

Coping with High Gold Prices

Ah the good 'ole PFM the staple of fixed prosthetics since the 1960s....

Even in this new age of all ceramic restorations Gold alloys are still used in a very significant percentage of the cases done in most laboratories. IdentAlloy/IdentCeram which certifies materials used in dental restorations reports that in 2008 High Noble & Noble alloy certificates comprised 69% of the certificates shipped by the organization. Final figures for 2009 are not available yet and indications are that figure will be down somewhat but not nearly as much as you might think.

Bottom line that means even at today's prices, gold alloys of various compositions are going to be around for a long while and you need to cope with the \$ involved.

High gold prices impact 2 main aspects of Dental Lab operations.

Lab Finances (potential margin loss)

High gold prices mean that the lab requires more operating capital. It costs more to buy & stock alloys to use in your daily operations. Since Labs pass the cost of gold on to their dentist clients it also means higher accounts receivable which the lab has to carry. It also means higher costs for work loss and potential theft.

Sales (potential revenue loss)

As the total invoice for each case creeps higher due to increased gold costs, clients may be more susceptible trying another competitor lab. It opens the door and could lead to a loss of business. This loss of business sometimes gets hidden if you are only looking at the sales generated for an individual Dr. The total \$ sold to that account may be the same due to the higher gold charges but they may actually be sending you fewer cases.

What to do

Aggressively manage your cash.

- Order smaller amounts of alloy more frequently from your alloy supplier in order to reduce the amount of alloy you stock in the lab.
- Speak with your alloy supplier regarding the credit limit on your account. Be sure it's high enough to accommodate your needs. If you pay for your alloys with a credit card check that too. You don't want to have late cases because gold shipments are held up.
- Stay on top of your accounts receivables. The habitually slow payer that was marginally profitable before may be unprofitable now.
- Review your pricing policy. If you unit price including gold you need to review the price each time you buy alloy. Some labs add a surcharge to cover gold prices over a certain level. However you handle pricing be sure you are covering all your costs plus a PROFIT.
- Review your daily lab operations to be sure good procedures are in place to minimize work loss. How close to the unit are sprues cut off? Do you have a tracking system for gold in the lab?

- Be sure you have a good scrap recovery system in place. Most refiners will be happy to help you with suggestions for maximizing scrap returns. Send scrap in more frequently to free up cash for the business.

Stay close to your customers.

- This is no time to be a stranger to your accounts. If they are getting nervous about your invoice totals encourage them to talk to you about it. Closely track not only \$ sales to each account but the number of cases or units they send. Act quickly if you see a fall off.
- Research alternative products. Palladium which is a popular element in dental alloys is now much less expensive than gold and has remained relatively stable in price. Offering alloys with higher Palladium content and lower gold content can significantly lower the cost for the Dentist while maintaining many of the physical properties and working characteristics of higher gold alloys. You can find this information in you supplier's alloy chart or better yet call your gold rep and ask their advice. Experiment with a few cases using the new alloy so you will be prepared if you need to shift to it in a big way.
- Direct your marketing efforts to communicate the fact you have various products available. Keep in mind that you are very aware of what you offer but you client is less likely to be as familiar as you. A long time client that has been using HN for years may not be aware you have anything else.
- Finally, this is a good time to prospect for new accounts. If your competitor is not coping with the high gold prices as well as you their accounts could be willing to try you.