

## Envisioning a New Inventory Paradigm Within the Optometric Healthcare Industry

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The optometric industry is radically changing. Sole proprietor optometrists struggle to compete against the emerging private equity-backed group practice model (Edmonds, 2018). The group practice model's strength lies in removing the administrative burdens of running a practice while capturing economies of scale efficiencies driving profitability. This advanced doctoral project (ADP) analyzed how a new supply chain management paradigm can aid privately-owned medical group practices by promoting closer inventory vendor partnerships that showcase value-added services for both parties.

### Importance of Study

Optometrists want to spend time seeing their patients and not spend hours tied down on administrative tasks. However, sole proprietors cannot capture purchasing price breaks without generating high sales volumes. By forming a privately-owned group practice, those owners wishing not to partner with a private equity firm can realize pricing efficiencies. This ADP explored how a new supply chain management paradigm could lessen the annual capital expenditure burdens privately-owned medical group practices face to accomplish this task.

The objectives of this ADP were threefold:

1. Develop a new and efficient inventory process
2. Maximize profitability and minimize costs along the entire supply chain
3. Establish meaningful relationships with eyewear vendors

### Data Gathering Methods

This research implemented a qualitative method using an open-ended questionnaire survey for vendor organizations to complete. Qualitative research methods have successfully contributed to healthcare studies for decades (Meyer, 2000; Pearson, 2010; Renjith et al., 2021; Sofaer, 1999). An open-ended survey instrument was administered through a third-party website to retain anonymity. Survey results were gathered and analyzed, looking for patterns of similarity or vendor recognition of issues within the eye healthcare industry.

### Key Findings

The recommended solution comprises three distinct areas that, when implemented together, will yield positive results. The first solution is to create a centralized purchasing department. A centralized purchasing department can reduce the organization's cost of goods sold by partnering with eyewear vendors to secure and display an agreed-upon, limited number of frame styles. This inventory strategy allows the eyewear vendors to procure sufficient inventory levels to cover anticipated eyewear reorders in advance. Eyewear vendors can share procurement cost savings through deeper product discounts. Both parties also capture efficiencies through less staff engagement with customer service reps as the centralized purchasing department would be responsible for issuing one daily purchase order.

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The second solution is the implementation of a product matrix to streamline and ensure the same products sell across all office locations. The value-added benefits of this supply chain strategy incorporate efficiencies of product procurement for the vendor while allowing the group practice to take advantage of bulk pricing scenarios and helping to eliminate potential product availability disruptions.

The third solution posits that optometric group practices with a lens laboratory can find a financial savings opportunity by incorporating the back stock of consignment inventory. An organization may qualify as a key account with its vendors by operating as a group practice. This level of distinction is critical when negotiating terms. These vendors will consider suggestions that improve efficiencies in their supply chain management. Generally, the vendors hold additional products back in their warehouse facilities for key accounts. A creative financial solution for the group practice is requesting some of the vendor's excess inventory stock to be held at the group practice's lens laboratory on consignment. The advantage of housing the excess inventory will be captured in product turnaround to patients.

### **Recommendations**

Upon reviewing the alternatives explored, this researcher concluded that privately-held optometric group practices should introduce a new supply chain paradigm driven by a centralized purchasing department that incorporates product matrices and a consignment product model. Notably, key eyewear vendor partnerships become critical for a successful outcome. This solution eases the daily administrative burdens at the individual office level while lessening the organization's overall capital expenditure burdens.

### **Limitations**

A limitation of this study is the number of eyewear vendor organizations used in the survey. The study focused on the primary eyewear vendors for the partner organization. All other eyewear vendors were excluded from this study. Therefore, generalizability may be limited.

### **Conclusions**

This study concluded the significant potential derived from a group practice model is its ability to harness economies of scale. This factor is a foundational pillar for the new supply chain inventory paradigm to use as a cornerstone for impactful change.

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