



Key Metrics:

Assessing Optometric Practice Performance & Best Practices of Spectacle Lens Management Report

Prepared By ECP University for <<Customer_Name>> for participation in the Management and Business Academy – For Eye Care Professionals (Sponsored by Essilor)

TABLE OF CONTENTS

PART 1- Key Metrics: Assessing Optometric Practice

Introduction	
Independent OD Performance in Primary Eye care Market	
Total Practice Productivity Metrics	
Revenue Sources	
Managed Care	
Eye Exam Professional Fees	
Product Management	
Staffing	
Expenses and Net Income	
Additional Insights	
Other Practice Characteristics	

Part 2- Best Practices of Spectacle Lens Management Report

Introduction	
Capture Rate	
Product Mix	
Patient Profiling and Lens Recommendations	
Retail Pricing	
Eyewear Purchase Cycle	
Transaction Costs and Re-makes	
Patient Satisfaction	
Getting Started-Adopting Best Practices	
Appendix	
Glossary	



Part 1

Key Metrics: Assessing Optometric Practice Performance

1 Section: Introduction

1.1 “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. Often they form intuitive impressions about business issues, 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 eye care 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.

1.2 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 specifically noted, however, the benchmarks in this report are for established practices.

The median annual gross revenue of MBA respondents is \$10000, approximately 50% higher than the median revenue for all U.S. independent ODs. 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 participants in the Practice Profile research.

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

1.3 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 the same. 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 will suggest action steps for deeper analysis or for improvement.

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

1. Calculate your own practice performance periodically through the [link](#) of the portal for each of the key metrics, and use 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.
3. 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 not better than mid-range performance.
4. Take into account any unusual conditions of your practice, compile a rank ordered priority list of those areas you wish to concentrate on first. With the staff, develop an action plan to improve each priority area.

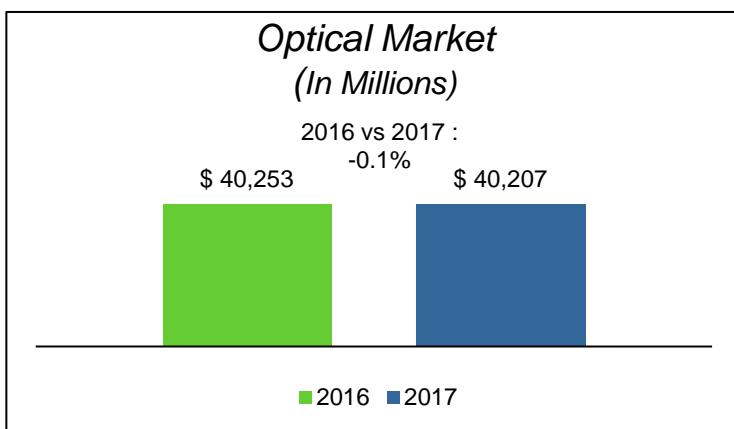
Note: The data represented in the graphs are until September 2017.

2Section: Independent OD Performance in Primary Eye Care Market

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

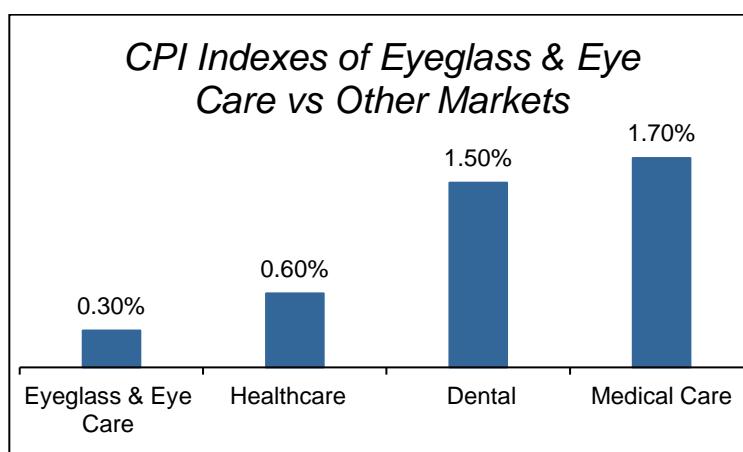
The Vision Council conducts an on-going consumer research, monitoring demand for eye exams and vision correction devices, called the VisionWatch. These surveys provide the best analysis of primary eye care consumption trends.

According to the Vision Council Market Analysis Report, the optical market in US generated \$40,207 million in revenue in 2017, representing a decrease of -0.1% over previous year's total.

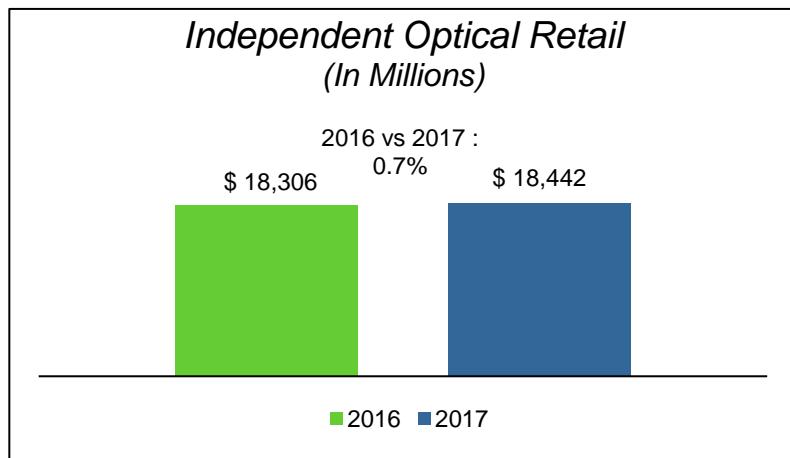


As per VisionWatch, there has been a 2.7% rise in revenue and 0.4% growth in volume for the ODs.

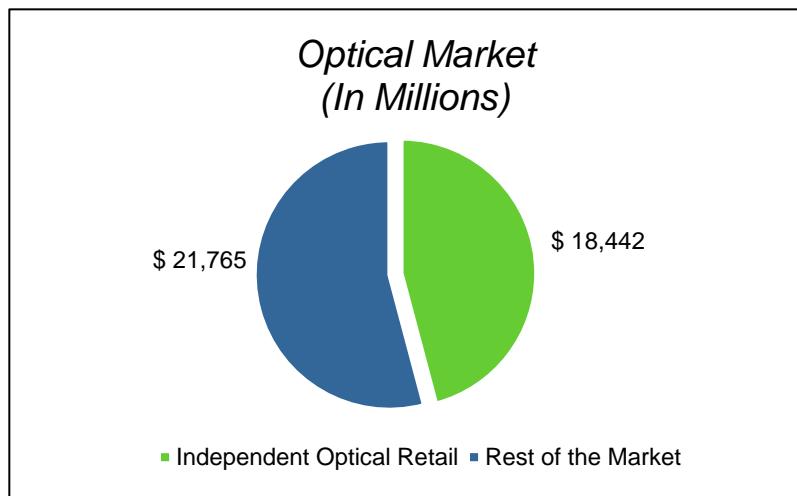
As evident in the CPI Indexes of Eyeglass & Eye Care vs Other Markets graph below, the eyeglass & eye care has a CPI index of 0.3%, relative to the 2017 CPI index for healthcare which was 0.6%, 1.5% for dental and 1.7% of medical care.



The independent side of the optical industry is, by far, the largest category of the U.S. vision care industry, generating \$18,442 million in revenue in 2017. The Independent Optical Retail graph below indicates that when compared to dollar revenues from a year ago, the independent side of the industry was up by 0.7%.



The Optical Market graph below reveals that the independent optical retail represents almost half (45.86 %) of the total optical market.



What is an Independent Optical Retail?

Independent Optical Retail includes dollars spent at independent optical locations on either spectacle lenses (regular Rx and Rx sun), frames, sunglasses (Plano only), OTC readers, or revenue earned from eye examinations.

3 Section: Total Practice Productivity Metrics

This section discusses key metrics that reveal the overall productivity of the practice. Use the [link](#) of the portal 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.

3.1 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 comprehensive exams you provide in any time frame.

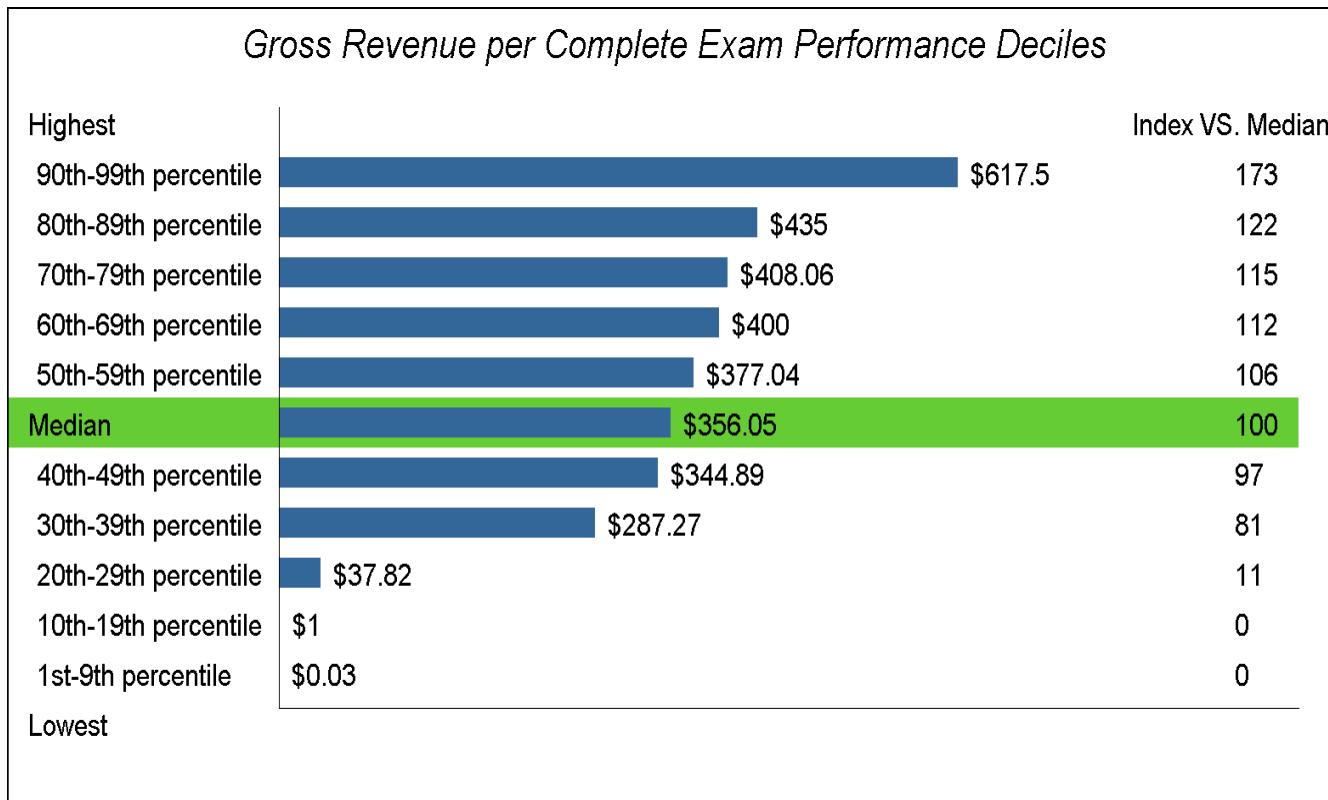
Gross revenue per comprehensive exam is directly dependent on the internal processes of your practice, and can be immediately and significantly improved by your actions. Every well-managed practice should track this productivity measure monthly, and if not already well above median performance, should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

For all MBA practices, the median gross revenue per exam is \$356.05. The top decile of practices achieved a median gross per exam of \$572.91, the bottom decile achieved just \$0 — a very large range of productivity.

Variables which favorably impact revenue per exam include:

- Above average usage of high-performance spectacle lenses, high-end frames and higher value contact lenses
- Above average professional fees
- Above average retail prices. Here are few examples of average retail prices as of Sept 2017:
 - Lenses- \$151.4
 - Frames- \$131
 - PAL- \$263.5
 - Single Vision- \$101.3
- Above average capture rate of patients' eyewear purchases
 - As of Sept 2017, the average capture rate was 44.3%. It has been observed that the average capture rate for ECPs with Essilor products is higher than the average capture rate for other ECPs
- Above average multiple pair sale ratio
 - As of Jan 2017, 11.8 million multi pairs were sold. Latest findings reveal that when practices launch new offers, they see significant multiple pair sales increase with the customers

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



3.1.1 Best practices after assessing your performance for gross revenue per complete exam

If your current performance is **above average: 60th percentile or higher, \$<<GrossRevenuePerCompleteExam_60P>> +**

- Doctors should **prescribe multiple pairs** in the exam room
- Evaluate multiple pair sale ratio. If it does not exceed 40-50%, **train staff to highly recommend prescription sun wear and special use lenses to appropriate patients**
- Review the Rx Analysis Report produced monthly from the Essilor lab. In that report, specifically review the usage of PAL, AR, high index, and photochromic lenses and compare it 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**

If your current performance is **average: 40th-59th percentile,**
\$<<GrossRevenuePerCompleteExam_40P>> -
\$<<GrossRevenuePerCompleteExam_59P>>

- Review the Rx Analysis Report produced monthly from the Essilor lab and 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**
- Review the Rx Analysis Report produced monthly from the Essilor lab. In that report, specifically review the usage of PAL, AR, high index, and photochromic lenses and compare it to industry norms. **Select one or two lens types and train staff to present to appropriate patients.** Repeat this process until all lenses are covered.
- Compare exam fees to industry norms. If exam fee is at or below industry median, consider **increasing fee**. Access the [link](#) to view industry related articles.

If your current performance is **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 **increasing the exam fees**

Appropriate patient

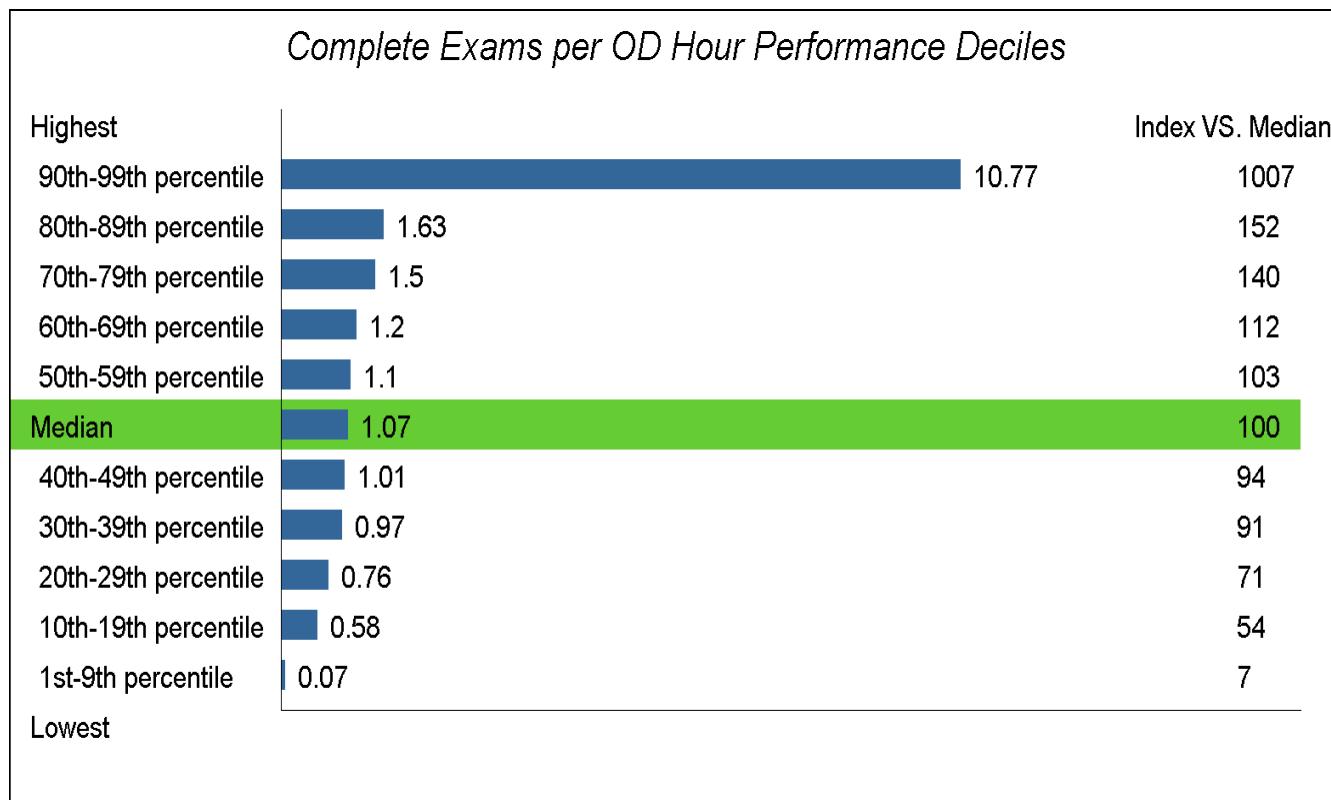
Every patient is an appropriate patient. Current lifestyle requirements require every patient to have special use lenses in addition to indoor lenses and outdoor lenses. These requirements assure that every patient who walks into your practice is an appropriate patient. The table below provides information about special use lenses and associated appropriate patient categories for the same.

Categories	Lens to be Used
Drivers	Polarized Sun Wear
People above the age of 40, working on desktops	Computer Glasses
Players of a fast moving small ball sport	Protective Eyewear
A boater or a sailor	Double Gradient Mirror
A musician	Variable Focus, Special Trifocals
Seniors	Variable Focus as second pair for indoor use
Young people who are involved in avid activities	Special Use Glasses
People using lens for safety purpose	Specialized Lenses (Polycarbonate or Trivex) in safety frame for maximum protection

3.2 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 1.07, comparable to the median reported by the AOA for all practicing ODs.

There is a wide variation in hourly exam productivity among practices. The 10% of practices with the highest exam productivity conducted 8.8 exams per OD hour. 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.



3.2.1 Best practices after assessing your performance for complete exams per OD hour

If your current performance is **above average: 60th percentile or higher,**
<<CompleteExamsPerODHour_60>> or **higher and average: 40th-59th percentile,**
<<CompleteExamsPerODHour_40>> -**<<CompleteExamsPerODHour_59>>**

- **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 the same
- If two or more ODs work in the practice, examine scheduling to **minimize idle OD minutes** on the appointment calendar

If your current performance is **below average: 39th percentile or lower,**
<<CompleteExamsPerODHour_39>>

- If active patient base is 4,500+ and ODs average 80% or more of office hours are 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

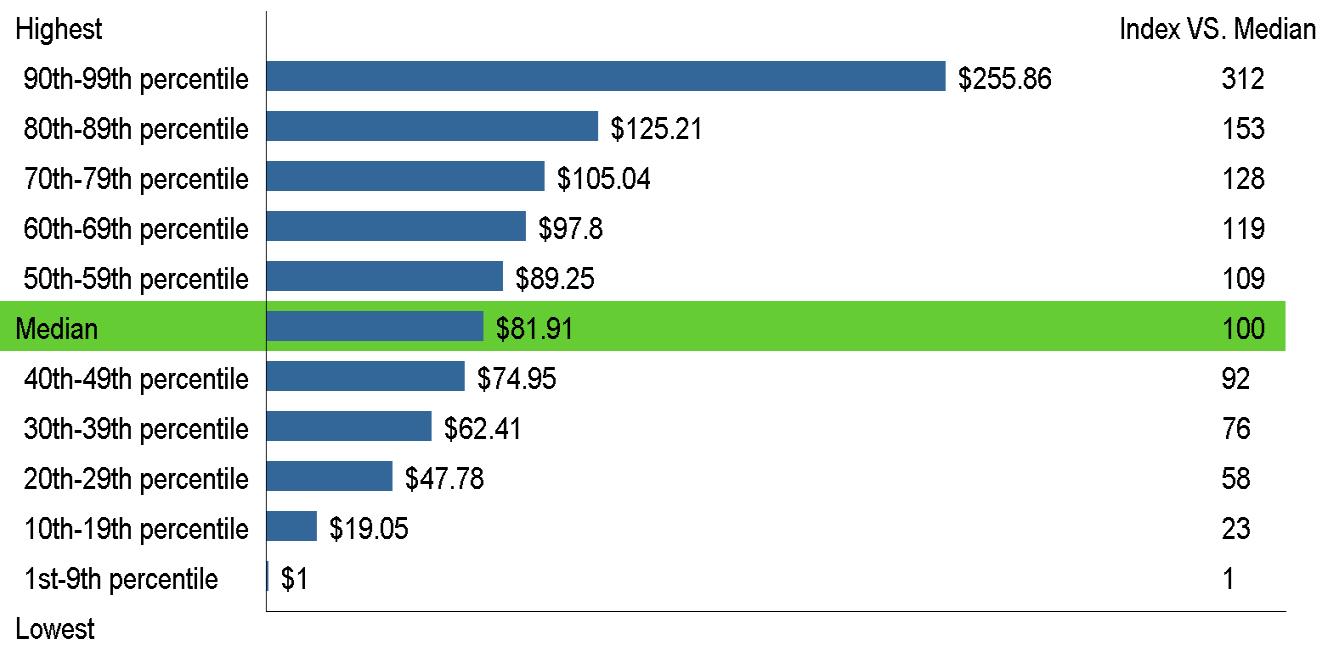
3.3 Gross Revenue per Staff Hour

Gross Revenue per Staff Hour is a measure of how efficiently patients are managed by the staff. It also helps in validating 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 \$81.91.

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

Gross Revenue per Staff Hour



3.3.1 Best practices after assessing your performance for gross revenue per non-OD staff hour

If your current performance is **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

If your current performance is **average: 30th-69th percentile**,
\$<<GrossRevPerNonODStaffHr_30>> -**\$<<GrossRevPerNonODStaffHr_69>>**

- If gross revenue per exam is at \$286 or below, compare usage of PAL (Progressive Addition Lens), AR (Anti-reflective), 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 is \$287 or higher, staffing level is likely adequate, unless practice is above \$1.5 million gross revenue

If your current performance is **below average: 29th percentile or lower,**
\$<<GrossRevPerNonODStaffHr_29>> or lower

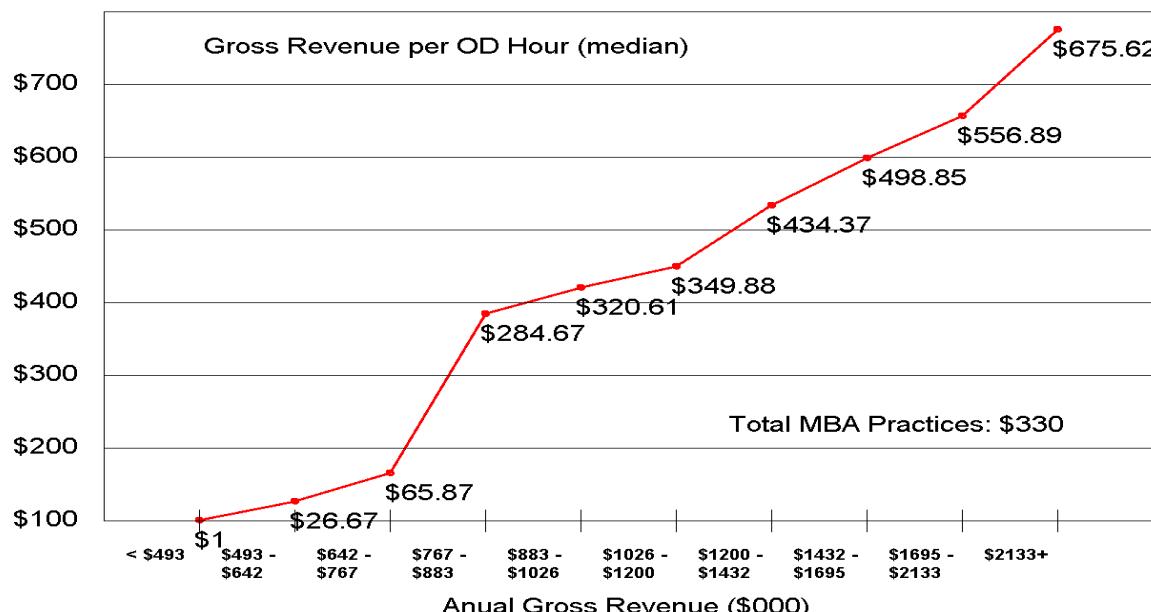
- If staff to OD hour ratio is 5 or above, evaluate **staff reduction or reduce number of hours staff works weekly**
- If active patient base is less than 3,500, increase **marketing activity to attract new patients**
- If gross revenue per exam is at \$286 or below, compare usage of PAL, AR, high- index and photochromic lenses to industry norms. Select one or two lens types and **train staff to present to appropriate patients**

3.4 Gross Revenue per OD Hour

Gross revenue per OD hour reveals how effectively ODs use their time and how well they delegate tasks to their staff. It is calculated by dividing gross revenue for any specified period by the total number of OD hours worked during the same period.

The median gross revenue per OD hour for MBA practices is \$356.05.

Gross Revenue per OD Hour by Practice Size



There is a wide range of OD productivity with the top decile of performers reporting a median of 572.91 of revenue per hour and the lowest decile reporting just 0.

Gross Revenue per OD Hour Performance Deciles

		Index VS. Median
Highest		
90th-99th percentile	\$675.62	197
80th-89th percentile	\$556.89	162
70th-79th percentile	\$498.85	145
60th-69th percentile	\$434.37	127
50th-59th percentile	\$349.88	102
Median	\$343.11	100
40th-49th percentile	\$320.61	93
30th-39th percentile	\$284.67	83
20th-29th percentile	\$65.87	19
10th-19th percentile	\$26.67	8
1st-9th percentile	\$1	0
Lowest		

3.4.1 Best practices after assessing your performance for gross revenue per OD Hour

If your current performance is **above average: 70th percentile or higher,**
\$<<GrossRevenuePerODHour_70>> or more

- No action indicated

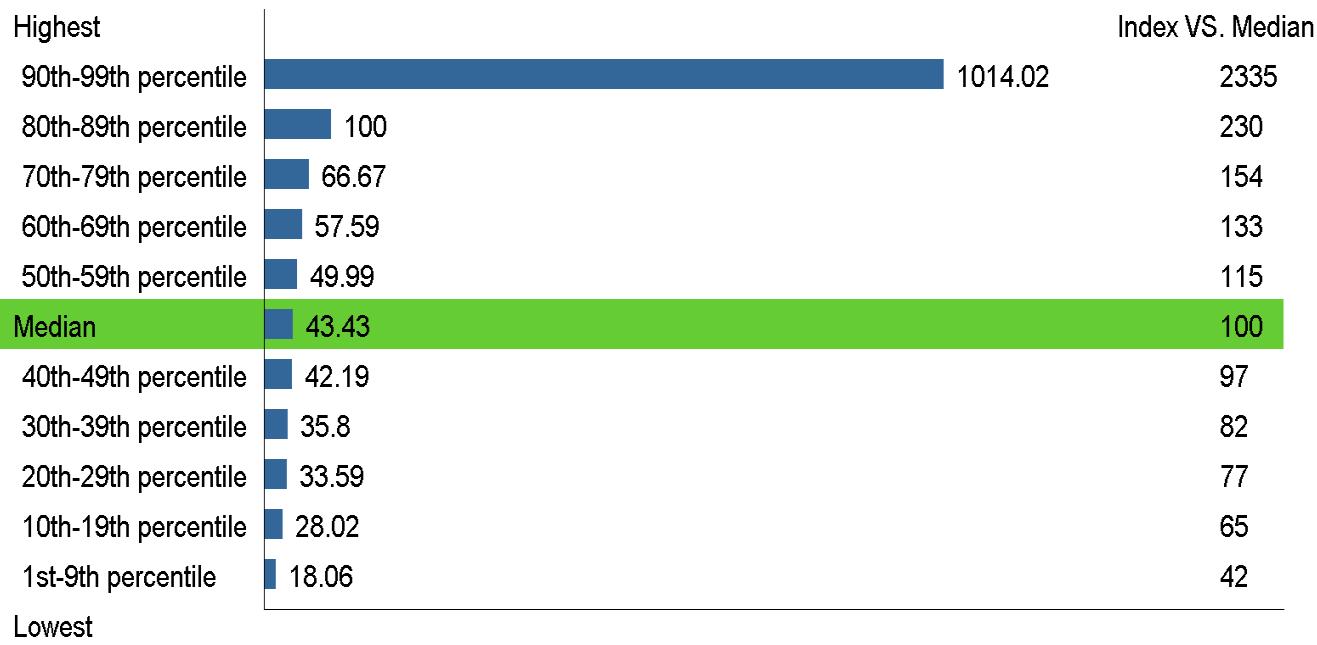
If your current performance is **average: 30th -69th percentile,**
\$<<GrossRevenuePerODHour_30>> - \$<<GrossRevenuePerODHour_69>> and below
average: 29th percentile or lower, \$<<GrossRevenuePerODHour_29>> or less

- If gross revenue per exam is 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 **increasing fee**

3.5 Complete Exams per 100 Active Patients

Complete exams per 100 active patients is a gross indicator of recall success. The median MBA practice conducts 43.43 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.

Complete Exams per 100 Active patients



Best practices after assessing your performance for complete exams per 100 active patients

If your current performance is **above average: 70th percentile or higher,**
<<CompleteExamsPer100Active_70>> or higher

- No action indicated

If your current performance is **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

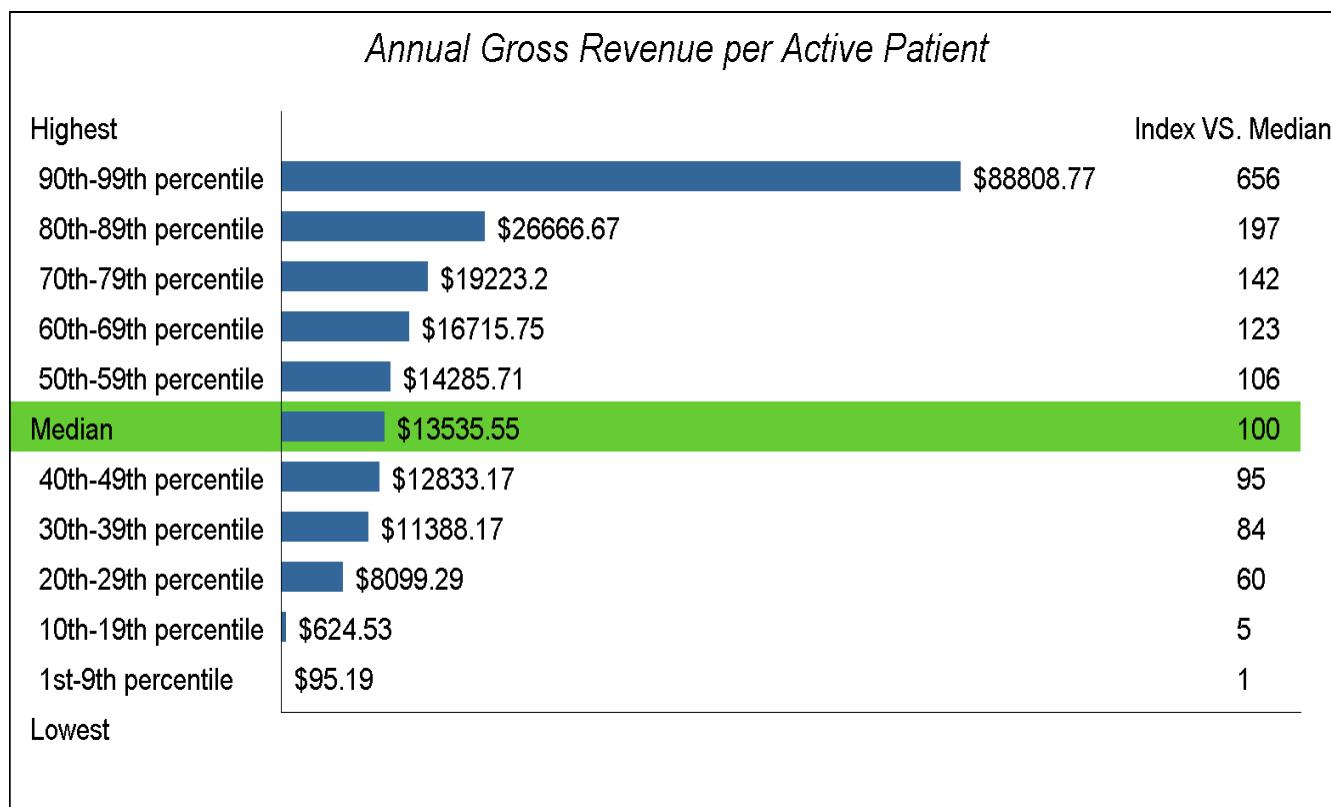
If your current performance is **below average: 29th percentile or lower,**
<<CompleteExamsPer100Active_29>> or less

- **Improve recall process** to reduce number of months between patient exams. **Begin pre-appointing patients**
- **Increase contact** by telephone or letters for reactivate patients who have not visited practice in three years or more

3.6 Annual Gross Revenue per Active Patient

Annual Gross Revenue per Active Patient is a composite metric that reflects both recall success and revenue generation per exam. The median MBA practice generates gross revenue of \$13535.55 per active patient annually.

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 3.1 or 3.5 discussing exams per 100 active patients or gross revenue per complete exam.



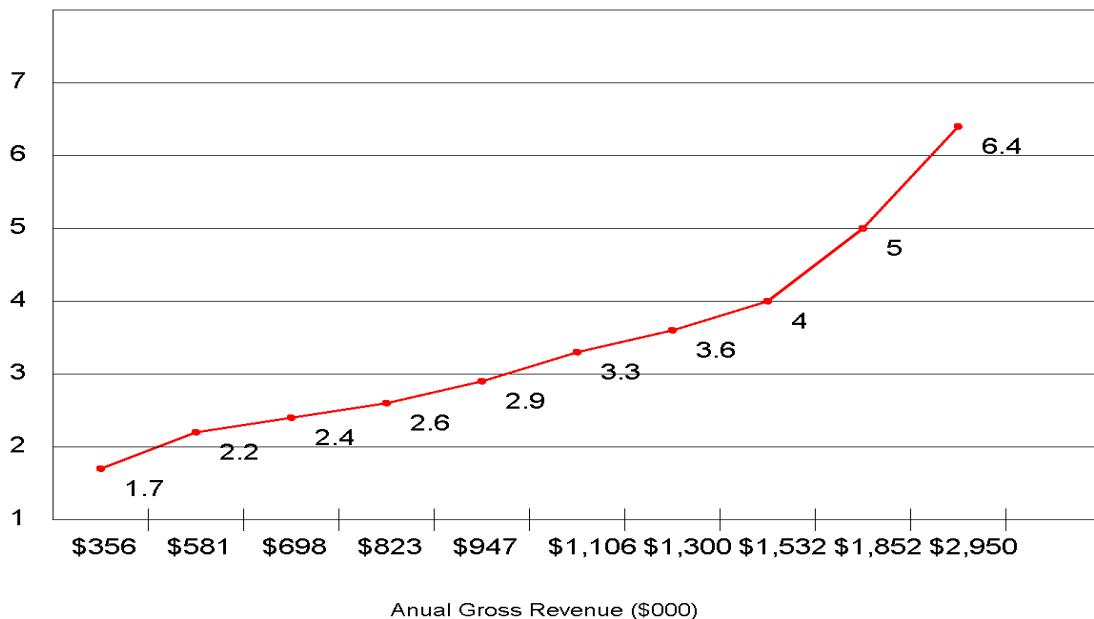
3.7 Gross Revenue per Square Foot of Office Space

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 relevant consideration for optometric practices considering relocation or space expansion.

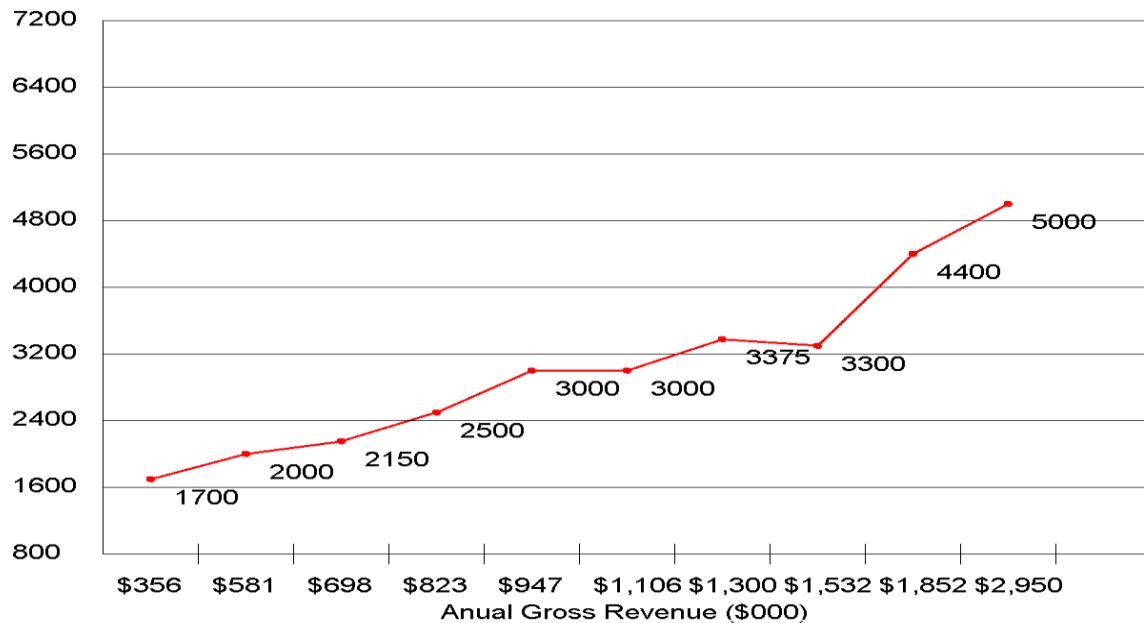
The median gross revenue per square foot for all MBA practices is \$286.31 with a median of 2600 square feet of office space, including 3.3 refraction rooms.

These benchmarks are extremely useful when constructing a new facility or expanding an existing one. In order to determine the square footage for the new or expanded facility, first project revenue for five year after the renovation. Next, from the following table, determine the median revenue per square foot guideline for the practice revenue you project. Finally, 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.

Gross Revenue per Square Foot by Practice Size

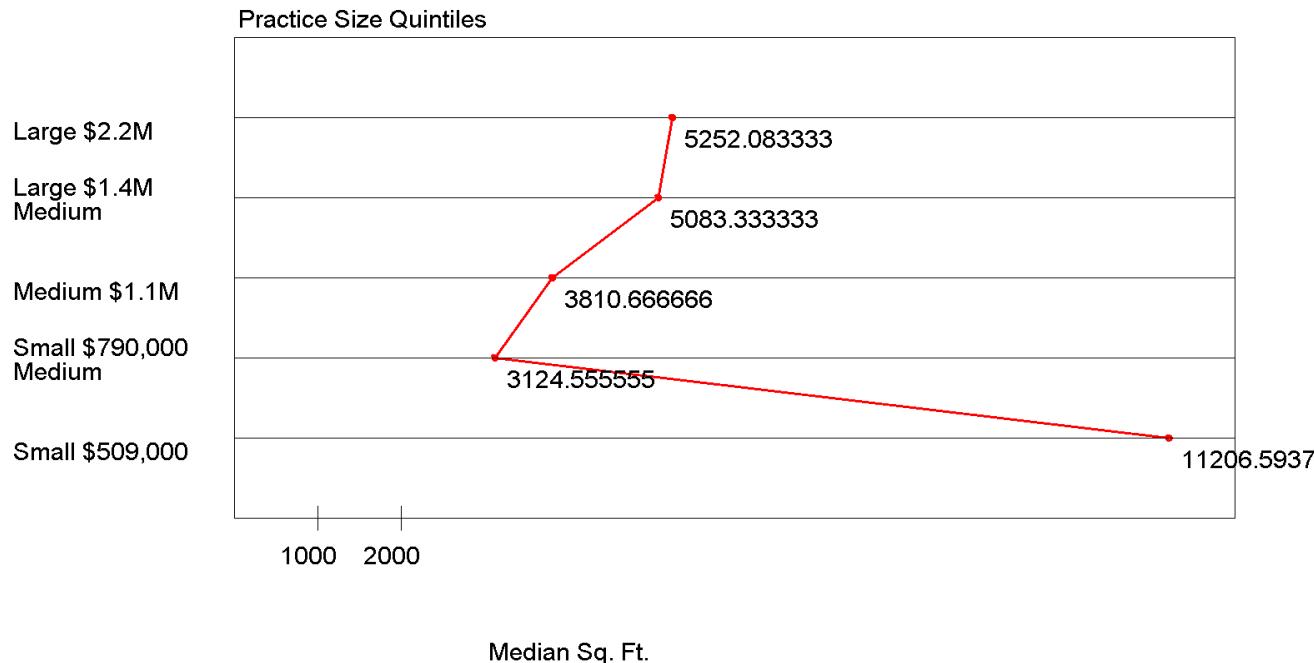


Gross Revenue per Square Foot by Practice Size

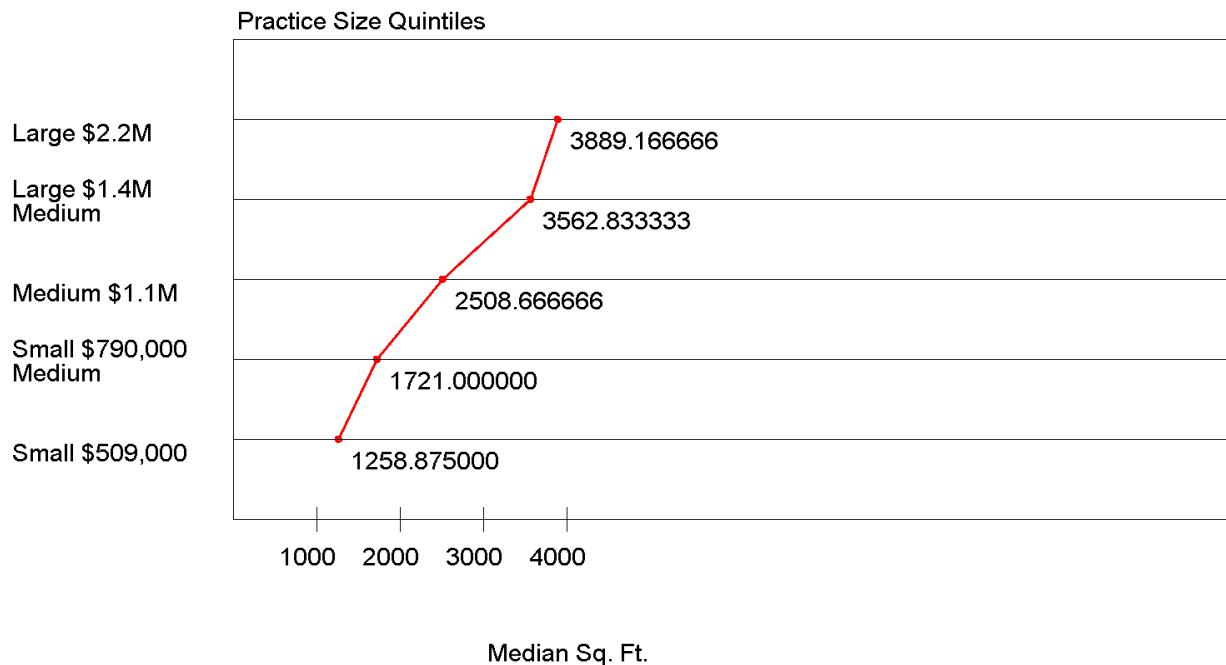


The following table shows the range of office square footage by practice size. While generalizations may not apply to every situation, the median square footage shown in the “largest third” column could be used as guideline defining an excessive amount of office space for each size of practice.

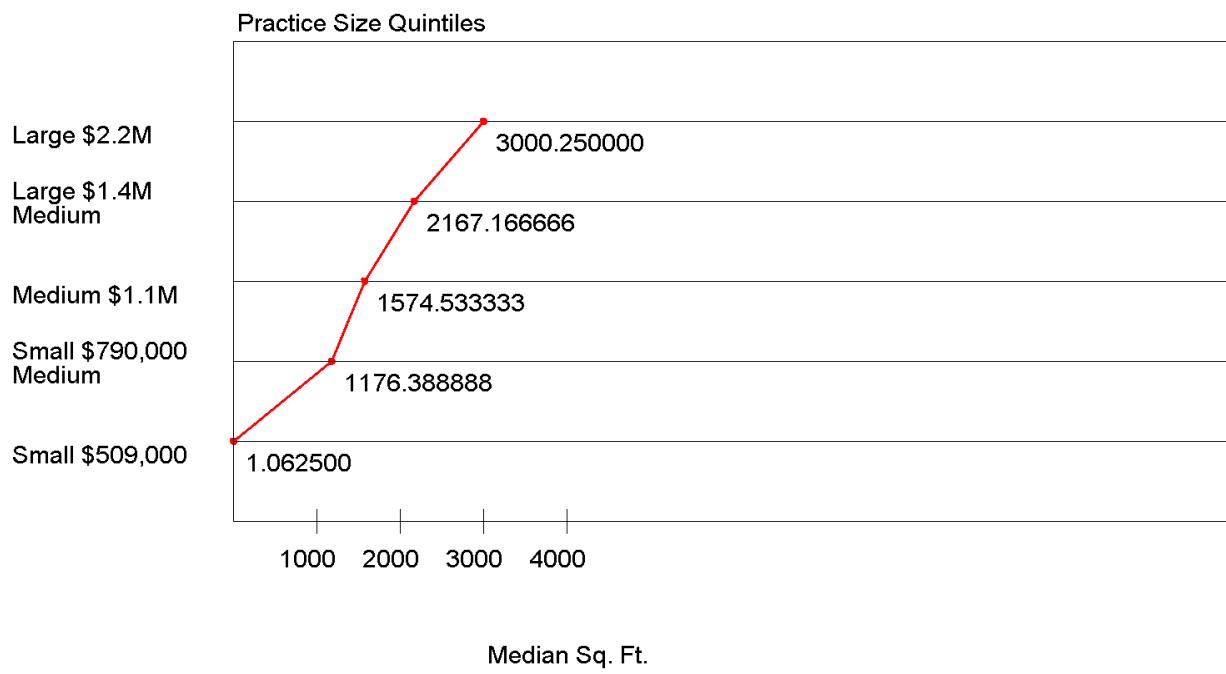
Range of Square Footage by Practice Size



Range of Square Footage by Practice Size



Range of Square Footage by Practice Size



3.8 Frame Dream: Merchandizing and Assortment Planning

Effective merchandising and assortment planning plays a significant role in increasing your sales. Merchandising and assortment planning ensures that the needs of the patients are met by presenting to them the right number and types of frames.

Following are some of the key points to be considered while organizing your assortment:

1. Improving capture rate: capture rate is a metric to gauge your business performance. It is calculated by dividing the total number of eyewear sold by the total number of prescriptions written. A capture rate below 85%, indicates an opportunity to grow sales
2. Determining the right number of frames: The steps to determine the right number of frames are-
 - Determine the total eye exams performed in the practice each year
 - Target to achieve an inventory turn of 2 to 2.5 per year
 - Assume all patients buy eyewear
3. Selecting the right brand: In order to select the right brands it is important to understand your customers and the product segments which will address their needs. The number of brands should be decided according to the need per segment
4. Curating assortments within brands to meet patient's needs: Have a balanced mix of SKUs. Ensure not to have less than 18 units per brand. However, do not have more than 48 pieces per brand either
5. Effective merchandising: The physical presentation of the products and services motivates a patient to enter any practice. Effective merchandizing makes the shopping experience easy by simplifying the decision making process.

Convert the Board into a Sales and Profitability Driver by using the following tips:

- Create a men's, women's, kids/youth and sun section with appropriate signs to simplify the navigation process
- Within gender/age zones, display the frames by product segment
- Decide which brands fall into each product segment and merchandise by brand within segment
- Display the sun frames in a prominent location to add visual interest which will increase sales
- Display higher end products at the eye level
- Ensure principles of: top to bottom, similar shapes together, Minimal to heavy styling and light to dark

3.9 How to Position your Frame Board?

In order to successfully position your frame board, you must keep in mind the following:

- A typical practice may have invested \$15,000 to \$50,000 + in inventory. Controlling inventory level is very important as the money which has been blocked, could be invested elsewhere
- It is not advisable to keep very few frame lines in the inventory as the patients may walk out with the view that the practice does not carry a good selection of products
- Practices should give importance to the manner in which frames are displayed. Frame Retailing Environment which includes floors, walls and furnishings play a very crucial role in leaving an impression on the patients' minds. Frames should be displayed on a black background instead of a white frame board as white background makes the frames appear dark. To create a brand value in the minds of the consumers, consider displaying frames by brand and group them by consumer type
- The formula for the right number of frames which the practice should have is (Annual Sales/Inventory Level=Rate of Turn)

Here are few additional tips, you must consider while positioning your frame board:

- The mix of patients
- The brands which are needed
- Since 80% of product sales are from 20% of the products, identify the frames that fall under the “80% product sales” category
- Make the sun wear decision keeping in mind that brands are the king in sun wear. Go either “all the way” with brands or do not bother

4 Section: Revenue Sources

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

4.1 Revenue Sources

Independent optometric practices derive 0% of revenue from professional fees and 0% from product sales, including 0% from eyewear and 0% 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.

Sources of Revenue

4.2 Revenue Growth by Source

Independent OD 2012 Revenue Growth by Source (Average % change versus prior year)

Total Revenue	+52%
Total Professional	+88%
Eye Exams	+124%
Medical Eye Care	+164%
Product Sales	+9%
EyeWear	+159%
Contact Lenses	+139%

Source : PPA Estimations

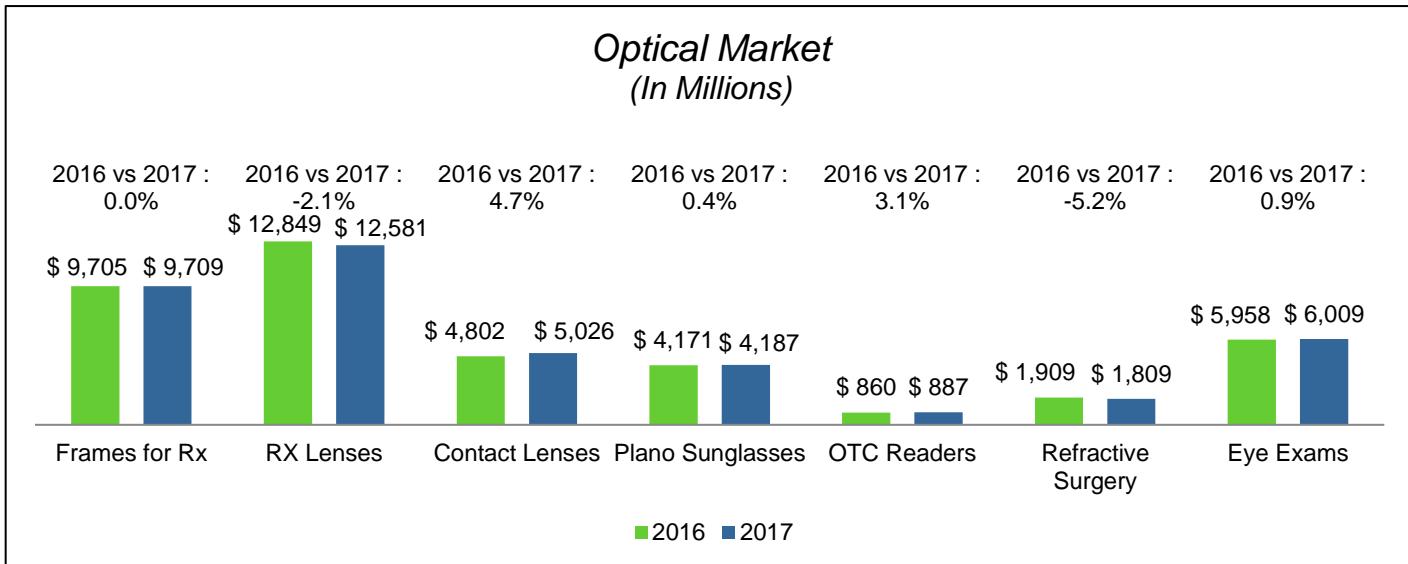
According to VisionWatch, industry audits and MBA surveys, it is estimated that revenue from OTC readers and contact lenses sales during 2017 grew at a faster rate than overall revenue among independent OD practices.

Contact lenses have consistently over the past 7-8 years grown faster with a compound annual growth of 1.8 % as of 2017, compared to other part of the practice such as glasses which had a compound annual growth of 0.9% in the same year.

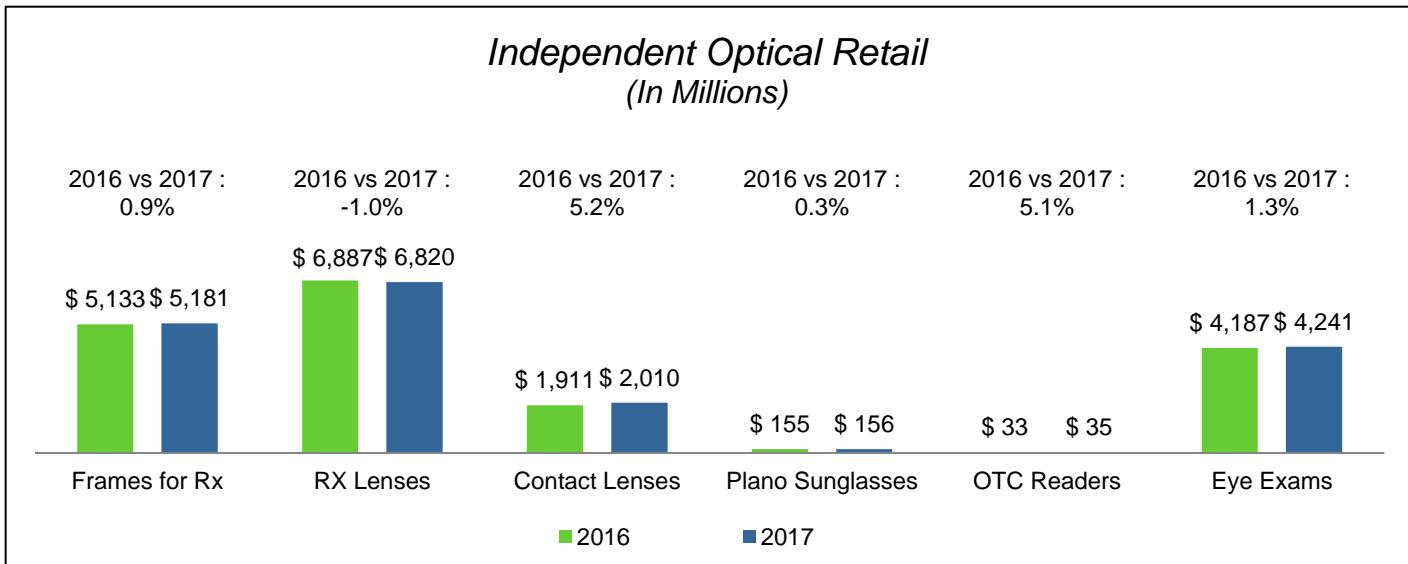
According to a study conducted by Mark Ritson, Ph.D., of Melbourne, Australia, it has been observed that at one given transaction, a spectacle lens patient is more profitable than a contact lens patient but over a 10 year window a contact lens patient is more profitable. Part of the reason is that contact lens patients tend to return more frequently to buy more products including back up eyewear.

A best practice to consider for contact lens sellers is that the doctor and staff should always present to their patients Contact Lenses “and” Glasses instead of Contact Lenses “or” Glasses.

As evident in the Optical Market graph below, with revenue of \$12,581 million in 2017, RX lenses prove to be the strongest in the optical market.



The Independent Optical Retail graph below confirms that both lenses and frames make up the bulk of revenue for independent optical retail, eye exams are a close third with over \$4,241 million in revenue.



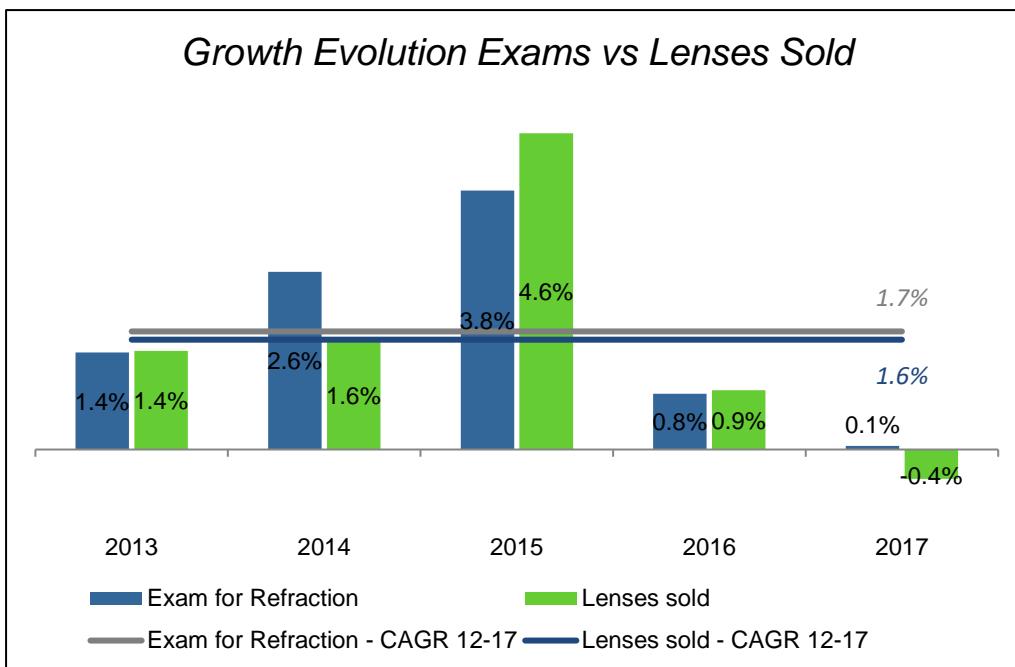
4.3 Percent of Complete Eye Exams by Type

Typical independent optometric practices conduct twice as many complete eye exams for patients who only wear eyeglasses than for patients who wear contact lens. An average of 14.99% 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.

Well Below Average 1st-19th Percentile	Below Average 20th-39th Percentile	Average 40th-59th Percentile	Above Average 60th-79th Percentile	Well Above Average 80th-99th Percentile
EyeGlass Exams				
25.00%	40.00%	50.02%	59.99%	70.01%
Contact Lens				
18.01%	25.00%	30.00%	33.00%	40.00%
Healthy Eye				
4.98%	10.00%	14.99%	30.00%	50.00%

4.4 Growth evolution: Lenses vs Eye Exams

The percentage of lenses sold and exam for refraction have been reducing every year since 2015.

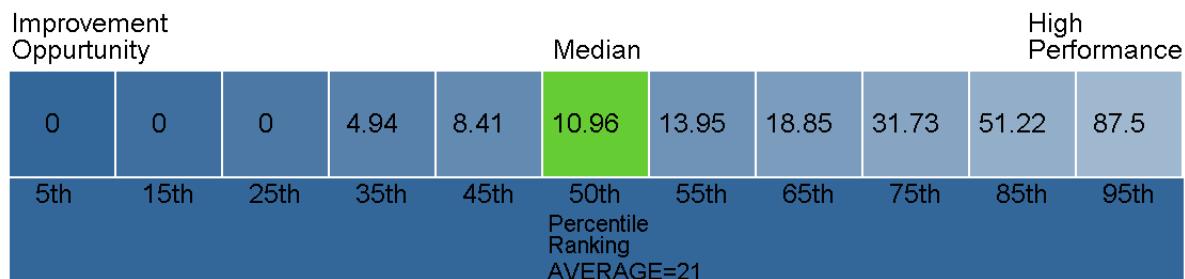


4.5 Medical Eye Care Visits % of Total Patient Visits

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 10.96% of total office visits

in independent optometric practices.

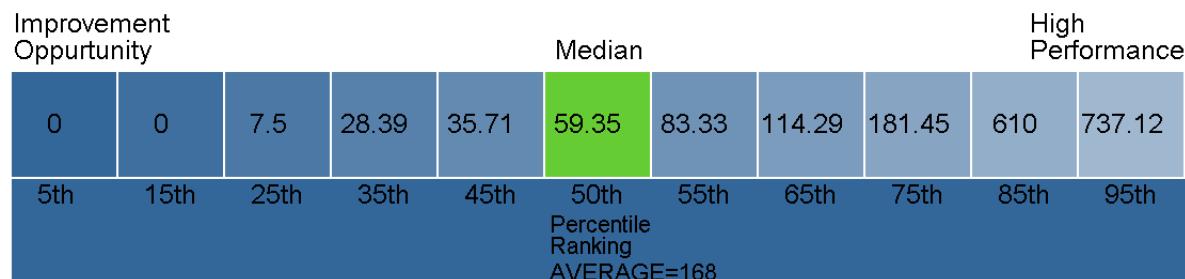
Medical Eye Care Visits % of Total Patient Visits



4.6 Annual Medical Eye Care Visits per 1,000 Active Patients

Another good indicator of engagement with medical eye care is the number of annual medical eye care visits per 1,000 active patients. The median medical visits per 1,000 active patients is 59.35 among independent optometric practices — or about 0% of active patients. Highly engaged practices report 181.45 or more visits per 1,000 patients (0% of active patients), and the least engaged report less than 7.5 visits (less than 0% of active patients).

Annual Medical Eye Care Visits per 1,000 Active Patients



Annual Medical Eye Care Visits by Type per 1,000 Active Patients

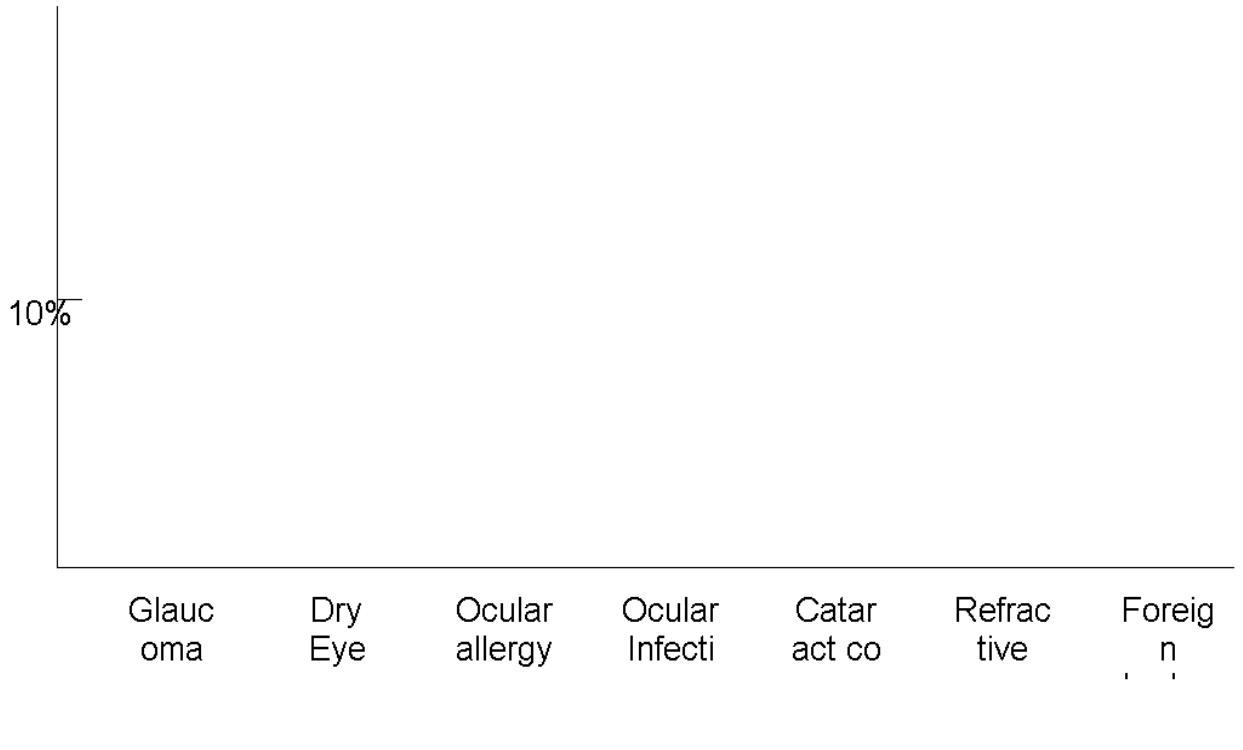
	Median	Average
Dry Eye	0	10
Ocular Infection	0	2
Ocular allergy	0	3
Glaucoma	0	3
Cataract co-management	0	2
Refractive surgery co-management	0	12
Foreign body removal	0	3
Total	0	34

4.7 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.

Medical Eye Care Visits by Type (% of Total Medical Eye Care Visits)

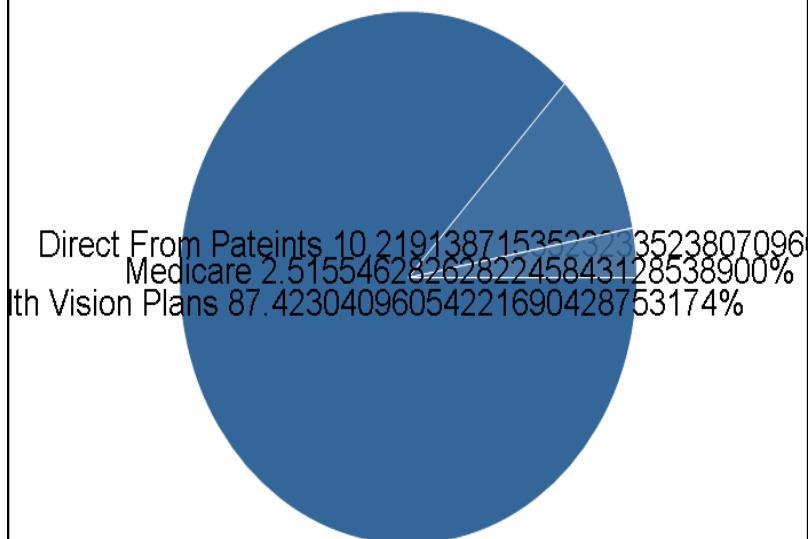
Adds to 100%



5 Section: Managed Care

Independent optometric practices receive 87.42304096054221690428753174% of revenue payments from health and vision insurance plans, 2.51554628262822458431285389% from Medicare and 10.2191387153523233523807096% directly from patients. The sources of payments vary widely across practices.

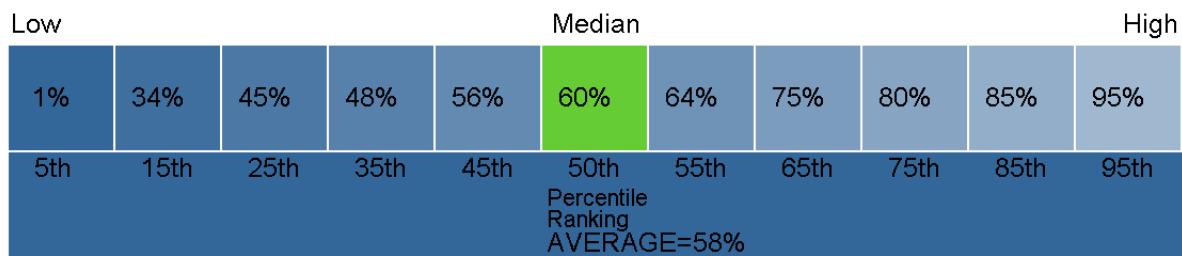
MBA Participant Source of Payments



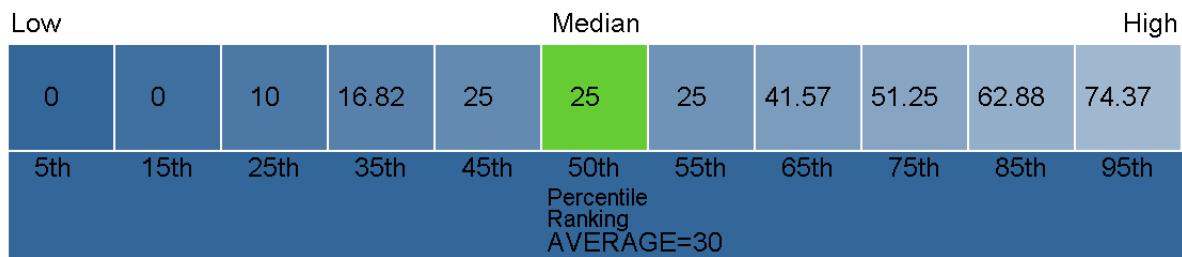
5.1 Percent of Exams Provided with Managed Care Discount

MBA OD participants reported that a median of 60% of the exams they performed had a managed care discount.

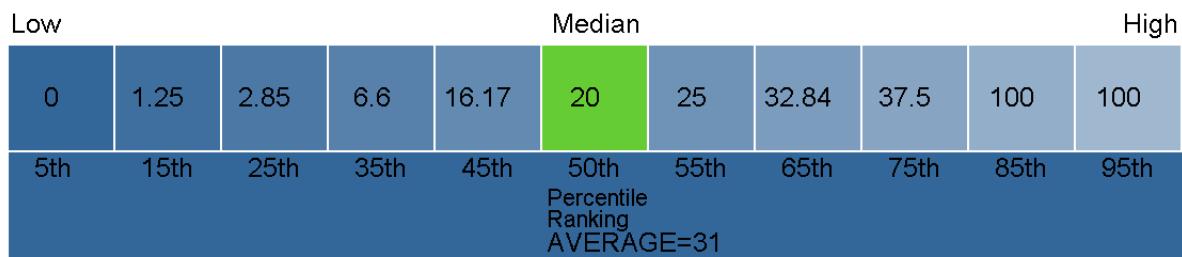
Percent of Exams Provided with Managed Care Discount



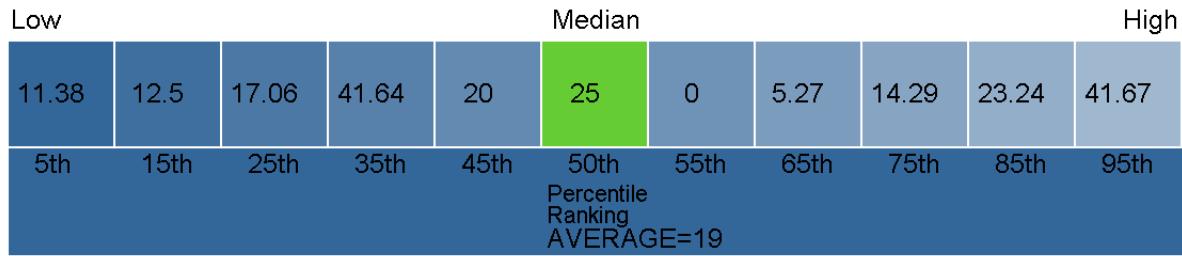
Percent of Gross Revenue from Direct Patient Payments



Percent of Gross Revenue from All Health/Vision Plans



Percent of Gross Revenue from VSP Payments (included in total above)



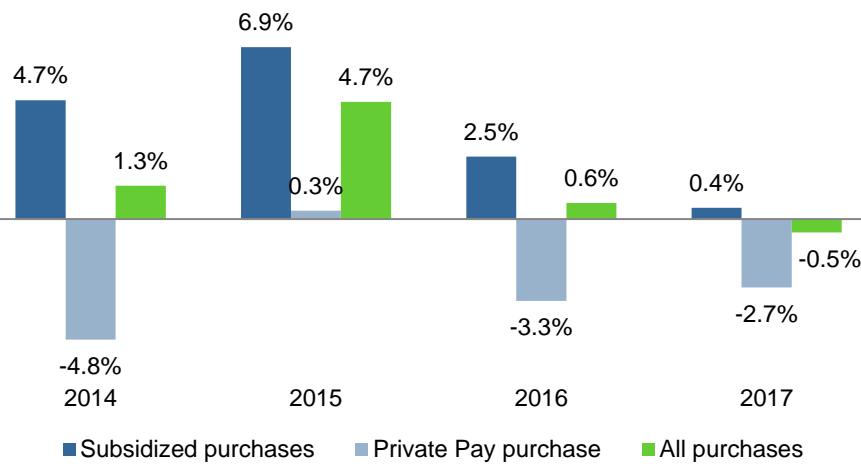
Percent of Gross Revenue from Medicare Payments



5.2 How are we doing in Managing Manage Care?

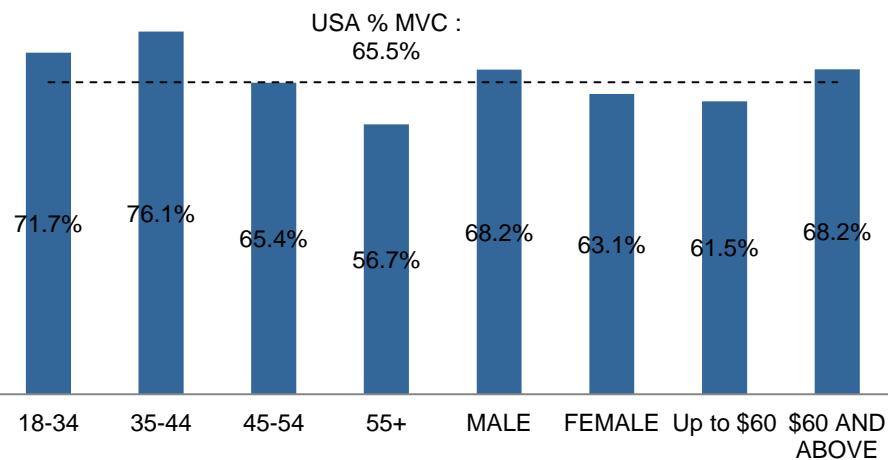
The YoY Sales Evolution by Payment Types graph below represents that the level of private pay purchase has declined at a gradual pace compared to previous year. The subsidized purchases remained positive in 2017 but have shown a declining trend for the past 2 years.

YoY Sales Evolution by Payment Types



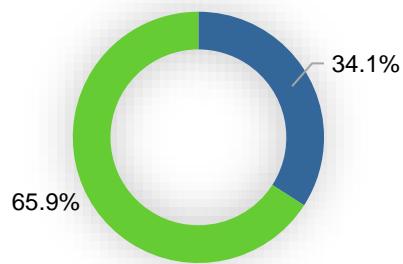
The share of subsidized sales is highest for American adults aged 35-44 and the least for the population above the age of 55. Review the Share of Subsidized Sales by Demographics graph below for more details on subsidized sales.

Share of Subsidized Sales by Demographics



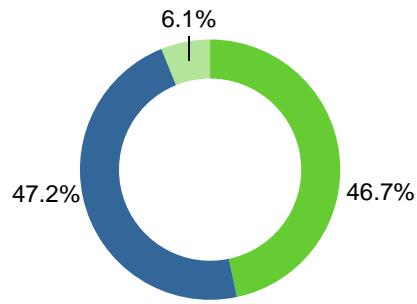
According to VisionWatch, total sales of PAL has surpassed BTF lenses but within third party coverage BTF lenses are over PAL by 12%. In optical retail, as seen in graph Volume of Share by Outlets, independent practices have a slightly smaller share than retail but in manage care, independents have a larger share than retail. The Share of Subsidized Sales by Purchase Type graph below provides information on market share for each purchase type.

Share of BTF & PAL Within the Multifocal Category



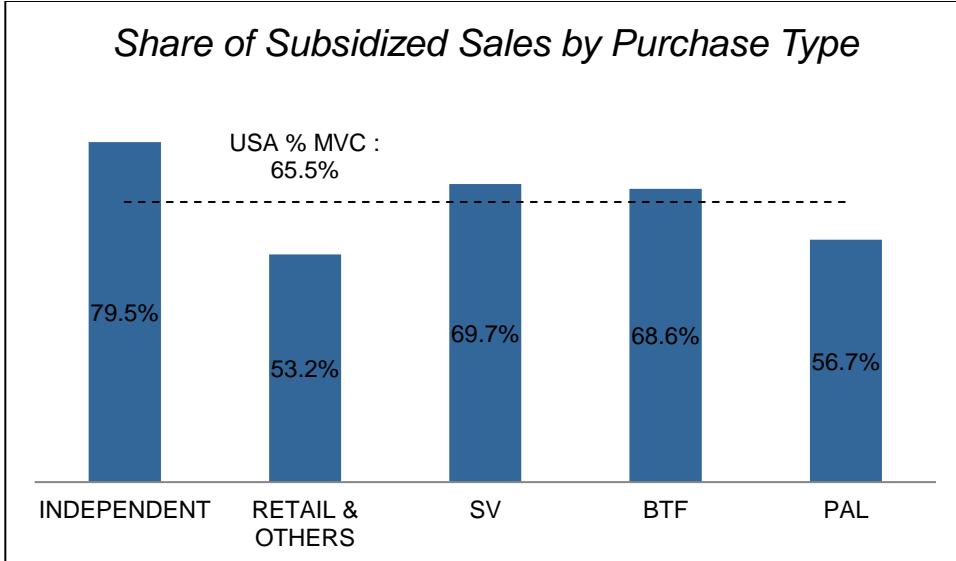
■ BTF ■ PAL

Volume of Share by Outlets



■ Independent practices ■ Retail Chains ■ Other

Share of Subsidized Sales by Purchase Type



Following are some of the common issues faced by ECPs related to managed care along with their best practices to address the same:

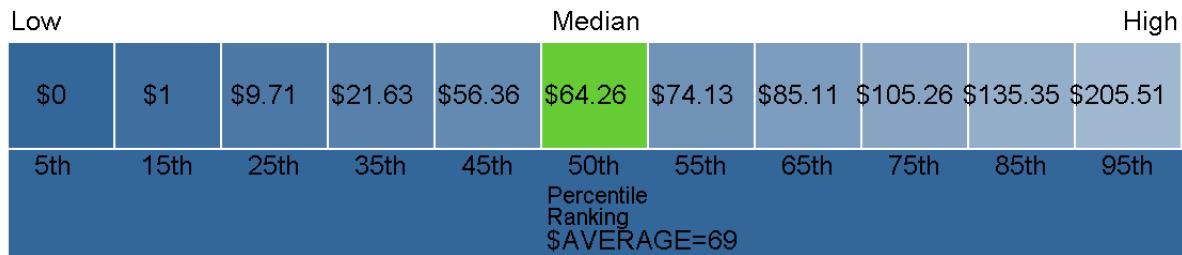
- 1. When patients want to buy products which are only covered under the insurance plan:** ECPs should address the issue by helping the patients determine those products that will improve their quality of eyesight and then considering what falls under the insurance plan.
- 2. Understanding how vision insurance plans reimburse the practice:** This can be addressed by focusing on the pricing strategy as well as strategies related to managing the frame board.
- 3. When the third party is below or at the break even cost:** The practice should address this by changing the strategy of dealing with the third party (e.g. see more patients per unit of time, limit the time of day that can be scheduled with a patient etc.) or stop being a provider for that third party.

6 Section: Eye Exam Professional Fees

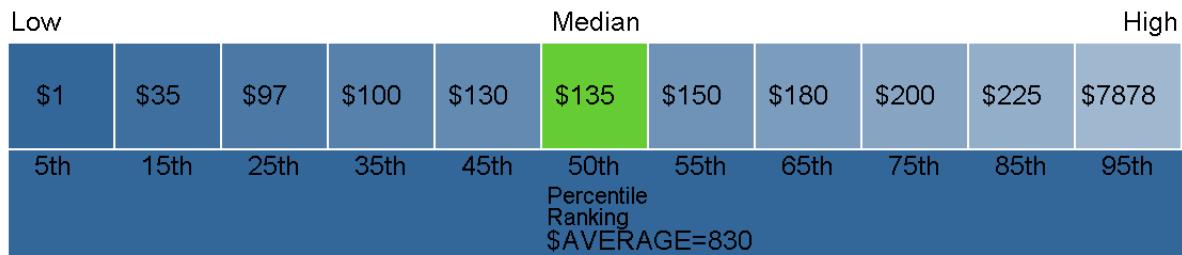
The fees charged by independent optometric practices for direct-pay patients vary widely across practices, the decile of practices with the highest fee charge roughly three times what the decile with the lowest fees charges.

Practices generally charge the lowest direct-pay exam fee for non-contact lens patients, for which the median fee was \$135.

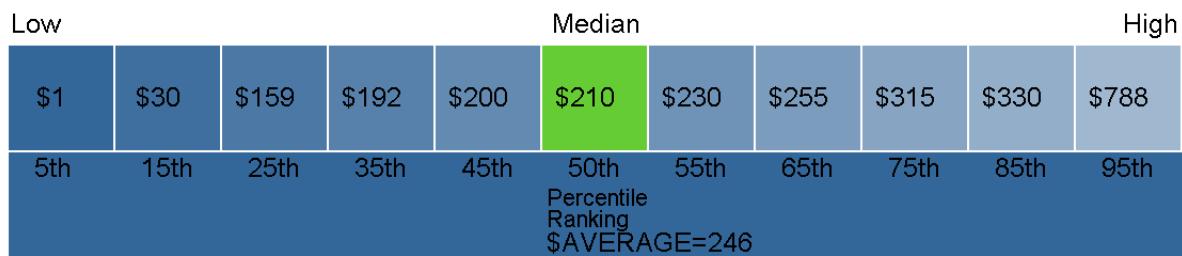
*Average Collected Exam Revenue per Complete Exam
(direct-pay and managed care)*



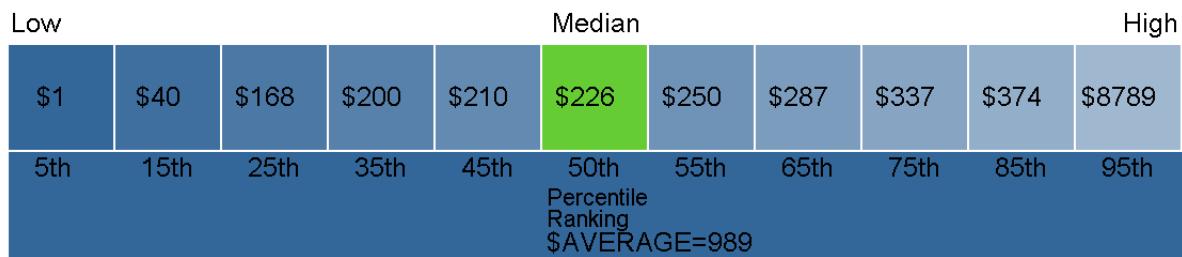
Non-Contact Lens Exam (direct-pay)



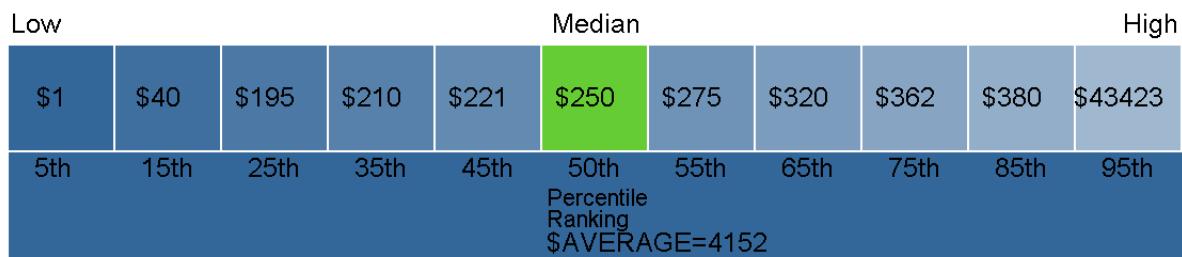
Contact Lens New Fit Exam – Sphere (direct-pay)



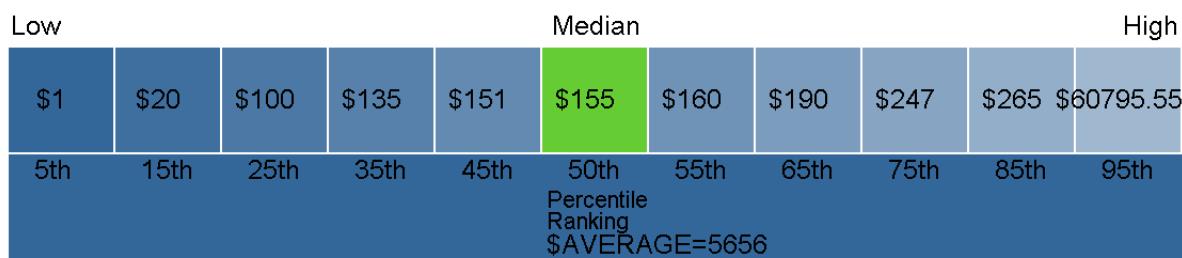
Contact Lens New Fit Exam – Soft Toric (direct-pay)



Contact Lens New Fit Exam – Soft Multifocal (direct-pay)



Contact Lens Exam – No Refitting (direct-pay)



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 [link](#) of the portal to calculate your own practice performance for each metric and compare with industry norms.

Eyewear

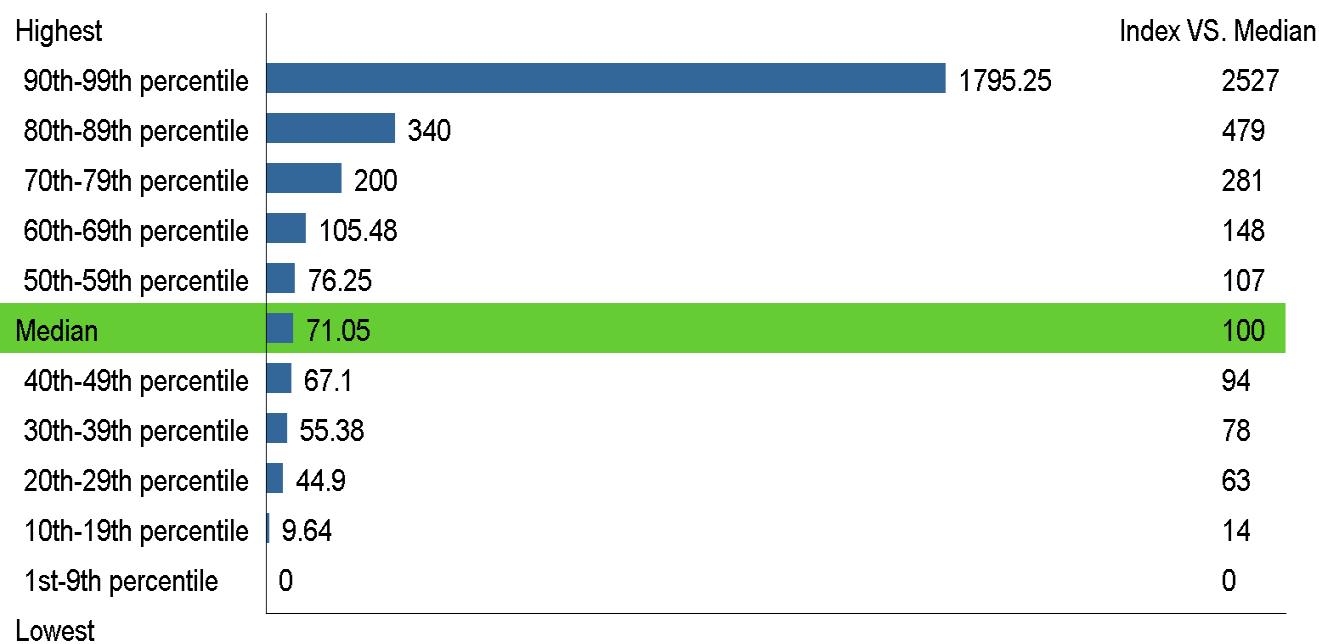
7.1 Eyewear Rxes per 100 Complete Exams

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."

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 71.05. The ratio does not vary significantly by practice size. The 10% of practices with the highest eyewear Rxes per 100 complete exams dispense 1664.68 Rxes; the 10% of practices with the lowest ratio produce just 0 eyewear Rxes per 100 exams.

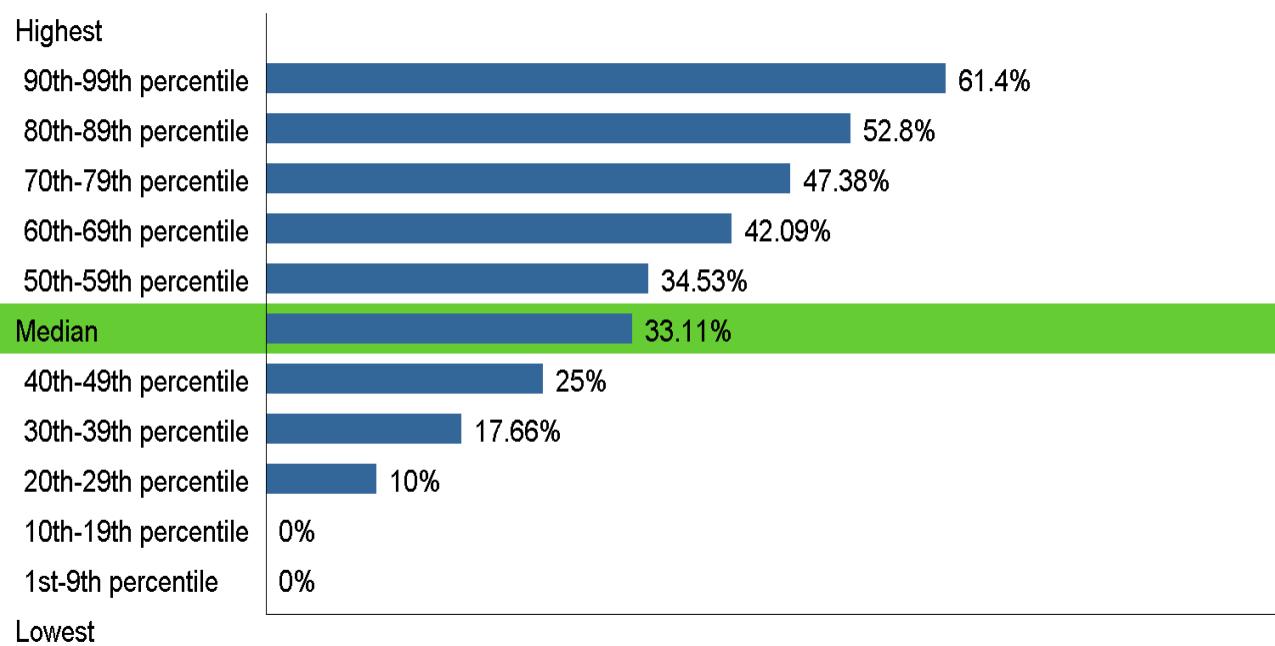
Eyewear Rxes per 100 Complete Exams Performance Deciles



7.2 Eyewear % of Gross Revenue

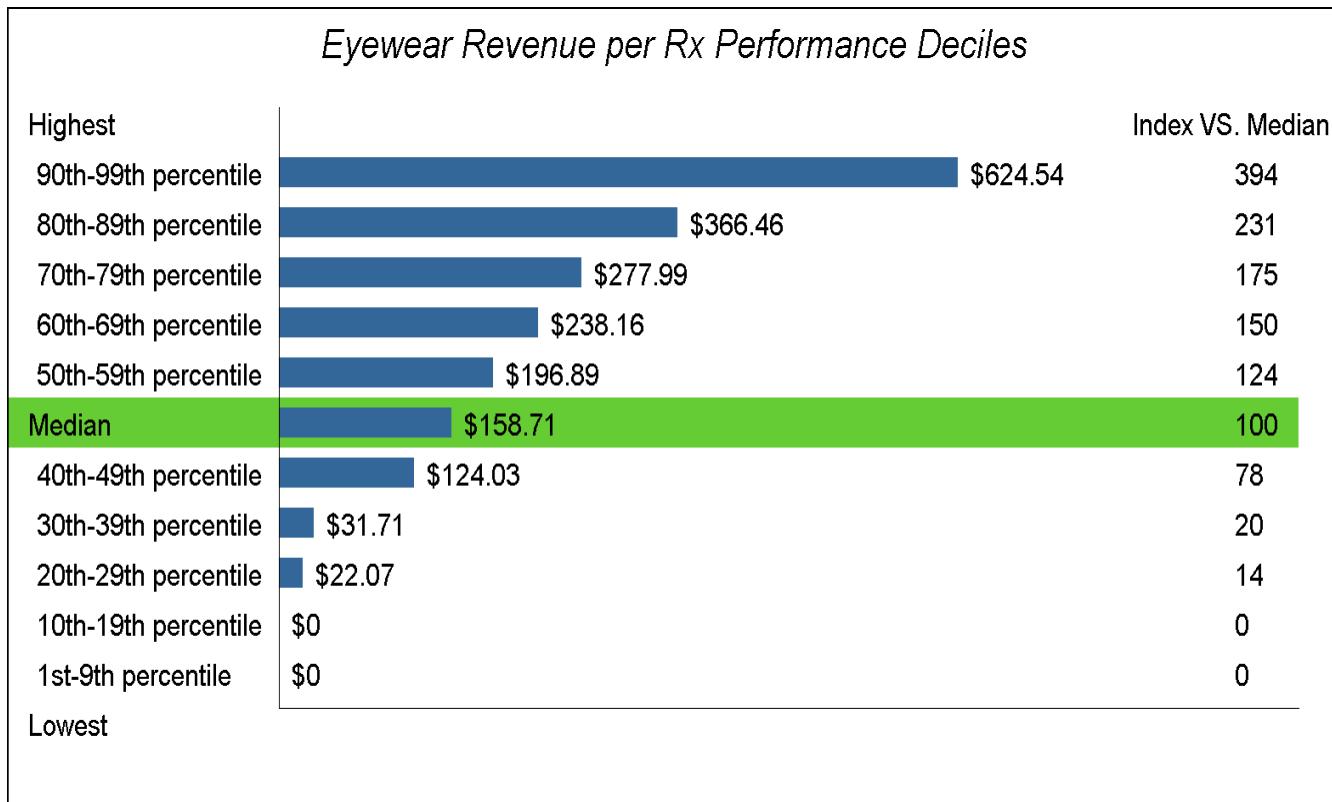
Eyewear sales produce an average of 33.11% of gross revenue in independent optometric practices.

Eyewear % of Gross Revenue Performance Deciles



7.3 Eyewear Revenue per Pair

The median retail sale for a pair of eyeglasses among independent optometric practices is \$158.71, 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 \$565.78, which is 2.5648667380757356184235397896>% higher than the median.

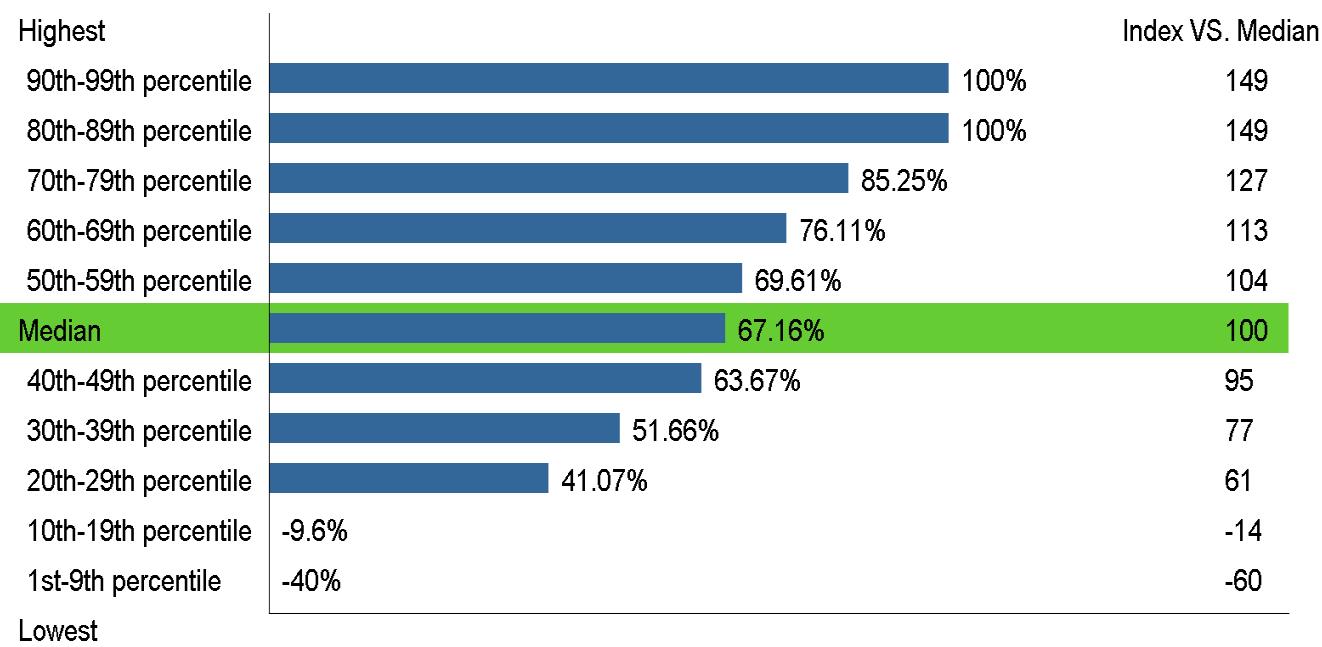


If your practice's average eyewear sale is at or below the median of \$158.71, improvement of this metric should almost certainly be a top priority of your practice. This is because eyewear is the leading source of revenue in nearly all practices and improving the average sale will have a dramatic favorable impact on financial performance.

7.4 Eyewear Gross Profit Margin %

The average eyewear Rx generates a gross profit of \$188034.941908 and a gross profit margin of 67.16% -- equivalent to a mark-up of <>TotalCostOfGoods<> times cost-of-goods.

Eyewear Rx Gross Profit Performance Deciles

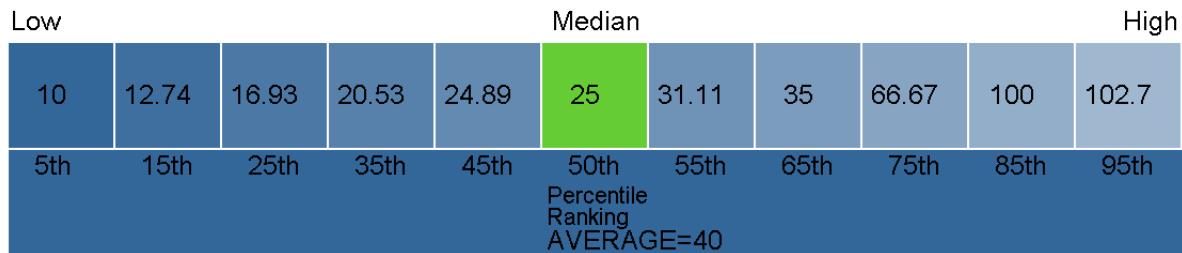


7.5 Optical Dispensary % of Total Office Space

One reason that patients of independent practice ODs choose to take their prescription elsewhere 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 25% of their total office space to the optical dispensary. Smaller practices have a higher proportion of office space devoted to the dispensary (typically 66.67% or more), compared to larger practices.

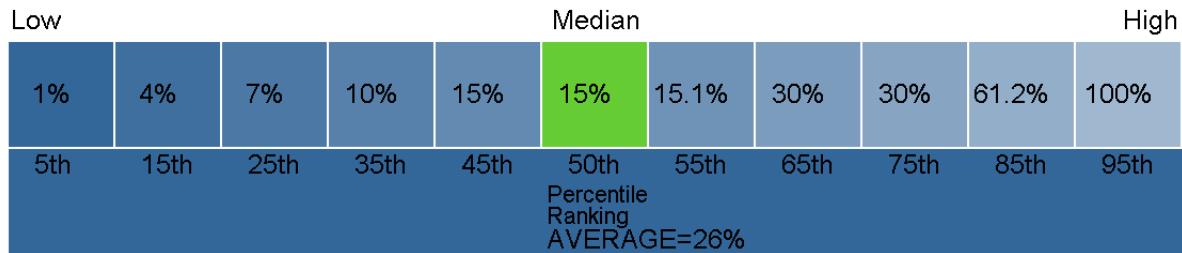
Optical Dispensary % of Total Office Space



7.6 Eyewear Multiple Pair Sales Ratio

A median of 15% of patients who purchase eyewear in independent optometric offices buy more than a single pair during an exam visit.

Eyewear Multiple Pair Sales Ratio



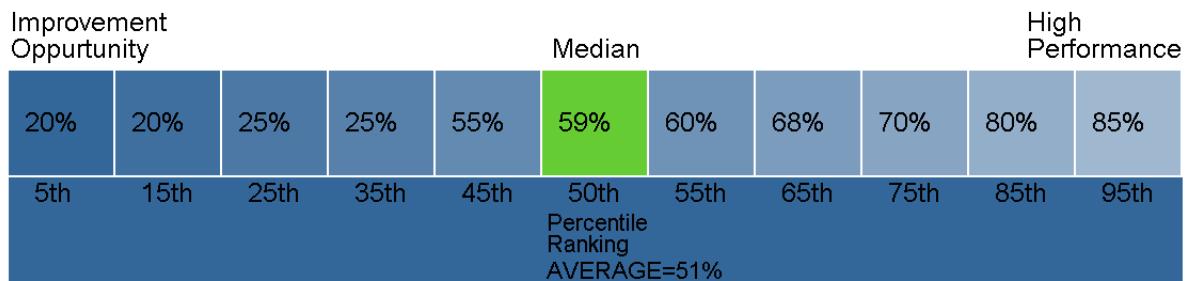
Spectacle Lenses

7.7 Spectacle Lens Usage

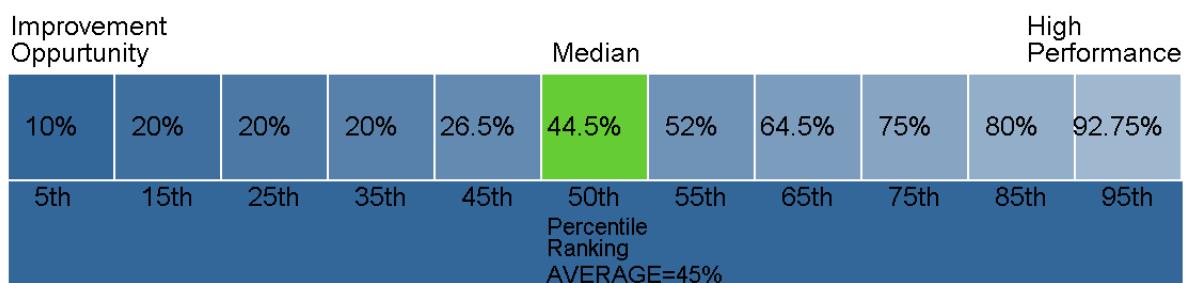
Single vision lenses account for an average of 75% of spectacle lens Rxes and presbyopic lenses for 46%.

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.

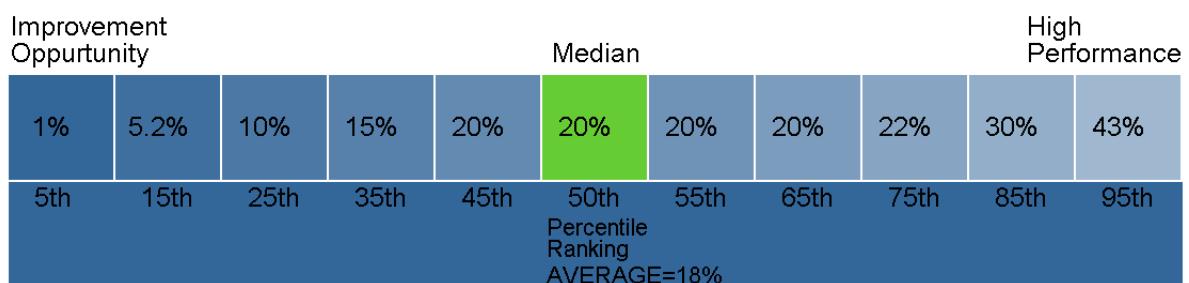
Progressive Lenses (% of presbyopic Rxes)



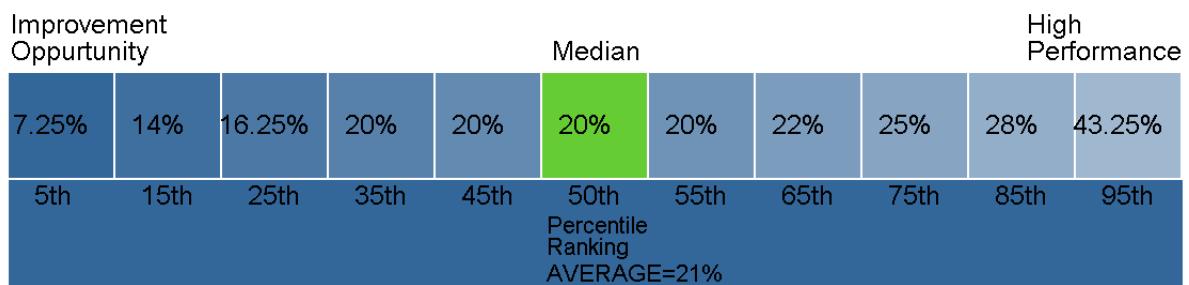
No-Glare (anti-reflective) Lens (% of eyewear Rxes)



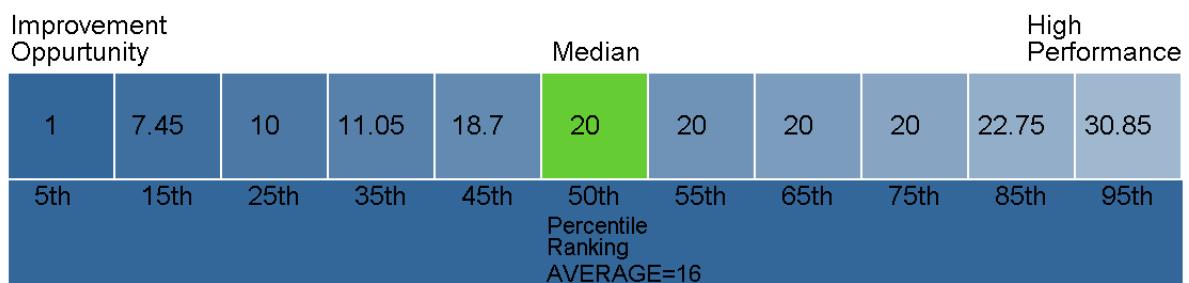
High Index Lenses (% of eyewear Rxes)



Photochromic Lenses (% of eyewear Rxes)



Prescription Sunwear (% of eyewear Rxes)



Computer Lenses (% of eyewear Rxes)

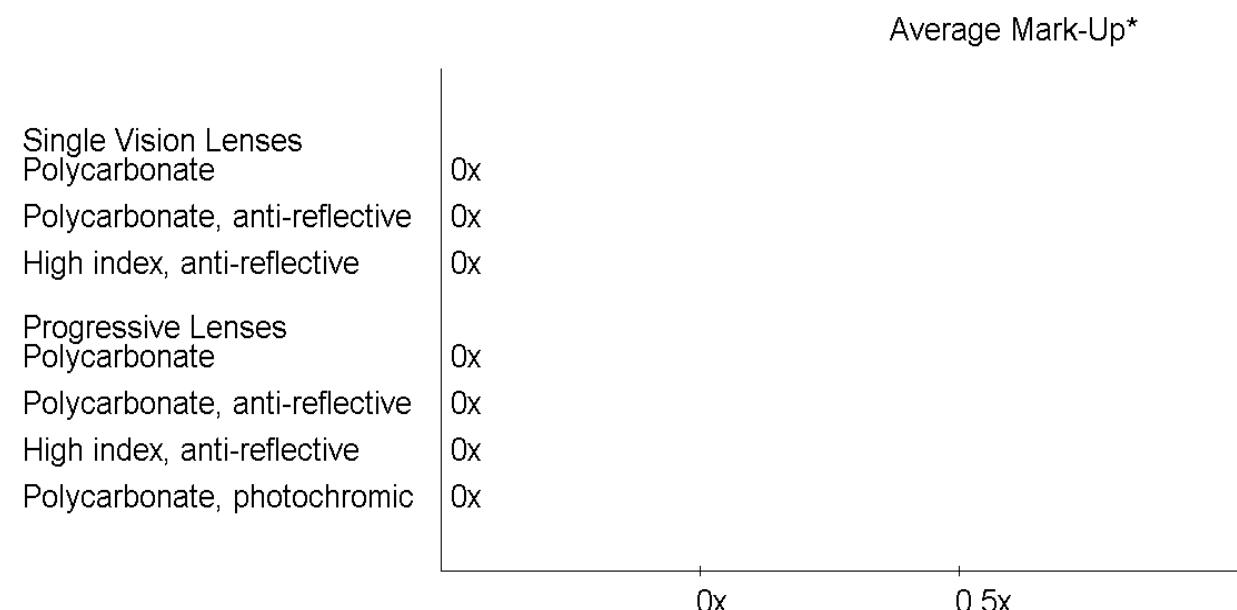


7.8 Spectacle Lens Mark-Ups

Independent optometric practices mark-up single vision lenses equal to 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.

Spectacle Lens Mark-Ups



*Selling Price divided by cost-of Goods

Frames

When your patients upgrade from lower cost frames to branded or designer frames, it results in large increase in practice revenue.

7.9 Frames Inventory

The median MBA practice had <<Q34_And_Q35_MD>> frames in inventory, valued at <<Q34_And_Q35_Times_Q36_All_MD>>, and reported dispensing 39911.651063 complete pairs of spectacles (including new frames) during the previous calendar year. This translates to a median frames turnover of 1 annually. Larger practices enjoy much higher frames turnover than smaller practices. Compare the number of frames in your inventory to the median for practices of your size.

Large practices have larger frames inventories than smaller practices, but inventory requirements do not grow in a linear fashion as practice size expands. The MBA database provides a quantitative basis to estimate the ideal number of frames that practices of different sizes should carry in their 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.

The Frame Inventory Guideline table below 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.

Frames Inventory Guideline

	Annual Gross Revenue				
	\$500,000	\$800,000	\$1.1million	\$1.4million	\$2millions+
Median annual frames inventory turnover	1.2-1.4	1.6-1.8	1.8-2.0	2.2-2.4	2.0-2.7
Ideal Frames Inventory	0	0	0	0	0
Excessive Inventory	0.0+	0.0+	0.0+	0.0+	0.0+
Insufficient Inventory	<0.0	<0.0	<0.0	<0.0	<0.0

7.10 Frames Sales Mix by Price Point

Independent optometric practices report that high end frames (above \$300 retail) account for 33.11 of their unit sales mix, about the same proportion of sales as accounted for frames retailing under \$100.

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 below and then perform a comparison with industry norms.

Frames Unit Sales Mix by Price Point

Adds to 100%

Frames Retail Price

10%

\$99 or
less

\$100-
149

\$150-
199

\$200-
299

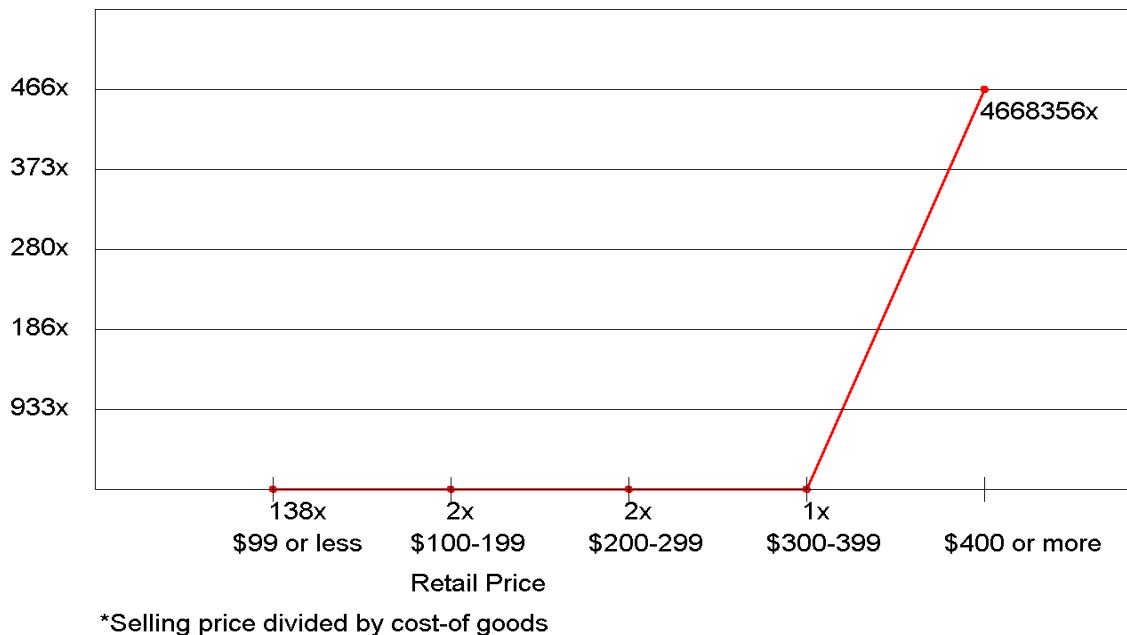
\$300-
399

\$400
or

7.11 Frames Mark-Ups

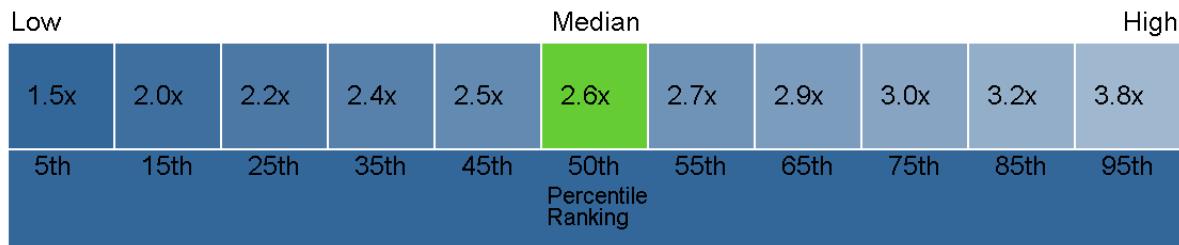
Independent optometric practices mark-up lower cost frames more than the high-end frames. The average mark-ups provide guidelines for planning frames retail pricing strategy.

Frames Mark-Up by Retail Price



The average retail mark-up multiplier for frames sold by independent practice ODs was 63825 times the wholesale frames cost 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.

Average Frames Mark-Up



7.12 Frames Average Wholesale Cost per Pair

The median independent practice OD estimates that the average wholesale cost of the frames they held in inventory was \$70. Practices with an average frames wholesale cost of \$40 or below are likely to have an opportunity to improve sales of higher end frames and increase the average eyewear sale.

Frames Average Wholesale Cost per Pair

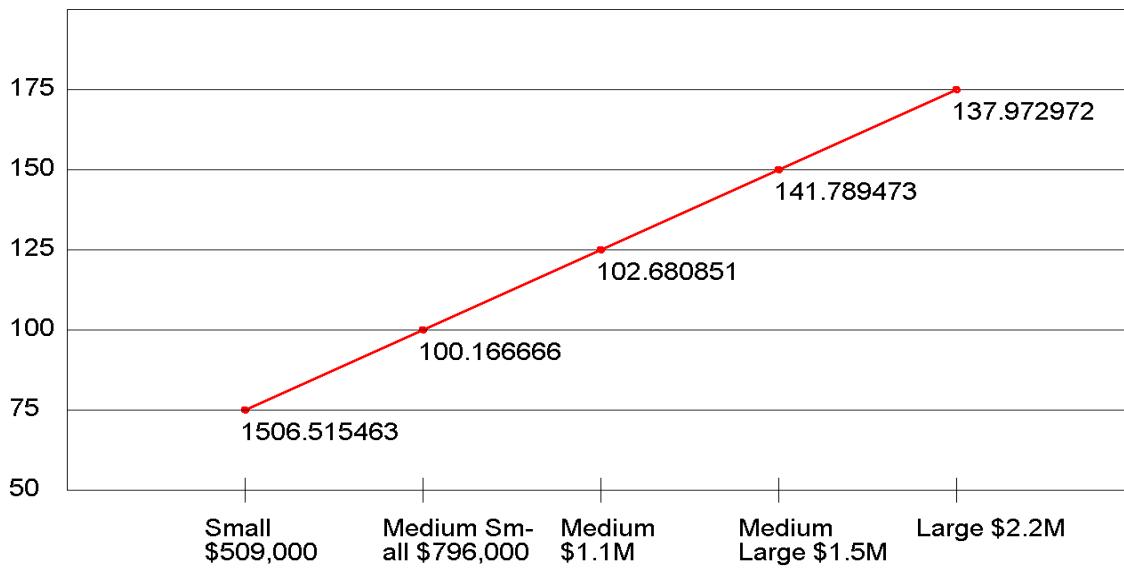
Low	Median										High
1	40	40	62	68.7	70	70	76.95	85	131	4545	
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th	
Percentile Ranking AVERAGE=471											

Plano Sunglasses

7.13 Plano Sunglass Inventory

Large practices are not likely to stock plano sunglasses than small practices. The average number of plano sunglass pairs in stock among those with any inventory was 11775. Even the largest of practices maintained a relatively small inventories of plano sunglasses.

Plano Sunglass Inventory* by Practice Size



*Among practices with any plano sunglass inventory

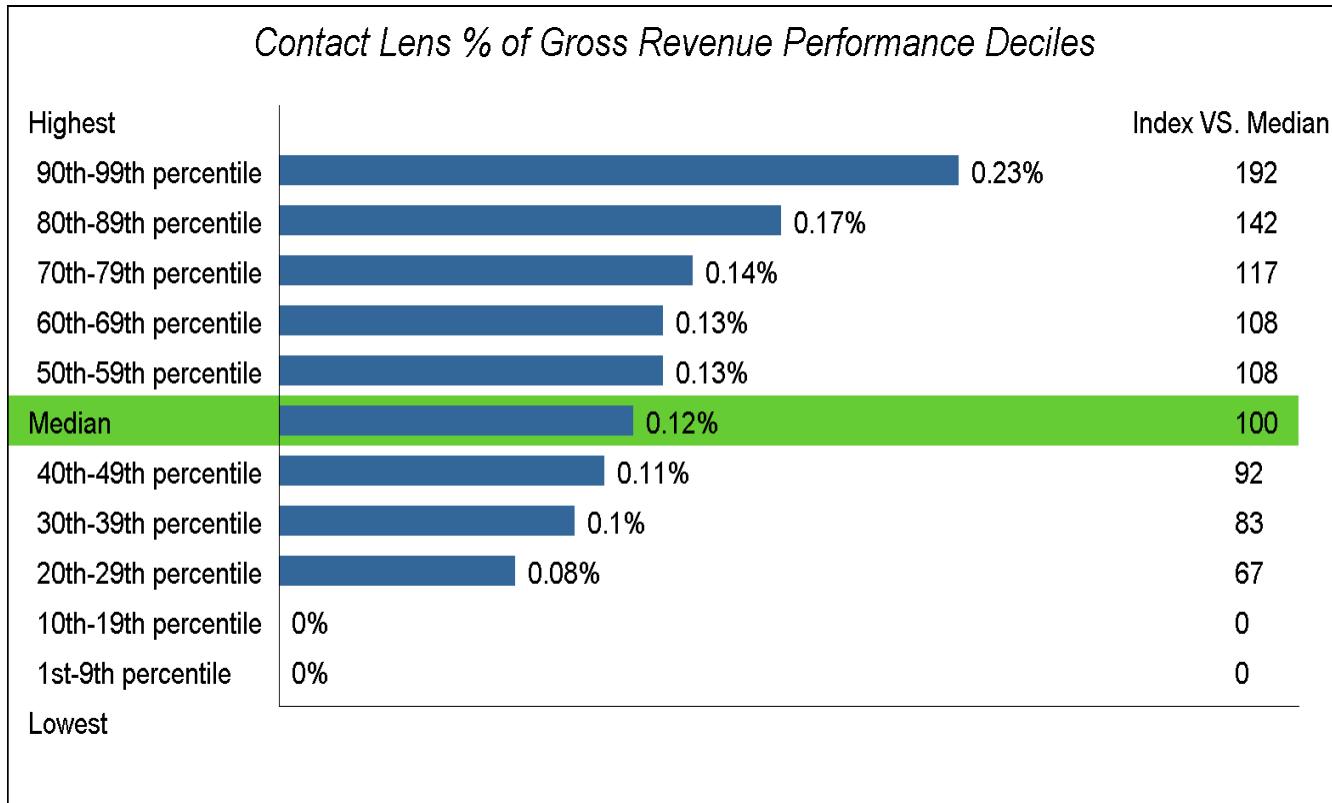
Contact Lenses

7.14 Contact Lens % of Gross Revenue

Contact lens materials generated 0.12% 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.



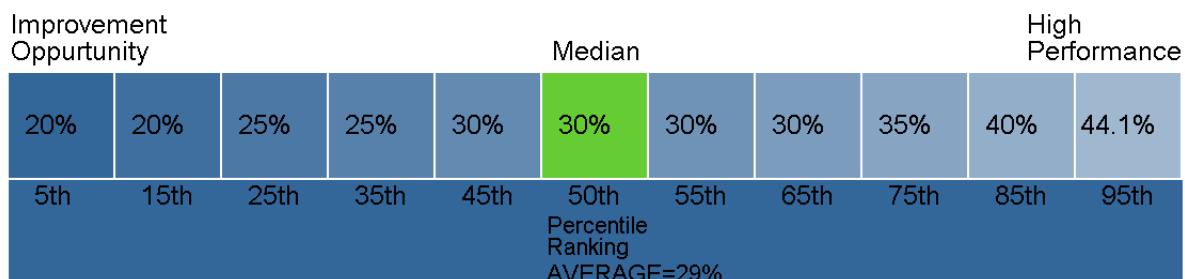
7.15 Percent of Active Patients Wearing Contact Lenses

A median of 30% of active patients in independent optometric practices wear contact lenses either full-time or part-time.

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 glasses-only wearers, pay higher

exam fees, purchase contact lenses at least once a year, and purchase both eyeglasses and contact lenses.

Percent of Active Patients Wearing Contact Lenses



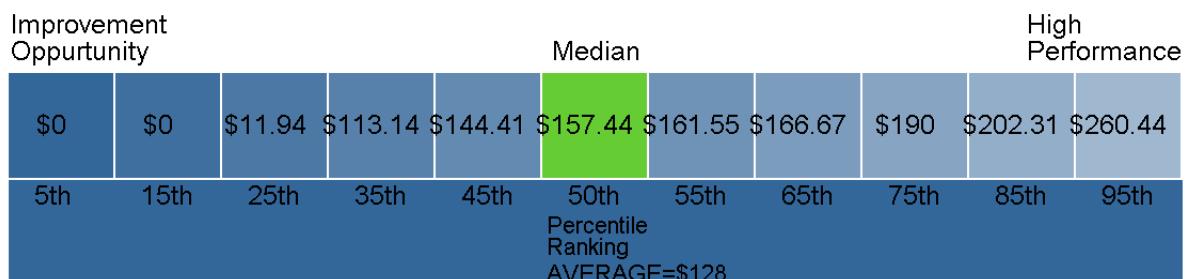
7.16 Annual Contact Lens Sales per Contact Lens Eye Exam

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 \$157.44.

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.

Annual Contact Lens Sales per Contact Lens Eye Exam

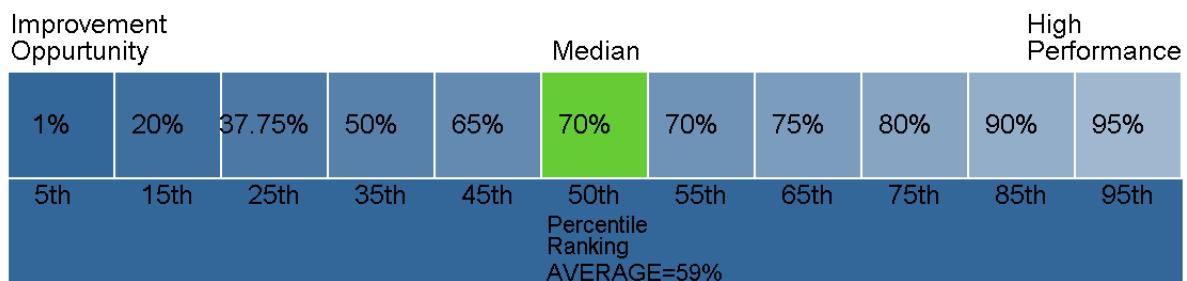


7.17 Contact Lens Product Usage

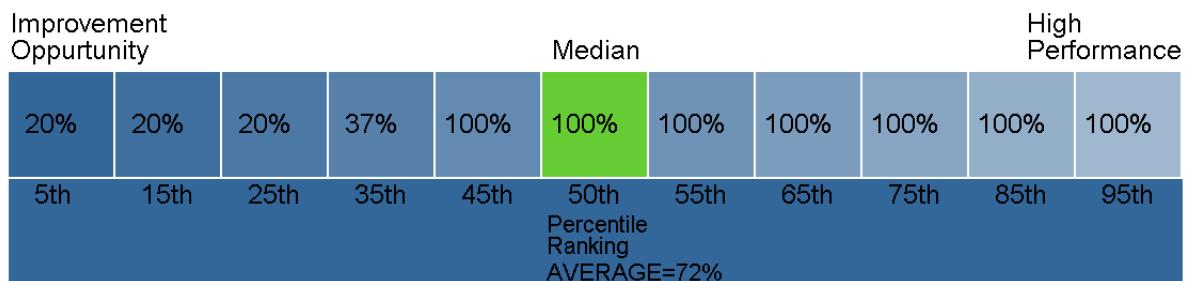
Upgrading patients from first generation materials and from spherical to specialty lenses results in large increases in practice revenue. Prescribing monthly and daily disposable lenses can also increase revenue per contact lens patient because of the higher patient compliance with replacement regimen 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.

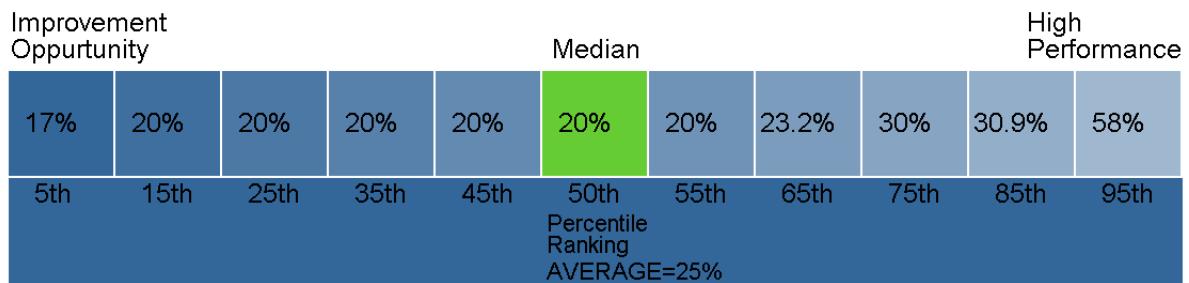
Silicone Hydrogel Wearer % of Soft Lens Wearers



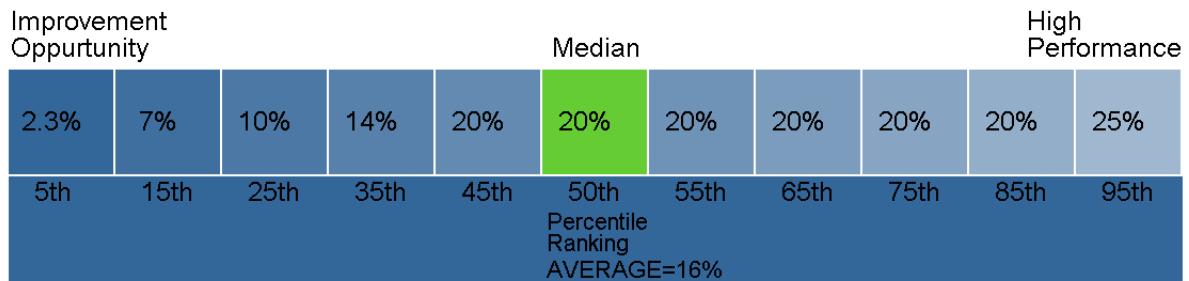
Daily Disposable Wearer % of Contact Lens Wearers



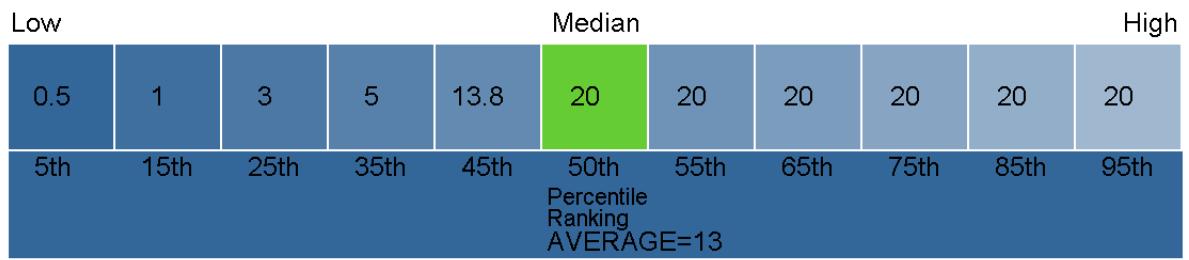
Soft Toric Lens Wearer % of Contact Lens Wearers



Soft Multifocal Lens Wearer % of Contact Lens Wearers



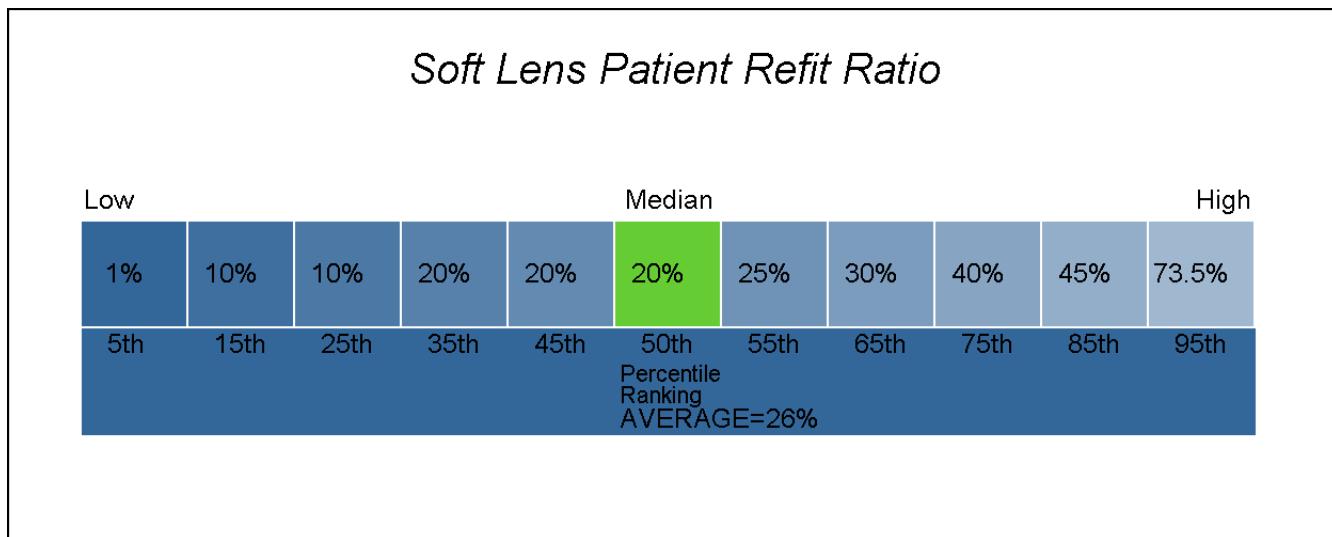
RGP Lens Wearer % of Contact Lens Wearers



7.18 Soft Lens Patient Refit Ratio

A median of 20% of soft lens patients having an eye exam are refitted with a new brand, material or lens type

during their eye exam visit.



7.19 Soft Lens New Fits per 100 Contact Lens Exams

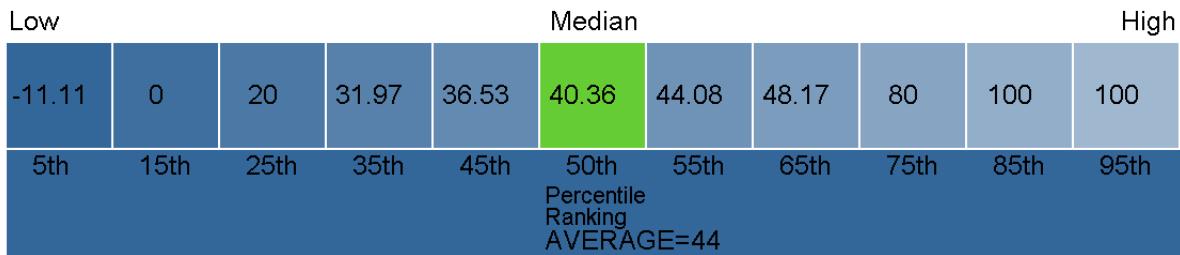
A median of 10.24 of every 100 patients having a contact lens exam are fitted with contact lenses for the first time by independent optometric practices.



7.20 Soft Lens Gross Profit Margin %

The median gross profit margin from sales of soft lenses is 40.36% among independent ECPs. The range in gross profit margin is fairly narrow with 60% of practices achieving margins in the 15.66-<<CLGrossProfitMargin_80TH>>% range.

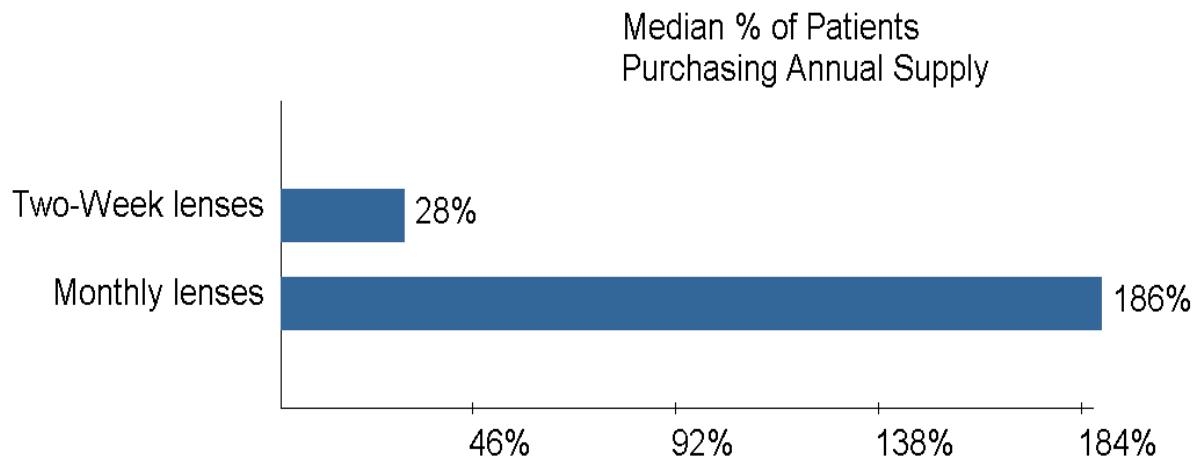
Soft Lens Gross Profit Margin %



7.21 Annual Supply Purchasing

MBA practices report that a median of 27.61324% of their soft lens patients purchasing two-week lenses purchase an annual supply of lenses during their eye exam visit.

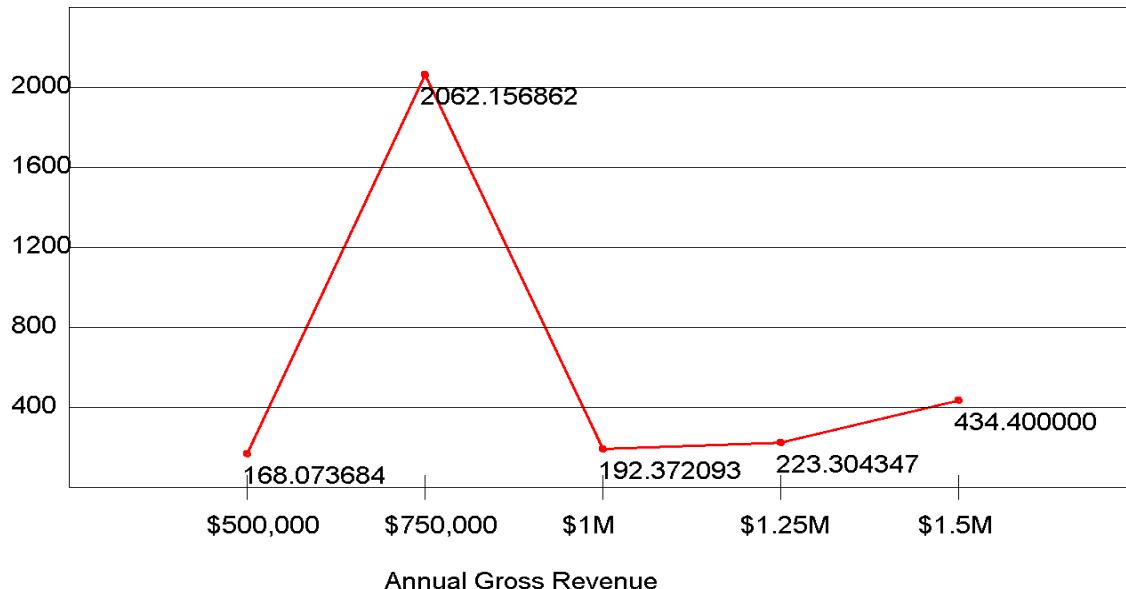
Annual Supply Purchase by Soft Lens Modality



7.22 Soft Lens Inventory

An estimated 0% of independent optometric practices stock soft lenses in inventory. Some 0% of \$1 million+ practices do. The average inventory in-stock increases with practice size.

Soft Lens Inventory by Practice Size (average boxes)*



Percent of Patients Dispensed from Inventory by Inventory Size (median)



The Soft Lens Inventory Requirement table below provides guidelines for soft lens inventory by practice size.

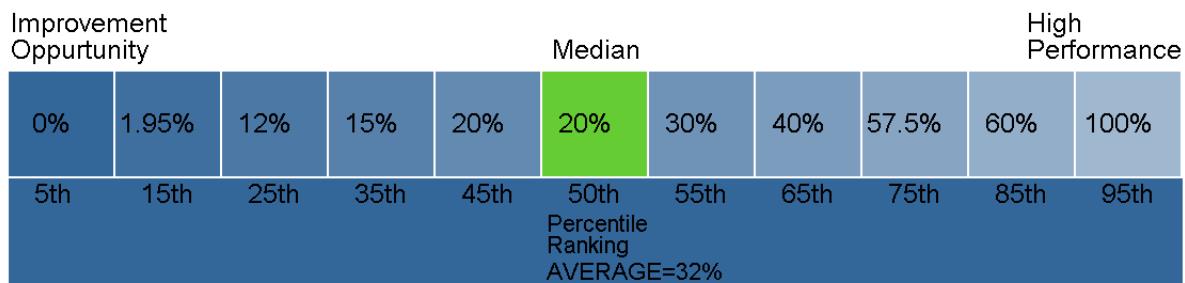
Soft Lens Inventory Requirements

Practice Annual Gross Revenue	Median Monthly Contact Lens Exams	Soft Lens Inventory Requirement (boxes)
\$350,000	109.0	31.0
\$500,000	155.0	44.0
\$650,000	202.0	58.0
\$800,000	249.0	71.0
\$1,000,000	311.0	89.0
\$1,200,000	373.0	107.0

7.23 Percent of Contact Lens Patients Purchasing Eyeglasses

Independent practice ODs estimate that a median of 20% of contact lens wearers purchase a pair of eyeglasses during their exam visit.

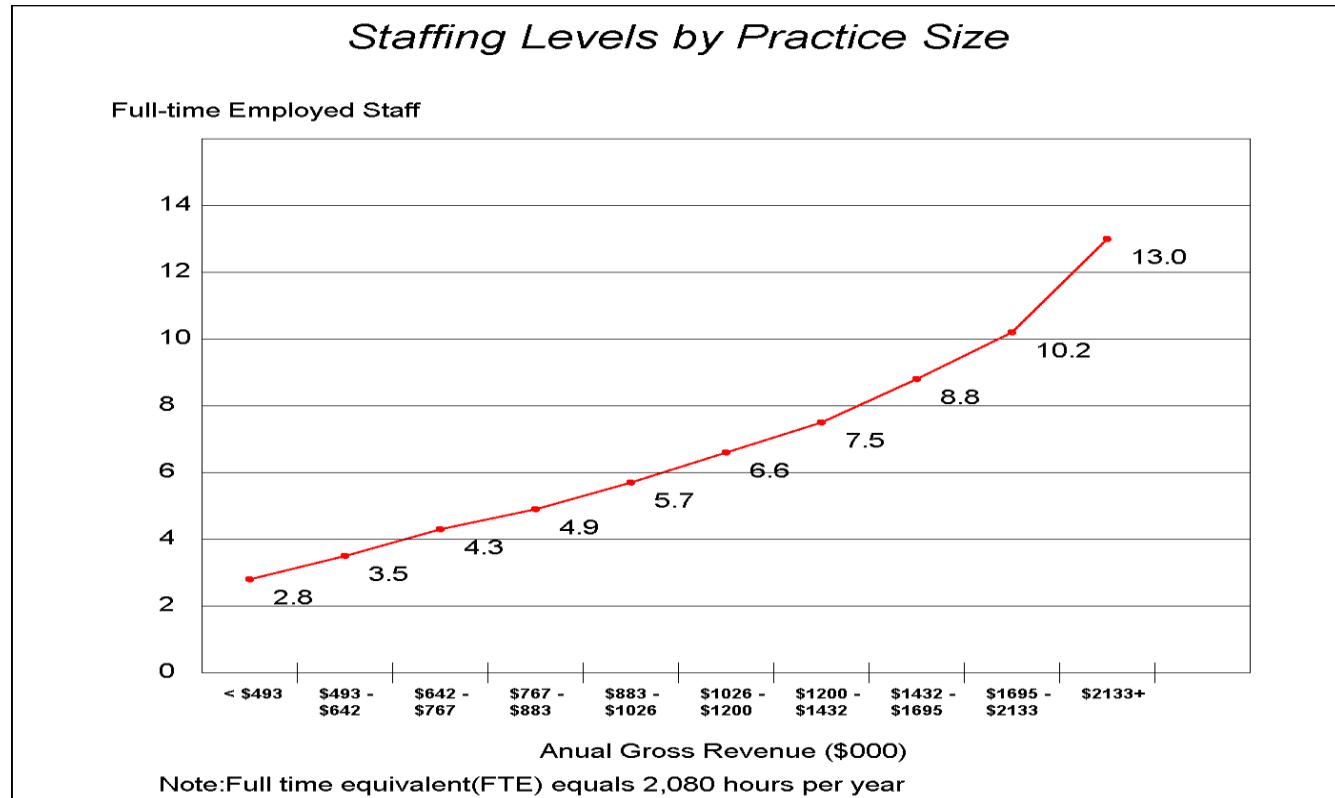
Percent of Contact Lens Patients Purchasing Eyeglasses



8 Section: Staffing

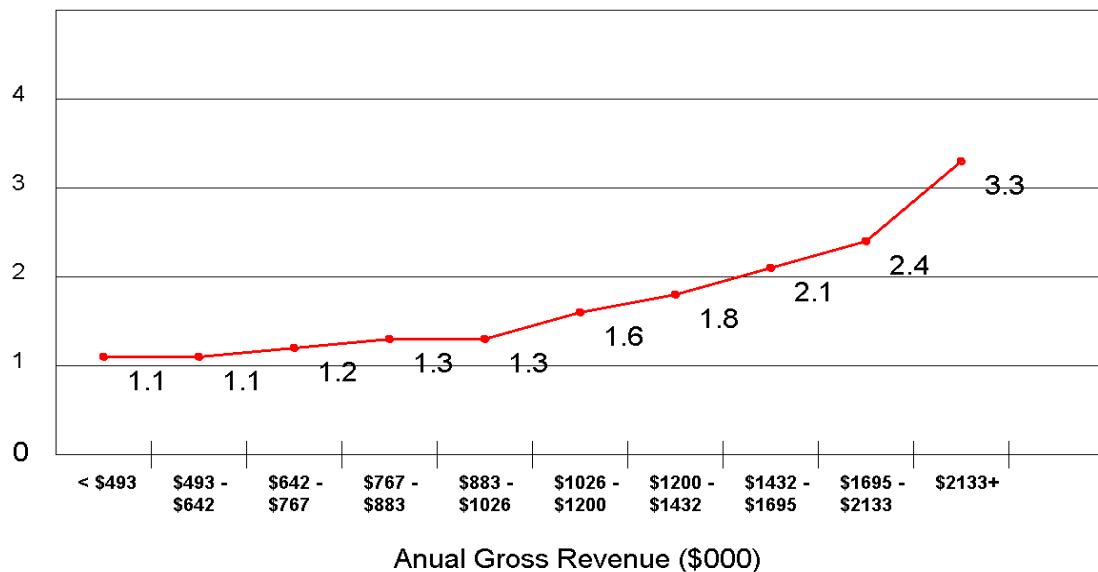
8.1 Staffing Levels by Practice Size

In typical independent OD offices there are four staff members for every working optometrist. The ratio of staff hours to OD hours increases as the practice size increases.



Staffing Levels by Practice Size

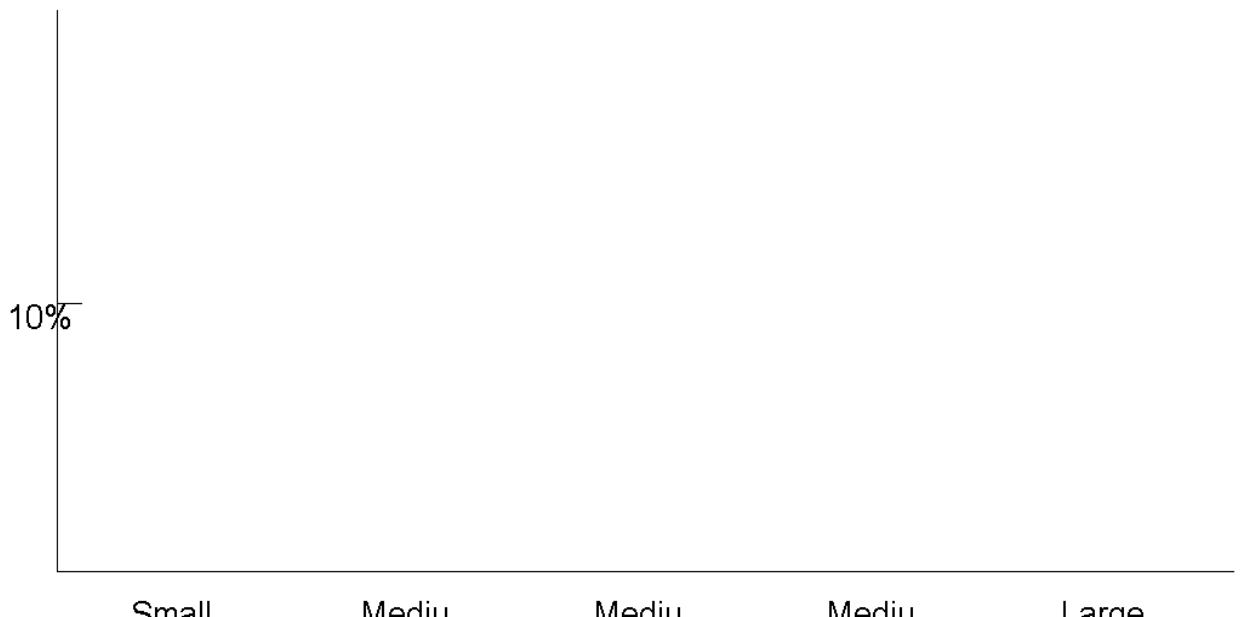
Full-time Employed ODs



Note: Full time equivalent(FTE) equals 2,080 hours per year

Full-Time Office Manager by Practice Size

Adds to 100%



8.2 Full-Time Office Managers

A majority of practices with ten or more staff members have office managers.

8.3 Staff Compensation

The median hourly salary paid to staff members for all MBA practices was \$200. There is little variation in hourly rates paid by practice size.

Staff Hourly and Annual Salaries by Position

Position	Average Hourly Salary*	Median Hourly Salary*	Median Annual Salary*
Office Manager	\$333	\$200	
Optometric Assistant	\$283	\$200	
Contact Lens Technician	\$283	\$200	
Optician/Frames Stylist	\$333	\$200	
Lab Manager/Technician	\$333	\$200	
Receptionist	\$283	\$200	
Bookkeeper	\$333	\$200	
Insurance Clerk	\$283	\$200	

9 Section: Expenses and Net Income

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

9.1 Expense Category % of Gross Revenue by Practice Size

Compare your expense ratios to the average for practices of comparable size. Large 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 make 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.

Expense Category % of Gross Revenue by Practice Size					
\$537,000	\$803,000	\$1.1 Million	\$1.5 Million	\$2.1 Million	Total (median)
1st-19th Percentile	20th-39th Percentile	40th-59th Percentile	60th-79th Percentile	80th-99th Percentile	
Cost-of Goods (% of Gross Revenue)					
25%	24%	29%	28%	27%	26%
Non-OD Staff (% of Gross Revenue)					
15%	21%	21%	24%	19%	20%
General Overhead (% of Gross Revenue)					
2%	3%	3%	5%	4%	3%
Occupancy (% of Gross Revenue)					
6%	6%	5%	7%	6%	6%
Equipment (% of Gross Revenue)					
2%	2%	2%	2%	2%	2%
Marketing (% of Gross Revenue)					
1%	1%	1%	1%	1%	1%
Interest (% of Gross Revenue)					
0%	0%	0%	0%	0%	0%

9.2 Expense Ratio Ranges

The Range of Expense Ratio 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.

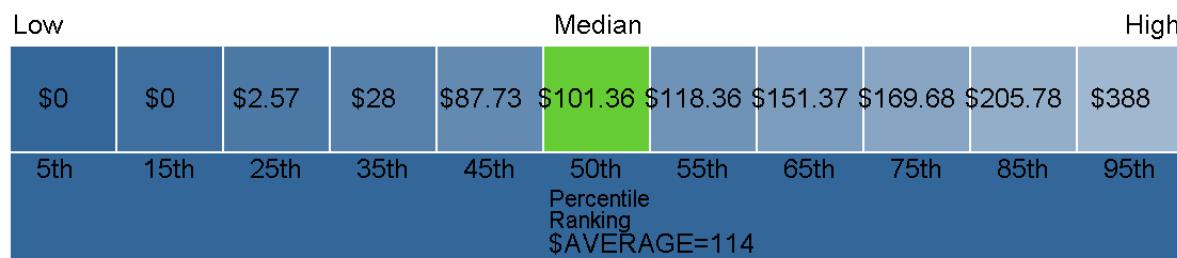
Range of Expense Ratios by Category

Expense Category	Range for middle 60% of MBA Practices
Cost of Goods	45.47% 45.84%
Staff Salaries and Benefits	31.53% 31.93%
Occupancy	10.92% 10.96%
Equipment	4.79% 4.81%
Marketing & Promotion	1.85% 1.87%
General Office Overhead	5.67% 5.88%
Interest	1.66% 2.49%
Insurance	1.37% 1.46%

9.3 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 \$101.36.

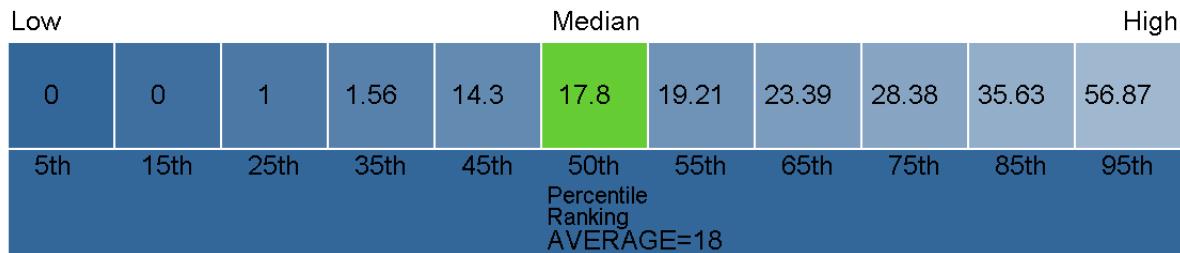
Chair Cost per Complete Exam



9.4 Occupancy Cost

The median annual occupancy cost per square foot of office space reported by MBA participants was \$17.8. Sixty percent of practices experience occupancy costs between \$0.5 and \$31.26.

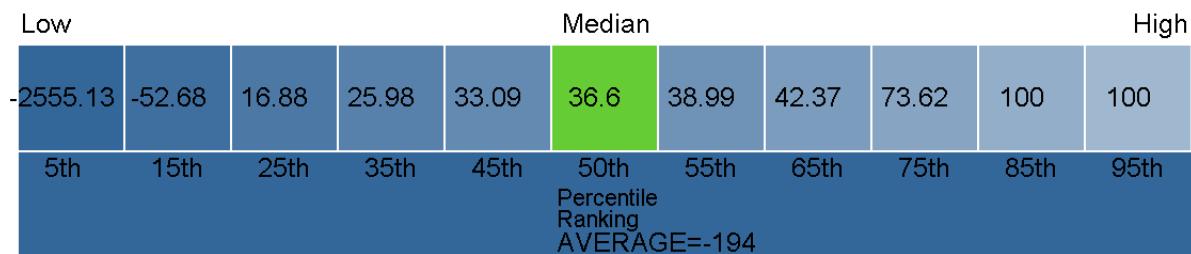
Annual Occupancy Cost per Square Foot



9.5 Net Income % of Gross Revenue

The median net income as a percentage of gross revenue is 36.6% for independent ODs. At the 75th performance percentile, net income percent is 73.62%.

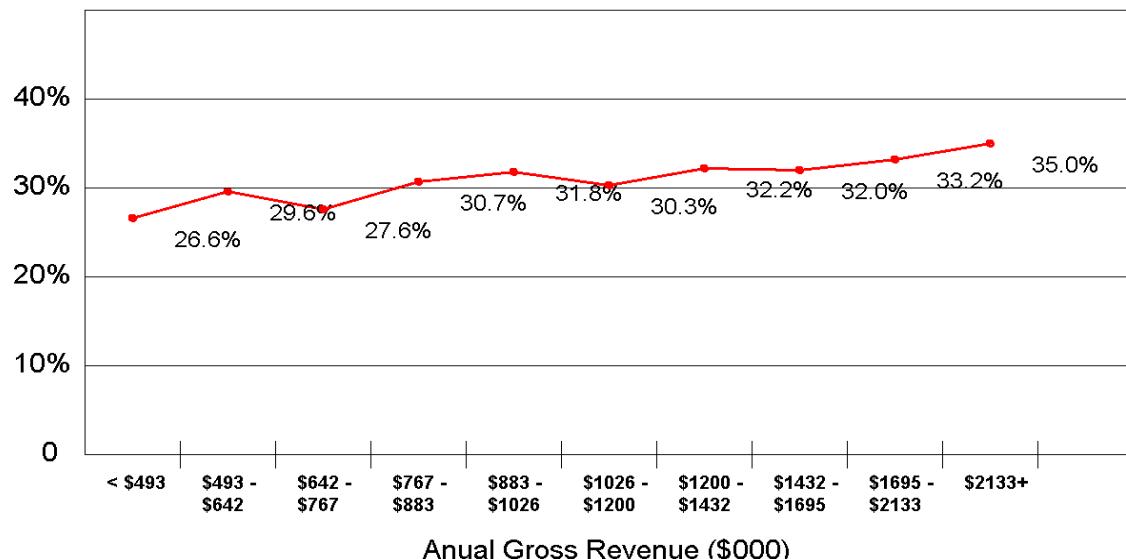
Net Income % of Gross Revenue



9.6 Net Income % of Gross Revenue by Practice Size

The unweighted average net income % of gross revenue for all MBA practices is 55%.

Net Income % of Gross Revenue by Practice Size



9.7 Annual Marketing Spending per Complete Exam

Independent ODs spend a median of \$155.14 annually for marketing per complete exam they conduct.

Annual Marketing Spending per Complete Exam

Low	Median										High
\$0	\$0	\$9.3	\$72.89	\$132.46	\$155.14	\$200	\$313.39	\$582.54	\$912.5	\$1000	
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th	

Percentile Ranking
\$AVERAGE=307

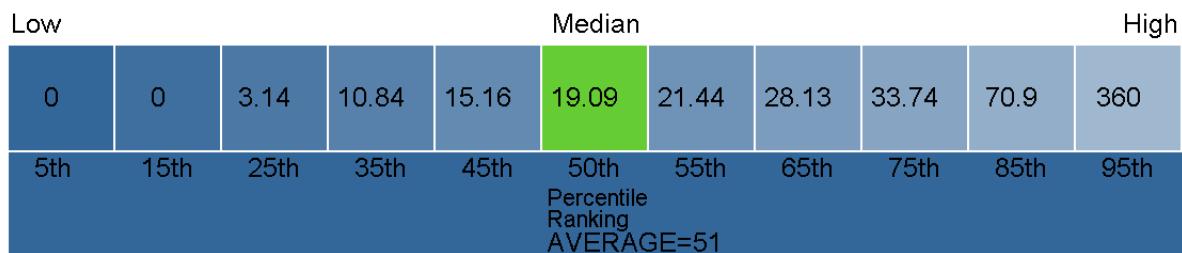
9.8 Accounts Receivables

Accounts receivable days outstanding is calculated by dividing total accounts receivable by annual gross revenue, divided by 365. The median practice had 19.09 days accounts receivable.

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.

Accounts Receivables Aging % 60 days or more (By Performance Decile) Accounts Receivables



10 Section: Additional Insights

10.1 Average % change in total cost of goods by change in frame wholesale cost

Average % change in total cost of goods by change in Frame wholesale cost



This graph depicts the average percentage change in total cost of goods due to change in wholesale cost per frame.

10.2 Annual total eye exams per 1,000 active patients

This graph depicts total eye exams per 1000 active patients.

10.3 Average % change in gross revenue by change in total professional fees

Average % change in gross revenue by change in total professional fees (Average % change versus prior year)



This graph depicts percentage change in total gross revenue by change in total professional fees as compared to previous year.

10.4 Percentage of gross revenue from complete eye exams and from total product sales

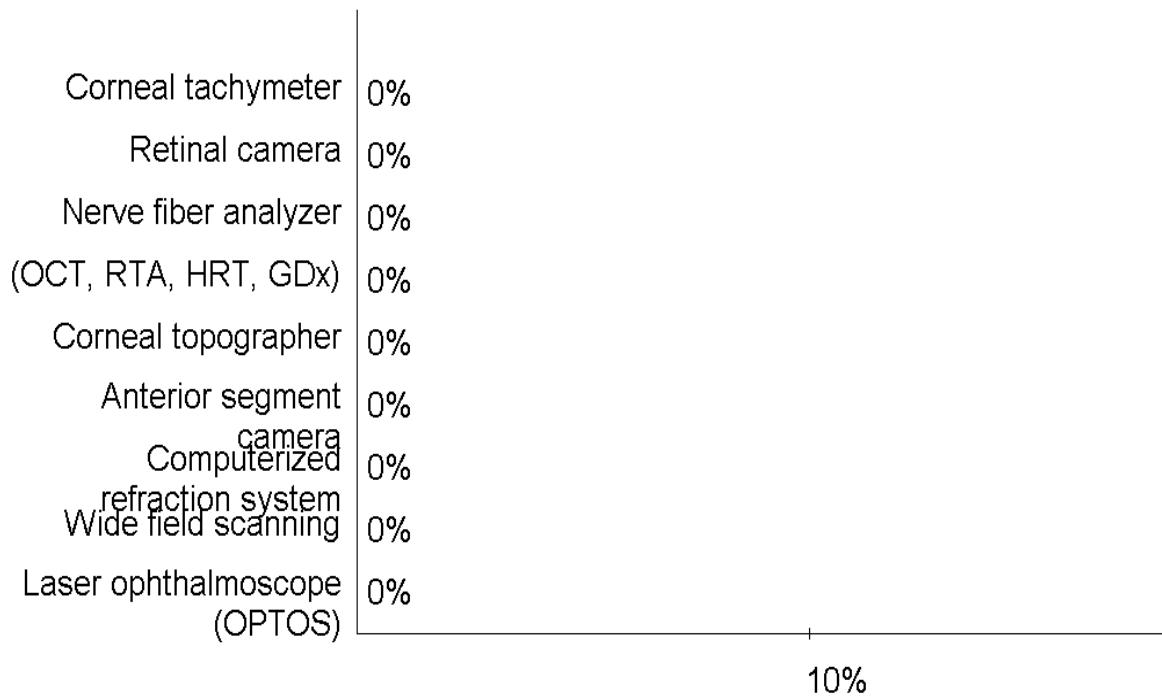
Percent of gross revenue from complete eye exams and from

This graph depicts percentage of gross revenue from complete eye exams and percentage of gross revenue from total product sales.

11 Section: Other Practice Characteristics

11.1 Instrument Penetration

Instrument Penetration (% of practices with one or more)



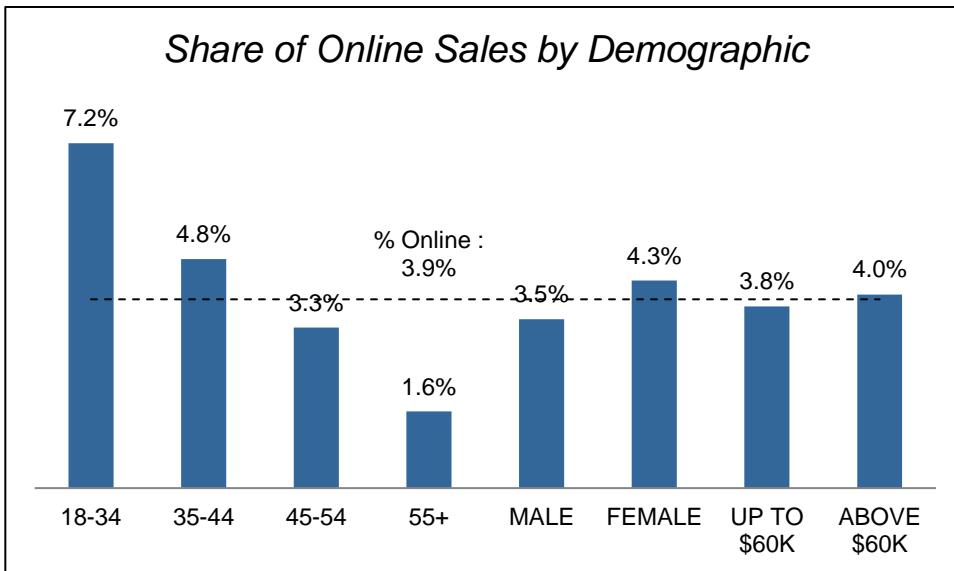
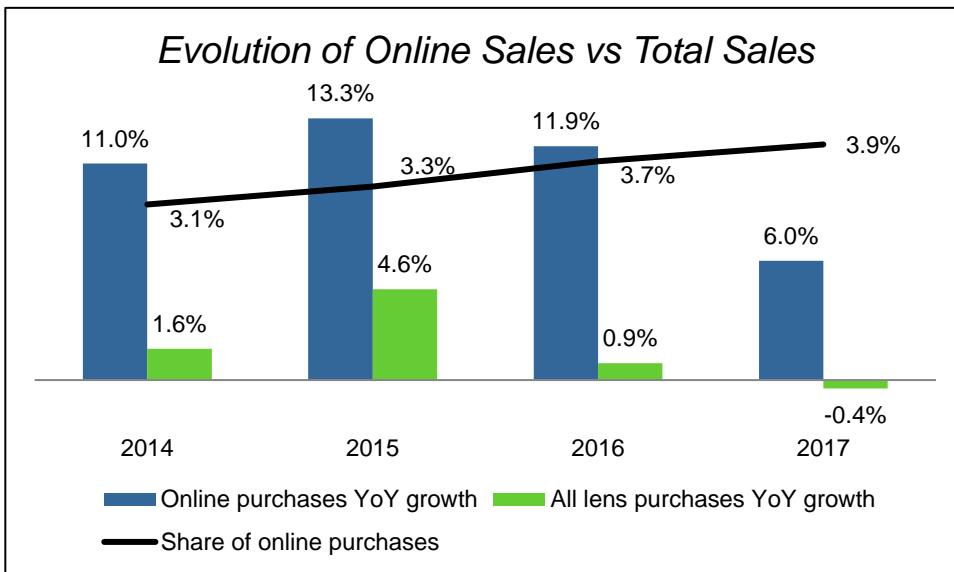
11.2 Online Purchases Characteristics

Here are few recent and interesting insights about the consumers who are purchasing eyewear online:

- Most consumers use the internet to conduct research to help them purchase eyewear in-person. With the help of internet they try to understand the possible brands and retail locations from where they can make a purchase
- The consumers who are not willing to purchase eyewear online, will most likely use the internet to examine the brands and the different lines of eyewear or compare the benchmark prices. A significant number of buyers reported that they use the internet to review the comments and satisfaction level of other consumers
- Eyewear buyers who can access the internet to make purchases are most apt to buy Plano sunglasses directly online. A slightly smaller number of buyers with internet access are likely to buy Rx eyeglasses or Rx contact lenses online
- Consumers who have used the internet while making an eyewear purchase in the past are likely to continue to do the same in future. If the internet friendly consumers have not used the internet to buy eyewear online yet, they will most likely at some point of time in future make an online purchase
- The type of consumers who are more likely to buy eyewear online are men, younger Americans and high income group Americans

The Evolution of Online Sales vs Total Sales graph and Share of Online Sales by Demographics graph below provide recent online trends and market details for you to get a better understanding of online sales statistics when compared with total sales in the optical market.

The sales for online purchases in 2017 were seen to be 6% higher than previous year, at 3.26 million pairs being sold. Also, 4.5 million pairs were sold online out of a total sales volume of 52 million readers.





1 Section: Introduction

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

Optometric Practice Sources of Revenue

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.

2 Section: 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.

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, this is 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.

2.1 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 have consistently revealed that independent ECPs sell 71.05 pairs of eyeglasses for every 100 patients receiving eye exams. 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 1664.68 pairs, compared to just 0 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.

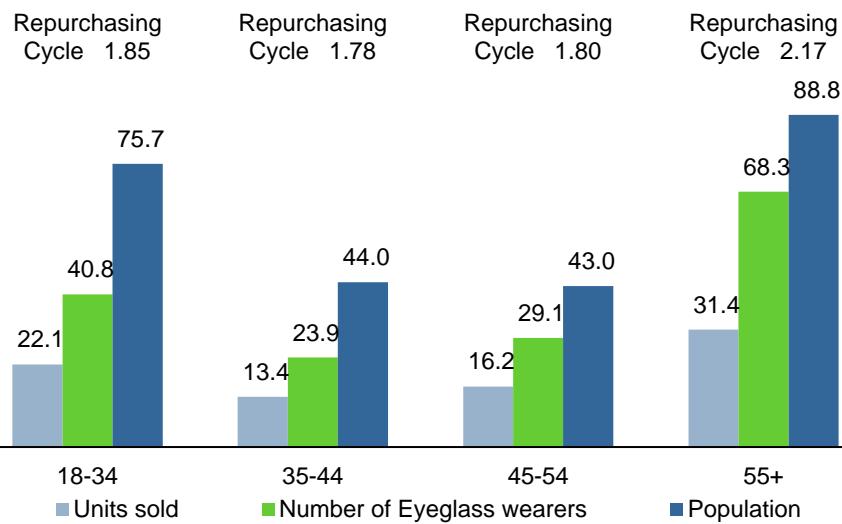
Eyewear Rxes per 100 Complete Exams Performance Deciles

Improvement Opportunity		Median					High Performance			
0	5.82	42.63	55.35	64.47	71.05	76.25	98.86	200	340	1664.68
5th	15th	25th	35th	45th	50th Percentile Ranking	55th	65th	75th	85th	95th

2.2 Eyeglass Sales and Wearers by Demography

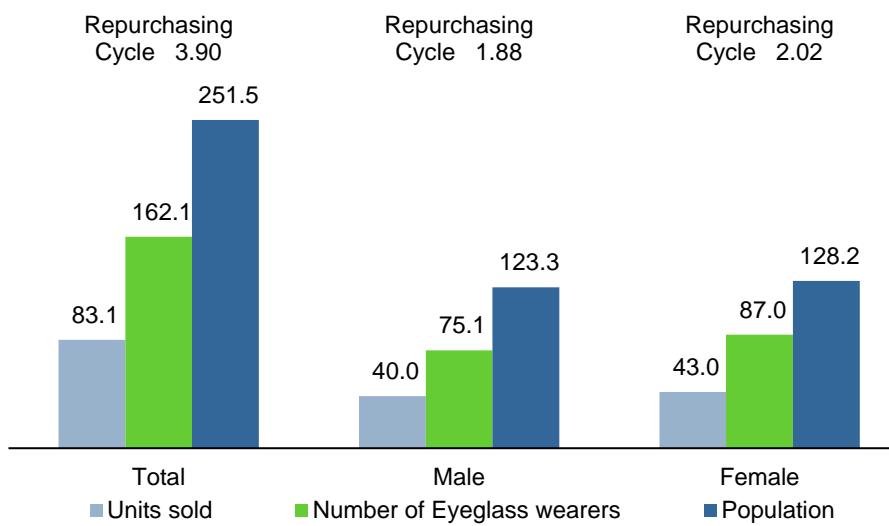
The Eyeglass Sales and Wearers 2017 by Age Group graph below provides insight on purchasing and repurchasing trends among different age group in the US market.

*Eyeglass Sales and Wearers 2017 by Age Group
(In Millions)*



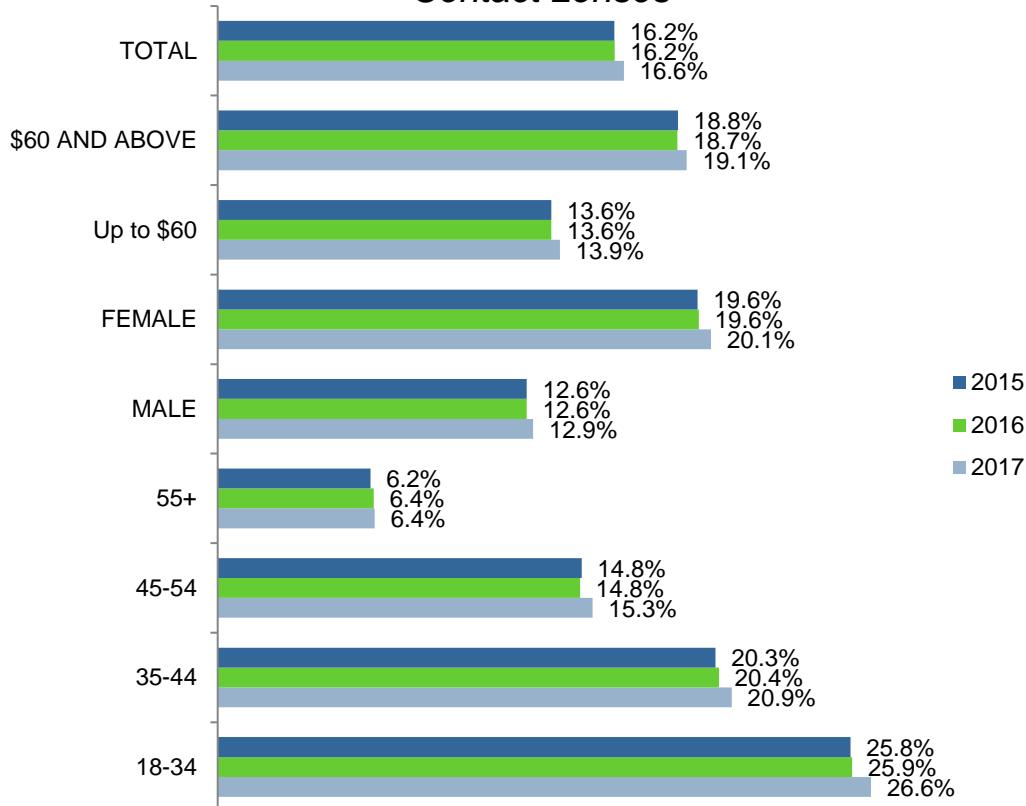
It's evident from the Eyeglass Sales and Wearers 2017 by Gender graph below that women purchased a larger portion of eyeglasses compared to men, which is not a surprise as women wear eyeglasses more than men. In total, 83.1 million pairs of eyeglass frames were sold in 2017.

**Eyeglass Sales and Wearers 2017 by Gender
(In Millions)**

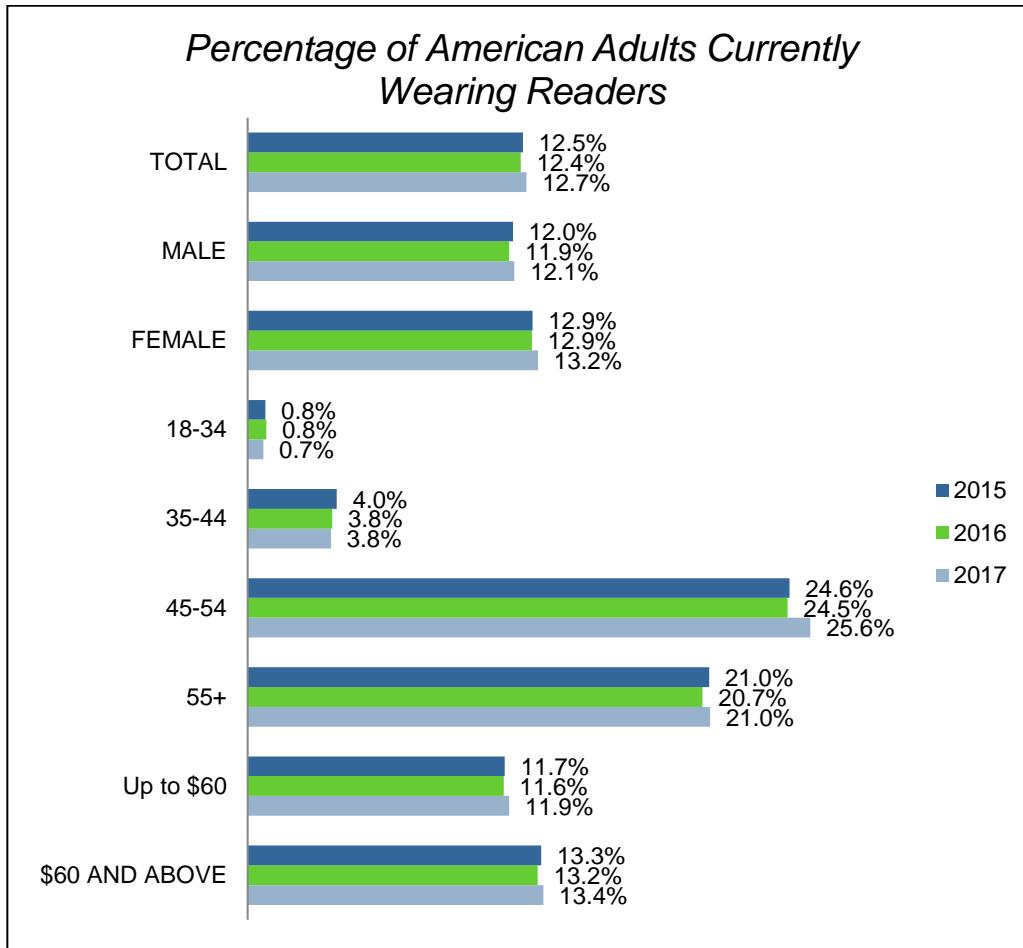


2.3 Percentage of American Adults currently wearing Contact Lenses and Readers by Demography

Percentage of American Adults Currently Wearing Contact Lenses

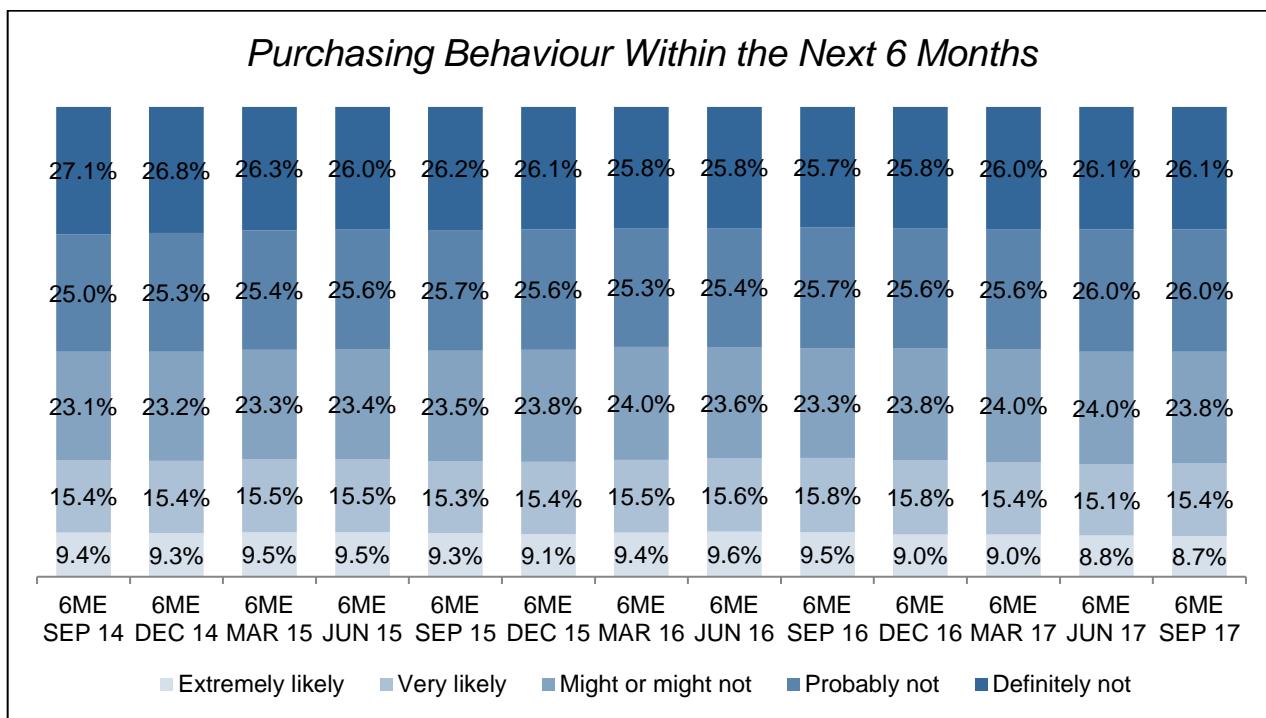


The Percentage of American Adults Wearing Readers graph indicates that the numbers for readers have grown in the past three years. About 80% of the growth in sales in 2015 was from an increase in the new users, typically female, adults over the age of 55 and the higher income group.

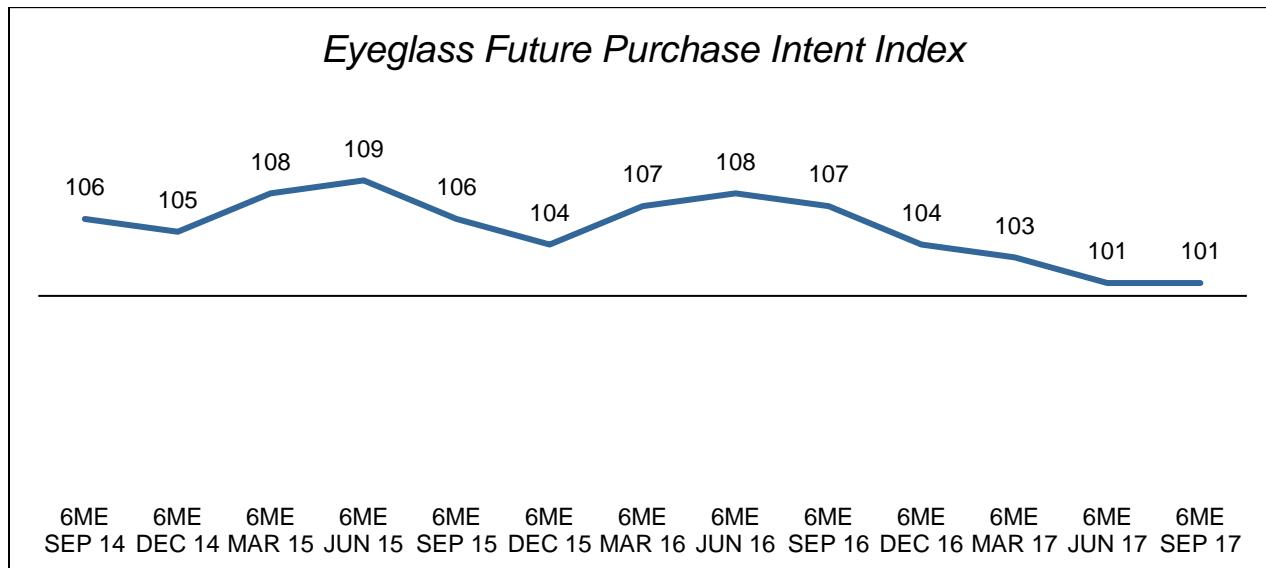


2.4 Understanding Purchasing Behaviors

As of Sept 2017, 8.7% of the adult eyeglass wearing population was “extremely likely” to buy a new set of lenses within the next 6 months. Another 15.4% was “very likely” to buy a new set of lenses within the next 6 months. The Purchasing Behaviors graph below indicates that the year 2017 has seen a decrease in the percentage of adults “extremely likely” to buy a new set of lenses.



The Eyeglass Future Purchase Intent Index graph below describes the purchase intent trend among consumers from Sept 2014 to Sept 2017.



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 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 sun wear 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 looking for 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.

3 Section: 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 towards 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.

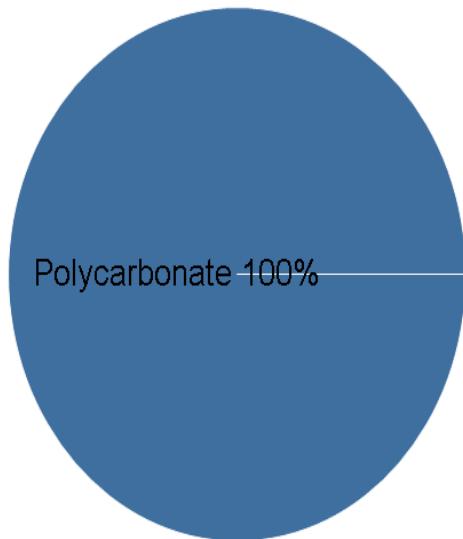
Lens materials: Many new high-index material options are available, ranging as high as 1.74. They offer the advantages of light weight and thinness. Polycarbonate and Trivex provide superior impact resistance. Both are thin and light. Trivex is ideal for rimless eyewear.

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

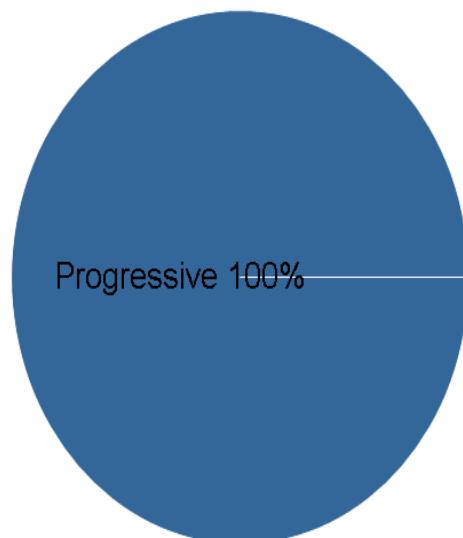
ECPs can anticipate a steady stream of spectacle lens innovation in the years ahead, providing a continuing opportunity to upgrade patients to lenses offering superior performance and higher revenue per Rx. To maximize the return, it's critical that practices keep up-to-date on lens technology.

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

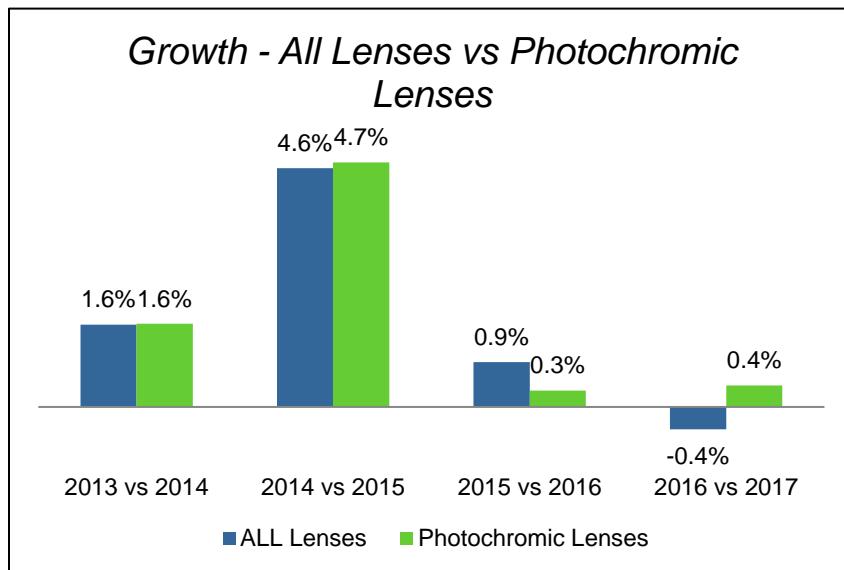
Material (% of lens pairs)



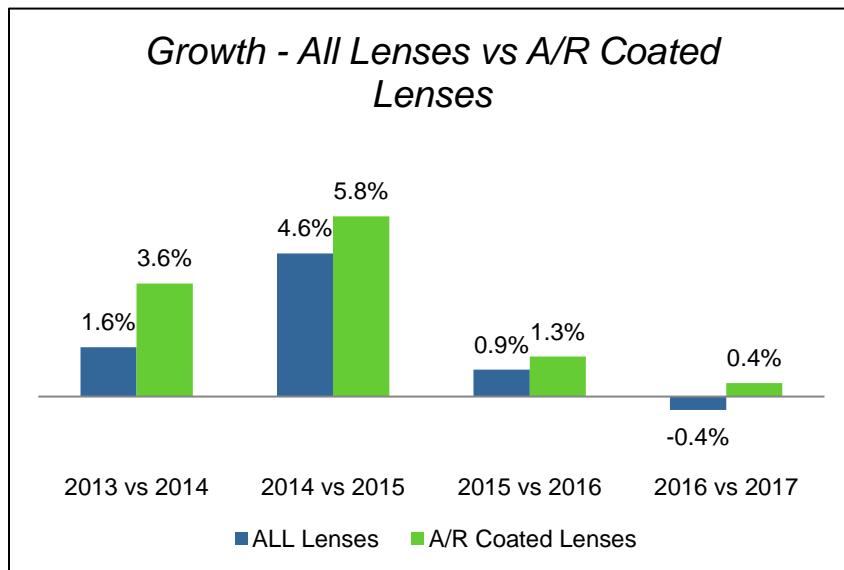
Design (% of lens pairs)



Photochromic sales are up for men, eyeglass wearers between the ages of 35 to 44, people from higher income households and eyeglass users with some type of MVC benefit. The Growth - All lenses vs Photochromic lenses graph below provides a detailed comparison and growth trend for photochromic lenses.

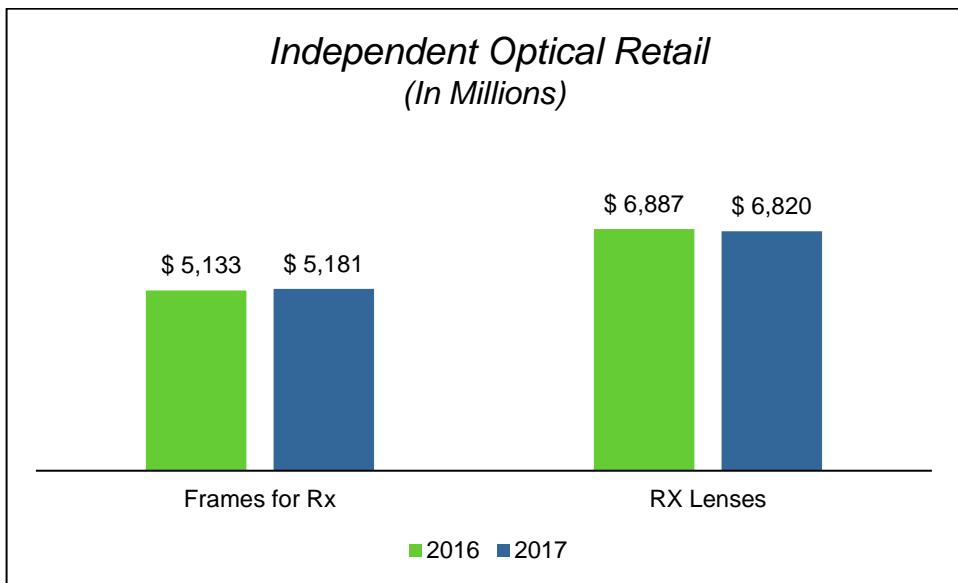


There has been increased purchases of AR lenses by people from higher income households and people with some type of MVC benefits or insurance coverage. A detailed growth trend for AR coated lenses can be inferred from the All Lenses vs A/R Coated Lenses graph below.

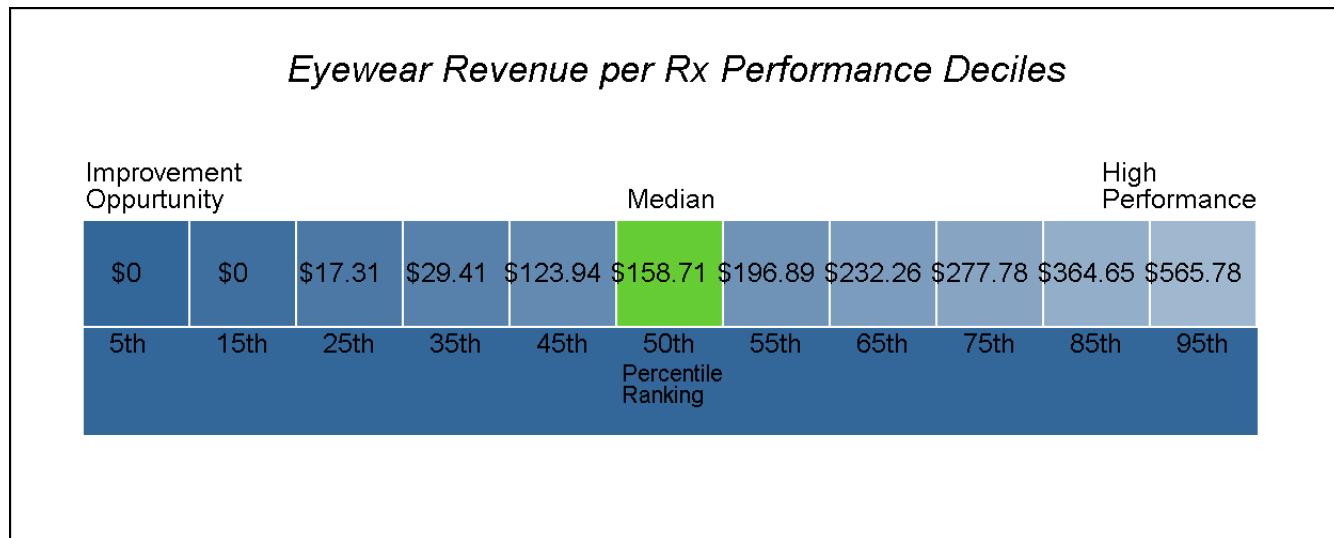


3.1 How much revenue should each eyewear Rx generate?

The Independent Optical Retail graph below indicates that the total revenue from RX lenses in 2017 was \$6,820 million, 1% less than the previous year and the total revenue from Frames for RX in 2017 increased by 0.9%.



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 was \$158.71 (including both frames and lenses).



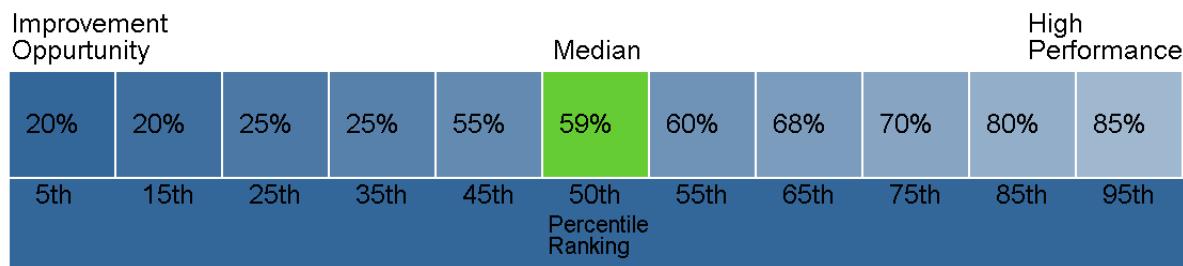
MBA data reveal wide variance across practices in the average value of eyewear transactions. Practices among the top 10 percent in average revenue per eyewear Rx realize \$565.78 per pair, while those in the lowest 10 percent realize just \$565.78 per pair. Most of the variance occurs not from differences 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.

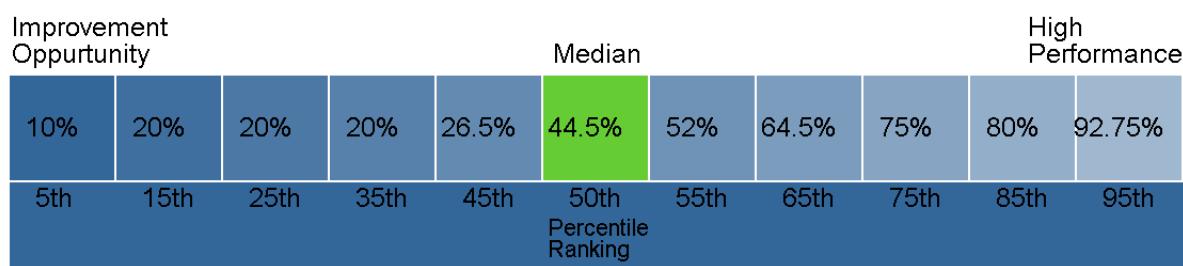
3.2 Office processes, not patient preferences, determine spectacle lens product mix.

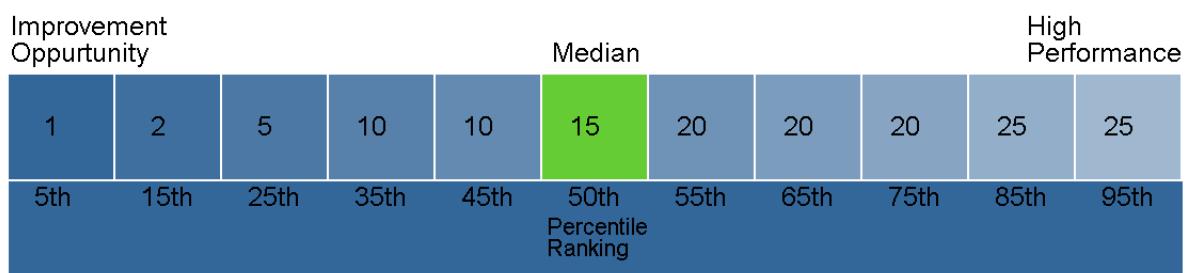
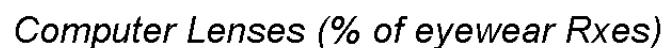
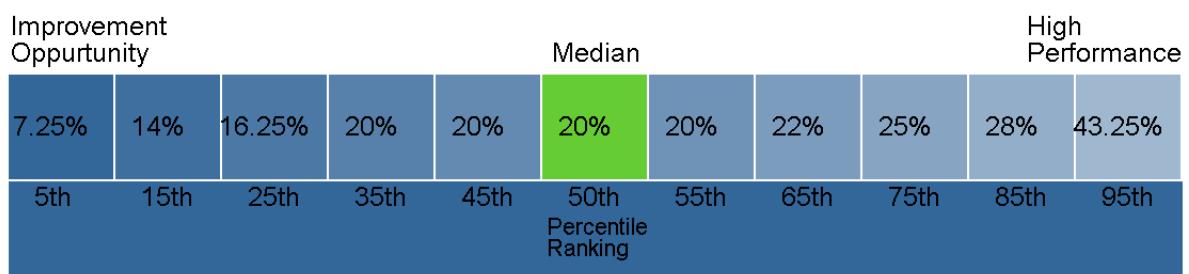
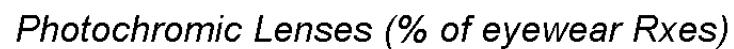
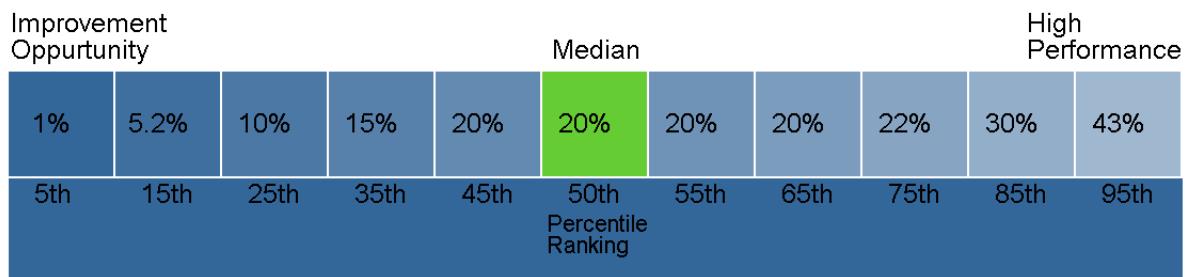
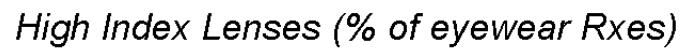
MBA data show wide variance across practices in usage ratios of different spectacle lens types. For no-glare lenses, the lowest performing 20 percent of practices dispensed just 20 percent or less of spectacle lenses with AR, compared to 75 percent or more among the highest 20 percent of practices. A median of 20 percent of spectacle lens Rxes are prescription sun wear, although 25 percent of practices manage to dispense 20 percent or more of their eyewear prescriptions as sun wear.

Progressive Lenses (% of presbyopic Rxes)

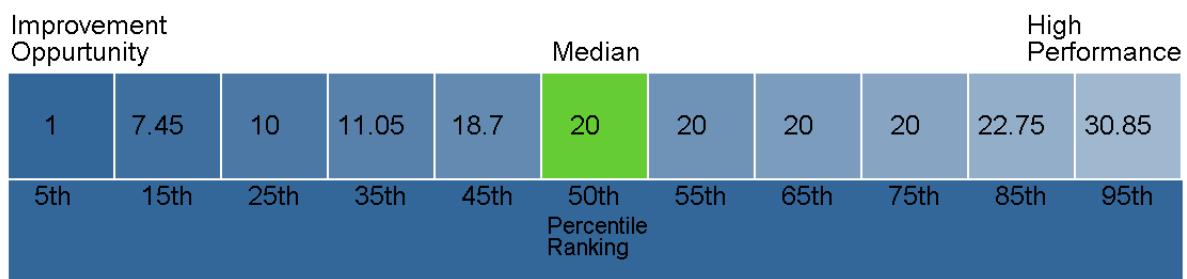


No-Glare (anti-reflective) Lens (% of eyewear Rxes)

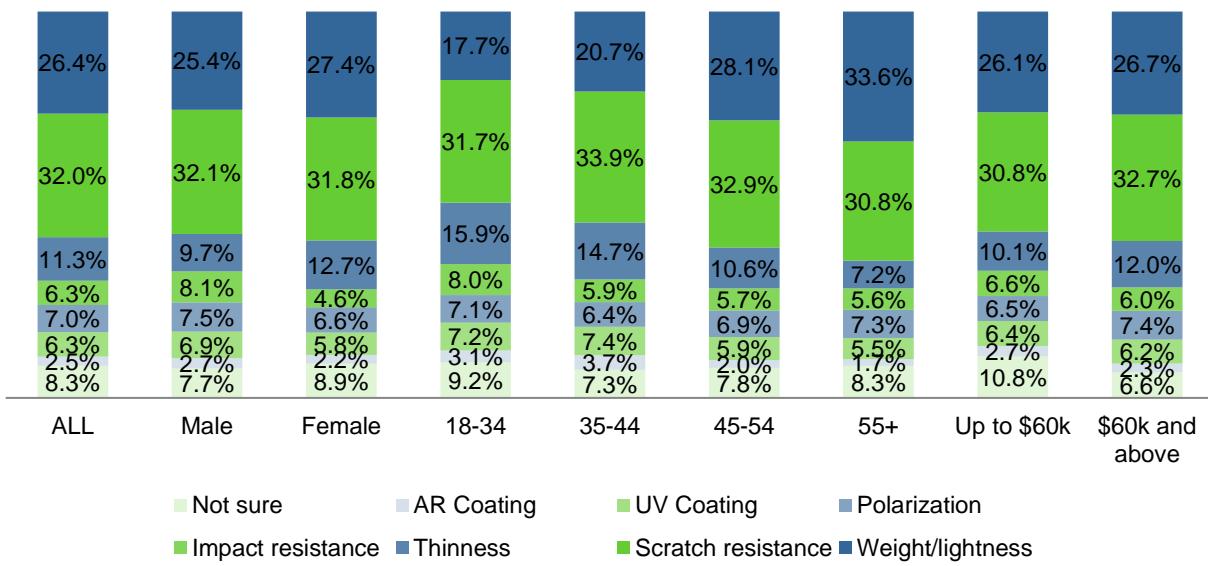




Prescription Sunwear (% of eyewear Rxes)



Share by Most Important Extra Qualities for Lens Choice - Demographic Profile - 2017



3.3 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.

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.

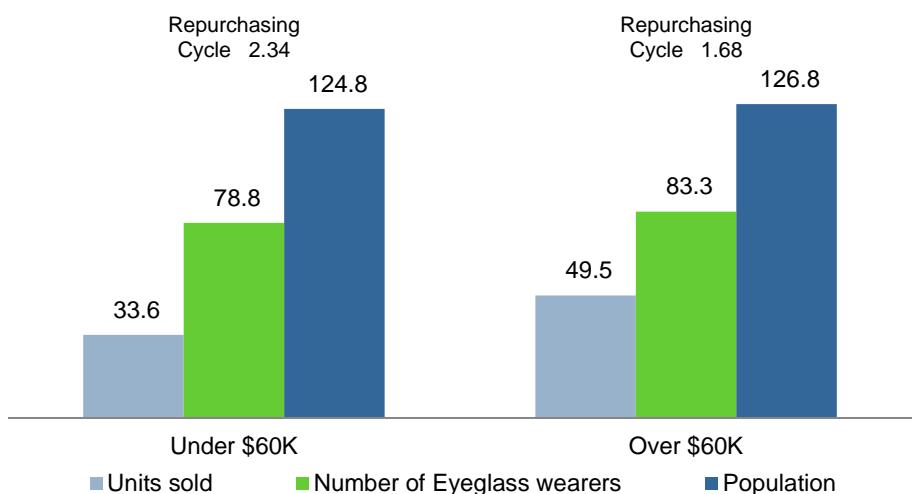
That's not to say that patients care mainly about limiting their eyewear outlay and place little value on superior performance of their eyeglasses. The truth is that American consumers are becoming increasingly discriminating and demanding about most products they buy, including eyewear. This is a result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

3.4 Rising incomes and education raise eyewear performance expectations.

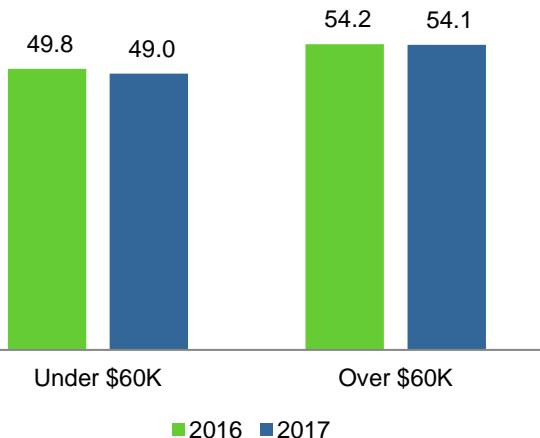
Eyeglass repurchase cycle is highly influenced by age, the other factor which influences the repurchase cycle is income. Americans from households with annual income under \$60K usually wait for 2.34 years between purchasing a new pair of eyeglasses. On the other hand, Americans from households with an annual income over \$60K wait for an average of 1.68 years between their eyeglass purchases.

Fortunately for the eyeglass industry, people from higher-income households are increasing their frequency of eyeglass purchases, which is helping to elevate the market in total. Unfortunately, the number of eyeglass wearers from the lower income households is rising as compared to the number of purchasing activities among them. The following graphs explain the sales trend by household income for various glasses.

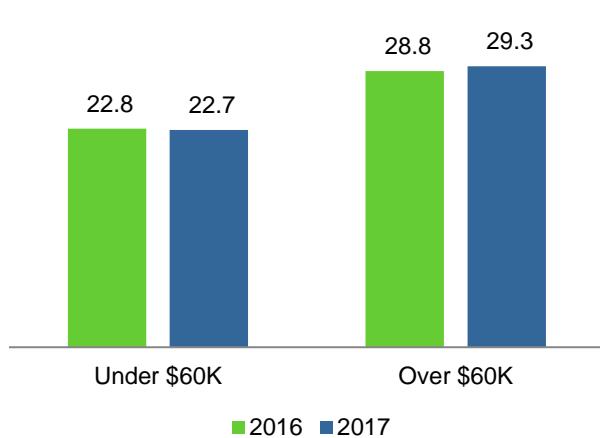
**Eyeglass Sales and Wearers 2017 by Income Group
(In Millions)**



**Plano Sunglasses Sales by Household Income
(In Millions)**



**Readers sales by Household Income
(In Millions)**



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.

3.5 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 are 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. 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.

3.6 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.

3.7 Implications of consumer behavior and attitudes for eyewear selection

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

Best Practices to Upgrade Lens Mix

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

patient arrives, he or she is informed of the current allowances. As this is done, the receptionist might say:

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

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

"Your insurance will greatly reduce the cost of your primary pair of eyeglasses and make it much easier to afford a pair of computer glasses (or polarized sun wear, 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 finding and what has been learned about a patient's daily vision requirements and vision problems, the doctor should make a specific lens recommendation to each patient. This should be prefaced with the words "*I recommend...*" which signals to patients that the doctor is personally invested in the advice being offered. A brief synopsis of the benefits of the recommended lens type should be given, relating the benefits to what was learned about patients' daily vision environments, vision problems and corrective needs. (See section 4 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 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

7. All bundled packages should include lenses with no-glare treatments. Anti-reflective lenses should be explained as a basic, must-have for all patients, not as a luxury add-on.
8. Use a structured approach to the hand-off between doctor and optician with each patient. There are four workable approaches to make the hand-off from the doctor to the staff member who will assist the eyeglasses patient in lens measurements and frame selection. Each practice needs to determine which hand-off method works best within staffing limits and the flow of the service process. The most effective method, which will eliminate any communication breakdowns and will minimize the time staff spends to present lens options, is for a dispensing staff member to be present in the exam room as the doctor makes the lens recommendation. In this way the staff member hears the full rationale for the recommendation and can reinforce it in any discussion with patients in the dispensary. Workable, but less effective, is to hand each patient an Rx note listing the specific lens recommendation as the exam concludes. This approach runs the risk that patients will not convey the note to the staff member assisting them or that the staff member interprets the note differently than intended.

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

9. Reach a decision about the spectacle lens before frame selection begins. Although the appearance of a pair of eyeglasses is very important to patients and engages their emotions, the

functional attributes and benefits of the lenses have greater impact on quality of vision, comfort and safety. When a decision about lenses is made first, there is no possibility that the frame style will preclude a patient from selecting lenses that will optimize vision, comfort and eye health.

- 10. Conduct quarterly staff meetings to review new spectacle lens products and refresh staff knowledge of recommended lenses.** With the continuous introduction of new lens technology, it is necessary to regularly review the standard bundled packages presented to patients. It's also helpful to review the presentation scripts that are used to explain the benefits of different lenses and the processes for matching patients and lenses. During the meetings staff should share their experiences and techniques for presenting eyewear.
- 11. Track and analyze the spectacle lens sales mix.** At the end of each quarter, the mix of spectacle Rxes dispensed by the practice should be analyzed and reviewed with the staff, including the following lens categories:

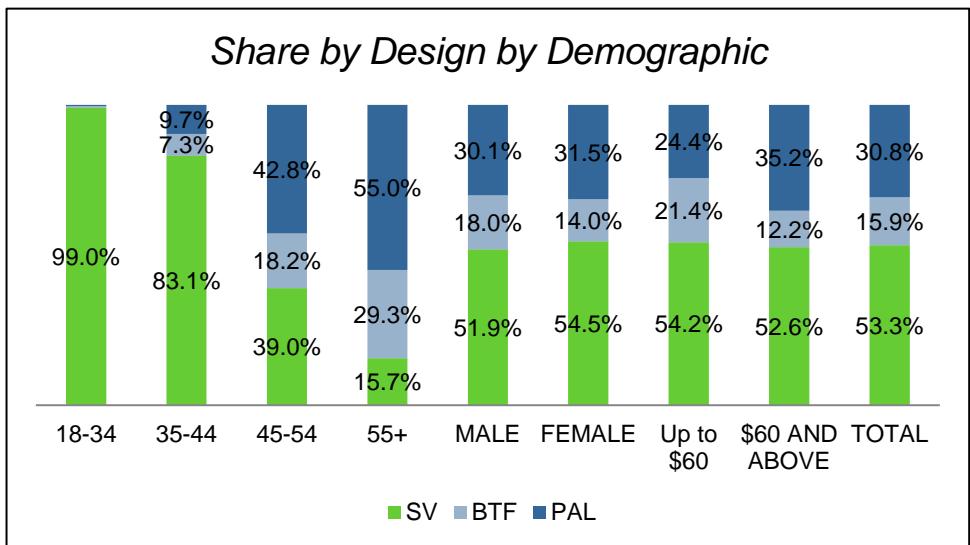
The average sale for spectacle lenses should be calculated quarterly and tracked over time.

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

4 Section: 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.

The Share by Design by Demographic graph below provides market share details for various lenses. SV (Single Vision) lens have seen strong growth in sales, however the sales of the lenses is low among men, Americans over the age of 55, and adults from higher-income households. The sales of PALs have recovered and have exceeded where they were before the recession. It should continue to grow rapidly over the coming years due to the increasing popularity and functionality of free-form digitally surfaced PALs.

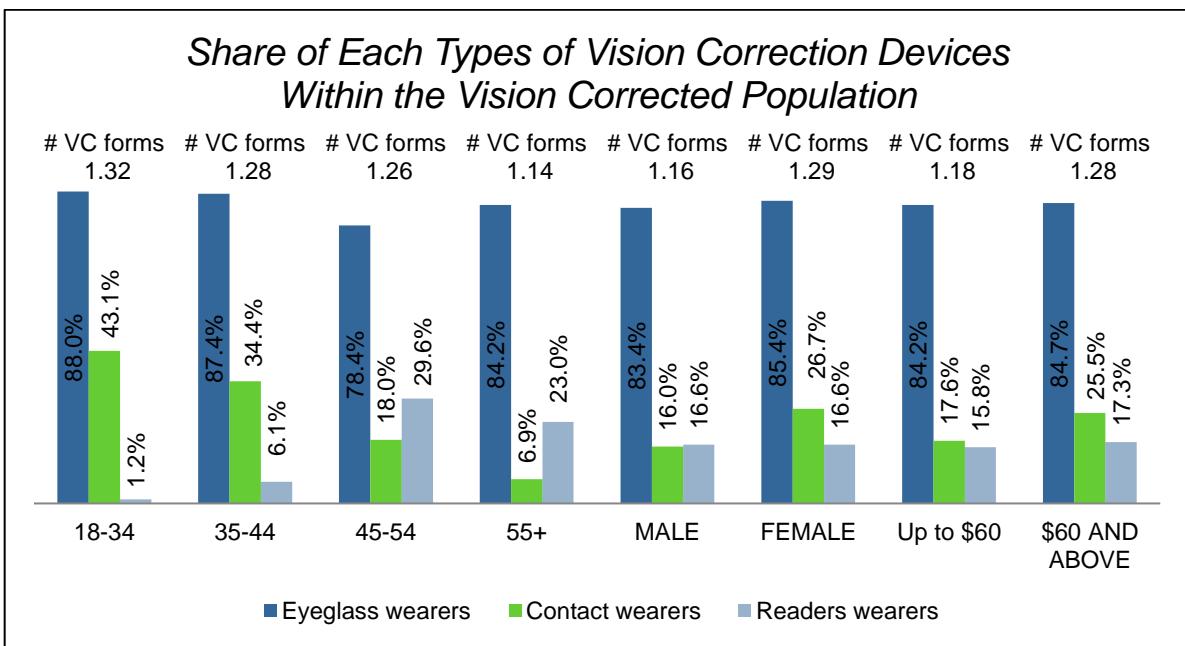


4.1 Vision requirements are changing.

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.

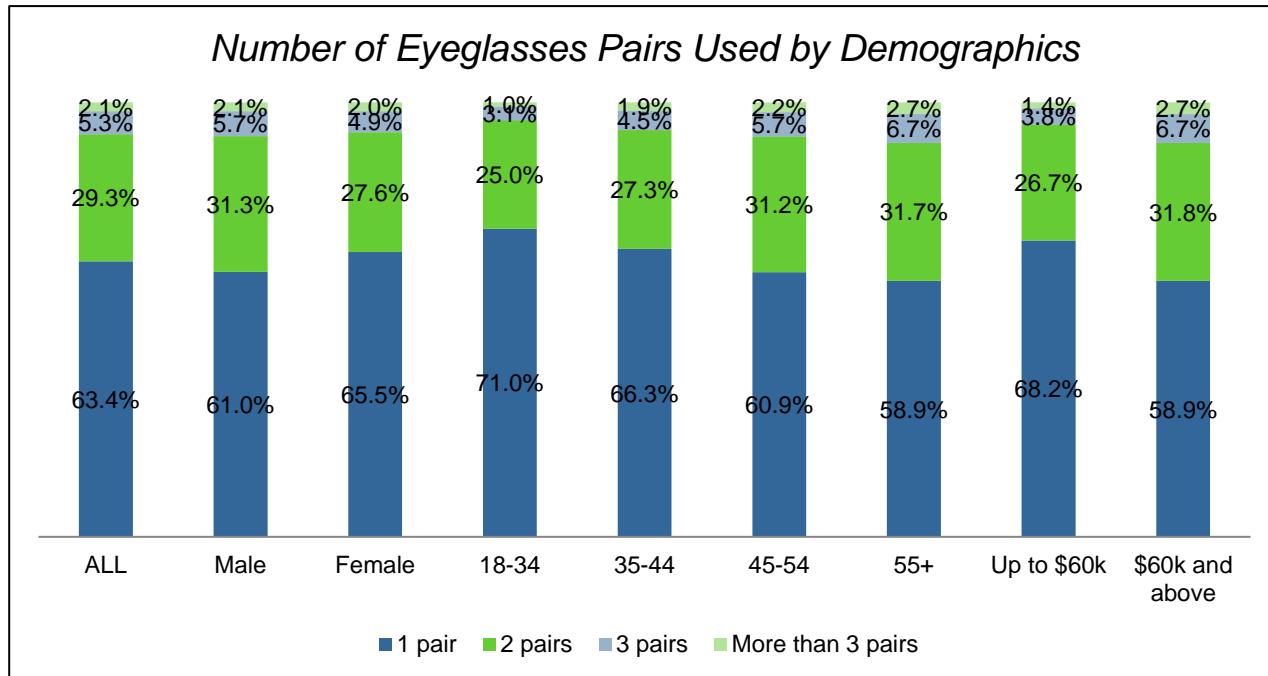
Due to the recent economic and population growth, the number of US adults using vision correction has increased. The percentage of American adults using any form of vision correction was declining over the past 15 years (it used to be in the 77%-78% range). However, since 2007 the decline has reduced.

The usage (as a percentage of the American population) is the highest for eyeglass wearers. This is mostly due to increase in people with MVC benefits.

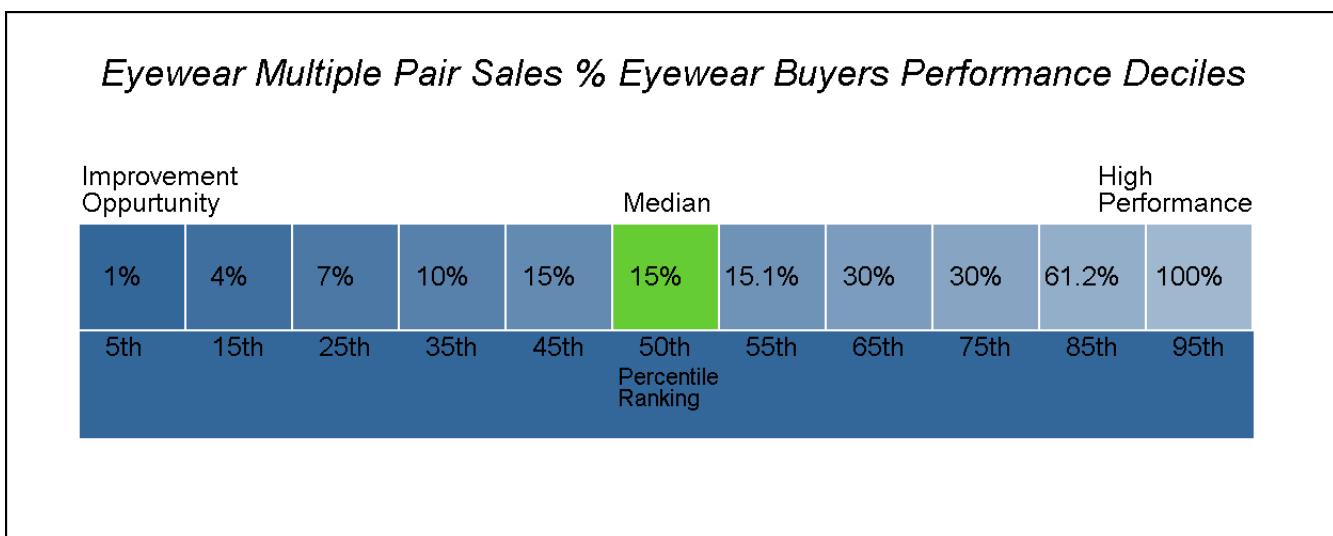


4.2 Most eyeglasses wearers use a single pair.

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



MBA performance benchmarks reveal that a median of 15 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.



What Goes Wrong

- **No effort to discover individual patient vision needs.** While lifestyle dispensing is a well-understood concept, it is frequently omitted in the busy office visit routine. In the absence of detailed information about a patient's daily activities, it is impossible to recommend the ideal lens solutions. In some offices details about patients' lifestyles, hobbies and vision problems are collected on a questionnaire, but then never reviewed by the doctor and staff who assist patients with lens selection.
- **No discussion of benefits of multiple pairs.** Trying to avoid any display of excessive salesmanship, many offices never suggest second pairs of eyewear. They may assume that because a patient's vision insurance covers only one pair of eyeglasses, that's all the patient will want. Or they make the false assumption that patients' eyewear budgets are so limited as to not allow for purchase of additional pairs, which would eliminate the compromises that patients endure when they use a single pair of glasses for every task in every visual environment.
- **No linkage of lens recommendations and individual needs.** When lens decisions are made by presenting patients with a list of options at different price points, then decisions are made based on cost, not on the package of benefits different lenses provide individual patients.

Best Practices to Profile Patient Needs

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

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.

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."

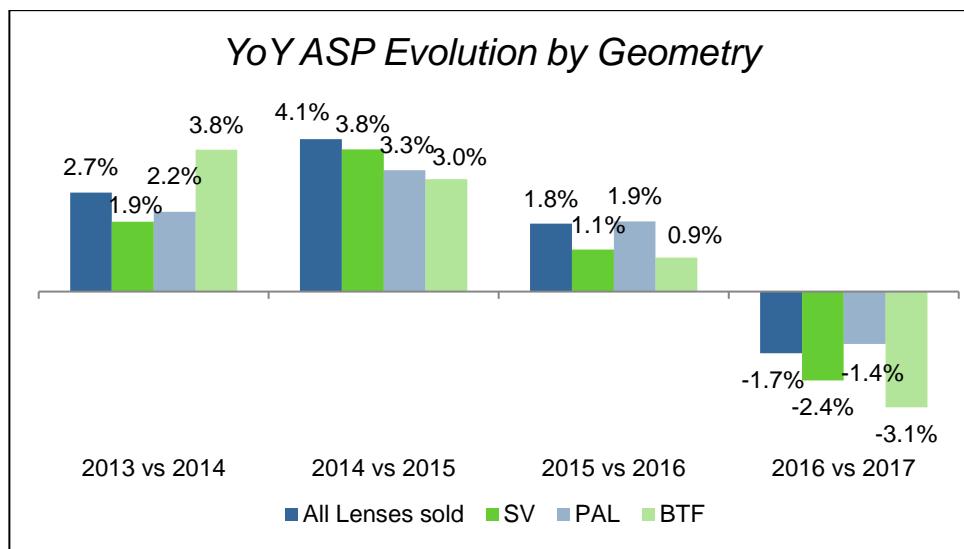
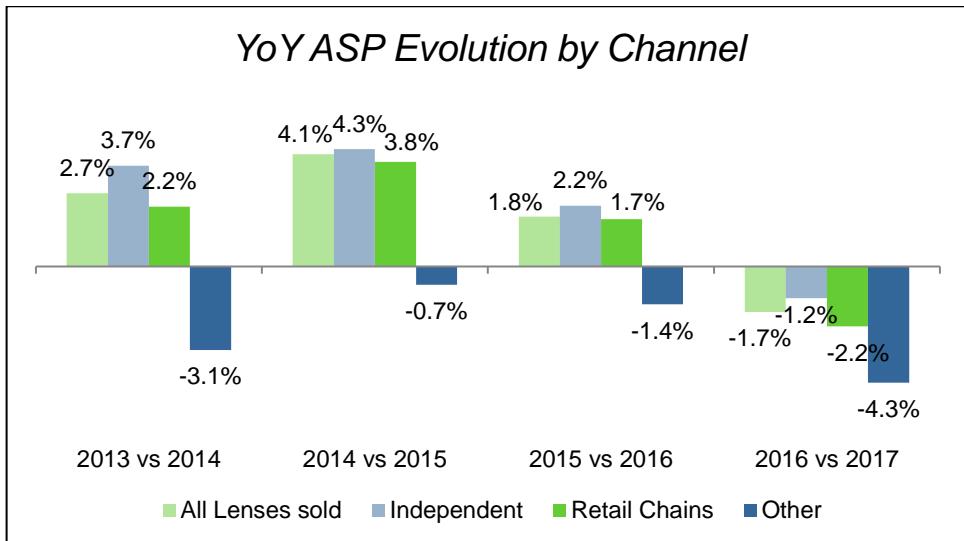
- 6. Install a lens demonstration center to showcase the latest spectacle lens introductions.** Product demonstrations are very effective when presenting no-glare, high-index, photochromic and polarized lenses. Assemble presentation aids supplied by major lens companies in an area in the dispensary to 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. The, high definition Visioffice 2 dispensing platform helps the eye care professionals to offer their patients complete vision care with a large variety of patient measurements, detailed and consumer-friendly patient education modules and access to the Varilux® lenses.

5 Section: Retail Pricing

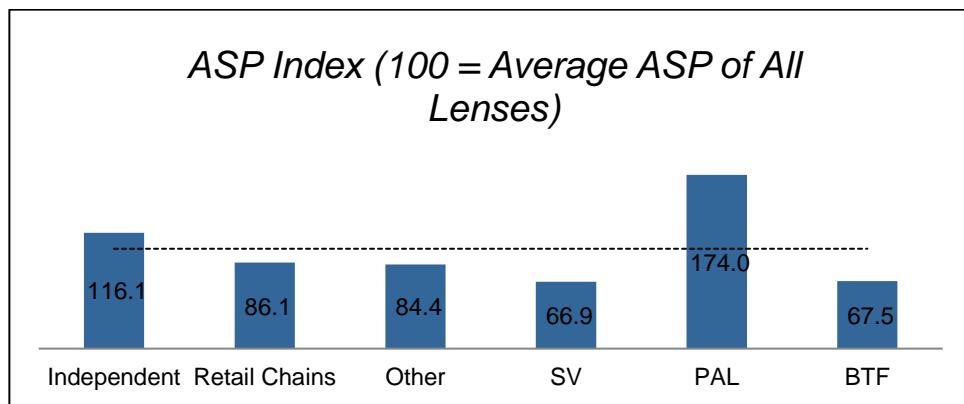
Effective management of eyewear retail pricing can have a major impact on practice profitability. If prices are set too low, profit margins suffer, and money is left on the table. If prices are too high, patients are more likely to search for lower prices at alternative providers, and the capture rate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

As evident from the graph below, we can see that the average selling price of all lenses sold have fallen in 2017 as compared to the previous years. When comparing the channels, retail chains have fallen by 2.2% while independents have fallen by 1.2%.



The graph below indicates that the average selling price index of PAL is the highest at 174 among the lenses types while Independent has the highest at 116.1 among the channels.



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	

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 simplifies decision making and reduces patient irritation. Itemizing the cost of separate features is a sure way to cause some patients to trade down to eyewear offering lower performance.

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. 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.
- 6. 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.

6Section: Eyewear Purchase Cycle

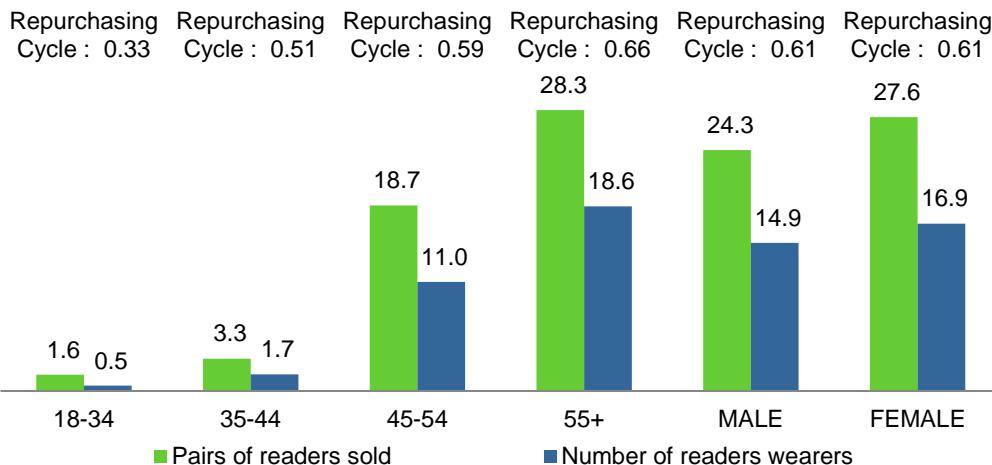
It's been said that there are three principal ways for retail businesses to increase revenue: attract more customers, sell more to each customer or get customers to buy more frequently. This section addresses the last of these revenue growth strategies.

The repurchasing cycle for men and women for the readers is the same, 0.61 years. The actual differences are visible for the age and income of the consumers for e.g. even though the Americans aged 55 and above are more likely to wear readers, their repurchasing cycle is longer than the younger Americans.

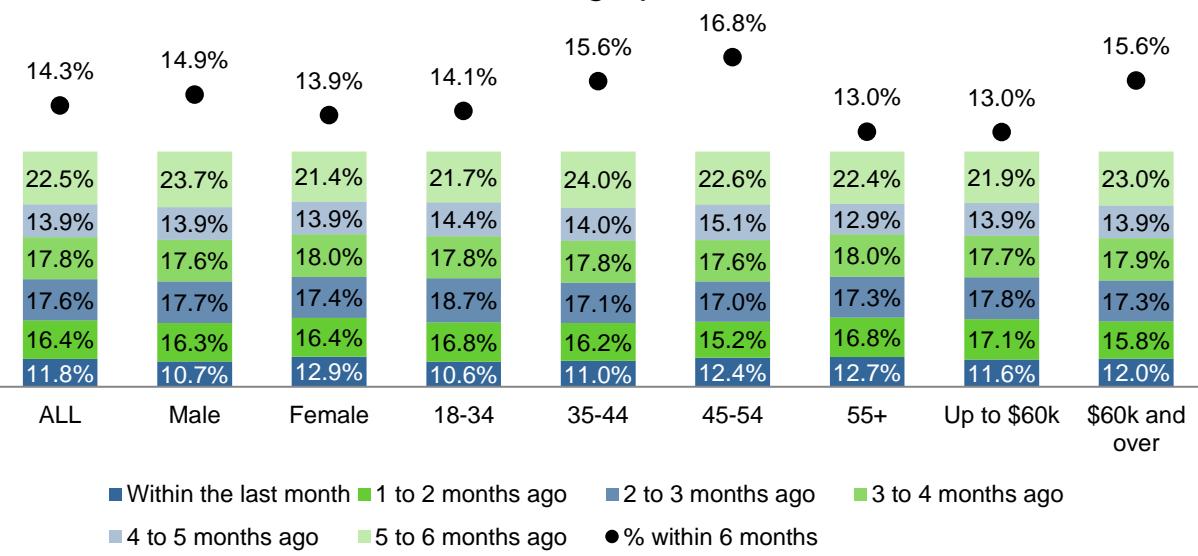
Additionally, for the population aged 18-54, the repurchasing cycle is between 0.33 years to 0.59 years which is lesser than 0.66 years (the repurchasing cycle for the population aged 55 and above) indicating that the younger population purchase readers more frequently even though their use is lesser.

Recent trend indicates that the population which has a high income not only purchases eyeglasses more frequently but purchases more expensive eyeglasses than other demographics.

Number of Pairs of Readers Sold vs Number of Readers Wearers 2017 (In Millions)



When Last Bought a New Pair of Eyeglasses by Demographic



What Goes Wrong

- Medical rationale for yearly comprehensive eye health examinations is not emphasized to patients.** To the extent that patients are convinced that prevention or early treatment of sight-threatening ocular conditions is assured through yearly eye exams, they are more likely to return to the office more frequently, providing occasions to purchase eyewear. Many offices do little to reinforce the importance of yearly monitoring of eye health.
- Recall methodology is lax.** Most practices do not pre-appoint patients at the conclusion of eye exams. The recall procedure used in most practices is to send a postcard 11 months after a patient receives an

exam, encouraging the patient to call the office to schedule an appointment.

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 no one is 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.

7 Section: 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.

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 <http://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 <http://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.

8. Section: 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.

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 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.
- **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.

9 Section: 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.

10 Section: Appendix

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

Single vision lenses

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

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

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

Progressive lenses

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

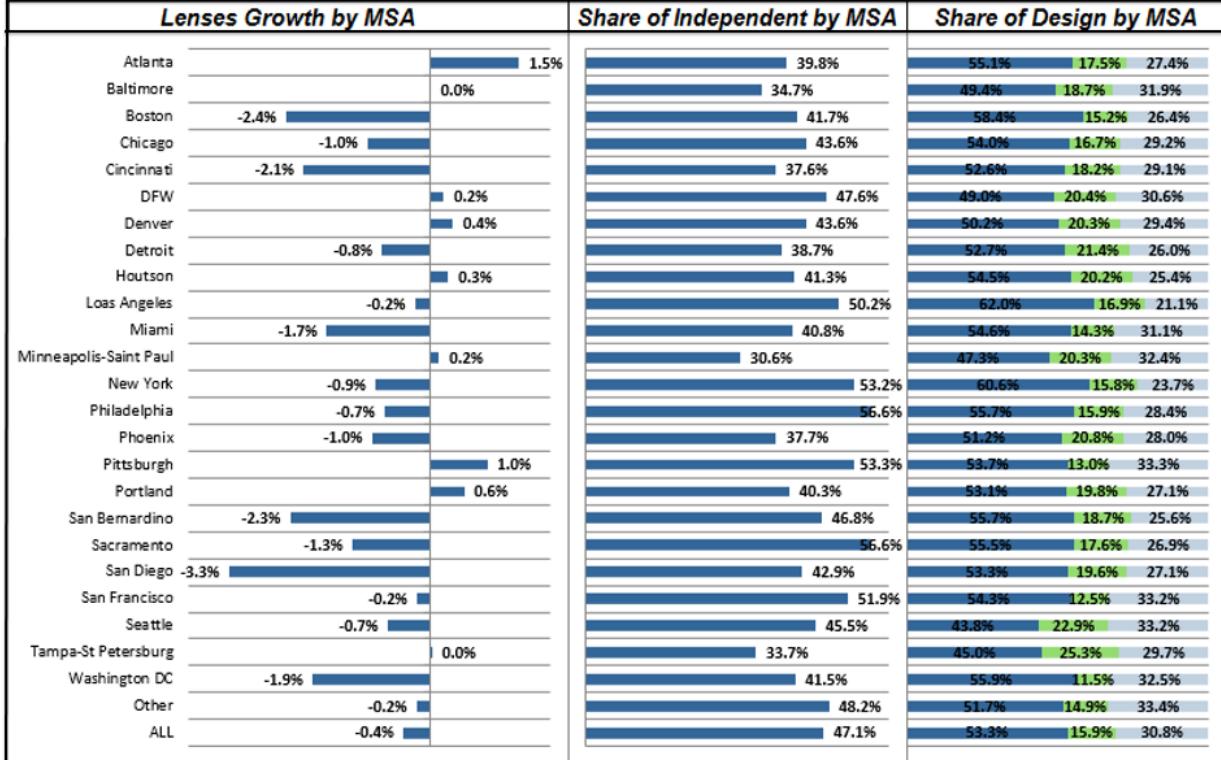
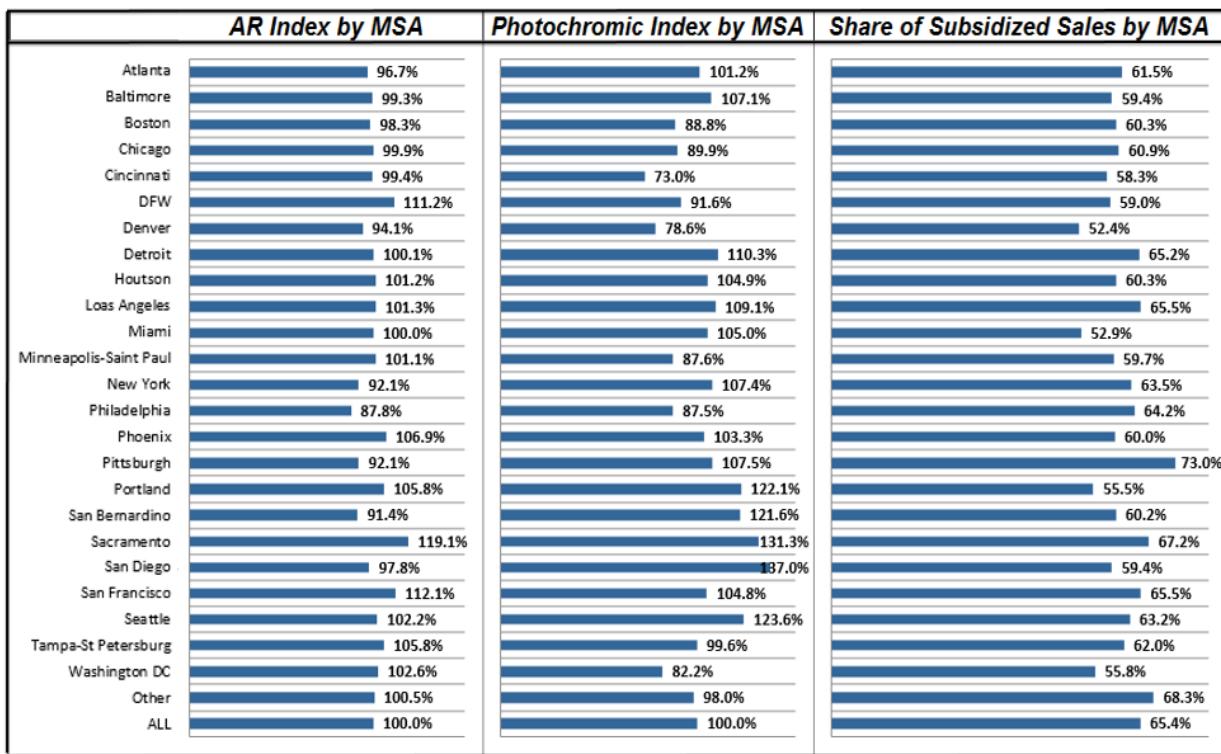
All With No-Glare, Anti Scratch UV-block and Polished Edges		
	List	Package Price
Standard Plastic		
Standard	\$ 329	\$ 299
Advanced	\$ 439	\$ 329
Premier	\$ 539	\$ 429
Ultra Thin & Lite		
Standard	\$ 399	\$ 309
Advanced	\$ 499	\$ 409
Premier	\$ 599	\$ 509

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

Key Metrics by Practice Type

% of MBA Practices	<\$500M	\$749M	\$750M+	<\$750M	\$1,499M	\$1,500M+	<\$1,000M	\$1,499M	\$1,500M+
Characteristics	5.8%	8.6%	9.0%	8.7%	26.9%	14.2%	7.8%	7.0%	11.8%
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)	1,296	2,049	2,828	2,172	3,536	5,548	2,500	4,002	7,446
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

Purchase Characteristics by MSA (Metropolitan Statistical Area)



Glossary

A

ANTI-REFLECTIVE COATING

Anti-reflective coating (also called AR coating or anti-glare coating) is a microscopically thin multilayer coating that eliminates reflections from the front and back surface of eyeglass lenses. By eliminating reflections, lenses with AR coating provide better vision for night driving and more comfortable vision for reading and computer use. It makes lenses nearly invisible so people can focus on the eyes, not distracting reflections from eyeglasses.

ASTIGMATISM

Astigmatism is a very common vision condition that causes blurred vision either due to the irregular shape of the cornea or the curvature of the lens inside the eye. Most people have some degree of astigmatism. Slight degree of astigmatism usually don't affect vision and don't require treatment. However, higher degrees of astigmatism cause distorted or blurred vision, eye discomfort and headaches.

B

BIFOCAL LENS

A bifocal lens is created with two different areas of vision correction, which are divided by a distinct horizontal line across the lens. The top portion of the lens is used for distance, while the bottom portion of the lens is used for near vision.

C

COATINGS

Lens coatings can enhance the performance and appearance of your eyeglass lenses. Several types of coating can be applied to corrective lenses: scratch-resistance, anti-reflective, polarizing, coloring, antistatic, and anti-smudge.

COMPUTER GLASSES

The phrase "computer glasses" refers to any pair of eyeglasses frames with lenses that have a focal length set at arm's length, and with anti-reflective (AR) coating. The wearer needs to measure the average distance from his/her face to the computer screen, and give that measurement to the eye doctor. The eye doctor will then prescribe an intermediate (arms-length) prescription power to be used in the lenses. The anti-reflective coating helps to reduce the glare that may come off of the computer screen.

CONTACT LENSES

Special optically calculated plastic lenses adapted to the eyes of each wearer and floated on the tear film over the cornea to correct eyesight. There are two categories of

contact lens: soft lenses and rigid lenses.

CORRECTION

A person with perfect eyesight does not need vision "correction". If an eye doctor issues a prescription for eyeglasses, the prescription defines the amount of "correction" that is required in order for the person to have perfect vision (with the aid of eyeglass lenses).

CORRECTIVE LENSES

Corrective lenses are designed to correct eyesight disorders. The corrective lens is a combination of material, optical surface and coatings.

CRIZAL

Crizal is the brand name of a range of optical lens coatings manufactured by Essilor International. Its products were created to allow greater transparency in lenses and an optimal clarity of vision, with 5 main benefits: no glare, smudge & scratch resistance, dust & water repellence.

D

DISTORTION

Deformation of an optical system resulting in an image which does not reflect the real shape of an object.

E

EYE EXAMINATION

An eye examination is a series of tests performed by an ophthalmologist (medical doctor), optometrist, or orthoptist assessing vision and ability to focus on and discern objects, as well as other tests and examinations pertaining to the eyes.

G

GLAUCOMA

Increase in intra-ocular pressure resulting, if left untreated, in an irreversible deterioration of the optical nerve and of the retina, as well as an alteration of the visual field, i.e. a reduction in visual performance, often accompanied by headaches and aching eyes.

I

INDEPENDENT OPTICAL RETAIL

Independent Optical Retail includes dollars spent at independent optical locations on either spectacle lenses (regular Rx and Rx sun), frames, sunglasses (Plano only), OTC readers, or revenue earned from refractive surgery or eye examination.

INTERMEDIATE VISION

Vision of objects situated between 40cm and 1.5 meters from the eye.

M

MATERIAL

Corrective lenses are most often manufactured from either organic or mineral glass. Organic lenses are divided into two categories: thermo-hardened and thermoplastic (polycarbonate). The properties of these materials are: a high refractive index in a thin and lightweight lens, transparency, lightness, protection against ultraviolet rays and resistance to shocks.

MULTIFOCAL

Multifocal lenses have multiple uses, so that you can see objects at varying distances using different lens corrections. A bifocal lens offers two different viewing fields (near and far). Progressive and trifocal lenses offer three different viewing fields (near, intermediate, and far).

O

OCULAR GLOBE

Spherical organ (the eyeball) that receives vision. It consists of three layers, the sclera, the uvea and the retina and their content: vitreous humor, crystalline lens and aqueous humor.

OPTICIAN

Optician are trained to dispense and fit spectacles and other optical aids, working from the prescriptions written by optometrists and ophthalmologists. They advise patients on various types of lenses and spectacle frames.

O.D.

An O.D. or optometrist (Doctors of Optometry) specializes in vision examinations and recommends lens options. He/she can also test for eye diseases, fit contact lenses, and in many states, diagnose and treat certain eye conditions with medication.

OPTOMETRIST

In many English-speaking countries, Optometrists are eye care specialists who are able to diagnose eye diseases, dispense contact lenses and perform refractive examinations. Optometrists do not carry out surgery.

P

PHOTOCHROMIC LENSES

Photochromic lenses are eyeglass lenses that darken automatically when exposed to sunlight, then fade back when you return indoors. Other generic terms sometimes used for photochromic lenses include "light-adaptive lenses" and "variable tint lenses."

PLANO

Sometimes written as "PL", this term refers to eyeglasses lenses that have no prescription in them.

POLARIZED LENSES

A polarized lens is a quality sun lens that not only reduces bright light from the sun, as regular tinted sun lenses do,

but also eliminates dazzling polarized light thanks to a very thin polarizing film inserted inside the lens, playing the role of a Venetian store. This results in a better clarity of vision, a truer color perception, and a greater visual comfort.

POLYCARBONATE

Material characterized by its exceptional lightness and resistance to shocks. Its high refractive index enables the manufacture of extremely light, thin lenses. Polycarbonate cuts out 100% of UV rays and is scratch-resistant thanks to its hardened coating.

PRESCRIPTION

A prescription for eyewear is issued by an ophthalmologist (MD) or optometrist (OD), and it specifies the appropriate correction that is required by your eyes. Eyeglasses lenses alter the light entering your eyes to correct the eyes' imbalance.

PROGRESSIVE LENSES

Progressive lenses, sometimes called "no-line bifocals," are designed to correct presbyopia by varying optical power progressively. They provide the ability to see at all distances. Lifting your head, you can see clearly across the room and at a distance. At mid-distance, you can also view your computer clearly. When you lower your gaze you can read and do near vision tasks comfortably.

R

READERS OR READY-MADE GLASSES

Ready-made glasses are inexpensive eyewear that are sold without prescription. They contain lenses with an equal power for each eye, and they are primarily used for the correction of presbyopia (reading glasses). They are suitable for people who spend a lot of time on near vision tasks. However, if you look up and across the room through the reading lenses, everything appears blurry.

REFRACTION

Change in the direction of propagation of a ray, determined by variations in the speed of propagation. Term used to qualify the optical examination.

REFRACTIVE INDEX

Used to characterize the capacity of a transparent optical material to refract light and produce an optimal correction. The higher the index is for the same correction, the thinner the lens.

S

SCRATCH-RESISTANT COATING

Lenses that are treated front and back with a clear, scratch-resistant coating have a much harder surface that is more resistant to scratches, whether from dropping your glasses on the floor or occasionally cleaning them with a paper towel.

Kids' lenses, in particular, benefit from a scratch-resistant hard coat for greater durability.

SINGLE VISION LENSES

Single vision lenses are used to correct ametropia. They may also be used for the correction of presbyopia but far vision will be blurred. The power is the same over the entire surface of the lens.

V

VISUAL ACUITY

Visual acuity describes the acuteness or “sharpness” of vision; that is the ability to perceive small details.

VARILUX

Varilux is a brand name belonging to Essilor International. It is used to designate the first progressive lens to correct presbyopia, which was invented by Bernard Maitenaz. The Varilux lens is characterized by correcting near, intermediate and far vision. The first version of the lens was released in 1959

U

ULTRAVIOLET (UV) PROTECTION

The sun emits ultraviolet radiation which is damaging to the eyes. Lenses with ultraviolet protection prevent that harmful radiation from touching your eyes. Polycarbonate, high index, polarized, and sun-sensitive lenses all automatically contain UV protection. Hard resin lenses need an additional coating to add UV protection. According to United States Federal law, all sunglasses sold in the United States must have UV protection. However, many low-priced sunglasses for sale through street vendors do not comply with this rule. Using tinted sunglass lenses without UV protection is extremely damaging to your eyes, because the dark tint causes your pupils to dilate and increases the surface area of your retina that can be damaged by the ultraviolet radiation.

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

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

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

