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The Rising Tide of Private Label

April 16, 2013 9:00 AM

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NEW YORK—The hottest new digital progressive lens might be a brand you’ve never heard of.

Although millions of pairs of brand name digital progressives such as Varilux and Definity from Essilor, Hoya iD Mystyle, and Carl Zeiss Vision Individual, Shamir Autograph, Seiko Surmount or Image from Younger Optics are sold each year, lesser known brands such as Visionary, Digimax and Apex—to name just three—have also become best sellers in many local and regional markets. These private label, digital or free-form PALs (progressive addition lenses) are part of a rising tide of house brands that could reshape the fast growing and highly profitable digital PAL category.

Although there are no reliable statistics on the size or rate of growth of private label digital progressive lenses, knowledgeable industry observers peg the market at anywhere from 2 percent to 5 percent of total progressive lens sales, and some believe it could more than double in next year or two. New data shows that digital PALs are gaining popularity. Sales of these lenses rose more than 15 percent during 2012, according to VisionWatch, the large scale continuous research study conducted by The Vision Council. An estimated 19 percent to 21 percent of all progressive lenses sold in the U.S. during 2012 were produced using digital free-form technology, The Vision Council reported.

Anecdotal evidence from suppliers indicates that sales of private label digital PALs are contributing significantly toward this upward trend.

“We estimate that private label digital designs make up about 10 percent of the digital progressive lens market, or only 2 percent of all progressives sold in the U.S. market in 2012. However, the private label digital design segment is growing rapidly,” said Mervyn McCrea, managing director at Crossbows Optical, a subsidiary of Essilor’s Signet Armorlite unit based in Ireland that provides lens design services.

“There is not enough data on the U.S. market yet to say precisely how fast it has grown from year to year, as the private label offering for digital designs is still a relatively new concept. If we gauge growth by the inquiries Crossbows receives from lab owners and eyecare professionals regarding product availability and technology, the market is growing rapidly,” McCrea said.

Daniel Crespo, president of IOT (Indizen Optical Technologies), a free-form lens design firm headquartered in Madrid, Spain, offered a similar assessment. “We have seen the demand for private label lens designs growing very strongly in the U.S. in the last two years,” said Crespo. “All sorts of companies are adopting a strategy for their private label, from independent wholesale labs to group practices and retail chains that have their own labs, and insurance and managed care companies.”

Among the many factors contributing to the rise of private label digital PALs is the proliferation of free-form lens processing technology among independent wholesale labs and retail chains, rising consumer demand for high performance-high value lenses, and the growth of online optical, a wild card that could rapidly accelerate the growth of this segment of the PAL market. In-office lens casting systems such as the QSpex System from QSpex Technologies are also fueling the trend.

For both wholesale and retail labs in the U.S., selling private label free-form brands offers a way to differentiate themselves from competitors.

“The U.S. market is very unique,” said McCrea. “The relationship between the optical processing lab and the eyecare professional, and ultimately the patient, is as much based on personal service, knowledge, and speed of delivery, as it is on lens variety and technology. As a result, the private label option affords the lab an opportunity to distinguish themselves against other competitors, and to put that distinguishing mark right on the lens. Therefore, the demand in the U.S. market is certainly higher than other markets, and will continue to grow.”

As more companies have entered the private label free-form field, a flourishing sub-industry of lens designers, including some major lens manufacturers, has sprung up to serve their needs. They offer software featuring everything from moderately priced, basic designs to upscale, customized creations that

feature compensation for position of wear, optimization and other refinements.

To service the burgeoning demand for private label digital PALs, labs on the wholesale, retail and supplier levels are stepping up production. Many are investing in free-form lens surfacing equipment from companies such as Schneider Optical Machines, Satisloh, Coburn Technologies and Augen Optics. The increased availability of such equipment, particularly more affordable, compact machines, has made it possible for small and mid-sized labs to produce their own private label free-form PALs. The result is shorter turnaround times, improved efficiency, higher profits and the ability to put new lens designs into production more quickly.

“With private label, independent labs can make a better margin than they can selling branded products, they can control their own destiny and don’t have to compete with the lab across the street for \$20,” observed Alan Yuster, executive vice president, business development for PFO Global, which markets its own lenses as well as private label lens designs. “It’s a great equalizer.”

Another reason more labs are opting for private label brands is that it allows them to keep costs down by sourcing components individually, said Bernadette Hiskey director of marketing for Carl Zeiss Vision, which, in addition to its primary lens business, offers free-form lens design services. “A lab gets a design from one supplier and a lens blank from another. Then they get a free-form manufacturing process and coating from other suppliers, and then bring in a marketing agency to put it all together into one package,” she explained.

Industry observers agree that the growth in private label lenses, particularly digital progressives, is being driven by value-minded consumers who are seeking private label lenses that offer some of the same performance features as better known products but without the added cost of a brand name. But some suppliers say the trend has a downside.

“If you’ve got two big labs competing in the same market for the same ECPs, how are those ECPs going to continually upcharge the consumer or even maintain higher price points without a brand?” asked Mike Rybacki, senior vice president of sales and marketing for Seiko Optical Products of America, which offers private label designs but reserves its most advanced technology for its Seiko branded lenses.

“If it’s just a basic design, with the same fitting heights and the same corridors, and everybody has it, prices are going to erode quickly. And, the retailer is going to be able to shop around by price alone, creating a race to the bottom. Labs should consider long term profitability when investing in free-form equipment and especially in selecting software partners.

“Seiko is fortunate because not many lens companies can provide both a consumer recognizable brand name as well as offer a lower priced private label product,” Rybacki continued. “It puts us in a unique position because our competitors, particularly on the private label side, are just going in with a generic,



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unbranded design.”

Others point out that there is a wide range of digital PALs available in private label, including some advanced products that rival big name brands in both performance and price. “There’s a misconception that private label means cheap,” said Hiskey. “There is a segment for that, which is low cost progressives that are used to convert people out of bifocals. But the part of the market that uses private label to differentiate is stronger.”

Hiskey, who said Carl Zeiss Vision has created over 1,400 different private label lens designs in

the past two years, said sunglass companies that partner with a lab or lens manufacturer are also contributing to the growth of private label PALs.

“Those brands are driven more by functionality, particularly in the wrap area,” she noted. “Most of the sunlens companies have an established brand already, so they’re less interested in working with other brands. So the value proposition for them is being able to offer their brand in prescription, which is a different proposition than a lab saying, ‘This is our own lens.’”

The growth in private label, free-form sunlenses is primarily at the high end of the market, according to Yuster. “A number of sunglass companies are putting premium, free-form progressives in their sunglasses. They’re working with companies like us to design lenses with proprietary materials and spectral filters.”

RETAIL SUCCESS STORIES

With so many sources for private label digital PALs now available, a growing number of independent ECPs and optical retail chains are embracing private label digital PALs as a way to offer advanced lens technology and differentiate themselves from competitors. One such retailer is Barnet-Dulaney-Perkins Eye Center in Arizona, which began offering its own BDP Advanced Progressive a few months ago.

“We have our own frame line, both ophthalmic and sun, as well as our own contact lenses, so we were looking around to find the right progressive,” said Debbie Bacon, director of optical services for the 11-store chain. “We partnered with one of our local labs, Aspen Optical, and they came up with the lens and the marketing material, too.”

Bacon said that before releasing the lens, Barnet-Dulaney-Perkins surveyed patients and found that a significant number preferred it to their current progressive. Based on those results, she believes the BPD lens, which is priced in the mid to high range, will be a strong seller. “Even though this lens is fairly new for us, it already represents about 20 percent of all the progressives we sell,” she said.

Private label digital PALs also play an important role at National Vision, Inc. which sells them under its Digimax HD brand. However, National Vision, which operates 730 locations across the U.S. and is ranked fourth among Vision Monday’s Top 50 Retailers, incorporates the lens into its overall value-oriented

approach.

“We launched Digimax about six years ago,” said Vance Wright, director of lens merchandising for National Vision, whose retail companies include Vista Optical in selected Fred Meyer stores, Optical Center on the Military Base, Vision Center inside Wal-Mart locations, America’s Best and Eyeglass World. “Now we have it in all of our stores.

“Digimax HD is our premium lens offering, and our only free-form,” said Wright, adding that National Vision also offers a single vision design. “Being in the value segment, we try to keep the upgrade charge as low as possible. We want to make sure we can get our value message across.” Although Wright declined to say how much of National Vision’s progressive lens sales Digimax accounts for, he acknowledged that, “It’s a significant portion of what we do.”

Wright said National Vision takes a “consultative” sales approach with Digimax HD. The only in-store merchandising it does for the brand is a graphic that appears on dispensing mats that depict the differences in the viewing areas of basic hard design progressives, conventional progressives and Digimax HD. “It’s [sales] associate-driven rather than marketing-driven,” Wright pointed out. “It’s very much lifestyle selling.”

National Vision’s dispensing approach is working well with Digimax, Wright said. “It has been great for us for people who are non-adapts or have tried different designs.” According to Wright, free-form PALs are National Vision’s fastest growing lens product segment. “We think Digimax has a bright future,” he remarked.

DELIVERING VALUE TO CUSTOMERS

Classic Optical Laboratories, a Youngstown, Ohio wholesaler that serves high volume clients in the governmental, managed vision care and online markets, also takes a value-based approach to selling lenses, including its Apex brand.

“Over the past three years, Classic Optical Laboratories has experienced an ever increasing market shift from premium branded lenses to our private label lenses,” said company president Dawn Friedkin. “Private labeling products to fit specific needs or to offer value-added items to supplement customer service or sale programs has proven to positively impact the profit margins for the eyecare providers we serve.”

Friedkin said that Classic Optical’s shift toward private label digital PALs has been driven by the demand to produce high performance lenses while controlling production costs. “Over the past three years, economic pressures have necessitated the integration of optimal cost-containment measures in all manufacturing processes to ensure the delivery of the highest quality prescription lenses at the most affordable pricing. To accomplish this objective, we have leveraged the benefits of the new technology in lenses and our fully automated high volume, state-of-the-art manufacturing facility to bring these kinds of products to all markets, even those where they were previously unavailable.

“Classic Optical’s overall pricing structure has at the forefront a focus on delivering exceptional value,” noted Friedkin. “The right price is one that reflects the ability of a given product to address a customer challenge in comparison to their alternatives. We strive to align pricing strategy in the context of the larger

environment. That often entails bundling or package pricing to maximize benefits cost-effectively.”

Friedkin said the Apex line compares favorably to the name brand digital progressives her lab sells in terms of performance and price. “We also run Shamir and our customers’ customers like Apex just as much, if not more, and we offer Apex at a better value,” she pointed out.

Toledo Optical, a wholesale lab based in Toledo, Ohio, takes a different approach to positioning its private label line of Visionary lenses, which has been experiencing strong, steady growth according to lab vice president Jeff Szymanski.

“Unlike other players in the industry, we have not discounted our private label brands—but rather have priced them equal to the quality and value that they deliver,” said Szymanski. “In our opinion, the economy has been less a factor in driving brand choices than quality, performance, better patient care with a focus on better managing the patient process, and enhanced margins that come from being more selective in choosing products that can deliver with performance and consistency.”

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Szymanski emphasized that promoting a private label brand is a way of promoting the lab itself. “During an earlier time in the industry, we strongly promoted the many different brands we distributed, but have since learned that the greatest ‘brand’ we have is the brand of our own company. This holds true for every successful business,” he said. “Just as the image of the Ritz Carlton has been driven by their culture and not the specific products they incorporate, so too have we created our own success by branding ourselves first and foremost and then introducing the specific products which support our mission.”

John Kruszewski, OD of Pinnacle Eye Group, which operates three offices in the Toledo area, said the practice has made Toledo Optical’s Visionary brand its lens of choice. “We want to embrace the new free-form technology,” said Dr. Kruszewski. “Our patients already perceive us as cutting edge, so the lens fits with our total approach.” He added that the lens is very cost effective. “The pricing is similar to many name brand lenses, but we’re able to give patients the same or better technology.”

He also noted that offering Visionary allows the practice to give patients an alternative to the lenses they can purchase online. “It’s something truly unique, and it’s better than what’s online,” he said.

Dr. Kruszewski said that Pinnacle Eye Group’s strong relationship with Toledo Optical has enabled the practice to have input into the development of the Visionary line, something he said is not possible with a nationally known brand. “The lab came to us and got our input when it was test marketing the lens,” he explained. “That’s pretty exciting.”

Although Toledo Optical is bullish about its private label lenses, Szymanski acknowledged the importance of including branded lenses in the lab’s product mix. “We also strongly believe that promoting only private

label products is both a strategic mistake, and a disservice to our customers,” he said.

“There is truly a place for both private label products as well as branded products in the industry, and we need to continually work with eyecare professionals and our valued customers to help them position both products so that they can more effectively manage their patients’ perceptions of value and ensure their future success.” ■

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