

CASE STUDY: NEW STRATEGIC INITIATIVES INSPIRE GROWTH FOR DELTA DENTAL OF KENTUCKY



Working with RSM has been good for us because it's challenged us and provided some outside views. We are all exposed to certain things, but we are not exposed to all of the organizations and strategies that RSM is. It gave us a different perspective, and ideas that we could bring in and execute on.

Jude Thompson
President and Chief Executive Officer,
Delta Dental of Kentucky Inc.



Mouthguard expansion helps protect users and potentially save lives

Diversifying product offerings and successfully bringing new products to market are often critical elements to gaining a competitive advantage and stimulating business growth. However, insurance companies may not be the first organizations that people think of when they think of innovative providers of new goods and services.

Delta Dental of Kentucky Inc. is changing that narrative by branching out into new product lines and solutions that may not be commonly associated with a dental insurer. Led by CEO Jude Thompson, the company has been quick to create efficiencies and capitalize on opportunities to diversify the business. These new products can enhance the health and safety of its customers, while also creating new revenue streams for the business.

"Very few companies are successful for 50 years, let alone successful in just one state with one product. And we were," said Thompson. "But I didn't think that guaranteed us the next 50 years."

Thompson has led several initiatives to broaden the services Delta Dental provides to Kentucky residents, first by developing Delta Vision through a partnership with Vision Service Plan, one of the United States' largest vision insurers. This year, Delta Vision is projected to be responsible for 20–25% of the company's bottom line after just three years of the program. In addition, the company introduced Delta Life in early 2021, selling term life, short-term disability and long-term disability insurance.

However, one recent opportunity with the potential to transform the business came to the company through a combination of curiosity and perseverance.

Inspiration can come when least expected

Thompson's son earned a college scholarship to play football, and when he arrived on campus, he received all the standard equipment issued to each player: a helmet, cleats, pre-game and post-game outfits, and six different game uniforms—but no mouthguard.

"I thought that was strange," commented Thompson. "I thought that maybe since he's going to a smaller school, maybe they can't afford that mouthguard. So, I called the athletic directors at the University of Louisville and the University of Kentucky, and I got the same answer. I felt like something isn't right here."

The company immediately started researching and found the world's only American Dental Association-accepted mouthguard, the Game On[®] mouthguard, which was co-developed and sold by a dentist and a polymer chemist. With Delta Dental of Kentucky insuring roughly 90% of the school systems in the state, the company initially sought to negotiate a discount on a large purchase of the mouthguards, but Thompson instead began steering the conversation toward acquiring the intellectual property for the product.

After a few weeks of back and forth, Delta Dental of Kentucky acquired the Game On mouthguard and entered a new chapter for the company beyond insurance products.

"In 55 years, we had never purchased or acquired anything," said Thompson. "It isn't in our DNA—we don't do that. But for me, there was nothing safe about being the biggest and the best in Kentucky for 55 years. It meant that if anyone was going to get good in this state, they were going to have to take it out of my share. So, I had to diversify."

The company began selling the Game On mouthguards through a number of channels, including at athletic camps. For example, when a football helmet was sold for a child, it made sense to bundle a mouthguard into the purchase. In addition, Delta Dental of Kentucky sold the mouthguards through Amazon, which took a cut of the margin.

After a few years of marketing the new mouthguard and trying to find the right niche in the marketplace, Delta's board of directors requested the leadership team to engage a firm to determine progress and future opportunities.

A new perspective leads to new opportunities

RSM US LLP got involved with Delta Dental of Kentucky as initial conversations about an e-commerce strategy evolved into a more comprehensive enterprise strategy project. Once the companies decided to work together, some important changes were made on how the mouthguards are managed and sold that have helped the company realize the full potential of the product.

While Delta Dental of Kentucky was selling the Game On mouthguards at in-person events and through multiple e-commerce channels, RSM helped the organization further explore a potentially lucrative untapped market: Delta Dental network dentists.

"We dug deeper with that one," commented RSM Director Matt Dollard. "We came up with a new way of selling after talking with different dentists and presenting options of how the mouthguard was packaged and presented."

Ultimately, RSM showed Delta Dental of Kentucky how, if certain conditions were met, it could gain a significant return on investment—investing a few million dollars, but gaining many millions in return if the business were positioned properly. The framework made it easy for dentists to sell the product and subsequently sell more services, so they were invested because it increased their revenue stream. And the products would be sold through Delta Dental's own channel, rather than through a third party that would take additional margin.

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Expanding the product line and researching potential new uses

With the success of the Game On mouthguards, Delta Dental of Kentucky has expanded its offerings in the space to include CustMbite occlusal mouthguards to protect the teeth and jaw from clenching and grinding, and AIRWAAV[™] mouthguards that open up airways to increase oxygen flow and stimulate enhanced athletic performance. For the latter, Delta Dental of Kentucky has marketed the mouthguard through CrossFit competitions and related influencers.

The company has also recently developed anti-snoring mouthguards, as well as an all-natural appliance cleaning product.

With the effectiveness of the mouthguards, Delta Dental of Kentucky has launched initiatives that are focused more on community protection than profit. For example, RSM has worked with the insurer to sell the Game On mouthguards at wholesale prices to Delta Dental subsidiaries in other states, which have in turn, donated them locally to further their mission of ongoing dental health and safety.

Moving forward, the company remains dedicated to investing heavily in research and development to continue to create breakthrough solutions that can improve, and even save, lives. For example, the company has started a study to determine how the performance mouthguard that increases oxygen flow may also benefit people with chronic obstructive pulmonary disease.

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Director
RSM US LLP

The secret to the enhanced functionality of the mouthguards is the patented Vistamax™ polymer that makes up the mouthguards. The company has already considered how to potentially modify the mouthguards to monitor enzymes and conditions that could be early warnings of a heart attack or Alzheimer's disease, or protect the tongue for those who may have seizures. The polymer can also include a pigment that changes with temperature—potential uses include athletic mouthguards that can show symptoms of heat stroke or pacifiers that can quickly indicate a child's fever.

Putting a plan in place for the future

As the business has grown, RSM has also helped Delta Dental of Kentucky organize its strategic efforts behind the scenes. Initially, employees and executives were dedicating their spare time to marketing and selling the mouthguards, and it became difficult to determine who was responsible for what elements of the product.

Therefore, the two companies worked together to develop an organizational chart, along with a step-by-step plan for the entity. This prioritizes individual channels and which products will go in each channel, based on the revenue expected to come from each of them.

"All of that was prioritized and put together so they had a plan on what they needed to invest and when, as well as what they could expect from a return on investment and by when. And what's next after that," said Dollard. "The management team was capable but lean and needed outside help to identify the biggest opportunities on which to focus—we were able to give them that perspective."

Thompson recognizes the value RSM has brought from a strategic perspective. "If we did not have help with our strategy, we'd probably have to go a little slower than faster. And one of the things that I think we all need to remind ourselves: windows of opportunity do not remain open forever."

"People ask me what's next," said Thompson. "I say it could be pet insurance. It could be cybersecurity insurance. It could be identity theft coverage. It could be any of these, as long as we share the same core beliefs."

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