

A SPECIAL REPORT  
BY THE EDITORS OF

**Review**  
of Optometric  
Business

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**MARCH 2016**

*Navigation Guide to*  
**MEGATRENDS**  
*in Eyecare Practice*



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## REPORTS AND DATA SOURCES CITED

Data cited in this report is compiled from a range of sources:

- VisionWatch, a survey conducted by The Vision Council
- Vision Monday's Top 50 U.S. Optical Retailers, May 2015
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- Vision Monday's "Refraction Revisited," November 2015
- Vision Monday's "The Eye Q Factor," August 2015
- Vision Monday's "Countdown to ICD-10," June 2015
- Practice Advancement Associates (PAA), Jobson Medical Information
- Jobson Optical Research "2015 Internet Usage Study"
- Jobson Optical Research "2015 Managed Care Patient Experience Study"
- Pew Research Center, Internet, Science & Tech

## Navigation Guide to **MEGATRENDS** in Eyecare Practice

**Review**  
of Optometric  
Business

www.ReviewOB.com

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# How We Adapt to Change

***“It is not the strongest or the most intelligent who will survive, but those who can best manage change.”***

The quote above often is attributed to Charles Darwin, author of *The Origin of Species*. In fact, it was penned by Leon C. Megginson, a business professor.

In the practice of optometry, as in all businesses, our ability to adapt to change does, indeed, determine if we falter or thrive.

This year, we mark the 25th anniversary of Vision Source®. We reflect on our own remarkable growth, on the challenges, stumbles and successes along the way. And how, throughout it all, we have adapted.



Glenn D. Ellisor, OD



Jim Greenwood

A quarter century ago, it became clear that, to meet competitive challenges, we needed to form an alliance of independent optometrists. We originally envisioned our alliance as 15-20 practices around Houston, but we rapidly outgrew that number, so we adapted. We welcomed partners of common vision—people like Dr. Bobby Christensen—to build our dream of helping independent optometry to thrive.

In executing our strategy, it became clear that we needed financial resources to take us to the next level, so we adapted. Then, when we needed greater management expertise to efficiently manage and grow a national organization after that, we adapted once more.

Adapting to change. It is a constant in our organization, as we take stock of our ranks: More than 4,000 OD members at more than 3,200 independent optometric locations, and 1,800 of those practices branded with the Vision Source® logo. Indeed, continual change must be part of our culture and the culture of any independent optometric practice if we all are to succeed.

With that in mind, we are pleased to bring you this year’s edition of the Vision Source® **Navigation Guide to Megatrends in Eyecare Practices.**

This essential guide provides an overview of forces that profoundly impact the practice of optometry—along with strategies in how to adapt to these changes and to flourish. Many of these megatrends extend far beyond the practice of optometry, reminding us that we practice in dynamic times that challenge all businesses to adapt to survive.

Change is, indeed, disruptive. It requires us to think, to understand and to adapt. But do we adapt to avoid threats—or to seize new opportunities? At Vision Source®, we believe it’s all about opportunity.

Detailed in this report are a host of Vision Source® programs, exclusive to Vision Source® members and designed to help us capture opportunity. As Vision Source® members, we have choices—whether to brand, whether to support our list of Elite vendors (Essilor, Bausch + Lomb, Zeiss Meditec, Optovue, CooperVision, Optos, Safilo, and Marco) whether to participate in local meetings—and there are enormous advantages to leveraging these benefits.

Along with the many programs that Vision Source® offers, we have strength in numbers. Vision Source® has grown to become recognized as the second-largest optical retailer in the country. We represent, in effect, a national company of independents. And the more we act as one company, the more successful we all will be.

As leaders of small businesses, or “CEOs of our practices,” we sometimes feel isolated, and overwhelmed. But we are not alone. We have the power of our collective knowledge to face our challenges. We see that so strongly at The Exchange®, our national member meeting, and at our local meetings, where we revel in peer-to-peer discussions. Now, with the premier of Vision Source® Insight, we extend our forums for sharing knowledge into a virtual community, connecting online with more than 4,000 other Vision Source® members, and tearing down geographic and other logistical barriers to this type of collaboration.

When we think back to our beginnings 25 years ago, we revisit the simple principle that guided us then and guides us now: sharing best practices for the benefit of our patients and the prosperity of our practices.

We will continue to face our challenges together and, in doing so, will ensure a great present and future for independent optometry!

*Glenn D. Ellisor, OD*  
*Founder & Executive Chairman*  
*Vision Source®*

*Jim Greenwood*  
*President & CEO*  
*Vision Source®*

# MEGATREND: The World's Gone Digital

**Digital communication technology is revolutionizing how consumers interact with retailers and medical providers.**

Over the past 20 years, the emergence and proliferation of digital devices have made them major vehicles for personal communication between individuals and between businesses and customers. These devices have become the primary tool people use to gather information and are increasingly used to purchase a wide range of goods and services. It is certain that digital devices will become even more widely used in the future and may eventually obsolete traditional communication methods. Here is an overview of the status of the digital revolution in the U.S.:

## Penetration of digital devices in U.S. households is nearly universal.

- Nearly nine-in-10 households have Internet access at home. Some 73 percent of adults are online on a daily basis. Only among the elderly is Internet access and usage somewhat lower.
- Some 73 percent of adults own a desktop or laptop computer, 68 percent own a smartphone, and 45 percent own a tablet. Smartphone ownership has shown the most rapid growth in recent years and will soon surpass ownership of desktop and laptop computers.
- Some 65 percent of adults currently use one or more social media sites.

## Daily usage of digital devices among younger adults is broad-based and constant—a harbinger of future consumer communication behavior.

- Some 86 percent of adults 18-29 years of age own a smartphone, compared to 68 percent of all adults.
- More than 60 percent of households with a head under 35 years of age use only mobile telephones and have no landline phone at home, compared to 39 percent of all households.
- Some 90 percent of adults 18-29 use one or more social media sites, compared to 65 percent of all adults.
- Nearly four-in-10 young adults say they are nearly continuously online during waking hours.
- Many Millennial consumers have formed a habit of researching product performance and pricing online before making any major purchase.

## Online retail sales are growing rapidly and are transforming traditional retailing.

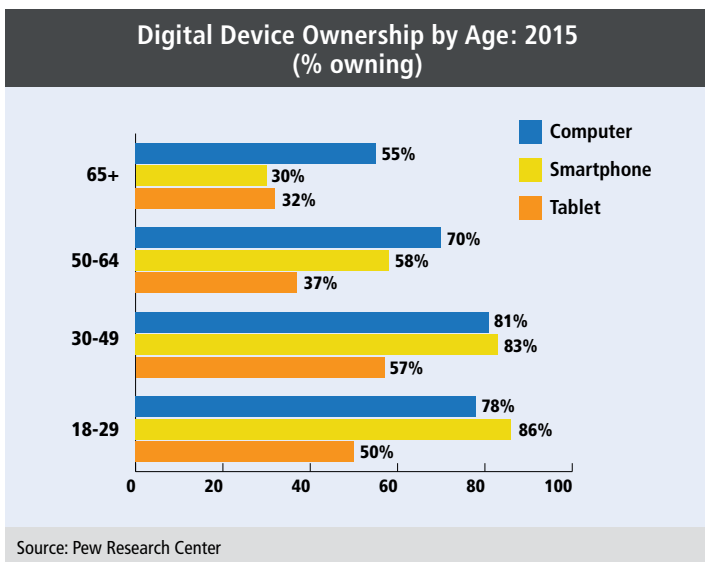
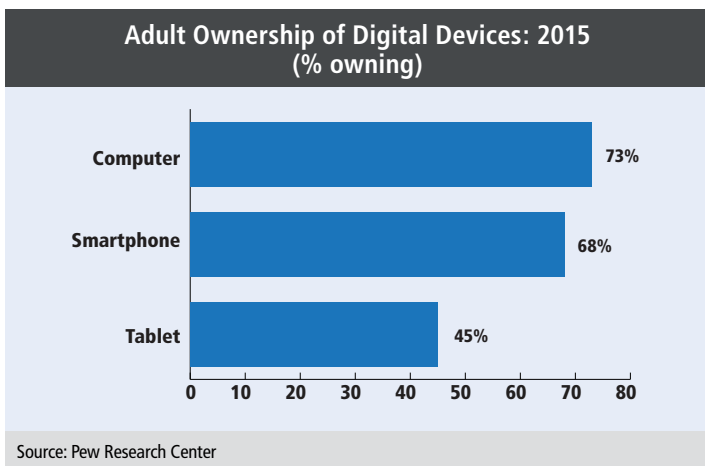
- In 2014, online retail sales totaled \$305 billion, accounting for 8.3 percent of U.S. total retail sales (excluding food and auto sales).
- Online retail sales are rapidly increasing market share and are likely to exceed 15 percent of total retail sales within five years.
- Some 85-90 percent of adults purchase products online.

- Some 30 percent of online retail sales are currently made with mobile devices, a share which is rapidly growing. Retail sales on mobile devices are expected to double by 2019.
- Consumers choose to purchase online primarily to save the time involved to make purchases at brick-and-mortar stores. Online buyers appreciate the convenience of 24/7 access to Internet retailers and often can find a larger selection online and sometimes achieve lower pricing.

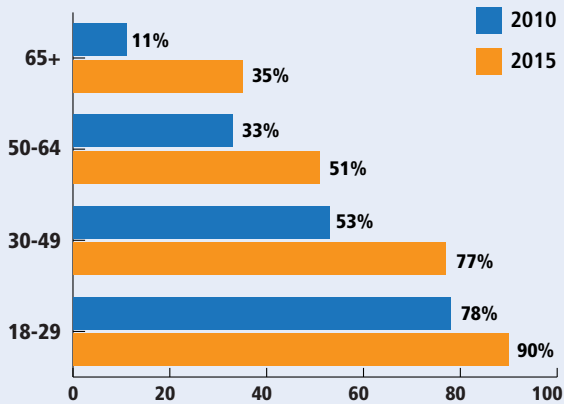
## Online consumer review sites are widely used to evaluate product and service providers.

- Prospective customers of most businesses, including eye doctors, have an expanding opportunity to assess evaluations of a cross section of current customers before deciding to patronize a business.

A total of 142 million unique visitors go to the Yelp site every month—nearly half of the U.S. population. To date, 90 million reviews of service providers have been submitted to Yelp. Currently 26,000 new Yelp reviews appear daily.

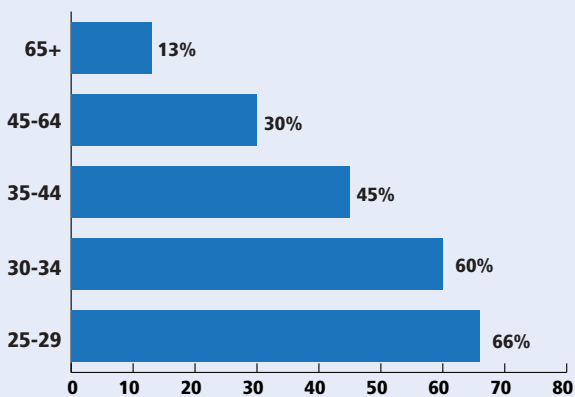


### Social Media Usage by Age: 2010-2015 (% of adults using one or more social media sites)



Source: Pew Research Center

### Percent of Adult Households with Wireless-Only Telephone Service by Age: 2013



Source: Centers for Disease Control and Prevention

The digital revolution remains at an early stage. Continuing advances in technology will reduce consumer expense to own and use digital devices and will further increase penetration. It is also a certainty that vast new information resources and functionalities will come online. Pew Research Center Internet expert Lee Rainie envisions that digital communications will become like electricity (ubiquitous, less visible, taken for granted but deeply embedded in most people's daily lives).

#### Digital Communications are Impacting Healthcare

Digital communication is transforming medical care. Electronic Health Records (EHR) will greatly facilitate sharing of patient records within coordinated care networks, and patients enrolled in large networks will have ready access to records. Increasingly, Internet communications are used to manage patient appointments and market medical services. Telemedicine technology is being rapidly developed to enable diagnosis of many medical conditions and online consultation with medical professionals without office visits, increasing access and reducing cost of care.

Within eyecare, dozens of online apps have been developed by

manufacturers and entrepreneurs to assist ECPs in managing and educating patients. Many more are appearing each year. Among the functionalities now available, many adapted to mobile devices, are:

- Information archives on ocular conditions and diseases
- Appointment booking and recall reminders
- Patient check-in facilitators
- Insurance allowance verification
- Measurement devices for accurate determination of specifications for customized progressive lenses and for frames fitting
- Visual demonstrations of ophthalmic lens features and benefits
- Virtual frames try-on
- Photo transmission of patients wearing frame options to family/friends
- Pharmaceutical compliance reminders
- Refraction aids
- Medical record access

Digital devices are increasingly used by ODs during in-office eye exams. Digital refraction instruments enable faster and more precise refraction with less patient fatigue, and have potential to increase delegation of refraction to optometric assistants. They also offer ergonomic advantages to ECPs performing exams.

Mobile refraction technology, enabling in-home refraction, is in its infancy. It is unclear if mobile refraction will have significant impact on eyecare in developed countries that have large ECP workforces in place. In the U.S., mobile refraction is sure to face strong resistance from professional organizations and state licensing organizations.

#### Eyecare is Going Digital

Currently, a company called Operative, headquartered in Chicago, claims to conduct online refractions in 33 states and plans to operate within 46 states over the next year. The company said that 40,000 patients have "signed-up" for its services to date. It provides online refractions in 25 minutes and provides prescriptions for either eyeglasses or contact lenses for \$40, or both for \$60. In February 2016 it received additional investment totaling \$6 million to fund expansion.

Longer term, it is likely that many more digital monitoring devices will be developed and be worn or used by patients in their homes, which will electronically report data to physicians on disease states. It is conceivable that applications could be developed for eyecare.

Wearable technology, with groundbreaking products from Google Glass to Oculus Rift, have taken hold of the imagination of many early adopters of digital devices. Some eyecare practices have embraced this by creating specific areas to display cutting-edge electronic eyewear. It is unclear yet if eyecare practices can compete as retailers in this arena, but these products enforce the identity that the eyecare practice is high-tech and forward thinking. The eye strain and dry eye conditions often associated with the use of digital devices and the blue light emitted from screens are important subjects for discussion between ODs and patients.

Surveys suggest that relatively few ODs are at the forefront in usage of digital technology to communicate with patients.

- Approximately 80 percent of independent ODs support a practice website, but only a minority of ODs use the website to enhance

the total patient experience. Most ODs present their website as a static, electronic Yellow Pages ad. Only a few convey a differentiated practice positioning or mission. Many appear out-of-date.

- A survey on ECP Internet usage, conducted by Jobson Optical Research in late 2015, indicates that:
  - Some 45 percent of ECPs use tablets with patients in their offices, mainly to educate patients about ocular conditions and product features and benefits. Only a minority use tablets to gather patient medical history and lifestyle information or for virtual try-ons of eyewear.
  - Some 79 percent of ECPs have social media accounts (mainly Facebook), and half of social media users post content weekly or more frequently.
  - Some 80 percent of ECP websites lack online ordering functionality; 90 percent lack appointment scheduling functionality. Most ECPs update their website content only two or three times a year. Most do nothing to enhance search optimization. Just 15 percent of ECPs regard their websites as technically advanced.
  - Use of email for patient communications is steadily increasing. In late 2015, 73 percent of ECPs used patient email, up from 56 percent in 2013. Email recall messaging was the most frequent use.
  - Some 48 percent of ECPs use text messaging with patients, mainly for recall reminders.
- Many OD practices have been slow to achieve Meaningful Use of EHR.

### Implications for Optometry

- Patients will increasingly prefer to use mobile digital devices as primary communications vehicles with personal service providers, including optometric practices.
- Patients will increasingly preview eyewear online before purchase, make price comparisons, and purchase eyewear and contact lenses online.
- Commercial eyecare providers will pioneer digital applications to facilitate refractions, capture purchases of managed care patients, increase eyewear and contact lens purchase frequency and capture rate. The effect will be to improve the patient experience at corporate providers.
- Digital devices will increasingly be used to fit advanced eyewear and conduct refractions in-office.
- Patients will prefer to complete medical history and lifestyle questionnaires with digital devices.
- Patients will gain online access to exam records and treatment plans.
- ECPs who use digital devices extensively to educate, refract and manage patients will be regarded by patients as technically advanced, enhancing ECP reputations for medical competence.

### Action Steps

- Upgrade the practice website.
  - Convey a distinctive, patient-centric practice mission.
  - Offer appointment-making and medical history functionality.

- Showcase new products.
- Offer product purchase functionality.
- Update regularly with practice and product news.
- Optimize the site for mobile devices.
- Fully utilize email and text communications in recall, marketing, appointment confirmation.
- Enable patient online access to medical records.
- Actively ask patients about their use of digital devices—and let them know you can ease eye strain with techniques and optical devices you offer.
- Facilitate patient check-in with mobile devices.
- Use social media to market the practice.
- Adopt digital try-on and ophthalmic lens measurement technology.
- Stay current with online refraction.
- Read *The Patient Will See You Now* by Eric Topol for an insightful discussion of the future impact of the digital revolution on medical practice.



# MEGATREND: The Rise of OD Alliances

***Independent ODs are allying with peers to level the competitive playing field with commercial eyecare giants.***

Sustaining a profitable independent eyecare practice is extremely challenging in the face of competition from a wide variety of retail models—optical chains, mass merchandisers, online retailers, etc. In response to competitive challenges, large numbers of independent ODs have bonded together in optometric alliances that offer member discounts on optical products and services, provide practice-building education and consulting, and cultivate peer-to-peer sharing of growth strategies and management techniques.

Several generations ago, it was easier to make a living as an independent OD than it is today. A comfortable income could be earned by spending most hours of the day in the peaceful environment of the exam room, diagnosing patient needs and recommending vision correction solutions. Success came with technical competence and building long-term relationships with patients. Back then, it was not critical for an independent OD to invest much time to learn and apply the latest business management techniques or to constantly scan the environment to discern emerging competitive opportunities and threats.

As, corporate eyecare began to emerge as a significant force, it changed forever the competitive landscape. Chain optical companies could leverage their buying power to enable lower pricing to consumers. They could locate themselves in high-traffic retail stores or hire real estate experts to find the locations most convenient to customers. They could hire professional managers, trained at leading business schools and with management experience at major corporations, to run the businesses as their full-time jobs. They could afford to do extensive market research to better understand customer needs and preferences and refine their marketing messaging. Because optical chains consumed high volumes of products, vendors devoted considerable funds and time to help chains refine product offerings and promote their services. With large resources, corporate eyecare was able to pioneer significant innovations in product merchandising and introduce new retail concepts, such as one-hour opticals.

Over time, the superior management savvy of corporate eyecare companies translated to significant market share. Currently it is estimated that commercial eyecare providers, which include many of the largest retailers in the U.S., account for 27 percent of the total retail market for corrective products and services. They now account for an estimated 25 percent of the locations offering vision correction products in the U.S. In most communities, independent ODs experience powerful competition from optical chains and struggle to neutralize the scale advantages of corporate providers.

Buying groups were an early response to help independents compete with corporate eyecare. They offered product discounts, consolidated billing and a limited array of other services. But buying groups did not meaningfully alter the competitive balance of power. Many buying groups continue in operation today. Some offer professional education, billing and coding assistance, and marketing support services. Many ODs are members of more than one buying group.

Optometric alliances were a more powerful response to the corporate eyecare threat, beginning with the founding of Vision Source® in 1991. Alliance membership has grown dramatically over the past decade. OD alliances address the major competitive weaknesses of independent ODs, particularly by conferring benefits of scale and enhancing members' business management skills. Among the many ways alliances make independents more competitive are:

- Product discounts
- Private-label contact lenses and ophthalmic lenses
- Local member peer groups to share best practices
- National and regional education conferences
- Local professional education seminars
- Online education
- Personalized consulting
- Staff training programs
- Marketing templates and consultation
- Website design
- Branding and consumer advertising
- Contract negotiation and credentialing assistance with managed care companies

Currently it is estimated that 14,096 ODs working in 9,808 independent OD practice locations are members of OD alliances. That represents nearly 40 percent of independent practices. Membership is growing at about 10 percent annually, and within five years it's likely that 58 percent of independent OD practices will be alliance members.

OD Alliance Membership		
	ODs	Locations
Vision Source®	4,071	3,262
IVA/PERC	4,053	2,505
IDOC/Prima	3,100	2,400
PECAA	1,975	1,300
OD Excellence	897	341
<b>TOTAL</b>	<b>14,096</b>	<b>9,808</b>

Source: PAA and Vision Monday estimates. Does not include buying groups that have no membership fees, but may offer some education and other services, in addition to product discounts.

The largest alliances are backed by substantial financial resources and are likely to continue aggressive new membership programs and to expand the range of services provided to members.

The growing influence of managed care organizations on the financial prosperity of OD practices is likely to stimulate further alliance membership growth. It is increasingly difficult for independent medical practices to keep current and remain compliant with changing government and insurer administrative requirements. This challenge has been one of the key drivers of consolidation in primary care physician practices.

Optometric alliances provide valuable assistance to ODs to deal with managed care companies. In the new era of health care reform, the two major alliances are able to offer broad network coverage to managed care companies in some metropolitan areas. The largest alliances, especially those working to elevate and standardize the skills and quality of care levels of their members, can be more effective than are individual practitioners in dealing with the administrative requirements of Accountable Care Organizations (ACOs) and major insurers to gain accreditation and provider panel membership. Alliances also have greater leverage to negotiate reimbursements.

Privia Quality Network, a subsidiary of Brighton Health Group, is an example of an organization that actively exists to support independent primary care physicians. Privia charges the medical practice a high single-digit percentage of revenue for a wide variety of back office and managed care services, with a premium rate on top of the base fee for incremental revenue growth.



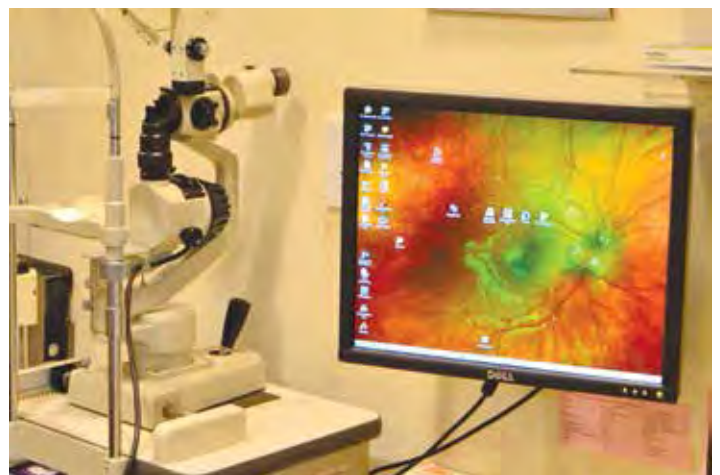
In 2015, Privia Quality Network established a relationship with Vision Source® to provide eye health and vision services to their patient base. This arrangement is designed to deliver improved outcomes for the patients of both organizations. Working together, the two organizations will provide a full spectrum of care to cost-effectively detect, manage and refer the many health issues that cross over between general practitioners and optometrists.

### Implications for Optometry

- The rapid growth of optometric alliances indicates that they provide significant value to independent optometrists. They enable ODs to continue to enjoy the financial rewards and personal satisfaction of independent operation, while realizing some of the scale advantages of corporate providers.
- It will become increasingly difficult for independents to deal with managed care companies without the clout and expertise of a large alliance. Alliances also will assist independents to comply effectively with managed care requirements, with less management time investment to learn the rules.

### Action Steps

- Alliance members should take full advantage of the educational resources and business-building tools provided by the alliance and interact regularly with local members.
- Non-members of optometric alliances should evaluate needs and consider joining an alliance.
- Enhance clinical skills and establish office processes to provide superior care efficiently and economically.





# MEGATREND: The OD-Owner as Practice CEO

***A challenging competitive environment demands that independent OD practice owners move beyond a clinical focus to also become effective chief executive officers.***

Over the past decade there has been an explosion of education programs for OD-owners dealing with business management principles and techniques – all designed to improve competitiveness in an increasingly challenging environment.

The upsurge in business education for ODs continues as more and more progressive ODs recognize that, in the face of challenges from commercial eyecare and managed care companies, their continued prosperity depends on better management.

Increased OD adoption of proven business management techniques is being caused in part by the long-term trend of consolidation of optometric practices. Over the long term, the number of practices operated by a single OD owner has steadily declined. Most independent practice ODs now work in multi-OD practices. The consolidation trend is driven by:

- Economies of scale are available to multi-OD practices (occupancy, cost-of-goods, inventory, equipment, overhead, etc.).
- Multi-OD practices have a heightened ability to allocate time to financial management, marketing, and staff training and supervision.
- Increased administrative burdens of managed care are better absorbed in multi-OD practices.
- Multi-OD practices are able to offer more convenient office hours and greater appointment availability.
- Increased use of performance tracking programs that facilitate dashboard management.

Multi-doctor practices with larger patient bases and larger staffs require more attention to systemization and documentation of internal processes. This heightens interest in business management education among this class of owners.

Over the past 30 years, there has been continuous consolidation among optical retail chains. This trend further exposes management deficiencies of independent ODs. A handful of large chains now control a dominant market share. The top five chains operate 10,068 locations in the U.S., and in 2014, accounted for 71 percent of total chain optical sales. Survivor chain optical organizations have greater financial and management resources to devote

## Leading Optical Chain Sales and Locations

	2014 Sales (\$million)	2014 Locations
<b>Top 50 U.S. Optical Chains</b>	\$11,029	13,290
<b>Top 5 Optical Chains*</b>	\$7,823	10,068
<b>Vision Source®</b>	\$2,213	3,023

\*Includes Luxottica, Vision Source®, Walmart, National Vision, Visionworks

Source: Vision Monday, Top 50 U.S. Optical Retailers, May 2015

to improvement of their business models and are able to innovate new store formats and new merchandising and marketing programs that make them even more formidable competitors. The consolidation trend among corporate providers, as well as a growing set of regulatory requirements, increases pressure on independents to maximize their value propositions.

Despite the proliferation of business education programs for ODs, many ODs continue to view themselves as chief clinicians of the practice, and not as CEOs. Many have not yet adopted basic management techniques used by all large corporations and many small businesses. For example:

- A significant proportion of OD practices do not establish quantitative performance goals, and a majority have no written revenue and expense budget.
- Only a minority of independent practices develop an annual written marketing plan, and most spend less than 2 percent of revenue to market their practices.
- Review of key business metrics is sporadic in many practices. Many business decisions are based on guesstimates, biases and assumptions and not on data analysis.
- Few practices have developed and continuously reinforce an inspiring, patient-centric mission statement that improves staff behavior.
- Most OD owners spend little time to build staff engagement.
- Most ODs do not consistently measure the patient experience and apply findings to actively coach staff in continuously improving patient interactions.

### Implications for Optometry

- Independent OD practices must adopt disciplined management processes or they will experience increased jeopardy as managed care extends its dominance in eyecare and as commercial competition intensifies.
- Practice valuation will be on the effectiveness of internal processes and staff to generate a growing stream of net income.
- Optometric alliances will remain at the forefront of business education for independent ODs. Major alliances have growing financial resources and are adding staff to increase practice management offerings and personalized consulting for members. Membership opens the door to these resources.

### Action Steps

- Annually, list key practice performance goals, and engage staff in tracking improvements in the patient experience score, reducing employee turnover, enhancing revenue per patient, improving accounts receivables and the operating margin of the practice, etc.
- Attend practice management lectures at major conventions and association meetings.
- As an OD alliance member, take full advantage of business education programs offered by the alliance.
- Participate in peer-sharing opportunities through OD alliances and at professional meetings and through peer study groups.
- Adopt systems that auto-track metrics, and display them on a management dashboard.

# MEGATREND: The OD's Expanding Role in Healthcare

***ODs have growing opportunities to become gatekeepers of patient health and expand the range of medical services offered, beyond refraction.***

The role of the OD in healthcare is expanding. This is the result of the expanded scope of optometric practice, enabling ODs to treat a broader range of ocular conditions, as well as the increasing reliance on ODs by managed care companies in early disease detection and ongoing monitoring of patients' overall health.

The nearly universal licensing of ODs to prescribe therapeutic pharmaceuticals to treat ocular disease has gradually altered the daily work of ODs, has broadened the range of services ODs can offer patients and opened new revenue opportunities.

The level of involvement in medical eyecare among OD practices varies widely. Most are involved at some level. Some practices now derive more than half of their revenue from medical eyecare and actively market their glaucoma, dry eye, allergy and infection treatment services.

Other practices continue to focus mainly on prescribing corrective devices and treat ocular disease only if a patient presents acute symptoms. Practices that are largely uninvolved in medical eyecare usually refer glaucoma patients to specialists. It is estimated that in typical independent OD practices today, one-in-five patient visits involve medical eyecare. The proportion of medical eyecare patients in OD practices affiliated with optical chains is usually substantially lower.

MBA surveys earlier in the decade suggested that medical eyecare accounted for a median of 17 percent of gross revenue in independent OD practices. It's likely this median share of revenue has slowly increased in recent years. Other studies have shown that many patients suffering from ocular allergies or ocular surface disease remain undiagnosed and untreated, because many ODs make little effort to uncover symptoms of these conditions.

The increasing focus of government, major insurers and Accountable Care Organizations (ACOs) on reducing medical care cost and improving outcomes opens a door for ODs to assume a larger role in early detection and monitoring of chronic disease.

ODs are well positioned as gatekeepers of patients' overall health. The 40,000 ODs practicing in the U.S. have over 100 million patient encounters annually, equivalent to seeing one-third of the population every year.

ODs routinely see patients who are unaware of the symptoms of their chronic disease and have not been diagnosed with disease by a primary care physician or specialist. In the course of a comprehensive eye exam, ODs are able to detect common chronic conditions such as hypertension, high cholesterol, metabolic syndrome, and diabetes, as well as lower incidence diseases such as rheumatoid arthritis, multiple sclerosis, Crohn's disease, Graves disease and others. Once disease is detected during a routine eye exam, patients can be referred to other medical providers for treatment.

Access to ODs often is easier than with other medical providers and can be less costly. This makes ODs attractive to insurers as health gatekeepers, because early detection is more likely, and long-term costs are thereby

reduced. Insurers also consider ODs a more attractive alternative to primary care physicians as gatekeepers of the population's health, because the physician supply is stagnant, even as the number of people seeking medical care grows as insurance coverage expands under the Affordable Care Act.

ODs also can play an expanded role in ongoing monitoring of patients' disease states. Such monitoring results in earlier intervention, fewer complications and higher patient compliance with treatment plans—all of which reduce long-term costs and improve outcomes.

## **The Dawn of Data-Based Medicine**

Head-spinning advances in the collection and analysis of data are reconfiguring many areas of healthcare delivery. Systems like IBM's Watson are able to process vast amounts of data, including in medicine, where data collected on pathology from all around the world can be crunched in seconds. The promise is that patterns of disease not apparent to the human eye, mind or senses can be detected, followed by treatments that can be devised more readily than in the past. In one recent case, a super-computer with image-recognition technology was employed to analyze 6,000 scans of diagnosed lung cancer cases—and proved 50 percent more accurate than humans, its producer claims.

These kinds of developments hint at even greater promises to come: A new generation of super-computers—themselves cloud-based—now draw upon far-flung data bases and apply artificial intelligence to derive models of problem solving and disease treatment with ever greater accuracy. In recent years, the practice of optometry has moved from data collection to data interpretation. In years to come, optometry will interpret even higher levels of data—with greater potential to improve patients' lives.

## **Implications for Optometry**

- Increasingly, large insurers and ACOs will accredit panels of optometrists to serve as gatekeepers in coordinated care networks to monitor enrolled patients' overall health.
- ODs will need to meet quality-of-care standards imposed by government, insurers and ACOs to gain and maintain accreditation and patient access.
- A major source of new revenue opportunity for most ODs will continue to come from expansion of medical eyecare services. Medical eyecare is a way for independent ODs to differentiate their services from corporate eyecare providers, whose primary focus is selling eyeglasses.

## **Action Steps**

- Refine office processes to monitor diabetic patients.
- Become expert at glaucoma treatment.
- Develop protocols to screen patients with ocular allergies and ocular surface disease.
- Make patients aware that you offer medical eyecare services.
- Upgrade co-management communication vehicles to share diagnostic findings on chronic disease with primary care physicians and other providers in coordinated care networks.
- Enhance instrumentation to enable disease detection.
- Achieve meaningful use of EHR.
- Achieve accreditation with local Accountable Care Organizations.

# MEGATREND: The Empowered Customer

## **Rising consumer expectations and digital technology are reshaping doctor/patient relationships.**

Every retail business, including eyecare, faces new challenges to the status quo as a result of changing customer expectations for their experiences with service providers.

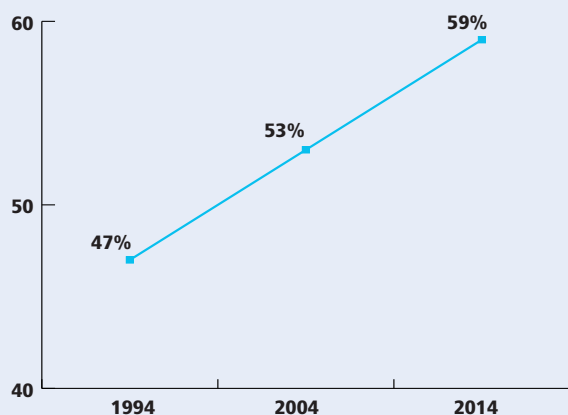
Among the hottest business management topics today is the “customer experience.” Interest in this concept has grown as businesses have come to realize that a brand’s reputation and customer loyalty are based on the totality of a customer’s impressions of a business, not just on product satisfaction, transactional efficiency or advertising claims. Customers form impressions at every instant of their interaction with a business.

Customer expectations determine if impressions of service providers are positive, negative or neutral. When a business exceeds expectations, customer impressions are favorable and memorable, and loyalty is enhanced. When expectations are merely satisfied, no lasting, favorable impressions are registered, and no strong loyalty develops because consumers know they can get their basic requirements fulfilled elsewhere, just as well.

Rising consumer expectations define the “empowered customers” megatrend. Consumer expectations are growing with improved access to information, increasing consumer education and sophistication, and from experiences with leading service providers. The most important drivers of the “empowered customers” megatrend are:

- Educational attainment of the adult population is steadily increasing. Currently 59 percent of the adult population 25 years of age and older has some college education or more, compared to 47 percent 20 years ago. Growth occupations providing above-average compensation require higher education. This will continue to propel the rising education trend in the years ahead. Educated consumers make greater use of the Internet, as more consumer purchases are made through a multi-platform process of information touch points. They demand more information before they buy and are better equipped to evaluate recommendations and to weigh options.

**Percent of U.S. Adults 25 Years of Age and Older Who Are College Graduates or Have Some College Education**



Source: U.S. Census Bureau, 2014

- The sophistication of consumers is being enhanced by an increase in international travel and by a proliferation of high-end retailers and products.
- Expectations rise as more consumers personally experience the superior service provided by leading companies such as Disney, Nordstrom, Zappos, Amazon or Chick-fil-A. Service leaders raise the bar of consumer expectations for all other service providers.
- The Internet makes a boundless archive of information about products and services more accessible to everyone.
- Online retailing is steadily changing how consumers view shopping experiences. Online purchasing increases expectations for personal convenience, wide selection, rapid and effortless transactions and transparent pricing. Currently online retailing accounts for 9 percent of total retail sales and is likely to account for 15 percent within five years. Every major brick-and-mortar retailer is being forced to respond to this trend.
- Even if a customer makes a purchase in a brick-and-mortar store, their shopping experience likely involves online research that includes peer reviews and price comparisons. Retailers who understand this build multi-platform marketing campaigns that offer information about and easy access to their products and services.
- Ready access to peer reviews of virtually any product or service provider makes consumers more informed buyers.

In the medical field, it is generally recognized that changing consumer expectations are gradually redefining the relationship between doctors and patients. The traditional authoritarian, paternalistic model is in decline as the Baby Boom, Generation X and Millennial generations account for an increasingly dominant share of the population. Better educated patients, with a greater sense of entitlement, are demanding a larger and more collaborative role in decision-making about treatment plans. Digital devices are beginning to make it possible for patients to receive medical care at their convenience, for far less cost.

Major healthcare providers like The Mayo Clinic and Cleveland Clinic are embracing patient experience management, recognizing that this strategy is a vital underpinning of their value proposition. Such organizations are refocusing their priorities to go beyond consistently achieving objectively excellent medical outcomes to include subjective patient satisfaction with the human interactions that occur during patient encounters.

James Merlino, MD, chief experience officer of the Cleveland Clinic, in his recently published book *Service Fanatics*, observes that patients do not objectively assess healthcare experiences, using the same criteria as providers use. Most medical consumers are unsophisticated, lacking the knowledge to objectively judge quality of care. Instead, patients use simplistic proxies to judge quality, such as how they are treated with respect or caring by doctors and staff, the sanitary conditions of facilities, or what patients are told or not told about their condition. Every patient uses different criteria to evaluate a medical experience. Medical providers must understand the bases of patient judgments about satisfaction and build the service experience with these criteria in mind.

Medicare standards for quality of care will affect all providers and require more focus on the patient experience. Patients will soon be able to access

ratings of individual caregivers, including optometrists, based on extensive consumer surveys measuring a number of quality dimensions.

### Implications for Optometry

- Patients will demand greater convenience in product purchase transactions. There will be less tolerance for repeat visits to the office to complete transactions or for long waits for product delivery. Patients will expect effortless insurance handling.
- Patient awareness of pricing and promotions of commercial providers will increase. This will reinforce the need for independents to deliver a superior service experience to justify premium prices.
- New commercial optical formats will further empower eyecare consumers by expanding choice in providers.
- Patients will have greater access to information on treatment options, and many will enter the office visits with greater understanding of their condition and correction possibilities. Staff will need to be trained to clarify benefits and drawbacks of options in a patient-centric, thorough manner.
- Patients will demand more education from providers as treatment and product decisions are made.
- More patients will consult online reviews on Google and Yelp sites as they select an optometrist. To ensure favorable online reviews, ODs will need to pay more attention to the quality of the customer experience.
- The proliferation of eyecare commercial competition will increase the need for independents to differentiate their service offering. There will be higher expectation that an independent OD office personalize treatment plans and demonstrate empathy for patient concerns.



### Action Steps

- Enable patients to use mobile digital devices to communicate with the practice, book and confirm appointments, update medical history data, order contact lenses and eyewear.
- Re-design the service process to be more patient-centric, incorporating best practices of service leaders. Upgrade the patient experience and train staff to increase emotional engagement of patients.
- Use virtual try-on technology to assist patients in eyewear product selection.
- Adopt customized measuring technology to provide a superior level of fitting accuracy over the competition.
- Use the full functionality of EHR to automate product ordering, insurance claims handling, treatment plan reporting, and recall communications.
- Continuously monitor patient satisfaction and online reviews to identify service improvement opportunities.



# MEGATREND: Private Equity and Strategic Investors Are Reshaping Eyecare Delivery

## ***New investments are causing further consolidation of eyecare providers.***

The vision care market is experiencing upsurge in investment by major vision companies and equity investors. This megatrend has the potential to reshape the competitive landscape over the longer term and impact valuations of independent eyecare practices.

The recent investment upsurge is fueled by the currently favorable conditions in capital markets and by the ongoing, attractive characteristics of optical practices.

For the past several years, interest rates have been at historic lows, raising return on investment of borrowed funds. There also continues to be a large amount of un-invested capital on the sidelines, searching for attractive business opportunities.

Optometric practices have many features that attract investors:

- Three-fourths of the adult population requires vision correction, making vision care a large, dynamic business.
- U.S. demographic trends will fuel continued steady growth in demand for optical goods and services. Consumption of eyecare is positively correlated with consumers' age, and the population is growing older. Much of the eyewear purchased by older consumers is premium eyewear with higher margins.
- Continued rapid change in vision correction technology provides new opportunities for optical retailers to upgrade consumer purchases and achieve higher revenue per transaction.
- Vision care demand is driven more by consumer need than by discretionary wants. That makes optical demand relatively immune from economic downturns.
- Most consumer vision product purchases are enhanced through personal consultation with highly trained professionals. As such, an optical retailer's revenue is less subject to inroads by Internet providers than are many other retail businesses.
- Optical products and services yield attractive profit margins. Margins are higher in larger organizations, making consolidation attractive.
- The market continues to be fragmented. This presents opportunities to realize economic synergies and local market dominance through consolidation. Synergies include economies of scale and elimination of redundancy in staff and facilities.

Trends in eyecare discussed in other sections of this report are promoting consolidation of OD practices and encouraging investment by consolidators. Healthcare reform favors consolidation of insurers. This will raise the administrative burdens of independent providers, constrain reimbursements, and restrict access to patients for practices that are not part of larger networks. As has already happened on a large scale in other medical specialties, many independent ODs will be forced to become part of larger group practices.

## **RECENT ACQUISITIONS AND INVESTMENTS IN EYECARE**

**Jump Capital, an equity investment group, .....February 2016 invests \$6 million to fund expansion of Operative**

**IDOC acquires Prima Eye Group, ..... January 2016 an OD alliance, with funding provided by Riverside Company, an equity investment company**

**Centerbridge Partners LP invests in ..... November 2015 Superior Vision**

**Essilor acquires Professional ..... November 2015 Eyecare Resources Cooperative (PERC)/Infinity Vision Alliance**

**Grandvision acquires For Eyes Optical .....October 2015**

**Essilor acquires Vision Source® from Brazos .....July 2015 Private Equity Partners LLC**

**Clarkson Eyecare acquires .....July 2015 Eyecare Associates and Pinnacle Optical LLC of Alabama**

**FFL Partners completes investment in ..... April 2015 Clarkson Eyecare**

**FFL Partners invests in Eyemart Express ..... November 2014**

**Luxury Optical Holdings acquires .....September 2014 Robert Marc Eyewear**

**Clarkson Eyecare acquires .....September 2014 Thoma & Sutton Eyecare**

**KKR acquires National Vision Associates .....March 2014 from Berkshire Partners**

Source: Partial list adapted from Vision Monday and VMail

Of the approximately 30,000 ODs in the U.S. who work in independent practices, approximately 7,500 are nearing or at retirement age. Many have not developed an exit strategy and face difficult challenges to maximize equity return from selling their practice and transition to new ownership. For some, selling to an investor who seeks to create a network of practices may be a practical solution.

As women grow to become a majority in the optometric workforce, the number of ODs seeking to own and manage practices may gradually shrink. Some female ODs may choose to limit their working hours or remain as employed ODs, as they seek to balance career and family demands. This will limit the number of practice buyers and has potential to reduce practice valuations. This could make a larger number of independent practices attractive to investment groups.

## Independent ODs Face New Competitive Challenges From Within

In addition to private equity investments in the optical industry, a number of major players within optical, some with annual revenues in the billions of dollars, are investing major capital in expansive growth strategies that pose competitive challenges to independent ODs in new and varied ways.

### Luxottica Placing Optical In Macy's

In 2015, Luxottica announced plans to operate optical shops within Macy's department stores, giving them access to Macy's 35 million customers. Plans are to open 100 shops this year and as many as 500 by 2018. Luxottica now operates 670 Sunglass Hut locations within Macy's. The retailers report that sunwear sales at Macy's have tripled in the six years that Sunglass Huts have operated there.

### CVS and VSP Testing Drugstore Optical

In 2015, CVS Health and VSP Global announced a test in which VSP would provide eyecare and eyewear services to optical shops in CVS drugstores. The concept is being tested in five CVS drugstores in Maryland and Washington, D.C. If the model proves successful, as has CVS's installation of walk-in medical clinics, it holds the potential to provide millions of U.S. consumers with the ease of access to optical services and eyewear at nearly 10,000 locations that offer long hours of operation and value-based pricing.

VSP announced that it will subcontract with ODs who choose to practice at CVS locations. CVS will assess and credential those providers. VSP will provide Marchon/Altair frames, as well as other brands, to the shops. They will offer VSP Optics lens brands and utilize the VSPOne Lab network. The optical shops will use Eyefinity PM and EHR software.

- Optical service at CVS/pharmacy will be available seven days a week.
- Services will include comprehensive eye exams by an optometrist three days a week for both walk-ins and appointments; prescriptions for glasses and contact lenses; access to more than 600 styles of frames and sunglasses from fashionable, popular brands for women, men and children; and free cleanings and adjustments.
- Many insurance plans will be accepted.
- All eyeglasses will have a 90-day total-satisfaction guarantee, and can be returned for any reason during this period for a full refund. Glasses purchased for children up to age 14 will be covered by a one-year guarantee. Glasses that are damaged, broken or lost will be replaced at no charge, one time for one year from the original date of delivery.

CVS Health Woonsocket, R.I., founded 1963	
Drugstores	9,600
Walk-in medical clinics	1,100
Customer visits per day	5 million
Revenues	\$153 billion

VSP Global Rancho Cordova, CA, founded 1955	
Members	72 million U.S., 77 million WW
Participating doctors, U.S.	34,000
Revenues	\$4 billion

## GrandVision Invests in U.S. Optical Retailing

In 2015, GrandVision, a \$3 billion Dutch-based company that bills itself as a "global leader in optical retail," acquired For Eyes, a 100-location optical chain in the U.S. It was the first foray into the U.S. market for GrandVision, which operates in 44 countries. The optical retailer announced bold plans to expand its footprint in the U.S., applying competitive advantages:

"Competitive advantages for large optical retail players such as GrandVision include greater purchasing power with suppliers, the development of best practices in consumer approach and assistance, the attraction and retention of talent and other economies of scale such as centralized product finishing laboratories and the rollout of marketing campaigns." (Annual Report 2014)

GrandVision Schiphol, the Netherlands, founded 1891	
Stores	6,000
Countries with stores	44
Customers per year	150 million
Revenues	€ 2.8 billion

### MyEyeDr/Capital Vision Services

The largest consolidator of OD practices, including both single and multi-location practices, is Capital Vision Services. The company currently manages more than 200 locations under the MyEyeDr brand. Funding is provided by a group of private equity investors. It is achieving its expansion through the acquisition of independent OD practices and multiple-location regional groups. It employs senior executives dedicated to additional practice acquisition. When practices are acquired, the former owners typically continue to work in the practice for an extended transition period, as the parent company assumes most business management duties. All acquired practices adopt the MyEyeDr branding, enabling marketing efficiencies in local markets with multiple locations.

### Implications for Optometry

- The evolving economics of eyecare business will encourage further consolidation of optical chains and independent practices. The profitability of solo-doctor practices will be increasingly squeezed.
- Selling to equity investors may be an attractive exit strategy for independent OD owners, as the number of potential independent OD buyers shrinks.
- Optometric alliances will play an increasing role in enabling independent ODs to remain independent and profitable.

### Action Steps

- Develop an exit strategy at mid-career and a detailed exit plan at least three years before retirement.
- Weigh the advantages and risks of merger with an acquisition of competitive practices.
- Perform detailed due diligence on any suitor to accurately understand "a day in the life of its employed clinicians and the quality of patient care" if you intend to remain employed subsequent to a sale.

# VISION SOURCE® MEMBER PROGRAMS



## CONTRACTS WITH ACOS, MANAGED CARE ORGANIZATIONS, HMOS

Vision Source® has created strong collaborative care relationships with dozens of large medical groups, integrated health systems, payers and other types of organizations to provide eye health examinations of their diabetic population. Momentum in terms of newly forming relationships is growing at a rapid pace.

**Education on the Scope of Optometric Practice.** The biggest roadblock to contracting with managed care organizations is the limited understanding of the full scope of optometric training. Vision Source® is working diligently to educate administrators within healthcare organizations that ODs do much more than just dispense eyeglasses and contact lenses. Many are surprised to learn that optometrists treat eye infections, glaucoma, manage diabetic eyecare and co-manage cataract patients. The facts are that ODs are trained and equipped to provide such services with quality, consistency, timeliness and at a reasonable cost—all critical factors to healthcare organizations.

**Three New Directors of Managed Care.** Vision Source® promoted three prominent OD-members to be regional directors of managed care. Their mandate is to work locally and regionally to establish and cultivate relationships with healthcare organizations. Once contracts are established, continued cultivation of the working relationship with these organizations is essential, as personnel changes and management redirection is common. In particular, these directors work with both administrators and PCPs within the healthcare organizations to help educate and direct them on how to successfully refer diabetic patients back and forth between the PCP and the OD.



**Paul Williams, OD, FAAO**

Senior Director of Managed Care



**David Caban, OD**

Director of Managed Care (Northeast)



**Michael Wallace, OD**

Director of Managed Care (Midwest)

“This is one of the fastest growing areas of healthcare,” says Bobby Christensen, OD, Vision Source® senior vice president of clinical strategies. “And we’re very excited to have three outstanding directors of managed care. They are not only establishing critical contracts with healthcare organizations, but are also nurturing those relationships and continuing to educate the healthcare community on the broad scope of care that Vision Source® doctors provide patients.”

In addition to these directors of managed care, Vision Source® has provided extensive training over the past three years to 165 Vision Source® administrators, so that these local leaders can serve as medical directors in virtually every major market in the country. This is a key competitive advantage since healthcare is becoming more local as it evolves from fee-for-service to fee-for-value reimbursement models.

## DIABETIC PROTOCOLS INITIATIVE

Opportunities abound for ODs to diagnose and monitor diabetes-related conditions, including diabetic retinopathy and diabetic macular edema. Incidences of these conditions have increased in recent years, related to obesity, lack of exercise and poor diets. Vision Source® has launched the Diabetic Protocols Initiative, to provide Vision Source® members with the skills and technology to diagnose and monitor these conditions with the goal of reducing diabetic related complications.

### Diabetes: An Emerging Crisis

Diabetes Mellitus is a metabolic disease characterized by elevated serum glucose with resultant vascular complications leading to diabetic retinopathy, a leading cause of blindness in the United States. In addition to vision impairment, worldwide diabetes affects hundreds of millions with effects often leading to severe chronic illness and death.



### Components of the Program:

**Diabetic Protocols Course:** A three-hour CE (COPE-approved) course, is offered online and in a classroom course at The Exchange®, the annual Vision Source® national member meeting. The course focuses on covering standards for and building clinical skills in diagnosis and treatment of diabetic conditions that affect eye health and sight. Also, participants build facility in knowing when to refer to and how to securely communicate with PCPs and endocrinologists.

After taking the two-hour course and completing the examination, a Certificate of Course Completion is awarded.

Vision Source® member doctors can also go to [visionsource.com](http://visionsource.com), login as a member, then go to: Resources > BrainStream > Diabetes.





### **MAXIMIZING PROFITABILITY: THE EXPERTS SERIES™**

This practice-building program is going “on the road” with events in 21 metros beginning in April 2016 and stretching throughout the year. This is an intensive practice management course, with follow-up and one-on-one consultations. This year, about 2,100 ODs and staff are expected to take part in the program, free to Vision Source® members.

#### **The program includes:**

**Focused learning for OD and Staff:** The program begins with an all-day program, focused on increasing practice profitability, capture rate of Rx in optical, reducing accounts receivable, and improving cash flow. This involves classroom learning and breakout groups for ODs and staff. Participants return 4-6 months later for additional advanced classroom training and consulting.

**Essilor Experts:** This group of optical business experts present within the meeting; then they consult one-on-one to practices, spending a day in each office.

**Frame Dream:** This is a step-by-step presentation of how to take advantage of “quick-ship” frames, demographically specific to your location, displayed in your office, inventoried in Essilor labs, and delivered to your office as complete jobs within 24-48 hours. Also discussed: How to leave best sellers on your board, improve the patient experience, and increase optical sales by as much as 103 percent a day.

**Practice Metrics:** The program incorporates practice benchmarks, based on the Vision Source® Insight online, innovative member community and collaboration platform.

**ABACUS:** Apply metrics toward practice growth with a new tool that premieres at The Exchange® 2016. This allows Vision Source® members to do financial modeling, goal setting, budgeting, and planning for practice growth, based on their individual practice metrics. Training is provided in how to employ this tool to increase revenue, reduce expenses, and calculate the impact of patient flow and new revenue streams to determine the potential of your practice.

**Financial Management Course:** “Techniques for Enhancing Your Cash Flow with Improved Accounts Receivable Management.”

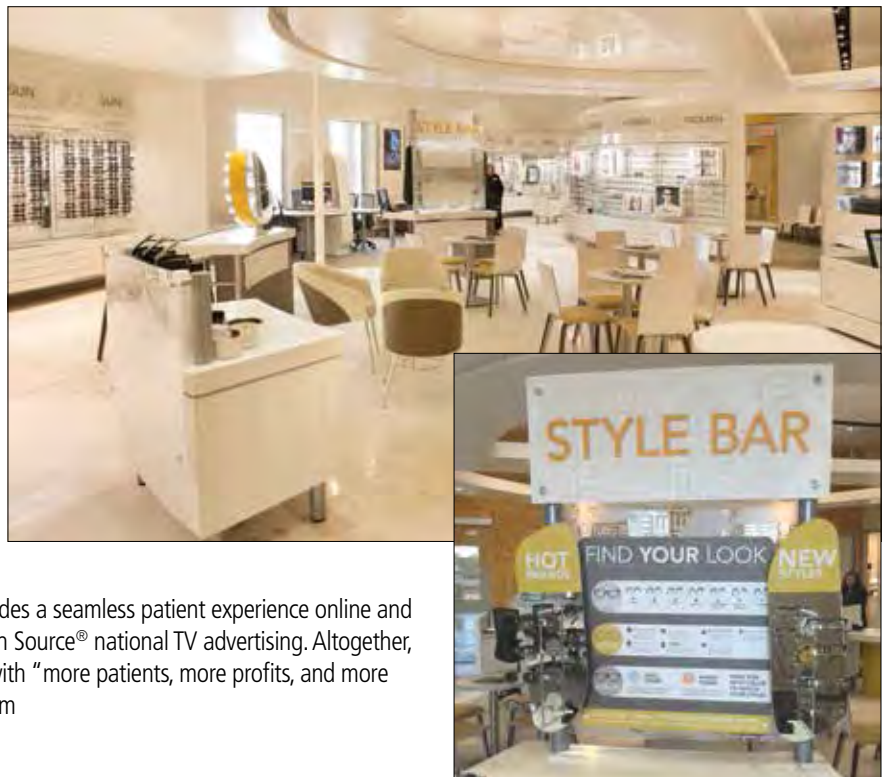
**Implementation Guide:** This provides a step-by-step method for doctors and staff to implement recommendations, against a timeline and set of goals they define for their practice.

### **THE VISION SOURCE® PRACTICE OF THE FUTURE**

This program is designed to translate vision into reality. That vision is to change the way independent optometrists communicate with, engage and relate to their patient universe. The program provides a seamless 360° solution that delivers a world-class patient experience while being in sync with consumer expectations and preferences.

The Vision Source® practice of the future incorporates a number of other Vision Source® programs. A Vision Source® patient is greeted by a Vision Source® optical staff member who has been trained in the Optical Dream™ to implement world-class patient presentation skills. That staff person has acquired skills from one of the over 70,000 courses taken to date on Vision Source® learning.com. That Vision Source® patient was acquired through 100 or more managed care relationships that Vision Source® has established to date.

That patient is seen by a Vision Source® doctor recently certified in Diabetes Mellitus care. Following their exam, the patient tries a virtual frame-on-face technology that provides a seamless patient experience online and in the office. The patient is aware of these benefits from Vision Source® national TV advertising. Altogether, the Vision Source® practice of the future provides members with “more patients, more profits, and more time.” For more information, go to: [www.visionsourceplan.com](http://www.visionsourceplan.com)





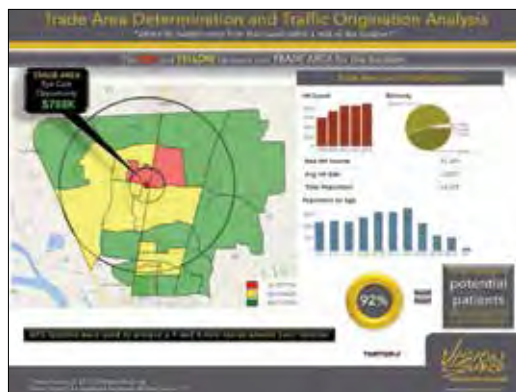
## THE VISION SOURCE® ANALYTICS SOLUTION THAT HELPS OPTOMETRISTS GROW FASTER

This growing program, designed to promote the success of independent optometry, provides cutting-edge technology in marketing analytics that allows independent ODs to analyze and strategize practice growth. The level of analytics that once was available only to large companies now is provided to Vision Source® members so that they can intelligently determine the best place to locate a practice, purchase a second office, and concentrate their marketing efforts most effectively. The program includes:

**Financing and Lease Assistance.** Vision Source® has partnered with leading lenders to aid Vision Source® ODs in obtaining financing for a purchase or lease. In addition, our commercial realtor partners can provide analytics on comparable building sales and office rentals so that independent ODs can go into negotiations empowered with data. These same analytics can be applied to determine the impact of renewing your lease versus moving to an alternate location a few blocks away.

“There is a wow factor when we present this level of analytics,” says Bret Davis, Vision Source® senior vice president of Membership. “Most members say they didn’t know that anyone had such detailed information—and they’re eager to use it to be more effective in how they spend their marketing dollars.”

**GeoSpatial Analytics (GSA) Program.** Vision Source® has combined data from several different sources to enable them to create marketing models specific to an optometric practice. Our exclusive analytics system helps guide Vision Source® members to the best location to establish or acquire a practice. This recommendation considers consumer driving and spending patterns, demographics, and age/lifestyle factors. Our analysts then drill down into hyper-local information, thereby allowing a doctor to effectively market neighborhood by neighborhood. This data helps doctors to target-market specific optical products and services to distinct ages and lifestyle groups within markets so that promotional dollars are effectively spent.



## VISION SOURCE® VENDOR PROGRAMS

Vision Source® negotiates pricing and programs on behalf of Vision Source® members in a broad variety of categories. Vision Source® provides members with the best pricing from traditional optometric suppliers like frame companies, ophthalmic lens laboratories, contact lens manufacturers and medical equipment distributors. Today, we also negotiate programs from other suppliers that are vital to a successful private practice like patient marketing companies, insurance companies, software/hardware companies, office supply companies, practice consultants, etc.

The Vision Source® Vendor Relations department provides members with the best pricing available in the field, says John McCall, OD, senior vice president, Vendor Relations. “We not only have the best vendor pricing and discounts, but we really deliver for the vendors,” he says.

Vision Source® members and their practices represent close to \$1 billion of annual purchasing power. This purchasing power, the ability of Vision Source® practices to outperform the market and deliver for Vision Source® vendors provides the Vendor Relations department with leverage to negotiate the best pricing and programs for Vision Source® members. “We have a long list of vendors wishing to associate with Vision Source® and it’s an enviable position to be in,” comments Dr. McCall. “We really have to thank our members for supporting our Elite vendors. They don’t have the time to vet vendors and negotiate the best pricing. They have entrusted us to do this. It is a responsibility we take very seriously, and they in turn do a spectacular job of supporting our vendor programs.”

Vision Source® vendors fall into several vendor categories: Elite, Vendor and Supplier. Elite vendors provide Vision Source® members with the best pricing on the best products in their category. Additionally, they are expected to provide the highest level of customer satisfaction to Vision Source® members. Members are urged to select Elite vendor products and services first “if clinically appropriate” for their patients.

In addition to providing members with the best pricing, products and service, Elite vendors support Vision Source® members in a variety of ways. A few of the exclusive vendor-sponsored programs for Vision Source® members include the Optical Dream program (a proprietary staff training and incentive program), Vision Source® tagging on national television commercial campaigns (Transitions and Bausch + Lomb), and personalized digital marketing campaigns.

“The power of Vision Source® is our leverage,” states Dan Walker, vice president, Vendor Relations. “With 3,200 of the best optometry practices in America supporting our Elite vendors, we can continue negotiating the best offering for our members.” He adds: “Before we introduce a product, we test it and get feedback from Vision Source® doctors who are experts in that category. Our goal is to ensure that we only promote best-in-class products and services to our members.”

The relationship between Vision Source® vendors and members was forged 25 years ago, and this strong bond continues to be as important today as it was then and promises to be in the future.

## OTHER VISION SOURCE® PROGRAMS

**Practice Transitions.** This program helps retiring ODs to transition out of their practice and to help the practice to continue as an independent practice. Owners who have been in practice for 35 years never have gone through the process of profiling their practice, don't understand what a buyer needs to know, how to evaluate their practice, and how to access resources for appraisals, and possibly how to finance the sale. Further, Vision Source® helps retiring ODs to structure the sale to make sure that both parties are in agreement on terms and that terms are fair to both.

**Individual Consultation.** This is an ongoing program for enhancing practice performance, capacity and profitability. This one-on-one process involves administrators in the field, network development, assistance provided digitally, over the phone and in person.

**Mentor OD Program.** This program builds relationships with ODs and students at optometry schools. ODs are present on campus, via private practice clubs, and students are invited to attend local Vision Source® meetings.

**Vision Source® Live.** This exclusive social media program, which premieres at The Exchange® 2016, is designed to promote shared learnings and success strategies within the Vision Source® community of doctors and staff. Participants share best practices, expert recommendations, and participate in open sharing in a virtual environment. This program is led by Alan Glazier, OD, founder of ODs on Facebook, who also is a Vision Source® member and administrator.

**Best-in-Class Buying Power.** This program provides Vision Source® members with exclusive pricing on optical goods and services lower by 10 percent or more than the competition.

**National Branding.** Vision Source® has a special partner in Essilor that is equipped to promote the brand. At present, there are 1,300 practices at 1,800 locations that brand themselves as Vision Source® in some way. In addition, there are co-op promotions in 21 major markets. Vision Source® practices are tagged on national and regional TV and other media by major sponsors like Essilor, Bausch + Lomb and Transitions.

## SUPPLY CHAIN PROGRAM

The biggest opportunity for Vision Source® members to increase the profitability and improve the patient experience in their optical dispensaries is through refining the frame and lens supply chain process. Frame Dream does this for Vision Source® members, resulting in quicker turnaround times, increased optical sales, decreased production costs and easier inventory management.

### Frame Dream Supply Chain Program

Vision Source®, in collaboration with Essilor and key frame vendors, has developed Frame Dream, a process to improve and streamline the frame supply chain process in Vision Source® independent practices. The process enables Vision Source® doctors to procure the products at the best price, deliver the frame and lenses to the patient much quicker, ensure that the best-selling products always are featured in the practice, and reduce the cost of managing frame inventories.

This program, which involves computerized inventory tracking and analysis, replaces the traditional supply chain process. The time and cost savings the program provide equips Vision Source® members to compete with optical retailers of any size. Features include:

**Analysis of Best-Sellers.** Frame manufacturers use manufacturer sales data, Vision Source® proprietary practice demographic data, and staff knowledge to ensure that the best-selling products for that particular office are selected and properly merchandised. This maximizes the number of product turns per frame displayed in the Vision Source® office.

**Parallel Inventory.** Manufacturers stock the same frames displayed in the practice at the Vision Source® distribution center located adjacent to the Essilor laboratory for easy access.

**Electronic Ordering, Immediate Processing.** Once the patient selects products, the order is immediately sent electronically to the frame distribution center and lab, and the job is started. When the patient makes the frame/lens selection, the frame is put back on the frame board and never leaves the doctor's office. The same frame is pulled out of a Vision Source® distribution center adjacent to the Essilor lab, and the production of the job is started immediately. No replacement frames are shipped and charged to the doctor's office.

**Expedited Delivery.** The job is delivered in less than half the time of typical orders. Orders are electronically and immediately transmitted, and the job is given priority status at the lab. The patient receives his or her new glasses in less than half the usual time

**Benefits to Vision Source® Members.** In addition to the quicker turnaround times, enhanced patient experience and reduced shipping cost, there are significant savings in staff time managing the frame inventory and the cost of packaging and sending frames to the lab. Additionally, the frame manufacturers involved in our system realize increased volume and efficiencies that enable them to pass on some of this value to Vision Source® members in the form of discounts or rebates. All of these factors deliver tremendous efficiencies to the frame supply chain process that will enable Vision Source® independent optometrists to compete and continue to win in an increasingly competitive eyewear industry today.



# VISION FOR TOMORROW BECOMES REALITY – TODAY!

For a quarter of a century Vision Source® has been committed to enriching the lives of independent optometrists by enabling them to reach their full potential. This commitment remains stronger than ever as evidenced by our latest introduction – **The Vision Source® Practice of the Future**.

## The Vision Source® Practice of the Future — Created By Optometrists, For Optometrists

This state-of-the-art model will change how independent optometrists engage with their patient universe. A seamless 360° solution delivers a world-class patient experience that will be in sync with consumer expectations for years to come.



Today, 25 years and 4,000+ members since our inception, we train our vision on forging an even brighter future for our network members that promises:



MORE PATIENTS



MORE PROFITS



MORE TIME

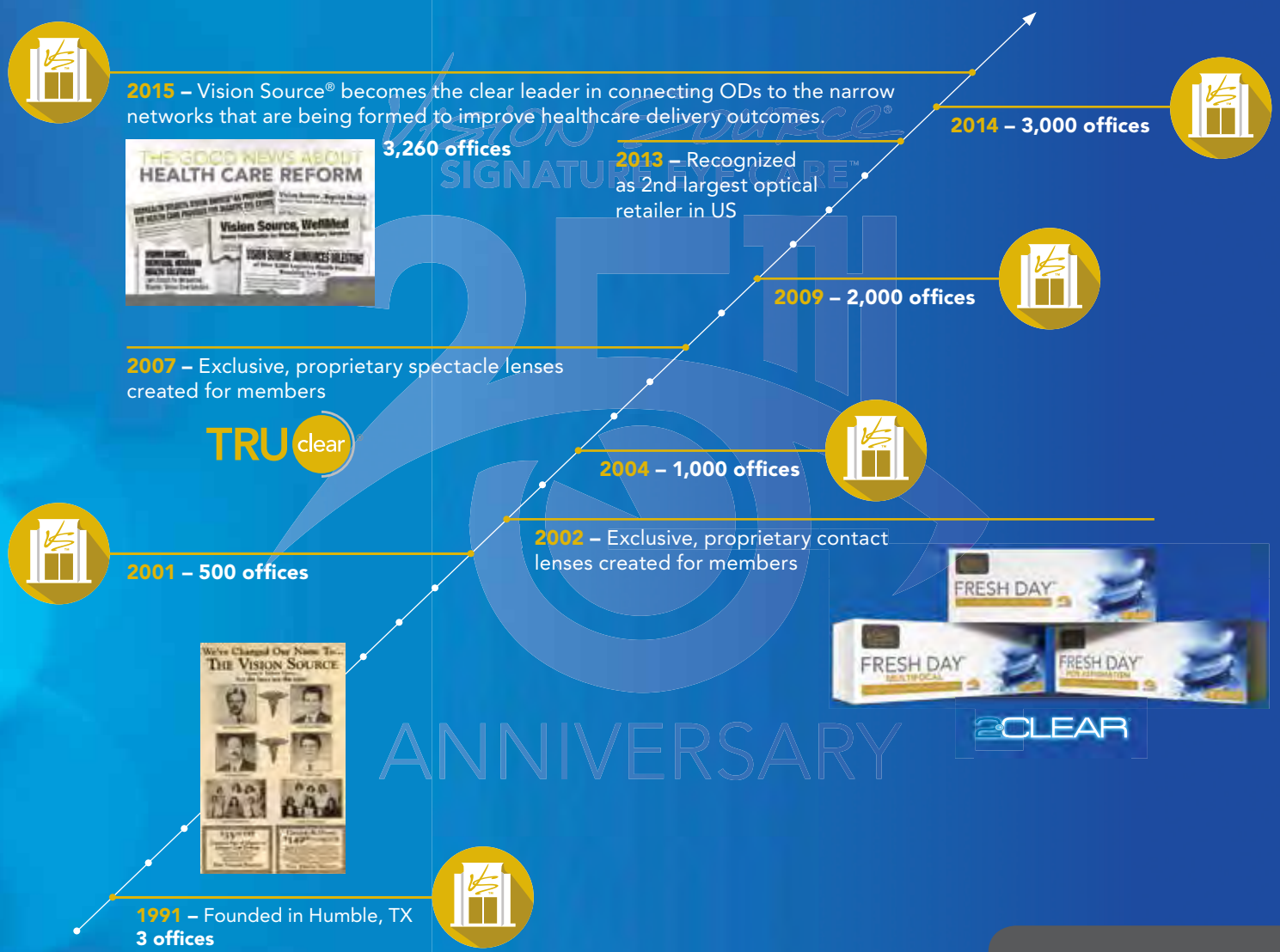
For more information on joining Vision Source®, go to [www.VisionSourcePlan.com](http://www.VisionSourcePlan.com)



# THE POWER OF VISION

Since our inception a quarter of a century ago, Vision Source® has remained focused on unlocking the full power of vision — **for network members and patients alike**. And it all began with this insight — *by forming a collaborative network, independent ODs will enjoy the economies and buying power of national chains, while still preserving their independence and relationships with their patients.*

## Vision Meets Potential — for 25 Years and Counting



For more information on joining Vision Source®, go to [www.VisionSourcePlan.com](http://www.VisionSourcePlan.com)

