

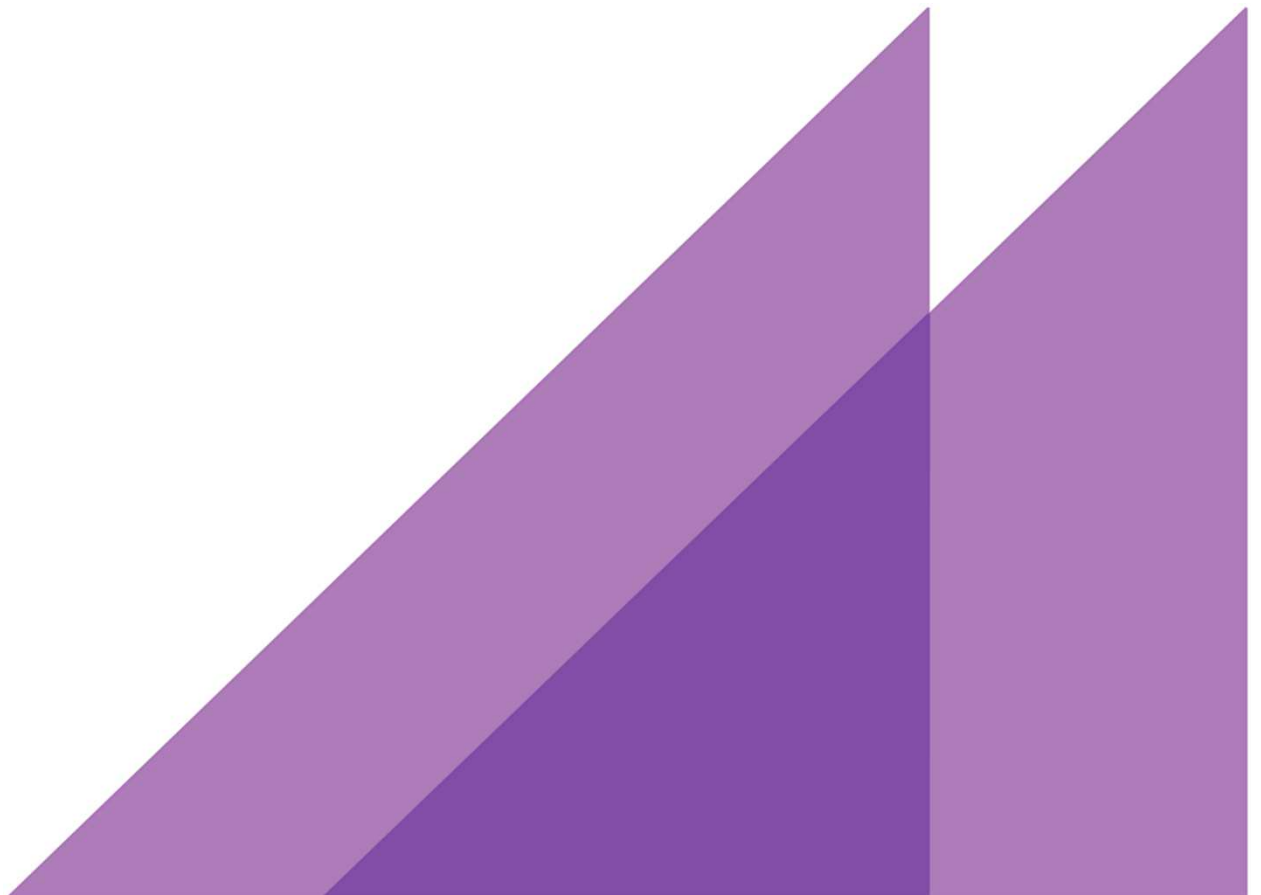
REPORT TO
THE COMMONWEALTH GOVERNMENT DEPARTMENT
OF HEALTH

22 APRIL 2014

OPTOMETRY MARKET ANALYSIS



FINAL SERVICES REPORT





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Glossary

Buying Group	Purchase large volumes of optical wear, which are then distributed to independent practices, not corporations or franchises.
Corporation	Publically owned practice with a brand that it does not wholly own. Additionally, a head office controls it.
Franchise	An optometry practice with a unique trading entity where the ownership is shared, typically between one or more partners.
Independent standalone	A privately owned practice with no affiliations, which is responsible for sourcing and providing their own optical appliances.
Optical consultation	Services provided to consumers by qualified optometrists including eye tests and examinations.
Optical dispensing	Distribution of optical appliances such as prescription glasses and contact lenses.

Executive summary

This report details the development of a database of optometry practices within Australia, and the development of a tool with which the Australian Government Department of Health (the Department) can analyse the market. Overall, 2,978 optometry practices were identified through a data collection and cleaning process that used information from six different data sources. Of these, 1,044 practices, or 35 per cent, were categorised as standalone practices (that is, they were not linked to a corporation, franchise, or buying group).

The breakdown of practice types across region types was found to be consistent. However, different patterns for practice types were evident in remote and very remote areas. 42 per cent of optometrists in remote areas were classified as standalone, as were all optometrists identified in very remote areas.

This work was motivated by a submission from Optometrists Association Australia (OAA) to the Department pushing for changes in indexation of the Optometric MBS, and removal of the cap on fees chargeable above the MBS fee. A key issue, from the Department's perspective, is understanding the market implications of such a change. The database and Excel tool developed as part of this project will help to address many of the questions that the Department is seeking to answer in this respect.

The Department posed an initial set of key questions within the request for quotation, which are able to be answered with the aid of the Excel tool. The answers to these questions are as follows:

- 48 standalone private optometry practices that provide optometric consultation and procedural services only
- 833 standalone private optometry practices that provide optometric services and also dispense optical appliances¹
- in regions classified as RA2 (inner regional) to RA5 (very remote)
 - 15 standalone private practices that do not dispense optical appliances
 - 191 standalone private practices that provide optometry services and dispense optical appliances
 - 156 practices with a franchise arrangement
 - 249 practices that are part of a buying group
 - 113 practices that are part of a corporation

Analysis tools that consider the proximity of competition to each practice, as well as a mapping of service delivery have also been developed. These tools will enable the Department to conduct sophisticated analysis of the optometry market, and aid in the future assessment of OAA's proposal.

¹ The remaining 163 practices include eleven locations that dispense only, and 152 for which activities are unknown.

1 Introduction

This chapter provides an overview of Australia's optometry market including recent trends in market structure, demand for changes in the fees charged for optometry services, the impetus for a market analysis of optometry practices and general requirements of this report.

ACIL Allen Consulting was commissioned by the Commonwealth Government Department of Health (the Department) to undertake an analysis of optometry practices in Australia. The findings will give the Department an understanding of the number and location of optometrists who are not part of a corporation, franchise or buying group and the regional distribution of optometry practices.²

1.1 Market structure of optometry practices in Australia

ACIL Allen identified 2,978 optometry practices that provide optical consultation and/or optical dispensing services. This figure falls within the range of recent estimates by mivision (2012) and Australian Bureau of Statistics (2011) that estimate the number of practices between 2,949 and 3,689, respectively.

Each optometry practice can be classified into one or more of the following business models:

- corporation
- franchise
- buying group
- independent standalone.

A summary of each existing business model is contained in Table 1.

² Throughout the report we refer to 'practices' as the locations at which optometric activities occur, including consultation, optical dispensing, or both of these. Other important definitions are provided in the glossary.

Table 1 Optometry market structure overview

Business model	Description	Trend	Examples
Corporation	A corporate practice is linked commercially with a brand that it does not wholly own. Additionally, a head office controls it.	<ul style="list-style-type: none"> The proportion of optometry practices aligning with corporation has fallen since 2012. 	<ul style="list-style-type: none"> Big W Vision OPSM BUPA National Pharmacies
Franchise	<p>Unique trading entity, where the ownership is shared between one or more partners (i.e. optometrist and an optical dispenser).</p> <p>Under this arrangement an individual or group buys the rights to sell a company's goods.</p>	<ul style="list-style-type: none"> There has been significant growth in the number of franchise optometry practices. 	<ul style="list-style-type: none"> The Optical Superstore EyeQ Laubman & Pank Paris Miki SpecSavers
Buying Group	<p>'Buying Groups' purchase large volumes of optical wear, which are then distributed to independent practices, not corporations or franchises.</p> <p>This business model allows similar independent businesses to leverage their combined purchasing power to receive better pricing and terms for the products they buy.</p>	<ul style="list-style-type: none"> Independent practices are increasingly joining buying groups to adapt to market conditions. 	<ul style="list-style-type: none"> Eyecare Plus Optipro ProVision Eyebenefit
Independent standalone	Optometry practices within this group are those that do not identify with any of the above groups. These practices are usually singular practices that purchase their own optical appliances.	<ul style="list-style-type: none"> Trends for this business model are not available. 	<ul style="list-style-type: none"> Eye Society Modern Vision Beach Optical Eyeworx Optometrists

Note: A full list of optometry practices by business model is provided within the Excel model

Source: ACIL Allen Consulting (2014); Cushway and Kell (2012); and Lee (2012)

The market structure of optometry practices has changed markedly in recent times. Whereas the market predominantly comprised of corporates and independent standalones, it now consists of a mix of business models, including independents aligned to a buying group, corporates and franchises (Cushway and Kell 2012).

This change has largely been driven by:

- *rising input costs*: including labour, occupancy, and utilities
- *deflating product prices*: resulting from a higher Australian dollar and strong competition (Cushway and Kell 2012)
- *overseas competition*: competitive pressure from overseas online eyewear practices (IBISWorld 2013; Cushway and Kell 2012).

These factors have encouraged some independents to either join a buying group or to enter into a franchise agreement in order to ensure they can compete sustainably in the market (Cushway and Kell 2012). Currently, 16 per cent of optometry practices are parts of corporations, 20 per cent by franchises, 29 per cent by buying groups and 35 per cent by independent stand-alones.

1.2 OAA proposal for changes the MBS and fees chargeable

In January 2013, Optometrists Association Australia (OAA) released a report entitled '*Toward a sustainable remuneration model for primary eye health and vision care; amendment to Common Form of Undertaking agreed by optometrists participating in Medicare*'. In this report, OAA claimed that annual indexation of Schedule fees has been inadequate, and this has had implications for the market structure and conduct of the optometry services market. In particular, OAA claimed that optometry services are increasingly being cross-subsidised through higher prices of optical appliances (OAA, 2013).

Due to the increasing importance of optical services, the ageing population and the rise in chronic disease (particularly diabetes), there is an increasing push for the cap on fees chargeable for optometry services to be removed. OAA claimed that removal of the cap on fees under Medicare would bring optometrists in line with other healthcare professionals and assist in ensuring the viability of future eye care services and innovation in Australia (OAA 2013).

Market analysis can assist in identifying the implications of this type of policy change for the market. In particular, it can help determine likely implications for competition within the market. For example, in rural areas where there are 'thin markets', there is the potential for monopolistic behaviour if the cap was removed. This is particularly the case for independent, standalone practices which may be free to set a monopoly price without the need to consider or consult with associated corporations, buying groups, or franchises. This is concerning, as people within rural areas are commonly older than people in metropolitan areas and they experience a higher rate of health problems. It is therefore essential to understand the rural and regional optometry market, in particular the number of optometry practices, and their services, that are not part of a corporation, franchise or buying group.

1.3 General requirements for this report

The Department's requirements around this project were that ACIL Allen gather data relating to:

- the number of stand-alone private optometry practices that provide optometric consultation and procedural services only (that is, they do not also dispense optical appliances) and their locations by postcode
- the number of stand-alone private optometry practices that provide optometric services and also dispense optical appliances and their locations by postcode
- for regions classified as RA2 to RA5³ under the Australian Standard Geographical Classification – Remoteness Areas (ASGC-RA) system, a list of the locations by postcode of all optometrists in those regions, identified against of the following business relationships:
 - stand-alone private practice who does not dispense optical appliances
 - stand-alone private practice that provides optometry services and dispenses optical appliances
 - franchise arrangement (with franchise name)
 - buying group (with buying group name)
 - corporate (with corporate name).

ACIL Allen identified:

- 48 standalone private optometry practices that provide optometric consultation and procedural services only
- 833 standalone private optometry practices that provide optometric services and also dispense optical appliances
- in regions classified as RA2 (inner regional) to RA5 (very remote)
 - 15 standalone private practices that do not dispense optical appliances

³ RA2: Inner Regional Australia; RA3: Outer Regional Australia; RA4: Remote Australia; and RA5 Very Remote Australia.

- 191 standalone private practices that provide optometry services and dispense optical appliances
- 156 practices with a franchise arrangement
- 249 practices that are part of a buying group
- 113 practices that are part of a corporation

The remainder of this report details the process used to arrive at these results, as well as the features of the analysis tool and service mapping developed throughout the duration of the project.

1.4 How the report is organised

The report is structured in the following way:⁴

- Chapter 2 outlines the methodological approach undertaken to complete the market analysis
- Chapter 3 outlines outputs and findings from the Excel Tool
- Chapter 4 provides a mapping analysis of optometry practices
- Chapter 5 summarises the key outputs from this work, and suggests areas for future analysis.

⁴ Appendices describing the form of the final data set, as well as how to operate the Excel tool, have been removed from this report.

2 Methodological approach

This chapter provides an overview of the methodological approach taken to develop a list of optometry practices across Australia by area, service provision business model.

2.1 Overview of the database construction

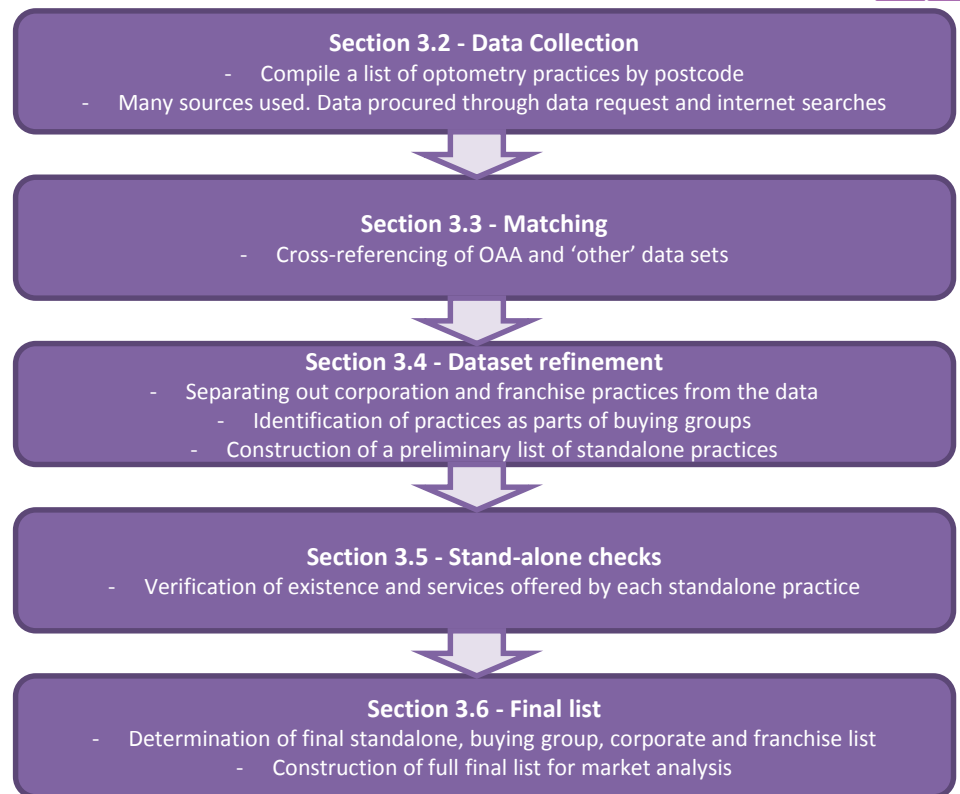
Construction of a database of optometry practices was a task that required the acquisition of data from multiple sources, comparison between these data sets, and enhancement of the information in each of these data sources. At a high level, the proposed approach was to:

- a) compile a list of practices using OAA data
- b) compile lists of practices that are parts of corporations, franchises, and buying groups
- c) identify stand-alone practices by subtracting B from A
- d) determine scope of service provision and location for standalone practices through referencing to data sources in B, as well as telephone calls
- e) compile complete list by adding B and C.

Upon commencing the work, however, ACIL Allen recognised a number of issues around the scope and consistency of each dataset. The two key issues were:

- inconsistency in the way different data sources are reported
- the presence of practice locations within the 'other' data sources that were not present in the OAA data.

The original approach had to be adjusted to manage these issues. In particular, a much larger amount of data cleaning and comparison was required. A high level summary of the final approach used by ACIL Allen is shown in Figure 1.

Figure 1 **Final approach used for construction of optometry practice list**

Source: ACIL Allen Consulting

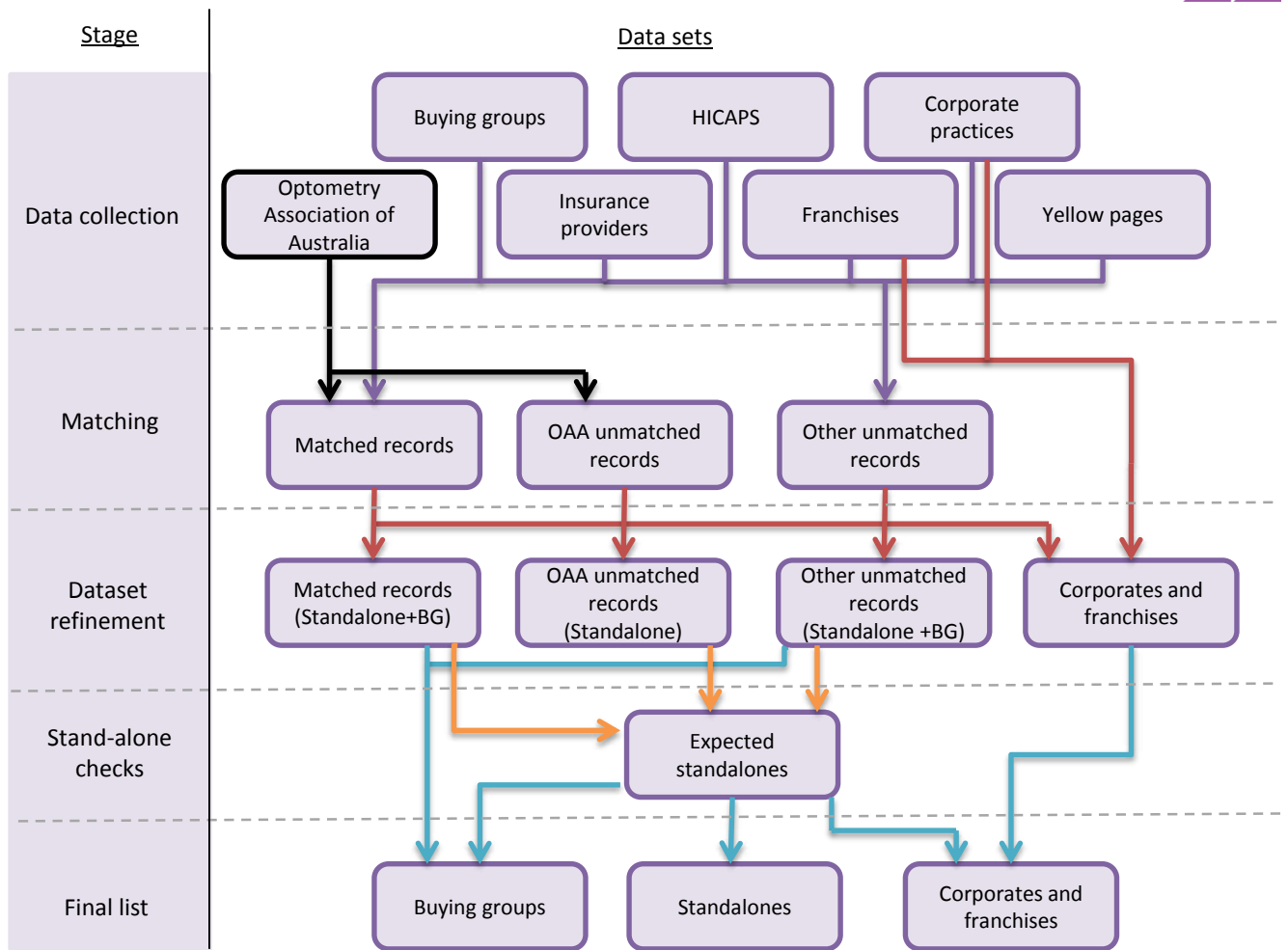
Management of multiple data sources formed a key part of this project. The flow of data throughout each of the steps identified in the above figure is shown in Figure 2.

ACIL Allen started by collecting data from multiple sources, including the OAA database of registered optometrists, and several other sources of information on optometry practices. Practitioners in the OAA database were then matched to practices in these other databases, to remove duplicates.

Corporates and franchises were then removed from each dataset, followed by those practices in buying groups. The remainder were potential standalone practices. Checks were conducted on this set of practices, including web searches and telephone calls. These checks identified that several more of the practices were actually parts of buying groups or corporates. These practices were moved to the appropriate groups, and the remaining practices made up the final standalone practice list.

Each of these stages is described below.

Figure 2 Analysis stages and data sets used to construct the optometry practice list



Source: ACIL Allen Consulting

2.2 Data collection

Prior to this project, there was no single, complete data source that listed all current optometry practices in Australia. ACIL Allen collected data on optometry practices from many sources including:

- websites of corporate practices, franchises, buying groups, and insurers
- searches of the Yellow Pages
- HICAPS, which is the billing system used to process payments from insurers or Medicare for many providers).

Descriptions and key limitations of each data source are provided in Table 2.

Table 2 Key data sources and limitations

Data set	Description	Limitations
OAA	Data on all unique work places reported by members of OAA 90 per cent of optometrists are members of OAA.	Data is on practitioners, not practices. Secondary practices may not be as accurate as primary practice data. Non-practice places of employment included. Inconsistent data (based on self-completion, with no consistent abbreviations, formatting, incorrect addresses, personal phone numbers etc.).
Corporations	Data from corporation websites, including OPSM, Big W Vision, National Pharmacies, BUPA, COSTCO, and HCF.	May have missed corporations Inconsistency in formatting across corporations.
Franchises	Data from franchise websites, including Specsavers, The Optical Superstore, Terry White, Budget Eyewear, and Health Partners Optical.	May have missed franchises Inconsistency in formatting across franchises.
Buying groups	Data from buying groups, including Eyebenefit, Eyecare plus, Optipro, and ProVision.	Some buying groups did not reveal information publicly (Optovision) May have missed some buying groups (e.g. VSP was identified in the Insurer dataset).
Insurers	Data from insurance companies including Medibank, Whitecoat, and HBF.	Some insurers did not provide information (HCF). Others had impractically difficult availability of data (BUPA).
Yellow Pages	Data from search of "Optometrists" in each state/territory in Australia.	Results that were available differed from the claimed count (around 2,000 from a claimed 5,600, after initial removal of duplicates based on address). Internally inconsistent data (multiple records of the same practices, different addresses). Some records may be outdated.
HICAPS	Data on businesses recorded as "Optical" on the HICAPS website.	Businesses often listed by proprietor name. Personal numbers often given. May include "Optical" services, other than optometry practices.

Source: ACIL Allen Consulting

Where possible, data were collected in this stage through the use of Excel macros, written to procure data directly off the websites, which minimised human error in recording the information.

Some key considerations arising from this stage that informed the next stage of analysis are summarised below:

- data across websites were inconsistently formatted. For example, some websites provide the street address of shopping centres, while others prefer the name.
- in many cases the data were of poor quality, with only approximate addresses given, or misspelled street or practice names
- inaccurate data (e.g. closed practices) are difficult to identify
- there were significant inconsistencies across data sets, with different practice names and/or phone numbers for practices at the same address, and different addresses for practice names with the same phone number (although this was sometimes due to a 'head office' phone number being provided).
- OAA data were particularly problematic, being of poor quality, and based on practitioners, rather than practice locations.

The final issue in particular motivated ACIL Allen to conduct a matching process between the OAA data set and each of the other data sets. This is described in Section 2.3.

2.3 Matching

ACIL Allen matched OAA data to data in each of the other data sets by linking the data in various fields through search terms. This was done for several reasons:

- to link practitioners identified in the OAA dataset to practices identified in each other data sets
- to remove duplicates
- to validate and/or correct the information reported in each data set.

The process consisted of running search terms through each of the data sets, based on each OAA record considered. The records in each of the 'other' data sets were then retrieved, and judgement was made on which of the returned records were likely to correspond to the OAA record (for example, a matching address, or a very similar address, and a matching phone number).

The outcome of this matching process was that the data were grouped into three parts:

- matched records - those both in OAA and other data sets
- unmatched OAA records - those in the OAA data not found in the other data sets
- unmatched 'other' records - those in 'other' data sets not matched to OAA data.

The unmatched OAA records were likely to be standalone practices, as they were not matched to practices in the corporate, franchise, or buying group data sets. However, the unmatched 'other' records (originating from Yellow pages, or HICAPS) could have been standalone, or part of a buying group, corporate, or franchise, as comparisons between unmatched 'other' record data sets had not yet been made. Matched records could have contained any type of practice.

2.4 Dataset refinement

Refining the data set involved several steps. There were three key problems dataset refinement resolved. There were:

- franchise and corporate practice information needed to be collated
- a single record needed to replace each set of matched records
- duplicates among 'other' unmatched records needed to be identified and removed.

These steps helped to substantially improve the quality of the data, by increasing the extent to which consistent data formats and naming was applied. Steps involved in this stage included:

- collating of franchises and corporations into a single data set
 - this included removing all records linked to a franchise or corporation in the matching stage
 - as the corporate and franchise websites were likely to be accurate for these, the original corporation and franchise data sets were used preferentially to matched OAA records
- generating records for each matched record in the OAA data set
 - this required a consistent format for data entry— especially around address information

- the format settled on was the Address feature – Address format
- determination of what data to use was based on the data available in the matched records, as well as web searches
- removing duplicate unmatched ‘other’ data records
 - this was done manually
 - records were sorted by a series of attributes (postcode, then street name, then phone number, etc.)
 - records were then aggregated (buying groups, and best address information), based on the assumption that duplicate records would sit close to each other (if the postcode is correct).

The outcome of this process was four sources of data. Buying groups, corporates, and franchises were easily identified, and the collection of practices not in these groups were considered likely to be standalone.

2.5 Standalone checks

A result of the data refinement stage was a list of practices that were potentially independent standalone practices. For each of these practices, ACIL Allen conducted checks to verify practice information. These checks included:

- whether the practice provided optometry consultations and/or dispensed glasses
- validation of the practice name
- availability of a practice website
- validation of the practice’s existence (in case the data were outdated).

These checks were conducted first through online searches. If a website was available for the practice, it was assumed that the practice was still in operation, and information from the website was used to determine whether it consulted and/or dispensed. If no website was available, then the practice was called. Calls were made between 9am and 5pm, with calls to Western Australia preferred later in the day. In total, 520 metropolitan, and 193 non-metropolitan practices were called in this process (713 practices in total). Some findings from this stage are summarised below:

- 88 practices could not be validated as presently operating (invalid or disconnected number)
- Several practices were found to parts of franchises or corporates, rather than standalones as previously assumed.
 - An example of this was ‘Eyelines’ optometrists, which were a Tasmanian-based practice that was “locally owned and operated”, according to their website (<http://www.eyelines.com.au/about-us>, viewed 18/03/2014). However, upon calling, it was found that OPSM had acquired all stores in February, 2014.
- 150 calls were made to practices, and were not answered, so information on these practices is unknown.

Overall 1,044 standalone practices were identified from this process.

2.6 Final list

The final list of optometry practices is shown in the Excel Tool. The list contains 2,978 optometry practices, of which:

- 1,044 are standalone
- 870 are from buying groups
- 588 are franchises
- 476 are corporates.

Within non-metropolitan regions (RA2 to RA5), the list consists of 765 practices, including:

- 247 standalone, consisting of:
 - 15 consult only
 - 191 dispense and consult
 - 1 dispense only
 - 40 unknown activity
- 249 as parts of buying groups
- 156 as parts of franchises
- 113 as parts of corporations.

More information on the characteristics of the final list is given in Chapter 3.

2.7 Analysis limitations

The final list is a powerful resource for the Department. It may assist in being able to understand the structure of the Optometry market in Australia. There are however, several limitations that need to be considered, including:

- practice locations do not indicate size, either through the number of employees, or the number of consultations or eyewear sales.
- operating hours are unknown
- the types of services offered by optometrists may vary, with some optometrists having special interests, such as behavioural optometry. This is not recorded in the database.
- some ophthalmologists were also included in the list, primarily as consultation only. This was primarily where optometrists registered with OAA were recorded as working at the practice. However, this could artificially inflate the number of consult-only practices.
- coordinate information is considered approximate⁵.

On this basis, the Department should be aware that, although the outputs from the model provide information on some of the characteristics of practices, differentiation across these practices means that some may not compete directly. Hence, care should be taken in interpreting the outputs of the analysis tool.

⁵ Coordinate information is based on a combination of sources, including automatic geocoding through www.gpsvisualizer.com/geocoding.html, and manual geocoding of practices that could not be geocoded using this process through Google maps. Limited address information was sometimes limiting in this regard (for example, availability of PO Box information only).

3 Final list and market analysis

This chapter provides a summary of the fields within the optometry practice list, as well as a market analysis of optometry practices, using outputs from the Excel tool.

3.1 The final optometry practice list

The final list of optometry practices is included in the Excel tool.

Overall, 2,978 practices were identified through the methodology outlined in this report. The Excel tool has been designed to accommodate straightforward future updates.

Some key findings arising from this list include:

- 48 non-dispensing standalone practices were identified. Many of these were located within practices with 'special interests' including laser eye surgeries, ophthalmological services, or hospitals. Some of these locations may not provide general eye examinations. They were included due to evidence that licenced optometrists work in the locations (as per the OAA list) or due to information on the relevant website.
- 833 consulting and dispensing standalone practices were identified across 509 unique postcodes.

Other key findings are summarised in sections 3.2 and 3.3.

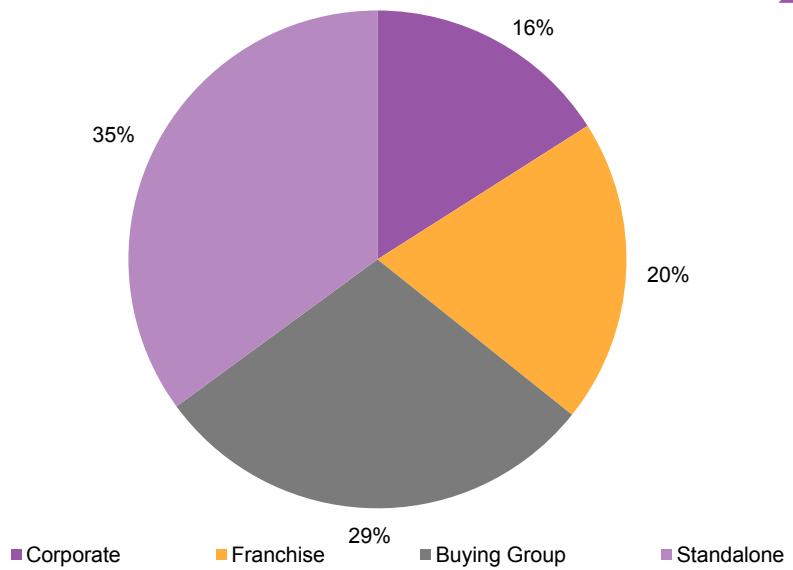
3.2 Market analysis

This section provides some market analysis outputs, including breakdowns of optometry practices by various characteristics. These outputs are available through use of the Excel tool.

3.2.1 Practice type

Figure 3 shows that standalone practices comprise the largest proportion of practices (35.1 per cent), followed by buying groups (29.2 per cent). Franchises and corporations accounted for the remaining 35.7 per cent).

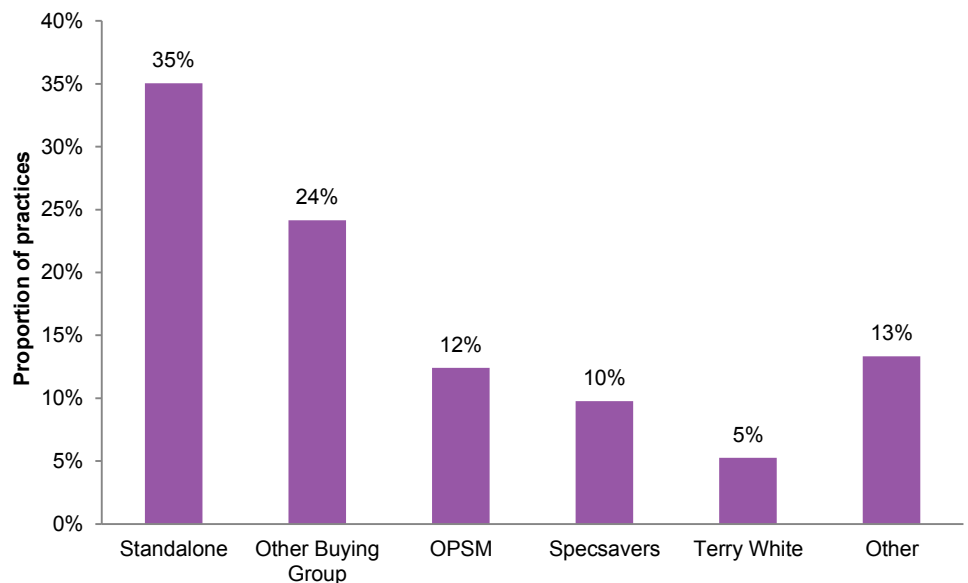
Figure 3 Practices by broad type categorisation



Source: ACIL Allen Consulting

Breaking down the categorisations further, it is seen that OPSM and Specsavers are the largest identifiable practice chains, followed by Terry White Chemist (which is an optical dispenser only). This is shown in Figure 4.

Figure 4 Top 5 practice types (based on the practice list attribute)

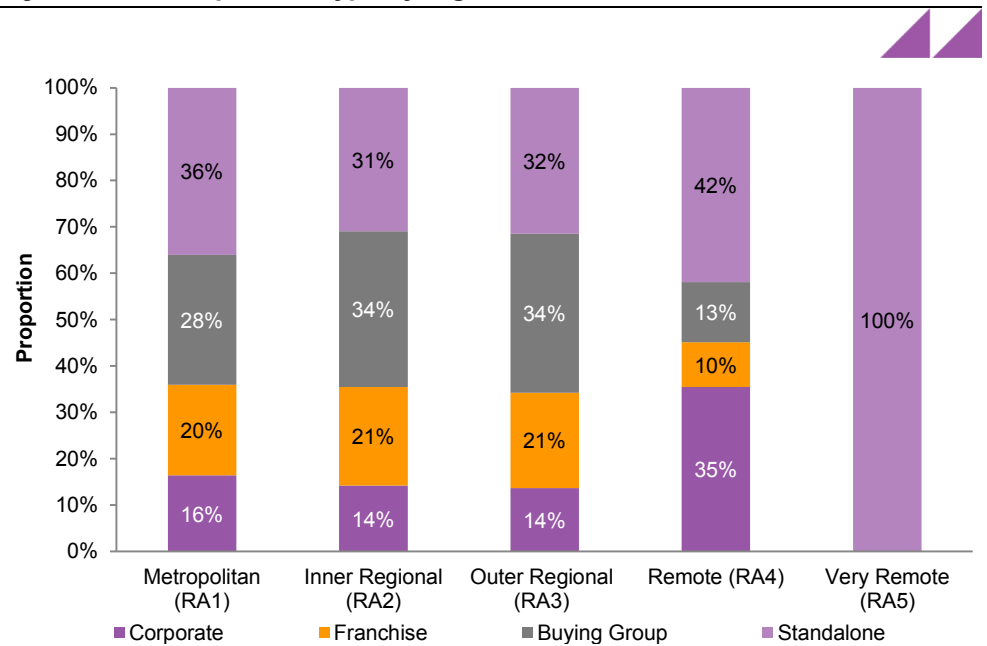


Source: ACIL Allen Consulting

As shown in Figure 5, the breakdown of practice type is consistent across regions RA1, RA2, and RA3. Corporates and franchises account in these regions account for approximately 15 and 20 per cent of practices respectively. Buying groups comprise around 28 per cent of metropolitan practices and approximately a third of all regional practices. Standalone practices make up the remainder in these regions. In remote regions (RA4),

corporate and standalone practices account for over three quarters of practices, while in very remote regions (RA5), all eight identified practices were standalone.

Figure 5 Broad practice type by region

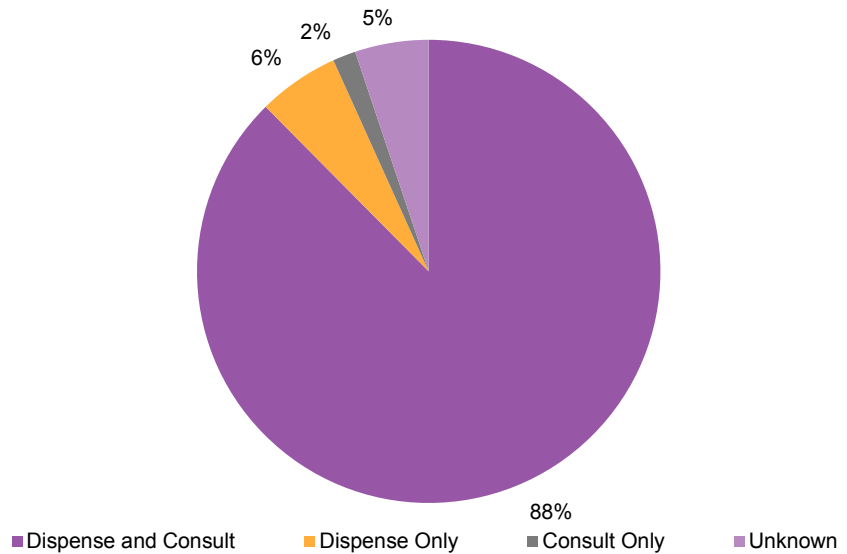


Source: ACIL Allen Consulting

3.2.2 Activity type

As Figure 6 shows, the majority of practices (87.6 per cent) were found to undertake both optical dispensing and consulting activities. Practices that dispense, but do not consult, accounted for 6 per cent of the data, while consultation-only practices accounted for 1.8 per cent. 92.9 per cent of practices that only dispense were Terry White Chemists. Those that only provided consultation services were skewed towards practices with 'special interests'. The activities undertaken by the remaining practices are unknown. These practices include 153 standalone practices, and one practice as part of a buying group (ProVision).

Figure 6 Breakdown of practice activity type

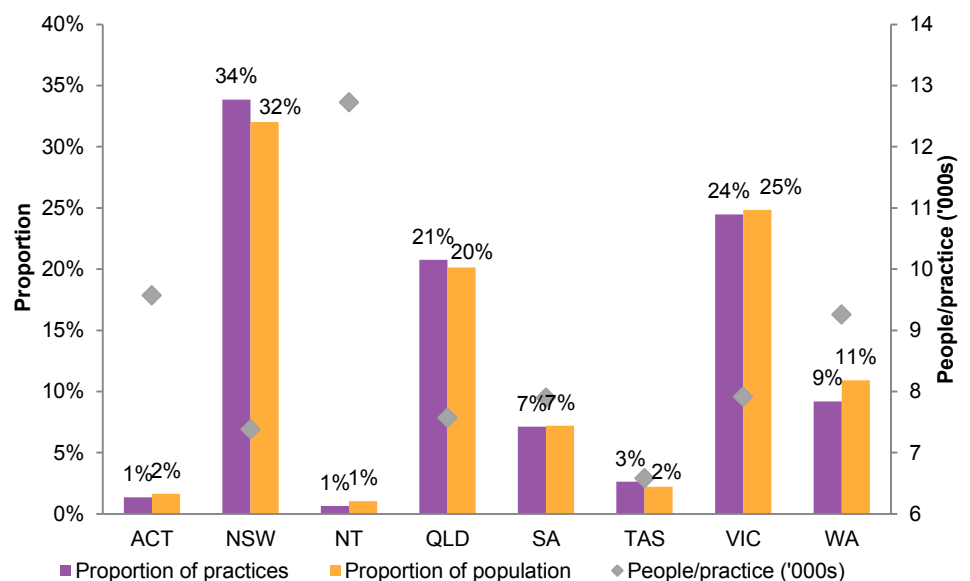


Source: ACIL Allen Consulting

3.2.3 State/territory breakdown

Figure 7 shows that the distribution of optometry practices closely follows that of the population. Tasmania has the highest ratio of optometry practices to people, with one practice for every 6,582 people. The Northern Territory has the lowest ratio, with one practice for every 12,726 people.

Figure 7 Breakdown of practices by state/territory, compared to the population distribution



Source: ACIL Allen Consulting, ABS Australian Demographic Statistics, September 2013 (Cat: 3101.0)

There is a degree of variation in the mix of practice types by state/territory, shown in Figure 8. The jurisdictions with the largest proportion of corporate practices are:

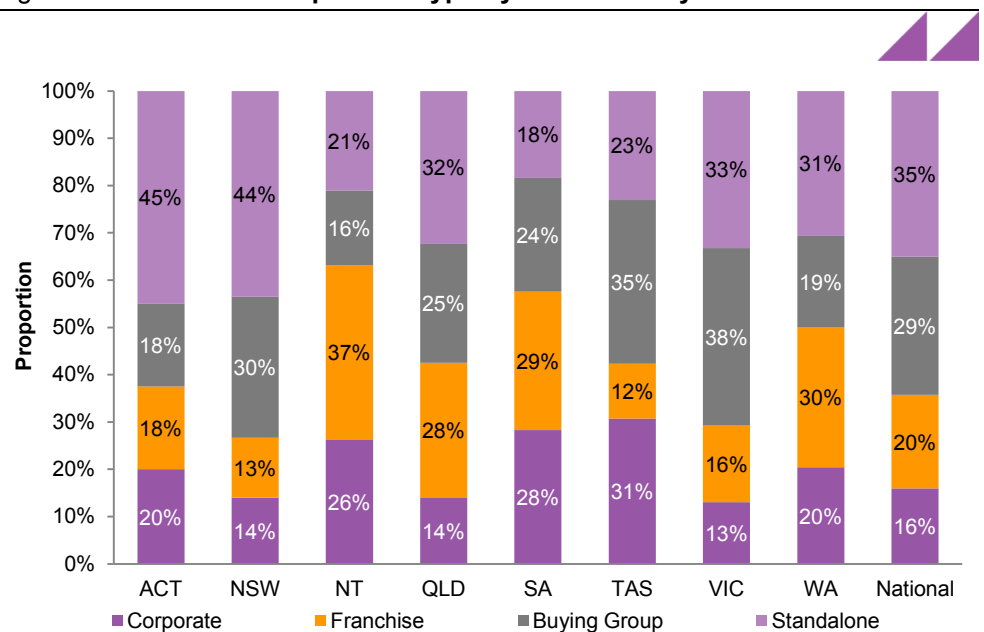
- Tasmania (30.8 per cent)
- South Australia (28.3 per cent)
- Northern Territory (26.3 per cent).

The Northern Territory also has the largest proportion of practices as part of franchises (36.8 per cent).

Western Australia, South Australia, and Queensland follow with between 28.5 per cent and 29.6 per cent of practices.

Buying groups are found in the largest proportions in Victoria (37.6 per cent) and Tasmania (34.6 per cent), while standalone practices are most prominent in the Australian Capital Territory (45.0 per cent), and New South Wales (43.6 per cent).

Figure 8 **Breakdown of practice type by state/territory**



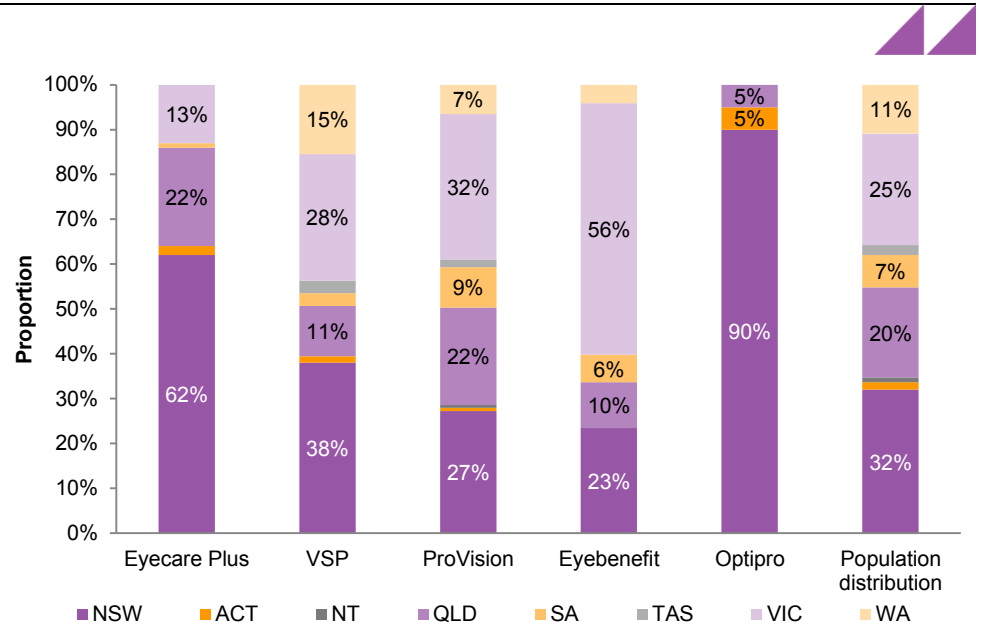
Source: ACIL Allen Consulting

3.2.4 Buying groups

The analysis below pertains to practices affiliated with buying groups. The results are limited by the extent to which information could be procured from buying group websites – particularly Optovision. It should also be noted that one practice can be affiliated with more than one buying group.

Different buying groups have different geographic focuses. For example, Eyecare Plus and Optipro are located primarily in New South Wales. Eyebenefit has a significant focus on Victoria. ProVision and VSP are generally located in proportion to the population, with the exceptions that ProVision is the buying group most focussed on Queensland, and VSP is the group most focussed on WA (with little focus on QLD or SA). This is seen in Figure 9.

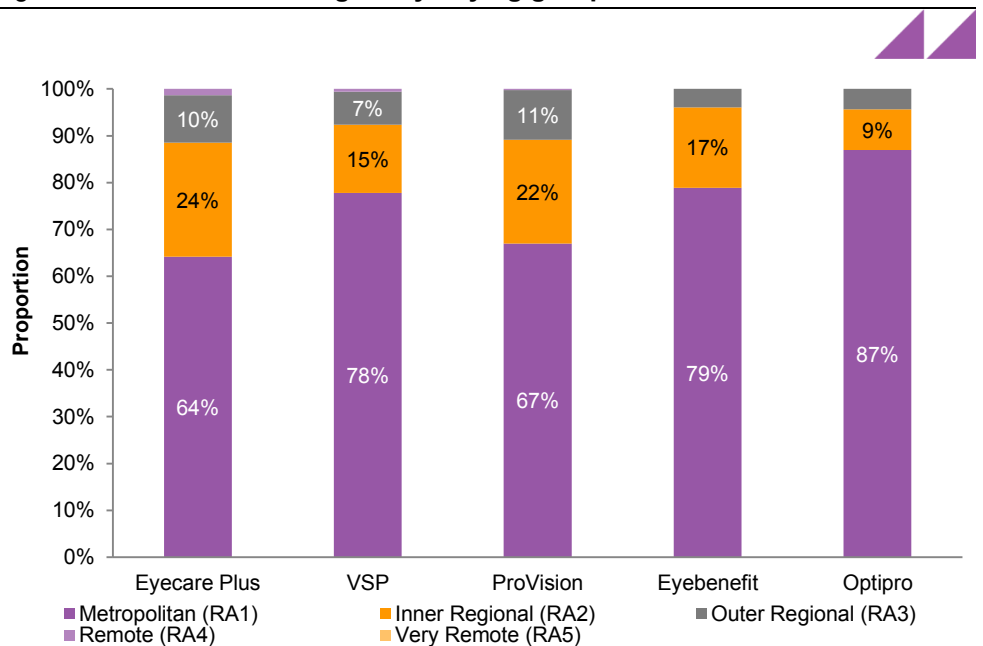
Figure 9 Breakdown of state/territory location by buying group, and population



Source: ACIL Allen Consulting

Figure 10 shows a breakdown of buying groups by region. Eyecare Plus and ProVision are the most focussed on non-metropolitan locations. Optipro is the most metropolitan focussed group although it is also the smallest of the above-mentioned buying groups.

Figure 10 Breakdown of region by buying group

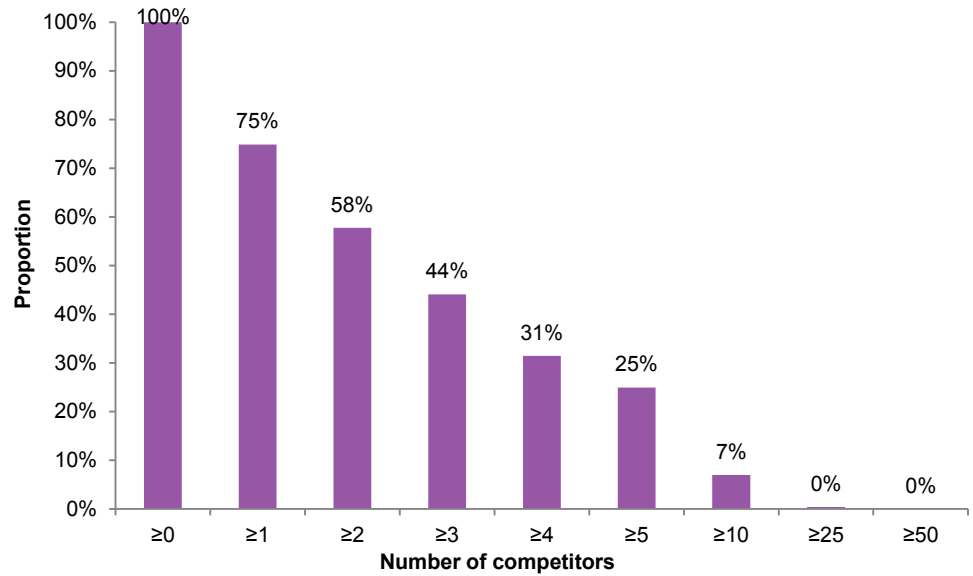


Source: ACIL Allen Consulting

3.3 Proximity Analysis

The following figures provide indications of the competitive pressure, based on geographical distance from each practice to each other practice. Distances were calculated using coordinate information. These distance measures are also available as a data field for each practice within the full list.

Figure 11 Proportion of practices with number of competitors within 500 meters.

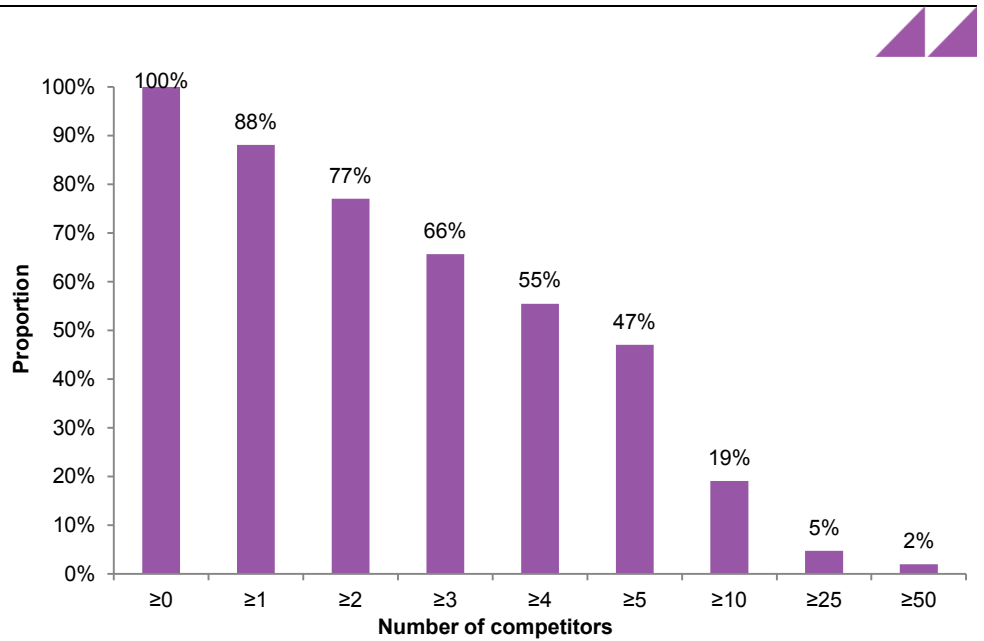


Source: ACIL Allen Consulting

As shown in Figure 11, the level of competition in very close proximity (within 500 meters) is variable across optometry practices. Approximately one quarter of optometrists have no competitors within this proximity, while another quarter of optometrists have at least five competitors within this distance. Thirteen optometrists have at least 25 competitors within 500 meters of them (a cluster of optometrists within the Sydney CBD region).

If optometrists are considered to compete with practices within two kilometres, the number of competitors increases substantially for many optometrists. Figure 12 shows that 11.9 per cent of optometrists do not have a competitor within this distance, and 77 per cent of optometrists have at least two competitors within this radius. Finally, two per cent of optometrists have over fifty competitors within a 2km radius.

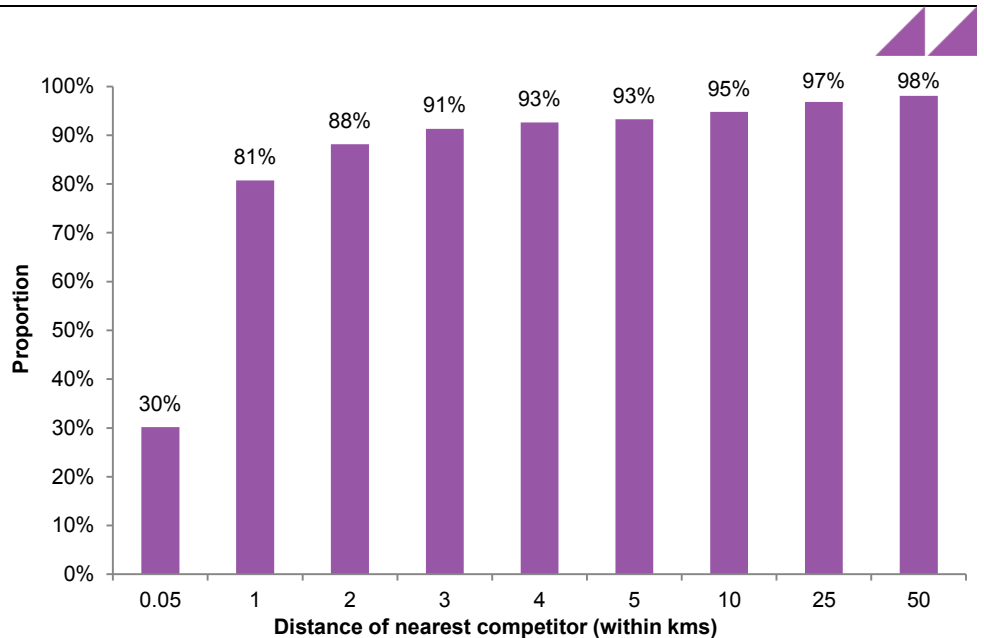
Figure 12 **Proportion of practices with number of competitors (at least) within two kilometres.**



Source: ACIL Allen Consulting

Figure 13 shows that around 30 per cent of optometrists are located within 50 metres of their closest competitor. This includes optometrists located at the same shopping centre, which corresponds to the same coordinate information. An additional 51 per cent of practices have their closest competitor within 1 kilometre. Finally, 95 per cent of practices have their closest competitor within 10 km, and 98 per cent within 50km.

Figure 13 **Proportion with closest competitor within a distance**



Source: ACIL Allen Consulting

4 Spatial market analysis

This chapter provides a spatial market analysis. For this purpose it develops supply density benchmarks and then applies them to maps showing optometry practices by state.

As mentioned in Section 1.1 OAA has proposed that the fee cap for optometry services be removed. The Department is concerned that ‘thin markets’ might exist in the sense that there may be parts of the country where there are relatively few practices. It is concerned that removing the fee cap could lead to monopolistic behaviour and pricing in these places. Thus, the Department wants to understand the distribution of optometry practices in regional and remote Australia, including the services offered.

This chapter describes the spatial distribution of optometry practices in each state by reference to their physical location.⁶ For the most part does not consider the possibility of ‘visiting’ service providers, though we understand that these exist. Each map shows the number of practices in each postcode area and the implied practice density measured per million residents and populated places.⁷

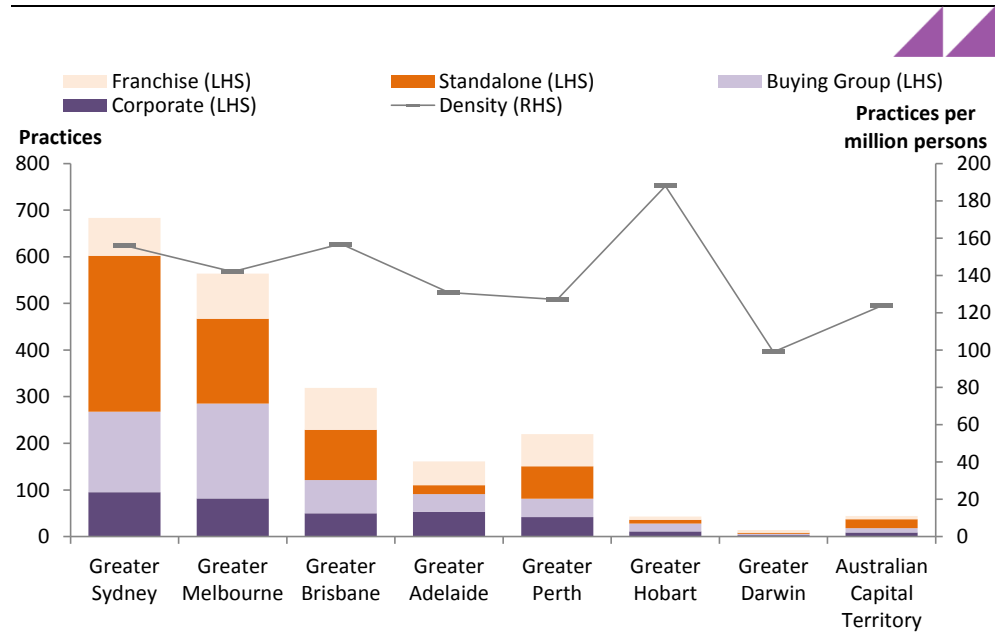
4.1 Capital cities

Figure 14 summarises practice density and type in capital cities. 2,048 of the 2,978 identified in the practice database are in capital cities. As Figure 14 shows, the density of optometry practices is around 140 practices per million persons in the six largest capital cities. It is slightly higher in Hobart (188) and slightly lower in Darwin (100).

⁶ The pie charts showing the practice count are shown at the POA centroid and thus not necessarily the practices’ physical location.

⁷ Populated places are defined by Geoscience Australia as named settlements with 200 or more residents.

Figure 14 Practice density and type by capital city



Source: ACIL Allen analysis

Figure 15 shows the practice density for postcodes outside the capital cities over two panes. The upper pane shows that most postcodes have between 100 and 300 practices per million persons. 14 per cent of postcodes have fewer than 100 practices per million persons and nine per cent have between 300 and 500 practices per million persons.

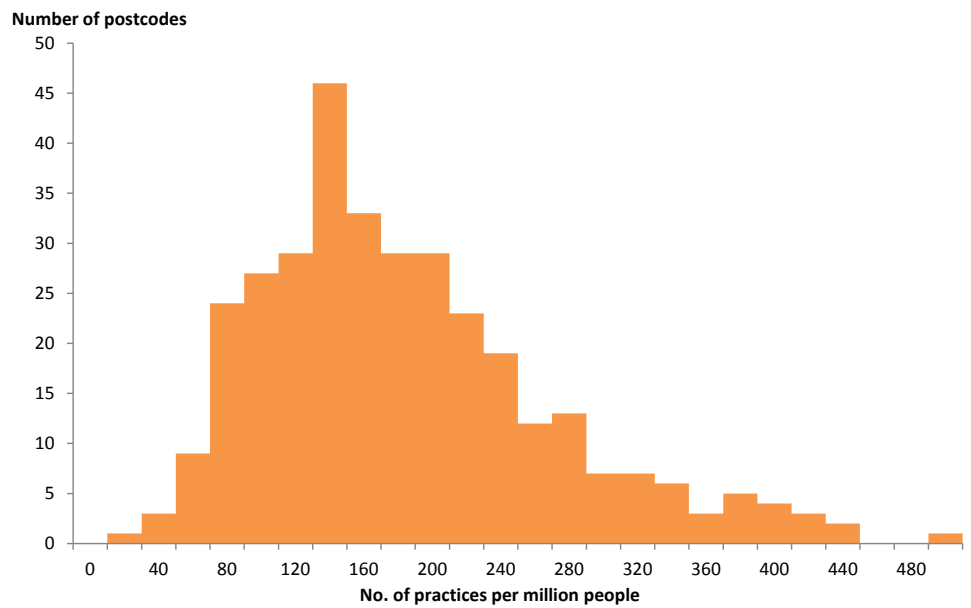
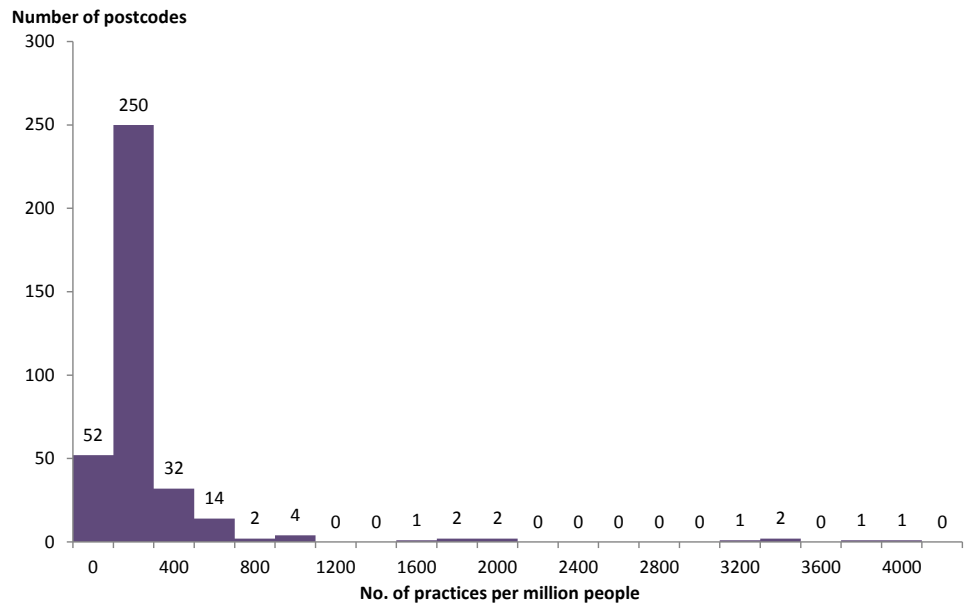
The lower pane omits postcodes with a very large number of optometry practices per million persons. It shows only those postcodes with practice densities between 0 and 500 practices per million persons.

The lower pane of Figure 15 shows that most postcodes have between 70 and 250 practices per million persons and that the single most commonly occurring practice density is between 130 and 150 practices per million persons.⁸

In metropolitan areas practice density is usually between 75 and 300 practices per million persons. Densities that are significantly outside this range may be areas of concern for the Department.

⁸ Note that the axis labels show the middle of ranges. Therefore, for example, the 'bin' marked 140 represents postcodes with density between 130 and 150.

Figure 15 Practice density by postcode



Note: Postcodes without an optometry practice are excluded from the analysis. Values on the horizontal axis correspond to the midpoint of the range.

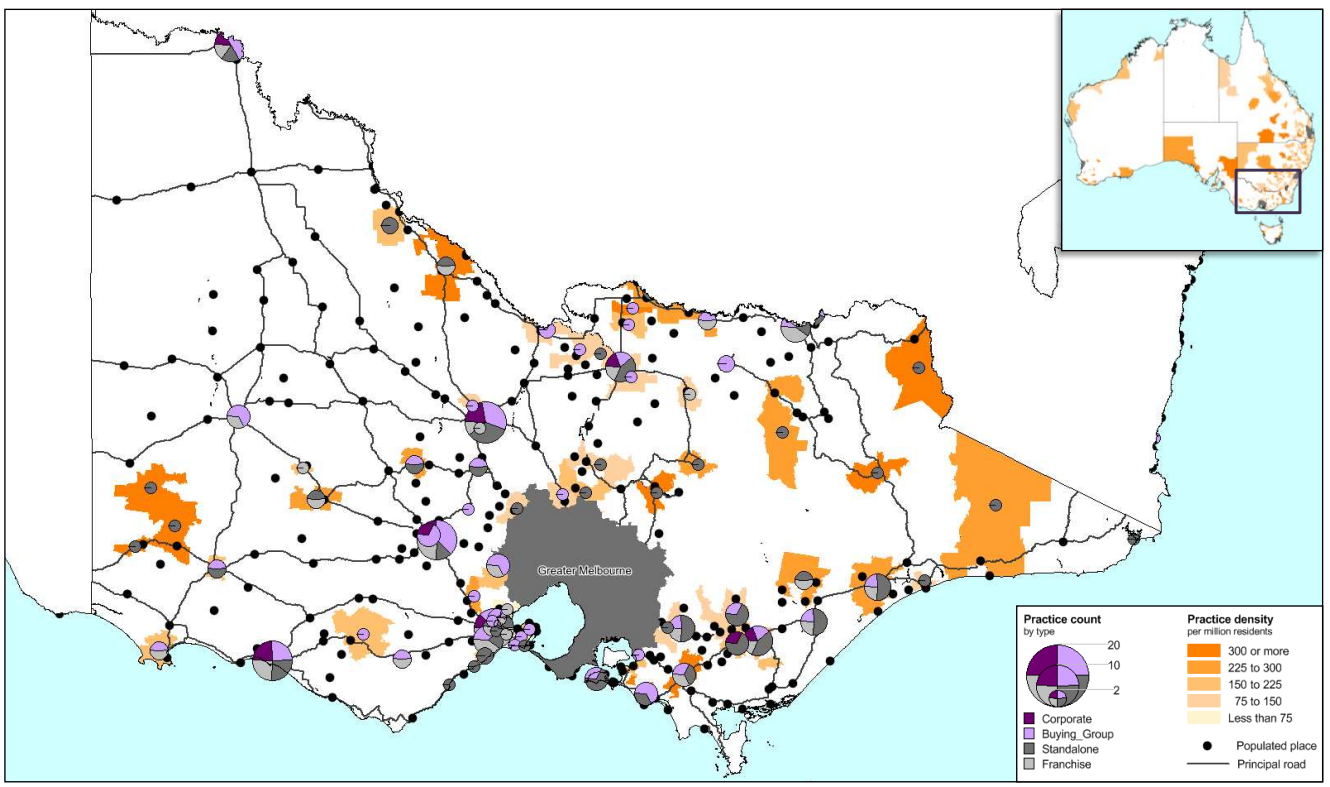
Source: ACIL Allen analysis

4.2 Victoria

Figure 16 shows Victoria. Optometry services in the State are concentrated around Melbourne. East of a line connecting Warrnambool, Ballarat, Bendigo and Echuca optometry practices are located approximately in line with population Rural areas are characterised by relatively high frequencies of standalone and franchise practices.

To the west of this line there are fewer optometry practices per million persons. Near the border with South Australia there are a number of standalone practices with few competitors nearby. In the north west of the State there are several postcodes without even one practice.

Figure 16 Practices in Victoria

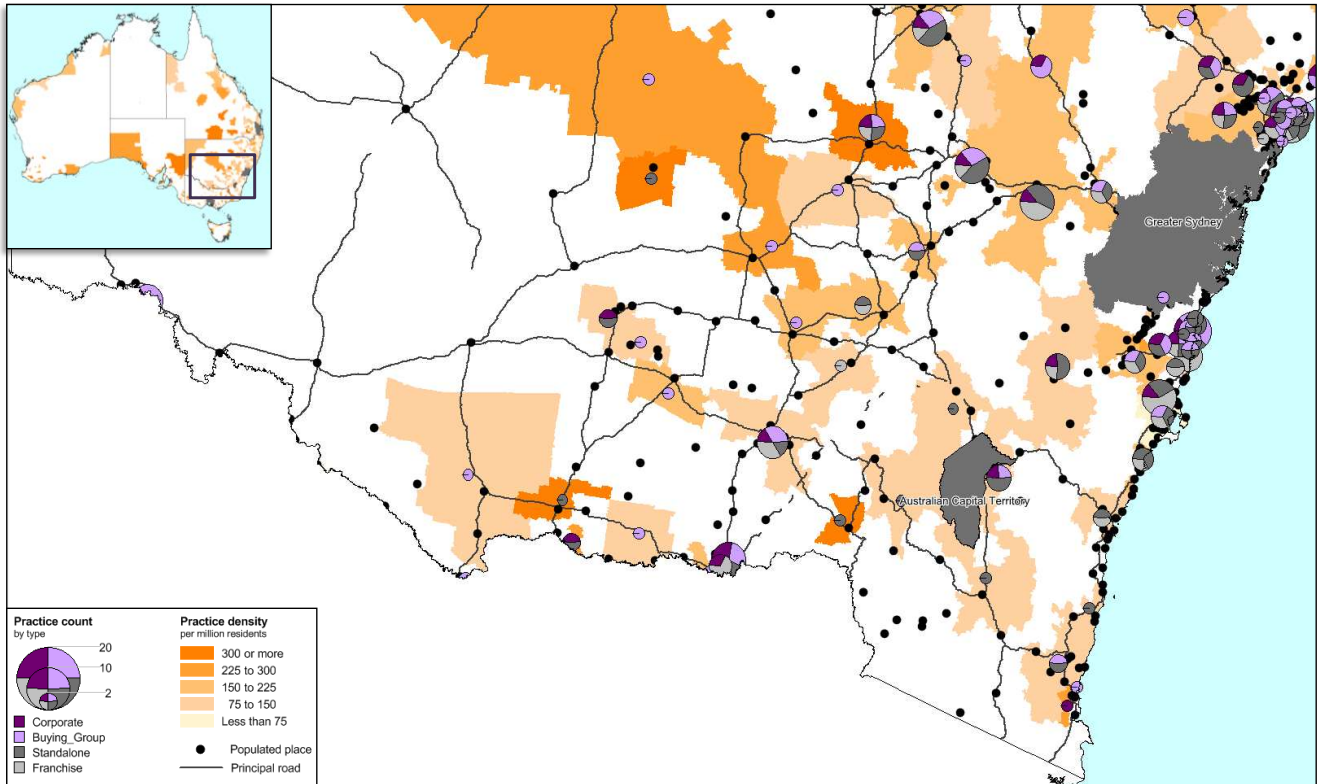


Source: ACIL Allen, ABS and Geoscience Australia

4.3 New South Wales

Figure 17 shows the south east of New South Wales. There is a large concentration of practices along the coast north and south of Sydney. While many postcodes have only one optometry practice most of these appear to have others nearby. There are no areas with less than 75 optometry practices per million persons.

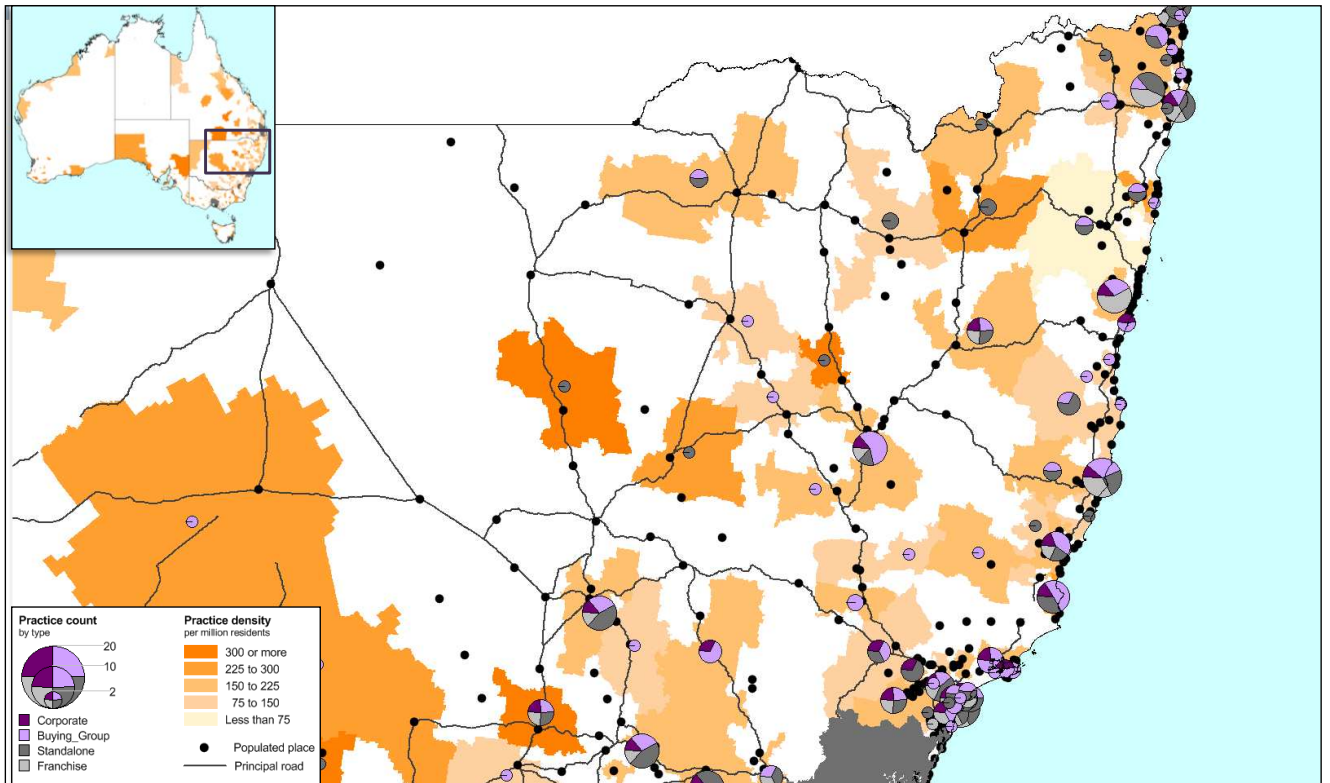
Figure 17 Practices in New South Wales – South East



Source: ACIL Allen, ABS and Geoscience Australia

Figure 18 shows the north east of New South Wales. As with the South East of New South Wales optometry practices are concentrated along the coast. Many inland postcodes have only one optometrist. However, most of these appear to have other practices nearby. With one exception, number of practices per million persons does not drop below 75.

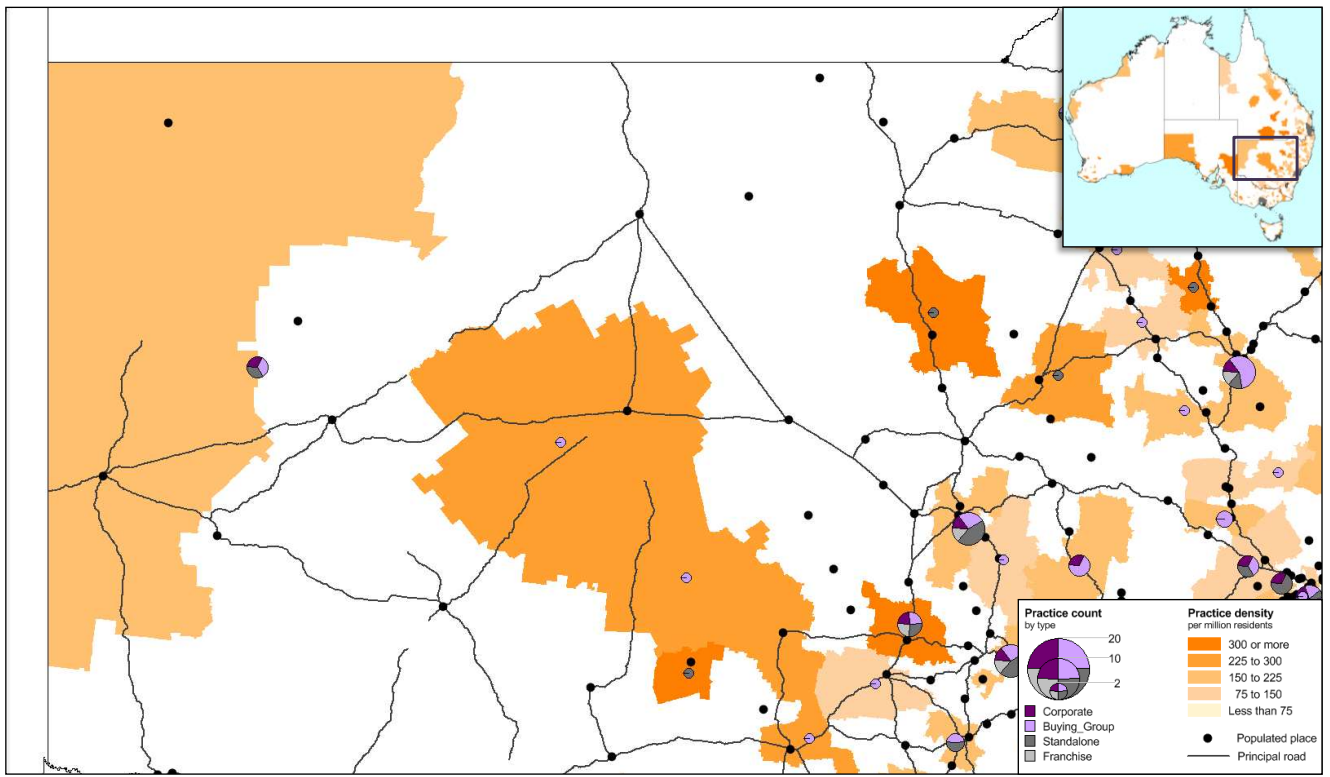
Figure 18 Practices in New South Wales – North East



Source: ACIL Allen, ABS and Geoscience Australia

Figure 19 shows the western part of New South Wales. Compared to the rest of the State the western part of New South Wales is sparsely populated. This is reflected by the number of optometry practices.

Figure 19 Practices in New South Wales – West

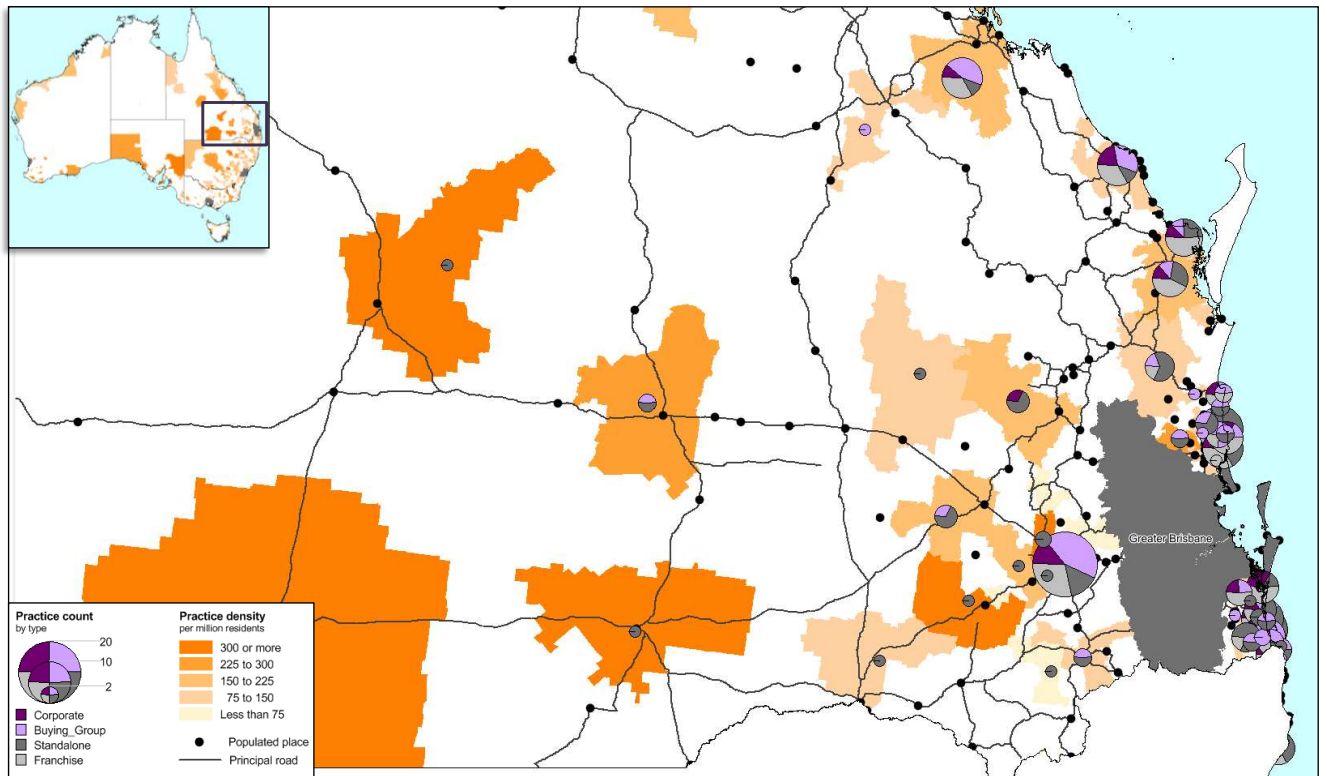


Source: ACIL Allen, ABS and Geoscience Australia

4.4 Queensland

Figure 20 shows the southern coast of Queensland. As with New South Wales, optometry practices are concentrated along the coast. In most postcodes density is between 75 and 300. As distance from the coast increases, the number of practices decreases. However, so does the population so practice density remains high. Figure 20 shows are a number of postcodes and populated centres with no optometry practices.

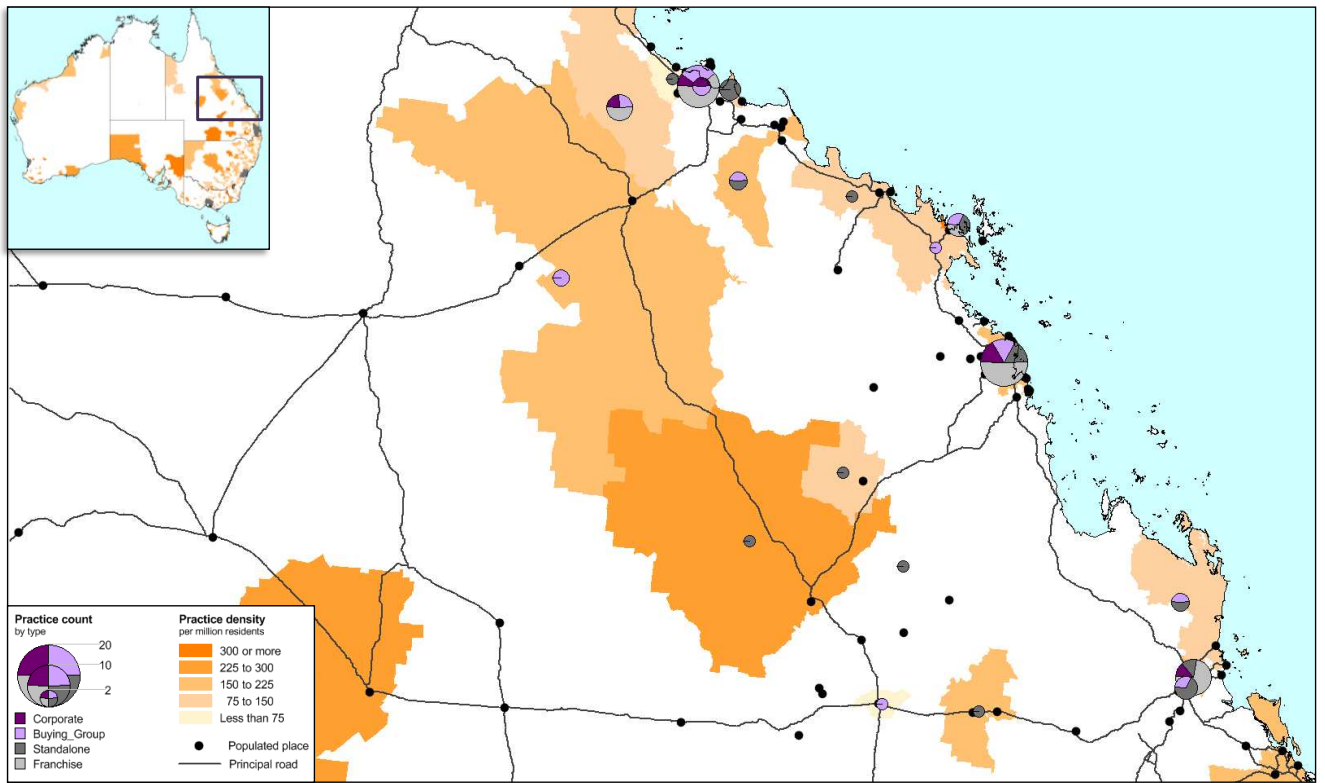
Figure 20 Practices in Queensland – South coast



Source: ACIL Allen, ABS and Geoscience Australia

Figure 21 shows the central coast of Queensland. The central coast is less densely populated than the south coast and thus has significantly fewer practices. Notwithstanding this, practice density is still between 75 and 300 practices per million persons along the coast. As with western New South Wales there are a number of population centres without an optometry practice.

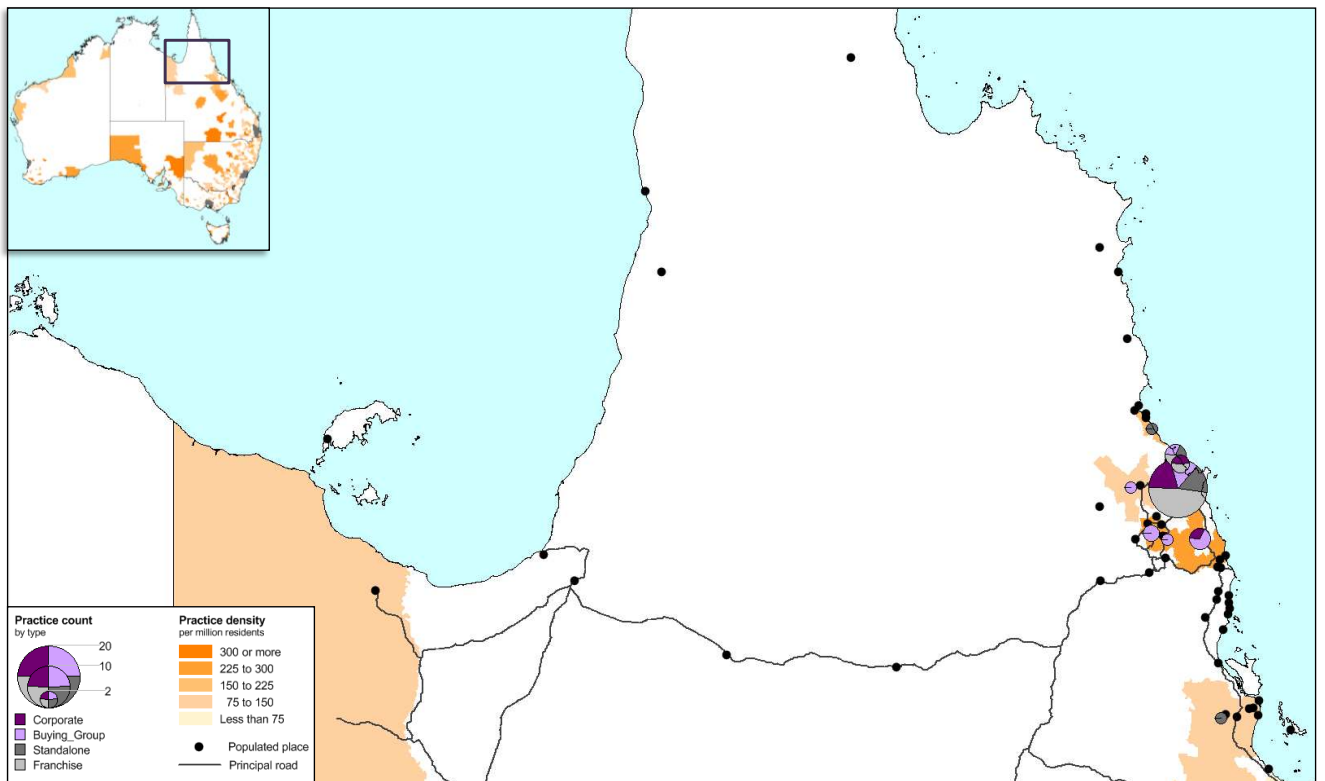
Figure 21 Practices in Queensland – Central coast



Source: ACIL Allen, ABS and Geoscience Australia

Figure 22 shows the northern coast of Queensland. All of the optometry practices in this area are in Cairns, with one exception in Burketown.

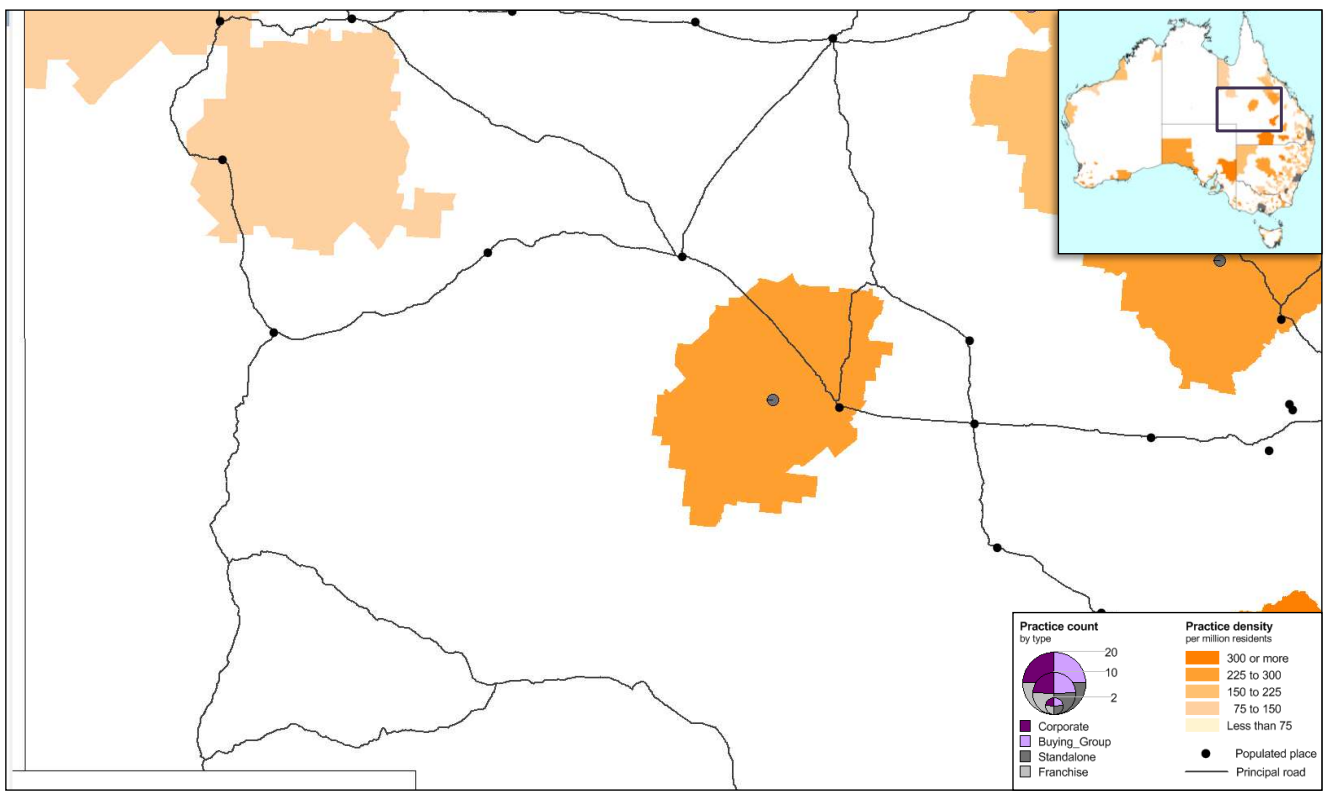
Figure 22 Practices in Queensland – North coast



Source: ACIL Allen, ABS and Geoscience Australia

Figure 23 shows the south west of Queensland. There is only one practice in this area, which is a standalone practice.

Figure 23 Practices in Queensland – South West

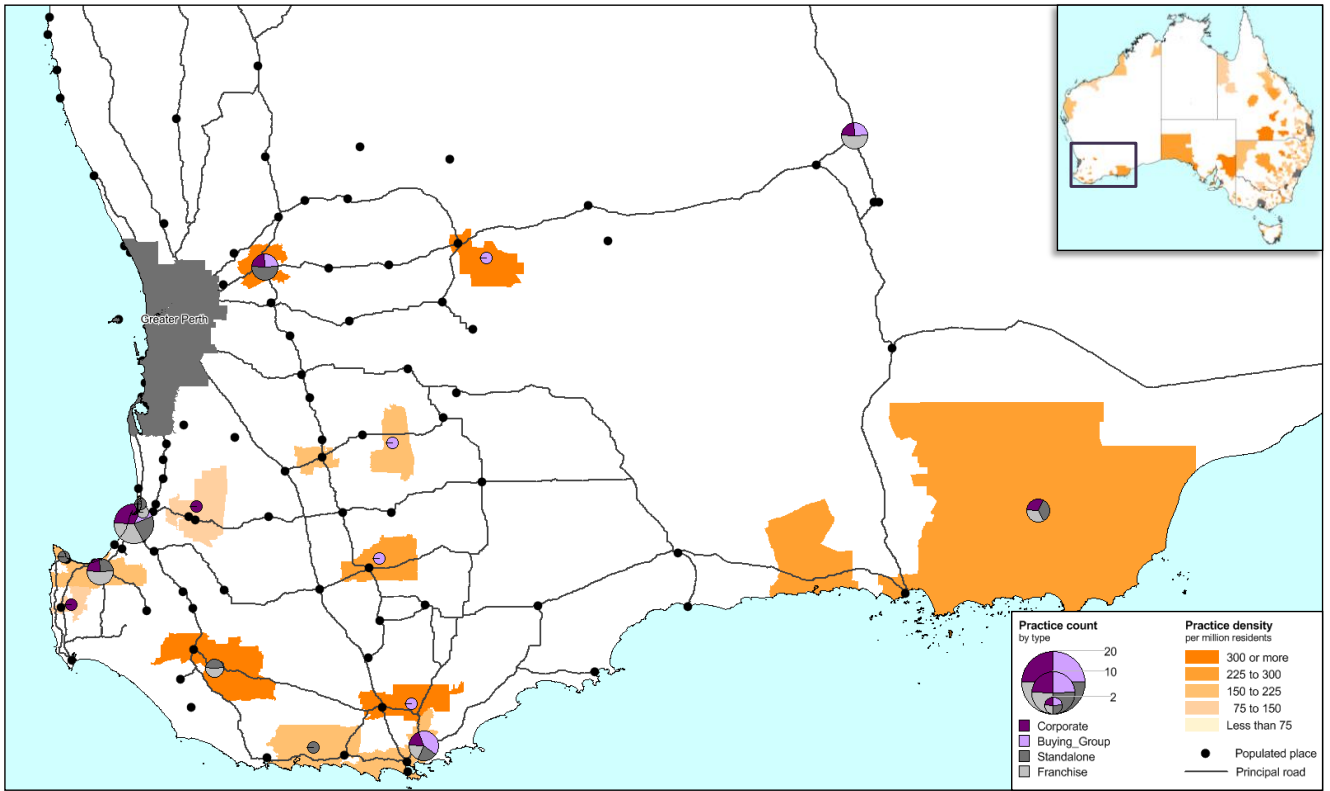


Source: ACIL Allen, ABS and Geoscience Australia

4.5 Western Australia

Figure 24 shows the south west of Western Australia. There are very few optometry practices in this area outside Perth and the coastal tourism area in Western Australia. Many postcodes have only one practice and, accordingly, show a low number per million persons.

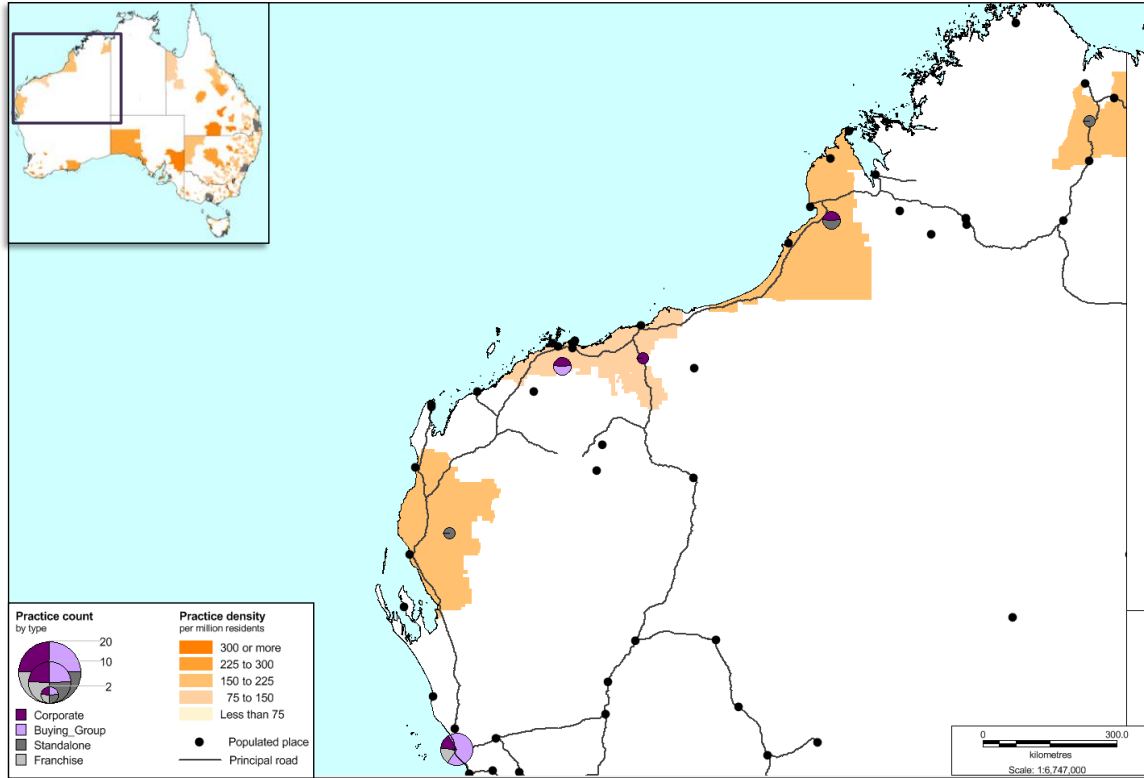
Figure 24 Practices in Western Australia – South West



Source: ACIL Allen, ABS and Geoscience Australia

Figure 25 shows the north of Western Australia. Most towns along the northern coastline have only one or two practices. In the Pilbara there are few practices and the density per resident is very low. There are no optometry practices in any of the towns in the centre of Western Australia.

Figure 25 Practices in Western Australia – North

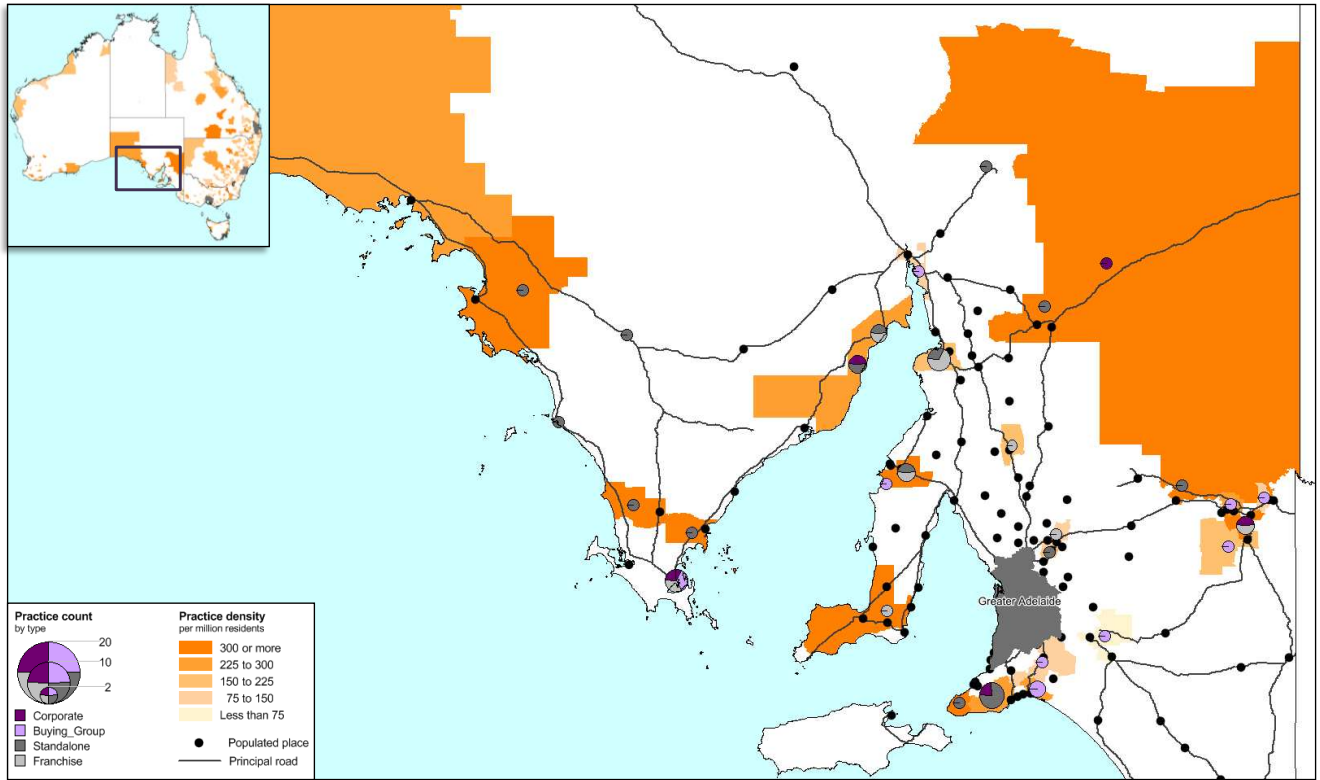


Source: ACIL Allen, ABS and Geoscience Australia

4.6 South Australia

Figure 26 shows the populated part of South Australia. Outside Greater Adelaide, the population is sparse and there are relatively few optometry practices. Certain parts of the Eyre and Yorke Peninsulas and the Riverland have few optometry practices, though most substantial towns appear to have practices in them.

Figure 26 Practices in South Australia

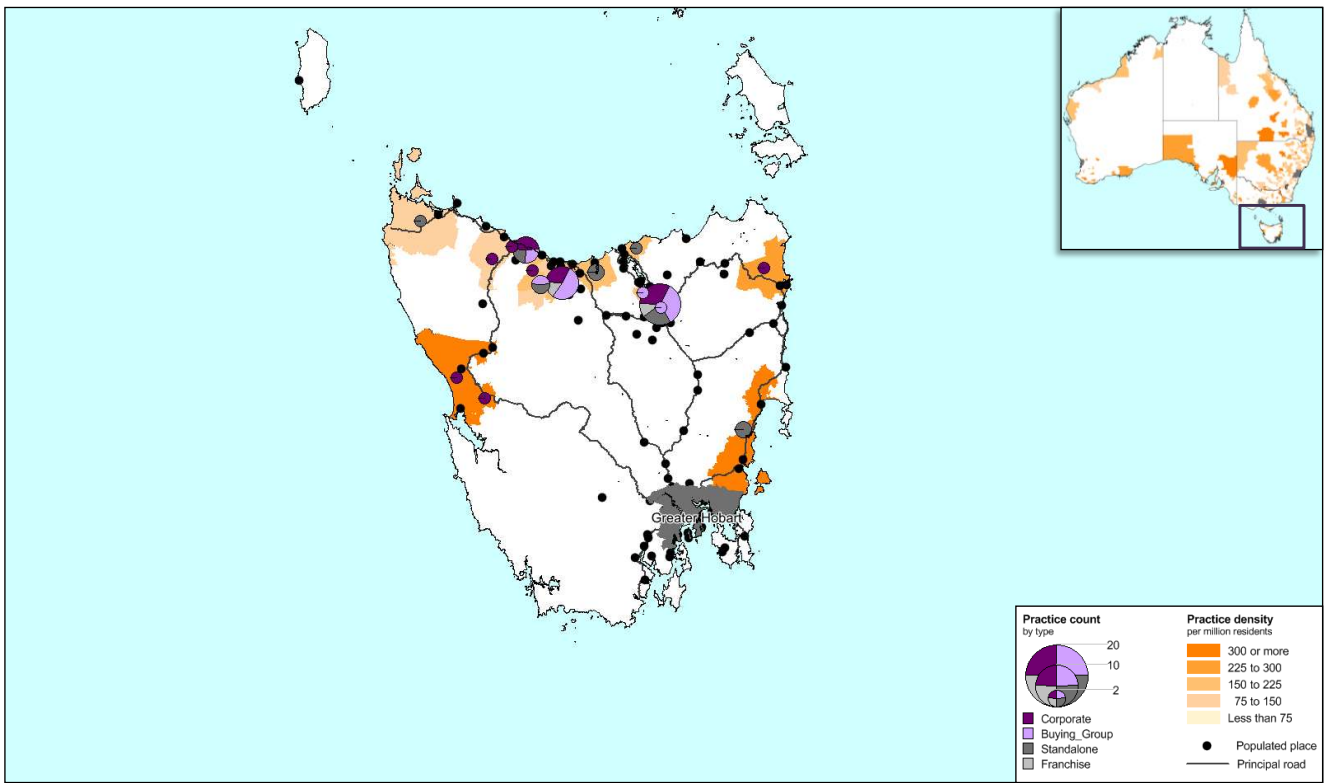


Source: ACIL Allen, ABS and Geoscience Australia

4.7 Tasmania

Figure 27 shows Tasmania. Greater Hobart has the highest practice density of all capital cities. While the number of practices in the west of Tasmania is limited, density is high and practices in the towns along the north coast are in reach. There are no practices in the middle of Tasmania, but all substantial towns appear to have practices.

Figure 27 Practices in Tasmania

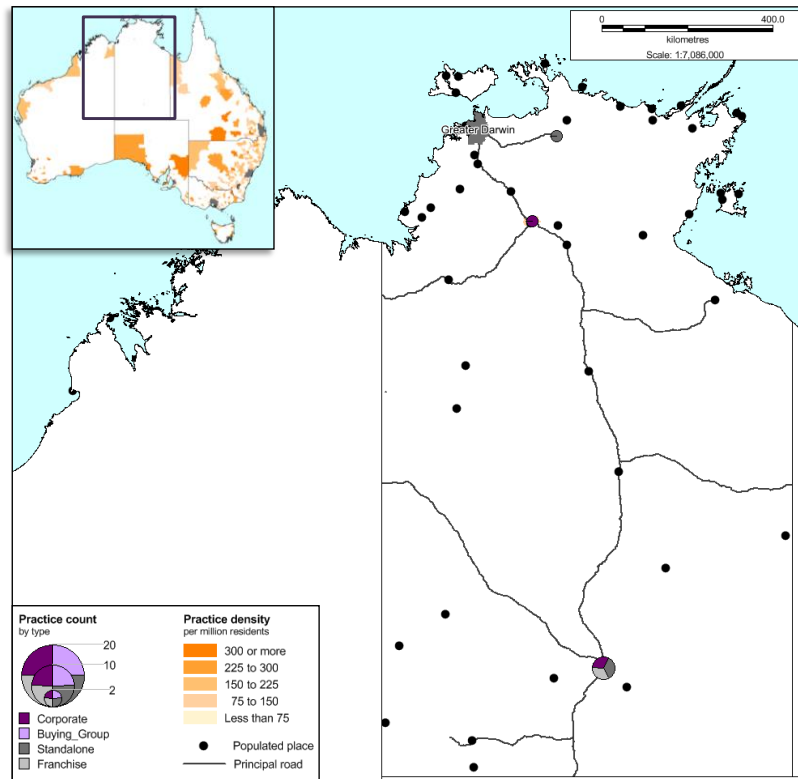


Source: ACIL Allen, ABS and Geoscience Australia

4.8 Northern Territory

Figure 28 shows the Northern Territory. Alice Springs has a range of different types of service providers. As mentioned in section 4.1, practice density in Darwin is lowest of the capital cities. Another substantial town in the Northern Territory is Katherine, which has one corporate optometrist. There are several communities without an optometry practice located nearby.

Figure 28 Practices in the Northern Territory



Source: ACIL Allen, ABS and Geoscience Australia

5 Summary and directions for further research

This report has outlined the development of a list of optometry practices for the Department of Health. The list was constructed by synthesising information from a range of sources, including Optometrists Association Australia, websites of corporations, franchises, and buying groups, as well as information from the Yellow Pages, and HICAPS. Several issues arose with regards to data quality and comparability that required adaptation of the approach as the project progressed.

The final list consists of 2,978 practices, of which 1,044 are unaligned standalone practices (i.e. not affiliated with a corporation, franchise or buying group). The characteristics of the full list of practices has been analysed within this report, and an Excel tool is available for the further investigation and analysis of this list. In addition, the full list, located within the Excel tool, is easy to update if additional market research activities are desired by the Department.

Areas of future work by the Department, that the optometrist list and Excel tool can be used to facilitate, include analysis of the impact of changes to the Medicare Benefit Schedule, including analysis among regional, remote, and less competitive non-metropolitan areas. The outputs of this work may also be useful in analysis of cross-subsidisation impacts from dispensation to consultation activities.

In addition to the analysis techniques available through the Excel tool, the Department may also benefit from additional analysis of coordinate data (for example, conducting spatial analysis, only between a subset of practices).

Another area of future work would be to investigate the nature of competitive behaviour in optometry markets. The Department's concern is based on the premise that people living in places with *fewer* optometry practices have reduced access to optometry services than people living in places with more practices. While this may be true, it may also be the case that people in those places have other ways to access services such as by travelling, by making use of visiting service providers.

Finally, while this work has provided a snapshot of optometry practices at present, the Department may benefit from future updates of practice data, in order to determine how the optometry market is evolving over time.

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