

A FORENSIC STUDY TO ASSIST YOU IN UNDERSTANDING YOUR PROFITABILITY

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Road Map

1. Gather financial information
2. Evaluate and standardize
3. Calculate occupancy and other costs
 - a) Operating expenses
 - b) Cost of Goods
4. Determine your "Monday Morning Number"
5. Review practice "Snapshots"
6. Review and analyze "Break Even and Profits"

What are your true "hard" costs?

- Rent
- Payroll
- Utilities
- Insurance
- Advertising/Marketing
- Maintenance
- Supplies
- ... and more

STEP 1

Gather Revenue & Expense Data

- Financial Software
 - QuickBooks
 - Quicken
 - Other Financial Program
- Practice Management Software
- Napkins and scrap paper
- Notes on the bulletin board

STEP 1

What YOU will NEED to do:

- Revenue Breakdown
 - Frames
 - Lenses
 - Contact Lenses
 - Professional Fees
- Expenses
 - Broken down into categories

STEP 1

Categorize Your Expenses

- Frames
- Spectacle Lenses
- Contact Lenses
- Staff Salaries & Benefits
- Docs Salaries
- Occupancy (rent)
- OTHER EXPENSES
 - General Overhead
 - Equipment
 - Marketing & Promotion
 - Interest
 - Repair & Maintenance
 - Insurance

STEP 2 Evaluate & Standardize Your Information

Staff Salaries -What percentage of each staff members time is spent working for each business?

Employee Role / Title	Dispensary	Professional
Receptionist	50%	50%
Lab Manager	100%	0%
Frame Stylist	100%	0%
Practice Manager	50%	50%
Tech or Scribe	10%	90%
Retail Manager	100%	0%
Check-Out Person	50%	50%
Contact Lens Person	10%	90%
Administrative Assistant	20%	80%
Book Keeper	40%	60%

STEP 2 Staff Salaries & Benefits

Employee Role / Title		Salary & Benefits	Dispensary	Professional
Receptionist	Jamie	\$25,000	\$12,500	\$12,500
Lab Manager	John	\$40,000	\$40,000	\$0.00
Frame Stylist	Lisa	\$30,000	\$30,000	\$0.00
Practice Manager	Sandra	\$55,000	\$27,500	\$27,500
Tech or Scribe	Connie	\$25,000	\$2,500	\$22,500
Tech or Scribe	Seth	\$25,000	\$2,500	\$22,500

STEP 2 The Result

	Total	Dispensary Expenses	Professional Expenses
Staff Salaries & Benefits	\$200,000	\$115,000	\$85,000
		58%	43%

New Benchmarks

STEP 2 Evaluate & Standardize Your Information

- Doctors Salaries
 - Included In Professional Business Only
 - Identify Your Total Salary + Benefits
 - IRA or 401k
 - Personal Expenses
 - Child / Spouse Pay
 - Car payments / Insurance

STEP 2 Evaluate & Standardize Your Information

What would it cost to replace yourself?



-100k? 120k? 140k?

- Replace your wages
- Associate Doctor Salary = Actual

STEP 2 Doctor Salaries

Your Actual **\$250,000**

Equivalent \$120,000

Associate \$ 40,000

TOTAL **\$160,000**



STEP 3

Occupancy Costs

- How many square feet is your practice?
- Do you own or rent?
 - Own
 - What are you paying yourself for rent?
 - What is the "Fair Market Value" of your space
 - Replace your current rent or mortgage with FMV
 - Rent
 - Use current rent calculations

STEP 3

Occupancy Costs

You own the building
 You pay yourself \$18 per sq ft
 Fair Market Value = \$12 per sq ft
 $\$18 - \$12 = \$6$
 \$6 per sq ft is your profit

$3000 \text{ sq ft} \times 18 = \54k
 $3000 \text{ sq ft} \times 12 = \36k
 $\$54\text{k} - \$36\text{k} = \$18\text{k}$
 \$18k is your profit

We use the \$36K

STEP 3

Occupancy Costs

In our example we are working with a practice that is a total of **3000sq** feet, with **900sq** feet designated to the dispensary.

There are also common room & hallway spaces that are accounted for with an extra **15%**

STEP 3

Occupancy Costs

Total: 3000sq ft
Actual Dispensary: 900sq ft
Shared Space:

$2100 * 15\% = 315\text{sq ft}$

$900 + 315 = 1215\text{sq ft}$

STEP 3

Occupancy Costs

Professional space
 1,785 sq ft total **60%**

Dispensary and lab
 1,215 sq. ft. total **40%**

Total Professional: 1785 sq. ft. = 60%
Total Dispensary: 1215 sq. ft. = 40%

STEP 3

		↓	↓
		40%	60%
Category Choices	Total Expenses	Dispensary Expenses	Professional Expenses
General Overhead	\$150,000	\$60,000	\$90,000
Equipment	\$110,000	\$44,000	\$66,000
Occupancy (rent)	\$80,000	\$32,000	\$48,000
Marketing & Promotion	\$15,000	\$6,000	\$9,000
Interest	\$9,500	\$3,800	\$5,700
Repair & Maintenance	\$25,000	\$10,000	\$15,000
Insurance	\$6,000	\$2,400	\$3,600
Other	\$4,500	\$1,800	\$2,700
TOTAL	\$400,000	\$160,000	\$240,000

STEP 4 Monday Morning Number

		D	P
Total Expenses =	\$400	\$160	\$240
Staff Salaries =	\$200	\$115	\$85
Doctor Salaries =	\$160		\$160
	↓	↓	↓
TOTAL →	\$760	\$275	\$485

STEP 4 Monday Morning Number

Dispensary
 $\$275,000 / 50 = \$5,500$ per week

Professional
 $\$485,000 / 50 = \$9,700$ per week

New Benchmarks

STEP 5 Dispensary Snapshot

COG % =
 $\$132,000 / \$340,000 = 38.82\%$

Gross Profit % =
 $100 - 38.82 = 61.18\%$

STEP 5 Contact Lens Snapshot

COG% = $\$50,000 / \$600,000$
= 8.3%

STEP 5 Professional Revenue Gross Profit

100% - 8.3% = 91.7%

New Benchmark

STEP 6 Dispensary Break Even

MMN
 = \$5,500 per week

GPM
 = 61.18%

Break-Even Revenue = \$8,990



STEP 6

Dispensary Profit

Average weekly revenue of \$6,800

Gross Revenue = \$6,800
 x Gross Profit Margin = 61.18%
 - MMN = \$5,500
 = Net Profit = - \$1,340


New Benchmark  **{-19.7%}**

STEP 6

Professional Profit

Average weekly revenue of \$12,000

Gross Revenue = \$12,000
 x Gross Profit Margin = 91.7%
 - MMN = \$9,700
 = Net Profit = \$1,300

New Benchmark  **{10.8%}**

STEP 6

Practice Overview

	Revenue	Fixed	COG	PROFIT
Practice	\$940	\$760	\$182	- \$ 2,000
Dispensary Frames & Lenses	\$340	\$275	\$132	- \$67,000
Professional Exams & CL's	\$600 \$500 \$100	\$485	\$50	+ \$65,000

Thoughts

How are you evaluating your retail business?

Why does 50% of your gross revenue get 10% of your time?