

Phone call with GiveWell and VisionSpring, 19 July 2012

Participants:

GiveWell: Elie Hassenfeld (Co-Executive Director), Eliza Scheffler (Research Analyst)
VisionSpring: Jordan Kassalow (Founder and CEO), Liz Smith (Director of Business Development), Jessica Schwartz (Business Development Associate)

Note: This is a set of summary notes compiled by GiveWell in order to give an overview of the major points made by VisionSpring in the conversation.

Discussion of evidence for Vision Spring's impact

Impact studies: We discussed VisionSpring's impact studies. GiveWell explained that it is aware of the studies, and that one of the big differences between these studies and the type of study we would be looking for is that VisionSpring's are matched control studies rather than randomized control trials (RCTs). VisionSpring noted that its study was concerned with the impact of reading glasses on its consumers, and that there are very few studies that have been able to effectively analyze the impact of prescription.

Both GiveWell and VisionSpring agreed that it is difficult for organizations of VisionSpring's size to do RCTs because RCTs may be very expensive, and it's difficult to get the \$500,000 needed to do a study. The Mulago Foundation funded VisionSpring's University of Michigan matched-control study that analyzed a control group of 205 and variable group of 261. VisionSpring explained that Mulago assessed their portfolio in a variety of ways, including the return on donor dollars, i.e. how much of that return goes back into the community. VisionSpring said that under the area of return on donor dollars, it was at the top of Mulago's list this year.

Other evidence of effectiveness: VisionSpring noted that wearing glasses undeniably improves recipients' quality of life. Dr. Kassalow, a practicing optometrist who has worked in more than 40 countries, told us that he can guarantee that clear vision improves quality of life and makes people more productive. Many of VisionSpring's customers have been living with uncorrected vision for long periods of time due to a lack of affordable eye care options. After purchasing a pair of reading or prescription glasses their sight is instantaneously restored, and for those whose work had been suffering the increase in productivity they experience is immediate.

For-profit vs. non-profit model

VisionSpring's website (<http://www.visionspring.org/what-we-do/impact.php>) says that its glasses cost \$4 and they confer enhanced earnings potential for purchasers of \$381 over two years.

We asked VisionSpring: given the productivity benefits it believes its glasses provide to purchasers, why would purchasers need glasses to be subsidized so heavily?

In addition, given that the benefits of wearing glasses are so immediate, why isn't people's willingness to pay an indication of the value they perceive glasses to have?

VisionSpring does not subsidize its glasses; rather they take advantage of a globalized supply chain and, as a result, are able to price their glasses appropriately for the base of the pyramid (BoP) market. The majority of the world's optical businesses operate with a high margin and low volume approach. VisionSpring implements a low margin, high volume strategy that enables them to market to the BoP consumer. They have determined the price point that their target customer is willing to pay for glasses is approximately 10% of their monthly income. If you assume that the average annual income in the US is \$46,000, with take home pay after taxes of about \$3,000 a month, that would be the equivalent of Americans paying \$300 for a pair of reading glasses that they normally pay \$10-\$20 for. To VisionSpring that is a clear demonstration that their target consumer not only values the product but is willing to pay for the benefits that come with corrected vision. VisionSpring noted that they have sold more than 1,040,000 pairs of glasses to date.

While VisionSpring is able to cover the operational costs of delivering glasses, it is costly to launch new businesses and it takes considerable resources to establish new distribution channels. VisionSpring said that the major optical industry players have had little interest in penetrating the BoP market so there are no built in distribution channels. Further, glasses are a controlled product that often require licensed professionals to dispense; these types of trained professionals are hard to come by in the regions where VisionSpring works. So the challenge is to create a market and build a distribution platform to get the product into the hands of the people it wants to serve. It is easier to enter a market when there is already demand for a product, VisionSpring is in a position to have to wake up demand for its products and services as it forges new distribution channels. This is an expensive and time-consuming endeavor and they are utilizing philanthropic capital to build models that will eventually be investable.

In terms of why some BoP consumers still choose not to purchase glasses even when presented with an accessible, affordable option, VisionSpring said this is an important question and not one for which there is a simple answer. VisionSpring said they don't fully understand, but have seen some interesting studies that address this question. The cited studies reveal cultural reasons for people not wearing glasses, including social stigmatization (e.g., women afraid wearing glasses will make it harder to find a husband, children bullied) and the belief that wearing glasses makes one's vision worse.

Additional updates on VisionSpring progress

VisionSpring told us that its El Salvador program is on track to be self-sustaining, having grown its revenue from 15% of the program's budget in 2009 to a projected 85% in 2012. VisionSpring predicted that the El Salvador program would be a profitable entity by the end of 2013. VisionSpring also mentioned that its partnership with BRAC is close to being self-sustaining, having grown its profits from \$50,000/year to \$175-200,000/year.