



Educated Patients Migrate Towards Physician-Dispensed Topicals

By James Headley

In 2008 global sales for physician-dispensed products reached \$572.4 million and are expected to continue growing by an average of 13.1% per year to reach over \$1 billion by 2013. While skincare sales in traditional retail channels – including prestige and mass retail markets – remain flat or only slightly elevated, the physician channel continues to grow at a rapid pace with no end in sight.

As a physician in the medical aesthetic world your patients expect you to dispense quality skincare products. Traditional retail brands are marketing their skincare products as more medical, but consumers are already drawn to physician's offices by other advanced cosmetic procedures and technologies.

Today's patients are better informed about skincare ingredients and brands. As they become more sophisticated about the effectiveness of higher performance physician-dispensed topicals they will continue migrating to medical practices to purchase their daily skincare products. With this in mind, dispensing medical skincare should be considered an important part of an aesthetic practice's armamentarium – as much as the latest laser technology.

There are three categories to describe physicians who dispense: the first involves those who are uncomfortable selling or recommending products to their patients, ignoring what could be a substantial revenue and profit generator; the second are physicians that stock several brands but essentially put the program on "autopilot"; and the third includes physicians who effectively and efficiently dispense products, and as a result realize a remarkable return on their investment.

It is important to avoid falling into the first two categories. Make the decision that dispensing will be an important part of your practice – if dispensing is worth doing, it is worth doing right. Once you have made that decision, take some time to define your concept and goals. Provide your patients with the best possible skincare available, using it to enhance procedures and dramatically increase revenues and profits. Commit to being more of a participant in your dispensing business, as it can be an important part of your practice and does not take a large investment to begin.

Start looking at a three year revenue goal and plan. The easiest technique in planning sales forecasts is trying to determine how many products can be dispensed per day. Your revenue can grow exponentially as the number of products sold per day increases. Hypothetically if you can dispense one product per day at an average price of \$75 (times 250 days the office is open) you would generate \$18,750 in annual revenue, two products per day equals \$37,500, three products per day generates \$56,250, and so on.

Successful dispensers work hard to continually increase the number of products sold and ultimately their annual revenue. Once you have established your monthly sales goals, learn the correct stock to sales ratios. Usually a three to one ratio will work well. This will keep you in stock but not create an inventory burden. In many cases you can get away with a two to one ratio, but you do not want to ever be out of stock. You can manage your inventory manually or use computerized software, whichever works best for your practice.

Avoid one of the classic mistakes many practices make – assigning the management of your dispensing business to someone in the office with no concept or training in running a business. We all know that aestheticians play a very important role in dispensing practices as most of them are skincare experts. However, your aesthetician should



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not dominate or become too territorial with your dispensing business. While many aestheticians are skincare specialists, few are knowledgeable when it comes to implementing a good business plan.

If your aesthetician is not business oriented she or he should not be running your business. The best alternative is to let your office manager, business manager or one of your accounting personnel manage the business with input from your vendors. Keep in mind though; they cannot do it all alone. If you do not take an active role in your practice's dispensing venture you run the risk of falling into categories 1 or 2. It only takes a few minutes each month to monitor and analyze your business; you have a lot invested so staying well-informed is critical.

Select vendors and brands that you trust and of course are backed with science and data. In addition to the product's quality, consider the stability of the company, quality of the sales rep and their customer service. Make sure they have the resources and knowledge to support their brand in your practice. Make sure they can create an overall annual or semi-annual plan that involves effective training, marketing, inventory control and customer service. One of the key responsibilities of a vendor is a commitment to helping build your business.

Most vendors that have expertise in building businesses have several success stories that they can share with you and replicate in your practice. Do not be afraid to develop a close partnership with your key vendors and make them accountable. The more you do, the healthier and stronger your dispensing business will be. There is no risk but only reward in this approach. Results can be extraordinary and you will discover that your goals are strikingly similar. Avoid companies that do not have this type of expertise or willingness to work with you.

Another important rule to follow is do not over brand. It becomes expensive in terms of inventory and confusing to staff and patients. Don't carry multiple brands whose technology overlaps. Choose products that complement each other, but feature different technologies. Choose a major brand or two that you believe in and that will work for you.

You are the skincare expert so your patients expect you to make recommendations if you believe they need one of your products. Your recommendations alone can generate serious revenue and be of great value to the patient. Key dispensers are expert at this. Most patients leave their offices with basic skincare regimens, sun care products or pre and post-procedure care.

The path between a product recommendation and the patient actually purchasing it is a very important part of your dispensing success. There are techniques that can help make this path successful. It is important that the patient fully understands the product and its use before they leave the office. Making sure your staff is fully trained on the products or brands you carry in your practice is crucial. Product training falls squarely on the shoulders of your vendors. Each of your vendors should have a comprehensive training program that is available through training seminars, webinars, online information, frequently asked questions, training manuals and quick start guides.

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Another important aspect of successful dispensing is patient replenishment of product. Though it is often considered a challenge, it is a critical part of your annuity. A couple of tips: make it easy for patients to reorder and carry brands that can only be purchased through a physician channel.

Finally, every practice needs a marketing strategy and plan that incorporates tactics to effectively generate revenue and bring value to the patient. This strategy should incorporate three tactics: preparing the office to look like it is serious about dispensing; creating in-office promotional activity (push); and targeting patients outside the practice (pull).

Display products with impact. There are several ways to create impact even if your office is limited in space. Most importantly keep products and patient brochures in full view whether in the main waiting area, consultation rooms or treatment rooms. Most of your patients are from upscale backgrounds so keep the displays in good taste.

Create a series of promotional activities that can be kept low key and can be as frequent as monthly or every other month. Remember, these can be time consuming so it is best to keep them simple, meaningful and limited. If your staff does not have the time to plan and execute these activities have a vendor submit plans or have an outside consultant help you. Choose promotions that are beneficial to the practice and patients. Use your website, newsletters, local advertising, public seminars and public relations to pull in new patients.

Establish a strong website presence. The power of the Internet is unquestioned and growing. Your website will allow you to sell products, provide more information about the products you carry and keep patients informed of new procedures. Keep your website updated and current and it will pay off for you.

In recent years what has emerged is a more sophisticated patient. They understand that the best quality skincare is found in physicians' offices even though traditional retail brands are trying to reverse this current migration. By managing your patient's expectations and showing them that you are serious about skincare you can significantly increase your revenue and profit goals. ■



James Headley is an experienced pharmaceutical executive having served as CEO of Obagi Medical Products (Long Beach, Calif.), president of the cosmeceutical division at Genesis Pharmaceuticals (Parsippany, N.J.) and senior vice president of global marketing and sales at ProCyte, a division of PhotoMedex (Montgomeryville, Pa.). As the founder of MedicalSkinCareDispensing.com, he is considered a leading expert on medical skincare dispensing and leveraging physician and vendor relationships. Among others he has consulted for such major industry leaders as Proctor & Gamble (Cincinnati, Ohio), Murad, Inc. (El Segundo, Calif.), SkinMedica (Carlsbad, Calif.), Milbar Laboratories (East Haven, Conn.), Dermatologic Cosmetic Laboratories (East Haven, Conn.) and Genesis Pharmaceuticals.