2019



TREND REPORT

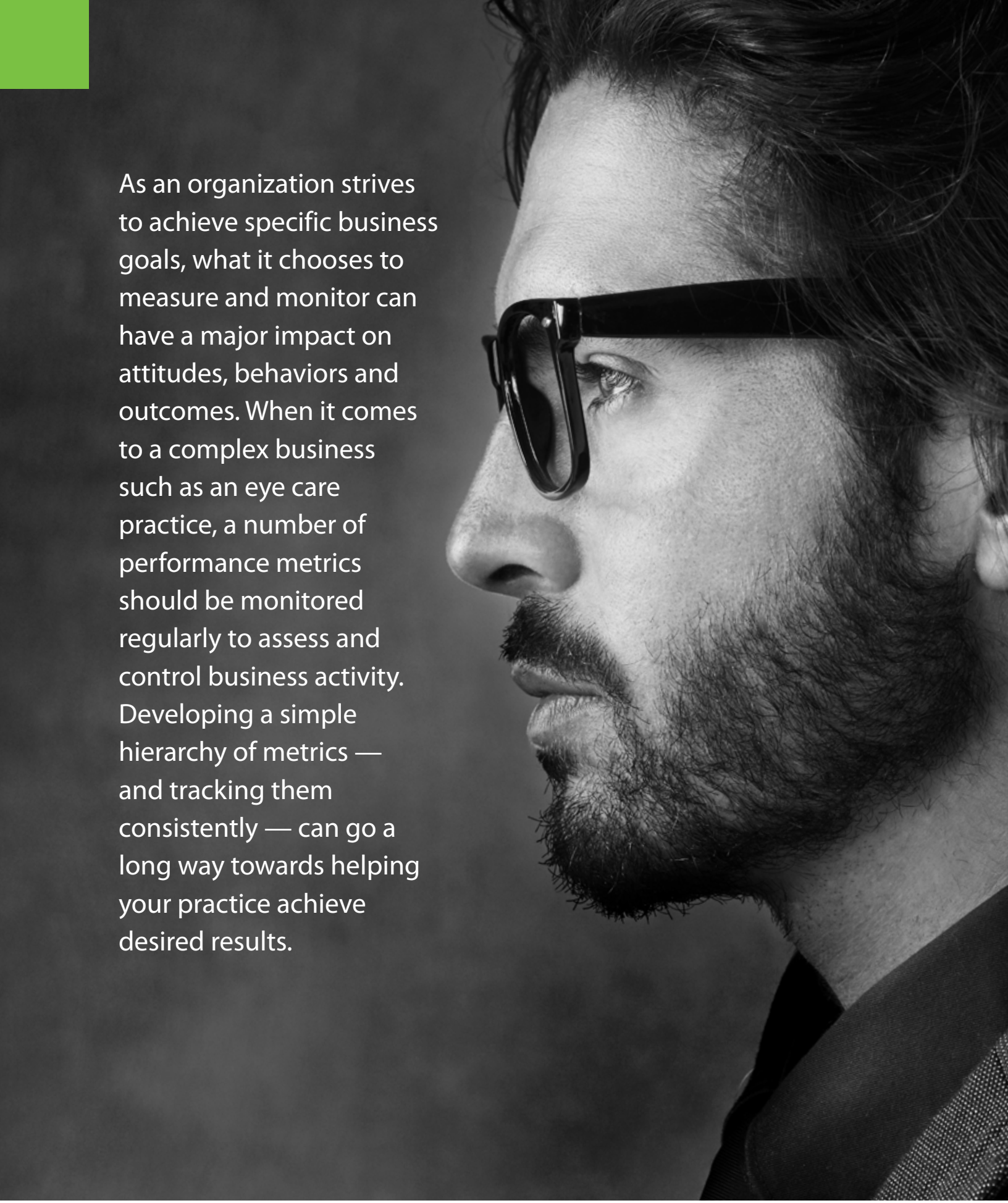
Independent Optometry Key Performance Metrics

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As an organization strives to achieve specific business goals, what it chooses to measure and monitor can have a major impact on attitudes, behaviors and outcomes. When it comes to a complex business such as an eye care practice, a number of performance metrics should be monitored regularly to assess and control business activity. Developing a simple hierarchy of metrics — and tracking them consistently — can go a long way towards helping your practice achieve desired results.

There are two significant data sets that can help guide the marketing and sales strategies of businesses — big data and small data.

Big data is larger data sets that may be analyzed computationally to reveal patterns, trends and associations, especially relating to human behavior and interactions. Small data involves precise, bite-sized metrics delivered in a volume and format that makes it accessible, informative and actionable by humans. Small data is typically generated from information found within a business, such as sales reports, customer lifetime value, Google Analytics, marketing response rates and customer surveys. Big data can be generated by a variety of sources including government agencies, large data companies, research companies and large businesses.

This report is comprised of "big data" that can help you understand industry benchmarks, and allow you to compare your "small data" key performance indicators with a large group of practices and identify areas of opportunity and areas that may need improvement.

METHODOLOGY

Data was generated from over 500 independent practices participating with the ABB Analyze, powered by Glimpse dashboard service. Rather than self-reported estimates, data was gathered directly from billing codes within practice management information systems to offer true comparative benchmarks. All revenue categories represent gross billing figures per practice, prior to MVC deductions.

PRACTICE DEMOGRAPHICS

500 locations geographically distributed by region:

NE 23%, SE 20%, MW 24%, SW 15%, W 18%

Urban/suburban: 50/50

+/- 1 million dollar net revenue: 60/40

72% single location, 28% multi-location

90% independent, 10% retail franchise

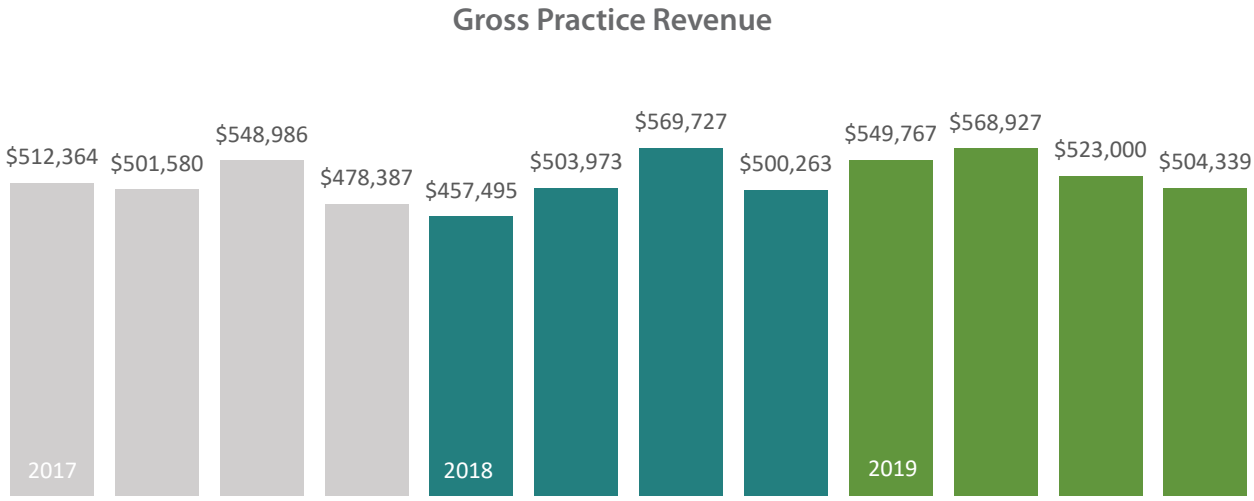
It should be noted that practices represented in this report are larger than the typical solo practice — seeing approximately 50% more patients and grossing 165% more revenue*. So while insights into seasonal trends, year-over-year comparisons and revenue mix may be applicable to practices of varying size, specific numerical benchmarks may need to be adjusted accordingly.

*Improving Capture Rate, EPCUniversity, MBA Volume 1, Issue 1 and Issue 2, 2018

Key Performance Indicators

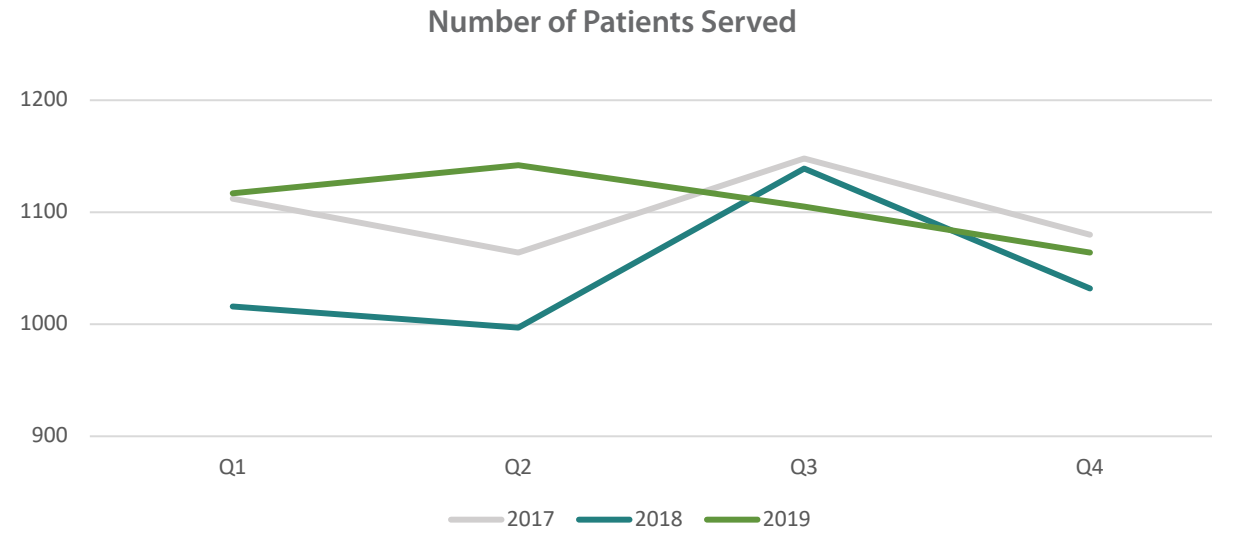
GROSS PRACTICE REVENUE

The total gross revenue per practice in 2019 averaged just over $2.1 million. This resulted in more than a 5% increase over both 2018 and 2017. The first half of the year was notably stronger than previous years and the highest performing quarter shifted from Q3 to Q2 for the first time in 3 years.



NUMBER OF PATIENTS SERVED

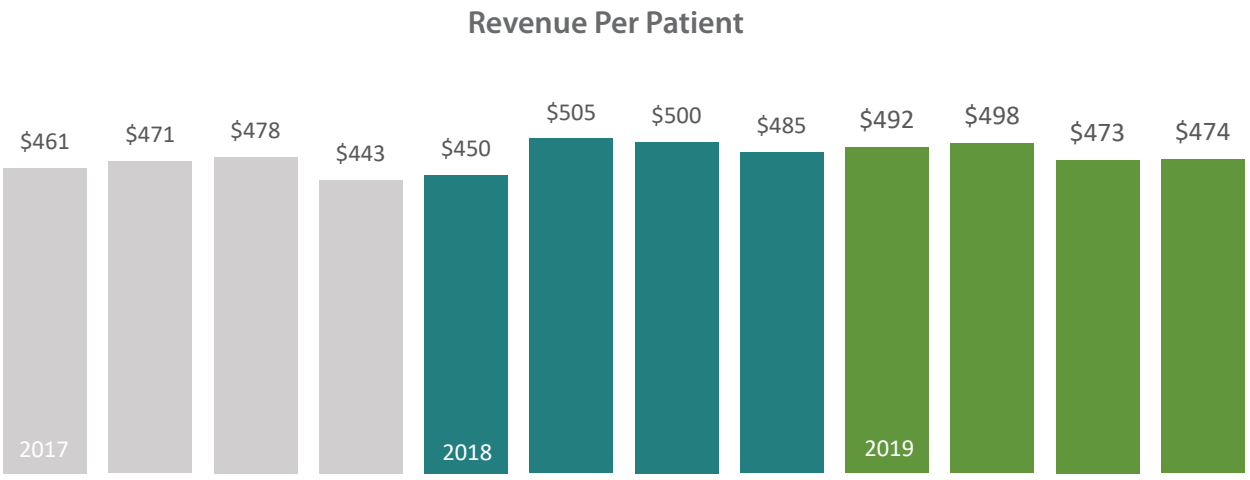
In 2019 the total number of patients served averaged 4,428 over the 12-month period. This was a 6% increase over 2018 and similar to numbers seen in 2017. Patient volume was fairly consistent throughout the year with slightly stronger numbers in Q1 and Q2.



Key Performance Indicators

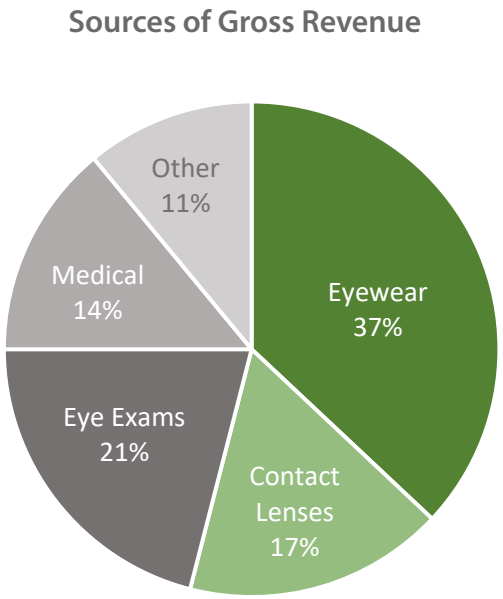
AVERAGE REVENUE PER PATIENT

The average revenue per patient in 2019 was $484. Showing a 5% lift when compared to 2017, the average revenue per patient in 2019 remained stable when compared to 2018.



REVENUE MIX

In 2019, the revenue mix continued to be dominated by product sales — which accounted for 54% of gross revenue. Eyewear continued to lead the mix at 37% but was down from 42% in 2018. Eye exams and contact lenses followed second and third place — with little change in the percentage mix over the previous years. Medical revenue increased from 12% in previous years to 14%.



As patient volume was strong in the first half of the year, 2019 averaged a 16% increase in revenue over the first half of 2018.

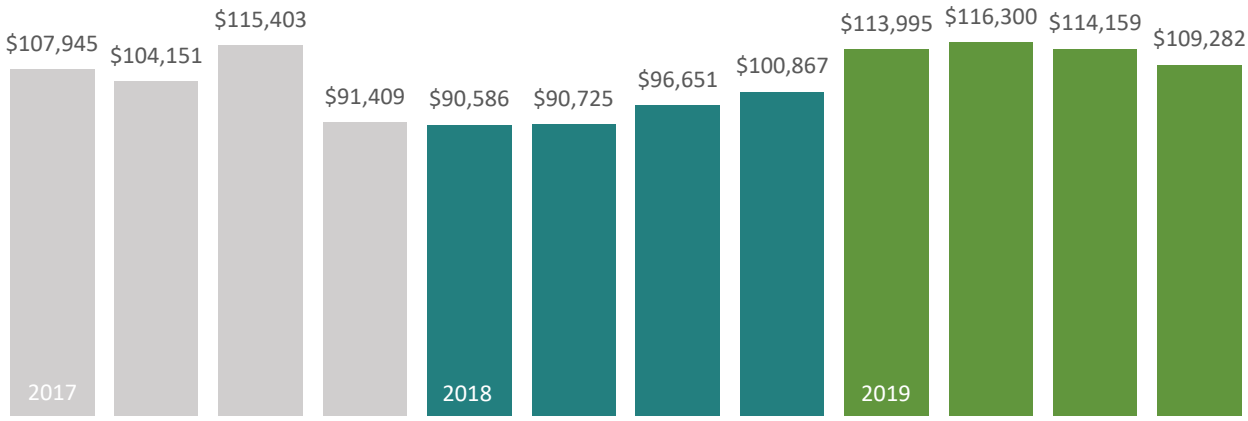


Revenue Mix

COMPREHENSIVE EYE EXAMS

Contributing to the increase of gross revenue in 2019, earnings from eye exams were 20% higher than those in 2018 and 8% higher than 2017. This is likely due to an increase in the number of patients and eye exams performed as well as an increase in the average revenue per exam. Exam revenue per quarter was fairly consistent over 2019 and accounted for 21% of gross income.

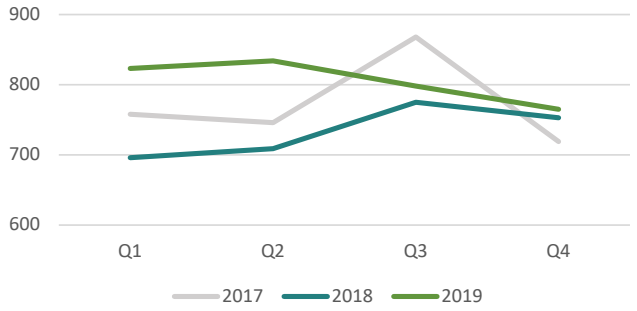
Eye Exam Revenue



Exam revenue includes routine medical tests/screenings but does not include refractions or contact lens fittings.

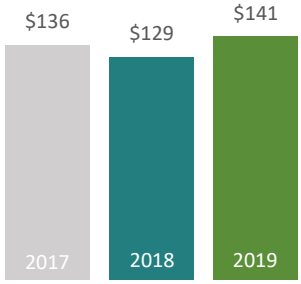
- Consistent with overall patient volume, the number of eye exams performed per practice were up throughout the year with a strong showing in the first half of 2019. 66% of patients visiting the practice received an exam, totaling 3,220 over the year — which was 10% higher than 2018 and 4% higher than 2017.

Number of Eye Exams



- Exam revenue per patient averaged $141, which was 9% higher than 2018 and 4% higher than 2017. This lift, combined with a higher number of patients, contributed to the increase in gross revenue.

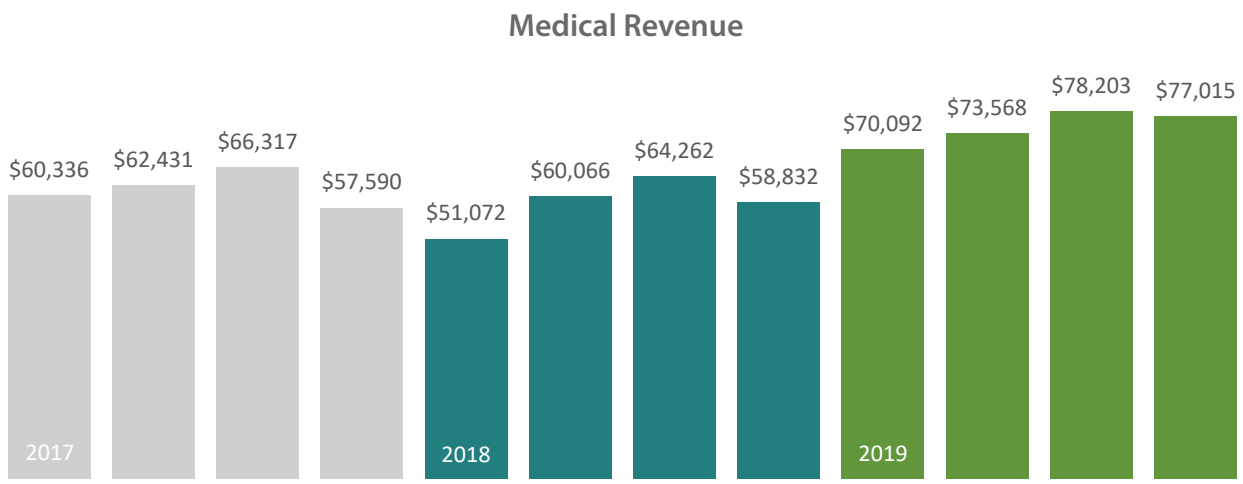
Eye Exam Revenue Per Patient



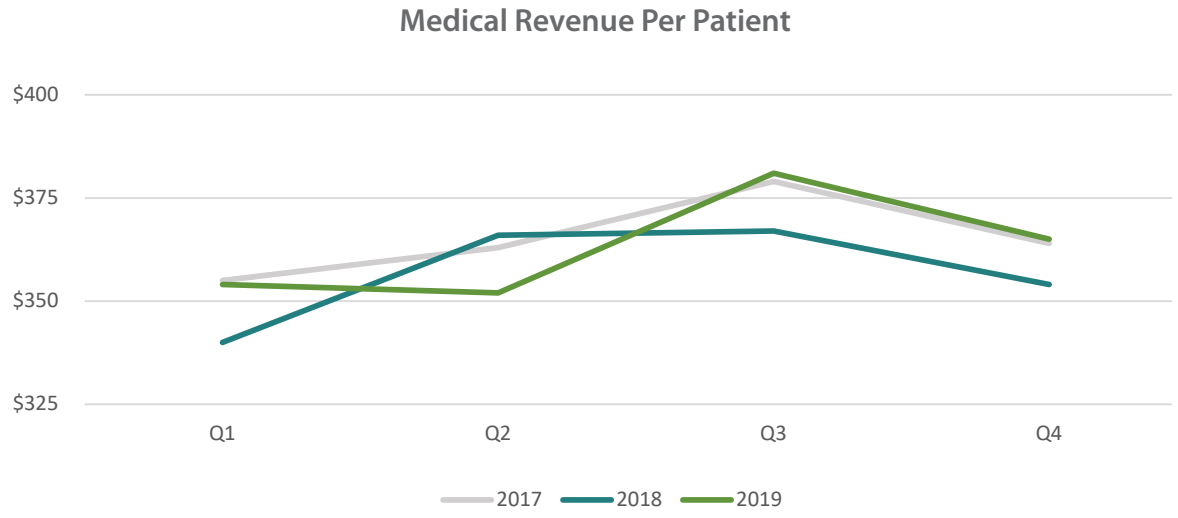
Revenue Mix

MEDICAL EYE CARE

In 2019 the number of patients receiving medical screenings/exams along with clinical treatments/ procedures increased from 15% to 19% of the total patient base. The increase in volume resulted in a 28% increase of medical revenue over 2018 and was 21% higher than 2017. For the past three years, Q3 has been the strongest performing quarter.



- In 2019 revenue per medical patient continued to hover around $363. This number has remained fairly constant over the past 3 years with minor peaks in Q3. Practices may want to monitor this number to see if it increases as more providers begin to embrace the management of chronic conditions such as myopia and dry eye.

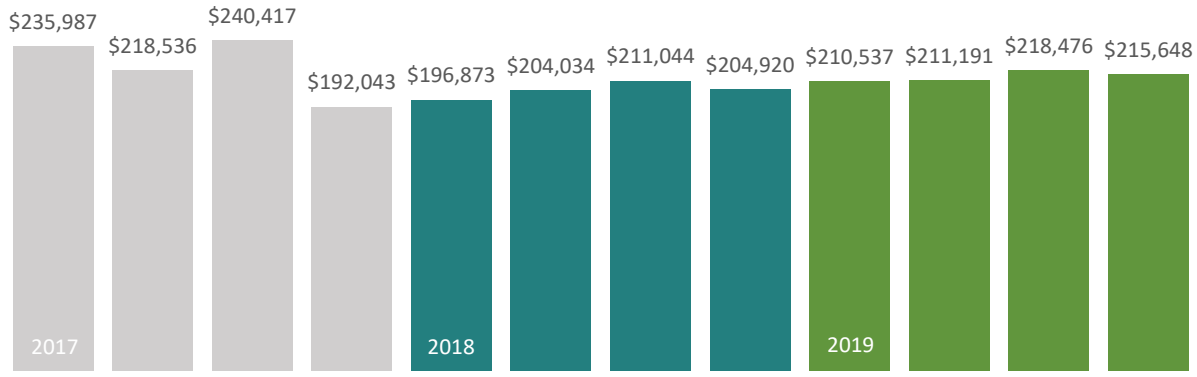


Revenue Mix

OPTICAL DISPENSARY EYEWEAR SALES

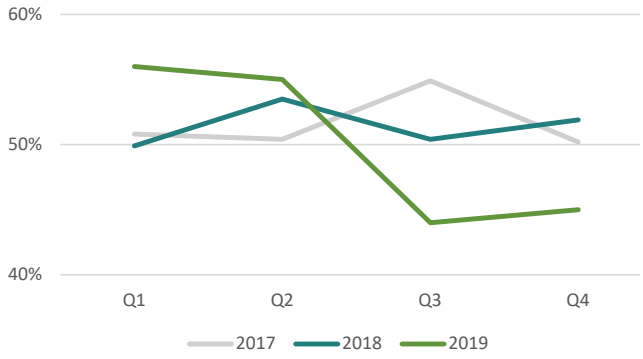
Total eyewear revenue improved 5% over 2018 but still fell short of numbers seen in 2017. The total contribution of eyewear revenue to the gross revenue of practices continues to decline from 43% in 2017, to 40% in 2018, to 37% in 2019.

Eyewear Revenue



- The capture rate for eyewear has formerly ranged between 50-55%; however, 2019 saw some variances. Q1 and Q2 performed at the top of the typical range, while Q3 and Q4 were well below average. This means that in the latter part of the year, over half of the patients who received a refraction walked out of the door with their prescription.

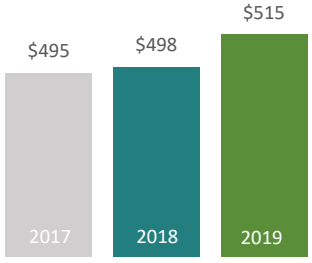
Eyewear Capture Rate



Number of patients buying (one or more) frame units divided by the number of refractions.

- Formerly averaging just under $500, revenue per eyewear sale climbed to an average of $515. Q3 and Q4 saw the highest averages — which helped offset potential revenue decline due to lower capture rates.

Revenue Per Eyewear Sale



Over half of the patients who received a refraction in the second half of 2019 **walked out the door with their prescription in hand.** As eyewear is the leading contributor to gross revenue, this represents a great loss of potential income and a key area in which practices can focus improvement to positively impact their bottom line.

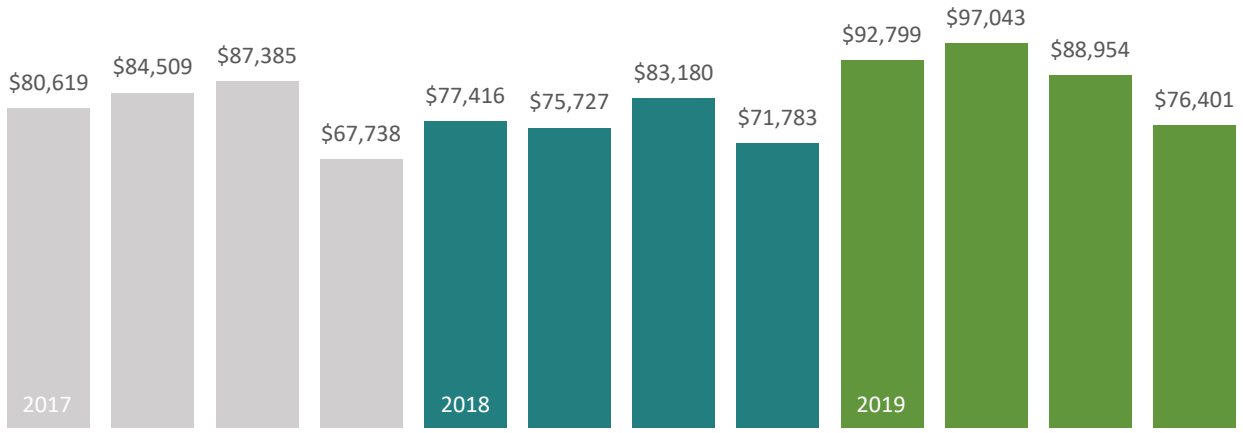


Revenue Mix

OPTICAL DISPENSARY CONTACT LENS SALES

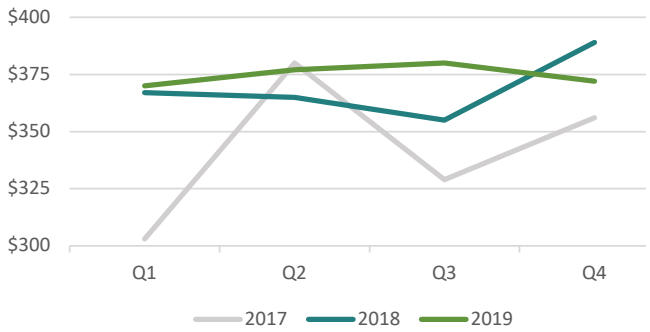
Contact lens revenue was strong in 2019. Sales were 15% higher than 2018 and 11% higher than 2017. This is likely due to the increase in patient volume and an increase in capture rate.

Contact Lens Revenue



- Revenue per contact lens patient was steady throughout 2019 with an average of $375. It showed a slight increase from 2018 and a 13% improvement from 2017.

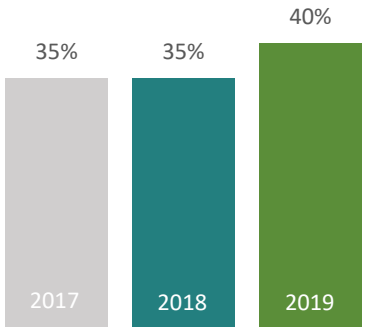
Revenue Per Contact Lens Patient



Gross revenue from contact lens fitting fees and product sales divided by the number contact lens fittings

- In previous years, the capture rate for contact lenses has averaged 35%, but 2019 showed improvement at a consistent average of 40%.

Contact Lens Capture Rate



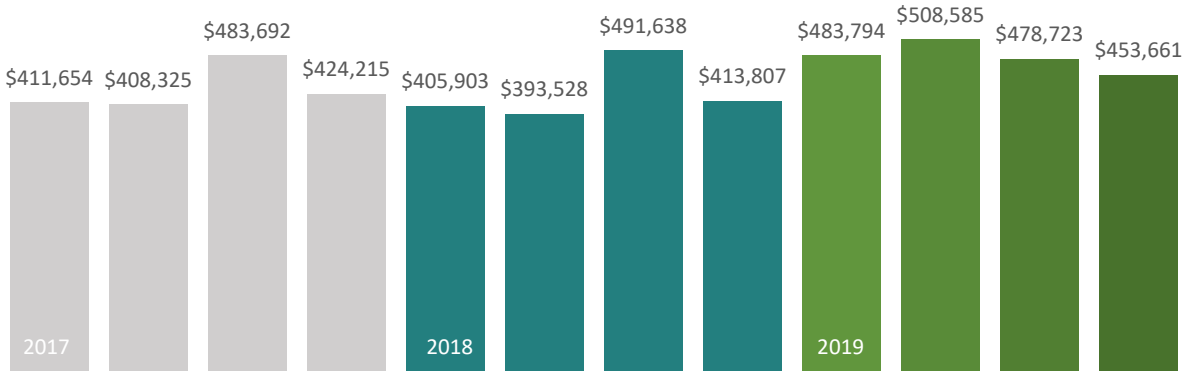
Revenue Mix

REFRACTIONS

This metric includes refraction test fees plus all product sales associated with patients who received a refraction. Similar to eye exams, 65% of patients received a refraction yet this group brought 90% of the gross revenue to the practice, totaling over $1.9 million in 2019. With a capture rate at only 50%, this reinforces how important it is for eye care professionals to monitor and improve conversion in the dispensary.

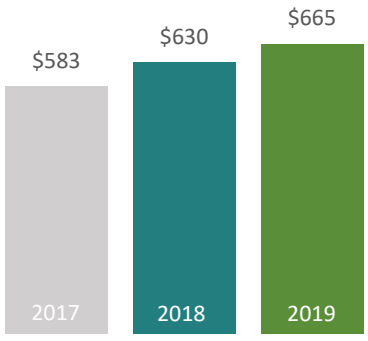
- Refraction revenue in 2019 trended up – increasing 13% over 2018 and 11% over 2017. Q1 and Q2 saw the most significant increases of nearly 30% and 20% over 2018.

Refraction Revenue



- Revenue per refractive patient continued to climb to an average of $665 in 2019, helping to boost overall revenue.

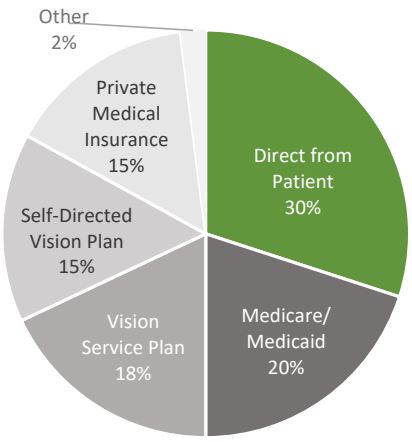
Revenue Per Refraction Patient



Tender Type

Industry data shows that health/vision plans and government programs heavily impact revenue, with nearly one-third of billings being paid by patients directly. The greatest opportunity to influence revenue is to demonstrate how convenient payment solutions such as the CareCredit credit card can bridge the gap between insurance and what patients truly need and want. From clinical treatments such as dry eye, CRT and vision therapy to premium eyewear and multiple pairs to annual supplies of daily disposable contacts, promotional financing* can help patients move forward immediately with the care and products that will enhance their vision health and lifestyle.

Payment Sources



AOA Survey of Optometric Practice 2016



*Subject to credit approval.
Minimum monthly payments required.
See carecredit.com for details.

Summary and Recommendations

VIsionWatch estimates that independent ECPs command a 70% share of eye exams yet only 50% of eyewear revenue^. Share of revenue is lower than their share of patients because their capture rate of patients purchasing corrective vision wear is much less than 100%. As patients take their prescriptions to be fulfilled in conventional chains, mass merchants and online retailers, the importance for ECPs to provide an exceptional patient experience, along with well-merchandised dispensaries is essential in today's market.

^Vision Council: Vision Watch Report Card, Q4 2019 and Vision Care Market Quarterly Overview, Dec 2019

BEST PRACTICES TO INCREASE VALUE & CAPTURE RATE ALONG THE PATIENT'S JOURNEY

- ODs that introduce how eye care and eyewear can enhance a patient's lifestyle help preset patients to explore options within the practice dispensary. After the exam, ODs should transition patients directly to an optician/sales associate at which time the benefits of specific eyewear can be reiterated in front of the patient.
- Merchandise your optical dispensary with a balanced and enticing product mix. The space should be inviting, up-to-date, well-organized and well-lit. In essence, it should feel like a center of excellence, not an ancillary service.
- Demonstrate the benefits of premium ophthalmic lens options rather than just stating them.
- Present the total cost as a monthly payment. From patients on a fixed budget to those who appreciate smart financial resources, promotional financing can provide immediate value and convenience to a broad spectrum of consumers.
- Only 1 in 4 contact lens patients purchase glasses after an exam*, yet most of them need a pair of glasses as well. Be sure to offer these patients eyewear after every CL exam.
- Patients with no or little change in their prescription may very well welcome a new look, new lens enhancements/protective coatings or a second pair for specialized use (such as the computer).

*Identify New Opportunities to Improve Capture Rate, EPCUniversity®, MBA Volume 1, Issue 2, 2018

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