

Top Optical Retailers Face Challenging Year

An exclusive look at the leading U.S. optical retailers' sales, stores in 2004

By Cathy Ciccolella
Senior Editor

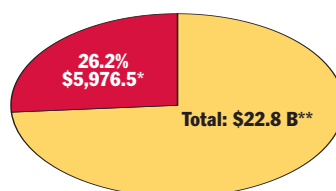
NEW YORK—In 2004, the nation's 50 largest eyewear/eyecare retailers just missed the \$6 billion mark in combined optical sales and services, according to this year's **VM** Top 50 Optical Retailers listing.

The country's highest-volume optical chains' combined sales total was an estimated \$5,976.5 million last year, giving them a 26.2 percent share of the total \$22.8 billion U.S. market for visioncare products and services sold at optical retail locations in 2004. (That \$22.8 billion estimate represents an improved, broadened view of the total eyecare marketplace provided by VisionWatch, the continuous consumer study that interviews more than 100,000 consumers on an annual basis; see related story below for more details.)

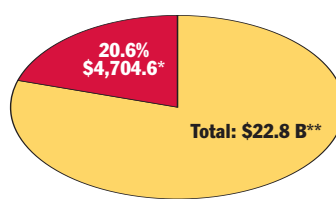
The combined sales of this year's **VM** Top 50 were lower—by about \$126 million, or roughly 2.1 percent—than those of the top 50 chains in the top retailers listing published in May 2004, which showed an estimated \$6,102.9 million in aggregate revenues for calendar 2003.

The **VM** Top 50 Optical Retailers lists reporting 2004 and 2003 sales are not directly comparable as a whole on a company-by-company basis, since the 50 retailers included are not the same from year to year. However, among the first 25

Top 50 Share of U.S. Visioncare Market
(in millions)



Top 10 Share of U.S. Visioncare Market
(in millions)



* **VM** Estimate
** Source: VisionWatch

retailers on this year's **VM** Top 50 list, all of whom also appeared on last year's list, 10 had lower optical sales in 2004 than in 2003.

This latest **VM** Top 50 list also reflects a slightly lower combined store count: an estimated 8,593 units as of Dec. 31, 2004, versus the estimated 8,693 units published on last year's list as of the end of December 2003.

The 10 largest optical retailers on the list continue to dominate in terms of market share among the Top 50. On this year's list, the Top 10 retailers have an estimated aggregate volume of \$4,704.6 million, representing 78.7 percent of the combined Top 50 retailers' sales.

The Top 10 optical retailers generated 20.6 percent of the estimated \$22.8 billion total U.S. visioncare business at optical retail locations in 2004.

Heading the 2005 **VM** Top 50 Optical Retailers list for the sixth consecutive year is Luxottica Retail—but this year with a difference. In the previous five years, Lux-

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VM
50
2005
Top U.S. Optical
RETAILERS

VisionWatch Offers Broader View of Total Visioncare Marketplace

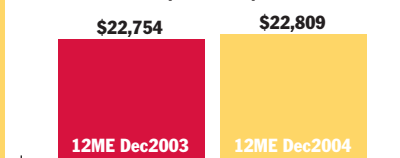
NEW YORK—Improved technology for measuring visioncare products and services now allows VisionWatch to offer a broadened view of the total eyecare marketplace.

Using updated methods of analyzing the complete market, based on an in-depth study of consumer buying patterns, VisionWatch estimates the overall visioncare business sold at optical retail locations at \$22.8 billion for calendar 2004.

VisionWatch, a joint venture of Jobson LLC and the Vision Council of America, is a continuous consumer study that interviews more than 100,000 consumers on an annual basis.

"In 2000 Jobson and its partner NOP-World launched VisionWatch, a study specifically designed to measure the breadth of the marketplace for visioncare products and serv-

Optical Products and Vision Care Services
(in millions)

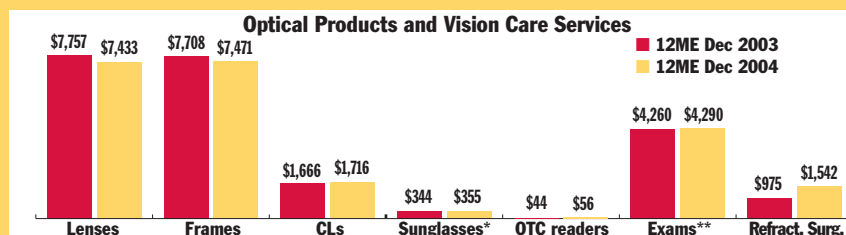


Includes all optical retail types in which the product category/service is sold.
* Does not include sunglass clips.
** Examinations for ages 18 and older.

Source: VisionWatch

ices," explained Gerry Fultz, director of Jobson Optical Research. "The technology employed was far superior to previous methodologies and remains cutting edge today."

The information produced by VisionWatch provides not only a much broader view of vision-related markets, according to Fultz, but also much finer detail on areas of the market that had been measured using earlier technologies.



The retail dollars (in millions) of each category sold through all optical retailers.
* Does not include sunglass clips. ** Examinations for ages 18 and older.

Source: VisionWatch

"To share this information with all those participating in or interested in these markets, we have initiated two basic improvements in the State of the Market data Jobson has provided for more than a decade," Fultz said. "The first revision is to include areas of the market that were previously not part of the measurement, such as refractive surgery and eye examinations.

The second revision is to make some relatively minor adjustments in the retail dollar estimates associated with frames, prescription lenses and contact lenses."

To measure trending consistently, these revisions were applied to the statistics for the year ended December 2003 as well as the year ended December 2004, Fultz noted. ■

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Cynthia Rowley

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Key Players Ranked By U.S. Sales in Calendar 2004

Rank 2004	Rank 2003	Retailer	U.S. Sales (\$Millions)		U.S. Units		Comments
			2004	2003	2004	2003	
1	1	Luxottica Retail	1,578.0*	1,330.0*	2,888	806	VM's estimates are for U.S. sales/store count for LensCrafters for all of 2004, and for Cole Vision—acquired 10/04—for 2004's fourth quarter. U.S. sales include revenues from 472 franchised Pearle Vision stores. Luxottica Group reported worldwide revenues for Luxottica Retail of \$2,892.7M for FY2004; Luxottica Retail businesses include LensCrafters (816 U.S. units, 72 units in Canada) and Cole Vision (2,072 U.S. units, 98 units in Canada) plus Sunglass Hut International (worldwide), OPSM Group (Australasia), and WatchStation/Watch World (U.S.). Luxottica Retail operates more than 5,500 retail units worldwide. Optical retail trade names: LensCrafters, Pearle Vision, Sears Optical, Target Optical, BJ's Optical.
2	3	Wal-Mart Stores	995.0*	967.5*	2,195*	2,074	Worldwide revenues: \$1,055M*. Worldwide units: 2,324* (includes 125* Wal-Mart vision centers and 4* Sam's Club units in Canada). U.S. estimates include 1,780* company-owned Wal-Mart vision centers and 415* Sam's Club locations.
3	2	Cole Vision	729.5*	1,178.0*	[2,072]A	2,098	Acquired by Luxottica Group, 10/04. VM's sales estimates and store count are for the first nine months of 2004—under Cole National ownership—including revenues from franchised Pearle Vision stores.
4	4	Eye Care Centers of America	399.5	369.9	377	371	Acquired by Moulin International Holdings/Golden Gate Capital, 3/05. Optical retail trade names: EyeMasters, Visionworks, Vision World, Hour Eyes, Dr. Bizer's Vision World, Dr. Bizer's Value Vision, Doctor's ValuVision, Doctor's Visionworks, Stein Optical, Eye DrX, Binyon's.
5	5	Costco Wholesale	315.0	269.0	314	299	Worldwide revenues: \$378M. Worldwide units: 427.
6	6	National Vision	237.6	242.0	381	431	Worldwide revenues: \$242M. Worldwide units: 416 (includes 35 in Wal-Mart Mexico). U.S. total includes 304 units in Wal-Mart, 47 in Fred Meyer, 28 in military installations, 2 free-standing. Optical retail trade names: The Vision Center (Wal-Mart), The Optical Shoppe (Fred Meyer), National Vision Optical, Vision Center II.
7	8	Consolidated Vision Group	133.0*	126.0*	111	105	Optical retail trade names: America's Best Contacts & Eyeglasses, America's Contacts & Eyeglasses.
8	7	U.S. Vision	128.0*	150.0	506	565	Optical retail trade names: J.C. Penney Optical, others.
9	9	D.O.C Optics	98.0	97.0	113	119	Optical retail trade names: D.O.C Eyeworld, D.O.C Optique, SEE, City Eyes.
10	11	Empire Vision Centers	91.0	86.1	60	59	Optical retail trade names: Empire Vision Centers, Davis Vision Centers, Total Vision Care.
11	10	Emerging Vision	91.0	92.4	168	170	Optical retail trade names: Sterling Optical, Site for Sore Eyes, Singer Specs.
12	12	EyeMart Express	86.8*	84.0	66*	65	Optical retail trade names: EyeMart Express, Vision 4 Less, Visionmart Express.
13	13	Cohen's Fashion Optical	80.0*	80.0*	101	101	Sales include revenues from 92 franchised stores.
14	14	ShopKo Stores	77.3*	76.5*	138	140	Optical retail trade names: ShopKo Eyecare Center, ShopKo Express Eyecare Center.
15	16	For Eyes/Insight Optical Mfg.	76.0*	73.5*	140	140	Optical retail trade name: For Eyes.
16	15	Eyeglass World/Vision Care Hldgs.	70.5*	73.5	68*	85	Optical retail trade name: Eyeglass World.
17	18	Optometric Eye Care Centers	58.5	59.7	50	51	
18	17	Texas State Optical	58.0	61.8	100	98	All locations independent franchises.
19	20	Doctors Vision Center	55.8	51.0	80	80	Optical retail trade names: Doctors Vision Center, Tennessee Vision Associates.
20	21	United Optical/Spectera	45.0	48.4	61	64	Optical retail trade name: United Optical.

Rank 2004	Rank 2003	Retailer	U.S. Sales (\$Millions)		U.S. Units		Comments
			2004	2003	2004	2003	
21	22	OptiCare Health Systems	42.5*	44.3	18	18	
22	23	Nationwide Vision	40.0	40.0	51	47	Optical retail trade names: Nationwide Vision, Nationwide Optique, Nationwide Laser & Eye.
23	24	Henry Ford Optimeyes/PCOR	32.9	39.8	30	33	Optical retail trade name: Henry Ford Optimeyes.
24	26	Eye Centers of Florida	32.6*	32.0	18*	18	
25	27	Eyear Optical	31.8*	31.8*	30*	30*	Optical retail trade name: Eyear Optical.
26	19	Sight Resource	29.0*	54.0	32	109	Filed for Chapter 11 bankruptcy protection, 6/04. Sold 20 Kent Optical locations, 6/04. Retail trade names as of 12/04: Cambridge Eye, E.B. Brown, Eyeglass Emporium, Vision Plaza, Vision World. Sold 6 Eyeglass Emporium locations, 1/05. Sold remaining 25 units to Davis Vision, 4/05.
27	28	Rx Optical	27.7*	27.5*	49	50	Optical retail trade names: Rx Optical, Eden Optical, Smeelink Optical.
28	29	General Vision Services	23.0*	23.0*	24	24	
29	25	Today's Vision	21.5*	38.3	31	55	Optical retail trade name: Today's Vision. All locations independent franchises.
30	30	Clarkson Eyecare	20.0	18.0	18	18	
31	31	Eye Health Vision Centers	18.8	17.2	4	4	
32	39	Crown Optical	18.5	13.1	25	22	
33	34	Wisconsin Vision	18.0	16.1	25	23	Optical retail trade names: Wisconsin Vision, Heartland Vision.
34	40	Lunettes	17.5	12.2	12	10	Optical retail trade names: Davante, Lunettes, Dolce, Dolce Due.
35	32	Dr. Tavel Optical Group	17.1*	16.8*	24	24	Optical retail trade names: Dr. Tavel Family Eyecare, Dr. Tavel One-Hour Optical, Premium Optical, Vision Values.
36	33	Sunland Optical	16.9*	16.5*	79	79	
37	35	Optical Shop of Aspen	16.0	15.5	15	14	Optical retail trade names: Optical Shop of Aspen, OSA Sun Bar, Emporio Optic.
38	36	Allegany Optical	15.3	14.0	22	20	Optical retail trade names: Allegany Optical, National Optometry.
39	N	Horizon Eye Care	14.5	N	5	N	
40	38	Palmetto Optical	14.2*	13.8*	19*	19*	Optical retail trade names: Jackson-Davenport, Palmetto Optical, others.
41	N	Accurate Optical	13.3	N	17	N	Acquired H. Rubin Vision Centers 9/04. Optical retail trade names: Accurate Optical, H. Rubin Vision Centers.
42	37	Co/op Optical Vision Designs	13.0	14.0	16	16	Optical retail trade names: Co/op Optical, Vision Designs by Co/op Optical, Co/op Optical Vision Designs.
43	N	Eye Care Associates	12.5	N	12	N	
44	41	The See Center/Group Health	12.1*	11.8*	16	16	
45	42	The Hour Glass	11.4	10.8	9	9	Optical retail trade names: The Hour Glass, See Savers, South East Eye Specialist.
46	43	Rosin Eyecare	9.7*	9.6*	12	12	
47	45	Standard Optical	9.3	8.3	18	19	Optical retail trade names: Standard Optical, Rocky Mountain Eyeworks.
48	46	Fraser Optical	8.3*	8.2*	6	6	
49	48	Thoma & Sutton Eye Care Prof.	7.9	7.7	21	20	
50	50	Bard Optical	7.7	7.0	18	18	
Total			5,976.5*	6,077.7*	8,593*	8,654*	

Source: VM's 2005 Top 50 Optical Retailers

When 2004 U.S. sales are the same for more than one company, the retailer with the fewest 2004 U.S. units is ranked first.

*=VM estimate.

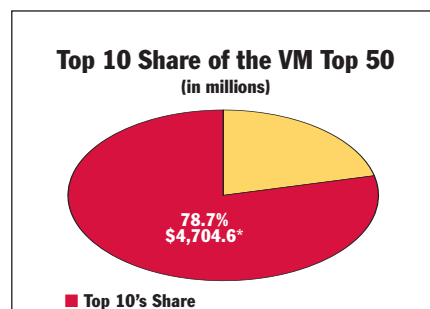
N=Not on last year's list.

A=Not included in 2004 unit total.

Note: U.S. sales include Puerto Rico.

Top 10 Snapshots

2004's largest retailers eye 2005 challenges



* VM Estimate

** Source: Jobson Optical Research

1 Luxottica Retail

Cincinnati, Ohio

U.S. Optical Sales: \$1,578M (est.)

U.S. Optical Sites: 2,888

Trade name: LensCrafters, Pearle Vision, Sears Optical, Target Optical, BJ's Optical

LUXOTTICA

LENSCRAFTERS

PEARLE VISION

When Luxottica Group's acquisition of Cole National closed in early October, a new 3,056-unit retail-optical power player in North America was created. The \$495 million transaction brought Cole Vision's brands—Pearle Vision, Sears Optical, Target Optical and BJ's Optical—under the Luxottica Retail umbrella along with LensCrafters, Sunglass Hut, OPSM and Watch Station/Watch World.

Integration of Cole's operations into Luxottica Retail is on track to be largely completed by the end of this year, according to Luxottica executives. The company is working to differentiate its two primary optical brands, LensCrafters and Pearle, to address a broad spectrum of potential customers.

The addition of Cole's fourth-quarter revenues to LensCrafters' 2004 sales gave Luxottica Retail estimated U.S. optical sales of nearly \$1.6 billion last year; in 2005, with a full year of Cole's revenues included, its U.S. optical sales should easily top the \$2 billion mark.

Luxottica Retail as a whole, including its Sunglass Hut and Watch Station/Watch World specialty locations and the OPSM Group stores in Australasia, had worldwide sales of \$2.9 billion last year through more than 5,500 retail units.

Another important element of Luxottica Retail's business is its managed-care operations: EyeMed Vision Care and

now Cole Managed Vision. The company has already begun selling new combined programs highlighting its expanded provider panel.

2 Wal-Mart

Bentonville, Ark.

U.S. Optical Sales: \$995M (est.)

U.S. Optical Sites: 2,195 (est.)

Trade Names: Wal-Mart Vision Center, Sam's Vision Center

WAL-MART

Discount giant Wal-Mart continued to broaden its penetration of the U.S. optical market in 2004, opening new vision centers in its U.S. Wal-Mart locations at a rate of about 40 per quarter in the first nine months of last year. The retailer ended the year with an estimated 1,780 company-owned optical departments in its Wal-Mart stores, plus about 415 vision centers in its Sam's Club warehouse clubs. Those locations produced an estimated \$995 million in optical sales in 2004, up from an estimated \$967.5 million volume the previous year. (Wal-Mart continues to expand in Canada as well, with an estimated combined total of nearly 250 optical locations in Wal-Mart and Sam's there.)

Wal-Mart plans to maintain its rapid pace of store expansion during 2005; the 43-year-old retailer opened 50 new Wal-Mart discount stores and supercenters on Jan. 26 alone. Since its 2005 fiscal year began on Feb. 1, the retail powerhouse has added another 50 Wal-Mart locations plus five more Sam's Clubs. Wal-Mart has announced plans to open 40 to 45 new discount stores, 240 to 250 Wal-Mart Supercenters and 30 to 40 more Sam's Clubs in the U.S. during fiscal 2005, plus 155 to 165 new international locations.

3 Cole Vision

Twinsburg, Ohio

U.S. Optical Sales: \$729.5M (est. through 9/04)

U.S. Optical Sites: 2,072 (through 9/04)

Trade Names: Pearle Vision, Sears Optical, Target Optical, BJ's Optical



(Editor's Note: Luxottica Group acquired Cole Vision parent Cole National in early October 2004. Therefore, Cole Vision's

sales/units shown here represent the first nine months of 2004 only; its fourth-quarter sales and year-end store count are included in Luxottica Retail's listing.)

Cole Vision's former parent, Cole National, spent much of 2004 being courted as an acquisition target, as Cole National's board of directors considered two competing offers—from Italy's Luxottica Group and Hong Kong-based Moulin Global Eyecare—to take over the company. The board, and then Cole's shareholders, ultimately decided on the Luxottica offer; the deal closed in early October, and Cole became a Luxottica subsidiary.

Luxottica executives are now working to integrate Cole's operations into its Luxottica Retail division, based in Cincinnati.

At the time of the acquisition, Cole Vision operated 375 company-owned Pearle Vision stores, plus 938 Sears Optical departments, 248 Target Opticals and 134 BJ's Optical through its Cole Licensed Brands segment. Completing its store count were 484 franchised Pearle locations.

Included in the acquisition was Cole National's 21 percent interest in Pearle Europe. Luxottica sold that stake to HAL Investments—the Netherlands-based firm that already held the balance of Pearle Europe's outstanding shares—in early January.

4 Eye Care Centers of America

San Antonio, Texas

U.S. Optical Sales: \$399.5M

U.S. Optical Sites: 377

Trade Names: EyeMasters, Visionworks, Doctor's Visionworks, Hour Eyes, Binyon's, Dr. Bizer's Vision World, Dr. Bizer's ValuVision, Stein Optical, Eye DRx, Vision World (Minn.)

Eye Care Centers of America

Eye Care Centers of America's (ECCA) revenues neared the \$400 million mark last year. This year, ECCA is operating under new ownership, although the chain's management team—led by chairman, president, and chief executive officer Dave McComas—remains in place.

On March 1, 2005, a \$450 million acquisition gave Hong Kong-based Moulin Global Eyecare 56 percent of

ECCA, in partnership with equity investor Golden Gate Capital, which owns 43 percent (ECCA management retains 1 percent ownership). Since the acquisition it has been business as usual for ECCA. However, the deal included a long-term supply agreement between ECCA and Moulin, and plans call for transitioning the manufacture of most private-label frames stocked by the chain to Moulin over the next two years.

Recently ECCA said it plans to open 10 to 15 new stores annually over the next two years, in both existing and new markets. With the additional financial backing provided by Moulin and Golden Gate Capital, those new markets could include areas such as California and the Northeast in which ECCA currently does not have stores.

The chain made a major move into Atlanta two years ago, and has opened optical locations recently in Baltimore and Denver. Currently, it operates stores in 33 states and the District of Columbia.

5 Costco Wholesale

Issaquah, Wash.

U.S. Optical Sales: \$315M

U.S. Optical Sites: 314

Trade name: Costco Optical



Last year, Costco Wholesale added 15 more in-store, everyday-low-price Costco Optical vision centers, bringing its U.S. total to 314. Those new company-owned optical departments helped the membership-warehouse chain increase its optical revenues to \$315 million by the end of 2004.

Costco is also increasing its position in the worldwide optical market, with 113 optical departments in its stores outside the U.S. by the end of last year, including 64 vision centers in Canada, 25 in Mexico and 15 in the U.K.

Costco's total worldwide store count had reached 452 by late April, with one new membership club opened in the U.S. since January. Costco officials say the chain will open eight to 10 additional warehouse clubs before its 2005 fiscal year closes on Aug. 28; plans call for another 25 to 30 more clubs to open during fiscal 2006.

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6 National Vision

Lawrenceville, Ga.

U.S. Optical Sales: \$237.6M

U.S. Optical Sites: 381

Trade Names: The Vision Center (Wal-Mart), The Optical Shoppe (Fred Meyer), National Vision Optical, Vision Center II



National Vision continues to seek new avenues of business as leases on the vision centers it operates inside Wal-Mart stores expire. In 2004, National Vision closed 55 Wal-Mart locations. This year, another 33 U.S. Wal-Mart leases expire.

At the end of 2004, National Vision operated leased vision centers in Wal-Mart (304 units), Wal-Mart Mexico (35), and Fred Meyer discount stores (47), as well as 28 stores in U.S. military installations and two free-standing stores. Its U.S. locations generated revenues of \$237.6 million last year.

President and chief executive officer Reade Fahs and his team have been looking for ways to broaden National Vision's business. After a disappointing year-long test of selling home health equipment, National Vision has now turned its attention to opening free-standing vision centers.

7 Consolidated Vision Group

Pennsauken, N.J.

U.S. Optical Sales: \$133M (est.)

U.S. Optical Sites: 111

Trade names: America's Best Contacts & Eyeglasses, America's Contacts & Eyeglasses



A long-time major player in the everyday-low-price segment of the optical

market, Consolidated Vision Group did an estimated \$133 million in optical revenues last year through 111 America's Best Contacts & Eyeglasses locations, moving it up a notch on the **VM** Top 50 Retailers listing to the seventh position.

The company is expected to add another eight to 10 locations this year, primarily during the second and third quarters of 2005, in both new and existing markets.

A new store prototype for America's Best is also expected to be rolled out during the course of this year.

In its stores and on its Web site, www.twopair.com, America's Best continues to promote its signature offer: two pairs of eyeglasses plus an eye exam for \$69.95. The chain also works to build customer loyalty through its EyeCare Club, which offers members free eye exams, discounts on eyeglasses and contact lenses, and free lens-care solution for a \$99 or \$139 membership fee.

8 U.S. Vision

Glendora, N.J.

U.S. Optical Sales: \$128M (est.)

U.S. Optical Sites: 506

Trade names: J.C. Penney Optical, others



The U.S. Vision chain may link up this year with another company controlled by majority owner Palisade Concentrated Equity Partnership, under a new corporate umbrella.

U.S. Vision and 18-unit retailer/managed-care firm OptiCare have been targeted by a third Palisade company, Refac, as acquisition targets. (Palisade owns approximately 90 percent of Refac's outstanding common stock, 88 percent of U.S. Vision's stock and 84 percent of OptiCare's stock.)

A representative of Palisade said last month that both U.S. Vision and OptiCare "have good potential for organic growth, which will be enhanced by Refac's strong financial condition." According to the plans announced so far, after acquiring U.S. Vision and OptiCare, Refac would continue to operate both companies on a stand-alone basis.

Led by president and chief executive officer Bill Schwartz, U.S. Vision finished last year with an estimated \$128 million in optical revenues through more than 500 leased optical departments in national and regional department stores; J.C. Penney remains its largest host.

9 D.O.C Optics

Southfield, Mich.

U.S. Optical Sales: \$98M

U.S. Optical Sites: 113

Trade names: D.O.C Eyeworld, D.O.C Optique, SEE, City Eyes



Although D.O.C Optics operated fewer stores in 2004 than during 2003, its \$99 million in sales retained the chain's ninth-place position on the **VM** Top 50 Optical Retailers listing.

D.O.C is mixing "value" with a stepped-up fashion emphasis in its merchandising for 2005, "to go for a much broader customer base than we'd previously targeted," according to president and chief executive officer Richard Golden. D.O.C has also begun a much stronger push for managed-care business this year, Golden said.

Golden himself remains the "face" of D.O.C in its advertising, especially its TV commercials. A new TV spot for

2005 features "a cross-section of people who look good in D.O.C glasses—which is just about everyone," he said.

Golden also continues to build his all-private-label SEE chain, adding additional stores this year in major markets such as Detroit and Chicago. "Moving further ahead, we've identified 10 or 15 new cities as possibilities for SEE and are looking at them to find the best locations," he told **VM**, noting that SEE plans to crank up its promotional volume this year as well.

10 Empire Vision Centers

Syracuse, N.Y.

U.S. Optical Sales: \$91M

U.S. Optical Sites: 60

Trade names: Empire Vision Centers, Davis Vision Centers, Total Vision Care



Empire Vision Centers moves into the Top 10 among **VM**'s Top 50 Optical Retailers for the first time this year, with sales of \$91 million in 2004. (Although tied with Emerging Vision in terms of 2004 sales, Empire takes the 10th position by virtue of having fewer locations generating that revenue.)

The retail subsidiary of managed-care firm Davis Vision, Empire operates stores in New York, Pennsylvania and Massachusetts. Not surprisingly, since it serves as a key provider in its market area for Davis Vision's managed-care plans, about 43 percent of Empire's optical revenues are derived from managed vision care.

Since April 30, Empire's management team has also been overseeing the 19 Cambridge Eye Associates and six Douglas Vision World locations Davis acquired from Sight Resource last month. ■

Top 50 Optical Retailers Methodology

The **VM** Top 50 U.S. Retailers Report ranks the 50 leading companies in optical retailing, based on their revenues during calendar 2004.

The **VM** Top 50 report is based on a survey of all major U.S. optical retailers, including information reported directly by chains and independent retailers and practitioners, interviews with company executives, published corporate documents, and knowledgeable secondary sources. A detailed questionnaire was sent to more than 150 leading U.S. optical retailers to obtain this information; in addition, those retailers were contacted by telephone to follow up on the questionnaire.

In cases where corporate policy prevented companies from reporting retail volume or other information, various methods were used to reach accurate estimates for those retailers. The history of each chain was carefully analyzed, and knowledgeable, relevant secondary sources were consulted. Averages pertinent to the geographic and market situations of each retailer were also developed to fit its store types in producing these estimates.

U.S. sales figures for The **VM** Top 50 include revenues from both company-owned and

franchised stores (if applicable), managed-vision-care revenues, and shares of doctors' or laser-surgery fees. In short, U.S. sales represent all money a company derives from optical products and services in the U.S. and Puerto Rico (however, it does not include revenues from locations operated solely as laser centers). It is also important to keep in mind that sales volumes given on The **VM** Top 50 list reflect annual net sales, which may differ widely from retailers' comparable-store sales for the same year.

In cases where one retailer acquired another during 2004, the acquired company is listed separately if the acquisition occurred during the fourth quarter, since that company's sales for 75 percent of the year are not attributable to the acquiring firm, and the acquired company's ranking is determined by its pre-acquisition sales. If an acquisition took place before the fourth quarter, the acquired retailer's sales are combined with those of the acquiring company.

—Cathy Ciccolella, Senior Editor

—Ashley Young and Jennifer Zupnick, Marketing Research Analysts

Mass Merchants in Optical Add Stores, Boost Sales in 2004

NEW YORK—The seven largest U.S. mass merchants and warehouse clubs with optical departments continue to gain sales as they expand their reach into the U.S. eyecare/eyecare marketplace with additional in-store vision centers.

During 2004, these large national and regional retailers collectively added an estimated 72 more optical locations, bringing their combined year-end total to just under 3,400 units. (The largest increase came from Wal-Mart, which added an estimated 90 company-owned

vision centers last year. National Vision, which operates leased departments inside Wal-Mart stores, had fewer of those locations at year-end, however, so the total Wal-Mart optical unit count rose by only 29.)

Overall, the mass merchants and warehouse clubs generated aggregate optical revenues that reached an estimated \$1,671.4 million for 2004, up 4.3 percent over their combined estimated revenues in 2003. That 2004 volume increased their share of the total VM

Top 50 Optical Retailers' combined sales to just under 28 percent, compared to a 26.3-percent share of the Top 50's combined sales for 2003.

A key change in the mass merchants' optical profile was the takeover during last year's fourth quarter of the leased vision centers in Target/SuperTarget stores and BJ's Wholesale warehouse clubs by Luxottica Retail, as part of parent Luxottica Group's acquisition of Cole National's Cole Vision operation. Looking ahead to the rest of this year,

the recent merger of Kmart and Sears may bring optical departments back into Kmart stores as Luxottica expands its Sears Optical retail segment.

Also, industry observers are watching to see what impact, if any, ShopKo's pending acquisition by a private equity investment firm will have on its optical operations. ShopKo expanded its optical horizons early this year by putting a vision center into one of the first three ShopKo Express Rx "neighborhood drug store" locations it opened in January. ■

Leading Mass Merchants With Optical Departments

Rank 04	Rank 03	Mass Merchant (Operator)	2004 Units	2004 Retail Sales (\$ in millions)	Class	(Operator)	2003 Units	2003 Retail Sales (\$ in millions)
1	1	Wal-Mart Wal-Mart Corp. National Vision	2,084* 1,780* 304	1,078* 890* 188*	MM	Wal-Mart Wal-Mart Corp. National Vision	2,051* 1,690* 361	1,068.7* 870.2* 198.5*
2	2	Costco Wholesale	314	315	WC	Costco Wholesale	299	269
3	4	Sam's Club Wal-Mart Corp.	415*	105*	WC	Sam's Club Wal-Mart Corp.	384*	97.3*
4	3	ShopKo Stores	138	77.3*	MM	ShopKo Stores	140	76.5*
5	5	Target/Super Target Cole Licensed Brands	255	50.4*	MM	Target/Super Target Cole Licensed Brands	265	48.5*
6	6	BJ's Wholesale Cole Licensed Brands	138	32.2*	WC	BJ's Wholesale Cole Licensed Brands	133	30.2*
7	7	Fred Meyer National Vision	47	13.5*	MM	Fred Meyer National Vision	47	12.7*
Totals			3,391*	\$1,671.4*			3,319*	\$1,602.9*

Source: The VM Top 50 U.S. Optical Retailers Report 2005
* = VM estimate. MM = Mass Merchant. WC = Warehouse Club

Top Optical Retailers

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ottica's LensCrafters chain alone has been number one in sales for the year; this year Luxottica Retail's total 2004 optical revenues, estimated at \$1,578 million, include three months of sales by Cole Vision, which parent Luxottica Group acquired in early October of last year. (Because that acquisition was finalized so late in the year, Cole Vision remains as a separate entry on this year's VM Top 50 list, with its third-place position representing Cole's sales for 2004's first nine months; on next year's list, all of Cole's 2005 sales will be included in Luxottica Retail's total.)

Taking second place on this year's VM Top 50 list for the first time is Wal-Mart Stores, with an estimated \$995 million in 2004 optical revenues representing both its company-owned Wal-Mart Vision Centers and its Sam's Club locations, an estimated 2,195 combined locations. Adding in sales by the 304 Wal-Mart Vision Centers operated as leased departments by National Vision at year-end, the overall optical volume for 2004 under the Wal-Mart/Sam's brand umbrella is estimated at \$1,183 million.

In addition to Wal-Mart's change in position among the largest retailers on the list, Consolidated Vision Group

shifted up a notch to seventh position, and Empire Vision Centers moved into the Top 10 for the first time.

With additional industry consolidation already taking place so far in 2005, while

competitive pressures and squeezes on profitability increase in intensity, the nation's largest optical retailers face another challenging year that could further change the next VM Top 50 ranking. ■

VM's 2005 Top 50 Optical Retailers Ranked Alphabetically

Accurate Optical.....41	Eye Centers of Florida.....24	OptiCare Health Systems.....21
Allegany Optical/ National Optometry.....38	Eye Health Vision Centers.....31	Optometric Eye Care Centers...17
Bard Optical.....50	Eye Optical.....25	Palmetto Optical.....40
Clarkson Eyecare.....30	Eyeglass World/Vision Care Holdings.....16	Rosin Eyecare.....46
Cohen's Fashion Optical.....13	EyeMart Express.....12	Rx Optical.....27
Cole Vision.....3	For Eyes/Insight Optical Manufacturing.....15	See Center, The/Group Health...44
Consolidated Vision Group.....7	Fraser Optical.....48	ShopKo Stores.....14
Co/op Optical Vision Designs...42	General Vision Services.....28	Sight Resource.....26
Costco Wholesale.....5	Henry Ford Optimeyes/PCOR...23	Standard Optical.....47
Crown Optical.....32	Horizon Eye Care.....39	Sunland Optical.....36
D.O.C Optics.....9	Hour Glass, The.....45	Texas State Optical.....18
Dr. Tavel Optical Group.....35	Lunettes.....34	Thoma & Sutton Eyecare
Doctors Vision Center.....19	Luxottica Retail.....1	Professionals.....49
Emerging Vision.....11	National Vision.....6	Today's Vision.....29
Empire Vision Centers.....10	Nationwide Vision.....22	United Optical/Spectera.....20
Eye Care Associates.....43	Optical Shop of Aspen.....37	U.S. Vision.....8
Eye Care Centers of America...4		Wal-Mart Stores.....2
		Wisconsin Vision.....33