Lack of vision and irresponsible regulation could raise the cost of prescribed optometry

Issued by Marcus Brewster

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Ian Buchanan, CEO of Torga Optical, one of South Africa's largest optical franchise chains, feels that the Health Professionals Council of South Africa (HPCSA) is not doing the consumer any favours by attempting to outlaw franchising.

In a recent statement HPCSA chair Advocate Boyce Mkhize strongly stated the council's objection to franchising in the optical industry – ten years after the first optical franchise business model was implemented in South Africa.

"Franchising as a business model has a proven track record within the optical industry internationally and in South Africa the success of this business model has in fact, during the past ten years, benefited the consumer immensely through successes in lowering the cost of vision correction and providing an effective service industry," says Buchanan. "By attempting to dissolve franchising operations, the HPCSA will not only fan instant price hikes, but South Africa should also consider the message that such action will communicate to current and potential foreign investors."

The South African prescription optical industry is currently worth R1.2 billion, and comparatively, with other both first and third world economies, the most regulated. Research, conducted more than 25 years ago, proved that the deregulation of the optical industry has led to healthy competitive business practice which, in turn, led to greater levels of services and lower pricing.

According to the HPCSA's statement, franchising in the optical industry could be deemed illegal or harmful to the consumer whereas international practice has refuted this argument more than a quarter of a century ago.

Buchanan also points out that the South African Optometric Association, representing 90% of opticians, has fully endorsed franchising and during the past ten years not only have consumers benefited from the lowering of the cost of vision correction, but the industry has flourished. Says Buchanan: "What the HPCSA does not realise are the far reaching effects of dissolution of franchise businesses. Not only will vision correction become more expensive to the consumer, but a direct knock on effect will be felt through the industry, including medical aids, who in turn would have to hike their rates too."

The franchise model works on a basis of royalties paid to the franchisor by the franchisee in return for marketing, buying, administrative and other support structures. According to the HPCSA, such practice contravenes regulations in the medical industry that governs sharing of fees. Buchanan argues that, although a practitioner may not be a franchisee, common business practice dictates the so called sharing of fees by other service providers. "Every time a customer pays by credit card, the bank takes a percentage of the value of the transaction as a commission, shopping malls have turnover clauses in their lease agreements and medical aid companies receive commissions for early settlements. Franchise royalties work on the same principle, yet are singled out as potentially damaging to the consumer." He continues to point out that said fee sharing regulations were intended to avoid practices such as referral commissions between medical practitioners and not to hamper accepted business practice.

Making the issue broader, Buchanan also points out that chain stores have for some time now been advertising and retailing ready made spectacles, sold by laypersons to the public sans adequate testing and supervision by a qualified professional. Yet, there has been no outcry about said practice from the HPCSA.

As with recent amendments of regulations by the department of health with respect to layperson ownership of pharmacies, Buchanan questions the uncompetitive nature of current regulations governing optometry and will be lobbying the Competition Commission for a full lifting of restrictions on advertising in optometry as well as objections against present restrictions governing lay ownership within the optometry industry.

In its argument against franchising, Buchanan notes that the HPCSA has neglected to provide any substance to its statement and he has, through his attorneys, requested a full disclosure of documentation detailing the HPCSA's objections to the working franchising business model that Torga Optical and other optical industry players successfully employ.

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