WHAT YOU NEED TO CONSIDER BEFORE STARTING YOUR OWN INDEPENDENT PRACTICE

Starting your own optical practice is a big step to take in your career. There are a lot of advantages of being your own boss and operating your practice exactly how you envision it, but along with the excitement comes challenges and a whole lot of responsibility.

Why might you consider owning your own business?

Owning your own optical practice has many benefits. You are in control of your own earnings and the growth of your business. By being your own employer the harder you work, the more successful your practice and the more you earn or are able to reinvest in the growth of your practice. You can operate the way you believe delivers the best clinical and retail service for your patients and you can employ your team according to your required standards of skill, expertise and experience. Remember you can never sell your job but you can always sell your optical practice!

What challenges might you have to overcome to become an independent practice owner?

1. COST OF SETTING UP A NEW PRACTICE

The first challenge is being able to acquire an existing practice or premises in which to establish one. Cost will depend on location and size. Either way you will need to have a way to fund your business needs.

At an early stage, businesses will need long-term backing to fund the business through to revenue and profit; this could be through business angels and/or venture capital and is commonly in different rounds with different parties. In the shorter term, equity investment can support an aggressive growth strategy. In simple terms, equity financing is the raising of capital through the sale of shares in a business.

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Equity can be sold to third-party investors with no existing stake in the business. Alternatively, equity financing can be raised solely from existing shareholders, through a rights issue. Founding shareholders will have put the initial equity into the business. Friends or family may have 'invested' in the early stage of a business's journey. Business angels may then take an equity stake.

Venture capital (VC) investors (also known as venture capitalists), corporate venture capitalists or private equity (PE) investors tend to be an option at the growth phase. Financial institutions or the wider public may invest in equity through a listing of the company's shares.

The public may also acquire equity stakes through equity crowdfunding platforms. In reality, it is not quite that simple – business angels, for instance, may invest at many stages in the business's growth. As it progresses, a company's shareholder register will be a mix of investors who have taken stakes at different stages of its journey.

Unlike debt providers, or lenders, equity investors do not have rights to interest, or to have their capital repaid by a certain date. Shareholders' return is usually paid in dividends or realised through capital growth. Both are dependent on the business's growth in profitability, and its ability to generate cash. Because of the risk to their returns, equity investors will expect a higher return than debt providers. Where a project requires longer term investment than conventional debt offers, equity will be the most suitable form of finance.

Debt is a form of loan which can be an overdraft, lease, mortgage etc, that will need to be repaid at some time in the future. Bank loans and overdrafts are common for established businesses but require security. There are many sources of debt finance from the high street banks and peer-to-peer lending platforms.

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Grant funding is usually funding for a specific project or operation. This might be from a government or a social enterprise that assist businesses with their projects that meet their objectives.

Donations are similar to grants and crowd sourced funding is becoming more popular where money is donated to a business and the donor receives some form of acknowledgment in the form of a reward.

Whatever form of funding you seek, it has a cost to your business. The cost is the reward to the funder!

2. CHOOSING THE CORRECT LEGAL STRUCTURE

Opticians are allowed to operate in any legal structure, however, you must register with the General Optical Council (GOC) to use the title 'Optician' in your business name.

Most businesses register as a sole trader, limited company or partnership. Find out more about being a sole trader and how to register at https://www.gov.uk/set-up-business

Sole traders. It's simpler to set up as a sole trader, but you're personally responsible for your business's debts. You also have some accounting responsibilities.

Limited companies. If you form a limited company, its finances are separate from your personal finances, but there are more reporting and management responsibilities.

Some people get help from a professional, for example an accountant, but you can set up a company yourself.

Partnerships. partnership is the simplest way for two or more people to run a business together. You share responsibility for your business's debts. You also have accounting responsibilities.

3. MONEY MANAGEMENT

Having enough cash to cover the bills is a must for any business, but it is also a must for every individual. Whether it is your business or your life, one will likely emerge as a capital drain that puts pressure on the other. In order to head off this problem, small business

owners must either be heavily capitalised or be able to pick up extra income to shore up cash reserves when needed. This is why many small businesses start out with the founders working a job and building a business simultaneously. While this split focus can make it difficult to grow a business, running out of cash makes growing a business impossible.

Money management becomes even more important when cash is flowing into the business and to the owner. Although handling business accounting and taxes may be within the capabilities of most business owners, professional help is usually a good idea. The complexity of a business's books goes up with each client and employee, so getting help with the bookkeeping can prevent it from becoming a reason not to expand.

What are the key considerations for an independent practice owner?

1. Are you ready for the start-up lifestyle? If you are currently an employee of an optician chain then starting your own practice as an entrepreneur is a lifestyle change. Don't make the mistake of assuming it is a way to get rich quick, or an escape from all problems. Starting a business is hard work, requires a lot of determination and learning, and only pays off in the long term. Take an honest look at yourself before making this important decision.

2. Are you able to be a retailer as well as a clinician? Your own belief that because you are an experienced and expert eyecare professional everyone will choose to frequent your practice and buy your products, is necessary but not sufficient. Patients and customers may know about you but they need to want buy from you.

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Marketing is everything you and your staff do in your business to get your buyers to want some of what you have. Are you entrepreneurial to make your business Differentiated, Unique, Distinguished and Unforgettable? Talk to other independent practice owners and listen to their experiences and advice.

3. Is your intended location a crowded space already? Do your research. If you find six competitors who already provide your services and products, and unless you are 100% confident you can differentiate yourself and provide a unique experience, it's probably not worth going any further.

4. Have you considered all the costs of setting up a new practice? Your financial plan may include the obvious costs such as equipment, furniture and fitting, stock, salaries etc, but have you considered hidden dependencies or costs? Many practices fail because of 'dependencies' and hidden costs. These may include staff turnover. A stable workforce is a money saver. When employees leave and you have to replace them, you face the cost of replacing them. Also consider legal fees; you never know what's going to happen. Small businesses are the biggest victims of frivolous lawsuits. And consider the cost of repairs and replacements; things break, and if you still need the equipment, you'll have to repair or replace them. There will be other hidden costs to consider. If time is money, as the adage says, then how you spend your time can be a big hidden cost for your business. Be realistic about all the costs you may face so you can budget for them and be ready.

5. Are you a people person? It's not easy to establish and grow a business on your own. You will need to recruit, motivate, and manage both an internal team, your staff, and an external team, your suppliers, patients, customers and partners. Starting one's own business is tough on even the most dedicated and passionate entrepreneurs and the stats tell us that one in three fail.

6. Have you looked realistically at the costs? Passionate entrepreneurs tend to develop rose-coloured plans, over-estimating early sales and underestimating costs. To convert your passion into tangible business value, write a business plan that makes financial sense for the needs and future goals of your business, and have it checked by an expert.

7. Finally, consider why you want to own your own practice. If you are desperate to get out of an existing role, you may just be lurching into entrepreneurship, only to find it more stressful and unsatisfying. People who feel competent but unsatisfied or bored in their current job make better business owners than those who feel overworked, under-appreciated and over-stressed.

Remember: running your own practice should be creative, satisfying and enjoyable. It's a chance to express yourself, meet interesting and creative people, potentially make a lot of money and create a whole new life for yourself. Good luck!

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