

## *How to Compete Without Cutting Price*

*Refractive surgeons facing a difficult economic climate will do better by adding value than cutting price.*

By Shareef Mahdavi  
March 2009

There's no question that the refractive surgery market is down in response to the economy's overall weakened state. MarketScope data showed that 2008 volumes were down between 20% and 40% compared to 2007 volumes. However, I challenge those who believe that refractive surgery practices cannot thrive in such a market to take a look at the practices out there that are up in patient volume—that's right, there are practices that are growing in the current marketplace.

These practices are not run by miracle workers; they simply view the current economic climate as an opportunity to make the practice as attractive to patients as possible, and they're doing so in unexpected ways. They know that while they cannot control the economy, they can control what happens inside the walls of their offices every single time the phone rings or a patient walks through the door. This is ultimately what sets successful practices apart from practices that are struggling.

### **Do Not Lower Price**

One of the most important lessons that surgeons can learn—especially in times of fiscal hardship—is that lower prices do not translate into higher sales volumes. And while that is not true for every kind of product or service sold, it is true of refractive surgery, which is, at its core, a luxury item. And luxury goods in general sell more when prices are *raised* than when they are lowered.

This was made clear in the world of refractive surgery by our experience in the period from 1999 to 2005. In 1999 the average price of LASIK was well over \$2,000 per eye. Perceived pressure from corporate laser centers and the belief that demand could be increased by lowering prices brought procedure prices down to the point where in 2001 one in five surgeons was offering LASIK for less than \$1,000 per eye. The effect? Demand plummeted (Figures 1 and 2).

Of course, in 2001 there were also macroeconomic factors that affected laser vision correction volume. But the lesson remains: cutting price did not raise volumes. It only cut surgeons' net revenue.

The demand for refractive surgery is inelastic—an economic term that describes the relationship between price and demand. With other kinds of goods, when retailers want to increase volume, they cut prices—a good sale always draws a crowd. But, with a few exceptions, most people don't want "discount" eye surgery. Marketing studies of other goods have shown that when prices get too low, potential buyers perceive that quality must have been reduced—so low price can be perceived as a warning sign as well as an inducement. For most patients, there is something inherently unsettling about the idea of discount eye surgery.

### **Add Value**

An alternative approach to the price/perception problem is to add value without lowering price. One example might be bundling a pair of high-end sunglasses with each bilateral LASIK. If the glasses retail for \$200, that's the perceived value to the patient although the cost to the practice is only about \$70. And to a patient, a pair of luxury glasses represents tangible value. It's important, though that the sunglasses be exceptional—a free pair of \$15 drugstore sunglasses will utterly defeat the purpose.

A similar alternative might be to bring in a massage therapist at times when refractive surgery patients are in the office to enhance their experience. Offering no-interest financing through a third party is another way to create value for patients without lowering procedure price. The ways to add value are limited only by one's creativity.

### **Consider Staffing Changes**

Although most practitioners are loath to let staff go, it is critical to rethink teams periodically. The goal is to develop a staff in which every member has a desire to serve patients. Is there anyone on staff now who is the kind of individual who spreads negative attitudes? It's imperative to get rid of that individual before he or she damages the whole staff's morale.

The best staff members are committed to the practice and have a genuine desire to serve patients. Practitioners should think strategically about whom they want interacting with patients, and in which capacities. In selecting a refractive counselor, for example, simply promoting someone to the position because of her years in the practice can be a terrible mistake. The position calls for a certain kind of person with a strong service mentality, and in times of financial stress the need to have the right people in the right positions is all the greater.

The current economy has left a large number of workers from industries that emphasize customer service out of work. Now is a good time to find people who are passionate about serving customers; look in the airline, banking, retail, or real estate sectors. People who have been successful in these industries typically understand how to work with clients and create positive experiences.

### **Put the Focus on the Patient**

With elective procedures such as LASIK and premium IOLs, practices need to keep in mind that patients are also customers. As such, the focus should be on providing them with outstanding service and a memorably positive experience. For historical reasons, most practices are more focused on the doctor than the patient. For example, does the most convenient parking spot say, "Reserved for Dr. Smith?" Smart practices will change that to read, "Reserved for LASIK patients."

When patients call a practice, they want more than a price estimate, which puts a surgical procedure on the level of an auto repair job. Patients want someone to engage them, ask questions, and listen to their needs. Then, and only then, will they find the practice appealing.

Once patients come in to the office, what are their first impressions? Is the carpet stained? Is there dust on the slit lamp? Such things can easily go unnoticed by busy surgeons and staff, but to patients these are subconscious indicators (also known as "negative cues") of how well the practice takes care of, not just carpet, but perhaps their laser and even their patients.

There are countless ways to reengineer a practice to make it more customer-focused. But the most important thing to remember is that, while the technology of LASIK and premium IOLs is excellent, patients are by and large not choosing procedures for the technology—they are choosing them for the experience and the impact it will have on their lives. Getting LASIK is one of the top four life changing events in a person's life, just behind getting married, having a baby, and buying a house. If surgeons and staff treat the day as "just another Tuesday," that won't mesh well with patients' heightened expectations.

Changing the focus of a practice is not easy. For many practitioners, it seems easier to simply run a few ads and hope to snag patients. But until the people answering the phone, the people taking patients' information at the front desk, the technicians doing pre- and postsurgical testing, are doing these tasks not only to the best of their abilities but also in a warm and patient-focused manner, all the ads in the world won't make the practice desirable to patients. In fact, many successful practices don't advertise at all. They simply place a relentless focus on serving their customers and enhancing their experience at every step along the way.

Which takes us back to price. Patients evaluating price look at much more than an absolute number. Their real concern is: will they receive value commensurate with what they are being asked to pay? For a practice, there are two ways to get to that point: cut price or raise value. For practices in that position, everything argues in favor of raising value: the bottom line will be healthier (much healthier), there will be greater satisfaction for both patients and staff, and day-in, day-out working at the practice will be better.

### THE BOTTOM LINE

Procedure volumes in elective surgeries, such as LASIK and premium IOLs, are suffering, but that doesn't mean that practices can't be successful. Research has shown that lowering procedure prices actually lowers demand for these services, so surgeons need to find other ways to differentiate their practices. Increasingly, companies from every sector of the economy are realizing that customer service is the only way to distinguish their products. Successful practices must be patient/customer-focused. Staff members must be invested in maintaining a service culture. Providers must enhance patients' experiences in any way possible, from maintaining a clean, modern office to finding ways to make patients feel special.

#### **About [SM2 Strategic](#)**

Shareef Mahdavi is president of SM2 Strategic, based in Pleasanton, California, a consulting firm that works with medical device manufacturers and physicians to create demand for new technologies and procedures. He has more than 20 years of experience in marketing and sales for medical device companies. *Refractive Eyecare* associate editor Diana Friedman assisted in the preparation of this manuscript.