How To Build Value In Your Business – Part 1

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OME | OPTOMETRIC Management EDUCATION

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- MEMBER LEGISLATIVE

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FINANCIAL DISCLOSURES:

- ESSILORLUXOTTICA
- ALLERGAN
- OPTOMETRIC MANAGEMENT EDUCATION
- VISUAL PERFORMANCE CENTER

Course Description

This interactive presentation will review the current state of optometry and look at trends and data that are shaping the future of our profession. I will give insights on where I see the growth and opportunities in eye care and clinical practice so that you can grow and build your *business*.

carlspear295 to 22333

What State Are You From?

Nobody has responded yet.

Hang tight! Responses are coming in.

Start the presentation to see live content. For screen share software, share the entire screen. Get help at **pollev.com/app**

Let’s have some fun!

1) Answer Questions
2) Input in Chat Boxes
3) Share Best Practices
4) Watch Out For Anti-Trust
5) Think Positive

Optometry Is a Business

How Big is the Optical Retail Market?

Under 25 Billion Dollars

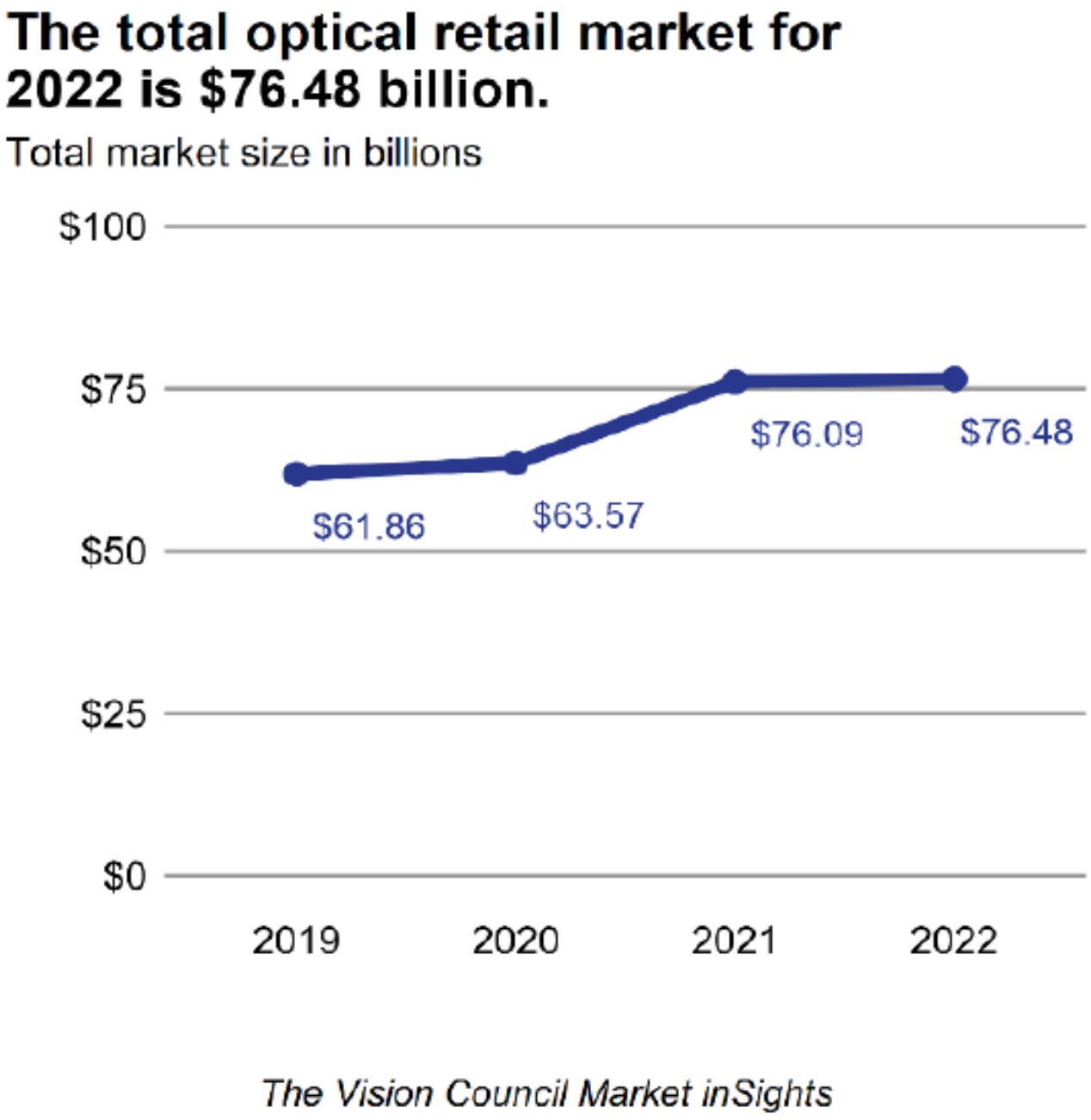
25 Billion Dollars

50 Billion Dollars

75 Billion Dollars

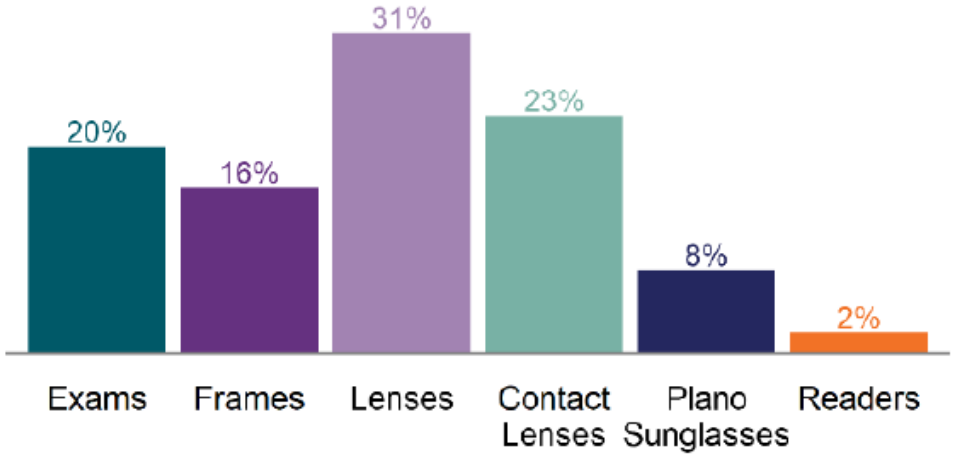
100 Billion DOllars

76.48 Billion



Lenses make up nearly one third of the market by total value.

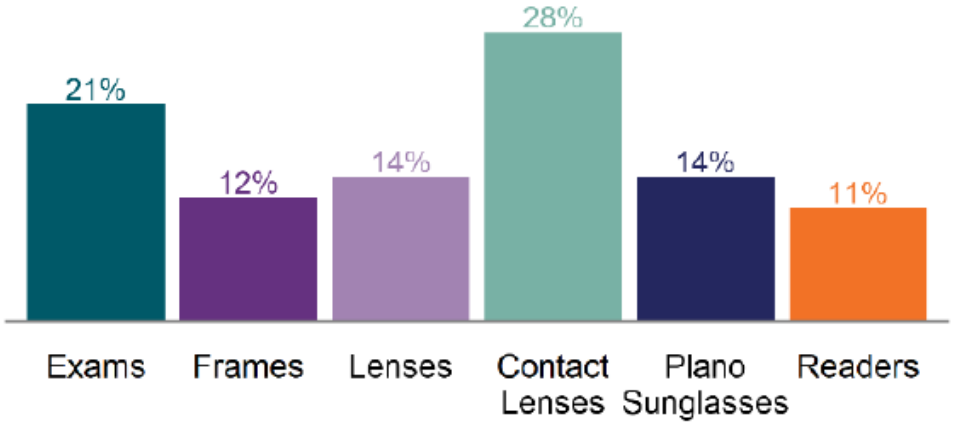
Percent of products by total value



Value of goods sold

Lenses drop substantially while readers make large gains by volume.

Percent of product by volume of units



Volume of goods sold

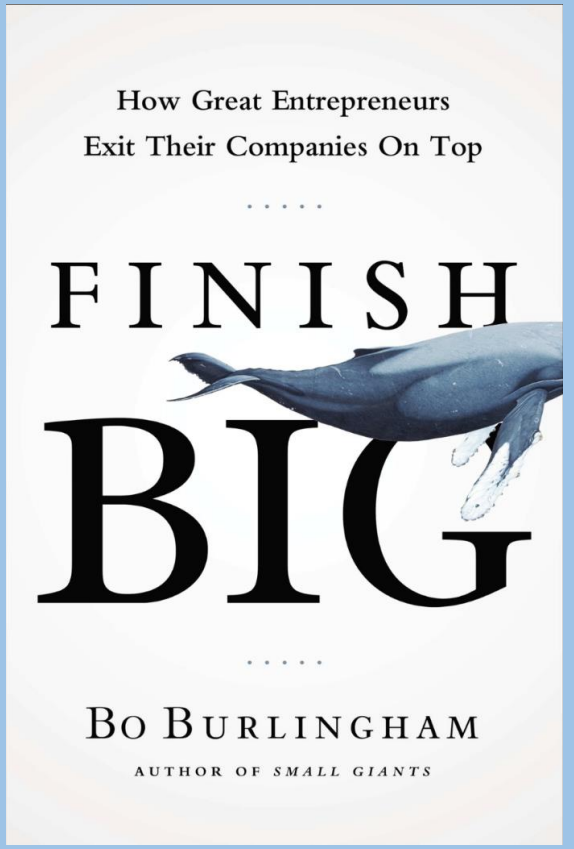
The Vision Council Market inSights

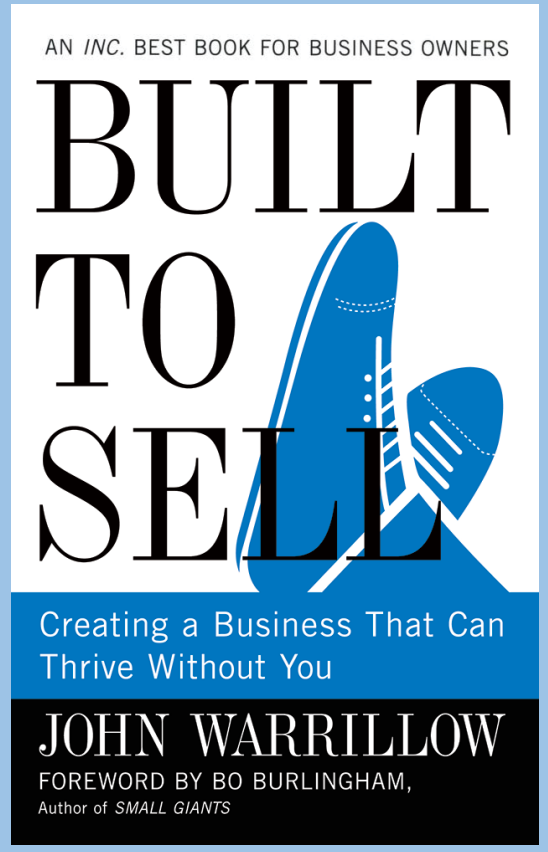
	Value		Volume		Unit Price
	Total[1]	Percentage	Total[2]	Percentage	
Exams	$15.27	20%	178.652	21%	$85
Frames	$12.07	16%	98.234	12%	$123
Lenses	$23.63	31%	113.997	14%	$207
Contact Lenses	$17.92	23%	236.229	28%	$76
Plano Sunglasses	$6.04	8%	117.288	14%	$52
Readers	$1.55	2%	94.115	11%	$16

[1] Total Value reported in billions

[2] Total Volume reported in millions

What About “Businesses”?





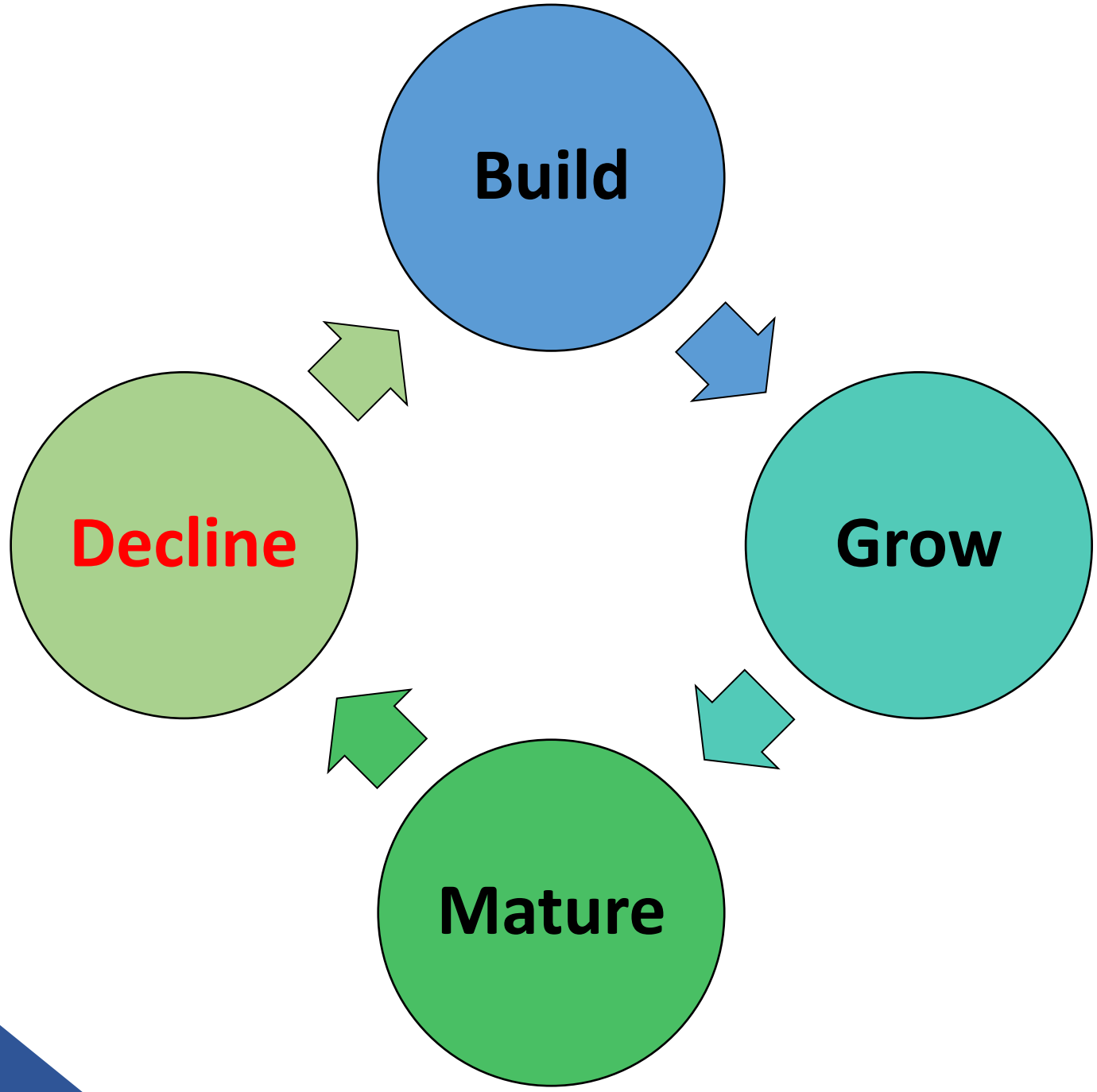
Reality Check

*Everyone will Exit their business at some point

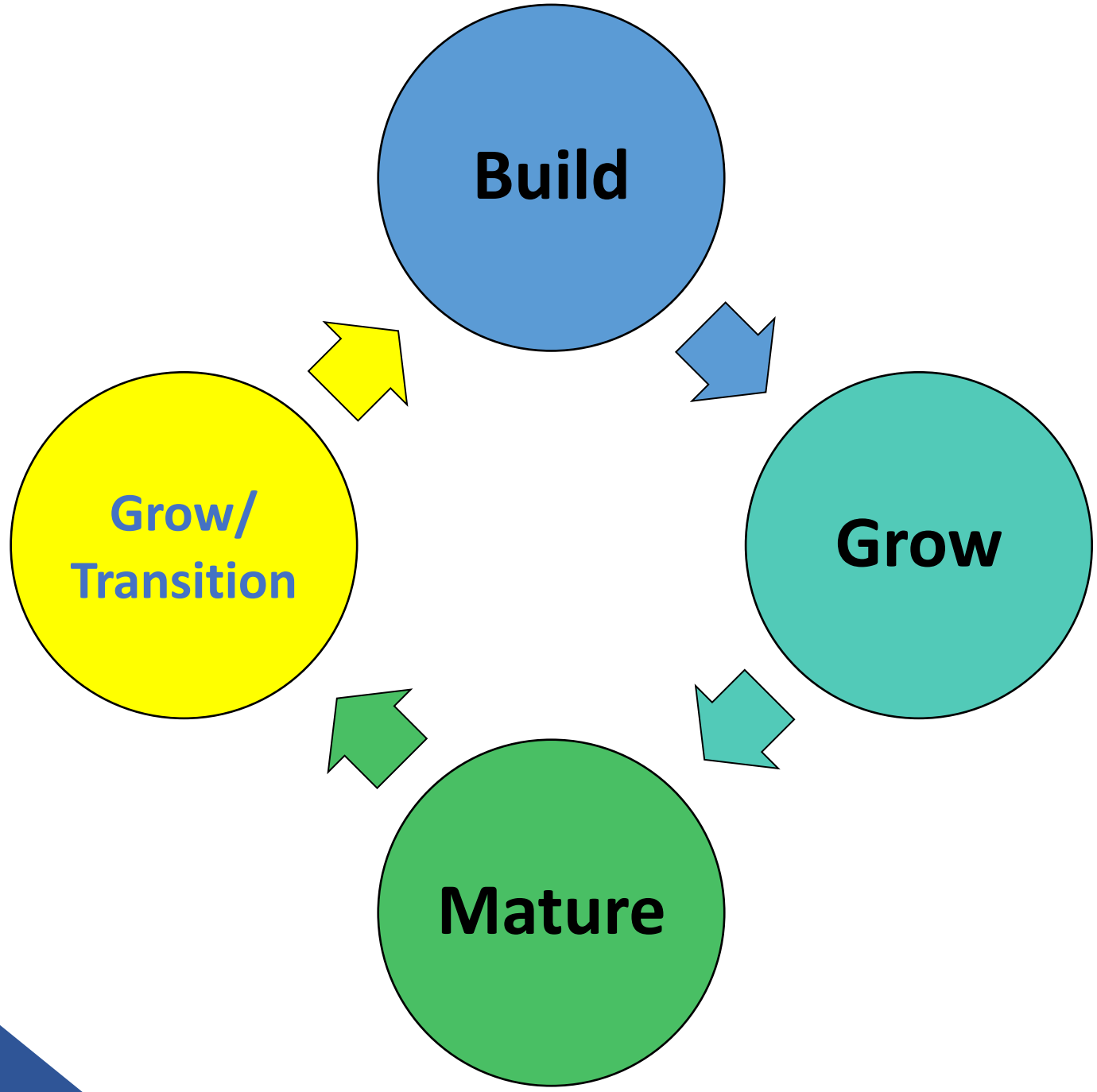
*Only 1 in 100 businesses in the U.S. are desirable to a buyer

*On whose terms do you want to exit?

What happens in the life cycle of many businesses?



What do you see is the life cycle of your business?



What is your Dream?

- Mission
- Goals
- Strategy
- Who does accounting for your office?
- How involved are you in the accounting?
- Stage of Practice Lifecycle
- We are going to talk about cost containment

Where Are You? What Are You?

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

8 Drivers of Business Value

1 **Financial Performance**	2 Growth Potential	3 Switzerland Structure	4 Valuation Teeter Totter
5 Recurring Revenue	6 Monopoly Control	7 Customer Score	8 Hub & Spoke

1) Financial Performance:

- Your history of producing revenue and profit
- Combined with the professionalism of your record keeping
- What is Your Revenue
- What is Your Profit Margin
- Formalize Your Bookkeeping
- Think *Business* not *Job*

(My) Classification of Spending

- SSB - Staff Salaries and Benefits
- COGS – Cost of Goods Sold
- M&P – Marketing and Promotion
- GOO – General Office Overhead
- PCE – Patient Care and Equipment
- OCC – Occupancy Costs
- DOC – Take Home or Profit

Million Dollar Office

Practice Personality will Impact #'s

Category	Practice 1	Percentage
Gross Collections	$1,000,000.00	100%
COGS	-$250,000.00	25%
Net Collections	$750,000.00	75%
SSB	-$220,000.00	22%
M&P	-$30,000.00	3%
GOO	-$50,000.00	5%
PCE	-$50,000.00	5%
OCC	-$100,000.00	10%
DOC/Profit	$300,000.00	30%

BEWARE: What you increase in one area will take away from another.

Key Drivers of Financial Profitability

- Overall Commitment to a Practice/Business Strategy
  - Practice Culture
  - Leadership 101
  - Don’t Manage to the Minority
- Managing Managed Vision Plans
  - Strategic Pricing Analysis
  - Product Mix and Selection
  - Sell to the Top
  - EOB Reconciliation
- Tell Your Story
- Measure and Master KPI’s

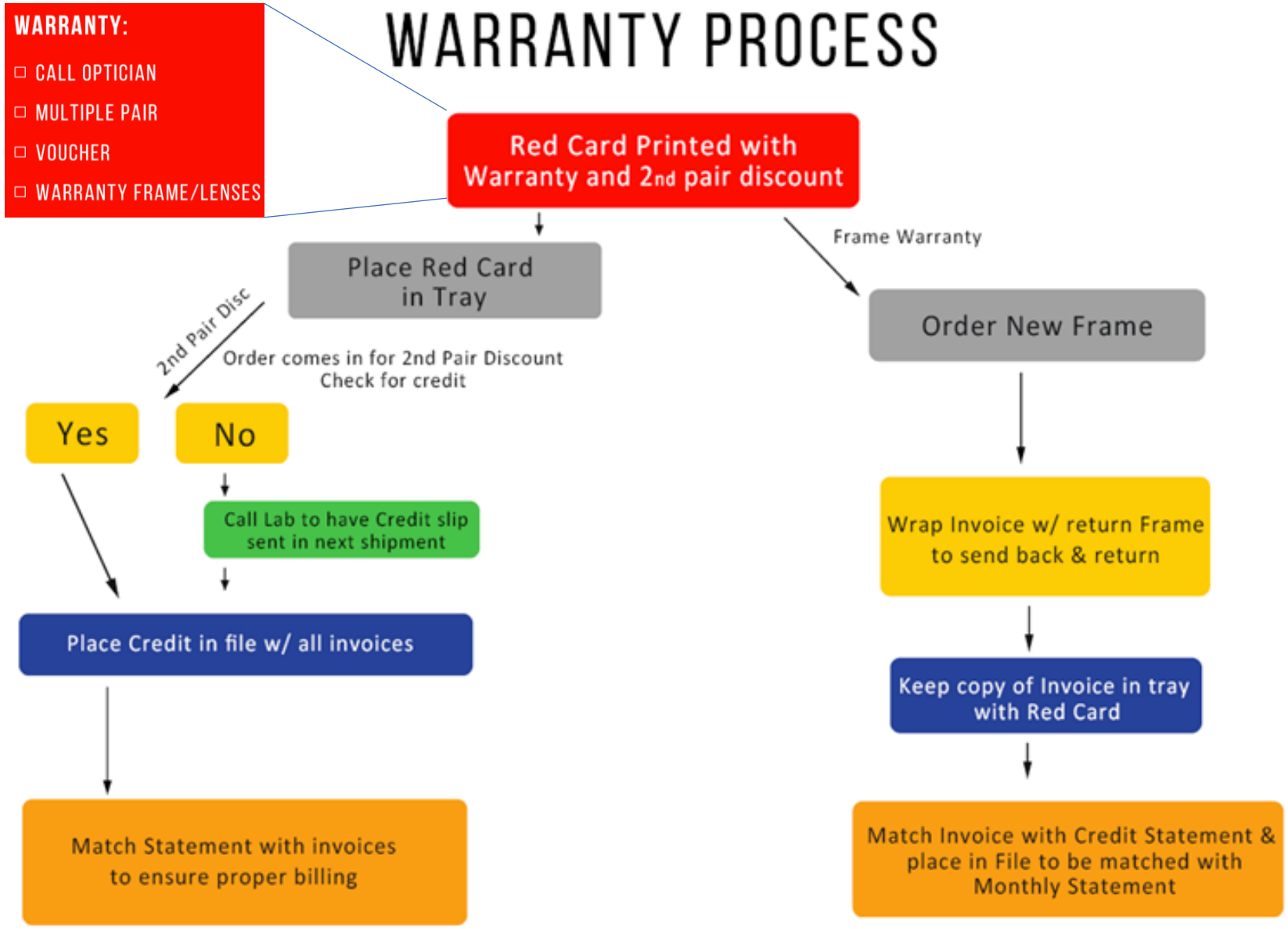
How To Improve Financial Performance

1. Utilize protocols for medical processes
2. Verify all insurance ahead of time
3. Have a “check & balance” on invoices & statements
4. Collect all known $$ same day
5. Manage Managed Vision Plans

Improve Financial Performance

- Decrease the number of forms you use at check in

How To Improve Financial Performance



“The Martian”

- Do what you are already doing only better.
- You have got to “science the ____ out of this”

Managed Vision Plans

- Print and read *every* contract
- Know the rules and profit by them
- Write out checklists or it won’t happen

What is the WFA?

PLAN DETAILS

Co-payments Exam $20.00 Material $20.00

Allowances

WFA65 Frame **$170.00 for Altair/Marchon frames. Patient receives 20% savings on frame overage**

WFA57 Frame **$150.00 for non-Altair/Marchon frames. Patient receives 20% savings on frame overage**

Contacts **The routine eye exam is covered.**
CL Exam Services: Charge the patient $60.00 copay or 85% of U&C, whichever is lower.
CL Materials: The patient receives a $130.00 allowance towards contact lens materials.

Necessary Contact Lenses Criteria Applies-See PRM Copay $20.00

The patient can use their benefits for Contact Lenses instead of lens and frame.

If the patient chooses Contact Lenses their frame will be next available in 01/15.

LENS ENHANCEMENT DETAILS (SEE LENS ENHANCEMENT CHARGES TAB)

Covered

Rimless Mounting

Solid Tints and Dyes (Pink I & II)

Covered with Additional Copay

Anti-Reflective Coatings

Scratch Resistant Coatings

Aspheric (plastic & digital)

Blended Bifocal

Color Coatings

Edge Treatments

Covered with Additional Copay

High Index

Mirror/Ski Type Coatings

Near Variable Focus

Oversize Lenses

Photochromic Lenses

Plastic Dyes (Gradient)

Polarized/Laminated

Polycarbonate

Progressives

Covered with Additional Copay

Solid Tints and Dyes

UV Protection

Criteria Applies-See PRM

Low Vision

Not Covered

Plano Lenses

VSP Frames

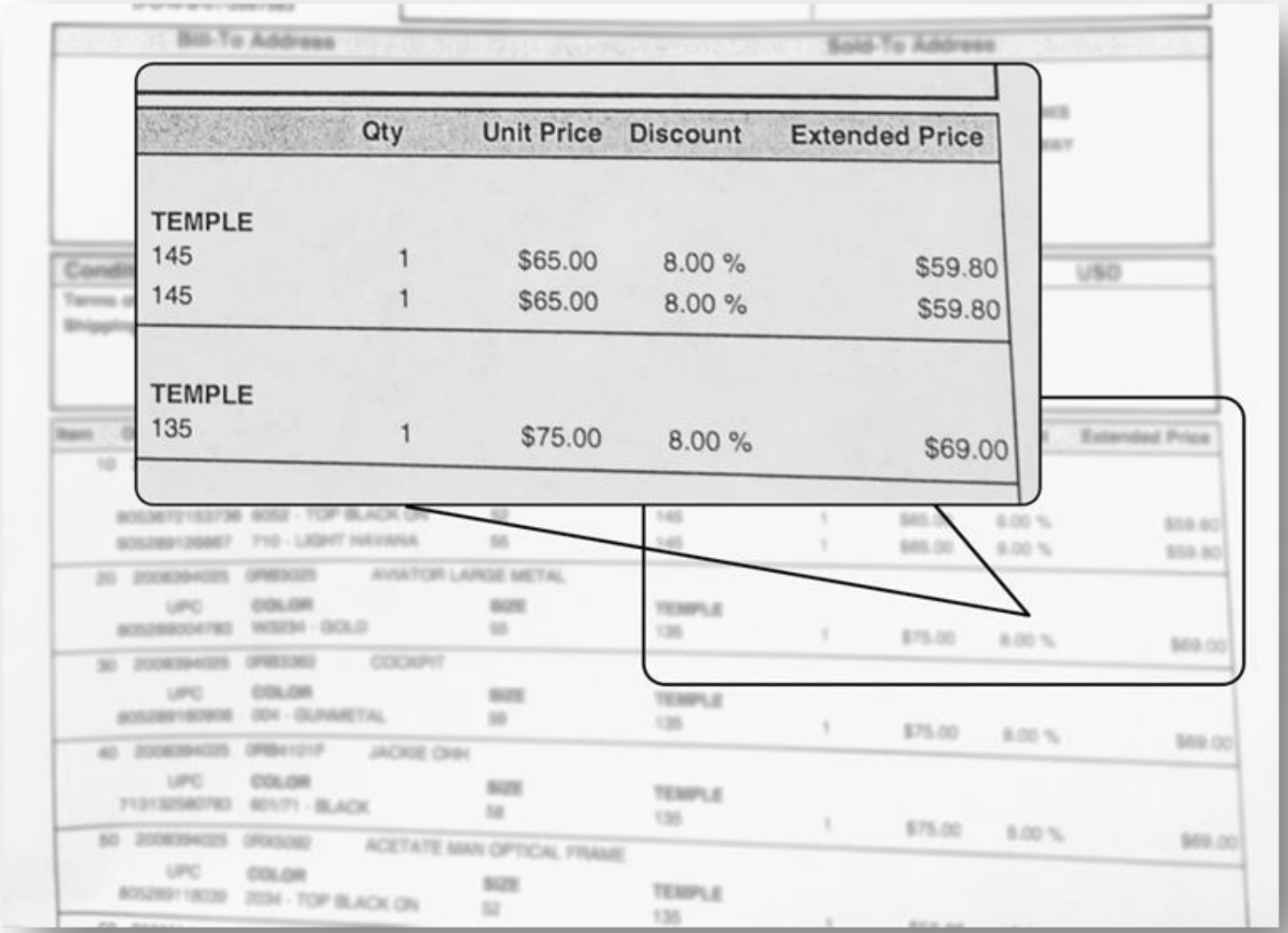
Wholesale

- WFA = patient's frame allowance found on insurance authorization
- Wholesale value=found on invoice or from Frames Data

Retail

- Your price
- Consider different mark-ups for different lines

Wholesale Value



	Qty	Unit Price	Discount	Extended Price
TEMPLE				
145	1	$65.00	8.00 %	$59.80
145	1	$65.00	8.00 %	$59.80
TEMPLE				
135	1	$75.00	8.00 %	$69.00

Frames Data

Color Grp/Code	Eye Size	Complete $	Front $	Temple $	1/2 Temple $	$ Description
Black-601	58	75.00	0.00	19.50	0.00	
Multicolor-710	58	75.00	0.00	19.50	0.00	
Black-601/58	58	100.00	0.00	26.00	0.00	Polarized
Black-601/71	58	75.00	0.00	19.50	0.00	
Multicolor-710/71	58	75.00	0.00	19.50	0.00	
Brown-717/13	58	80.00	0.00	20.80	0.00	Gradient
Brown-860/13	58	80.00	0.00	20.80	0.00	Gradient

VSP Frame Formula

- If Wholesale Value of Frame is Greater Than Wholesale Allowance:
  - Pt. Pays: Retail Price of Frame - Retail Allowance x 80%
  - VSP Pays: Wholesale Allowance + Dispense Fee
  - Profit: Pt. Pays + VSP Pays - Cost

VSP Frame Formula

- If Wholesale Value of Frame Less Than Wholesale Allowance:
  - Pt. Pays: $0
  - VSP Pays: Wholesale Value of Frame + Dispense Fee
  - Profit: VSP Pays - Cost

Most Profitable Category for VSP = Luxury $750

Wholesale = $300 Retail = $750 Cost = $285

- **Pt Pays: Retail $750 - Retail Allow $150 x 80% = $480.00**
- **VSP Pays: Wholesale Allow $57 + Disp Fee $20 = $77**
- **Profit: Pt Pays $480.00 + VSP Pays $77 - Cost $285 = $272**

Most Profitable Categories for VSP

- **Luxury Brand ($750): $272.00**
- **Designer Brand ($450): $173.00**
- **Consumer Brand-Profitable ($189): $47.00**
- **Consumer Brand-Not Profitable ($169): $29.00**
- **High Profit Frame ($200): $100.00**

Eyemed Frame Formula

Eyemed Pays on Average $55.56

Pt. Pays: 80% of balance over retail allowance of $130

It is Key to have a minimum frame price in your optical

Most Profitable Categories for Eyemed

- **Luxury Brand ($750): $266.56**
- **Designer Brand ($450): $167.56**
- **Consumer Brand-Profitable ($189): $41.56**
- **Consumer Brand-Not Profitable ($169): $50.76**
- **High Profit Frame ($200): $91.56**

EyeMed vs VSP Frames

- **VSP**
  - Consumer Brand-Profitable: **$47.00**
  - Consumer Brand-Not Profitable: **$29.00**

- **EyeMed**
  - Consumer Brand-Profitable: **$41.56**
  - Consumer Brand-Not Profitable: **$50.76**

Frame Buying – Don’t buy it if you don’t want to sell it

1. Have enough to create excitement
2. POP outside and inside
3. Buy above WFA
4. Buy at 60% profit margin if under WFA
5. Frames DATA eliminates errors

Evaluate Your VSP Practice Report

- Locate Opportunities for increased Profitability
- Average Revenue per Patient
- Demographics of Patients
- Well vision Claims ($2-$5)
  - Diabetes
  - HTN
  - High Cholesterol
- Your Dispensing vs. State Average
  - Contacts
  - PALs
  - Lens Enhancements
- Frame Capture Rate

Processes To Improve Luxury Frame & Lens Sales

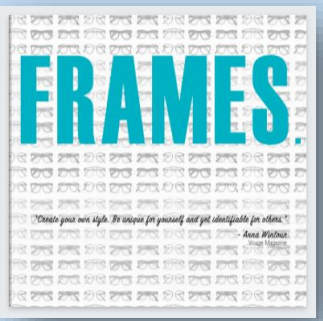
- Have enough to sell
- Merchandising in and on windows
- Sell the best to everyone
- Storybook for frames
- Frame Tray
- Post frame story on frame board
- Digital Media Loop
- Utilize Visual Treatment Plan

Merchandising Windows

Improve Luxury Frame Sales

Frame Trays

Storybook for Frames



Frame Pricing

Comp/Day		10										
Ins Pt		61.0%										
Ave Net Increase/Doc Day with Ordering the Correct Spec Lenses	**$**	**103.38**										
# Doc Days/Month		20										
Months		12										
Increase Net Per Month	**$**	**2,067.61**										
Increase Net Per Year	**$**	**24,811.33**										
Increase Frame Price by			$	13.00	$	26.00	$	39.00	$	52.00	$	65.00
Lowest Wholesale Frame Price Non-High Value Frames	$	65.00	$	65.00	$	65.00	$	65.00	$	65.00	$	65.00
Markup = WFP x Markup		**3**		**3.2**		**3.4**		**3.6**		**3.8**		**4**
U&C Retail	$	195.00	$	208.00	$	221.00	$	234.00	$	247.00	$	260.00
Usual RFA	$	150.00	$	150.00	$	150.00	$	150.00	$	150.00	$	150.00
Patient Co-Pay	$	36.00	$	46.40	$	56.80	$	67.20	$	77.60	$	88.00
Increase in Net			**$**	**10.40**	**$**	**20.80**	**$**	**31.20**	**$**	**41.60**	**$**	**52.00**
% Increase				29%		58%		87%		116%		144%
Increase Net Per Doc Day			**$**	**39.97**	**$**	**79.93**	**$**	**119.90**	**$**	**159.87**	**$**	**199.84**
Increase Net Per Month			**$**	**799.34**	**$**	**1,598.69**	**$**	**2,398.03**	**$**	**3,197.38**	**$**	**3,996.72**
Increase Net Per Year			**$**	**9,592.13**	**$**	**19,184.26**	**$**	**28,776.38**	**$**	**38,368.51**	**$**	**47,960.64**
Annual Net Inc from Frame & Lenses			**$**	**34,403.46**	**$**	**43,995.59**	**$**	**53,587.71**	**$**	**63,179.84**	**$**	**72,771.97**

Which Frames To Sell… Ask Your Patients

Hello {PATIENT_FIRSTNAME},

Our mission is to provide you with the absolute best quality brand names available! We appreciate you taking a moment to help us enhance our Optical Selection by filling out our short survey!

WE WILL EMAIL YOU A $50 OFF COUPON ONCE WE RECEIVE YOUR SURVEY!

{SURVEY_LINK}

Sincerely,

Refer a Friend

To take the survey:
Click the following URL, or the button above, or paste the address into your web browser.
javascript:alert('This link will be activated when the invitation is sent.')

To unsubscribe:
Click the following URL, or paste it into your web browser.
javascript:alert('This link will be activated when the invitation is sent.')

Tie the Solution to the Problem

YOUR INDIVIDUALIZED
VISUAL TREATMENT PLAN

Advanced Eyecare Specialists
& Optical Boutique · drapriljasper.com
office: 561-832-0677

Patient Name: _____ Date: _____

Our Doctors would like to get to know you!

1) What is your occupation? _____
2) What are your favorite hobbies? _____
3) What sporting, recreational and/or outdoor activities do you enjoy? _____

_____

4) How many hours per day are you on a computer? _____
   - How many monitors do you use? _____
5) Do you suffer from glare when driving at night? _____
6) If you could change one thing about your glasses and/or contacts, what would it be?

_____

Specialty / Alternative Eyewear

Do you currently have or are you interested in any specialty eyewear as listed below?

- ☐ Computer Glasses
- ☐ Reading Glasses
- ☐ Craft / Hobby
- ☐ Sports / Safety Eyewear
- ☐ Over Your Contact Lenses
- ☐ Contact Lenses
- ☐ Sunglasses

DOCTORS USE ONLY:

Next Appointment: _____

Notes: _____

Increase Luxury Frame Sales

- Patient Education
  - Remember the beginning questions?:
    - “If you could change one thing about____ , what would it be?
  - Now tie solution to the problem
  - Lifestyle challenges
  - Write it down

Sell the Best to Everyone…

Annual Supplies

- Keep patients in your office
- Inventory
- Direct Ship to patient
- Business Review and Metrics

How To Build Value In Your Business – Part 2

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8 Drivers of Business Value

1 Financial Performance	2 Growth Potential	3 Switzerland Structure	4 Valuation Teeter Totter
5 Recurring Revenue	6 Monopoly Control	7 Customer Score	8 Hub & Spoke

2) Growth Potential

- **Your likelihood to grow your business in the future and at what rate**

2) Growth Potential

The Past is the Past

For Associate or Transition You Have to Show the Future

How can It Grow in the Future

Can You Scale The Business?

New Products to Existing Customers

Stop what's *not* working

Before Your Start… Here Are Some Things To Consider

Geospatial Analysis of your location

How much time are you going to dedicate to this

How To Improve Growth

Other Revenue Streams

- Add a doctor with a different focus

Multiple Locations

- Scale with written processes
- Key Lead Staff are imperative in promoting practice culture

New Customers

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3) Switzerland Structure:

- **Can You be *Independent* and not *Dependent* on any one?**
  - **Employee**
  - **Customer (insurance company)**
  - **Supplier**

How To Be Switzerland

- Employees

1. Write down every process so it’s easier to train
2. Cross train

How To Be Switzerland

- Customers

1. Diversify your Patient Base
2. Eliminate insurance plans that keep you from growing your business

How To Be Switzerland

- Suppliers

1. Listen to current and new suppliers
2. Challenge your suppliers with added value
3. Always have a backup plan

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4) Valuation Teeter Totter

- **Whether your business is a *cash suck* or a *cash spigot***
- **Two Checks when You sell**

4) Valuation Teeter Totter

Increase Cash Flow

Get Paid Faster

Time Bill Payment

How To Increase Cash in Hand

1. Collect all known $$ before visit
2. Post sign
3. Notify patient before visit
4. Script for Front Desk

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5) Recurring Revenue

- The proportion and quality of automatic, annuity-based revenue you collect each month

5) Recurring Revenue

- Examples:
  - Storage units
  - Amazon Prime
  - Apps
  - Wine club
  - Car lease

How To Create Recurring Revenue

- Nutraceuticals
- Contact Lens Agreement with Annual Supply
- LASIK Guarantee
- Recall
- Pre-appointment systems

How To Create Recurring Revenue

- Single Use Contact Lenses
- Any testing that needs repeated to show trend
- Educate on Value of repeat testing
- Multifocal Contact Lenses
- What Else?

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6) Monopoly Control

- **How well differentiated (Distinctive) your business is from competitors in your industry.**

6) Monopoly Control

Create a Better Mouse Trap

Do Something that Makes You *Different*

Do Something People Care About

How To Create Monopoly Control

Cash and Specialty Business

Monopoly Control in Segment

- Dry Eye
- Medical Model
- Scleral Lenses
- Ortho-K

Multiple locations

How To Create Monopoly Control

Apr 23, 2019

⭐⭐⭐⭐⭐ *"This was an eye opener."* — **Richard J.**

This was the best experience I have ever encountered in an office visit. The people are obviously highly professional but the customer relations are something out of a five star resort. The office is state of the art, comfortable and most of all they make things incredibly easy in all matters regarding eye diagnostics and fitting. This is one appointment you will look forward to. Thank you.

Apr 22, 2019

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7) Customer Score

The likelihood that your customers will re-purchase and also refer to you.

- Net Promoter Score
- Poor customer service has a direct impact on the bottom line

Poor customer service costs organizations **$338.5 Billion** a year globally

89% of consumers began doing business with a Competitor following a poor customer service experience

78% of consumers have bailed on a transaction or not made an intended purchase because of a poor service experience

It is **6X** more expensive to acquire a new customer than it is to keep a current one

How To Improve Customer Rating

- <u>Focus on areas that your customers value</u>
  - Speed
  - Accuracy
  - Efficiency
  - Accessibility
  - Trustworthy
  - Problem Solving
  - Choices in Products
  - Empathy
  - Wordle

What is NPS?

How To Improve Customer Rating

- Problem solving
- Product options in Frames
- Trust
- Card with Cell number
- Accessibility
- Limit wait time in office
- SolutionReach
- Digital Refraction

How To Improve Customer Rating

- Look at what your patients are saying
- Focus on Verbatim Response of detractors

Recommendation Process

- Transition in the exam room with pagers
- www.hmewireless.com

How To Improve Customer Rating? Ask Them what They Want

Hello {PATIENT_FIRSTNAME},

Our mission is to provide you with the absolute best quality brand names available! We appreciate you taking a moment to help us enhance our Optical Selection by filling out our short survey!

WE WILL EMAIL YOU A $50 OFF COUPON ONCE WE RECEIVE YOUR SURVEY!

{SURVEY_LINK}

Sincerely,

Advanced Eyecare Specialists

Refer a Friend Advanced Eyecare Specialists 319 Belvedere Road Suite 1, West Palm Beach, FL 33405 561-832-0677

To take the survey:
Click the following URL, or the button above, or paste the address into your web browser.
javascript:alert('This link will be activated when the invitation is sent.')

To unsubscribe:
Click the following URL, or paste it into your web browser.
javascript:alert('This link will be activated when the invitation is sent.')

Doing Well by Doing Good (Nielsen.com)

- Age Matters:
  - Among respondents who care about doing good half are millennials (age 21 to 34)
  - 29% rely on family and friends to tell them about a brands social impact

Tell Your Story of Giving

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8) Hub & Spoke

How To Improve Your Score on Hub & Spoke

- Create Systems Employees Can Follow
- Automate As Much As Possible
- Take a Vacation
- Hire Only High Performers
- Never Stop Employee Development

Motivation- Based Interviewing

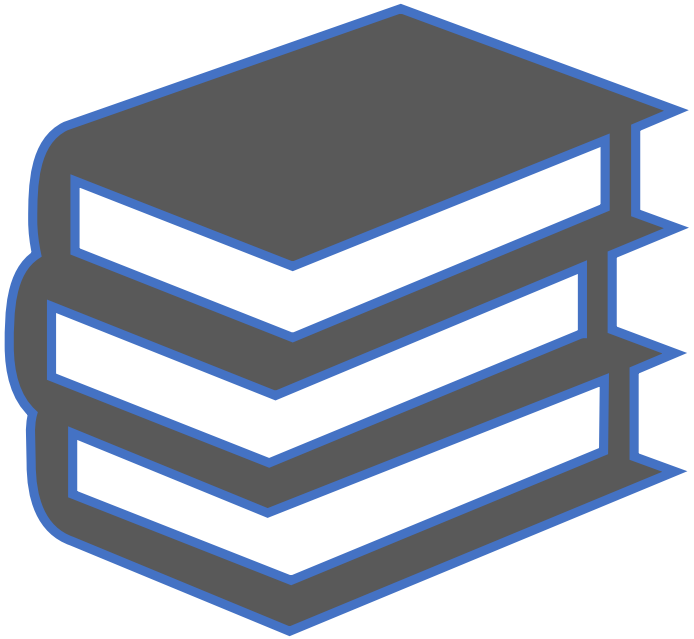
SUCCESS IS AN ICEBERG
SUCCESS
People see this.
RISKS
FOCUS
GOALS
PERSISTENCE
FAILURE
MASSIVE ACTION
SACRIFICE
HABITS
HARD WORK
What really happens.

8 Drivers of Business Value

1 **Financial Performance**	2 Growth Potential	3 Switzerland Structure	4 Valuation Teeter Totter
5 Recurring Revenue	6 Monopoly Control	7 Customer Score	8 Hub & Spoke

Challenge: Distraction

- **Focus:**
  - ***Often he who does too much does too little***
    - Italian Proverb
  - ***"If you chase two rabbits both will escape"***



Never Stop Learning

- **Thirst for Knowledge**

  "If you will spend an extra hour each day in study of your chosen field, you will be a national expert in that field in five years or less"

  - ***Earl Nightingale as said during his program in 1972 "Our Changing World"***

Thank You!