

The Italian Dental Industry



The situation of the Italian dental industry

According to a recent sector analysis conducted by UNIDI in cooperation with consulting firm Keystone, Italian products cost averagely more than other products (especially coming from Asia); nevertheless, the continuous increase in export awards the investments made by the Italian dental industry in research and quality, gaining a solid reputation among international dental professionals as reliable products with an excellent design.

The manufacturing sector kept a growing trend until 2008, then the 2009 crisis impacted the sector causing a 4% decrease. Dental practice equipment totalled €73.8 million in 2009, while consumables for dental practice followed with €17.8 million. Implantology registered €69.2 million turnover and hygiene and sterilization products 49.4 million.

Since production destined to the dental practice plays a leading role in the Italian dental manufacturing industry, the diminished number of visits to dentists impacted the market volume (it is estimated that the number of private patients dropped by about one million from 2008 to 2009). Moreover, while consumables are strongly dependant on the number of patients and visits, the procedures and treatments carried, equipment resents the effects of negative changes in confidence climate, technological innovations and incentivizing policies.

However, the export-oriented production of Italian industry helped countering the slowdown in internal demand, as the growth in exports (7.4%) helped the sector regain a positive global trend in 2010 (+6%) and in 2011 (+5%). In the period 2006 to 2011, the compound annual growth of Italian dental exports was 5.4%, while that of production was 3.4%.

The important role of export was confirmed by 7.8% growth in 2011, meaning that in 2010-2011 Italian dental exports rose by 15%. On a five year scale, the total growth rate is 32%. Export accounts for about 60% of the total industry turnover; that registered €688 million in 2011, up from 654 million in 2010 and 615 million in 2009.

In 2011, the total sales of equipment and products to Italian dental practices and laboratories grew by 1% on 2010, reaching €1.188 million. However, sales of laboratory equipment dropped consistently (-7.3%), while dental practice equipment grew by 2.3% and consumables remained fairly stable both for laboratory (1.1%) and for dental practice (0.5%).

As regards 2012, projections by the UNIDI forecast a decrease of about 1% based on some negative trends recorded in the first half of the year. For instance, sales of laboratory and dental practice equipment dropped, although by different rates (-18.6% laboratory, -8% dental practice). Consumables in both sectors remained once again quite stable, with only 1.7% decrease. While the drop in consumables purchases is mainly due to policies of storage reduction by dental depots, the trend for equipment is an important warning as it shows the lower confidence of dentists and dental technicians for investment on a long-term scale.

Although the internal market looks currently more gloomy than in the last two years, the performance of the Italian industry, supported by solid exports, remains one of the best among the country's main manufacturing sectors. This trend mirrors the situation of the whole Italian manufacturing system that is going through turmoils and recessive phases, but keeps being supported by foreign demand for Italian products. **According to the national statistic institute (ISTAT), while the domestic sales of industrial products fell, the turnover on foreign markets grew by 5.3%. Extra-EU countries and regions such as Poland, Switzerland, Japan and Southeast Asia are gaining an increasing role in the composition of export destinations, while a slight decrease was registered towards USA, China, Turkey, Russia and Latin America.**

Despite the undeniable role played by exports, the Italian dental industry is resisting the critical economic moment also because of its high valued-added products. The attention towards sophisticated materials is a focus for many dental practices and laboratories, which therefore maintain a high demand for functional but at the same time aesthetically refined solutions. Although equipment and furniture have long represented the leading sector for Italian dental production, mainly due to their importance for export, there is also an increase in the segment of consumables, whose share in the total

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production grew by 20% in the last 8 years (from 30 to 36%). The trend is even clearer in the segment of specialist consumables (from 12 to 15%) and especially in implantology consumables whose share grew by 30% (from 9,6 to 12,5%), mirroring a global growing trend for the implantology market.

Market Profile

The Italian market as a whole is estimated to be worth about €1.2 billion. Roughly two-thirds of the market (about €750 million) goes through dental depots, while manufacturers, importers or foreign suppliers sell most of their production to wholesalers.

According to Keystone, the demand for dental services has undoubtedly dropped in the last few years, about 14% less that means three million patients from 2009 to 2011. However, some bigger and newer practices reported a slight increase in the number of patients. A marked drop (-34%) was registered in the same period for the most expensive treatments, especially for prosthetics, as many Italian households cannot afford high investment in prosthetic treatments and prioritize other expenses. This raises issues on the ability of dentists to correctly communicate and inform patients about the importance of oral health, although there are also margins for intervention from an economic point of view if bigger, more efficient practices offer more affordable solutions and terms. The point also applies to laboratories, as bigger laboratories that have a broader customer base and are more oriented towards the use of newer technologies reported positive results.

An interesting data emerging from the statistical surveys is that consumption in the dental sector as a whole has not decreased in proportion to the drop in the number of patients among private dentists. This points to the role played by other providers offering dental services such as big dental centres or franchising, but also a greater development of the public offer both in quantity and quality.

Therefore, despite the reduction in the number of patients of the traditional single man practice that is typical for the Italian dental sector, a comprehensive look at the current trends shows that a new scenario is opening up, where structures able to maintain a "critical mass", as suggested by Mr Roberto Rosso, president of Keystone, can obtain positive results, being either public or private, as long as they increasingly adapt to associative models.



Generally speaking, the market as a whole depends on the number of patients accessing the dental practice, and this trend is currently negative in Italy; however, when it comes to considering the total value of sales, the Italian market ranks second in Europe, accounting for 13%, although the Italian economy ranks only fourth in Europe with a GDP that is around 10% of the total. The reason for such discrepancy is the tendency of Italian dentists to choose sophisticated and high quality products.

Among the products that are rapidly gaining momentum, digital technologies have the leading role. Digital panoramic x-ray is now common in about one-fourth of Italian dental practices, and CAD/CAM based prostheses grew by 37% in 2010 and maintained a slight growth in 2011 despite the general recessive trend of the prosthetic sector as a whole.

A brief outlook on Italian dentists - According to the Italian "Giornale dell'Odontoiatria" (Journal of Dentistry), that collected data from two separate surveys on the dental profession in Italy conducted by Keystone and ANDI (National Association of Italian Dentists) on the period November 2011-January 2012, the dental profession is practiced by prevalently middle-aged dentists, while only 26% of the respondents had entered the profession within the previous ten years. Among this group, 40% didn't manage to set up their own practice within the first five years from enrolment in the national register of dental practitioners.

The majority of surveyed dentists worked in one practice (57%), 28% in two, 15% in three or more. There is a marked preference for establishing the practice in urban centres (47%) or in the immediate surrounding neighbourhoods (32%), while suburbs are less attractive (13%) and non urban areas remain quite neglected (8%).

The average number of patients per week is 26, although this figure varies significantly according to the different region, increasing in Northern Italy and decreasing in Southern regions.

As regards the demand for treatment, prosthetics, conservative procedures and parodontology are all registering negative growth, while implantology confirms a slight increase (18% of surveyed practices reported an increase in implant therapies), and emergency conservative procedures remained stable. An interesting data concerns whitening treatments, which are only reported to be required by 2 patients per month on average.

The average expenses for consumables among surveyed practices was about €700, quite the same as for implantology products. In most cases the owner of the practice takes care of purchases, while only 27% of respondents delegated the task to a collaborator.

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Sources:

Il Sole 24 Ore, May 28th, 2012

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Gruppo Keystone – <http://key-stone.it/>

Giornale dell'Odontoiatria, March 15th, 2012, p. 4

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http://www.salute.gov.it/imgs/C_17_pubblicazioni_1816_allegato.pdf

Figures for the Italian dental sector

- Among the products that are rapidly gaining momentum, digital technologies have the leading role.

- 2/3 of the market goes through dental depots, while manufacturers, importers or foreign suppliers sell most of their production to wholesalers.

