Getting a Grip on Optical Operations: Word from the Trenches
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No Financial Interest

7/10
8/10 manage

Shifting target
Retail vs. clinical environment
Personnel
Inventory

Edging/finishing capabilities
Vendors
Sales incentives
Regulatory issues
CHALLENGES

- Insurance and vision plans
- Capture rate
- Profits
  8/10 have profits of 10% or less

COMING TO GRIPS WITH THE ISSUES

- Retail environment
- HR: staff selection, compensation, evaluation
- Communication
- Developing memorable experiences

COMING TO GRIPS WITH THE ISSUES

- Needs-based selling
- The product: frames, lenses, contacts, accessories
- Integration into the practice

ACCEPT A DIFFERENT PLAYING FIELD

- Optical has a medical component, but optical is very different from a medical environment
- Optical is primarily retail, with a medical component

ACCEPT A DIFFERENT PLAYING FIELD

- Optical embraces fashion, trends, and self-image
- Optical is very relationship-based
- Optical is an “experience”

OPTICAL IS TOTALLY DIFFERENT!

- The HR function is totally different
- Opticians interact differently
- Opticians are sales-oriented, working in a retail environment
- Optical demands different management skills and administrative skills
Different situations
Different opticals
Different staff
Different administrators
Yet we must somehow get a grip on optical

Control of business
Philosophy
Employees
Materials/brands limitations

Donna Suter: Create a profitable optical with affection beaming in one eye and calculation shining out of the other

Sales vs. patient-driven
Consumer vs. patient

Financial aspects
profit center
COGS vs cost/encounter
mark-ups vs RVU’s
warranties

Financial aspects
sales tax
tight controls
186% Sales Lost

$1860 per $100,000

- 43.9% employee theft
- 31.4% shoplifting
- 18.6% administrative error
- 6.1% vendor fraud

Retail vs. Clinical Environment

Marketing

sales specials, trunk shows
online ordering

Personnel - Opticians

- Certification
- Training
- Skills

Data Must Be Presented

- You can’t sell a salesman
- Opticians must be shown the facts very clearly
- Goals must be defined and agreed upon

Data Must Be Presented

- Progress must be monitored daily in retail
- Keep personalities out of it – “Just the Facts”
**Employee Expectations**

- Pre-application expectations disclosure
- Be very up front and clear about all employee expectations
- Eliminates bottom 20% of applicants and 80% of all future personnel problems

Be 'slow to hire,' ensuring new people have the right skills and team chemistry; but 'quick to fire,' if you've made a mistake and the new employee can't grasp the complexities of the job or work well with others.

**Benchmarking**

<table>
<thead>
<tr>
<th># of Refractions</th>
<th>Capture Rate</th>
<th>Ave Price per Job</th>
<th>Collections</th>
<th>Contact Lenses Sold</th>
<th>Refunds</th>
<th>Discounts</th>
<th>Remakes</th>
<th>Warrantees</th>
<th>Second Pair Sales</th>
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**Training, Certification**

- What is required?
- What is expected?
- Who pays?
- Evaluation!

**Personnel Assignments**

- Sales staff – Opticians, Optical Consultant, Assistants
- Accounting – Inventory control, purchasing, frame board management, theft, vendor relations

**Personnel Assignments**

- Administration – Negotiations on lenses, frames, supplies, compensation evaluation

**Individual Employee’s Training Plan**

From Orientation Week through promotion to Management!
**COMPENSATION**

- Salary
- Bonus
- Commission
- Spiffs

- Incentives
- Overtime
- Gift Cards

**PERSONNEL - LAB WORKERS**

- Adherence to standards
- “Close-to” Rx blanks

**INVENTORY CONTROL**

- Shrinkage
- Separate check-in, check-out
- Serial number/bar code
- Turns – 4-8 x per year

**EDGING/FINISHING**

- Equipment
- Breakage – 11% industry standard
- Skilled workers
- Liability

**VENDORS**

- 5-6
- Expectations
- Allocated spots vs optician selection
- Prices
**VENDORS**

- Product mix
  - 55-60% staples
  - 10-15% current
  - 10% fad or niche
  - 15% specialty

- Return policies
- Telephone vendors
- Laboratories

**STOCKING THE FRAME BOARDS**

**YOUR MOST EXPENSIVE REAL ESTATE**

- Formula driven
- Based on research, not emotion
- Controlling your overhead
  - COGS = <30% of gross

**SALES INCENTIVES**

- Vendors
- Opticians

**REGULATORY ISSUES**

- ANSI
- Duty to Warn
- Medicare
  - Supplier standards
  - ABN
- Receipt
  - Complaint procedure & log
**MEDICAID**

- Service limitations
- Documentation requirements

**INSURANCE & VISION PLANS**

- Better with OD
- Marketing

**CAPTURE RATE**

- 40-55% MD’s
- 75-90% OD’s
- 2/3 of income

**CAPTURE RATE**

- Patient directed to optical at check in
- Tech/Assistant presents Lens Menu
- Dr. mentions eyewear options, discount
- Dr. mentions optical and recommends opticians

**PROFITS**

- 8/10 profits of 10% or less should be 15-18% minimum
- Control Costs of Goods Sold
  - 30-35% frames and lenses
  - 40-50% contact lenses

**186% SALES LOST**

- $1860 per $100,000
- 43.9% employee theft
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GETTING A GRIP ON OPTICAL OPERATIONS

• Keep at it!

• Monitor

• Good Luck!