Starting Point

ROSEMARY SOCCIO

Weighing the risks and rewards of operating a dispensary

An optical dispensary is a retail business. Like any other retail operation, it is an investment and a risk that involves taking a plunge into financial waters.

Many MDs new to dispensing want to navigate these waters and know when they can expect smooth sailing (i.e., dispensary profitability). According to practice management consultant Donna Suter, owner of Suter Consulting Group in Chattanooga, Tenn., the first step should be a thorough cost/revenue analysis of the optical shop. The cost analysis should take into account pre-construction expenses such as architectural design, actual building expenses, inventory purchasing, lab fees (the cost of sending eyewear orders to a wholesale lab for processing) and staff salaries. To forcast revenue, practitioners can also project patient traffic and sales in the optical shop (see chart). Consultants such as Suter say that a dispensary may start out losing money before turning in substantial profits several years down the line, when the shop has found its niche in the local market.

Some MDs may think that management is the key factor in running an optical dispensary but "more than anything else, dispensers need to learn the nitty gritty of retail—frame board management, selling multiple pairs, lens technology and patient management," says Suter. Staff and doctor training should occur simultaneously. "The first year should involve putting in procedures and systems that everyone on staff should be accountable for," she notes.

Before the dispensary is up and running, MDs and/or their staff need to price optical materials (vendors and manufacturers can assist with pricing of lenses and frames) to determine inventory costs, set sales and revenue goals for the office and schedule a monthly evaluation of the practice's progress toward these goals.

No matter how prepared they are, newly opened dispensaries will go through a transition period as they strive to build a reputation and a niche in their local markets. Because both doctor and staff must be trained, a natural learning curve will occur. Doctor/staff relations will be forged during this time and naturally, glitches with computer systems, vendors, ordering processing, will need to be addressed.

To maximize this potentially sluggish period, new dispensers may want to consider implementing internal and external marketing strategies to attract patients into the dispensary. Displays, posters, brochures and leaflets advertising the range of services, coupled with promotional pricing are effective marketing techniques.

"It takes a minimum of five to six months to get the wheels greased in terms of actually turning a profit," notes Brad Williams, OD, president of Williams Consulting Group in Lincoln, Neb. ●

RISK AND REVENUE

The following cost/revenue analysis of a first-year ophthalmology dispensary was conducted by an MD in the Northwest with a patient base of 6,000.

Start-up Investment.............$20,000
(includes store design, etc.)
Inventory Investment..........$30,000 (600 frames @ $50)
General Construction...........$40,000 - $60,000
(i.e., electrical wiring: 381 sq. ft. at $75 - $125 per sq. ft.; carpeting: $25 per sq. ft.; furniture)

First Year Expenses
salary (one optician/dispenser)..............$35,000
Lab Fees ....$40,495 - $45,894

Assumptions
40% overall "capture rate" for optical 1,121
40% purchase frames and lens 449
60% purchase lens only 672

First Year Income
Total complete eyewear sales revenue
(at average price of $157.70 per order).................$70,807.30
Total lens only sales revenue
(at average price of $95.50 per lens pair) $64,176.50
Optical Gross...$134,983.80

In this sample case, start-up expenses (ranging from $165,495 to $190,894) exceeded the optical gross ($134,983.80) in the first year.

Source: Suter Consulting Group