

# Valuable Trust

*Dr. Howard Farran and Scientific Metals owner Dave Weinberg discuss how hidden fees can affect assay prices for dental scrap*

Dave Weinberg knows firsthand how important integrity and reliability are in the dental industry. After earning an MBA in finance and operations from the University of Arizona, Weinberg joined the team at Scientific Metals—a company his father, Mark, founded—and transformed what had been a mostly regional company into a new national model that eliminated sales reps and middlemen to give dentists higher returns on their scrap metal.

Since then, the company has worked with the American Association of Oral and Maxillofacial Surgeons, the American College of Prosthodontists and the world-renowned Seattle Study Club. “We’ve earned their trust time and again,” says Weinberg, who joined Dentaltown founder Dr. Howard Farran on a recent *Dentistry Uncensored with Howard Farran* podcast. An edited excerpt of their conversation follows.



**Howard Farran:** So, what do you think dentists don't think about that you think about all day long, and your dad thought about for 30 years?

**Dave Weinberg:** The first thing that comes to mind is, because the refining business is based solely on trust, it's one of the only industries where no one knows the value of the material until the refiner tells you what it is. I think the

No. 1 misconception of dentists is that it doesn't matter who they sell to, who refines it—they're going to get pretty much the same return. In reality, there can be a huge discrepancy, depending on how you sell or refine your scrap metals.

The business model of most refining companies is based on just pounding on the door of dental offices, going in with a scale and cash, separating the white-looking metals from the yellow ones, and paying cash on the spot. With all the different metals these days, it's a very inaccurate approach; it's almost impossible to look at a batch of metals and determine the value based on visual inspection. So the cash offer's very low.



**HF:** That guy coming in the dental office who's looking at it—I mean, it's voodoo economics. He has no way of knowing what he's buying, and dentists have no idea of knowing what they're selling.

**DW:** Dr. Skidmore, a Townie in California, got a cash offer for \$950. He passed it up, sent his metal to us and ended up getting \$2,300—the actual melt value was almost three times as much as his initial cash offer. That's not an aberration; that's a typical case where the cash offer could be as low as one-third of the actual value.

**HF:** They separate the gold into a white pile and a yellow pile?

**DW:** This approach is a poor financial decision for dentists because now, for the first time in years, the palladium market is more expensive than gold. Dentists and assistants and office managers don't follow the palladium market, and that's where the confusion comes into play: Now the white pile, traditionally discarded as an afterthought while the focus was on the yellow gold, may be worth more than the yellow pile because of the palladium. Dentists don't know that, and that leaves a lot of room for potential chicanery and dishonesty.

In the defense of some of these people who are paying cash, it's not necessarily that their intentions are not ethical; it's also that they don't know what's inside the scrap. It

could be palladium at \$1,400 an ounce, or it could be nickel, which is worthless. Because of that uncertainty, the offer on the white pile is low, and that potentially leaves a lot of money on the table.

**HF:** I got out of high school in '80, so I've only seen maybe a half-dozen companies come out and grow 30,000%. One of them was Southwest Airlines, and Herb Keller always said the secret to lower prices is lower cost. So if you're going to get more money for your gold and palladium, then you've got to deal with someone who has less cost. That's why you go direct.

**DW:** It's great you bring that up, because I wanted to explain a couple things about middlemen, reps, etc. A long time ago, we used to have some reps also, but we decided that there was really no benefit. Back in the day, they'd pick it up and save you time from boxing it up, but nowadays we find that dentists don't mind boxing it up and sending it if they're going to get more money. So we got rid of our reps.

Labor is probably the biggest expenditure for all companies—especially refining companies. One of the pillars to why dentists tell us our returns are the best is because we can afford to pay you what we say we're going to, because our costs are so streamlined and efficient because we save so much by not having one single rep in the country.



## Hear the entire podcast online!

This article includes just some of the highlights of Dave Weinberg's conversation with Dr. Howard Farran. To download the podcast, watch the video or read a full transcript, go to [dentaltown.com/weinberg-on-trust](https://dentaltown.com/weinberg-on-trust).

**HF:** The bottom line is, the only secret to lower price is lower cost. If people have a middleman, you're paying for it. It's just that simple.

**DW:** Let me give you a real example to put the theory into practice. Dr. Kelly Waggener in Santa Rosa actually wrote an article in *Dentaltown* about this. A new trend among some big refining companies is to partner with dental supply distributors, and while the distributors are selling products in the

office, they also do the refining. But guess what happens? Now you have the refining company rep getting a cut, you have the dental supply company getting a cut, you have the refining company making their fees, and you also have the dental distributor company getting a cut. Four or five different people getting a cut.

Dr. Waggener sent her metals to a company through their dental supply company and they sent her an email saying she was



getting \$3,017. When she broke down the commissions, fees and additional charges that she discovered, she said, “No, the fees are too high; there’s too much involved. Send me back my metals.” They sent her metals in the form of a melted bar that she then sent to us, who she found through Dentaltown, and on the same exact bar got \$4,450—about 45% more. Not for a similar batch of metals, which would be hard to compare, but for the *exact same bar*, because there were so many fees and middlemen involved that all those charges added up to about 35–40%.

Dr. William Wong in West Allis, Wisconsin, similar to Dr. Waggener, had his scrap melted and the offer was \$9,400. He too discovered all the not-so-noticeable fees and asked for his bar back. He sent it to us and got \$12,879 for the exact same bar. And the thing is, when we assayed the bar, it was the same assay as the first company—meaning, we both got 47 gold and 10 palladium, etc. The difference was, they had additional fees because of all the different reps involved. We didn’t have that fee structure, which resulted in an additional \$3,000 more for Dr. Wong. We’re very proud when we hear stories like that.

Dr. Licato, same thing: His offer from another company was \$10,400. Got \$12,200 or \$12,400 with us—and that’s even after the palladium market had gone down from the time he got his first offers. But despite that, he still got 25–30% more on the same bar.

**HF:** On Dentaltown forums, do most people ask about gold refining under the Practice Management category? Restorative Dentistry? Personal Finance? Ask a Dental Consultant? Seems like a lot of them are under Restorative Dentistry.

**DW:** You know, it’s funny— there aren’t as many posts about refining as you would think. The only time people really go online is when they’ve had a very bad experience or a very good experience. On the forum, if you type in “Scientific Metals” there are



quite a few amazing reviews, and some great feedback on there. I think the most recent one was Dr. Culberson, who had a bad experience with someone else and then went back to us and said, “You know, these guys just get it.” The problem, though, is when you have someone in the office, sometimes the temptation is very great because they say, “How much does Company X charge you—10%? I’ll do it for 5%.” But just because someone’s offering you 5% fees as opposed to 10% fees doesn’t mean that you’re going to get more money back.

If it’s too good to be true, usually it is. Dr. Arpad Sooky posted on Dentaltown a while back, “Thank you, Dave, for being one of the seemingly last refining companies with honor and integrity.” I’m really proud of that.

**HF:** A *Dentaltown* article back in 2010 says, “Scientific Metals’ no-frills business model and simple shipping process passes the scrap metal savings on to dentists.” I also like your dad’s final quote: He says, “We save money by virtually eliminating reps, brokers and subcontractors. The money saved gets passed on to the dentists and their scrap return. It’s really pretty damn simple.” ■



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