

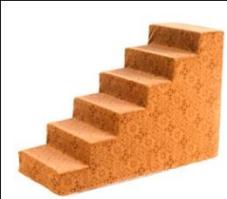


How Does Your Customer Acquire Your Product (Steps #12, 13 & 18)

Class Twelve

Bill Aulet

Howard Anderson



Comment

- We are probably ahead of you on the material covered from what you are doing on your project
- This is understood but you should be putting to work the earlier steps and catching up by meeting as a team and deciding what your beachhead market is and then doing a lot of secondary and even more importantly, primary target customer research
- Our class today is not going to be as many steps but they are more subtle and very important
- Keep up with your project and applying the steps if at all possible. Don't fall too far behind.

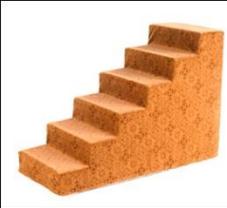


Review – To Date

15.390 New Enterprises

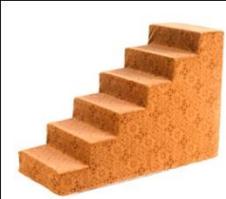
Who is Your Customer?	What Can You Do for Your Customer?
<ul style="list-style-type: none">1) Market Segmentation2) Select a Beachhead Market3) Build an End User Profile4) Calculate the Total Addressable Market Size (TAM) for the Beachhead Market5) Profile the Persona for the Beachhead Market9) Identify Your Next Ten Customers	<ul style="list-style-type: none">6) Full Life Cycle Use Case7) High-Level Product Specification8) Quantify the Value Proposition10) Define Your Core11) Chart Your Competitive Position





Primary Customer Research

- Extremely important
- Keep records
- Continue to discuss
- Spiraling on your persona
- Continually enhancing your persona ... and other foundational elements
- But keep moving for the sake of this class; it is important to go through the full process even if imperfect



This Class

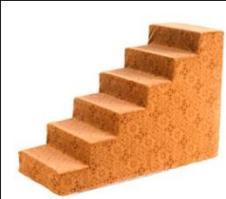
15.390 New Enterprises

Massachusetts
Institute of
Technology



MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

Who is Your Customer?	What Can You Do for Your Customer?	How Does Your Customer Acquire Your Product?
<p>1) Market Segmentation</p> <p>2) Select a Beachhead Market</p> <p>3) Build an End User Profile</p> <p>4) Calculate the Total Addressable Market Size (TAM) for the Beachhead Market</p> <p>5) Profile the Persona for the Beachhead Market</p> <p>9) Identify Your Next Ten Customers</p>	<p>6) Full Life Cycle Use Case</p> <p>7) High-Level Product Specification</p> <p>8) Quantify the Value Proposition</p> <p>10) Define Your Core</p> <p>11) Chart Your Competitive Position</p>	<p>12) Determine the Customer's Decision-Making Unit (DMU)</p> <p>13) Map the Process to Acquire a Paying Customer</p> <p>18) Map the Sales Process to Acquire a Customer</p>



In the Broader Context

15.390 New Enterprises

Who is Your Customer?	What Can You Do for Your Customer?	How Does Your Customer Acquire Your Product?	How Do You Make Money off Your Product?
<p>1) Market Segmentation</p> <p>2) Select a Beachhead Market</p> <p>3) Build an End User Profile</p> <p>4) Calculate the Total Addressable Market Size (TAM) for the Beachhead Market</p> <p>5) Profile the Persona for the Beachhead Market</p> <p>9) Identify Your Next Ten Customers</p>	<p>6) Full Life Cycle Use Case</p> <p>7) High-Level Product Specification</p> <p>8) Quantify the Value Proposition</p> <p>10) Define Your Core</p> <p>11) Chart Your Competitive Position</p>	<p>12) Determine the Customer's Decision-Making Unit (DMU)</p> <p>13) Map the Process to Acquire a Paying Customer</p> <p>18) Map the Sales Process to Acquire a Customer</p>	<p>15) Design a Business Model</p> <p>16) Set Your Pricing Framework</p> <p>17) Calculate the Lifetime Value of an Acquired Customer (LTV)</p> <p>19) Calculate the Cost of Customer Acquisition (COCA)</p>





Step #12: Define the Decision Making Unit (DMU)

15.390 New Enterprises

Illustration removed due to copyright restrictions. The decision making unit. See Aulet, Bill. *Disciplined Entrepreneurship*. Wiley, 2013.





Step #12: Decision Making Unit (DMU)

Define the **DMU (Decision Making Unit)** for the target customer which is the people who will be involved when your product or service is acquired. Carefully define each party and the nature of power in the acquisition process (e.g., economic buyer, influencer, veto power, user, primary, secondary). See example provided.



DMU Example

15.390 New Enterprises

Massachusetts Institute of Technology



MARTIN TRUST CENTER FOR MIT ENTREPRENEURSHIP

CIO / IT organization

- Uptime
- IT knowledge
- No knowledge about power or water
- Overall perspective and priorities

CUSTOMER: Facilities Manager

- Technical decision maker
- Pays bills
- Has problem
- Owns budget
- Makes it happen

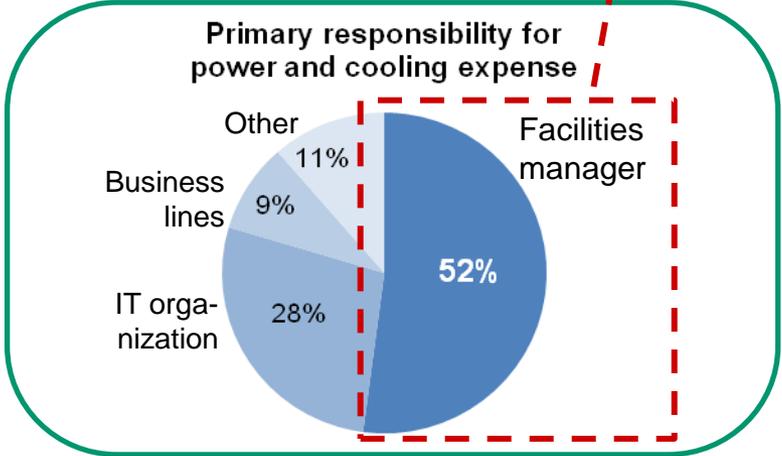
Internal Corp. Engineering

- Companywide
- Technical expertise
- Powerful in Retrofit

Engineering Firm

- Designs and recommends
- Powerful prescriber in new facility with uneducated customer

Most powerful prescriptors



Datacenter Manager

- Gets budget
- Decision maker
- Technical knowledge but not in water
- Business perspective

Green Initiative

- CEO
- Green Czar
- PR

Mechanical Contractor

- Builds
- May try to substitute for cheaper solution

Finance/Purchasing

- Veto
- Asks for competitors' bids





DMU Example: Helios

15.390 New Enterprises



Regulatory bodies

- Approval required
- Drive DMP length

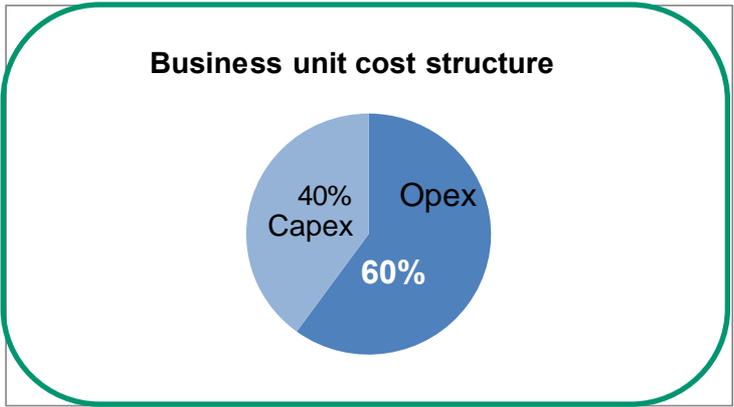
Vehicle Engineering

- Evaluates feasibility of implementation
- Has final authority whether solution is fit for fleet-wide retrofit

Most powerful prescriptors

CUSTOMER: Ops Manager

- Technical decision maker
- Pays bills
- Has problem
- Owns budget
- Makes it happen



Customer	Money
Influencer	Veto

Legal

- Oversees approval process
- Veto power
- Supports regulatory process

Green Initiative

- CEO
- Green Czar
- PR

Industry Associations

- APTA
- UITP

Drivers

- Operate equipment
- Might complain if technology hinders use.

Finance/Purchasing

- Veto

**Multiple Stakeholders. Most with “blocking.”
The champion will be the Operations Manager.**



*remote-activated,
crystal-clear windshields*



Step #13: Map the Process to Acquire a Paying Customer (a/k/a DMP)

15.390 New Enterprises

Illustration removed due to copyright restrictions. Decision making process. See Aulet, Bill. *Disciplined Entrepreneurship*. Wiley, 2013.





Step #13: Decision Making Process (DMP)

Define the **DMP (Decision Making Process)** for your product in this market. Map out the various steps with the different players and note the roles and various approval/authority levels for each person. Be sure to understand and be realistic about the time frame involved for each step and give a reasonable (80% certainty) range. Be sure to account for the budgeting process if your product/service requires this. What does this analysis tell you?



Example of DMP

Description of the acquisition process

New project

- Contact CIO to get approval and gain access to internal company specialist
- Contact internal company specialist / green czar / Corporate Facilities Manager to influence Engineer
- Contact design engineer to work together in definition of water system, give specifications, and have them prescribe MWFS
- Contact general contractor and Purchasing to ensure purchase and proper installation

Retrofit

- Contact Facilities Manager and help him sell to Data Center Manager
- If necessary, contact CIO to get approval and gain access to Data Center Manager and internal company specialists
- Contact Facilities Manager / Data Center Manager/ Purchases to ensure purchase of our product and proper installation

New project

Lead generation	Access to influencers	Access to design engineers	Design phase	Construction phase: actual sale to contractor	Installation
1-2 months	2-4 months	2-4 months	6-12 months	12-15 months	1 month

Retrofit project

Lead generation	Access to facility manager	Access to influencers	Negotiation with Purchases and Budget Owners	Installation
1-2 months	4-6 months	2-4 months	2-3 months	1 month



Step #18: Map Sales Process

15.390 New Enterprises

Illustration removed due to copyright restrictions. Map sales process.
See Aulet, Bill. *Disciplined Entrepreneurship*. Wiley, 2013.





Step #18: Sales Map Process

Map out your **Sales Process** including channels. It is very important to understand your short, medium and long term sales strategy and vet this with experienced professionals in the industry. This is often overlooked and will have a huge impact on Cost of Customer Acquisition calculation in the next step.



Map of Sales Process Example

Short Term

- Direct Sales (100%)  All end customers w/ focus on strategic accounts in target market

This would continue until Word of Mouth becomes significant and product is matured and proven. Then as move from demand creation to demand fulfillment ...

Medium Term

- Direct Sales (50%)  Largest customers
- Selected Regional Exclusive VARS (50%)  Medium and small accounts in target market

This would eventually evolve to more of an online commerce as the product becomes the standard and the product line expands & new markets are tested – estimated in year 3

Long Term

- Direct Sales (25%)  Top 50 accounts & new market
- Selected Regional Exclusive VARS (40%)  Accounts below Top 50 & non-core markets
- Thru Web Site & Direct Telemarketing (35%)  All customers in core market (with commission to VARS & Direct Sales)

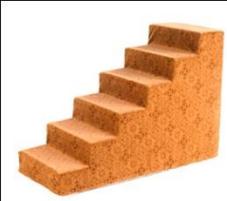


Step #19: COCA

15.390 New Enterprises

Illustration removed due to copyright restrictions. Entrepreneurs reality distortion saloon. See Aulet, Bill. *Disciplined Entrepreneurship*. Wiley, 2013.





Introduction to Smart Scheduling

- Guest: Chris Moses (Founder & CEO)

15.390 New Enterprises



Market Segmentation

	Small Clinics (1—2 Doctors)	Medium Clinics (3-9 doctors)	Large Clinics (10 + doctors)	Hair Salons	Nail Salons	Auto Garages/ Service Dealerships	Optometrists	Chiropractor	
End User	<ul style="list-style-type: none"> Front office staff Provider 	<ul style="list-style-type: none"> Front office staff Provider 	<ul style="list-style-type: none"> Front and back office staff Provider 	<ul style="list-style-type: none"> Admin Hair-dresser 	<ul style="list-style-type: none"> Admin Manicurist 	<ul style="list-style-type: none"> Admin Dealer staff 	<ul style="list-style-type: none"> Front office staff Optometrist 	<ul style="list-style-type: none"> Front office staff Chiropractor 	
Application	<ul style="list-style-type: none"> Appt. Scheduling 	<ul style="list-style-type: none"> Appt. Scheduling 	<ul style="list-style-type: none"> Appt. Scheduling 	<ul style="list-style-type: none"> Appt. Scheduling 	<ul style="list-style-type: none"> Appt. Scheduling 				
Benefits	<ul style="list-style-type: none"> Ease of use Improve no shows and overbooking Increase revenue Increase patient, provider satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows and overbooking Increase revenue Increase patient, provider satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows and overbooking Increase revenue Increase patient, provider satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction 	<ul style="list-style-type: none"> Ease of use Improve no shows Increase revenue Improve wait time Improve customer satisfaction
Lead Customers	<ul style="list-style-type: none"> Specialty/Chronic Medicare / Medicaid clinics 	<ul style="list-style-type: none"> Specialty/Chronic Medicare / Medicaid clinics 	<ul style="list-style-type: none"> Clinics w/ centralized scheduling Primary care 	<ul style="list-style-type: none"> Supercuts 	<ul style="list-style-type: none"> Newbury St – esque high throughput salons 	<ul style="list-style-type: none"> Toyota/Honda/Kia dealerships 	<ul style="list-style-type: none"> Lens crafters 	<ul style="list-style-type: none"> High throughput clinics 	
Market Size	178,000 practices	60,000 practices	9,600 practices	475,000 salons (2,100 Supercuts)	57,500 nail salons	175,000 businesses	31,000 practices (900 Lens crafters)	49,100 practices	
Competition	<ul style="list-style-type: none"> EMR vendors Scheduling software 	<ul style="list-style-type: none"> EMR vendors Scheduling software 	<ul style="list-style-type: none"> EMR vendors Scheduling software 	<ul style="list-style-type: none"> Scheduling software 	<ul style="list-style-type: none"> Scheduling software 	<ul style="list-style-type: none"> Scheduling software 	<ul style="list-style-type: none"> Scheduling software 	<ul style="list-style-type: none"> Scheduling software 	
Platform	<ul style="list-style-type: none"> Athenahealth Allscripts eClinical Works EPIC 	<ul style="list-style-type: none"> Athenahealth Allscripts eClinical Works EPIC 	<ul style="list-style-type: none"> Athenahealth Allscripts eClinical Works EPIC 	<ul style="list-style-type: none"> Outlook 	<ul style="list-style-type: none"> Outlook 	<ul style="list-style-type: none"> Internal systems 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	
Needs	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Integrated 	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Affordable 	<ul style="list-style-type: none"> Easy to use Affordable 	

Additional segments to consider:
acute vs. chronic clinics, centralized scheduling vs. ad hoc, primary care vs. specialty

15.390 New Enterprises



Scheduling Workflow at 4 clinical sites

Clinic 1: Large Academic Medical Center (AMC) Pain Clinic (Specialty Clinic)

Front desk during visit schedules in IDX 9.5 weeks in advance

Schedule apt. in varying slots (ex: 90 min proc., 45 min pat, 15 min F/U)

Admin staff captures scheduling data at the end of each month

- 12,000 encounters/year
- Staff: 3 attendings, 3 fellows nurse/MS, 8 admin (manager, front, and back)
- Overbooking problem
- No show trends: new pts., psychologists, lesser acuity, doctors with most patients,
- Other challenges: increase in calls, referrals, revenue, space

Clinic 2: Large AMC, Pediatric Primary Care Center

10-14 schedulers book 6-12 weeks in advance through EPIC

Schedule apt. in fixed 15 minute slots (experimented with 10 and 20 min slots)

Associate Director analyzes data (provider/informatician)

- 42,000 encounters/year
- Staff: 110 providers (attendings, residents, nurses), 4 admin at front desk, 10-14 schedulers
- 30% no show rate problem
- No show trends: first AM apt., transportation issues (2/3 by car & reliance on others), co-pays, missing work
- Other challenges: 65% Medicaid population, matching providers by languages, "overbooking aggressively"

Clinic 3: Suburban, Private Pediatric Clinic

1 admin books 12 weeks in advance through e-clinical works

Schedule appt. in varying slots (ex: 30 min phys., 45 min teen girls, 15 min sick visits)

Little analysis completed of scheduling data

- 6,000 encounters/year (10-15 patients/day/physician)
- Staff: 3 physicians, nurses/Pas, 2 admin (1 front, 1 practice manager)
- No show trends (non-issue): "I forgot", soccer practice
- Challenges: coordination with other clinics, liability, space, tracking down labs & making phone calls
- Items of note: charge for no shows, fees for extra tasks, part of larger PPOC, PAs build flexibility

Clinic 4: AMC Primary Care Clinic

4 admin/schedulers book 3-8 months in advance through IDX (ecw for EMR)

Schedule appt. in varying slots (ex: every provider has diff. times, residents have 30 min)

Scheduling admin monitors 4000 complex pts. through excel

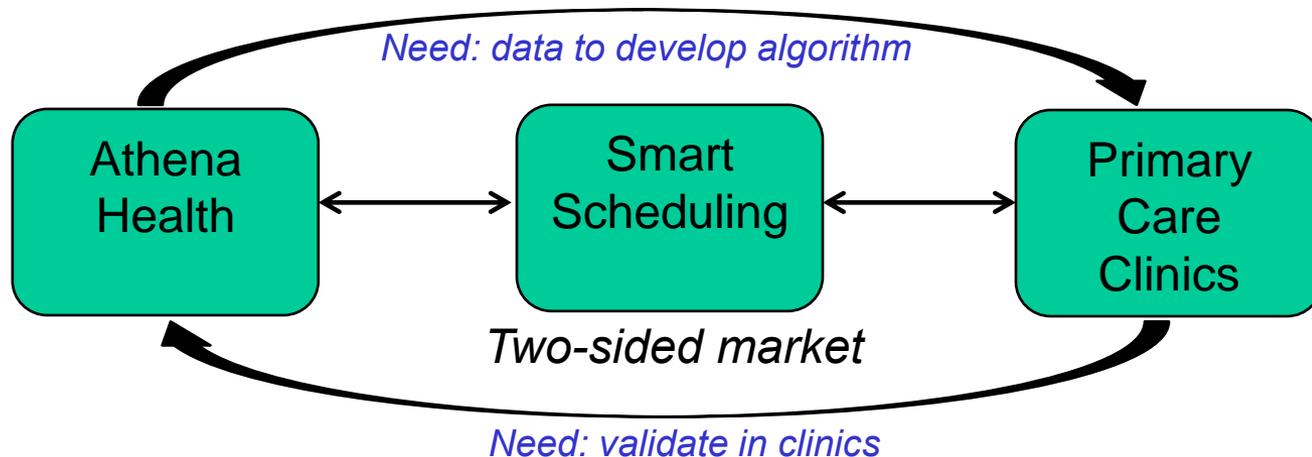
- 13,000 encounters/year (6000 patients/clinic)
- Staff: physicians, residents, nurses, 7 admin (manager, 2-3 front, 3 back)
- 30% no show rate problem
- No show trends: residents have highest, transportation concerns
- Other challenges: 40% Medicare population/30% MassHealth, tracking complex patients, language barriers

Note: Other conversations took place with AMC CIOs & Chief of Staff

Beachhead Market:

Primary Care Clinics with Web or Cloud-based EMR

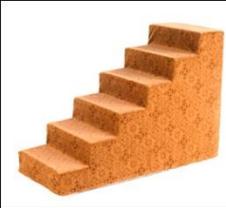
First customers: athenahealth and Primary Care Clinic with Centralized Scheduling



Significance:

- athenahealth is an innovative, local cloud-based EMR vendor with 5% market share and willing to take risks to make Boston the healthcare IT capital of the world.
- Large (>10 physicians) primary care clinics need to improve practice operations, improve quality by focusing on care delivery and not on admin practices, and increase revenue

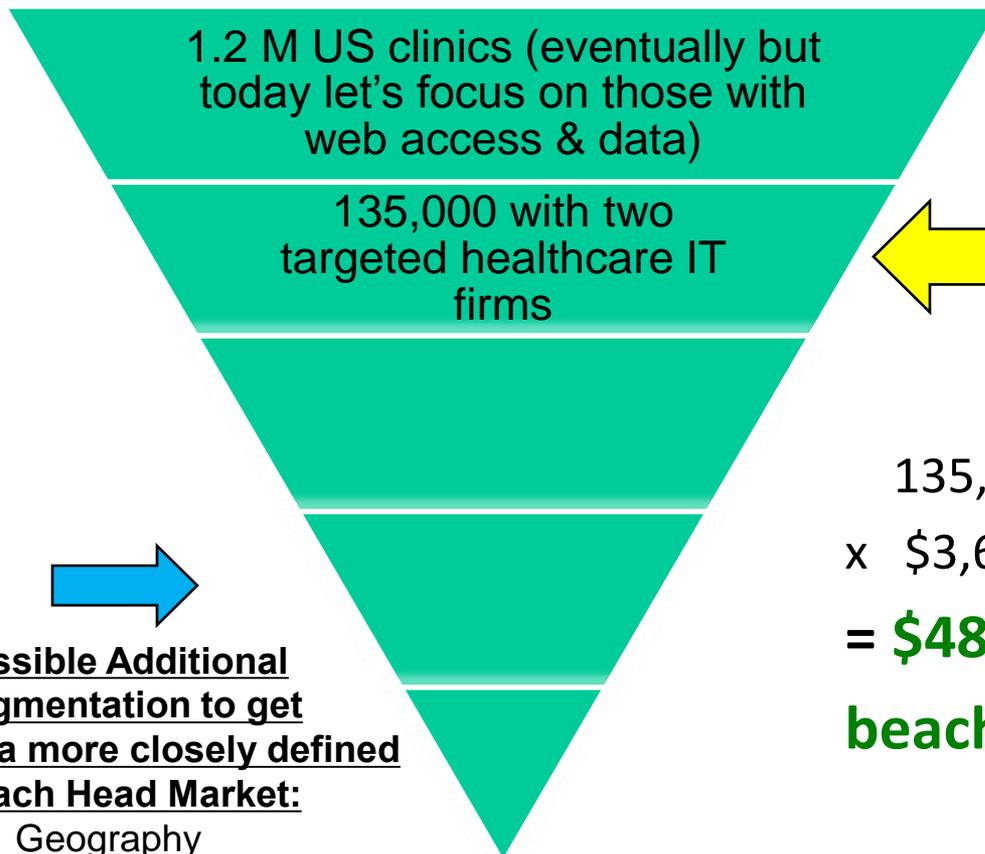
Size: 30,000 clinics currently use athenahealth billing software, rapidly growing segment also using EMR



Target Customer: athenahealth (35,000 clinics)

- 1. Is the target customer well funded & readily accessible to our sales force?**
 - Yes, athenahealth is a public company growing each year whose management is willing to take risks and wants to develop an innovative healthcare IT ecosystem.
- 2. Do they have a compelling reason to buy?**
 - Yes, athenahealth is willing to take risks to grow from 5% of market share. In addition, they earn a percentage of practice revenue, therefore if the practice becomes more efficient due to improved scheduling, athenahealth makes more money
- 3. Can we today, with the help of partners, deliver a whole product?**
 - Yes, by partnering with athenahealth and primary care clinics, we can utilize their live data to develop an algorithm deploy software that potentially integrates with their system
- 4. Is there entrenched competition that could block us?**
 - No, there is no “entrenched” competition that focuses on intelligent scheduling. Competition is only from simple scheduling systems currently in use (e.g. legacy idx scheduling software).and academics practicing in this space (Mr. Cronin at MGH).
- 5. If we win this segment, can we leverage it to enter additional segments?**
 - Yes, we can move from clinic scheduling into optimizing workflow, predicting referral completion, managing queues (move sick patients to the top), and tailoring resources to high-value or high-risk patients in other clinical settings and practices. In addition, this could be leveraged to other segments, such as denistry, optometry, chiropractors.
- 6. Can we show results in an acceptable timeframe?**
 - Yes, differences in practice revenue from a single day or averaged across a week can be compared to historical data. If more patients can be seen per clinic, revenue increases. Furthermore, cloud-based EMR vendors can quickly deploy software in thousands of practices if it works well in pilot clinics.

TAM Sizing for Beach Head Market



$$135,000 \text{ clinics} \\ \times \$3,600 \text{ per clinic/year} \\ = \mathbf{\$486M \text{ million/year for beachhead market}}$$

Possible Additional Segmentation to get To a more closely defined Beach Head Market:

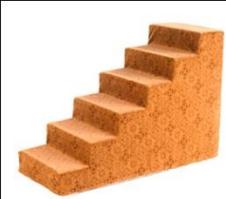
1. Geography
2. Size
3. Type of specialty
4. EMR provider

15,390 New Enterprises

Massachusetts Institute of Technology



MARTIN TRUST CENTER FOR MIT ENTREPRENEURSHIP



Customer Profile Moving to Personas

Ashley Clinic Admin

- 24-45 years old, female
- Part time nursing student
- Keeps track of scheduling down in excel sheets for own knowledge
- Worked at PCP clinic for 4 years
- Proficient in Microsoft office software
- Spends 40% of her time scheduling, 10% postcards/mailings, 30% calls, 20% communication with providers

Dr. Gilligan Clinic Director

- 40-68 years old
- Medical school training not supplemented with business education
- Clinical director for 5 years
- Losing revenue
- Needs more clinic space
- Receiving intense pressure from administration
- Only spends 20% of time on care, admin tasks take up rest of time

Kevin VP BD, EMR vendor

- 40-50 years old
- MBA, but undergrad CS major
- Attracted to company with cool, entrepreneurial culture
- Company is emerging, but not a leading vendor
- Company's R&D group is overwhelmed and can't handle a major innovation project
- CEO placing pressure to look externally for disruptive solutions



Use Case:

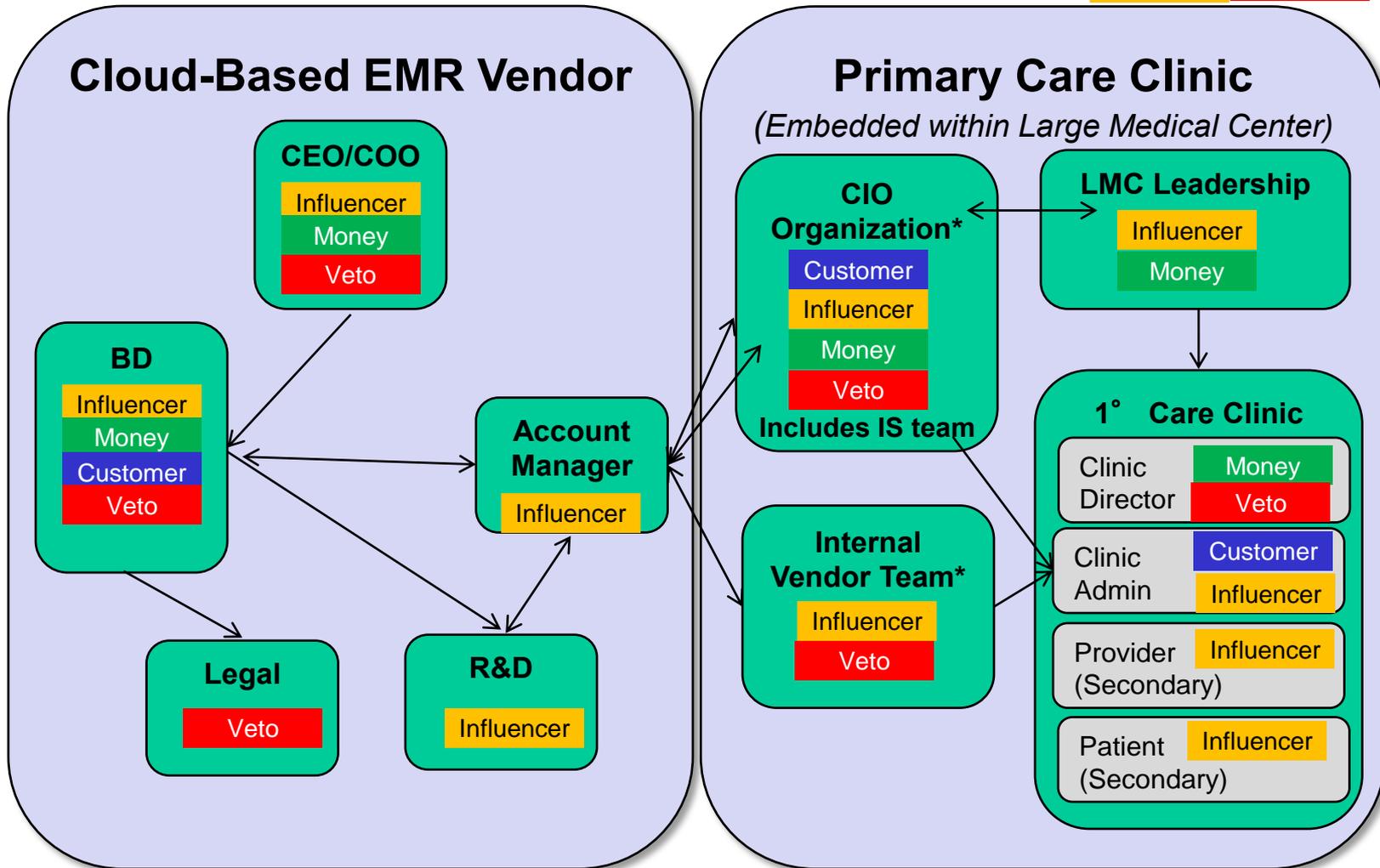
Administrative Assistant for Large Primary Care Clinic

Clinic Profile:

- 16,000 encounters/year
 - 15 physicians
 - Embedded within Large Medical Center
 - Cloud-based EMR
 - 30% no show problem, some overbooking
-
- Ashley arrives at 7:30 AM and opens up cloud-based EMR system called cloud clinical system (CCS) which contains our back-end product
 - Ashley review s today's automated schedule which has overbooking throughout day
 - Clinic opens at 8AM and Ashley receives 5 phone calls right at 8:02 AM (right as clinic opens) with 2 requesting appointments
 - She asks patients requesting appointments 3 quick questions and enters into CCS
 - CCS computes answers to questions along with drawing up system data and places patients into scheduling template within CCS
 - Clinic director stops by and tells her that Medical Center leaders awarded their clinic as a "Clinic to Watch" for improving revenue by 10% and improving patients and provider satisfaction by 6 and 14%, respectively
 - Ashley reviews today's appointments and found that only 1 person no-showed and only 1 providers had two patients arrive at the same time

Decision Making Unit

Champion



15.390 New Enterprises



* Depends on size of clinic and vendor



Decision Making Process

Primary Care Clinic



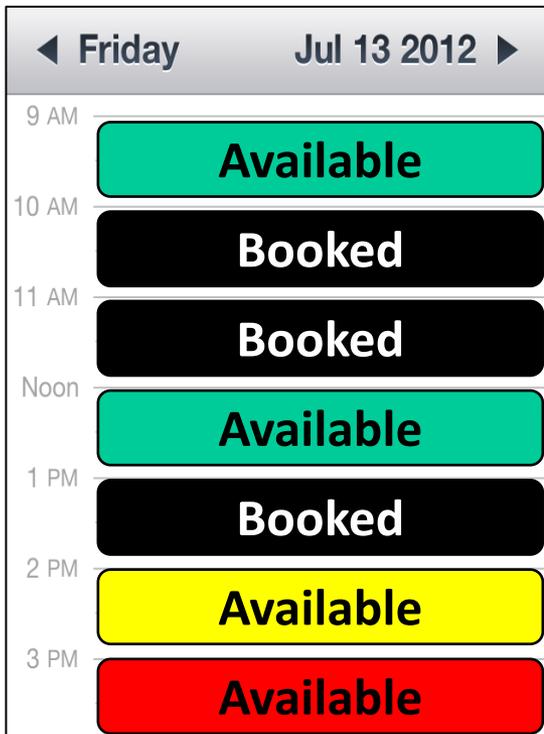
OR



Cloud-Based EMR Vendor

High Level Product Spec

Smart Scheduling is a patent-pending software solution to optimize appointment scheduling



Smart Scheduling predictive algorithm

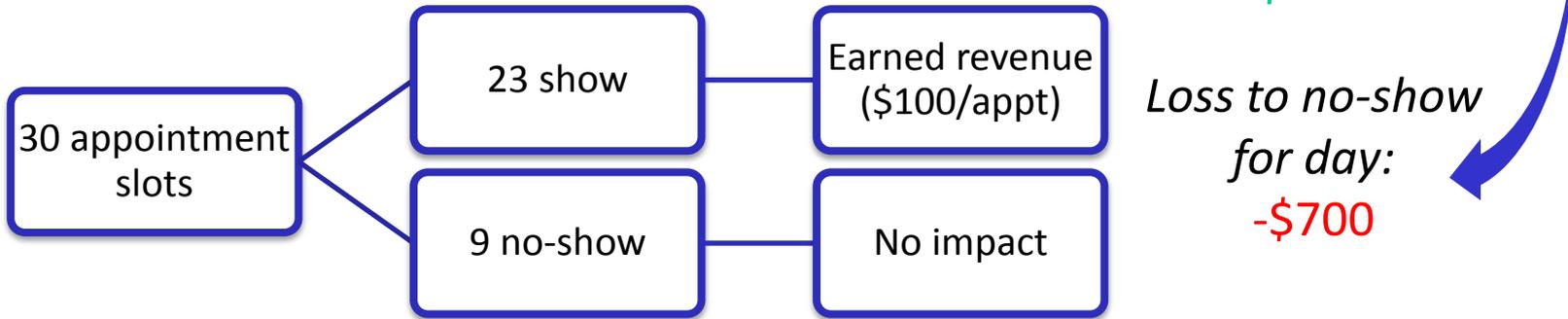
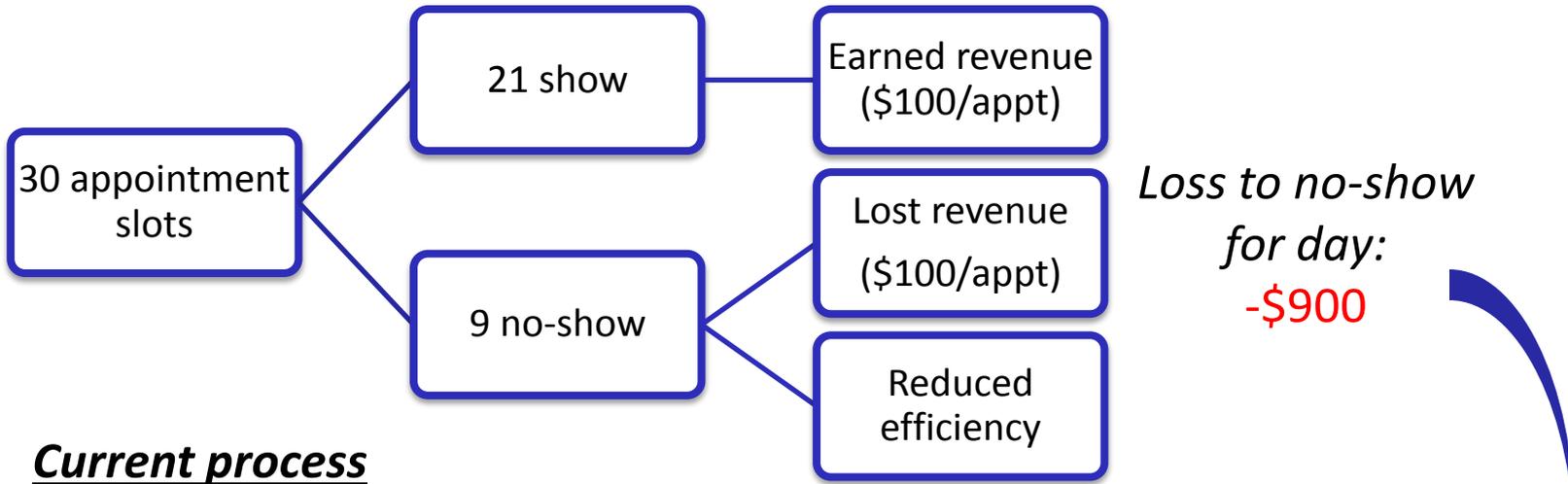
Smart Scheduling leverages clinical and scheduling data to predict the likelihood of a patient attending a given appointment slot

Software interface

Our software seamlessly exchanges data with EMR software and provides an easy-to-use interface for admins to quickly understand if proposed appointment slots are good or bad for overbooking



Quantified Value Proposition: When too few patients show



Process w/ Smart Scheduling

15.390 New Enterprises

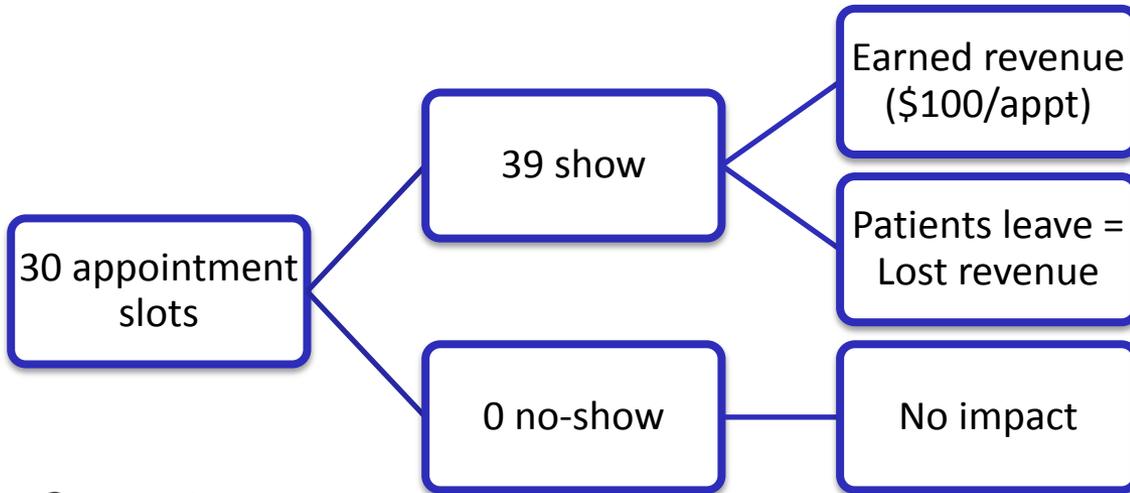


Massachusetts Institute of Technology



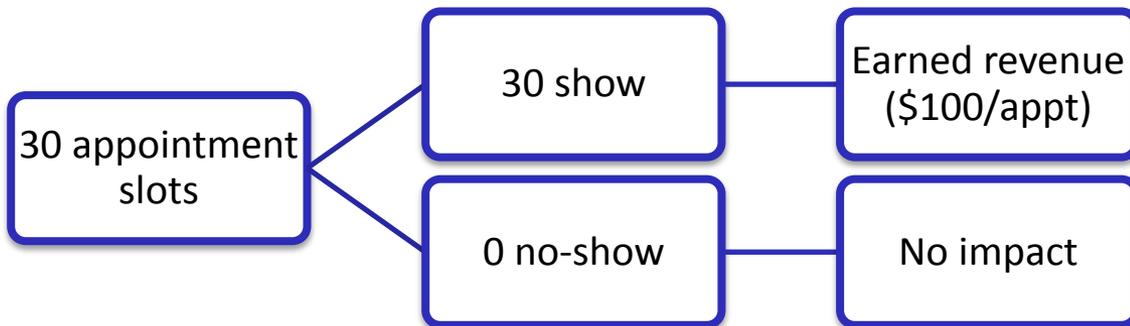
MARTIN TRUST CENTER FOR MIT ENTREPRENEURSHIP

Quantified Value Proposition: When too many patients show



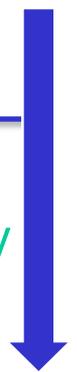
Current process

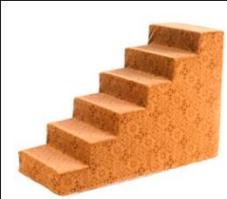
+\$500 additional appt revenue
 -\$400 lost appt revenue
 + provider burn-out
 + medical errors



Process w/ Smart Scheduling

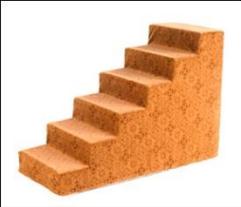
Safety, happy patients, happy providers
 + meet appt target
 + no burn-out
 + safe medicine





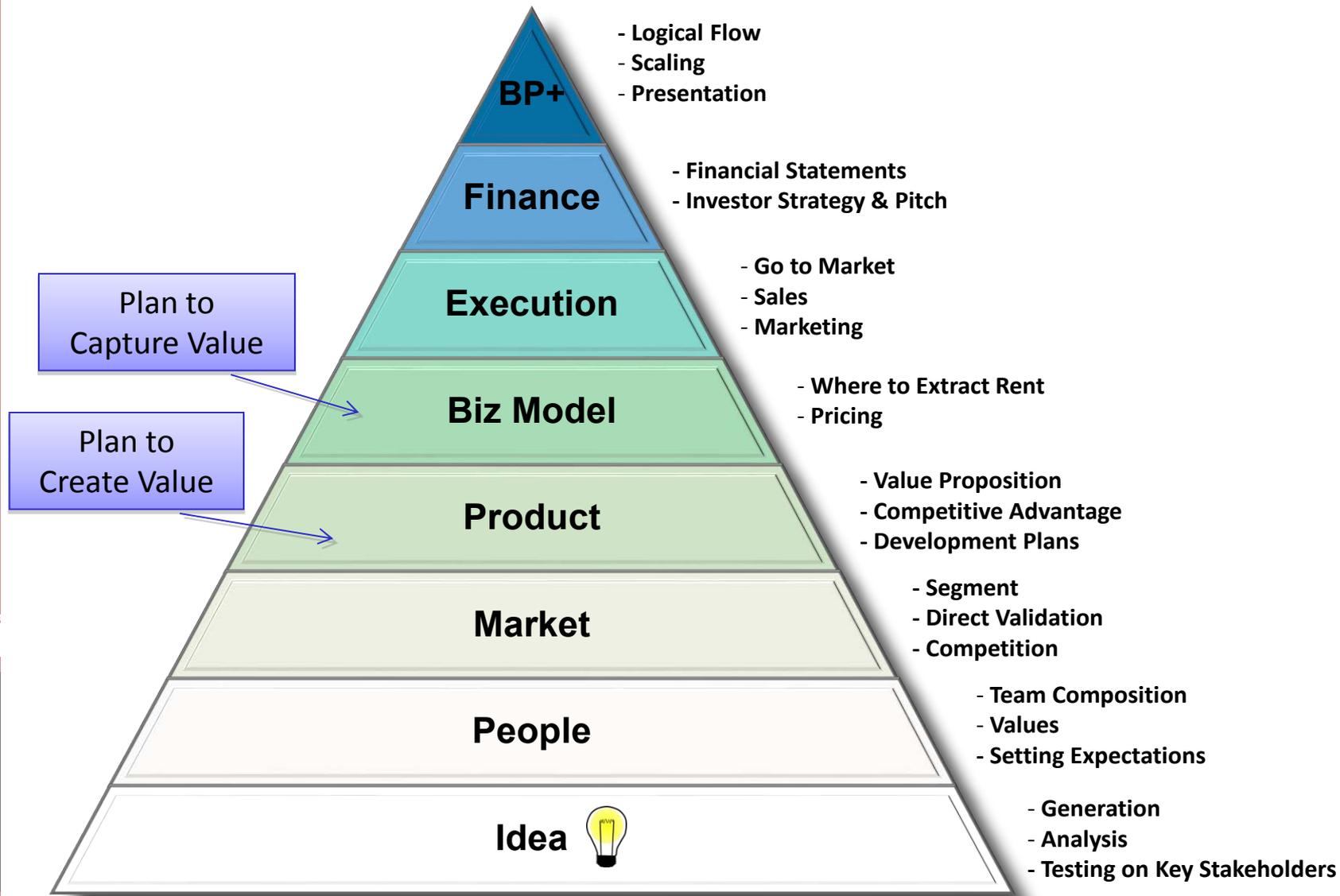
Smart Scheduling “Core”

- Operationalizing data mining software in healthcare by accessing large private data sets
- Human “software” vs. algorithm:
 - ▶ Technology a small part of the solution
 - ▶ Ability to operationalize into clinic workflow is crucial
- Soft skills (people) – attracting people who can speak the language and relate to doctors, admins, nurses, IT people



Logical Flow of Course

15.390 New Enterprises



MIT OpenCourseWare
<http://ocw.mit.edu>

15.390 New Enterprises
Spring 2013

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.