

**Renew Advantage
Aesthetic Dermatology
and Plastic Surgery
Loyalty Trend Report**



Renew
Advantage[®]

Volume 1



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Building Patient Loyalty Pays Dividends

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Dear Doctor,

What is the greatest challenge you face in your practice?

Forty percent of dermatologists and plastic surgeons cite excessive competition, with attracting new patients a close second, at 34%. Only 4% say patient loyalty and retention yet that is where there are the biggest opportunities for growth. At the same time, more than half of survey respondents, 57%, agree that it's very important to increase the practice's cosmetics business.

These are among the findings of a survey conducted by Renew Advantage. *The Renew Advantage Aesthetic Dermatology and Plastic Surgery Loyalty Trend Report* reflects the responses of 137 plastic surgeons, dermatologists, and related professionals. Members of an Editorial Advisory Panel reviewed the findings and added commentary.

The survey findings also reveal that many dermatologists and plastic surgeons attempt to market their practices themselves with varying degrees of success. For example, only 35% of practices incentivize staff members to sell services, an approach supported by Advisory Panel members.

Other notable survey findings include:

- Although 76% of respondents hire a Web designer, only 8% use a reputation management service
- Just 20% of practices use cosmetic interest questionnaires as a marketing tool
- At 25% of practices, purchasing of disposable products/supplies is done by physicians
- For dermatologists, botulinum toxin injections are the biggest revenue source

Also featured in this report are two practice management articles: "The Psychology of Patient Loyalty Programs," and "Practice Management: The Art of the Soft Sell."

How does your practice compare? Rather than try to re-invent the wheel, plastic surgeons and dermatologists are invited to consider the merits of Renew Advantage's focused and comprehensive approach to marketing, purchasing, and managing patient loyalty programs.

Give your practice the Renew Advantage.

Sincerely,

Michael W. Bukach

Michael W. Bukach, RPh
President and Chief Operating Officer
Renew Advantage

Building Patient Loyalty Pays Dividends

Current market conditions suggest that marketing, purchasing, and managing patient loyalty programs could be better handled cooperatively.

To gauge aesthetic physicians' attitudes toward marketing, purchasing, and patient retention in the areas of cosmetic dermatology and plastic surgery, Renew Advantage surveyed 137 dermatologists, plastic surgeons, office/practice managers, other physicians, physician-extenders, and cosmetic coordinators. Their responses revealed many untapped opportunities for aesthetically oriented medical practices to attract new patients, maximize relationships with current patients, and manage their businesses more efficiently.

In short, aesthetic practices have focused on outperforming each other through individual efforts, when current market conditions suggest that functions such as marketing, purchasing, negotiating, and managing patient loyalty programs could be better handled cooperatively. Moreover, survey responses reveal a pattern of physicians or busy staff attempting to manage marketing and purchasing efforts themselves. These efforts often suffer from a lack of strategic organization and integration, and results are typically not tracked.

Only about one-third of respondents incentivize staff members to sell services. For the other two-thirds, the absence of such incentives hinders these businesses' efforts to promote their skin care products and ancillary services. In addition, more than half of practices surveyed never survey their own patients to learn what they could be doing better for their customers.

The survey research and this report are sponsored by Renew Advantage, which markets a patient loyalty program, a group purchasing organization (GPO), and other related services to dermatologists and plastic surgeons that are designed to enhance their practices. The survey research of 46 dermatologists, 59 plastic surgeons, 22 office/practice managers, and 10 others was conducted in the summer of 2012.

To help highlight and analyze survey findings, Renew Advantage enlisted the following experts in patient loyalty and practice management:

- Michael H. Gold, MD, dermatologist and medical director at Gold Skin Care Center and Tennessee Clinical Research Center, and clinical assistant professor, Division of Dermatology, Vanderbilt University School of Medicine and Vanderbilt University School of Nursing, Nashville
- Bart Rademaker, MD, a plastic surgeon who is founder and director of The Beauty Integrity Center, Tampa, Florida
- Daniel Ritacca, MD, an oculoplastic surgeon and medical director at Ritacca Cosmetic Surgery & Medspa, Chicago
- Andrew Jaffe, MD, dermatologist and founder of Riverchase Dermatology and Cosmetic Surgery, Naples, Florida
- Sara Ritacca, chief operating officer at Riverchase Dermatology and Cosmetic Surgery (and Dr. Ritacca's daughter)

Competitive Concerns

In the current economic climate, the independent spirit that characterizes dermatology and plastic surgery practitioners may hamper business success. Despite competitive pressures such as declining reimbursements and price cutting by noncore competitors, survey results show that to date, relatively few dermatologists and plastic surgeons are embracing—or even are aware of—the power of cooperation in areas such as group negotiating and purchasing, and comprehensive patient loyalty programs.

Throughout medicine, "There's a lot of fear over potential changes to reimbursement in the near term," says Sara Ritacca of Riverchase Dermatology and Cosmetic Surgery.

There may be specific changes to reimbursement codes that will impact dermatology and also evaluation and management (E&M) codes for all specialties, says Sara. As a result of the Patient Protection and Affordable Care Act (ACA), accountable care organizations (ACOs) may be expanded, although no one knows what their ultimate impact on dermatology will be.

During the next year, Sara adds, experts predict increasing consolidation, with dermatology and other aesthetic practices buying or being bought by other practices, dermatologic and otherwise, to reap shared savings where possible and to better negotiate with insurers and suppliers.

Presently, she says, "Plastic surgeons and dermatologists tend to work very independently in part because they haven't been pressured to contain costs. They also have a significant fear of competition." Sara believes that the current economic climate will force small, independent practices to band together to cut costs and negotiate contracts.

When asked to identify the main challenges they face, 40% of survey respondents cite excessive competition (Figure 1). "That's how practitioners currently view each other," says Sara, "but the

future will necessitate more teamwork."

Marketing Matters

To shore up their market share, many practices are pursuing more patients seeking aesthetic services (Figure 2).

"I'm surprised that more survey respondents weren't more enthusiastic about building their cosmetic practice, because the future of health care is so uncertain," says Andrew Jaffe, MD, of Riverchase Dermatology and Cosmetic Surgery. "It's one way to differentiate your practice revenue streams and remain stable in a changing economy."

Presently, 72% of dermatologists report an average of 2 to 3 procedures yearly per patient (chart not shown), which Daniel Ritacca, MD, medical director, Ritacca Cosmetic Surgery & Medspa, says is appropriate.

Among plastic surgeons, however, 70% reported an average of 2 or fewer procedures per patient annually. "For the plastic surgeons," says Sara, "the key is, how do I encourage this surgical patient to be a repeat patient? That's where Renew Advantage comes in." This program enables surgeons to give savings or incentives on

Renew Advantage enables surgeons to give savings or incentives, thereby encouraging patients to return for products or other services.

Figure 1. What is the top challenge you face in your practice?

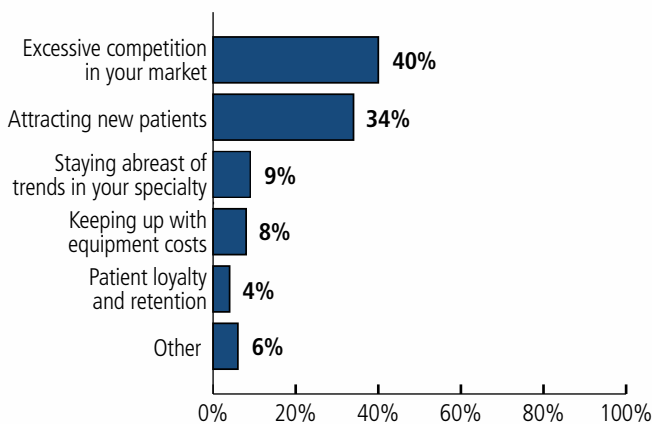
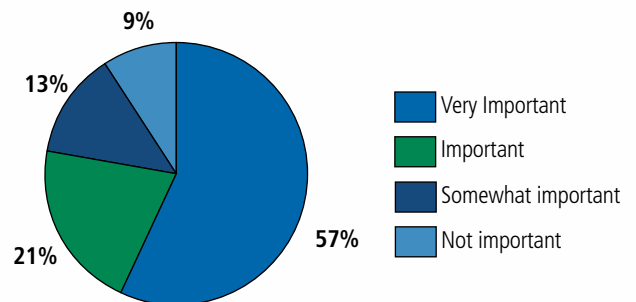


Figure 2. How important is it for you to increase your cosmetics business?



“If patients are happy with your services, there should be some organic growth in their relationship with you.”

- Andrew Jaffe, MD

surgical procedures, thereby capturing patients who then return to buy products or other services. Without such a program, she says, “Patients may see you as just a surgeon. The goal is to get the patient to take more bites of the apple.”

Moreover, 41% of respondents report that their average number of visits per patient has increased over the past year (chart not shown). However, 8% say this figure has declined, and 51% say it has held steady, which Dr. Jaffe says is also somewhat undesirable. “If patients are happy with your services,” he explains, “there should be some organic growth in their relationship with you,” even if the person just purchases a skin care product along with her usual procedures or services. (See sidebar: “The Psychology of Loyalty Programs,” page 5)

Bart Rademaker, MD, director of The Beauty Integrity Center, notes that in marketing aesthetic services, “Many practices focus on the usual – Google search terms and maybe billboards. They try one thing, then another. There’s not a really comprehensive approach. They do all the front-end work,” such as employee training and system installations. “But they don’t look back and say, ‘How effective was I? What am I really paying my

staff hourly to do the job that they’re doing?’”

Overall, approximately three-quarters of respondents acknowledge that they don’t know how much it costs them to land a new patient (Figure 3), a finding that surprised none of our experts. In fact, says Dr. Rademaker, “90% probably don’t know that number.” He and Michael H. Gold, MD, allow, however, it’s difficult to calculate. Dr. Gold is medical director, Gold Skin Care Center and Tennessee Clinical Research Center, and clinical assistant professor, Vanderbilt University School of Medicine and Vanderbilt University School of Nursing.

Dr. Ritacca says, “Bringing a new patient into the practice costs five to six times as much as it does to keep an existing patient happy. The plastic surgeons are fixating on attracting new patients, when they should focus on keeping their current patients—and having these patients bring them new patients.”

Nevertheless, Dr. Jaffe says that every practice should know how much it costs to land each patient. When staff members know this figure, he says, “They have a better understanding of what goes into building the practice. So when they’re tired at the end of the day, they’re less likely to rush that patient on the phone. They need to appreciate the costs associated with each patient.”

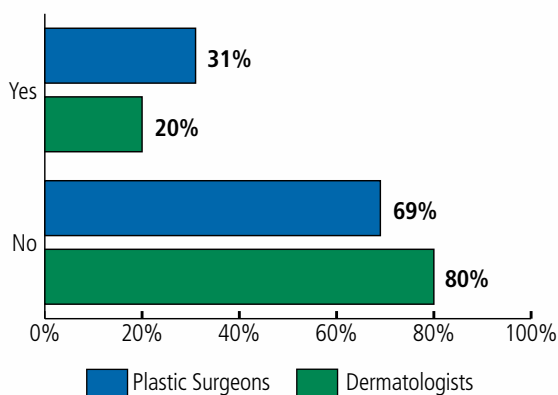
Similarly, only 54% of respondents track the results of their marketing efforts in attracting new customers (chart not shown). “That proportion should be at least 80%,” says Dr. Gold. “A GPO will help you track these data.”

In addition, 76% of respondents report that they track the marketing effectiveness of their websites, and 32% track results from Facebook (chart not shown). Less than 20% of respondents, however, track results from Twitter, radio/TV advertising, and media interviews.

As for overseeing the marketing of the practice, 48% of respondents says their practice’s dermatologist or plastic surgeon handles this

(continued on page 6)

Figure 3. Do you know what it costs to bring in one new patient to the practice?



The Psychology of Loyalty Programs

Physicians who have joined the Renew Advantage loyalty program value not only the repeat visits it encourages, but also the bargaining chip it puts in their hands – not to mention the ancillary services Renew Advantage provides. But physicians have to be comfortable with some discounting of services in order to build patient loyalty and overall volume.

Fear Factor

“There may be resistance in implementing a new marketing concept,” says Sara Ritacca of Riverchase Dermatology and Cosmetic Surgery.

Some physicians and practice managers fear that offering lower prices to program members will hurt the practice bottom line, says Michael H. Gold, MD, of Gold Skin Care Center and Tennessee Clinical Research Center.

Thanks to the sluggish economy and competition on virtually every corner, says Dr. Gold, “Nobody’s profit is as big as it was 4 years ago.” But with Renew Advantage, “We’re still making profit. I always ask physicians, do you want to do zero procedures, or 10 procedures at a slightly lower price than you did 5 years ago?”

Plastic surgeon Bart Rademaker, MD, of The Beauty Integrity Center, says that in his practice, “I had to fight tooth and nail with my staff, because of my decision to implement a loyalty program. They were initially dead set against it,” because they believed it would reduce their earnings.

Dr. Rademaker says, however, that his experience with Renew Advantage has been very positive. “My patients like it. I see some increase in purchasing from those who have joined.

“One of the biggest advantages of the Renew Advantage program is that it’s a very powerful negotiating tool when patients come in for surgical consults,” says Dr. Rademaker. If a patient balks at a price of \$10,000, he explains, offering the procedure for \$9000 if they join Renew Advantage usually swings the deal without devaluing the reputation of the surgeon.

Most practices that offer their members the Renew Advantage schedule of benefits have already seen increases in per-visit patient spending, adds Sara. “It’s a little intimidating to give savings to that patient, but that patient ends up spending more money in the lifetime of your relationship. That’s why loyalty programs are ubiquitous.”

For those who still fear offering patients reduced prices, she explains, “Renew Advantage also offers a points-only program so physicians don’t have to give any immediate discounts. The program awards points, and when patients reach certain levels, they get rebates.”

Overall, says Dr. Gold, “Physicians are afraid of loyalty programs because they don’t understand them. Once doctors understand how much sense they make, it’s a pretty simple decision.”

Developing Additional Capacities

Some physicians and practice managers ask why they can’t create their own loyalty program. Sara replies, “The services that Renew Advantage offers in its loyalty program—reputation management, routine satisfaction surveys, refer-a-friend programs, letting patients track their savings, and offering them an evergreen money-back guarantee—are not things you can do on your own.” Rather, she says, these services came about because her practice realized after running an internal loyalty program for several years that it wanted additional capabilities that no single practice can deliver.

Daniel Ritacca, MD, of Ritacca Cosmetic Surgery & Medspa, says he likes Renew Advantage’s user-friendliness. A centrally managed loyalty program like Renew Advantage can stay on top of tasks such as annual renewals and frequent customer surveys much more easily than his own practice can, he explains.

Physicians may confuse manufacturers’ loyalty programs with Renew Advantage, says Sara. Loyalty programs that serve a single brand are helpful, she says, “but you should also have something that will continue to foster your relationship with patients and promote all ancillary services for your practice. The point of a loyalty program is to grow every facet of your practice.”

“Doctors should not be directly involved in marketing the practice. We’re not marketers; we’re doctors.”
- Michael H. Gold, MD

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function (chart not shown). However, says Dr. Gold, “Doctors should not be directly involved in marketing their practice. They should oversee it to a degree, but they should have somebody else running it, which is where a GPO or loyalty program can help. We’re not marketers; we’re doctors.”

Regarding respondents’ use of outside marketing help, physicians clearly value the Internet: 76% employ web designers, and 43% use search engine optimization services (Figure 4).

But Dr. Rademaker says that typically, such services aren’t synchronized. “You have different people all telling you different things, and none of it is well-integrated with the other elements. The messaging is inconsistent and very confusing to the consumer.”

“Only 8% of the doctors use a reputation management service,” notes Dr. Jaffe. “It’s critical,” yet few physicians seem to understand the value of online reputation management.

Because most patients now use Internet research in selecting a physician, explains Dr. Jaffe, “Building your online presence is one of the most important things you can do for increased new

patient acquisition while controlling your online reputation.” Positive online comments not only impress prospective patients, but they also move the practice up in Google’s rankings. “That’s one of the things that Renew Advantage is bringing to the table for doctors. Renew Advantage rewards patients for posting feedback online about their physicians,” he says.

Respondents’ top marketing efforts in terms of effectiveness include websites (chosen by 58%), staff conversations (44%), brochures/displays (42%), and email blasts (33%) (chart not shown). “A GPO can do all these things for you,” says Dr. Gold.

Dr. Ritacca expresses surprise that 24% of respondents have tried health fairs in the past year (chart not shown), because only 5% of respondents rank them among their three most effective methods. TV and radio show similar disparities, he adds.

Our expert panel finds it surprising that only 46% of respondents have email addresses for more than 60% of their patients (Figure 5). “Nobody gets 100%,” says Dr. Gold, “but I’d better be at 80%, because that’s how I communicate with my patients.”

Figure 4. Do you hire any of the following?

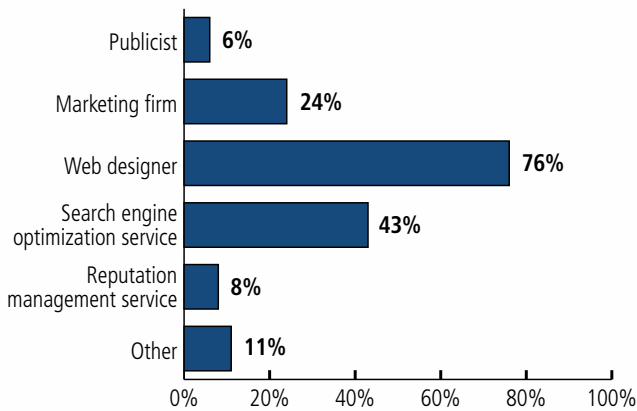
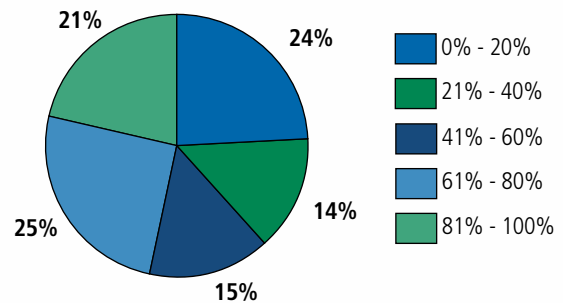


Figure 5. For what percent of your patients do you have email addresses?



Similarly, fewer than 30% of respondents send email blasts monthly or more frequently (chart not shown). Says Dr. Gold, "This needs to be done on a weekly or twice-weekly basis."

Sara adds, "Patients like to receive email blasts because they like the communication. That's another benefit that Renew Advantage is providing for its network of physicians." However, notes Dr. Ritacca, practices also should let patients opt out of the emails if they desire.

On average, the ratio of internal to external marketing is 67% to 33% (chart not shown), which Dr. Rademaker and Sara say is appropriate. Respondents apply 46% of their marketing efforts toward new customers and 54% toward existing customers (chart not shown).

In reaching existing patients, the 33% of respondents who report participating in loyalty programs (Figure 6) are generally referring to manufacturer-specific programs that include only that company's products.

A separate analysis showed that the proportion of respondents with no loyalty program at all outstrips the total of those who run their own programs or use Renew Advantage (Figure 7).

Dr. Rademaker says, "Renew Advantage differs from other loyalty programs by providing the advantage in advance. You don't have to earn the sky miles to get the prize." Renew Advantage charges patients a modest membership fee, then provides savings as soon as they join.

Renew Advantage is also rolling out a reputation management service and a refer-a-friend program, which gives loyalty points to members who provide referrals. In addition, the company is building a network of practice management consultants to whom it can refer members, and a GPO. Other capabilities Renew Advantage plans to offer include automated patient satisfaction surveys, follow-up messages, and email blasts, as well as call tracking and secret-shopper services.

Accordingly, Dr. Rademaker says that he views Renew Advantage as much more than a loyalty program. "I look at Renew Advantage being a consultant and providing specific business tools to enhance growth." Overall, 54% of respondents say that loyalty programs in which they participate have been effective (chart not shown).

Among other internal marketing tools (Figure 6), says Sara, signage, displays, and brochures/handouts, which manufacturers often provide, "are baseline

Only 46% of survey respondents have email addresses for more than 60% of their clients.

Figure 6. How do you increase awareness among medical patients/existing customers of cosmetic services offered?

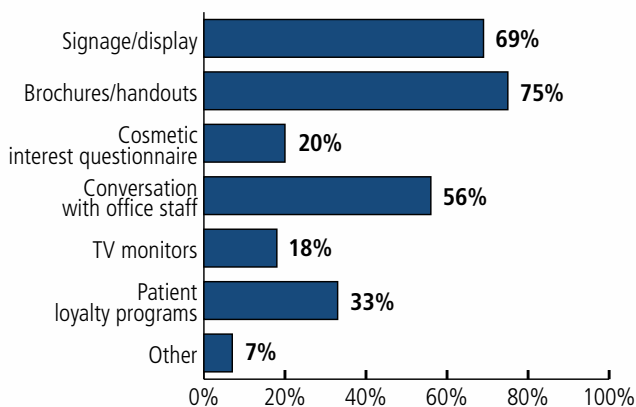
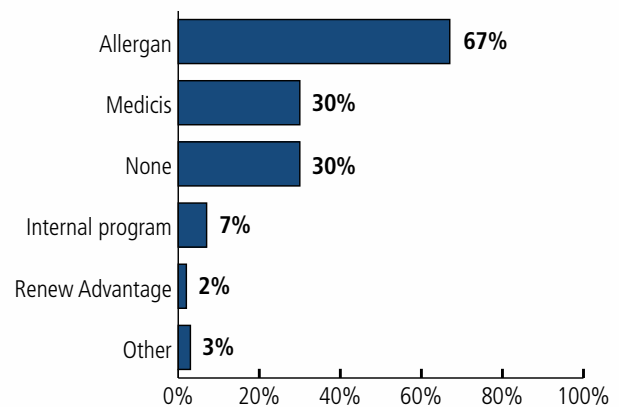


Figure 7. What patient loyalty programs do you participate in?



“Happy patients bring in more business by referring friends and returning themselves.”
- Sara Ritacca

internal marketing functions, but there is so much more a practice can and should be doing to educate their patients on additional service offerings.” By the same token, Dr. Rademaker says, staff members should discuss available services with patients, and all patients should be asked to fill out cosmetic interest questionnaires because these methods work.

“In today’s world,” adds Dr. Gold, “you need TV monitors that show promotional materials in your waiting areas.” This is another area in which a GPO can help defray the cost, he says.

As for cosmetic interest questionnaires, Dr. Jaffe says all practices should be using these. On average, 18% of patients who receive questionnaires make additional cosmetic purchases (chart not shown), report survey respondents. According to Dr. Rademaker, “A questionnaire should result in at least a 50% purchase rate.” Many questionnaires omit a call to action, or adequate contact information, he says. Other missed opportunities include failing to follow up with patients who have filled out questionnaires, adds Dr. Ritacca.

Among referral sources, Sara finds it encouraging that 46% of respondents say family and friends deliver the most referrals (chart not shown). “The bottom line is this: happy patients bring in

more business by referring friends and returning themselves,” she says. (See sidebar: “Practice Marketing: The Art of the Soft Sell,” page 9)

On average, 54% of respondents’ initial consultations lead to purchases (Figure 8), and 60% of respondents offer free consultations (chart not shown). “Free consultations should be a thing of the past,” says Dr. Rademaker. They encourage no-shows, he explains, and attract people who can’t afford aesthetic procedures anyway. Instead, he suggests charging \$100 per consultation, and in exchange, giving prospective patients gift certificates for products or services.

Pumping up Product Sales

Selling products from the office can be an excellent source of “passive” revenue, or money that can be made without a doctor’s direct involvement, says Sara. Reasons that respondents sell skin care products include patient convenience (33%), access to quality products (26%), and revenue generation (18%) (chart not shown).

Only 35% of survey respondents say they incentivize staff to market products/services (Figure 9). Dr. Rademaker maintains, “A staff that is

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Figure 8. What percent of initial consultations lead to new purchases?

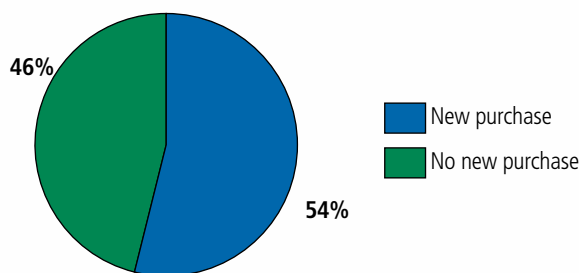
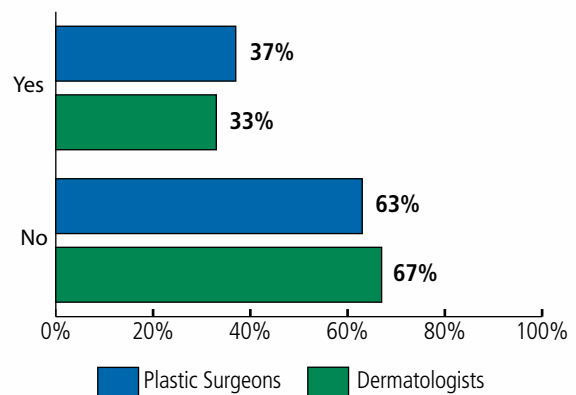


Figure 9. Does the practice incentivize staff to market products/services?



Practice Marketing: The Art of the Soft Sell

Successful practice marketing requires heavy attention to detail and a light touch, experts say.

"With all the loyalty programs available and all the options people have in terms of doctors, patients want to feel as if they have the advantage, that they have edge" by choosing your practice, says Sara Ritacca, of Riverchase Dermatology and Cosmetic Surgery.

To that end, she says, "If you engage patients in a loyalty program, implement the marketing and quality control tools Renew Advantage provides, and continually follow up with them via email blasts, you'll have happy patients."

Connecting with Patients

Daniel Ritacca, MD, of Ritacca Cosmetic Surgery & Medspa, adds that making a loyalty program available to your patients is "not a sale. It's an offer, in the same way that a good waitress might offer a client some dessert—with a smile on her face.

"We're not used car salesmen," he continues. "We are selling rejuvenation products and offering our clients the opportunity to feel good. So we need people that offer these things to them in a very low-key way. We don't force it down their throat."

If you're unskilled at the low-key approach, he says, "Hire somebody to teach you. You can be the best technician in the world, but if patients feel you're not warm and personable, they'll quite likely choose another physician."

A far more effective way to begin, says Dr. Ritacca, is handing the patient a mirror and asking how she would like to improve her looks. In addition, he says that to market successfully during patient encounters, "You must sit down in the room. You can't rush as if you've got 23 other patients to see."

Moreover, says Dr. Ritacca, "You have to know the patient before you enter the room—her name, when she visited last, and a few

details to be able to have a conversation when you get into that room." Your staff can brief you on this information, he says.

"Before I go into a room," says Dr. Ritacca, "I want to know everything about the patient: How does she look? Is she happy? What's her first name? I never want to go in and say, 'Pleased to meet you,' and she responds, 'Doctor, you just saw me last month.'"

During the examination, "I never ask somebody how old they are. I ask how many birthdays they've celebrated. They laugh," and let down their guard.

Then, he says, "If I see something that I believe could be augmented, I never push anything. It's always soft sell, and it's always about how to help the patient."

In these discussions, Dr. Ritacca uses easy-to-understand terms. For example, when a woman asks how much filler she needs, he doesn't mention grams or ccs. Rather, "It's usually one syringe per decade. And suddenly they get it."

Marketing Effectively

On a broader scale, Louis Frisina, an aesthetic industry consultant, says that a major marketing challenge for aesthetic practices is finding the time to build an effective marketing program.

"There's a lot of confusion in our industry about what is actually successful in terms of marketing, and what isn't—is my money being well spent? Is this advertisement working? And what can I be doing better?"

Because its board members have decades of practice marketing experience, "Renew Advantage knows what works," he explains, "and provides a blueprint to follow. Renew Advantage will tell you what the most important marketing tools are, and they will implement and run them for you."

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not incentivized has no vested interest in the success of the business.” Moreover, he says, the individual bonuses used by 71% of respondents (chart not shown) are “most likely an incidental event, given when the boss can afford them. Effective incentives must be structured and reliable.”

Perhaps more important, explains Dr. Ritacca, “Selling skin care cream takes dedicated staff who understand these products very well,” and these people are usually found in dermatology practices. Convincing plastic surgeons to carry skin care products begins with showing them how much they can earn with a well-run skin care store. A \$4 million practice should easily sell \$500,000 yearly, he adds.

Among survey respondents, the average practice sells 20 products from the office (chart not shown). Most practices add or remove products from their selection every 3 months (chart not shown).

Controlling Quality

That 88% of practices uses staff training as a quality control tool (Figure 10) is encouraging, says Sara. “But I would hope it’s 100%. Quality

control measures, training, processes, and audits are what make our practice grow year-over-year.” Likewise, she says that the 41% who report using customer satisfaction surveys “isn’t enough. We need to know from our patients if they’re satisfied. Then we need to be able to use that data to better communicate with our patients.”

Regarding patient satisfaction, Dr. Ritacca adds, “We must operate at 100% efficiency,” or competition and social media slams will siphon off the dissatisfied. Conversely, Sara says that if a patient is displeased with some part of the visit, capturing that information immediately afterward with an online survey (provided by Renew Advantage) allows the practice to reach out to that patient.

Dr. Ritacca suggests the 53% who don’t survey patients (Figure 11) are missing out. “A practice can at least do random surveys.” From employee retention to procedure totals, says Dr. Ritacca, “We’re always looking to evaluate performance.”

However, says Dr. Rademaker, tracking and assessing the marketing metrics in-house can be time consuming for a busy aesthetic practice. “And we don’t necessarily have the right tools.” When he sought practice management help, he says, his

“A staff that is not incentivized has no vested interest in the success of the business.”
- Bart Rademaker, MD

Figure 10. What quality control measures have you implemented?

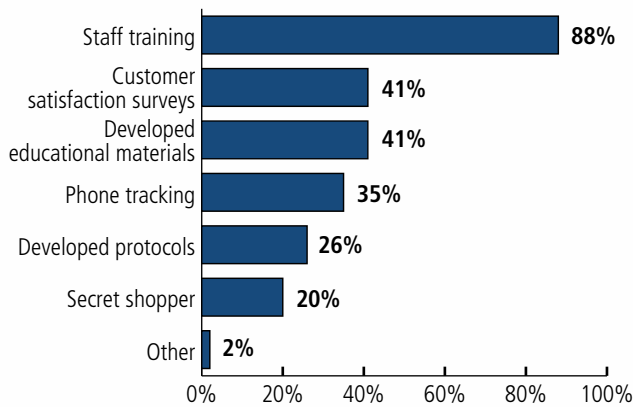
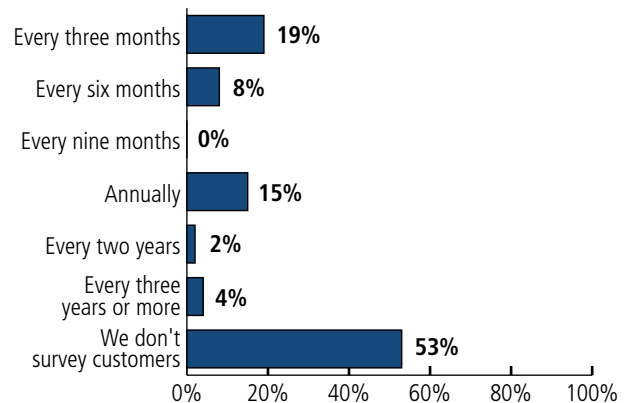


Figure 11. How often do you survey customers?



biggest problem was not knowing whom to choose. "I went through specialist after specialist," all of whom provided different ideas – but no success. This is where referral to one of Renew Advantage's carefully selected consultants can help, says Dr. Rademaker.

Streamlining Supply Chains

Many practices purchase supplies on their own. They also burden physicians—or other busy staff members—with hunting for the best deals.

Indeed, Sara says she found it surprising that 58% of practices surveyed use either a physician or mid-level provider to handle purchasing (Figure 12) "A physician's time is best spent seeing patients and not ordering supplies. It is much more efficient and should result in better cost savings if an experienced purchasing manager evaluates options and negotiates costs on an annual basis."

Only 33% of respondents always follow a consistent supply-purchasing strategy; 37% said they usually do so; only 22% look for the best deal (chart not shown). Overall, says Sara, "There's a lack of cohesion in these practices, which leads to disorganization and poor access to information, because practices are not relying on

peers to learn what's best for them."

To illustrate Sara's point, only 17% of respondents were "very aware" of the benefits of purchasing through a GPO, and 32% were unaware (chart not shown). Dr. Ritacca adds that those with little or no interest in joining a GPO (Figure 13) probably believe they're getting the best deals already.

That's likely untrue, however. In fact, Dr. Jaffe found that for his 16-provider practice, which already was capturing volume discounts, joining the Renew Advantage GPO would save \$60,000 yearly on sutures alone.

Meanwhile, the GPO field is growing increasingly crowded. "There are many GPOs calling on dermatologists, and several in plastic surgery," says Dr. Gold. In this climate, physicians must choose wisely. Dr. Rademaker says that many physicians' previous experience with GPOs leaves them feeling taken advantage of. Physicians fear that a GPO might commit them to products they don't want while not providing the ones they do want, he says. "It's all about customer service," he adds, "and in my experience, that's been lacking" to date.

This creates a tremendous opportunity for Renew Advantage to distinguish itself by being not

"A physician's time is best spent seeing patients and not ordering supplies."
- Sara Ritacca

Figure 12. Who in the practice buys most disposable products/supplies?

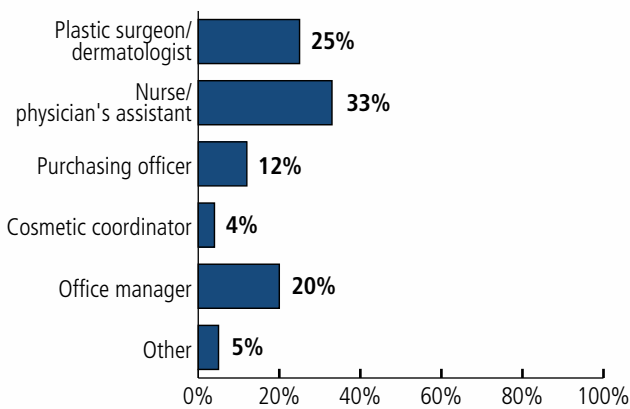
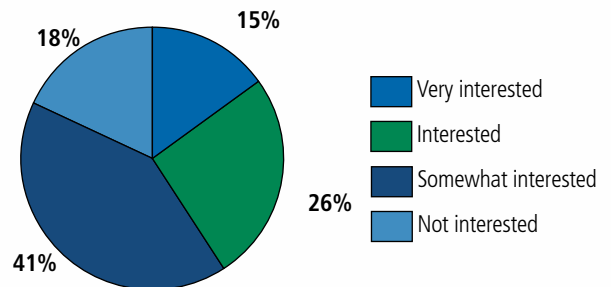


Figure 13. How interested are you in joining a GPO?



just another GPO, but a complete partner in its members' success, says Dr. Rademaker. Dr. Gold adds that this strategy will make Renew Advantage appealing not only to physicians who have not joined a GPO, but also to those who have done so and are looking for a better deal.

Practice Characteristics

Of 137 qualified respondents, most were plastic surgeons or dermatologists (Figure 14). Their workdays look decidedly different, however (Figure 15).

While dermatologists see an average of 145 patients weekly, Dr. Rademaker says that weekly, "A plastic surgeon only has an average 57 opportunities to make a sale." This creates an opportunity for plastic surgeons to maximize their income through strategies such as adding spa services or product sales, he says. Dr. Ritacca adds that plastic surgeons can hire nurse practitioners or other physician extenders to perform basic procedures.

Regarding respondents' patient mix, 29% expect patients between the ages of 46 and 50 to account for the bulk of cosmetic patients they treat in 2012 (chart not shown). In the average respondent's

practice, 71% of patients are women; 29% are men (chart not shown). For 59% of practices, the proportion of men has increased over previous years (chart not shown).

Dr. Rademaker says that for dermatologists and plastic surgeons, men represent a lost opportunity. In recent years, "Men are much more willing to undergo small procedures—even if it's just Botox or facials," a trend that favors dermatologists. "As plastic surgeons, we're seeing men who want liposuction. But the fastest growing segment among men is probably breast reduction." According to the American Society of Plastic Surgeons (ASPS), men in the United States underwent 20,000 breast reduction surgeries in 2011, an 8% increase over 2010.¹

The greatest proportion of dermatologists' revenues, 23%, is generated by botulinum toxin injections (Figure 16). Compared with fillers, says Dr. Rademaker, "The profit margin by volume is so much better with Botox because it takes less time to do it," and these injections can be performed by nonphysicians in many states whereas filler injections are more complex.

On average, plastic surgeons expect surgeries to provide 64% of their 2012 income (Figure 16),

Only 17% of survey respondents were "very aware" of the benefits of buying through a group purchasing organization.

Figure 14. Are you a:

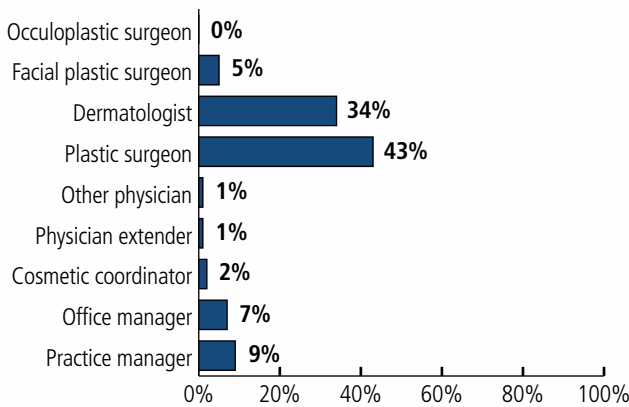
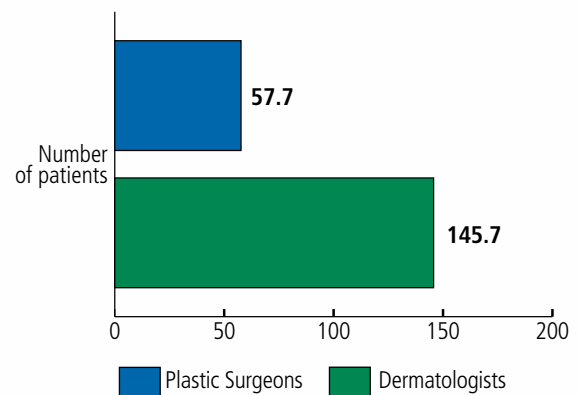


Figure 15. In a typical week, how many patients do you personally examine or treat?



which creates a “huge opportunity for them to get into the noninvasive market,” says Dr. Gold. In addition, 45% of plastic surgeons surveyed say that surgical procedures represent the fastest-growing segment of their cosmetic business (chart not shown); 82% say surgical procedures are their top revenue-generating product or service (Figure 17).

The top revenue source for dermatologists is botulinum toxin injections (35%). Botulinum toxin injections also represent the fastest-growing aesthetic business segment for 28% of dermatologists, followed by fillers with 27%, and laser treatments, 23% (chart not shown).

Facial peels should get more attention, says Dr. Rademaker. “Facials offer another opportunity for Renew Advantage to come in with business consulting and help physicians set up a program to boost this line of business.” Facial peels are

low cost, easy to do, and can be performed by nonphysicians in states that allow this, he says. Moreover, Dr. Rademaker says that over time, clients who begin with facial peels often graduate to more substantial procedures such as botulinum toxin injections, and vice versa. Having a facial after a surgical procedure can boost surgical results, he explains.

When asked what filler they use most often, 48% of respondents overall say Juvederm, and 29% choose Restylane (chart not shown). When asked why, 72% attribute their selection to product quality and results (chart not shown). Our experts question these findings, however.

Dr. Rademaker says that Restylane and Juvederm, both made of hyaluronic acid, are essentially the same. Accordingly, he credits the 19-point gap between market leader Juvederm and second-place finisher Restylane to “better deals, not

The top revenue source for dermatologists is botulinum toxin injections.

Figure 16. What percent of your projected 2012 revenue will be generated by:

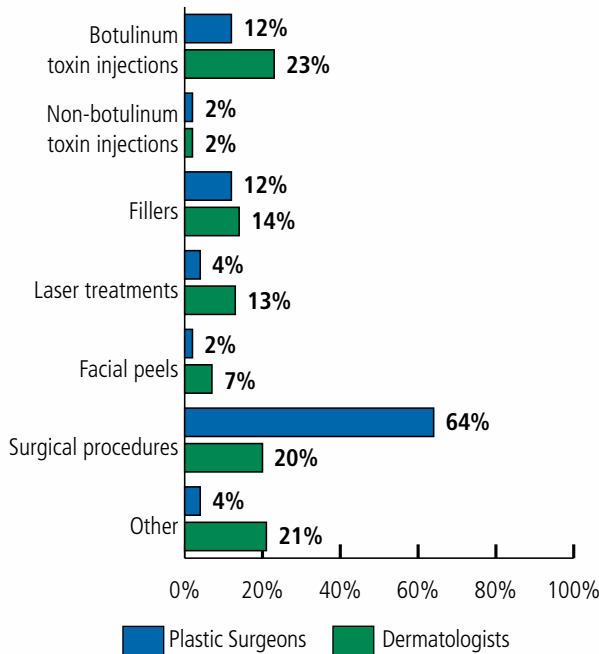
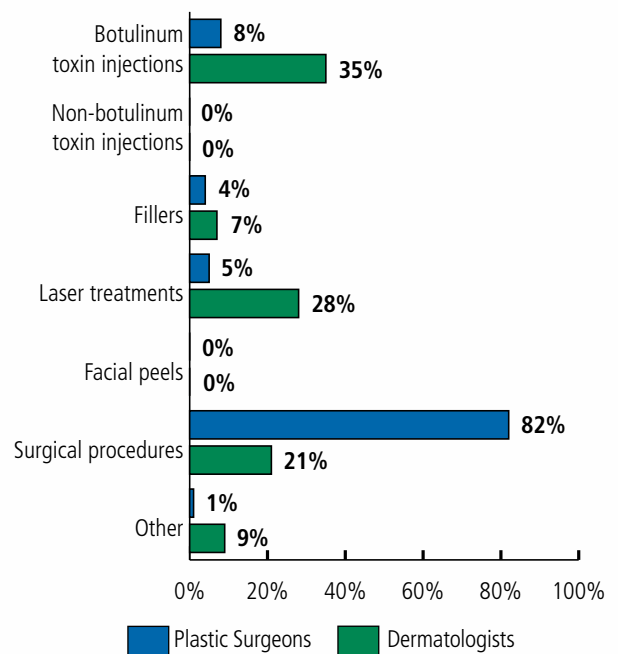


Figure 17. What single product/service generates the most revenue for the practice?



“Renew Advantage can help solidify the credibility and image of its member practices.”
- Bart Rademaker, MD

a better product.” Allergan bundles its Botox, Juvederm, and other aesthetic products so that “the more you purchase, the better deal you get. This provides a much stronger buying incentive.”

Similarly, Dr. Gold says that in a GPO, lower prices tend to trump whatever filler preferences physicians may have. If he’s been paying \$300 per syringe of Juvederm or Restylane, and a GPO sells one of these products for \$200, he explains, “I’m using that one.”

In another analysis, breast augmentation, chosen by 24% of respondents, proved to be the most popular surgical procedure overall (Figure 18). Rounding out the top three here were facial rejuvenation (21%) and “other” surgeries such as abdominoplasty and Mohs surgery (17%).

However, Dr. Rademaker says that the 9% of physicians who choose liposuction in this analysis is surprisingly low. Overall, he explains, it’s the third-most-popular cosmetic surgical procedure performed in the United States. ASPS figures show that with more than 205,000 liposuction procedures performed by its members in 2011, liposuction ranks behind only breast augmentation and nose reshaping.² Along with plastic surgeons, Dr. Rademaker adds, performing liposuction

appeals to many surgically oriented dermatologists.

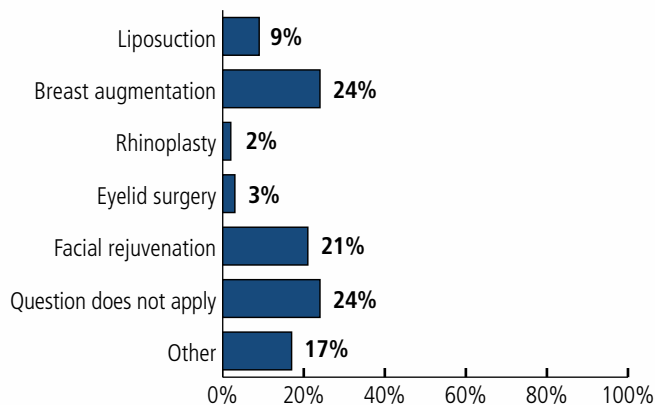
If the figure is accurate, though, he says it can only mean that noncore providers are taking this business away from plastic surgeons. In his practice, he says, “My numbers are down, because other providers who are not really surgeons are charging \$1000 for liposuction when plastic surgeons are charging \$3000.” Often, he adds, their patients get less than optimal results.

Accordingly, says Dr. Rademaker, “Renew Advantage can help solidify the credibility and image of member practices. Unfortunately, most consumers are not well informed about the differences between plastic surgeons and nonplastic surgeons.”

Dr. Gold adds, “As cosmetic dermatologists, our job is to maintain the highest standards, skills, and ethics. Yet we’re in an environment where you can drive down the street and there’s a nonspecialist physician injecting fillers or doing laser procedures. They undercut our fees, but they don’t have the same skill level,” nor do they supervise nonphysician assistants as effectively as dermatologists, plastic surgeons, and oculoplastic surgeons do.

To compete, Dr. Gold says that aesthetic physicians must never sacrifice their principles and quality for the sake of slashing fees. Patients come to him because he and his staff have completed countless hours of training and education to become the best—and safest—providers of the services they perform, he explains.

Figure 18. What is your most popular surgical procedure?



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