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**SightReach Surgical®**

*A Social Enterprise of*  
**The International Eye Foundation**

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Annual Report #2  
June 30, 2000 - 2001

Submitted by:

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## Acronyms

BHR/PVC	Bureau for Humanitarian Response/Private and Voluntary Cooperation
ECCE	Extra Capsular Cataract Extraction
GPO	General Purchasing Organization
HPMC	Hydroxy Propyl Methylcellulose
IAPB	International Agency for the Prevention of Blindness
IEF	International Eye Foundation
INGDO	International Non-governmental Development Organization
IOL	Intra-ocular Lens
MG	Matching Grant
NGO	Non-governmental Organization
PMMA	Polymethylmethacrylate
QA	Quality Assurance
SE	Social Enterprise
SIS	Small Incision Surgery
SRM	SightReach® Management
SRP	SightReach® Prevention
SRS	SightReach Surgical®
USAID	United States Agency for International Development
VOSH	Volunteer Optometric Services to Humanity
WHO	World Health Organization

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## I. Executive Summary

The International Eye Foundation's, *SightReach Surgical® Annual Report #2, June 30, 2000 – 2001*, represents activities under the IEF's SightReach® program. The SightReach® program is supported by Cooperative Agreement No. FAO-A-00-99-00053-00, with a project life of September 28, 1999 – September 27, 2004. The activities of SightReach Surgical® herein described is but one component of the umbrella SightReach program:

1. SightReach® Management, eye hospital sustainability planning,
2. SightReach Surgical®, IEF's social enterprise,
3. IEF's Strategic/Business Plan, and
4. "Seeing 2000" sub-grants to hospitals supporting pediatric eye care surgery,

This report represents component two, the SightReach Surgical® program.

The major achievements over the past year have been remarkable. SightReach Surgical® complements other IEF initiatives in addressing the barrier of cost in providing and accessing eye care services in the developing world by attempting to bring down the cost of ophthalmic products. The international community has acknowledged SightReach Surgical (SRS) as a valuable resource in the delivery of ophthalmic and optical health care technologies. Alliances have been forged with other NGOs and health care institutions. A distributor network has been established that is selling equipment and ophthalmic consumables. Promotional materials were produced, such as a website, CD-Rom, catalogue, flyers, and brochures in three languages: English, French, and Spanish.

Sight restorative surgical rates in most parts of the world remain low, unable to keep up with the ever-growing cataract backlog. One of the main reasons reported for low surgical rates, is the cost of providing the service and the resultant prices charged to the patient. Diagnostic and surgical supplies are traditionally prohibitively expensive. The mission of SRS is to promote high quality low cost ophthalmic surgical instruments, equipment, and supplies including intraocular lenses. This approach is based on the philosophy that access to affordable quality products will reduce costs, allowing services to be priced more affordably, thus increasing access to sight restorative surgery by a larger portion of the population.

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SRS offers hundreds of ophthalmic and optical products. This is necessary because various diagnostic and treatment procedures require different pieces of equipment and instruments. SRS has accounts with at least 55 manufacturers of ophthalmic and optical products, having selected the most appropriate technology for developing country settings.

A solid customer base is critical to SRS's long-term success. In terms of direct sales SRS has 27 customers spread over fifteen countries. Of these customers, 5 are public hospitals. Currently, SRS has four active distributors, and three distributors who are being developed. Since every ophthalmologist working in a developing country is a potential customer, SRS strives to get into the field to meet these customers. Last year SRS visited 35 hospitals and clinics and attended five conferences for international ophthalmologists, optometrists and opticians.

The sales and net profits recovered dramatically this year and consequently are back on track with the sales projections established at the beginning of the SRS program. The ultimate result is that customers are benefiting from lower prices.

## **II. Introduction**

Affordable, high quality eye care can be made available to disadvantaged people in developing countries, through improvement in management, efficiency and effectiveness of services.

The International Eye Foundation (IEF) has been implementing a business model detailed in the SightReach® program that consists of:

1. SightReach® Management promotes management and financial self-sufficiency of eye care services leading to improved quality of service outcomes.
2. SightReach Surgical® a social enterprise dedicated to eliminating the barrier of cost of eye care and surgery. SightReach Surgical offers high quality ophthalmic medical and surgical supplies, instruments, and equipment at low costs, bringing down the price of eye care and surgery while maintaining an orientation towards the poor.
3. SightReach® Prevention targets the four conditions responsible for 80% of the world's blindness - cataract, trachoma, river blindness, and childhood blindness.

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IEF's extensive field and technical experience has led to the creation and integration of public-private alliances. IEF is dedicating these resources to forging alliances with international eye health care partners. Ophthalmologists in developing countries have had difficulty procuring adequate quality ophthalmic and optical products in order to provide adequate and timely services. SightReach Surgical® stimulates local economies through the promotion of local businesses and partners. In addition, SRS supports doctors and public health systems by providing procurement and logistical support. The SRS products sold are used in blindness prevention programs in countries where blindness constitutes a significant public health problem.

SRS is transforming the delivery of health care technologies for prevention and treatment of blinding diseases, by promoting appropriate technology, lower prices, and self-sufficient private/public partnerships. Although there was a minor setback due to a change of personnel, sales are near the targets set in the *Six-Year Profit and Loss Projections*, established at the beginning of the project.

Plans for the next year include establishing distributorships in Mexico, Venezuela, Brazil, Uruguay, Colombia, Ecuador, Bolivia, and Peru. The bigger countries have substantial cataract backlogs as well as a large market potential.

### **III. Background and Project Content**

IEF continues to build on 40 years experience in the prevention and cure of blindness worldwide through training of health personnel and disease specific programs addressing the leading causes of blindness. As prevention programs around the world have developed, many of the remaining barriers to quality eye programs relate to the misdistribution of providers and the price of care. In 1994, IEF began promoting the establishment of ophthalmology clinics in underserved areas of Latin America, helping 20 ophthalmologists open independent and financially self-sufficient eye clinics. The evaluation the ophthalmology services, it was found that treatment of cataract, the world's leading cause of blindness, remained low. Although clinicians around the world are trained to perform sight restorative surgery for this condition, surgical rates in most areas are insufficient to keep up with the quickly growing cataract backlog.

One of the main reasons reported for the low surgical rates is the cost of providing the service and the resultant prices that are charged to patients. Diagnostic and surgical supplies for this procedure have traditionally been prohibitively expensive. In the last seven years, low cost surgical supplies and intraocular lenses have been introduced, drastically reducing prices.

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It is IEF's mission to promote quality low cost products based on the philosophy that increased access to affordable quality products will reduce ophthalmologists' costs allowing them to price their services more affordably, increasing access to sight restorative cataract surgery to a wider proportion of the population. While we cannot insure that all ophthalmologists will pass on their savings to their patients, there are many who struggle to provide care to lower income patients and will take advantage of low cost supplies to lower the price of service.

To promote this mission, IEF has established SightReach Surgical® a social enterprise dedicated to promoting affordable quality ophthalmic supplies and equipment to eye care professionals with the goal of both lowering costs of surgery in developing countries and generating revenue for IEF's sight saving programs.

SRS is based in the Bethesda IEF headquarters office and markets surgical supplies and equipment in Latin America and Africa. SRS is currently active in Guatemala, El Salvador, Honduras, Nicaragua, Malawi, and Bolivia. Plans for the next year include establishing distributors in Mexico, Venezuela, Brazil, Uruguay, Colombia, Ecuador, Bolivia, and Peru. We have had occasional sales in these countries, which need to be aggressively pursued. These countries have substantial cataract backlogs as well as a large market potential. By continuously expanding services to different countries the SRS business plan projects financial sustainability by year six (covering staff salaries, travel, promotional materials, etc).

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## **IV. Strategy for Sustainability**

### **A. The Social Enterprise**

SightReach Surgical® is a social enterprise dedicated to reducing costs associated with eye care and surgery. SightReach Surgical® markets quality ophthalmic medical and surgical supplies, instruments, and equipment at affordable prices with the goal of reducing the costs for eye care providers and ultimately prices to patients. There is a multiple bottom line:

#### **1. Sustaining Local Partners**

SRS contributes to IEF's financial sustainability and that of its local partners. Local distributors are direct beneficiaries of SRS through sales of ophthalmic supplies and equipment. Eye care organizations that distribute SRS materials have a source of income generation to fund their blindness prevention activities.

#### **2. Lower Prices and Stronger Service Providers**

SRS allows doctors to lower prices and build their services due to reduced cost. SRS's corresponding sub-goals are: Patients can better afford eye care, thus reducing the risk of blindness. An important complement to the goal of increased access to low cost supplies is the principle of high-volume low-cost cataract surgery in developing countries. The model of high volume low cost cataract surgery, pioneered in India, has demonstrated improved access to cataract surgery for the poor. Increased volume lowers per unit cost, lowering the price of surgery for patients and ultimately increases earnings for the provider by generating greater demand for eye care services. IEF is promoting this approach through SightReach Management program that promotes management and financial sustainability. SRS promotional activities are a crucial complement to this program.

### **B. Mission for Sustainability**

SRS's growth depends upon the volume of sales generated. As discussed in the section below labeled "Financial Year in Review", profit margins on surgical supplies is small and at this point, surgical volumes are low in most countries, limiting the potential for sales. Nevertheless, SRS is establishing a noticeable sales presence and promoting high volume surgery. SRS is increasingly dependent on the sales of equipment as opposed to medical consumables. Thus the product mix has shifted in response to consumer demand. The SRS sales figures found in the *Six-Year Profit and Loss Projection*, forecast sales over the next three and a half years. The objective in the forecasts is to achieve 80% sustainability by the fifth year and exceed the breakeven point by year six.

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### **C. The Partnership for Domestic Distribution - MediGroup/IEF**

Another example of IEF's ability to form private/public partnerships<sup>1</sup> is the business agreement with an American general purchasing organization (GPO) called MediGroup Physician Services. MediGroup is one of the nation's largest GPOs for independent physicians and surgery centers, providing its members with negotiated prices on office and surgery center products and services. Under the terms of the MediGroup/IEF agreement, IEF's referrals that join MediGroup (American physicians and hospitals located in the USA) may save 15% - 30% off of the manufacturer suggested retail price when supplies are purchased through MediGroup. The physicians and hospitals access their MediGroup account through the IEF co-branded website. Those participating in the plan receive benefits provided by MediGroup Physician Services, which includes group purchasing discounts and on-line ordering capabilities. MediGroup's system allows physicians and their staff to quickly find the items they need at the discounted prices. The system also allows users to create custom purchase lists for easy re-ordering. MediGroup will donate a portion of its proceeds received to IEF/SRS in support of IEF global programs. To publicize this opportunity the following has been undertaken:

- Press releases noting the partnership arrangement have been circulated among magazines / newsletters / agencies / etc. In addition, distribution of letters has included the IEF Board Directors, the members of the Society of Eye Surgeons, and other associates and colleagues.
- Promotional events included trade shows such as the American Academy of Ophthalmology in November 2001.

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<sup>1</sup> IEF's ability to form private/public partnerships fits in well with previous USAID priorities and emerging priorities, as stated by the Global Development Alliance.

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## V. Marketing

### A. SRS Products

SightReach Surgical® focuses on providing the surgical supplies for cataract surgery, traditionally the most expensive components of cataract surgery. SRS has expanded its product list to include other items difficult to procure locally in developing countries. Appendix 1 is the current product list of the supplies. These include:

1. Intraocular Lenses (IOL): a plastic Polymethylmethacrylate (PMMA) lens implanted in the eye, which replaces the eye's opaque and thickened lens that is surgically removed. IOLs previously were the most expensive component of a cataract operation costing US \$150-250. In the past seven years, low cost quality IOLs have become available for use outside the USA, dramatically reducing bulk purchaser prices of IOLs to US \$7. SightReach Surgical® carries the styles and sizes of IOLs used frequently by ophthalmologists. The IOLs are procured from Aurolab, which is located in Madurai, India.
2. Sutures: Recently, Aurolab introduced low cost quality ophthalmic sutures for cataract and glaucoma surgery. Previously American manufactured sutures were sold in Latin America at roughly \$25 per suture, Aurolab provides sutures at 1/10<sup>th</sup> that price and SightReach Surgical® carries eight types of sutures.
3. Hydroxy Propyl Methylcellulose: HPMC is an ophthalmic solution used during intraocular surgery to replace eye chamber fluid during surgery. HPMC helps prevent the inside of the cornea from being scratched. This less expensive solution is sold by SRS for \$3.50 per unit. It is a replacement for the more expensive "viscoelastic" which costs \$60 per unit and must be kept refrigerated until time of use. The SRS HPMC does not need refrigeration easing transport and storage.

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4. Diagnostic and Surgical Equipment: Vision 2020<sup>2</sup> has established targets to be achieved in the next twenty years. The chart below lists estimates of developing country populations access to surgery as demonstrated by four highly interrelated dimensions of infrastructure, technology and resources. The factors listed directly influence ophthalmologists in developing countries many of whom lack the necessary diagnostic and surgical equipment.

***Global Vision 2020 Targets:***<sup>3</sup>

	<b>Current Status</b>	<b>VISION 2020 Targets</b>
Availability	50%	95%
Accessibility	40%	90%
Utilization	25%	90%
Coverage	25%	90%

This highlights the significant role of investing in human and infrastructure to meet demand. The medical science of ophthalmology is technology dependent requiring specialized and expensive equipment for a multitude of diagnostic and treatment approaches. For instance implanting an IOL requires that the hospital purchase an Operating Microscope, A-Scan, Keratometer, Slit Lamp, and YAG laser (where volumes are high). SRS facilitates the procurement of ophthalmic equipment at discounted prices to ophthalmologists and public hospitals working with under-served populations. Through longstanding relationships with ophthalmic manufacturers, SRS is distributing equipment at prices significantly lower than those available to ophthalmologists in country. Participating ophthalmologists experience savings ranging from 15% to 35% on the equipment necessary to provide through eye care.

Procurement of equipment is a service that is in high demand from our SRS partners in the field. Following the lead of the Vision 2020 initiative, which has identified equipment as a key area requiring interventions, the SRS program addresses the following needs:

1. Shortage of fundamental diagnostic and therapeutic equipment
2. A need for affordable and easily maintained equipment
3. Equipment service providers are often too distant and costly
4. Sophisticated equipment is often not robust and is easily broken

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<sup>2</sup> Vision 2020 is a worldwide concerted effort designed to eliminate avoidable blindness by the year 2020. The program enables all parties and organizations involved in combating blindness to work in a focused and coordinated way to achieve the common goal of eliminating preventable and treatable blindness.

<sup>3</sup> Thulasiraj, R.D., Infrastructure, Technology and Resource. World Blindness and its Prevention, Edited by R. Parajasegaram and Gullapalli N. Rao. International Agency for the Prevention of Blindness. Hyderabad, India, 2001; Vol. 6, 225.

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5. Information on good quality equipment is not readily available, and this often leads to inappropriate and expensive purchases.
  6. The lack of equipment maintenance courses.<sup>4</sup>

SRS attempts to offer the technologically appropriate equipment necessary for a functioning ophthalmic clinic or hospital from IOLs to low vision instruments to lasers and retinal cameras (note attached Equipment List). However, SRS emphasizes increasing the availability of diagnostic equipment necessary for basic eye exams. This approach begins with the fundamental equipment list (found in the “Resident’s Diagnostic Kit”), which identifies the basic equipment necessary for ophthalmology resident in training.

### **B. Target market**

SRS’s profitability is dependent upon its ability to capture a certain portion of the market. Consumers of ophthalmic products in most countries can be broken down into three categories:

1. Upscale “for profit” providers: these may be ophthalmologists, or small groups of ophthalmologists who cater to the highest paying patients. Charging between \$600 and \$1000 per cataract surgery, these providers are not overly concerned about the price of consumables and traditionally purchase the most expensive American products.
2. Large “not for profit” providers, usually government hospitals or non-governmental organizations: These providers have the ability to purchase low-cost Aurolab IOLs directly from the factory in India without the payment and customs problems encountered by smaller providers. Purchases made directly from the factory have a minimum order of 240 lenses, which must be paid for in advance. The large government or charity institutions also have tax-free import status, which facilitates an otherwise costly and time-consuming customs clearance process. Prices direct from the factory are lower than IEF’s prices. These considerations make it difficult for SRS to offer competitive prices with some of the large public health providers when purchasing IOLs. There are some large or medium sized institutions that do not import directly from India and SRS will market its products to these institutions.

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<sup>4</sup> Taylor, Prof. H.R., Vision 2020: The Right To Sight - Australia. AV2020 Global Subcommittee Report - Appropriate Technology Workshop. Adelaide, February 9, 2001.

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3. Individual ophthalmologists serving a broad range of the population, including middle and lower socio-economic classes: These ophthalmologists usually work in private clinics providing a mix of free, subsidized, and “at cost” services along with services at established prices. They try to limit their expenses and offer cataract operations at prices within the reach of their target population. When purchasing surgical supplies, these ophthalmologists seek quality lower-cost options. Importing Aurolab IOLs from India directly, is very costly for this class of ophthalmologist due to the high minimum order, required prepayment in US Dollars, and import charges. Though local distributors SRS makes IOLs accessible in small quantities with payment in local currency. This is the segment of the market holding the most promise for SRS.

Within this market segment, there are some ophthalmologists affiliated with non-profit organizations or donors (such as the Lions Clubs), who provide some surgical supplies free of charge with the intention of subsidizing care to indigent patients. In some areas of the country, most people are indigent and these ophthalmologists use donated products to subsidize all services. SRS’s sales to these individuals will be limited to special events, but the opportunity to market to the organizations will be explored. This has been done successfully in Guatemala where the Lions club purchased large amounts of viscoelastic and sutures. SRS plans collaboration with the Lions and discussions on strategies to pursue will be discussed in upcoming meetings with SightReach Management in 2002.

4. Gender Considerations: The greatest predictor of cataracts is age and since women live longer than men do they have a greater need for cataract operations. However, the process of establishing a data collection system to verify the extent of blindness in women that might benefit from the SRS intervention is beyond the scope of this grant. Nevertheless, SRS is gender sensitive and is aware that the age-adjusted risk of blindness is greater for women when compared to men by a ratio of 1.39 (95% CL 1.2-1.6) in Africa; 1.41 (95% CL 1.3-1.6) in Asia; and 1.63 (95% CL 1.3-2.1) in industrialized countries. Women bear 64% of all blindness.<sup>5</sup> With this said, almost every country distributors is a woman, except for one male.

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<sup>5</sup> Courtright, Paul D., Gender Issues in Blindness, Eye Disease and Use of Eye-care Services. IAPB News. International Agency for the Prevention of Blindness: Hyderabad, India, April 2001:30, 7.

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### **C. Competition**

Intraocular lenses were first marketed in the 1970's. During this time, a few American companies selling their IOLs at very high prices (\$150-250) dominated the market. There were no alternatives to American made products until seven years ago when the Aravind Eye Hospital opened a "for-profit" subsidiary, Aurolab, and began producing IOLs with a retail price of \$10 each. Since then, a plethora of brands have emerged, mostly from India, all hovering in the USD \$10-20 retail price range. The introduction of many low-cost IOLs has fueled a price war in the industry, particularly in the past year, when the downward pressure on IOL prices resulted in unit cost of \$4 for distributors buying from the factory in bulk. These inexpensive IOLs are being accepted by price sensitive doctors and used readily without consideration to the possibility of a negative health outcome based on the quality of the product. Some of these IOLs are manufactured from non-medical grade materials.

SRS's promotion of quality Aurolab products has been key to the acceptance of the SRS IOL, suture and viscoelastic product lines. Leaders in the field of ophthalmology internationally have used and advocated Aurolab products as high quality. The surgical materials sold by SRS have been received with overwhelming satisfaction by the ophthalmologists who have used the products in the past and continue to do so in the present.

### **D. SRS's Competitive Edge**

SRS has differentiated itself from other competitors by capitalizing on the positive reputation and strong relationships IEF has established throughout Latin America in support of ophthalmology and blindness prevention. IEF is respected for supporting Latin American ophthalmologists with scholarships for Basic Sciences Courses and Fellowships, prevention of blindness activities, and the establishment of clinics in under-served areas. The re-sale of low-cost surgical materials was suggested during an evaluation by participating ophthalmologists. In evaluating the relatively low surgical rates, economic factors were seen to be a major barrier to patients' access to cataract surgery. Ophthalmologists cited access to low-cost surgical supplies as necessary to lower prices for patients and thus increase cataract surgical rates. Therefore, beyond simply promoting SightReach Surgical products, IEF is promoting new approaches to increasing the overall number of cataract surgeries performed. By lowering costs of supplies and, therefore, the cost of the procedure, IEF hopes to increase access to cataract surgery.

To further this objective, SRS's counterpart SightReach Management® is working intensively with major institutions to institute management, administrative, and surgical methods to increase efficiency, improve quality of outcomes, and thus increase significantly their cataract surgical rates.

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The increased productivity combined with establishment of multi-tiered prices are key to achieving financial sustainability - the goal of the SightReach Management® program. The low cost surgical supplies and equipment provided through SightReach Surgical® are seen as a tool to lower costs.

#### **E. Experience to Date**

Equipment sales: Beginning in 1993 with our initial SightReach program, IEF began providing diagnostic and surgical equipment available at prices below market to ophthalmologists working in under-served areas. This special pricing was made possible through discounting and bulk buying agreements established with manufacturers and distributors in the ophthalmic field. The equipment was provided in sets, which included a “basic package” containing all basic items necessary to perform a diagnostic examination, and a “surgical package”, which included an operating microscope and surgical instrument sets. Through the SightReach program, over \$250,000 in equipment was sold to ophthalmologists in Guatemala, Honduras, El Salvador, and Ecuador. IEF has continued to receive letters from ophthalmologists from all over Latin America interested in procuring equipment through IEF. Annual sales included the provision of basic diagnostic equipment to ophthalmology residents. These residents purchase retino-ophthalmoscope sets and diagnostic lenses to use during their residency program at the cooperating public hospital. The package called the “Resident’s Diagnostic Kit” contains all the necessary equipment to complete residency training. Prices for the Diagnostic Kits remain extremely low so as to provide a service to students. In the past, some students would share equipment or often go without. The resident’s kit introduces SRS’s services to ophthalmologists. The more comprehensive list of SightReach Surgical® products will hopefully meet their future equipment needs.

#### **G. Marketing Activities**

Web Site Development: Our website ([www.sightreachsurgical.com](http://www.sightreachsurgical.com)) now has full information regarding SightReach Surgical. Interested individuals can access product lists and obtain contact information for distributors in their area, or contact headquarters directly. Additionally, interested individuals or groups can contact us to become distributors. The website now offers a dramatically expanded product list and a new layout. One of the major advantages of a website is that in addition to being able to see a picture of the product, customers are able to download technical specifications about the product. Previously the customer would have had to request the information and SRS would have had to ask for greater precision and clarification on the exact product being requested. The process was time consuming and subject to the ability of each client to express their needs in Spanish/French/English medical and technical terms.

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Ultimately catalogues would have to be sent via “snail mail” or fax. The “shopping cart” option is now in the process of being established on the Internet site. It will provide the ability to rapidly take accurate orders at any hour of the day.

Marketing Materials: Media packets containing brochures on SRS, the product list, and price list are available upon request. The product lists have been expanded to include detailed information on surgical instruments and ophthalmic equipment. The packets are used for informational and promotional purposes such as trade shows, or country visits. The packets contain the catalogues, however they are expensive to make and prices change constantly. Nevertheless, a CD-ROM of the SRS catalogue is in preparation to hand out to customers who may not have access to the Internet. The CD will have all the information that is currently on the website.

## **H. Promotional Activities - Travel**

1. Central American Trip - February 2001: Early in 2001, a trip was made solicit sales and reestablish IEF/SRS contacts. Every distributor was visited and meetings scheduled with potential distributors (\*):

Mexico:	Pedro Andres*
Guatemala:	Hedda Liz de Morales
El Salvador:	Dr. Roberto Jule
Honduras:	Claudia Alcerro
Nicaragua:	MEDIOPSA
Costa Rica:	Floria Jimenez*

Meetings and discussion groups were held non-stop and over 93 doctors and administrators were introduced to SRS. A critical aspect of understanding the client is visiting their workplace, thus nine hospitals and fifteen clinics were assessed. The assessment consisted of facility tours and a review of the equipment in inventory and its condition. In many cases the client’s needs were obvious nevertheless wish lists were prepared.

In El Salvador, one day after the earthquake, SRS provided the Hospital Zacamil a large donation of sutures, viscoelastic, IOLs, professional books, indirect ophthalmoscope, and a Schiotz Tonometer. A meeting was held with the Minister of Health and Public Assistance of El Salvador, Dr. José Francisco López Beltrán, to introduce the objectives of the International Eye Foundation and SRS. Two presentations were made to full Rotary Club meetings in Honduras and Nicaragua. One presentation was made to seventeen residents of Roosevelt Hospital in Guatemala. Over three-dozen requests for quotes were received. These clients were provided with SRS quotes that ultimately resulted in new orders.

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2. SRS attended the following conferences:

- Pan American Congress of Ophthalmology, Buenos Aires - November 2001. The PAAO conference was very important for numerous reasons. Presidents, CEOs, and Directors of Marketing, were introduced to the MediGroup/ SRS partnership. About 20 manufacturers requested additional information and asked to be contacted by MediGroup with contractual details allowing them to market their product via the general purchasing organization. On the international side numerous contacts were made during the countless opportunities to network. A bonus was that educational courses were attended, which increased the understanding of ophthalmology supplies, materials, and equipment usage for specific procedures.

Over 34 ophthalmologists from Uruguay (the entire team visiting the conference) were introduced to SRS. In Uruguay, three hospitals and two clinics were visited and fifteen ophthalmologists were contacted. A medical technician with previous medical sales experience expressed interest in becoming a distributor.

- International Vision Expo 2001, New York City. March 2001.
- The American Academy for Ophthalmology - New Orleans, Nov. 10th, 2001. This year broke new ground for IEF. The booth was shared with MediGroup, which signed-up doctors from the USA. SRS signed-up doctors from developing countries. Over \$9,000 worth of orders was taken as a direct result of booth business.

3. Presentations were made in the following countries:

- The International Association for the Prevention of Blindness "Cataract Working Group", New Orleans, November 10<sup>th</sup>, on the topic of "Ophthalmology and Appropriate Technology in Developing Countries."
- Annual meeting of Volunteer Optometric Services to Humanity (VOSH) International. Twenty-five Chapter Presidents attended the meeting in Tampa, Florida, November 26th. Since the meeting VOSH International has purchased \$16,000 of equipment and has plans to purchase more.

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## I. Country Distributors

SRS uses distributors to promote its products. These distributors receive the products at discounted prices and sell the items at or below market value. The profit margin will be his/her income. We plan on continuing to use ophthalmologists as our distributors where possible, because of their knowledge of and experience with the product, their relations and proximity to other ophthalmologists and institutions, and their stature within the ophthalmic community. In addition to their professional training, we are also seeking ophthalmologists with some sales experience. Support to distributors currently includes provision of samples of the surgical materials to familiarize doctors with the product, educational materials on cataract and other eye conditions, which can be distributed to doctors for their patients, and educational materials on the low-cost high volume approach to cataract surgery. Financial assistance will be given to distributors for marketing. This could be in support of radio spots, newspaper ads and mailing of brochures.

SRS distributors will receive a commission on sales referred to IEF/HQ. The HQ office collects the funds, procures, and ships the equipment. The commission will apply to all equipment with the exception of resident's diagnostic kits, which will be offered at a very small margin.

### 1. Marketing Support to Distributors:

A policy regarding HQ support of distributor marketing was established to encourage distributor sales. For new technologies to take root it is important to stimulate the commercial infrastructure so that it can handle the logistics of maintaining a supply line through an appropriate distribution system.

### 2. Constraints:

Each country encounters constraints to be overcome usually involving legal, social, and professional considerations. The legal aspects of importing a new medical product and the tax requirements, and how these regulations will be satisfied in a professional manner, is part of the challenges faced by a distributor.

### 3. Improving Distributor Performance:

Country distributors are weak. Sales are less than projected. To improve sales the following actions are being considered by SRS to be undertaken within the next financial year each month a new project would be implemented. By using a monthly supervisory system it might help assure distributor consistency.

- Stakeholder Participation: i.e., engagement of distributors and clients in the identification of needs, solutions and resources.

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- Capacity Building: strengthening country distributors to track sales.
  - Monitoring for Results: tracking inputs and progress against previous year's performances and those of other country distributors.
  - Marketing: Provide distributors with promotional materials in Spanish, or French, or English.
  - Possibility of Capacity Improvement with Continuous/Distance Learning Materials: Job-aids, manuals, CD-ROMs, and website resources.
  - Distributor Evaluation: self-assessment on service delivery and sales performance.
4. A Need to Identify Additional Funding:  
SRS hopes to attract funding for training for small business development funding. One of the projects would be making a CD-Rom for the distributors to help improve their efficiency. The emphasis will be on small business practices and will include various job aids, sales monitoring, and inventory management.

## **J. Factors affecting the marketplace**

1. Free supplies through NGOs:  
An important factor influencing sales to individual ophthalmologists are the NGOs that follow a "charity model" by sponsoring cataract operations and provide the surgical materials free of charge to ophthalmologists. This does reduce the number of ophthalmologists purchasing materials. One strategy to deal with this is to sell the ophthalmic equipment and supplies to the NGOs. We have done this successfully in Guatemala by selling sutures and viscoelastic to the Lions Clubs. SightReach Management has plans in 2002 to assist eye care institutions in Central America and is exploring an alliance with Lions Clubs to support multiple groups of doctors and outreach programs. This may create opportunities to develop stronger market for supplies and equipment.
2. Continued High Price of Surgery:  
The decreased cost of IOLs does not always result in a corresponding reduction in prices by ophthalmologists to patients. Prices for cataract surgery remain in the hundreds of dollars in most countries. Many feel that the current mentality among ophthalmologists is to maximize profits from a small number of wealthier patients. There is not currently the awareness or desire to increase cataract surgery rates. Many ophthalmologists currently

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performing low priced cataract surgery are using donated materials or are sponsored by a charitable non-governmental organization.

The other consideration is that surgical supplies are only one of the costs involved in cataract surgery. Many ophthalmologists need to pay for the use of an operating room, and nurses, which can add an additional \$100 per surgery.

3. Low Cataract Surgical volume:

The volume of surgeries performed in Latin America remains low. This inhibits sales of surgical supplies and keeps the per unit cataract surgery costs high. Creating awareness about high volume methods is a priority of SightReach Management.

**L. Other Sources of Income**

IEF views SightReach Surgical® as an opportunity to explore previously untapped sources of funding. Support will be sought through foundations, partnership with the business sector, private health care corporations, and non-traditional direct mail campaigns.

1. Micro-enterprise Development Funding:

SightReach Surgical® is currently promoting distributorships in Latin America. Key to these sales are ophthalmologists or technical assistants trained in marketing and sales. IEF would like to develop a business-training course helping our eye care partners to successfully market their distribution businesses. Proposals will be sent to four foundations with the goal of raising \$20,000. This would fund initial inventory, promotional materials and training in financial and inventory systems for fifteen to twenty distributors.

2. Partnership with businesses:

Latin America is a region of growing importance in the global market. American businesses in all sectors are looking to expand to southern countries. A partnership with a non-profit offers increased visibility for business in the region. IEF will seek seed funding for the SightReach Surgical® enterprise, from potential business partners and tap their market expertise.

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3. Center for Excellence:

IEF is partnering with institutions in Latin America, to serve as a model for change in other locations. In 2002, IEF will be holding informational meetings throughout the region that will provide strategies on improving efficiency and increasing cataract surgical rates. The low cost surgical supplies and equipment provided through SightReach surgical are seen as a tool to help them lower costs and increase volume. The technical assistance offered at these sessions creates opportunities that attract clients.

**5. Appropriate Technology**

One of SRS's objectives is to recommend ophthalmic and surgical equipment using technologically appropriate references (maintenance, cost of kits, per surgery costs, and long-term durability, etc.), all of which are key considerations for ophthalmologists, hospitals, and patients with limited financial means. Thus SRS recommends products that are appropriate for the developing world conditions in which they are going to be used.

**A. Service capacity**

Technical competence requires learning occurring on two fronts - the specific technical aspects of the equipment need to be understood, and well as the process whereby the equipment functions to treat the disease and its manifestations. This implies that the fundamentals of the disease need to be understood as well by the representative selling the products. The vast array of equipment, supplies, and medications used to treat these problems are extensive, complex, and ever changing. And finally interaction with the clients is critical to gaining trust and understanding their needs and those of their patients.

**B. Establishing Standards**

1. Customer Education:

There are many ways in which SRS serves as the *Consumer Reports* for the developing world ophthalmologist. The actual array of ophthalmic products available is astounding and new products are being introduced on a daily basis. SRS attempts to educate customers with limited access to technical information and inadequate product experience to select the product most appropriate to their needs. SRS is concerned with quality issues, as opposed to brand favoritism. We prefer recommending products that other ophthalmologists have recommended, notably those belonging to SRS' highly qualified Technical Medical Advisory Group. SRS has evaluated price quotes given to hospitals and NGOs to reveal that the ophthalmic equipment quoted was either refurbished, outdated, or a discontinued product stock. Surprisingly, the equipment was being sold as "new" or "never used".

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## 2. International Quality Assurance Issues:

The Medical Advisory Task Force supports SightReach Surgical, on issues concerning new and appropriate technology, program issues, and policy statements. The Medical Advisory Task Force provides medical expertise on a wide range of topics (note attached Appendix item 4, listing the members and their fields of specialty). The findings of these sessions are reported at the IEF Board meetings.

### **C. Maintenance and Technological Management**

Fortunately, some of the diagnostic equipment essential for the practice of ophthalmologist has not changed much over the past twenty years. However, sophisticated electronic ophthalmology equipment with computer boards uses components from a variety of different manufacturers. These out-sourced components comprise the computer chips and electronic parts critical to the operation of the instrument. This process influences the life of a piece of equipment in terms of replacement parts, which are stocked for 6 - 7 years. These factors make choosing the correct equipment with minimal maintenance requirements critical to keeping the equipment running.

Increasingly, technological equipment is being sold with an anticipated life expectancy of only seven to ten years. Much like the "leapfrogging" that is occurring in the personal computer market the software in the ophthalmic market is evolving very rapidly. In the developing world ophthalmic electronics are becoming outdated or in need of upgrading every two to three years, which increases cost of doing business and places the poor out of the market. SRS acknowledges this problem but doesn't have any clear-cut solutions other than educating clients of the need to increase the volume of service offered through use of appropriate technology and to consider the cost of maintenance and per capita costs in their business plan. The future holds the possibility of offering training courses on maintaining modern technology and equipment.

## **6. Operations**

### **A. Inventory and Supplies**

The amount of supplies necessary to maintain an adequate inventory depends upon price and delivery time from the manufacturers, as well as the expected demand. Since there are over fifteen different IOL sizes, it has been necessary to keep significantly larger stocks of those sizes that are in greater demand (powers 18-22). An inventory level of between \$7,000 and \$9,000 has proven to keep the SRS stock levels sufficient to anticipate demand.

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## **B. Pricing**

The price of the products offered by SRS depends upon two major factors. The first, and most important, is the price offered by the supplier. The second factor is dependent upon the current retail/wholesale prices in each of the countries. In general, SRS plans to work on a 10-15% markup.<sup>6</sup> This will vary from product to product depending upon the market and discounts from suppliers. Distributor pricing is recommended but will vary according to the market of each country. In all cases we encourage below market prices in order to reduce the high cost of surgery.

## **7. Financials**

### **A. Projections**

The financial projections listed in the *Six-Year Profit and Loss Statement* were based upon our experience over the last eight years in Guatemala, Honduras, and the Dominican Republic. Previously, IEF had provided ophthalmic equipment and/or ophthalmic supplies in all of these countries and has built a clientele for our supplies. The plan is to work closer to the financial break-even point every year and by the end of the six-year period (June 1, 2005) be financially self-sustainable. At that point IEF expects to be active in twelve countries with an average annual sales volume of \$22,500 per country (\$270,000 total).

### **B. Financial Year in Review**

The International Eye Foundation has a financial calendar year, which begins mid-year. Thus for the sake of accounting simplicity SRS has elected to adapt the reporting period and the financial reporting calendar to the IEF financial calendar accordingly. This reporting format will remain consistent through the project.

Since July 1, 1999, approximately \$149,506 in equipment sales and intraocular lenses was made to individuals, institutions, and international organizations. The sales figures were disappointing in Year 2 (July 1, 2000 - June 1, 2001) because of a staff transition. There was no SRS person for six months. In addition, the new staff person had a steep learning curve before understanding the technology he was responsible for selling. SRS sales of equipment and IOLs over the last six months (July 1, 2001 to Dec 31, 2001) were \$62,075. This represents more than 100% of the first year's sales projection, however it is just \$12,434 under sales projected for year three. With a concerted marketing effort SRS anticipates reaching our goal of breaking-even by year six (June 1, 2004).

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<sup>6</sup> Note: The mark-up amount represents a change of plan and is elaborated on in the *Lessons Learned* section

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The countries sold to in FY 2000-2001 were: Albania, Bolivia, El Salvador, Guatemala, Honduras, Malawi, Mexico, Nicaragua, Nigeria, and Peru.

The terms and conditions of doing business have been reevaluated. Considering profit margins are low, thus it is imperative that SRS does not incur bad debts, or tolerate unpaid bills. One of our respected ophthalmic doctor/distributors still owes us over \$900. Although he has been contacted repeatedly payment has not been forthcoming. All future orders and all equipment now require prepayment before shipment.

## **8. Organizational Management**

### **A. Headquarters**

*Manpower:* Program Director of SRS - Grev Hunt, Director of Programs (100%) - John Barrows, Financial and Administrative Director (5%) - Ed Henderson, Program Assistant - Ed Hedvall (10%), and the secretary - Mekkla Tessing (10%).

*Management:* Mr. Henderson and Mr. Hunt hold quarterly meetings to review projections, sales, and revenue. Mr. Barrows and Mr. Hunt hold quarterly meetings to plan promotional activities, discuss program issues, and coordinate activities with SightReach Management.

*Monitoring:* The SRS's various operations are monitored by Mr. Henderson, Mr. Barrows, Mr. Hunt and the Technical Medical Advisory Task Force based upon the following:

- Weekly - Email communications with distributors (Mr. Hunt)
- Monthly - HQ meeting on country sales reports, advertising, travel, inventory, etc.
- Quarterly - HQ review of income statement

The findings of these sessions will be reported at the IEF Board meetings through the Technical Medical Advisory Task Force supporting SRS

- *The Medical Advisory Task Force:* The Medical Advisory Task Force was formed in support of SightReach Surgical and meets tri-annually to discuss new and appropriate technology, program issues, and policy statements. The Medical Advisory Task Force provides medical expertise on a wide range of topics (note attached annex listing the members and their fields of specialty). The findings of these sessions are reported at the board meetings.

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- *Location & facilities:* Our current storage location (15x25 square feet) is a space, which is barely sufficient for the stock and equipment. Additional space will be required in the near future.
  - *Production process:* No new innovations are required for processing these goods and services. Intraocular lenses will be received from India using DHL, paid for in advance. Ophthalmic equipment is purchased from many manufacturers in the USA. Goods sent out will be packed by hand on premises a shipped via UPS, DHS, TNT and a variety of other freight forwarders.
  - *Supplies:* Goods will be imported from India or purchased locally. Ophthalmic equipment is purchased from many manufacturers in the USA.
  - *Shipping:* Local commercial shipping companies are used internationally.
  - *Legal permissions and requirements:* IEF has been granted a change of activities by the Internal Revenue Service allowing SRS to establish itself as a non-profit organization undertaking revenue generation activities.

#### **B. Country Distributors:**

Country distributors serve as sales representatives and are responsible for all aspects of marketing, sales, importation and collection of payments locally. There is also the need to maintain an inventory and to insure proper controls. We have established distributor-pricing structures that give distributors supplies at a price below that which we are selling directly to consumers. For surgical supplies, their income will come directly from the sales made.

### **9. Lessons Learned:**

#### **A. Getting started as a nonprofit/private organization**

The transition process to a nonprofit with a private oriented department was, in and of itself, a major activity. Large amounts of time and effort were required by IEF to establish SRS within its non-profit organizational status. Foremost the NGO nonprofit mindset needs to change, thus internal obstacles (IEF staff and Board members) needed to adapt. NGOs undergoing this process of transformation should accept that a person or two in key positions may lack the flexibility, vision, or ideology, thus might have to be repositioned.

Furthermore, the IRS needed to accept IEF's new activity known as SightReach Surgical and declare that it would not adversely affect IEF's tax-exempt status. Like other commercial concerns it was necessary to have a "Registered Trade Mark" from the US Patent and Trademark Office on the SightReach Surgical® name, thus making it proprietary. Evidence of IEF's successful transition to the nonprofit/private cause is the relative speed and ease with which the MediGroup partnership was established. The agreement required preparing a business plan, negotiation, legal representation, and a lengthy negotiation process.

**B. A discount is not always a discount:**

Initially, the SRS business plan calculated profits based on a 25% mark-up (profit) price on all products. Thus SRS would purchase a product, which had a retail value of \$100 for \$60. The idea was to sell the product for \$85. This has proven overoptimistic for a variety of reasons. The primary problem was that just the price structure within the IOL marketplace was considered. This simplistic interpretation was imposed on a complicated marketplace with many products and pricing structures, as demonstrated in the chart below. There are numerous product niches in the field of ophthalmology. Within each niche the product manufacturers develop pricing discount strategies as they battle competitors for market share. Example of the various niche discounts as provided by the vendors to SRS include:

Ophthalmic Product Niches	Discounts or mark-ups	Standard Retail Price	Purchase Price SRS	Sell Price SRS	SRS Mark-up
Operation microscopes	15-25% discount	\$10,000	\$8,500 7,500	\$9,350 – 8,250	10%
Surgical instruments	15-20% discount	\$100	\$85 – 80	\$95-90	10%
Indirect ophthalmoscopes	40-45% discount	\$1,000	\$600- 650	\$672- 728	12%
Chair & stand (Complete Lane)	15-35% discount	\$10,000	\$8,500 – 6,500	\$9,350 – 7150	10%
Intraocular Lenses (SRS Distributor)	43% mark-up	\$8	\$7	\$10	43%
Intraocular Lenses (Non-distributor)	86% mark-up	\$8	\$7	\$13	86%

With discounts so small it is easy to see that an across the board 25% mark-up is not competitive. SRS sells IOLs marked up 43% to the country distributors. However, if they are sold directly to the customer the \$7 IOL is sold for \$13, which is an 86% mark-up. This is a deliberate marketing strategy because SRS prefers to do volume business with distributors who manage the entire country instead of dealing with multitudes of small individual orders.

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### **C. The Country Distributor's Share of the Equipment Discount**

It has been very difficult to market equipment through the country distributors because the margins are so tight. Thus the initial idea of providing ten percent of all equipment sales for the country distributor proved almost impossible since that represented 2/3rds of the gross profit on the sale. The prices of the intraocular lenses are elastic - a three to five dollar profit on each makes them still affordable to the population and the doctors. However, equipment quotes are often very competitive without large margins. Thus increasing the price too much makes the product cost prohibitive. For example, if a product is purchased at a 40% discount by SRS, then SRS factors in a 10-15% surcharge. This is followed by the surcharge of the in-country distributor who factors in 10-20% or more to the price. Ultimately, the equipment cost is not competitive and the objective of saving the client money, to be used for blindness prevention activities, is negated. As an alternative sales mechanism the SRS website is accessed directly from the doctor's office. The specification for the equipment is on-line, or can be requested and sent easily to the customer.

### **D. In-Country SRS Office v. Headquarters**

Initially, SRS experimented with renting an office in Guatemala and hiring personnel to run it. It became clear that it was too costly to maintain an office to conduct sales because the overhead quickly made all profits disappear. Optimally, SightReach Surgical's presence in a country should be limited to a distributor with an established workplace and incentive to diversify their income.

### **E. IOLs vs. Equipment**

The original plan relied on IOLs to drive sales. Instead the IOLs have stimulated demand for equipment. Customers expressed the need for SRS to offer a range of products, thus lessening dependence on overpriced in-country equipment vendors. SRS then came to rely on equipment as a major component of sales. This shift in emphasis demonstrates how SRS is responding to the market demands. Accordingly, the equipment offered is from increasingly diverse number of manufacturers according to requests for quotes.

### **F. Preference for American-made IOLs**

Most ophthalmologists prefer to use American manufactured Storz or Alcon IOLs because of their excellent reputation. Those ophthalmologists with patients who can afford the American IOLs insist on using them in order to insure quality. Since a doctor's practice can suffer from a poor visual outcome, most will do everything possible to insure the best possible results. In spite of the fact that lower cost IOLs may be of the same high quality, doctors are quick to blame a poor outcome on an Indian-made IOL even when it may be the skill of the surgeon in question.

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In addition, if anything does go wrong, an ophthalmologist wants to give the impression that he used the best quality goods. It is important to note that these low cost IOLs are produced for use outside the US and do not have FDA approval. However, Aurolab has received the CE mark of approval from the European Union, which the equivalent to the FDA approval.

### **G. Building an e-Commerce Website is not as easy as it looks**

At first it seemed that the site would be mounted without much effort, however a major hurdle was encountered when designing the SRS website database. Instead of hiring an expensive website designer it was more cost efficient to form a partnership with Deepak Enterprises, an Indian ophthalmology manufacturer that SRS has been doing business with for years. Deepak's carries many of the products that SRS sells and is a functional attractive e-commerce website. The partnership is mutually beneficial because SRS displays many products from a multitude of vendors, including those of Deepak. SRS is introducing Deepak products to a marketplace where previously they had limited exposure.

### **Appendices**

1. SightReach Surgical - Mission Statement
2. Six Year Profit and Loss Projections
3. Technical Medical Advisory Task Force members
4. Technical Medical Advisory Task Force - Roles and Responsibilities
5. SightReach Surgical Website
6. SRS Invoice
7. SightReach Surgical Catalogue
8. SRS Flyers English/Spanish/French