



Identification of FDI Opportunities in the Dental Care Market in the UK

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Executive Summary

The UK dental care market has undergone development for several decades. The NHS and private dentists work together to ensure that all residents can access essential care to maintain their oral health, while the wealthier population invests in privately paid complex treatments, including those of a cosmetic nature. Demand for private dental care is strongly dependent on the economy; studies show that, as the economy grows again following the 2008 financial crisis and restrictions for the NHS dental services are tightly controlled, there will be higher demand for private dental services in the coming decade.

The dental care market can be divided into dental care services, dental equipment and dental education. Each sector has been analysed, including supply and demand, leading providers, market size, growth potential and competitive landscape, to help Chinese investors better understand the market.

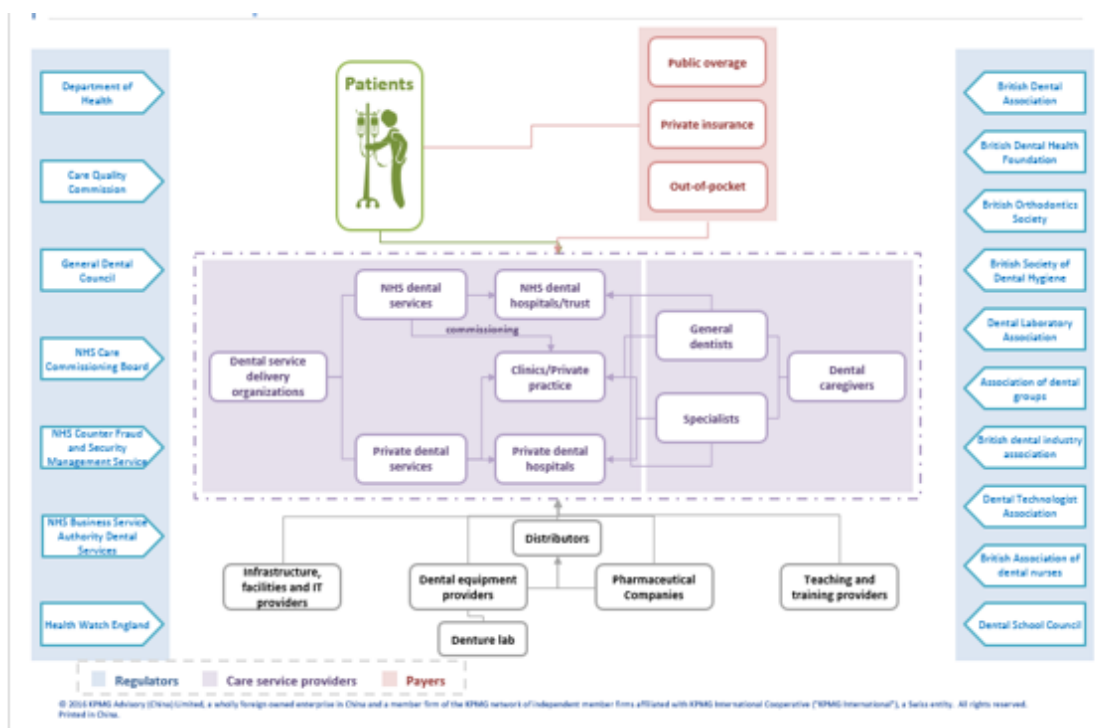


Figure 1 Eco-system of the dental care market in the UK

Based on our market analysis and interviews with stakeholders and potential investors within both China and the UK, we identified the following opportunities:

- 1) Establish a new corporate brand and dental practices in the UK
- 2) Acquire or invest in corporate dental groups and expand the practices in the UK
- 3) Establish consulting firms to provide cost control services to UK dental practices
- 4) Establish CPD providers to provide verifiable credit courses to registered dentists in the UK

Although there are currently no active Chinese investors present in the UK dental market, there are still investors (mainly private equity groups) who are seeking corporate dental groups in China as investment targets. Interviews found that these investors currently have little or no ambition to enter into the UK market as yet, but are interested in learning more about the market and potential opportunities. Therefore these opportunities are assessed in the later chapters.

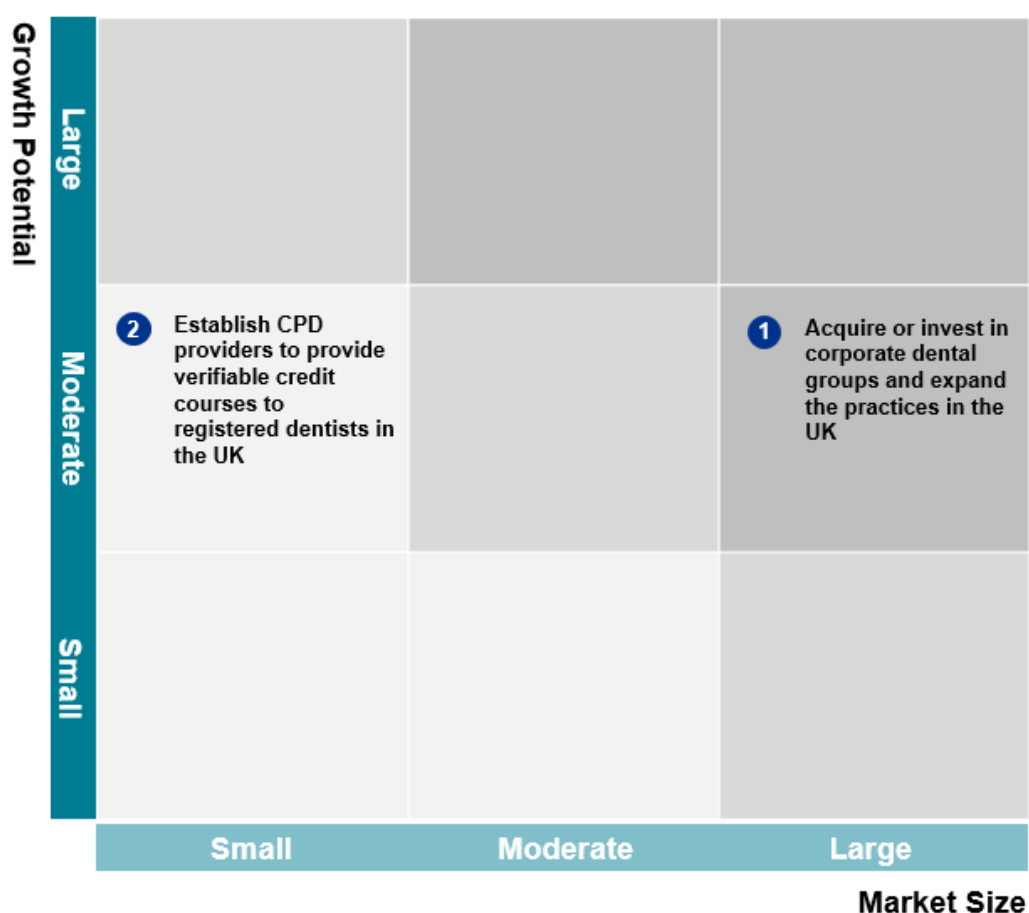
Comparing the capabilities of potential Chinese investors and providers with the potential foreign direct investment (FDI) opportunities, it is clear that the perceived weak competitiveness of new brands, licencing difficulties and reluctance of Chinese investors to enter the UK dental care

market are key barriers to Chinese FDIs in the UK. In addition, Chinese dentists who are willing and able to practise dentistry in the UK are relatively young and have less experience compared with UK dentists. Licences to practise dentistry in the UK are also complicated and difficult to obtain.

In addition, new dental brands, especially those from China, are likely to be perceived as having a lower reputation and brand recognition than existing UK brands, so new entrants may find it more difficult to attract patients.

Although demands for consulting services in the UK are high, Chinese investors and existing players in China cannot provide such services because this market has not yet been developed in China.

Therefore, the options of establishing a new brand and providing consulting services will be eliminated, and not discussed in later chapters. Those that will be further discussed, and which are shown below, are the opportunities to acquire and invest in corporate dental groups and provide verifiable CPD credit courses to registered dentists in the UK.



Market Size	Growth Potential
Small: less than £50 million	Small: less than 1% CAGR
Moderate: £50 – £100 million	Moderate: 1 – 5% CAGR
Large: more than £100 million	Large: more than 5% CAGR

Figure 2 Evaluation matrix for the identified opportunities

A three-by-three matrix is used to assess the feasibility of the two remaining opportunities in terms of market size and growth potential. We found that providing CPD training to registered dentists is not feasible because of its small market size, so this too will be eliminated from being discussed in

further detail. Therefore we have focused on the opportunity of acquiring and investing in corporate dental groups and further expanding their practices in the UK.

In this context we examined regulation and competition within the existing dental service landscape.

Regulation for establishing and operating dental practices is very strict in the UK. Potential investors need to understand the regulatory environment precisely and thoroughly before entering the market. All caregivers and providers must be registered with the General Dental Council (GDC) before practising, and those providing NHS dental services will need to follow additional requirements of registration with the GDC.

Although the majority of providers are privately owned clinics, the current market share of corporate dental groups (those with more than 50 practices) only accounts for about 10-12%. Therefore, there is still potential for dental groups to further expand.

To support investors to enter the dental care sector in the UK successfully, we have also provided a list of success factors. Recruiting a professional workforce, providing both NHS and private services, providing and maintaining high quality care, careful location selection, market familiarity and brand recognition are vital.

Investors need to consider the following risks:

- 1) Compliance with regulations
- 2) Fixed prices for NHS dentistry
- 3) High costs and increasing burden of cost control
- 4) Dependency of private dentistry on the economy

Finally, the following recommendations are provided to potential investors:

- 1) Acquire or invest in an existing corporate entity rather than establishing a new corporation and brand
- 2) Provision of both NHS and private dentistry services
- 3) Design services and allocate resources according to local demands
- 4) Find local partners (existing dental providers) to help understand the market
- 5) Recruit a highly qualified workforce and provide access to continuous training to maintain and improve their skills
- 6) Develop cost control strategies to reduce cost while maintaining the quality of services provided under the fixed NHS payment regime.

1. Introduction

According to the IBIS World Report on UK dental practices, the dental care market was approximately £6.5 billion in 2015, with 2.8% annual growth expected in the next five years (although growth had been relatively stable during the past 10 years). It is anticipated that by 2020-21, the market will reach £7.5 billion.

Of the £6.5 billion dental market, 68% (£4.4 billion) was generated from NHS services and the remaining 32% (£2.1 billion) from private dental services. However, previous studies conducted by LaingBuisson indicated that NHS dentistry generated £3.5 billion in 2012 while private dentistry generated £2.4 billion in 2010. This indicates that although the revenue from NHS dentistry gradually grew, the private dental market was shrinking, possibly due to economic downturns and cuts in household spending capacity before 2014. However, as the UK economy is reviving and set to grow in the coming years, notwithstanding any further geopolitical impacts, the private dental sector might grow significantly. This growth should be accompanied by demand for services such as cosmetic dentistry, dental implants and orthodontics that are not provided under the NHS.

NHS dental services cover treatments that are considered clinically necessary to maintain oral health. According to IBIS World Report, in the two years to June 2014, 29.9 million patients in England accessed NHS dental care, an increase of 1.8 million since 2006. Patients pay little or nothing (for those who qualify for free treatment) for services that are considered necessary and listed with the NHS. The private sector focuses on the wider clinical aspects of dental care and the aesthetic needs of patients. Prices for private dentistry are not fixed, and costs of treatments are decided by providers, according to the location, technology, complexity of treatments and other expenses.

Dental care services are delivered by either dental hospitals (which are typically teaching hospitals of dental schools) or clinics. Dental hospitals provide the more acute treatments for patients, who are normally referred by dentists in clinics. The majority of dental clinics provide a varying degree of both NHS and private dental services. To provide NHS services, both the dentists and the clinic need to register with the General Dental Council (GDC) for qualification of NHS service provision. According to the GDC, there were 41,038 registered dentists provide NHS dentistry in 2014 (CAGR of 2.1%), with more than 2,200 newly registered dentists compared with the previous year.

2. Analysis of the UK dental market

2.1 Dental care services

2.1.1 Supply and demand

Dental services are primarily provided by dental clinics owned by either individuals or corporate entities. Primary dentistry services consist of both NHS and private services. NHS services cover treatments needed to maintain oral health, while services such as cosmetic dentistry, dental implants and most orthodontic services are not covered. Public hospitals also provide basic NHS dentistry services and more acute stomatological treatments, for which patients are usually referred by primary care dentists in clinics. There are approximately 20 specialised dental hospitals, usually affiliated with university dental schools. There are thousands of dental clinics providing primary dentistry services (both NHS and private).

Dental practices consist of both stand-alone dental clinics owned by an individual or groups of dentists, and corporate chains. Leading corporate groups operating in the UK are IDH (Mydentist), Oasis and Roderick.

NHS dental treatments are valued using the unit of dental activity (UDA) system. Treatments performed by accredited dentists are valued with a number of UDAs set according to their band categories. One UDA is usually worth around £15-25. In 2015, more than 88 million UDAs were commissioned through NHS England¹.

Emergency	Band 1	Band 2	Band 3
£19.70	£19.70	£53.90	£233.70
	1 UDA	3 UDAs	12 UDAs
Emergency care such as pain relief or a temporary filling	<ul style="list-style-type: none"> Examination and diagnosis (including x-ray) Prevention advice Scale and polish if clinically needed Preventive care such as the application of fluoride varnish or fissure sealant 	<ul style="list-style-type: none"> Everything listed in Band 1, plus Further treatments such as filling, root canal or removal of teeth 	<ul style="list-style-type: none"> Everything listed in Band 1&2, plus Crowns Dentures Bridges Other laboratory works

Table 1 NHS dental charges by band and treatments

Although NHS dentistry covers the basic treatments necessary to maintain oral health, private dentistry nowadays plays an increasingly vital role. As the economy has gradually revived over the last few years the demand for more aesthetic dental interventions has returned. As the NHS gradually increases the out-of-pocket payments (NHS charges) for NHS dentistry, it can be predicted that the demand for private dentistry will also increase in the coming years.

2.1.2 Payer

NHS dentistry covers the necessary services decided by an NHS accredited dentist at the point of visit. Little is paid for each course of treatment. There are also special conditions under which the costs incurred are waived for qualifying patients:

- Under 18
- Under 19 and in full-time education

¹ NHS England, Dental Commissioning Statistics

- Pregnant or have had a baby in the 12 months before treatment starts
- Staying in an NHS hospital and the hospital dentist carries out your treatment
- An NHS hospital dental service outpatient (although you may have to pay for your dentures or bridges)

Private dental services are paid by either private insurance (such as Bupa) or out-of-pocket payments. Providers are free to set their own prices, which are usually based on the time spent and materials used (shown in Table 2). Typically it costs around £30-150 for examination and diagnosis, £400-500 for Root Canal Therapy (RCT), £100 per filling, more than £500 for crowns, up to £1,000 for dentures and up to £700 for teeth whitening. Private dentistry is much more expensive than the NHS, but demand for private dentistry has been significant and has seen an increase since 2014² for many reasons.

Firstly, NHS dentistry enforces many restrictions on the use of materials and the provision of services considered a necessity, so the use of better materials and more advanced techniques can only be performed privately. Secondly, private patients have a wider choice of treatments; dental implants, for example, are not covered under NHS dentistry. In addition, factors such as shorter waiting times, a wider choice of providers and greater flexibility in appointment times, as well as more time and attention from the staff are all reasons for selecting private dentistry services. However, it is inevitable that with NHS coverage people could be more reluctant to spend much more money on treatments perceived unnecessary or optional.

² 2015 Annual report, Oasis & IDH

Type of services	Average fee charged by private dentistry
Consultation & hygiene	
Examination including an x-ray	£53
Cleaning by hygienist 30 minutes	£60
Common Treatments	
Amalgam filling	£100 (large)
Extractions	£105
Cosmetic white fillings	£115 (large)
Complex Treatments	
Acrylic dentures	£550
Posterior crowns (metal only)	£400
White aesthetic crowns	£500
Tooth whitening	£345
Specialist Treatment	
Dental implants (including crown/bridge)	£2,150
Orthodontics – clear braces	£2,500
Orthodontics – fixed braces	£2,350
Specialist consultation	£70

Table 2 Private dentistry charges

2.1.3 Workforce

According to the GDC there were 41,038 registered dentists providing NHS dentistry services in 2014 (CAGR of 2.1%), within which over 2,200 were newly registered dentists that year.

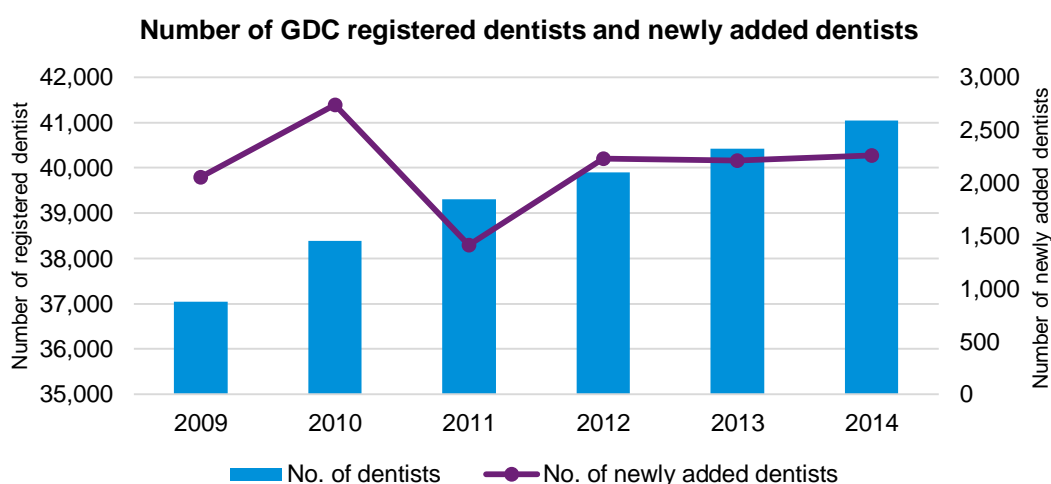


Figure 3 Number of GDC registered dentists and newly added dentists in the UK

Data source: GDC annual report 2015; KPMG China Analysis

Recent studies also show that although the number of NHS registered dentists has been gradually increasing in the past few years, there is still a significant shortage. Compared with private dentistry, dentists providing NHS treatments are paid much less. A study showed that although private patients accounted for about a quarter of total patients seen by dentists providing mixed services, more than half of their annual income derived from those private services.

2.1.4 Competitor Analysis

In addition to those hospitals affiliated with NHS trusts and university dental schools, dental clinics are the major providers of both NHS and private dentistry. Dental clinics are individual practices (owned by individuals or groups of dentists) or corporate entities (usually operating more than three practices). According to the *Dentistry UK Market Report* by LaingBuisson, there were 6,950 dentists working in corporate chain practices in 2014, with a revenue of £1.3 billion. IDH, Oasis, Southern and Roderick are the four leading groups in terms of the number of practices owned.

Corporate Groups	Number of practices in the UK	Revenue 2015 and growth rate from 2014	EBITDA 2015 and growth rate from 2014	Recent activities
IDH	644	£486 million GR: 30.9%	£77 million (14% of revenue) GR: 13%	<ul style="list-style-type: none"> 59 additional practices acquired in 2015 Acquired by Carlyle Group for £450 million In process of IPO, with an offer price of £3.14 per ordinary share, and a market capitalisation of £486 million
Oasis	338	£234 million GR: 48%	£30 million (12.6% of revenue) GR: 46%	<ul style="list-style-type: none"> Over 130 additional practices acquired over the last couple of years Bridgepoint (owns 67% of Oasis Dental's shares) recently appointed Moelis and Rothschild for the sale of Oasis Dental

Table 3 Introduction of IDH and Oasis

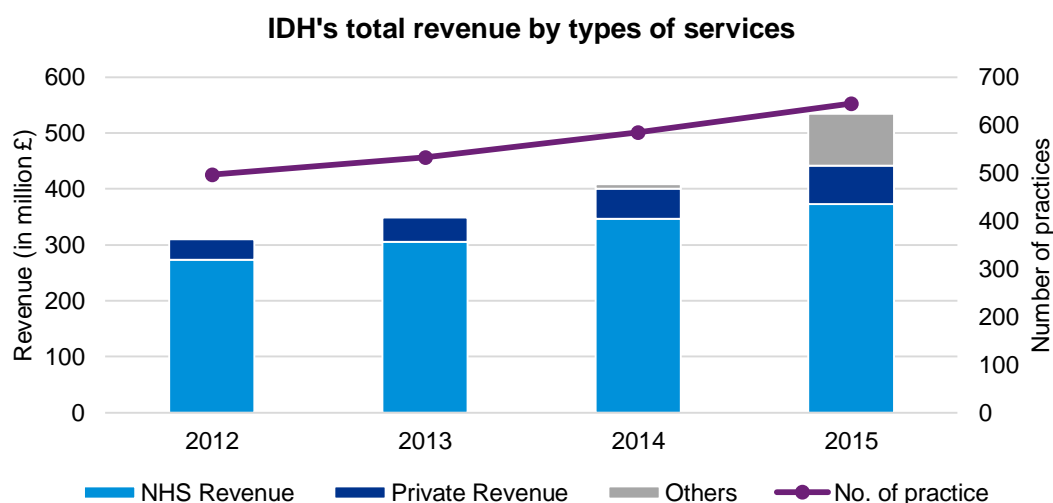


Figure 4 IDH's total revenue by types of services

Data source: IDH annual report 2012-2015; KPMG China Analysis

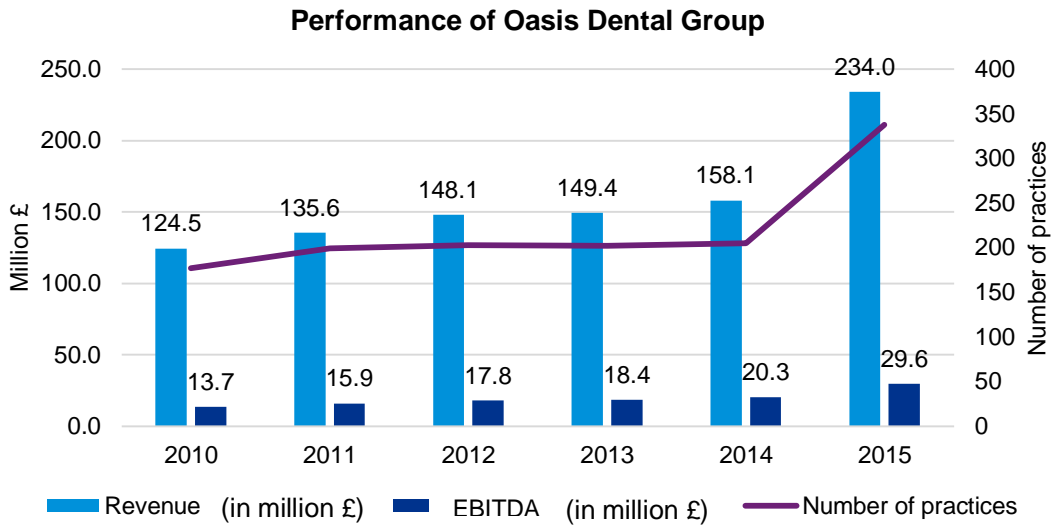


Figure 5 Performance of Oasis Dental Group

Data source: Oasis annual report 2015; KPMG China Analysis

Market share of the leading corporate dental groups in the UK, 2014 (By revenue against overall market size)

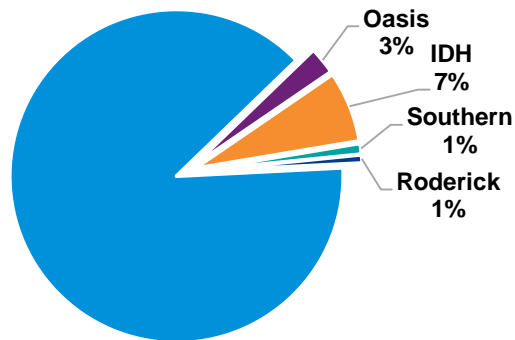


Figure 6 Market share of the leading corporate dental groups in the UK 2014

Data source: KPMG China Analysis

2.1.5 Market size and growth potential

The dental care service market was worth £6.5 billion in 2015, of which £4.4 billion came from NHS dentistry and the remaining £2.1 billion from private dentistry³. With the economic revival anticipated in the coming years (notwithstanding any geopolitical impacts), it is expected that the market will grow at a CAGR of 2.8%, reaching £7.5 billion by 2020. Most of the increase will be driven by private dentistry due to NHS cost-saving and related restriction of access.

2.1.6 Opportunity

- **Establish a new corporate dental brand and practices in the UK**

Corporate dental groups are growing in the UK, and account for more than 10% of the market. Corporate groups have the advantages of greater bargaining power with insurance companies, lower costs through centralised procurement and supply, corporate-wide management driving higher service standards and higher brand recognition. There is significant growth potential for corporate dental groups.

Potential investors and existing dental groups in China could consider entering the UK market by establishing a new brand or exporting their brand to the UK, building new clinics and using the new brand to attract patients. Considering the increasing demand for aesthetic dentistry such as orthodontics and cosmetic procedures, there will be a growing market in which a new entrant could secure a position.

- **Acquire or invest in corporate dental groups and expand the practices in the UK**

Another route to market is to acquire or invest in existing brands and corporate groups. Using the existing brand, investors could buy further clinics in the UK to expand market share. Existing brands and corporate groups have advantages in terms of brand recognition and reputation. Many individual clinics are owned and operated by one dentist or a group of dentists with little or no knowledge or experience of corporate management, and may be burdened by higher than necessary operating costs. It could be expected that more and more individual practices will be willing to be acquired/invested by corporate groups to reduce the cost and management burden, allowing them to return to focusing on clinical work.

- **Establish consulting firms to provide cost control services to UK dental practices**

Clinics are being forced to control their costs by the low fixed prices paid for NHS dentistry and the increasingly high cost of providing quality care, but many are struggling. It is difficult to maintain care quality and profitability under the fixed price regime, so controlling costs has become one of the biggest problems facing clinics. Most managers and practice owners are dentists with little or no management experience, so they require professional consultancy support to be more efficient.

³ IBIS World Dental Practices in the UK 2015

2.2 Dental equipment

There are few UK manufacturers of dental equipment and instruments; the major products are manufactured abroad. Most dental equipment and instrument manufacturers are European; leading brands from North America and Asia have little market share.

Type of device/instrument	Major providers
Dental chairs/treatment centres	Castellini (Italy) Stern Weber (Italy) Kavo (Germany) Sirona (Germany) Anthos (Italy) Morita (Japan) Belmont (Japan) Shinhung Chairs (Korea)
Digital Imaging	Myray (Italy) Newtom (Italy) Gendex (USA) Durr Dental (Germany) Acteon (France)
Suction system	Cattani (Australia) Durr Dental (Germany)

Table 4 Dental equipment used in the UK

According to the Dental Laboratories Association there are currently 897 denture labs in the UK providing crowns, dentures, maxillofacial, orthodontics, repairs and implants. Many UK denture labs send their manufacturing jobs to other European countries, as well as North America.

Because crowns under NHS dentistry are paid for by a fixed price (£234 in England), the prices charged for manufacturing dentures are restricted. The price for Zirconia crowns for NHS patients can be as low as £40-50. Although private dentistry charges are higher for crowns and dentures, the materials used are usually acrylic or metals (which are cheaper than Zirconia). Fewer patients use private dentistry for crowns because of the higher price (and better materials will incur much higher prices than in the NHS). Given that the prices charged for manufacturing of crowns for NHS providers are relatively more restricted, opportunities in the denture sector are not encouraging for foreign players.

2.3 Dental education

2.3.1 Supply and demand

Education in dentistry can be divided into degree-level professional education and continuing education. Professional degree-level education is required for those who wish to become dentists and practise clinically. Prospective dentists need to spend at least five years in university dental schools/colleges, and receive a Bachelor's degree or above upon completion. Once graduated, dentists need to register with the GDC and practise under supervision for some time. Approximately 60-90 students are admitted annually by each dental school. Domestic/EU students are charged £9,000 - £10,000 annually, while international students are charged around £20,000 annually for the first two years, and around £35,000 annually for the remaining three years.

Continuing education plays a vital role in dental education. The GDC requires all registered dentists to fulfil 250 continuing professional development (CPD) hours every five years (where at least 75 of these hours need to be "verifiable"). CPD hours can be earned through lectures, webinars, conferences, training, reading journals, and e-learning. Verifiable CPD hours are credits whereby

providers issue a certificate confirming the attendee's enrolment, as well as the objective and outcome. These courses are usually taken on a fee basis. Verifiable CPD courses for dental professionals typically charge £10-15 per credit hour.

2.3.2 Competitor Analysis

Providers of continuing education courses consist of dental schools/colleges as well as individual course providers. There are many individual providers offering verifiable CPD hours, with most taught online. Leading online providers include:

- Dental Republic
- 4Ever Learning
- ProDental CPD
- Dental CPD Hub

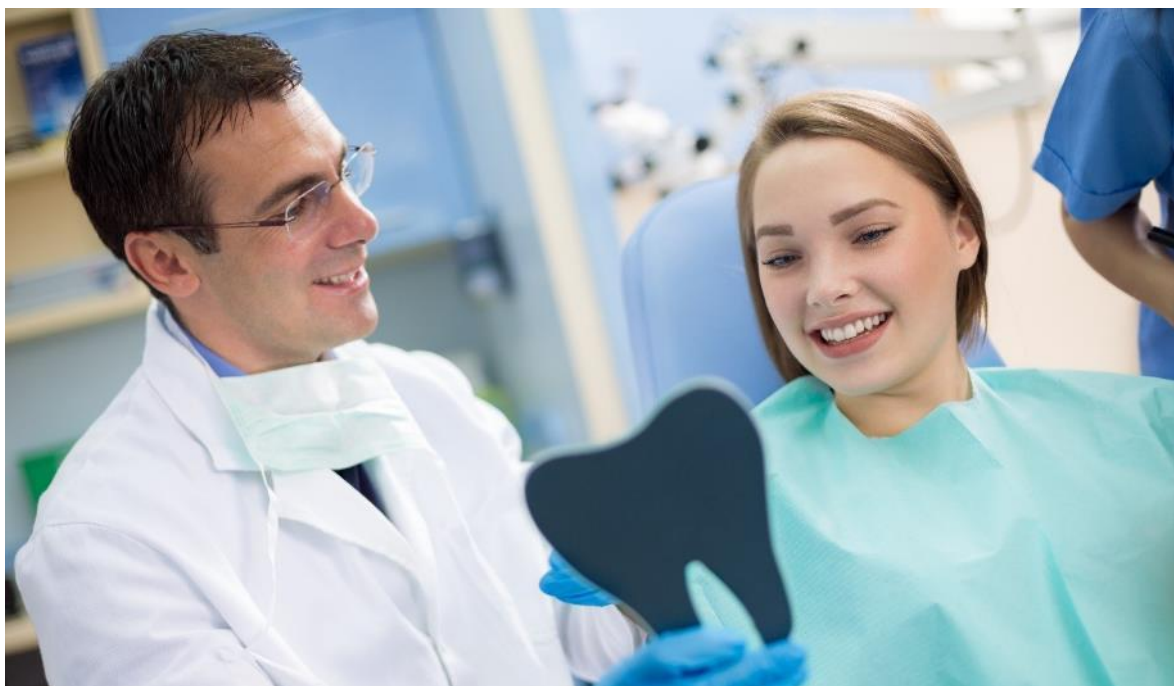
2.3.3 Market size and growth potential

The continuing dental education market was estimated to be £7.7 million⁴ in 2014, and as the number of registered dentists increases, the market is estimated to reach around £8.7 million by 2020 (CAGR 2.1%).

2.3.4 Opportunity

- **Establish CPD providers to provide verifiable credit courses to registered dentists in the UK**

As the GDC requires all registered dentists to earn at least 75 verifiable CPD credit hours every five years (average of 15 per year), and the market comprises many individual providers with no single dominant player, there are opportunities for new entrants.



⁴ According to GDC requirements, all registered dentists (41,038 in 2014) need to earn no less than 75 verifiable hours within five years (average of 15 hours per year, £10-15 per hour). It could then be estimated that the size of the dental continuing education market was worth £7.7 million in 2014.

3. Assessment of FDI opportunities

3.1 Summary of opportunities

- Establish a new corporate brand and dental practices in the UK
- Acquire or invest in corporate dental groups and expand the practices in the UK
- Establish consulting firms to provide cost control services to UK dental practices
- Establish CPD providers to provide verifiable credit courses to registered dentists in the UK

3.2 Assessment of FDI opportunities against capabilities of Chinese investors

The capabilities of Chinese investors were compared with the opportunities identified:

Opportunity	Capability of Chinese investors	Leading players in China
1) Establish a new corporate dental brand and dental practices in the UK	<ul style="list-style-type: none"> • Financially capable • It is difficult for foreign dentists to practise in the UK • Many experienced dentists in China are unwilling to move to a foreign country, where the potential income does not meet their expectations • Those willing and able to practise in the UK tend to be those with less experience, so they offer no advantage over UK dentists 	<ul style="list-style-type: none"> • ENJOY dental group (欢乐口腔) • Arrail dental group (瑞尔口腔) • BYBO dental group (拜耳 昊成)
2) Acquire or invest in corporate dental groups and expand the practices in the UK	<ul style="list-style-type: none"> • No existing Chinese player in the UK dental care service market • Investors active in the China market are mainly private equity groups (both international and domestic) • Investors in China are interested in acquiring and establishing corporate chain of practices • Potential Chinese investors are unfamiliar with the UK regulatory and competitive environment • Potential Chinese investors will want to buy out corporate brands from the UK and bring the brand back to China as their major market 	<ul style="list-style-type: none"> • Century Galaxy (investor of ENJOY Dental Group) (世纪长河集团) • Qiming Venture Partners (investor of Arrail Dental Group) (启明创投) • Legend Holdings (investor of BYBO Dental Group) (君联资本) • TC Medical (investor and owner of many dental hospitals in China) (通策医疗)
3) Establish consulting firms to provide cost control services to UK dental practices	<ul style="list-style-type: none"> • Consulting services in process improvement and care process redesign are not well developed in China, so there are no obvious Chinese providers to operate in the UK • Those with some degree of capability are companies that originate from developed countries such as USA and UK 	NA
4) Establish CPD providers to provide verifiable credit courses to registered dentists in the UK	<ul style="list-style-type: none"> • Current dental CPD providers in China are primarily dental schools and public dental hospitals, which are all publicly owned • Chinese investors are not familiar with the UK dental training market • Chinese players who acquire or invest in dental corporate groups may be capable of delivering CPD dental courses as part of their business 	<ul style="list-style-type: none"> • Those Chinese investors who have acquired/invested corporate dental chains

Table 5 Opportunity assessment against capabilities of Chinese investors

From the above analysis, it is clear that there is little or no capability for Chinese investors to establish new corporate dental groups, or for consulting firms to provide cost control services, so these will be eliminated from further discussion in this report.

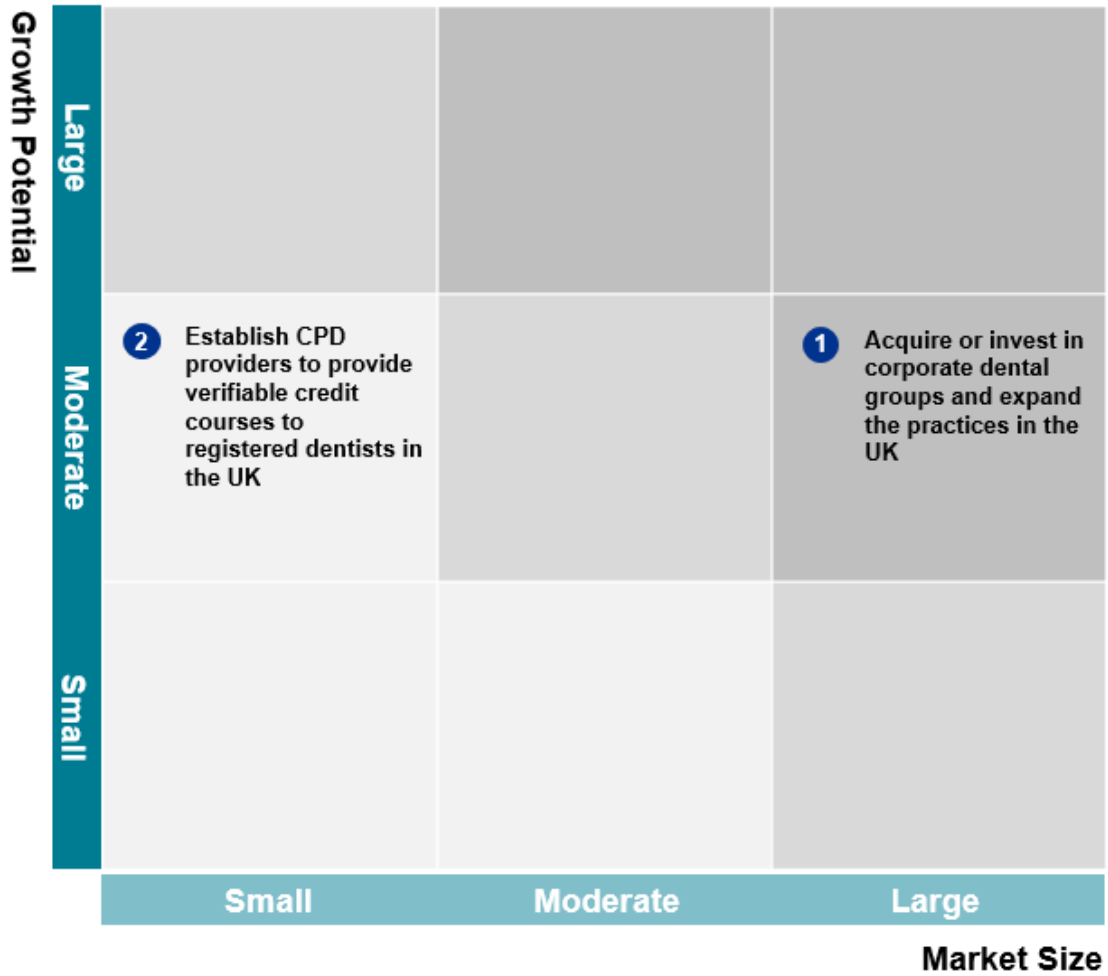
Some investors in China have started acquiring dental practices and establishing chain brands as a way to enter the dental market. However, majority of these are focused on the Chinese market and they have little or no presence in the dental care market in the UK. Interviews also found that these investors who might be willing to invest in the dental corporates in the UK eventually would like to bring back the brand and operate in the Chinese market.

Although potential opportunities exist in the dental CPD market in the UK, the capabilities of Chinese investors and providers are weak. Current providers of continuing education for dentists in China are primarily public dental hospitals and dental schools. However, those players who might be interested in investing in and acquiring dental corporates may be willing to provide continuing education to dentists in the UK as part of their business strategy, which is something that IDH has already begun to do.

3.3 Assessment of FDI opportunities against market size and growth potential

A matrix of assessment is used as shown in Figure 7. Since the continuing dental education market is relatively small (£7.7 million in 2014), the option of establishing CPD providers to provide verifiable credit courses to registered dentists in the UK will not be discussed further in this report.





Market Size	Growth Potential
Small: less than £50 million	Small: less than 1% CAGR
Moderate: £50 – £100 million	Moderate: 1 – 5% CAGR
Large: more than £100 million	Large: more than 5% CAGR

Figure 7 Evaluation of the identified opportunities

3.4 Assessment of FDI opportunities against regulatory requirements and competition

To help potential investors understand the UK dental market, the regulatory requirements and competitive landscape are considered and listed in Table 6 below:

Regulatory requirements	Competition landscape
<ul style="list-style-type: none"> • All clinics that provide NHS dental services must be registered with the GDC • Dentists providing clinical treatments must be registered with the GDC • Foreigners who wish to practise dentistry in the UK need to attend and complete a certain number of years of dental school education (either three or five years depending on whether they have received professional dentistry education in their home country) or pass the Overseas Registration Exam (ORE) in order to register with the GDC. • Strict regulation on clinical care quality in the UK • Dentist Act 1984 sets out the regulatory requirements for corporate dental groups: <ol style="list-style-type: none"> 1) Most of the directors are registered dentists 2) All operating staff are either registered dentists or dental auxiliaries 3) It conducts no business other than dentistry or some business ancillary to dentistry • High level of regulation on registration of names for dental corporate groups (there are restrictions on how the words ‘dentist, dental, dentistry’ can be used) 	<ul style="list-style-type: none"> • Competition is intense, but there is still room for entrants • IDH, the largest corporate player in the UK dental care market, accounts for 7% of the total • Corporate chains with more than 50 practices in the country account for 12% of the UK market • Providers of dental care services in the UK are primarily private clinics, so there is potential for entrants to acquire or invest in clinics and then expand

Table 6 Opportunity assessments against regulatory requirements and competition

4. Challenges and risks

Challenges & risks	Explanation
1) Compliance of regulations	<ul style="list-style-type: none"> • There are strict regulations and restrictions for establishing and operating dental practices and corporate groups • All practices and dentists need to be approved and registered by GDC in order to provide NHS and private dentistry services
2) Fixed price for NHS dentistry	<ul style="list-style-type: none"> • NHS dentistry services and treatments are reimbursed by a fixed payment, which is much less than the revenue from private dentistry
3) High cost	<ul style="list-style-type: none"> • Increasingly high cost of employment and materials, which will increase the cost burden under fixed payments from NHS
4) Less demand for private dentistry compared with NHS dentistry	<ul style="list-style-type: none"> • Most patients prefer to use NHS dentistry because they pay little or no fee (for those qualified for free treatments) for services • Prices for private dentistry are high, which reduces demand • Demand for private dentistry is strongly influenced by the economy because treatments are considered as optional

Table 7 Challenges and risks for the identified opportunities

5. Recommendations and success factors

Recommendations for investors in China looking to acquire or invest in and expand corporate brands in the UK are as follows:

- **Acquire or invest in an existing corporate body rather than establish a new corporate body and brand**

Private dental clinics, including corporate dental groups, have been active in the UK dental market for decades. Although groups such as IDH and Oasis started their expansion only in the last few years, they have established some brand recognition locally. Acquiring an existing brand and corporate body could help a potential Chinese investor reduce risks from lack of brand recognition. They have already built some degree of reputation within a region or in the country, and have an existing workforce. Recruiting a qualified workforce is always the most difficult but important part of a dental practice; acquiring existing clinics will reduce time spent on finding a workforce. Furthermore, acquiring an existing brand could reduce the regulatory risk because of the existing registration and name (registration of names for dental corporate groups are highly regulated). The potential investor could use the brand to acquire or invest in further clinics in the UK.

- **Providing both NHS and private dentistry services**

The potential investor needs to keep in mind that NHS dentistry is the key to attracting patients. Most UK residents use NHS dentistry services when needed because of the low out-of-pocket payment. Although profits under NHS services are relatively low compared with private dentistry, the volume of patients is much greater. Although many patients with higher needs and higher income may seek private and more complex treatments such as orthodontics and dental implants, it is in most cases NHS dentistry that they go to as the first point of care. Many patients believe that clinics which only offer private dentistry are much more expensive, so they choose those that offer both services.

- **Design services and allocate resources according to local demands**

Dental market varies in different parts of the UK. Prices charged for NHS dental services are different between England, Scotland, Wales and Northern Ireland. In England, places such as London have much higher demand for dental care, so it is important for potential investors and the future managers of the corporate group to analyse the local demand and level of competition carefully, and design services that target gaps in the market.

- **Find local partners to help understand the market better**

It is important for Chinese investors to have local partners who can help them to understand the local market and navigate through the local regulations and negotiations.

- **Recruit a highly qualified workforce and provide continuous training to maintain and improve their skills**

The quality of the workforce is the most important factor affecting the performance of dental practices or groups. The public perceives that corporate groups tend to offer higher quality care than individual clinics, so having a quality workforce to maintain reputation is vital.

The group should also provide continuous training for their dental professionals (programmes such as seminars, training sessions and fellowships to the USA, where skills are more developed, or to China, where dentists are more experienced) to ensure their workforce can meet the high care standards set by the group.

- **Establish cost control strategies to reduce costs while maintaining care quality under fixed NHS payment**

It is important for the managers of the dental corporate to develop effective cost control strategies under the fixed NHS payments. Many providers strive to make profits under the relatively low level of payment received from NHS, but the quality of care is often affected. Cost control strategies need to address the incentives for staff as well as quality of care provided.

Six success factors are identified in order to succeed in the market:



Figure 8 Key success factors for the identified opportunities



Key success factors	Explanation
1) Professional workforce	<ul style="list-style-type: none"> • Hire highly trained and experienced professional workforce • Continuous training and development programmes for professional workforce • Develop standards with which all caregivers must comply
2) Care quality	<ul style="list-style-type: none"> • Comply with the national requirements on care and service quality • Develop continuous quality improvement programmes to ensure care quality • Set high standards with which all practices must comply
3) Location	<ul style="list-style-type: none"> • Carefully select locations according to local demands and level of competition • Determine services to be provided according to local demands • Distribute resources accordingly
4) Service mix	<ul style="list-style-type: none"> • Provide both NHS and private dentistry • Set services and specialties according to demands at each location
5) Market familiarity	<ul style="list-style-type: none"> • Understand how to operate in the market • Understand and comply with regulatory requirements
6) Brand recognition	<ul style="list-style-type: none"> • Establish high brand reputation to attract patients and compete with existing brands • Maintain brand reputation by complying with standards

Table 8 Key success factors for the identified opportunities

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