

Managing Through This Economy

Refractive surgeons must think about both the short and the long term.

BY SHAREEF MAHDAVI

Finally! The government has now confirmed that the United States is in a recession. Many practices and centers that offer refractive surgery have experienced significant declines in procedural volume for some time now. Given the bombardment of bad economic news from our round-the-clock media outlets, I am not surprised by the doomsday-scenario comments that I have heard from several surgeons. Refractive surgery may be struggling, but LASIK is not dead. Procedures are down, but so are many other discretionary expenditures, including cosmetic surgery and luxury travel.¹ To help everyone gain perspective and stay sane during the current economic struggle, it may be valuable to look at things with both a short-term and a long-term view.

THE SHORT TERM

As a result of the shock to the credit markets, big hits to investment portfolios, and declining housing values, it is a forgone conclusion that consumers are tightening their belts and reigning in spending. Because consumer spending makes up more than two-thirds of our overall economic output, it should come as no surprise that the United States is in a recession, simply defined as two consecutive quarters of negative economic growth.

To listen or read the news, however, one could come to the conclusion that the situation is much worse. I have heard reporters asking economic experts if the United States is in a depression, which is at best irresponsible journalism and at worst an attempt to create a self-fulfilling prophecy. The Great Depression of the 1930s came as the result of poor oversight of a banking system that did not have regulations in place to protect consumers. Today, thanks to the Federal Deposit Insurance Corporation (FDIC), not a single person in today's economy has lost money via FDIC bank deposits. One of every four workers was unemployed during the Great Depression. The bleakest forecasts for 2009 predict 9% unemployment,² significantly higher than today's 5% level but nowhere near 25%.



Figure 1. Shoppers were plentiful at the Apple Store in Pleasanton, California, on Black Friday 2008. Employees are easily identifiable by their colored T-shirts, and many were on hand to help answer questions and sell products.

The retail sector is expected to struggle this year and next. Consumers are still spending money, however, as evidenced by post-Thanksgiving (Black Friday) results showing 17% more shoppers spending 7% more than they did a year ago.³ My own visit to the local mall surprised me: it was extremely crowded, and the Apple Store (one of the few places where I like to browse) was indeed a mob scene (Figure 1). Several days later, online shopping ("Cyber Monday") was peaking at 6.7 million visitors per minute, a record level and significantly higher than last year's 4.6 million.⁴ In addition, consumers found both the time and the money to go see the new James Bond movie to the tune of \$110 million in its first 2 weeks.²

My own prediction is that these numbers will not hold through the end of 2008 and that the economy will get worse before it gets better. Some good things do result from a sagging economy, namely lower gas prices and lower housing prices.

SHORT-TERM RECOMMENDATIONS FOR REFRACTIVE SURGEONS

My recommendation to refractive surgeons is simple and straightforward: adjust your strategy but do not touch your pricing. Historical data have made it clear that lower prices do not stimulate the demand for LASIK procedures. In this time of the bargain-hunting consumer, however, LASIK providers should be creative in how they add value to their offering. Rather than discount, bundle in additional goods or services such as designer sunglasses, spa treatments, or charitable donations in the patient's name. Rather than compare eye surgery to glasses or contacts, compare it to other consumer purchases on a cost-per-minute basis (see my article in *Cataract & Refractive Surgery Today's* November 2008 edition).⁵ A good example of changing the comparable can be found in the health club industry, with one gym chain challenging consumers to "protect your most important asset. Your health" by comparing it to other resources like home and stock accounts. Dermatologists are offering holiday Botox (Allergan, Inc., Irvine, CA) specials—a Halloween "Bootox" and a Thanksgiving turkey-themed "Don't let wrinkles gobble up your face." Plastic surgeons are offering beauty days as a less expensive alternative to the girls' weekend at the spa. All of these are clever approaches that illustrate the need for refractive surgeons to get creative in how they appeal to the consumer in a down economy.⁶

The near term also provides surgeons with the opportunity to revisit their refractive offering and begin to focus on the experience they offer patients above and beyond basic service. In other words, surgeons need to examine how they do what they do. With more time available, all surgeons should spend their nonsurgical time educating themselves and investing their efforts to critique and alter the customer's experience with the practice. This is a daily ritual as well as a long-term commitment.

One question that comes up in a troubled economy: How does one market experiences when people have trouble paying their bills? I concur with being critical of marketing and advertising (especially now) but for a totally different reason than suggested by this question. Rather than market experiences, one needs to shift the focus of one's energy to invest in the experiences their self. This leads us to start looking at the long-term implications of our economy in general and refractive surgery specifically.

THE LONG TERM

In my opinion, the current economic dislocation seen in housing and automobiles is indicative of a long-term structural change that is taking place in our basic economy. As has been true for the past 200 years, our nation has prospered because of our ability to shift to a new and different economic engine. Agrarian was supplanted by industrial,

industrial was supplanted by services, and services are now being supplanted by experiences, a distinct and measurable form of economic output. If one went back 200 years, one would see that nine out of every 10 people in the labor force worked in farming. As the industrial era emerged, numerous people resisted change and progress. For example, it took 30 years for the *New York Times* to abandon the term *horseless carriage* in favor of *automobile* when reporting about how the emerging automobile industry was having an impact.

The current bailout frenzy for the mortgage and automobile industries are prime examples of this struggle between maintaining the past and moving forward. The money spent today to prop up old economies is serving to preserve our past rather than our future. Why should home ownership be the goal of every American? Would we be better off in the long term inventing new living experiences that get people into homes (eg, homesharing)? Why subscribe to the "as General Motors [Detroit, MI] goes, so goes the economy" theory? The automobile industry is bound to the philosophy of charging for the physical goods it produces when it could derive higher economic value by focusing on services (eg, loans and leasing) and new consumer experiences such as car sharing (J. Gilmore, oral communication, December 2008).

The future prosperity of our country depends on our ability to create new offerings that are of higher economic value. Americans have come a long way from an economy based on commodities and goods and are indeed seeing the emergence of the experience economy, a term coined in 1999 in a book with that title.⁷ Starbucks Corporation (Seattle, WA) has done it with coffee, and Apple, Inc. (Cupertino, CA), is doing it with consumer electronics. People patronize these stores, not because their products are so much better but rather because the experience these outlets offer more closely matches who they are and what they desire as consumers.

LONG-TERM RECOMMENDATIONS FOR REFRACTIVE SURGEONS

For the refractive surgery industry to grow, one needs to increase the perceived value of the procedure by enhancing the overall experience (visit <http://www.premieyesite.com> for more information on this subject). Better results (at least for LASIK) will not grow the category. In the long term, one must shift the customer experience so that it most closely matches the exemplars of the experience economy.

I would estimate that refractive surgery employs around 12,000 people directly and many more indirectly. A larger industry, fed by better experiences that are more competi-

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tive with other discretionary spending opportunities will employ more people and pay them wages so they, too, can go out and spend their money. Conversely, if they hold onto the past, even more people will have trouble paying their basic bills and have even fewer dollars available to buy what they really want: authentic experiences. Indeed, in their follow-up to *The Experience Economy*, the authors of *Authenticity: What Consumers Really Want* declared that the new criterion by which consumers make purchasing decisions is authenticity.⁸ In other words, as researcher Virginia Postrel eloquently stated, people make decisions both on saying, "I like that," as well as perceived authenticity, "I am like that."⁷ Refractive surgery, which offers benefits that are unique to the life of each and every patient, is strongly suited to being perceived as an authentic offering for those consumers who desire self improvement and who see the process as safe and affordable (ie, financing). Every refractive surgery provider must think more richly about how to achieve these objectives.

Even in these tough economic times, I challenge readers to imagine what our recent and ancient ancestors would say if they could be transported to the current day. Would they not marvel at all the devices around them that save time and toil, as well as entertain us? Indeed, we have much for which to be thankful. Happy New Year! ■

Shareef Mahdavi is President of SM2 Strategic and a certified expert in the experience economy. He recently launched The Premium Experience Network to help surgeons and practices do a better job of preserving value for their services. Mr. Mahdavi may be reached at (925) 425-9900; Shareef@sm2strategic.com.



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