A Test of Metal's

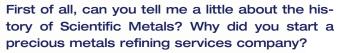
A standout from a tarnished industry, Scientific Metals' "no-frills" business model and simple shipping process passes the scrap metal savings on to the dentist

by Benjamin Lund, Editor, Dentaltown Magazine

You've heard the stories, or maybe you've experienced this firsthand. Someone representing a scrap metal refinery stops by a dental practice and says he'll offer cash on the spot after he has a look at the old crowns that have been accumulating in a jar for the last five years. The promise of quick cash is enticing, but the settlement offer seems low (especially considering the amount of high noble metal in the pile). The proposition is usually declined, the rep is sent on his merry way and the crown-and-bridge urn is laid to rest on the shelf once more until the next middleman comes calling. Scientific Metals, a rising precious metals refining service company, is through with that sort of rusty business model. The company is not only changing how the worth of your scrap metal is being determined, but its sleek business model aims to provide dentists with a larger settlement percentage. Dentaltown Magazine spoke with founder Mark Weinberg to learn more about Scientific Metals and how the company has put a new dent in the scrap metal recovery industry.

Mark Weinberg, founder of Scientific Metals holding an investment grade gold bar.

Mettle



Weinberg: Before I even dreamed about being in this industry, I had a friend who for years would drive around to dental offices, dental labs and jewelery shops and buy scrap metal from dental offices, dental labs and jewelers. He'd sell them to a refinery and pocket the difference. While I always thought this was interesting, I never took much interest in it.

One night, he was explaining to me the "ins and outs" of his business and he told me there was a void in the market for high-quality jewelry alloy (alloys jewelers use to manufacture jewelry). He asked me to help finance this endeavor. His market analysis made a lot of sense for jewelry alloy but there was another angle I saw in his analysis that jumped out at me. For years my friend made a decent living as the "middleman" or "broker." So I asked him two questions: 1. "Do most dentists sell their scrap metal to guys like you?" and 2. "Why wouldn't a dentist just skip right over you and send it in to the same place you send to?" His answer to the first question was, "A big percentage of dentists sell their scrap to guys like me," and his answer to the second question was, "I have no idea, but I'm glad they don't."

Being both a firm believer in the long-term increase in gold prices and the potential of palladium as a secondary source used in dental scrap, I immediately saw a business opportunity, and that was to invest capital in equipment and process the material ourselves. This would provide dentists and dental labs with a unique value proposition of receiving more money for their scrap by sending it in to essentially the same place that my friend was. After a lot of due diligence, hard work and financing, Scientific Metals was born.

That's a great story! So, tell me what industries you serve. What materials do you accept?

Weinberg: Well, our main industries are the jewelry and dental industries. From the jewelry industries, we accept karat scrap, polishings, grindings, etc. And from the dental industries we accept extracted crowns and bridges from dental offices, and grindings, flashings, sweeps, etc., from the dental lab.



How has the company evolved since its inception?

Weinberg: We have had many key moments in our evolution, but by far the most significant has been the addition of my son, Dave Weinberg, to the team. With an MBA in finance and operations, Dave has done some remarkable things for the company and our customers. Prior to his addition, we were predominantly a regional company focusing on states like Michigan, Indiana and Ohio with a traditional business model based on reps and subcontractors. Using the tools of his education, he convinced me that with a revamped business model and cost structure, we could pass on all of our cost savings to the customer in the form of superior scrap returns. He called his concept the "Amazon.com version of the precious metals scrap industry."

Elaborate on this "Amazon.com" analogy. Does it explain why you don't employ reps, attend very many trade shows or mail scrap collecting jars to every dentist across the country? What's your strategy?

Weinberg: Simple – cost savings for us translates into great scrap returns for our customers. And great scrap returns keep customers coming back and telling their friends and colleagues about us. Similar to the way Amazon.com passes on its cost savings to the customer by not having bricks and mortar (i.e.: retail stores), Scientific Metals passes on its costs savings to the dentists in the form of great scrap returns by eliminating our version of bricks and mortar – labor. This means essentially eliminating reps, brokers and subcontractors - virtually eliminating personal office visits. Our main and driving strategic focus is on having a unique and unrivalled cost structure, centered on dentists bypassing the traditional broker, middleman, or rep and simply scheduling a pickup by phone or online, thereby receiving great scrap returns. Everything we do is centered on cost savings, which means we do not send out scrap collection jars across the country, nor do we send out beautiful brochures to every dentist in the country. We also don't attend every trade show in the country. All of this is for one reason and one reason only - lower costs for us translate into great scrap returns for our customers.

How have your customers gotten to know about Scientific Metals?

Weinberg: Consistent with our business model, we rely primarily on word of mouth and referrals within the industry.

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We are very proud to currently work with American Association of Oral and Maxillofacial Surgeons (AAOMS), the American College of Prosthodontists (ACP), the Florida Dental Association (FDA), the Arizona Dental Association (AZDA) and the prestigious Seattle Study Club at both the national and local levels. We are also in the process of finalizing partnerships/affiliations with three additional state dental associations. You would be amazed how effective and compelling

a good word-of-mouth reference is. We have also run a full-page ad in Dentaltown Magazine consistently for the last year. Townies talk and have definitely spread the word about us. Our analysis has shown that every satisfied Townie customer yields approximately two additional customers by referral at some point.

What sort of feedback have you gotten from your clients - especially Townie clients? Has there been any reluctance from dentists to send in their scrap as opposed to a person picking it up from the office?

Weinberg: Overall feedback has been fantastic. Years ago, we had some initial concerns whether traditional dentists would feel comfortable sending in valuable scrap as opposed to a certain level of comfort of having someone come to the office and pick it up. But those concerns have been put to rest over the last decade as we routinely receive packages of scrap from

dentists who have been saving for 10-20 years with very high values. Plus, we offer our customers free insurance on all shipments. We have received countless e-mails and phone calls from our customers telling us how happy they are that they turned down cash on the spot and sent their scrap to us instead. Plus, we have made the shipping process so simple that sending it in is no longer about shipping forms and labels. Now it's just one call or a click away. Townies are tech savvy and realize a value proposition when they see one. As a result, they have embraced our model with open arms.

What can you tell me about the shipping process? How is it unique?

Weinberg: Our goal is to make the shipping process as simple as possible. We don't want our customers to sacrifice convenience by having to ship the scrap rather than having it picked up. Here's how the process works: Once a dentist is ready for a pickup, all he/she does is pack the scrap in any packaging (padded mailer, box, etc.), call our toll-free number or visit our Web site, provide their address and date of pickup – and they're done.

That's it?

"While most precious metals

companies have similar

melting and assaying

techniques, at the end it

comes down to two words

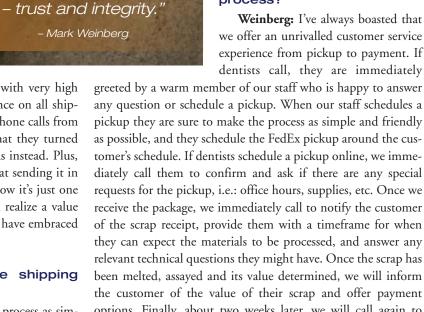
Weinberg: That's it. FedEx brings the pre-addressed ship-

ping label to the customer at the same time as the pickup. No paperwork, no

shipping labels. We do it all on our end. Of course, we also offer the traditional method of sending a container and a shipping slip to the customer if they are not ready for a pickup. But we've found that dentists prefer to call and tell us to come get the scrap when it's ready. As a result, we believe shipping your scrap provides the same level of convenience as having it picked up. It's just being picked up by FedEx instead of a broker, rep or middleman. Time and time again, our customers have commended us for the efficiency and simplicity of our shipping process.

Can you please explain the process after a doctor sends you material to refine? What sort of communication can a dentist expect during the process?

greeted by a warm member of our staff who is happy to answer any question or schedule a pickup. When our staff schedules a pickup they are sure to make the process as simple and friendly as possible, and they schedule the FedEx pickup around the customer's schedule. If dentists schedule a pickup online, we immediately call them to confirm and ask if there are any special requests for the pickup, i.e.: office hours, supplies, etc. Once we receive the package, we immediately call to notify the customer of the scrap receipt, provide them with a timeframe for when they can expect the materials to be processed, and answer any relevant technical questions they might have. Once the scrap has been melted, assayed and its value determined, we will inform the customer of the value of their scrap and offer payment options. Finally, about two weeks later, we will call again to make sure the payment was received and to obtain general feed-



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back regarding the entire process from the customer's perspective. So all in all, customers can expect a very warm and thorough experience.

Do you provide a settlement sheet? What settlement methods do you offer? What precious metals do you pay for?

Weinberg: We offer a very detailed settlement sheet that

outlines exactly how many grams of each metal were recovered from the materials that were sent in. We pay on four metals: gold, platinum, palladium and silver. The settlement sheet will also show what price of each metal was used to arrive at the value. We use the average price of the metal from the day we receive the materials to the day the materials are finished being processed. This is the fairest and most transparent method to use for us and the customer. Customers can opt for payment in either check or gold bullion/coins.

What are the common misconceptions dentists have about precious metal recovery?

Weinberg: The biggest misconception is that lower fees from a company necessarily translate into higher dollar returns. This might not be true all of the time. I have had several discussions over the years with dentists who have complained about their scrap returns after submitting it to someone promising unrealistically low fees. It may sound enticing, but

sometimes it may just be a gimmick sales tactic.

How does your business differ from the salespeople who visit dental offices, weigh scrap and offer a cash settlement just based on that weight?

Weinberg: In general, without melting and assaying the material, the person offering an immediate cash offer settlement can only visually estimate the scrap value based on how much yellow and white metals are present. In order to account for the broker's profit and the uncertainty of the metal content, the cash offer usually is conservative. The only way to receive full and fair value is to have the scrap melted and assayed for precious metal content. I always stress that a dentist receiving cash on the spot may be "leaving money on the table."

Give us an example of a dentist potentially "leaving money on the table" by accepting an immediate cash settlement.

Weinberg: Dr. Daniel Cobb in Ohio sent me an e-mail that read, "About two months ago a company rep came by the office and wanted to buy my scrap metal. I was interested to see what my scrap was worth, so he weighed it out and offered me a significant sum in cash. I wasn't in a hurry to get rid of it, so I said no and put it back

in the drawer. About a month later I saw

an advertisement for Scientific Metals in Dentaltown Magazine. I sent my scrap in and was astonished to find that it was worth about three times more than what the other rep had offered in cash."

What can dentists do to ensure they are getting a fair and honest return on their scrap?

Weinberg: Aside from actually processing their own material - a costly and complicated process - the only practical measure a dentist can really take to maximize or ensure a fair and honest return is to send their scrap to a reputable company with strong references and credentials. Dentists should ask colleagues about their experiences with any particular company, they should peruse the company's Web site, and they should also find out if the company works with any dental associations or organizations. When a potential customer visits our Web site, they can see on our homepage some of the associations we work with. Some other questions a dentist should ask themselves when deciding where to

send in their scrap include: How is their customer service? Do they keep customers informed throughout the process? Is there transparency in their settlement sheet? These are some of the questions one should start with. But in the end, it comes down to trust.

In a nutshell, what is Scientific Metals' competitive advantage over its competition?

Weinberg: We save money by virtually eliminating reps, brokers and subcontractors. The money saved gets passed on to the dentist in their scrap return. Pretty simple!

For more information about Scientific Metals, visit www.scientificmetals.com, or call 888-949-0008. ■

