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[Buying Glasses Online Is Becoming The Norm -- But Growth Will Explode Once Eye Exams Also Go Digital](#)

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In 2017, eight million pairs of prescription eyeglasses were sold online. That's a lot of glasses but it's only 4.2% of the total prescription eyeglass market, according to the Vision Council. The vast majority of prescription eyeglasses are still sold the old fashioned way, with consumers getting an exam and picking their frames out in a physical store. The online market is growing rapidly but since you need a doctor's prescription, it's taking longer for the prescription eyeglass business to transition to online than it did for many other kinds of products.

In the online eyeglass market, Warby Parker is probably the best known. But the largest market share, about 50%, is held by a lesser-known company called Zenni Optical. Zenni is a privately-held company founded in 2003 that has never raised outside capital and grows by 25-30% per year. Last year they did \$176 million in revenue and sold over four million pairs of prescription eyeglasses. Since the company began they've sold over 20 million pairs, which Zenni says is equal to "the five-year sales volume of 1,000 brick and mortar stores." They make a good argument about producing a quality product but no doubt a key driver of their success is that their typical pair of prescription eyeglasses costs \$40 delivered to the consumer. It's a classic case of an online merchant creating a product from design through production, selling direct-to-consumer and saving them money.

You may be inclined to say that prescription eyeglasses can't go online for lots of good reasons. Consider this: If you'd have said to a consumer in 2000 that they should buy shirts and pants online they'd have thought you were a fool. "You can't try it on," was the familiar refrain. That's all changed now. It's only a matter of time before eyeglasses online reach the same kind of critical mass as shirts and pants have now.

Chas MacDonald, who was previously president of a division of Luxottica Group, told me that more than 10% of prescription eyewear jobs require a return involving a change to the prescription or an adjustment to the glasses themselves. If prescription eyewear is to move online in a much bigger way, a network of practitioners who can make those adjustments for consumers will have to be developed.

Getting a prescription from an optometrist or ophthalmologist is also a meaningful obstacle to buying prescription eyeglasses online. It adds an extra step to the process and has to be done in a physical location like an optometrist or an ophthalmologist's office and that's a hassle for consumers. What's even harder for consumers is that eyeglasses need another data item in addition to the prescription called the pupillary distance (PD) that measures the space between your eyes. Having the PD is critical to

grinding the lens correctly, it identifies the sweet spot in the lens for your vision. Without the correct PD, you will not see as well as you should through a lens. It's not part of the prescription, it's a separate number consumers have to get from their examination before they can order prescription eyeglasses online. Some optometrists make it difficult for consumers to get their PD because they know it makes the prescription much more portable and that challenges many optometrists' business model. There are a few ways that online eyeglass sites can help you figure out your PD by measuring it on your own but not everyone is up for the do-it-yourself strategy on such a critical, personal item.

Zenni told me they're close to releasing an online tool that measures PD using the camera on a computer or smartphone. That will accelerate the shift to online prescription glasses and eliminate a big part of the hassle. There's still a cultural shift required for consumers to buy eyeglasses online but with so many product classes having made that switch already, it's easy to imagine that with fewer hassles for consumers, eyeglasses online will continue to grow as a percent of the market.

Ultimately the question of putting the entire prescription eyeglass process online including eye examinations will be dealt with. A company called Opternative has created an online eye examination. On October 30, 2017, the FDA sent Opternative a warning letter. The FDA did not say the exam couldn't be eventually approved and Opternative says they're working with the FDA to get the approvals they need.

I spoke with Dr. Steven Lee, founder and chief science officer of Opternative, and he sounds like many upstart companies that are pushing back against established practices. He told me, "there are certain groups that would prefer that technology like telemedicine doesn't take a foothold. We believe there's a way to utilize services like Opternative that can help the industry and the patient... We believe it's a win-win proposition for everyone."

His comments remind me of how the music industry reacted when streaming came along. You only have to look as far as your Uber ride to see how entrenched habits, behaviors and laws succumb when consumers demand convenience. If Opternative or anyone else is eventually successful putting eye examinations online, as I believe they will be, it will be enormously easier to buy prescription eyeglasses online than it is now. That will be a body blow to the retail store structure selling eyeglasses and an enormous opportunity for sellers of prescription eyeglasses online.

Tibor Laczay, the founder and CEO of Zenni, said he is driven by the desire to bring "extremely affordable eyeglasses to people who need it." He has also created a device that works with a smartphone to test vision and the output from the device can be used to order glasses online. It's called the EyeQue Personal Vision Tracker and it costs \$30. Once you have it, a one-year subscription to the service you need to connect it to is free and after that it's \$5 per year. That's it. For \$5 per year after the first year, you can get an unlimited number of updates to your vision test. The video below shows you how the EyeQue device works.

The change to online will make it much harder for the current pricing structure to remain intact. If prices decline, as I expect they will, existing eyeglass stores will find it hard to meet their rents and a lot of them will close. Zenni and other online sellers of glasses will explode if that happens. Low-cost sellers like Zenni who have their own production facilities in Asia where they can control costs will have an even bigger advantage than they have now.

You may say that will accrue to the benefit of Warby Parker, but even they will have to make adjustments. An eye examination at Warby Parker costs \$75 in their store and \$40 if you use their new online app called Prescription Check. Their least expensive frame with lenses is \$95 for a total cost of \$135-\$170. At Zenni, glasses average \$40 but start at \$6.95. An examination from Opternative starts at \$50 for an all-in cost of \$90 and you can do it without leaving your home. If you use a device like the EyeQue it's even less, you can keep the all-in cost down to \$50 including the examination, the frames and the lenses after you own the EyeQue for a year. Online prescription glasses are going to exert downward pressure on prices no matter what happens.

Leslie Ghize, executive vice president of Tobe, who spoke at the recent **Marcum retail conference** said, "Today's edgy is tomorrow's mainstream. Ideas that feel too advanced...today will reach mass adoption sooner than expected." When that happens in the online eyeglass market and prices come down, the discounters will be able to compete and the luxury eyeglass companies will still offer a premium product. Of that Ghize says, "the middle ground dissolves as the ends of the spectrum take all." As online eyeglasses grow, non-discount, non-luxury eyeglass retailers will suffer. While certain true luxury brands of eyeglasses will be able to maintain their prices, many brands have been commoditized and they will struggle.

Buying books online resulted in the creation of e-books and changed how many consumers read. But the physical store networks started to collapse well before e-books took hold, the competition in printed books overwhelmed them. It's not clear exactly how online prescription eyeglasses will develop but it is certain that big changes are coming to retailers of prescription eyeglasses.

My firm, Triangle Capital LLC, does mergers, acquisitions and capital-raising for companies in fashion, retail, and consumer products.