

# FTC Contact Lens Study

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# Background

- FTC had long history of promoting competition in professional services
- OPP investigating barriers to e-commerce
- FCLCA required that the FTC “undertake a study to examine the strength of competition in the sale of prescription contact lenses.”

# Online-Offline Price Difference

Regression controlling for mix of lenses finds \$15.48 difference, but same intrachannel patterns

Channel											
<b>Online</b>	\$72.45	\$71.71	\$90.00	\$75.15	\$44.53	\$66.47	\$123.55	\$92.94	\$99.13	\$174.17	\$91.14
Pure Online	\$71.94	\$71.04	\$88.01	\$74.65	\$40.07	\$66.47	\$112.79	\$88.87	\$94.44	\$170.92	\$87.77
Hybrid	\$74.23	\$74.23	\$95.99	\$77.65	\$61.27	-	\$166.63	\$123.45	\$116.71	\$189.33	\$106.38
<b>Offline</b>	\$77.45	\$79.53	\$98.18	\$80.17	\$68.42	\$88.36	\$145.01	\$118.04	\$107.56	\$198.94	\$107.42
Wholesale Club	\$55.90	\$55.90	\$77.48	\$56.40	\$44.93	\$79.96	\$109.26	\$91.73	\$94.94	\$163.68	\$83.18
Mass Merchandiser	\$74.94	\$74.94	\$95.86	\$70.94	\$74.99	\$90.00	\$153.94	\$129.99	\$110.99	\$198.00	\$108.38
Optical Chain	\$86.94	\$86.94	\$105.97	\$84.94	\$64.25	\$91.93	\$162.94	\$116.25	\$103.50	\$206.60	\$109.20
Independent ECP	\$80.00	\$84.00	\$100.67	\$88.00	\$76.83	\$87.67	\$152.00	\$125.20	\$113.33	\$207.17	\$112.35
<b>All Channels</b>	\$74.45	\$75.02	\$93.82	\$77.35	\$54.67	\$76.10	\$134.15	\$103.81	\$102.71	\$184.89	\$97.80



Source: FTC Price Survey. Unit of observation is price of lens  $j$  at outlet  $i$ . Average prices for All Lenses, Online, Offline, and All Channels are weighted by observation.

# Private Label and Limited Distribution Lenses

- Limited distribution and private label lenses widely available online and offline
- No price difference between private label and brand name equivalent (\$76.28 vs. \$77.99)
- No evidence of supra competitive pricing for ProClear

2007 Follow-up finds No systematic change in gap between online and offline prices since Rx release had gone into effect

No evidence of more intense offline competition as measured by price dispersion

	Log Price				Log Total Price			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
OFFLINE x FCLCA	-0.03 (.04)				-0.02 (.03)			
IECP x FCLCA		-.02 (.04)				-.04 (.05)		
OPTICAL CHAIN x FCLCA		.08 (.05)	.08 (.05)			.07* (.04)	.07* (.04)	
MASS MERCHANDISER x FCLCA		.002 (.03)	.002 (.03)			-.02 (.05)	-.02 (.05)	
WHC x FCLCA		-.05** (.02)	-.05** (.02)			-.07 (.05)	-.07 (.05)	
IECP1 x FCLCA			-.07*** (.02)	-.07*** (.02)			-.09* (.05)	-.09* (.05)
IECP2 x FCLCA			.04* (.02)	.04* (.02)			.02 (.11)	.02 (.11)
IECP3 x FCLCA			.31*** (.03)	.31*** (.03)			.24*** (.07)	.24*** (.07)
IECP4 x FCLCA			-.006 (.02)	-.006 (.02)			-.02 (.04)	-.02 (.04)
IECP5 x FCLCA			-.11*** (.02)	-.11*** (.02)			-.13** (.06)	-.13** (.06)
OC1 x FCLCA				.10*** (.02)				.08 (.06)
OC2 x FCLCA				.19*** (.02)				.14*** (.05)
OC3 x FCLCA				.05** (.02)				.03 (.06)
OC4 x FCLCA				-.04** (.02)				-.06 (.07)
MM1 x FCLCA				-.02 (.02)				-.04 (.06)
MM2 x FCLCA				.02 (.02)				.004 (.08)
WHC1 x FCLCA				-.04* (.02)				-.06 (.05)
WHC2 x FCLCA				-.05** (.02)				-.06 (.07)
R <sup>2</sup>	.84	.87	.89	.89	.82	.86	.88	.89

# Thank You!