

# Looking forward to the new year in business

## 'WHAT HAS TO HAPPEN FOR YOU TO HAVE A GOOD YEAR?'

This was the first question that Dennis Reid asked at each of the nine business building events in 2006. Reid is managing director of Retail Performance Specialist (RPS), a global consultancy which has helped to increase the business performance of high profile retailers such as Marks & Spencer, Boots and Harrods.

RPS promises to 'deliver a proven business model that is guaranteed to increase current sales and service performance by a minimum of 10 per cent'.

This simple question was posed to practice owners, managers and eye care professionals around the UK and Ireland, and a variety of answers were provided. However, all of the responses came down to one simple answer – **increase my practice profitability.**

As a result, the business building programme (BBP) was conceived. An interactive programme of 'best in class' examples from around Europe was developed to help optical businesses thrive, grow incremental practice sales and retain customer loyalty. It sounds great in theory, but history has shown that with business-orientated programmes, attendees can leave more confused than when they arrived, and unclear as to what 'language' the evening has been conducted in.

In June this year Johnson & Johnson Vision Care and Retail Performance Specialist joined forces to develop a new programme to help optical businesses thrive in an increasingly competitive market. The series of events was staged throughout the UK and will be continued in the new year. **Matthew Dealtry** gives an overview of what to expect in 2007

In preparation for the BBP, an email survey was sent to selected eye care professionals (ECPs) to establish what was important when running an optical practice and what three elements the event should focus on to support practice sales development.

The results from the survey provided key insights. No professional completing the survey (53 responded) assessed their practice performance as 'good' in any area (Figure 1).

The three key requirements for development were:

- ◆ Marketing
- ◆ Business strategy
- ◆ Practice development.

## YOU NEED A SYSTEM

Whether a practice is running badly or brilliantly will be a result of the processes,

systems, skills, behaviours and level of compliance to the standards set in the practice. The business building blueprint was developed as a simple tool to follow in the development of practice sales.

Figure 2 shows the four key elements to this. They are:

- ◆ **Information:** What is happening in the market and what factors can influence practice sales performance?
- ◆ **Understanding:** How strong an understanding of customers and their influences on practice sales performance is there within the practice?
- ◆ **Plan and action:** The 'Opticians' performance model' and the 10 key steps for success
- ◆ **Review and improve:** How to review performance and take corrective action.

## FIRST WE MUST UNDERSTAND

Is the practice staffed by professional ECPs that happen to make sales, or is it a professional sales organisation that happens to be ECP-owned?

The average practice in the UK and Ireland has a 'revenue flow' – that is where the sales come from – of 70 per cent spectacles, 14 per cent contact lenses, 10 per cent eye examinations and 6 per cent sundries. So 84 per cent of the average practice revenue flow comes from 'selling' a range of spectacle frames or contact lenses. It is important to consider professional fees, as a separate revenue flow, to complement the retail element of your practice.

The average practice revenue flow is highly weighted towards spectacles, which suggests that the independent practice could have 'all its eggs in one basket'. A healthy practice revenue flow will have a balanced mix between spectacles and contact lenses, encouraging the dual purchase of vision correction solutions and helping to increase the average transactional value, or spend per customer.

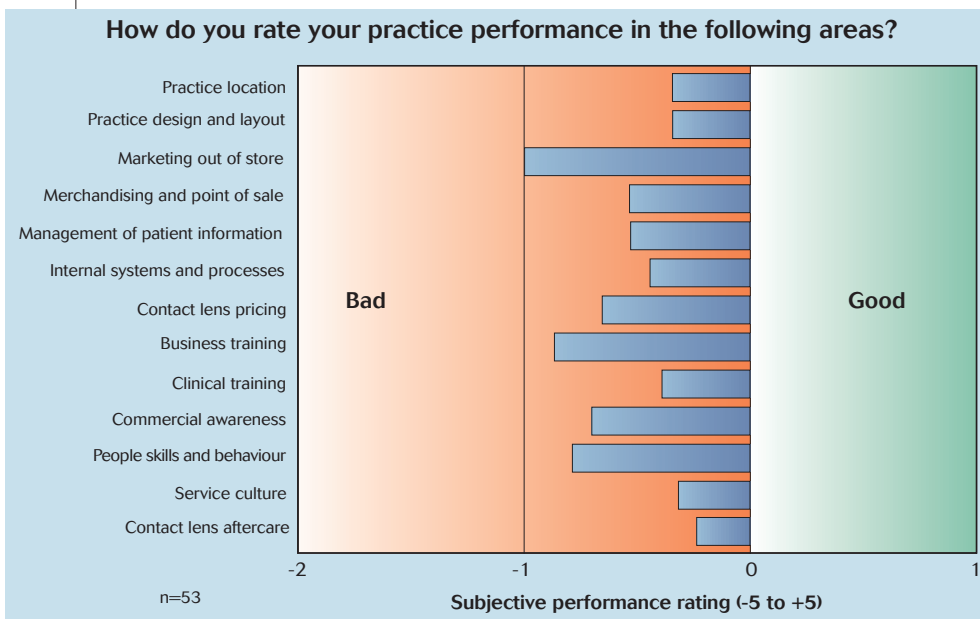


FIGURE 1. How do you rate your practice performance in the following areas? (-5 very bad to + 5 very good)

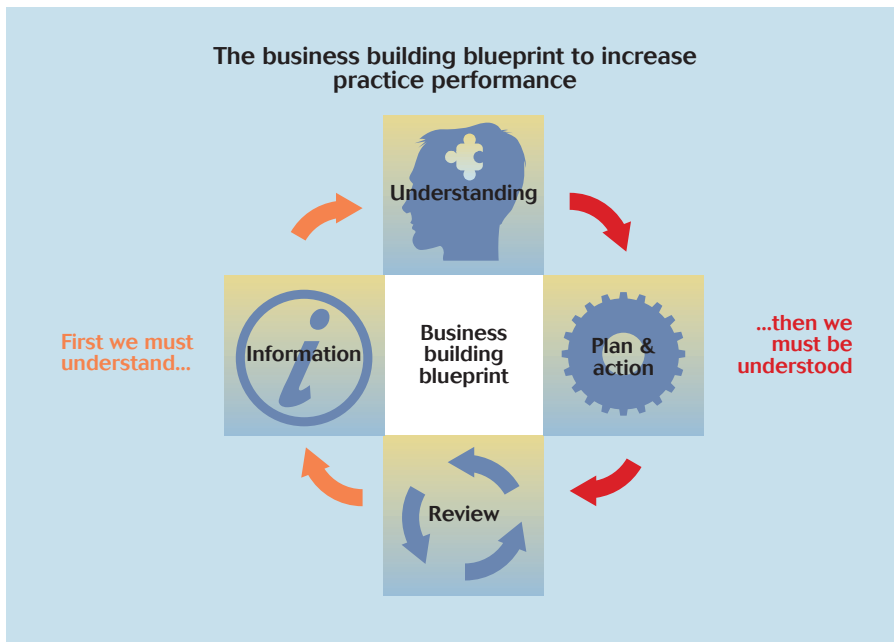


FIGURE 2. The business building blueprint to increase practice performance

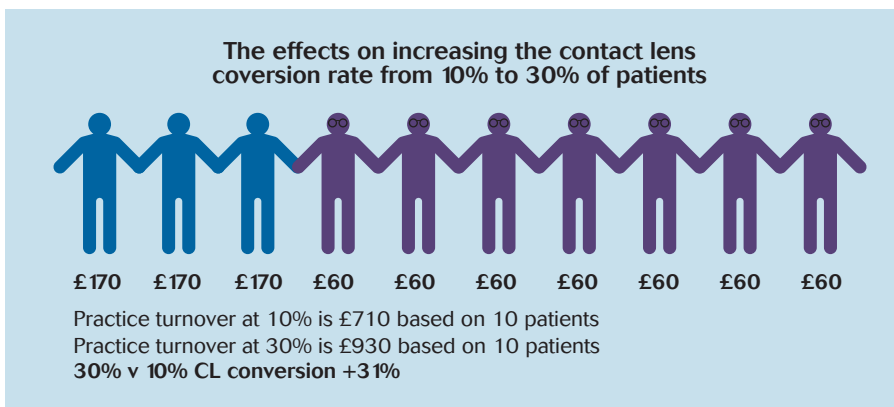


FIGURE 3. The effects on increasing the contact lens conversion rate from 10 per cent to 30 per cent of patients

The survey results showed that only 38 per cent of patients who underwent an eye examination had a discussion about contact lenses, and only 17 per cent tried contact lenses for the first time. Yet surveys indicate that 47 per cent of patients would try contact lenses if they were encouraged to do so by their ECP.

Figure 3 shows how an increase in the conversion from 10 per cent to 30 per cent of spectacle wearers who also wear contact lenses increases the total practice value turnover by 31 per cent, without having to find any new patients.

Additional value will be generated where the practice offers the highest cash margin products that deliver the most benefits first, improving patient satisfaction and retention.

In the UK and Ireland, contact lens patients are leaving the contact lens category at an average rate of two patients per practice per week, which is worth more than £10,000 per practice. This is due predominantly to discomfort and irritation from their current contact lenses.

**THEN WE MUST BE UNDERSTOOD**

When a customer walks into a practice, it needs to be a friendly, welcoming environment and not stale or sterile. Shopper behaviour research undertaken

by Johnson & Johnson Vision Care in September 2006 showed that patients perceived visiting the optician as a chore rather than a pleasure and that the majority of the shopping missions are pre-determined, in that they are focused and planned and do not encourage browsing.

Most spectacle wearers replace their frames every two years, or whenever their prescription changes, which restricts the practice's ability to maximise the 'touch points', or the amount of times it is able to communicate directly with customers.

The research also showed that loyalty to an optical practice is based on convenience, a trustworthy and knowledgeable ECP and friendly and welcoming staff. Value and range is low down the decision criteria when choosing an optician. The results are set out in Figure 4.

One process which must be given consideration is the handover from the eye examination to the dispensing or 'sell'. Patient emotions must be taken into account here, and thought should be given to how staff can cater to these. Remember it costs you eight times as much to find a new patient as it does to keep one.

To keep patients loyal you should:

- ◆ Offer the best quality of products first
- ◆ Provide good customer care
- ◆ Communicate regularly to customers
- ◆ Think about transparent pricing
- ◆ Accept the market and your customers are changing in their shopping habits.

**KNOW WHAT'S HAPPENING IN YOUR BUSINESS**

The 'Opticians performance model' was developed by RPS to 'work out what the best of the best are doing'. Figure 5 shows the model.

**The vision and customer journey**

What does a practice need to do tomorrow to be the best, and how does the practice

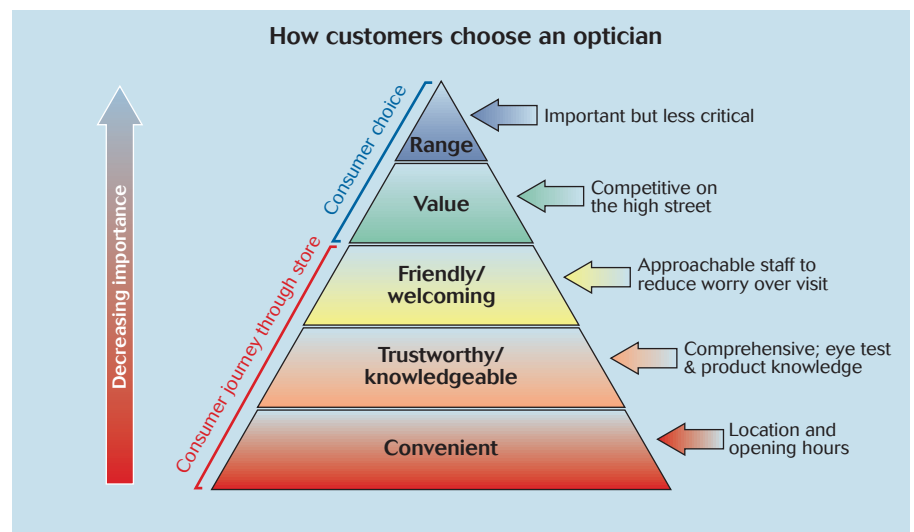


FIGURE 4. How customers choose an optician

owner or manager inspire success or manage failure? The simple way to identify this is to step into the customer's shoes and take a journey into the practice. Practices should identify their unique selling point (USP) and ensure customers can experience them. Staff should also know the vision for the future of the practice and how this can be aligned to customer experiences.

**Tracking and improving key performance indicators (KPIs)**

Key performance indicators are the specific measures that assess the success of a business. The single biggest reason that companies and managers fail is because they manage something other than KPIs. Tracking the correct KPIs allows sales performance to be assessed and growth opportunities to be identified.

Examples of KPIs could be:

- ◆ The number of sight tests
- ◆ Dispensing percentage ratio
- ◆ Average transactional value
- ◆ Gross profit per hour
- ◆ Return on investment (ROI) of each square metre of space.

It is generally acknowledged that retail is in the detail and the detail is in the KPIs. Three key statements about KPIs are:

- ◆ If it can be measured, it can be moved
- ◆ What gets measured gets done
- ◆ Engage staff with KPIs.

**Recruitment and practice operations**

Practice habits are created by the owner or practice manager. Managers should consider whether they would like to be managed by themselves along with how they ensure disciplined compliance in operational processes, service and sales? The following must be in place:

- ◆ A policies and procedures manual
- ◆ Non-negotiable performance standards

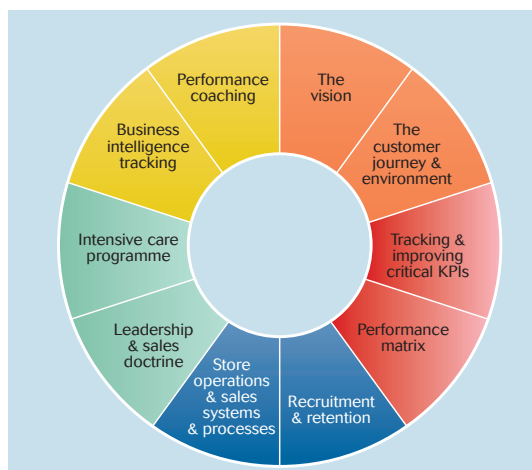


FIGURE 5. Opticians' performance model

- ◆ Formal ongoing skills development
- ◆ Formal performance reviews.

It is the responsibility of the practice owner or manager to create an environment where staff can exceed the customers' expectations and deliver real service.

There are two types of performance coaching:

- ◆ **Analytical coaching:** This involves individual coaching, having identified the statistics that are affecting performance
- ◆ **Skills/behavioural coaching:** This involves establishing the change required to improve, then addressing the skill/behaviour with the individual and ensuring that they receive follow-up support.

**Leadership and sales doctrine**

Practices need to recognise those staff who excel at customer interaction but lack the confidence to sell. Good selling is helping customers make informed decision for themselves, not deciding for them and then trying to 'convince' them. Maximising sales performance with everybody in the practice involves an eight-stage process:

- ◆ Complete a daily sales scorecard
- ◆ Conduct a daily 'roles and goals' meeting
- ◆ Communicate the practice target to the staff
- ◆ Track the daily sales target throughout the day
- ◆ Coach the staff on your required behaviours
- ◆ Conduct 'on the floor' coaching
- ◆ Have monthly brain storming sessions
- ◆ Introduce a staff incentive.

**Business intelligence tracking**

The patient database is a practice's biggest asset. It is important to establish how to maximise the database. It is nice for a practice to be able to say it has a database of 30,000 patients, but if only 2,000 are regular customers the other 28,000 are going elsewhere. Practices must decide on a 'break point' of inactivity – possibly two years. Once this 'break point' has been reached, practices should communicate with inactive patients by means of, for example, direct mail, telephone or promotions.

Business intelligence tracking consists of three different measurement systems:

- ◆ Patient service
- ◆ Category sales performance
- ◆ Practice sales performance.

**WORKING IN THE BUSINESS OR ON THE BUSINESS**

If owners go into the practice every day and spend 100 per cent of their time working in the business, they are basically an employee. Those that spend 70 per cent of their time working on developing a business are building an asset.

The 10 steps to working on your business are:

- ◆ Decide it is the correct thing to do both from a clinical and financial position
- ◆ Establish the current level of turnover the different revenue flows contribute to practice turnover
- ◆ Set a target for contact lens penetration rate and sales volumes to reach
- ◆ Audit current patient database
- ◆ Review the systems, processes, skills and behaviours required to improve your contact lens sales
- ◆ Explain expectations to team and train them
- ◆ Set up a scorecard to track performance for the whole practice
- ◆ Introduce an incentive to encourage performance
- ◆ Monitor performance and coach team
- ◆ Celebrate success.

**How to market the practice**

Marketing without a clear and user-friendly strategy is like stringing beads without tying a knot at the end of the string. A strategy should guide efforts for a minimum of three years; the good ones last 10 or more years. A basic strategy should start with seven basic statements:

- ◆ **The purpose of the marketing:** Is it to solicit inquiries, obtain sales, build a list of repeat or lapsed patients?
- ◆ **The benefits on offer to accomplish that purpose:** People want features that offer benefits. Practices should consider themselves as providing solutions rather than selling products, and potential patient benefits should be clearly explained to customers
- ◆ **Target audience:** The more tightly a practice can zero in on these patients, the easier it will be to reach them
- ◆ **Marketing weapons:** This should be the longest sentence in the plan, and is the place to show aggressiveness. The plans won't be implemented all at once, but practices and staff need an idea of the journey ahead
- ◆ **Market niche:** Also known as 'positioning', this is where a practice separates itself from the competition. Something distinctive is needed here – be it professional advice, clinical after care or products
- ◆ **Identity:** This describes the personality of the offering. It should help develop practice awareness

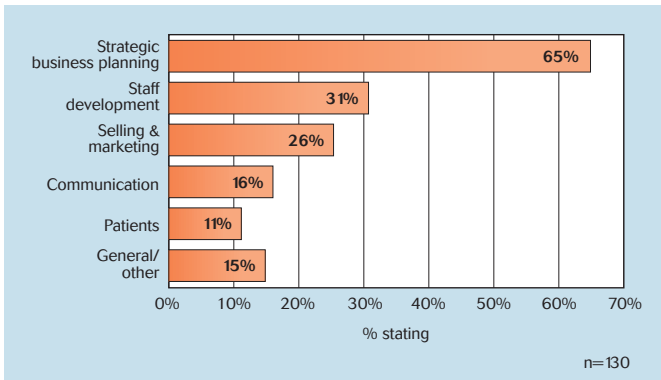


FIGURE 6. Key learnings from the business building programme. For attendees, five broad idea themes emerged from the seminar, the most significant on strategic business planning

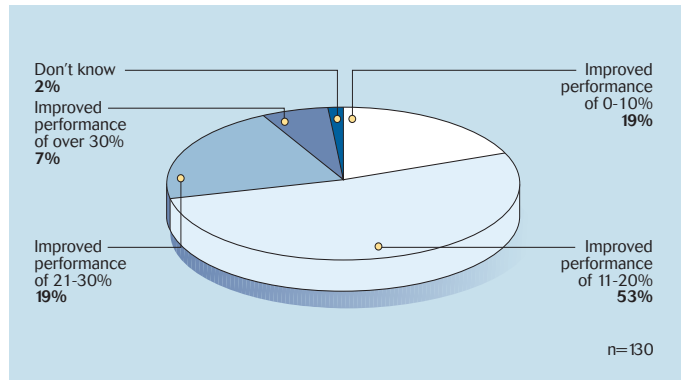


FIGURE 7. Attendees perceived performance improvement if ideas from the business building programme were successfully implemented. For the most part, attendees feel that successful implementation of ideas will likely yield somewhere between 11-20 per cent practice growth

◆ **Marketing investment:** Investment comes in two forms; time and money. Practices need to budget and block-out time to work on marketing along with funds. Allocated monies should be expressed as a percentage of projected average monthly sales.

- ◆ Strategic business planning
- ◆ Staff development
- ◆ Selling and marketing.

As can be seen from Figure 7, 79 per cent of attendees also felt that the successful implementation of some of the ideas from the business building programme would enable them to increase their practice profitability by over 10 per cent.

So what's your USP, KPI and ATV for next year? To help practices answer these questions, Johnson & Johnson Vision Care and RPS will be running the BBP again in early 2007. Contact local Acuvue account managers to register an interest.

**Sources of data**

- 1 Retail Performance Specialist. Opticians Performance Model, 2006.
- 2 Johnson and Johnson Vision Care. Shopper behaviour research, August 2006.
- 3 Johnson & Johnson Vision Care. Business Building Programme pre-survey questionnaire, September 2006.
- 4 VisionTrak, Market Data. May 2006.

◆ *Matthew Dealtry is category manager – Europe, Middle East and Africa at Johnson & Johnson Vision Care. More details on Retail Performance Specialist can be found at the website: [www.rps-global.com](http://www.rps-global.com)*

**FEEDBACK AND TOP ACTION POINTS**

From the 2006 business building events, 74 per cent of attendees rated the event as excellent, with the three top action points to take back to practice being shown in Figure 6. They are:

**fusion**

A fusion of colour and innovative frame design defines this distinctive and elegant collection. With visible influences from cultural sources such as modern architecture and fine arts, the range offers an individual style with a contemporary twist.

**inspired**

For further details please call Sue or Anne on 0116 238 7521 or e-mail [sales@olympuseyewear.com](mailto:sales@olympuseyewear.com)

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