The inventory of frames is a major expense of any optical shop. Since frames tie up a large amount of capital, owners need to be very careful how they stock the frame boards. If they have too limited a selection or the wrong selection, they may lose sales. If they have too large a selection, they will have too much capital tied up in their inventory, that they could invest more wisely in another manner.

Optical Inventories

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Purchasing Responsibilities

- Frames
- Lenses
- Accessories
- Equipment, tools, and fixed assets

Based on what sells, what works, not personal preference.
Determine the Number of Frames in Your Collection Based on Refractions

- **Number of Refractions** - the springboard metric from which many calculations are derived
  - Determines frame board space needed
- **Number of Jobs Sold** determines **Capture rate**

How do YOU count refractions?

- Total refractions preformed?
  - Not all are an opportunity for a sale
- Total refractions charged?
  - Prescriptions given to patient
- Refractions with a change in prescription?
  - If no change, use insurance benefit for
    - Sun wear, and/or second pair

Capture Rate

Number of Jobs/Number of Refractions

National Ophthalmic Capture Rate = 60%
National Optometric Capture Rate = 80%

You can exceed a 100% Capture Rate with
- Second Pair Sales
- Sun Wear
- Safety & Protective Eye Wear
- Niche product
- Walk-Ins

What is a Job?

- A sale of a complete pair of eyeglasses?
- A sale of a new frame?
- A sale of either one or both lenses?
- Any sale of any of the above!

Average Price per Job

- Collections (not charges)/ # of jobs or sales

  Charges can be easily inflated. Only "Collections" may be taken to the bank!

Calculate by:
- Individual Optician/Sales Consultant
- Individual optical shop location

Set an Average-unit frame sale price target for practice
Set a Practice Goal For Inventory Turns

- Different viewpoint between ophthalmology and optometry practices:
  - Ophthalmology practices carry smaller inventories and expect to turn product more often: 3-4 turns a year
  - Optometry practices carry larger inventories and expect to turn product only 1-1.8 turns per year
  - Optometry practices demand higher capture rates
  - Optometry practices depend more on optical sales

Right Size Your Inventory

- # Jobs / # of Refractions = Capture Rate
  - 250 Days x 100 Refractions a day = 25000 Refractions a year
  - 2000 Jobs/ 2500 Refractions = 80% Capture Rate

- # Refractions X Capture Rate = Sales
  - 2500 Refractions X 80% Capture Rate = 2000 Sales
  - 2500 Refractions X 65% Capture Rate = 1625 Sales

- # Jobs/Product Turns = Frames on the Board!
  - 2000 Jobs / 4 Turns = 500 Frames on the board
  - 2000 Jobs / 3 Turns = 667 Frames on the board
  - 2000 Jobs / 1.8 Turns = 1112 Frames on the board!!

Create Ideal Frame Inventory Based on Practice’s Demographics

- Gender: Male, Female
- Age:
  - Children: age 1-12
  - Young Adults: age 13-21
  - Adults: age 22-60
  - Mature Adults: age 60+
- Percent of frames sold at each price point
- Early Adapters to Late Adapters - Fashion Awareness

Evaluating Your Inventory

- You just may not have the right frames on your boards
- Buy eyewear which helps create differentiation in your optical shop
- In order to create a unique experience, your product must stand out
- Buy product that you can not find in every shop
- Know what your customers want

Parameters of Selection

- Frame Size
- Frame Shape
- Color
- Material
- Style
- Brands
- Price Points
- Specialty Frames
Price Points

Determine your price point segments from lowest priced frame to highest priced luxury frame.

Know what percentage of your sales are in each category.

Selecting Frame Materials

- **Plastic Materials**
  - Carbon fiber graphite
  - Cellulose acetate
  - Zyl
  - Cellulose propionate
  - Seilor
  - Nylon
  - Optyl
  - Polyamide
  - Polycarbonate

- **Metal Materials**
  - Aluminum
  - Beryllium
  - Beta titanium
  - Bronze
  - Cobalt
  - Gold
  - Magnesium
  - Memory metals
  - Monel
  - Nickel-silver
  - Palladium
  - Stainless steel
  - Titanium

- **Other Materials**
  - Animal Horn, bone
  - Leather
  - Rhinestones
  - Rubber
  - Wood

Buying the Frame

- **MSRP** – Manufacturer’s Suggested Retail Price
  - May or may not be allowed to sell over or under MSRP

- **MSWP** – Manufacturer’s Suggested Wholesale Price
  - Published in Frames Data
  - Negotiate to buy for a percentage less than MSWP

- **Cost** – What the frame cost you
- **Price** – The price you will sell the frame for
- **Spread** – Difference between Cost and MSWP
  - Most important in insurance sales

Frame Retail Pricing

- **Multiple System** – 2 X, 2.5X, 3X, 4X MSWC
- **Modified Multiple System** = 2-15 X wholesale
- **Plus System** = wholesale price times the multiple, plus Y
- **Simple Plus System** = cost plus Y
- **Per-frame System** = priced by what the frame will bring, with no regard to what you paid for it

- The dispensary’s gross profit is affected by the COGS
- **Cost of Goods Sold**

Stocking Frame Boards

- 12 frames per rod
- 2-3 frames per rod in under stock
- Stock each company’s “Top Ten Best Sellers” by model, color, and size
- Additional 2-3 frames are buyer’s choice or previous “Top Ten” that may not have sold when the new “Top Ten” list changed
- Requires frame reps’ commitment to identify best sellers!!

Stocking the Frames Boards

- **Which frames to buy???

- Increase board space for frame lines that sell over 10% of number of frames stocked
- Decrease board space for frame lines that sell less than 10% of number of frames stocked
Best Selling Frames Manufacturers

- Rank of sales in practice and by individual location
- Warranty %
- Return %

Life Expectancy of a Frame

- Two years
- The more fashionable a frame is, the shorter it’s life-expectancy
- The shorter the life expectancy, the higher the wholesale price will be and consequently your price too
- The more fashionable a frame is the faster it must sell

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

Vendor Expectations

- Determine how many frame vendors will be used
- Determine which frame vendors will be used
- Build strong relationships
- Deal fairly and openly
- Build trust

Every vendor contract or service agreement in the budget should be renegotiated regularly.

Negotiating with Vendors

- Give more business to each vendor by reducing your number of vendors
  - Expect better prices, discounts and service
    - Larger discount off Average Wholesale Price
    - Early payment discounts
    - Free frames for large orders
    - POP advertising/displays, cases
    - Annual or semi-annual co-op Advertising
    - Rebate for less than 20% returned frames
    - Annual cash rebate of percentage of purchases
    - Rebates for increase in business YOY
- Negotiate Aggressively!!
Every supplier or vendor relationship must be evaluated prior to their regular renegotiations. This process is similar to staff evaluations and equally important.

**Negotiating with Vendors**

- Terms: 30-60-90 day payment
- Warranty
- Return of non selling product
- POP – Point of Purchase advertising
- Cases
- Contests, samples, gift cards, gifts
- Training
- Points to redeem for equipment, prizes, incentives
- Service, consulting and advise

**Only buy what sells**
- Run a best selling frames reports monthly
- Only buy what sells at 10% per month or more
- Buy what sells – not what you like personally

**Don’t add to underperforming lines**
- Reduce, mark down or return stock that doesn’t have a 10% sell through ratio or hasn’t sold in 6 months

**Frame Replenishment System**

- Reorder when the frame rep contacts you
- Reorder on a frame by frame basis
- Maintain a supply of backup stock
- Adopt a frame management system

- Goal is to increase sales and improve capture rate

**Frame Replenishment Cycle**

- The time between when a frame is sold and when it is replaced.
- Affects inventory turns
- Affects Capture Rate

- Always keep your best selling frames on the boards
- Eliminate the poorly selling frames quickly

**Benchmark # of Jobs by**

- Individual Optician/Sales Consultant
- Individual optical shop location

Calculate Sun Wear jobs as a further breakdown. Expect 20% of the sales to be Sun Wear (second pair sales) if you are to attain the maximum capture rate
Transparency through Benchmarking

- You will only be able to communicate successfully with optical staff and vendors if you have documented facts
  - Can't out sell a salesperson without facts

- Benchmarking
  - A standard used to measure how we are doing
  - A measure of practice efficiency

Other Considerations to Track

- Dollar value of discounts given
- Dollar value of refunds given

Greatly affect both volume positively and profitability negatively

Remakes? What are they?

And what do they cost the practice?

- Warranty remakes
- Optician remakes
  - Patient satisfaction remakes
- Doctor remakes
- Lens lab remakes

National Benchmark < 10% of total jobs sold!

Remake Percentages

- The wholesale lab business typically sees a 10% or higher remake rate from its ophthalmology customers
- While most remakes are covered by lab warranties, they cost the practice in
  - Staff time
  - Patient satisfaction
  - Practice image
  - Delay in delivery time

1 Extra Pair a Day

- Selling just one extra pair a day can generate $75,000 a year in revenues
- An average of 20% of patients purchase a second pair of glasses
- A second pair of glasses is not a luxury, it is just a practical precautionary measure
- Consider: Sun glasses, Computer glasses and Sports glasses
Frames Inventory
- Beginning inventory
- Frames purchased
- Frames sold
- Ending inventory

Manual Inventory
- Monthly (recommended)
- Quarterly (at least)
- Annual (for IRS)
- Annual (for Tangible Taxes)
- Intermittent (for practice valuation, insurance policies)

Manual Frames Inventory
- Rotating inventory teams – 2 members/location
- Reconciliation team from Accounting Dept
- Frame board Plan-O-Grams: what goes where
- Policy: All boards totally stocked at all times
- Video Cameras: 24/7

Security Cameras
- Almost 100% “catch rate” on stolen merchandise
- Creates more professionalism among staff
- Levels the playing field
- Provides accountability/respect

Non-Monetary Compensation
- Status and recognition compensate the sales force almost as much as money – sometimes more
- Recognition outside the department is necessary and also increases cooperation in the hand-off process

Snapshot In Time!
Employee Discount

- Frames at Manufacturer’s Suggested Wholesale Price (MSWP)
- Family Members at MSWP+25%
- Friends and Family Discount cards for friends

Staff Productivity

- An experienced optician should be able to write 75 to 100 new orders per month and, in the process be able to handle all the normal adjustments, repairs, deliveries, and paperwork required to accomplish the job
- You can easily increase that number to 150 by adding after school student assistant help for filing and cleaning

Staff Improvement

- The fastest way to improve your staff is to eliminate the bottom 20%
- Eighty percent of your human resources problems come from your bottom 20%
- Sound hiring practices decreases ever hiring the bottom 20%

  --The Disney Institute

Other Considerations

- Patient’s own frame may be no favor to patient
- Lens warranty may no longer match frame’s warranty
- Recommend second pair as a back-up pair
- All contact lens wears should have backup glasses and sunglasses

Contact Lens Sales

- By Individual Optician/Sales Consultant
- By Individual optical shop locations

  Contact lens sales may reduce the number of other optical sales, but increase the number of plano sunglasses sold and back up glasses

Thank You

...and enjoy your purchasing adventures.