The Amazon Question

There have been many discount dental suppliers in the past, but what if your discount dental supplier was Amazon.com? A recent Dentaltown.com poll revealed that 84 percent of dentists surveyed would be willing to buy their dental products from Amazon. More specifically, 38 percent would be motivated by cost savings of 25 percent or more, 41 percent would change for a cost savings of 10 percent or more, and 5 percent would buy dental supplies from Amazon if the cost was the same. Even accounting for any margin of error, I think it’s safe to say that a majority of dentists are prepared to buy their dental supplies from Amazon. I have used Amazon Prime for number of years and there are thousands of everyday items that can be delivered in a matter of two days or less with free shipping.

The Amazon question has become a very hot topic in dentistry. Why hasn't something like this already happened? In many ways the answer to that question boils down to who is willing to go first. In my view, the only way that Amazon becomes a successful, full-fledged dental distributor is if they carry all the major brands. Once one or two large brands make the transition, many others will soon follow.

How could this happen if nobody is willing to take the first step? One possible scenario will be a small dental supply company entering the Amazon marketplace to extend the reach of their sales channel. Essentially this would give a small discount dealer an instant national reach. If successful, then a large manufacturer may be more willing to go directly to Amazon.

If enough dental products moved over to Amazon with what could be a 15-20 percent savings over current pricing, the impact on distributors would be seismic. However, the well-positioned dental distributors offer many other services to their customers, including large equipment that would not easily be obtained through Amazon, equipment service, office design, transition assistance and practice management software.

This quote from chairman and CEO of Henry Schein, Stanley Bergman, on the 1990 demise of dental distributor Healthco puts things in perspective relative to the value of dealer services:

_The collapse had nothing to do with Meyer Cyker or his family. They sold to a private equity firm, which [amused] a lot of debt, who thought they could cut costs. But the dental business is unique; it’s high gross profit, but it also involves a lot of services. The private equity firm thought they could drop the cost, but they didn’t know the services that were involved._

Dentists could see a change in how they pay for these services if they are no longer purchasing supplies from one of the current dental distributors. The dental distributors could certainly respond with a pricing model that would neutralize the advantage of Amazon. It is difficult to predict what will happen next.

This topic generates many questions for discussion online: If a major manufacturer makes the move to Amazon, will they be viewed as a hero to dentists? How soon do you think this will happen? What are your thoughts on this topic? Please check out this article online to share your comments. I’m on email at tom@dentaltown.com or twitter @ddsTom.

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by Thomas Giacobbi, DDS, FAGD, Editorial Director, Dentaltown Magazine