Chapter 4
Recommendations and Conclusion

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4. Recommendations and Conclusion

4.1. Objective:
This section presents the key European findings regarding the relative profitability of contact lenses and spectacles. These are based on hypotheses developed during the qualitative phase and tested by the quantitative study.

The second objective of this section is to provide general recommendations applicable across all markets.

4.2. Relative profitability

On average, a contact lens patient is 1.5 times more profitable than a spectacles patient.

This calculation is based on an average lifetime value\(^1\) across five countries.

It considers a patient centric approach of the market whereby a spectacles patient denotes a patient who buys spectacles only and a contact lens patient is a patient who buys both contact lenses and spectacles. This approach is not only consistent with a patient perspective of the eye care market (where patients buy contact lenses and spectacles as complementary products) but also with customer-centric marketing best practice.

\(^1\) The concept of lifetime value is explained in the methodology section of chapter 3
To make this result more tangible to ECPs, the profitability difference between these two patient types was calculated in cash terms.

On average, a contact lens patient is €Euros 70 more profitable than a spectacles patient

4.3. Scenario Analysis

The base case model assumes that a contact lens patient buys spectacles at the same time as contact lenses. Removing that purchase from the first cycle reduces the difference in profitability but does not affect the general conclusion that a contact lens patient is more profitable than a spectacles patient. This is driven by a spectacles replacement cycle for contact lens patients that is generally not appreciated by European eye care practitioners.

The repurchase cycle for contact lens patients is sufficiently close to that of spectacles patients that the former category remains more profitable than the latter

4.4. Perception of the vision care market

As previously noted, contact lens patients perceive contact lenses and spectacles as complementary products. However, the further up the value chain one moves from the patient, the harder it becomes to appreciate this perspective.

At the manufacturing level, companies (including those within Euromcontact) tend to exhibit a product centric view of the marketplace, with spectacles in one category
and contact lenses in the other. Figure 4-1 below presents the different perception gaps at each stage of the value chain.

At a retail level, ECPs perceive a contact lens patient to be less valuable than a spectacles patient. This is because many ECPs, according to our qualitative observations, view the two categories as defined by products and not patient behaviour. But this is only part of the story, as lenses typically generate twice the absolute profit of spectacles, meaning that a pure product perception would still tend to favour contact lenses. The other perception issue – confirmed by our market research data – is that the ECPs do not judge the profitability of their patients over the lifetime of their relationship with them. Instead, there is a tendency to overestimate the impact of initial cash flows and to underestimate those of later periods. Spectacles, under this viewpoint, only appear more profitable since the initial sale of spectacles always generates more profit than the initial sale of contact lenses.
This is why lifetime value calculations are of significance: they indicate the progression of profits within each patient type and encourage the ECP to understand and attempt to influence patient loyalty over time.

Perception of the vision care market varies along the value chain: the players furthest away from the patient interface have the widest distance to travel in moving their understanding to a patient perspective.

4.5. **Future outlook:**
Spectacles are considered by the vast majority of contact lens patients as a *complement* to contact lenses.

To align the entire value chain to this viewpoint, manufacturers must bring a patient perspective into their organisations. This will allow them to show ECPs the economic value of contact lens patients in ways that reflect the underlying structure of the marketplace, as defined by the consumer. It will also allow the development of a marketing strategy aligned to patients’ needs.

Contact Lens manufacturers and ECP’s should adopt the patients’ definition of the marketplace – not their own.

4.6. **Model Drivers:**
Key drivers of profitability have been identified from field interviews and the economic model. These drivers can be positively influenced by the vision care industry to enhance the value of contact lens patients to ECP’s and consequently to lens manufacturers. Although we provide suggestions to influence each driver, further work is required to develop a more exhaustive list and to explore the
implementation issues around each in more detail. This work did not form part of the scope of this research project.

4.6.1. Enhancing contact lens patient loyalty
The significance of understanding lifetime value in gaining a complete understanding of the economics of the vision care industry has been noted at various stages in this research report. One observation from qualitative interviews is that, while ECPs value patient loyalty, they tend to devote few resources to stimulating this. Loyalty programmes can be devised and implemented by the lens manufacturers on behalf of the ECPs to promote patient loyalty. Such a programme would seek to bring the patients back to the ECP store and to reward them with discounts on purchases.

Another way to achieve enhanced retention is to lock-in the patient by way of long-term contract. One example, a German lens-only retailer, used a system whereby patients agreed to a monthly debit of DM 50 to their bank account in return for all their lens and solution needs being met over a one year period.

For patient retention initiatives such as this to succeed, the key challenge to contact lens manufacturers is to provide ECPs with the necessary business training to help them understand the impact that retention has on profits.

4.6.2. Reducing contact lens category drop-out
Reducing category rejection (where patients reject contact lenses altogether, rather than just switch supplier) is another way to increase patient profitability. There are two primary issues that can be controlled at the store level: improved staff service (by way of better technical training) and improved diagnostic equipment. Levels of
knowledge and equipment vary across ECPs among regions and countries and specific surveying across ECPs would highlight the financial resources (for extra technical training and upgrading of diagnostic machinery) that would be necessary to have an impact in this way.

4.6.3. Increasing cross-selling opportunities
With only 60% (on average across the five countries) of contact lens patients buying spectacles at the same ECP outlet, there is significant opportunity to cross-sell spectacles to contact lens patients. The contact lens manufacturers should look to co-promoting their products with spectacles.

4.7. Conclusion: Patient’s Needs first, Profits second
Our quantitative analysis has highlighted the fact that ECPs expect the contact lens market to grow in the coming years. In a situation where ECP’s perceive contact lens patients as less profitable, they will consider contact lens growth as having a negative impact on the profitability of their industry. This will worsen the attempts of lens manufacturers to increase market penetration of their products.

The key challenge for contact lens manufacturers is to successfully communicate to the ECPs the patient-centric view of economic profit. This will encourage ECP perceptions to move favourably towards contact lens promotion. But this will be a slow process and will require determined and consistent effort by Euromcontact if the perception change is to be permanent. Additionally, the lens manufacturers will need to provide technical support to ECPs to demonstrate their determination to increase market penetration.
Within all of these activities the lens manufacturers and ECPs will need to be mindful of the duty of care they have towards their patients. Although economics may favour increased lens penetration, each patient can only be offered that vision correction solution that is most medically suitable for them.