

What Is the Forecast for LASIK Volume?

The business' technology, economics, and demographics all have an effect.

BY JIM DENNING

If you view the current LASIK market by looking at some of the big providers' falling stock prices, the horizon may seem gloomy. There is more than the current economic atmosphere to consider, however, when thinking about the future of LASIK. It is important to take the bigger picture into account and the contributing factors that will help determine the long-term outlook for LASIK. Various aspects will help determine where the market is headed.

FACTOR No. 1: TECHNOLOGY

Three major elements influence LASIK's volume. The first is technology. Excimer lasers helped to establish the LASIK industry, and microkeratome-created flaps subsequently made the procedure marketable to patients. Feeding the success of LASIK were the expanded approvals for the use of excimer lasers to treat high myopia, mixed astigmatism, and hyperopia. Femtosecond lasers, customized wavefront aberrometers, and iris recognition have all incrementally grown the LASIK market as well.

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FACTOR No. 2: ECONOMICS

The second aspect is economic conditions. Refractive surgery is an elective procedure, which translates into a dependence on patients' disposable income. Since the FDA's approvals of excimer lasers starting in 1996, the industry has experienced two booms and two busts: the dot-com boom/bust and the current subprime real estate boom/bust. It took about 3 months for the industry to feel the effects of the dot-com bust. The negative effects lasted around 16 months. I think the same will be true of the current subprime real estate bust. It will probably have a negative influence on LASIK growth through June 2009.

TABLE 1. THE DEMOGRAPHICS OF THE LASER VISION CORRECTION POPULATION ARE DIVIDED INTO THREE GROUPS

Title	Year of Birth	Ages, y	Average Age, y	Estimated Population
Baby boomers	1946 to 1964	44 to 62	53	78 million
Generation X	1965 to 1981	27 to 43	35	46 million
Generation Y (millennials)*	1982 to 2000	8 to 26	17	76 million

**There is no definitive agreement on birth years.*

THE FUTURE IS NOW

By Shareef Mahdavi

My views on the LASIK market bear some similarities to the forecast by Jim Denning. Two of the factors mentioned herein are beyond the control of the refractive practice. First, the technology for LASIK is now mature with the availability of customized ablations and femtosecond lasers, and future improvements will focus on improving the quality of the diagnostic data used to program the ablation. Second, economic conditions are cyclical and affect all consumer markets, including elective surgery. A look at the plastic surgery market from 1996 through 2005 reveals a steady increase in the demand and average fees for breast augmentation during the same 10-year period that the volume and price of laser vision correction rose, fell, and rose again. I attribute this volatility to the refractive providers' mistaken assumption of elasticity in patients' demand for eye surgery; providers thought that lowering their fees would increase procedural volume and overall revenue. When fees decreased, both of those metrics declined as well, indicating that the demand for LASIK is inelastic.

Part of what made the demographics of baby boomers worth studying was that this generation marked the first time that the number of births in the US exceeded 4 million people per year. Although baby boomers have now aged past the "sweet spot" for LASIK, the market is far from being depleted. The Generation X (those born after 1964) population averaged 2.7 million births per year, and the following Generation Y is similar in size to the baby boomers, averaging 4 million or more births per year. (I should note that there is no consensus on the starting year for Generation Y, but most studies I have read put it at 1977.) By 2010—less than 2 years away—Generation Y will include nearly 65 million adults aged 18 to 33, a sizeable population that will definitely be in the sweet spot for LASIK. Quarterly surveys conducted by VisionWatch (Jobson Medical Information, LLC, New York, NY) confirm that the consumers most likely to have laser vision are between 18 and 34 years old, with annual incomes either below \$40,000 or above \$60,000. According to VisionWatch's report for the first quarter of 2007, respondents in this age group showed the greatest interest in laser vision correction; these individuals reported that they were "definitely" going to have the procedure at rates that were three to 10 times higher than older respondents.

The major caveat is that these younger individuals exhibit behavior as consumers that is in some ways radically different than that of their older counterparts. Generation Y is characterized as self-reliant and driven to succeed. Having never lived in a world without computers, they are technologically savvy. They are intolerant of "mass" anything (including advertising). Attracting this group to refractive surgery requires rethinking and retooling the medical practice, including its atmosphere and the staff's behavior. The first segment of Generation Y consumers is of age to be available now to refractive practices that are willing and able to adjust how they approach patients. A more detailed analysis will be available in a report to be issued by SM2 Strategic at the ASCRS 2008 Symposium & Congress this month. "Future Growth in LASIK: Understanding and Reaching Generation Y" will be available from Advanced Medical Optics, Inc. (Santa Ana, CA).

Shareef Mahdavi is President of SM2 Strategic, a Pleasanton, California, firm helping medical manufacturers and providers create demand for new technologies. He is a consultant to Advanced Medical Optics, Inc. Mr. Mahdavi may be reached at (925) 425-9900.



FACTOR No. 3: DEMOGRAPHICS

The third issue is demographics, which have a longer influence (15 to 20 years) on the volume of laser vision correction surgery (Table 1).

In 1996, when excimer lasers started to enter the commercial market, the average age of baby boomers was 41. Interestingly, the average age of the laser vision patient was also 41 up until approximately 2002. Since then, the mean age of the laser vision correction patient has slowly declined as the baby boomers' age and as the Generation X population enters the market. At the Information Resources Information Sharing Meeting (the gathering of a secret handshake group) held in July 2007, practices surveyed reported that the average age of myopic patients seeking laser refractive surgery had decreased to 37. Noteworthy is how close this age is to the median age of the Generation X group. In 2008, the leading age of the baby boomer is 62, the trailing edge is 44, and the average age is 53 (Table 1). Most surgeons might agree that the baby boomers have aged past the "sweet spot" for myopic laser vision correction. In fact, the market will most likely report a slight increase in hyperopic procedures as a direct result of the aging of this population. In my opinion, hyperopic laser surgery will follow the same marketing mix as contact lenses. Currently, the contact lens market is composed of 82% myopes and 18% hyperopes (with multifocal contact lenses included in the hyperopic numbers).

The Generation X group, which is about half the size of the baby boomer group, is currently the prime market for myopic laser vision correction. It is a smaller population and thus has had a direct effect on slowing the market's growth. The next group after Generation X, however, is known as *Generation Y*. Interestingly, it accounts for two times the number of people in Generation X—creating, in essence, a typical double camelback curve (Figure 1). The LASIK industry has at least 10 years before experiencing significant impact from Generation Y, however, as the leading age of this group is 26 years, but the average of the group is only 17.

OVERLOOKED COMPETITOR TO LASIK

The often overlooked competitor to the LASIK market, especially for the future Generation Y consumers, is the contact lens industry. Contact lenses have changed drastically over the past 5 years, and they offer new and extended-wear designs that are attractive to patients ranging in age

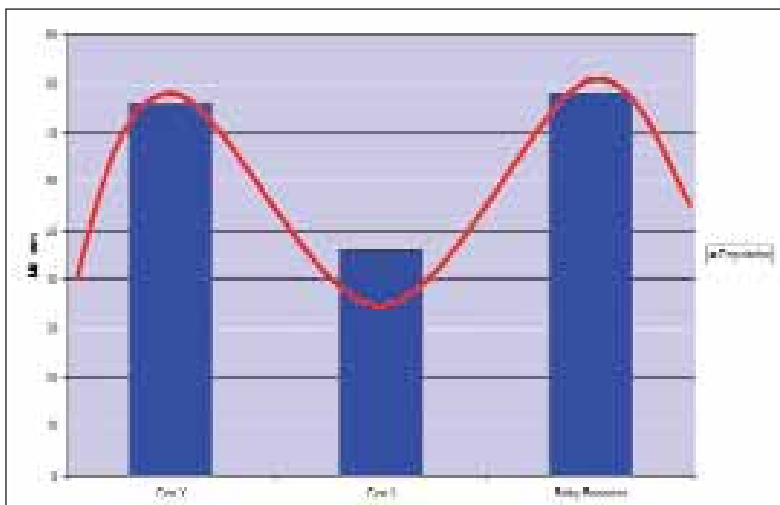


Figure 1. Demographically, the Generation X population is moving through the "trough" of the LASIK market as pictured in this graph. The baby boomers have moved past it, and the Generation Y group is too young to cause a significant, positive effect on the market for another 10 years.

from 13 to 55 years. Many of the old complaints about contact lenses (discomfort, dry eye, lack of versatility, difficulty of use, safety) have been answered in the new designs, and, thus, the age ranges for those who are largely tolerant of contact lenses have jumped an average of 5 to 10 years.

The price point is important also. A modern pair of contacts costs about \$25.00 per month, whereas financed laser vision correction costs about \$125.00 per month for 2 years.

The best approach for those marketing LASIK in the future remains lifestyle advantages. Regardless of how inexpensive and improved contact lenses are, LASIK reigns when it comes to lifestyle activities such as swimming and sports.

THE FUTURE OF THE INDUSTRY

Overall, I believe the laser vision market will remain healthy. Given the movement in demographics, it is safe to assume that myopic laser vision procedures will grow from 2% to 4% during the next 5 years. In my opinion, this growth will improve 1% per year until it reaches 10% to 12%. The current candidates for this procedure have declined as a result of the population in the Generation X group's being the prime age market. The market can be expanded, however, by accessing patients with lower degrees of myopia and by attracting younger patients through savvy marketing. ■

Jim Denning is CEO of the Discover Vision Centers in Kansas City, Missouri. He may be reached at (816) 350-4529; jdenning@discovervision.com.

