



Community Success Stories

Tri Hawk Inc.

www.trihawk.com

Morrisburg, Ontario

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INTRODUCTION

This community success story case study is part of The Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Tri Hawk's mission has long been to become the world's number one producer of dental burs. In 1986, Tri Hawk expanded operations from a modest manufacturing facility in Cornwall to Morrisburg, Ontario to accommodate expansion plans. With increased capacity, it has successfully accessed several international markets through developing an industry-leading product. This study will explore Tri Hawk's keys to success, detailing lessons learned for other rural businesses, and explore opportunities for Tri Hawk to expand on its position as a world-class manufacturer.

COMPANY OVERVIEW

Founded in 1969 by Gustel Fischer, Tri Hawk was originally an importer and distributor of European dental burs and medical specialties. As his knowledge of the North American dental market improved, Mr. Fischer became convinced that he could manufacture his own superior line of dental burs to cater to a segment of the dental bur industry that was currently underserved.

Dental burs are the small rotary metal alloy drill bits on dental drills and consist of three parts – the head, the neck, and the shank – each of which has particular design specifications and requires very precise manufacturing processes. By placing an intense focus on product quality through highly automated production lines and rigorous quality control, Mr. Fischer created the Talon, a bur that serves dentists' needs in unparalleled fashion. With this high-quality product, Tri Hawk has had great success in overseas markets including Germany, Brazil, and Asia. Not surprisingly, the Talon has sold most successfully in markets where local dentists truly value product quality and appreciate the Tri Hawk value proposition.

INDUSTRY OVERVIEW

Tri Hawk has little presence in the U.S. dental bur market compared to the other countries in which it operates. This is partially due to radically different characteristics of the health care systems of each country. The 2009 U.S. Senate health care reform bill, which focuses on changes to insurance coverage and care delivery in the medical field, may impact the dental bur industry. The bill proposes to extend dental care to millions of currently uninsured children, set up new oral health care surveillance programs, and train new dental professionals.¹ These changes may present a huge opportunity for Tri Hawk to grow its market share in the United States.

KEY SUCCESS FACTORS

1) Manufacturing Capabilities and Capacity

Tri Hawk has established itself as one of the most automated dental bur manufacturers in the industry. It is this capability and the resulting efficiency that have allowed Tri Hawk to focus its efforts on the quality control of its products. In addition to its very precise manufacturing process, Tri Hawk's manufacturing capacity has played a key role in its success to date. Prior to operating its current facility in Morrisburg, Tri Hawk was located in Cornwall with extremely limited manufacturing capabilities in terms of both quality and quantity. Management's decision to expand capacity and move to a new facility was instrumental in allowing Tri Hawk to profitably penetrate the domestic and international markets on a meaningful scale.

2) International Niche Markets

In terms of quantity, Tri Hawk is the smallest dental bur manufacturer, and thus has relatively little recognition in North America. They have built success over 23 years by building brand recognition in international markets, notably Brazil, France and Germany. This international presence is largely the result of Tri Hawk's previous experience in the importing and distribution of dental burs and other medical equipment from Europe. When Tri Hawk diversified into manufacturing, their European client base remained strong and the firm was careful to maintain it as they grew. These markets have proven easier to develop than those in North America because government programs and social security allow dentists to focus on the quality of the services they provide without worrying too much about the costs of the materials they use, making the Talon dental bur, Tri Hawk's flagship product, an ideal tool to use.

3) Management's Entrepreneurial Drive

As relatively new players in the dental bur industry, Tri Hawk's management team has done an exceptional job of growing the firm from both a capability/capacity and brand perspective. From a

¹"Healthcare Reform and Dentistry: How Pending Legislation May Impact the Dental Delivery and Payment Systems," *Waller Lansden Dortch & Davis*, Dec. 14, 2009

<http://www.wallerlaw.com/articles/2009/12/14/healthcare-reform-and-dentistry-how-pending-legislation-may-impact-the-dental-delivery-and-payment-systems.109340> (accessed June 28, 2010).

fledgling start-up in 1969, the company has managed to extend its profile and distribution network into parts of Europe, North America, South America, and Asia. This is an exceptional feat considering Tri Hawk, as a small business, has limited capital, financial and human resources.

Gustel, who saw the opportunity in North America to start manufacturing dental burs as opposed to simply distributing dental equipment, has had a significant impact on Tri Hawk's corporate culture. Upon arriving in Canada in the early 1960s, Mr. Fischer quickly recognized that the tools dentists had available to them in North America were simply not satisfying their needs. In response to this market opportunity, Mr. Fischer designed his own bur milling machines, which eventually led to the development of the Talon dental bur, a technology which remains Tri Hawk's key sustainable competitive advantage. Throughout Tri Hawk's development, the company's small executive team has been responsible for the production, marketing, pricing, manufacturing, research & development and sales forecasting in all of the different markets in which Tri Hawk operates.

4) Sustainable Advantage

Tri Hawk's future sustainable competitive advantage is its product quality and ingenuity. While Tri Hawk produces a couple of different dental burs, its focus since its first plant in Cornwall opened in 1986 has been on producing the single best dental bur in the world. Its most important product is a carbide dental bur called the Tri Hawk Talon. To the uninitiated, dental burs seem quite standardized; however, the differences between burs can be significant and can have a number of consequences for the dentists who actually use the product. The Talon differentiates itself from competitors' burs through its virtual indestructibility, flexible cutting power, high contrast/no glare finish, and environmental friendliness.

Future Opportunities

Having established several key international markets, Tri Hawk has yet to gain significant market share in the United States. There are several challenges to be addressed if Tri Hawk will be successful in expanding its penetration into American markets:

1) Changing Customer Mindset

The mindset of U.S. dentists remains a challenge. Regulation and health care policy result in a price-sensitive market, making it hard for Tri Hawk to sell high-quality, premium-priced dental burs. As a first step to expanding into the U.S. market, Tri Hawk is thus focusing on educating American consumers about the product in order to help them appreciate its true value.

2) Economies of Scale

The relationship dentists have with their current suppliers plays a huge role in determining repeat purchases; however, initial purchases in the U.S. market are largely based on the key decision criteria of price. Because the market is so tight, margins are far below anywhere else in the world. Additionally, with smaller sales and production capacity relative to their competition, Tri Hawk's unit cost exceeds their U.S. competitors'. Because Tri Hawk currently has excess capacity, the executive team can seek new production efficiencies to reduce fixed costs.

3) *Product Focus*

Tri Hawk's philosophy is clearly product focused, built on their determination to create the best dental bur possible. This approach, however, assumes that most consumers will want to use their product because it is the best. A strong product focus, however can overlook the importance of strategic marketing needed to cater to a specific market. Certainly, what has contributed to success in other markets will not transfer directly to the United States. Given the price sensitivity in the U.S. market, Tri Hawk must develop unique strategies to compete according to this different set of consumer values.

4) *Barriers to Entry*

The U.S. dental bur industry is a highly consolidated one, dominated by large players with close ties throughout the supply chain. As mentioned, unlike many of its major competitors, Tri Hawk does not use distributors as they sell directly to dentists. Although this allows them to realize greater margins, it restrains them from accessing the majority of American dentists who order from distributors. This barrier to entry creates a difficult situation for Tri Hawk with respect to enhancing its brand recognition. While its distribution model has succeeded in some markets, in part due to their past experience as a distributor, they need to evaluate different distribution channel strategies for expanding into the U.S. market.

CONCLUSIONS

The Tri Hawk Talon is the company's most important product and will remain the key to its ongoing expansion efforts. The Talon's durability and extreme flexibility will help drive growth. Tri Hawk's management team has already committed the effort needed to produce the best product in the industry, but as their business matures, Tri Hawk must begin focusing on other parts of the business to drive future growth – including strategic marketing. Thus, while Tri Hawk must continue making its industry-leading product, it can increase the strategic focus to its marketing and sales. Growing brand awareness will be an essential determinant in its attempt to attain a significant increase in market share across the U.S. Given Tri Hawk's superior product quality, management's growth-oriented culture, and an expanded, strategic marketing plan, Tri Hawk will be well on its way to gaining a significant market share in the U.S.