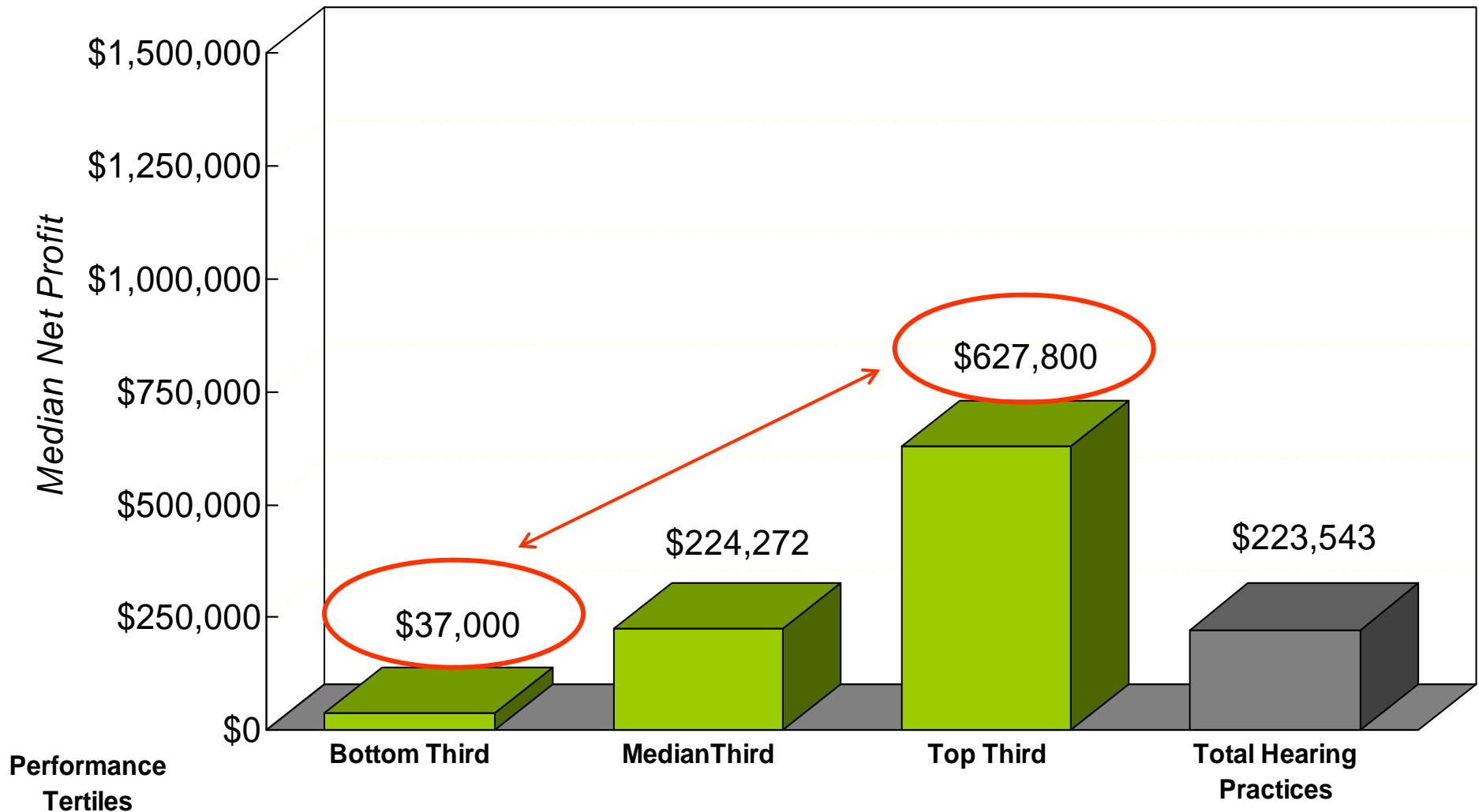
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# Profitability

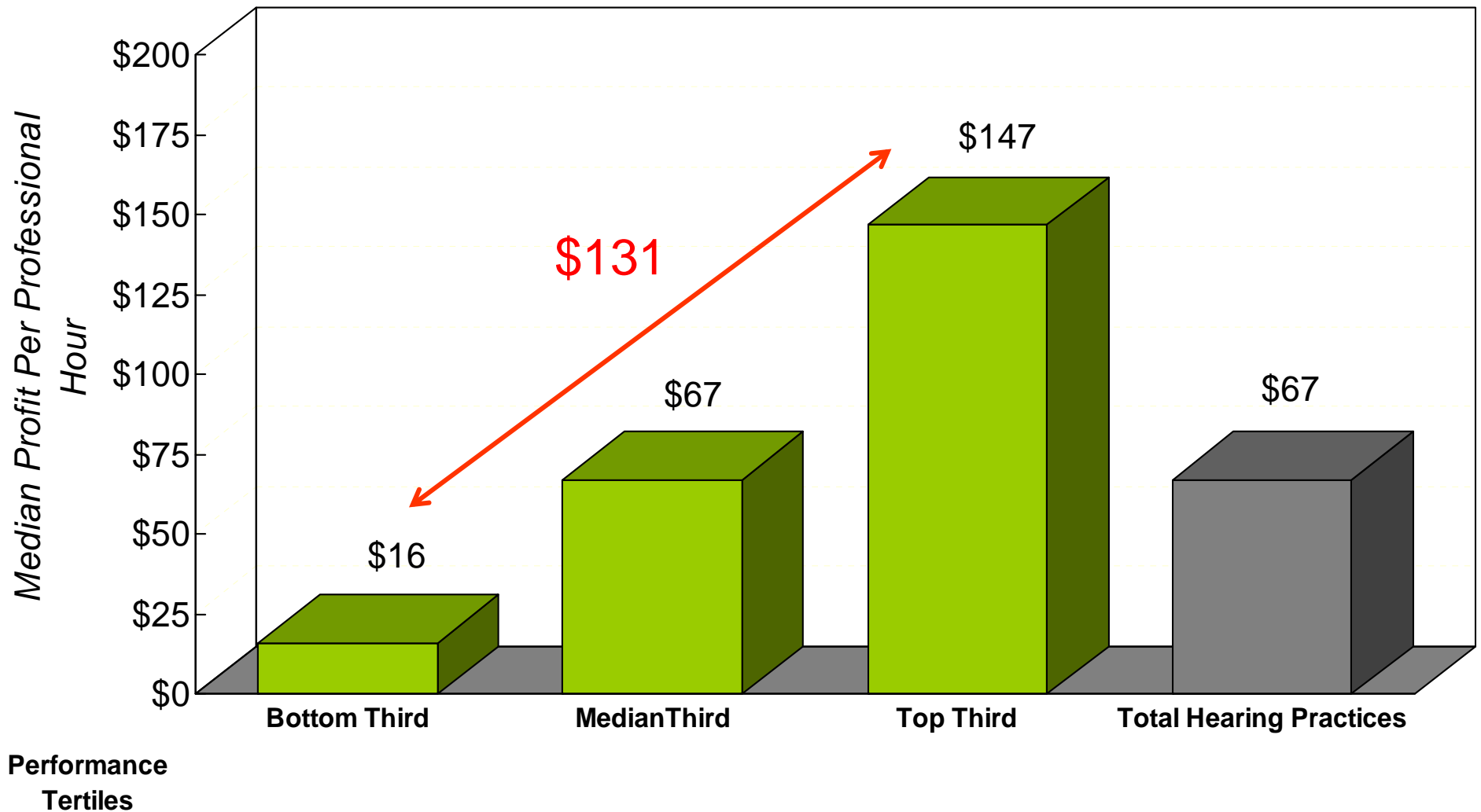




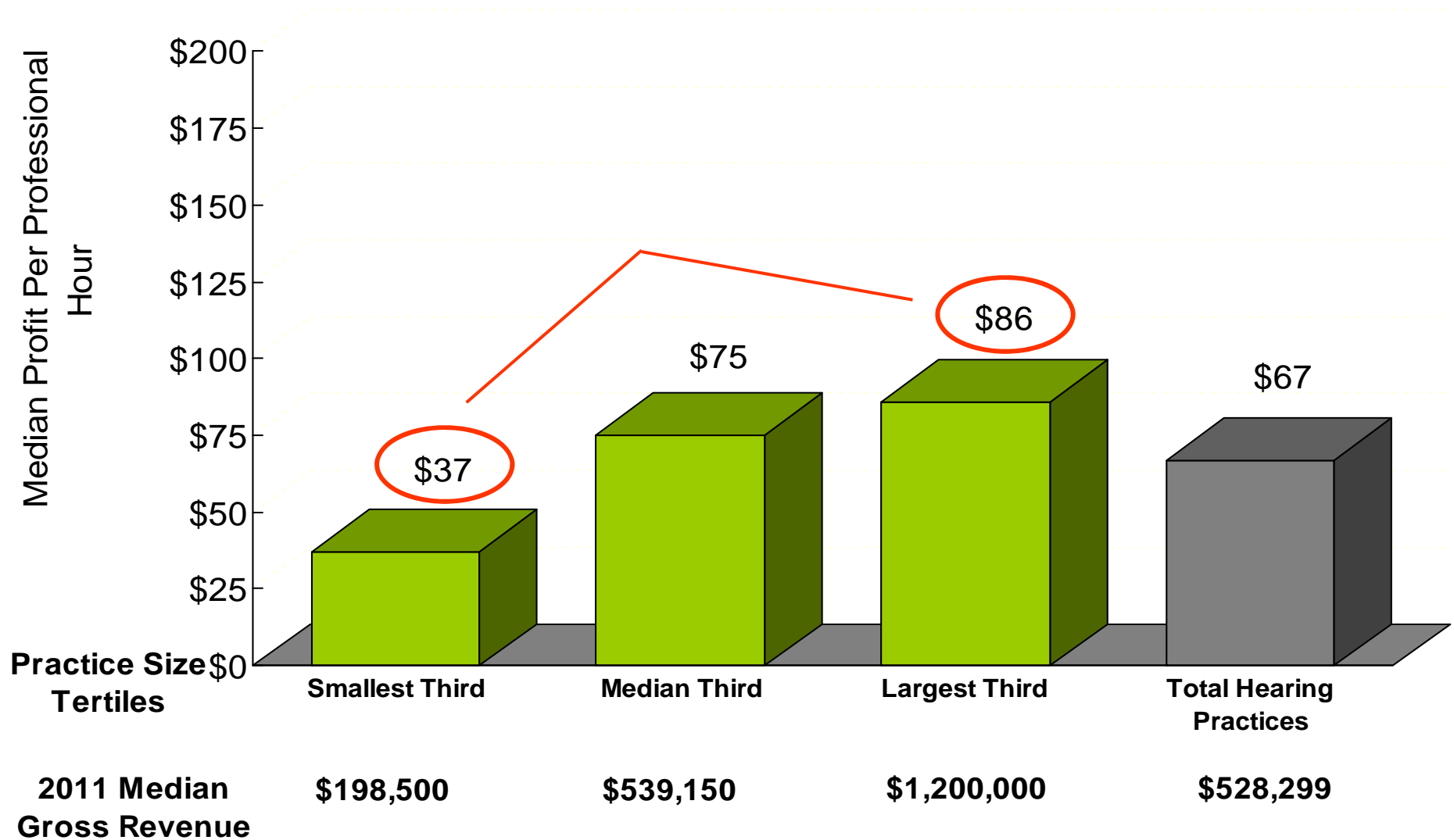
# Nearly \$600,000 variance in profit between top and bottom performers



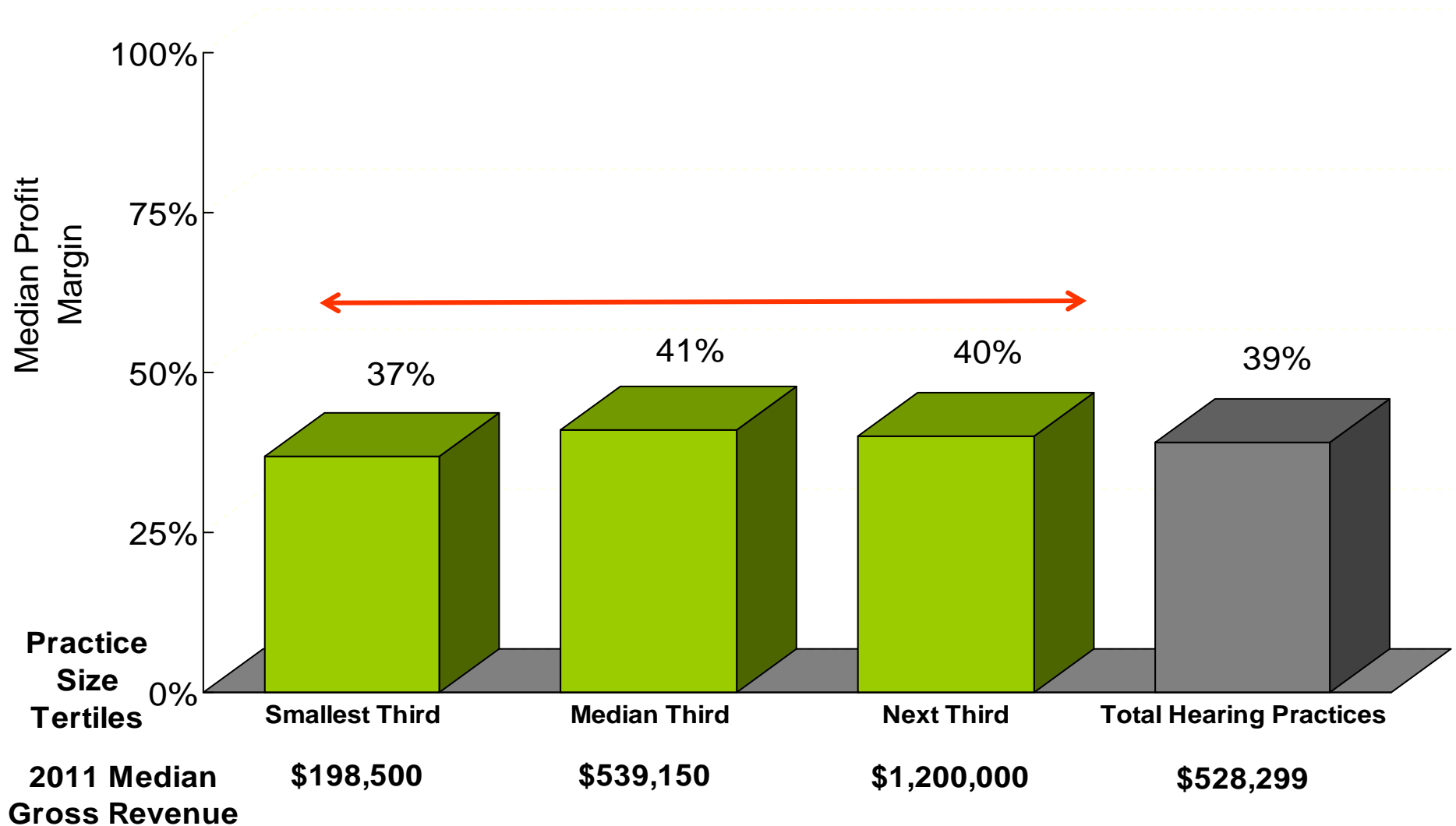
# Variance of \$131 net profit per professional hour between top and bottom performers



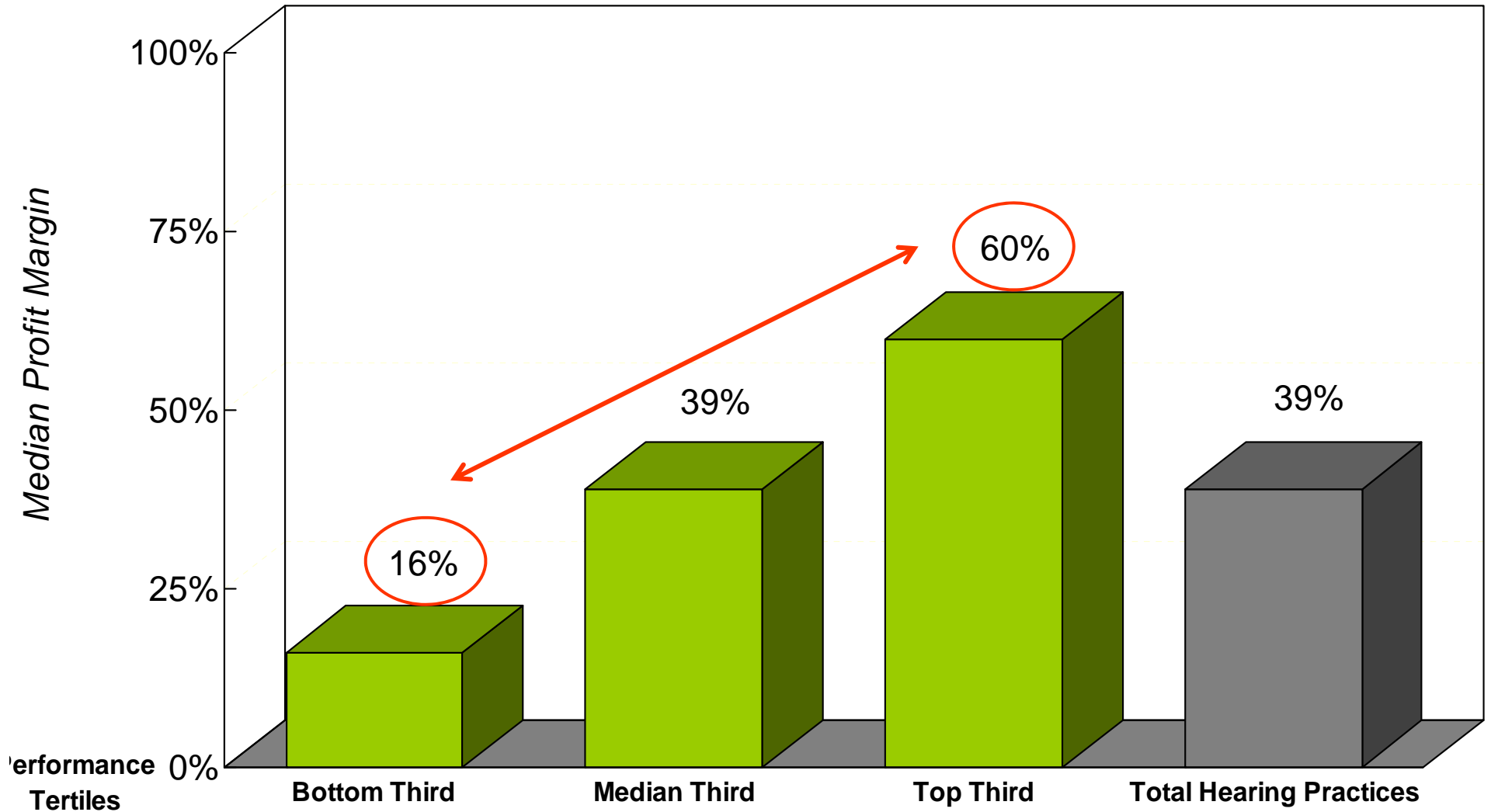
# Net profit per professional hour increases by \$50 from the smallest to largest practices



# Profit margin is dead even across practice size



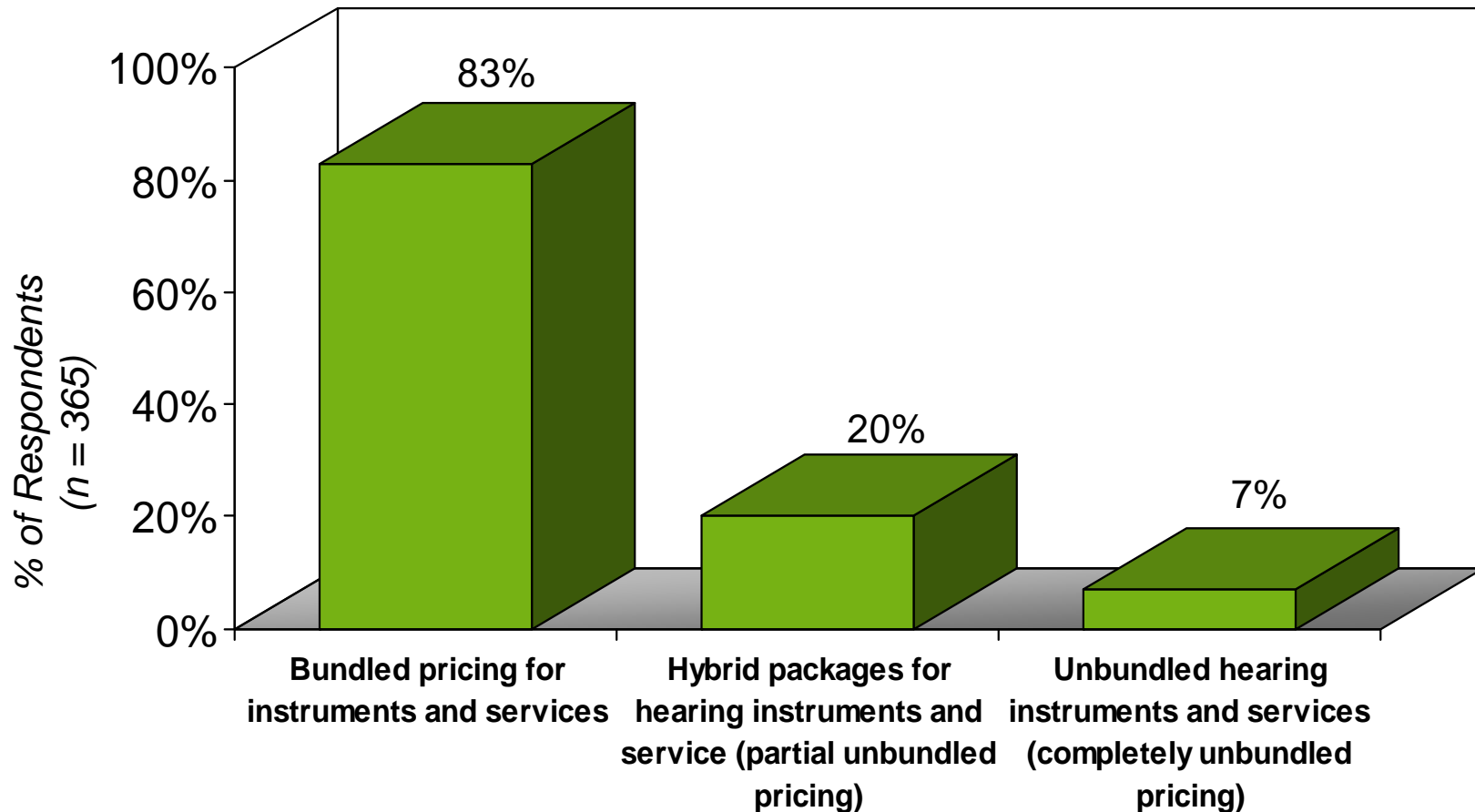
Profit margin is 3x higher among top performers than bottom performers



# Bundling vs. Unbundling



83% offer bundled pricing; 20% offer partial unbundled pricing



Practice fee structures for hearing instruments and services

\* This was a new question in the 2012 study.

## Complicated for patients and office to manage and price sensitivity among hurdles to unbundling

Services	2012 Study
1. Think patients won't return for follow-up services if they are billed for each visit	65%
2. It's too complicated for patients to understand	49%
3. No one else around me is doing it	33%
4. Patients will go elsewhere	32%
5. Not sure about appropriate price structure	28%
6. Too difficult to administer	27%
7. Will not be able to compete in my area	20%
8. Not comfortable charging for the hearing evaluation if the patient does not obtain a hearing instrument	19%

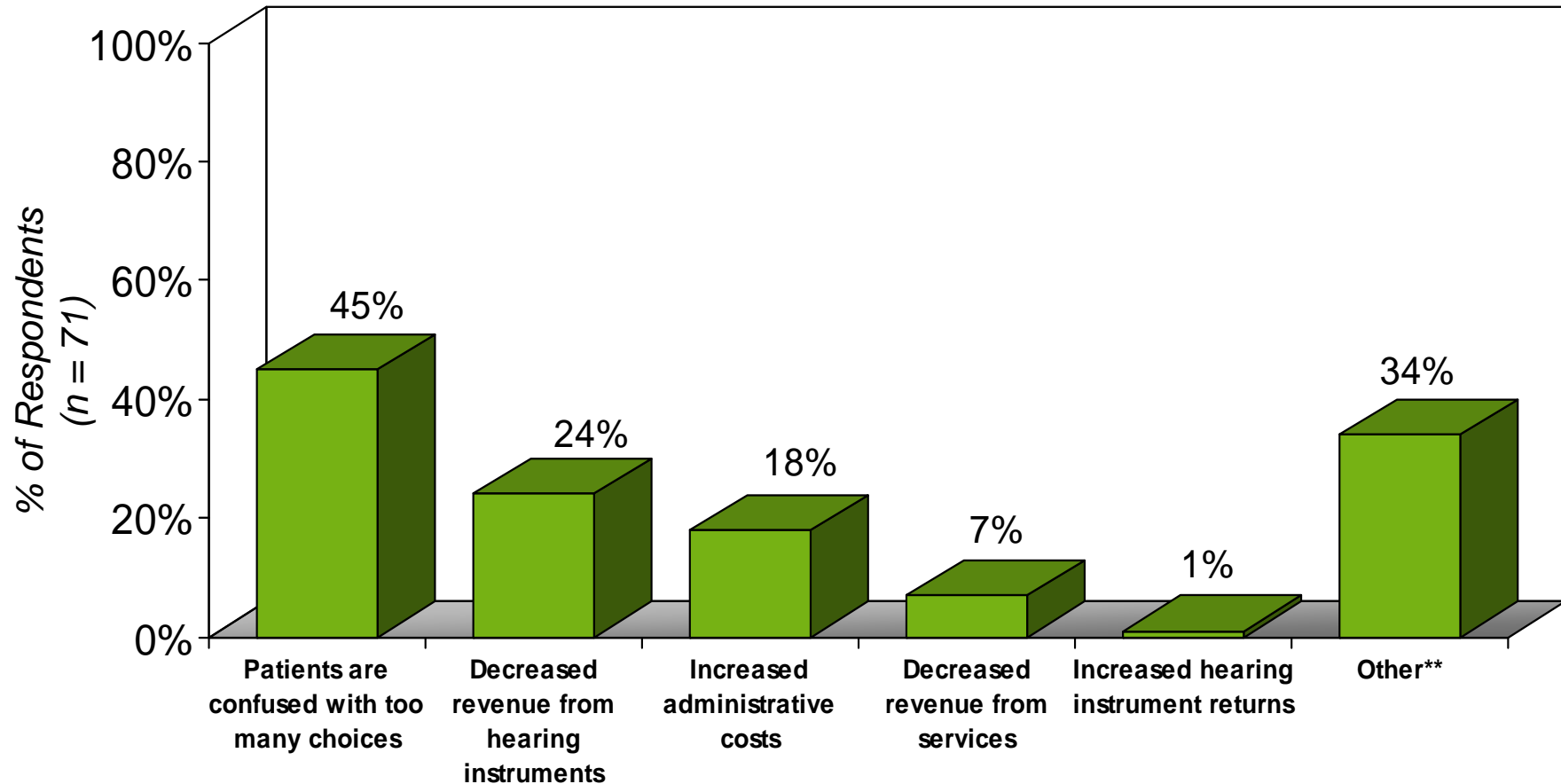
### Biggest hurdles to adopting unbundled services

% of Respondents  
(n = 345)

\* This was a new question in the 2012 study.



# 45% cite patient confusion as primary concern in unbundling hybrid packaged services

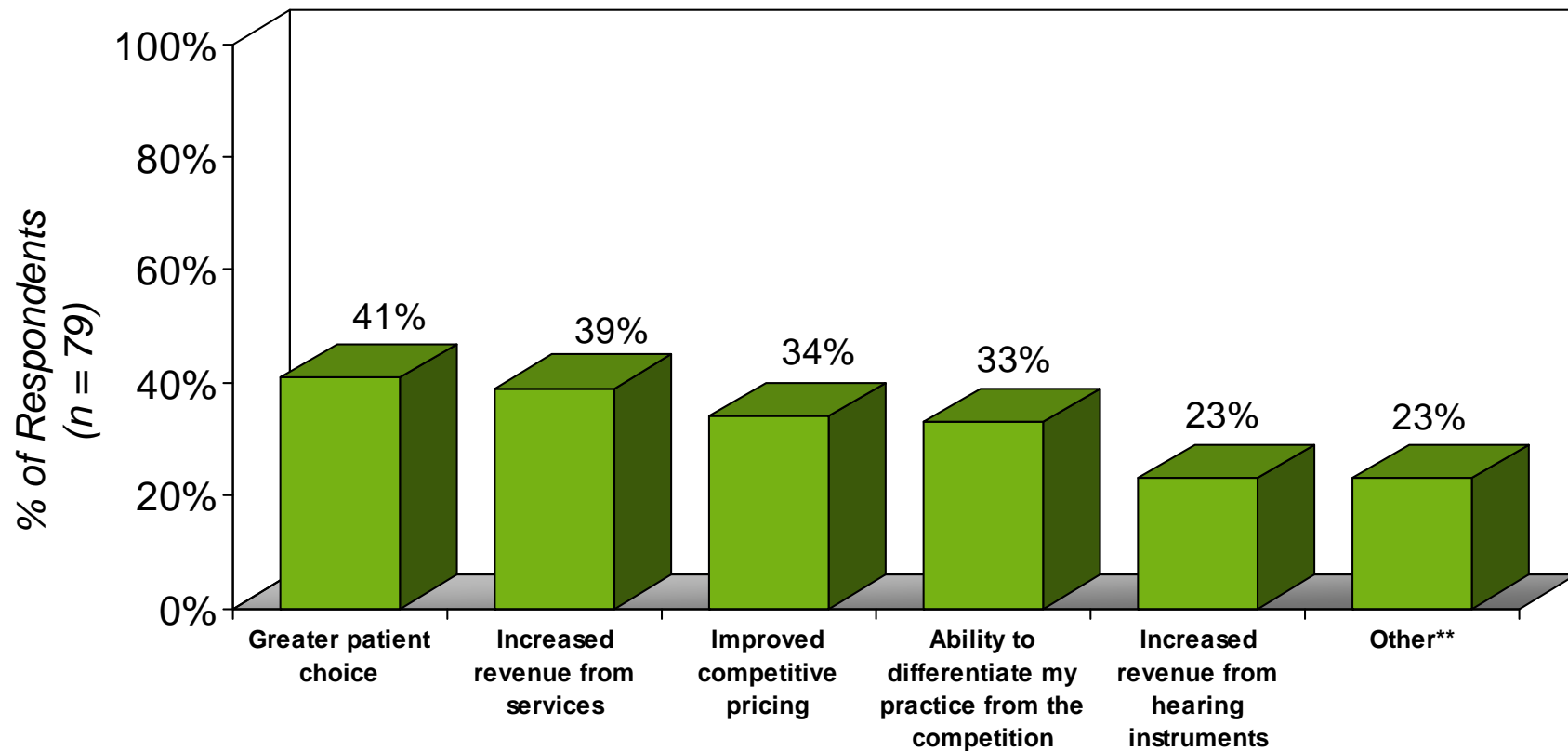


## Negative impact from unbundling hybrid packaged services

\* This was a new question in the 2012 study.

\*\* 'Nothing' and 'None' were the most common 'Other' responses mentioned.

# 40% cite greater patient choice and increased revenue as positives around unbundled services



Positive impact on practices who unbundle services

\* This was a new question in the 2012 study.

\*\* 'Nothing' and 'None' were the most common 'Other' responses mentioned.

# Marketing Activities



# Marketing expenditure still focused on traditional media outlets

Marketing Activity	2010 Results	2011 Results
1. Direct Mailer Programs	19%	16%
2. Newspaper Ads	26%	24%
3. Radio Spots	3%	3%
4. TV Spots	4%	4%
5. Website Development/Initiatives	6%	6%
6. E-mail Campaigns	1%	1%
7. SEO Functionality (Search Engine Optimization)	1%	2%
8. Social Media Campaigns/Programs (e.g., Twitter, Facebook, Blog, etc.)	1%	1%
9. Pay-Per-Click Programs	1%	1%
10. Physician Referral Programs	8%	10%
11. Patient Referral Programs	6%	7%
12. Newsletters	4%	5%
13. Education Seminars	3%	4%
14. Open Houses	7%	6%
15. Other*	8%	9%

40%

NP: 13% PM: 14%

## % of marketing expenses allocated to each activity

Average %  
(n = 323)

\* 'Yellow Pages' was the most common 'Other' marketing activity mentioned.

# Yet traditional media is half as cost-effective as referral programs – same as past years

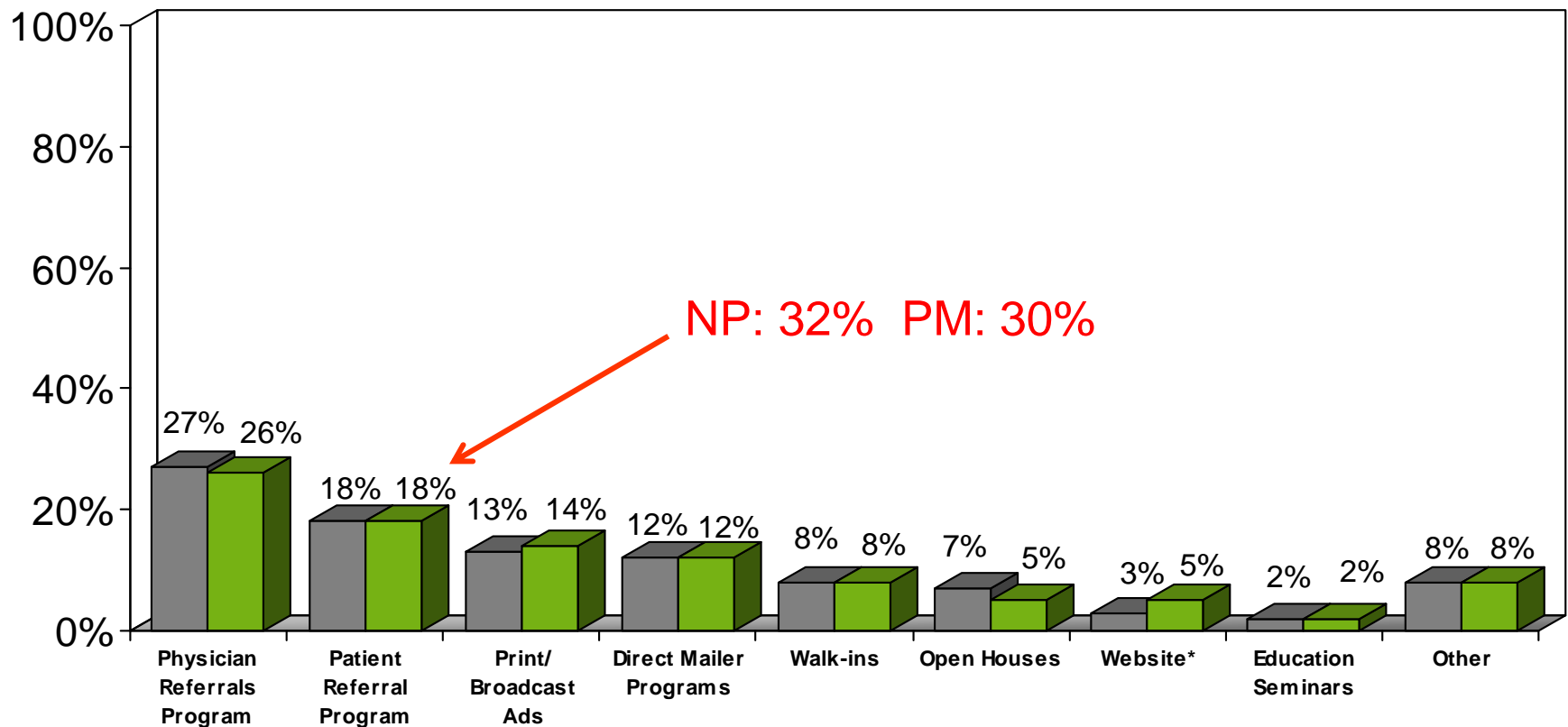
Marketing Activities	Very Effective	Somewhat Effective	Neither Effective			Average Rating*	n	Average Rating (2010 Results)
			Nor Ineffective	Somewhat Ineffective	Very Ineffective			
1. Direct Mailer Programs	18%	53%	11%	11%	7%	3.7	190	3.7
2. Newspaper Ads	14%	49%	17%	12%	8%	3.5	231	3.6
3. Radio Spots	7%	32%	22%	22%	17%	2.9	59	3.1
4. TV Spots	15%	29%	25%	23%	8%	3.2	48	3.3
5. Website Development/Initiatives	9%	47%	31%	7%	6%	3.5	151	3.4
6. E-mail Campaigns	23%	27%	19%	23%	8%	3.3	26	3.0
7. SEO Functionality (Search Engine Optimization)	12%	42%	35%	7%	4%	3.5	69	3.4
8. Social Media Campaigns/Programs (e.g., Twitter, Facebook, Blog, etc.)	9%	25%	38%	15%	13%	3.0	53	3.2
9. Pay-Per-Click Programs	6%	31%	23%	17%	23%	2.8	35	2.8
10. Physician Referral Programs	31%	43%	17%	7%	2%	3.9	138	4.0
11. Patient Referral Programs	42%	38%	15%	4%	1%	4.2	151	4.1
12. Newsletters	20%	52%	23%	4%	1%	3.8	113	3.7
13. Education Seminars	19%	50%	19%	9%	3%	3.7	103	3.7
14. Open Houses	20%	51%	15%	10%	4%	3.7	125	3.8
15. Other	29%	41%	18%	6%	6%	3.8	63	3.7

## Cost-effectiveness for generating new

\* 5 = Very effective, 4 = Somewhat effective, etc.

# MD & patient referral were top sources of referrals; nearly double that of direct mail & ads

■ 2010 Results ■ 2011 Results

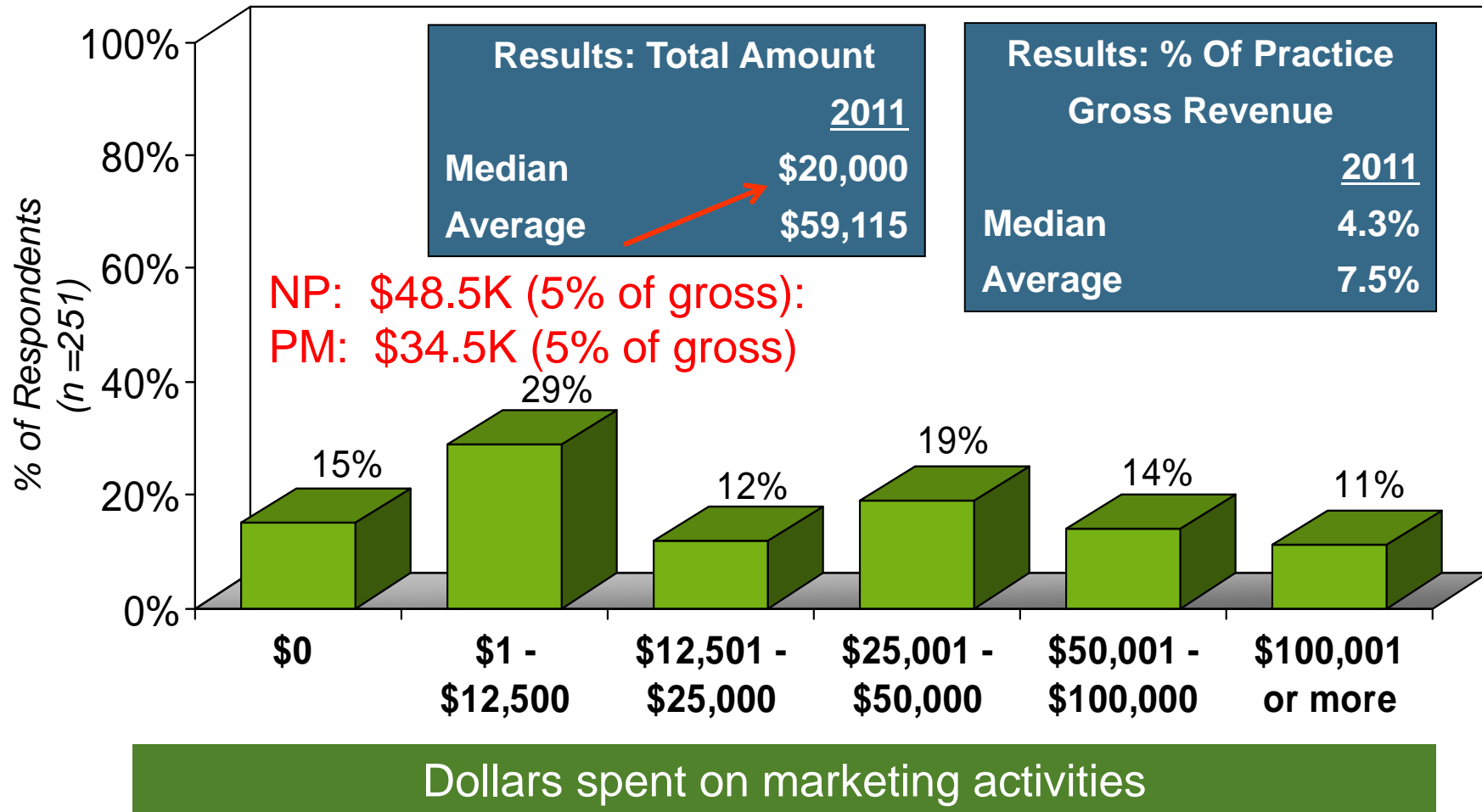


## Sources of new patient referrals

Average %  
(n = 323)

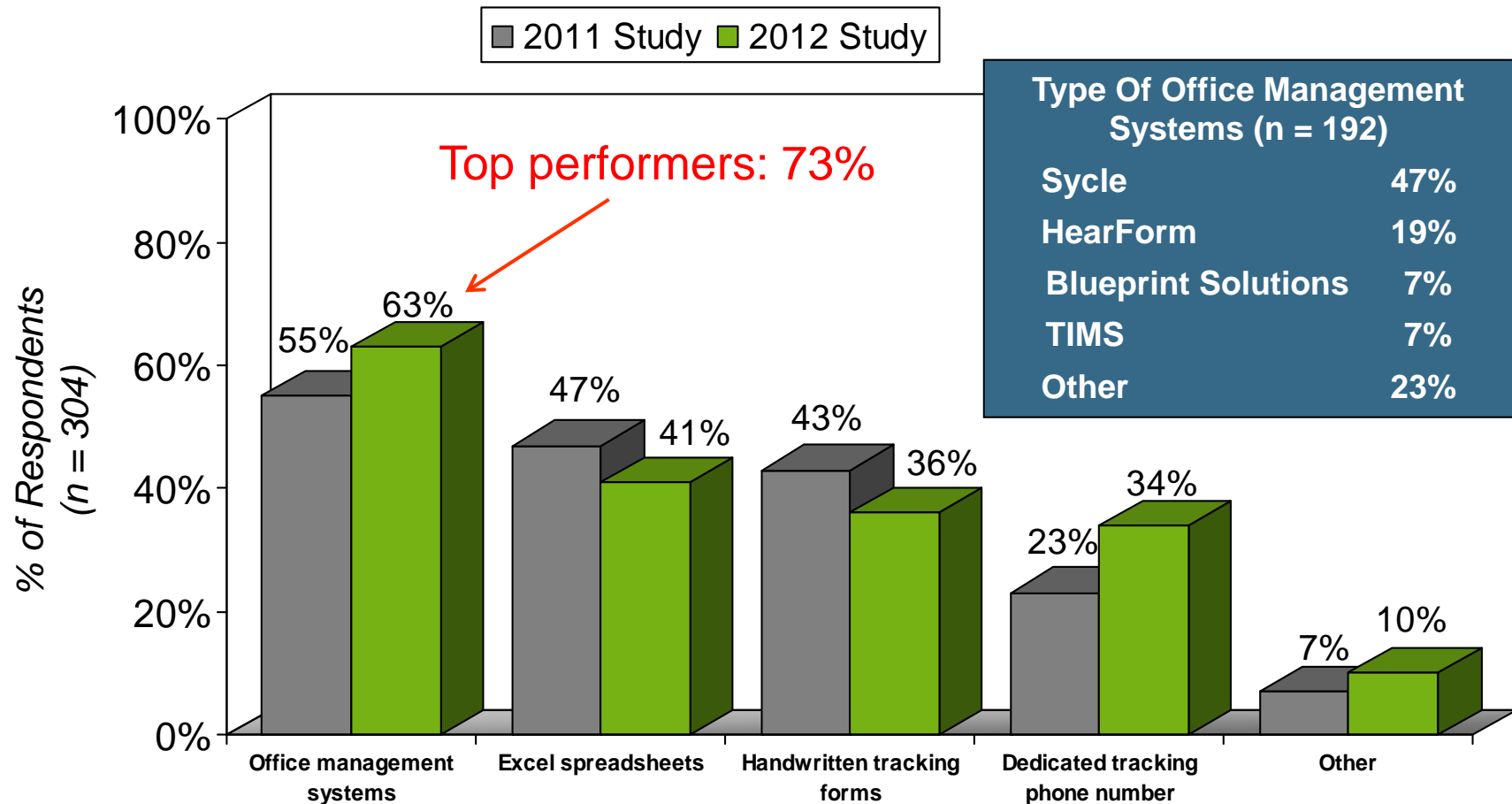
\* In the 2012 study, this response category was changed from 'Website Development/Initiatives' to 'Website.'

Practices spend median 4.3% of gross revenue on marketing; 44% spend < \$12,500/year



\* In the 2012 study, this question was changed from asking for a total marketing amount, to asking for separate amounts from the practice's budget and from manufacturers/suppliers. These data are therefore not directly comparable to previous studies.

# Positive shift toward automated tracking systems

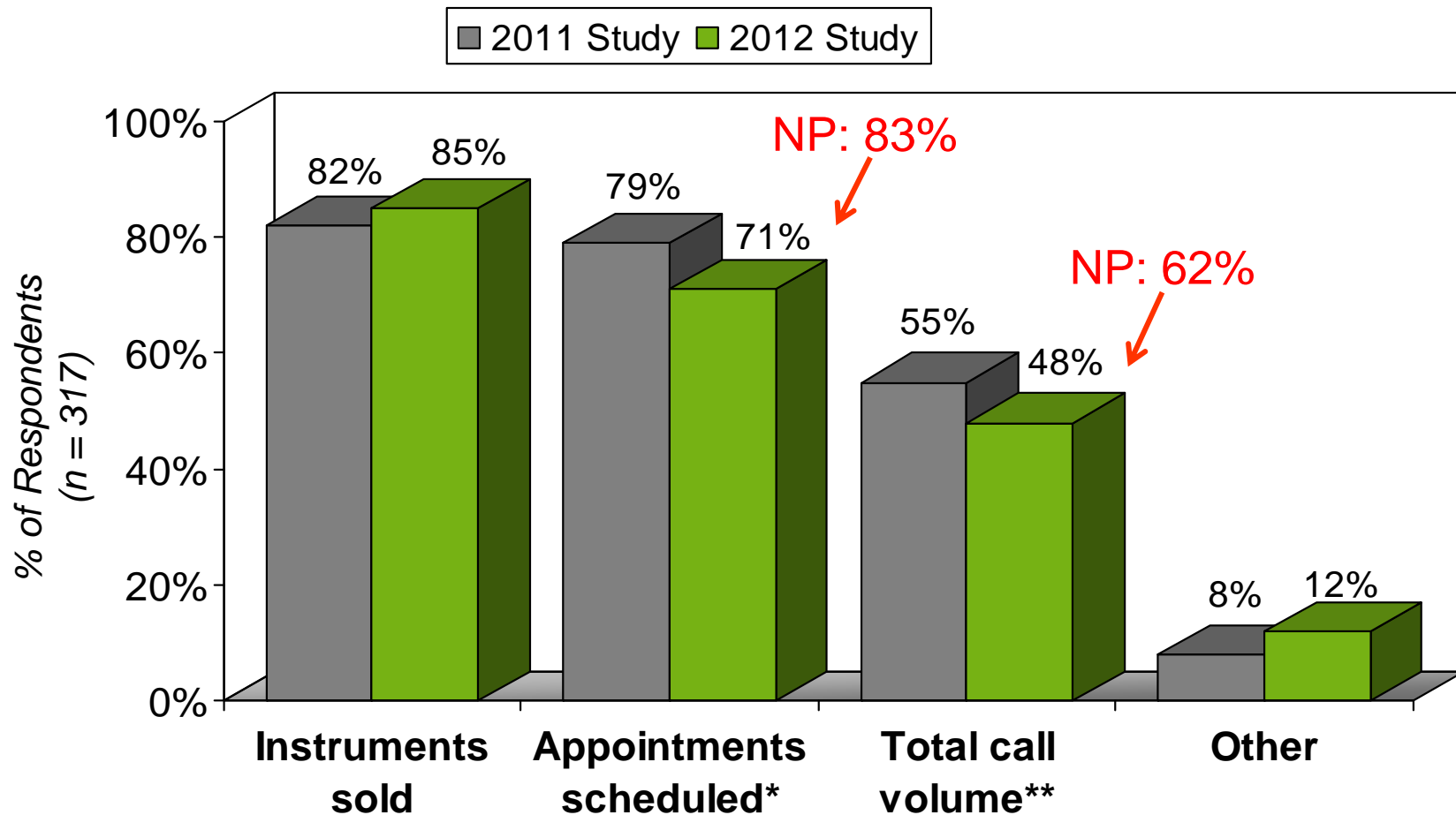


## Methods used to determine marketing effectiveness and ROI

\* This question was changed in the 2012 study to include four subcategories for 'Office management systems.'



# Majority track appts and sales; only half track call volume



Metrics used to track marketing effectiveness and ROI

\* In the 2012 study, this response category was changed from 'Appointments' to 'Appointments scheduled.'

\*\* In the 2012 study, this response category was changed from 'Calls' to 'Total call volume.'

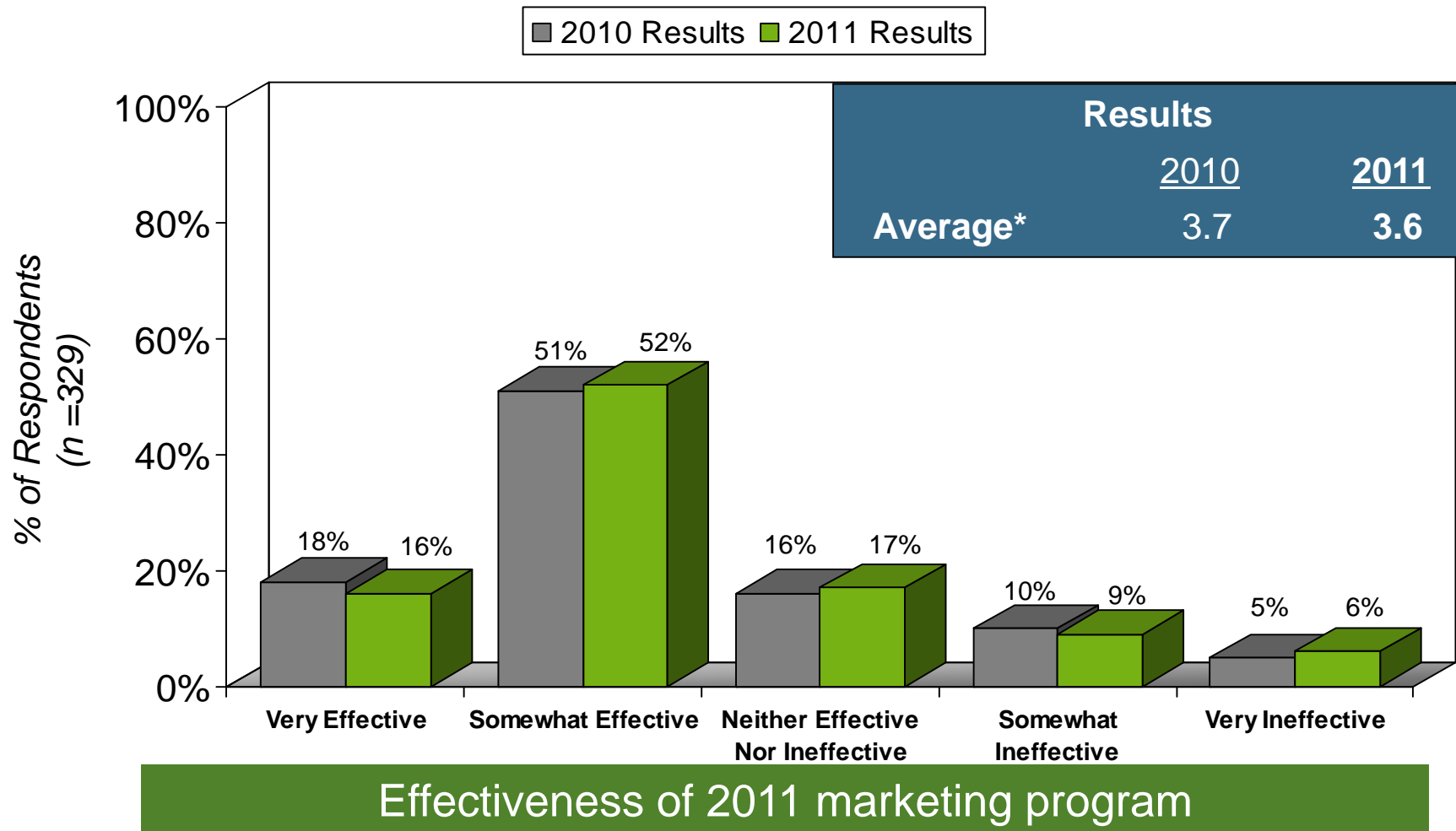
Call volume vs  
appts scheduled

No opportunity to measure  
conversion from calls to appts;  
front desk skills

Appts scheduled vs  
instruments sold

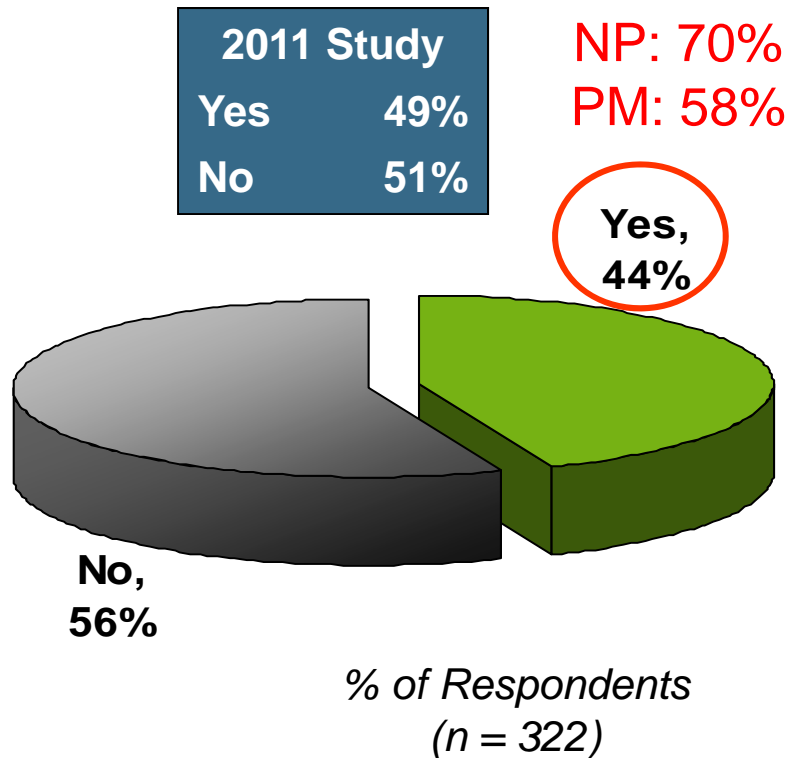
No opportunity to measure  
conversion from appts to sales;  
fitter skills

# Half thought their marketing programs were only somewhat effective

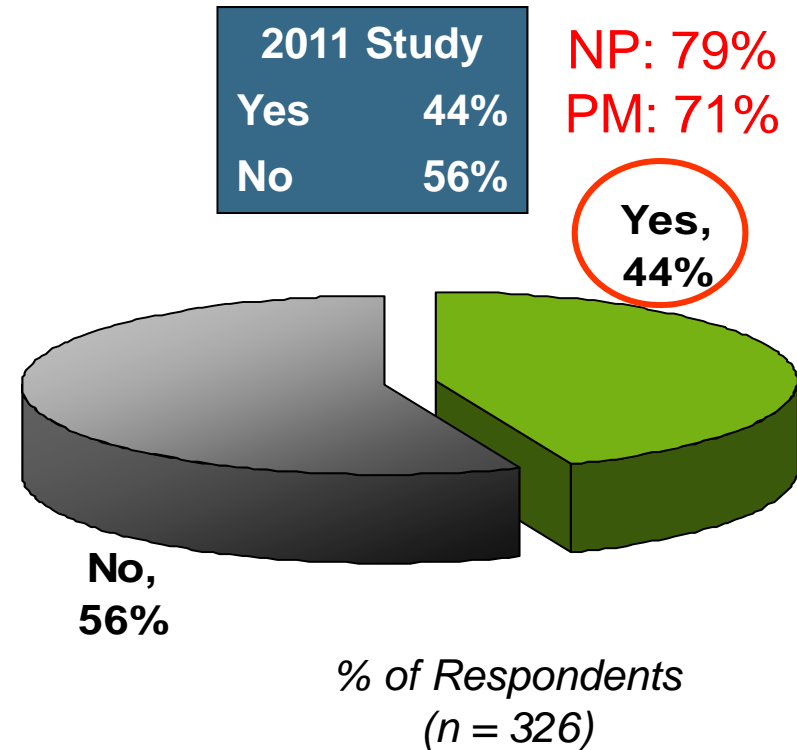


\* 5 = Very effective, 4 = Somewhat effective, etc.

# Yet only half develop a marketing plan or budget



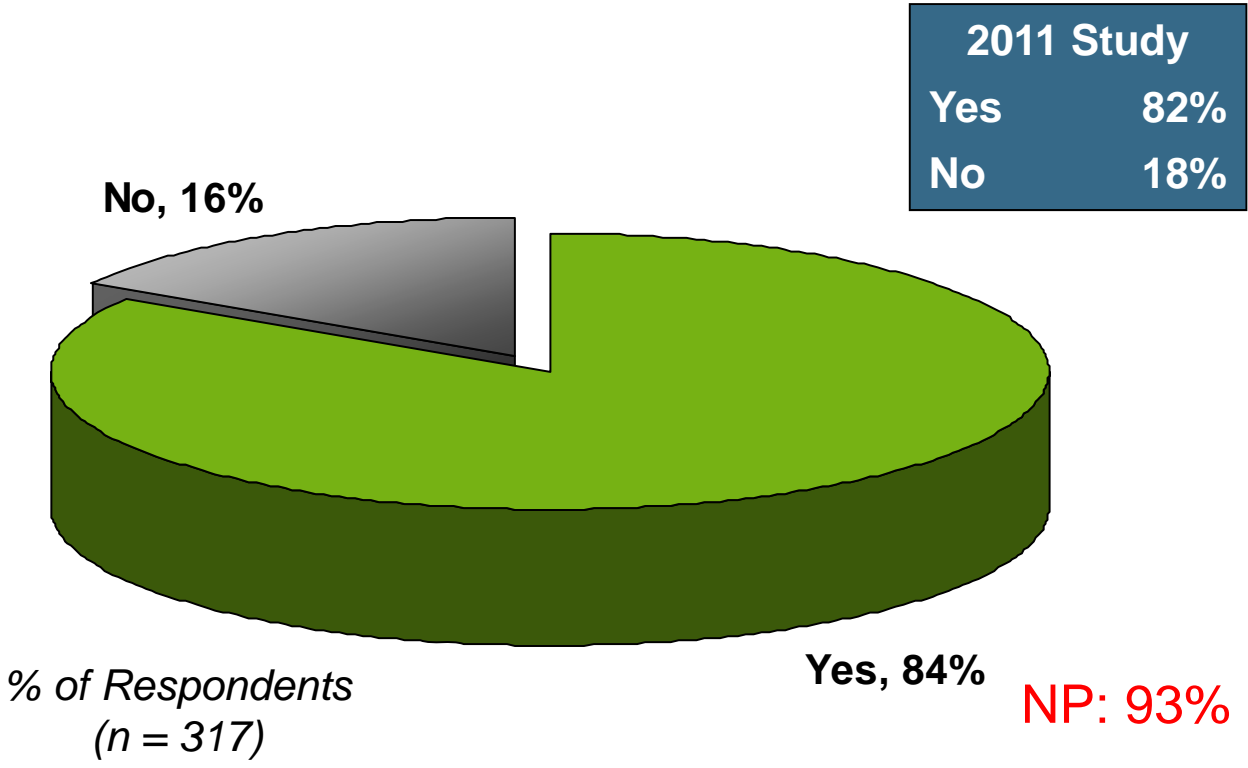
Annual marketing plan



Marketing budget

\* In the 2012 study, this question was changed from a 'formal, detailed marketing activities calendar' to a 'formal, detailed, documented marketing activities calendar.'

# Small increases in website utilization



Practices with websites

# Website functionalities flat or down

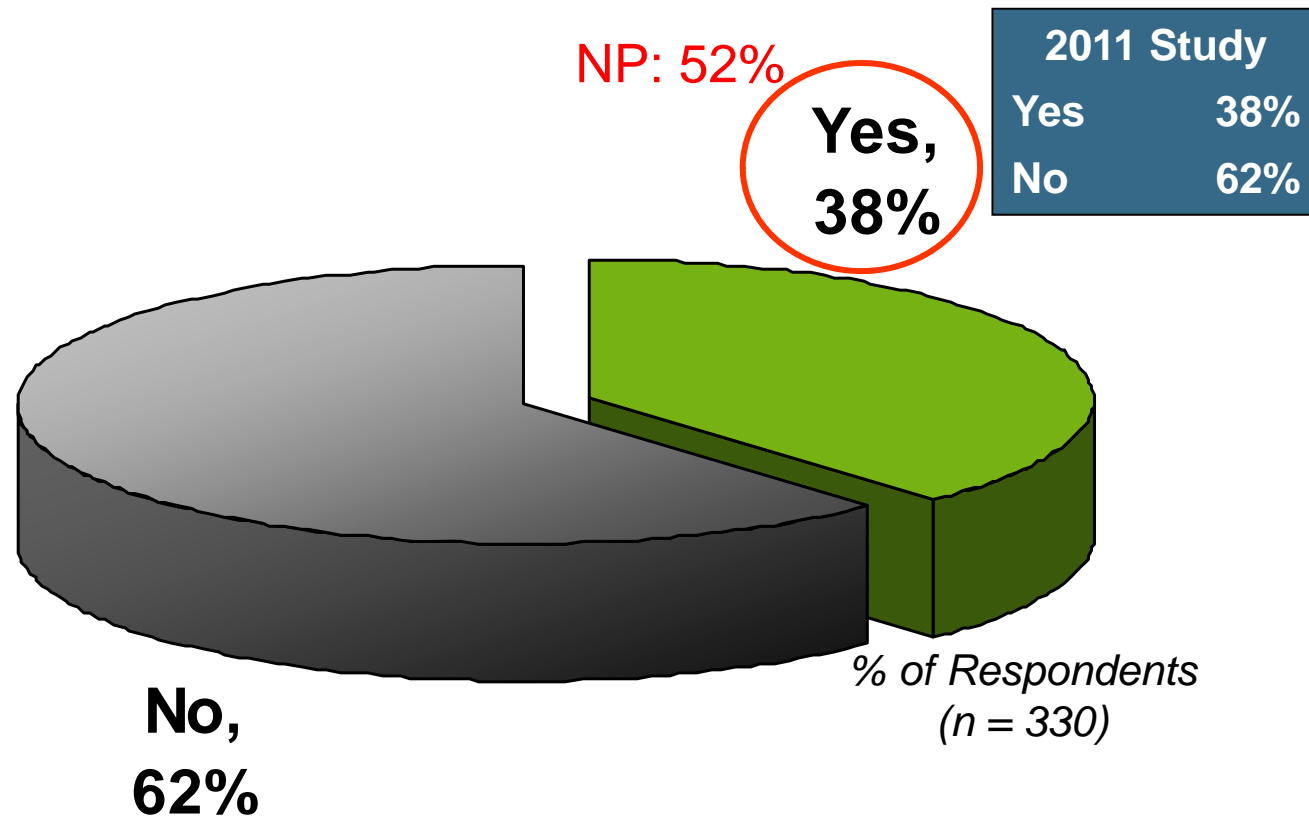
Website Functionalities	2011 Study	2012 Study
1. Appointment scheduling	33%	27%
2. Medical history record updates	19%	16%
3. Patient satisfaction survey	15%	13%
4. Patient testimonials	49%	52%
5. Section to accept patient inquiries	60%	<b>75%</b> 60%
6. Hearing information archive	72%	67%
7. Educational videos	52%	43%
8. Lead capturing system (e.g., for names and e-mail addresses, etc.)	38%	<b>61%</b> 30%
9. Website analytics (e.g., Google analytics, tracking traffic, etc.)	45%	<b>73%</b> 45%
10. Search engine optimization	48%	46%
11. Practice newsletter	29%	28%
12. Physician page	28%	24%
13. Patient marketing opt-in*	–	10%
14. Other	10%	11%

## Website functionality

% of Respondents  
(n = 269)

\* This was a new response category in the 2012 study.

# Majority still do not conduct patient satisfaction surveys



Percentage who conducts patient satisfaction surveys



## Implications & considerations about marketing

- There is a high level of need for all practices to engage in proactive marketing planning to understand and plan what works best for your business
- Lead generation driven by cost-effective physician and patient referral strategies is a significant and under-utilized opportunity
- Practices need to invest beyond traditional marketing strategies, including the Internet, to reach target audiences – including Baby Boomers and influencers
- If you don't measure activity across the entire lead generation funnel, you lack the ability to identify weakness in the funnel from calls thru sales





## Implications & considerations about productivity

- The reality for all organizations is that you're only as good as your least effective staff member
- There are opportunities to consider to increase productivity and generate more revenue
- Review your infrastructure against benchmark data
- Consider adjustments to compensation package to further incentivize both professional and administrative staff and drive revenue
- Performance metrics key in understanding what to prioritize and fix

Otherwise you leave it to chance  
and you'll continue to see  
same behaviors and outcomes

Where do you  
**focus?**

Take key learnings back to your practice, consider  
**primary** opportunities for improvement

## Review benchmark summary and **ask yourself:**

How does my practice compare to Top Performers?

What do Top Performers do differently?

Which processes and behavior changes do I focus on  
and what's realistic in terms of improvement?

How will I measure progress  
for each initiative?

“It’s not how big you are, it’s  
how big you play.”

John Wooden

Winning UCLA basketball coach

1947-1975