

# Contact Lens Prescribers and Dispensers

Contact lenses are prescribed and fitted by three types of eye-care practitioners: ophthalmologists, optometrists, and, to a limited extent, opticians. Ophthalmologists are doctors of medicine, specializing in problems of the eye. As such, they may perform a wide variety of examination procedures and medical and surgical treatments, test for refraction errors, and prescribe and fit all types of corrective lenses. Optometrists are also specialists in eye care, but their functions, although expanding, are narrower than those of ophthalmologists. Optometrists generally measure refraction, prescribe and fit corrective lenses, and detect and diagnose vision problems and the condition of the eye for referral to ophthalmologists and other appropriate practitioners. In some States,

optometrists may use drugs for diagnostic purposes, and in a few, use for therapeutic purposes also. Fewer generalizations can be made about the role of opticians, since the State laws defining their permissible scope of activities vary, but opticians are usually limited to the roles of "dispensing opticians," who make and fit corrective lenses prescribed by ophthalmologists and optometrists, either under their supervision or independently, or "optical technicians," who grind the lenses for others to fit to patients. In some States, however, opticians may also examine, prescribe, and fit patients with contact lenses, if an ophthalmologist or optometrist has already determined that the patient needs some form of corrective lenses (5,55).

## OPHTHALMOLOGISTS

There are about 12,500 ophthalmologists in the United States today, of whom perhaps 11,000 are involved in regular patient care as hospital- or office-based physicians. (The remainder are ophthalmology residents or engaged in teaching and research.) Half or more of these 11,000 offer dispensing services in addition to prescribing corrective eyewear, sometimes in conjunction with opticians. They account for 30 percent of the total retail corrective lens market and about 20 percent of the contact lens market, operating from 6,000 locations with \$1.35 billion in revenues (5).

Of all dispensing ophthalmologists, at present more fit soft lenses (73 percent) than hard (71 percent) or gas-permeables (51 percent). This situation is reflected in the relative amounts of the three types of lenses ophthalmologists prescribe in the aggregate, as shown by the data on prescribing practices by ophthalmologists in table 12.

Other significant data on ophthalmologists' contact lens practices relate to prices and were shown in table 7. Those data indicate that the cost of being fitted with contact lenses by an ophthalmologist

Table 12.—Contact Lens Fitting by Ophthalmologists, 1982

	Lens type			
	soft	Hard	Gas-permeable	All
Percent of ophthalmologists fitting . . . . .	73	71	51	—
Percent of all contact lenses fitted by ophthalmologists . . . . .	68	23	9	—
Contact lenses fitted by ophthalmologists as a percent of total fittings by all practitioners . . . . .	20 <sup>a</sup>	26 <sup>a</sup>	NA	15-20

NA indicates data not available, 1979.

SOURCES: M. Carr, Health Products Research, Inc., Somerville, NJ, personal communication, July 7, 1983; S. Davidson, "Market Data Book," unpublished, Dow Corning Ophthalmic, Norfolk, VA, 1983; D. P. Hayes, "Results From the Vision Care Survey Relative to the Profile of Contact Lens Fitters," *Contact and Intraocular Lens Medical Journal* 7(1):9-10, January-March 1981; and L. Schwarz and D. K. Temple, *Contact Lens Industry-The Shakeout Continues* (New York: Salomon Bros., Inc., 1983).

mologist has decreased significantly in recent years. For example, in late 1978, the average cost of soft contact lenses from this source was \$308; in 1979, it had fallen to \$292, and by the end of

1982, to \$262 (7,16). However, the prices paid to ophthalmologists are, on average, higher than those paid to optometrists or opticians.

## OPTOMETRISTS

At present, there are approximately 22,000 practicing optometrists in the United States (out of a total of 25,000). Of these 22,000, 80 percent (about 17,500) work independently. The other 20 percent include 2,400 optometrists working for chain optical houses and about 2,000 who work for government, health maintenance organizations (HMOs), or ophthalmologists (5). Data for optometrists' prescribing practices (comparable to that for ophthalmologists in table 12) are presented in table 13.

Doctors of optometry average 12 new contact lens fittings per month (compared to 10 for ophthalmologists), and their fees generally lie between those of ophthalmologists and opticians (5,7). The cost of being fitted for contact lenses by optometrists is falling, following the general industry trend. In late 1978, for example, new soft lenses cost \$285, but by 1979, the cost was down to \$258, and to \$218 in 1982 (7,16).

Table 13.—Contact Lens Fitting by Optometrists, 1982

	Lens type			
	soft	Hard	Gas-permeable	All
Percent of optometrists fitting. . . . .	92	91	73	—
Percent of all contact lenses fitted by optometrists . . . . .	69	17	14	—
Contact lenses fitted by optometrists as a percent of total fittings by all practitioners . . . . .	5@	62 <sup>a</sup>	NA	60 <sup>a</sup>

NA indicates data not available.

<sup>a</sup>1979 estimate.

SOURCES: 1. Bennett, *State of the Optical Industry* (White Plains, NY: Advisory Enterprises, 1983); S. Davidson, "Market Data Book," unpublished, Dow Corning Ophthalmic, Norfolk, VA, 1983; D. P. Hayes, "Results From the Vision Care Survey Relative to the Profile of Contact Lens Fitters," *Contact and Intraocular Lens Medical Journal* 7(1):9-10, January-March 1981; and L. Schwarz and D. K. Temple, *Contact Lens Industry-The Shakeout Continues* (New York: Salomon Bros., Inc., 1983).

## OPTICIANRY: INDEPENDENT OPTICAL OUTLETS

Reliable data on opticians and their practice locations are not readily available, since only 22 States currently license opticians. The Opticians Association of America estimates that there are about 26,000 dispensing opticians in the United States (5). There has been a higher growth rate among opticians than among ophthalmologists or optometrists, reflecting their increasing roles as primary fitters and as adjuncts to the other two classes of practitioners (47).

Approximately 35 percent of dispensing opticians (as distinguished from optical laboratory technicians) are employed in so-called "independent" single shops or small (ten unit or less) chains. Another 40 percent work for optical or drug chains, and the remaining 25 percent for ophthalmologists, optometrists, or other professionals. Independent dispensing opticians account for 21.3 percent of the total retail corrective lens market (5). Table 14 presents data on contact lens pre-

**Table 14.—Contact Lens Fitting by Independent Dispensing Opticians, 1982**

	soft	Lens type		
		Hard	Gas-permeable	All
Percent of independent dispensing opticians fitting . . . . .	55	52	36	—
Percent of all contact lenses fitted by independent dispensing opticians . . . . .	60	13	7	—
Contact lenses fitted by independent dispensing opticians as a percent of total fittings by all practitioners . . . . .	20 <sup>a</sup>	20 <sup>a</sup>	NA	10-15

NA indicates data not available,  
<sup>a</sup>Estimated.

SOURCES: I. Bennett, *State of the Optical Industry* (White Plains, NY: Advisory Enterprises, 1983); S. Davidson, "Market Data Book," unpublished, Dow Corning Ophthalmic, Norfolk, VA, 1983; D. P. Hayes, "Results From the Vision Care Survey Relative to the Profile of Contact Lens Fitters," *Contact and Intraocular Lens Medical Journal* 7(1):9-10, January-March 1981; and L. Schwarz and D. K. Temple, *Contact Lens Industry-The Shakeout Continues* (New York: Salomon Bros., Inc., 1983).

scribing patterns by these independent dispensing opticians.

Prices paid for lenses acquired from optician outlets tend to be the lowest in the industry, with the large chains charging somewhat less than the

independents and small chains. In 1981, the first year for which separate data are available, independent and small-chain opticianries charged, on average, \$178 for soft lenses; in 1982, their average price was \$160 (7).

## OPTICIANRY: OPTICAL AND DRUG CHAINS

Data on optical and drug chains and the number of their contact lens fittings are particularly difficult to come by, and when available, are obscure or comingled with data for independent and small-chain outlets. However, the data that are known are presented in table 15, and one item is noteworthy: large chains now provide as much as 40 percent of all contact lens fittings (5). This large share is both a cause and result of the downward price trends observed for all fitters. Chain outlets offer lenses at lower prices than other sources (\$100 per pair of soft lenses in 1982 [7]) and thus exert downward pressure on the entire price structure.

These effects are particularly present since 1978, when the U.S. Federal Trade Commission (FTC)

overruled laws in 43 States that placed restraints on price advertisements by eye-care dispensers. This action paved the way for the great growth of chain outlets, price rivalry, and price reductions. Since low price is a key strategy of chain outlets, the FTC ruling strongly enhanced their market position. Indeed, large chains are growing larger through expansion and merger, and one lens manufacturer (Frigitronics) has built up a 400-outlet chain (Benson Optical/House of Vision). Further, in what may prove to be an especially significant innovation, several major chains, including some of the largest, are offering franchises to optometrists and opticians.

Any forthcoming FTC action in this area, particularly in regard to franchising and to the State

**Table 15.—Contact Lens Fitting by Chain Outlets, 1982**

	Lens type			
	soft	Hard	Gas-permeable	All
Percent of optical chains fitting . . . . .	72	71	44	—
Percent of all contact lenses fitted by optical chains . . . . .	66	11	3	—
Contact lenses fitted by optical chains as a percent of total fittings by all Practitioners . . . . .	NA	NA	NA	30-40

NA indicates data not available

SOURCES: I. Bennett, *State of the Optical Industry* (White Plains, NY: Advisory Enterprises, 1983); M. Carr, Health Products Research, Inc., Somerville, NJ, personal communication, July 7, 1983; S. Davidson, "Market Data Book," unpublished, Dow Corning Ophthalmic, Norfolk, VA, 1983; and L. Schwarz and D. K. Temple, *Contact Lens Industry-The Shakeout Continues* (New York: Salomon Bros., Inc., 1983).

laws that define the permissible limits of opticians in the fitting of contact lenses, will exert great influences on the extent and forms of competition among all classes of practitioners, with strong implications for future price structures and trends. Whatever happens, the large optical chain has become an important part of the contact lens distribution mechanism and promises to play a larger role in future years. In table 16, eight of the largest chains are identified, along with their present number of outlets.

In conclusion, the three classes of practitioners have become more competitive with each other, particularly since 1978, when some of the limitations on price competition and on the role of opticians as independent dispensers were reduced. As a result of these changes, the total supply of practitioner/dispensers has expanded, and the highlighting of price as a basis of choice has served as one common denominator among all types of dispensers. Increasingly, price differentials among dispensers have come to reflect their qualitative differences as perceived by consumers, regardless of whether these perceptions are borne out in fact by either actual market experience or "objective" measures of dispenser "quality." These perceived qualitative differentials seem to have narrowed over time, perhaps because soft lenses, which predominate in the market, usually have well-known company labels, and because customizing of soft lenses is not widely done. With the tangible part of the combined lens/fitting rendered more homogeneous among different types of practitioners, the remaining differences, including price, have become more important in the choice among practitioners. And with the growing influence of price, the lower prices of high-volume chain opticianries

have attracted more and more consumers and pulled down the entire contact lens price structure, as described in chapter 4.

Those closest in character to the larger chains—namely, the smaller chains and independent opticianries—have been affected the most, with optometrists the next most affected, and ophthalmologists the least but still feeling the impact. If both large and small opticianries are considered together, then their emphasis on price competition most seriously affects optometrists. This expectation is supported by the decline optometrists have experienced in their soft lens market share from 60 percent in 1979 to 40 percent in 1980 (5).

Over the next several years and into the middle-run future, price competition can be expected to continue. The entire price structure for conventional contact lenses will continue to ease downward, at least relative to the structure of all prices. Within the contact lens retail price structure, positions are not likely to change, with the chain dispensers at the bottom of the structure initiating price reductions and compelling the other dispensers, mainly small opticianries and individual optometrists but even ophthalmologists, to follow. Furthermore, these competitive pressures in the retail market can be expected to spill over into the manufacturers' sector as all dispensers, led by the large chains and their expanding outlets and franchises, exert buyer pressure for lower prices in the wholesale market. Accordingly, the entire industry, wholesale and retail, promises to be characterized by a high degree of price competition along with strong rivalry in lens innovation in the years ahead.

**Table 16.—Major Optical Chains and Number of Outlets, 1982**

Chain owner	Chain name(s), if different from owner	Number of outlets
Searle . . . . .	Pearle Vision Centers and Texas State Optical	<b>900</b>
Cole National. . . . .	Sears; Montgomery Ward	465
Frigitronics. . . . .	Benson's; House of Vision	400
Sterling . . . . .		110
Lee Optical. . . . .		100
D.O.C. . . . .		85
Western State Optical . . . . .		64
American Vision Centers. . . . .		40

SOURCE: 1. Bennett, *State of the Optical Industry* (White Plains, NY: Advisory Enterprises, 1983).

## THE MARKETING OF CONTACT LENSES TO DISPENSERS

Manufacturers distribute their contact lenses to the three groups of dispensers, who in turn make them available to patients. Thus, manufacturers' promotional efforts are mainly directed to these professionals, although some consumer-oriented, brand-name advertising takes place.

Manufacturers offer a wide and sometimes confusing array of marketing plans, and any given firm may have several programs in effect. Further, the programs are usually in a state of change, reflecting new attempts to induce dispensers to rely more heavily on one brand or to fend off the aggressive programs of rivals. (Because of the range and diversity of marketing techniques, this discussion will focus on those of the larger firms<sup>2</sup> engaged in nationwide distribution, since the smaller labs depend more on reputation and word-of-mouth promotion in their local areas to promote sales.)

The larger firms often distribute lenses on a consignment basis. Some require the dispenser to pay a one-time fee per lens, others require no fee, and still others charge prescribers an annual per-lens fee on the original lens consignment. Dispensers are generally required to keep their inventories at the original consignment levels and to pay for lenses as they are ordered to restock to the specified level.

A common promotional practice is volume discounting. Manufacturers offer dispensers price cuts if they order a certain volume of lenses, and the discounts are often graduated and cumulative, linking dispensers increasingly closer to producers as their usage volume expands. At least one major manufacturer has offered prizes such as Mercedes automobiles and gold bullion to practitioners for ordering its lenses in large quantities.

Most manufacturers offer limited warranties and exchanges on their lenses. The warranties usu-

ally apply only to material and workmanship defects and exclude tearing and other damage from use and handling. The dispensers usually have 30 to 60 days to return defective lenses. They also can return those lenses not suitable for a patient; some firms give full credit, others partial credit, for such returns. Many firms now also offer lenses with no warranty, which lowers prices and reduces paperwork for dispensers. There is also a general movement in the industry to simplify and expedite warranty procedures.

Price competition and simplified billing routines are heavily used to promote sales. Prices have been dropping steadily in the industry over the past 5 years, as described in previous chapters, and between May 1982 and May 1983 only one daily wear lens was increased in price. Many manufacturers now give practitioners a choice of pricing methods: per lens or per fitting ("per case"), which allows for lens return. Both types of prices have been part of the downward price trend.

Along with rivalry in price formats and price levels, contact lens producers are also moving into "full line" marketing strategies. The goal of these strategies is to entrench a brand name across the different specialty markets, offering the dispenser "one-stop" shopping, so to speak. The competitive implications for smaller firms have not yet become clear. Full-line strategies are pursued in contact lens accessories as well as in the lenses themselves as the markets for lens solutions and practitioner aids have grown large.

To introduce prescribers and dispensers to a brand of lens, its producer may offer diagnostic lens sets free of charge or at a great discount. This technique is reported to have met considerable success with new practitioners.

Once a prescriber-dispenser begins to use a particular type of lens, firms usually emphasize service to continue the affiliation. The larger firms maintain full-time customer service and sales staffs to deal with problems. They also try to anticipate practitioners' needs and frequently use computer-generated inventory plans for individual offices. Some firms further strengthen their relationships with dispensers by training the dispensers' staffs.

<sup>1</sup>This discussion is drawn from *Contact Lenses*, 1982 (10); and various articles from the *Contact Lens Forum*, 1979-1983, provided by Patty Sposato, Associate Editor (2,18,26,32,33,35,36,37,38,39).

<sup>2</sup>The firms discussed include: American Hydron, American Medical Optics, American Optical, Barnes-Hind/Hydrocurve, Bausch & Lomb, Channel/Lombart, Ciba Vision Care, Dow Coming, Paris, Syntex Ophthalmic, Vistakon, Wesley-Jessen, Salvatori Ophthalmics.

Beyond the general marketing techniques described above are more unusual programs. One manufacturer (Channel/Lombart) has offered a one-time lens exchange program in which a practitioner could exchange 100 used soft or hard lenses for 100 new soft lenses at about \$6 off the regular per lens price. Other firms seek goodwill through funding educational grants for student or graduate practitioners, one of a variety of ways to establish the names of firms and their products in the minds of those making selection decisions among competing products.

On a more conventional scale, some small PMMA hard lens makers are becoming distributors for the soft lenses made by larger firms, allowing the small firms to have at least some degree of participation in this much greater market and allowing the larger manufacturer to expand its distributional and promotional mechanism. Wholesale-only houses are also appearing in some regions, and at least one consortium (Product Development Consortium) of small firms has been organized to manufacture and market soft lenses.

# **The Role of Federal Policy**