



The UK economy continues to move at a glacial pace through the midst of the global financial crisis and uncertainty surrounding

the Eurozone. Business Secretary Vince Cable has admitted that the brutal reality is 'the economy is poorer than it was a couple of years ago',¹ and economic think-tank The National Institute of Economic and Social Research (NIESR) reports that it expect the UK economy to remain stagnant into the first half of 2012.²

Consumers are feeling less than confident about the UK's immediate economic prospects and are concentrating on buying the basics at the best price,³ but how has the UK optical industry fared in the current financial climate?

The total GB optical market, as tracked by GfK RT, has seen a value decline of 3.7 per cent in Q311 against the same period last year. Breaking out the individual sectors we record a growth rate of 4.4 per cent in both contact lenses and the associated care products over the same period while frames have seen values decline by 9.3 per cent. Sunglasses, which experienced strong sales earlier in the year aided by hot weather in early spring coinciding with the string of bank holidays over Easter and the royal wedding, suffered a decline of 6.5 per cent in Q311 perhaps as purchases had been brought forward to prior months.

The sustained growth of contact lenses and year-on-year decline in frames has resulted in contact lenses continuing to increase their share of the total optics market, reaching 33.5 per cent value share in Q311 up from 30.7 per cent one year ago. Care products have also increased their share to 5 per cent from 4.6 per cent in the equivalent period last year. Meanwhile frames have seen their value share decline from 61 per cent in Q310 to 57.8 per cent in the latest quarter.

The decline seen over the last year in frames suggests consumers have more easily been able to reduce expenditure in the category by both delaying purchases and by buying a cheaper product. With frame volumes down in the quarter by 6.4 per cent and average price down by 3.1 per cent to £66.05, the numbers would suggest both the aforementioned approaches are being employed by consumers.

Further evidence of people delaying

The squeezed middle

Contact lenses continue to increase their total share of the optical market while mid-market frames are squeezed

Figure 1 Total optics year on year value change

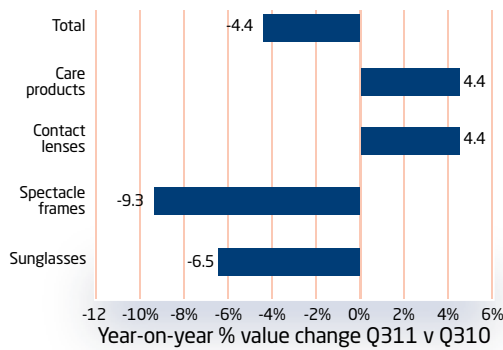


Figure 2 Total optics year on year value share

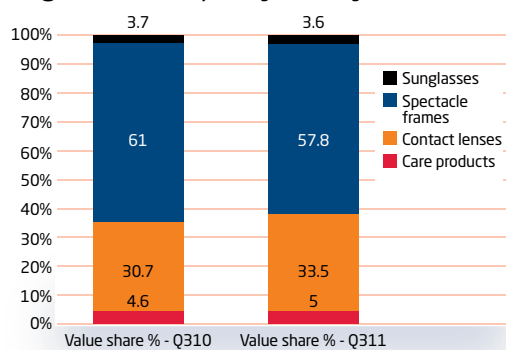
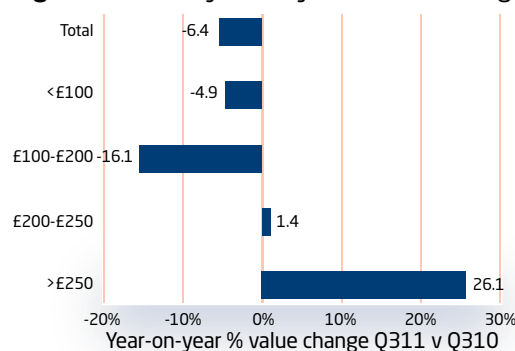


Figure 3 Frames year on year volume change



repurchases is provided by eye test figures tracked by GfK NOP which show that 63 per cent of consumers last had an eye test over a year ago – with 24 per cent stating they had not had an eye test for over two years.⁴

Meanwhile, contact lenses have proved more resilient, perhaps due to the nature of the product having a limited lifespan and the sector being dominated by consumers on

long-term schemes. This may have helped to protect volumes which have grown by 1.3 per cent as compared to Q310 and along with average price increases of 3 per cent have driven market value growth.

Trends in the frames market show an element of price polarisation. Despite an overall decline in both volume and average price, the top end of the market recorded a volume increase in Q311 against the previous year, while the mid-market has declined sharply. Frames priced from £200-250 have grown volumes by 1.4 per cent, while frames priced at £250+ have grown by 26.1 per cent. Meanwhile, the mid-market priced £100-200 has declined in volume by 16.1 per cent over the same period, well ahead of the total market rate of volume decline which stands at -6.4 per cent. Frames priced at £100 and under slightly outperform the market but still show volumes in decline at -4.9 per cent.

Branded frames continue to increase their share of the market, achieving 42 per cent of frames value in Q311, up from 40.5 per cent a year ago as they continue to steadily take share from trade/exclusive brands in a trend which dates back to Q109. The continued share increase of the branded market suggests that despite the economisation taking place within the frames market, a consideration of style and fashion continues to be a major driver influencing consumers' purchase decisions. ●

References

- 1 Vince Cable: Business Secretary - 'Clearly the economy is poorer than it was a couple of years ago, and that is the brutal reality,' *Daily Mail*: October 20 2011.
- 2 Respected Economic Think Tank - The NIESR 'The UK economy has been stagnant for close to a year now and we expect this to continue into the first half of 2012.' *Thisismoney*: November 3 2011.
- 3 GfK NOP, Consumer Confidence Index.
- 4 GfK NOP, Research Panels.

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