Optician Index May 2011

# Turnover worries

A fall in practice turnover and total sight tests show that May has been a difficult month for many practices

May has been a difficult month with the two key indices, total sight tests and total turnover both falling after three consistently good months. Some of our benchmarks – single-vision lenses, contact lens new fits, dispensing volumes – are showing lower index values for the month but more positive annual growth figures.

This month our report focus is on the financial factors of practice management.

Total practice turnover is down by 4 per cent on last month to 168 Index points, 5 per cent lower than May 2010 but is showing a positive annual growth figure of almost 6 per cent. In Figure 1, the moving average series line, which takes into account historic values, shows the significant decline throughout 2009, steady increase during 2010 followed by a flattening over this year.

The fall in May this year is of particular concern as in the previous two years the value went up from April and last year the value peaked in May/June and then fell significantly through the second half of the year. However, as a positive note the linear trend-line, which takes into account only the values included in the chart and no historic data, shows a healthy upward trend.

The total number of sight tests reduced by 6 per cent to 105 Index points during May from April and is 2 per cent higher than May last year. The number of eye examinations which were NHS increased by 3 per cent in May to almost 80 per cent, half a per cent higher than May 2010, this is the highest percentage of NHS tests seen in the Index.

Influenced by the lower number of sight tests this month, turnover per eye examination improved by £2.11 from April. Although this is £6 lower than May last year, it still represents a positive annual growth of 6 per cent. In Figure 2, we can see that in the preceding two years there have been increases in the early part of the year, followed by bigger increases in the early summer months and before Christmas but a downward trend between July and October. The moving average over the charted period shows consistent growth throughout 2010 slowing and levelling off so far this year. Again, the linear trend-line demonstrates a significant upward trend.

Figures 3 and 4 show the turnover per eye examination and dispensing rates by turnover group reported during May 2011.

Generally, *Optician* Index reports comment on indexed values so any percentage change means the same to a small independent practice as a large multiple practice. However, the following analysis enables you to position your practice by turnover size and therefore average values become more meaningful.

The categories are based on turnover reported for May, under £20,000 turnover for the month, £20-40,000 turnover and £40,000 plus. The quartiles are calculated by sorting the data and dividing into four equal parts. The mid-point is the median quartile, the lower group is the 25 per cent falling below the median, the upper quartile is the 25 per cent above the median, and the middle 50 per cent is the median quartile. In all categories, if your practice falls below the median line, you could explore new or different opportunities through marketing, range of products offered or operational changes. If your practice falls above the median line, the challenge is to maintain or


**SUMMARY**

- Practice turnover reduced by 4 per cent to 168 Index points from April
- Turnover per eye examination went up by £2 from last month
- Sample average total dispensing up 2 per cent from May 2010 to 89 Index points
- Bi/trifocal lenses improved by 10 per cent from last month
- Photochromic lenses increase by 1 per cent on last month to 16 per cent of dispensing


**Figure 1** Total practice turnover

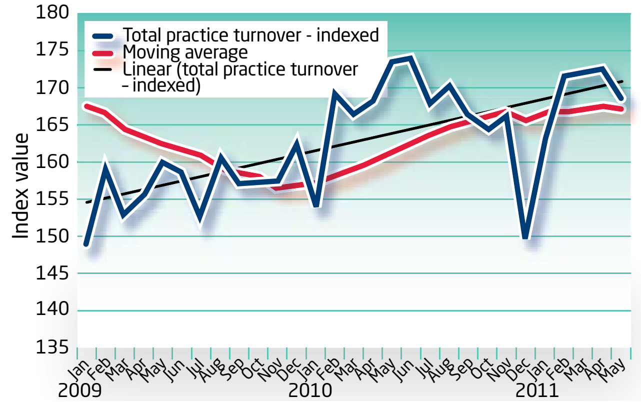



**Figure 2** Turnover per eye examination

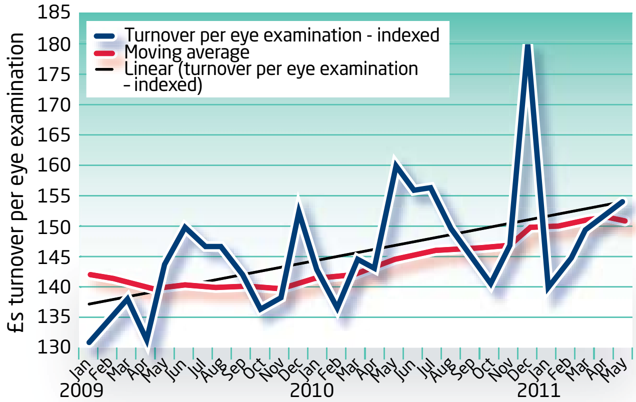


**Figure 3** Turnover per eye examination by turnover groups

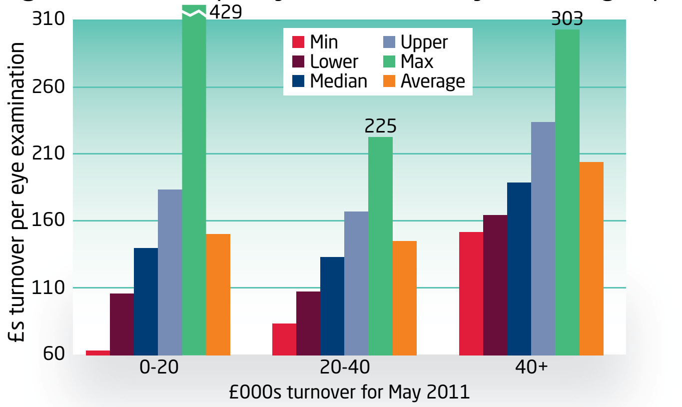



**Figure 4** Dispensing rates by turnover group

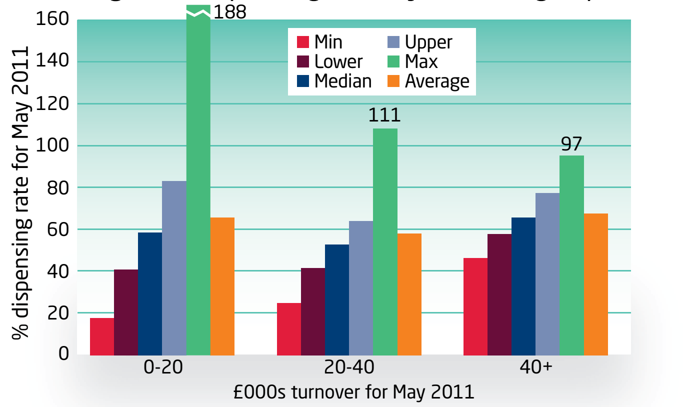
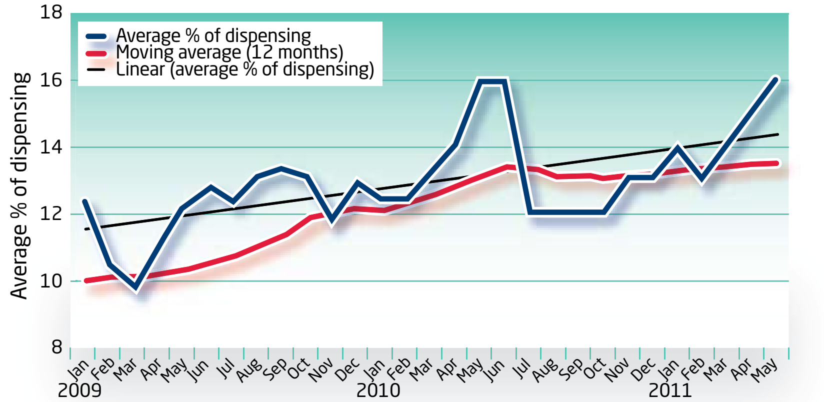



**Figure 5** Photochromic lens growth




improve further through continually evaluating all aspects of your business.

As an example, a practice with a turnover of £23,500 (inc VAT) for May, having performed 175 sight tests would have an average turnover per eye examination of £134.29. The practice would be in the £20-£40,000 turnover bracket and in the median quartile, the practice performance in this benchmark example is in line with the turnover group. If the same practice dispensed 75 pairs of spectacles during the month their dispensing rate would be 43 per cent (which is calculated by dividing the total volume of dispensing by the number of eye examinations carried out). The practice would therefore fall in the lower quartile of the middle turnover group.

The average turnover per eye examination value (Figure 3) was higher in the lower turnover group than the middle turnover group but highest in the larger turnover group by a significant amount. The upper and median quartiles in the lower turnover group also achieved higher turnover per eye examination values than the practices falling in the middle turnover group. This was not the case when we last reported on this in March 2010 when the average turnover per eye examination reported was lowest in the lower turnover group and increased in line with the turnover category sizes. The highest maximum figure for turnover per eye examination was recorded by a smaller practice with a turnover of less than £20,000 for the month.

For dispensing rates by turnover groups (Figure 4), the lower turnover group achieved a higher average dispensing rate of 68 per cent, 8 per cent higher than the middle turnover practices and just 2 per cent less than the high turnover group. Both the median and upper quartiles of the lower turnover practices achieved higher dispensing rates than the middle turnover group, and the upper quartile of the lower turnover group is higher than the upper quartile of the larger turnover group. Once again the maximum achieved between all groups was from a smaller turnover practice.

Surprisingly, this analysis reveals that the lower and higher turnover groups achieved higher turnover per eye examination and dispensing rates than the middle turnover practices. It should be noted that this is a snapshot of the results submitted in May and we will re-visit in the future.

Total dispensing was 2 per cent lower than April 2011 but 2 per cent higher than May last year, now at a value of 89 Index points. Single-vision and progressive lenses reduced and bi/trifocal lenses increased significantly, by 10 per cent from last month.

Photochromic lenses (Figure 5) increased by 1 per cent from last month to 16 per cent, the same as May 2010. The linear trend-line over the charted period shows steady growth. The moving average was one of the few benchmarks to show growth during 2009, which has been sustained through the first half of 2010 and now appears to be level.

Anti-reflective coatings rose by 1 per cent on last month to an average of 47 per cent of dispensing, 1 per cent lower than May 2010.

All figures are adjusted to a 25-working day month. In May 2011 there were 24 working days.

This data has been brought to you with the support of Transitions.

### BENEFITS OF JOINING THE INDEX

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- 16 years of sample data available
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If a practice would like to contribute to the Index, which is a free service to UK practitioners, please contact Lynn Hawkins on 01622 260595, to discuss the benefits, no obligation, or by email to l.hawkins@businessbenchmarks.co.uk