

# The Impact of No Interest Financing — A Plan for Attracting and Increasing Acceptance of Cosmetic Procedures

A Study Conducted by Digital Research, Inc.

This study, conducted by Digital Research, Inc., assesses the impact No Interest Financing can have on the attitudes and behaviors of patients during and after the decision-making cycle. The evidence concludes that patients who want payment options like CareCredit® are an audience that warrants attention. In addition, the availability of CareCredit can have a positive impact on those considering cosmetic procedures.\*

## Key Findings:

### Impact on Choice of Treatment Plan

➔ **95%** of respondents agreed or strongly agreed that No Interest\*\* Financing allows them to select a more comprehensive treatment plan, even if it costs more.

### Impact on Scheduling their Procedure

➔ **91%** of respondents agreed or strongly agreed that No Interest\*\* Financing allows them to get their procedure right away, rather than delaying.

(Continued on other side)

\*December 2008.

\*\*If paid within the promotional period. Minimum monthly payments required.

(Continued from other side)

## Impact on Selecting a Practice

➔ **71%** of respondents agreed that the availability of No Interest\*\* Financing was very or extremely important in their ultimate selection of a practice.

## Impact on Scheduling a Consultation

➔ **76%** of respondents stated that knowing the practice offered No Interest\*\* Financing influenced their decision to schedule an initial consultation.

## Impact on Returning for More Procedures

➔ **87%** of respondents agreed or strongly agreed that No Interest\*\* Financing increases their likelihood of returning to the practice for other services. 82% of respondents stated that the availability of No Interest Financing\*\* encourages them to return to a practice more frequently for follow-up cosmetic maintenance and other cosmetic procedures.

## Impact on Referrals

➔ **75%** of respondents agreed or strongly agreed that the availability of No Interest\*\* Financing influences their decision to refer family and friends to the practice.

**For practices looking to attract patients in today's economy, CareCredit No Interest\*\* Payment Plans are a payment option that calls for serious consideration. For more information about CareCredit Payment Plans, please call 800-859-9975.**

\*December 2008.

\*\*If paid within the promotional period. Minimum monthly payments required.

# The Economy's Impact on Cosmetic Practices and Effective Tactics to Increase and/or Maintain Profitability

**In 2008,** the United States economy began to slow and the country “officially” went into a recession in the fourth quarter. The impact of the economic slowdown on elective healthcare services such as cosmetic procedures and LASIK was almost immediate. Initially the impact was regionalized to those areas with the highest decrease in home value. But as the year progressed and the economy worsened, the majority of elective healthcare practices experienced a decrease in new patients and patient conversions. To quantify the effect of the slowing economy on cosmetic practices, CareCredit asked Hiner & Partners, Inc. to survey 10,000 CareCredit practices to identify tactics they were successfully using to increase or maintain sales and profitability. Participants were contacted via mail, email and fax to participate in the web-based survey. This report summarizes the key findings of that market research initiative to help cosmetic practices compare and analyze their current status with peers across the country and to share best practices.

## KEY FINDINGS

- ▶ **61% of practices reported an average decline of 32% in monthly sales as compared with 2007.**
  - Only 13% of practices reported an increase in sales
  - 26% reported same level sales as 2007
- ▶ **The decrease is impacting both surgical and non-surgical practices.**
  - 64% of surgical practices reported an average 31% decline in monthly sales
  - 56% of non-surgical practices reported a 34% average decline
- ▶ **The economy is affecting all areas of business including inquiries, consultations, commitments, completed procedures and repeat customers.**

Share of Cosmetic Practices Reporting a Decline in Selected Monthly Metrics

	Decreased Somewhat	Decreased Significantly	TOTAL
<b>Inquiries</b>	36%	22%	58%
<b>Consultations</b>	39%	23%	62%
<b>Commitments (scheduled procedures)</b>	32%	32%	64%
<b>Cosmetic surgeries performed</b>	34%	34%	68%
<b>Minimally invasive cosmetic procedures performed</b>	34%	17%	51%

An increasing share of practices reported declines in the stages that follow “Inquiries,” which suggests that even those patients with high interest in a cosmetic procedure may seek additional information, but are more reluctant to commit to or complete treatment.

# Practices Have Tried to Minimize the Impact of the Economy by Focusing on Four Distinct Areas:

## 1. Decreasing Scope of Treatment

- Almost half of practices reported having dropped average case size for all procedures
- 37% have reduced case size on minimally invasive procedures

This suggests that practices are either pre-determining patients are more budget-conscious, so they are reducing the treatment recommended or patients are requesting and accepting reduced care.

“We have switched our promotions to emphasizing non-invasive surgeries and the less costly procedures. Whenever possible we try to combine surgery into combo cases so the patient saves on the facility and anesthesia fees.”

“We have had to be more flexible with pricing due to the economy. Overall, people don’t have extra money. We have sold more small procedures versus package sells. People are afraid to commit to a larger sum of money even when they could afford it.”

## 3. Increasing Marketing

- 61% have increased their marketing efforts
- The area in which most effort is placed is getting the phone to ring, or generating inquiries

“We’ve begun sending regular email blasts to current and potential clients alerting them to current promotions. This has had a real positive impact on sales.”

“To counteract the economy, we have increased marketing to existing patients and we are doing more with company and product reps to come up with joint marketing and materials.”

“We are doing much more advertising with radio and newspapers. In addition, we are using email blasts much more.”

## 2. Decreasing Price

- 36% more practices are reducing pricing, either across the board, by service or in the form of treatment packages
- 46% more practices reported offering price promotions, totaling 80% of all respondents
- 32% more practices reported bundling or offering package pricing, totaling 78% of all respondents

“We are offering packages for injectables. In most cases, we are taking half off the administration fee of a second syringe if purchased and used on the same day.”

“We have found that bundling products and services makes clients feel they are receiving more for their money. For example, if they buy five laser treatments, they get the 6th free and a skin care line to compliment the laser treatment.”

“We offer ‘systems.’ For example, our ‘anti-aging system’ may include Botox®, chemical peel and three skin tightening treatments. Systems offer great discounts and we give added value by throwing in a free service.”

## 4. Offering Financing to Overcome Cost Concerns

- 83% reported promoting No Interest financing
- 77% reported promoting interest-bearing financing
- 72% promoted “financing is available”

“We are offering promotions—either 10% or 0% financing.”

“Patients need more financing options, so we’re offering both 0% plans and longer-term plans.”

“We’re emphasizing financing options more than last year and recently added ‘limited time offer’ to instill a sense of urgency to patients.”

## EFFECTIVE MARKETING TACTICS

In the survey 37 specific tactics were listed and survey participants were asked to rate the effectiveness of the tactics they were currently using to increase or maintain sales. Of the top tactics used, the following chart details the perceived effectiveness of each.

For a listing of all tactics measured and their effectiveness ranking, go to [www.carecredit.com/economicstudy](http://www.carecredit.com/economicstudy).

▼ General Description of Tactics	Share of Cosmetic Practices Using Tactic in 2008 (261)	Share that Consider the Tactic Effective* (261)
<b>Price Cuts</b> – lowered prices to all customers, not a temporary reduction	46%	32%
<b>Price Promotions</b> – a temporary reduction in prices for the same services or “for a limited time”	80%	59%
<b>Contests</b> – sweepstakes, drawings or raffles for free facials and skin care treatments	38%	20%
<b>Rewards for Purchases</b> – given as extra rewards or incentives to complete procedures	47%	29%
<b>Repeat Customer Rewards</b> – special pricing, VIP programs, loyalty program for repeat / return customers	69%	54%
<b>Bundling / Package Pricing</b> – give a price break when several services are done at once	78%	66%
<b>Reward New Patient Referrals</b> – refer a new patient to the practice that schedules a surgical procedure - get a free service with the aesthetician	46%	31%
<b>Appeals to Past Customers</b> – mailings, emails, or phone calls to patients that have not booked within the past 3 or 6 months	75%	49%

▼ Tactics <b>MOST</b> Often Considered Effective	Share of Practices that Consider the Tactic Moderate or Very Effective
<b>Offered a Web Site</b>	67%
<b>Offered No Interest Financing</b>	66%
<b>Bundling/Package Pricing</b>	66%
<b>Offered Interest-Bearing Financing</b>	60%
<b>Price Promotions</b>	59%
<b>Repeat Customer Rewards</b>	54%
<b>Advertised: “Financing is Available”</b>	53%

▼ Tactics <b>LEAST</b> Often Considered Effective	Share of Practices that Consider the Tactic Moderate or Very Effective
<b>Free Local Print Directories</b>	10%
<b>Highly Targeted Temporary Offers</b>	14%
<b>Television Ads</b>	15%
<b>Free Press</b>	18%
<b>Radio Ads</b>	18%
<b>Customer Communications Via Newsletters</b>	20%

\* Users and non-users of the tactics are included in the base for the percentages reported in this column. Non-users are assumed to believe the tactic would not be effective for their practice.

## CONCLUSION

Overall, the economy is impacting all areas of business for the majority of cosmetic practices surveyed, with more than 61% reporting a decline in sales. The practices experiencing steady or increasing sales are those that previously did little to no marketing, and who have now started communications programs with existing or prospective patients.

***“Many businesses are cutting costs by reducing their advertising.***

***In actuality, advertisers that continue in slow periods are more recognized.”***

Most practices are using a combination of price-based tactics, including reducing prices, offering promotions, bundling services or recommending less expensive treatment. Offering No Interest or interest-bearing financing has been effective for more than two-thirds of the respondents. And most report that tapping into existing customers for additional treatment or referrals is seen as more effective than mass advertising mediums such as TV and radio.



HINER & PARTNERS, INC.  
MARKETING DIAGNOSTICS AND STRATEGIES