THE OPTICAL MARKET IN SPAIN

RECOVERING AFTER RECESSION

As a case study, as to how an optical market goes through and then recovers from a long period of recession, Spain may be a good example. During the period 2007- 2015 SWV researched the Spanish optical market every year. The results of this research are compiled in a study called the International Market Model (IMM) Spain. Part of the research involves a two-week visit every year to Spain by the author to interview manufacturers, distributors and optical retailers, both chains and independents.

By Mark Mackenzie

The optical retail market is recovering after six years of decline (2007-2013). The market grew in 2014 and is growing strongly to date (July 2015). Following a period of time where consumers probably bought what they had to and no more, very pronounced changes in consumer purchasing behaviour are taking place.

DECLINE 2007 - 2013

During the period of decline 2007 - 2013 the repurchase cycle, the period between which a consumer replaces his/her spectacle (ophthalmic frame plus two lenses) increased from 3.2 years in 2007 to 4.1 years in the first half of 2013. Spectacles represent about on average about 70% of the sales of an optician retail outlet in Spain. Contact lenses as a category performed well, growing by on average between 2-3% in value per year. Although there was little growth in the number of wearers, the average price increased due to mix changes. Sunglasses sold though optical outlets suffered; this did not mean that consumers stopped buying sunglasses but that the price they were willing to pay declined. Between 2008 and 2013 the value of optical retail sales at consumer selling prices declined by approximately 20%.

GROWTH 2014 - 2015

When talking to manufacturers, distributors and retailers on a two-week research trip in July 2015, there were wide variations in the results of these companies for the first six months of the year 2015. Sales figures varied from growth of over 20% down to 0%. It is almost as if changes in consumer purchasing behaviour, which have been delayed over a six year period, are now taking place. The principal effects of these changes were:

- A very strong swing in market share away from traditional independent opticians to retail optical chains. This change has been taking place in other countries, too, but usually

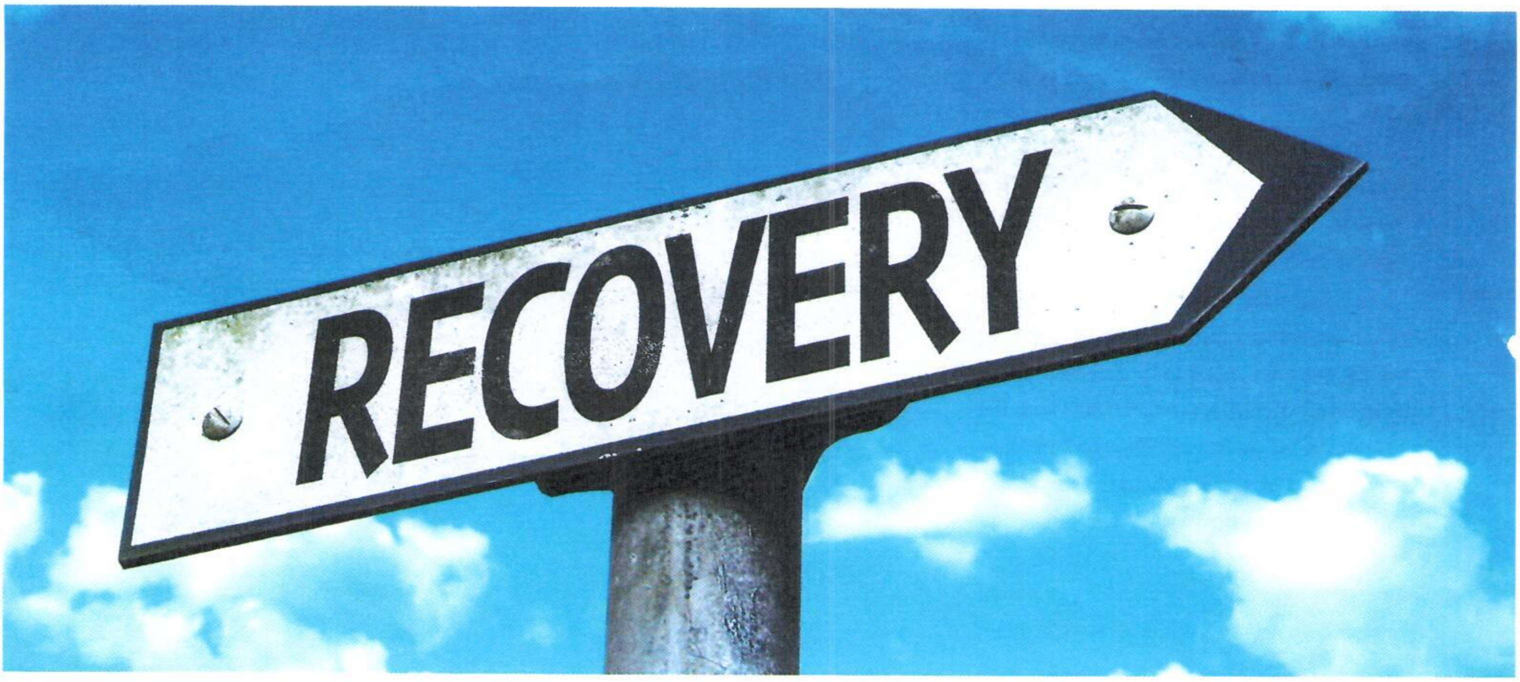
the loss in market share for independents is more gradual at about 1%-1.5% per year.

- Within the independent sector there was not a uniform pattern; significant differences between opticians could be seen.
- Wide variations in the performance of retail optical chains; chains which have been able to keep advertising, have a good clearly communicated value for money offering, which does not mean to be just cheap, are doing well. Retail organisations, where the product offering has not changed much or the location in which they have their stores is no longer contemporary are not doing well.
- Everyone has cheap offers and the principal complaint SWV heard is that "it is all about price". The reality is that it is decisive how retailers separate their offer from the rest of the market.
- The rich seem to be spending again; they had the money during the recession but it was probably not a good idea at that time to show your wealth. Distributors and retailers at the top end of the market are performing well. However, we also saw product ranges with price points at the top end of the market not doing well. How relevant the product offering is to the needs of your target group seems to be key.
- There are wide differences in the sales performance in different geographical areas of the country. SWV saw companies with distribution in the Madrid and Barcelona areas performing well. We were informed that the retail trade in the Canaries and in tourist areas is also doing very well.

METHODOLOGY USED

Methodology used for a study is of great importance to companies using research data. For this reason, it has been explained below. The objective is to interview 80% of all ophthalmic lens unit volume sold in a market. For the year 2014, over 80% of all ophthalmic lenses supplied into the Spanish market were covered by the SWV questionnaires. Estimates are made of the remaining market size based on the SWV knowledge of companies of a similar size and published information relating to sales and number of persons employed. Successfully identifying as many distributors as possible, including the small ones, is key to the success of the IMM.

In order to calculate the number of ophthalmic frames



sold in Spain, SWV takes the total number of ophthalmic lenses sold and reduces this figure for 2014 by:

- Breakages and returns by the optician
- Reglazing, putting new ophthalmic lenses in an old frame.

This gives sell out data to the end consumer. Published data on average selling prices of ophthalmic frames is taken and calculated back to net manufacturer selling prices. These prices are checked by speaking to distributors of ophthalmic frames and optical retailers. The size of the plano (without ophthalmic power) sunglass market is estimated by interviewing optical retailers and asking them what percentage plano sunglass sales make up of their total sales. In addition, average consumer selling prices are obtained from interviews or published data and cross-checked in interviews. Where reliable data for a product segment exists, for instance contact lenses, SWV uses published data. SWV then tries to improve the quality of that data by interviewing companies selling conventional contact lenses, which are not covered in, for example, the Euromcontact data. Total retail sales are calculated by taking the net manufacturer values and multiplying them with the percentage mark-up and value added tax rate for the product category used at retail.

WHAT ONE CAN LEARN

Over the six years 2007 – 2013 the decline in value of the optical market at consumer selling prices was in a band of between 3-3.5% year on year. This is extremely tough if one is working and living in the market, but the pace of decline did allow time to react. One of the benefits of six years of market contraction has been, in the opinion of SWV, that many persons in the industry, especially persons in the retail sector, became much more efficient. By efficient is meant that they have become much more skilled at for instance:

- Explaining the benefits of ophthalmic lenses including progressives. This was specifically seen in larger chains.
- Positioning eyewear as a fashion item with a limited range of carefully selected frames, in outlets that were well lit with a stylish layout. This was specifically seen in independent outlets.

That an optical market can recover even after years of 'austerity' has been proved in Spain. The sales of retail chain organisations grew fast on average for the first half of 2015. The volume of ophthalmic lenses sold to retail, for the main market players, in the first six months of 2015, averaged double digit growth. Keeping up with changes in consumer behavior on a short-term basis is key. Missing a change in the market by six months can mean a significant loss of market share. To keep up to date with such changes it is recommended that senior management in manufacturing, distribution and retail spend a great deal of time visiting sales outlets, to get a better understanding of what messages are working and which organisations are winning. It is senior management who can use their experience of past market activity, to understand what is really happening and then have the ability to push through the necessary management decisions quickly enough.

Mark Mackenzie

In 2001, Mark Mackenzie and his wife Ingeborg founded the company SWV (Strategy with Vision), a unique team of eyewear and eyecare consultants, conducting market research worldwide. The company had grown and developed with the establishment of an international team of consultants who bring added strength to eyewear and eyecare businesses and organizations.

Mark Mackenzie was formerly International Business Development Director for the ophthalmic business of Carl Zeiss. Before, he was European Regional Director of Sola Inc. His experience in the ophthalmic industry followed a career in consumer goods marketing, including L'Oreal and Tarket.