Clearer vision: Favorable demographics and demand for luxury brands will drive growth
About this Industry

Industry Definition

Establishments in this industry sell eyeglasses, contact lenses, sunglasses, safety eyewear and optical accessories. These retail stores may also provide fitting and lens processing services. The industry excludes the manufacture of lenses, online and mail-order retail of optical goods and sales at optometrists’ offices.

Main Activities

The primary activities of this industry are

- Prescription eyeglass retailing
- Contact lens retailing
- Sunglass retailing
- Optical accessories retailing
- In-house lens processing
- Lens grinding

The major products and services in this industry are

- Contact lenses
- Eye examinations
- Frames
- Prescription lenses and lens treatments
- Sunglasses

Similar Industries

33911b Glasses & Contact Lens Manufacturing in the US
This industry manufactures ophthalmic goods, including eyeglass frames, lenses and contact lenses. The industry also produces sunglasses and goggles.

42346 Glasses & Contacts Wholesaling in the US
This industry distributes professional equipment, instruments and goods that retailers and optometrists sell or prescribe.

62132 Optometrists in the US
Optometrists provide eye examinations to prescribe eyeglasses and contact lenses. They may also sell and fit prescription eyeglasses, contact lenses and sunglasses.

45411a E-Commerce & Online Auctions in the US
This industry includes online retailers of eyeglasses, contact lenses and non-prescription eyewear.

45411b Mail Order in the US
This industry includes retailers of eyeglasses, contact lenses and sunglasses via mail-order.
About this Industry

Additional Resources

For additional information on this industry

www.aoa.org
American Optometric Association

www.nei.nih.gov
National Eye Institute

www.thevisioncouncil.org
The Vision Council

www.census.gov
US Census Bureau

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com
Industry at a Glance
Eye Glasses & Contact Lens Stores in 2014

Key Statistics

Snapshot

Revenue
$9.7bn
Profit
$486.8m
Annual Growth 09-14
1.6%
Wages
$2.3bn
Annual Growth 14-19
2.5%
Businesses
7,403

Market Share
Luxottica Group S.p.A.
49.5%
National Vision Inc.
9.5%
Highmark Inc.
8.8%

Revenue vs. employment growth

Consumer confidence index

% change
Year 06 08 10 12 14 16 18 20
10
5
0
-5
-10
-15
-20
30
15
0
-15
-30
-45
-60
Year 08 10 12 14 16 18 20

Products and services segmentation (2014)

- 32.4% Frames
- 28.7% Prescription lenses and lens treatments
- 17.2% Eye examinations
- 13.8% Contact lenses
- 7.9% Sunglasses

Key External Drivers
Consumer Confidence Index
Number of adults aged 50 and older
Demand from optometrists
Federal funding for Medicare and Medicaid
Percentage of households with at least one computer
External competition for the Eye Glasses & Contact Lens Stores industry

Industry Structure

Life Cycle Stage: Mature
Revenue Volatility: Low
Capital Intensity: Low
Industry Assistance: Low
Concentration Level: Medium
Regulation Level: Medium
Technology Change: Medium
Barriers to Entry: Medium
Industry Globalization: Medium
Competition Level: Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 36
## Executive Summary

The Eye Glasses and Contact Lens Stores industry has exhibited growth due to strong demand for eyewear products from the burgeoning elderly population. While many budget-conscious consumers have lowered their demand for brand-name eyewear and put off nonmedical eyewear purchases, which has cut into revenue growth, need-based demand for prescription glasses has buoyed the industry. Nevertheless, eye glasses and contact lens stores have grappled with generating sales volumes in a mature market. Due to most potential consumers already owning corrective lenses, new midforties to have issues seeing clearly at close distances. Furthermore, 60.0% of industry revenue stems from sales of prescription glasses and frames, which older individuals are more likely to use, compared with younger demographics. During the five years to 2014, industry revenue is expected to grow at an annualized rate of 1.6% to $9.7 billion, including 1.1% revenue growth in 2014. This increase can be attributed to a rise in the number of optometrist visits, which has caused more consumers to be wary of changes in their eye prescriptions, thus stimulating demand for eyewear from eye glasses and contact lens stores. Profit is expected to contract, from 6.1% of industry revenue in 2009 to 5.0% in 2014, due to high raw material prices, such as petroleum, which has made it more expensive for retailers to purchase plastic lenses and frames. Over the five years to 2019, industry revenue is forecast to grow at an annualized rate of 2.5% to $11.0 billion. Many individuals will revitalize their expenditure on eye glasses and contact lenses, particularly high-margin, brand-name eyewear. To attract time-strapped consumers, many eye glasses and contact lens stores will increasingly invest in innovative technologies, such as lens measurement tools for stores that offer in-house ophthalmologists, optometrists and licensed opticians.

### The industry’s major market of senior adults will grow, driving industry demand

Sales have typically depended on changes in an individual’s prescription or new technologies, such as lowering individuals’ lens-related discomfort. However, while many individuals have received corrective eye surgery, which has constrained demand for industry products, corrective eye surgery does not correct presbyopia, thus bolstering demand for prescription eyewear from individuals with age-related vision impairment. The aging population has supported demand for prescription eye glasses due to age-related vision ailments, such as presbyopia, which causes adults in their

### Key External Drivers

#### Consumer Confidence Index

As the Consumer Confidence Index rises, this trend typically reflects more consumers revitalizing their discretionary spending. As a result, more consumers will purchase high-quality, brand-name eye glasses and contact lenses. The Consumer Confidence Index is expected to increase over 2014, indicating a potential opportunity for the industry.

#### Number of adults aged 50 and older

An estimated 88.0% of individuals aged 55 and older require prescription eye glasses or reading glasses. According to Prevent Blindness America, the four leading eye diseases that affect Americans are related to age, which has stimulated demand for eye glasses and contact lenses from this demographic. The number of adults aged 50 and older is expected to increase during 2014.
Industry Performance

Key External Drivers continued

**Demand from optometrists**
Many patients that visit their optometrist require some form of corrective eye glasses; thus, growth in the number of optometrist visits indicates an increase in the number of potential customers for industry retailers. As optometrists examine more patients, demand for eye glasses and contact lenses is expected to increase in 2014.

**Federal funding for Medicare and Medicaid**
Government insurance programs, including Medicare and Medicaid, fund a significant portion of medical care in the United States. Although Medicare does not cover routine eye examinations, it covers the costs of cataract surgery as well as basic frames and lenses for patients post-surgery. As a result, as more patients receive federal funding, they typically will demand more eye care products. Federal funding for Medicare and Medicaid is expected to increase slowly during 2014.

**Percentage of households with at least one computer**
With a rising number of people using computers at work and home, there has been an increase in reports of eyestrain and vision complications. However, while there is a lack of definitive evidence that computer work affects eyesight, it ensures that people who suffer from a natural deterioration in eyesight are more aware of the issue. With regular eye monitoring and eyesight tests, the understanding of the need for eyewear has increased. The percentage of households with at least one computer is expected to increase slowly during 2014.

**External competition for the Eye Glasses & Contact Lens Stores industry**
Competition from warehouse stores and supercenters has increased during the past five years as these alternative retailers have included eye glasses and contact lenses in their product portfolio. Additionally, competition from web-based retailers has hampered demand for industry products from traditional brick-and-mortar retailers. External competition is expected to increase in 2014, thus posing as a potential threat to the industry.
Industry Performance

Current Performance

During the past five years, eye glasses and contact lens stores have benefited from the burgeoning elderly population stimulating demand for eyewear. Typically, older individuals have poor eyesight, thus the aging of the population has supported demand for eye glasses and contact lenses. Furthermore, as more individuals have worked in visually intense environments, the prevalence of myopia, or nearsightedness, has likely increased. For example, according to the American Optometric Association, about 30.0% of the US population has myopia, which may be linked to the visual stress of many computer oriented work environments.

Other factors, such as diabetes-related vision issues, have stimulated demand for vision correction products. During the five years to 2014, industry revenue is expected to grow at an annualized rate of 1.6% to $9.7 billion; this includes revenue growth of 1.1% in 2014. Profit is expected to decline, from 6.1% of industry revenue in 2009 to 5.0% in 2014, due to rising oil prices translating into high purchasing costs for plastic lenses and frames, coupled with many alternative retailers or wholesalers, such as Costco, including industry products in their portfolio.

Changes in purchasing behavior

While per capita disposable income has revitalized over the period, many consumers are still wary of their discretionary expenditures, particularly for nonmedical eyewear. Many consumers have either purchased fewer brand-name corrective vision products and sunglasses, or have looked toward alternative retailers that provide lower priced industry products. As consumers increasingly focused on value, competition has intensified, thanks to many mass merchants and warehouses, such as Walmart and Costco, also offering in-store optical departments. Although industry retailers have maintained a majority share of the eye exam market, alternative outlets are capturing an increasing portion of eyewear sales by offering lower prices. For example, according to 2011 data (latest data available) from VisionWatch, the average retail price for a pair of prescription eye glasses, including the frame and prescription lenses, is $253.0, which has incited many alternative retailers to offer low-cost industry products in order to capture a larger portion of demand.

The number of visits to ophthalmologists, optometrists and licensed opticians has determined demand for industry products, due to these visits translating to more consumers being aware of changes in their eye prescription. Prior to the five-year period, the recession constrained the number of optometrist visits, as an estimated 52.0% of respondents to a survey by the American Optometric Association cut their optometrist visits to lower their healthcare expenditures. While fewer individuals have visited their optometrist in 2009, which caused fewer individuals to be aware of changes in their eyesight and new eye problems, more consumers visiting their eye doctor from 2010 to 2014 offset this trend. Other revenue streams, such as diabetes-related eye ailments, have supported demand for prescription eyewear.
Industry Performance

Industry structure
Over the past five years, slow demand and mounting competition from alternative eye glass retailers, particularly online eyewear retailers and contact lens outlets, has led many operators to exit the industry. As a result, the number of firms is anticipated to decline at an annualized rate of 1.0% to 7,403 companies during the five years to 2014. Nevertheless, the surviving eyewear retailers have increased their visibility by opening new retail locations, which has caused the number of industry establishments to grow at an estimated annualized rate of 0.4% to 15,898 during the period.

Due to high competition from mass merchandisers, warehouse stores and online retailers, many operators are employing in-house optometrists to differentiate themselves on the basis of convenience and services offered. Optometrists conduct eye exams and prescribe eye glasses, which streamlines the process for consumers to obtain eye glass prescriptions. As a result of this trend, the number of employees is expected to rise at an annualized rate of 1.2% to 75,782 during the five-year period.

Changing demographics
Changes in consumer demographics have also driven demand for optical goods. Eyesight deteriorates with age; consequently, demand for eyewear products, such as bifocals, multifocals and reading glasses increases in line with an aging population. According to market research firm Jobson Optical Research, 88.0% of US residents aged 55 and older require eyewear, which has supported demand for eye glasses. According to 2012 data (latest data available) from the US Census, about 26.0% of the US population is aged 55 and over.

In addition to favorable age demographics, changing occupational trends have bolstered demand for industry products. According to the National Association of Vision Care Plans (NAVCP), about half of all jobs in the United States require long hours of visually intense work at a computer screen. These jobs produce eye fatigue, eyestrain, blurred vision and discomfort, symptoms that are collectively known as “computer vision syndrome.” About 90.0% of all workers using computers experience this condition to some extent, according to NAVCP, and corrective eyewear designed specifically for computer work can relieve many of the symptoms. These products are increasingly being sold through eye glasses and contact lens stores.
Industry Performance

Industry Outlook

Over the next five years, eye glasses and contact lens stores will continue to consolidate due to the industry approaching high market saturation. Furthermore, high competition from other eyewear retailers, such as online-based retailers, will incite many eye glasses and contact lens stores to consolidate. According to 2012 data (latest data available) from Bain Capital regarding the future of independent optometry, an estimated 20.0% of contact lens sales have occurred online, which will likely increase over the five-year period. While this trend will hamper industry revenue growth over the period, many retailers will expand their on-site service offering to attract consumers, such as Luxottica’s AccuFit Digital Measurement, which provides consumers with highly accurate lens fittings. During the five years to 2019, the number of industry enterprises is expected to decline at an annualized rate of 0.8% to 7,102 companies, due to many eye glasses and contact lens stores failing to remain competitive with retailers that offer on-site eyewear prescriptions.

 Industry landscape

Over the next five years, many eye glasses and contact lens stores will continue to consolidate due to the industry approaching high market saturation. As the number of visits to the optometrist is expected to rise thanks to the growing incidence of eye diseases and vision impairment associated with diabetes and heavy computer use, demand for eyewear is expected to increase. While corrective eye surgery will constrain demand for prescription eyewear from many demographics, the industry will still benefit from age-related vision impairment, such as presbyopia, which cannot be amended with corrective eye surgery. Additionally, many small, independently-operated eyewear retailers will grapple with remaining competitive with large players, such as Luxottica’s LensCrafters, which has vertically integrated operations. For example, Luxottica manufactures eye glasses and is one of the leading brand licensors for sunglasses and vision wear. According to an article by Vision Monday, the average reimbursement for eye exams from third party payers, thanks to healthcare reform, is expected to decline, which will cause managed vision care companies, optometrists and optical retailers alike to implement streamlined operations to promote growth despite reduced reimbursement rates. Large chains, such as Luxottica, will continue to aggressively price their eye-care plans, thus driving growth despite downward pressure on reimbursement rates for exams.

Nevertheless, the industry will benefit from the expansion of pediatric eye-care. Many vision benefit companies, such as VSP Vision Care, have included more pediatric vision care as an essential health benefit. As a

Spending on eyeglasses will return as disposable incomes improve

During the five years to 2019, industry revenue is forecast to grow at an annualized rate of 2.5% to $11.0 billion due to growing demand for corrective eyewear from more individuals that have chronic diseases. Profit is expected to rise, from 5.0% of industry revenue in 2014 to 7.7% in 2019, due to more eye glasses and contact stores including on-site optometrists, which will enable many eye glasses and contact lens stores to provide both prescriptions and eyewear.
result, many eye glasses and contact lens stores will derive growth from more pediatric patients visiting their optometrist, which will enable more patients to be wary of changes to their prescription, thus stimulating demand for prescription eyewear. This trend, according to Vision Monday, is expected to provide a boon to the industry, particularly in 2015.

As the number of individuals aged 50 and older continues to grow at an annualized rate of 1.5% during the five years to 2019, the industry will benefit from need-based demand for prescription eyewear. For example, according to the National Eye Institute, age-related eye ailments include Age-related Macular Degeneration (AMD), cataracts, diabetic eye disease and glaucoma, among other vision impairment issues. As a result, the industry will benefit from strong demand for prescription eyewear over the period as these ailments become more prevalent among the elderly.

Surviving stores will look to open new locations and hire additional employees

To cater to a time-strapped customer base, many retailers will employ optometrists to provide on-site prescriptions in addition to eyewear products. As a result, the number of industry employees is expected to rise at an annualized rate of 2.1% to 84,123 during the five-year period.
Industry Performance

The industry’s contribution to the economy is growing in line with GDP.

The number of industry companies is contracting due to the saturated nature of the market.

Since the development and commercial availability of contact lenses, eyewear has experienced only modest innovation.

There are no emerging markets for eyewear; in fact, the industry’s market is well defined.

Key Features of a Mature Industry:
- Revenue grows at same pace as economy
- Company numbers stabilize; M&A stage
- Established technology & processes
- Total market acceptance of product & brand
- Rationalization of low margin products & brands

Life Cycle Stage

Maturity
Company consolidation; level of economic importance stable

Quality Growth
High growth in economic importance; weaker companies close down; developed technology and markets

Quantity Growth
Many new companies; minor growth in economic importance; substantial technology change

Decline
Shrinking economic importance

% Growth in share of economy
% Growth in number of establishments

SOURCE: WWW.IBISWORLD.COM
Eye Glasses & Contact Lens Stores in the US
June 2014

Industry Performance

Industry Life Cycle

Eyewear stores operate in an established industry with moderate growth and modest technological development. During the 10 years to 2019, industry value added (IVA), which measures the industry’s contribution to the overall economy, is expected to grow at an annualized rate of 3.1%; meanwhile, GDP is forecast to grow at an annualized rate of 2.5%. While the industry is growing at a faster pace compared with the overall economy, this trend can be attributed to industry consolidation.

The industry is approaching high market saturation, which has facilitated industry consolidation over the ten-year period. A wave of acquisitions by the industry’s largest retailer, Luxottica, has led to a significant increase in the company’s market share. This growth has largely been at the expense of independent operators and smaller chains.

The industry’s mature nature compels retailers to continually differentiate their products and services, as reimbursement rate pressure, coupled with many consumers already owning prescription eyewear, has constrained industry revenue growth. Additionally, retailers are attempting to shape value changes in the market to encourage more eye-care awareness, such as educational campaigns like the Foundation of the American Academy of Ophthalmology’s EyeCare America. Similar to technology changes, these efforts to influence the public’s perception on the importance of eye care help stimulate demand in an otherwise slow growing market.
Prescription glasses have generated the majority of sales in the industry over the past five years. Prescription lenses and lens treatments are expected to make up 28.7% of sales in 2014, and the accompanying frames account for 32.4% of sales. Given the nature of the product and the rise in the age of the US population, prescription glasses are likely to continue to account for a large portion of sales.

Over the next five years, more individuals will receive corrective surgery, such as Lasik. While corrective eye surgery typically limits demand for eyeglasses and lenses, many individuals over the age of 40 will still require prescription glasses for reading. As people age, their eye muscles lose some of the elasticity that allows them to focus on close objects, which will allow strong need-based demand for prescription glasses from this demographic regardless of corrective eye surgery.

Contact lenses
Contact lenses account for an estimated 13.8% of industry revenue. Over the past five years, sales of prescription lenses and lens treatments are expected
Products & Markets

Demand Determinants

The aging population, economic conditions, price and fashion trends are factors that influence the frequency, quality and type of eyewear purchased. Changes in fashion and technology are also important demand determinants for the eyeglass replacement market. Due to eyesight deteriorating with age, the aging US population has a positive effect on prescription lens sales, including bifocals, multifocals, and reading glasses.

Sunglasses and other

The sunglasses market is typically distinguished by price and function, and classified into premium and value segments. The premium segment has grown faster than the value segment in the five years to 2014. Premium sunglasses typically offer full protection from the ultra-violet (UV) rays of the sun, while value sunglasses may not carry UV certification. While many consumers purchase sunglasses for functionality purposes, many individuals also demand this product segment for fashion reasons, which has contributed to shorter replacement cycles for sunglasses.

The other category includes fees for eye examinations that are only included for stores that are not owned and operated by optometrists, because these sales are accounted for in the Optometrists industry (IBISWorld report 62132). However, almost half of the stores that are members of Eye Care Centers of America employ optometrists. Their contribution to revenue has increased as more people become aware of the importance of vision care. Other goods include contact lens solutions, treatments and accessories and eyeglass repair services. Over the past five years, many time-strapped have preferred to have their eye examinations performed at eye glasses and contact lens stores, which has increased this product segment’s share of industry revenue.

Products & Services continued

to exhibit slight growth. This trend can be attributed to new products that have increased comfort and performance. New technologies include silicone hydrogel materials for comfort, torics for those with astigmatism and multifocal lenses for blurred near vision. Daily disposable lenses, which offer a high level of convenience, have bolstered sales over the period, particularly due to more patients complying with doctor recommendations to dispose of contacts more regularly, thereby generating more frequent purchases.

According to the Contact Lens Spectrum publication, most patients with contact lenses wear daily-wear soft lenses full-time, and most use a two-week replacement schedule. This trend presents an opportunity for new and recurring sales, particularly with disposable lenses. Furthermore, the contact lens product segment will grow over the next five years, as many individuals have increasingly active lifestyles. While this poses as an opportunity for industry revenue growth, the industry is still exposed to high competition from mass merchandisers and online stores. Currently, mass merchandisers make up an estimated 13.9% of contact lens sales and online companies account for about 8.0%.
Products & Markets

Demand Determinants continued

The level of eye-care and eyewear insurance benefits that are available to consumers also affect industry purchases. This aspect determines the price that the consumer will pay for eye glasses and contact lenses. As many insurance providers cover more industry products, consumer demand for eye glasses and contact lenses will rise. Correspondingly, sales of non-prescription eyewear, including sunglasses and colored contact lenses, are not covered by insurance or vision plans and have suffered as a result of consumers’ low per capita disposable income during the recession. Sunglasses and certain optical frame styles range in price from budget to designer brands. For example, the industry’s largest player, Luxottica, differentiates itself from the market by stocking high-end eyewear, with exclusive rights to brands like Prada, Ralph Lauren, DKNY, D&G, Bulgari and Chanel.

While fashion plays a large part, technological change is the major driver in the replacement eyewear market. Advances in ophthalmic engineering have led to the development of instruments, frames and lenses that use new materials, such as titanium frames, extended-wear contact lenses, and daily disposable contact lenses. These products enjoy high demand from customers who want convenience and comfort. This factor has been reflected in the increase in the number of contact lens users in the past few years, while the number of people wearing glasses has decreased slightly.

Major Markets

Demand for eye glasses or contact lenses varies by consumers’ age demographic. Typically, older market segments demand more eye glasses and younger market segments purchase more contact lenses. Additionally, consumers aged 15 to 34 are more likely to purchase modern, brand-name eyewear to follow fashion trends, which results in a shorter eyewear replacement cycle and bolsters industry revenue.

While prescription sunglasses sales have traditionally been driven by younger, female consumers of higher economic means, new types of lenses are attracting other demographics in sunglasses. For example, driving sunglasses, or glasses that sense and react to varying light conditions, have

Major market segmentation (2014)

- 26% Consumers from 35 to 54 years old
- 21% Consumers from 55 to 64 years old
- 20% Consumers aged 65 and older
- 15% Consumers from 25 to 34 years old
- 5% Consumers aged 14 and younger
- 13% Consumers from 15 to 24 years old

Total $9.7bn

SOURCE: WWW.IBISWORLD.COM
Products & Markets

Major Markets continued

been popular among male consumers. Other segments of the prescription sunglasses market are also expanding. Baby boomers, who typically have relatively high disposable income, are a growing market segment that affects the prescription sunglass market as well. This new demographic allows retailers to sell to prescription sunglasses customers whom they were not able to previously reach.

Consumers aged 14 and younger
The youngest market segment is expected to comprise about 5.0% of market share in 2014, and has experienced slight growth during the past five years. Individuals under the age of five are still experiencing visual development, which particularly makes eye health for this age demographic vital. This market segment also experiences vision changes, which causes regular eye and vision care to be especially important. The most common vision problem for this age demographic is nearsightedness and myopia.

Consumers aged 15 to 24 years old
Consumers aged 15 to 24 make up an estimated 13.0% of industry revenue. This market segment typically prefers contact lenses rather than prescription glasses. Additionally, this age demographic is likely to receive Lasik surgery, which has slightly constrained demand for eye glasses and contact lenses from this market segment, due to corrective eye surgery resolving vision issues. Nevertheless, this market segment is growing due to strong demand for prescription eyewear, especially brand-name products. Furthermore, this market segment is also prone to follow fashion trends, which shortens the eyewear replacement cycle and prompts industry revenue growth.

Consumers aged 25 to 34 years old
The market segment of consumers aged 25 to 34 generates about 15.0% of industry revenue. This age demographic is also likely to respond to changing fashion trends and purchase modern eyewear, which shortens the eyewear replacement cycle and stimulates industry revenue. This demographic, similar to the consumers aged 15 to 24 market segment, is also likely to receive refractive surgery (Lasik), which has hampered demand for industry products. However, strong demand for contact lenses and brand-name sunglasses will counteract this trend, thus increasing this market segment’s share of industry revenue over the past five years.

Consumers aged 35 to 54 years old
The second largest market share is anticipated to make up 26.0% of industry revenue. As vision deteriorates with age, this demographic has strong demand for eye glasses and contact lenses, especially among individuals aged 50 to 54. Demand for industry products within this market segment has been driven by the aging of the baby boomers, particularly individuals that have now entered the aged 55 and older demographic, which will cause growth to slow for this market segment during the next five years. Additionally, this market segment, especially individuals aged 45 to 54, are more likely to use eyeglasses than contact lenses.

Consumers aged 55 and older
The largest market segment, which accounts for about 41.0% of industry revenue, will grow during the next five years as more baby boomers enter this age demographic. While Medicare does not cover eye glasses or contact lenses, Medicare Part B partly covers the costs for corrective lenses, including one pair of eyeglasses and one set of contact lenses, following cataract surgery. This market segment is likely to use eye glasses rather than contacts. Additionally, more baby
Products & Markets

**Major Markets continued**

boomers are purchasing prescription sunglasses, which has prompted growth for this market segment.

**International Trade**

The Eye Glasses and Contact Lens Stores industry supplies the domestic market and does not engage in imports or exports. While the larger store chains may have trade relations with overseas wholesalers, they account for a small fraction of their business. Products sold by this industry are sourced from a number of suppliers, with many that have links with international manufacturers. However, the value of imports and exports within this industry are conventionally accounted for within the related manufacturing industry, the Glasses and Contact Lens Manufacturing industry (IBISWorld report 33911b).
Products & Markets

Business Locations 2014

Additional States (as marked on map)

1. VT 0.2
2. NH 0.5
3. MA 2.5
4. RI 0.4
5. CT 1.4
6. NJ 3.6
7. DE 0.3
8. MD 2.3
9. DC 0.3

Establishments (%)

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM
As is common with a retail industry, the location of establishments falls broadly in line with population trends. Revenue distribution closely follows establishment spread, because optical services are provided on a small geographical scale. Typically, areas with a larger number of residents have higher demand for optical good stores to service expanding residential areas. Industry activity is concentrated in the Mid-Atlantic and Southeast regions, with each accounting for about 22.0% and 23.5% of total establishments in the United States, respectively. Participants often locate themselves in regions where there is a high proportion of the population that is more likely to require glasses or contact lenses, such as where there is a concentration of elderly citizens.

New York alone accounts for about 10.4% of industry establishments. Individuals in New York City typically have high disposable income and are fashion-conscious. They often buy several pairs of sunglasses and prescription glasses to keep up with fashion trends. In addition, many individuals in New York are employed in office work and use computers for long hours. Prolonged use of computers often leads to eyestrain and may increase the requirement for glasses.

Florida also holds a large share of the market, accounting for about 8.7% of total establishments. While Florida’s citizens make up a moderate portion of the total US population, the state has one of the largest proportions of elderly individuals in the United States. Within towns, factors affecting location include proximity to ophthalmic doctors and specialists and high-traffic areas that are easily accessed by customers.
The Eye Glasses and Contact Lens Stores industry has a moderate level of market share concentration. About half of the industry’s eyeglasses and contact lens retailers employ fewer than 20 people, and the average enterprise employs about five people. However, the industry’s top four players account for an estimated 70.2% of total industry revenue in 2014, with Luxottica, the largest player, making up about 49.5%. The level of concentration has steadily increased over the past five years, which can be attributed to strong acquisition activity. Despite growing concentration among the top companies, the rest of the industry remains fragmented through small retail chains and independent locations. The advent of standardized eyewear technologies has allowed independent retailers to successfully compete with larger players. Additionally, regulation requiring prescription portability has enabled eyewear sales to be unbundled from the fitting process, which has allowed consumers to choose among retail channels. While eye-care providers still control the prescription process, consumers often choose from a retailer other than their prescribing doctor when they purchase new or replace lenses.

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

**Ability to control stock on hand**
Adequate stock controls need to be in place in order to reduce inventory costs and increase inventory turnover.

**Ability to franchise operations**
National chains can raise brand awareness and reach a wide variety of customers by using franchising.

**Differentiated value strategy**
A differentiated strategy, whether premium or value oriented, is necessary to distinguish a company in this highly competitive industry.

**Proximity to key markets**
Eyewear stores benefit from proximity to optometrists’ offices and areas of high foot traffic. A broad geographic reach also appeals to providers who seek retailers that have multiple convenient locations with flexible operating hours.

**Maintenance of excellent customer relations**
In the competitive eyewear market, the ability to provide an integrated, comprehensive service offering through well-trained employees benefits stores by providing consistent customer traffic and high levels of customer loyalty.

**Ability to alter product mix in favor of market conditions**
Stocking the appropriate mix of high quality, value and branded eyewear will encourage increased purchases and a loyal customer base. Additionally, staying current on fashion trends and maintaining brand recognition are integral competitive factors.

Companies in the Eye Glasses and Contact Lens Stores industry have various costs and profit margins. Figures in this discussion represent the industry average. Profit, measured by earnings before interest and taxes, accounts for an estimated 5.0% of industry revenue in 2014. Typically, the average profit for industry players fluctuates from 5.0% to 7.0% of industry revenue.
Competitive Landscape

During the five years to 2014, pressure from consumers for lower-priced frames and lenses, coupled with steadily increasing input costs, has cut into industry profit margins. While many companies have implemented cost-saving methods, including store closures and personnel cuts, profit has still declined over the past five years. Many companies, like Luxottica, have offered high-end products, which has caused many eye glass and contact lens stores to struggle with competing against low-cost retailers like Costco and Walmart. Although technological advancements are necessary to maintain industry demand, profit margins will be pressured as operators find it difficult to pass increased costs on to frugal consumers. Nevertheless, consolidation and other cost-cutting efforts will help combat this effect and slightly prop up profit margins during the next five years.

**Purchases**

Purchases account for the largest expense category for the industry, accounting for about 39.5% of industry revenue in 2014. This expense includes the cost of buying, warehousing, distributing, shipping and handling the product and lab and delivery costs. Volatility in raw material costs, though a small part of the total, can affect the price that retailers must pay for plastic eyeglasses and frames. Raw material costs fluctuate seasonally, and retailers are often hesitant to change retail prices unless a sustained cost alteration is detectable. For example, many eyeglasses are manufactured with plastic lenses, which requires petroleum as an input commodity. Manufacturers without vertically integrated operations will be subject to raw material volatility when purchasing frames, for example. Increases in the

![Sector vs. Industry Costs](source: www.ibisworld.com)
Competitive Landscape

Consolidation among retail chains, coupled with the emergence of optical departments in discount retailers, has heightened competition within the Eye Glasses and Contact Lens Stores industry. Competition between industry companies depends on price, convenience, product quality, product portfolio and marketing.

Internal competition
Price is a particularly important competitive factor for nonessential goods, including fashion eyewear and colored contact lenses. These purchases are typically not covered by insurance; therefore, as an optional purchase, they are subject to changes in consumer sentiment and discretionary spending. Consequently, stores with a product mix that is concentrated in nonprescription eyewear must compete more intensely on price.

To provide convenience for consumers and create brand awareness, retailers aim to be located in high shopping traffic areas or near ophthalmic specialists. The breadth and depth of the product selection is also an important consideration. An appropriate product mix must be tailored to match the demographic composition of the store’s market. Stores located in regions or states with a relatively higher income earning clientele should stock branded and private label frames, lenses, accessories and sunglasses. Additionally, stores are increasingly focusing on integrating services, such as eye exams, frame fitting and purchasing advice to adapt to consumers’ demands for one-stop shops.

Geographic diversity and comprehensive services also make stores more appealing to managed vision care (MVC) plans. Being a partner of a successful MVC retail network offers a competitive advantage, because consumers who are part of an MVC plan, which offers discounts on eye exams, glasses and contacts, will choose retailers that are recognized providers for their particular plan. Industry operators also use advertisements in local and national

Cost Structure

Basis of Competition

Internal competition
Price is a particularly important competitive factor for nonessential goods, including fashion eyewear and colored contact lenses. These purchases are typically not covered by insurance; therefore, as an optional purchase, they are subject to changes in consumer sentiment and discretionary spending. Consequently, stores with a product mix that is concentrated in nonprescription eyewear must compete more intensely on price.

To provide convenience for consumers and create brand awareness, retailers aim to be located in high shopping traffic areas or near ophthalmic specialists. The breadth and depth of the product selection is also an important consideration. An appropriate product mix must be tailored to match the demographic composition of the store’s market. Stores located in regions or states with a relatively higher income earning clientele should stock branded and private label frames, lenses, accessories and sunglasses. Additionally, stores are increasingly focusing on integrating services, such as eye exams, frame fitting and purchasing advice to adapt to consumers’ demands for one-stop shops.

Geographic diversity and comprehensive services also make stores more appealing to managed vision care (MVC) plans. Being a partner of a successful MVC retail network offers a competitive advantage, because consumers who are part of an MVC plan, which offers discounts on eye exams, glasses and contacts, will choose retailers that are recognized providers for their particular plan. Industry operators also use advertisements in local and national
Competitive Landscape

Basis of Competition continued

markets to market their product offering and build brand recognition. Typically, industry operators market their products to a specific market demographic to attract clientele in a mature industry and differentiate themselves from competitors despite eyewear products being fairly standardized.

Marketing is increasingly aimed at specific target markets because the industry is mature, and differentiation between companies is minimal. Also, in order to reduce costs, many companies employ a strategy of clustering stores in targeted market areas to maximize the benefit of advertising expenditures.

External competition
The industry is undergoing changes in retail outlets. Traditionally, eye-care practitioners have almost exclusively sold eyewear to consumers, supplying patients with initial and replacement eyewear after providing eye exams. However, over the past two decades, a number of alternative sellers of eyeglasses and replacement contact lenses have emerged, including retail chains, discount department stores, online retailers and mass merchandisers.

Direct marketers have entered the industry and introduced low online pricing. Competition from e-commerce has intensified because of an increase in consumer awareness of the convenience and ease of online purchasing, and the passing of the Fairness to Contact Lens Consumer Act in 2003. The Act requires all eye-care practitioners to give patients a copy of their prescription. The growth in popularity of disposable contact lenses, which requires patients to buy replacement lenses more frequently, has also contributed to the growth of the direct marketing channel. According to the Federal Trade Commission, online retailers account for 8.0% of contact lens sales, which is comparable to the 9.5% of contact lenses sold through retail chains and 64.3% at independent optometrist offices. Online stores offer lower prices, because they do not have substantial overhead expenses. To attract technologically-savvy consumers that prefer purchasing industry products online, some existing industry operators have launched their own online stores.

Optical good stores also face increasing competition from warehouse clubs and superstores. This category includes competitors like Walmart and Costco, which can attract low- and mid-income earners in particular at the national level. These retailers may provide a range of eyewear products, but the product mix is typically narrower and lower priced. Optometrists can also stock prescription and non-prescription eyewear; however, their range is often limited and consumers are increasingly buying replacement eyewear from separate retailers.

Laser surgery poses a threat to the industry as a substitute for corrective eyewear products. Typically, once the procedure is accomplished, the patient does not need to wear prescription glasses or contact lenses. Despite a significant amount of time and money spent in trying to build the market for laser surgery, eyewear sales still dominate the market.

Barriers to Entry

The Eye Glasses and Contact Lens Stores industry has moderate barriers to entry, because these retailers are typically less expensive to open. Market share is growing among the industry’s top four major players, making it more difficult for new companies to enter the industry.

Operators like HVHC, Luxottica Group, and National Vision have grown by acquiring and consolidating with smaller operators. As larger companies expand in size and geographical presence, they benefit from reduced per-unit costs such as advertising, personnel and product
Barriers to Entry continued

costs, making it more difficult for new operators to establish a market presence. In addition, large operators typically dominate the industry by retailing branded products. For example, Luxottica Group retails popular premium brands like Ray-Ban, Dolce & Gabbana and Polo Ralph Lauren.

Brand equity
Brand equity is created by marketing activities such as product development, promotions and advertising. Brand loyalty among consumers can create barriers to entry by creating a resistance to trying new brands. Luxottica has devoted considerable resources to developing brand equity in its retail chains, which include LensCrafters, Sunglass Hut, Pearle Vision and Oakley O Stores and Vaults. As an example, Luxottica designs its Oakley stores to immerse the consumer in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements. The significant marketing budgets of large companies such as Luxottica make it difficult for new entrants to compete.

Licensing
Ophthalmologists, optometrists and opticians require distinct levels of licensing that can make it difficult to open a new location or begin dispensing for the first time. This factor particularly applies to non-employers or single-location stores without prior licenses. Dispensing ophthalmologists and optometrists regard opticians as a substitute; accordingly, they favor the enactment of barriers for opticians. Consequently, associations of these professionals lobby against easing licensing requirements for opticians. Most dispensing opticians receive training on the job or through apprenticeships that last two or more years, but some employers seek graduates of post-secondary training programs. A license to practice is currently required by 22 states.

Regulation
Eyewear retailers are subject to various legal requirements that regulate the relationships between licensed optometrists, who perform eye exams and prescribe corrective lenses, and opticians, who fill the prescriptions and sell eyeglass frames. Rules, like the Federal Trade Commission’s separation of examination and dispensing law, that make eyewear prescriptions the property of patients and transferable to any optician have reduced the regulatory barriers to entry.

Distribution
Existing industry operators can build strong relationships of trust and loyalty with their suppliers over a period of time, which can improve delivery of products and the ability to source quality items. Supplier relationships can prohibit a new entrant from accessing low-priced, high-quality merchandise. For example, Eye Care Centers of America has developed strategic relationships with key vendors. These relationships have resulted in improved service and payment terms, with 40.0% of the vendors supplying more than 70.0% of the company’s lenses in 2009. On the other hand, private-label and non-branded frames are typically sourced from a larger pool of suppliers.

Barriers to Entry checklist

<table>
<thead>
<tr>
<th>Barriers to Entry checklist</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>Medium</td>
</tr>
<tr>
<td>Concentration</td>
<td>Medium</td>
</tr>
<tr>
<td>Life Cycle Stage</td>
<td>Mature</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>Low</td>
</tr>
<tr>
<td>Technology Change</td>
<td>Medium</td>
</tr>
<tr>
<td>Regulation &amp; Policy</td>
<td>Medium</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>Low</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM
Competitive Landscape

Barriers to Entry continued

Also, the initial cost of establishing a new store, which includes the purchase of optical equipment and display racks, can prohibit companies from entering the industry. This cost is a one-time expense spread over the life of the store’s operation. Costs include shelving, cash registers with point-of-sale (POS) systems, debit and credit card processing terminals, inventory and the initial training of staff. POS systems are systems that are used at checkout in retail stores using computers and cash registers to capture transaction data at the time and place of sale.

The location of an eyewear store is also integral to its success. Optical retailers often establish stores in high-traffic areas and near optometrists to increase store traffic. Because these locations are often occupied, new entrants may find it difficult to take up a desirable store position, discouraging some new retailers from entering altogether.

Industry Globalization

With the exception of key player Luxottica Group, participants in the Eye Glasses and Contact Lens Stores industry are mostly US-based and derive most of their revenue within the United States. However, many participants also have operations overseas. Large industry operators, including HVHC and National Vision, have expanded their retail operations beyond the United States, mainly to Mexico, Canada and China. IBISWorld expects that the international expansion of major players will continue over the next five years, because of the limited scope for growth within the US market.

In addition, optical products are increasingly available for purchase via the internet, which has bolstered sales for globally-based internet retailers. Nevertheless, sales are generally confined to items that do not require a prescription, such as sunglasses, or to products that do not require fitting, such as contact lenses.
Luxottica Group is an Italian-based company that is vertically integrated with operations in design, manufacturing and distribution for eyewear. The company operates in 130 countries and over 7,000 retail locations, including North America, which comprises about 50.0% of total revenue and consists of 4,818 stores. The company's industry-relevant operations consist of the LensCrafters and Pearle vision chain stores. In the sunglasses retail business, Luxottica operates mainly through its Sunglass Hut and Oakley O locations. With a focus on mid- to premium-priced eyewear, the company's leading house brand is Ray-Ban, and it produces eyewear under exclusive license agreements for luxury brands, including Prada, Dolce & Gabbana, Polo Ralph Lauren and Chanel.

Luxottica benefits from its position as global market leader and its high degree of vertical integration in North America and the Asia-Pacific region. The company's strong licensed portfolio and proprietary brands (e.g. Ray-Ban, Oakley, Sunglass Hut and LensCrafters) give it a significant edge against competitors. In 1995, Luxottica acquired LensCrafters, one of North America’s largest optical retail chains, which maximized production and wholesale distribution of Luxottica’s products. Historically, Luxottica has focused on growing its store network, but the company has recently shifted to cost-reducing actions, including closing underperforming stores and refining its brand portfolio in response to the poor economic environment. In 2013, the company acquired Alain Mikli International to strengthen its portfolio of luxury brand eyewear.

By vertically integrating its organization to produce, distribute and retail eyewear, the company can quickly change its product mix in response to consumer preferences. Additionally, Luxottica maintains a strong focus on

---

**Luxottica Group (US retail segment) – financial performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3,714.5</td>
<td>N/C</td>
<td>437.0</td>
<td>-30.6</td>
</tr>
<tr>
<td>2010</td>
<td>3,898.6</td>
<td>5.0</td>
<td>478.6</td>
<td>9.5</td>
</tr>
<tr>
<td>2011</td>
<td>3,896.2</td>
<td>-0.1</td>
<td>579.5</td>
<td>21.1</td>
</tr>
<tr>
<td>2012</td>
<td>4,467.5</td>
<td>14.7</td>
<td>633.4</td>
<td>9.3</td>
</tr>
<tr>
<td>2013</td>
<td>4,626.5</td>
<td>3.6</td>
<td>695.3</td>
<td>9.8</td>
</tr>
<tr>
<td>2014*</td>
<td>4,816.2</td>
<td>4.1</td>
<td>740.5</td>
<td>6.5</td>
</tr>
</tbody>
</table>

*Estimates
National Vision operates more than 700 retail locations and employs more than 6,000 employees in 44 states throughout the United States and Puerto Rico. The company mainly operates through its retail divisions, including America’s Best Contacts & Eyeglasses, Eyeglass World and Vision Centers inside Walmart stores, Fred Meyer locations and on select military bases. Formerly Vista Eye Care, the company began in 1990, when it was awarded a contract to open vision centers in Walmart stores. After being acquired for $40.0 million in late 2005, the company began operations under the private equity firm Berkshire Partners. Before the acquisition, the company was publicly listed.

In 2009, National Vision acquired the Eyeglass World chain from Vision Care Holdings. Eyeglass World was founded in 1988 and operates more than 60 stores across the country. Similar to National Vision, Eyeglass World is a freestanding chain that offers brand name and designer frames, and several of its stores

### Financial performance

During the five years to 2014, the company’s industry-relevant revenue is anticipated to grow at annualized rate of 5.3% to $4.8 billion. The company’s acquisition of Alain Mikli International will likely generate more sales volumes from the company’s luxury brand eyewear segment, thus bolstering industry-relevant revenue. LensCrafters has fared well over the past five years due to many time-strapped consumers being able to purchase their glasses in one hour, which has been an integral component in the company’s business model. Additionally, the company has invested in new technologies, such as AccuFit Digital Measurement, which has helped provide customers with a lens fit that is five time more precise than traditional methods.

**National Vision Inc. (US retail segment) – financial performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>558.0</td>
<td>21.3</td>
<td>48.3</td>
<td>31.3</td>
</tr>
<tr>
<td>2010</td>
<td>595.0</td>
<td>6.6</td>
<td>67.1</td>
<td>38.9</td>
</tr>
<tr>
<td>2011</td>
<td>685.0</td>
<td>15.1</td>
<td>79.2</td>
<td>18.0</td>
</tr>
<tr>
<td>2012</td>
<td>759.3</td>
<td>10.8</td>
<td>91.1</td>
<td>15.0</td>
</tr>
<tr>
<td>2013</td>
<td>861.0</td>
<td>13.4</td>
<td>103.9</td>
<td>14.1</td>
</tr>
<tr>
<td>2014</td>
<td>925.6</td>
<td>7.5</td>
<td>109.7</td>
<td>5.6</td>
</tr>
</tbody>
</table>

*Estimates*

SOURCE: IBISWORLD
Major Companies

Player Performance continued

As of 2006, HVHC, a subsidiary of Highmark Inc., owns the Eye Care Centers of America and Empire Vision retail operations. It also owns eyewear supplier Viva International and the Davis Vision managed vision network. The company operates 550 stores in 39 states under 15 retail brands. During the five years to 2014, HVHC has focused on a growth strategy of opening new stores. Managed vision coverage through its sister division, Davis Vision, and outside vision plans remains a key element of HVHC’s retail strategy, with managed vision reimbursements accounting for about one-third of revenue.

HVHC emphasizes low to middle price ranges and comprehensive service offerings, including in-house lens processing, eye exams and lens treatment technologies. Their value strategy directs the company’s selection of eyewear; about 31.0% of sales are from goods under proprietary brands or private label frames, while just 11.0% of sales are generated from national brand names such as Nine West, Polo Ralph Lauren, Guess and Tommy Hilfiger. HVHC’s

Financial performance
Due to the company being privately held, industry-relevant revenue is estimated. During the five years to 2014, industry-relevant revenue is expected to grow at an annualized rate of 10.7% to $925.6 million. In line with cost reductions, the company has executed the planned closure of several stores and the restructuring of existing stores during the five-year period. This move has helped generate steady growth in sales, despite the reduction in vision centers inside Walmart stores. National Vision has also relocated its vision centers from Walmart stores to freestanding stores and implemented a strategy focused on the value segment of the optical retail industry, such as low-cost eyewear. Nevertheless, National Vision plans on opening over 40 new locations annually to generate sales and cater to growing consumer demand for eyewear due to higher discretionary spending.

Highmark Inc.
Market share: 8.8%

Industry Brand Names
Eye Care Centers of America
Viva International
Davis Vision

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>673.7</td>
<td>19.1</td>
<td>94.1</td>
<td>16.0</td>
</tr>
<tr>
<td>2010</td>
<td>698.1</td>
<td>3.6</td>
<td>100.9</td>
<td>7.2</td>
</tr>
<tr>
<td>2011</td>
<td>729.2</td>
<td>4.5</td>
<td>109.5</td>
<td>8.5</td>
</tr>
<tr>
<td>2012</td>
<td>766.4</td>
<td>5.1</td>
<td>114.9</td>
<td>4.9</td>
</tr>
<tr>
<td>2013</td>
<td>807.8</td>
<td>5.4</td>
<td>122.6</td>
<td>6.7</td>
</tr>
<tr>
<td>2014</td>
<td>857.9</td>
<td>6.2</td>
<td>131.9</td>
<td>7.6</td>
</tr>
</tbody>
</table>

*Estimates

SOURCE: IBISWORLD
Major Companies

Player Performance continued

Refac Optical Group
Estimated market share: 2.4%
Refac Optical Group is a leading provider of optical products and services in the United States and Canada, including brand name and private label prescription eyewear, contact lenses, sunglasses, ready-made readers and accessories. Refac’s main operating subsidiary, US Vision, is a leading optical retailer with more than 750 optical centers under a variety of brands, such as JCPenney, Sears, BJ’s, Boscov’s, The Bay, Macy’s and Knart. US Vision is the sixth largest optical retailer in the United States in total revenue and the third largest in store count. The company also operates a state-of-the-art manufacturing laboratory.

In 2014, Refac is anticipated to generate about $233.6 million in revenue. In March 2011, Refac was acquired by ACON Investments, an international private equity investment firm that manages private equity funds and special purpose partnerships.

Walmart Stores Inc.
Estimated market share: N/A
Mass merchandiser Walmart continues to expand in the optical business. With nearly 2,500 vision centers in its US stores across the country, Walmart’s vision center is the second largest retailer of eyewear in the United States. Under the umbrella of Walmart’s health and wellness segment, the company has more

Other Companies

Refac Optical Group
Estimated market share: 2.4%
Refac Optical Group is a leading provider of optical products and services in the United States and Canada, including brand name and private label prescription eyewear, contact lenses, sunglasses, ready-made readers and accessories. Refac’s main operating subsidiary, US Vision, is a leading optical retailer with more than 750 optical centers under a variety of brands, such as JCPenney, Sears, BJ’s, Boscov’s, The Bay, Macy’s and Knart. US Vision is the sixth largest optical retailer in the United States in total revenue and the third largest in store count. The company also operates a state-of-the-art manufacturing laboratory.

In 2014, Refac is anticipated to generate about $233.6 million in revenue. In March 2011, Refac was acquired by ACON Investments, an international private equity investment firm that manages private equity funds and special purpose partnerships.

Walmart Stores Inc.
Estimated market share: N/A
Mass merchandiser Walmart continues to expand in the optical business. With nearly 2,500 vision centers in its US stores across the country, Walmart’s vision center is the second largest retailer of eyewear in the United States. Under the umbrella of Walmart’s health and wellness segment, the company has more

Financial performance
Highmark Inc. is a privately owned company, and while it releases its year-end figures, it does not separate out its subsidiaries’ performance results; as a result, IBISWorld estimates that during the five years to 2014, industry-relevant revenue is anticipated to grow at an annualized rate of 5.0% to $857.9 million.

The company achieved its strongest increase in 2009, when revenue grew by nearly 19.1%. This performance can largely be attributed to its new store expansion strategy, but the company also generated healthy comparable store sales. Additionally, HVHC has slowly increased its prices for goods and services, though they remain focused on a value image. The company’s profit margins have been bolstered by clustering its stores within targeted markets to achieve cost savings in advertising, management and field overhead. Additionally, profitability has grown as a result of the sale of lower-cost frames purchased from China. An increase in the sales mix of higher-margin premium lenses and the sales mix of high-margin private label and value frames have also bolstered profitability.

HVHC’s retail operation added more than 30 new locations during 2009 and 2010. One key focus of attention for HVHC’s retail group has been its optical laboratories, which serve outside retailers and eye-care practitioners who are providers for HVHC’s Davis Vision managed-care business. Furthermore, in April 2013, the company announced plans to open an optical manufacturing and distribution center in San Antonio, which will become HVHC’s fifth center in the United States. Once fully operational, the facility is expected to produce more than 2.0 million pairs of eyewear per year, and it will custom make products for Visionworks stores nationwide.

Location strategy also demonstrates the company’s value-oriented target market. About half of the company’s stores are located in regional malls, while one-third are located in strip shopping centers; the remainder are freestanding locations.

HVHC’s retail operation added more than 30 new locations during 2009 and 2010. One key focus of attention for HVHC’s retail group has been its optical laboratories, which serve outside retailers and eye-care practitioners who are providers for HVHC’s Davis Vision managed-care business. Furthermore, in April 2013, the company announced plans to open an optical manufacturing and distribution center in San Antonio, which will become HVHC’s fifth center in the United States. Once fully operational, the facility is expected to produce more than 2.0 million pairs of eyewear per year, and it will custom make products for Visionworks stores nationwide.

Financial performance
Highmark Inc. is a privately owned company, and while it releases its year-end figures, it does not separate out its subsidiaries’ performance results; as a result, IBISWorld estimates that during the five years to 2014, industry-relevant revenue is anticipated to grow at an annualized rate of 5.0% to $857.9 million.

The company achieved its strongest increase in 2009, when revenue grew by nearly 19.1%. This performance can largely be attributed to its new store expansion strategy, but the company also generated healthy comparable store sales. Additionally, HVHC has slowly increased its prices for goods and services, though they remain focused on a value image. The company’s profit margins have been bolstered by clustering its stores within targeted markets to achieve cost savings in advertising, management and field overhead. Additionally, profitability has grown as a result of the sale of lower-cost frames purchased from China. An increase in the sales mix of higher-margin premium lenses and the sales mix of high-margin private label and value frames have also bolstered profitability.

HVHC’s retail operation added more than 30 new locations during 2009 and 2010. One key focus of attention for HVHC’s retail group has been its optical laboratories, which serve outside retailers and eye-care practitioners who are providers for HVHC’s Davis Vision managed-care business. Furthermore, in April 2013, the company announced plans to open an optical manufacturing and distribution center in San Antonio, which will become HVHC’s fifth center in the United States. Once fully operational, the facility is expected to produce more than 2.0 million pairs of eyewear per year, and it will custom make products for Visionworks stores nationwide.

Financial performance
Highmark Inc. is a privately owned company, and while it releases its year-end figures, it does not separate out its subsidiaries’ performance results; as a result, IBISWorld estimates that during the five years to 2014, industry-relevant revenue is anticipated to grow at an annualized rate of 5.0% to $857.9 million.

The company achieved its strongest increase in 2009, when revenue grew by nearly 19.1%. This performance can largely be attributed to its new store expansion strategy, but the company also generated healthy comparable store sales. Additionally, HVHC has slowly increased its prices for goods and services, though they remain focused on a value image. The company’s profit margins have been bolstered by clustering its stores within targeted markets to achieve cost savings in advertising, management and field overhead. Additionally, profitability has grown as a result of the sale of lower-cost frames purchased from China. An increase in the sales mix of higher-margin premium lenses and the sales mix of high-margin private label and value frames have also bolstered profitability.
than six million patients each year and
sells more than 11 million boxes of
contact lenses (according to the most
recent available data from 2009), due
largely to its early 2009 alliance with
1-800 Contacts. In 2014, more than
2,500 independent optometrists and
12,000 associates will work at the
company’s optical centers.

Walmart operates within the value
segment of the optical retail market, as
the company provides economical
eyewear and eye-care choices for
consumers. The ongoing recession in
2009 fueled growth from this
positioning, as new attitudes to cut costs
drove consumer priorities. The company
further recognized demand for low
prices in 2009, with new national
programs that dramatically reduce
prices on contact lenses and children’s
eyeglasses while simplifying the
purchasing process. For instance,
Walmart’s vision centers offer pairs of
eyeglasses for children beginning at
$39.0, which includes a one-year
guaranteed free replacement policy. The
company has also instituted price cuts
from 12.0% to 50.0% on annual supplies
of contact lenses in a program that
began rolling out nationwide in early
2009. In 2008, Walmart partnered with
1-800 Contacts in an effort to combine
savings and convenience with customer
support. The two companies plan to
create efficiencies across their call
centers, websites and purchasing and
distribution operations.

Costco Wholesale
Estimated market share: N/A
Costco Wholesale’s optical department
provides its membership customers with
affordable prescription eyeglasses and
other eye-care products. Each Costco
Optical store employs an independent
doctor of optometry for eye exams.
During the five years to 2014, Costco
Optical has steadily expanded as a
division of Costco Wholesale, growing to
more than 500 locations within the US
warehouse clubs. At the same time, sales
have consistently grown to reach an
expected $651.9 million in 2014.

Membership is required to fill
prescriptions through the optical
department. With about 58 million club
cardholders shopping at Costco
Wholesale, the company’s optical
locations have a built-in traffic flow.
Similar to other value-oriented eyewear
retailers, the company benefited from
the recession.

Costco Wholesale’s growing optical
business represents the movement of
eyewear retailing toward lower-priced
goods and services with less qualitative
differentiation. Costco Optical operates
membership locations based on offering
members low prices on a limited
selection of products. The company
focuses on operating efficiencies achieved
by rapid inventory turnover, volume
purchasing, efficient distribution and
reduced handling of merchandise in
simple warehouse facilities. Despite
Costco Wholesale’s high volume and
no-frills emphasis, its optical department
consistently ranks well in customer
surveys among large eye-care retailers.
According to JD Power and Associates,
Costco leads the industry in costs as well
as choice and variety of eyewear. Costco
also has a high proportion of customers
who indicate they will repurchase and
recommend eyeglasses and contact lenses
from a Costco Wholesale center.

1-800 Contacts
Estimated market share: N/A
Although 1-800 Contacts is the leading
direct seller of disposable contacts, it is
not included under the Eye Glasses and
Contact Lens Stores industry, because all
of its revenue is generated through sales
made via the internet or over the phone,
rather than physical stores. Instead, this
company is categorized within the
Other Companies continued

Electronic Shopping and Auctions industry (IBISWorld report 45411a).

Growth in online eyewear sales was stimulated by federal legislation passed in 1978 that required doctors to release prescriptions for eyeglasses to every patient. Prior to this requirement, patients were forced to obtain eyeglasses and contact lenses at the doctor’s office. 1-800 Contacts has since played a key role in lowering prices and giving consumers a greater amount of choices regarding where they can buy their vision products. The company stocks more than 20 million different pairs of contact lenses and delivers more than 150,000 pairs daily. In 2007, the company was acquired by affiliates of Fenway Partners LLC, a New York investment banking firm, for about $340.0 million.
Operating Conditions

Capital Intensity

The cost of labor is the second largest expense item for the Eye Glasses and Contact Lens Stores industry, reflecting the labor-intensive nature of the retail sector. For every dollar invested in labor, about $0.06 is spent on capital in 2014. Staff employed in this industry perform a variety of activities, ranging from simple manual tasks to lens grinding and optical fittings for customers. Employees need to be highly skilled because they are involved in the assembly of prescription glasses. Several of the major industry participants often have a qualified doctor of optometry at each location in order to provide eye examination services.

Capital investment in this industry differs according to company size. Small operators invest in information systems and new lab equipment. Larger participants also allocate a large part of their investments to opening new stores.

Tools of the Trade: Growth Strategies for Success

New Age Economy

Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

Investment Economy

Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

Traditional Service Economy

Wholesale and Retail. Reliant on labor rather than capital to sell goods. Functions cannot be outsourced therefore firms must use new technology or improve staff training to increase revenue growth.

Old Economy

Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.

Change in Share of the Economy

SOURCE: WWW.IBISWORLD.COM
Operating Conditions

Capital Intensity continued

The industry has contended with rising competition from warehouses and supercenters including optical services in their product portfolio. As a result, many eye glasses and contact lens stores have hired licensed optometrists for on-site exams and fittings. Optometrists use several machines during a typical eye exam. A tonometer is an instrument used to test for glaucoma. It sends a small puff of air into the eye to test the interocular pressure. An autorefractor is a computer-operated machine that measures how light is changed after it enters the eye. This instrument measures the prescription of glasses or lenses needed. The phoropter is a machine placed in front of the eyes that contains a range of lens options. The optometrist changes the options to come up with the best prescription for the patient. A slit lamp is also commonly used in eye exams, typically alongside a biomicroscope. Together, these instruments provide a magnified view of the eye, which helps identify anatomical abnormalities within the eyes. Technological advances in these machines affect glasses and lens stores because an increasing number of these operators house optometrists.

Other technological systems that industry participants use include optical lens grinding machines, which shape spherical lenses made of optical glass into aspherical shapes by using grindstones revolving at high speeds. Technological advances in the area of optical grinding machines include the development of automatic high-speed machines with nanometer precision. The industry has also benefited from technological advances that affect the general retail industry. These advances include the introduction of computer scanning cash registers and electronic data interchange (EDI), which transmit electronic documents between businesses from one computer system to another.

Computerized retail point-of-sale (POS) and inventory management software systems allows participants in the Eye Glasses and Contact Lens Stores industry to manage their stock levels more accurately and improve their stock turns. These systems help track time of orders and eliminate duplicate data entries or orders. Advances in information technology also serve to redefine the relationship between distributor, retailer and customer.

Revenue Volatility

The Eye Glasses and Contact Lens Stores industry has a low level of revenue volatility. Nevertheless, the industry contends with low demand for high-quality, brand-name nonprescription eye glasses during periods when consumers have low per capita disposable income. However, prescription eyewear is considered a medical necessity; therefore, despite economic conditions, individuals who require corrective lenses typically cannot delay or opt out of their purchases. Furthermore, a large share of the US population wears or needs glasses.

While sales for eyewear typically remain high regardless of the economy, consumers will purchase low-cost eyewear products and curb their demand.
Operating Conditions

Revenue Volatility continued

for unnecessary expenditures, such as sunglasses. Nevertheless, the frequency of the replacement of eyeglasses by customers causes the industry to experience stable demand. Jobson Optical Research estimates that customers replace their eyeglasses once every 2.1 years on average; however, the replacement market for eyewear can be hampered as consumers delay their purchases by extending old prescriptions during recessions. AOA’s survey revealed that 36.0% of Americans have limited their doctor visits due to the recession.

![Volatility vs Growth](source)

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Participants in the industry must comply with the Social Security Act, the Health Insurance Portability and Accountability Act (HIPAA) and the Fairness to Contact Lens Consumers Act (FCLCA). The Social Security Act applies to operators’ participation in the Medicare and Medicaid programs. HIPAA governs the firms’ participation in managed care programs, and it enforces privacy and security regulations. FCLCA established a national uniform standard for eye-care practitioners and marketers on the sale of contact lenses, requiring that contact lenses only be sold based on the seller obtaining a copy of the prescription or verifying the prescription with the customer’s prescriber.

The Food, Drug and Cosmetic Act (FDCA) regulates the testing, manufacturing, labeling, distribution, importation and promotion of medical devices. Under the FDCA, approval by the Food and Drug Administration (FDA) is required prior to the commercialization of medical devices. In addition, all states have passed laws that govern or affect participants’ arrangements with the optometrists who practice in optical goods stores. All states require that optometrists obtain a license.

The Eye Glasses and Contact Lens Stores industry also follows the general regulations of running a business, including government regulations that aim to maintain a free and competitive economy. Congress has passed the Sherman Antitrust Act, the Wilson Act, the Clayton Act and the Robinson-Patman Act along with various other regulations regarding unfair competition. Also, several states have enacted their own antitrust laws to ensure the general public is provided with the best prices, quality and competition.
Operating Conditions

Regulation & Policy continued

Healthcare reform
In early 2010, President Obama signed the final elements of healthcare reform into law. The legislation included a number of provisions that affect vision and eye health. Among these is a measure that adds vision healthcare services as part of the school-based health clinics program. This provision, combined with a measure to include vision as an essential health benefit within pediatric services, works to bridge the gap in vision and eye healthcare for children in the United States. Another important facet of the bill is the establishment of a level playing field for optometrists and ophthalmologists in terms of insurance reimbursements for vision care. The bill contains a provision under which parity will happen in 2014.

Industry Assistance

Level & Trend
The level of Industry Assistance is Low and the trend is Steady

Tariffs do not apply to this industry, because retail sales are domestic. However, items sold by this industry may be subject to tariffs at the manufacturing level. Tariffs vary depending on the product. For example, sunglasses are subject to a 2.0% tariff, goggles and optical frames are subject to a 2.5% tariff and glass lenses are subject to a 3.4% tariff.

Industry participants receive assistance through managed vision care (MVC) programs that give patients discounts on optical wear at participating stores. Ninety percent of independent optical goods stores belong to one of these networks, such as VSP (with 22,000 members, which includes retail outlets and doctors’ offices) and OptiCare Eye Health Network. The networks assist their members with marketing, business solutions and claims processing. Large optical chains, such as Cole National, operate their own MVC programs. In addition, optometrists who own or work for optical goods stores can join various professional bodies, such as the American Optometric Association or the Opticians Association of America. These associations offer information to practitioners and aim to raise public awareness.

Finally, industry companies depend on reimbursements for patients covered by Medicare and Medicaid. The growth in sales is attributable to the rising age of the population and facilitated by government health insurance programs. In general, Medicare and Medigap (Medicare supplemental insurance) do not cover routine eye examinations (simple screening) or the cost of eyeglasses. However, Medicare will cover the costs of cataract surgery or treatment of issues related to glaucoma, blepharitis and dry eye syndrome. Individuals who undergo cataract surgery are also entitled to coverage for basic frames and lenses following the surgery, which exclude bifocals, trifocals or progressive lenses.
# Key Statistics

## Industry Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong> (m$m)$</td>
<td>9,648.6</td>
<td>9,488.4</td>
<td>9,277.1</td>
<td>9,479.9</td>
<td>9,008.0</td>
<td>9,273.1</td>
<td>9,546.0</td>
<td>9,507.4</td>
<td>9,628.4</td>
<td>9,736.0</td>
</tr>
<tr>
<td><strong>Industry Value Added</strong> (m$m)$</td>
<td>2,679.1</td>
<td>2,699.1</td>
<td>2,691.9</td>
<td>2,919.1</td>
<td>2,741.0</td>
<td>2,936.9</td>
<td>2,770.6</td>
<td>2,974.4</td>
<td>3,007.9</td>
<td>2,936.0</td>
</tr>
<tr>
<td><strong>Establishments</strong></td>
<td>14,825</td>
<td>14,841</td>
<td>15,927</td>
<td>15,980</td>
<td>15,590</td>
<td>15,373</td>
<td>15,548</td>
<td>15,625</td>
<td>15,634</td>
<td>15,898</td>
</tr>
<tr>
<td><strong>Enterprises</strong></td>
<td>8,009</td>
<td>7,810</td>
<td>7,874</td>
<td>7,986</td>
<td>7,775</td>
<td>7,660</td>
<td>7,591</td>
<td>7,450</td>
<td>7,422</td>
<td>7,603</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>64,042</td>
<td>66,355</td>
<td>70,814</td>
<td>73,952</td>
<td>71,247</td>
<td>72,263</td>
<td>72,570</td>
<td>73,953</td>
<td>74,951</td>
<td>75,782</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Wages</strong> (m$m)$</td>
<td>1,931.1</td>
<td>2,040.3</td>
<td>2,129.5</td>
<td>2,156.0</td>
<td>2,118.0</td>
<td>2,173.9</td>
<td>2,143.5</td>
<td>2,233.9</td>
<td>2,285.7</td>
<td>2,303.2</td>
</tr>
<tr>
<td><strong>Domestic Demand</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Number of adults over 50 years old (Mils)</strong></td>
<td>87.4</td>
<td>89.7</td>
<td>92.1</td>
<td>94.6</td>
<td>97.0</td>
<td>99.6</td>
<td>102.0</td>
<td>104.3</td>
<td>106.6</td>
<td>109.0</td>
</tr>
</tbody>
</table>

## Annual Change

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong> (%)</td>
<td>-1.7</td>
<td>-2.2</td>
<td>2.2</td>
<td>-5.0</td>
<td>-5.0</td>
<td>2.9</td>
<td>0.04</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Industry Value Added</strong> (%)</td>
<td>0.7</td>
<td>-0.3</td>
<td>8.4</td>
<td>-6.1</td>
<td>7.3</td>
<td>7.3</td>
<td>0.5</td>
<td>1.1</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Establishments</strong></td>
<td>0.1</td>
<td>8.8</td>
<td>0.3</td>
<td>-2.1</td>
<td>-1.6</td>
<td>1.8</td>
<td>0.5</td>
<td>0.2</td>
<td>-0.3</td>
</tr>
<tr>
<td><strong>Enterprises</strong></td>
<td>-2.5</td>
<td>1.4</td>
<td>1.4</td>
<td>-2.6</td>
<td>-1.5</td>
<td>1.1</td>
<td>-1.9</td>
<td>1.0</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>3.6</td>
<td>6.7</td>
<td>4.4</td>
<td>-3.7</td>
<td>1.4</td>
<td>0.4</td>
<td>1.9</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Exports</strong> (%)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Imports</strong> (%)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Wages</strong> (%)</td>
<td>5.7</td>
<td>4.4</td>
<td>1.2</td>
<td>-1.8</td>
<td>2.6</td>
<td>1.6</td>
<td>4.3</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Domestic Demand</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Key Ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IVA/Revenue (%)</strong></td>
<td>27.77</td>
<td>28.66</td>
<td>29.02</td>
<td>30.79</td>
<td>30.43</td>
<td>31.67</td>
<td>29.02</td>
<td>31.29</td>
<td>31.24</td>
<td>30.16</td>
</tr>
<tr>
<td><strong>Imports/Demand (%)</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Exports/Revenue (%)</strong></td>
<td>N/A</td>
<td>162.94</td>
<td>131.01</td>
<td>128.19</td>
<td>126.43</td>
<td>128.32</td>
<td>131.54</td>
<td>128.56</td>
<td>128.46</td>
<td>128.47</td>
</tr>
<tr>
<td><strong>Revenue per Employee ($1000)</strong></td>
<td>N/A</td>
<td>21.51</td>
<td>22.95</td>
<td>22.74</td>
<td>23.51</td>
<td>23.44</td>
<td>22.45</td>
<td>23.52</td>
<td>23.74</td>
<td>23.66</td>
</tr>
<tr>
<td><strong>Wages/Revenue (%)</strong></td>
<td>N/A</td>
<td>4.67</td>
<td>4.45</td>
<td>4.63</td>
<td>4.57</td>
<td>4.70</td>
<td>4.67</td>
<td>4.73</td>
<td>4.79</td>
<td>4.77</td>
</tr>
<tr>
<td><strong>Employees per Est.</strong></td>
<td>N/A</td>
<td>21.51</td>
<td>22.95</td>
<td>22.74</td>
<td>23.51</td>
<td>23.44</td>
<td>22.45</td>
<td>23.52</td>
<td>23.74</td>
<td>23.66</td>
</tr>
<tr>
<td><strong>Average Wage</strong></td>
<td>30,153.65</td>
<td>30,768.25</td>
<td>30,071.47</td>
<td>29,154.05</td>
<td>29,727.57</td>
<td>30,083.17</td>
<td>29,537.00</td>
<td>30,234.07</td>
<td>30,495.92</td>
<td>30,392.44</td>
</tr>
<tr>
<td><strong>Share of the Economy (%)</strong></td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.
Jargon & Glossary

**Industry Jargon**

ASTIGMATISM An eye condition that causes a disturbance in the way that light rays are focused within the eye.

AUTOREFRACTOR A machine used in eye exams that measures how light is changed as it enters the eye.

CATARACT SURGERY An eye surgery that involves removing all or part of the lens and replacing it with an intraocular lens implant.

ELECTRONIC DATA INTERCHANGE (EDI) The transmission of electronic documents between businesses from one computer system to another.

OPTOMETRIST Individuals that earn a Doctor of Optometry degree, perform eye exams, write prescriptions and dispense eyewear.

**IBISWorld Glossary**

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

PHOROPTER An instrument containing various lenses used to measure the patient’s eyeglass or contact lens prescription.

POINT-OF-SALE (POS) A system used at checkout in retail stores using computers and cash registers to capture transaction data at the time and place of sale.

SLIT LAMP Used alongside a biomicroscope (a microscope used on the body) to magnify the eye and identify physical abnormalities.

TONOMETER Used to test for glaucoma in the eye, this instrument blows a small puff of air into the eye to test the pressure.
Jargon & Glossary

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts.
It is combining data with analysis to answer the questions that successful businesses ask.

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

IBISWorld Membership
IBISWorld offers tailored membership packages to meet your needs.

Disclaimer
This product has been supplied by IBISWorld Inc. (‘IBISWorld’) solely for use by its authorized licensees strictly in accordance with their license agreements with IBISWorld. IBISWorld makes no representation to any other person with regard to the completeness or accuracy of the data or information contained herein, and it accepts no responsibility and disclaims all liability (save for liability which cannot be lawfully disclaimed) for loss or damage whatsoever suffered or incurred by any other person resulting from the use of, or reliance upon, the data or information contained herein.

Copyright in this publication is owned by IBISWorld Inc. The publication is sold on the basis that the purchaser agrees not to copy the material contained within it for other than the purchasers own purposes. In the event that the purchaser uses or quotes from the material in this publication – in papers, reports, or opinions prepared for any other person – it is agreed that it will be sourced to: IBISWorld Inc.

Copyright 2014 IBISWorld Inc