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Profile of Corporate Optometric Practice

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Behavioral objectives: The purpose of this module is to provide an overview of the career opportunities for affiliation with optical retailers and to contrast this mode with private optometric practice. The student will gain a factual basis upon which to make informed career decisions.

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LEADING OPTICAL RETAILERS: 2008

	<u>2008 Locations</u>	<u>2008 Sales (\$ million)</u>
<u>Luxottica</u>	<u>3,009</u>	<u>\$2,695</u>
Lenscrafters	966	
Sears	879	
Pearle	809	
Target	325	
<u>Walmart</u>	<u>2,974</u>	<u>\$1,344</u>
Walmart	2,472	
Sam's Club	502	
HVHC Retail	515	\$538
Costco Wholesale	392	\$574
<u>National Vision</u>	<u>508</u>	<u>\$460</u>
Walmart	227	
America's Best	211	
Other	70	
Refac Optical Group	640	\$208
Other	1,622	\$1,405
TOTAL	9,660	\$7,164

Source: Vision Monday 2009 Top 50 U.S. Optical Retailers

Corporate Practice Modes

Employee:

8-10% of full-time corporate O.D.s

- Receive salary and benefits from optical retailer
 - No revenue from professional fees or product sales—salary only
 - No practice expense except CE, membership dues
-

Contractor:

60-65% of full-time corporate O.D.s

- Independent practice located adjacent to/within retail optical location
 - Some states require separate entrances and no sharing of staff
 - Revenue from professional fees only; no product sales
 - Pay rent to retailer
 - Staff and equipment usually provided by retailer
-

Leaseholder:

10% of full-time corporate O.D.s

- Independent practice located adjacent to/within retail optical location
- Revenue from professional fees and contact lens sales
- Pay rent to retailer
- Hire and pay own staff; purchase and own instruments



Corporate Practice Modes

Franchisee:

8-10% of full-time
corporate O.D.s

- Own practice; same management tasks as private practice O.D.
 - Pay franchise fee (percentage of gross) to retailer for marketing support, systems, signage
 - Receive purchase discounts from manufacturers
-

Associate O.D.:

8-10% of full-time
corporate O.D.s
3,000-4,000 part-time

- Hourly contractor (usually part-time) with full-time contract holder or leaseholding O.D. of retailer
- Receive hourly wage, no benefits
- No expenses

Corporate vs. Private Practice

Advantages of Corporate

- Freedom from most business management duties and responsibilities
 - Merchandising
 - Marketing
 - Staffing
 - Facilities
 - Purchasing
 - Accounting
- Immediate income after affiliation
- No investment required
- High net income in high traffic locations
- Part-time schedule sometimes available
- In large urban areas, many opportunities for corporate affiliation—some flexibility to pick location

Disadvantages of Corporate

- Less opportunity to practice medical eye care in some settings
- Upper limit on earnings in some settings
- Practice equity build-up may be limited or non-existent
- Must practice within hours, policy and methods of retail optical corporation
- High staff turnover in some settings

CORPORATE O.D. NET INCOME

(pre-tax)

	<u>Range</u>	<u>Median</u>
Employee	\$75,000-\$100,000	\$85,000
Contractor	\$70,000-\$250,000	\$120,000
Leaseholder	\$110,000-\$300,000	\$140,000
Franchisee	\$120,000-\$300,000	\$180,000
Associate O.D. (full-time)	\$75,000-\$95,000	\$85,000

Source: Practice Advancement Associates surveys

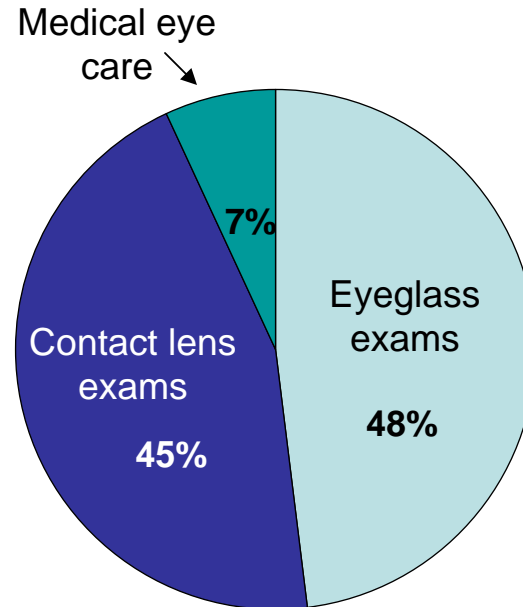
CORPORATE PRACTICE PERFORMANCE METRICS

Exams per O.D. hour—corporate	1.00
Exams per O.D. hour—private practice	1.10
Gross revenue per exam—corporate (fees only – median)	\$61
Walk-in exam percentage (average)	22%

Source: Practice Advancement Associates surveys

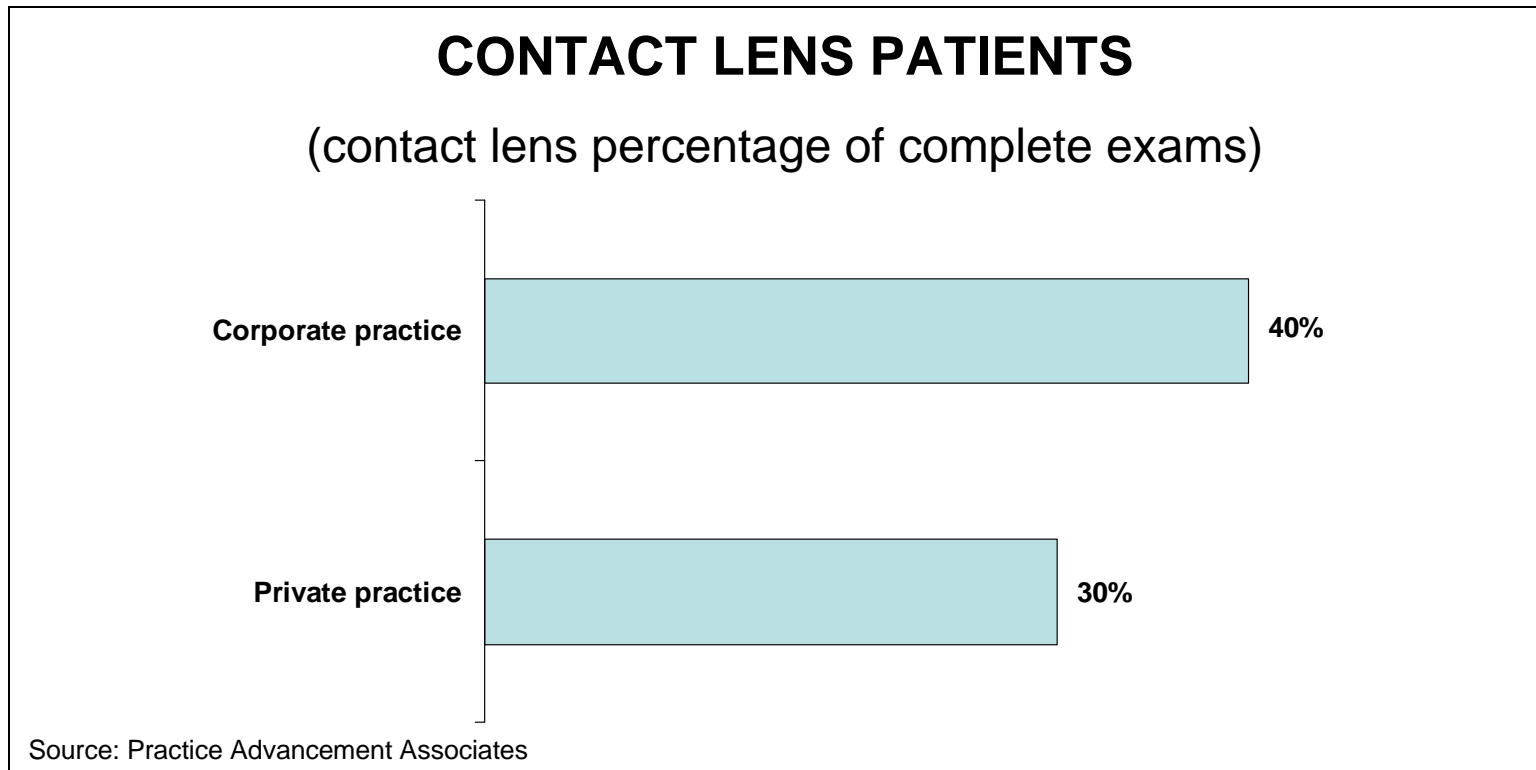
Most corporate practice revenue comes from conducting eye exams, little from medical eye care

CORPORATE PRACTICE SOURCE OF REVENUE (among practices with fee income only)



Source: Practice Advancement Associates surveys

Corporate affiliated O.D.s have a higher ratio of contact lens patients because professional fitting fees are higher for contact lenses





Corporate Affiliated O.D. Characteristics

- Corporate O.D. demographic profile resembles private practice O.D. profile with these variations:
 - Somewhat higher ratio of female optometrists than private practice: 30% vs. 25%
 - Gender ratio varies widely by retail affiliation
 - Locations with part-time affiliation opportunity attract more women
 - Somewhat lower years in practice than private O.D.s: 16 vs. 22 years
 - Years in practice varies widely by retail affiliation
 - New locations attract younger O.D.s, on average

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