

Optical Markets Continue to Grow Despite Slow Third Quarter

During the 12 month period ending in September 2011 (October 1, 2010 through September 30, 2011) the vision care industry in the United States generated \$32.56 billion in revenue at the retail level. When compared to sales revenue from the previous year, the market improved by 2.2 percent (representing an aggregate increase of \$705 million at the retail level), representing the third straight quarter of positive annual sales growth after eleven straight quarters of declines. The rise in third quarter 2011 optical sales is not as strong as increases in first quarter and second quarter 2011 sales, indicating that the optical industry slowed in response to recent turbulent economic news.

A continued escalation in the number of Americans using different forms of vision correction is certainly helping the situation. The total number of American adults using some form of vision correction was 177.8 million during the 12 month ending period September 2011 (an increase of 1.8 million people from September 2010). There were 149.9 million Rx eyeglass wearers in the US during this same period of time along with 203.4 million plano sunglass wearers and 37.1 million contact lens wearers. Over the past year the number of adults using all types of vision correction increased, with the largest increases occurring among contact lens and plano sunglass wearers.

While most sectors of the vision care market were gaining ground during this period, some sectors managed to outperform other sectors with regard to sales. During the 12 month period ending in September 2011, the strongest retail growth markets were contact lenses (+5.3 percent to \$3.78 billion), plano non-Rx sunglasses (+3.2 percent to \$3.34 billion), and eye exams (+2.5 percent to \$5.06 billion).

The markets that experienced the lowest increases in retail sales revenue during the 12 month ending period September 2011 were refractive surgery (+0.7 percent to \$1.82 billion) Rx lenses (+0.9 percent to \$9.52 billion), and OTC readers (+1.9 percent to \$735 million). Ophthalmic frame dollar sales increased by 2.2 percent to \$8.31 billion during the 12 month ending period September 2011 despite only a modest raise in actual pairs sold (+0.3 percent to 67.0 million pairs).

The resurging optical market in the US was fueled by growth in several key segments of the lens and frame market during the 12 month period ending in September 2011. In the lens market, sales of single vision lenses, high index lenses and photochromic lenses increased more than other lens types, thanks to increased purchasing activity among eyeglass wearers between the ages of 35 to 54 and wearers from higher income homes. Sales of PAL lenses continued to decline during the 12ME period September 2011, as did lens sales among mass merchants and wholesale clubs.

During this time period, independent ECP retailers continued to do the best job of increasing frames/lens unit and dollar sales (+0.6 percent over the previous year in units and +0.4 percent over the previous year for dollar revenue for lenses and +6.2 percent for frames dollar sales). Department stores also saw frames and lens sales increase as consumers slowly continued their return to the shopping centers and malls across the

country. For conventional chains, the news was rather mixed, unit sales of frames and lenses were up slightly during the 12ME period September 2011; however, dollar revenue from eyeglass sales among conventional chains continued to decline slightly because of dropping prices.

In the eyeglass frame market, sales were up in total, bolstered thanks to the continued strong purchasing activity of Americans from higher income households (+1.1 percent with over 37.7 million pairs purchased between October 2010 and September 2011). Frame sales grew the most among men and consumers over the age of 45 (with frame unit sales increasing by over 10.3 percent among consumers over the age of 55 over the past year), and Americans using some form of MVC insurance (+2.7 percent). In terms of distribution channels, department store retailers saw unit frames sales increase by 1.0 percent during the past year to 3.64 million pairs sold.

The plano sunglass market, which had been one of the optical markets hit hardest during the US economic recession, finally started to rebound during the second and third quarter of 2011. There were 92.3 million pairs of plano sunglasses sold in the United States, valued at \$3.34 billion, during the 12 month period ending in September 2011 (-0.9 percent in unit growth and +3.2 percent in dollar value versus the previous year). As we first observed when the economic recovery started, most of the recent increase in plano sunglass sales can be traced to rising sales of plano sunglasses priced at more than \$50 per pair. In terms of demographics, sales of plano sunglasses have increased the most among women, Americans over the age of 55 and Americans from lower income households (under \$60K per year); incidentally, the same groups that purchased fewer plano sunglasses before the recession started in 2008.

Data in this article was compiled from VisionWatch, the large scale continuous research study conducted by The Vision Council. VisionWatch contains useful industry data on lenses, frames, sunglasses, reading glasses, LASIK, contact lenses and eye exams. For additional information, please contact Steve Kodey at 703-740-1095.