

BEST PRACTICES of Spectacle Lens Management



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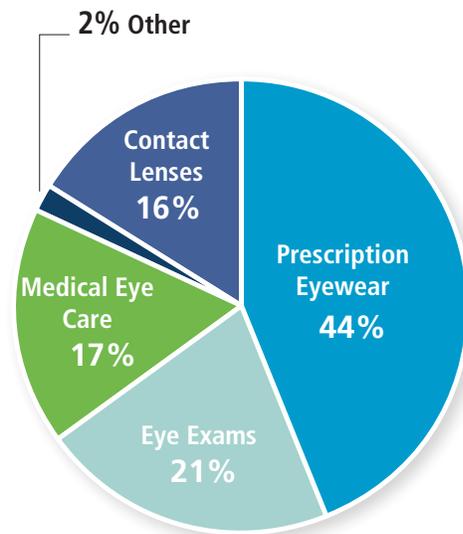
Note on Sources Cited

Data on optical industry and optometric practice norms is derived from many sources, including the Management & Business Academy™ (MBA), sponsored by Essilor; Jobson Optical Research; The Vision Council’s VisionWatch research program and a large body of proprietary research conducted by Essilor. MBA data is derived from an ongoing research program that encompasses performance and processes information from more than 1,900 U.S. optometric practices, gathered since 2005.

Introduction

In most optometric offices, the largest single source of revenue is eyeglasses sales, typically producing 40 to 50 percent of total practice revenue. Beyond patients’ desire to have their eye health regularly monitored, the primary reason most patients visit an optometrist is to purchase a pair of eyeglasses. Prescribing eyeglasses is the major service provided by most optometric practices, with the largest impact on revenue and profit.

Optometric Practice Sources of Revenue



Source: MBA Practice Profile

The spectacle lens component of a pair of eyeglasses produces about 50 percent of eyewear revenue (with frames the other half), or typically, 20 to 25 percent of total practice revenue. In typical practices, spectacle lens sales (excluding frames) generate about the same revenue annually as do eye exams. It’s clear that effective marketing of spectacle lenses can have a major impact on the financial health of a practice.

This management report offers concrete, detailed guidance to optimize the financial return from dispensing spectacle lenses. In each section, background information is provided about industry norms to frame the discussion and to enable ECPs to compare their own behavior and performance to reliable benchmarks. This is followed in each section by a discussion of the financial impact of improving performance and a listing of common management deficiencies. At the end of each section is a listing of “best practices” derived from observation of processes in high-performance practices and advice from practice management consultants who are members of the faculties of the MBA and First Practice Academy™. The report includes tables showing the range of performance for key eyewear metrics across both quintile and decile groupings of independent optometric practices surveyed by the MBA.

Each quintile represents 20 percent of all practices sampled, sorted on the basis of performance on each key metric. Each decile represents 10 percent of practices. The top quintile includes practices in the 80th to 99th percentile range of performance. The fourth quintile includes practices in the 60th to 79th performance percentile range. The third, or median, quintile includes practices in the 40th to 59th percentile of performance—representing typical performance across all optometric practices in the U.S. Similarly, the top decile of practices of specific dimensions is composed of those performing in the 90th to 99th percentile range.

The performance quintile and decile data quantitatively define high or low performance of an optometric practice. Start by comparing the performance of your practice to the overall median. In setting performance goals, target the levels achieved by practices in the fourth and fifth quintiles, or top 30 percent of practices in the decile performance tables.

Capture Rate

VisionWatch reports that in recent years independent ECPs in the U.S. have slowly increased their share of eye exams performed as well as their share of eyewear unit sales. During 2012, independent ECPs performed 68 percent of eye exams and sold 43.6 percent of frames units and 46.0 percent of spectacle lens units. These market shares translate to a capture rate of 64 percent of frames units bought by patients of independent ECPs and 68 percent of lens units. These capture rates have not changed in recent years. But they show that one-in-three patients of independent ECPs continues to take their eyewear prescription to another provider to be filled.

In a practice with \$750,000 annual gross revenue, with an average eyewear capture rate, \$160,000 of eyewear revenue walks out the door each year. That typical loss may seem impossibly high—because it’s largely invisible. Some of the loss occurs because patients perceive they will pay less at optical chains. But the larger reason for eyewear walk-outs is that independents often spend too little time to manage their optical dispensaries or to market eyeglasses effectively to patients.

A 2009 Essilor consumer survey revealed that just 58 percent of patients who received an eye exam at an independent ECP location, and use eyeglasses as their primary corrective device, purchased eyewear during their visit. That compared to 79 percent of eyeglass patients receiving eye exams at retail optical chains. Having vision insurance encouraged patients to make eyewear purchases at independent ECPs. The primary reason patients of independent ECPs did not make an eyewear purchase was because their prescription did not change. Cost considerations were the second most important reason for delaying purchase or buying elsewhere.

Independent practice optometrists have a big advantage over optical chains in selling eyeglasses to their patients. That’s because independent ODs usually have a long history with individual patients and can offer a higher level of personalized advice about eyewear, based on a deep understanding of patients’ needs. It’s also more convenient for patients to complete an eyewear transaction at the same location they receive an exam. But in some optometric offices these advantages are squandered. The independent’s edge is lost when all the focus of doctor and staff is on efficient clinical testing and diagnoses, and too little attention is given to the devices that provide vision correction.

Doctors and staff sometimes forget that eyeglasses have a big impact on the quality of life and self-image of wearers. Obtaining a pair of glasses that is attractive, comfortable, durable, provides excellent acuity and is easy to keep clean is important to patients—a major reason they visit a practice. Because eyewear can be costly and is infrequently purchased, patients feel anxiety as they make eyewear decisions. They know that they will suffer the consequences of a poor decision every day for two years or more. When an office conveys no empathy and demonstrates little interest in helping patients to make good eyewear decisions, patients are more likely to seek help elsewhere.

To improve the eyewear capture rate, all the sights and sounds of the patient experience in the office must convey the practice’s interest and expertise in dispensing eyewear.

Key performance metric: Eyewear Rxes per 100 complete eye exams

A Management & Business Academy™ (MBA) practice production benchmark provides another vantage point for assessing eyewear capture rate. MBA surveys since 2005 have consistently revealed that independent ECPs sell 61 pairs of eyeglasses for every 100 patients receiving eye exams. Said differently, approximately four-in-ten people receiving exams do not purchase eyeglasses from the practice during the year. This metric is easily calculated by dividing the number of eyeglasses Rxes dispensed during any time period by the number of complete refractive exams performed during the same period, times 100.

This productivity ratio does not correlate with practice size, but does vary widely across practices. The 10 percent of practices selling the most pairs of eyeglasses per 100 exams dispenses 109 pairs, compared to just 30 pairs among the least productive 10 percent of practices. The wide variation has little to do with differences in patient characteristics across practices and everything to do with office processes for presenting eyewear to patients.

Independent ECP Eyewear Capture Rate

| | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|--------------|--------------|--------------|--------------|
| % of eye exams | 67.0% | 67.3% | 67.5% | 68.0% |
| % of frames unit sales | 43.0% | 43.1% | 43.5% | 43.6% |
| % of lens unit sales | 45.3% | 45.5% | 45.9% | 46.0% |
| Frames capture rate* | 64% | 64% | 64% | 64% |
| Lens capture rate* | 68% | 68% | 68% | 68% |

*Unit share divided by exam share

Source: VisionWatch

Capture Rate

continued

Patients who receive exams but do not purchase eyeglasses fall into three major groups:

- Only about one-in-four contact lens wearers purchase glasses during their exam visit in typical practices. Patients wearing contact lenses as their primary corrective device typically account for about one-in-four patients of a practice.

- Many eyeglasses-only patients with no change in their prescription do not buy a new pair of glasses during their exam visit. Not needing a new prescription was cited by 35 percent of patients receiving an eye exam from an independent ECP as the most important reason for not purchasing eyeglasses during their exam visit. Many ECPs do not use the occasion to recommend a second pair of eyeglasses for outdoor use or for avocations to patients with no Rx change.

- The largest group of non-buyers is eyeglasses-only wearers who decide to take their prescription to another provider, seeking broader frame selection, better assistance or lower price.

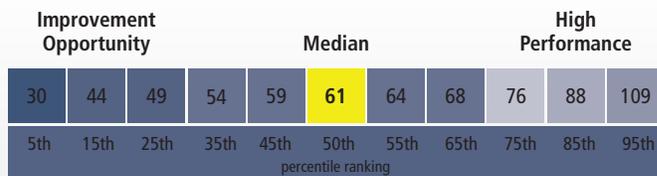
By addressing the perceptions and needs of each of these groups, practices can increase the number of eyeglasses Rxes per 100 complete exams with dramatic positive impact on practice revenue.

Optical dispensary space communicates practice interest in dispensing eyewear.

One reason patients choose to take their prescription elsewhere to be filled is that they perceive that a practice does not specialize in dispensing eyeglasses and has a limited selection of frames. This message is unintentionally conveyed when the amount of space devoted to the dispensary is small. It's easy for ECPs to overlook the fact that down the street from the practice there is an optical superstore that devotes 3,000 square feet to a sophisticated display of eyeglasses. Most patients have browsed these superstores and know about the range of choice available. When patients unconsciously compare the small space in a practice devoted to the dispensary with what they have seen in the superstores, they are tempted to delay purchase and shop around.

How much dispensary space is enough? A 2009 MBA survey shows that independent optometric practices typically devote approximately 25 percent of their total office space to the optical dispensary. Smaller practices have a higher proportion of office space devoted to the dispensary. Any practice with a dispensary of less than 500 square feet runs the risk of being perceived as small with limited selection.

Eyewear Rxes per 100 Complete Exams Performance Deciles



Source: MBA Practice Performance Assessment

Office Square Footage

| | Total | Number of ODs in Practice | | |
|---|-------|---------------------------|-------|---------------|
| | | One | Two | Three or more |
| Total Square Footage | | | | |
| Median | 3,000 | 2,300 | 2,300 | 4,000 |
| Average | 3,410 | 2,541 | 3,011 | 4,247 |
| Optical Dispensary Square Footage | | | | |
| Median | 800 | 600 | 750 | 1,000 |
| Average | 890 | 735 | 760 | 959 |
| Optical Dispensary % of Total Square Footage | | | | |
| Median | 25% | 31% | 26% | 22% |
| Average | 27% | 31% | 28% | 23% |

Source: MBA Graduate Survey, 2009

Dispensary Space by Total Office Size Quintiles

| Office Sq. Ft. Quintile (Median) | Dispensary Sq. Ft. (Median) | Dispensary Sq. Ft. % of Total (Median) | |
|----------------------------------|-----------------------------|--|------------|
| Smallest 20% | 1,500 | 450 | 31% |
| Next 20% | 2,450 | 700 | 30% |
| Median 20% | 3,000 | 1,000 | 29% |
| Next 20% | 4,000 | 1,000 | 25% |
| Largest 20% | 6,000 | 1,000 | 18% |
| Total | 3,000 | 800 | 25% |

Source: MBA Graduate Survey, 2009

Capture Rate

continued

Recommending eyeglasses to contact lens patients

A 2009 CIBA VISION national consumer survey among soft lens wearers showed that more than 90 percent own eyeglasses and that 55 percent wear eyeglasses four days a week or more. It's clear that most contact lens wearers need a pair of eyeglasses in their current prescription.

A December 2011 survey among independent ODs revealed that a median of just 25 percent of patients receiving contact lens exams purchase a pair of prescription eyeglasses during their exam visit. At the 75th performance percentile, 37 percent of contact lens patients purchase glasses during their exam visit. At the 25th performance percentile, just 15 percent of contact lens patients purchase eyeglasses. It's highly likely that the variation in performance is attributable to differences in office processes, not patient characteristics.

% of Contact Lens Patients Purchasing Eyewear Performance Deciles

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 10% | 15% | 15% | 20% | 20% | 25% | 25% | 30% | 37% | 45% | 65% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Contact Lens Management Survey, December 2011

What's at Stake

Improving the eyewear capture rate has a large impact on practice revenue and profits. A typical optometric practice with \$750,000 annual gross revenue with a 67 percent eyewear capture rate sells 1,454 pairs of prescription eyewear, generating \$330,000 in sales. If the practice increases its eyewear capture rate to 80 percent, annual revenue jumps \$64,072. Leading practice management consultants say that a well-managed optical dispensary can achieve a 90 percent capture rate.

Increasing the ratio of contact lens patients who purchase eyeglasses also has a large impact on practice revenue and profit. A practice with annual gross revenue of \$750,000 typically performs 63 contact lens exams monthly, or 750 annually. If 25 percent of contact lens patients buy eyeglasses, the annual revenue generated is just \$28,125. If a pair of single vision eyeglasses is sold to 40 percent of patients receiving contact lens exams, \$45,000 in revenue is generated from eyeglass sales to contact lens patients – an increase of \$16,875.

Impact of Improving Eyewear Capture Rate

| | Annual Practice Gross Revenue | | |
|--|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Eyeglasses Pairs (@ 67% capture rate) | 969 | 1,454 | 1,938 |
| Eyewear Capture Rate: | Annual Eyeglasses Sales | | |
| 75% | \$246,182 | \$369,443 | \$492,533 |
| 80% | \$262,594 | \$394,072 | \$525,360 |
| 85% | \$279,006 | \$418,702 | \$558,204 |
| 90% | \$295,418 | \$443,331 | \$591,040 |

Impact of Increasing Eyeglasses Sales to Contact Lens Patients

| | Annual Practice Gross Revenue | | |
|---|--|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Contact Lens Exams | 540 | 750 | 985 |
| Contact Lens Patients Purchasing Eyeglasses (25% of exams - national median) | 135 | 188 | 240 |
| Annual Eyeglasses Sales to Contact Lens Patients | \$20,250 | \$28,125 | \$35,925 |
| % of Contact Lens Patients Purchasing Eyeglasses | Annual Eyeglasses Sales to Contact Lens Patients | | |
| 30% | \$24,300 | \$33,750 | \$44,250 |
| 40% | \$32,400 | \$45,000 | \$59,100 |
| 50% | \$40,500 | \$56,250 | \$73,800 |

Source: PAA projections

- **No discussion about eyewear occurs until patients have concluded the eye exam and their dialogue with the doctor.** If patients witness no discussion of eyewear in the office before they leave the exam room, they may assume that the practice has no vital interest in selling glasses and cares only about the medical side of eye care. This assessment may cause patients to take their Rx to retailers who appear to specialize in selling glasses. It's painless for patients to ask for their prescription and go elsewhere when they sense that the doctor does not really care about helping them to find the best eyewear solutions.
- **Doctor and staff do not appear knowledgeable about eyewear.** When the doctor and staff do not appear to know about the latest products, are hesitant to discuss new technology or are unable to answer questions about eyewear authoritatively, patients may conclude that the office is out-of-date and uninterested in selling glasses. If the dispensing staff is not well-trained to guide patients to the best frame selection, patient anxiety grows, and some will decide to go elsewhere where selection is a more comfortable experience.
- **Assume that patients without a prescription change will have no interest in purchasing a new pair of eyeglasses.** Stereotyping patient desires can be costly. Just because a patient's Rx is unchanged and his or her glasses appear in good shape does not mean that he or she would not welcome a new look, an upgrade to improve vision or comfort, or a second pair of Rx eyewear for outdoor or avocational use.
- **Assume that contact lens wearers will have no interest in purchasing eyeglasses.** Contact lens wearers need eyeglasses in their current prescription, but they may not think of this as they are being fitted with new contacts or purchasing replacement lenses. If the office does not remind contact lens patients to update their glasses, an opportunity is lost.
- **Too little space is devoted to the optical dispensary.** Patients consider frames a highly visible communicator of their taste and personal style. When they make a snap judgment that the office's array of frames is so limited that they are unlikely to find a style that complements their appearance, then the total eyeglasses sale is lost.
- **Frame selection is poorly organized, displayed and maintained.** There are more than 10,000 retail optical chain locations in the U.S.—many run by large corporations that have studied the eyewear purchase process in detail. Most patients have been exposed to the sophisticated eyewear merchandising of the optical chains. When patients see a chaotic frames display in an independent ECP's office, they may be intimidated and choose to simplify the selection process by going to a better-managed setting.
- **Eyewear pricing is uncompetitive.** Although this usually is not the most prevalent reason for walk-outs, when eyewear mark-ups are too high, some patients will decide to go elsewhere.

Best Practices To Improve Capture Rate



1. Structure the sights and sounds of the office experience to create these impressions and feelings among eyeglasses-wearing patients:

- This office wants to understand my unique vision requirements to be able to recommend the eyewear best for me.
- I will receive individualized advice from people experienced at dispensing eyewear.
- This office offers the latest lens technologies and frame styles. It understands both the fashion and function of eyewear.
- My daily life is likely to be enhanced if I have different pairs of eyeglasses tailored for the different visual environments I regularly encounter.

2. Institute these office processes to create the desired impressions and feelings about the practice's interest in eyewear dispensing:

Appointment Making

- Ask contact lens patients to bring their current pair of eyeglasses to the office for the exam visit.
- Ask eyeglasses wearers to bring their sunglasses and other special-use pairs of glasses to the office for the exam visit.

Reception

- On the medical history questionnaire, ask questions about patients' daily vision environment (work and leisure settings and activities), vision problems and product interests. (See Patient Profiling and Lens Recommendations.)
- Ask all eyeglasses wearers, as they arrive at the office, if they intend to purchase a new pair of eyeglasses today. This signals the practice's interest in dispensing eyewear and creates an upfront expectation that a purchase will be made. This will reduce the likelihood that patients without a prescription change will postpone purchase of eyeglasses until their next visit.
- Address patients' anxiety about eyewear selection. Tell each eyeglasses patient: "We know that choosing the right pair of eyeglasses can be confusing because of all the options. We'll do everything to be sure we understand what's likely to work best for you. We have some very experienced people to help you make the best choice."
- Briefly mention any recent arrivals of new spectacle lenses and frame styles to patients who are likely to be good candidates. Explain that the doctor and staff will explain and demonstrate these new products, if judged appropriate after the exam.
- Display materials in the reception area showing the latest spectacle lens and frame introductions.

Pre-testing

- Based on responses to the medical history questionnaire, ask patients follow-up questions about their daily activities to learn additional detail about their vision needs and problems.
 - Do your eyes ever get tired from working at a computer all day?
 - Are you frequently in and out of doors during the day?
 - Are you ever bothered by glare and haloes when driving at night?
 - How much time is spent each day in reading and other close-up work?
 - Are there any problems with your current glasses?
- To patients observed to be not currently wearing No-Glare (anti-reflective) lenses, suggest that they consider them after hearing more about the glare-reduction benefits from the doctor and optician. Say: "I see that your current glasses don't have the No-Glare lenses that we recommend to all our patients who drive at night or use a computer. The doctor will explain more about how No-Glare lenses can upgrade your vision."
- If scratches are noted on a patient's lenses or frames show damage, point out the defects and say: "Your visit today is a convenient time to replace your worn glasses." This comment makes it clear that defects that patients have come to ignore are noticed by others, providing motivation to replace their frame and lenses.
- Explain to appropriate patients that their vision will be enhanced if they have two pairs of eyeglasses—one for inside and one for outside. (See Patient Profiling and Lens Recommendations.)

Eye Exam

- To address anxiety during subjective refraction, empathize with the difficulty and reassure patients that they are doing fine as they make subtle distinctions in clarity of vision. This will reduce patients' hesitation to commit to an eyewear purchase.
- The doctor recommends the highest-performance spectacle lens, linking the recommendation to exam findings and what has been learned about patient needs.
- During the hand-off to the dispensary, the doctor personally conveys the lens recommendation to the optician. (See Patient Profiling and Lens Recommendations.)

Dispensing

- Relate the benefits of spectacle lenses to the patient's daily activities or vision problems, as eyewear is both ordered and delivered.
- Convey enthusiasm about how the patient is likely to enjoy his or her new eyeglasses.
- Compliment patients on their lens and frame choices.
- Explain to patients that their satisfaction with eyewear is guaranteed.

3. To patients without a prescription change, encourage upgrade of their existing glasses. MBA faculty member Neil Gailmard, OD, recently recommended the following lead-in to a discussion of upgrading glasses: "Your prescription did not change much this year, which is always good to see, but there are some other aspects of your eyeglasses I want to talk with you about. There have been some amazing advancements in lens technology in the past year, which can improve your vision." Dr. Gailmard then advises that the patient's daily vision tasks be reviewed, his or her current glasses examined for missing features that can be added, and an upgrade recommendation made.

Patients with no prescription change are also good candidates for a second pair of glasses for specialized use. For example: "Because your prescription did not change and your current glasses are in good shape, this would be a great time to consider a second pair of glasses to use when you're working at your computer. Computer glasses provide a wide and deep field of vision at an intermediate distance between 18 and 24 inches, which is the normal distance between your eyes and the computer screen. You will find that you'll see the screen more clearly and will not have to hold your neck in an uncomfortable position to see the screen best. Working on the computer will be a lot easier and less stressful."

Dr. Gailmard suggests a "Cash for Clunkers" promotion in which patients donate their old glasses to a charity (VOSH, Lions Club, etc.) and receive a credit towards a new pair. This may be effective to encourage upgrade among patients with no prescription change.

4. Devote at least 25 percent of office space to the optical dispensary. Maintain attractive, well-organized, well-lit, well-stocked frames and plano sunglasses displays. Attention to frames and sunwear merchandising will convince patients that the selection offered by the practice will satisfy their needs as well as any optical retailer.

5. To all contact lens patients at the conclusion of the eye exam, the doctor assumptively suggests an update of their eyeglasses prescription, or asks if they would like to browse in the dispensary to see the latest frame styles. Say: "With your prescription change we'll take care of updating your eyeglasses today. You may want to update your frames as well—we have some great new styles." Or: "Although your prescription didn't change, your yearly visit is a great time to upgrade your glasses, I see your glasses don't use No-Glare lenses. I recommend them to all my patients."

These reminders will increase the likelihood that contact lens wearers will purchase eyewear during their exam visit.

6. To each patient who requests his or her eyewear Rx to take to another provider, ask about the reasons. Inevitably, some patients will request their prescription, intending to go to another eye care provider to purchase eyeglasses. Politely asking such patients why they choose to go elsewhere may reveal deficiencies in the practice's eyewear presentation process, which can be eliminated. By demonstrating the practice's interest in helping patients to select eyewear, the question also may result in some patients reconsidering their intent to go elsewhere. An anonymous patient-satisfaction survey is another technique to discover why some patients choose to buy eyewear elsewhere.

7. Feature new spectacle lenses and frames on the practice web site. Enabling patients to order eyewear online is likely to reduce the re-purchase cycle. It also conveys that the practice is technologically up-to-date and offers a convenient method to order eyewear.

8. Use co-op advertising funds provided by lens labs and frame vendors to do targeted mailings announcing new products. Maintaining communication with eyeglasses patients between their infrequent visits to the office is an effective way to demonstrate the practice's interest in dispensing eyewear and capturing a larger share of patients' eyewear purchases.

9. Track the eyewear capture rate. When patients needing new glasses request an Rx to take to another provider, make a note of it on a small piece of paper and collect these in a central location. At the end of each month, count the number of walk-outs and divide by the number of eyeglasses Rxes dispensed during the month. This provides a good approximation of the walk-out ratio. Dr. Gailmard suggests that a well-managed dispensary can maintain a walk-out ratio of 10 percent or less. Practices should also track eyewear Rxes dispensed per 100 complete exams. A realistic goal for any practice is 75 Rxes per 100 exams. Finally, practices should track the proportion of patients receiving contact lens exams who purchase eyewear on exam day. A goal of 40 to 50 percent is realistic.

Product Mix

Every retail store owner knows that the array of products presented to customers, or product mix, has a huge impact on the sales and profits of the organization. The product mix offered by a retailer determines the average transaction size of the business. When the mix is skewed toward higher-value products, average transactions and profits are higher. Beyond the dollars and cents, the product mix creates the image of the retailer, defining the types of customers who are most likely to be satisfied by shopping there.

An optometric office that encourages patients to use spectacle lens products with advanced technology features is likely to optimize financial return and to be perceived as at the leading edge of eye care providers. An office that adopts a passive approach to selling high-performance lens types is likely to be perceived as just another of the 45,000 locations in the U.S. selling eyeglasses.

Spectacle lens materials and design technology have advanced rapidly over the past 10 years, and the array of choices now available is very broad. Every year exciting new technologies appear, so ongoing management of the spectacle lens mix is necessary. Consider these significant, recent innovations:

Personalized progressives: The latest generation of progressive-addition lenses offers patients better performance because of the combination of improved design and digital manufacturing technology. Lenses now can be fit to position optical zones with higher levels of precision based upon a variety of patient parameters. Using personalized patient measurements such as vertex distance, pantoscopic tilt, or wrap angle, the lens design can be optimized to account for the way in which the patient wears their lenses.

Certain progressive designs allow for even higher levels of individualization by optimizing the lens design to account for individual patient parameters, such as the patient's real eye rotation center measurement, natural head posture, and other behavioral measurements. This optimization increases precision and even further reduces distortion and astigmatism.

No-Glare (anti-reflective) lenses: Anti-reflective performance has been enhanced through the addition of oleophobic and hydrophobic treatments, which minimize smudging and make lens cleaning easier. New No-Glare lenses enhance visual acuity by minimizing reflections and glare.

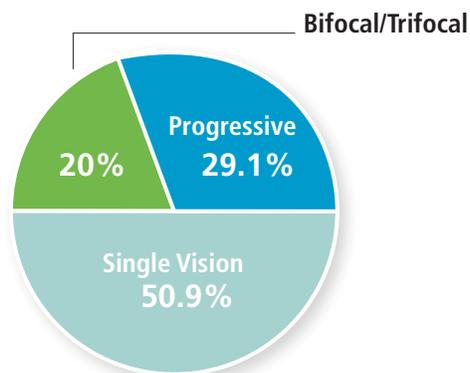
Photochromic lenses: Performance has been improved through faster transition from light to dark and back; the transmission spectrum has been enlarged to include sunglasses.

Lens materials: Many new high-index material options are available, ranging as high as 1.74. They offer the advantages of light weight and thinness. Polycarbonate and Trivex provide superior impact resistance. Both are thin and light. Trivex is ideal for rimless eyewear.

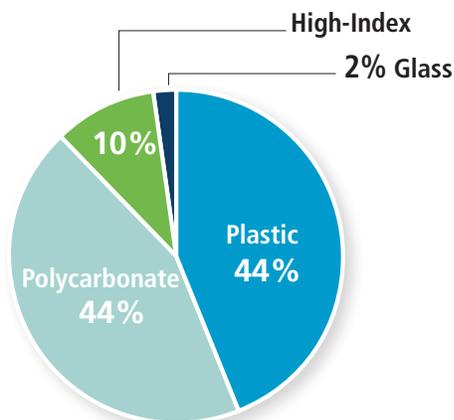
Rx sunwear: Many new options/styles exist, including 8-base lenses for wrap frames and polarized lenses with improved glare reduction.

ECPs can anticipate a steady stream of spectacle lens innovation in the years ahead, providing a continuing opportunity to upgrade patients to lenses offering superior performance and higher revenue per Rx. To maximize the return, it's critical that practices keep up-to-date on lens technology.

Design (% of lens pairs)

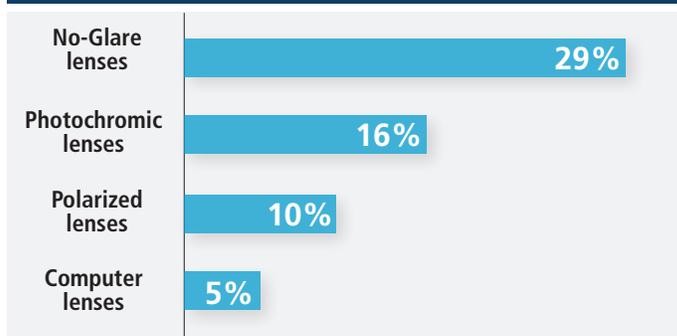


Material (% of lens pairs)



The exhibits shown here provide national usage estimates for lens designs, materials and special treatments as of 2009. In recent years, progressive lens designs, polycarbonate and high-index materials, and advanced lens types and treatments have all gained market share at the expense of more traditional lenses.

Advanced Lens Features (% of lens pairs)



Sources: VisionWatch, MBA surveys

How much revenue should each eyewear Rx generate?

VisionWatch data, based on consumer surveys, show that the average retail sale for a pair of eyeglasses purchased from an independent ECP during 2012 (including both lenses and new frames) was \$298. This average amount paid for a complete new pair of eyeglasses increased 2.3 percent annually from 2009 to 2012. The average 2012 retail sale includes \$155 for spectacle lenses – just over 50 percent of the value of the average transaction. For eyeglass prescriptions including a new pair of frames, an average of \$143 was spent for frames.

VisionWatch data show that 15 percent of eyeglass Rxes sold by independent ECPs during 2012 included new lenses only, using an existing pair of frames. Just 6 percent of eyeglass pairs sold by optical chains used existing frames.

Independent ECP Eyeglasses Sales: 2009-2012

| | 2009 | 2010 | 2011 | 2012 | 2009-2012 Annual % Change |
|---------------------------------|----------|----------|----------|----------|---------------------------|
| Units (million) | | | | | |
| Frames | 28.5 | 28.7 | 29.2 | 30.1 | +1.8% |
| Lenses | 33.4 | 34.0 | 34.4 | 35.4 | +2.0% |
| Dollars (\$million) | | | | | |
| Frames | \$3,890 | \$3,929 | \$4,150 | \$4,319 | +3.6% |
| Lenses | \$4,759 | \$4,888 | \$5,003 | \$5,476 | +4.8% |
| Total | \$8,649 | \$8,817 | \$9,153 | \$9,795 | +4.2% |
| Average Revenue per Pair | | | | | |
| Frames | \$136.49 | \$136.83 | \$142.25 | \$143.36 | +1.7% |
| Lenses | \$142.49 | \$143.94 | \$145.46 | \$154.88 | +2.8% |
| Total* | \$278.98 | \$280.77 | \$287.71 | \$298.24 | +2.3% |

* Assumes all eyeglasses sales include new lenses

Source: VisionWatch, years ending December

Product Mix

continued

A 2009 Essilor consumer study, with the sample weighted heavily to retail optical chain buyers, shows an average eyeglasses transaction of \$204. Pairs with a retail price at more than \$250 accounted for 31 percent of units and 51 percent of sales, while pairs selling for \$150 or less accounted for 44 percent of units, but just 23 percent of retail sales.

Management & Business Academy™ (MBA) transaction size benchmarks, calculated by dividing what independent practice ODs report as their annual eyewear revenue divided by the number of eyewear pairs dispensed, show that the average retail sale from eyewear prescriptions during the 2006-2009 period was \$227 (including both frames and lenses). This is similar to what Jobson reports, based on consumer estimates of what they spend for eyeglasses.

MBA data reveal wide variance across practices in the average value of eyewear transactions. Practices among the top 10 percent in average revenue per eyewear Rx realize \$385 per pair, while those in the lowest 10 percent realize just \$106 per pair. Most of the variance occurs not from differences in mark-up formulas used by practices, but from differences in product mix. It is apparent that offices that dispense higher ratios of progressive, high-index, No-Glare and photochromic lenses and higher-end frames achieve higher average revenue per Rx.

It would be easy to dismiss the wide range in the average eyeglasses sale across practices as merely a reflection of the range in socioeconomic status of patients in different practices. While patients' income affects the mix of eyewear that is bought, it does not account for most of the variance in the average eyewear sale.

Office processes, not patient preferences, determine spectacle lens product mix.

MBA data show wide variance across practices in usage ratios of different spectacle lens types. During 2010-2012, the 20 percent of practices with the lowest usage ratio for progressive lenses, prescribed progressives to half or less of presbyopic patients, compared to 80 percent or more in the highest quintile of practices. For no-glare lenses, the lowest performing 20 percent of practices dispensed just 25 percent or less of spectacle lenses with AR, compared to 75 percent or more among the highest 20 percent of practices. A median of 10 percent of spectacle lens Rxes are prescription sunwear, although 25 percent of practices manage to dispense 20 percent or more of their eyewear prescriptions as sunwear.

Consumer Expenditure for New Prescription Eyeglasses

| Eyewear Retail Price | Units | \$ Sales |
|--------------------------------------|-------------|-------------|
| \$351 or more | 16% | 29% |
| \$251-\$350 | 15% | 22% |
| \$151-\$250 | 26% | 25% |
| \$101-\$150 | 21% | 13% |
| \$100 or less | 23% | 10% |
| Total | 100% | 100% |
| Estimated average price paid: | | |
| Total Pairs | \$204 | |
| With No-Glare | \$236 | |
| No A-R | \$185 | |

Source: Essilor Eyeglass AR Research, 2009

Eyewear Gross Revenue per Eyewear Rx Performance Deciles

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|-------|-------|-------|--------|-------|-------|------------------|-------|-------|-------|
| \$106 | \$149 | \$176 | \$196 | \$213 | \$227 | \$239 | \$260 | \$288 | \$320 | \$385 |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

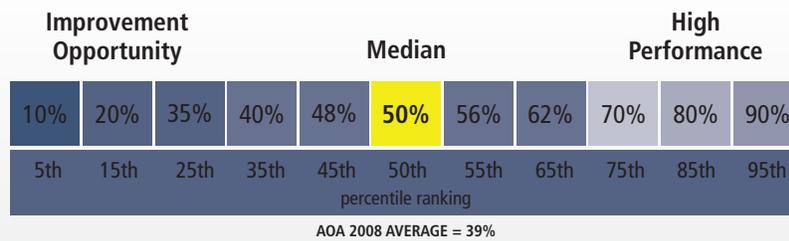
Source: MBA Practice Performance Assessment

Progressive Lens % of Presbyopic Rxes

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 35% | 50% | 53% | 60% | 63% | 65% | 67% | 70% | 75% | 80% | 89% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |
| AOA 2008 AVERAGE = 60% | | | | | | | | | | |

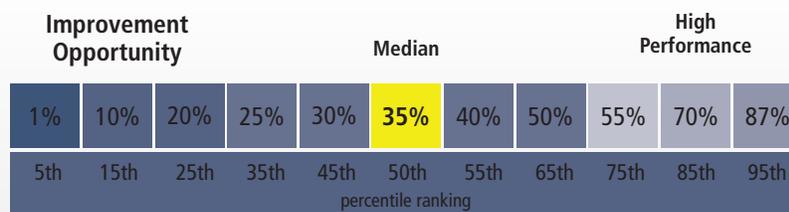
Source: MBA Practice Performance Assessment, 2010-2012

No-Glare (anti-reflective) Lens (% of Eyewear Rxes)



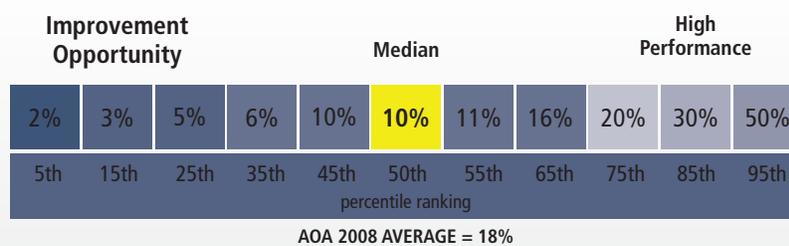
Source: MBA Practice Performance Assessment, 2010-2012

Polycarbonate Lens Usage Deciles (% of Eyewear Rxes)



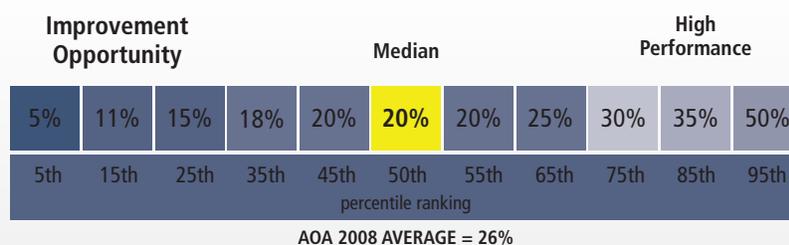
Source: MBA Prescription Eyewear Management Survey, March 2012

High-Index Lens (% of Eyewear Rxes)



Source: MBA Practice Performance Assessment, 2010-2012

Photochromic Lens (% of Eyewear Rxes)



Source: MBA Practice Performance Assessment, 2010-2012

**Personalized, Digitally Surfaced Lens Usage Deciles
(% of Eyewear Rxes)**

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 0% | 2% | 5% | 10% | 10% | 15% | 20% | 25% | 35% | 60% | 80% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Prescription Eyewear Management Survey, March 2012

**Computer Lens
(% of Eyewear Rxes)**

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 1% | 1% | 2% | 4% | 5% | 5% | 5% | 10% | 12% | 15% | 20% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Practice Performance Assessment, 2010-2012

**Anti-fog Lens Usage Deciles
(% of Eyewear Rxes)**

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 1% | 1% | 10% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Prescription Eyewear Management Survey, March 2012

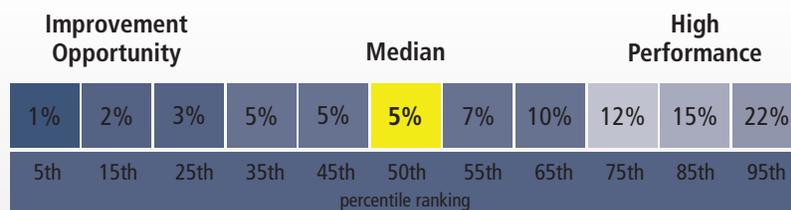
**Prescription Sunwear
(% of Eyewear Rxes)**

| Improvement Opportunity | | | | Median | | | High Performance | | | |
|-------------------------|------|------|------|--------|------|------|------------------|------|------|------|
| 2% | 5% | 5% | 8% | 10% | 10% | 10% | 15% | 20% | 20% | 30% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Practice Performance Assessment, 2010-2012



Polarized Lens Usage Deciles (% of Eyewear Rxes)



Source: MBA Prescription Eyewear Management Survey, March 2012

The spread in usage ratios suggests that some practices present eyewear with the assumption that patients will want to minimize their outlay and that mature-technology lenses work well enough. Other practices assume that because eyeglasses are worn daily and have a big impact on quality of life, patients will want the best possible performance from their eyewear.

Patients want professional guidance to make informed lens choices.

Unlike with most products people buy, when selecting eyewear, patients place heavy weight on the professional advice they receive and have little other information with which to form strong personal preferences for specific products.

Consumer research and the experience of most ECPs suggest that few patients have any depth of understanding about technical features of spectacle lenses. Most presbyopic patients know the difference between progressive lenses and bifocals, and about half of patients say they are aware of No-Glare treatments. But most know little or nothing about the characteristics of different lens materials, differences among lens brands, the pros and cons of the many designs available in progressive lenses or about polarized lenses. Some have acquired misinformation about spectacle lenses from past experiences with earlier generations of lenses or from discussions with misinformed acquaintances. As lens technology continues to advance and choices multiply, it becomes even more difficult for consumers to keep up-to-date about spectacle lenses.

To upgrade the spectacle lens product mix optometrists must become personally engaged in recommending the best lens solution for each patient and avoid delegating this role exclusively to staff. That's what patients expect. There is an implicit trust in a doctor's recommendation that simply does not develop when a staff member alone presents eyewear choices.

During March 2009, Jobson Optical Research conducted interviews with 1,198 adults who had an eye exam during the previous six months, as part of its ongoing Vision Watch consumer research program. The sample was representative of the U.S. adult population. Key findings from the research include:

- Patients consider a doctor's product recommendation as one of the most important discussions during a comprehensive exam.
- Seventy-three percent of patients rate a product recommendation from the eye doctor as extremely or very important—second in importance only to an oral summary of exam findings.
- Despite the importance that patients attribute to doctors' product recommendations, no recommendation by the doctor was made during 37 percent of most recent exams.
- An oral summary of exam findings occurred during 79 percent of recent eye exams, but a product recommendation was made during just 63 percent of exams.
- Patients receiving a product recommendation during their most recent exam are more likely to recommend their eye doctor to friends and relatives.
- Fifty-nine percent of patients receiving a product recommendation during their recent exam said they were highly likely to recommend their eye doctor to friends or relatives, compared to 43 percent of patients who did not receive a recommendation.

Not only are eyeglasses wearers uninformed about spectacle lens options, they also have only a sketchy idea about what a pair of spectacle lenses should cost. Eyeglasses are infrequently purchased and incorporate so many variables that it's difficult to comparison shop. Patients may see chain optical ads that feature two pairs of glasses for \$99 (including frames), reducing perceived value of eyeglasses. Or they may assume that their vision insurance allowance should cover the complete cost of a pair of glasses, including the latest technology. It's all very difficult for patients to sort out.

That's not to say that patients care mainly about limiting their eyewear outlay and place little value on superior performance of their eyeglasses. The truth is that American consumers are becoming increasingly discriminating and demanding about most products they buy, including eyewear. This is a result of increasing education and income and broader exposure to high-performance products from around the world.

Rising incomes and education raise eyewear performance expectations.

Over the past four decades, the discretionary income of Americans has grown rapidly. At least 40 percent of households can now be considered affluent, with incomes exceeding \$58,000 annually. Sixty percent of adults between ages 25 and 64 have at least some college education.

Despite the dampening of consumer exuberance during the 2009 recession, "mass affluence" is an accurate characterization of today's consumer marketplace. In most product categories, the most affluent 40 percent of households account for 60 percent or more of total consumer expenditures. The tastes and preferences of affluent consumers have come to dictate the product development priorities of manufacturers. In the years ahead an even higher proportion of American households are likely to live an affluent lifestyle.

Well-educated, well-paid consumers routinely pay premium prices for high-performance products that are demonstrably superior to middle-market standards. In categories ranging from refrigerators to automobiles to eyewear, high-performance products are gaining market share. The sophisticated style of consumption of the emerging affluent majority is a form of self-expression. High-performance products bought by the affluent are not only functionally better, but offer self-image enhancement—revealing the discriminating taste and sophistication of their buyers to other people in the community.

Educated, affluent patients expect that their ECPs will recommend the best package of lens features to appeal to their discriminating tastes and their interest in superior performance. Few will ever take the time themselves to investigate the complex and ever-expanding array of product features now available. They rely on their eye doctor to continuously research the field to discover the best products and then to recommend what's likely to produce the best solution to satisfy their individual needs. While patients want choice, they do not want to be overwhelmed with options. They want their ECP to lead them to the best decision. Simplicity is the ultimate luxury of the affluent consumer. Middle-income consumers often emulate the consumption style of more affluent people. In categories they highly value, many middle-income consumers purchase high-end goods, using money saved by buying lower-cost products in categories less important to them.

It's impossible to know the value that individual patients place on their eyewear—even those of modest means. So practices that do the best job selling high-performance lenses make a conscious effort to avoid stereotyping patients' willingness to buy the best—never making assumptions about patients' eyewear budgets based on occupations or assumed income. They simply present the highest-performance products to each patient. In doing this they create patient perceptions that high-tech eyewear is appropriate for everyone and is something of high value.

Only about 29 percent of eyeglasses prescriptions in the U.S. include lenses with No-Glare treatments—a ratio far lower than that in Europe and Japan and much lower than that realized by discount optical chains such as Walmart and Costco. The low No-Glare ratio occurs among independent ECPs, not because patients reject the higher cost of No-Glare lenses, but because either the option is not offered, or it is presented as a non-essential and expensive frill. In one Essilor survey, 57 percent of consumers who did not purchase No-Glare lenses said they were never presented the option. Essilor surveys show that 99 percent of people who purchase No-Glare lenses insist on No-Glare lenses again the next time eyeglasses are purchased. Practices that recommend No-Glare lenses to all patients routinely sell them to 80 percent or more of eyeglasses patients.

Income and Expenditures of U.S. Households: 2011

| Income Quintile | Before Tax Annual Income | | % of Income | % of Expenditures |
|-----------------|--------------------------|-----------------|-------------|-------------------|
| | Range | Average | | |
| Lowest 20% | Under \$18,559 | \$9,805 | 3% | 9% |
| Next 20% | \$18,559-\$35,644 | \$27,117 | 9% | 13% |
| Median 20% | \$35,645-\$58,251 | \$46,190 | 15% | 17% |
| Next 20% | \$58,252-\$93,836 | \$74,019 | 23% | 23% |
| Highest 20% | \$93,837 or more | \$161,292 | 51% | 38% |
| Total | | \$63,685 | 100% | 100% |

Source: U.S. Bureau of Labor Statistics: Consumer Expenditures in 2011

Just 6 percent of spectacle lens prescriptions today are for polarized lenses. Just 40 percent of primary eyeglasses wearers own a pair of prescription sunwear. Few patients understand the advantages of polarized lenses over tinted sunglasses in bright sunlight, because the benefits are never explained.

Only about 10 percent of lens prescriptions are for high-index lenses, yet at least one-quarter of all patients would benefit from them, if recommended by ECPs.

Eyeglasses consumer segmentation

Research conducted by Essilor suggests that eyeglasses buyers can be divided into three principal groups, based on their perceived eyewear needs:

- **Price-Conscious/Basic-Eyewear Buyers** This consumer segment, composed primarily of middle- and lower-income people, desires to minimize eyewear outlay and is satisfied with eyeglasses offering basic, functional features. This segment purchases eyewear less frequently. These buyers demonstrate a high elasticity of demand—as high performance features are added to an eyeglasses package at increasing retail prices, their interest in purchase declines sharply.
- **Image-Conscious Buyers** This segment desires that eyewear complement and enhance personal appearance and be very comfortable to wear. These buyers are more likely to be less than 65 years of age. This segment is willing to pay a premium price for these benefits, and its interest is not heavily influenced by price. No-Glare lenses are highly desired by this group. This segment purchases eyewear more frequently and is more likely to own and use multiple pairs.
- **Best-Vision-Performance Buyers** This consumer segment, concentrated among more affluent, presbyopic patients, demands the best vision performance from its eyewear. These buyers are frequently engaged in near-vision tasks, like reading and computer work, and wear their glasses longer each day. They expect to pay a premium price for high-performance and prefer progressive lenses. They are likely to own and use multiple pairs of eyewear.

The proportions of patients falling into each group vary from practice to practice. But in the experience of practice management consultants, the proportion of patients who base decisions primarily on price can be kept to 20 percent or less through effective eyewear presentation. Because it's impossible to tell up-front into which of the segments individual patients are best classified, product presentations should assume patients want the best performance and then allow patient response to reveal into which segment they fall.

Eyeglasses purchase process

Because eyeglasses are infrequently purchased and can be costly, consumers regard their choice as consequential. Eyeglasses will be worn for a long period, and mistakes must be endured.

Jobson and Essilor surveys suggest that most patients focus more on frame selection than on lenses as they purchase eyeglasses. They want to look good in their glasses. They also want the glasses to fit well and be comfortable to wear, which they believe is mainly a function of the frame selected.

In a March 2012 Jobson survey of 5,842 prescription eyeglass wearers, 56 percent said that they selected their new frame first, and only 11 percent said they chose their spectacle lenses first. When asked whether the frames or lens decision was more important, 41 percent said the frames choice was more important, compared to 21 percent who said the lens choice was more important.

These findings suggest that in many purchase situations there is little time spent on selecting appropriate lenses and little discussion of lens benefits. The result is that many patients continue to wear outdated, mature-technology eyewear.

A 2012 MBA survey revealed that half of independent ODs present bundled packages of lens features to patients to simplify a complex decision process, and half do not. When lens features are presented as individual add-ons and not in bundled packages, patients are more likely to resist increasing their outlay for what are perceived as unnecessary enhancements.

Implications of consumer behavior and attitudes for eyewear selection

- **ECP decisions should be the major determinant of which lenses are dispensed in a practice. Few consumers are equipped to sort through the options and make good decisions about their lenses.** ECPs should determine which few of the hundreds of lens types and brands available offer the best performance and produce the highest satisfaction among patients, then guide patients to these products. If a practice is overwhelmed by the complexity of spectacle lens offerings, it is certain that patients will be as well.
- **In most practices, ECP lens selections should be weighted to lenses that satisfy the discriminating requirements of affluent, educated patients.** These patients account for a high share of eyewear purchases in most practices. Their needs and desires are shared by people with more modest income. Orienting the product mix to the affluent conveys to all patients that the practice offers the latest technology and appeals to sophisticated consumers.
- **Spectacle lenses should be presented as complete (or “bundled”) packages of features,** not as a series of choices of material, design and other treatments. This approach simplifies the purchase process and assures that a higher proportion of patients have the benefit of the latest technology. In presenting spectacle lens options to patients, the precept “less is more” definitely applies. Overwhelming patients with technical detail and add-ons creates indecision.
- **Spectacle lens packages should be presented to patients starting with the highest performance option** with the assumption that patients want the best.

What’s at Stake

Because eyewear accounts for such a large share of total practice revenue, upgrading the eyewear product mix has a major impact on financial performance of the practice. The only other eyewear management initiative that can produce comparable revenue gains, with minimal investment, is upgrading recall processes. The table at right shows that increasing the average eyewear sale by just \$23 (a 10 percent increase in the average retail sale of the median U.S. practice) increases revenue by approximately \$33,500

in a typical \$750,000 practice. Increasing the average eyewear sale to \$350 (achieved by the 20 percent of practices with the highest eyewear transaction size), generates an additional \$178,900 or so in a \$750,000 practice.

Impact of Increasing Average Eyewear Retail Sale

| | Annual Practice Gross Revenue | | |
|--|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Eyeglasses Pairs (Average Retail Price = \$227) | 969 | 1,454 | 1,938 |
| Average Eyewear Retail Sales | Annual Eyeglasses Sales | | |
| \$250 | \$242,287 | \$363,442 | \$484,574 |
| \$300 | \$290,737 | \$436,142 | \$581,474 |
| \$350 | \$339,187 | \$508,842 | \$678,374 |

Impact of Increasing Progressive Lens % of Presbyopic Rxes

| | Annual Practice Gross Revenue | | |
|--|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Total Eyeglasses Pairs | 969 | 1,454 | 1,938 |
| Presbyopic Lens Pairs (49.6% of total) | 481 | 721 | 961 |
| Progressive Lens Pairs (25.4% of total, 51% of presbyopic Rxes) | 246 | 369 | 492 |
| Progressive Lens % of Presbyopic Lenses | Annual Eyeglasses Sales* | | |
| 60% | \$224,558 | \$336,784 | \$449,010 |
| 70% | \$229,646 | \$344,416 | \$459,186 |
| 80% | \$234,734 | \$352,048 | \$469,362 |
| 90% | \$239,822 | \$359,680 | \$479,538 |

Source: PAA projections

The following tables illustrate the revenue impact of increasing usage ratios, above current national norms, of specific spectacle lens types, including progressive, anti-reflective, high-index and photochromic lenses. In each table the percentage of lens units dispensed by typical U.S. practices is shown, followed by estimates of the revenue generated when higher usage ratios are achieved. For each lens type, the highest usage ratio shown is currently being achieved by the best-performing practices. For most U.S. practices, the largest revenue increase can be achieved by raising the ratio of anti-reflective lenses dispensed.

Impact of Increasing No-Glare Anti-Reflective Lens %

| | Annual Practice Gross Revenue | | |
|---------------------------------------|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Total Eyeglasses Sales | 969 | 1,454 | 1,938 |
| No-Glare Lens Pairs (25% of total) | 242 | 364 | 485 |

No-Glare Lens % of Total Eyeglasses Rxes

| | Annual Eyeglasses Sales* | | |
|-----|--------------------------|-----------|-----------|
| 40% | \$234,600 | \$351,800 | \$469,000 |
| 60% | \$253,900 | \$380,800 | \$507,800 |
| 70% | \$263,600 | \$395,400 | \$527,200 |
| 80% | \$273,300 | \$409,900 | \$546,500 |

*Assumes \$100 revenue increase per No-Glare lens pair

Impact of Increasing High-Index Lens %

| | Annual Practice Gross Revenue | | |
|---|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Eyeglasses Pairs | 969 | 1,454 | 1,938 |
| High-Index Lens Pairs (10% of total) | 97 | 145 | 194 |

High-index % of Total Eyeglasses Rxes

| | Annual Eyeglasses Sales* | | |
|-----|--------------------------|-----------|-----------|
| 15% | \$222,160 | \$333,285 | \$444,365 |
| 20% | \$224,365 | \$336,570 | \$448,730 |
| 25% | \$226,525 | \$339,855 | \$453,095 |
| 30% | \$228,730 | \$343,095 | \$457,415 |

*Assumes \$45 revenue increase per high-index lens pair versus average lens pair cost

Impact of Increasing Photochromic Lens %

| | Annual Practice Gross Revenue | | |
|---|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Eyeglasses Pairs | 969 | 1,454 | 1,938 |
| Photochromic Lens Pairs (15% of total) | 150 | 225 | 300 |

Photochromic % of Total Eyeglasses Rxes

| | Annual Eyeglasses Sales* | | |
|-----|--------------------------|-----------|-----------|
| 20% | \$224,752 | \$337,128 | \$449,504 |
| 25% | \$229,936 | \$345,012 | \$459,980 |
| 30% | \$235,228 | \$352,788 | \$470,348 |
| 35% | \$240,412 | \$360,672 | \$480,824 |

Source: PAA projections



What Goes Wrong

- **Assume that eyeglasses patients with no vision complaints, who need a prescription update, will want to purchase the same lens type as currently worn.** In the rapidly changing world of spectacle lens technology, an “if it ain’t broke, don’t fix it” mentality quickly dates a practice. Patients who do not voice a complaint about their current spectacle lenses are not necessarily totally satisfied. People learn to accept small compromises in the performance of their lenses, usually because they are not aware that better alternatives exist. Eyewear patients put up with glare, have difficulty driving at night, accept age-revealing segment lines or wear heavy, uncomfortable lenses because no one ever bothered to present something better. People who tried first-generation progressive or No-Glare lenses and had problems are unlikely to ask about these lens types and probably do not know that the early problems have been eliminated in later-generation lenses.
- **Assume patients understand available options and wait for patients to express preference.** Few patients take the time to explore lens options before visiting the office. They do not know what is best to satisfy their needs. They have difficulty even expressing their needs, not knowing what is possible. Although patients may recognize brands such as Varilux® and Transitions®, they know little about what distinguishes these products from others and are unlikely to ask for these brands by name.
- **No lens recommendation is made by doctor at conclusion of eye exam.** In many offices, all discussion of spectacle lenses occurs only after the eye exam and dialogue with the doctor is over. A 2006 Essilor survey indicates that less than 15 percent of ODs always discuss spectacle lens brands with patients, and less than 10 percent always personally recommend a lens brand. Patients may not link discussions with the doctor about eye exam findings or vision needs with the lenses an optician suggests. Spectacle lens recommendations from an optician often are viewed more as salesmanship than as professional advice. This can cause patient decision-making to hinge on the price points of options presented, not on lens performance. When a doctor does not discuss spectacle lenses with a patient, the lens chosen later in discussion with staff is not perceived as part of a doctor’s prescription for the patient.
- **Stereotype the eyewear budget limit of individual patients or let a patient’s vision insurance allowance dictate the lens recommendation.** It’s impossible to guess accurately the value that individual patients place on eyewear. Stereotyping patients’ ability to afford eyewear surely will result in lower revenue and less satisfied patients. To avoid unpleasant discussion about cost with patients, staff has a natural tendency to propose eyewear that will cost no more than a patient’s insurance allowance. Staff members on limited household budgets themselves may have no personal experience with high-performance eyewear and be uncomfortable recommending what appears to be expensive. As you evaluate patients’ eyewear budgets, consider this fact: The average U.S. household spends just \$200 per year for eye care, representing less than one-half of one percent of household spending.
- **Recommend mature-technology, moderate-cost lenses to most patients.** To avoid sticker shock and reduce the number of unpleasant conversations about price, some offices recommend middle-of-the road spectacle lenses to most patients. This assures a sub-standard average eyewear transaction size and a low incidence of patients who have their expectations exceeded.
- **Doctor’s lens recommendation is inadequately conveyed to dispensing staff.** A doctor’s spectacle lens recommendation is seldom challenged by patients. But if the lens recommendation is not accurately conveyed to dispensing staff, it can be lost or distorted in the hand-off between the exam room and dispensary. If an explicit Rx is not conveyed directly from doctor to staff, there is risk that patients will have difficulty remembering the precise terminology of the doctor’s recommendation, opening the door to misunderstanding, confusion and disappointment. Poor hand-offs can sometimes result in staff contradicting a doctor’s recommendation, eroding trust in the practice.
- **Present advanced features as non-essential add-ons.** When features such as lens material, No-Glare treatments and photochromic lenses are presented as afterthought options and not as integral lens features, patients tend to view them as nice-to-have, but unnecessary and costly frills. Making the eyewear selection process a lengthy set of decisions confuses patients and causes them to postpone decision making,





To Upgrade Lens Mix

1. Script an explanation to patients with vision insurance that plan allowances cover only the most basic pair of eyeglasses. Confusion about eyewear insurance allowances occurs at two levels. First, many patients do not know the specifics of their coverage, which change from year to year. Second, they may assume that the allowance should cover the total cost of a high-quality, technologically-current pair of glasses. Well-managed practices make a habit of asking patients about their insurance plans as appointments are booked, then confirm the allowances before patients arrive at the office. As each patient arrives, he or she is informed of the current allowances. As this is done, the receptionist might say:

“Your coverage pays for an exam and a very basic pair of eyeglasses, but it can be used to greatly reduce the cost of eyeglasses offering much better performance, which most of our patients prefer to wear.”

“Your insurance will pay much of the cost of a pair of glasses with lenses and frames providing the best performance—the kind you’re most likely to be happy with.”

“Your insurance will greatly reduce the cost of your primary pair of eyeglasses and make it much easier to afford a pair of computer glasses (or polarized sunwear, etc.) that will make your daily work a lot more comfortable.”

These explanations create the expectation that there will be an outlay, before recommendations and decisions are made.

2. Have the doctor and staff wear high-performance spectacle lenses. Patients are more likely to appreciate the value of high-performance lenses when they observe them being worn by experts who dispense eyeglasses to dozens of people every week. When the doctor and staff wear No-Glare lenses, an effective demonstration aid of the No-Glare and no-reflection benefits is readily at hand. Staff will be more comfortable discussing high-performance lenses if they personally experience the benefits.

3. Doctor makes a personalized recommendation about the lenses that will offer the best performance to each patient at conclusion of the eye exam.

Recommending a specific lens type is much more powerful than merely listing a menu of options and letting the patient decide. After a brief recap of exam findings and what has been learned about a patient’s daily vision requirements and vision problems, the doctor should make a specific lens recommendation to each patient. This should be prefaced with the words “I recommend...” which signals to patients that the doctor is personally invested in the advice being offered. A brief synopsis of the benefits of the recommended lens type should be given, relating the benefits to what was learned about patients’ daily vision environments, vision problems and corrective needs. (See Patient Profiling and Lens Recommendations.) Pricing of the recommended lens

type need not be discussed at this point. Prefacing lens recommendations with the words “I prescribe...” also helps to link the recommendation to exam findings and needs assessments.

4. Assumptively recommend lens materials, as outlined below:

- Avoid presenting a menu of lens material options to patients. Patients look to you as an expert in lenses and will accept your recommendation without question.
- Use polycarbonate as the standard lens material. There is no good rationale for use of CR39 materials in any prescription. The added cost to patients of polycarbonate is insignificant (usually \$20 to \$25 at retail) and is readily justified by its impact resistance (up to ten times that of other traditional plastics), its lighter weight and thinness (25 percent less) and its 100 percent UV absorption. UV protection should be a standard feature of all spectacle lenses prescribed.
- Prescribe high-index materials to patients with these characteristics:
 - Desire rimless lenses: use 1.60 refractive index lenses.
 - Add a patient’s spherical correction power to his or her cylinder power requirement. When the sum is greater than 4.00D, then a high-index lens is indicated, because it is likely to be noticeably lighter and more comfortable for these patients. This is particularly a benefit when the astigmatism component is in the horizontal meridian. Use lenses with 1.67 refractive index for patients with a sum in the 4.00D to 7.50D range, and 1.74 lenses for patients with a sum of 8.00D or higher.
 - For highly complex prescriptions that are likely to be thicker and heavier lenses, use 1.74 lenses.
- Explain the comfort and appearance benefits as you prescribe a high-index lens. Assume the patient’s acceptance of your recommendation.
- Explain that No-Glare treatment is a standard feature of high-index lenses because these lenses reflect more light.

5. Recommend progressive lenses to all presbyopes.

Technologically advanced progressive lens designs have virtually eliminated the accommodation problems sometimes encountered with traditional PAL designs. This has removed any remaining functional reason to dispense bifocal and trifocal lenses. Current bifocal wearers may have tried PALs in the past and been disappointed. Every bifocal wearer should be educated about the recent design advances and encouraged to upgrade their vision and the appearance of their eyewear.

6. Develop three lens packages for single-vision and progressive lenses. Essilor research shows that people will pay more for eyeglasses when lenses are presented as bundled packages of features rather than as a series of add-ons. Unless a patient expresses a concern about cost up-front, pricing should not be mentioned as a key decision factor as lens recommendations are made. However, some patients will express a price concern about the spectacle lens recommended by the doctor, and a bundled set of options should be available for presentation.

| Lens Package | Single Vision | Progressive |
|--|--|---|
| Latest technology/ highest performance "Premier Package" | Eyecode™ lenses High index Crizal Sapphire UV™ or Crizal® Previncia™ No-Glare lenses | Varilux S Series™ lenses Crizal Sapphire UV™ or Crizal® Previncia™ No-Glare lenses |
| Technologically advanced "Advanced Design" | Polycarbonate Crizal Avancé UV™ No-Glare lenses | Varilux® Physio® lenses Crizal Avancé UV™ No-Glare lenses |
| Basic "Standard Lenses" | Polycarbonate Crizal Easy UV™ No-Glare lenses | Varilux Comfort® W2+ lenses Crizal Easy UV™ No-Glare lenses |

In the practice of MBA faculty member Dave Ziegler, OD, in West Allis, Wis., he and his partner personally recommend spectacle lenses to each patient, and they achieve ratios of lens sales by bundled package as shown in the chart to the right.

These numbers demonstrate that price is not the dominant purchase consideration of most patients and that most will accept a doctor's lens recommendation when consistently made and conveyed to opticians who assist patients with frame selection. Develop a sheet listing the bundled options and their features, and be sure the staff is well versed on it. See Appendix for additional discussion of bundling from Jay Binkowitz, president of GPN, an optometric consultant specializing in profitability analysis of optical departments.

| Bundled Lens Packaged Sales | |
|-----------------------------|-----|
| Progressive | |
| Best package | 95% |
| Middle package | 2% |
| Lowest package | 3% |
| Single vision | |
| Best package | 80% |
| Middle package | 11% |
| Lowest package | 9% |

Source: Dave Ziegler, OD, FFAO

7. All bundled packages should include lenses with No-Glare treatments. Anti-reflective lenses should be explained as a basic, must-have for all patients, not as a luxury add-on.

8. Use a structured approach to the hand-off between doctor and optician with each patient. There are four workable approaches to make the hand-off from the doctor to the staff member who will assist the eyeglasses patient in lens measurements and frame selection. Each practice needs to determine which hand-off method works best within staffing limits and the flow of the service process. The most effective method, which will eliminate any communication breakdowns and will minimize the time staff spends to present lens options, is for a dispensing staff member to be present in the exam room as the doctor makes the lens recommendation. In this way the staff member hears the full rationale for the recommendation and can reinforce it in any discussion with patients in the dispensary. Workable, but less effective, is to hand each patient an Rx note listing the specific lens recommendation as the exam concludes. This approach runs the risk that patients will not convey the note to the staff member assisting them or that the staff member interprets the note differently than intended.

| Hand-off Approaches | |
|-----------------------|---|
| Most Effective | Optician/optometric assistant in exam room as doctor makes lens recommendation. |
| ↕ | Optician/optometric assistant called into exam room after lens recommendation is made; doctor reiterates recommendation in front of patient and staff member. |
| | Doctor escorts patient to optical dispensary and reiterates lens recommendation in front of patient and staff member. |
| Less Effective | Doctor writes down lens recommendation on script pad and hands to patient at exam conclusion. |

9. Reach a decision about the spectacle lens before frame selection begins. Although the appearance of a pair of eyeglasses is very important to patients and engages their emotions, the functional attributes and benefits of the lenses have greater impact on quality of vision, comfort and safety. When a decision about lenses is made first, there is no possibility that the frame style will preclude a patient from selecting lenses that will optimize vision, comfort and eye health.

10. Conduct quarterly staff meetings to review new spectacle lens products and refresh staff knowledge of recommended lenses. With the continuous introduction of new lens technology, it is necessary to regularly review the standard bundled packages presented to patients. It's also helpful to review the presentation scripts that are used to explain the benefits of different lenses and the processes for matching patients and lenses. During the meetings staff should share their experiences and techniques for presenting eyewear.

11. Track and analyze the spectacle lens sales mix. At the end of each quarter, the mix of spectacle Rxes dispensed by the practice should be analyzed and reviewed with the staff, including the following lens categories:

The average sale for spectacle lenses should be calculated quarterly and tracked over time.

| | Single Vision | Progressive | Bifocal/Trifocal |
|--------------------------|---------------|-------------|------------------|
| No-Glare Non-AR | _____ | _____ | _____ |
| Polycarbonate High-Index | _____ | _____ | _____ |
| Photochromic | _____ | _____ | _____ |
| Polarized | _____ | _____ | _____ |

Patient Profiling and Lens Recommendations

This section presents methods to identify the ideal combination of lens features to provide the best solutions for individual patients, customized for their vision environments, corrective requirements and other needs. In a typical optometric practice, 57 percent of all spectacle lens pairs are purchased by patients 45 years of age or older, most of whom are presbyopic. About half of spectacle lenses sold are single vision, 77 percent of them bought by people under 45 years of age. Nearly all presbyopic lenses are purchased by patients 45 or older. Purchase data show that:

- Progressive lenses are more likely to be purchased by affluent early presbyopes, compared to bifocal and trifocal lenses, which are purchased more by older, retired presbyopes of more modest means.
- No-Glare lenses are somewhat more likely to be purchased by men, but there is no consistent skew to the age of buyers.
- Photochromic lenses are more likely to be purchased by men older than 45 years of age.

Current lens usage of different demographic groups provides little guidance on what lenses ECPs should recommend to individual patients. This is because occupational and lifestyle variables should weigh heavily in recommendations, and some lens types are not appropriate for all patients with particular corrective needs. Jobson consumer surveys show that many independent ECPs do not adequately profile their patients to make the most appropriate eyewear recommendations. Only about half of adults receiving eye exams from independent ECPs report being asked about their occupational or avocation vision needs.

Spectacle Lens Purchaser Demographics (% of spectacle lens units by buyer characteristics)

| Age | Total Lenses | Single Vision | Bifocal/Trifocal | Progressive |
|---------------|--------------|---------------|------------------|-------------|
| 55 and older | 35% | 9% | 63% | 62% |
| 45-54 | 22% | 14% | 25% | 30% |
| 44 or younger | 43% | 77% | 12% | 8% |
| Total | 100% | 100% | 100% | 100% |

| Annual Household Income | Total Lenses | Single Vision | Bifocal/Trifocal | Progressive |
|-------------------------|--------------|---------------|------------------|-------------|
| \$60,000 and over | 57% | 58% | 47% | 64% |
| Under \$60,000 | 43% | 42% | 53% | 36% |
| Total | 100% | 100% | 100% | 100% |

Source: VisionWatch, year ending December 2012

Spectacle Lens Penetration Index (Index 100 = Average Usage)

| | No-Glare | Photochromic |
|--------------|----------|--------------|
| Male | 105 | 117 |
| Female | 96 | 79 |
| Age | | |
| 18-34 | 103 | 45 |
| 35-44 | 89 | 68 |
| 45-54 | 104 | 103 |
| 55 and older | 101 | 121 |

Source: Jobson/VCA VisionWatch, 2009

Need Assessment During Eye Exams (% of independent ECP patients who were asked about...)

| | |
|---------------------------|-----|
| Current vision problems | 90% |
| Avocational vision needs | 53% |
| Occupational vision needs | 47% |

Source: Jobson Optical Research, 2012 Adult Consumer Eye Exam Experience

Patient Profiling and Lens Recommendations

continued

Vision requirements are changing.

The vision correction requirements of the U.S. population are evolving as workplace demands change, as new communication technology gains wide usage and as leisure pursuits consume more of people's time. A recent study reported in the *Archives of Ophthalmology* documents that the prevalence of myopia in the U.S. population 12 to 54 years of age increased from 25 percent to 42 percent over a 30-year period between 1971-72 and 1997-2004. Researchers hypothesized that this is the result of an increased amount of time spent by the population in near-vision tasks.

Traditionally, optometrists grouped vision correction requirements into two categories—near and distance. But in the modern visual environment, intermediate vision tasks have a new prominence. Today, about two-thirds of the population between 15 and 64 years of age use a computer at home, and more than half of employed people use a computer at work. A CIBA VISION study indicates that the average soft-lens wearer is in front of a computer screen 29 hours a week. Many ECPs remain locked in a near- or far-vision paradigm and give little consideration to intermediate-vision tasks.

While it's impossible to generalize about the proportions of patients in individual practices who have different occupations, across the country, most employed people work indoors in jobs involving mostly near- and intermediate-vision tasks. Half of U.S. workers are engaged in business, education or healthcare jobs, nearly all of which involve computer work, paperwork or both. The other half of the workforce is employed in a variety of settings with varied vision demands. At least 10 percent of the workforce spends much of the workday outside in construction, transportation, landscaping, maintenance or agricultural jobs. Another 10 percent of the workforce operates a vehicle much of the day or is in a car traveling between work sites or customers. At least 15 percent of adult eyewear users need safety eyewear, with jobs in manufacturing, construction, maintenance or repair.

Adult Internet Usage by Age: 2012

| Age | % of Adults Using Internet |
|--------------|----------------------------|
| 18-29 | 96% |
| 30-49 | 93% |
| 50-64 | 85% |
| 65 and older | 58% |
| Total | 85% |

Source: Pew Internet Project Survey, July-August 2012

Employment Status of U.S. Adults: 2012 (% employed)

| Age | Total Adults | Male | Female |
|--------------|--------------|------------|------------|
| 16-19 | 26% | 25% | 27% |
| 20-24 | 62% | 64% | 59% |
| 25-34 | 75% | 82% | 68% |
| 35-44 | 77% | 85% | 70% |
| 45-54 | 75% | 81% | 70% |
| 55-64 | 61% | 66% | 56% |
| 65 and older | 17% | 22% | 14% |
| Total | 58% | 64% | 53% |

Source: U.S. Bureau of Labor Statistics 2012

Occupations of U.S. Labor Force: 2012

| | Million | % of Total |
|---|--------------|-------------|
| Business management/education/healthcare | 75.2 | 53% |
| Office/administrative support | 17.7 | |
| Managers/business/operations/computer/professionals | 26.5 | |
| Healthcare practitioners and support | 11.5 | |
| Teachers | 8.5 | |
| Other | 11.0 | |
| Service workers | 37.4 | 26% |
| Sales | 15.5 | |
| Food preparation | 8.0 | |
| Cleaning/maintenance | 5.6 | |
| Personal service | 5.3 | |
| Public safety | 3.1 | |
| Construction/productions/installation/repair | 20.3 | 14% |
| Manufacturing/production | 8.5 | |
| Construction/extraction | 7.0 | |
| Installation/maintenance/repair | 4.8 | |
| Transportation | 8.5 | 6% |
| Farming/fishing | 1.0 | 1% |
| Total | 139.9 | 100% |

Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wages 2012

Patient Profiling and Lens Recommendations

continued

Leisure activities also define vision needs.

U.S. adults spend more than five hours each day engaged in a variety of leisure activities. Some of these activities require different eyewear solutions than are dictated by the work setting of individual patients.

By far the most common leisure activity is watching television. During weekdays, adults spend 55 percent of their leisure time watching TV. Presbyopes spend more time watching TV than do younger people. Management & Business Academy™ (MBA) faculty member Neil Gailmard, OD, notes that progressive-lens wearers who watch TV regularly can benefit from a pair of single-vision lenses with their distance prescription only. This Rx is more comfortable for patients when watching TV because the normal tendency is to recline a little in front of the set, bringing the near power of the progressive lens into view. This can result in neck pain or distorted vision. Dr. Gailmard himself keeps a pair of single-vision lenses next to his recliner at home.

Adults also participate in a wide variety of hobbies and sporting activities, often involving vision requirements different than encountered during the workday. Large numbers are involved in outdoor activities and would benefit from having a pair of polarized sunwear.

Because of the diversity of work settings and avocations, it's impossible to assess visual needs through simple observation. Questionnaires and conversation can quickly define patients' daily activities—the basis of optimal eyewear recommendations.

Vision problems of eyeglasses wearers

Another useful approach to defining eyewear needs is to probe the vision problems that patients regularly encounter. A 2007 consumer study conducted by Essilor presented eyeglasses wearers with a list of common vision complaints and asked if respondents ever encountered each problem. The two most frequently selected vision problems were sensitivity to bright sunlight and night vision difficulties. The prevalence of these demonstrates a widespread need for polarized sunwear to reduce glare.

Time Spent Watching Television by Age: 2011

| Age | Hours per day | | Weekday % of Leisure Time Watching TV |
|---------------------------|---------------|-------------|---------------------------------------|
| | Weekdays | Weekends | |
| 15-19 | 1.95 | 2.69 | 35% |
| 20-24 | 2.17 | 2.40 | 45% |
| 25-34 | 1.89 | 2.57 | 52% |
| 35-44 | 1.93 | 2.89 | 54% |
| 45-54 | 2.49 | 3.24 | 61% |
| 55-64 | 3.07 | 3.51 | 60% |
| 65-74 | 3.77 | 4.47 | 57% |
| 75 and older | 4.37 | 4.54 | 62% |
| Total 15 and older | 2.57 | 3.19 | 54% |

Source: U.S. Bureau of Labor Statistics, American Time Use Survey 2011

Leisure Activities of American Adults

| Activity | % of Adults Participating | 2 nd Pair Eyewear Needs |
|-------------------------|---------------------------|--|
| Watching TV | 99% | Single vision distance Rx |
| Home improvement/repair | 42% | Safety glasses |
| Exercise walking | 40% | Polarized sunwear |
| Reading books | 38% | Rx optimized for near |
| Flower gardening | 28% | Polarized sunwear |
| Vegetable gardening | 26% | Polarized sunwear |
| Cooking for fun | 22% | Rx optimized for intermediate |
| Jogging/running | 18% | Polarized sunwear |
| Sewing | 16% | Rx optimized for near |
| Bicycling | 14% | Polarized sunwear |
| Fishing | 14% | Polarized sunwear |
| Golf | 9% | Polarized sunwear, tinted lenses, progressive lenses adapted for ground view |
| Hunting | 8% | Polarized sunwear |
| Boating | 7% | Polarized sunwear |
| Target shooting | 7% | Polarized sunwear, tinted lenses |
| Painting/drawing | 6% | Rx optimized for near |
| Woodworking | 5% | Safety glasses -- Rx optimized for intermediate |
| Tennis | 4% | Polarized sunwear, tinted lenses |
| Archery | 2% | Polarized sunwear, tinted lenses |

Sources: U.S. Census Bureau; various sources for 2009-2010. For sporting/exercise activities, penetration ratios are for population 6 years of age and older

Vision Problems of Eyeglasses Wearers (% experiencing problem)

| | |
|------------------------------|-----|
| Sensitive to bright sunlight | 72% |
| Night vision difficulties | 64% |
| Teary eyes | 62% |
| Red eyes | 49% |
| Dry eyes | 49% |

Source: Essilor U.S. Segmentation Study, 2007

Patient Profiling and Lens Recommendations

continued

Most eyeglasses wearers use a single pair.

Despite the fact that most people engage in quite different vision tasks at work and at play, two-thirds of Americans who wear eyeglasses use a single pair. Older patients are more likely to use multiple pairs. There are many combinations of eyewear used, but the most typical combination is two pairs of glasses in the same prescription—one for indoors and one for outdoors.

MBA performance benchmarks reveal that a median of 10 percent of eyeglasses buyers purchase more than a single pair of prescription eyewear during their eye exam office visits. The 20 percent of practices with the highest ratio of multiple pair purchases report that 20 percent buy more than a single pair.

A 2010 MBA survey revealed that 94 percent of private ODs offer patients discounts when second pairs are purchased. The average discount is 29 percent. The most common discount, offered by 45 percent of ODs who discount second pairs, is 20 percent off.

What's at Stake

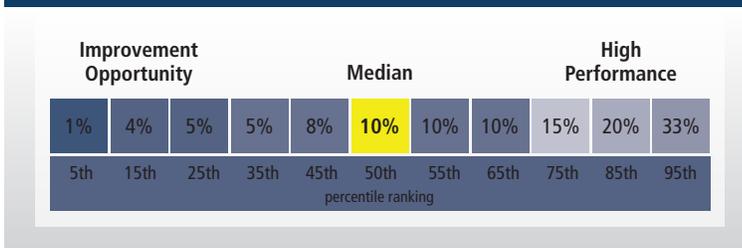
Small increases in the proportion of patients purchasing multiple pairs of prescription eyewear have a large impact on practice revenue. Second-pair transactions are normally directly paid for by patients, increasing their average value. In a practice with \$750,000 annual revenue, increasing the second-pair ratio from the normal 10 percent to 20 percent results in a sales increase of more than \$48,000.

Number of Pairs of Prescription Eyeglasses Regularly Used

| | One | Two | Three or more | Total |
|---------------------|-----|-----|---------------|-------|
| Total | 65% | 29% | 6% | 100% |
| Male | 63% | 31% | 6% | 100% |
| Female | 67% | 27% | 6% | 100% |
| Age | | | | |
| 18-34 | 73% | 24% | 3% | 100% |
| 35-44 | 67% | 27% | 6% | 100% |
| 45-54 | 63% | 31% | 6% | 100% |
| 55 and older | 60% | 32% | 8% | 100% |

Source: VisionWatch, year ending December, 2012

Eyewear Multiple Pair Sales % Eyewear Buyers Performance Deciles



Source: MBA Practice Performance Assessment

Second Pair Discounts

| | |
|---|-----|
| % of independent ODs offering second pair discount | 89% |
| Discount offered: | |
| Less than 20% | 7% |
| 20% | 38% |
| 21-49% | 28% |
| 50% | 28% |
| Average % discount | 31% |

Source: MBA Prescription Eyewear Survey, March 2012

Impact of Increasing Multiple Pair Sales

| | Annual Practice Gross Revenue | | |
|---|--------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Total Eyeglasses Pairs | 969 | 1,454 | 1,938 |
| Patients Purchasing Eyeglasses | 881 | 1,322 | 1,762 |
| Patients Purchasing Multiple Pairs (10%) | 88 | 132 | 176 |
| % of Patients Purchasing Multiple Pairs* | Annual Eyeglasses Sales | | |
| 15% | \$224,024 | \$336,036 | \$488,048 |
| 20% | \$252,032 | \$378,048 | \$504,064 |
| 25% | \$260,040 | \$390,242 | \$520,262 |

* Assumes patients buying multiple pairs purchase two pairs. Assumes second pair revenue of \$182 (20% off normal retail)

Source: PAA projections

What Goes Wrong

- **No effort to discover individual patient vision needs**

While lifestyle dispensing is a well-understood concept, it is frequently omitted in the busy office visit routine. In the absence of detailed information about a patient's daily activities, it is impossible to recommend the ideal lens solutions. In some offices details about patients' lifestyles, hobbies and vision problems are collected on a questionnaire, but then never reviewed by the doctor and staff who assist patients with lens selection.

- **No discussion of benefits of multiple pairs** Trying to avoid any display of excessive salesmanship, many offices never suggest second pairs of eyewear. They may assume that because a patient's

vision insurance covers only one pair of eyeglasses, that's all the patient will want. Or they make the false assumption that patients' eyewear budgets are so limited as to not allow for purchase of additional pairs, which would eliminate the compromises that patients endure when they use a single pair of glasses for every task in every visual environment.

- **No linkage of lens recommendations and individual needs** When lens decisions are made by presenting patients with a list of options at different price points, then decisions are made based on cost, not on the package of benefits different lenses provide individual patients.

Best Practices To Profile Patient Needs



1. Profile each patient's eyewear needs. A standard process is recommended. Dr. Gailmard likes to ask each patient six questions to identify his or her eyewear needs:

1. May I ask your occupation?
2. Do you have any hobbies?
3. Do you participate in outdoor activities?
4. Do you use a computer?
5. Do you drive long distances?
6. Do you like to watch TV?

These questions can be incorporated into the medical history questionnaire. An example is shown below. During pre-testing, the optometric assistant should review the patient's responses to the eyewear usage questions and clarify, as necessary. Special needs or frequent vision problems encountered should be highlighted to be brought to the attention of the doctor. The doctor should reiterate to the patient what has been learned about his or her vision needs as the basis of a lens recommendation.

Medical History Questionnaire — Eyewear Usage Section

What is your occupation? _____

(If employed) In what type of setting do you work most hours each week? (Check one)

- | | |
|--|-----|
| Retail store or restaurant | () |
| Business or medical office | () |
| Outdoors in landscaping, agriculture or maintenance work | () |
| Outdoor construction site | () |
| Indoor construction site | () |
| Manufacturing shop floor | () |
| Hospital | () |
| School or college | () |
| In an automobile or truck | () |
| On a boat or ship | () |
| Other _____ | |

For each of the following activities, estimate how many hours you spend daily.

Daily hours spent

- | | |
|---------------------------------|-------|
| On a computer? | _____ |
| Reading printed material? | _____ |
| Watching television? | _____ |
| Out of doors? | _____ |
| Driving or riding in a vehicle? | _____ |

In what sporting or outdoor activities, if any, are you a frequent participant? _____

In what hobbies are you actively involved? _____

continued

For each of the following vision problems, indicate how frequently you experience the problem:

| | Frequently | Occasionally | Seldom/never |
|--|------------|--------------|--------------|
| Glare while driving at night | () | () | () |
| Tired eyes while working at computer | () | () | () |
| Neck or back strain while working at computer | () | () | () |
| Glare in sunlight or bright lights | () | () | () |
| Difficulty reading printed material | () | () | () |
| Discomfort wearing glasses | () | () | () |
| Difficulty seeing television clearly | () | () | () |
| Inconvenience from frequent switching between regular glasses and sunglasses | () | () | () |

Are there any questions about or problems with eyeglasses lenses that you would like to discuss with the doctor or staff today?

2. Create the expectation among patients that purchasing multiple pairs of eyewear will optimize satisfaction.

Creating a patient expectation that using multiple pairs of glasses is normal and beneficial begins with the first dialogue with patients about their vision needs. Patients should be routinely asked about their normal indoor and outdoor activities, their work and home environment, their hobbies and special interests. This will reveal the ideal combination of eyeglasses and sunwear to recommend to each patient. Effective multiple-pair presentation involves creating a mindset among the optical staff that patients benefit from having different pairs of glasses for the different visual environments they encounter at work or during leisure. Dr. Gailmard makes a habit of referring to special-use lenses as computer glasses, TV glasses, golfing glasses, tennis glasses, driving glasses, sun glasses, safety glasses and other combinations of special use and the word "glasses." He says this gives added credibility to the device and makes its usefulness clear.

3. Provide discounts when multiple pairs are purchased.

MBA faculty members Dr. Gailmard and Dave Ziegler, OD, are not believers in promotional price offers for eyewear, but each recommends that practitioners offer attractive discounts to encourage multiple-pair sales. To encourage multiple-pair sales of eyeglasses, Dr. Ziegler makes a standard offer of \$75 off a complete second pair of single-vision lenses and \$100 off a complete pair of progressives. This incentive greatly reduces the sticker shock of purchasing multiple pairs and is an effective call to action. Dr. Gailmard offers a 50 percent discount on any second pair, applying the discount to the lower-cost pair and requiring that both pairs be purchased at the same time. He notes that profit is always higher when a second pair is sold. Having such an attractive discount creates a sense of obligation among the staff to discuss multiple pairs with every patient.

4. Create the expectation with each patient that he or she requires a pair of eyeglasses for optimal vision inside and another pair for outside.

Many people spend a great deal of time out-of-doors, but have only a single pair of eyeglasses designed for their indoor vision tasks, which might involve vision compromise when worn outside. These patients would benefit from use of polarized lenses. To stimulate discussion about "outside" eyewear, the following standard operating procedures can be used:

- As exam appointments are confirmed, suggest to patients that they bring in their sunglasses: "The doctor asks that you bring in your sunglasses so we can take a look at them and adjust them for you, if necessary." This creates the expectation of a conversation about sunwear.
- During pre-testing as the medical history/lifestyle questionnaire is reviewed, the optometric assistant should say: "I see you spend a lot of time outside. For patients like you, we recommend one pair of eyeglasses for inside and another for outside to reduce glare and block UV rays. The doctor will discuss this with you."
- As the exam concludes and after the indoors-appropriate lens is recommended, the doctor should say: "I recommend that patients who are in the car or who are out-of-doors a lot during the day have corrective lenses that reduce glare and block UV rays that can cause vision problems later in life. The sunglasses you buy in a drugstore don't do this adequately and, of course, don't correct your vision. With a good pair of polarized lenses you'll see comfortably even in bright sunlight with greater clarity and less color distortion."

5. Develop benefit-oriented presentation scripts for each lens type.

As recommendations about spectacle lenses are made, it's important to remember that patients don't buy glasses or contacts just to see better. They buy them to enhance their personal appearance, project youthfulness or stylishness, for convenience of use or for enhanced personal comfort. For example, people buy progressive lenses primarily to eliminate the telltale line between the distance and near zones that shouts to the world that they are getting older. It's the emotional end benefits that should be emphasized. Patients want to hear how eyewear will improve their lives.

People do not care much about technical details such as the mechanics of refraction, materials properties or optical zone architecture. Technical terms (high-index, photochromic), jargon (dual-sided) and abbreviations (CR39, No-Glare, etc.) should be avoided in patient presentations.

A recent Essilor study indicates that the most important benefit of anti-reflective lenses is glare reduction. This should be emphasized first as these lenses are presented. MBA faculty member Mark Wright, OD,

light-heartedly suggests that each patient be asked: "Would you like lenses with or without glare?"

As recommendations are made, reference should be made to the vision needs or problems that patients have reported, which are the rationale for the recommendation. This will minimize patient perceptions that lens recommendations are motivated mainly by a desire to sell more costly eyewear. Below are examples of effective product recommendations.

Patients' Reasons for Choosing Lenses with No-Glare Treatments (% of No-Glare lens buyers)

| | |
|---|-----|
| To end glare | 58% |
| To prevent reflections | 42% |
| To improve night vision | 36% |
| To reduce eye fatigue | 31% |
| To improve overall vision by letting more light through | 27% |

Source: Essilor Eyeglass AR Research, 2008

Spectacle Lens Presentations Scripts

Progressive lenses

Early presbyopes: "I recommend progressive lenses that offer excellent near and far vision, and also good intermediate vision, that avoid eye strain and back and neck aches when you use a computer. Progressive lenses have no lines between the vision zones, so they never advertise your age." Bifocal/trifocal wearers: "I recommend progressive lenses to my patients who wear bifocals. These lenses can now be customized to your unique vision needs. They are great for people who use computers, because unlike bifocal lenses that just correct for close-up and distance, progressive lenses also provide correction for the intermediate viewing distance as you look at the computer screen. With progressives, there's no jump in image as your eyes move to look from far to near."

No-Glare (anti-reflective) lenses

"I recommend No-Glare lenses to all my patients. You won't be bothered by glare while driving at night, and you'll find them much more comfortable viewing a computer screen. Because these lenses are nearly invisible, people will see your eyes and not a lot of reflections off your glasses."

High-index, "thin & light" lenses

"I recommend that your glasses be made with the most advanced plastic that is lighter in weight and transmits light more efficiently so your glasses can have a thinner profile. This will make your glasses more attractive and more comfortable."

Photochromic lenses

"I recommend lenses that are clear inside but darken automatically when you go outdoors to people like you who are frequently in and out of doors during the day. With these lenses you never have to switch glasses in different light conditions, so you will always enjoy comfortable vision without any squinting. They also block harmful UV rays."

"Your son spends a lot of time outdoors and would benefit from lenses that are clear inside but automatically darken outdoors. That way he doesn't have to look after two pairs of glasses, and he gets protection from harmful UV rays when in intense sunlight."

Polarized lenses

"Because you spend so much time in sunlight, I recommend that in addition to your pair of glasses for inside, you also have a pair of outside glasses. The polarized lenses I recommend for outside will greatly reduce the strong glare you experience in sunlight and will block all the harmful UV rays. You'll see things better with less color distortion and experience a lot less eye strain."

"Because you're in the car so much during the day, I recommend that in addition to your pair of eyeglasses for inside, you have a pair for driving. The polarized sunglasses I recommend will greatly reduce strong glare from sunlight, which will actually make driving safer by improving your reaction time and depth perception. Ordinary tinted prescription sunglasses don't do this as well."

6. Install a lens demonstration center to showcase the latest spectacle lens introductions.

Product demonstrations are very effective when presenting No-Glare, high-index, photochromic and polarized lenses. Assemble presentation aids supplied by major lens companies in an area in the dispensary to facilitate simple presentations.

7. Install a digital eyewear fitting station.

A digital measuring device such as the VisiOffice from Essilor is an effective way to demonstrate the technological superiority of the new digitally surfaced free-form lenses. As of early 2014, some 42 percent of independent ECPs had a digital measuring device in use.

Retail Pricing

Effective management of eyewear retail pricing can have a major impact on practice profitability. If prices are set too low, profit margins suffer, and money is left on the table. If prices are too high, patients are more likely to search for lower prices at alternative providers, and the capture rate of patients' lens purchases declines.

A consensus among consultants who have analyzed the retail pricing of their independent OD clients is that there is a tendency to under-price eyewear. This reflects an overblown OD fear of losing business to discount optical chains. Because ODs do not know the price that will scare away patients, many set prices lower than necessary. Consultants note that it's impossible for a small business with a high service model to match Walmart's prices and still make money. There is no evidence that independents cannot retain a high share of their patients' eyewear purchases, while pricing lenses at a premium to discount optical chains. A more aggressive pricing strategy will work in most optometric practices.

In every practice there is a small segment of patients whose primary consideration when selecting eyewear is price. These patients may be quite vocal in expressing their desire for a low price. But it makes no sense for a practice to set prices low and accept poor margins to satisfy the desires of a vocal minority. For most patients of independent ECPs, price is not the most important consideration as they buy eyewear. Most patients expect to pay more for the higher level of care they receive at an independent eye doctor and expect to pay more for their eyeglasses as well. They are willing to pay more both to maintain the relationship with the doctor and for the convenience of having an exam and buying vision care devices at the same time and place.

Management & Business Academy™ (MBA) faculty member Neil Gailmard, OD, reminds ODs that unlike most things people buy in retail stores, a pair of eyeglasses designed for a specific patient incorporates a lot of professional expertise and advice that should command reasonable compensation.

A benefit of setting retail prices to yield an acceptable margin is that it can empower independent ODs to take action to assure 100 percent patient satisfaction with eyewear. When profits are adequate, there's less quibbling when patients complain about their new glasses and request a change.

MBA data show that the median gross profit margin of independent practice ODs on eyewear sales is 61 percent. That's equivalent to a mark-up of 2.6 times cost-of-goods. The range in gross profit margin achieved is fairly narrow among ODs, with 70 percent of practices realizing profit margins between 50 percent and 70 percent. This narrow range of profit margin probably reflects the competitive constraints that exist on eyewear pricing. To the extent that there is a tendency among ODs to under-price eyewear, it is likely that an eyewear gross profit margin of 66 percent is achievable without significant decline in the capture rate.

Impact of Pricing on Eyewear Purchase (% of patients saying statement describes "completely/very well")

| | Eyewear Buyers of: | |
|--|--------------------|-----------------|
| | Optical Chain | Independent ECP |
| I always shop around to get the best prices. | 46% | 28% |
| When it comes to buying glasses, I think it is worth paying a little more to get the best. | 35% | 49% |
| When it comes to my vision, the amount of money I spend is not a concern. | 21% | 30% |

Source: Essilor AR Coating Pricing Survey-Independent Versus Retail Chain, 2007

Eyewear Gross Profit Margin % Performance Deciles

| Improvement Opportunity | | | | | Median | High Performance | | | | |
|-------------------------|------|------|------|------|--------|------------------|------|------|------|------|
| 35% | 48% | 53% | 56% | 59% | 61% | 62% | 64% | 66% | 69% | 75% |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Practice Performance Assessment

| Mark-Up Equivalent | | | | | | | | | | |
|--------------------|------|------|------|------|------|------|------|------|------|------|
| 1.5 | 1.9 | 2.1 | 2.3 | 2.4 | 2.6 | 2.6 | 2.8 | 2.9 | 3.2 | 4.9 |
| 5th | 15th | 25th | 35th | 45th | 50th | 55th | 65th | 75th | 85th | 95th |
| percentile ranking | | | | | | | | | | |

Source: MBA Practice Performance Assessment

Retail Pricing

continued

The average mark-up of spectacle lenses varies by lens type with higher mark-ups taken on single vision lenses. For progressive lenses the average mark-up multiple is 2.7 times cost.

Mark-up on Spectacle Lenses by Type (% of independent optometrists)

| | Single Vision | | | Progressive | | | |
|---------------------|---------------|-------------|------------------|-------------|-------------|-------------|-----------------|
| | Polycarb | Polycarb AR | Poly AR Hi-Index | Polycarb | Polycarb AR | Hi-index AR | Photochromic AR |
| 2.5x or less | 20% | 17% | 22% | 36% | 38% | 38% | 38% |
| 2.75x | 13% | 23% | 21% | 26% | 23% | 21% | 22% |
| 3.0x | 28% | 29% | 30% | 24% | 25% | 26% | 24% |
| 3.25x | 10% | 9% | 7% | 8% | 7% | 8% | 10% |
| 3.5x or more | 30% | 22% | 21% | 5% | 6% | 7% | 7% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Average | 3.1x | 3.0x | 3.0x | 2.7x | 2.7x | 2.7x | 2.7x |

Source: MBA Prescription Eyewear Survey, March 2012

What's at Stake

The table at right illustrates the impact of achieving a higher gross margin percentage on eyewear sales. In a \$750,000 practice, increasing gross profit margin from the typical 61 percent to 67 percent produces incremental profit of approximately \$20,000 annually, at the same sales level.

Practices seeking to increase their profit margins do so by raising prices. Because this has no impact on cost-of-goods, all of the added revenue drops to the bottom line. The table at right shows the revenue and profit impact of three levels of eyewear price increase (+5 percent, +10 percent and +15 percent), assuming that pricing of both frames and lenses is increased. In a practice with \$750,000 annual gross revenue, a 10 percent price increase (with no change in product mix, number of units dispensed or cost-of goods per unit) results in a sales and profit gain of \$33,064. The gross profit margin of a typical practice taking a 10 percent eyewear price increase would move from 61 percent to 66 percent with the average mark-up increasing from 2.6 to 2.9 times cost-of-goods. A 66 percent gross profit margin is equal to that of independent practices at the 75th percentile of profit margins.

Impact of Margin Increase on Eyewear Gross Profit

| | Annual Practice Gross Revenue | | |
|-------------------------------------|---------------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Annual Eyewear Gross Profit (61%) | \$134,200 | \$201,300 | \$268,400 |
| Average Eyewear Gross Margin | Annual Eyeglasses Gross Profit | | |
| 63% | \$138,600 | \$207,900 | \$277,200 |
| 65% | \$143,000 | \$214,500 | \$286,000 |
| 67% | \$147,400 | \$221,100 | \$294,800 |
| 69% | \$151,800 | \$227,700 | \$303,600 |

Impact of Retail Price Increase on Eyewear Sales

| | Annual Practice Gross Revenue | | |
|--|---------------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Annual Eyewear Gross Profit (61% COG=\$88.54/unit) | \$134,000 | \$201,300 | \$268,400 |
| Total Eyeglasses Pairs (Average Retail Price =\$227) | 969 | 1,454 | 1,938 |
| Average Eyewear Retail Sale | Annual Eyeglasses Sales | | |
| \$238.35 (+5%) | \$130,961 | \$346,561 | \$461,922 |
| \$249.70 (+10%) | \$241,959 | \$363,064 | \$483,919 |
| \$261.05 (+15%) | \$252,957 | \$379,567 | \$505,915 |
| Average Eyewear Retail Sale | Annual Eyeglasses Gross Profit | | |
| \$238.35 (+5%) | \$145,161 | \$217,864 | \$290,322 |
| \$249.70 (+10%) | \$156,159 | \$234,364 | \$312,319 |
| \$261.05 (+15%) | \$167,157 | \$250,831 | \$334,315 |

Source: PAA projections

What Goes Wrong

- Gross profit margins are not monitored, and no targets are established.** Few practices ever calculate their gross profit for eyewear. Practices may know their lens mark-up formulas for direct-pay patients, but not what their actual eyewear revenue is after vision insurance discounts. When lenses and frames are purchased from many sources, it can be laborious to compute purchases, which is necessary to calculate profit. If margins are not measured, it becomes impossible to make informed judgments about pricing.

- **Mark-ups are inconsistently applied.** Analyses show that ECPs are sometimes inconsistent in the margins they accept for different types of lenses and frames. This occurs in the absence of a defined process to set retail prices, based on gross profit margin targets.
- **Lab price changes are not monitored, and retail prices are not immediately adjusted following price increases.** While optical lab price increases are infrequent, they still occur, particularly as improved products are

launched. If wholesale costs are not regularly monitored and prices not adjusted immediately as increases occur, profit margins are eroded.

- **Profit margins below 50 percent are accepted.** Twenty percent of practices achieve eyewear profit margins below 50 percent. It is not known if these practices have consciously established prices to achieve this margin or simply do not know what their profit margin is.

Best Practices To Establish Retail Pricing

1. Establish a gross profit margin goal for total spectacle lenses and margin goals for major segments.

A simplified approach is to set a gross profit margin goal for each of the following lens types:

Single Vision

Polycarbonate
Polycarbonate No-Glare
High-index
High-index No-Glare
Photochromic

Progressive

Polycarbonate, basic design
Polycarbonate, basic design No-Glare
Polycarbonate, advanced design
Polycarbonate, advanced design, No-Glare
Polycarbonate, customized dual digital, No-Glare
Polycarbonate, photochromic, No-Glare
High index, No-Glare

Bifocal/Multi-focal

Polycarbonate
Polycarbonate No-Glare

In many practice settings it is feasible to achieve an average gross margin of 66 percent on eyewear sales, equivalent to a mark-up of 2.9 times cost-of-goods, without patient defection. Higher mark-ups should be applied to lower-value lens types, as these products consume just as much time to prescribe, order and dispense as do higher-value lenses.

2. Calculate retail prices necessary to achieve gross profit margin goals. This step involves dividing the wholesale lens cost for each brand by (1.0 minus gross margin percentage goal).

3. Present package prices to patients. Before presenting spectacle lens prices to patients, the total cost of all the lens features (material, design, treatments) included in the recommended package should be determined and presented to patients as a single price. Package pricing simplifies decision making and reduces patient irritation. Itemizing the cost of separate features is a sure way to cause some patients to trade down to eyewear offering lower performance. (See Product Mix for suggestions on lens bundling. See Appendix for examples of how to highlight savings of package prices.)

4. Monitor gross margins quarterly. At the end of each quarter, calculate your purchases and sales of spectacle lenses to monitor if you are achieving your gross margin goals. If you discover a shortfall, examine the gross margin percentage of each product segment. This will pinpoint the source of the problem and suggest the corrective action needed.

5. Price compare at LensCrafters. Jobson Optical data show that the average price patients paid for a complete pair of eyeglasses at independent ECPs during 2008 was \$239, compared to \$246 at LensCrafters. LensCrafters' prices for items comparable to what independent ECPs sell are sometimes higher. LensCrafters is a sophisticated company with national reach that has likely measured the effect of different prices on demand. There is no good rationale to price spectacle lenses lower than LensCrafters, so a study of its pricing can provide useful benchmarks.

Example of Retail Pricing Calculation Applying Margin Goal to Wholesale Cost

| | |
|------------------------------------|-------|
| Wholesale cost per lens pair | 80% |
| Gross margin % goal | 66% |
| Retail price $\$80 / (1.0 - 0.66)$ | \$235 |

6. Conduct lens pricing experiments. Theoretically, lens pricing should be set at a point at which the upper limit of what patients will pay before deciding to go to a lower cost provider is reached. Prices on best sellers can be increased in small increments and the effects observed for a month or two. If no increase in the Rx walk-out rate is observed, another small increase can be taken and the effects observed. When price resistance becomes apparent and the upper limit reached, price can be reduced slightly.

7. Appoint a staff member to monitor wholesale price changes and to re-calculate retail pricing for brands increasing wholesale prices. A staff member should be assigned to monitor pricing communications received from optical labs and to check invoice prices. When wholesale price increases are noted for any product, retail prices should be adjusted immediately.



Eyewear Purchase Cycle

It's been said that there are three principal ways for retail businesses to increase revenue: attract more customers, sell more to each customer or get customers to buy more frequently. This section addresses the last of these revenue growth strategies.

The fact is, most patients buy eyeglasses infrequently. A 2009 Essilor study among eyeglasses wearers shows that two-thirds purchase eyeglasses less frequently than once a year, and the estimated average interval between purchases was 25 months.

Another Essilor study indicates that presbyopes typically replace eyewear approximately every 32 months, with 47 percent saying they buy eyewear every three years or less often.

VisionWatch estimates that the 153.4 million eyeglass wearers in the U.S. purchased 69.1 million complete eyeglass pairs during 2012. These data yield an average interval between purchases of 26 months (wearers divided by pairs purchased times twelve). That's similar to the estimate from the Essilor consumer study. The VisionWatch eyewear re-purchase cycle estimate has been stable in recent years.

But the VisionWatch estimates probably understate the actual purchase interval because 10 to 15 percent of eyeglasses wearers purchase multiple pairs. That means that approximately 60 million people buy one or more pairs of eyeglasses each year and that the average interval between purchases is probably closer to 30 months. VisionWatch data show that the interval between purchases is longer for older people and for those with lower incomes.

Closely related to the interval between eyewear purchases is the interval between eye exams among eyeglasses wearers. It only makes sense that the shorter the average interval between exams, the shorter the interval between eyewear purchases. A 2005 CIBA VISION survey among eyeglasses wearers indicates that the average interval between eye exams among glasses-only wearers was two years.

A 2008 survey among independent practice ODs shows that 69 percent of ODs recommend yearly exams to pre-presbyopic eyeglasses-only wearers, and 80 percent recommend yearly exams to presbyopic eyeglasses-only wearers.

Frequency of Purchase of Prescription Eyewear (% of eyewear buyers)

| | |
|--|-----------|
| Less often than every three years | 7% |
| About every three years | 9% |
| About every two years | 38% |
| About every 18 months | 15% |
| Usually at least once a year | 32% |
| Estimated average interval | 25 months |

Source: Essilor Eyeglass AR Research, 2009

Frequency of Updating Prescription Eyewear among Presbyopes (% of presbyopic eyewear buyers able to estimate interval)

| | |
|---|-----------|
| Less often than every five years | 11% |
| Every 3-5 years | 36% |
| Every 1-2 years | 48% |
| More than once a year | 5% |
| Estimated average interval | 32 months |

Source: Essilor Eyeglass AR Research, 2009

Eyeglasses Re-purchase Cycle: 2012

| | Eyeglasses Pairs Purchased (million) | Eyeglasses Wearers (million) | Re-purchase Cycle* | |
|--------------------------------|---|-------------------------------------|---------------------------|---------------|
| | | | Years | Months |
| Total | 69.1 | 153.4 | 2.2 | 26 |
| Gender | | | | |
| Male | 32.1 | 70.6 | 2.2 | 26 |
| Female | 37.0 | 82.7 | 2.2 | 26 |
| Age | | | | |
| 18-34 | 18.9 | 38.8 | 2.1 | 25 |
| 35-44 | 12.5 | 23.6 | 1.9 | 23 |
| 44-54 | 14.6 | 20.3 | 2.1 | 25 |
| 55 and older | 23.2 | 60.7 | 2.6 | 31 |
| Annual Household Income | | | | |
| \$60,000 and over | 38.8 | 76.3 | 2.0 | 24 |
| Less than \$60,000 | 30.4 | 77.1 | 2.5 | 30 |

* Calculated by dividing the number of glasses wearers by the number of eyeglass frames purchased during 2012.

Source: VisionWatch, year ending December 2012

Eyeglasses-only Wearer OD-Recommended Exam Interval (% of practices)

| | Pre-Presbyope | Presbyope |
|----------------------------|----------------------|------------------|
| Less than 12 months | * | * |
| 12 months | 69% | 80% |
| 18 months | 4% | 2% |
| 24 months | 24% | 15% |
| Other | 3% | 2% |

* Less than 0.5%

Questions: What interval between comprehensive eye exams do you typically recommend to non-presbyopic patients who exhibit no chronic ocular condition and wear eyeglasses only? What interval between comprehensive eye exams do you typically recommend to presbyopic patients who exhibit no chronic ocular condition and wear eyeglasses only?

Source: MBA Exam Frequency Survey, 2008

Eyewear Purchase Cycle

continued

In the same survey, ODs were asked to estimate the actual interval between exams of eyeglasses-only patients. The average estimated interval was 21 months, most likely an under-estimate.

As would be expected, ODs who recommended a yearly interval between exams reported a lower actual interval—4.5 months less than ODs who recommended a longer interval.

Although most ODs recommend eye exams every 12 months, the typical interval between exams for eyeglasses-only patients is actually at least twice as long. It's clear that many patients simply ignore doctors' recommendations on when to return. In the absence of an effective patient recall system that encourages appointments and reminds patients that a year has elapsed, it's easy for patients to forget about or put off scheduling an exam, particularly if their glasses continue to function well. Adopting an effective recall methodology is the best strategy to reduce the eyewear purchase cycle.

Pre-appointing patient exams reduces interval between exams.

A 2011 survey among independent practice optometrists showed that 44 percent pre-appoint patients at the conclusion of eye exams. Among practices which pre-appoint, typically 70 percent of patients are pre-appointed. Practices which pre-appoint estimate that 75 percent of pre-appointed patients actually have an eye exam within three months of the pre-appointment date.

Actual Eyeglasses-only Patient Eye Exam Interval (% of practices)

| | Total | Question: Based on your observation or review of office records, what do you estimate to be the actual average interval (in months) between comprehensive eye exams of your eyeglasses-only patients? |
|-------------------------|------------------|---|
| 12-16 months | 17% | |
| 17-21 months | 39% | |
| 22-26 months | 35% | |
| 27-31 months | 7% | |
| 32-36 months | 2% | |
| Average Interval | 21 months | |

Source: MBA Exam Frequency Survey, 2008

Actual Exam Interval of Eyeglasses-only Wearers by Exam Interval Recommended by OD (% of practices)

| Actual Average Interval | Exam Interval Recommended | |
|-------------------------|---------------------------|-----------------------|
| | 12 months | Longer than 12 months |
| 12-16 months | 24% | 3% |
| 17-21 months | 48% | 22% |
| 22-26 months | 26% | 55% |
| 27-31 months | 2% | 16% |
| 32-36 months | - | 5% |
| Average Interval | 19.4 | 23.9 |

*Includes respondents who recommend an interval between exams longer than 12 months to either non-presbyopic or presbyopic glasses-only wearers

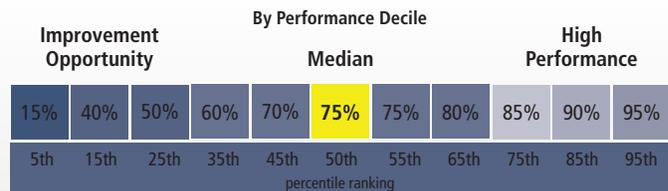
Source: MBA Exam Frequency Survey, 2008

% of Patients Pre-appointed Performance Deciles (among offices pre-appointing)



Source: MBA Patient Recall Survey, June 2011

% of Pre-appointed Patients Having Exams (within 3 months) Performance Deciles



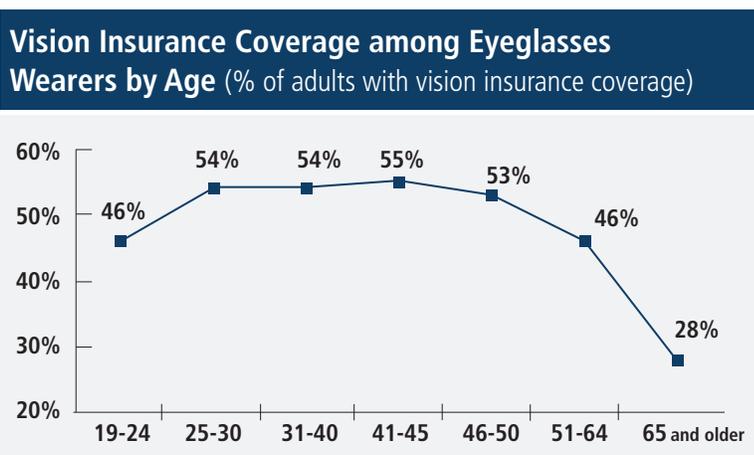
Source: MBA Patient Recall Survey, June 2011

Eyewear Purchase Cycle

continued

Vision insurance influences eyewear purchase cycle.

One-half of American households have some form of vision insurance. This varies widely by locality. While the breadth of vision insurance coverage can be considered a negative because of the need to discount goods and services to covered patients, it also can be a positive because people with insurance have an incentive to visit the office more frequently. Studies show that the frequency of eyewear purchase among patients with vision insurance is greater.



Source: Essilor US Segmentation Study, 2008

What's at Stake

Reducing the interval between eyewear purchases from a typical 30 months to 25 months produces \$62,937 incremental revenue in a practice with annual gross revenue of \$750,000. With the potential to significantly increase the annual number of transactions from a patient base, adopting effective recall methods is among the process improvements with the greatest impact on practice revenue and profitability.

Impact of Reducing Interval Between Eyewear Purchases

| | Annual Practice Gross Revenue | | |
|--|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Annual Eyeglasses Sales | \$220,000 | \$330,000 | \$440,000 |
| Total Eyeglasses Buyers | 969 | 1,454 | 1,938 |
| Annual Eyewear Buyers (30 months average purchase interval) | 881 | 1,322 | 1,762 |
| Total Eyeglasses Wearers In Practice | 2,203 | 3,305 | 4,405 |
| Average Interval Between Eyewear Purchases (months) | Annual Eyeglasses Sales | | |
| 28 | \$239,258 | \$358,887 | \$478,289 |
| 25 | \$261,958 | \$392,937 | \$523,916 |
| 23 | \$289,425 | \$434,251 | \$578,850 |

Source: PAA projections

What Goes Wrong

- Medical rationale for yearly comprehensive eye health examinations is not emphasized to patients.** To the extent that patients are convinced that prevention or early treatment of sight-threatening ocular conditions is assured through yearly eye exams, they are more likely to return to the office more frequently, providing occasions to purchase eyewear. Many offices do little to reinforce the importance of yearly monitoring of eye health.
- Recall methodology is lax.** Most practices do not pre-appoint patients at the conclusion of eye exams. The recall procedure used in most practices is to send a postcard 11 months after a patient receives an exam, encouraging the patient to call the office to schedule an appointment. Management & Business Academy™ (MBA) faculty Gary Gerber, OD, has measured the percentage of patients who respond to reminder mailings among his consulting clients. He says the usual average is approximately 15 percent. His measurements also show that approximately 10 percent of patients will, on their own initiative, whether they receive a

postcard or not, call to book appointments after a year has elapsed. Many do this to take advantage of their vision insurance benefits.

Further, in many practices that send one-year anniversary reminders, there is no monitoring or follow-up with patients who do not respond. Dormant patients receive no further communication from the practice. In some practices there is no telephone follow-up with patients who fail to arrive for scheduled appointments. In many practices there is no one given responsibility for patient recall.

- Candidate patients are not informed when new spectacle lenses are introduced.** When patients who might be interested in new spectacle lenses that address their unmet needs become aware of these advances only during their infrequent office visits, there is no opportunity to accelerate the purchase cycle.



1. Recommend yearly exams. Apart from increasing the probability that glasses-only patients will purchase eyewear more frequently than every 30 months, there appears to be a consensus among ODs that yearly exams promote eye health. The value of yearly exams should be reinforced during every interaction with patients and in every communication. This will create an expectation that having a yearly exam is the norm and prudent frequency to assure prevention of ocular disease. Dr. Gerber suggests these ways to reinforce the importance of yearly exams in patient communications:

- **APPOINTMENT SCHEDULING:** Say: "I want to confirm the date and time of your yearly eye exam."
- **RECEPTION:** Say: "Welcome back. It's great to see you. I see you're here for your yearly eye exam. Visiting us every 12 months is a great way to enjoy the peace of mind of knowing everything is fine with your vision."
- **START OF PRE-TESTING:** Say: "We'll be doing a series of tests to be sure that everything is fine with your eyes. It's important that we do these tests every 12 months, otherwise problems can begin to develop, and you may not even notice any symptoms."
- **CONCLUSION OF PRE-TESTING:** Say: "The test results look good. The doctor will explain what they show. We'll perform these procedures again 12 months from now, to be sure that no problems will go undetected which could threaten your sight."
- **START OF EYE EXAM:** Doctor says: "Good to see you again. The year went by so fast. I want to compliment you on your good judgment to look after your eye health every year. I recommend that to everyone, but some patients just aren't as prudent as you are."
- **EYEWEAR AND CONTACT LENS FITTING:** Say: "We encourage our patients to visit us every year to monitor their eye health. While you're here it's also an opportunity for you to see some of the new eyewear options that are continuously being introduced."
- **CHECK-OUT/DEPARTURE:** Say: "We look forward to seeing you in 12 months for your next comprehensive eye health exam. You will be getting a reminder from us about six weeks before your reserved appointment time. Thanks for trusting us to look after your vision."
- **MEDICAL HISTORY FORM:** Refer frequently to yearly exam, changes during past year, etc.
- **NEWSLETTER:** Include articles about the importance of yearly exams.
- **WEB SITE:** In services section, place emphasis on importance of yearly exams. In appointment scheduling section, use term "yearly exam scheduling."

2. Pre-appoint each patient at conclusion of exam. As the doctor concludes each exam, patients should be told: "I want to see you a year from now. Coming back every 12 months allows me to discover any problems with your eyes, which if left undetected could threaten your eyesight. We'll schedule your next comprehensive exam appointment today, and we'll call you 11 months from now to remind you when you're scheduled to come in. If you need to change your appointment then, it's no problem." Dr. Gerber recommends keeping a separate appointment book for pre-appointed patients, because many are likely to change dates and times as their appointment approaches.

3. Make follow-up recall telephone calls. Thirty days before each reserved appointment, call the patient and confirm that the date and time are acceptable. Re-book as required. Obtain personal oral confirmation from each patient. Do not be satisfied with leaving voice-mail messages or confirmation from spouses or children that they will inform the patient about the appointment. Obtaining confirmation is the most time-consuming part of the process, but also the most important to improve recall success, and may require hiring an additional staff member, an investment that will repay itself quickly. When there are 24 to 48 hours before each appointment, call the patient as a final reminder and confirmation.

4. Follow up with patients who have not been pre-appointed, patients who were pre-appointed but did not confirm scheduled appointments and patients who have not had exams in more than two years. A system should be in place to call patients who have not been pre-appointed, 11 to 12 months after eye exams, to propose scheduling a yearly exam. If the practice does not gain confirmation of a pre-appointment, or if a contacted patient resists scheduling an exam, pre-book another appointment 12 months later and follow the process in Step 3 above at that time. Dr. Gerber advises that it is ineffective to use guilt to pressure patients to book exams because it runs the risk of patient defection. After two years have elapsed since the last eye exam, call inactive patients and reinforce the importance of regular exams to monitor eye health. After three or four years of inactivity, some offices find it effective to contact patients and ask if their records should be maintained, with encouragement to make an appointment.

5. Encourage all eyeglasses-only wearers visiting the office for an eye exam to update their eyeglasses. As discussed in more detail in Capture Rate, patients with no prescription change may have interest in upgrading their eyeglasses, but some offices make the false assumption that they will have no interest in doing so, and there is no discussion of possible purchase. Patients with a prescription change who use more than one pair of eyeglasses will want to update their Rx for all pairs and should be encouraged to do so.

6. Notify candidates of new lens arrivals. Lens labs often provide co-op funds and marketing materials to announce new lens products. Targeted mailings to likely candidates will help to accelerate the eyewear purchase cycle.

7. Conduct an annual frames trunk show. A proven marketing tactic that will accelerate the purchase cycle of some patients is an annual trunk show featuring new frame styles. Patients who highly value the appearance aspect of their eyewear will be attracted to this special event. Frame manufacturers often provide co-op advertising support for these events. Some guidelines for planning and executing the event include:

- Announce the event two months in advance. Target the specific audience most likely to be interested. If supported by frame vendors, send a mailing to patients who have bought the vendors' brands in the past or those with high interest in new frame styles. Post the event details on the practice web site. Send a reminder notice one month before the event. Ask for RSVPs.

- Offer catered food and beverages. This makes the event festive, will draw attendance and is a way to thank patients for their past support.
- Do not conduct eye exams during the event. The doctor and staff should mingle with guests during the event.
- Put the expertise of frame sales reps to work to present styles to event guests.
- Offer discounts to encourage sales during the event.

8. In October, conduct a mailing to patients with vision insurance, encouraging them to use annual allowances.

Reminding patients to update their eyeglasses, who have not taken advantage of their vision insurance allowances during the current year, will cause some to call the office and schedule an appointment.

Beyond capture rate, mix of lenses and pricing, how eyewear orders are processed in a practice has a large impact on profitability. Practices with a high ratio of eyewear Rx re-makes waste staff time, incur additional shipping charges and risk patient defection. If collection processes are deficient, some eyewear orders must be discarded without payment when patients fail to pick up their new glasses. When a cost-effective process of shipping orders between office and lab is not in place, excessive shipping charges can be incurred. Using antiquated order processes wastes administrative time, increases errors and re-makes and delays delivery. This section offers order processing guidelines for eyewear Rxes to maximize practice profitability.

The annual cost of shipping eyewear Rx orders to and from office and lab in a practice with \$750,000 annual gross revenue can be \$10,000 or more. To the extent that this expense area is prudently managed, substantial savings can be achieved. In a practice of this size, nearly 800 hours of staff time are spent in eyewear selection, fitting and placing orders annually. If time spent can be reduced, more time becomes available for patient care and other administrative tasks.

It's estimated that 15 percent of all spectacle lens orders from optical labs require re-makes. This occurs because of inaccurate measurements, transcription errors, warranties and, occasionally, because of lab mistakes. In well-managed dispensaries, it's possible to achieve a re-make ratio of 5 percent or less. In poorly managed dispensaries, the re-make ratio can reach 20 to 25 percent. While it's true that optical labs do not generally charge for re-makes, there is considerable expense to the practice each time one occurs:

- Investigating the cause of a patient's dissatisfaction with new eyewear can be time-consuming, and re-submitting an order takes as much time as the original order.
- When remakes are caused by errors the practice makes, labs may charge.
- Re-makes incur additional shipping charges, which cannot be passed on to patients.
- Re-makes result in a delivery delay of new glasses to patients of an additional week or more. This inconvenience and disappointment can increase the patient defection ratio. Because the value of typical patients over a 30-year period is usually \$5,000 or more, patient defection is extremely costly, even if at a low rate. If an entire family's business is lost as a result of the dissatisfaction of one member, the loss is compounded.

What's at Stake

It's estimated that 30 minutes of staff time is spent on each eyewear Rx order. The average optician in an independent optometric practice makes approximately \$16 an hour, so an eyewear Rx costs approximately \$8 of staff time. Handling 300 re-makes a year costs the office \$2,400 in staff time, much of it wasted.

Charges for the return of glasses to the lab and then shipment back to the practice can total \$12 or more. The median gross profit independent ODs make on eyewear Rxes is \$143. Re-make shipping charges can eat up 8 percent or more of the profit.

What Goes Wrong

- **Inaccurate fitting measurements increase re-makes.** The most common cause of re-makes is inaccurate fitting height measurements, and less frequently incorrect PD measurements. Progressives usually require different fitting heights for each eye, which is sometimes overlooked. Small errors can affect patient satisfaction with eyewear.
- **Ordering lens materials ill-matched with frames.** Increasingly, the esthetics of a pair of glasses is a major influence on patient satisfaction. For higher-power Rxes, use of standard lens materials can result in glasses that look thick and heavy, which patients may reject at time of delivery, resulting in a re-make. Some frames are base-curve sensitive and not compatible with some Rxes. Failure to identify these limitations up-front causes delay in delivery of finished glasses.
- **Inaccurate communication of lens specifications and incomplete shipments to optical labs.** Spectacle lens orders incorporate many detailed specifications, presenting many chances for error. Telephone orders are more prone to errors through omission of critical information or transcription errors. Failure to properly label frames sent to labs or failure to ship frames promptly for Rx orders placed with labs by telephone causes errors and delays.
- **Excessive use of overnight shipment.** Some offices over-use overnight shipment of frames to lens labs, reducing profit margins.

9. Measure eye exam and eyewear purchase intervals.

Practice management software systems may provide an easy way to capture this information for your entire patient base. But if it does not, a simple method to measure the average interval between patient eye exams is to have the receptionist keep a log showing names of patients about to receive eye exams. Next to each name record the number of elapsed months since their last exam, derived from the patient file. At the end of the month, tally the number of elapsed months recorded on the log and divide by the number of patients. A similar approach can be used to manually calculate the interval between eyewear purchases. Monitor these statistics monthly. They are excellent indicators of the effectiveness of your recall program and your eyewear presentation techniques.

Transaction Costs and Re-makes



Best Practices

1. Consolidate most eyewear orders with a single lab.

Order consolidation should enable the practice to obtain the best possible pricing and lowest lab shipping charges on eyewear Rx orders. When staff learns the product line and order process of a lab through habitual use, errors, re-makes and administrative complexity are reduced. Accounting of eyewear purchases is simplified through consolidation and a global view of a practice's eyewear usage can be more readily obtained. Use of a single lab enables more reliable prediction of job delivery dates to patients. Management & Business Academy™ (MBA) sponsor Essilor recommends using the checklist below to evaluate and select optical labs.

Breadth of Product Line

Full range of designs, treatments, materials at every price point

Manufacturing Quality

- State-of-the-art quality control

Service

- Speed and reliability of order processing
- Full range of manufacturing services
- On-line order tracking
- "Trace and transmit" frame data transfer
- Highly trained customer service reps
- Experienced business consultants offering staff training, managed care optimization advice, pricing analyses and other business advice
- Streamlined returns process

Support Programs

- Demonstration tools and high-quality point-of-purchase materials
- Rewards program
- Optician incentives
- Second-pair discounts
- Sponsorships

2. Place eyewear Rx orders electronically, using frame tracing.

Major labs and optical portals have developed sophisticated, Internet-based order systems open for business 24/7. Use of Internet order systems eliminates wait time for connection with telephone service reps. The systems are structured to make omission of critical specifications impossible, as well as stopping entry of order specifications that are incompatible or unavailable. These features familiarize staff with the range of products available and reduce errors and re-makes. Frame tracing eliminates the delay and cost involved in shipping frames to optical labs.

3. For Rx orders placed by telephone, establish a standard daily process to pack frames for shipment to optical labs.

To assure expeditious delivery of finished eyewear to patients, frames should be shipped to optical labs on the same day that fitting occurs. As frames are packed, the following steps should be completed:

- Prepare a packing slip, clearly identifying frames included in the shipment, matched to patient names and invoice numbers.
- Verify that the number of frames in the shipment matches the number on the packing slip.
- Use the card provided by the optical lab to label each frame in the shipment.
- Wrap frames to minimize damage in shipment.

4. Establish a cost-effective method to ship frames to optical labs.

Shipment of frames to optical labs is a substantial practice expense that can be controlled. Create a standard shipping process that defines method of shipment, shipping days and internal order processes. Rates available from different shipping companies should be investigated before selecting a preferred company. Competitive rates should be reviewed annually. Office policy should normally be to use a two-day delivery option and to avoid overnight shipments, unless specifically requested by patients. When overnight shipments are requested, patients should be charged for the service. To minimize errors and allow easy tracking of shipments, use the online system of the shipper to complete shipping instructions. Shipping costs should be budgeted and monitored monthly to identify the cause of any overruns.

5. Train staff to visualize the likely appearance of frame and lens combinations as eyewear selection is done.

Staff must be made aware that higher-power Rxes placed in some frames will not produce a desirable finished appearance. The incompatibility should be explained to patients before Rx orders are placed, and higher-index lens materials substituted, as appropriate.

6. Train staff to make precise fitting measurements, particularly of fitting height.

Time and money spent to assure that staff knows techniques for optimizing fitting accuracy is well spent. Educational materials are available online at www.2020mag.com/CE, Essilor progressive lens web sites and from live training by lab representatives. Classes are also available at local, state, regional and national society meetings. Go to www.ECPUniversity.com to take advantage of Essilor's New Dispenser Quick Start and Apollo for Advanced Dispensing programs.

7. Use digital camera measurement devices. New electronic instruments such as Essilor's Visioffice are useful to capture precise fitting measurements, to demonstrate features and benefits of spectacle lenses and to enable patients to see themselves wearing their new eyeglasses. Use of the device will impress patients with the sophistication of the office, reduce re-makes and assist in presenting high-performance lenses.

8. Take advantage of second-pair discounts offered by optical labs.

Lens labs offer discounts when two or more Rxes in the same prescription are placed for individual patients. Learn the terms and conditions of these special offers, and pass the savings along to patients as an incentive.

9. Collect 50 percent or 100 percent of eyewear selling price from patients before orders are placed with labs.

When patients are allowed to delay payment for eyewear until it is delivered, some will never return to the office to pick up and pay for their order. Patients fail to return because they second-guess their decisions or suffer buyers' remorse. Undelivered orders cannot be returned to optical labs for credit. The best policy is to require upfront payment of at least 50 percent of the cost of eyewear Rxes. This assures that the cost-of-goods is covered, even if a patient never returns.

Patient Satisfaction

Creating strong patient loyalty is vital to the long-term success of optometric practices. A major element in the value proposition that many patients seek as they visit an optometric office is a pair of eyeglasses that performs well and is comfortable and attractive. Patients can feel that they were treated with respect and competence by the practice, but if they are dissatisfied with their eyeglasses, they may choose not to return. It therefore stands to reason that assuring satisfaction with eyewear purchases is important to creating loyalty to a practice. This section will discuss methods to assure a high level of patient satisfaction with eyewear.

Essilor research indicates that 90 percent of eyeglasses wearers are satisfied with their glasses. But satisfaction surveys of this type reveal only the proportion of people whose basic expectations have been met. The feelings of people who tolerate minor compromises or imperfections, believing them inevitable and uncorrectable, are sometimes hidden in such surveys.

A pair of eyeglasses is a complex product incorporating advanced technology and sophisticated design. Wearer satisfaction is importantly influenced by the precision of the Rx and the fitting of lenses and frames. It is also affected by the amount of time waiting for delivery and by the durability and ease of maintenance of lenses and frames.

What's at Stake

Patient defection is usually invisible in optometric practices. There is some unavoidable attrition as people change residence or as their insurance coverage changes. But some attrition is caused by dissatisfaction with the level of service received or the performance of the products purchased. The table at right demonstrates that even at low rates of avoidable defection, the annual business loss to a practice can be large. Practices have a large stake in minimizing avoidable patient defection.

Impact of Patient Defection on Practice Revenue

| | Annual Practice Gross Revenue | | |
|-------------------------------|-------------------------------|-----------|-------------|
| | \$500,000 | \$750,000 | \$1 million |
| Active Patients | 4,000 | 6,000 | 8,000 |
| Annual Patient Defection Rate | Annual Revenue Loss* | | |
| 2.5% | \$12,500 | \$18,750 | \$25,000 |
| 5.0% | \$25,000 | \$37,500 | \$50,000 |
| 7.5% | \$37,500 | \$56,250 | \$75,000 |
| 10.0% | \$50,000 | \$75,000 | \$100,000 |

*Assumes revenue per active patient of \$125

Source: PAA projections

What Goes Wrong

- **No attempt is made to assess eyewear buyer satisfaction.** Many retail businesses get few complaints and assume customers are generally satisfied with what they buy. But the truth is, most less-than-satisfied buyers never complain. To avoid conflict or because they assume nothing will happen as a result of a complaint, most dissatisfied people remain silent. When dissatisfied buyers return to the market to make another purchase, they may seek another provider.
- **Office policies make it difficult for some patients to achieve 100 percent satisfaction.** When practice policies discourage complaints and returns, some patients will defect to resolve their problem.
- **Delivery takes longer than expected.** The most frequently heard patient complaint in optometric offices is slow delivery of prescription eyewear. People will tolerate a wait of a week or two to get their new glasses, but when the wait is longer than promised, their patience evaporates, and they assume the office is inefficient. A 2012 MBA survey revealed that ODs estimate that the median elapsed time between placing a prescription eyewear order and receiving it is six days.
- **Re-makes extend delivery delay.** When patients learn that a re-order is necessary because the specifications of their delivered glasses were different than the original order or because their new glasses do not work as promised, they question the competence of the office.

Best Practices To Improve Patient Satisfaction

1. Under-promise and over-deliver on delivery time.

Eyewear buyers should be told a realistic order delivery date, based on experience for similar orders in the past. First Practice Academy™ (FPA) faculty member Mike Rothschild, OD, advises that the delivery promise should be explicit, not vague. He says that a delivery promise of “next Thursday by noon” is preferable to “about a week.” High on the list of Disney service techniques is to under-promise and over-deliver. If a cast member knows the wait in line to see one of the theme park’s attractions will be 30 minutes or less, they tell the guest it will be 35 minutes. The same concept applies to eyewear delivery promises.

A practice should never first learn about an eyewear delivery delay from a patient whose expectations have not been met. A system should be

installed to monitor daily the status of eyewear Rx jobs and to maintain a log comparing actual and lab-forecasted delivery dates to dates promised to patients.

When daily monitoring of Rx order status reveals a likely delay in delivery, staff should inquire with the lab about the cause of the delay. This information can be used to provide a credible, concrete explanation to patients. It also can be used to modify future promises about delivery for similar jobs.

When the actual delivery date will be different than what was promised, patients should be notified. If delivery is earlier than anticipated, a call to a waiting patient will improve his or her perception of the service



provided by the practice. If delivery will be delayed, a call will demonstrate the practice's concern for the patient's needs and its attention to detail. During the call a revised delivery date should be offered, as well as an explanation of the cause of the delay. Providing the explanation makes it clear that the delay is not the result of inefficiency or lack of concern on the part of the practice.

Management & Business Academy™ (MBA) faculty member Dave Ziegler, OD, created an online tracking system that enables patients to log in to his web site and check on order status, even when his office is closed.

2. Use a scripted explanation of why glasses are not delivered in one hour. Some patients will ask why it takes a week or two to get their glasses from an independent ECP office, when the LensCrafters down the street delivers them in about an hour. Dr. Rothschild recommends that a script be developed and used by all staff members to explain the advantage of using an outside lab to produce eyewear. His office explains that using a large spectacle lens lab enables use of higher-quality lens materials, use of lens designs more customized to the individual patient's needs and use of precise, computerized production technologies, not practical to install in small labs.

3. Reiterate benefits of spectacle lenses at product delivery, and compliment patients on their choice.

After a week or more has elapsed between order placement and delivery of new eyeglasses, patients may forget the particulars of what they bought. Reiterating the benefits of the lenses will make patients feel justified in their choice and remove any lingering buyer's remorse. It will also provide patients the words to tell acquaintances who notice their new eyeglasses, which can produce referrals.

4. Remove any lab markings and lab labels from glasses before they are delivered to patients. MBA faculty member Neil Gailmard, OD, recommends that glasses be handled like fine jewelry as they are dispensed to patients, rather than as a mass-produced, assembly-line product. This reinforces the perception that glasses are custom made and of high value.

5. Provide usage, care and handling instructions about spectacle lenses. Brief explanations on any special usage or care instructions will reduce the possibility of patient dissatisfaction with new eyewear. Providing patients with a lens cleaner and a micro-fiber cloth is an appreciated gift-with-purchase that patients will find useful.

6. Promise 100 percent satisfaction with eyeglasses. Eyeglasses represent a substantial purchase for many patients. It is reassuring for patients to know that the office guarantees their complete satisfaction. In the experience of most ECPs, very few patients will abuse a guarantee, but it provides a strong incentive for patients to continue to buy their glasses at the same place. Provide an eyeglasses warranty card to emphasize the practice's commitment to total satisfaction.

When patients request restitution for unsatisfactory eyewear, assume their claim is legitimate. Avoid arguments or placing blame on patients for product problems. First offer to remake lenses. If this does not satisfy

a patient, issue a full refund on materials for purchases made during the previous 30 days. Measure your return rate and simply adjust your markup to cover the cost of returns. That will maintain profitability, but improve patients' service perception.

7. Respond empathetically to patient complaints.

Dr. Gailmard says that the best responses to patient complaints about eyewear side with the patient, demonstrate empathy and caring, and quickly communicate that the office will do whatever it takes to resolve the problem to the patient's satisfaction. Well-meaning staff sometimes take an approach to protect the practice in an attempt to prevent a costly re-make, or staff may be guarded in an effort to deflect blame for a poor frame choice or an incorrect measurement. Concerns like these cause the technician to doubt the complaint or treat it as unimportant. The patient senses such a response immediately and will become more agitated. An ill-conceived response can turn a small problem into a large one. Here are the complaint resolution steps Dr. Gailmard recommends:

- Respond compassionately and quickly. Respond with: "Oh, that's terrible. We'll do whatever is necessary to solve the problem. Tell me more about it."
- Maintain eye contact with the patient, and listen carefully. Don't interrupt or brush off. Ask questions that troubleshoot the problem.
- Recheck the lens Rx and all measurements. This should be the first step in troubleshooting any visual complaint about glasses. An experienced dispenser should recheck everything.
- Avoid "problem attempted but not solved." Opticians have various levels of skill and knowledge. Small adjustments after re-measurement may not correct anything. Prevent ineffective remedies with staff training, minimum re-make guidelines and requiring approval on re-makes by a manager, doctor or chief optician.
- Make it easy for a dissatisfied patient to see the doctor. Do not send a message to staff that the doctor dislikes seeing Rx complaint cases. Many cases require a recheck of the refraction or other complex aspects of vision and eye health best done by the doctor. Many cases require a high level of patient education. These follow-up visits should be at no charge and should be welcomed. Not resolving a vision problem can be very costly to your practice.
- Thoroughly evaluate the Rx. Even if the problem is simple adaptation, which it may be, thoroughly evaluating the glasses and the refraction demonstrates the office's concern for making sure everything is technically correct before asking the patient to keep trying. Telling a patient that glasses should be worn for another two weeks can look pretty foolish if the patient complies but still can't adapt and you then discover that the cylinder axis was 90 degrees off or a plus sign was mistaken for a minus sign.
- Apologize. An apology is usually all a dissatisfied customer really needs to hear, yet health care professionals almost never offer it. It changes everything. Even if no mistake was made, an apology can be offered for the inconvenience the patient has endured. If a different employee made an error, a staff member could apologize on behalf of the practice. Don't try to pass the blame to others, like the lab or the manufacturer.

8. Train staff to eliminate incorrect measurements and lens specifications. Go to ecp.university.com for staff training content on lens measurement techniques.

9. Call buyers of new spectacle lenses one week after delivery to determine satisfaction. After a patient purchases a type of spectacle lens not previously worn, call the patient seven days after product delivery to determine his or her satisfaction with the new device and answer any questions. The doctor should make some of these calls. An unexpected follow-up call sends a strong signal that patient satisfaction is important to the practice and keeps the office in touch with how patients experience the products you recommend.

10. Conduct ongoing patient satisfaction surveys.

Provide each patient with a stamped, addressed postcard to complete and return to the practice, evaluating their visit and their satisfaction with eyewear purchased. Leave space for patients to write in comments and suggestions. At regular staff meetings, review patient feedback, and brainstorm process changes to address complaints and dissatisfactions.

11. Visit yelp.com, checkbook.com and other retail satisfaction web sites to see what patients say about your service. These web sites can reveal issues that patients may never tell the practice about directly. A few patients will never be satisfied, but if consistently negative themes are noted in patient blogs, there is a basis for remedial action.

Adopting Best Practices

Getting Started

Here is a simple approach to begin incorporating spectacle lens management “Best Practices” into your office.

1. Analyze current spectacle lens metrics and compare to performance benchmarks. A first precept of business management is that you can’t manage what you don’t measure. Your first step must be to rank order and prioritize the deficiencies of your current performance. For the key metrics discussed in this booklet, calculate the performance of your practice over the past year. Make a list of the metrics for which your performance is 15 percent below the median or average. If you are above average in every area, identify those areas in which your performance is only slightly above the norm. The list below identifies some of the key eyewear performance metrics to analyze.

| <u>Key Eyewear Metric</u> | <u>Definition</u> |
|---|---|
| Eyewear Rxes per 100 complete exams | (Eyewear Rxes divided by complete eye exams) times 100 |
| Contact lens patients purchasing eyewear | Eyewear Rxes purchased by contact lens patients divided by contact lens exams |
| Average eyewear retail sale | Eyewear gross revenue divided by number of eyewear Rxes dispensed |
| Progressive lens usage ratio | Progressive lens Rxes dispensed divided by total presbyopic lens pairs (PAL plus bifocal/trifocal) |
| Lens usage ratios | Lens type Rxes (high-index, No-Glare, photochromic) divided by total eyewear Rxes |
| Multiple pair sales ratio | Patients purchasing two or more pairs of eyewear divided by total patients purchasing eyewear |
| Eyewear gross profit margin | (Eyewear gross revenue minus eyewear cost-of-goods) divided by eyewear gross revenue |
| Average interval between eye exams | Total months elapsed between exams for all patients examined divided by total number of patients examined |
| Remake ratio | Re-make eyewear orders divided by total eyewear orders |

If you consolidate most of your spectacle lens orders with a single lab, the lab may be able to provide a thorough business review of your orders over the past year. That will provide useful data for analyzing your average eyewear retail sale, eyewear Rxes per 100 exams, product mix, gross margins, multiple-pair sales and re-make ratio.

2. Select one management area for initial focus. Process improvement fails when too much is attempted too quickly. Change in office processes is difficult because ingrained habits must be discarded and new methods learned. It's best to select a single management area on which to focus your initial improvement efforts, using the analysis in Step 1 as a guide. Pick one of the areas below:

- Product mix
- Patient profiling
- Multiple pair sales
- Retail pricing/profit margin
- Re-make reduction
- Purchase frequency/recall
- Patient satisfaction with eyewear

3. Convene a process-improvement staff meeting. The agenda of the meeting should include these topics:

- Review practice spectacle lens metrics.
- Discuss and reach a consensus on practice quantitative goals for spectacle lens metrics.
- Examine current office processes: what works, what is deficient.
- Review "Best Practices" with staff. Reach consensus on process changes.
- Assign responsibility and timetable for next steps.
- Identify the monitoring mechanism to track progress.
- Review progress monthly for three months; reach consensus on any further process changes to be implemented.

4. Organize training programs to fill gaps in staff knowledge of lens features and benefits, techniques and scripts to initiate dialogue about eyewear, patient profiling techniques and lens fitting processes. Your optical lab sales representative may be able to provide assistance to train staff.

5. After successful implementation in initial management area, select a second area. After successfully implementing your first process improvement, move on to the second priority you identified in Step 1 and repeat the process in Step 3.

Appendix

Jay Binkowitz, president of GPN (www.gatewaypn.com), an optometric consulting company specializing in profitability analysis of optical departments, urges independent ECPs to simplify presentation of spectacle lenses, structuring packages to assure purchase of advanced lens features. In his practice he uses the following approach to spectacle lens bundling.

Single vision lenses

Four choices are offered: standard plastic, Ultra Thin & Lite, Transitions® Ultra Thin & Lite and polarized. A package of advanced lens features (premium No-Glare, premium scratch resistance, UV coating and polished edges), with a value of \$210, is offered for each package for an additional \$50 to \$70. These packages are presented to emphasize the savings when advanced features are added.

Binkowitz also offers a value-frames package for an additional \$40. He notes that it is important that opticians present the benefits of the advanced features included in the package, or their value will not be appreciated.

| | Basic Lenses | Advanced Features | With Advanced Features List | Package Price |
|---|--------------|-------------------|-----------------------------|---------------|
| Standard Plastic | \$79 | \$210 | \$289 | \$149 |
| Ultra Thin & Lite | \$149 | \$210 | \$359 | \$219 |
| Transitions® Ultra Thin & Lite | \$209 | \$210 | \$419 | \$259 |
| Polarized | \$229 | \$210 | \$439 | \$279 |

Progressive lenses

For progressive lenses, three lens designs are offered: Standard, Advanced and Premier, and material options within each design are also offered. The Standard package includes basic No-Glare and anti-scratch treatments, UV coating and polished edges. The Advanced and Premier packages include premium No-Glare and anti-scratch treatments, UV coating and polished edges.

| | All With No-Glare, Anti-Scratch UV-block and Polished Edges | |
|------------------------------|---|---------------|
| | List | Package Price |
| Standard Plastic | | |
| Standard | \$329 | \$299 |
| Advanced | \$439 | \$329 |
| Premier | \$539 | \$429 |
| Ultra Thin & Lite | | |
| Standard | \$399 | \$309 |
| Advanced | \$499 | \$409 |
| Premier | \$599 | \$509 |

By presenting packages in this way, there is little resistance to the addition of advanced lens features. As with single-vision lenses, a value-frames package is offered for an additional \$40.



About the Management & Business Academy™ (MBA)

The Management & Business Academy™ (MBA) was founded in 2005 as an educational program designed to provide independent optometrists with skills and techniques to better manage and grow their practices. The program, which is sponsored by Essilor, is designed to impart practical ideas that are easy to implement and will improve office processes and boost financial results. Topics include financial management, customer service and the patient experience, practice marketing and optical product merchandising, and leadership and staffing.

The MBA optometric is a metrics-driven program. Over 1,900 optometric practices have taken an online MBA survey of practice finances that produces a custom Practice Performance Assessment. This detailed report compares the performance of a single practice with national norms, and it provides an action plan for improving processes and financial performance in various areas of a practice. Aggregate data from the survey comprise the MBA database, which is unsurpassed in base and scope in the optometric profession.

In addition, the MBA provides optometrists with practice-building resources. Primary among them is the MBA website (www.mba-ce.com), a content-rich repository of performance benchmarks, custom survey reports, management monographs, staff meeting discussion guides, business analysis tools, process improvement tracks and staff leadership tools.





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