

What is your Business Model? How do you Make Money?

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In our opening article we spoke about 8 Critical Areas in evaluating a business. In this article we will explore the first of those areas: the Business Model.

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Sounds like a simple question. “I am an Orthodontist. I straighten my patient’s teeth and I charge enough to make a reasonable profit. What are you getting at?”

If only it were that simple. At the core it is true that your job is to straighten teeth, but as we know, your practice (your business) is much more complex? There are critical questions to answer before one really understands their business model.

- Who is your customer or who do you try and appeal to with your brand? Is it the patient or maybe the responsible party?
- What are you selling to them? A treatment or an experience?
- What is the competitive landscape and how do you differentiate your practice?
- What are they buying? Straight teeth? Healthy bite? Improved self esteem?
- Do you have a brand? What is your brand? Fun, technology oriented, high quality, affordable? Are you branding yourself or an experience?
- What are your margins, both gross and net? What are your Costs of Good Sold?
- What are your customer acquisition costs?

The questions seem endless and some are easier than others to answer. But once the answers to these questions are understood, then the other components of the business come into place. You can then train your staff to provide the type of service that you want to provide. You can price your products to match your strategy. And your advertising messages into the community can align as well.

An example: A new steak house recently opened with a celebrity chef. This chef’s salary is close to three times more than a well-trained experienced chef. The restaurant could increase the price of their steaks to offset the higher cost of their chef, but they don’t because they understand their business model.

The celebrity chef creates a “buzz” in the city so the restaurant can spend less on advertising. The owner of this restaurant realizes that serving a steak prepared by a celebrity chef creates the experience and validation to sell their customers the products that really make them money. Once in the restaurant, the sales team (bartenders, wait staff, etc.) can now sell the high margin goods, cocktails and wine, soft drinks, and side dishes, like potatoes, salads, and desserts.

Other companies operate on a completely different model and with a completely different brand, such as McDonald's, which offers low cost and high volume. Their operations and customer experience looks nothing like the steak restaurant, yet both are profitable. This can be attributed to both truly understanding their business model and consistently making the necessary choices to support their "formula". Even in the same industry, different business models can be successful.

So what is your business model? How do you make money?

Concierge Orthodontic Advisors (COA)

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