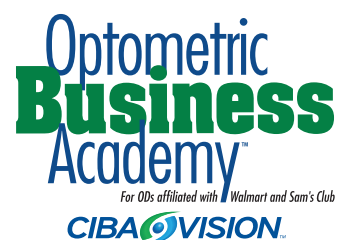




MEASURING OPTOMETRIC PRACTICE PERFORMANCE at Walmart/Sam's Club / 2011

Developed by Practice Advancement Associates
on behalf of the Optometric Business Academy
sponsored by CIBA VISION

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Introduction

How am I doing? What's my score? How does my performance compare to others? Are there opportunities in my business I am not taking advantage of? These questions are frequently asked by people in competitive situations, including optometrists affiliated with Walmart and Sam's Club.

The Optometric Business Academy (OBA), created by CIBA VISION in 2006 to help affiliated ODs to improve their practice performance, is in a unique position to address these frequently asked questions. Since 2006 OBA has conducted more than a dozen national surveys among affiliated ODs to produce quantitative performance benchmarks. With thousands of practices participating in OBA surveys, a rich and reliable data resource is now available to help affiliated ODs assess their situation and set realistic goals for improvement.

This report presents performance norms for practices of different sizes and settings and shows how productivity benchmarks have changed over the past six years. Some of the graphs show the range in performance across affiliated practices in 10% groupings (deciles).

Six years of performance measurement provides the OBA with a unique perspective on the financial opportunity of affiliating with Walmart and the extent to which affiliated ODs currently maximize the potential inherent in this unique practice setting.

The unmatched benefit of locating a practice at Walmart is the exposure gained to thousands of prospective patients who shop in the stores every week. An estimated 140 million people visit a Walmart location in the U.S. every week and 87% of U.S. adults (203 million people) shop at Walmart over the course of a year. Those staggering figures, unequaled among U.S. retailers, translate to more than 37,000 weekly shoppers per store and an average of 54,000 visiting each store once or more annually.

Vision Watch estimates that 76% of American adults use vision correction devices. That means that more than 41,000 people requiring correction visit the average Walmart store over the course of a year. A typical affiliated practice has 5,000 active patients – equivalent to just 12% of the vision-corrected customer base of typical Walmart stores.

Shoppers are drawn to Walmart by its unmatched value proposition. These value-conscious shoppers can readily be attracted to eye care practices located in the stores, offering similar value. Many loyal Walmart customers do not choose affiliated ODs for eye care simply because they are not aware the service is available in the stores.

The largest and most financially successful affiliated practices develop patient bases exceeding 10,000 people – equal to 25% or more of the vision corrected shoppers in the average store. That capture rate is within the reach of most affiliated ODs, but it does not automatically occur. It requires practice building effort and investment over several years.



Fee Income

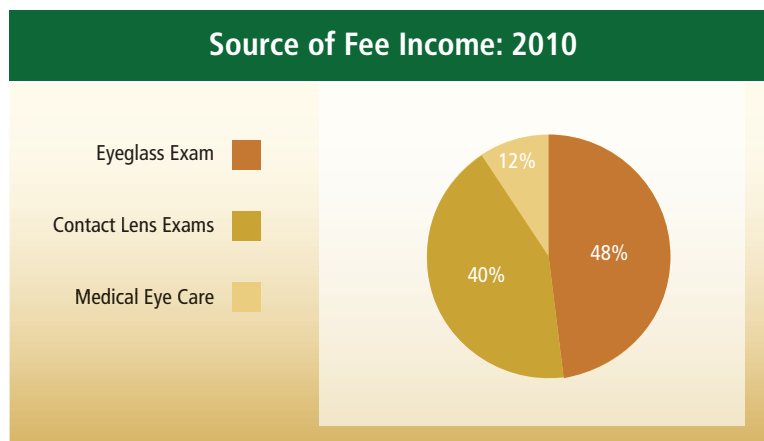
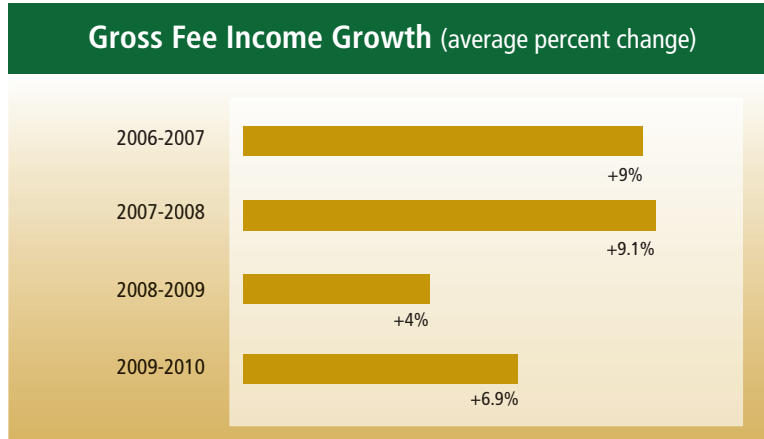
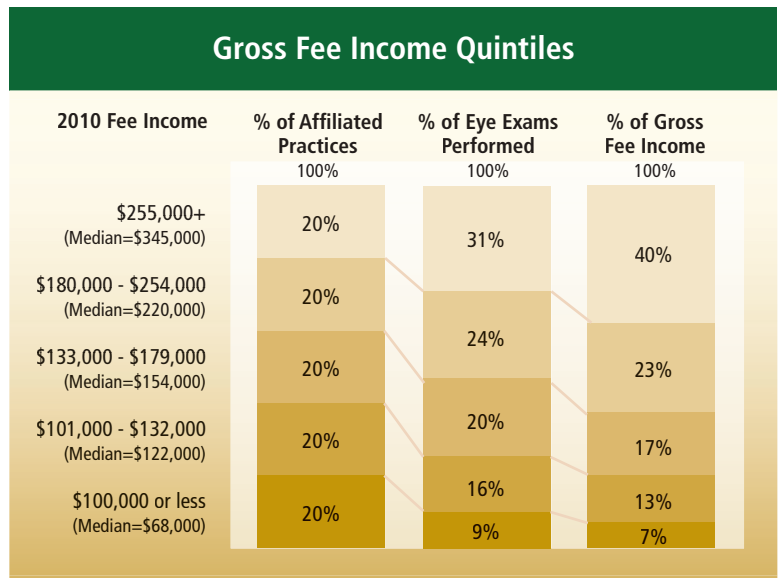
What is typical fee income of affiliated practices?

- The median affiliated practice in a Walmart location reported annual fee income of \$166,000 over the past two years. Sam's Club locations reported median fee income of \$108,000.
- The range in gross fee income across practices is wide. The largest 20% of practices reported annual fee income of \$255,000 or more over the past two years, with a median income in the top quintile of \$345,000. The top quintile of practices performed 31% of all eye exams by affiliated ODs and generated 40% of aggregate practice revenue.

What are sources of fee income?

- During 2010 affiliated ODs derived 48% of fee income from spectacles exams, 40% from contact lens exams and 12% from medical eye care. The share of income derived from medical eye care is gradually increasing. Medical eye care contributes a higher share of revenue to the quintile of practices with the highest annual revenue.

2009-2010 Gross Fee Income	
	Median
Total Affiliated Practices	\$155,000
Walmart Locations	\$166,000
Sam's Club Locations	\$108,000



Productivity Benchmarks

How many complete eye exams are performed for each hour worked by an affiliated OD?

To calculate: Divide the number of complete eye exams performed by the total number of hours worked by all ODs in the practice, for any time period.

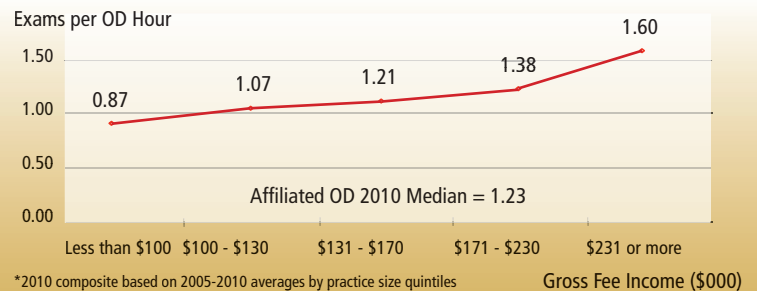
- This metric is the single best productivity indicator for affiliated practices. The median exams per OD hour among affiliated practices was 1.23 during 2010 and has changed little over five years. This ratio is similar to that of private practice ODs and also to ODs in most other corporate affiliations.
- Exams per OD hour performance is highly correlated with practice size. The smallest 20% of affiliated practices conduct just 0.87 exams per OD hour, compared to 1.60 per hour among the largest quintile of practices.

Complete Exams per OD Hour

Improvement Opportunity			Median					High Performance		
0.69	0.83	0.94	1.04	1.17	1.23	1.24	1.31	1.47	1.58	2.02
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th

percentile ranking

Exams per OD Hour by Practice Size*



Contact Lenses

What percentage of eye exams are contact lens exams?

- Some 43% of the eye exams conducted by typical affiliated ODs are for contact lens patients. This ratio has not changed since 2006. Among private practice ODs, contact lens exams typically account for 28-30% of total exams.
- The contact lens exam ratio does not vary significantly by practice size.

What are usage ratios for high-performance contact lenses?

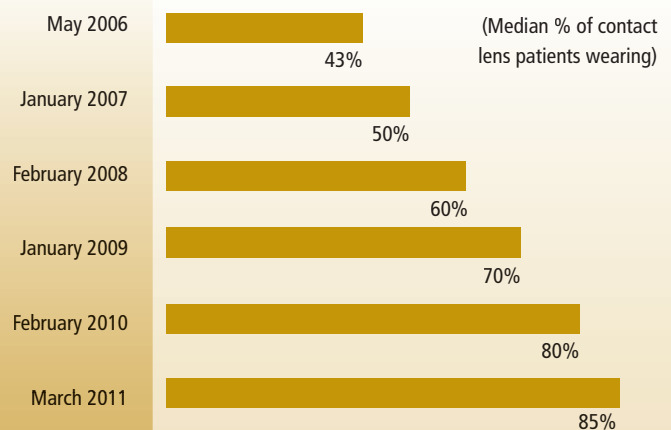
- Usage of silicone hydrogel lenses by affiliated practices has rapidly advanced since 2006. As of March 2011, affiliated OD estimated that a median of 85% of their contact patients currently wear silicone hydrogel lenses. That compares to an estimated national average of 60%.
- Few affiliated practices have a high percentage of patients wearing daily disposable lenses. Usage of soft toric and multi-focal lenses among affiliated ODs is similar to that of all U.S. ECPs.

Contact Lens Exam % of Total Complete Exams

Improvement Opportunity			Median					High Performance		
27%	31%	34%	39%	41%	43%	45%	49%	50%	58%	66%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th

percentile ranking

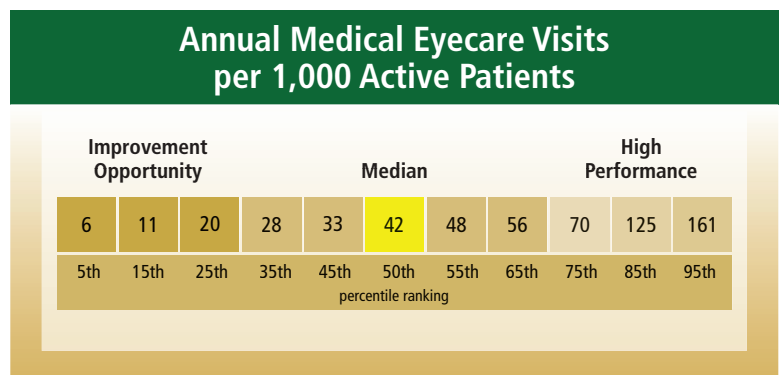
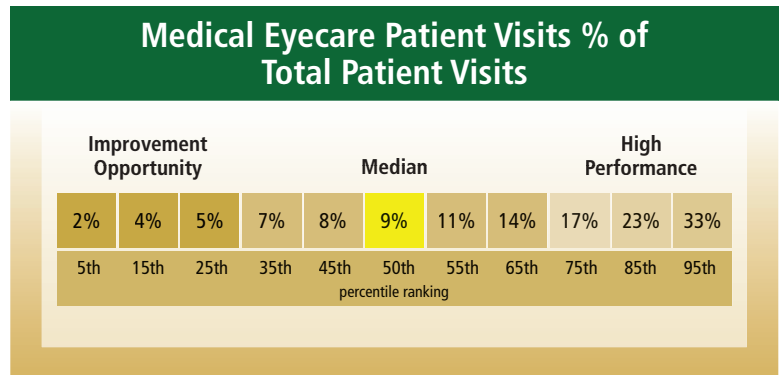
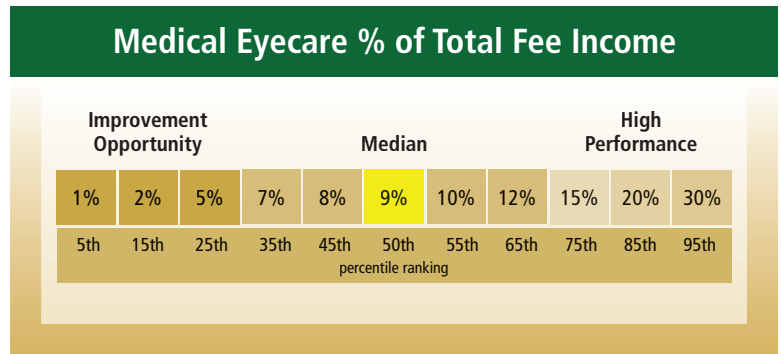
Silicone Hydrogel Lens Usage: 2006-2011



Medical Eyecare

How engaged are affiliated ODs in medical eyecare?

- Although medical eyecare accounts for an increasing share of the fee income of affiliated ODs, for most practices it remains a small part of the revenue picture. For 70% of practices medical eyecare fees contributed 10% or less of practice revenue and in nearly one third of practices 5% or less.
- Medical eyecare visits accounted for a median of 9% of total patient visits during 2010, up from 7% in 2009.
- Affiliated ODs are much less involved in providing medical eyecare than are ODs in private practice settings. Affiliated ODs reported a median of 42 medical eyecare visits for each 1,000 active patients during 2010, compared to 68 visits per 1,000 active patients among private practice ODs.
- Forty-two medical eyecare visits per 1,000 active patients is equivalent to just 4% of the patient base receiving medical eyecare services during the year. Because the incidence of ocular conditions such as dry eye and allergy is much higher than 4% of the patient population, it is apparent that most affiliated ODs are not actively marketing their medical eyecare services.



Technology

What is penetration of advanced instrumentation?

- Penetration of advanced instrumentation is growing steadily in affiliated practices. As of March 2011, some 37% had purchased a retinal camera and 25% had purchased a pachymeter.

Diagnostic Instruments in Use: 2006-2011 (% of affiliated practices)

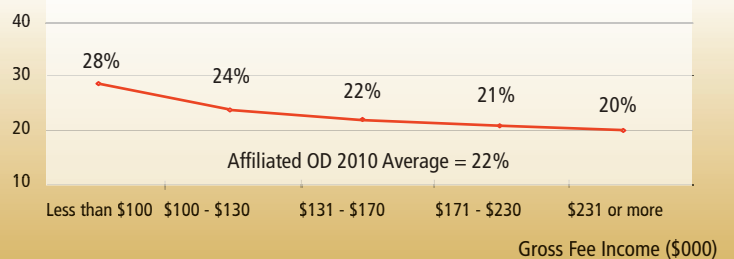
	May 2006	May 2007	August 2008	January 2009	January 2010	March 2011
Retinal Camera	9%	14%	15%	22%	27%	37%
Pachymeter	8%	12%	9%	15%	14%	25%
GDx	2%	2%	4%	5%	7%	6%
Corneal topographer	-	-	-	-	4%	8%

Marketing

What percentage of patient exams are for walk-ins?

- An average of 22% of the exams performed by affiliated ODs are walk-in patients without a scheduled appointment. The median walk-in ratio is 18%.
- Walk-in ratio varies widely across practices. A third of affiliated practices have a walk-in ratio of 10% or less.
- Larger practices have somewhat lower average walk-in ratios. Newer, smaller practices are characterized by a high percentage of walk-ins – often 40% or more.

Walk-in Exam % by Practice Size (Average % of total exams)



How much do affiliated ODs invest in marketing?

- Typical affiliated ODs spend less than 1% of gross fee income for marketing. Some 38% spend \$500 or less annually. The median expenditure is \$1,500 annually.

Marketing Expense % of Gross Fee Income

Improvement Opportunity				Median			High			
0%	0.13%	0.29%	0.51%	0.70%	0.82%	1.05%	1.33%	1.59%	2.68%	4.40%
5th	15th	25th	35th	45th	50th	55th	65th	75th	85th	95th

percentile ranking

Vision Center Patient Demographics

- Walmart Vision Centers attract younger patients than do independent ECPs in private practice settings and affiliated ODs in Sam's Clubs. The typical Walmart Vision Center patient is somewhat less affluent than those of private practice ODs.

Contact Lens Wearers				
	Total	Walmart	Sam's Club	Independent ECP
Age	52.3%	58.2%	52.4%	49.4%
18-34	21.4%	16.4%	26.4%	22.5%
35-44	15.2%	15.3%	11.6%	17.4%
45-54	11.1%	10.1%	9.5%	10.7%
55 and older				
Total	100%	100%	100%	100%
Income				
Under \$40,000	27.9%	51.0%	19.0%	24.0%
\$40,000-\$60,000	22.3%	16.9%	24.6%	21.4%
Over \$60,000	49.8%	32.1%	56.4%	54.6%
Total	100%	100%	100%	100%

Source: Jobson Optical Research/VCA Vision Watch

Affiliated Practice Profile: 2010-2011	
Years OD practicing optometry (median)	16
Years OD at current location (median)	6
<u>Position immediately before current location:</u>	
Other Walmart/Sam's Club location	24%
Other corporate affiliation	31%
Employed OD in private practice	20%
Private practice owner	16%
Optometry school	9%
Total	100%
<u>OD Gender:</u>	
Male	75%
Female	25%

Frames Buyers			
	Total	Walmart	Independent ECP
Age	29.2%	34.9%	25.7%
18-34	18.2%	20.1%	19.1%
35-44	20.8%	19.0%	22.8%
45-54	31.8%	26.0%	32.3%
55 and older			
Total	100%	100%	100%
Income			
Under \$40,000	27.6%	36.0%	26.9%
\$40,000-\$60,000	18.5%	17.2%	18.4%
Over \$60,000	53.9%	46.7%	54.7%
Total	100%	100%	100%

Source: Jobson Optical Research/VCA Vision Watch

About the Optometric Business Academy (OBA)

CIBA VISION created the OBA in 2006 to educate affiliated ODs about business strategies and techniques to enhance patient satisfaction and financial return. In addition to conducting live seminars, OBA publishes the quarterly journal, Acuity in Business, exclusively for affiliated ODs. It also publishes a yearly edition of a "best practices" manual called Maximizing Your Practice Potential. OBA conducts regular surveys among affiliated ODs to establish performance benchmarks and probe current management processes. Visit the OBA website (www.oba-ce.com) for additional information about managing your practice at Walmart or Sam's Club. Additional funding of OBA is provided by supporting sponsors Transitions and Alcon.

About Practice Advancement Associates (PAA)

PAA, a unit of Jobson Medical Information, develops content for OBA seminars, oba-ce.com and OBA publications and conducts the on-going research program among affiliated ODs. PAA encourages affiliated ODs to respond to its periodic surveys to assure the validity and reliability of the findings. Neither the sponsors, nor the Walmart Health & Wellness Division, has any access to individual survey responses.



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