Finding Lost Profits in Your Optical Dispensary

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The Most Common Signs of Poor Profitability

- Low revenue
  - Less than 27% of total practice revenues (no LASIK)

- High cost of goods sold
  - COGS exceeds 37%
Three Things Affect Revenue:

- The number of patients who buy.
- The number of units each patient buys
- The average unit sale price.
Low Revenue

- Book more patients; sell more eyeglasses
  - A good front desk person can improve sales
- Appointment scheduling
  - Look at your scheduling template
  - Don’t schedule too many routine patients in the same hour
- Low capture rate
  - A low *capture rate* indicates a poorly integrated dispensary
  - Learn how to acquire patient visual lifestyle information and translate it into recommendations for appropriate eyewear
Low Revenue

- The optical industry is heavily unit driven
  - A small increase in units results in a large increase in sales
  - The vast majority of opticians have never been sales trained
  - Require your opticians to successfully complete optically specific retail sales training (not outside sales training)
    - There are 8 parts to a retail sales
    - They must be used in order and executed effectively in order to result in a sale
- The goal is to:
  - Increase each opticians closing rate
  - Increase the average unit sale (the number of premium lens products)
  - Increase the number of multiple pairs
Good, Better, Best Pricing

- Low closing rates are often the result of a restricted lens selection
  - Chain optical stores (Wal-Mart) offer one or just a few choices. That is how they keep prices down
  - Opticians are product champions for certain products
  - Offer each patient a range of lens choices; good, better, best
  - For progressive lenses the choices are; good, better, best, customized and personalized...and more on the way
- When you offer patients a wide range of choices, fewer patients will leave because of price
Poor Profitability

- Incorrect lens retail pricing
- Incorrect frame retail pricing
- Incorrect add-on retail pricing
Poor Profitability; Incorrect Retail Pricing

- In 16 years, only once have I recommended a customer lower their lens prices
- Poor sales people will push for lower retail pricing to help them close sales
- Your prices should be in-line with other ophthalmology dispensaries across the US
- Wal-Mart is not your competitor!
  - (see Art’s Positioning Model)
Art’s 60% Positioning Model

- All competitors
- Low end
- Middle Market
- High end
Poor Profitability; Incorrect Lens Pricing Formula

- You can no longer use a pricing multiple formula for lens pricing
- Change to a gross profit model
  - Wholesale laboratories use a gross profit model; each lens item is priced separately
  - Or, price items in groups
- Do not lower your margin as wholesale prices rise
  - Keep a close eye on the pricing of the most commonly dispensed lenses
This Year, Concentrate on Aspheric and Digital Lenses

- The chains have not adopted a strategy to sell these lenses...yet
- Aspheric and digital progressive lenses offer patients demonstrably better vision through the use of aspheric and atoric designs
  - Higher contrast sensitivity
  - Less marginal astigmatism
  - Yes, there is even an aspheric FT 28!
- These lenses command higher prices and will position your practice as the place to go for the latest technology
- Inform you patients about these lenses; do some marketing
Poor Profitability: Poor Purchasing

- Rebid all of your vendor relationships
  - Vendors will trade discounts and other support for spaces on your frame boards
  - The goal is to create a bidding war for your frame board spaces
- Consider which frame lines you can and cannot live without
  - Some designer lines will negotiate on price
  - Some won’t
- Rebid your laboratory work
- Rebid your contact lens purchases
- Repeat every two years
Poor Profitability

- Incorrect Frame Pricing Multiple
  - Unlike lenses, using a pricing multiple system is still popular
  - Prices need to be high enough to allow you to profitably participate in managed care plans and run promotions all of the time
  - Use the list wholesale price, not your acquisition cost
  - 3 times? 2X plus?
Making a Profit on Managed Care Plans

- Your retail prices must be sufficiently high enough
- Your opticians must be able to successfully sell premium lens products and treatments (add-ons)
- Many managed vision care patients will purchase two pairs
  - They must be asked to do so
  - You’ll need good lifestyle information in order have something to ask them to purchase
Should You Sell a Warranty?

- (See Art’s article in the January 15 issue of Ophthalmology Times)
- LensCrafters is the largest optical chain in the US
- LensCrafters also owns Luxottica
- LensCrafters sells Luxottica frames
- LensCrafters does not offer a 1-year manufacturer’s warranty on Luxottica frames; they offer 90 days
- LensCrafters sells an extended warranty for $25
  - $25 use fee each time the warranty is used
- LensCrafters also owns Pearle Vision Centers. Pearle also sells a warranty
Thank you for your time and attention

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