



Austria: Dental Industry Market Brief 2014

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Summary

Austria is a dynamic EU-member country with an affluent population of 8.4 million German speakers. Austria's manageable size and stable business environment make it an attractive market for U.S. exporters, as well as an attractive test market for U.S. firms with an eye toward expansion into neighboring Germany. Austria's historical and economic ties to the growth markets of Eastern and Southeastern Europe also make it a logical base for serving those markets. At present, approximately 330 U.S. firms have subsidiaries, affiliates, franchisees, and licensees in Austria, of which about 150 have regional responsibilities for Central European, Eastern European, or Balkan countries. U.S. products and services enjoy a good reputation in Austria.

This report deals with market opportunities for U.S. dental products in Austria. These products include dental hand instruments, electro-dental apparatus such as electrical dental drills, dental workstations including lighting, x-ray equipment for dental use, anesthetic equipment, computerized systems for dental documentation, and equipment and instruments for dental technical laboratories. The report also covers the market for dental drill parts, burrs, discs, and brushes, dental filling material, artificial teeth, and other dental prostheses and implants, as well as spare parts for the above mentioned electro-dental equipment.

Austria has 4,853 active dentists whose dental practices offer a high standard of care that is comparable to care in the United States. Basic dental services are generally paid for from the national social health system available for most citizens. Patients are charged for such additional services as dental prostheses, implants, and artificial teeth. The 484 dental technical laboratories operating in Austria employ 2,043 dental technicians.

For 2013, the total Austrian market for dental products and equipment amounted to \$153.8 million, with total imports of \$125.8 million. Local production consisted of electro-dental apparatus (one-third) and dental prostheses, implants, and artificial teeth (the remaining two-thirds). The market is expected to grow at an estimated annual real growth rate of approx. 2% over the next three years.

Austrian imports from the United States were \$6.1 million in 2013, representing 4.8% of total imports. Germany supplied 49.7% of Austria's imports of dental products and equipment in 2013, followed by Switzerland with 21.4%. The United States ranked third as a supplier country for dental products and equipment.

U.S.-manufactured dental products enjoy an excellent reputation in Austria for their state-of-the-art technology. Only high quality products will find good opportunities in the Austrian market. Quality, reliability, service, and timely delivery are crucial factors for selling in this market. Availability of technical assistance and service support are essential if U.S. companies expect to succeed in the Austrian market.

Market Entry

The best way to enter the Austrian dental market is to explore partnerships with local distributors. U.S. suppliers of dental devices need to ensure that they find an importer/distributor which would be in a position to offer immediate repair service and easy access to spare parts.

Austria is a highly developed open market with relatively liberal trade policies and sharp competition. The import climate is favorable towards U.S. products. American exporters, like domestic and European firms, are subject to packaging and other collection, recycling, and reprocessing laws. There are no

significant trade barriers or limitations on U.S. products. However, it may take up to two years to introduce a new product, owing to the conservative and complex nature of the Austrian market.

The successful U.S. supplier should discuss and agree on a marketing strategy with a prospective distributor. Once the agent or distributor is selected, it is preferable to maintain this relationship for a number of years. Abrupt changes in distribution patterns distract users from trusted suppliers and have been detrimental to U.S. suppliers who have taken such action in the past.

For suppliers entering the market for the first time or selling to new customers, the usual practice is to require confirmed and irrevocable letters of credit. Most trade relationships between the United States and Austria, however, are well established, and less stringent requirements, including both open account and extended terms, are often agreed upon once confidence is established. As Austria is a fully developed industrial nation, no special funding of U.S. export sales is available from U.S. governmental or multinational institutions. Austria's international credit rating gives it preferred status for trade, finance, and investment guarantees. A bilateral arbitration agreement exists and can be included in contracts.

In Austria, the period allowed for payment, is between 30 and 60 days. Early payments are typically credited with a three percent discount. Supplier credits are common.

In addition to complying with standards and regulations, U.S. firms trying to enter the Austrian market should seek to meet some additional criteria to assure product acceptance, recognition, and marketability:

- Supply product information and trade literature in German. At a minimum, catalog inserts should be in German;
- Provide operational and instructional manuals in German to ensure proper understanding and usage of equipment;
- Provide reliable after-sales servicing and product support, or select qualified agents or distributors who are capable of providing quality service;
- U.S. firms should maintain close contact and good feedback with agents in Austria in order to stay informed about market developments, trade issues, regulations, and laws concerning their products.

Current Demand

The 2013 total Austrian market demand for dental devices amounted to \$153.8 million and is estimated to reach \$158.0 million in 2014 and \$162.0 million in 2015. The size of the Austrian dental market is expected to grow by about 2% annually over the next three years.

Nevertheless, future Austrian demand in this industry, especially for electro-dental products, will grow more slowly than it has in recent years for the following reasons:

- The big generational change in dentists' equipment in dental practices in Austria is complete. The majority of dental practices are now largely equipped with modern dental equipment.
- Under governmental pressure to lower health costs in Austria, the health insurance companies and hospital clinics have been cutting costs and reducing expenses, thanks to more efficient cost management. These measures will have an impact on purchasing policies for dental equipment in all major dental clinics at Austrian hospitals.

A positive factor influencing market demand for dental products is higher life expectancy. In Austria, the average life expectancy has increased from 62 years for men and 68 years for women in the 1950s, to 75.5 years for men and 81.5 years for women today. This increased average lifespan, and a pronounced decrease in births over the last three decades, has altered demographic patterns in the Austrian

population. The population is aging, as it is in most developed nations. The life expectancy should rise to 79 years for men and 85 years for women by the year 2030. These trends have created new niche markets, including an increasing demand for dental products.

Most Austrians are covered by a national health insurance plan. Participation in public health insurance programs is essentially mandatory. Some 6.7 million Austrians contribute to the public health insurance companies (Krankenkassen), providing health care coverage for themselves and their families, a total of about 8 million persons. Insurance costs are shared between employers and employees. Insurance for hospital treatment, however, falls short of actual costs, and the difference has to be met from public funds. Although very basic dental services are usually covered by the public health insurance companies, patients are charged for all additional services and for dental prostheses, implants, and artificial teeth. Because of the relatively high prices for all additional dental services in Austria, a kind of “dental tourism” has developed, especially in the eastern provinces. Patients travel to Hungary to get additional dental services for about 40% or 50% less expenditure, mainly because of lower labor costs.

Market Data

	<i>Dental Devices Data Table (in USD thousands)</i>			
	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	149,910	153,804	157,967	161,558
Total Local Production	210,229	216,536	222,816	229,278
Total Exports	181,279	188,530	195,883	203,522
Total Imports	120,960	125,798	130,704	135,802
Imports from the U.S.	5,912	6,149	6,389	6,638

The below exchange rate and inflation rates were used for the statistical calculations in this study:

- 2013 exchange rate (base year): \$1 = EUR 0.75
- 2013 inflation rate: 2.0%
- 2014 inflation rate: 1.9% (estimated)
- 2015 inflation rate: 1.9% (estimated)

Best Prospects

The average Austrian expects dental offices and clinics to have the latest technology. Thus, U.S.-made products that are on the cutting edge of modern dentistry will have excellent potential. High product quality and reliability, good service, and timely delivery are crucial factors for selling in the sophisticated Austrian market.

Taking these factors into consideration, and based also on specific feedback from dental industry experts, we have compiled the following list of products with the best sales prospects:

<i>Product</i>	<i>HS Code</i>
Dental Units	9018410000
Dental Drill Motors and High Speed Dental Drills	9018410000
Dental Hand Instruments	9018490000
Dental X-Ray Machines	9022130000
Medical Masks	9020000000
Dental Composites	9021290000
Dental Ceramics	9021290000
Dental Implants	9021210000

Main Competitors

Domestic Production:

In the dental equipment sector, only two Austrian manufacturers are serious competitors to the leading importers. The 2013 production value for the two companies is an estimated \$100 million total. In general, Austrian producers concentrate on niche markets and assemble equipment from imported parts and components. A large share of artificial teeth, dental crowns, and similar products are manufactured locally from imported material.

In 2013, domestic production of dental equipment and supplies amounted to \$216.5 million. Based on inflation rates, we estimate the figures to be \$222.8 million in 2014 and \$229.3 million in 2015.

Third Country Imports:

The great majority of electro-dental equipment used in Austria is imported. German companies have dominated the total dental market for many years. The German competition enjoys the advantages of geographic proximity, a common language, and products with the same standards, no exchange rate problems, and naturally, duty free access through Austria's membership in the EU.

Germany supplied 49.7% of Austria's imports of dental products and equipment in 2013. Switzerland ranked second with 21.4% among foreign supplier countries, followed by the U.S. with 4.8%. The German dental industry holds a leading position in the world market for the furnishing and equipping of work places in dental practices and dental technical laboratories.

Germany's dental industry offers a wide range of highly developed materials for diagnostic, restorative, endodontic, parodontic, surgical, prosthetic, orthodontic, and dental procedures. Equally extensive is the variety and number of rotating drilling, cutting, grinding, finishing and polishing instruments. Impression materials represent another of the German dental industry's product areas; Germany has made vital innovative contributions, especially with silicones and polyurethane. Another major sub-sector is pre-manufactured "auxiliary parts" of different kinds. In this field too, the German dental industry has a good market presence. Even disinfectants, detergents, and sterilization appliances come from Germany.

U.S. Market Position:

U.S. products have a good reputation in Austria, but U.S. manufacturers need to adapt their products to the European market, providing metric measurements and standard European power supply and other connectors. Also, Europeans tend to prefer dental units that are electric rather than pneumatic.

In 2013, the U.S. import market share was 4.8%. The United States ranked third among supplier countries, with imports in the amount of \$6.1 million. An estimated annual real growth rate of 2% over the next three years seems realistic.

Among the dental products presently imported from the United States are high quality dental hand instruments, dental drill engines, x-ray films, dental documentation cameras, digital video documentation systems for dental use, dental implants made of titanium and similar materials, dental fillings, finishing strips, and discs. Many Austrian dentists order one way products and dental supplies through catalogues of American dental mail order companies, either via Internet or by fax (e.g. Henry Schein, Inc.)

Competitive Factors:

Key factors for Austrian buyers of the dental equipment are high quality, reliability, and durability. Buyers are looking for the most advanced technology, with features that make the equipment practical to install, use, and service.

Firms often compete on the quality of service they offer. A knowledgeable and experienced sales staff is important, not only to sell the equipment, but also to train the future end-user. In addition, a company's ability to provide an after-sales service program strongly influences a buyer's decision.

U.S. manufacturers interested in selling their dental equipment in Austria can improve their market position appreciably by aggressive marketing, and by taking advantage of the following:

- Long established Austrian agents and dealers with excellent contacts to private dentists and purchasing managers of dental clinics.
- The absence in Austria of manufacturers of a broad range of most categories of electro-dental equipment.
- The presence in Germany of U.S. subsidiaries which manufacture or assemble dental products conforming to EU standards and that provide product information in the German language. These products can normally be sold without adaptation in Austria.
- The high quality products offered by U.S. manufacturers at competitive prices. In general, prices of German electro-dental products are 15 to 20 % higher than comparable U.S. products.

Market Issues and Obstacles

The Austrian market for dental equipment is regulated by Austrian and European Union directives, standards, and safety regulations. The requirements are complex, and not all standards and regulations are mandatory, but compliance greatly enhances a product's marketability. Advice on the requirements and compliance certification in the case of a specific product should be sought from the following Austrian institution:

OESTERREICHISCHES NORMUNGSINSTITUT (Austrian Standards Institute)
Heinestrasse 38, A-1020 Vienna, Austria
Tel.: ++43-1 213 00-613, Fax: ++43-1 213 00-650
Contact: DDr. Elisabeth Stampfl-Blaha, Manager International Relations
E-Mail: e.stampfl-blaha@austrian-standards.at
Weblink: <https://www.austrian-standards.at/home/>

Packaging and Labeling:

The European Union does not legislate packaging and labeling requirements in general, but only in very specific high-risk product-related cases. In the absence of any EU-wide rules, the exporter should consult national rules or inquire about voluntary agreements among forwarders that affect packaging and labeling of containers, including outer packaging. The importer or freight forwarder is the first point of contact for shipping documents and outer packaging and labeling. EU customs legislation only regulates administrative procedures such as type of certificate and the mention of rule of origin on the customs forms and shipping documents.

Product specific packaging and labeling requirements applicable throughout the EU apply to food, medicines, chemicals, pharmaceuticals, and other high-risk items. The purpose of harmonizing such legislation throughout the EU is to minimize consumer risk.

The "CE" Mark:

The CE mark signifies that a product fulfills all applicable EU requirements. CE marking is now a legal requirement for a wide range of equipment manufacturers in Austria. Certification requirements for use of the CE mark vary depending on the product. For some, such as those in MPG low-risk class I, the manufacturer (or importer or authorized representative, if the product is manufactured outside the EU) may self-certify compliance with EU requirements and affix the mark. For others the certification of a "notified body"

(an accredited certification agency) will be required. The CE mark is a visible indication that the manufacturer signed a "Declaration of Conformity" prior to affixing the CE mark, claiming compliance with all relevant CE marking directives in force. The relevant EU website for more details regarding medical devices is: http://ec.europa.eu/enterprise/medical_devices/index_en.htm

Financing and Payment Practices:

For suppliers entering the market for the first time or selling to new customers, the usual practice is to require confirmed and irrevocable letters of credit. However most trade relationships between the United States and Austria are well established, and less stringent requirements, including both open account and extended terms, are often agreed upon once confidence is established. As Austria is a fully developed industrial nation, no special funding of U.S. export sales is available from U.S. governmental or multinational institutions. Austria's international credit rating gives it preferred status for trade, finance, and investment guarantees. A bilateral arbitration agreement exists and can be included in contracts.

In Austria, the period customarily allowed for payment is between 30 and 60 days. Early payments are normally credited with a 3% discount. Supplier credits are common.

Tariffs:

Firms exporting dental devices to Austria will not encounter any trade barriers or quotas. An import duty of 5.1% to 5.3% of the import product value does exist along with a 20% import turnover tax payable at the port of entry. For customs clearance, a product description is required describing the use, origin, and value of the product. The cost of the import turnover tax ("Einfuhrumsatzsteuer") is usually offset by ultimately passing it on to the end user in later distribution stages in the form of a Value-Added Tax (VAT), known in Austria as "Mehrwertsteuer".

WEEE – Waste Electrical and Electronic Equipment:

Registration in Austria for disposal of electrical and electronic equipment at the end of its useful life is required only for businesses with an Austrian address, i.e. Austrian importers, agents, and representatives of U.S. companies. In the case of direct sales to end users, there is no registration requirement; however the end user is responsible for disposing of the equipment according to applicable law. More information is available in English at: <http://www.bmlfuw.gv.at/umwelt>

Trade Events

The annual Austrian International Dental Exhibition takes place in Vienna from May 8-9, 2015. Over 160 exhibitors will promote their products to over 4,000 visitors. Web link: http://www.wid-dental.at/index_en.htm

Small dental product exhibitions are held in Austria with an average of 20 to 30 exhibitors in connection with large conferences. In some cases, participation can help the U.S. manufacturer market its products in Austria.

One of the world's largest dental fairs, the *International Dental Show (IDS)* in Koeln (Cologne), Germany, is regularly attended by most Austrian importers and distributors of dental products and equipment, as well as by a great number of Austrian dentists. It is a biennial event. The next one will take place from March 10-14, 2015. Website: <http://english.ids-cologne.de/en/ids/home/index.php>

Participation in this fair has proven to be an outstanding vehicle for U.S. manufacturers for entry into the highly sophisticated European and Austrian market. It also provides a gateway to other Central and Eastern European markets. The 2013 Dental Show in Cologne had 2,058 exhibitors and 125,000 visitors.

The International Dental Show (IDS)	
Contact Information in Europe	Contact Information in the United States
Koeln Messe- und Ausstellungs-Ges.m.b.H. Messeplatz 1 D-50679 Koeln, Germany Tel: ++49-221 821-0, Fax: ++49-221 821-2574 e-Mail: ids@visitor.koelnmesse.de Weblink: http://www.ids-cologne.de	Koelnmesse, Inc. 8700 West Bryn Mawr Avenue, Suite 640 North Chicago, Illinois 60631, USA Tel.: ++1-773 326-9920, Fax: ++1-773 714-0063 e-Mail: info@koelnmessenافتا.com Weblink: http://www.koelnmessenافتا.com

For More Information

The U.S. Commercial Service in Vienna, Austria, can be contacted via e-mail at: manfred.weinschenk@trade.gov; Phone: +43-1 313 39-2285; or visit our website: www.buyusa.gov/austria/

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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