

# Competing in Abundant Competition

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karlsruüd  
be seen. be heard.

# Total Number of Eye Exams Per Year

	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC
EYE EXAMS	2010	2011	2012	2013	2014	2015
Total	102.3	103.8	105.4	107.5	110.6	113.9
Independent	68.8	70.0	71.7	73.6	75.9	79.0
Conventional Chain	16.1	16.2	15.7	15.9	16.3	16.3
Mass Merchandiser	14.0	14.2	13.8	14.0	14.8	14.7
Department Store	1.2	1.4	1.3	1.2	1.3	1.2
Other/Don't Know	2.0	1.9	2.9	2.8	2.2	2.7

# Change in Units From Previous Year

	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC
EYE EXAMS	2010	2011	2012	2013	2014	2015
Total		1.5	1.6	2.1	3.1	3.3
Independent		1.2	1.7	1.9	2.4	3.0
Conventional Chain		0.0	-0.5	0.2	0.4	0.0
Mass Merchandiser		0.2	-0.5	0.3	0.8	-0.1
Department Store		0.1	-0.1	-0.1	0.1	-0.1

# Prescription Lenses in Units

	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC
RX LENSES	2010	2011	2012	2013	2014	2015
Total	74.7	75.0	76.9	78.1	79.9	82.9
Independent	34.0	34.4	35.4	35.5	36.4	38.5
Conventional Chain	19.7	19.6	20.4	20.8	21.0	21.7
Mass Merchandiser	13.1	13.1	13.2	13.9	14.3	14.5
Department Store	3.5	3.3	3.5	3.5	3.5	3.5
Other/Don't Know	4.3	4.6	4.4	4.5	4.6	4.8

# Difference in Rx Lens Growth and Exam Growth

DIFFERENCE in RX LENS GROWTH vs. EXAM GROWTH	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC	Y/E DEC
	2010	2011	2012	2013	2014	2015
Total		-1.1	0.2	-0.9	-1.3	-0.3
Independent		-0.7	-0.7	-1.8	-1.4	-1.0
Conventional Chain		-0.2	1.3	0.2	-0.2	0.7
Mass Merchandiser		-0.2	0.6	0.4	-0.3	0.3
Department Store		-0.3	0.2	0.1	-0.1	0.1

“In a commodity market,  
you can only be as good as  
your dumbest competitor.”

-Peter Drucker

# Products & Technology are Maturing Faster

- Global Competition
- Outsourcing
- Offshoring

**Squeezing Margins**  
**Customer Price Sensitivity**  
**Diminished Brand Differentiation**

**Q:** What have you changed in the less 12 months to differentiate your business from your competition?



# Changing Competitive Pressures

- Threat of New Competition
- New or Substituted Products or Services
- Bargaining Power of Customers (Buyers)
- Bargaining Power of Suppliers
- Intensity of Competitive Rivalry



Managed  
Care

Supplier  
s

Laboratory

Doctor





Consumer/Patient

# Information Asymmetry

Intense Competitive Landscape

Quality and Service Is Expected

Price is the Competitive Response

Discounted Pricing is Promoted

Consumers are Taught to Look for “Deals”

Outside Competitors Enter

Technology Advancements Discounted

Buyer Pressure Increases

Margins Diminish

Commodity Mentality is Prolific

“...in a world of abundance,  
what will we pay for?”

-Gary Satell

Remember

**“Category Killers?”**

**BARNES  
& NOBLE**



**amazon**



**COSTCO**  
**WHOLESALE**

**STAPLES**  
The Office Superstore

**SUPERVALU**



# What Happened to Them?

- **While killing categories, they set up the environment for on-line retailing.**
- On-line picked away the “item and category” levels and it destroyed the economics of the entire store.
- Entire high margin categories in the stores were being replaced by on-line competitors.

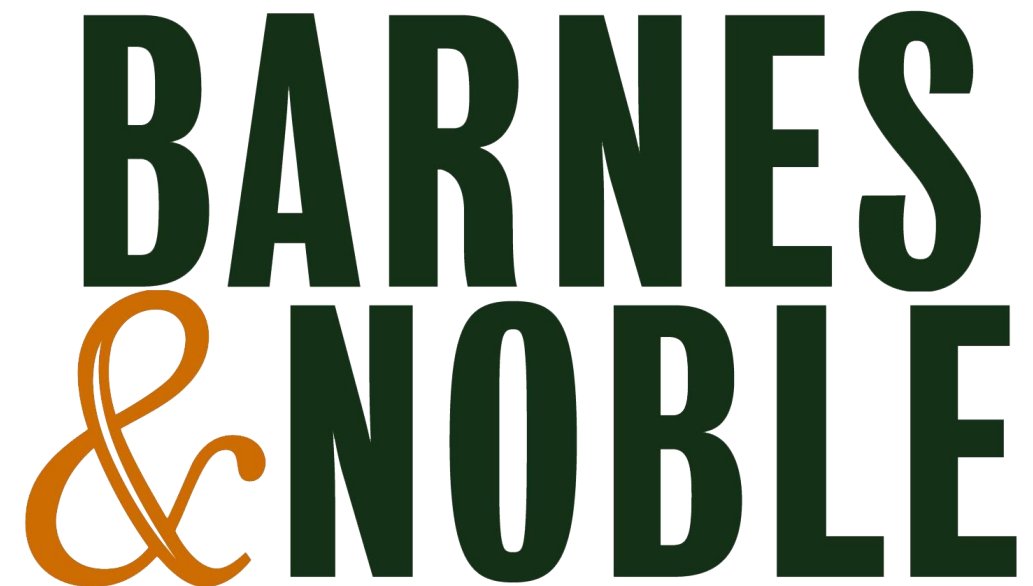
# “Never Saw the Bullet”

- “Showrooming”
- In-store sales dropped dramatically.
- Sales per square foot dropped \$56 domestically.
- Total reconfiguration of stores footprint.
- Moved lower margin product online.
- Created boutique stores.
- Huge on-line investment to meet the customer where they’re shopping.



# Repurposing Space

- Reduced book offerings
- Added Starbucks
- Features on-line reading
- Sells the Kindle
- Added cards, stationary, office gifts
- Huge on-line investment to capture readership and downloads.

The logo for Barnes & Noble, featuring the word "BARNES" in a dark green, bold, serif font above the word "& NOBLE" in the same font. The ampersand is a stylized, orange-colored symbol.



**BORDERS**®



**Office  
DEPOT**®



**SPORTS  
AUTHORITY**®

**“ONLINE RETAILERS HAVE APPROPRIATED THE STRENGTHS OF CATEGORY KILLERS, AND CAN OFFER WIDER ASSORTMENTS THAN ANY STORE, HAVE DRIVEN PRICES TO NEW LOWS, AND REPLACE ASSOCIATE KNOWLEDGE WITH EDITORIALS, PROFESSIONAL AND CUSTOMER REVIEWS, AND RATINGS SYSTEMS”**

Rajiv Lal, Jose B. Alvarez and Dan Greenberg  
HBR, 03/15

# Total Unit Eyewear Sales- Millions of Pairs Online

<b>Year</b>	<b>Rx Eyeglasses</b>	<b>Plano SG</b>	<b>OTC Readers</b>	<b>Contact Lenses</b>
2011	1.6	4.0	1.3	13.4
2012	2.0	4.7	1.2	14.2
2013	2.3	5.1	1.4	15.3
2014	2.4	5.7	1.7	15.9
2015	2.9	6.4	2.0	16.5

# Total Revenue Sold Online in Millions

Year	Frames	Rx Lenses	Plano SG	OTC Readers	Contact Lenses
2011	\$114.2	\$164.9	\$130.5	\$18.2	\$531.3
2012	\$147.8	\$223.1	\$162.2	\$17.6	\$579.3
2013	\$161.3	\$248.7	\$173.8	\$21.4	\$643.0
2014	\$176.7	\$265.4	\$196.6	\$25.7	\$670.2
2015	\$211.7	\$320.5	\$224.6	\$30.2	\$707.35

# 4 Strategies To Compete

- **Innovate.** Find something that better meets your customers needs, consumer needs, even an upgrade of a existing product.
- **Bundle.** Sell your product/services with a differentiated ancillary service (like after the sale service) that buyers might pay a premium.
- **Segment.** Large, mature markets can be sub-divided into multiple, more profitable, smaller markets.
- **Disrupt.** Do something so out-of-the-box that you create your own path.



# Can You Innovate?

- **Associating** *Can you make connections between seemingly unrelated problems and ideas and synthesized new ideas?*
- **Observing** *My brilliance was in seeing this problem has been solved before!*
- **Questioning** *Can you observe things then question “why?”*
- **Networking** *Are you spending time with a diverse group of people with different background and experiences?*
- **Experimenting** *The problem with data is that only looks at the past. Go out and create data!*

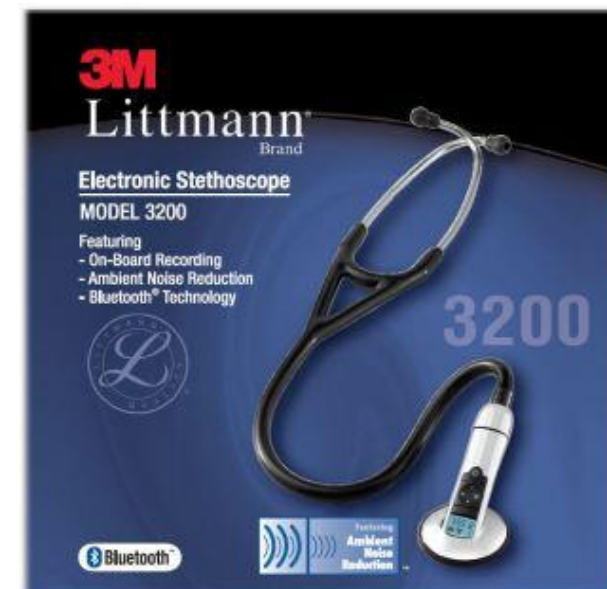
Innovation is not a strategy.

**Innovation needs to become  
your culture.**

*Innovate*

**3M**

*15% of employees time is used to work on their own projects.*



**“Try to innovate at all costs.”**

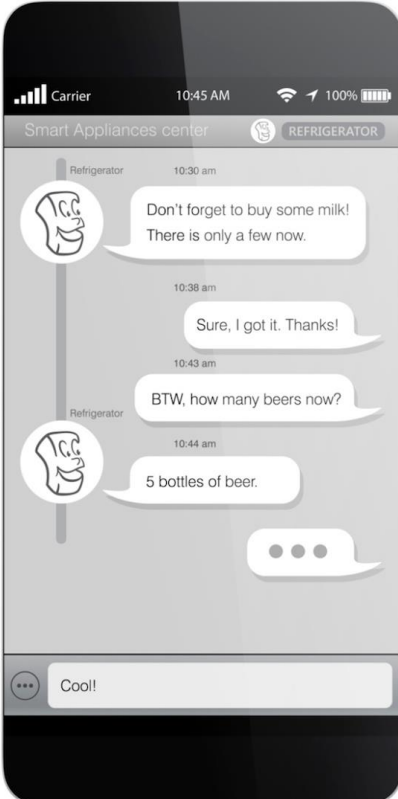
-John Quench, Harvard Business School

Can you **Bundle?**

*Bundle*



ANDROID



**Segment?**

# Segmentation

- Treating every customer like “every customer” is deadly.
- Instead, look at profit margin associated with each customer based on price-paid less cost-to-serve.
- When margins need to be squeezed, you know to protect and what can be marginalized.
- Decide who you no longer want to serve. Raise prices to them or “fire” them. Lose market share to improve profitability.



# Segment



# Gillette®

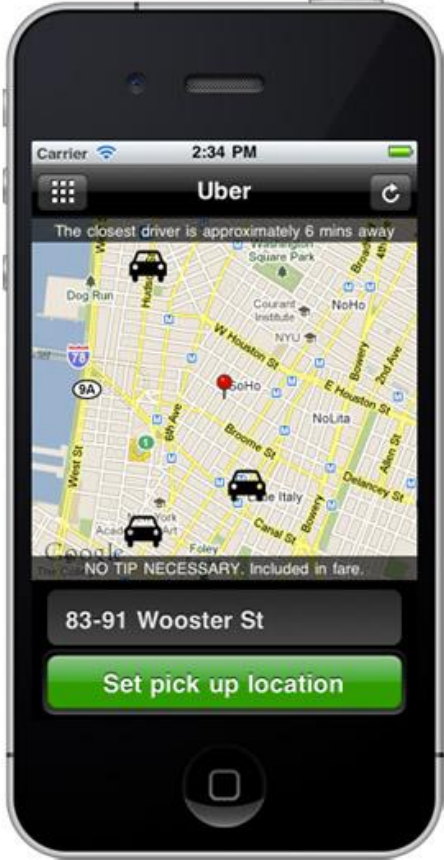
*Gillette hosts an "innovation fair"*



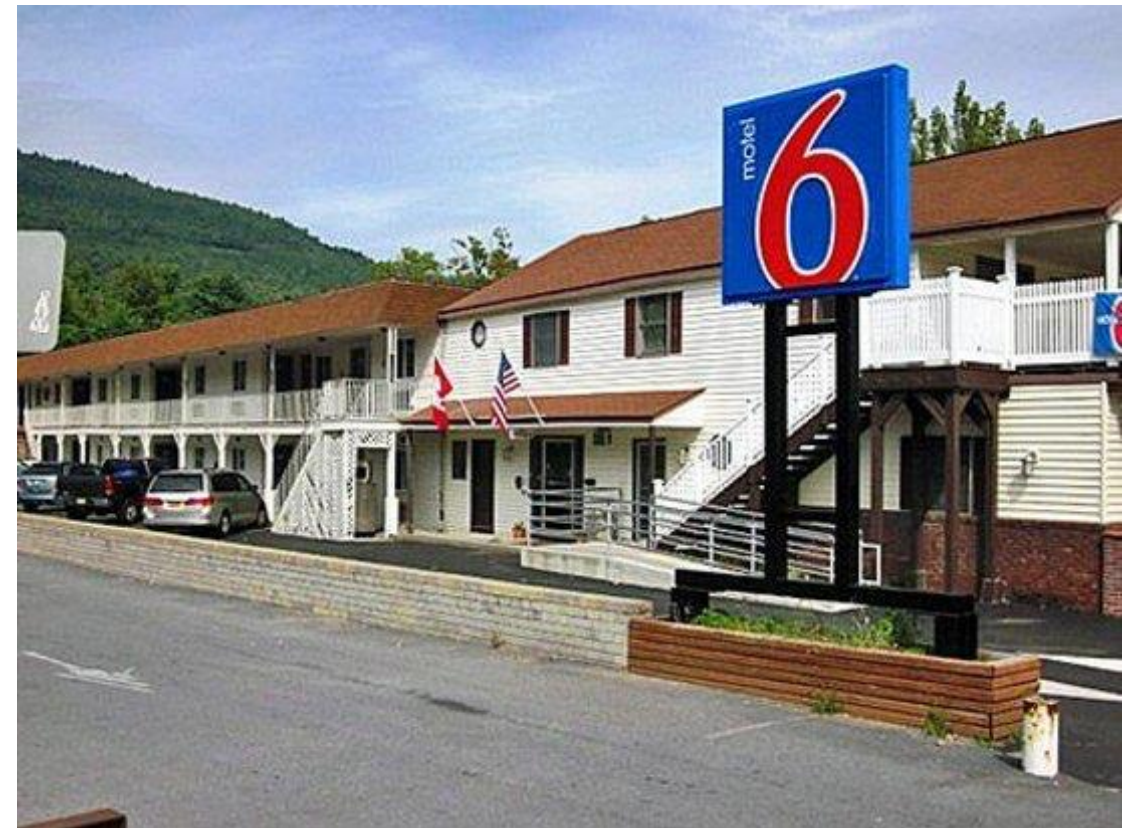
Can You **Disrupt?**



U B E R







WP

Something <sup>for</sup>  
EVERYONE!

# National Association of Chain Drug Stores

- 22,029 Traditional Chain Drug Stores
- 9,287 Supermarket Pharmacies
- 7,662 Mass-Merchant Pharmacies

70% of the 3.5B prescriptions are filled by these three categories

About every 2 years, 1,000 independent pharmacies close.

# What Have Others Done?

- Immunizations
- Travel Health
- Health Screenings
- Point of Care Testing
- Lab Testing
- Trials
- Speciality Pharmacy
- Pet Meds
- Hospice
- Senior Care
- Diabetes Care
- Pharmacogenomics
- Transitions of Care



# 3 Killer Questions

- How are you going to deploy your assets to generate a compelling return on capital?
- What is the most effective use of your assets to offer a unique overall experience with your company?
- What consumer needs cannot be satisfied by e-commerce?



# What Can You Do?

- Nothing
- Unique Assortments (exclusive products)
- Showroom Experience (educational opportunity)
- Service Alternatives (Geek Squad to Best Buy)
- Go Nimble

- Are you looking at product availability?
- Delivery options?
- Shipment quantities?
- Payment terms?
- Other services that can accompany your core product?

# What Else Can You Do?

- Shift compensation of salesforce on profit margin not sales revenue.
- Early life-cycle of products = revenue. Mature products = profit.
- Trim your costs and acquire your competition.
- Complicate your pricing structures so customers cannot make side-by-side comparisons. Then discount as needed of inflated published prices.

**What you can't do?**

**Is nothing.**



**Thank You!**

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