Key Metrics: Assessing Optometric Practice Performance & Best Practices of Spectacle Lens Management

Prepared by

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For

srsr

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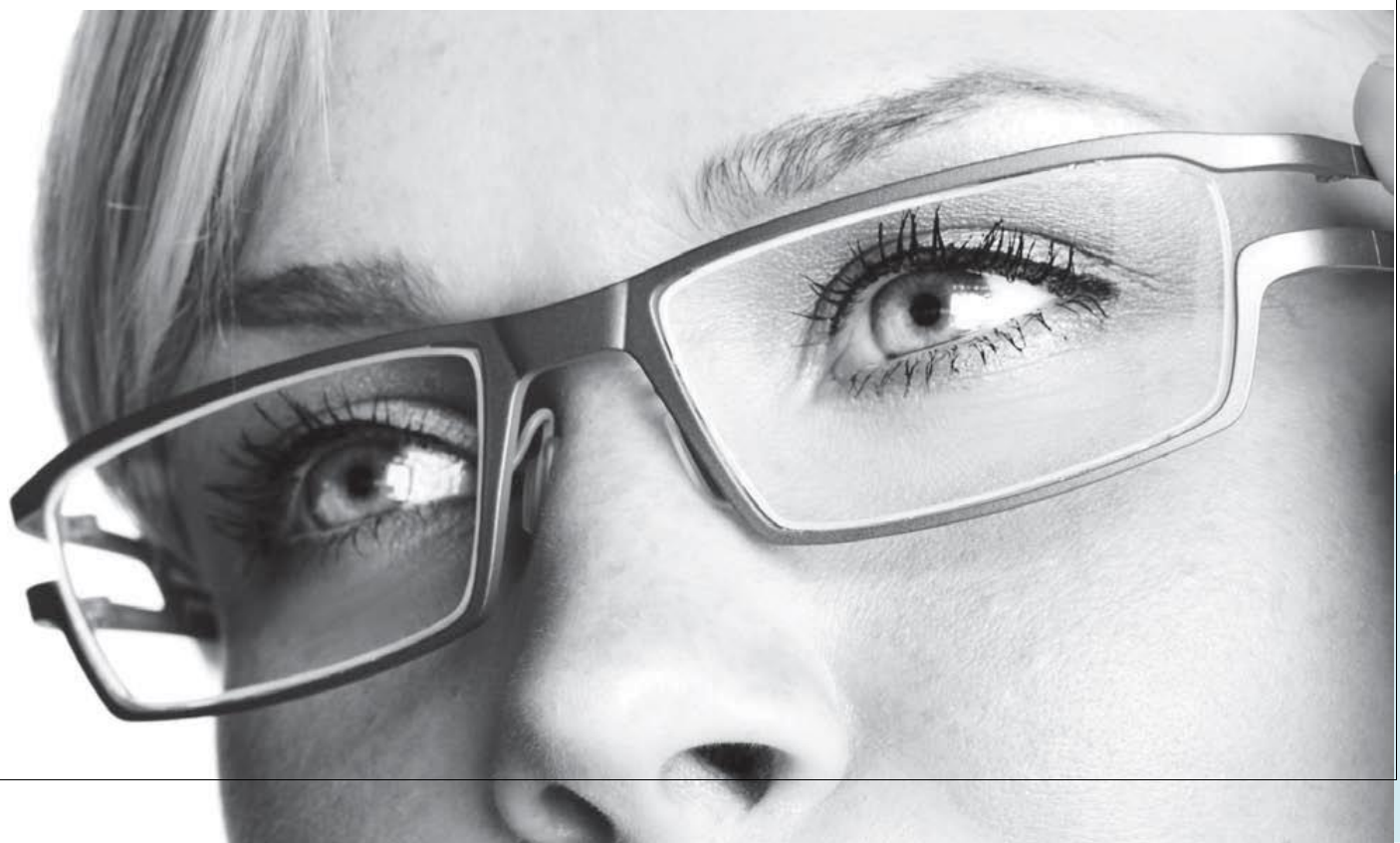
PART 1

Key Metrics: Assessing Optometric Practice Performance



Section 1

Introduction

"Whatever You Measure Improves"

In every large corporation, a significant share of the white collar labor force is engaged in gathering, analyzing and reporting key business metrics. Measurement of key performance variables during a business cycle enables management to diagnose the state of the business objectively and continuously, leading to prompt, mid-course corrective action. Without a steady flow of metrics, the basis of decision making is reduced to anecdotal evidence and subjective judgments. Mistakes in decisions can be so costly that large companies are willing to invest heavily to generate a constant stream of numbers to objectify analysis.

Although optometrists are taught the quantitative science of optics and spend most of their workday taking measurements of visual acuity, most do not invest much time to measure the state of their business. More often they form intuitive impressions about business issues. Then they make decisions without a solid, metrics-based understanding of their actual situation and without any quantitative norms against which to compare their performance.

The Management & Business Academy™ (MBA) is a metrics-based approach to optometric practice management with a basic philosophy: "Whatever you measure improves." The act of measurement forces attention on office processes. Measurement facilitates realistic goal-setting, which prompts positive change. Tracking key metrics increases an optometrist's control over what happens in the office.

What an organization chooses to measure shapes its attitudes and behavior. Metrics define what a company will become because they focus attention on specific goals. To adequately control a complex business such as an eyecare practice, a number of performance metrics are required to assess the full spectrum of business activity. Each practice should develop a simple hierarchy of

metrics that it tracks consistently. The key metrics discussed in this report are among those most useful in diagnosing the health of a practice. Each has the benefit of being easy to calculate from readily available information already collected by most practices.

MBA Practice Profile Research

Since 2005, MBA has gathered comprehensive information on the characteristics and financial performance of over 1,900 private optometric practices in the U.S. When registering for an MBA educational seminar, participants complete a detailed questionnaire about office processes, revenue sources and expenses during the most recent calendar year. From the specificity of the responses (absence of rounding), it is clear that many MBA respondents refer to financial records to report revenue by source, number of exams performed by type, expenses and other quantitative production variables. Thus the data is of higher quality than some other surveys that rely primarily on respondent memory or guesses.

The MBA metrics database is believed to be the largest of its kind ever assembled. It includes practices across the entire spectrum of sizes and characteristics and both new and established practices. Unless specific noted, however, the benchmarks in this report are for established practices.

The median annual gross revenue of MBA respondents is approximately $950,000 – 50% higher than the median revenue for all U.S. independent ODs. Because many key metrics do not correlate with practice size, MBA benchmarks reliably reflect overall industry norms. For those key metrics that are highly correlated with practice size, norms are reported by practice size, usually based on more than 100 respondents in each size category.

After years of continuous measurement, it is apparent that there is year-to-year stability in most of the basic productivity ratios of optometric practice. Knowing this, to assure maximum reliability of the benchmarks, most of the normative data in this report, unless specifically noted, is based on the aggregate response of all previous participants in the Practice Profile research.

The source of all data in this report, unless otherwise noted, is the MBA Practice Profile database.

Using This Report

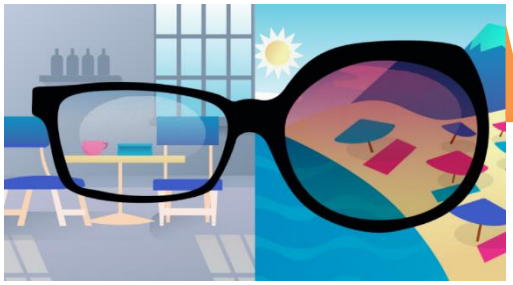
This report is organized to facilitate a thorough assessment of practice performance. It will explain which key metrics are most revealing of the state of the business and how to calculate them. It will present the spectrum of performance for these key metrics across all U.S. practices, enabling accurate rating of a practice's performance on specific variables. It will provide guidelines for interpreting performance metrics and suggest action steps for deeper analysis or for improvement.

To make the best use of the report, follow these steps:

1. Using the worksheet at the middle of this report, calculate your own practice performance for the latest fiscal year for each of the key metrics, using the definitions in the report.

2. Calculate your performance index for each measure by dividing your performance value on each measure by the median value for practices of comparable size or by the overall MBA median. Make a deficiency list of each of the measures in which your practice performance index is 85 or less, compared to your practice size group or the MBA performance median. If your practice performance is consistently at or above the median for all practices, develop a list of metrics for which your practice is no better than mid-range performance.

3. Taking into account any unusual conditions of your practice, compile a rank ordered priority list of those areas you wish to concentrate on first as you develop improvement plans. With the staff, develop an action plan to improve each priority area.



Section 2

Independent OD Performance in Primary Eyecare Market

This section describes the market context in which independent ODs operate, providing background on the growth rate in primary eyecare demand and independents' market share and capture rate of patients' device purchases.

Based on AOA estimates, of the 40,000 ODs practicing in the U.S., 22,800 work in practices owned by independent ODs with no corporate affiliation. Practice Advancement Associates estimate that there are approximately 14,000-16,000 independent OD practices in operation in the U.S.

The Vision Council conducts on-going consumer research monitoring demand for eye exams and vision correction devices, called VisionWatch. These surveys provide the best available monitor of primary eyecare consumption trends.

Following two years of sluggish growth during the recent economic recession, revenue of independent ECPs began to accelerate during 2011.For the year ending June 2013, VisionWatch estimates that primary eyecare revenue of independents increased by 5.1% and eyewear sales grew by 6.4%. These average growth rates provide benchmarks for independents to compare with their own revenue performance.

Independent ECP Revenue Trends
(% change versus year ago)

	Year ending December				Year ending
	2009	2010	2011	2012	June 2013
Total Gross Revenue	+2.3%	+2.1%	+3.8%	+5.9%	+5.1%
Eyewear Sales	-0.1%	+1.9%	+7.0%	+7.0%	+6.4%

Source: VisionWatch
Note: Independent ECPs include optometrists, ophthalmologists and independent optician-owned offices. It is estimated that OD-owned practices account for approximately 75-80% of total independent primary eyecare revenue.

Independent ECP revenue growth has exceeded overall market growth in recent years and as a result, independents; market share has grown. For the year ending June 2013, independents captured 54.2% of primary eyecare revenue and 51.6% of eyewear sales.

Independent ECP Market Share

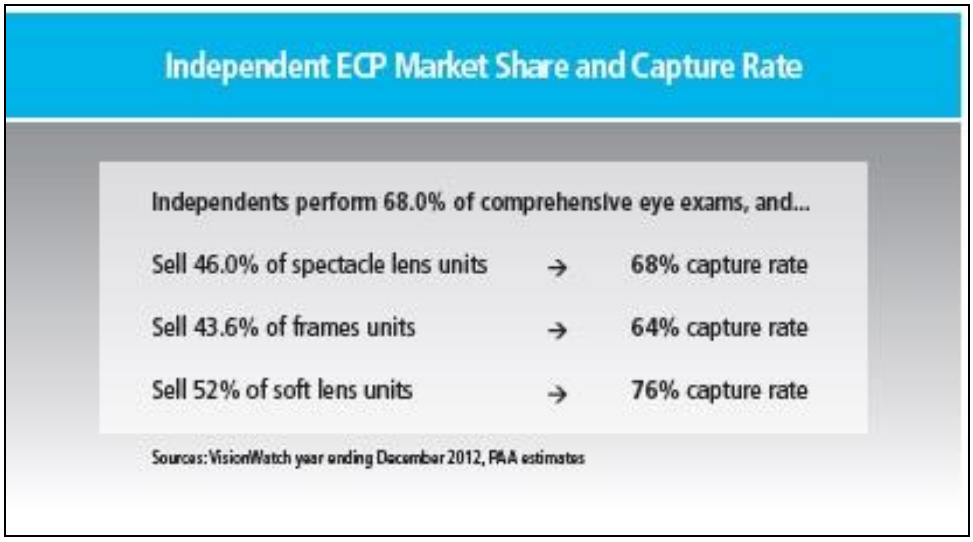
	Year ending December				Year ending
	2009	2010	2011	2012	June 2013
Total Gross Revenue	51.6%	52.7%	53.5%	53.7%	54.2%
Eyewear Sales	49.0%	49.9%	50.5%	51.0%	51.6%

Source: VisionWatch

Jobson Medical Information estimates that independent ODs command a 53% share of primary eyecare patients and a 42% share of revenue. Independent ODs' share of revenue is lower than their share of patients because their capture rate of patients purchases of vision correction devices is much less than 100%.

It is estimated that independent ECPs' (including ODs, MDs and optician-owned offices) capture rate of their patients' spectacle lens unit purchases is 68%, is 64% of frames units and is 76% of soft contact lens units.

Inasmuch as the number of independent MDs and optician-owned practices is not increasing, it is likely that independent ODs' share of the primary optical market is growing.


Independent ECP Market Share and Capture Rate
Independents perform 68.0% of comprehensive eye exams, and...
Sell 46.0% of spectacle lens units → 68% capture rate
Sell 43.6% of frames units → 64% capture rate
Sell 52% of soft lens units → 76% capture rate
Sources: VisionWatch year ending December 2012, PAA estimates

Section 3

Total Practice Productivity Metrics

This section discusses key metrics that reveal the overall productivity of the practice. Use the worksheet at the center of the report to calculate your own practice performance for each metric and compare to the benchmarks shown. If your performance on any of these productivity metrics is sub-standard, you will need to dig deeper to uncover the variables responsible for the deficiency, as directed in the text. This will allow you to identify concrete corrective actions to improve performance.

Gross Revenue per Exam

This is perhaps the single most useful measure of practice productivity, calculated simply by dividing your gross receipts by the number of exams you provide in any time frame.

Gross revenue per comprehensive exam is directly dependent on the internal processes of your practice, and can be immediately and significantly improved by your actions. Every well-managed practice should track this productivity measure monthly, and if not already well above median performance, should set aggressive goals for improvement.

For all MBA practices, the median gross revenue per exam is $<<GrossRevenuePerCompleteExam_MD>>. The top decile of practices achieved a median gross per exam of $<<GrossRevenuePerCompleteExam_TD>>, the bottom decile just $<<GrossRevenuePerCompleteExam_BD>> — a very large range of productivity. The 5% of practices that generate the very highest revenue per patient produce $529 per complete exam. This production value represents the upper limit of what is feasible to achieve. There is only a weak positive correlation between practice size and revenue per exam, so the best comparative benchmark is that for all practices.

Variables which favorably impact revenue per exam include:

- Greater than average usage of high-performance spectacle lenses, high-end frames and higher value contact lenses
- Above average professional fees
- Above average retail prices
- Higher than average capture rate of patients' device purchases
- Higher than average multiple pair sale ratio

Evaluate your performance on each of these variables to better understand your revenue per exam productivity.

<<GrossRevenueperCompleteExamPerformanceDeciles_Graph>>

Assessing Performance: Gross Revenue per Complete Exam	
If Current Performance Is….	**Actions Indicated**
Above Average: 60th percentile or higher, $<<GrossRevenuePerCompleteExam_60P>> +	• Evaluate multiple pair sale ratio. If it does not exceed 12%, train staff to suggest prescription sunwear and special use lenses to appropriate patients • Compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients • If sales of frames retailing for $200 or more is less than 40% of units, increase inventory of higher end frames
Average: 40th-59th percentile, $<<GrossRevenuePerCompleteExam_40P>> - $<<GrossRevenuePerCompleteExam_59P>>	• Compare eyewear gross profit margin to industry norms. If average or below, adjust pricing to increase profit margin • Compare frames sales mix by price point to industry norms. If sales of frames retailing for $200 or more is less than 40% of units, increase inventory of higher end frames • Compare usage of PAL, AR, high-index

	and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients • Compare exam fees to industry norms. If at or below industry median, consider fee increases
Below Average: 39th percentile or lower, $<<GrossRevenuePerCompleteExam_39>> or less	• Evaluate eyewear capture rate. If below industry norms, consider upgrading optical dispensary • Review average eyewear retail sale. If average or below, compare usage of PAL, AR, high-index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients. Also compare frames sales mix by price point to industry norms • Compare exam fees to industry norms. If at or below industry median, consider fee increases

Exams per OD Hour

The number of complete eye exams performed during each hour an optometrist works is a key productivity metric that correlates highly with the revenue produced each OD hour. For all MBA practices, the median exams per OD hour is <<CompleteExamsPerODHour_MD>>, comparable to the median reported by the AOA for all practicing ODs. It is also comparable to the average hourly production of corporate optometrists, based on surveys by Practice Advancement Associates. Inasmuch as doctors say they spend an average of 15-20 minutes with patients during eye exams, it's apparent that there is much excess capacity in typical optometric offices.

Exams per OD hour shows a weak positive correlation with practice size. The largest 10% of MBA practices conducted 26% more exams per hour than the overall median and the smallest 10% of practices conducted 35% fewer exams per OD hour than the MBA median. The smallest practices have more excess capacity, with many open appointment slots and many under-utilized OD hours. Smaller practices also devote a higher proportion of OD time to duties other than patient care.

Among practices with a single optometrist working, exams per OD hour is very highly

correlated with practice revenue. ODs in solo practices with annual gross revenue of $750,000 or more conduct 1.48 exams per hour, compared to just 0.76 exams per hour in solo practices with annual gross revenue below $500,000. Apart from adding a new OD, the main way solo OD practices can grow is to increase patient traffic per hour.

There is wide variation in hourly exam productivity among practices. The 10% of practices with the highest exam productivity conducted <<CompleteExamsPerODHour_TD>> exams per OD hour, double the median practice. Key variables impacting this key metric are size of the patient base, recall effectiveness, extent of delegation of testing tasks to staff, exam process efficiency and appointment scheduling efficiency.

<<CompleteExamsperODHourPerformanceDeciles_Graph>>

Assessing Performance: Complete Exams per OD Hour	
If Current Performance Is….	**Actions Indicated**
Above Average: 60th percentile or higher, <<CompleteExamsPerODHour_60>> or higher	• Improve recall process to reduce number of months between patient exams and increase number of exams performed annually • Evaluate delegation opportunities in testing process • Identify exam process bottlenecks and correct • If two or more ODs work in the practice, examine scheduling to minimize idle OD minutes on the appointment calendar
Average: 40th-59th percentile, <<CompleteExamsPerODHour_40>> - <<CompleteExamsPerODHour_59>>	• Same as above
Below Average: 39th percentile or lower, <<CompleteExamsPerODHour_39>> or less	• If active patient base is 4,500+ and ODs average 80% or more of office hours engaged in patient care, evaluate the exam process to identify ways to reduce average time ODs spend with patients • If active patient base is less than 3,500, increase marketing activity to attract new patients

	• Reduce total hours worked by ODs and staff to increase productivity of hours worked

Gross Revenue per Staff Hour

This is a measure of how efficiently patients are managed by the staff. It can also signal if the office is over or under staffed. Gross revenue per staff hour is calculated by dividing the gross revenue for any specified time by the total number of non-lab staff hours worked during the period.

The median revenue per staff hour for all MBA practices is $<<GrossRevPerNonODStaffHr_MD>> Hourly staff revenue production is weakly correlated with practice size. The largest 10% of practices have 17% higher hourly staff productivity than the overall median and in the smallest 10% of practices staff productivity was 12% below the median. No change in the median practice value for this ratio has been observed over six years of measurement. The hourly staff revenue production of most practices falls within a narrow range, indicating that as patient traffic increases, most offices add staff to maintain patient flow.

Variables impacting staff revenue production per hour include number of staff members, exams performed per hour and gross revenue generated per exam.

<<GrossRevenueperNon-ODStaffHourPerformanceDeciles_Graph>>

Assessing Performance: Gross Revenue per Non-OD Staff Hour	
If Current Performance Is….	**Actions Indicated**
Above Average: 70th percentile or higher, $<<GrossRevPerNonODStaffHr_70>> or more	• If gross revenue is less than $1 million and ratio of staff to OD hours is less than 3.0, or if gross revenue is $1 million or more and staff to OD hour ratio is below 3.5, evaluate increasing staff to improve patient service. Symptoms of under-staffing include low staff morale, administrative tasks frequently

	unattended, frequent patient waits of 5 minutes or more during office visits, doctor assumes some of staff's testing or administrative duties to keep process flowing
Average: 30th-69th percentile, $<<GrossRevPerNonODStaffHr_30>> - $<<GrossRevPerNonODStaffHr_69>>	• If gross revenue per exam at $286 or below, compare usage of PAL, AR, high- index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients • If gross revenue per exam $287 or higher, staffing level is likely adequate, unless practice is above $1.5 million gross revenue
Below Average: 29th percentile or lower, $<<GrossRevPerNonODStaffHr_29>> or lower	• If staff to OD hour ratio is 5 or above, evaluate staff reduction or reduce number of hours staff works weekly • If active patient base is less than 3,500, increase marketing activity to attract new patients • If gross revenue per exam at $286 or below, compare usage of PAL, AR, high- index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients

Gross Revenue per OD Hour

Gross revenue per OD hour reveals how effectively ODs use their time and how well they delegate tasks to the staff. It is calculated by dividing gross revenue for any specified period by the total number of OD hours worked during the same period. As with staff productivity this ratio can be positively affected by the success of your practice in generating high revenue from each patient served. As might be expected, gross revenue per OD hour is highly correlated with the complete exams per OD hour.

The median gross revenue per OD hour for MBA practices is $<<GrossRevenuePerODHour_MD>> – four times the hourly staff revenue production median. There is a strong positive correlation between revenue per OD hour and practice size. The largest 10% of practices have hourly OD productivity 36% above the overall median, and the smallest 10% of practices have OD productivity 45% below the overall norm. There appears to be a practice size threshold above $650,000 annual revenue at which OD productivity per hour plateaus, until practice size grows to exceed $2 million. Very large practices achieve the greatest efficiency in OD time utilization, able to spend a higher proportion of OD time on patient care. Practices with less than $650,000 gross revenue tend to have many open exam slots on their appointment calendars, resulting in many under-

utilized OD hours that generate little or no revenue.

<<GrossRevenueperODHourbyPracticeSize_Graph>>

There is a wide range of OD productivity with the top decile of performers reporting a median of $<<GrossRevenuePerODHour_TD>> of revenue per hour and the lowest decile just $<<GrossRevenuePerODHour_BD>>. If your practice is $2 million gross revenue or larger, compare yourself to the median for practices of your size. If your practice is below $650,000 gross revenue, compare yourself to norms for practices of similar size. If your practice is between $650,000 and $2 million gross revenue, use the median for all practices for comparison.

<<GrossRevenueperODHourPerformanceDeciles_Graph>>

Assessing Performance: Gross Revenue per OD Hour	
If Current Performance Is….	**Actions Indicated**
Above Average: 70th percentile or higher, $<<GrossRevenuePerODHour_70>> or more	• No action indicated
Average: 30th-69th percentile, $<<GrossRevenuePerODHour_30>> - $<<GrossRevenuePerODHour_69>>	• Same as below
Below Average: 29th percentile or lower, $<<GrossRevenuePerODHour_29>> or less	• If gross revenue per exam at $286 or below, compare usage of PAL, AR, high- index and photochromic lenses to industry norms. Select one or two lens types and train staff to present to appropriate patients • If active patient base is less than 3,500, increase marketing activity to attract new patients • If active patient base is 4,500+, ODs average 80%+ of office hours engaged in patient care, and exams per OD hour is below 1.0, then review exam process to identify ways to reduce average time ODs spend with patients • Compare exam fees to industry norms. If at or below industry median, consider

	fee increases

Complete Exams per 100 Active Patients

Complete exams per 100 active patients is a gross indicator of recall success. The median MBA practice conducts <<CompleteExamsPer100Active_MD>> complete eye exams per 100 active patients. If each active patient had an exam every year, then the exams per 100 active patients would be 100. A ratio of 43 exams per 100 active patients translates to an average interval between exam visits of 2.3 years, or 28 months. There is no correlation between this ratio and practice size and the ratio has not changed over six years of measurement. Practices conducting 60 or more exams per 100 active patients are primarily new practices with small active patient bases, composed mainly of patients who have completed their first exam cycle. Among established practices, a ratio above 50 exams per 100 active patients is above average and indicative of high recall effectiveness.

<<CompleteExamsper100Activepatients_Graph>>

Assessing Performance: Complete Exams per 100 Active Patients	
If Current Performance Is….	**Actions Indicated**
Above Average: 70th percentile or higher, <<CompleteExamsPer100Active_70>> or higher	• No action indicated
Average: 30th-69th percentile, <<CompleteExamsPer100Active_30>> - <<CompleteExamsPer100Active_69>>	• Improve recall process to reduce number of months between patient exams. Provide patients a medical rationale for yearly exams. Begin pre-appointing patients if currently not doing so
Below Average: 29th percentile or lower, <<CompleteExamsPer100Active_29>> or less	• Improve recall process to reduce number of months between patient exams. Begin pre-appointing patients • Reactivate patients who have not visited practice in three years or more with contact by telephone or letter increases

Annual Gross Revenue per Active Patient

This is a composite metric that reflects both recall success and revenue generation per exam. The median MBA practice generates gross revenue of

$<<GrossRevPerActivePatient_MD>> per active patient annually. The low values for this benchmark reflect the fact that a majority of active patients do not visit the office in a given year. This productivity metric is weakly correlated with practice size. Many of the practices in the high performance deciles on this measure are new practices with most patients having just completed the first exam cycle.

If your practice has below average performance on this metric, trace the shortfall to either recall inefficiency or low revenue per exam. Take actions indicated in the sections discussing exams per 100 active patients or gross revenue per complete exam.

<<AnnualGrossRevenueperActivePatient_Graph>>

Gross Revenue per Square Foot of Office Space

Sales per square foot is a key productivity measure for most retail businesses. It reveals the efficiency of space utilization and indicates if facility overhead is under control. It can also be an indicator of foot traffic at a location and sales per transaction. It is a particularly relevant consideration for optometric practices considering relocation or space expansion.

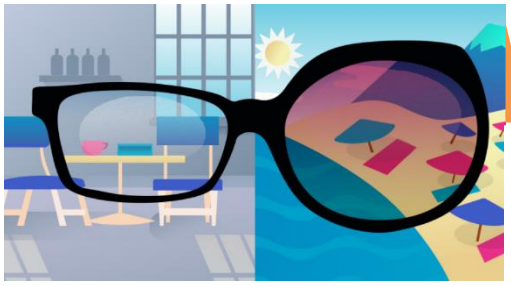
The median gross revenue per square foot for all MBA practices is $<<GrossRevPerSqFt_MD>> with a median of 2,850 square feet of office space, including 3.6 refraction rooms. There is very wide variation in this measure among practices, and it is correlated with practice size. Large practices generate more revenue per unit of space by seeing more patients, earning more from each patient seen, and more efficient space utilization. Patient traffic and revenue are able to grow substantially in many practices with no addition to office space, yielding large economies of scale. Occupancy cost ratios tend to decline as practice size increases. For this productivity metric, compare your revenue per square foot to the median for practices of your size.

These benchmarks are extremely useful when constructing a new facility or expanding an existing one. To determine the square footage you need in the new or expanded facility, first project revenue for year five after the renovation. Next, from the following table, determine the median revenue per square foot guideline for the practice revenue you project. Then divide your projected revenue by the median per square foot derived in step two. This will give you a rough guideline for the square footage you need.

<<GrossRevenueperSquareFootbyPracticeSize_Graph>>

The following table shows the range of office square footage by practice size. While generalizations may not apply to every situation, the median square footage shown in the "largest third" column could be used a guideline defining an excessive amount of office space for each size of practice.

<<RangeofSquareFootagebyPracticeSize_Graph>>



Section 4

Revenue Sources

This section examines the revenue mix of independent optometric practices, revenue growth during 2009 and 2010, composition of services rendered, revenue payers and exam fees. Use these benchmarks to compare with the revenue sources of your practice.

Revenue Sources

Independent optometric practices derive <<Q26d>>% of revenue from professional fees and <<Q26i>>% from product sales, including <<Q26f>>% from eyewear and <<Q26g>>% from contact lens sales. Average revenue mix has changed little over six years of measurement. Medical eye care revenue has not been consistently measured in MBA surveys, but there are indications that it is slowly gaining share of optometric practice revenue.

<<SourcesofRevenue_Graph>>

2012 Revenue Growth by Source

Based on VisionWatch, industry audits and MBA surveys, it is estimated that revenue from medical eye care and contact lens sales during 2012 grew at a faster rate than overall revenue among independent OD practices.

<<IndependentOD2012RevenueGrowthbySource_Graph>>

Percent of Complete Eye Exams by Type

Typical independent optometric practices conduct twice as many complete eye exams for patients wearing eyeglasses-only than for contact lens patients. An average of <<PercentofCompleteEyeExamsByHealthyEyeExams_J_MD>>% of exams are performed for patients not requiring vision correction. A contact lens exam ratio below <<PercentofCompleteEyeExamsByHealthyEyeExams_J _TD>>% usually indicates that a practice does not routinely recommend contact lenses to candidates, unless patients initiate a request for a trial fitting.

<<PercentofCompleteEyeExamsbyType_Graph>>

Medical Eye Care Visits % of Total Patient Visits

Medical eye care visits as a percentage of total patient visits is an indicator of the extent to which a practice is engaged in medical eye care. Medical eye care visits account for a median of <<MedicalEyeCareVisitPercentTotal_MD>>% of total office visits in independent optometric practices. This ratio is believed to be slowly increasing, but no time series is available to substantiate the growth. The range of engagement in medical eye care among private optometric practices is wide and is bi-polar. In many practices, less than 10% of patient visits involve medical treatment; in others more than one third of visits.

<<MedicalEyeCareVisits%ofTotalPatientVisits_Graph>>

Annual Medical Eye Care Visits per 1,000 Active Patients

Another indicator of engagement with medical eye care is annual medical eye care visits per 1,000 active patients. The median medical visits per 1,000 active patients is <<AnnMedEyeCareVisitPer1000_MD>> among independent optometric practices — or about <<AnnMedEyeCareVisitPer1000_MD_Perct>>% of active patients. Highly engaged practices report <<AnnMedEyeCareVisitPer1000_75th>> or more visits per 1,000 patients (<<AnnMedEyeCareVisitPer1000_75th_Perct>>% of active patients), and the least engaged less than <<AnnMedEyeCareVisitPer1000_25th>> visits (less than <<AnnMedEyeCareVisitPer1000_25th_Perct>>% of active patients).

<<AnnualMedicalEyeCareVisitsper1,000ActivePatients_Graph>>

Medical Eye Care Visits by Type

The following tables show the typical distribution of medical eye care visits by treatment provided. Glaucoma and dry eye treatments are most prevalent overall. Many offices do not treat glaucoma, and most glaucoma visits occur in offices which specialize in glaucoma treatment. A comparison of estimates of the incidence of ocular conditions in the population to MBA data on medical eye care visits per thousand active patients indicated that the conditions of many patients of private optometrists remain undetected or untreated.

<<MedicalEyeCareVisitsbyType(%ofTotalMedicalEyeCareVisits)_Graph>>

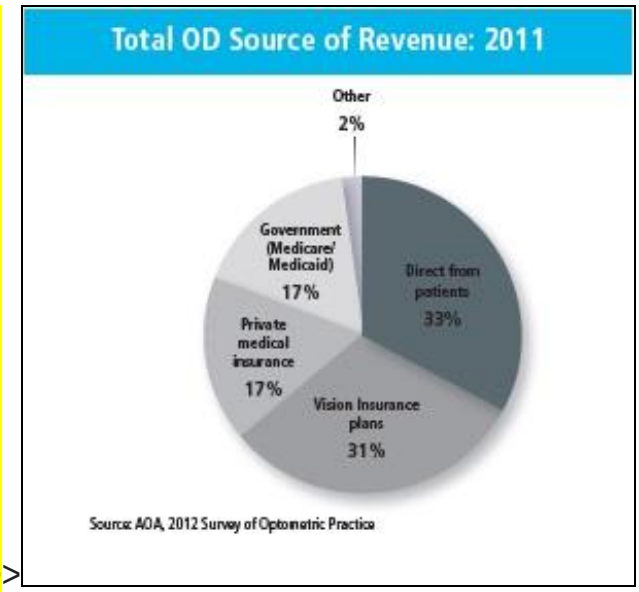
<<AnnualMedicalEyeCareVisitsbyTypeper1,000ActivePatients_Graph>>

Section 5

Managed Care

Independent optometric practices receive <<ManagedCare_HealthVisionPlans>>% of revenue payments from health and vision insurance plans, <<ManagedCare_Q27>>% from Medicare and <<ManagedCare_Q27d>>% directly from patients. The sources of payments vary widely across practices.

<<MBAParticipantSourceofPayments_Graph>>



Percent of Exams Provided with Managed Care Discount

MBA OD participants reported that a median of <<PercentExamsProvideWMangCareDis_MD>>% of the exams they performed in 2010 had a managed care discount. For 2011, the AOA reported that, on average, ODs discounted eye exam fees for 61% of patients. In 2001, 47% of OD exams were discounted, as reported by the AOA.

<<PercentofExamsProvidedwithManagedCareDiscount_Graph>>

<<PercentofGrossRevenuefromDirectPatientPayments_Graph>>

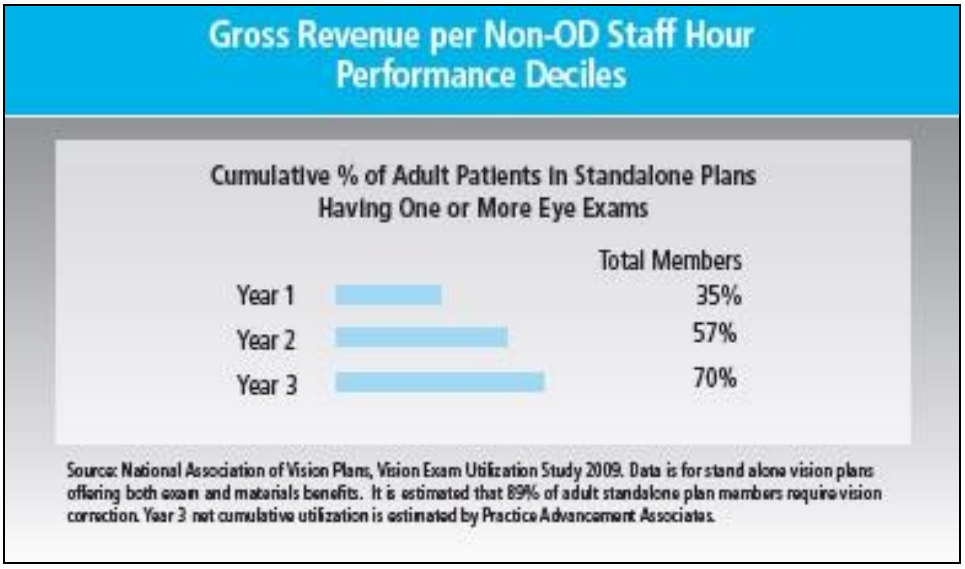
<<PercentofGrossRevenuefromAllHealth/VisionPlans_Graph>>

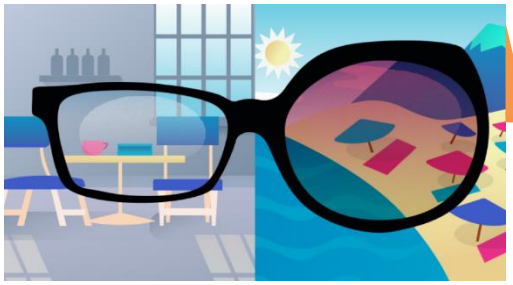
<<PercentofGrossRevenuefromVSPPayments(includedintotalabove)_Graph>>

<<PercentofGrossRevenuefromMedicarePayments_Graph>>

Vision Insurance Utilization

Based on research by the National Association of Vision Plans, in standalone vision plans which offer both eye exam and materials benefits, 35% of covered adults have an exam in a typical year. Most plans provide for a yearly eye exam, but two-thirds of the plans offer an allowance for eyewear only every other year. Over a two-year period, 57% of covered adults had one or more exams, and over a three-year period, an estimated 70% had at least one exam. The utilization data also reveal an opportunity for practitioners to increase the frequency of vision plan patient office visits by encouraging annual use of exam benefits.





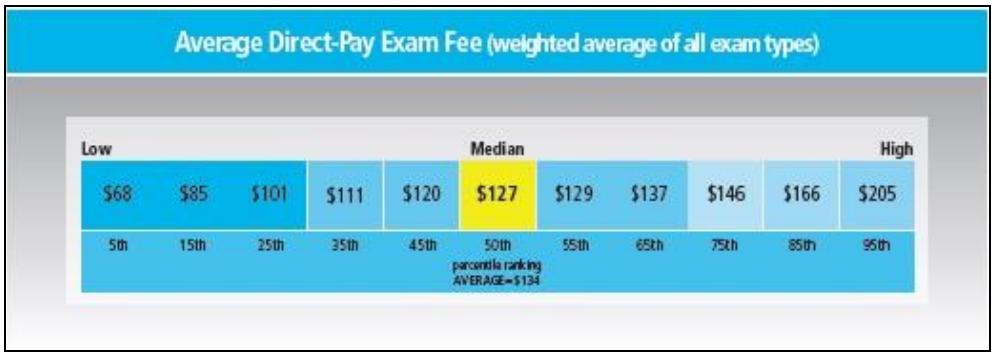
Section 6

Eye Exam Professional Fees

The fees that independent optometric practices charge direct-pay patients vary widely across practices, with the decile of practices with the highest fees charging roughly three times what the decile with the lowest fees charges.

It is estimated that the weighted average fee for all eye exams performed for direct-pay patients during 2010 was $134 (median = $127). For patients with insurance, the average collected exam fee was $66, less than half of the direct-pay fee amount. The overall collected revenue per eye exam (direct pay plus managed care) was $90, inasmuch as 65% of exams were discounted by insurance. Direct-pay patient exam fees accounted for 52% of total exam fees collected, or about 14% of total practice revenue in typical practices.

Practices generally charge the lowest direct-pay exam fee for non-contact lens patients, for which the median fee was $<<ExamFeeNonCL_MD>> in 2010. The median fee has increased about 3% annually from 2005-2010. Fees for contact lens exams when no refitting is done are generally about 20% higher than basic exams. Fees for contact lens new fits are higher, with additional amounts charged for specialty lenses.



<<AverageCollectedExamRevenueperCompleteExam(direct-payandmanagedcare)_Graph>>

<<Non-ContactLensExam(direct-pay)_Graph>>

<<ContactLensNewFitExam–Sphere(direct-pay)_Graph>>

<<ContactLensNewFitExam–SoftToric(direct-pay)_Graph>>

<<ContactLensNewFitExam–SoftMultifocal(direct-pay)_Graph>>

<<ContactLensExam–NoRefitting(direct-pay)_Graph>>

Section 7

Product Management

This section provides performance benchmarks for eyewear and contact lens retail management that will enable you to evaluate your success at capturing the revenue potential of device purchases by your patients. Use the worksheet in the middle of the report to calculate your current performance on each metric and compare to industry norms.

Eyewear

Eyewear Rxes per 100 Complete Exams

The number of pairs of eyeglasses dispensed as a proportion of the number of exams conducted provides a rough measure of a practice's eyewear sales "capture rate." Industry data show that one-third of the eyewear purchases of patients of independent eyecare professionals are made with other providers, usually optical retailers whose main focus is selling eyeglasses. While "walk-out" represents enormous revenue loss to independent eye doctors, just 23% of MBA practices ever track their eyewear sales "capture rate."

Eyewear Rxes per 100 complete exams is calculated by dividing the total number of eyewear Rxes delivered to patients in any time period (including both complete Rxes and new lenses in old frames) by the number of complete eye exams performed during the same period, then multiplying this value by 100.

For all MBA practices the median eyewear Rxes per 100 complete exams is <<EyewearRxPer100ComplExam_MD>>. The ratio has been stable between 2005 and 2010. The ratio does not vary significantly by practice size. The 10% of practices with the highest eyewear Rxes per 100 complete exams dispense <<EyewearRxPer100ComplExam_TD>> Rxes; the 10% of practices with the lowest ratio

produce just <<EyewearRxPer100ComplExam_BD>> eyewear Rxes per 100 exams.

<<EyewearRxesper100CompleteExamsPerformanceDeciles_Graph>>

A low eyewear Rxes per complete exam ratio (below 45) may indicate that a practice has a very high share of contact lens exams – 40% or more of total exams, compared to a more typical 30%. But usually, a low eyewear Rxes per 100 exam ratio reveals a low eyewear capture rate. Practices with below average eyewear Rxes per 100 exams tend to carry a lower number of frames in inventory than other practices of comparable size. Practices with a ratio below 45 should conduct a thorough assessment of their optical merchandising, frames mix and internal processes for recommending and dispensing eyewear.

Eyewear % of Gross Revenue

Eyewear sales produce an average of <<EyewearSalePercentageOfGrossRev_MD>>% of gross revenue in independent optometric practices. This ratio has not changed significantly over the past six years. The range in eyewear's share of revenue across practices is fairly narrow. In few practices does eyewear generate less than one third or more than 55% of revenue.

<<Eyewear%ofGrossRevenuePerformanceDeciles_Graph>>

If eyewear sales are less than 35% of your revenue, it's likely that either your practice specializes in medical eye care or contact lenses, or that you are paying insufficient attention to your optical dispensary.

Eyewear Revenue per Pair

The median retail sale for a pair of eyeglasses among independent optometric practices is $<<GrossRevPerEyewearRx_MD>>, including both complete spectacle Rxes (frames and lenses) and Rxes re-using an existing pair of frames. The 10% of practices realizing the highest retail sales per pair achieve an average sale of $<<GrossRevPerEyewearRx_TD>>, which is <<GrossRevPerEyewearRx_MD%>>% higher than the median.

<<EyewearRevenueperRxPerformanceDeciles_Graph>>

If your practice's average eyewear sale is at or below the median of $<<GrossRevPerEyewearRx_MD>>, improvement of this metric should almost certainly be a top priority of your practice. This is because eyewear is the leading source of revenue in nearly all practices and improving the average sale will have a dramatic favorable impact on financial performance.

Eyewear Gross Profit Margin %

The average eyewear Rx generates a gross profit of $138 and a gross profit margin of <<EyewearGrossProfitMargin_MD>>% -- equivalent to a mark-up of <<TotalCostOfGoods>> times cost-of-goods. The range in gross profit margin % across practices is fairly narrow with most in the 50-67% range. Practices that achieve above average gross profit per eyewear Rx do so primarily by selling higher value products rather than by taking significantly higher mark-ups, although both variables contribute.

<<EyewearRxGrossProfitPerformanceDeciles_Graph>>

Optical Dispensary % of Total Office Space

One reason that patients of independent practice ODs 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.

MBA surveys show that independent optometric practices typically devote about <<OpticalDispensaryPercentOfTotalOfficeSpace_J_MD>>% of their total office space to the optical dispensary. Smaller practices have a higher proportion of office space devoted to the dispensary (typically <<OpticalDispensaryPercentOfTotalOfficeSpace_J_75th>>% or more), compared to larger practices ($1.5 million+ with 22% of space devoted to the dispensary). Any practice with a dispensary of less than 500 square feet runs the risk of being perceived as offering

a limited selection of frames.

<<OpticalDispensary%ofTotalOfficeSpace_Graph>>

Eyewear Multiple Pair Sales Ratio

A median of <<MultipleEyewearPurchasePercent_MD>>% of patients who purchase eyewear in independent optometric offices buy more than a single pair during an exam visit. Only one-third of eyeglass wearers report using more than a single pair of eyeglasses. Most second pairs sold today are prescription sunwear.

Achieving a second pair sales ratio of <<MultipleEyewearPurchasePercent_75th>> or more is within the reach of most practices. Practice management consultants state that offering discounts on second pairs increases the sales ratio. Most ECPs currently offer second-pair discounts, but the discounts average just 20%, which consultants claim is too low to create an immediate call-to-action.

The effect of increasing the multiple pair sales ratio from 10% to 15% is likely to be a 1-2% increase in practice revenue, depending on the discount offered.

<<EyewearMultiplePairSalesRatio_Graph>>

Spectacle Lenses

Spectacle Lens Usage

Eyewear sales account for 43% of gross revenue in typical practices and the spectacle lens component of eyeglasses accounts for 24% of total practice revenue. Upgrading patients from mature technology to higher performance lenses results in large increases in practice revenue, because most upgrades increase sales per eyewear Rx by 20% or more.

Single vision lenses account for an average of <<SpectacleLensRxes_Q31a>>% of spectacle lens Rxes and presbyopic lenses for <<SpectacleLensRxes_Q31b>>%.

<<SpectacleLensRxes(%oftotaleyewearRxes)_Graph>>

Compare your usage of high performance lenses to the benchmarks for independent optometric practices. In most practices, there are many opportunities to upgrade patients. Focus first on categories for which your usage is at or below the industry median.

<<ProgressiveLenses(%ofpresbyopicRxes)_Graph>>

<<No-Glare(anti-reflective)Lens(%ofeyewearRxes)_Graph>>

<<HighIndexLenses(%ofeyewearRxes)_Graph>>

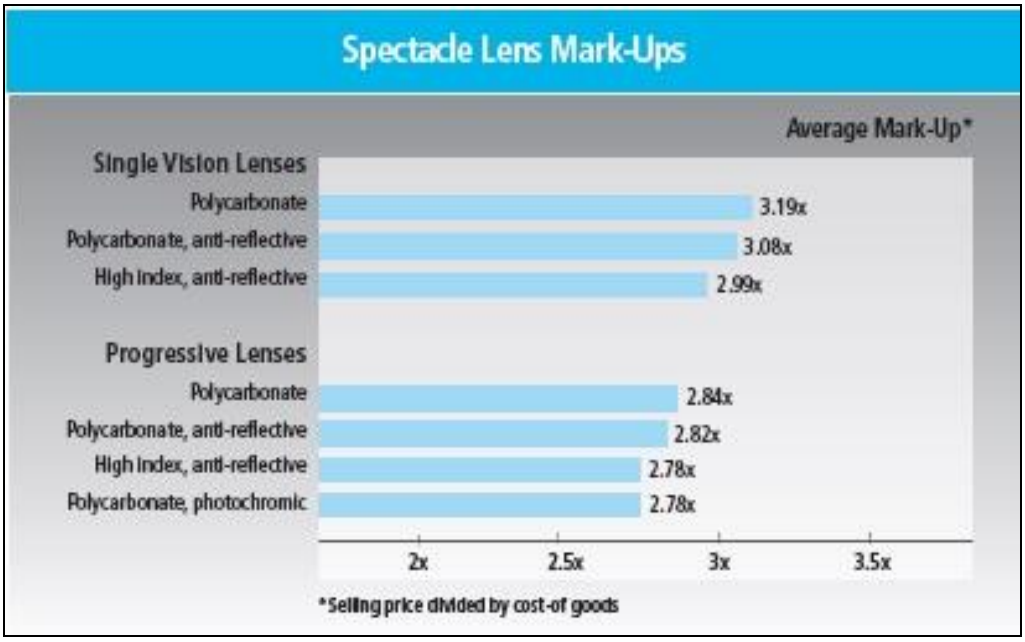
<<PhotochromicLenses(%ofeyewearRxes)_Graph>>

<<PrescriptionSunwear(%ofeyewearRxes)_Graph>>

<<ComputerLenses(%ofeyewearRxes)_Graph>>

Spectacle Lens Mark-Ups

Independent optometric practices mark-up single vision lenses more than progressive lenses and mark-up Rxes with fewer lens features more than advanced lens types. Average mark-ups provide guidelines for planning spectacle lens retail pricing strategy.



Frames

The frames component of eyeglass sales accounts for 20% of total practice revenue. Upgrading patients from lower cost frames to branded, designer frames results in large increases in practice revenue.

Frames Inventory

The median MBA practice had <<FramesInventoryAndTurnover_Q34>> frames in inventory, valued at $49,240, and reported dispensing 1,634 complete pairs of spectacles (including new frames) during the previous calendar year. This translates to a median frames turnover of 1.8 annually. Larger practices enjoy much higher frames turnover than do smaller practices. Compare the number of frames you inventory to the median for practices of your size.

<<FramesInventoryandTurnover_Graph>>

Larger practices have larger frames inventories than do smaller practices, but inventory requirements do not grow in a linear fashion as practice size expands. For example, the smallest 10% of MBA practices, with median annual gross revenue of less than $493,000, carried a median of 600 frames, while the largest 10% of practices ($2,133,000 or higher gross revenue) inventoried just twice as many frames (1,250 median).

The MBA database provides a quantitative basis to estimate the ideal number of frames that practices of different sizes should carry in inventory to achieve the right balance between achieving a high annual frames turnover and a high ratio of complete eyeglass sales to complete exams performed.

As might be expected, the MBA data show that annual frames inventory turn is greatest when the amount of frames inventory is kept low. But the data also show that when inventory is minimized, annual eyewear Rxes per complete exam are lower. When frames selection is insufficient, patients are more likely to shop elsewhere for eyewear. It is a false savings to minimize inventory cost, when the result is a lower capture rate of eyeglass sales.

The following table provides guidelines for frames inventory by practice size. The ideal frames inventory guideline assumes overage frames turnover for each practice size but brackets the inventory range for practices achieving above average eyewear Rxes per exam.

<<FramesInventoryGuidelines_Graph>>

Frames Sales Mix by Price Point

Independent optometric practices report that high end frames (above $300 retail) account for 12% of their unit sales mix, about the same proportion of sales as accounted for by frames retailing under $100. MBA surveys show that the distribution of frames unit inventory is virtually the same as unit sales mix, except that high end frames account for a slightly larger share of inventory than of unit sales – 13% of inventory versus 11% of unit sales.

If your software system can generate your latest year frames sales mix by price point, compare it to the industry norms. Another method of mix analysis by price point is to have your lead optician do a count of the frames you stock by the retail price point categories shown here and do a comparison to industry norms.

If your goal is to have 15% of your unit sales in frames of $300 or more retail price, then your inventory will need to be 18-20% of these high end frames. Even though the turnover of high end frames will likely be lower than your overall average, if you do not display an array of high end frames, it's unlikely you will sell as many. Similarly you may want to stock a somewhat higher ratio of frames in the $200-$299 retail price category, if your goal is to trade-up people from frames in the $150-$199 range.

<<FramesUnitSalesMixbyPricePoint_Graph>>

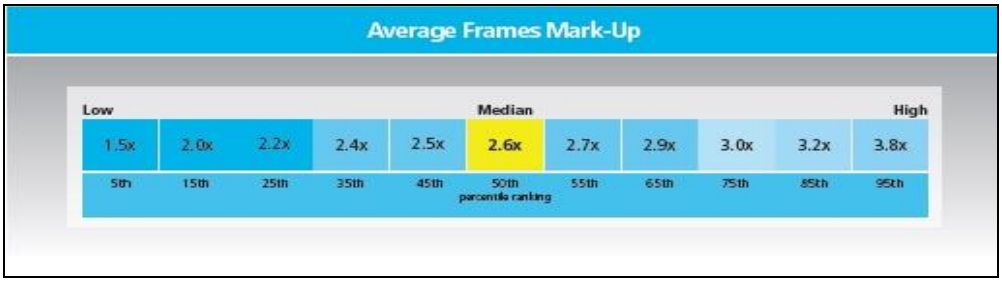
Frames Mark-Ups

Independent optometric practices mark-up lower cost frames more than high-end frames. The average mark-ups provide guidelines for planning frames retail pricing strategy.

<<FramesMark-UpbyRetailPrice _Graph>>

The average retail mark-up multiplier for frames sold by independent practice ODs was 2.6 times the wholesale frames cost during 2010, based on OD estimates of their retail sales mix by price point and average frames wholesale cost. This is the same median mark- up multiple calculated for total eyewear sales by ODs, based on their estimates of eyewear

sales and cost-of-goods. A 2.6x mark-up yields a 61% gross profit margin percentage.



Frames Average Wholesale Cost per Pair

The median independent practice OD estimated in 2010 that the average wholesale cost of the frames they held in inventory was $<<FramesAvgWholesaleCostPerFrame_J_MD>>. The median wholesale frames cost has increased about 2% annually in recent years. Practices with an average frames wholesale cost of $<<FramesAvgWholesaleCostPerFrame_J_25TH>> or below are likely to have an opportunity to improve sales of higher end frames and increase the average eyewear sale.

<<FramesAverageWholesaleCostperPair_Graph>>

Plano Sunglasses

Plano Sunglass Inventory

Some 46% of MBA practices report stocking plano sunglasses. Larger practices are no more likely to stock plano sunglasses than were small practices. The average number of plano sunglass pairs in stock among those with any inventory was <<129>>. Even the largest practices tended to maintain relatively small inventories of plano sunglasses.

<<PlanoSunglassInventory*byPracticeSize_Graph>>

Contact Lenses

Contact Lens % of Gross Revenue

Contact lens materials generated <<CLSalesPercentGrossRev _MD>>% of the total gross

revenue in the average independent optometric practice, with little variation by practice size. A contact lens sales ratio below 12% is symptomatic of one or more of the following conditions:

- A patient population with 50% or more who are 55 years of age or higher
- A failure to consistently offer contact lens trial to candidates currently wearing eyeglasses-only
- A low capture rate of contact lens purchases by patients (under 80%)
- Low retail pricing
- Aggregate usage of specialty lenses (soft torics, soft multifocals, colors, RGPs) with less than 25% of contact lens patients
- A low number of boxes sold per transaction (less than 2.8)

Assess your current performance on each of the variables impacting contact lens sales.

<<ContactLens%ofGrossRevenuePerformanceDeciles_Graph>>

Percent of Active Patients Wearing Contact Lenses

A median of <<CLWearerPercentActivePatients _MD>>% of active patients in independent optometric practices wear contact lenses either full-time or part-time. Jobson Optical Research consumer survey data suggest that 18% of adult contact lens wearers are part-time wearers, or 5% of the typical patient base.

If 40% or more of a practice's active patients are 45 years of age or younger and the percentage of active patients wearing contact lenses is 25% or below, it is likely that too little emphasis has been placed on presenting contact lenses to all suitable candidates.

Increasing the percentage of patients wearing contact lenses typically increases annual revenue per active patient. This occurs because contact lens patients visit the practice more frequently than do glasses-only wearers, pay higher exam fees, purchase contact lenses at least once a year, and purchase both eyeglasses and contact lenses.

<<PercentofActivePatientsWearingContactLenses_Graph>>

Annual Contact Lens Sales per Contact Lens Eye Exam

Annual contact lens sales per contact lens exam is calculated by dividing the total collected revenue from contact lens sales for the latest 12 months by the number of contact lens exams performed during the same period. This metric is a useful indicator of the capture rate of patients' soft lens purchases, sales mix of higher value lenses, effectiveness at selling annual supplies and to a lesser extent, effectiveness of the retail pricing strategy.

The median contact lens sales per contact lens exam for MBA practices was $<<AnnCLSalesPerCLExam_MD>> between 2009 and 2011. The average retail price of soft lens boxes sold by independent ECPs is $42, so $152 is equivalent to 3.6 average-priced boxes.

If annual contact lens sales per exam is below $120, first examine your office process to present annual supply packages to patients. If you sell annual supplies to less than 20% of two-week lens patients, or less than 40% of monthly lens patients, you have a great opportunity to increase your sales per patient. A second useful analysis is the composition of your sales mix. Compare usage of higher value lenses such as silicone hydrogels, monthly lenses, soft torics, soft multifocals and daily disposables to industry norms shown in the next section.

<<AnnualContactLensSalesperContactLensEyeExam_Graph>>

Contact Lens Product Usage

Upgrading patients from first generation materials and from spherical to specialty lenses results in large increases in practice revenue. Prescribing monthly and daily disposable lenses can also increase revenue per contact lens patient because of the higher patient compliance with replacement regimen and the higher retail price per box of these modalities, compared to two-week lenses.

Compare your usage of high value contact lenses to the benchmarks for independent optometric practices. In most practices there are many opportunities to upgrade patients. Focus first on categories for which your usage is at or below the industry median. Multifocal lenses remain a category that is underutilized in a majority of practices, as are daily disposable lenses.

<<SiliconeHydrogelWearer%ofSoftLensWearers_Graph>>

<<DailyDisposableWearer%ofContactLensWearers_Graph>>

<<SoftToricLensWearer%ofContactLensWearers_Graph>>

<<SoftMultifocalLensWearer%ofContactLensWearers_Graph>>

<<RGPLensWearer%ofContactLensWearers_Graph>>

Soft Lens Patient Refit Ratio

A median of <<CLRefitPercentCLExam _MD>>% of soft lens patients having an eye exam are refitted with a new brand, material or lens type during their eye exam visit. Because soft lens technology continues to advance rapidly, a refit ratio under 18% reveals an "if it ain't broke, don't fix it" mindset that, over time, will undermine patient satisfaction and produce sub-optimal contact lens revenue.

<<SoftLensPatientRefitRatio_Graph>>

Soft Lens New Fits per 100 Contact Lens Exams

A median of <<CLNewFitsPer100CLExam_MD>> of every 100 patients having a contact lens exam are fitted with contact lenses for the first time by independent optometric practices. A new fit ratio under 10 per 100 contact lens exams reveals a tendency of a practice to avoid discussion of contact lenses unless patients express interest. This passive approach to contact lens fitting lowers the percentage of active patients wearing contacts and reduces annual revenue per patient.

<<SoftLensNewFitsper100ContactLensExams_Graph>>

Soft Lens Gross Profit Margin %

The median gross profit margin from sales of soft lenses is <<CLGrossProfitMargin _MD>>% among independent ECPs. The range in gross profit margin is fairly narrow with 60% of practices achieving margins in the 37-56% range.

<<SoftLensGrossProfitMargin%_Graph>>

Annual Supply Purchasing

MBA practices report that a median of <<AnnualSupplyPurchasebySoftLensModality_Q39b>>% of their soft lens patients purchasing two-week lenses purchase an annual supply of lenses during their eye exam visit. Monthly soft lens patients are more than twice as likely to purchase an annual supply, presumably because the number of boxes purchased is just four and not eight. Few daily disposable wearers purchase an annual supply.

<<AnnualSupplyPurchasebySoftLensModality_Graph>>

Soft Lens Inventory

An estimated 70% of independent optometric practices stock soft lenses in inventory. Some 85% of $1 million+ practices do. The average inventory in-stock increases with practice size.

<<SoftLensInventorybyPracticeSize*(averageboxes)_Graph>>

Many optometric practices carry too little inventory to achieve a high fill rate of patient Rxes on exam day. Typical offices dispense to just 33% of soft lens patients on exam day. Fill rates of 45-50% of patients are feasible when offices stock a sufficient quantity of the spherical lens brands they prescribe most frequently.

<<PercentofPatientsDispensedfromInventorybyInventorySize(median)_Graph>>

The table below provides guidelines for soft lens inventory by practice size. For all optometric practices, average soft lens inventory is only about 65% of the recommended quantity, resulting in the lower than desirable fill-rate.

Soft Lens Inventory Requirements

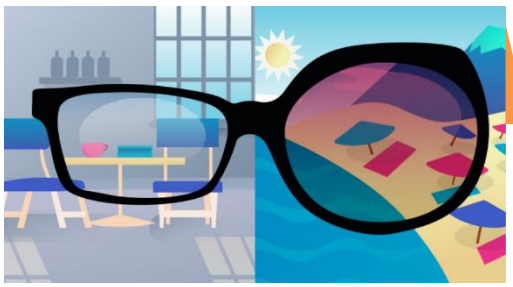
Practice Annual Gross Revenue	Median Monthly Contact Lens Exams	Soft Lens Inventory Requirement (boxes)
$350,000	31	109
$500,000	44	155
$650,000	58	202
$800,000	71	249
$1,000,000	89	311
$1,200,000	107	373

Percent of Contact Lens Patients Purchasing Eyeglasses

Independent practice ODs estimate that a median of <<PercentPatientsCLExamPurchEyewea_MD>>% of contact lens wearers purchase a pair of eyeglasses during their exam visit. Nearly all contact lens patients wear eyeglasses during a normal week and need a pair in their current prescription.

Increasing the proportion of contact lens patients who purchase eyewear on exam day from 25% to 35% will increase practice revenue by about 1%, with no investment.

<<PercentofContactLensPatientsPurchasingEyeglasses_Graph>>



Section 8

Staffing

Staffing Levels by Practice Size

In typical independent OD offices there are four staff members for every optometrist working. The ratio of staff hours to OD hours increases as practice size increases. This reflects the fact that in many small practices, to save expenses, ODs perform some testing and administrative tasks normally done by staff in larger practices. The savings are often false because the value of an ODs time is four to five times greater than staff time.

<<StaffingLevelsbyPracticeSize_Graph>>

Full-Time Office Managers

Some 58% of MBA practices have a full-time office manager. A majority of practices with ten or more staff members have office managers.

<<Full-TimeOfficeManagerbyPracticeSize>>

Staff Compensation

The median hourly salary paid to staff members for all MBA practices in 2009 was $15.29. Since 2005 the median hourly salary has increased at a compound annual rate of +1.9%. Office managers are the highest paid staff members, receptionists the lowest. There is little variation in hourly rates paid by practice size, except that the smallest practices typically pay about 10% lower salaries.

Staff Hourly and Annual Salaries by Position: 2009

Position	Average Hourly Salary*	Median Hourly Salary*	Median Annual Salary*
Office Manager	$22.33	$20.48	$42,598
Optometric Assistant	$13.21	$12.71	$26,437
Contact Lens Technician	$14,73	$14.40	$29,952
Optician/Frames Stylist	$16.80	$16.29	$33,883
Lab Manager/Technician	$17.73	$17.25	$35,880
Receptionist	$13.13	$12.64	$26,291
Bookkeeper	$17.19	$16.12	$33,350
Insurance Clerk	$15.15	$15.00	$31,200

Note: To estimate salary levels for 2015, assume a 10% increase over 2009 levels.

Staff Turnover

Average staff turnover in independent OD practices was 20% over twelve months ending in May 2013, an increase from the turnover ratio experienced during the recession. Presumably, in a high unemployment economy, staff is less likely to seek new positions. Sixty- five percent of practices experienced some turnover during the past year. Turnover is lower in larger practices, in which average staff turnover is 16% annually.

Staff Turnover: 2008-2013

	July 2008	February 2011	July 2012	May 2013
Turnover ratio* (weighted)	20%	17%	14%	20%

Source: MBA staff management surveys

Note: Turnover is calculated by dividing the number of staff members who stopped working in past year by number of staff currently employed.

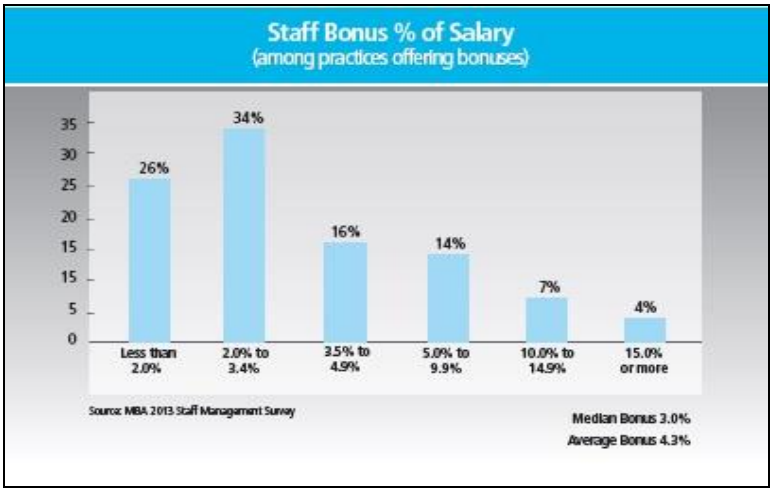
2012 Staff Salary Increases

"The average salary increase during 2012 for non-OD staff members among independent ODs was

3.3% and the median increase was 2.6%.

Staff Bonuses

Some 56% of independent ODs offer incentive bonuses to staff – a proportion that is declining. Most staff bonus plans pay less than 5% of salary.



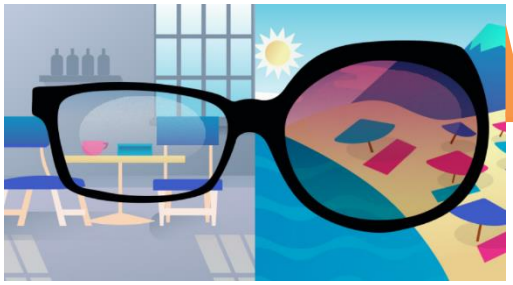
Frequency of Staff Meetings

Two-thirds in independent OD practices conduct staff meetings monthly or more frequently.

Frequency of Staff Meetings

Weekly or more frequently	32%
Every two weeks	14%
Monthly	21%
Monthly or more often (net)	*67%*
Every eight weeks	8%
Quarterly	14%
Every six months	5%
Every twelve months	2%
Never	4%
Average number of staff meetings convened per year	24

Source: MBA 2013 Staff Management Survey



Section 9

Expenses and Net Income

Ultimately, the performance metric that looms largest for most independent optometrists is net income – the amount of money left after all expenses are paid that goes into ODs' pockets. The MBA database provides detailed statistics on expenses by category and net income, which are useful in assessing a practice's financial health.

Expense Category % of Gross Revenue by Practice Size

Compare your expense ratios to the averages for practices of comparable size to yours. Larger practices enjoy somewhat lower cost-of- goods ratios, on average, offset by somewhat higher staffing costs. Occupancy, equipment, general overhead and interest cost ratios tend to decline as practice size increases. It is these lower fixed cost ratios enjoyed by larger practices that makes them somewhat more profitable, on average. Marketing expense ratio does not vary by practice size, except that the smaller practices tend to spend a slightly higher share of revenue in this area.

<<ExpenseCategory%ofGrossRevenuebyPracticeSize_Graph>>

Expense Ratio Ranges

The following table provides the range of expense ratios for the 60% of MBA practices in the middle three quintiles of the overall range within each expense category. This range in expense ratios for this group falls within one standard deviation of the overall average for MBA practices. If your practice expense ratios are above or below these ranges for any category, you should investigate further to determine the source of the variance.

<<RangeofExpenseRatiosbyCategory_Graph>>

Chair Cost per Complete Exam

Chair cost per exam is calculated by dividing total practice expenses less cost-of-goods and OD compensation/retained profit divided by the number of complete exams performed. The median chair cost for independent ODs is $<<ChairCostPerComplExam_MD>>.

<<ChairCostperCompleteExam_Graph>>

Occupancy Cost

The median annual occupancy cost per square foot of office space reported by MBA participants during 2010 was $<<AnnualOccupancyCostperSquareFoot_MD>>. Sixty percent of practices experience occupancy costs between $<<AnnualOccupancyCostperSquareFoot_20TH>> and $<<AnnualOccupancyCostperSquareFoot_80TH>>.

<<AnnualOccupancyCostperSquareFoot_Graph>>

Net Income % of Gross Revenue

The median net income as a percentage of gross revenue is <<NetIncomePercentGrossRev _MD>>% for independent ODs. At the 75th performance percentile, net income percent is <<NetIncomePercentGrossRev _75TH>>%.

<<NetIncome%ofGrossRevenue_Graph>>

Net Income % of Gross Revenue by Practice Size

The unweighted average net income % of gross revenue for all MBA practices is 30.7%. Larger practices enjoy somewhat higher net returns, on average, but there is wide variation in profitability within each size group. Smaller practices achieved lower net profit ratios, primarily because they did not enjoy the economies of scale in facilities and general overhead expenses.

<<NetIncome%ofGrossRevenuebyPracticeSize_Graph>>

Annual Marketing Spending per Complete Exam

Independent ODs spend a median of $<<AnnMrktSpendPerComplExam_MD>> annually for marketing per complete exam they conduct. Marketing investment per exam varies widely across practices, but in nearly all practices marketing spending per patient is less than 5% of revenue collected per patient.

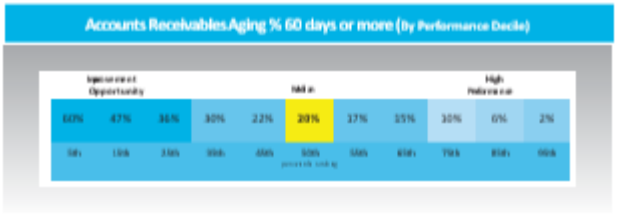
<<AnnualMarketingSpendingperCompleteExam_Graph>>

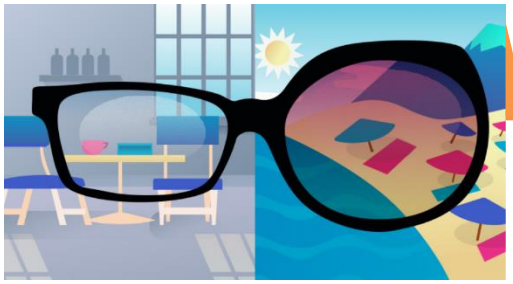
Accounts Receivables

Accounts receivable days outstanding is calculated by dividing total accounts receivable by annual gross revenue, divided by 365. The median practice had <<AcctRecDaysOutstanding_MD>> days accounts receivable in 2010.

Another key metric related to receivables is the aging of the uncollected amounts due. A universally true rule is that there is an inverse correlation between the probability of collection and the number of days a bill remains unpaid. In typical optometric practices during 2010, some 80% of receivables were aged less than 60 days, and 20% were 60 days or longer. MBA data suggest that having one-third or more of receivables aged 60 days or longer indicates a deficient collections process.

<<AccountsReceivablesAging%60daysormore(ByPerformanceDecile)AccountsReceivables_Graph>>



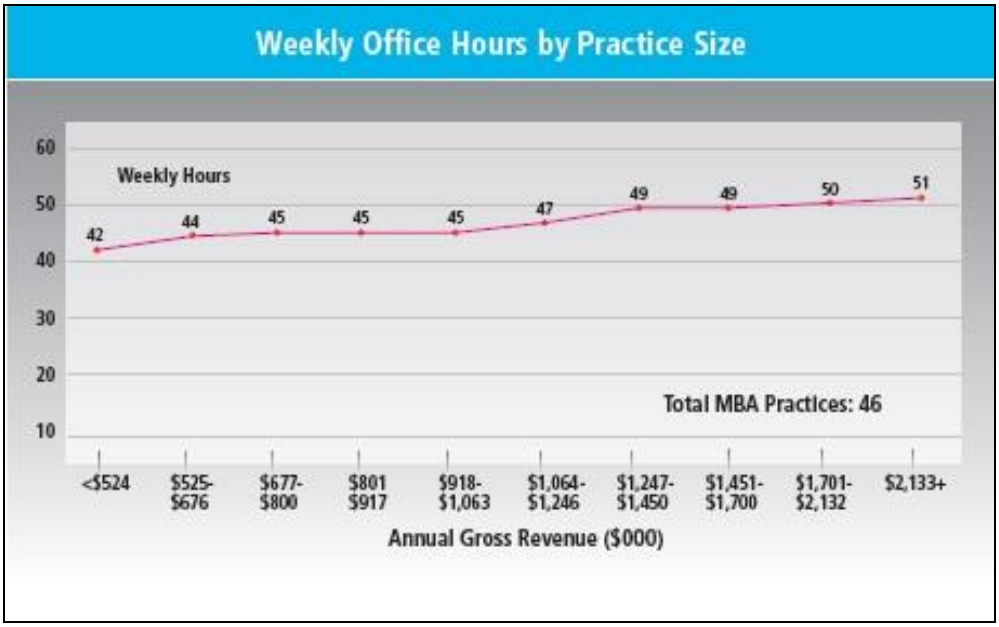


Section 10

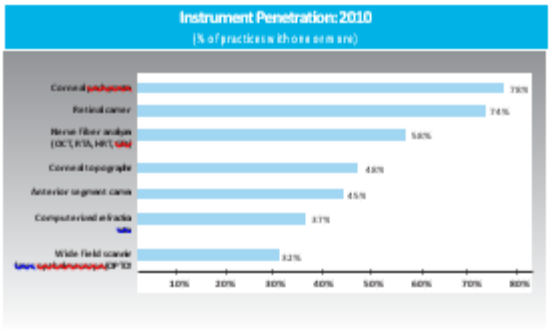
Other Practice Characteristics

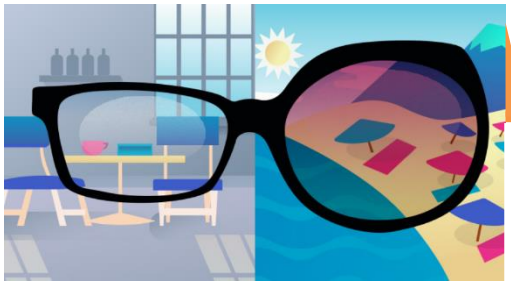
Office Hours

Independent optometric offices are open a median of 46 hours weekly. Larger practices, most of which have multiple ODs, are typically open for more hours. Very few offices are open on Sundays, and 59% are open on Saturdays, typically for five hours.



Instrument Penetration


Instrument Penetration: 2010
(% of practices with one or more)
78%
74%
58%
48%
45%
37%
32%
10%
20%
30%
40%
50%
60%
70%
80%



Section 11

Appendix

Key Metrics by Practice Type

	Solo ODs			Two or more ODs					
				1 Location			2+ Locations		
	$550-<$500M	$749M	$750M+	$750-<$750M	$1,499M	$1,500M+	$1,000-<$1,000M	$1,499M	$1,500M+
% of MBA Practices	5.8%	8.6%	9.0%	8.7%	26.9%	14.2%	7.8%	7.0%	11.8%
Characteristics									
Number of ODs (A)	1	1	1	2.1	2.4	3.2	2.7	2.8	4.1
Number of non-OD staff (A)	3.3	4.8	6.8	5.3	8.5	12.9	6.3	8.8	13.9
Gross rev. (M $000)	$375	$617	$917	$620	$1,088	$1,804	$675	$1,289	$2,245
Office square feet (M)	1,650	2,000	2,575	1,950	3,000	4,150	2,000	3,100	5,000
OD hours (M)	1,920	2,000	1,920	2,616	3,430	4,875	2,013	3,655	5,628
Staff hours (M)	4,817	7,563	10,885	7,557	12,580	20,641	8,788	14,555	23,645
Complete exams (M)	1,296	2,049	2,828	2,172	3,536	5,548	2,500	4,002	7,446
Active patients (M)	2,793	4,717	7,000	5,000	8,000	13,005	6,000	10,000	18,762
Productivity Ratios (median)									
Gross per exam	$260	$297	$327	$285	$307	$327	$285	$304	$309
Gross per OD hour	$197	$302	$476	$223	$314	$395	$278	$336	$404
Gross per sq. ft.	$227	$306	$355	$293	$364	$450	$321	$423	$455
Gross per staff hour	$76	$82	$85	$76	$82	$90	$75	$85	$92
Gross per FTE OD ($000)	$404	$629	$990	$468	$652	$819	$576	$700	$846
Exams per OD hour	0.76	1.04	1.48	0.78	1.05	1.15	1.09	1.13	1.28
Revenue per active patient	$126	$133	$143	$123	$137	$140	$121	$120	$147
Exams per active patient	0.44	0.32	0.42	0.45	0.46	0.45	0.39	0.39	0.40

PART 2

Best Practices of Spectacle Lens Management

Section 1

Introduction

In most optometric offices, the largest single source of revenue/e 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.

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.

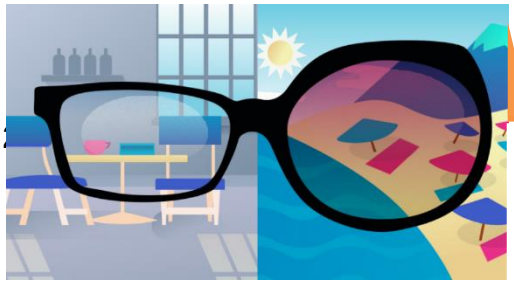
<<OptometricPracticeSourcesofRevenue_Graph>>

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.



Section 2

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.

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

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 <<EyewearRxPer100ComplExam_MD>> 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 <<EyewearRxPer100ComplExam_TD>> pairs, compared to just <<EyewearRxPer100ComplExam_BD>> 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.

<<EyewearRxesper100CompleteExamsPerformanceDeciles_Graph>>

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.

Office Square Footage

		Number of ODs in Practice		
	Total	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

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.

Dispensary Space by Total Office Size Quintiles

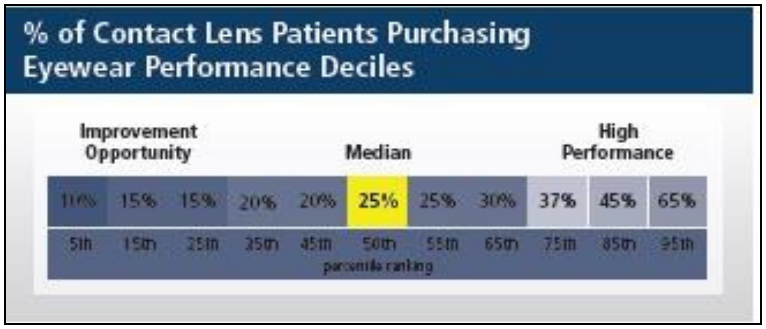
Office Sq. Ft. Quintile (Median)		Dispensary Sq. Ft. (Median)	Dispensary Sq. Ft. % of Total (Median)
Smallest 20%	1,500	450	31%
Next 20%	2,450	700	30%
Median 20%	3,000	1,000	29%
Next 20%	4,000	1,000	25%
Largest 20%	6,000	1,000	18%
Total	3,000	800	25%

Recommending eyeglasses to contact lens patients.

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.



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.

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

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 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

What Goes Wrong

- **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 Profit 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 Profit 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 Profit and Lens Recommendations.)

Dispensing

- Relate the benefit 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.

Section 3

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.

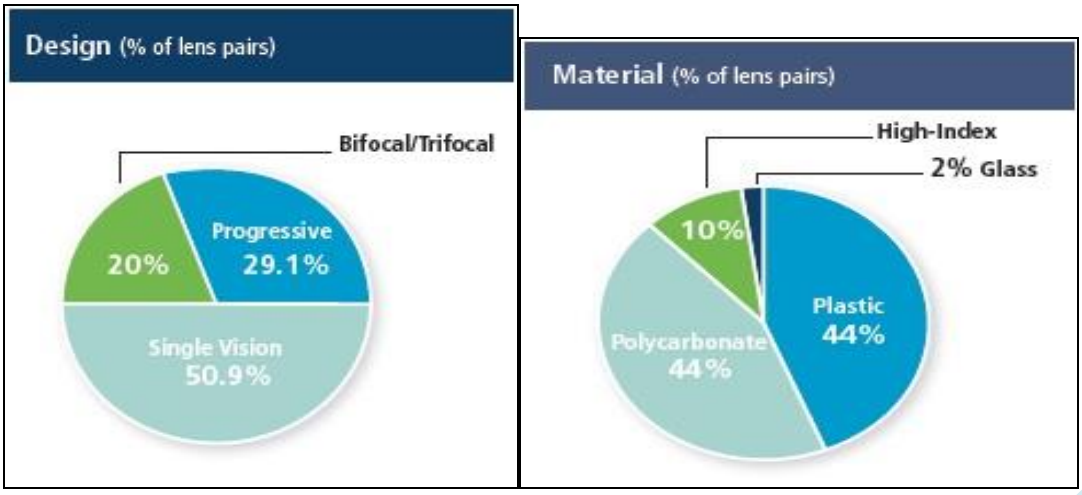
Photochromic lenses: Performance has been improved through faster transition from light to dark and back; the transmission spectrum has been enlarged to include sunglasses.

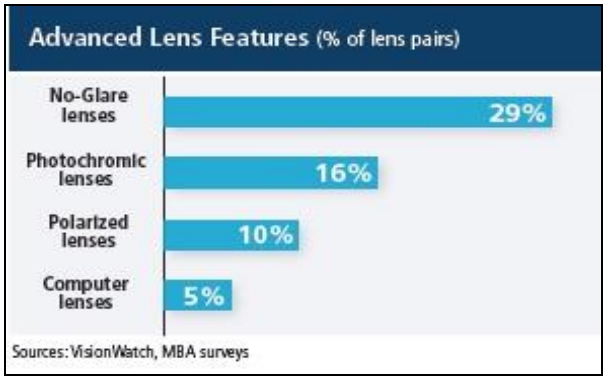
Lens materials: Many new high-index material options are available, ranging as high as 1.74. They offer the advantages of light weight and thinness. Polycarbonate and Trivex provide superior impact resistance. Both are thin and light. Trivex is ideal for rimless eyewear.

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.

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.





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.

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

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.

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.

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

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 $<<GrossRevPerEyewearRx_MD>> (including both frames and lenses). This is similar to what Jobson reports, based on consumer estimates of what they spend for eyeglasses.

<<EyewearGrossRevenueperEyewearRxPerformanceDeciles_Graph>>

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 $<<GrossRevPerEyewearRx_TD>> per pair, while those in the lowest 10 percent realize just $<<GrossRevPerEyewearRx_BD>> 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.

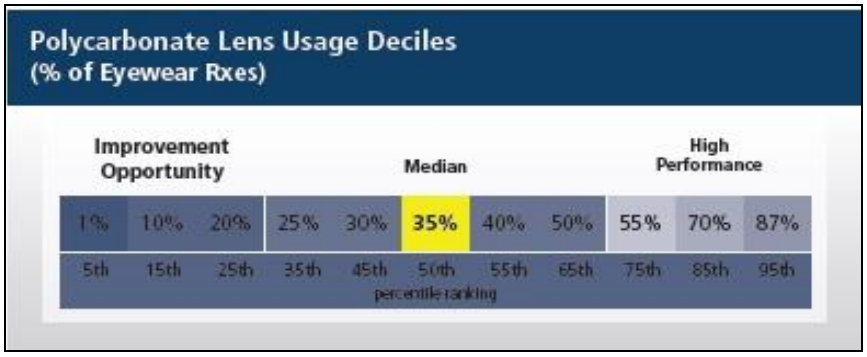
Office processes, not patient preferences, determine spectacle lens product mix.

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 <<PrescriptionSunwearPercentofEyeWearRxes_J_MD>> 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.

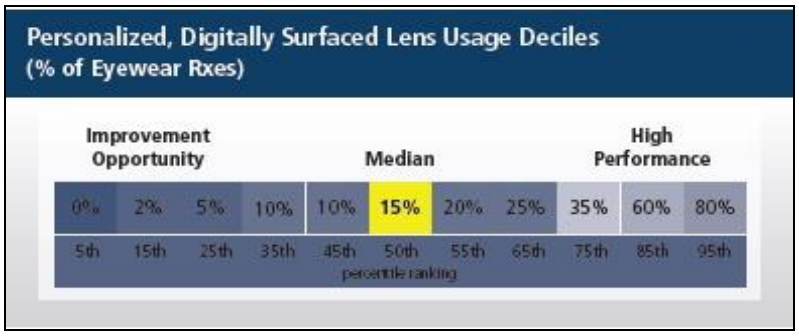
<<ProgressiveLens%ofPresbyopicRxes_Graph>>

<<No-Glare(anti-reflective)Lens(%ofEyewearRxes)_Graph>>

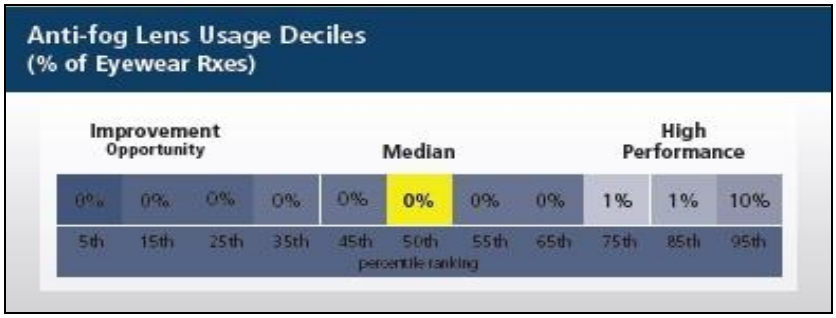


<<High-IndexLens(%ofEyewearRx)_Graph>>

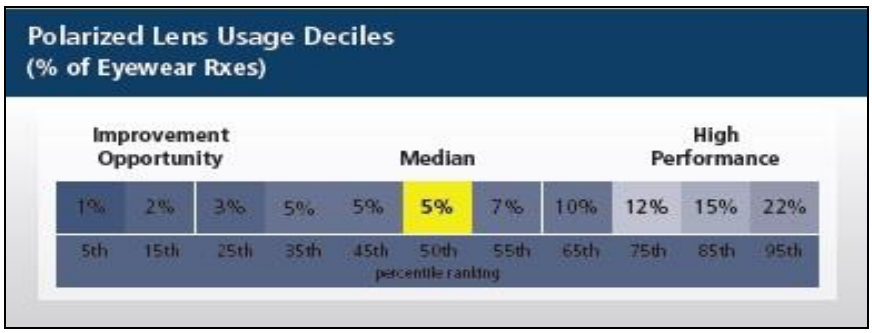
<<PhotochromicLens(%ofEyewearRx)_Graph>>



<<ComputerLens(%ofEyewearRxes)_Graph>>



<<PrescriptionSunwear(%ofEyewearRxes)_Graph>>



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.

Income and Expenditures of U.S. Households: 2011

Income Quintile	Before Tax Annual Income Range	Before Tax Annual Income Average	% of Income	% of Expenditures
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%

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.

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 benefit

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 benefit. 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 simplified the purchase process and assures that a higher proportion of patients have the benefits 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 below 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

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 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

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

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 office, 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.

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 findingand 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® Prevencia™ No-Glare lenses	Varilux S Series™ lenses Crizal Sapphire UV™ or Crizal® Prevencia™ 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

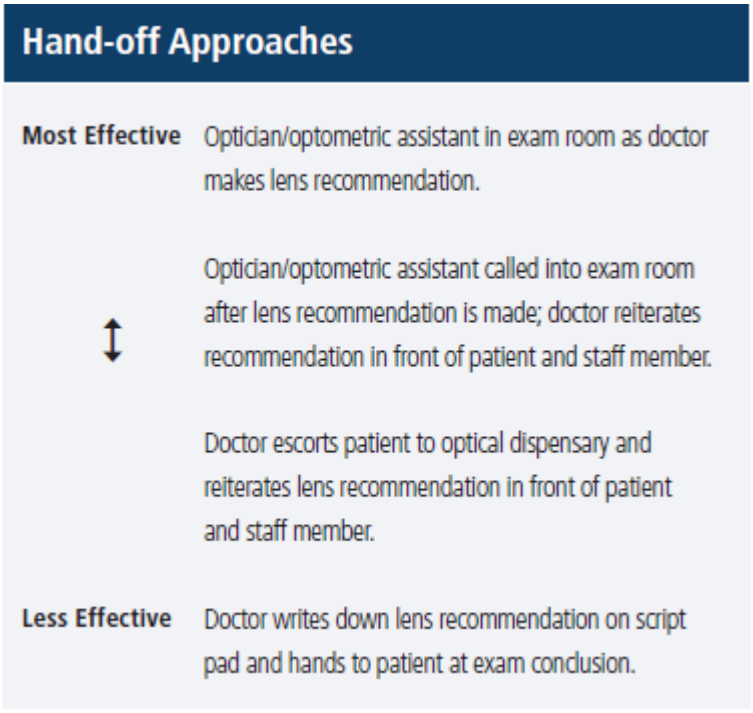
In the practice of MBA faculty member Dave Ziegler, OD, in West Allis, Wis., he and his partner personally recommend spectacle lenses to each patient, and they achieve ratios of lens sales by bundled package as shown in the chart.

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%

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.

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.



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.

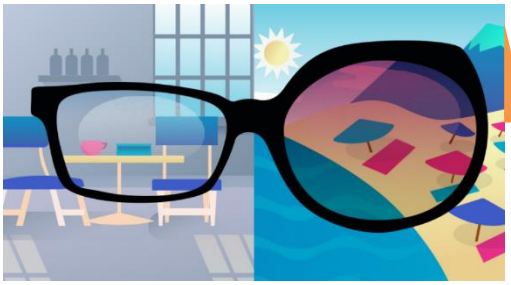
10. **Conduct quarterly staff meetings to review new spectacle lens products and refresh staff knowledge of recommended lenses.** With the continuous introduction of new lens technology, it is necessary to regularly review the standard bundled packages presented to patients. It's also helpful to review 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.

Spectacle Lens Sales Tracking

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



Section 4

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.

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				
$60,000 and over	57%	58%	47%	64%
Under $60,000	43%	42%	53%	36%
Total	100%	100%	100%	100%

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

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.

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%

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.

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%

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.

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%

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.

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%**

Leisure activities also define vision needs.

U.S. adults spend more than 5 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.

Time Spent Watching Television by Age: 2011			
Age	Hours per day Weekdays	Hours per day Weekends	Weekday % of Leisure Time Watching TV
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%

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.

Leisure Activities of American Adults

Activity	% of Adults Participating	2nd 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

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.

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%

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.

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%

MBA performance benchmarks reveal that a median of <<MultipleEyewearPurchasePercent_MD>> 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.

<<EyewearMultiplePairSale%EyewearBuyersPerformanceDeciles_Graph>>

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.

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%

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.

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 (30% off normal retail)

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.** standard process is recommended. Dr. Gailmard likes to ask each patient six questions to identify his or her eyewear needs:
    - May I ask your occupation?
    - Do you have any hobbies?
    - Do you participate in outdoor activities?
    - Do you use a computer?
    - Do you drive long distances?
    - 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?

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 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."

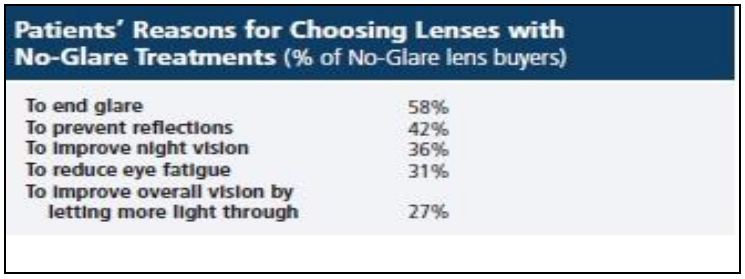
5. **Develop benefit-oriented presentation scripts for each lens type.** As recommendations about spectacle lenses are made, it's important to remember that patients don't buy glasses or contacts just to see better. They buy them to enhance their personal appearance, project youthfulness or stylishness, 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%

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.

Section 5

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

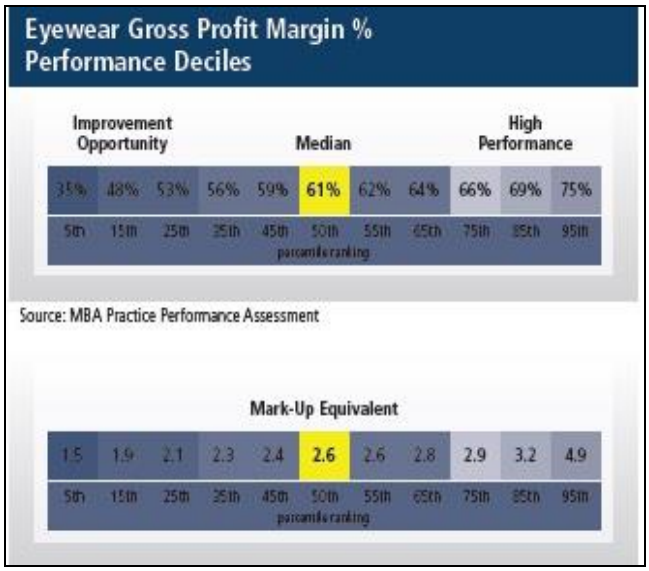
that unlike most things people buy in retail stores, a pair of eyeglasses designed for a specific patient incorporates a lot of professional expertise and advice that should command reasonable compensation.

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.

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%

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.



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

What's at Stake

The table below 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.

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

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 below 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 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

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	Progressive	Bifocal/Multi-focal
Polycarbonate	Polycarbonate, basic design	Polycarbonate
Polycarbonate No-Glare	Polycarbonate, basic design No-Glare	Polycarbonate No-Glare
High-index	Polycarbonate, advanced design	
High-index No-Glare	Polycarbonate, advanced design, No-Glare	
Photochromic	Polycarbonate, customized dual digital, No-Glare	
	Polycarbonate, photochromic, No-Glare	
	High index, 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.

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 -	$235

2. Calculate retail prices necessary to achieve gross profit margin goals. This 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,) included in the recommended package should be determined and presented to patients as a single price. Package pricing simplified 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.

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.

Section 6

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.

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

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.

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

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.

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.

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.

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?

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.

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

	Total
12-16 months	17%
17-21 months	39%
22-26 months	35%
27-31 months	7%
32-36 months	2%
Average Interval	21 months

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?

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.

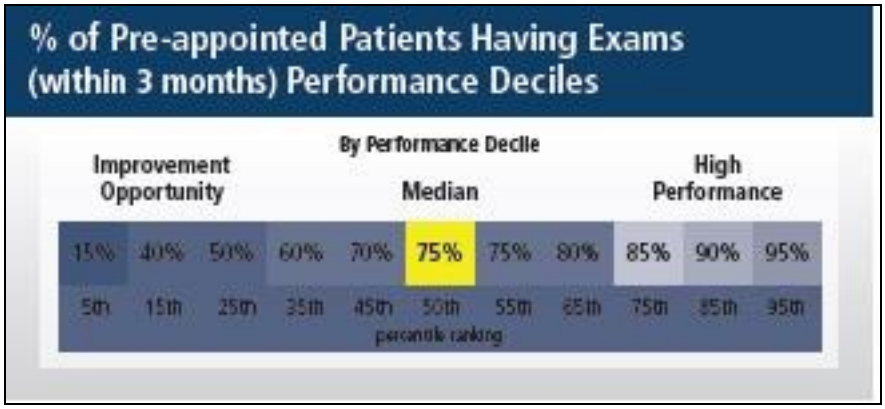
Actual Exam Interval of Eyeglasses-only Wearers by Exam Interval Recommended by OD (% of practices)

	Exam Interval Recommended	
Actual Average Interval	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

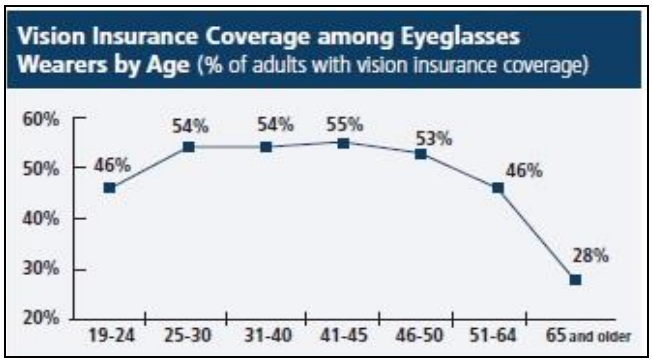
Pre-appointing patient exams reduces interval between exams.

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.



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.



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

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 office 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.

Best Practices To Reduce Eyewear Purchase Interval

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 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.

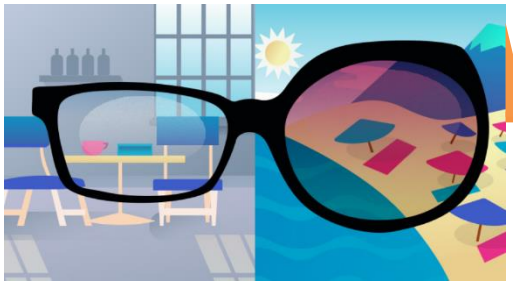
7. **Conduct an annual frames trunk show.** A proven marketing tactic that will accelerate the purchase cycle of some patients is an annual trunk show featuring new frame styles. Patients who highly value the appearance aspect of their eyewear will be attracted to this special event. Frame manufacturers 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.

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.



Section 7

Transaction Costs and Re-makes

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**.**

Best Practices To Reduce Transaction Costs and Re-makes

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.

Section 8

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

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, 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 continued 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,

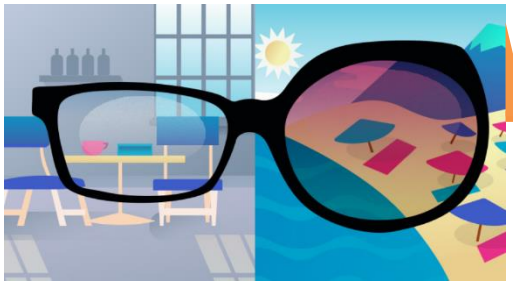
yet health care professionals almost never offer it. It changes everything. Even if no mistake was made, an apology can be offered for the inconvenience the patient has endured. If a different employee made an error, a staff member could apologize on behalf of the practice. Don't try to pass the blame to others, like the lab or the manufacturer.

8. **Train staff to eliminate incorrect measurements and lens specifications.** Go to ecpuniversity.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. **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.

11. **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.



Section 9

Getting Started: Adopting Best Practices

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.

Key Eyewear Metric	Definition
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:

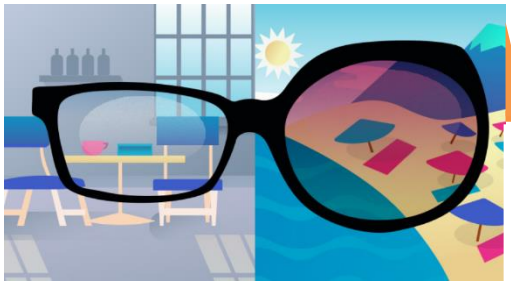
    - Product mix
    - Patient profiling
    - Multiple pair sales
    - Retail pricing/profit margin
    - Re-make reduction
    - Purchase frequency/recall
    - Patient satisfaction with eyewear

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.



Section 10

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	With Advanced Features 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 singlevision lenses, a value-frames package is offered for an additional $40.