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Understocks. Overstocks. Back orders. Delays. These experiences are all too common for anyone who's worked in an eyecare practice or optical retail store. It's business as usual, and it's been that way for as long as anyone can remember for those on the front line with customers—but often at the back end of the global supply chain for eyeglasses.

But consumers' patience has worn thin. Their service expectations for retailers—both in-store and online—are changing fast. Retailers, lab execs and an increasing number of eyewear suppliers tell *VM* this is due to what many are calling “the Amazon effect.” That effect, created by the online mega-merchant's ability to deliver goods to consumers within a day or two—or in some cases the same day—is conditioning consumers to expect the same from any retailer, other online sources as well as brick-and-mortar ones.

Multiple product choices and recommendations, combined with speedier service expectations, is the new normal, and it's putting pressure on eyecare practices and optical stores to deliver what patients want, when they want it, which is often immediately. In response, some suppliers are putting in place systems and strategies to help ECPs and optical retailers provide the right product at the right time and place at the right cost.

To understand these changes, *VM* spoke with a handful of executives from frame, Rx lens, contact lens and distribution companies. They described some of the new dynamics from the product ordering and delivery programs they are developing and how ECP accounts, often in conjunction with ECP alliance groups, are beginning to benefit from them.

Some acknowledge that as they work to roll out new choices in the distribution realm that some ECPs are initially wary. Independents want to maintain “choice” in the products they select for their patients; cookie-cutter approaches are

to be avoided. And a new approach to what's selected for frame dispensaries can impact internal procedures and processes on their teams and front office staff.

These suppliers, however, underscore that decisions about product choice based on real-time analytics of actual consumer purchases and preferences are among the most immediate benefits of systems that identify the best and most productive products. That, in turn, leads to better cash flow, reduced inventory costs and more profits for the ECP.

The behind-the-scenes rerouting and processes behind those new programs are then better able to deliver those products faster to the ECP, inevitably helping speed service to the ultimate consumer, the executives point out.

Many of the companies quoted here, along with others in their sectors, have been working

on refining logistics, distribution and data analysis that are all elements of this “new order” trend for quite some time. They have made internal investments in leading edge demand and supply systems. Several companies are tapping the expertise and know-how of long-time experts in these arenas from other industries which are grappling with many of the same challenges.

The implementation of “new order” strategies for managing supply chains on a national, regional and local level, are just beginning to take effect. Though the companies that are implementing these strategies differ in their approaches, they share a common goal: to change the way ECPs, and ultimately, consumers, are buying eyewear by making it simpler, more convenient, and yes, more financially, bottom-line productive, for all concerned.

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‘The New Order’ - More to Come from VM

This is the first in a series of *Vision Monday* articles that examine the forces that are reshaping the optical industry's supply chain. Upcoming articles will bring readers news updates and fresh perspectives about what we're calling *The New Order*. You'll learn about:

- **New ways to view and order products.**
- **The latest methods and tools to better manage information about what is sold, how often it sells and price trends.**
- **Key data points about how ECPs are ordering now. Impact on capture rates, hidden expenses, profits and service times.**
- **Specific initiatives from suppliers in the contact lens arena.**
- **New frame and Rx lens programs.**
- **How advances in practice/inventory systems and ordering platforms can support a *New Order* paradigm to benefit both ECPs and their patients.**

Watch for the next article in *VM's* series on *The New Order*. ■



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Behind-the-Scenes Logistics and Data Drive Luxottica to Create a 'Value Chain'

Work on distribution and logistics, tied directly in to product development and production, has been a group-wide, corporate investment at Luxottica Group for years. In North America wholesale, the vision of serving thousands of accounts in a digital world driven by new consumer expectations has been part of this work, reflected in the tripling in size of its Atlanta hub (now underway), a reinvention of its Rx capabilities, distribution and more.

Luxottica Wholesale N.A.'s Fabrizio Uguzzoni, president, has a long history with the group in the distribution and logistics arena. With a team that also includes Daniele Landi, SVP Supply Chain and Operations, Luxottica Wholesale, N.A., the group is moving ahead with communicating through its sales force to its ECP/optical retail accounts about supply chain, even as the company orchestrates the launch of Ray-Ban Rx in North America this year.

Uguzzoni said, "We define this change more as 'value chain' than 'supply chain.' 'Supply' implies the 'sell-in' part of the business, which the industry has been too focused on in the past. ECPs should be more focused on improving 'sell-out'—rather than spending time on tracking and reordering, they can be spending more time with patients and on their in-store experience.

"We define this 'value chain' as having three pillars within our group: first is our organization—we have a mix of industry + non-industry talent coming from consumer goods, retail, etc. A second pillar is process—the emphasis on more accurate forecast based on sell-through versus sell-in. And finally, our infrastructure, which is the digitization of the supply chain, reducing the layers and steps of distribution.

Uguzzoni said, "Today's consumers have access to unlimited product information in the palm of their hand. By the time they walk into a practice or store, they may already have an idea of the style they want, maybe even the brand or color they want. Through MyLuxottica, our ECPs already have access to a broader assortment of product. It's like an endless aisle not constrained by the walls of the practice. This is a 24/7 service, in fact, one third of ECP orders are done today on MyLuxottica.com.

"We need to be superfast and flexible to respond to consumer needs and demands. Market forecasts are less reliable than they used to be. This means the availability of sell-out data is critical.

He said, "Our company has made a huge investment in Atlanta and our new logistics/distribution facility. We have tripled its size and are hiring 1,000 more people. The technology is now more sophisticated and we can pack and ship and get to the customer in 1 to 2 days. Our hub overseas can leverage on multiple logistic solutions and deliver in North America in 3 to 4 days.

"We are working with our customers in three areas and it is completely their choice as to how they want to work with us:

Level 1 - STARS (Superior Turn Automatic Replenishment System): the STARS program is a centralized automated system for the optimized and customized management of product choices, supply planning and restocking. We have 1,200 doors in N.A. with plans to double that by the end of 2018. We're seeing double digit growth at doors using STARS. It is the highest level of supply chain solutions.

Level 2 - Collaborative Planning: this is another sell-through based technology. Weekly final sales to end consumers are used to redefine inventory levels and production plans.



An intense intelligence/data exchange happens with our wholesale customers in regards to the assortment management and the product lifecycle. So the planning is not based on what we want to sell to the customer but rather what the customer is selling out of.

Level 3 – Demand Planning: this is the more traditional service where we work with the account to service what they want to put together for their dispensary.

"Particularly when people take advantage of the first two, we have seen results that include improved sell-out, better cash flow, reduction in inventory, reduction in returns, reduction of obsolete product and a faster service level.

Uguzzoni pointed out, "The new Ray-Ban Rx program, for the consumer, is a big win in terms of authenticity and also in speed and service.

"For the wholesale customer, having branded frames + lenses produced and assembled in the same place is a game changer. No more ordering from two different places, getting follow up service from two different places. We're offering all the best of our abilities combined—the highest quality, the best fit, most personalized product and better service."

Investing in 'Intelligent Data' and Logistics To Improve Patient Service at ABB Optical Group

For several years, ABB Optical Group has been investing and expanding its reach to practitioners around the country, via its distribution and service facilities in Florida, California, the Northeast (and nationally via its Digital Eye Lab) and, more recently, in the Midwest through the acquisition of Diversified Ophthalmics/Mid South.

Its Primary Eyecare Network (PEN) Group offers education and buying services to members across the country. The company is the dominant distributor in the contact lens arena, serving some 23,000 doors and support facilities around the country which enables ABB to offer next day service to over 80 percent of those doors and up to 98 percent with two-day service.

Brad Weinbrum, president, defined supply chain "as the leverage of intelligent data and logistics capabilities, which will ensure that consumers get what they want, when they want, and where they want it."

He noted, "Today, patients will pay a lot for technology and innovation, however, the one thing they won't pay for anymore is an inefficient supply chain.

"We see consumer expectations so transformed. Amazon has stated that their returns go up 40 percent when delivery time goes beyond one or two days to consumers.



At the company's new Dallas Distribution Center, programs to support new supply chain programs from each of those groups is part of that. Liberman said, "We ask do they deliver a competitive advantage to our customers. Do they make our customers' lives easier? Third, do they enhance efficiencies and support our supply partners? And fourth, and this is the most important, do they delight the patients themselves?"

“We’re trying to understand consumer pathways. One of the things we’re focusing on, is consumers or patients that visited an independent in particular, got their exam there but didn’t buy their eyeglasses there, and ultimately bought their eyeglasses elsewhere, Liberman said.

He said, “We have two distinct structure for managing frame brands. One is PERC Advantage, somewhat more catalog oriented where you’re ordering your respective collection and then replenishing. But there’s not the same engagement in the offices with respect to collecting analytics from the offices and helping to suggest the assortments itself and the merchandising itself.

Liberman said, “Our view with respect to the investments in the alliances was that we wanted to leverage our resources to support of what the alliances were seeking to achieve. They had views about the models their members were seeking, and we ended up supporting each of those models. And we know that there are customers who want a more hands on approach, and others who wanted more autonomy. So these actually reflect those distinctions.”

David Golden, OD, co-founder, PERC (Professional Eyecare Resources Coop) and COO/EVP PERC Advantage, Ken Greene, have been working on refining their PERC Advantage program for PERC/IVA members (the group is approaching 4,000 members this year).

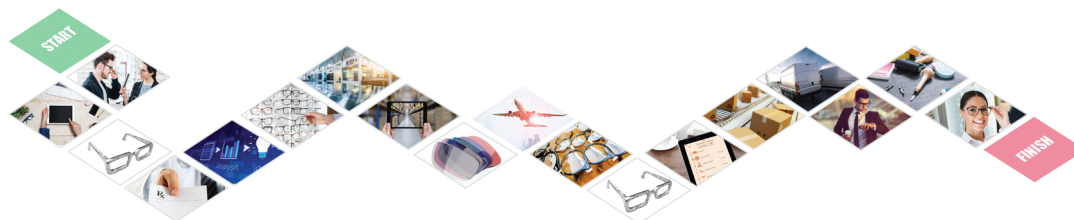
Golden said, “Supply chain for the independent is creating a fully integrated process to deliver the right product, at the right time and at the right price. This means creating an ecosystem that allows the independent practice to remain independent but have all the benefits of bulk purchasing, warehousing and product delivery cycles that are usually seen in dedicated verticals.

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Added ABB's See, "Those are shipping and time costs incurred—and it's only part of what could be done to improve the process for all."

Liberman sees that the distribution and support continuity from such a large set of operations helps customers. He also uses it to describe Essilor's view toward the different business models that exist within the optical field, from needing to serve independents as well as to support the alliance groups which are now part of Essilor's

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ers. Our PERC Advantage program helps them improve capture rate by always having the best-selling styles on display and having access to these styles in a warehouse. It improves patient delivery time with faster, more reliable Rx turnaround. It improves office and staff efficiency: faster ordering, shipping the frame direct to the lab and other duplicate workflow items. And, it improves margins by helping them sell more—with a lower cost of goods,” Golden said.

“Patients expect to receive their jobs faster today and both manufacturers and ECPs need to increase their margin in the wake of market pressures. One of the best benefits of PERC joining the Essilor family was their ability to be one of the first doctor alliances to offer a guaranteed Service Level Agreement (SLA) when a complete pair of frames and lenses are ordered through their integrated Laboratory & Distribution Center.”

According to Golden, “We are also developing a turnkey e-commerce solution for our doctors to deliver both frames and contact lenses directly to their patients. Managed care and increased competition have created ‘pain points’ that have facilitated the necessary change in behavior that SCM requires. Five years ago, we recognized this opportunity by evaluating the benefits to other industries and began the process of building the model, developing the technology and socializing the concept to the ECP.

“Our exclusive frame collections, including some internationally recognized brands, have been our greatest asset inside Advantage to date. These are well designed, quality product that our members can be proudly dispense to their patients. Like all exclusive brands, they only available through Advantage,” Golden said.

De Rigo Envisions ‘Freedom’ for ECPs With Its Future Supply Chain Investments

At De Rigo, investments toward a global supply chain have been building over the past several years. With the large Italian-based group’s recent acquisition of REM Eyewear, it plans to update systems and offer its North America customers enhanced services within the next year or so, according to Michele Aracri, De Rigo Group’s managing director.

Aracri told *VM*, “Supply chain is the strategic effort that a global company like ours is doing to deliver product to our customers in the most effective and efficient way possible. The supply chain management covers almost everything that goes from product development, sourcing, logistics and information technology system.

“This of course has an important impact on the ECP, because the more efficient and global the supplier, the better it is for them especially from a delivery and quality point of view.”

He added, “Everybody in our company is fully aware of how critical it is to understand where consumers are going and what the requirements are in order to win them. This means that today, it is not enough to be able to be fast and precise in the way you go to market, but you must be able to predict way in advance what will happen tomorrow.”

Added Steve Horowitz, president of De Rigo REM, “As our industry continues to change, independent ECPs will need to adapt in order to survive. To ensure the loyalty of their customers, they will need to be able to deliver a more competitive product offering, more aggressive pricing and swifter availability while still providing the same personalized service. Consumer expectations are evolving rapidly in all industries so ECPs will need to concentrate on doing business with companies that meet these expectations.”

Looking ahead, Aracri added, “We have been in SAP since 2002, which has given us

a good competitive advantage and De Rigo Group will invest more over the course of 2017 to further update our digital and logistics processes.

Aracri added, “In particular, we are investing heavily in implementing ‘Freedom’ in all the major markets. Freedom is our inventory management platform that is allowing us to offer a better product assortment, a faster and continuous refresh of new styles, an optimized inventory level and a good margin for all our best partners.

“Our customers are seeking to improve their profitability by increasing the sell-out of the products and reducing the inventory levels and the risk of obsolescence. That’s why the industry needs to rationalize its offerings—improving overall on services and increasing the efficiency of the supply chain,” Aracri said.

Zeiss Manages Small Steps To Produce Big Results

The Zeiss brand is known worldwide for precision optics, so it’s natural that the German company’s emphasis on getting the technical details right also characterizes the way it manages its supply chain.

Within the company’s vision care unit, a methodical approach to quality control extends from the proprietary processes and machinery used to produce Zeiss ophthalmic lenses and coatings to the operations and logistics used to deliver those products to eyecare professionals and retail customers.

At the helm of Carl Zeiss Vision, North America, Jens Boy is focused on building a more efficient supply chain that satisfies the rapid service requirements of customers who are being influenced by the “Amazon effect.”

“As we look at our supply chain and our lab network, we’re constantly evaluating every single step of the chain,” Boy explained. “We’re working to streamline the chain to make sure we deliver the latest, greatest technologies. So we’re looking at ways to improve our manufacturing processes, both in terms of quality and speed.”



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As Boy noted, “There are certain production processes where you can identify different steps in the manufacturing of lenses. We are continually analyzing those steps in detail—how you manufacture a product, how it’s coated. In all of those steps we are trying very hard not just to look at the quality and the different features we’re adding but how can you improve the process time.

“We strongly believe in operating our own facilities. We own every single piece of technology in those facilities, and the controls we develop there are for our own proprietary technologies. We look at how those processes work together, how the technology is deployed, and the application of specific coatings. It not just a matter of applying the coating, it’s how you set up the flow of the product through your manufacturing facility. That has to be optimized in terms of timing so that it gets to our partners in the shortest amount of time,” Boy said.

Boy said Zeiss’ service enhancements are aimed at creating a “holistic” patient experience. “It starts with consumers. We want to make sure the experience is unique.

“An important part of that is the Zeiss equipment, which leads to highly individualized solutions. iScription, for example, allows our partners to provide a continuum of care that we created. We’re taking that to the next level with our logistics processes. Now we’re working on it in our own facilities and our own labs.”

Recently, Zeiss invested heavily in its Hebron, Kentucky facility, where it is doing an extensive renovation of its lab. “The specific reason for our investment is because we have a very close relationship with our logistic partner there,” Boy explained.

“They actually come into our facility at night and pick up the day’s production. The proximity allows us to ship to pretty much any point in the U.S. overnight. It’s ideally located in proximity to most of our important customers, in particular key customers in the South.

“We happen to be located right next to one of the largest Amazon distribution facility. When we looked at facility we looked at the infrastructure, and realized Amazon has chosen this area for a reason. We’re not afraid to use good ideas from people who know a lot more than we do about this.”

Boy said Zeiss is also investing in some of its other labs too, most significantly its lab in St. Cloud, Minnesota. “We’ve improved the production equipment there so we can make a full portfolio of products. We have a very skilled workforce there than can produce difficult jobs.”

Apart from investing in these facilities, Boy said Zeiss is developing an online ordering system which it plans to test before the end of the year. ■

Global Optics Strengthens Its Supply Chain Links

GREEN BAY, Wis.—Global Optics provides consolidated purchasing and proficient logistical solutions and distribution to independent optical labs. From its huge, well-stocked warehouse located here, Global Optics serves more than 200 optical laboratories with spectacle lenses sourced from more than 20 vendors.

The company currently ships in the mid-30,000s of lenses per day to more than 200 different locations, and it provides a 99 percent fill ratio to its customers on a regular basis, according to general manager Barbara Vitcus, who has extensive experience in supply chain management.

This month, Global initiated a new Warehouse Management System which will enable the integration of its back office functions, orders, inventory management and billing. The new system is designed to decrease handling of products by enabling machines to verify lenses via barcodes instead of having warehouse employees learn about lenses.

Vitcus spoke to *VM* about how the system will strengthen the links in its supply chain, as well as the company’s strategy for reducing its shipping costs.

Vitcus said, “Today’s customers want and expect high fill rates. We pride ourselves by providing a weekly

99 percent fill ratio. However, we must think about the cost of this. It is expensive to keep a large inventory and immediate demand creates express shipping. Managing supply chains means mitigating some of these high costs of inventory and express freight rates.

“When an ECP needs a single lens, in many cases the shipping will cost more than the lens. We need to manage this process in a cost efficient manner. And with so much of the general public ordering ‘soup to nuts’ online, (think Amazon and Walmart), we need to make certain the shippers can handle all of the freight headed their way.

“Companies like Amazon and Walmart with their high volume of shipments are able to negotiate highly competitive shipping rates. Smaller companies subsidize those discount rates,” Vitcus noted.

Going the Last Mile

“The increasing shipping costs and concerns about ‘Last Mile Shipping’ is happening in all industries,” Vitcus pointed out. “Think of Last Mile Shipping as the movement of people and goods from a transportation hub to a final destination in the home. Think Uber.

“You land at the airport and have an Uber driver wait-

ing to take you to your final location in lieu of getting on a bus or train and making many stops before your final destination. Now think of your 50-pound package of lenses arriving at a freight hub and an Uber-like driver picks up your package and brings it to your location in lieu of being put on another truck and following a delivery path to get the package to your door. Think of the possibilities of a 15-minute final delivery versus a six-hour delivery.

System for Managing Inventory in Real Time

“Global is initiating a new Warehouse Management System that directly connects to our ERP (Enterprise Resource Planning) system. This creates a sophisticated inventory management system that is connected to and feeds off all warehouse activity.

“All product is scanned into our system so we have a real-time inventory of product on the shelf or in the warehouse waiting to be placed on the shelf. When a customer views a product on our website, they now see the availability of the product.”

Vitcus expects these improvement will bring significant benefits to Global Optics. “A stronger Global Optics provides stronger customer service and stronger links to our vendors,” she said. ■