



Bill Lovejoy/Sentinel

Domingo Samora checks a pair of lenses after removing them from the grinding machine at CSC Laboratories.

THE DAILY

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✓ Grind

Santa Cruz firm sees success
in prescription eyewear industry

SANTA CRUZ

WEARING A blue smock and safety glasses, Lionel Zamorra slips a half-inch-thick slab of glass into a grinding machine. A diamond-head saw whirs to life and slices through the glass disk, shaping subtle curves for a prescription eyeglass lens.

Dong Kim, president and owner of CSC Laboratories, watches Zamorra with pride. Kim has steered CSC from a one-room operation on Mission Street into a thriving maker of prescription eyewear. Over the past three decades, he has transformed CSC into a \$25 million eyeglass empire.

Along the way, he has fought off industry competition, changing demand and even Y2K problems.

CSC's 45,000-square-foot Santa Cruz facility is on Dubois Street, tucked in the Harvey West Park industrial area. The company operates five other facilities nationwide and one

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Eyewear

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in Mexico. With \$25 million in revenues last year, CSC ranked seventh in the market.

The company employs 260 people — 125 in Santa Cruz — and has sales representatives in South America, Mexico and the Caribbean. Kim now has his eye on Spain and Portugal.

Kim, who has no background in optometry, is an unlikely eyeglass entrepreneur. He was born in Seoul, Korea, and came to the United States to study law. Hearing about a business opportunity to import eyeglass frames from Korea, he invested his entire savings.

A few months later, his partners in the deal said they were broke, and that the American market apparently wasn't interested in Korean frames.

Kim disagreed, tapped friends and family for more capital and bought out his partners.

New technologies

Advances in optometry and improved surgical techniques over the past 30 years have cut deeply into the traditional eyeglass market, but the company has changed, too.

"Despite an increase in the use of contact lenses and laser surgery, our lens business continues to grow every year," says Chief Operations Officer Bill Inman, who has been with the company for 17 years.

Inman chalks up the growth to the popularity of spectacle frames as a fashion accessory, the increased comfort of eyeglasses due to lightweight frame materials, and the popularity of prescription sunglasses.

"Whereas in the past people only had one pair of glasses they hated to wear, now people have several pairs of frames, plus contact lenses," Inman said.

Grinding lenses into prescription eyewear accounts for 60 percent of CSC's business. The remaining 40 percent comes from the sale of frames imported from Italy and Ko-

Seeing clearly

THE LENSES start out as round disks that look like the bottom of a soda bottle. A whirring diamond-head saw whittles the thick glass or plastic down to a thin prescription lens. Technicians polish the lenses in baths of swirling mud. After being coated and tinted, the lenses are placed in frames.

The process takes about half a day and uses few toxic chemicals, according to county officials.

"The amounts of chemicals they use are similar to the amount you'd find in someone's garage," said Steven Schneider of the Santa Cruz County Environmental Health Department.

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Though sales have increased, overall profits have remained steady due to increases in the costs of raw materials, Inman said.

Chain eyeglass stores like LensCrafters also have taken a bite. But chain stores send difficult jobs to labs like CSC, Kim said.

CSC also makes eyeglasses for those stationed on seven U.S. military bases.

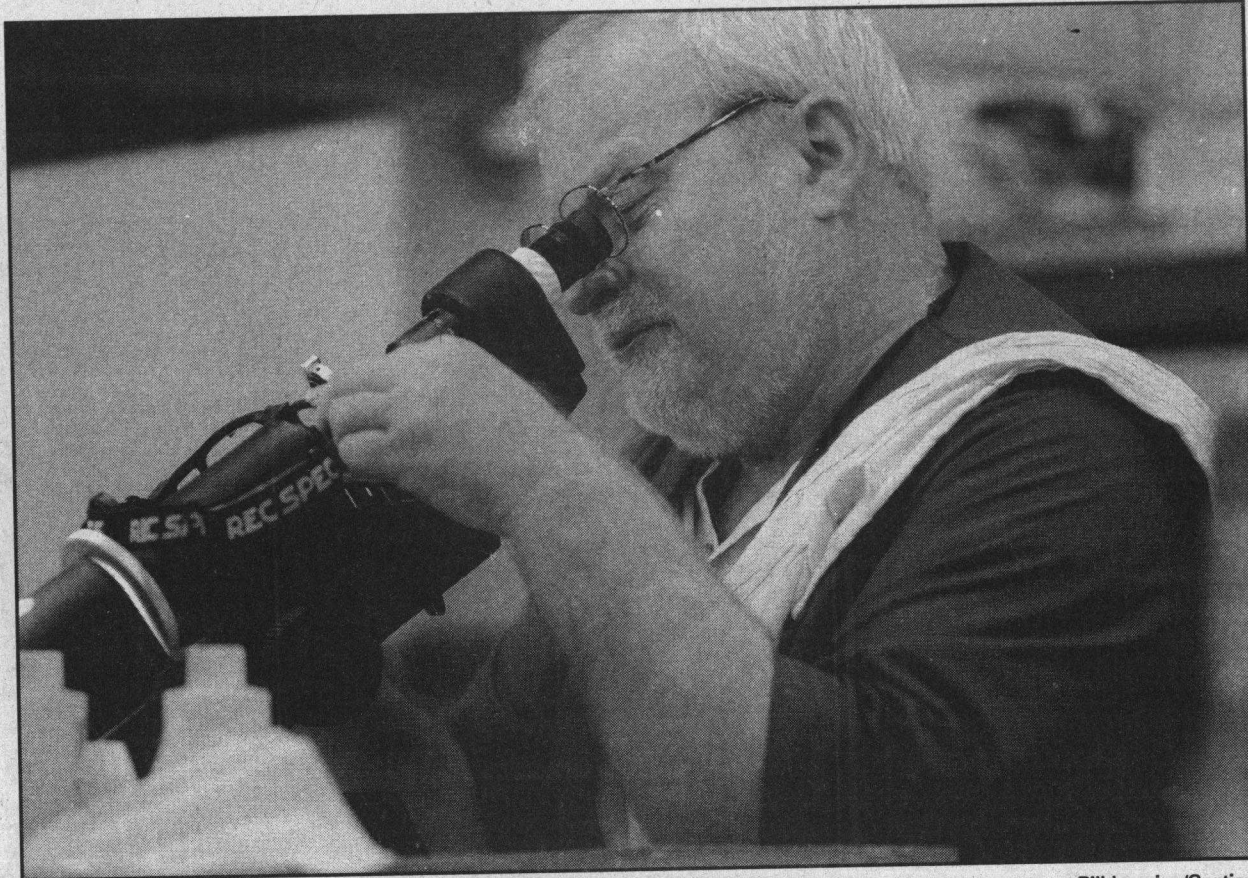
One eyewear trend Kim and Inman wish they had paid more attention to is the popularity of designer-brand frames.

"It has become very expensive to license a name," Inman said. Companies must gamble they can sell enough frames to cover the cost.

Instead, CSC has tried to provide attractive styling, popular colors and durable frames in the middle to upper-middle price range.

Y2K problems

The Y2K bug hit CSC hard.



Bill Lovejoy/Sentinel

Stan Smolnisky inspects a pair of prescription athletic glasses.

It took two technicians working day and night to work out the company's computer problems.

"It was a mess," Kim said. "Sometimes we couldn't bring up the right order number, and we'd have to tell the customer we'd call him back."

Y2K wreaked havoc not only with ordering and billing, but in the lab, too. A computer system controls every step in the lens-grinding process.

When a new order arrives, a technician assigns it a bar code. For each step in the cutting and grinding process, a technician keys the order number into a different machine. Each machine retrieves instructions from the central computer on how to cut, shape and polish each lens.

To combat the Y2K bug, Kim said he had employees check every order — the lens material, diameter, edge thickness and curve — by hand before it left the building.

Quality control is essential. Mistakes are costly not only in dollars but reputation. In the competitive optical lab industry, reputation is everything, Kim said.

Managed care has cut into profits, too. "Managed care has been good for the optical lab industry in general," Kim said. "But it has not been so good for small businesses like mine."

Health-care companies dictate prices and policies, which can squeeze small labs, he said. "We have had to become better, faster, and cheaper."

Stiff competition

CSC was one of the first optical labs to computerize, according to Kim. "Eighty percent of the other optical labs still use yesterday's technology," he said.

Even with this advantage, the competition is fierce, Kim said. Industry consolidation swept the optics lab industry two years ago, with many large conglomerates and investment firms rushing to buy small labs like CSC.

Rival company ESLO controls 25 percent of all U.S. labs, and 95 percent of all Canadian ones, according to CSC. ESLO tallied \$363 million in sales last year.

"We had offers, but we've held out," Kim said, adding that if he

doesn't sell, he plans to take the company public in 2003.

Kim credited much of his company's success to employees. "They work like they own the business," he said.

The work is demanding. A slip in concentration can ruin a job.

"When you first start working here it is kind of hard, but you get over it," said Zamorra, a graduate of Seaside Adult School who started working at CSC three years ago.

Hue Gagnon has worked 14 years on the CSC production line. She said she likes the family atmosphere.

"This kind of job is very challenging, but it is satisfying because you feel like it was hard and you did it," Gagnon said.