Business Management

COMPETITION IN AUDIOLOGY PRACTICE

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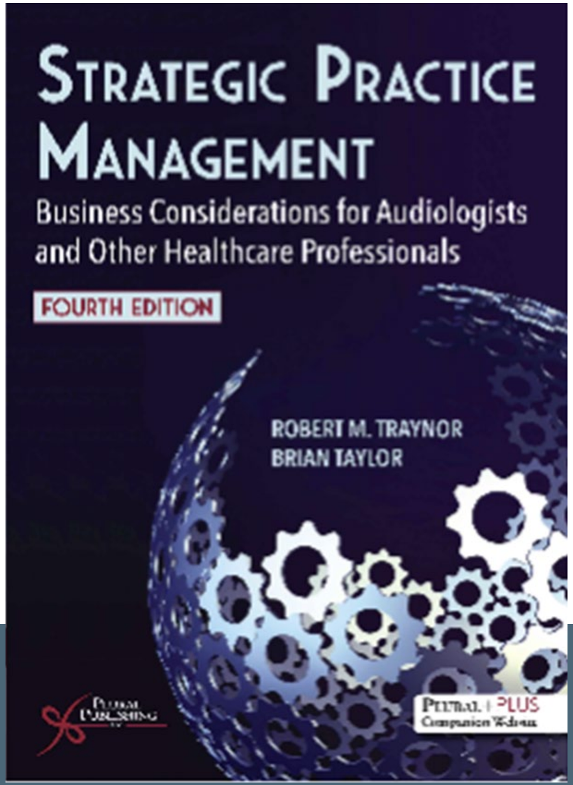
Disclaimer

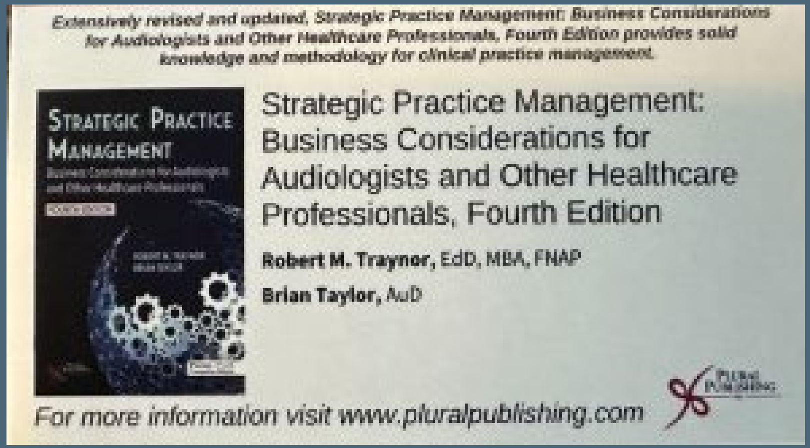
- I receive expenses and an Honorarium for this presentation.
- I am Co-author of Strategic Practice Management 4 th Edition.

The References for This Presentation

Chapter 4 – Competition: Strategies for Differentiating the Audiology Practice

Chapter 5 –Analysis of the Audiology Practice





GLOOM & DOOM AMONG THE NAYSAYERS!

Competition IS the Elephant “In the Room”

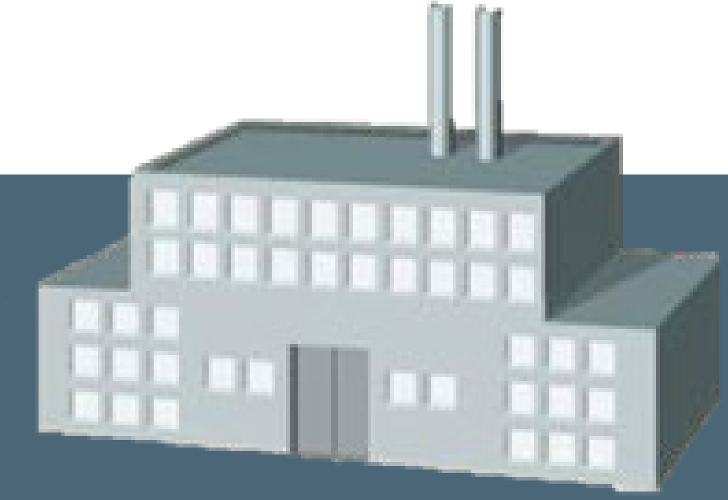
Inc &

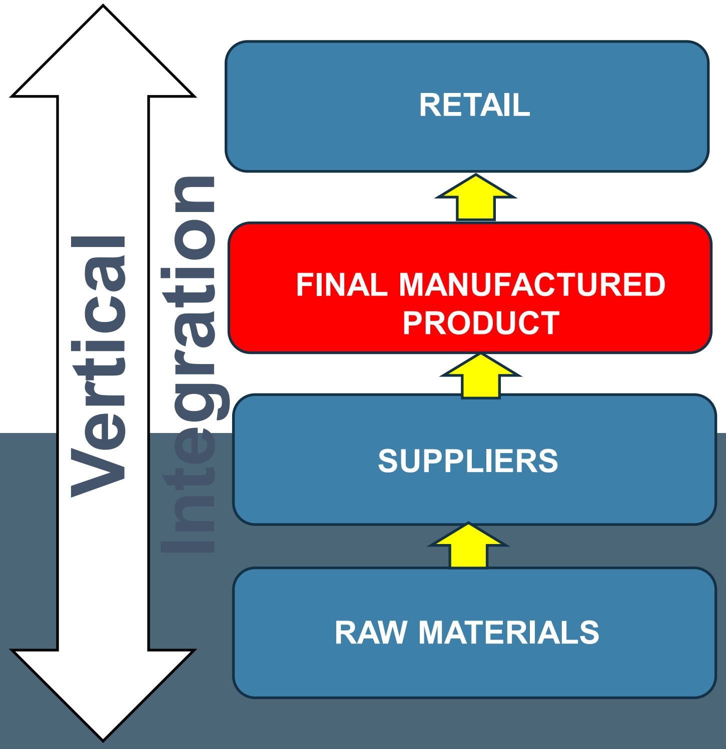
is

Competition

First Consider Two Business Concepts……..

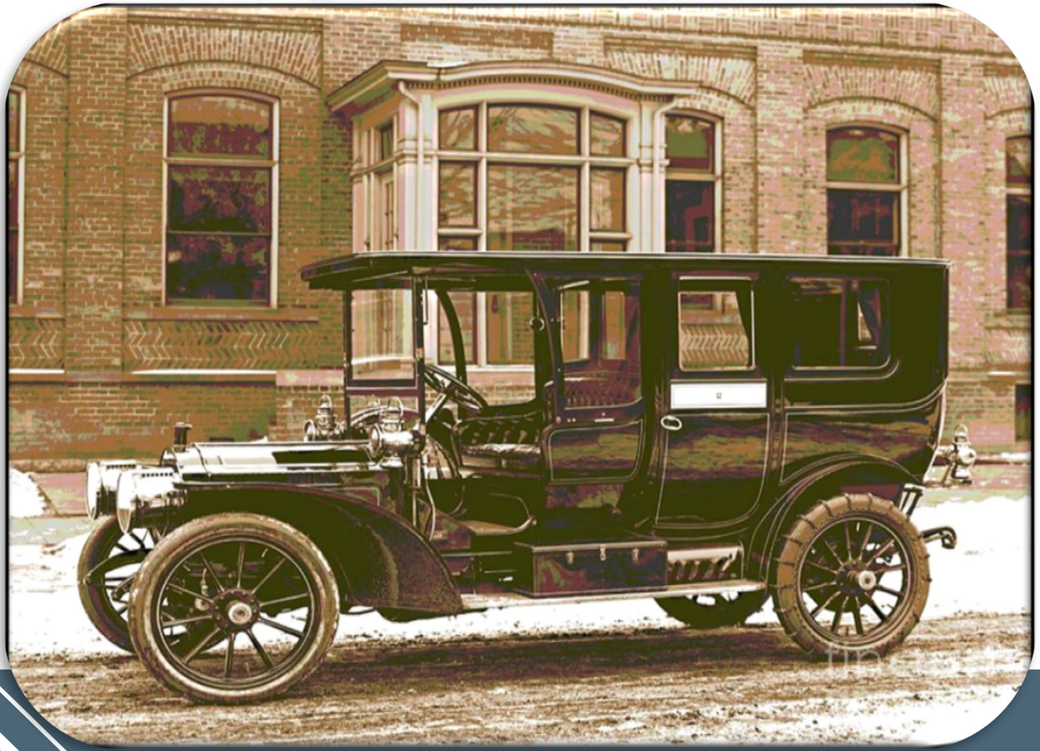
Horizontal Integration





Competition

It's a ***Normal*** Industrial ***Growth*** Process........



Auto Industry

Look at its *Normal Growth Process*.....

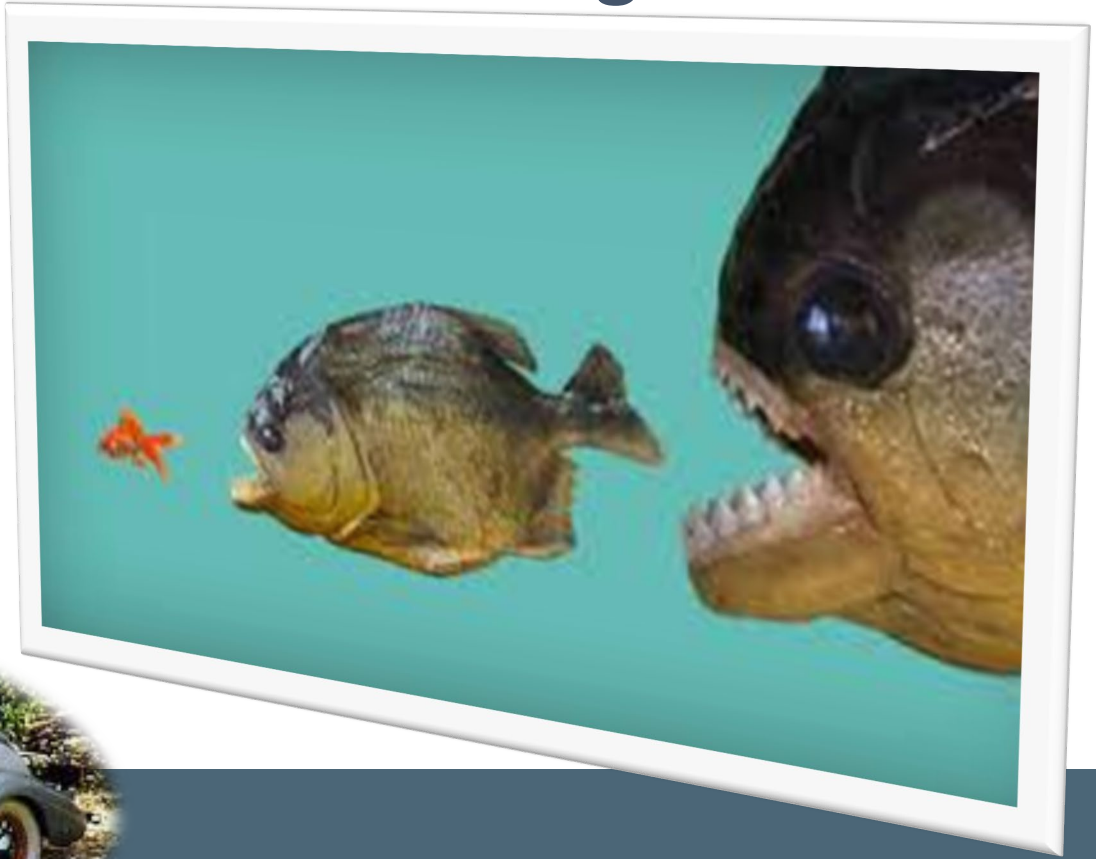
Competition

Auto Industry

- Between 1896-1930 there were **1800** Car Companies.
- Few Survived …..
- Until Recently - Few Created after 1930…..

Competition

Auto Industry – Horizontal Integration



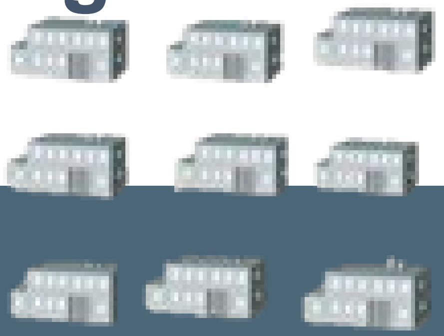
As the market Grew……….

- Smaller less efficient Companies Sold to Larger Companies
- Others banded together with others in “Buying Groups”
- Purchase steel, and tires and other things more efficiently.

Competition

Horizontal Integration

- Chevrolet Motor Car Company
- Oakland Motor Car Company
- Ransom Eli Olds Company – REO
- Buick Motor Company
- Cadillac Motor Company



Cadillac Motor Car Company
- **Cadillac**

Buick Motor Company
- **Buick**

Ransom Eli Olds Company - REO
- **Oldsmobile**

Oakland Motor Car Company
-**Pontiac**

Chevrolet Motor Car Company
- **Chevrolet**

GM Began collecting Brands in 1908

Larger Companies Purchase Smaller Companies

Competition

Auto Industry

Sloan Philosophy

Up to the 1920s

“The primary object of the corporation … money, not just to make motorcars”

Altruism Prevailed in the Automobile Bus…

Just Building Good Reliable Affordable Produc…

- Annual Model Change
- Brand Architecture
- Planned Obsolescence

Albert Prichard Sloan

1875-1966

PRESIDENT&CEO

General Motors

1923-1956

Competition

Two types of Vertical Integration

Vertical Integration

RETAIL
Companies that Sell the Product to the Final Customer

FINAL PRODUCT
Companies that Create Products with their own Brand

SUPPLIERS
Companies that Create Basic Components

RAW MATERIALS
Companies that Handle/Create Commodities: Steel, Plastics, etc.

2. Forward Vertical Integration

When a company moves to control the distribution of its products or services.

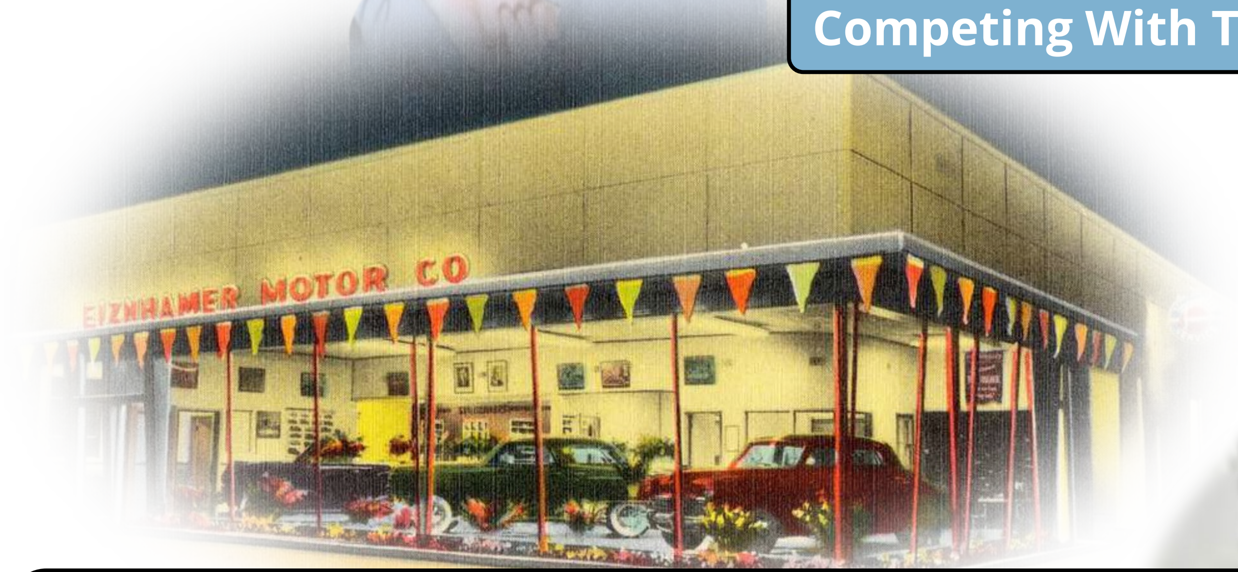
1. Backward Vertical Integration

When a company expands its role to fulfill tasks by buying companies that will make products to be used in their vehicles.

Competition

Auto Industry –Forward Vertical Integration

Competing With Their Former Customers



In the 1940 -50s auto manufacturers *acquired or merged* with business entities that were its customers, while still maintaining control over its initial business.

Competition

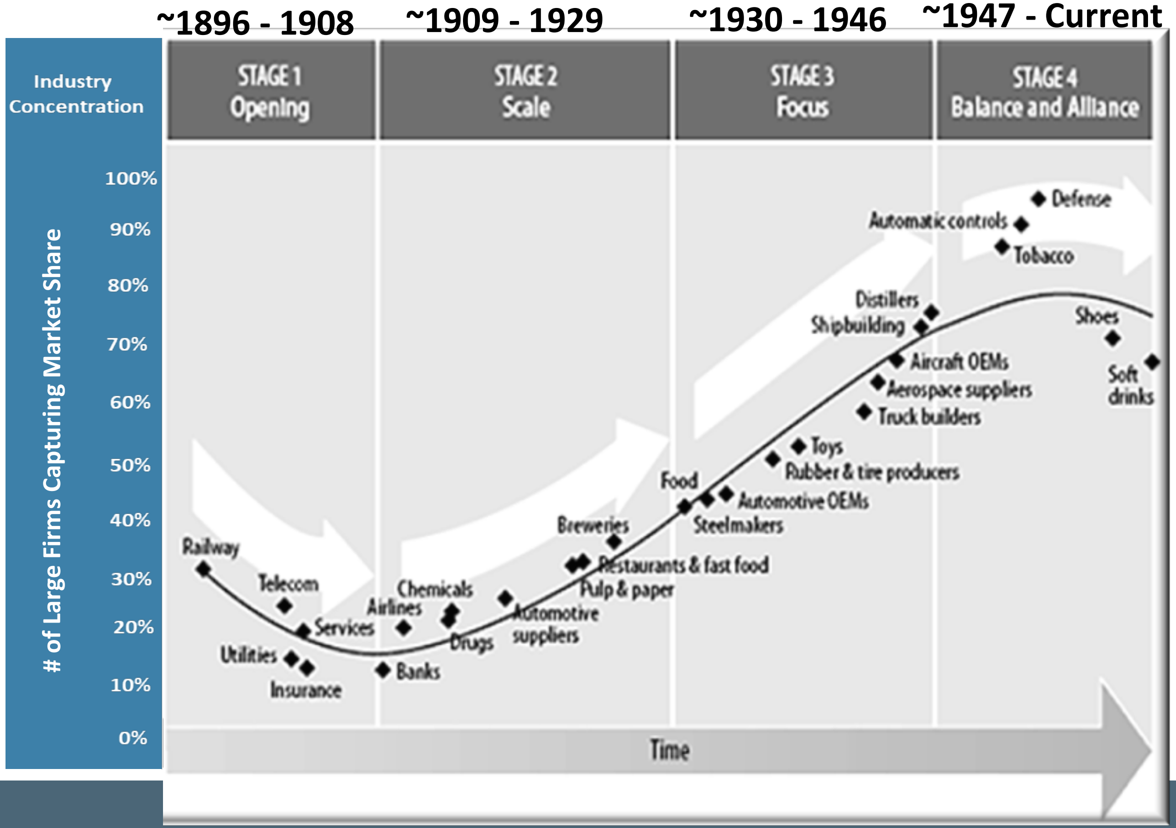
It's a ***Normal*** Industrial ***Growth*** Process……..

- **Stage 1 – Opening – ~1896 -1908**
  Building good, affordable, reliable products for the end user.

- **Stage 2 – Scale - ~1909 – 1929**
  Companies build reputations. Horizontal integration begins by major players purchasing weaker ones, empires beginning.

- **Stage 3 – Focus - ~1930 - 1946**
  Successful companies continue purchases of vehicle manufacturers an begin the purchase of purchase supplier companies and begin competing with their customers.

- **Stage 4 – Balance and Alliance - ~1947 - Current**
  Forward vertical integration continues aggressively. Successful manufacturers now actively competing with their customers.



Deans, Kroeger & Zeisel, 2002

It's a ***Normal*** Industrial ***Growth*** Process……..

BLUE MOUNTAIN

Competition

Founding & 1st Growth Wave........

- **Founding of the Profession 1940s to 1960s**
- **Opening of Private Practice (1978)**
  - In **1978**, the ASHA lifted its ban on audiologists (1983, SAC lifted ban in Canada on audiologists selling hearing aids - Audiologists could now combine diagnostic services with dispensing, creating **private audiology practices**.
  - Practices & manufacturers building reputations. Some Horizontal integration begins by major players purchasing weaker ones, retirement purchases, empires beginning.
  - Through the 1980s, small practices began to multiply, especially in suburban and urban areas.

Audiology Practice is a
Growth Industry

Competition

2nd Growth Wave……..

- **1990s–2000s – Professionalization & Market Expansion**
  - In the US, the shift to the **AuD (Doctor of Audiology) degree** in the 1990s/2000s raised professional recognition and autonomy.
  - Rapid improvements in **digital hearing aids** drove patient demand, fueling practice revenue.
  - Insurance coverage for diagnostics (though often not hearing aids) brought more patients into clinics.
  - During this era, audiology practices became a **recognized by the Business Community as a Growth Industry**, with rising employment and private practice ownership.

Audiology Practice is a Growth Industry

Competition

3rd Growth Wave……..

- **2010s – Consolidation & Retail Competition**
  - Large retail chains (e.g., Costco, Sam's Club, Amplifon, Beltone) and manufacturer-owned networks began capturing market share.
  - Despite competition, independent practices grew by focusing on personalized care, bundled service models, and elderly populations.
  - Still a growth sector, but with pressures on margins.
  - Continued Horizontal and Vertical Integration by Industry Companies, ***Competition substantially increases with their customers.***
  - Buying Groups begin Horizontal and Vertical Integration.

Audiology Practice is a Growth Industry

Competition

4th Growth Wave……..

- **2020s–2025 – Growth Reshaped by OTC & Demographics**
  - **Aging population** (65+), increeased hearing loss awareness, keeps demand high
  - Many clinics did not survive COVID or were bought out at that time.
  - The **2022 FDA ruling on OTC hearing aids** disrupted the industry:
    Some predicted it would hurt private practices, a stimulus incurred.
  - Instead, many practices are adapting — hybrid product offerings (OTC + premium), Peripheral Products (Headsets and other products), unbundled services, teleaudiology, and wellness care.
  - E**mployment of audiologists is projected to grow ~11% from 2022 to 2032** — faster than average for all occupations.
  - **Amlani & Bray (2024)** predict minimal growth of the profession.

Audiology Practice is a
Growth Industry

Competition

Hearing Industry Integration……..

Zenith,
Argosy,
Maico,
Bernafon,
Rexton,
Unitron
Qualitone
Microtech
Phillips
3M
Sonic Innovations
Siemens
Audiotone
Telex
Otarion

& Many Others

Horizontal Integration

Larger Companies Purchase Smaller Companies

Competition

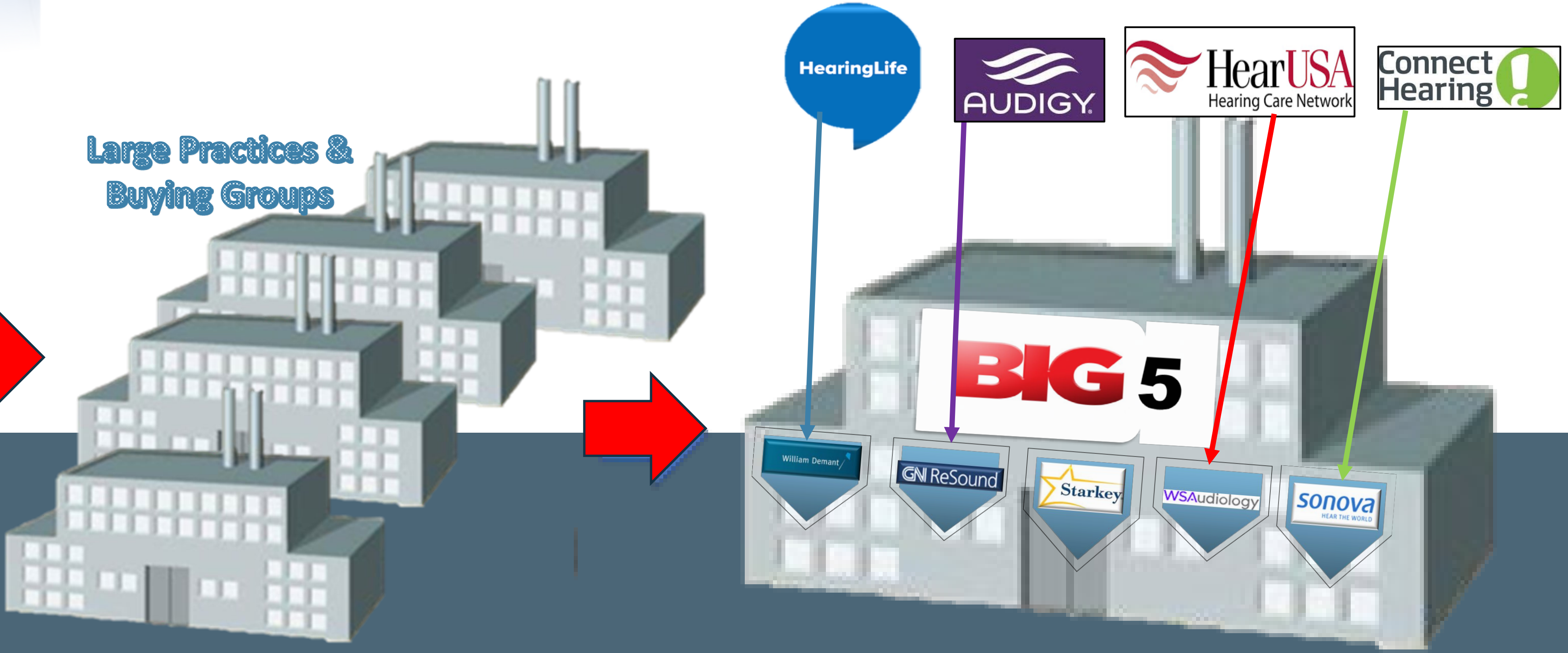
Audiology Practice & Buying Group Integration…

Horizontal Integration

Mom & Pop Clinics

Consolidation of Buying Groups,
- Marcon
- EarQ
- Alpaca
- Consult YHN

Practices Selling to Manufacturers



Larger Companies Purchase Smaller Companies

BLUE MOUNTAIN

Competition

Hearing Industry Vertical Integration……..

HearingLife

Competing
With Former

Connect

2. Forward Vertical Integration

When a company moves further in the direction of controlling the distribution of its products or services.

**"The primary object of the corporation …
is to make money, not just to make Hearing Aids & Equipment"**

Vertical

Chips

Receivers

Batteries

NiMH Li-ion

NiMH Li-ion

1. Backward Vertical Integration

When a company expands its role to fulfill tasksby buying companies that will make products to be used in their products.

BLUE MOUNTAIN

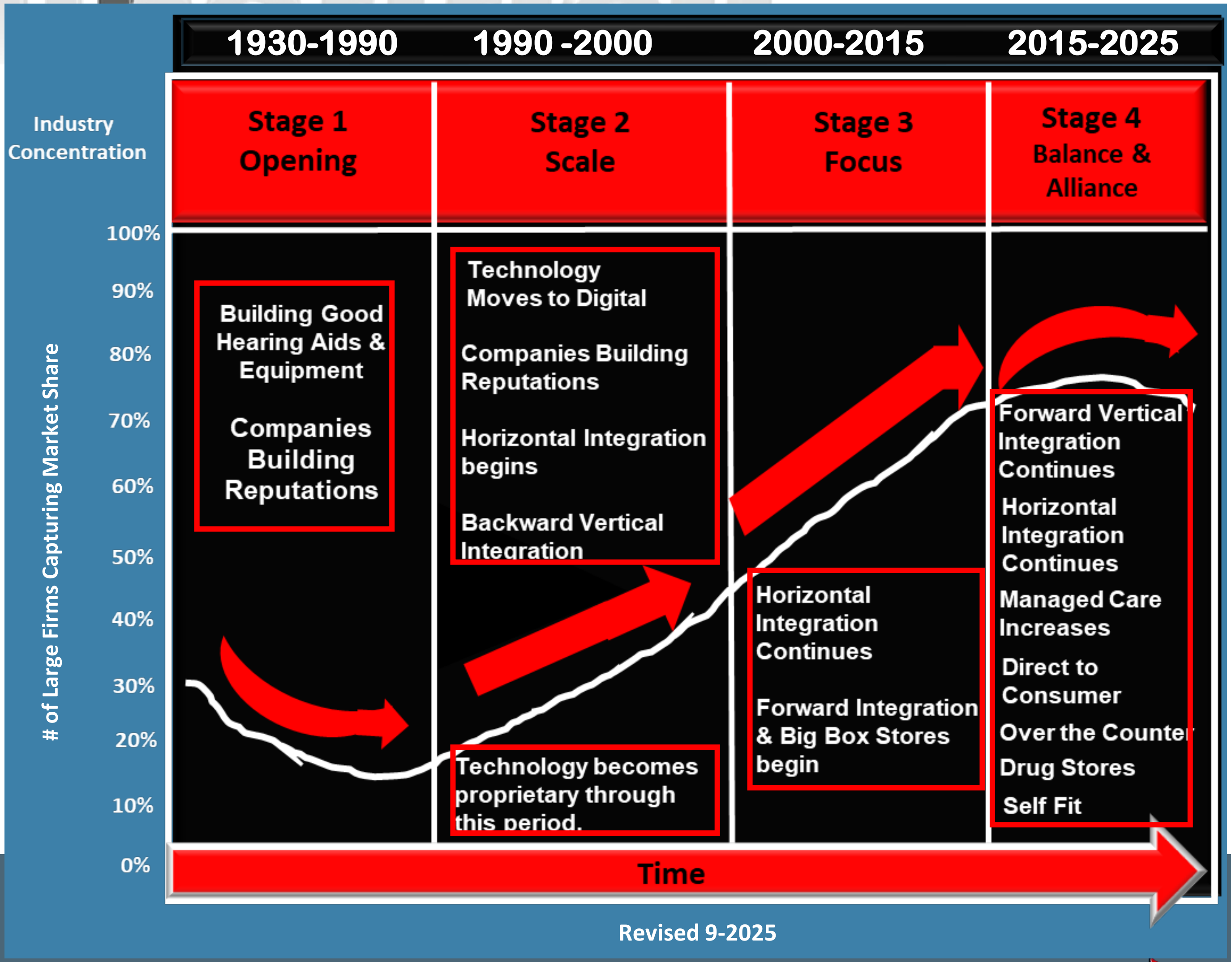
Competition

- **Stage 1 – Opening ~ 1930-1990**
  Building good reliable products for the end user.

- **Stage 2 – Scale ~1990-2000**
  Companies build reputations. Technology becomes proprietary Horizontal integration begins by major players purchasing weaker ones, empires developing.

- **Stage 3 – Focus ~2000-2015**
  Companies begin to purchase suppliers, practices build, and hearing aid manufacturers begin competing with their customers.

- **Stage 4 – Balance and Alliance ~2015-2025 & Beyond**
  Forward integration continues aggressively. Successful manufacturers now actively competing with their customers. Managed care becomes a factor with DTC and OTC.

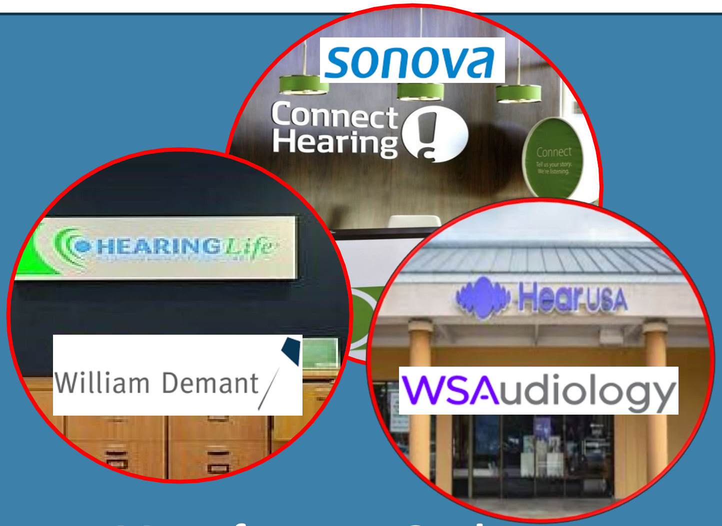


Deans, Kroeger & Zeisel, 2002

It's a ***Normal*** Industrial ***Growth*** Process……..

Competition

Major Changes in the Climate in Which We practice!



Manufacturer Outlets

- They make the products
- Minimal product cost
- Can Make very good Deals
- Use Name Brands
- Environment like a practice

Big Box Stores

- Huge Negotiation Power
- Name Brands Not the Same Products
- Warehouse Environment
- Some have Exclusive relationships
- Liberal Returns

No Matter What they say………Most Manufacturers Compete Against us!

Competition

Major Changes in the Climate in Which We practice!

PHYSICIANS HEARING NETWORK
First Choice in Better Hearing

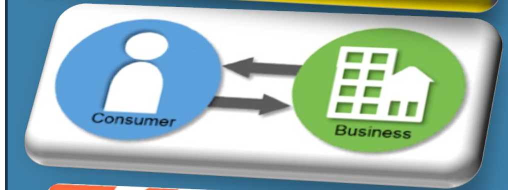
Physicians

- ENT Clinics
- New "Physician Only" Buying Groups
- Usually, an Audiologist running operation.

OTC & Internet

- Manufactures have second brands that they list on the internet.
- Lots of OTC sites sell direct to consumers w a hearing test.
- Some have a back up A/R program.
- OTC Ads led to higher prescription sales.

Jabra GN



EARGO

Direct to Consumer

- Consumer Orders Direct From Manufacturer.
- Many are Self Fitting Hearing aids.
- Use of videos, preprogrammed devices and A/R follow up.
- Some of these manufacturers also offer prescription products.

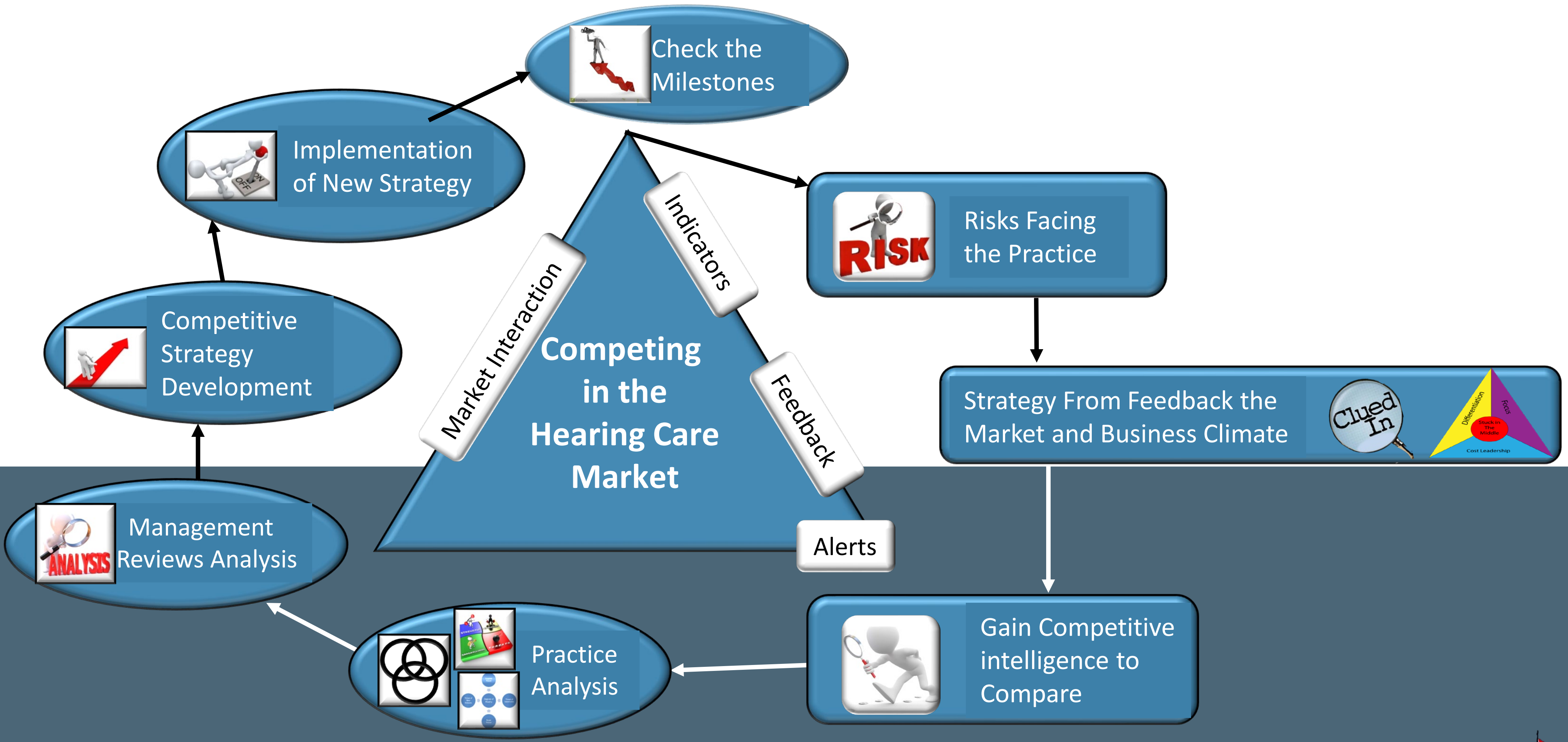
BLUE MOUNTAIN

New Competition in Town

How do You Compete in This Type of Market?

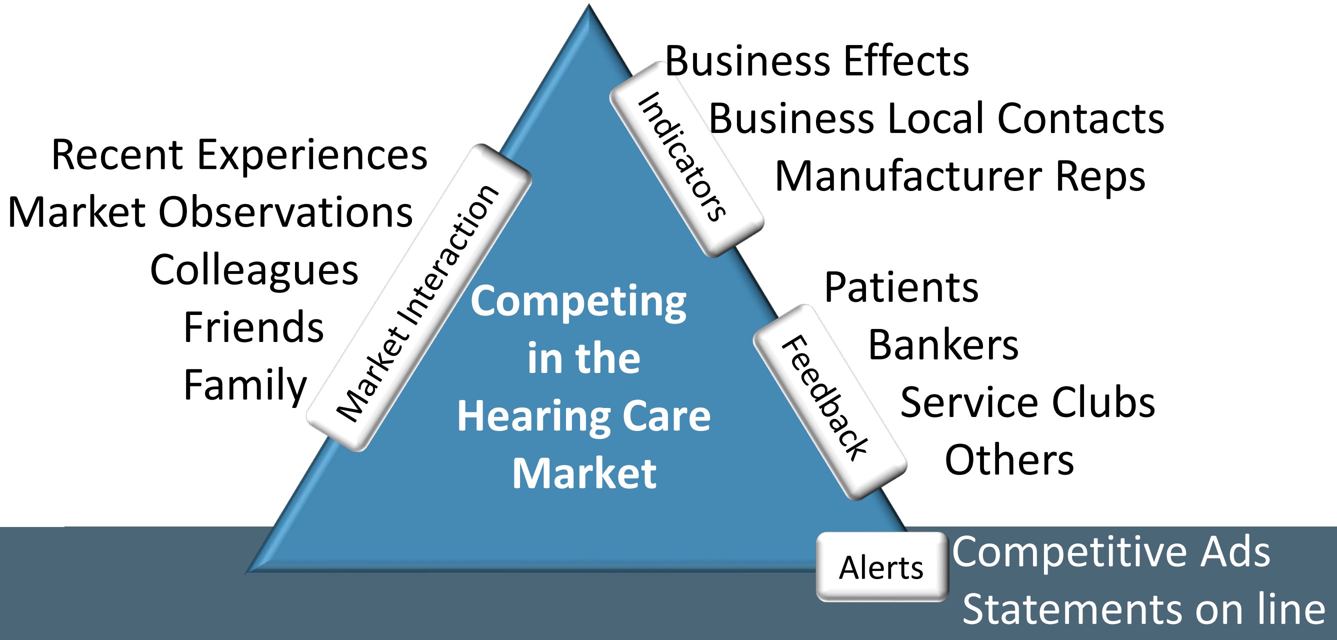
Take a <u>*Long & Hard Look*</u> at your Practice!

Steps to Competing in Today’s Hearing Care Market



Traynor, 1999, 2026

Steps to Competing in Today’s Hearing Care Market



Steps to Competing in Today's Hearing Care Market