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CIBA  VISION.

The Optical Marketplace

The Optical Marketplace

(Financial Aspects of Optometric Practice—
Practice Economics and Growth)

Behavioral objectives: The purpose of this module is to develop an understanding of the changing position of optometric practice within the large U.S. optical industry. The student will gain a perspective on current trends in the optical market, demographic drivers of demand and consumer behavior dynamics that influence practice revenue. The knowledge derived will enable the student to gear practice strategies and patient communications to the realities of today's market.

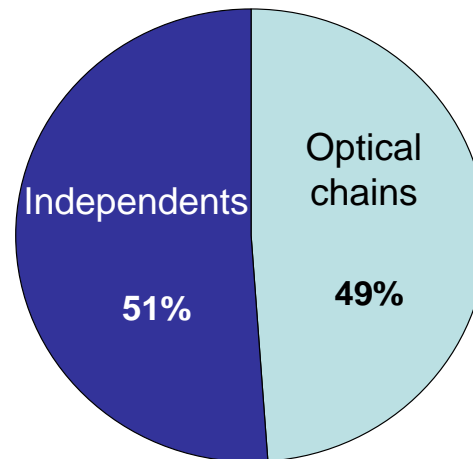
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*Independent ECPs account for
half of U.S. optical revenue*

**2008 U.S. OPTICAL RETAIL MARKET
BY LOCATION TYPE**

\$23.5 billion

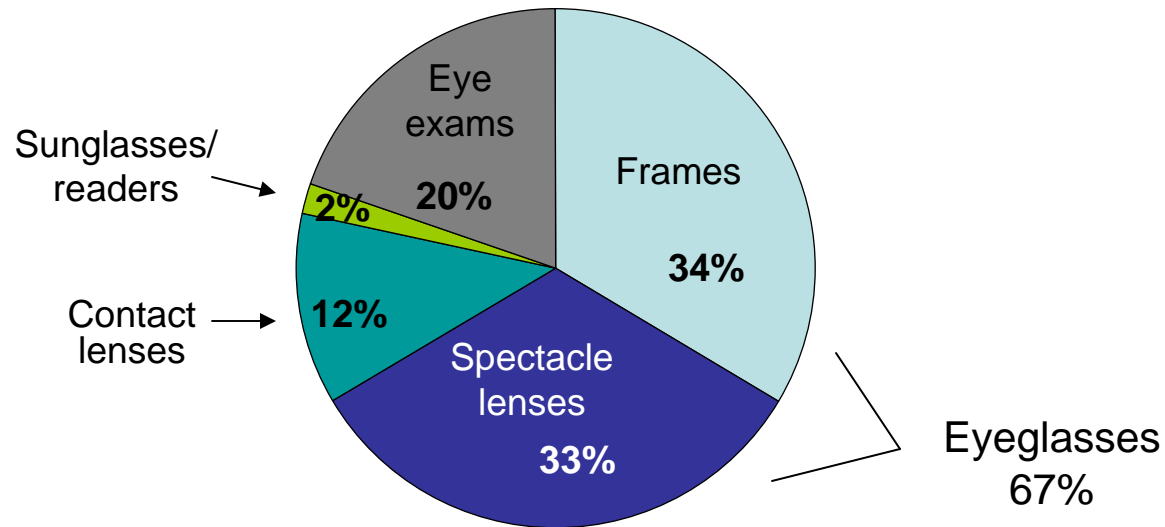


Source: Jobson Medical Information. Excludes refractive surgery, reader and sunglass sales at non-optical retail locations and contact lens sales by mail order/internet suppliers.

Eyeglass sales account for 69% of the U.S. optical market

2008 U.S. OPTICAL RETAIL MARKET BY REVENUE SOURCE

\$23.5 billion



Source: Jobson Medical Information. All optical locations. Includes revenue from adults 18 years of age and older only.

Contact lens sales are growing faster than eyeglass sales

U.S. OPTICAL RETAIL SALES TRENDS: CONTACTS AND EYEGLASSES (\$ billion)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2004-2008 % Change</u>
Contact lenses*	\$2.9	\$3.1	\$3.4	\$3.7	\$3.9	+34%
Eyeglasses	\$14.9	\$15.3	\$15.7	\$15.7	\$16.6	+5%

Sources: CIBA VISION estimates and Jobson Medical Information

* Includes sales by mail order/internet providers

*Independent ECPs earn 2/3 of eye exam revenue,
but less than half of optical product sales*

INDEPENDENT ECP MARKET SHARE

2008

(percentage of revenue)

Total optical retail

51%

Eye exams

66%

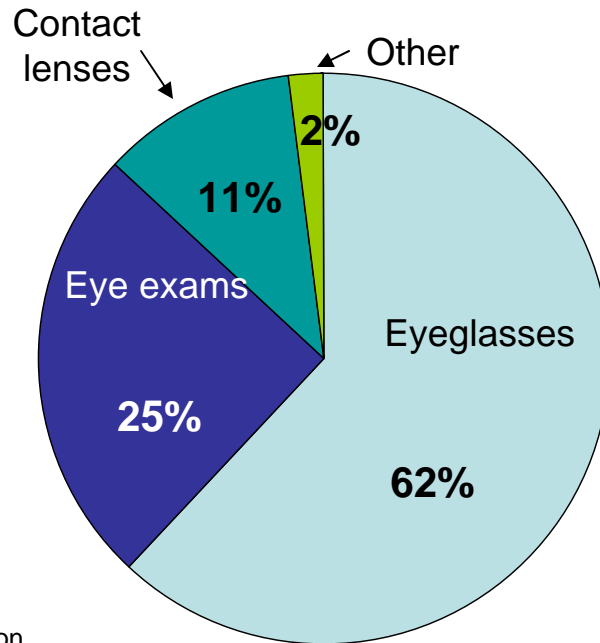
Product sales

47%

Source: Jobson Medical Information. Excludes refractive surgery, sunglass and reader sales at non-optical retail locations and contact lens sales by mail order/internet supplier.

Independent ECPs generate most revenue from eyeglass sales

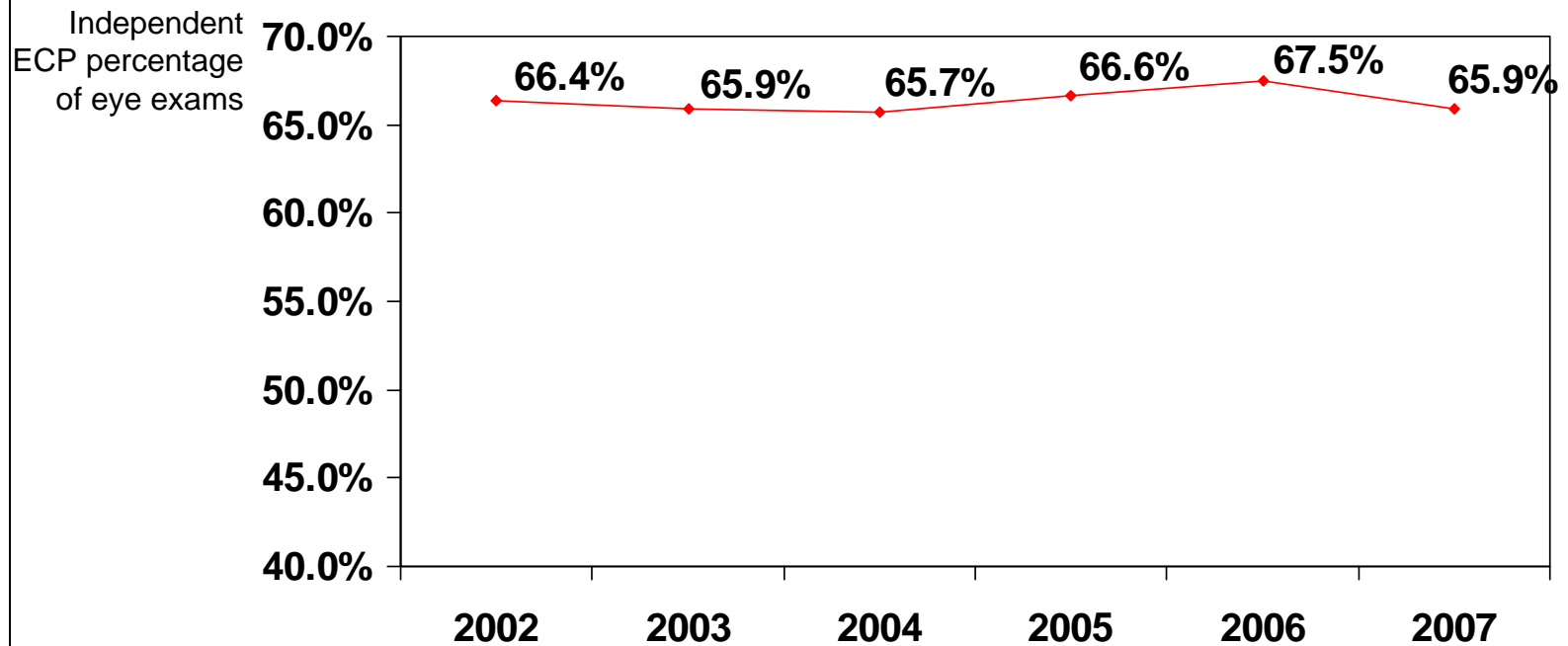
**INDEPENDENT ECP RETAIL REVENUE MIX
2008**



Source: Jobson Medical Information

Independents have maintained share of eye exams performed

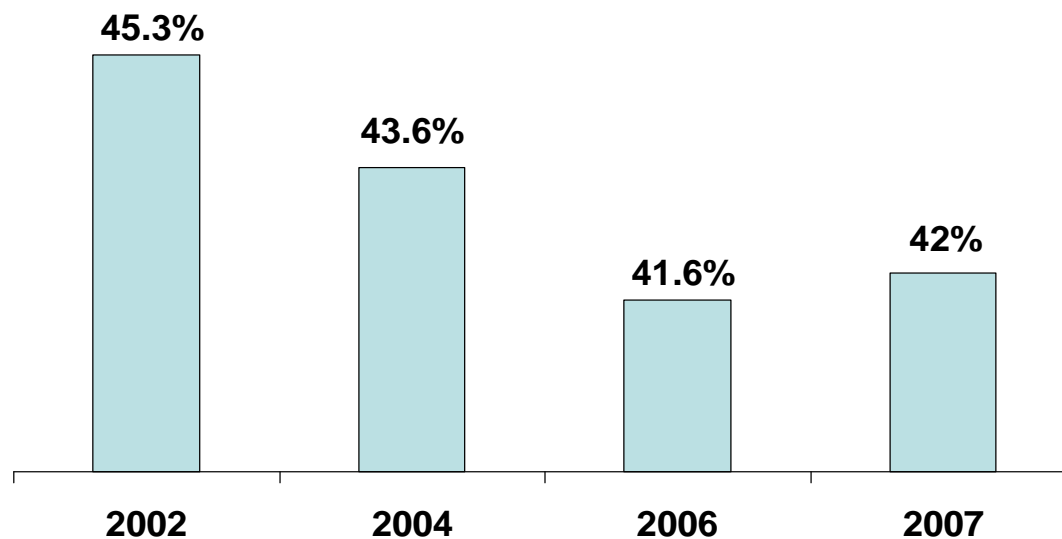
INDEPENDENT ECP SHARE OF EYE EXAMS



Source: Jobson Medical Information

Independent ECPs share of the eyeglass market is declining

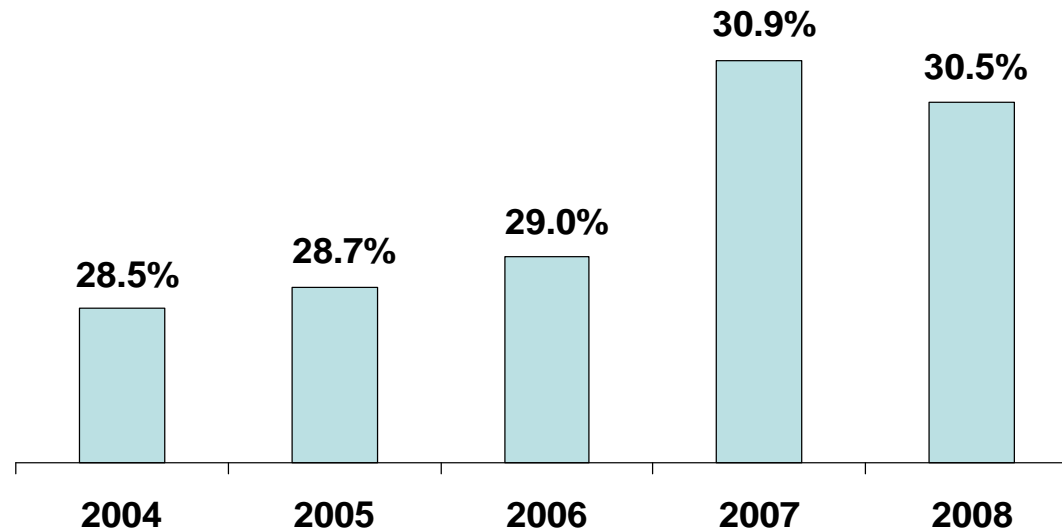
INDEPENDENT ECP SHARE OF EYEGLOSS UNITS DISPENSED



Source: Jobson Medical Information

The 50 largest optical retailers account for 31% of the U.S. optical market

**TOP 50 OPTICAL RETAILERS MARKET SHARE:
2004-2008**



Source: Jobson Medical Information

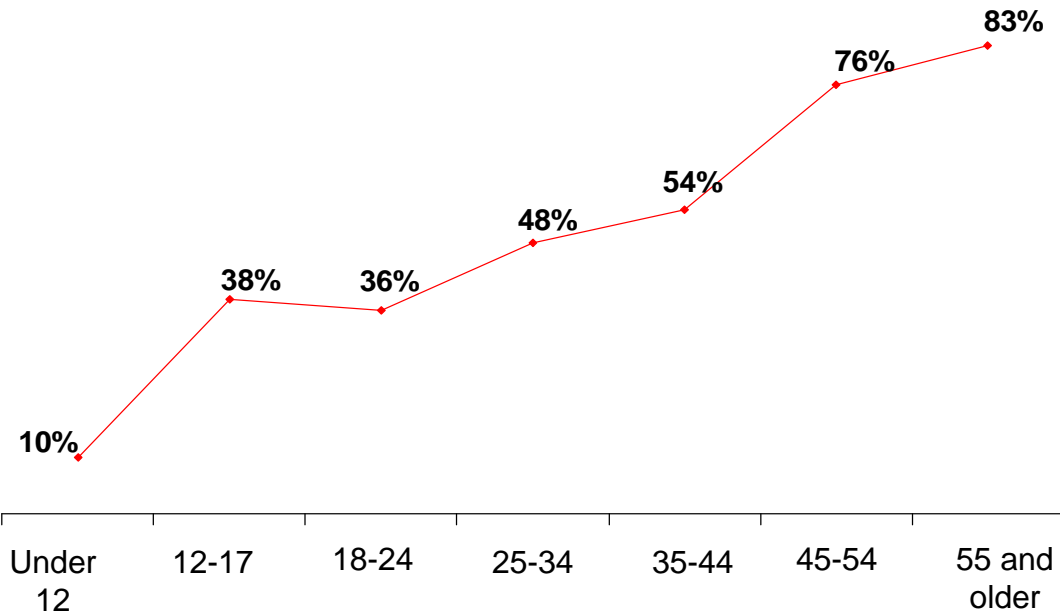
LEADING OPTICAL RETAILERS: 2008

	<u>2008 Locations</u>	<u>2008 Sales (\$ million)</u>
<u>Luxottica</u>	<u>3,009</u>	<u>\$2,695</u>
Lenscrafters	966	
Sears	879	
Pearle	809	
Target	325	
<u>Walmart</u>	<u>2,974</u>	<u>\$1,344</u>
Walmart	2,472	
Sam's Club	502	
HVHC Retail	515	\$538
Costco Wholesale	392	\$574
<u>National Vision</u>	<u>508</u>	<u>\$460</u>
Walmart	227	
America's Best	211	
Other	70	
Refac Optical Group	640	\$208
Other	1,622	\$1,405
TOTAL	9,660	\$7,164

Source: Vision Monday 2009 Top 50 U.S. Optical Retailers

Use of vision correction devices increases steadily with age

U.S. VISION CORRECTION PENETRATION BY AGE (percentage of total population wearing corrective devices)

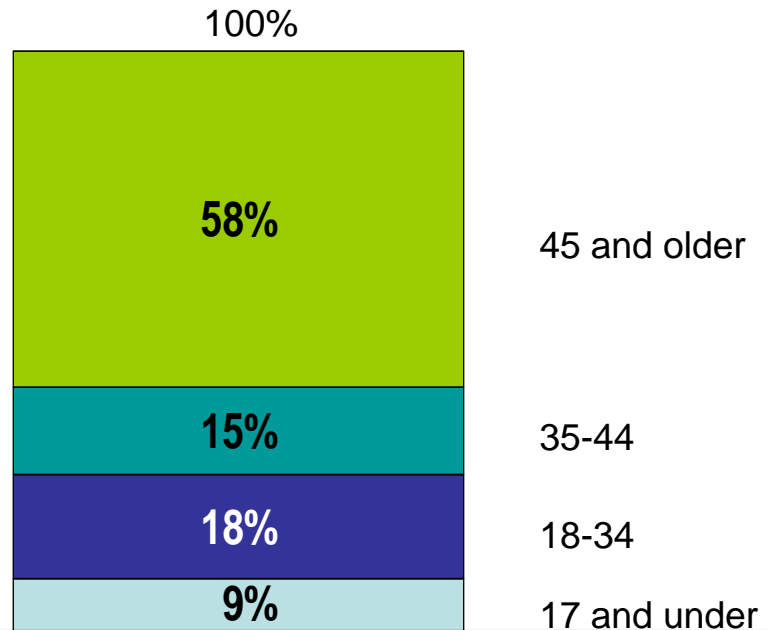


Source: CIBA VISION estimates

*Most vision correction patients are
45 years of age or older*

U.S. VISION CORRECTION POPULATION BY AGE
(percentage of total vision correction population)

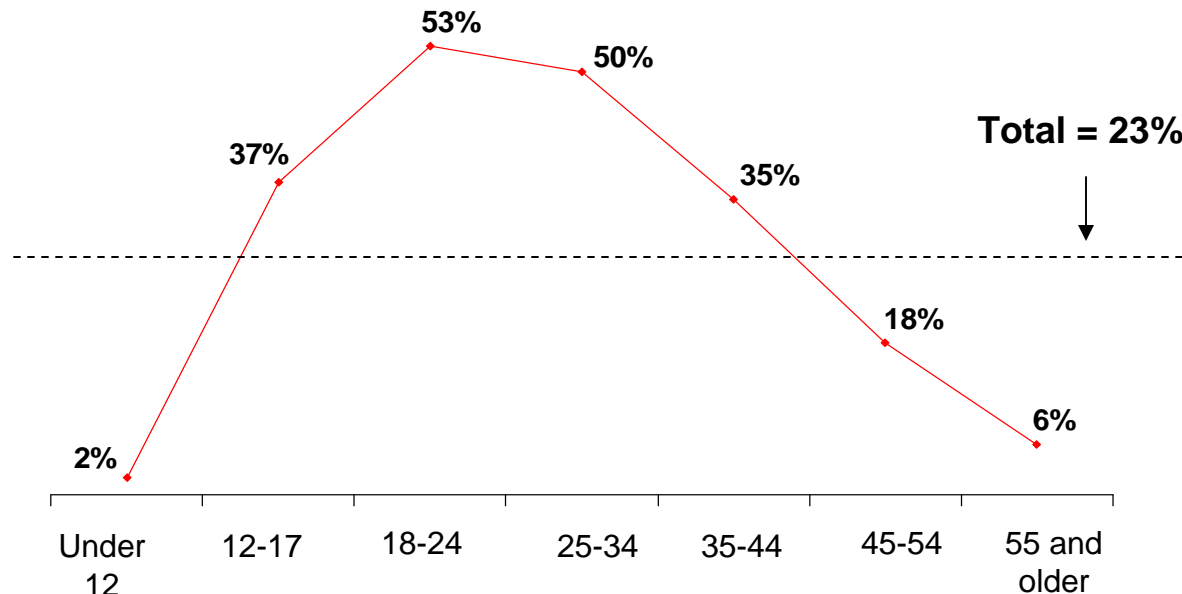
TOTAL: 156.1 million



Source: CIBA VISION estimates

Contact lenses are the preferred correction method among young adults

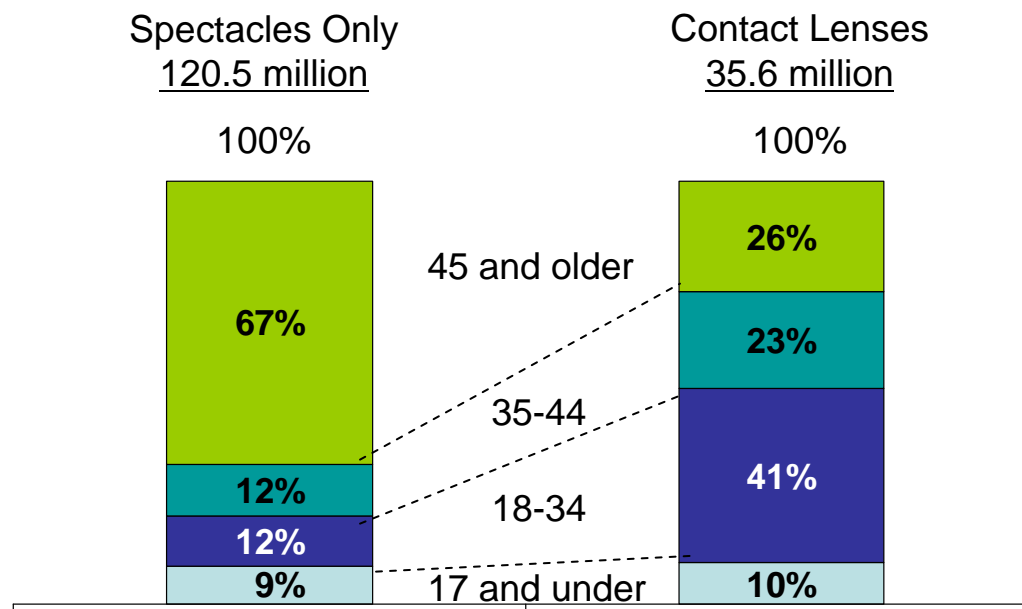
PERCENTAGE OF U.S. VISION CORRECTION POPULATION WEARING CONTACT LENSES BY AGE (percentage of corrected population wearing contact lenses)



Source: CIBA VISION estimates

2/3 of spectacles-only wearers are 45 years of age or older; 3/4 of contact lens wearers are under 45

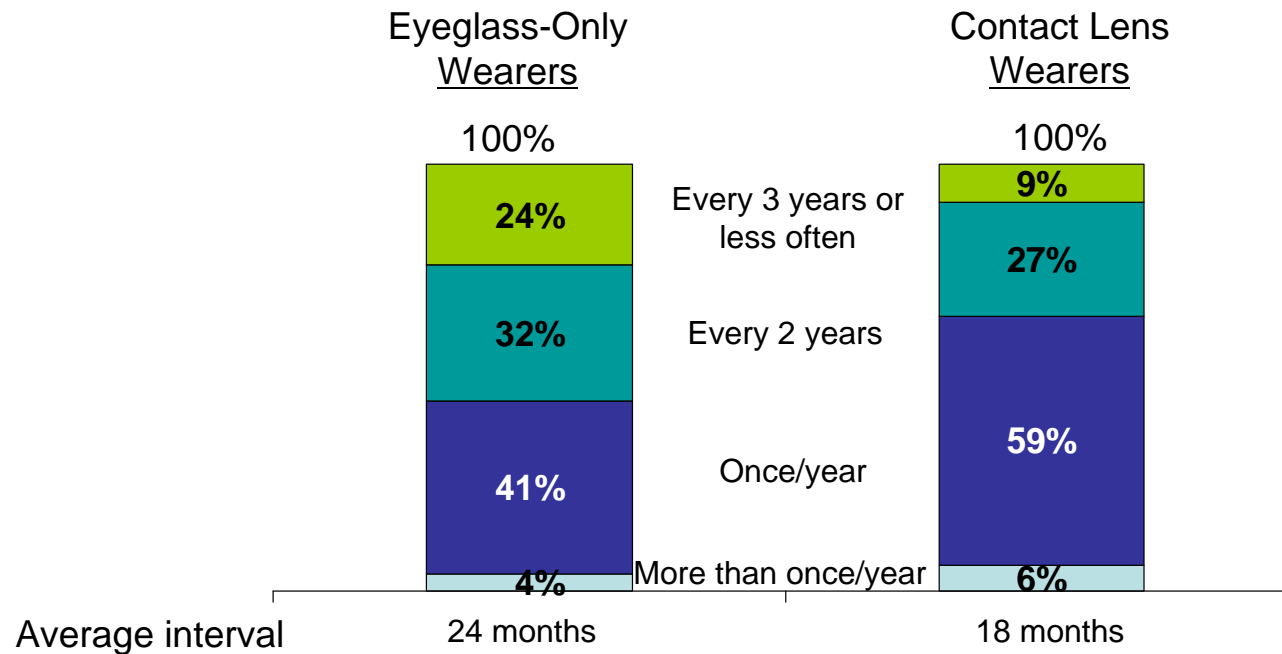
AGE DISTRIBUTION OF SPECTACLES-ONLY AND CONTACT LENS WEARERS



Source: CIBA VISION estimates

Contact lens patients receive eye exams more frequently

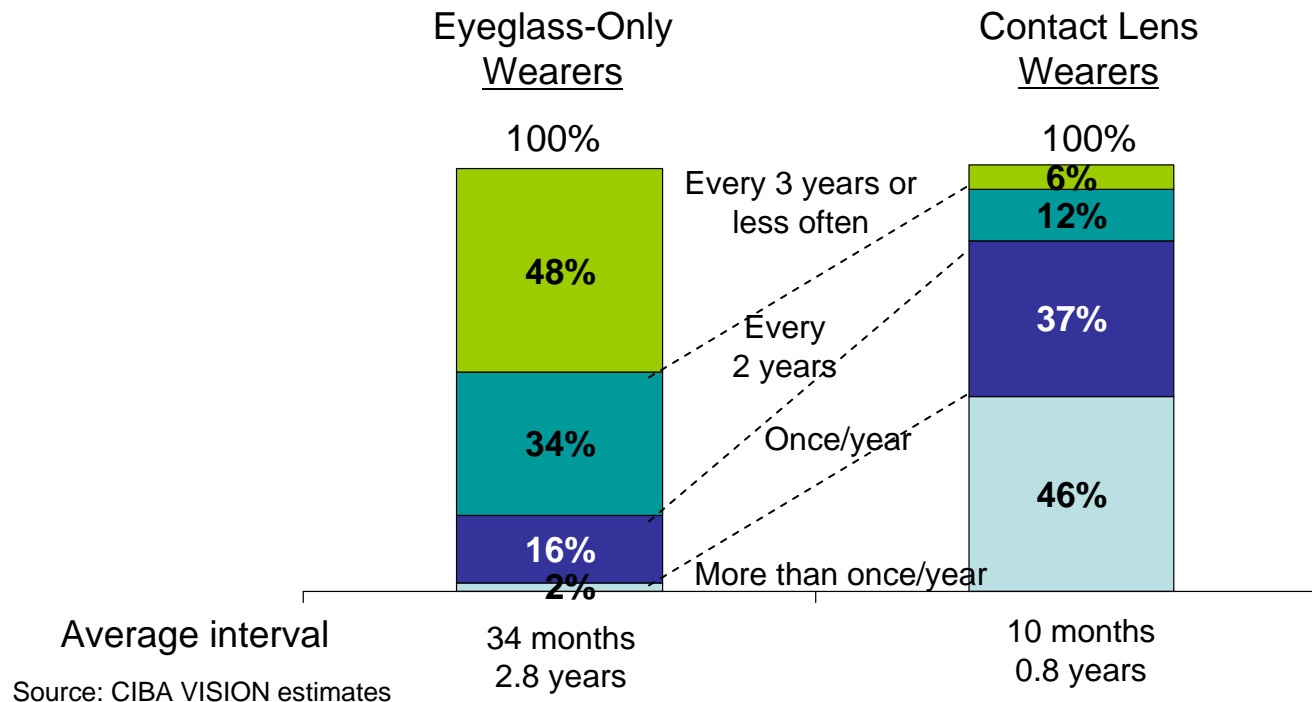
FREQUENCY OF EYE EXAMS



Source: CIBA VISION estimates

Contact lens wearers make more frequent purchases

FREQUENCY OF PURCHASE: EYEGASSES VS. CONTACT LENSES



SOFT CONTACT LENS WEARER AVERAGE ANNUAL GROSS REVENUE AND PROFIT

	Per Patient		
	Annual Retail Sales/ Gross Revenue	Annual Gross Profit	Gross Profit Percentage
Soft lens purchases	\$110.00	\$49.50	45%
Exam revenue: (average interval between exams: 18 months; \$125 per exam)	\$83.75	\$83.75	100%
Eyeglass purchases: (average interval between purchases: 34 months, assumes 80% ever purchase eyeglasses, average purchase \$200.64)	\$56.18	\$30.90	55%
TOTAL	\$249.93	\$164.15	66%

GLASSES-ONLY WEARER AVERAGE ANNUAL GROSS REVENUE AND PROFIT

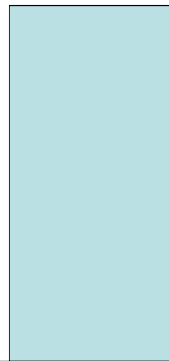
	Per Patient		
	<u>Annual Retail Sales/ Gross Revenue</u>	<u>Annual Gross Profit</u>	<u>Gross Profit Percentage</u>
Eyeglass purchases: (average interval between purchases: 29 months; average purchase \$219.77)	\$85.71	\$47.14	55%
Eyeglass exam revenue: (average interval between exams: 26 months; \$89 per exam)	\$41.40	\$41.40	100%
TOTAL	\$127.11	\$88.54	70%

Revenue and profit higher with contact lens patients

AVERAGE ANNUAL GROSS REVENUE AND PROFIT: SOFT LENS WEARERS VS. GLASSES-ONLY WEARERS

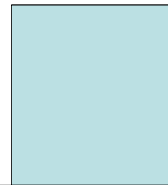
Annual
Gross Revenue
Per Patient

\$249.93



Soft contact
lens wearer

\$127.00



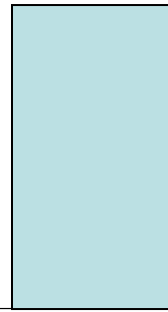
Eyeglass-only
wearer

Contact lens wearer
percentage increase

+97%

Annual
Gross Profit
Per Patient

\$164.15



Soft contact
lens wearer

\$88.54

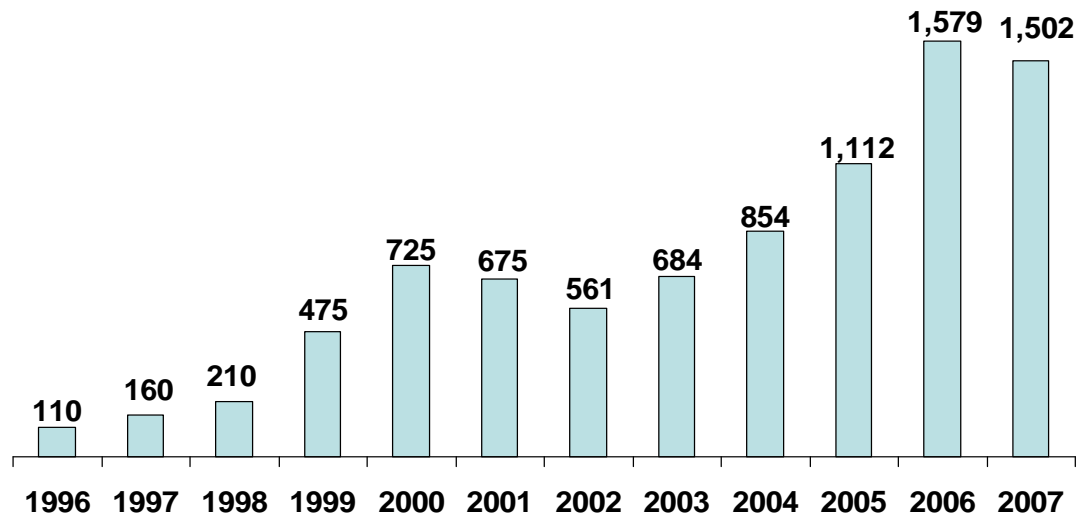


Eyeglass-only
wearer

+85%

*The refractive surgery market
has grown rapidly since 2003*

U.S. REFRACTIVE SURGERY MARKET
(initial procedure patients (000))

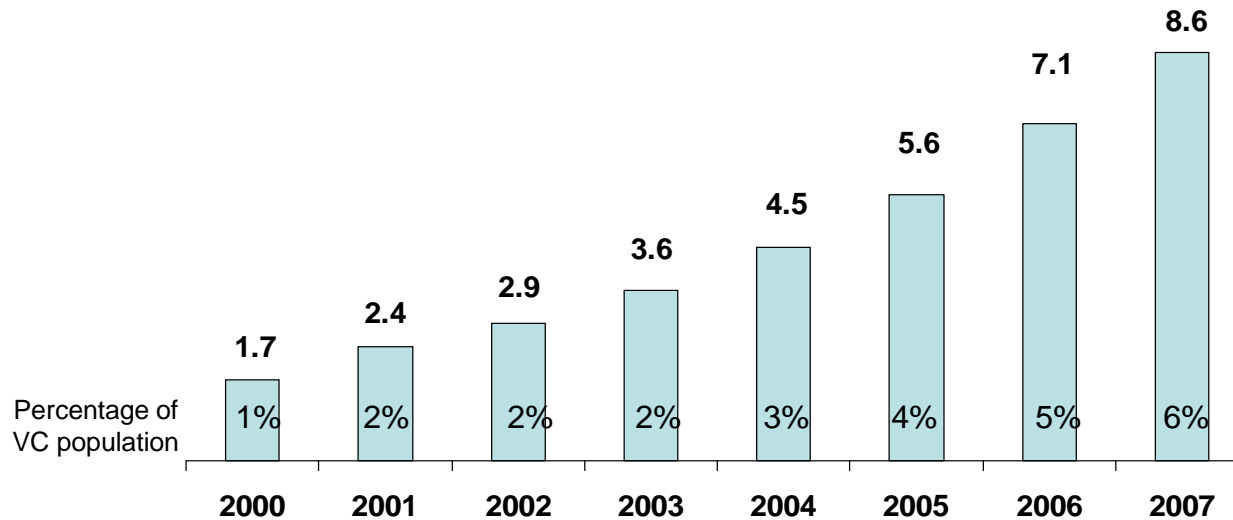


Source: Jobson Medical Information

6% of the vision correction population has undergone a refractive surgery procedure

CUMULATIVE U.S. REFRACTIVE SURGERY PATIENTS

(million)

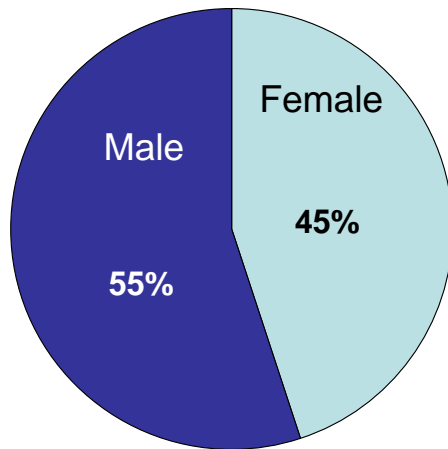


Source: Jobson Medical Information

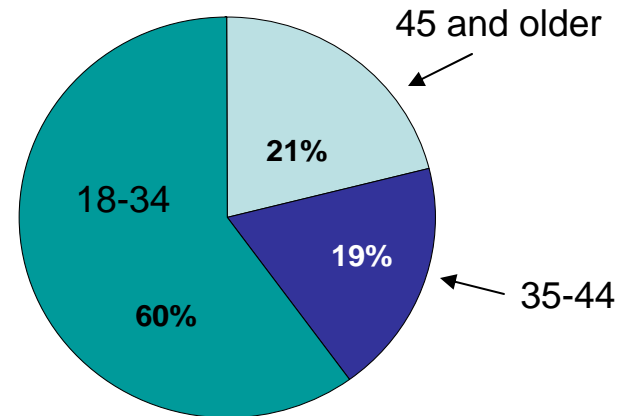
*60% of refractive surgery patients
are under 35 years of age*

PROFILE OF 2006 REFRACTIVE SURGERY PATIENTS

GENDER



AGE



Source: Jobson Medical Information

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