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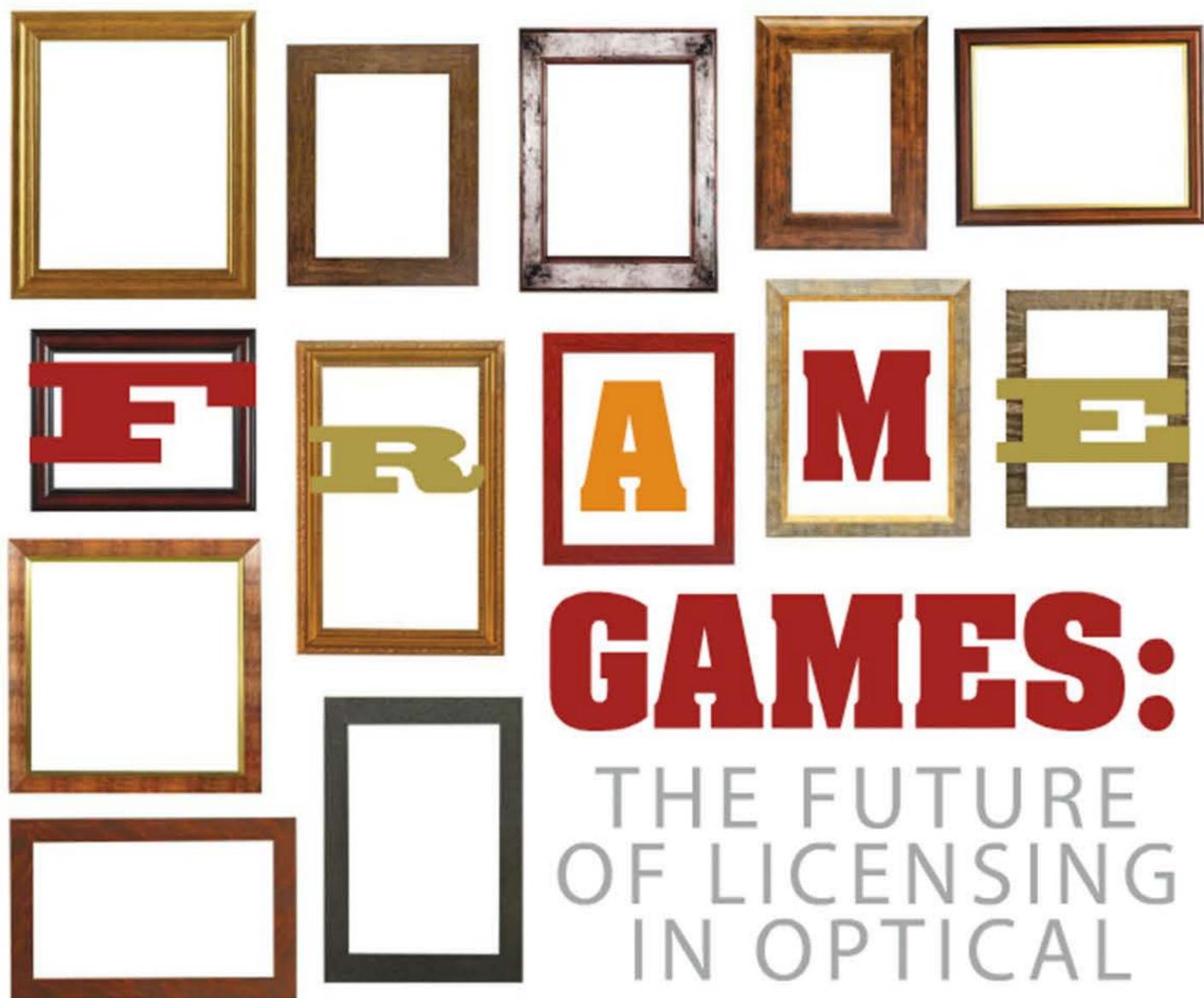
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BY AMY SPIEZO

Part one of a three-part look at what the leadership of frame manufacturing sees as the future of their industry—and what's in store for ECPs

Eye-grabbing, attention-catching, and sales-driving products—fashion brands have become a cornerstone of the frame game. But this go-to product is a tricky mix of trend-hopping fashion sense combined with smart business dealings. Going to the root of designer frame manufacturing, *Eyecare Business* spoke with eyewear companies' leadership about what they see for the future of their products. We share their thoughts and predictions in a three-part series on licensed eyewear, proprietary brands, and some of the possible impacts that the way eyewear is made and distributed may have on optical dispensaries all over the country.

To begin, we put the spotlight on licensed brands. Have they, after becoming so dominant on frame boards all over the country, reached their tipping point? And if so, what's next?

THE POWER OF THE BRAND

Any questions about the popularity of licensed brands in eyewear were met with resounding votes of confidence by the leaders. "Licensed eyewear is a key pillar for us and for the industry, and every major eyewear manufacturer's model blends both proprietary and licensed brands in their offering," says Holly Rush, president of Luxottica Wholesale North America.

With a rich history and a positive current status, licensed brands remain strong. "Licensed products have been the cornerstone of optical for over 40 years, and licensed brands can be found in every price segment today," says Peter Friedfeld, executive vice president, ClearVision Optical. "This is not only true in optical, but in all major product categories. The bottom line is that many of today's consumers buy brands."

Optical licenses are growing in new ways to create more meaningful brands, says Safilo Group CEO Luisa Delgado. "Such partnerships... will not only remain end-to-end integrated across the full chain, but also become deeper in terms of common values and shared trust, and therefore will make new forms of joint product and materials and research and innovation possible, as well as skills cross-fertilization and brand inspiration."

"At the end of the day it is clear that in this specific segment, the brands are deeply ingrained," says Marcolin CEO Giovanni Zoppas.

A BRIDGE FROM FUNCTION TO FASHION

Utilizing licensed brands is an opportunity not only to grow the bottom line of the market, but also the creativity, says Kenmark CEO Mike Cundiff. "We seek out license opportunities that will increase our scope of business, as well as add to our design expertise. Each license brings something unique to the table and our designers work very closely with our brands."

Creating ophthalmic and sun collections with licensed brands is a natural connection between aesthetics and the technological experts in the eyewear market, who can bring to life designs driven by the world of fashion.

"The eyewear category has always been one predominately licensed to experts in the field of producing and distributing eyewear goods and services," says Mike Hundert, CEO, REM Eyewear, "due to the special qualities of the product and its unique distribution channels that often combine the fashion decisions with those of

SUNGLASSES

One part of the industry particularly dominated by brand names is the sunglass market. High profile and fashion-forward, sunglasses are the apple of many a licensor's eye, even if they don't represent the lion's share of frame sales for the license.

"Every time you speak to a brand, even though the ophthalmic part of the business is probably the larger part of most brands, they want to know what you do with sunglasses," notes Stephen Rappoport, president of L'Amey America.

The name game is most active in the sunglass sphere with consumers, too, and with brands appealing to this segment's buyers.

"In my perspective, we have to maintain a clear distinction in the eyewear business between ophthalmic and sun," says Giovanni Zoppas, CEO of Marcolin. "The ophthalmic business, reportedly, is 70% of the overall value of the industry. The brands are important, but for ophthalmic eyewear, there is a very important part played by the technical function of the product, it's all very important regardless of the brand itself," he says.

Demographics drive this thinking, Zoppas adds. "When we're talking about sun, we're talking about 30% of the overall market, but in this case 70% of this 30% of purchases are made by ladies. So it's more in the hands of a female customer who dictates that style and brands are more important to them than functional aspects of the product. And I believe that in this case brands are still very important."

medical considerations."

By doing this, eyewear manufacturers have a larger audience beyond basic medical users and fashion companies grow their product offerings and enter into a new world of opportunities.

"The licensing model gives large and well-established, as well as emerging fashion and lifestyle brands, a viable extension into a large and growing marketplace," says Rush.

Building collaboration between an eyewear manufacturer and its license partners keeps the eyewear true to the brand and adds a fashion edge to products, she adds. "We work closely with our partners from the prototype and design phase all the way through to the distribution strategy, to ensure the eyewear collections we produce are truly an extension of what's on the runway or on Fifth Avenue."

MORE THAN JUST A NAME

Licenses help define frame companies, and not just as a design driver and a banner to wave showing off big names. In fact, licenses educate patients while promoting companies' goods.

MYSTERY SOLVED: Using brands as a shopping guide, newcomers and longtime patients alike have a familiar gauge of how eyewear is grouped and priced. "Our category's product has some mystery around its value," says Chris Shyer,



president of Zyloware. "Brands demystify a lot because they are available in other categories that consumers can place in the world of aspirational values perceived or real."

"Licenses give you direction and they give you a target audience," adds Arthur Jankolovits, president of New York Eye.

APPROPRIATE AWARENESS: But the name alone won't get a brand into the optical marketplace. Most companies note that in order to effectively create an eyewear branch to a brand, there has to be an organic connection to have a brand name on a frame.

"We don't decide on a brand because of the brand, we make sure that it has very strong consumer awareness, that's the first thing,"

says Stephen Rappoport, president of L'Amey America.

"Secondly, within that brand there is a real eyewear objective to develop collections that satisfy the needs of an eyewear consumer," he adds. "We see there are key objectives within that brand to carve out a niche in terms of needs of that particular consumer."

PROVIDING SATISFACTION: "A lot of the use of licensed brands relates to an at-point-of-purchase decision," Shyer adds. "Consumers' familiarity with the brand in other categories, such as fashion apparel or in Stetson in hats, gives people a sense of that brand's place in the world and the eyewear priced appropriately will usually give the consumer a sense of satisfaction around how much money they spent because they'll be able to understand it."

"Brands will remain an important connection and confirmation for consumers purchasing eyewear in the foreseeable future," asserts REM Eyewear's Hundert.

RENEGOTIATING TERMS

While licensed brands will remain active, the reasons why licensees and licensors work together will always be changing, and the market is not expected to stay the same.

"Every licensor is different in how they work with a licensee. What we look for in those relationships are successful partnerships where the licensor truly brings value to the process, and that comes in many forms—from design, marketing, and the all-important consumer," Friedfeld says.

And there are some factors that may need changing, some note.

"Licensed brands have always been confusing," says Joseph Tallier, CEO of Ogi Eyewear. "It is rare that licensed brand eyewear ever matches the quality of the of the brand name's signature product, whether it be clothing, automobiles, or more. The consumer today is aware of real quality in eyewear."

Relationships between licensors and licensees also may need to change. "We see the historical old license model in our industry in need of re-invention," says Safilo's Delgado. "We come from a history of licensees seeking to maximize volume and short-term profit often indiscriminately of brand equity requirements, and the licensors consequently focused on asserting controls over the licensee's operations. Conflicting objectives and philosophy between the two are clearly not sustainable in the longer run, involve high transaction costs, and ultimately fail to build systemically brand value and mutual long-term business."

Looking into the future, she predicts: "The leading licensees of the future will be those who are brand driven and capable to understand and deliver against each brand's unique equity requirements in a differentiated way, end-to-end, from product design, creation, and industrialization, via manufacturing to targeted distribution by channel and door, with worldwide penetration and top-notch execution."

A SHIFTING MARKET

Considering the periodic upheavals in who owns what license, that side of the business will

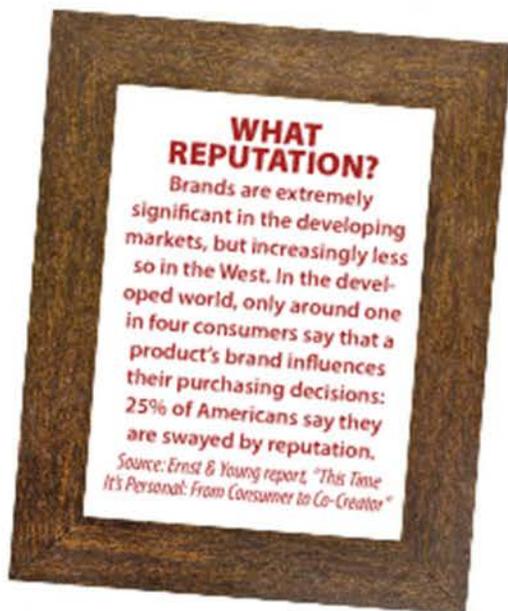


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I have different kinds of licensors who have different kinds of goals for their licensing programs, and it is not always primarily about money.

— CHRISTOPHER SHYER, president, Zyloware

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endure, but all of the involved parties may start changing how they do business. "Designer fashion eyewear or licensed eyewear will never disappear," says Mike Suliteanu, CEO of WestGroupe. "There's no way, it's too strong. But are people going to seek longer contracts?"

Aside from the everyday thinking about licensed collections, the market is increasingly attentive to proprietary brands for a variety of reasons, from financial considerations to philosophical approaches to business.

"Marchon has always maintained a strategic approach regarding how we manage the investments made in supporting a business model that includes both licensed and proprietary brands," says Claudio Gottardi, CEO, Marchon

And that's a story heard across the board. "I think every major supplier in our industry today needs to have a powerhouse proprietary brand (or two) for stability as well as opportunity," Friedfeld says.

"We have all witnessed the tremendous brand shift in the past 10 years, and that can lead to some market confusion at many levels," he adds.

One thing that may alleviate that confusion is a shift to more proprietary brands, Friedfeld says. "I believe we will see further development of proprietary brands. This means that the energy and resources once devoted to building licensed brands will be put in other areas, such as product and marketing, crucial for building great house brands that have a purpose in the market. People do respond to and need great product and great design."

Next month, *EB* will explore the private brand side of the optical market in more depth, with part two of this series. But in the meantime, don't expect brands to disappear any time soon. Notes Holly Rush, "Given the important role that brands play in eyewear today, I don't see these collaborations growing anything but more important."

KERING

When Kering announced the formation of its eyewear division and plans to reclaim its Gucci brand from Safilo along with Stella McCartney from Luxottica and other lines from other companies, speculation spread through the industry.

How will the change impact life in the frame universe? Some executives shared their thoughts.

"Recent announcements in the industry will certainly result in a change in the competitive (licensed) landscape and mix of brands that are licensed vs. proprietary. The distribution strategies (by brand) may in fact evolve, but the consumer will still have the same offering—just not necessarily via the same models. Our established global manufacturing network coupled with our proven sales channel and commitment to innovative technology will continue to serve us well in building our licensed brands in a diversified portfolio."

— CLAUDIO GOTTARDI, CEO, MARCHON

"While it's very important to the offices that they have very desirable brands, there are a lot of desirable brands out there. So I don't think it's going to rock their world in the optical segment. But it will also be interesting to find out how that segment of business will be cared for in the future and whether or not Kering will establish an optical sales force. How are they going to get to that powerful segment?"

— JAN CORY, PRESIDENT, SILHOUETTE USA

"I believe that the Kering situation is a very peculiar one. Why? First of all, because Kering is taking back not just Gucci but some other brands in order to create a sort of portfolio. On the other hand, they can't rely upon a very important sales network and use it in order to sell the product. Looking at my company and portfolio, we are not exposed to or at risk for losing brands that belong to the great networks of brands because in our portfolio we've got very few brands that are part of conglomerations of brands. We are working more with special and luxury independent brands like Tod's, Roberto Cavalli, Tom Ford, Guess, and Diesel. These brands are looking for someone and we are the ones who are able to understand the DNA and make a proposal in terms of collections that are suitable for the market."

— GIOVANNI ZOPPAS, CEO, MARCOLIN

"A new company has decided that they will be able to function for a very long period without qualified sales reps, I think, in certain rural areas—some areas that may or may not be a very significant portion of sales."

— ARTHUR JANKOLOVITS, CEO, NEW YORK EYE

"I distinctly remember conversations when [another popular] brand moved from [one company to another]. My understanding was that even though it was wildly successful, the licensor had a different distribution strategy than their licensee and that's why that was changed. It was pretty clear to me that was an example of where the licensor changed companies for distribution limitation reasons and not actually money. Which is contrary to what most everybody thinks usually takes place. So when I heard about Kering, what came to mind for me was on the surface it sounds like it could be about money, but in fact I think it has to do more with wanting to control their own destiny and distribution. It just reminded me that there's much more to licensing than income for a licensor. It has a lot to do with many driving goals of different licensors and money is only one of them and is often not the primary one."

— CHRISTOPHER SHYER, PRESIDENT, ZYLOWARE

What's In?

The latest in frame line extensions

MAN'S WORLD

The new Gucci model GG 1082/S from Safilo is a sunglass style in acetate and metal that features linear shapes defining the silhouette with precision proportions for fashionable men. The round shape draws its inspiration from the sensual, retro feeling of the Gucci Fall/Winter Fashion Show, and is enhanced by a flat design and the ultra-slim metal temples, which are softened for comfort and stylized by plastic oval-shaped end tips with the GG logo visible inside.

The new sunglass is completed by adjustable nose pads and mineral glass lenses, company representatives note. The palette includes ruthenium and gold, black and Havana, as well as spotted Havana in yellow, green, and burgundy.

INFO: safilo.com



NEW NOTES

The New Ed Hardy Collection by Revolution Eyewear has a renewed vibe that is subtle, beautiful, and more whimsical, company representatives note. Leading the new look is the Ed Hardy Sun "Sakura Flowers" with Swarovski crystals.

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revolutioneyewear.com



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