



## BRANCHING OUT IS A WORTHY EXERCISE, BUT DON'T FORGET THE FUNDAMENTALS

**O**n the surface, expanding your business model to offer complementary services makes a great deal of sense and seems like an obvious way to increase revenue. There are, however, several matters to consider before you begin branching out. This cover focus presents various options for expansion shared by ophthalmologists who have added complementary procedures to their practices successfully.

Maximizing offerings for your existing patient population is an obvious undertaking. Many of these patients are of a similar demographic to those interested in plastic and oculoplastic surgery. As a slight digression, an analogy taught in business school is called *squeezing the lemon*—how often is it we cut a lemon and only use half, leaving the other half in the fridge to be thrown away eventually? Likewise, using the patient database is one way to *squeeze the lemon* to extract more value.

The rationale for diversifying is clear. The next thing to ask yourself is *how?* Answering this requires some thought and planning; it is not as simple as hiring an oculoplastic surgeon for your practice. As with any other venture, the decision to expand your offerings requires an exercise in business planning, including formally determining what might be required to facilitate the new venture in terms of capital outlay and operating costs for staff, space, and other often unexpected resources.

Additionally, monitoring actual versus planned performance of the new venture is important. Analyzing the strengths, weaknesses, opportunities, and threats (or SWOT analysis) should help crystallize the overall project. As is often the case, what seems like a straightforward plan can be met with a few unexpected surprises. Preliminary work and planning can help you foresee some of them.

My practice expanded into dry eye services by adding intense pulsed light treatment and LipiFlow (Johnson & Johnson Vision) among other treatments. We found that, when we actively marketed these offerings, our inquiries team was inordinately occupied. In other words, inquiries from vision correction patients were displaced by those from dry eye patients. As a result—despite an increase in dry eye procedures and activity—we experienced an overall decrease in revenue. Upon further evaluation, we realized that a decrease in higher return vision correction activity accounted for the overall decrease in revenue. For the level

of dry eye activity we were seeing, it did not make business sense to use so much of our staff to field inquiries. We decided to stop actively marketing the dry eye services and to provide this offering to existing patients only with the intention of reviewing our processes in the future. Potential patients continue to inquire about dry eye services, and we are still fairly active in this space. Our focus, however, is on vision correction and cataract surgery. This is important in the current climate, where tremendous demand has resulted in a considerable increase in revenue for our practice. The same may not be true for everyone.

My experience adding dry eye services taught me the benefit of focus. Focusing on revenue streams that provide the greatest return on investment and removing others resulted in a considerable increase in volume and revenue in the practice. I now understand why private equity groups concentrate on the top three to five earning practices in a market and ignore the remainder. An interesting book that illustrates this concept is *Lessons From Private Equity Any Company Can Use*.<sup>1</sup>

The second lesson I learned is that all ventures require adequate resources in terms of people, space, and time, and these are not always considered or factored in during the planning phase. The third lesson is to ensure that every new venture does not harm your core business in terms of activity and reputation. The final lesson is the value of monitoring and measuring. The initial revelation of reduced revenue in my practice was slightly alarming, especially when we expected an increase from the dry eye activity. It did not take much drilling down to reveal the cause.

I trust this editorial provides a perspective to supplement the fabulous articles within this issue. I wish you much luck in branching out. ■

1. Gadiesh D, MacArthur H. *Lessons From Private Equity Any Company Can Use*. Harvard Business Press; 2008.

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