

# Do You Benchmark Your Inventory?

Learn why you should—and get 5 specific points on how to nail benchmarking to get a very tangible bump in practice profits

When it comes to discerning the efficiency and effectiveness of optical dispensaries, it can be challenging to know where to begin.

Often, practices find their dispensary is turning a modest profit seemingly on autopilot. As a result, a “don’t fix what isn’t broken” mindset settles in amid the daily duties of accomplishing Priority No. 1—which is, of course, patient care.

Since the dispensary is performing “OK”—and because the most pressing items and formulas for proper dispensary benchmarking aren’t readily known—many practices are content to just leave well enough alone.

However, not taking stock of a dispensary’s performance on a regular basis is akin to leaving money on the table. Equipped with the following list of important steps and simple benchmarking arithmetic, practices can realize the elevated revenue stream that has been waiting for them—fittingly enough—right next to their own waiting rooms.

## BENCHMARK: Pinpoint Ideal Dispensary Size

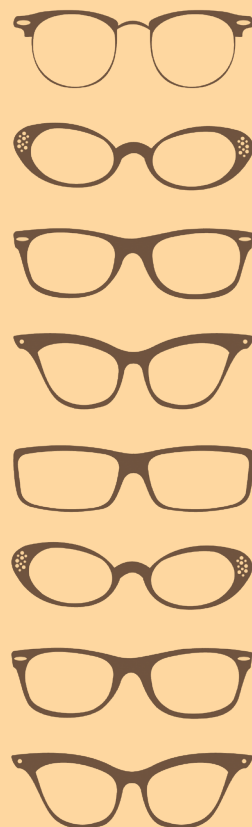
Finding a dispensary’s Goldilocks’ Zone—not too big but not too small—is crucial to eliminating unnecessary overhead costs.

### A functional formula is as follows:

Take the total number of annual refractions and multiply that figure by .65 to represent a goal capture rate of 65%. Take the result and divide it by 3, which represents the minimum acceptable unit turn rate.

Let’s use 3,000 annual refractions for this example. Sixty-five percent of 3,000 is 1,950, which divided by 3 is 650. So, the ideal number of frames on display for a practice doing

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3,000 refractions per year is 650.

No matter what your calculations, the minimum number of frames displayed in an average dispensary to get a comprehensive selection is 400, and the maximum needed is generally 1,000.

The benchmark for inventory turn is three to five times per year, so a 650-piece inventory can easily support 3,250 unit sales—which generally would mean your practice would be performing over 5,000 refractions per year.

## BENCHMARK: Too Big vs. Too Small?

There are pitfalls involved with being both too high above and too far below this ideal figure, though the former—too many frames on display—is by far the most common. Maintaining too large an inventory takes dollars away from the bottom line in wasted time, makes vendor negotiations more difficult, and increases costly returns.

Maintaining a tiny inventory—as low as 250 pieces—can work in more of a boutique setting, but doesn’t function as well if you have standard frame displays.

If all your inventory fits on one or two frame displays, patients feel like there is a limited selection. If the frames are displayed on glass shelves or in jewelry-type cases, you can carry a small selection that gives the look and feel of a larger inventory.

## BENCHMARK: Define Average Price

It may seem elementary, but taking the time to determine a dispensary’s average selling price can help inform your broader inventory decisions.

**The math itself, of course, is easy:**  
Take the dispensary’s total annual frame

revenue and divide it by total units sold. For example, a dispensary generating \$365,000 in frame revenues while selling 1,950 frame units has an average selling price of \$187 per pair of frames.

That \$187 figure now becomes a measuring stick by which to gauge the dispensary’s current inventory. The retail price of the majority should fall just slightly above that figure, with balanced percentages priced levels above and below it.

## Here’s an example of what an optical dispensary with a \$187 average retail selling price would look like:

- Under \$100 = 5%
- \$101-150 = 15%
- \$151-200 = 35%
- \$201-250 = 25%
- \$251-300 = 15%
- Over \$300 = 5%

This often-neglected benchmark is very important in determining your future purchases. If your average retail is \$187 but you have purchased too many frames in the \$275 price point, you may be alienating patients. Conversely, if you purchase too many frames in the \$125 price point, you may be undermining your dispensary’s potential.

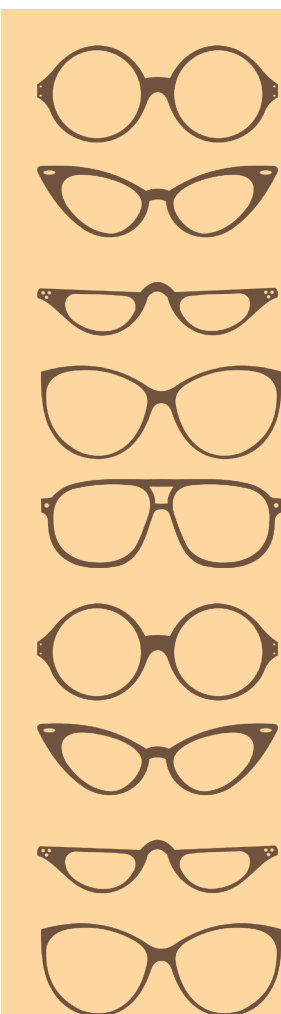
## BENCHMARK: Choose the Right Vendors

Vendors have great salespeople; it’s part of their jobs to be amiable “people persons.” We all love our vendor representatives. When choosing the right dispensary vendors, however, feelings are far less important than facts.

**Use your own sales data history to make clear determinations based on business rather than bias.** Vendor reports, however nice, should be used to support your internal data, not relied upon for your purchasing decisions.

Again, it’s just a matter of mathematics. Track a vendor by its annual sales, both volume and average selling price. Divide annual unit sales by three inventory turns.

For example, if Frame Vendor A has an annual sales history of 300 frames in your dispensary, you should be carrying 100 frames from that vendor at any given time. If that same vendor has multiple sales reps carrying



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different lines, analyze that vendor by designer and apply the same formula, always keeping in mind your overall goal of balanced price points. In some cases, very high-end frames, specialty lines, or even kids’ products may not meet the minimum turn desired but are still essential to keep a desired selection.

Ideally, you will want to purchase from only eight to 10 vendors and buy in deeper volumes to get the best possible pricing. By calculating inventory turns for each vendor, you may find some smaller vendors with nonexclusive products that can be eliminated from your inventory.


## BENCHMARK: Get the Right Breakdown

Let’s continue our inventory math with, “How many frames in each category do I need?” Women not only need more selection than men, but there are also many more frame styles and shapes available for women.

## As we take another look at our ideal 650-piece dispensary, the breakdown would generally look like this:

- Women 45% = 293 frames
- Unisex 20% = 130 frames
- Men 25% = 162 frames
- Kids/Tweens 10% = 65 frames

The standard inventory split would be 85% ophthalmic and 15% sunwear. These are, of course, general guidelines for a “typical” dispensary, and the specific demographic mix of your practice will ultimately determine the final percentages.

Frame inventory is one of the largest expenses in your dispensary. Managing it well, buying carefully, and reevaluating every inventory benchmark at least annually will ensure maximum profitability. 

—Mary Walker

**About the Author**  
Mary Walker is director of operations for Vision Associates, Inc., which offers turnkey, customizable optical dispensary management and consulting services that allow eyecare practices to maintain ownership and control of their dispensaries while relieving them of the time and effort involved in their everyday operation—all while increasing profitability.

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