

Optimeyes

After the first five foundation weeks of your introductory marketing course, you should have mastered the principles of marketing thought and will probably be familiar with SWOT analysis and marketing strategy. This case will help you to develop your skills in this area. Through your reading of the text, and with the help of our case notes and guide answers provided on this CD-ROM, you should be confident in tackling the case questions. Read the case carefully and think about how you would answer the questions. Then click on the case notes for some guidance and ideas on your approach to the problems that Optimeyes faces.

Introduction

On a warm Sunday afternoon in May 1987, Ben Lynch first conceived of an idea that was later to emerge as a chain of shops retailing ophthalmic products. Reading a financial profile of an ophthalmics retailer in the UK, while relaxing in his back garden, Ben concluded that he could do a better job than the management of this company seemed to have done. He decided to investigate the possibility of entering the ophthalmics retailing business in Ireland.

Optimeyes's first shop opened in South Anne Street in Dublin in September 1988 and the business grew quickly to a chain of five shops throughout the country by 1992. However, having managed to break the mould in terms of the way ophthalmic products are retailed in Ireland, the company faced stiff competition from a number of large overseas concerns targeting the Irish market. The key issue facing Optimeyes in January 1993 seemed to be how they could build on past marketing successes to ensure continued growth in a period of increasingly tough competition.

The ophthalmics products industry

The structure of the industry

The ophthalmics products industry can be defined as the manufacture and distribution of products designed to correct defects in vision (see Fig. C29.1). The first stage of spectacle manufacture was the production of glass blanks of suitable quality for grinding into lenses. These lenses were subsequently ground to standard specifications of size, strength and curvature. Lenses were then sent to glazing houses, sometimes known as manufacturing opticians, who performed two tasks. First, they assembled spectacles to orders from optometrists and were involved in cutting, edging and fitting appropriate lenses to frames chosen by customers. Second, glazing houses provided special finishes such as tinting, anti-scratch surfaces, anti-reflective surfaces, etc. In order to fulfil this function, glazing houses needed to carry large stocks of lenses. The last link in the chain of supply of spectacles to the consumer was in the hands of three groups. Optometrists, previously known as ophthalmic opticians, were the most popular. They provided three services, namely the testing of eyesight, the issuing of prescriptions and the dispensing of corrective solutions. Ophthalmic medical practitioners or ophthalmologists tested eyesight and prescribed but did not dispense. Dispensing opticians could dispense only to prescriptions written by a member of the other two groups.

A regulated industry

Ben quickly realized that this would be an exceedingly difficult business to enter. First, there was the challenge posed by the existing competitors in the industry. There were about 475 optometrists operating throughout Ireland. These were generally small, family-owned, operations who were traditional and conservative in their approach to the business. They were not retailers in the general sense, as most required appointments and consultation tended to take place in private, in a manner similar to the general medical profession. Products were generally not displayed. During consultation, spectacle frames were taken from drawers and consumers were invited to choose from a small selection, typically three or four. Industry regulations favoured optometrists as spectacles or contact lenses could be purchased only with a prescription which they, in the main, provided. In addition, the Opticians

Board placed further regulations on marketing activity in the industry. Only a limited number of spectacle frames could be put on display and optometrists could not include prices in their advertising. Thus, industry regulations effectively barred anyone who was not a qualified optometrist from the business. In addition, employing an optometrist was likely to prove extremely difficult, due to their limited supply and the likelihood that anyone working for a new competitor would face censure from professional colleagues and the Association. However, there was one loophole in the Opticians Act 1956 which Ben was able to exploit. The Act allowed for a general medical practitioner to test eyesight and to prescribe corrective products. A further critical breakthrough came when a contact in Hong Kong informed Ben of the availability of a product called an automatic refractometer which could mechanically test eyesight. Thus, combining this new machine with the services of a medical practitioner would alleviate the need to hire an optometrist. This would be the means through which Optimeyes would break into the industry.

Start up and growth

Committing personal savings of IR£10000 and bank borrowing of IR£25000 to the business, Ben bought the lease to an outlet in South Anne Street, just off Grafton Street in the centre of Dublin. This branch opened for trading on 1 September 1988. Start-up costs were kept to a minimum with promotion efforts restricted to printed leaflets distributed to rail commuters and publicity in local newspapers. Ben felt that he would have difficulty sourcing supplies of frames and lenses in Ireland as companies supplying optometrists may not be able to supply him. His search for suppliers took him to the UK and eventually to France where he attended the industry's premier trade fair, Silmo, in 1988. Having to source supplies abroad proved to be a blessing in disguise as the company was able to offer a range of fashionable frames unlike anything available in Ireland.

The company expanded rapidly over the next four years. Ben succeeded in hiring an optometrist from Belfast who replaced the company doctor. In order to cover the cost of this new member of staff and to tap some potential that he felt existed on the north side of Dublin city, Ben opened a second shop at Parnell Square just off O'Connell Street, in February 1990, which is now the company headquarters. In addition, the company decided that they should do their own glazing and set up a laboratory at the Parnell Square branch, at a cost of IR £10 000. Thus, Optimeyes had now consolidated all their operations in-house, giving them greater control. Two further shops were opened in 1990, one in Mullingar in the midlands and the other in Letterkenny in the north-west of Ireland. A further shop in Athlone in the midlands was opened in 1992. Besides spreading the cost base, a further advantage of this expansion was that it reduced the company's dependence on the Dublin market, which Ben felt would be the first market targeted by bigger international competitors.

Marketing strategy

With this research and other information collected from visits to retailers in the UK, the USA and France, Ben had developed a sense of how he wanted to position the business. He dismissed the idea of the discount retailer, popular in the UK. He felt that Irish consumers were not ready to make the big switch from the traditional mode of obtaining ophthalmic products through optometrists to literally buying them off the shelf. Furthermore, getting costs down to a level necessary to operate as a discounter required economies of scale which, given his limited resources, he would not be in a position to achieve for a substantial period of time. For similar reasons he rejected what he saw in the United States as a trend towards superoptical outlets (that is, very large retailers, competing on the basis of offering the widest possible range of products). Thus, he wanted to position Optimeyes, as he describes it, as the Marks and Spencer of ophthalmic retailing, providing a range of quality products at affordable prices, backed by service which was second to none.

Three characteristics, which set Optimeyes apart from the traditional optometrist, were price, product range and the speed with which the consumer could get a pair of spectacles. Optimeyes were able to offer substantially lower prices than their competitors at the outset. In 1989, the company was offering ready-made reading glasses complete with case for IR£17.95. These were sold to people with a recent valid prescription, with the idea of being a

cheap second pair of reading glasses. A new set of spectacles, made to order, was available for as little as IR£39.95, substantially cheaper than the prices charged by the traditional optometrist.

Publicity in 1990 described Optimeyes as having few 'safe frames' in fashion terms. The company tried to convince the conservative Irish consumer to be more adventurous when choosing spectacles. Colour was a distinctive feature of their frames with reds, blues, yellows and tortoise available. The company was so committed to its line of French designer frames that anyone who bought an avant-garde style and changed his or her mind, up to a year later, could get a new replacement frame free of charge.

Initially, the company aimed to supply a new pair of spectacles within 24 hours. With an in-house glazing laboratory, this timeframe was significantly reduced and the company's promotion stressed that consumers could come to town in the morning or afternoon, have their eyes tested, choose from a variety of fashionable frames and within the hour wear their new glasses home. This was a significant advance on traditional practice, where the consumer often had to wait for up to two weeks for a new pair of spectacles.

Product range

The company carried a complete range of ophthalmic products. These included lenses, spectacle frames, sunglasses, readyreaders, contact lenses, contact lens solutions and accessories like magnifying glasses, clip-on sunglasses, etc. The percentage of sales accounted for by each product category is shown in Table C29.1. At any one time the company had between 400 and 500 spectacle frames in stock. It catered for all market segments with ranges including children, college, family, economy and the exclusive/trendsetter range.

Customer service

Ben Lynch was a strong advocate of customer service and the company pioneered many service initiatives in the ophthalmics retailing industry. Shop opening hours were longer than normal from 9a.m. to 6p.m., Monday to Saturday, including lunchtime. Customers were invited to browse through the shop and were offered a cup of tea or coffee, while waiting for a sight test. For purchasers of contact lenses the company included in the package a lesson in how to fit and use the lenses. Optimeyes offered a guarantee on their products for up to one year, so even if customers broke their spectacles, they promised to replace them. Ten to twelve days after a person purchased spectacles or lenses, Optimeyes followed up the sale with a phone call to make sure the customer was completely satisfied. The company initiated a policy of giving people who visited a shop, but did not buy from the company, a pre-paid postcard on which the recipient identified the reasons for not buying from Optimeyes. Training of sales personnel was rigorous and ongoing and the company evaluated its salespeople on their performance in terms of customer service on a three-month basis.

Ben Lynch felt that one recent event in the company's history typified its attitude to customer service. Since its foundation, the company had a policy of helping out customers with problems, and shop personnel were empowered to do what they felt was necessary in a given situation. One customer on her way to the South Anne Street branch had her purse stolen at a nearby shopping area. She did not discover the theft until she reached Optimeyes and was in some distress. However, she was given the sight test she needed, free of charge. Furthermore, shop personnel contacted the police on her behalf and provided her with cash from the till to get a taxi home. She subsequently contacted the highly popular national radio show, the *Gay Byrne Hour*, to tell of her experiences and described her treatment at Optimeyes as 'restoring her faith in human nature'. The company subsequently had several phone calls complimenting it on its actions.

Promotion

Despite a limited budget the company used a combination of advertising, publicity and sales promotions to increase awareness of its products. Optimeyes spend about 4 per cent of

annual sales on advertising, though in its opening year, this figure was closer to 12 per cent. Advertising was largely carried in the print media, including regional newspapers and trade magazines. The company generally developed its advertising on an *as needed* basis. Staff were usually consulted during the message development process and their ideas on what might not work were considered. The company's advertising has revolved around the themes of variety, value and top class service.

Challenges and opportunities

Optimeyes have been resilient, surviving and growing from a very small base. However, as the company considered its marketing strategy for 1993 and succeeding years, a number of major challenges and opportunities had to be assessed.

The Irish market for ophthalmic products

Very limited information was available on the Irish market. Sales of ophthalmic products tended to be very seasonal, highest in January, May and September and lowest in March, June and December. Spectacles were considered to be the dominant product with sales estimated to be about 1 million units per year. Contact lenses gained in importance during the late 1980s but sales in 1989 were still a mere 32 000 units, worth IR£489000. Thus, just over 3 per cent of all those requiring optical assistance in Ireland chose contact lenses compared with, for example 10 per cent in the United States. A higher percentage of women than men chose contact lenses.

There was no published information on the value of the Irish market. The Household Budget Survey of 1987 did not assess the levels of expenditure on ophthalmic products in Ireland. However, figures were available for optician's fees, which normally represent between 15 and 20 per cent of the income of optometrists. In 1987 the average expenditure per household per week on optician's fees was IR£0.102.

With the exception of the United Kingdom and France there is very little information available on the composition of market demand for ophthalmic products throughout Europe. Ireland is no exception but is considered to resemble the UK market. Details of demand patterns in the UK are included in Table C29.2. The demographic structure of the Irish market is outlined in Table C29.3.

The financial statements of Optimeyes for the year ending 1991 are included in Table C29.4. Company sales had increased strongly in 1992, exceeding figures for the previous year by approximately 51 per cent.

Market trends

A number of trends in the business internationally were also worthy of note. Spectacles had become fashionable and were no longer an object which people disliked wearing. Many consumers, particularly in France and Germany, owned several pairs of spectacles, which were colour co-ordinated with different outfits. In 1992 figures showed that Irish consumers, on average, still owned only one pair of spectacles per person compared with three or four in some European countries. A further illustration of this fashion trend was that people with perfect eyesight were wearing spectacles, typically with clear lenses. Creating an image can be done as easily with spectacles as any other fashion item and magazines have described a number of looks, from the 'Saturday night relaxed' look to the 'rock star' look and the 'casual look'. As a result the market was expected to grow for two reasons: customers would want to own more than one set of spectacles, and, as fashion colours change, consumers would discard old frames. It was generally agreed that the replacement and/or multiple purchases of optical aids was one of the few areas of potential growth in the industry in the developed world.

The price of ophthalmic products continued to be driven down. Readyspex, a UK retailer of ready-made reading glasses based in Blackburn, sourced products in Taiwan which it retailed for £2.99 a pair. The ultimate expression of spectacles as a convenience product was the launch of a spectacles vending machine by Readyspex in 1990. The machine allows the customer to select one of five ranges of frames and then choose which of nine different corrective strengths is most appropriate, before inserting money into the machine and pressing the button. Samples of the design are affixed to the side of the machine in order to allow customers to try on the spectacles with mirrors available. Readyspex believed that the machines would become popular in airports, supermarkets, libraries and other outlets, where people may suddenly realize that they need a spare pair of spectacles.

The rise of multiple optical chains and more recently of superopticals was another important trend in the industry. Throughout the EU and EFTA (European Free Trade Area) countries, optical chains tended to be regional rather than national or international and were generally privately owned companies with about 20 outlets. However, in the USA the superoptical had become a nationwide phenomenon with some 1200 scattered throughout the country. A superoptical store is a large ophthalmic practice where a customer can undergo a sight test, select a frame and can watch the lenses being glazed and surfaced at the in-shop laboratory; the customer receives new spectacles usually within one hour of the sight test result. Superopticals traded on the basis of convenience, comfort, speed, efficiency and quality and were becoming very successful throughout Europe.

The competition

Two strong international competitors recently emerged to challenge the growing strength of Optimeyes. Specsavers, a large player in the UK market, operated on a franchise basis with nearly 200 outlets in total. In 1989, they opened a pilot shop in the Henry Street Arcade off Henry Street in Dublin and over the next three years opened shops in Cork, Limerick, Galway and Belfast. Specsavers offered the consumer a choice of 2000 frames and claimed to be able to provide 90 per cent of spectacle orders within an hour. In 1992 the US superoptical, Vision Express, opened outlets in Tallaght, a large Dublin suburb, and in the Ilac Centre off Henry Street in the centre of Dublin. In January 1993 they began running a 'buy one pair of spectacles, get one free' promotion using a 30-second television advertising campaign on ITV. They offered consumers a choice of 3000 frames and claimed to be able to provide 95 per cent of its spectacle orders within one hour. These companies were a particular threat to Optimeyes, as they could match most of the innovations which Optimeyes had brought to the Irish market and were armed with substantially larger promotion budgets. By late 1992 one optical supplier estimated that, between them, these two competitors had swallowed up 40 per cent of the Irish market.

The traditional optometrist treated these new competitors, including Optimeyes, with disdain and relied on the legal process to try to stymie their growth in the market. In 1991 the Opticians Board issued a summons against Specsavers for including prices in their advertising and for offering special deals. Specsavers countered by making a submission to the Director of Consumer Affairs suggesting that the board's regulations restricted trading and threatened to take the matter to the European Court, if necessary. The board dropped its action against Specsavers pending a decision from the Director of Consumer Affairs, who subsequently agreed that its regulations restricted trading. It did have some success against a number of discount retailers in Ireland. In 1990 it took an action against three retailers in Dublin for selling ready-made reading glasses without first registering as medical practitioners or registered opticians. The board was granted a restraining order in this case. However, in 1992 the Association of Optometrists thought it necessary to engage in promotion and co-ordinated double page advertising features in both the *Irish Times* and the *Sunday Independent*. These features provided information on the services offered by optometrists and warned consumers to beware of attractive advertising of special offers, free tests and cheap lenses and frames. Optometrists throughout the country supported the feature by placing small adverts, which identified the name and address of the practice. Faced with the challenges presented by these new competitors, Ben Lynch sat in his office pondering the opportunities available to his company while keenly aware of its limited resources.

Questions

1. Prepare a SWOT analysis for Optimeyes.
2. What recommendations would you make regarding future marketing strategy for Optimeyes?

To help you to begin to tackle case analysis and questions like those above, we have provided a set of case study notes which should provide some ideas. These notes will be particularly useful in providing some suggestions for how to go about preparing a SWOT analysis and then developing a marketing strategy.

This case was prepared by John Fahy, Lecturer in Strategic Marketing, School of Business Studies, Trinity College, Dublin. It is intended to serve as a basis for class discussion rather than to show either effective or ineffective management.

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