PLANNING

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THIS CHAPTER WILL INCLUDE A REVIEW OF:

- Business plan
- Selecting a location
- The lease
- Designing the practice
- Choosing the equipment

INTRODUCTION

Planning is a critical part of any business including a new optometry practice. An optometrist opening a new practice faces a number of decisions on location, style of the practice, equipment to be acquired and how to finance the practice. These decisions demand careful research and the preparation of a business plan. Chapter 3 of this subject examines the business plan and the steps involved in setting up an optometry practice.

BUSINESS PLAN

"If you fail to plan you plan to fail" is an old adage, known in many countries. Given the sentiment of this adage it is not surprising that most successful businesses usually have a business plan, unsuccessful businesses very often do not.

All businesses including professional practices such as optometry practices should have a business plan. This will give the practice focus and a target to measure performance against. It will also be required by most, if not all, funding authorities such as banks and finance companies. Although it is not normally a legal requirement it is highly advisable.

The business plan will require some market research to determine the characteristics of the target market and how the planned optometry practice may fit in. It is impossible to anticipate all eventualities, however, to the best of his or her knowledge the owner should ensure that there will be no unexpected and unwanted surprises upon opening a practice.

The analysis of the current market in the target area will help to identify gaps in the current market and provide a guide as to the type of optometric practice to open. It will also inform the practice design, where it should be located and the strategy for practice promotion. Once the type of practice is determined (such as boutique, budget or medical) the plan can focus on the market, the competition and existing marketing opportunities.

BUSINESS PLAN(CONT.)

The market may be defined geographically, by patient type, or both. For example, the practice might be targeting middle- to high-income professionals between the ages of 25 and 35. Such a practice would be unlikely to see many presbyopic patients, as would a paediatric or behavioural optometry practice.

Analysis of the local competition is an important part of market research. Competition not only includes other optometric practices but complementary businesses which may attract income away from the practice. A patient may, for example, decide to defer an eye test or new spectacles to buy another fashion product or to have cosmetic dentistry. It is therefore essential that market research be a part of the creation of the business plan.

CREATING THE BUSINESS PLAN

Step 1: Writing the objectives

These are the objectives that will guide the business, providing it with something to aim for. It is the business objectives that will appear on the formal business plan. These are the objectives that should be made available to staff and may be required by lending bodies.

Most businesses will start with a 'mission statement' from which the objectives are derived. The mission statement is a single statement that sums up the purpose of the business and gives the organisation its focus. While some dismiss mission statements as unnecessary and meaningless they can provide some general direction and inspiration.

The mission statement may be quite broad, such as, 'To provide the highest level of optometric care to our patients', or it may be more specific, such as, 'To be a high quality behavioural optometry practice'.

Once the mission statement is created the next step is to develop specific objectives. Objectives will, by nature, be more specific and will include the costs of doing business. They will also need to be achievable and measurable.

Whether the mission statement is met is somewhat debateable but achievement or non achievement of the objectives should be very clear. It is also the objectives and how these were derived that will be of interest to lending authorities, not the mission statement. Some of the items that should be considered when listing the objectives are:

- Number of new appointments
- Number of follow-up appointments
- Amount of total sales

Appointments and total sales will be estimates based on an analysis of the local market and the current services provided by other optometrists in the area. The more thorough the research the more reliable will be the estimates.

While an optometrist's personal plans are not normally a part of the formal business plan they should at least be considered when drafting the business plan to ensure that they are compatible with the business objectives. Conflict between private objectives and business objectives may not present serious obstacles in the short term, but they will be untenable in the long term.

Personal objectives would include such things as time with the family or friends; material objectives, such as buying a house or car; lifestyle considerations, such as health, hobbies or travel; and the ability to make one's own decisions.

Step 2: Writing the strategic directions

The next step in drafting the business plan is developing a strategy for achieving these objectives. This requires the formulation of strategic directions for the practice which, in turn, involves examining the practice's market and finances to develop a marketing plan and a financial plan. The strategic directions will outline the marketing strategy, how finances will be raised and how the practice might be grown.

Step 3: Writing the operational plan

The operational plan outlines the daily management rules and strategy. It may include an organisational chart and should include the monitoring or control tools, that is, how the progress is to be measured. The choice of tools may be informed by the computer management system chosen for the practice.

The operational plan must ensure that the plan laid out in the strategic directions is followed. The organisational chart will outline the responsibilities and reporting lines of staff. If the practice is small this will be a relatively straightforward hierarchy. We will discuss organizational charts in Chapter 5.

The tasks of planning and control are two of the main functions of management. Control is the monitoring of the practice to see if it is meeting its objectives. The business plan should provide the tools for both of these management functions. We will consider financial control later in this subject.

SELECTING A LOCATION

Market research is critical for the successful location of any business, including an optometry practice. Finding the most appropriate location for a business can have a significant effect on its ultimate success. The factors influencing the choice of location can be divided into two types; general factors, which involve analysis of population characteristics (demographics); and specific factors, which involve the nature of the specific zone, that is, the street, shopping mall or hospital location.

General factors

The most important considerations are the size of the population, the nature of the population, population trends and the number of direct competitors. The size of the population relative to the number of competitors is a critical factor. Choosing an area because it has a large population may not be wise if there are also a large number of established competitors. It has been argued that a population of between 20000 and 30000 is needed to support each small to moderate optometry practice in an average developed country but this should only be used as a very rough guide. The figures are likely to be significantly higher for vision centres in developing countries.

The relevant population may include people who live outside of the town or suburb. Large urban shopping malls and large country towns often draw patients from surrounding areas. In developing counties available public transport will affect the size of this catchment area.

The nature of the population is also of interest. For example, if you choose to set up a high fashion boutique you will need to locate close to potential patients. For an optometry practice the age profile of the population is particularly relevant given the significance of presbyopia to most optometry practices.

Other important considerations include the average income and the profile of working age people; that is, whether they are professional people or tradespeople. Population trends are also important, particularly with regard to age, given the importance of presbyopia to optometry practices. This information can usually be found in governments' statistics bureaux. Other organisations such as chambers of commerce or local councils may be able to provide useful data on the local area.

Specific factors

Specific factors involve the actual shopping mall, street site or hospital location and the shop itself. The characteristics of shopping mall sites and street front shops are entirely different, each with contrasting advantages and disadvantages. Neither is necessarily better for an optometry practice and practices have thrived in both environments. A third option for optometry practices is a hospital environment (either in the hospital or adjacent to it). The main features of each location are discussed below.

Shopping mall

A shopping mall's main advantage is that it attracts a large number of shoppers. Shopping malls have a large variety of shops all under one roof with convenient parking. Most large shopping malls also have one or more 'anchor stores'. These are large department stores, chain stores or supermarkets. The anchor or anchors are the main attractions for customers and therefore draw in numbers to the mall. Without an anchor, a shopping mall is merely a collection of shops with no particular attraction. So, at least one, or preferably more, anchors are an important factor in selecting a shopping mall.

Malls are also enclosed buildings with air-conditioning and so provide a comfortable atmosphere for people to spend any available time. They also provide quality common areas and food courts. Occasionally malls may put on attractions to bring in customers. Larger malls will often advertise on television and radio. Such advertising is generally beyond the reach of the small businesses that make up the mall. Once the shopping mall has attracted the shoppers into the mall it is up to each shop to then attract their own clientele.

However, because shopping malls usually maintain a certain level of quality and provide support services they can be quite demanding of tenants. For example, they usually demand that their tenants maintain quality of presentation and shop windows.

While there are several benefits to locating in a shopping mall, there are also some significant disadvantages. Arguably, the main disadvantage is high rent. Also management demands can be restricting and costly, requiring certain opening hours and demanding that stores undertake refits if they believe that the shop decor does not fit the image of the mall. They often reserve the right to veto planned shop fits in the leasing contract. They may also require payment for advertising, mall upkeep, mall security and air conditioning.

SELECTING A LOCATION(CONT.)

Street-front shop

Street-front shops generally provide much greater freedom for the optometrist or business. Landlords are less likely to make demands in terms of shop fitting. Rent is also usually considerably lower than in a shopping mall.

There are, however, a number of disadvantages with street-front locations. They rarely provide parking for patients and, indeed, may not provide undercover access to the shop. There are no 'anchor stores' to attract clientele and so street front shops must rely on 'passing trade' in the literal sense. While shops in shopping malls may also rely on passing trade, the customers are attracted into the complex and then move around within its boundaries. On the street, however, people are simply walking past, generally moving from point A to point B. However, optometrists, as professional practices, are destinations and rely less on passing trade than normal retail shops.

Hospital based practice

Ideally an optometrist's practice should be located near or within a hospital with an ophthalmology department, rather than merely a general hospital. This provides the opportunity to create a professional relationship with the ophthalmologists and a cross referral system.

The main advantage of a hospital based practice is that the people attending the hospital are there for health related purposes whereas people visiting a shopping mall are mainly there to shop. Thus a greater proportion of the visitors to hospital are potential patients than visitors to a shopping mall.

A hospital based practice will usually have a more medical, rather than fashion, based clientele given the nature of its location.

CRITERIA FOR SELECTING A SPECIFIC LOCATION

Once the decision of shopping mall or street front is made, the following factors must then be considered:

- **Pedestrian flow:** All retail businesses should take note of how pedestrian traffic flows through the shopping mall or along the street. Shopping malls will often try to improve flow by, for example, separating up and down escalators. This is a deliberate attempt to improve pedestrian traffic for the benefit of their stores. It is important that the practice be where there is regular pedestrian traffic and not isolated.

  Pedestrian flow is also a consideration for street front locations, and to a lesser degree, hospital based practices. If a practice is not easily seen people are less likely to visit it
- **Surrounding businesses:** For some businesses it is important, or at least advantageous, to be located near competitors. For example car yards, real estate agents and fast food outlets are often located near each other. For optometrists, being close to competition is not necessarily a good thing. Nevertheless it should not preclude what would otherwise be an ideal location. Countries vary in their characteristics in this regard. In some countries shopping around is a part of the culture of buying spectacles, and, indeed, any product, and so grouping of like businesses makes some sense. In the major cities in Vietnam, for example, most similar shops are grouped together to such a degree that some streets are recognised by the dominant business; for example, 'shoe street', 'spectacle street' etc.
- **Proposed local changes:** Local council plans such as closing off streets, may have an effect on pedestrian traffic. As will the planned opening of a new mall nearby. This is particularly important for street front locations
- **Site history:** Most sites will have had a previous history. It is important to find out why the previous businesses are no longer operating. There may have been a problem with their type of business, their own management or the site itself
- **Practice plan:** It is important to select a site that suits an optometry practice, allowing for a testing room of adequate size and appropriate dispensing and reception areas
- **Restrictions:** Consider what restrictions the landlord will impose on the practice. There may, for example, be a requirement to refit the shop periodically. Councils may also impose restrictions such as disability access
- **Cost:**The cost must fit in with the financial predictions in the business plan

SELECTING A LOCATION(CONT.)

VISIBILITY OF PRACTICE AND PEDESTRIAN FLOW

When establishing a new practice, there are important long term benefits if the premises are in a prominent position in the shopping precinct or mall.A more visible location, preferably with a wider shop front, should create greater impact in attracting new business.Any premium in rent for a better site is justified by improved new client awareness and faster increase in business growth.It may seem prudent to rent less expensive premises in an arcade or upstairs, however, there is greater financial risk due to reduced client numbers and increased advertising costs to promote the difficult to find location.

SIGNAGE:

Building and under awning signs that are large and easy to read are important in advertising a new business. New clients, other than passing pedestrians, need to find your business easily especially if responding to an advertisement or recommendation.

THE LEASE

Most optometrists will need to lease the premises in which they will practice. The lease, like any other business transaction, is a legal contract. Therefore legal advice should be sought before committing to the lease. Most leases have the following features:

The rent

The rent is the amount of money paid to occupy and use the premises. It is often quoted as an annual figure per square metre even though payment will be weekly, fortnightly or monthly. For example, a location may be priced at $650 per square metre. If the shop was 80 square metres, then the annual rent would be $52 000 (or $1000 per week).

Outgoings

Outgoings are often included in the rent but may be listed separately. These include such things as rates, maintenance and insurance.

The terms of the lease

These determine the time period that the lease covers. They may also include an option for renewal. If no option exists, then the landlord may simply not renew the lease on its completion, forcing the practice to move.

Permitted uses

While the permitted uses of the shop may not be a problem at the time of signing, they may prove a problem further down the track. This clause in the lease defines what kind of business can be operated in the store. In most cases this will be expressed in general terms such as whether food outlets are allowed, however shopping malls often like to control the mix of businesses and so will be more specific. An optometry practice, for example, should ensure that the lease doesn't preclude the sale of sunglasses. Sunglass-specific stores are becoming a common feature in shopping malls.

Use of common areas

The lease may specify the use of common areas such as kitchens, toilets, delivery access corridors, goods lifts and parking. This will be an issue for practices in malls or hospitals but is unlikely to apply to street front practices.

Lease assignment

This is the right to sell or transfer the lease. It is particularly important if, for example, there is a lengthy lease but the business proves to be unviable before the end of the lease. In such a case a replacement tenant would need to be found to take over the lease for the remainder of the time.

Opening hours

While it is not an issue for street-front shops, shopping malls often specify the hours that their tenants must remain open. If the lease requires the shop to be open every day, as is now common in most countries, the practice might require extra staff. If extra staff is not feasible, particularly as the practice is being established, this may mean a heavy work load for the owner, making a street front a better option.

THE LEASE(CONT.)

Shop fitting and other specific clauses

Some leases allow the landlord (shopping mall management in particular) the right to veto the chosen shop design and/or colour scheme. Such clauses might also require regular refits. Again the advice of a lawyer and/or an accountant is essential.

DESIGNING THE PRACTICE

Once the site has been selected, and assuming that it was selected to suit an optometry practice, the next step is to design the layout. The size of optometry practices varies from small practices (between one and four staff) with an area of about 60 square metres to 'superstores' of around 250 square metres.

This section will assume that a small optometry practice with a dispensary and optical workshop is being established. Nevertheless, many of the principles will also apply to larger practices.

Consulting room

The consulting room need not be near the front of the practice. As with the optical workshop, it is normally positioned near the rear. It must be of adequate size for visual acuity testing (at least three plus metres in one direction) and for equipment; chair and stand, slit lamp, non-contact tonometer etc.

A formula to obtain a standard 6 metre testing distance for Visual Acuity measurements in an indirect testing room (using a mirror):

Distance of letter chart to mirror (CM) + distance of mirror to patient face (MF) = 6 metres

For example: CM 3.3m + MF 2.7m = 6.0m

This indicates the patient chair is positioned 60cm from the chart wall.

The consulting room should also have a sink for the optometrist to wash his or her hands between consultations. Privacy and the ability to create a dark environment are also important considerations for an optometry consulting room. Consulting room entry visible from the dispensary and reception areas, allow the specialised optical equipment to be seen by the public when not in use. This promotes the availability of eye tests in the premises.

Consider the future growth of the business by planning additional space for another consulting room. There are benefits to include a private office or store room for administration and other items such as bulky contact lens trial cases. This helps reduce consulting room untidiness.

DISPENSARY

Frame displays

Frames should be displayed in an accessible area, with around 250 to 400 frames on display in an average practice. Those displayed at eye level are more likely to be considered by patients than frames displayed at the top or bottom of racks, therefore better frames should be placed in these spots.

The horizontal position of the rack is also important. The closer to the front the frame racks are, the greater the likelihood of sales. If racks are placed above benches or cupboards and go around a corner, the frames tucked in the corner will tend not to sell well.

Sundry displays and sunglasses

Sunglasses are normally displayed near the front of the shop, though this also increases the risk of theft. Other sundry items such as magnifiers, cases, lens cleaners and contact lens solutions are usually positioned on a display at or near the reception desk where they lend themselves to recommendation by the optometrist or his/her staff at the time of purchase of spectacles.

Reception desk

The reception desk can be placed at the back which is the least productive floor space. This also encourages people to move to that area. However, if it is located near the front of the shop it can facilitate the greeting of patients. The positioning may well depend on the shape of the premises and the location of the various doors and rooms.

DESIGNING THE PRACTICE(CONT.)

OPTICAL WORKSHOP

Optical workshops are usually positioned at the back of the shop. They are normally about the size of a normal kitchen and, like a kitchen, also need access to a water supply. Some practices have the workshop completely closed off from view by patients. They can be noisy and they are also often somewhat messy.

Others prefer to have the technology on display. In such cases it is important that the workshop be clean and tidy. The actual layout of the workshop should follow the principles of work flow. The location of plumbing, electricity and existing cupboards may also affect the location of the machinery.

Depending on the size of the premises, a full workshop may be considered more productive in a less expensive off site location.Alternatively, it may be more cost effective to have the majority of optical orders manufactured and fitted by your optical laboratory. The floor area of the practice workshop can then be reduced and only used for minor repairs and occasional lens fitting. There is the additional financial benefit with less initial capital investment for laboratory equipment.

CHOOSING THE EQUIPMENT

Consulting room

The equipment selected for the consulting room will be guided by professional norms in the region and may also be influenced by neighbouring facilities such as proximity to an ophthalmic department in a hospital. Practices in more remote locations may also see a need for diagnostic equipment which may be considered an unnecessary luxury in a suburban practice. The following checklist is indicative and not exhaustive.

- Slit lamp
- Phoropter
- Trial set
- Trial frame
- Chair and stand
- Non contact tonometer
- Direct ophthalmoscope
- Indirect ophthalmoscope
- Retinoscope
- Ret lenses
- Corneal Topographer
- Pachymeter
- Diagnostic lenses for ophthalmoscopy
- Hand held tonometers
- Jackson cross-cyls
- VA charts
- Ishihara test
- Amsler grid
- Corneal Topographer
- Distometer (vertex distance measurement)
- Model eye (for demonstration)
- Penlight torches
- Auto-refractor
- Perimeter
- Focimeter
- Prism bars

CHOOSING THE EQUIPMENT(CONT.)

Dispensary

The equipment selected for the dispensary will also be guided somewhat by professional norms in the region. Once again, the following checklist is indicative and not exhaustive.

- Pupillometer
- Height measurement device
- Pentorch
- PD rule
- Parallel rule
- Distometer
- Digital measurement system
- Focimeter
- Frame heater
- Hand adjusting tools

Optical workshop

Some practices now choose not to include an edging and fitting workshop, preferring to have a scanner and have the lenses fitted in a centralised laboratory. In such cases it is still wise to have a small hand edger to cater for lenses that come back marginally big. If a workshop is to be installed, the following equipment will (or may) be needed.

- Focimeter
- Lens blocker (layout marker)
- Tracer (or template cutter)
- Automatic edger
- Hand edger
- Frame heater
- Lens groover
- Three piece drill
- Tint bath
- Hand tools
- PD rules
- Parallel rule

CHOOSING THE EQUIPMENT

Careful planning and a detailed management plan will not guarantee a successful optometry practice but it is likely that unsuccessful practices did not have plans. Planning provides essential direction and tangible goals for the optometrist and his or her staff.

The location of the practice is a major factor in its success. Careful choice of the location of the practice following extensive research is an important first step in setting up an optometry practice.

SELF ASSESSMENT 3

1. What are the three steps in creating a business plan?

a. _____

b. _____

c. _____

2. What are the main advantages of locating in a shopping mall?

a. _____

b. _____

c. _____

3. What is meant by lease assignment?

4. What are 'outgoings'?

ANSWERS – SELF ASSESSMENT 3

1. What are the three steps in creating a business plan?

a. Writing the objectives
b. Writing the strategic directions
c. Writing the operational plan

2. What are the main advantages of locating in a shopping mall?

a. Pedestrian traffic drawn by the anchor store/s
b. Parking
c. Undercover and air-conditioned

3. What is meant by lease assignment?

This is the right to sell or transfer the lease. It is particularly important if, for example, there is a lengthy lease but the business proves to be unviable before the end of the lease. In such a case a replacement tenant would need to be found to take over the lease for the remainder of the time.

4. What are 'outgoings'?

Extra costs on top of the lease payments, including such things as rates, maintenance and insurance