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Scaling Up a Small Technology Firm: Business Model Innovation at HaylioMed

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Mike Kramer, the CEO of HaylioMed, had led his small technology firm for over a decade. With its complex enterprise software solution and range of professional services, HaylioMed was one of the two leading companies in 2014 which successfully served a group of prestigious specialty medical schools and teaching hospitals. Mike had developed a successful business, but due to the limited size of his specialty market niche, he had come to realize that healthy growth could no longer be sustainable with the same business model. Mike's small firm was standing at the edge of a momentous decision: should it maintain the current evolution of its business model and forfeit scaling, or to transform its customer value proposition, resources, and capabilities in search of higher returns? Mike wondered what realistic options were available to him and if the risk of business model innovation was worth the reward.

Introduction

HaylioMed's customer value proposition was to provide highly customized Enterprise Software Solution (ESS) to the most prestigious firms within their market. By 2014, HaylioMed had clients in all five continents: Europe, North America, South America, Australia and Asia. Customisation came at a high cost regarding the time needed to identify and meet the needs of each client and the associated resources and capabilities required to provide a bespoke solution.

The HaylioMed product solved complex problems that many of the mid and lower tier players in the market did not face, or where they did, they could not afford the cost of customization. As CEO and leader of his small firm, Mike faced difficult questions: should he to concentrate on this small, but highly profitable, niche market and face limited future growth, or should he expand beyond this niche. If he was going to expand, he faced a series of choices. None of these options appeared to have obvious solutions for growth and profitability, and each faced uncertainties in terms of technological, managerial and market risks.

At the heart of his problem was if and how he ought to expand beyond his core market of prestigious specialty medical schools. What were the real needs of firms beyond the top-tier market? Did competitors already serve these? How would he explore this wider market with a staff of 25 and limited managerial bandwidth, while still meeting the demanding needs of his current client base? Would it be possible for Mike to simultaneously meet the needs of the current top-tier clients, while developing cost effective solutions for the mid and lower tiers? Would his current market be unwilling to be associated with the mid and lower market tiers?

HaylioMed's Core Business Offering

Mike and his team had gone through a lengthy and at times difficult process to closely configure the HaylioMed's resources and competencies with the needs and demand of its clients. These clients were considered to be the most prestigious medical schools or hospitals in the local market. As early adopters of technological solutions, the specialty schools and hospitals used a technological edge to focus less on administration and more on the higher value adding aspects of their business, thus maintaining market leadership positions.

In essence, the clients used HaylioMed's technology to support their teaching, learning and research activities. HaylioMed's flagship product 'Medi-Wix' served an important operational function as it allowed clients to record and interlink all aspects of clinical procedure, student management, patient administration, financial management and reporting within their medical education niche. HaylioMed's strategy was to get close to the customer, overtime understanding its culture, practices and priorities and to then customize 'Medi-Mix' to provide an end-to-end record management solution for its clients. However, the firm's value proposition also included comprehensive consultancy and support services. Services included the identification of the business process needs of clients, adaptation of the ESS modules to fit the business needs of clients and process management, which ranged from the initial implementation in the client's firm, to follow-ups and the further customization of the software, depending on the client's evolving needs.

Compared to its competitor Titan, HaylioMed delivered superior ESS capability. The Medi-Wix technology platform could be adapted to each specialty medical school's practices and priorities - including languages and symbols, clinical requirements along with administration needs and local payment structures. Titan, in comparison, provided a more standardized and thus more scalable ESS solutions. HaylioMed's sales approach was simple: meet the needs of these prestigious clients, ensuring revenues through system maintenance, software updates, customization in response to the evolution of client's business. Table 1 compares the functionality of Medi-Wix against its major competitor product, 'PlatinumMed'.

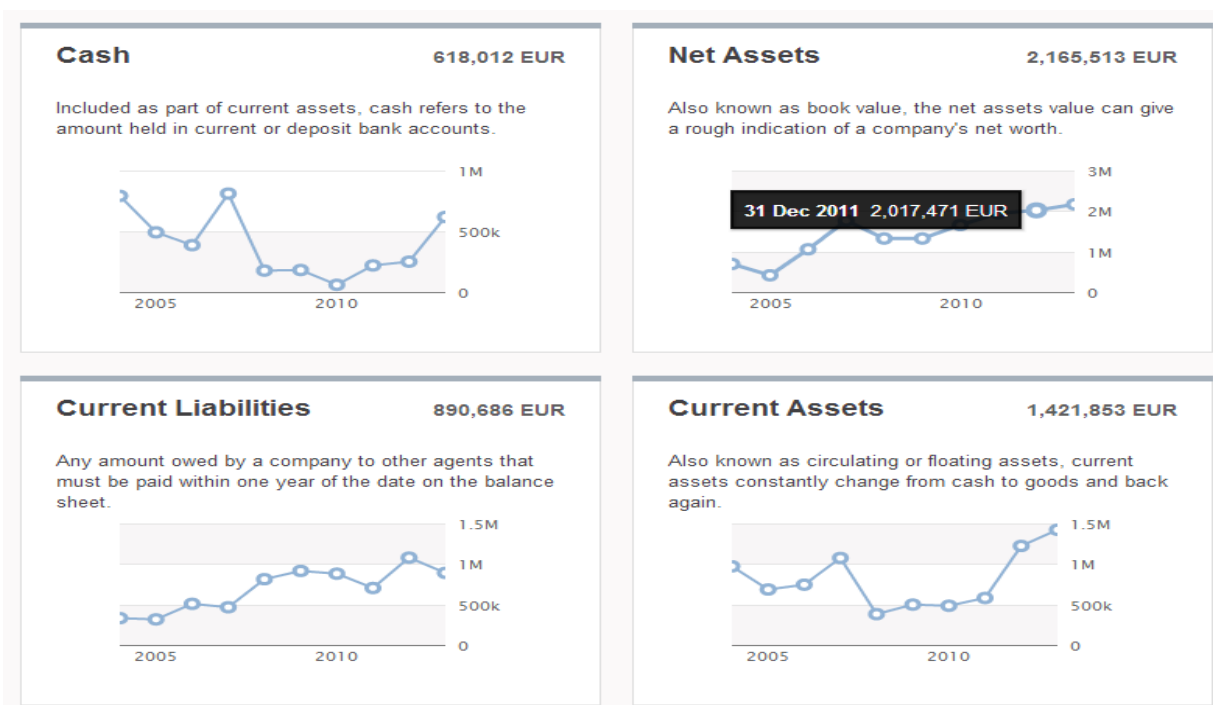
Table 1: HaylioMed’s Functional Features versus Main Rival Titan

Functional Modules of HaylioMed’s ‘MediWix’	ESS Capability of HaylioMed’s ‘MediWix’	Functional Modules of Titan’s ‘PlatinumMed’	ESS Capability of Titan’s ‘PlatinumMed’
Administration	Highly customizable features related to: <ul style="list-style-type: none"> - Administration - Document management - Appointment management - Billing - Tracking of inventory and laboratory work - Management reporting 	Administration	<ul style="list-style-type: none"> - Electronic health records - Patient demographic and financial information - Schedule appointments - Tracking and monitoring - Track and monitor inventory end-to-end - Student records - Patient self-check in - Messaging - Data storage
Student	Highly customizable features related to: <ul style="list-style-type: none"> - Student supervision, tracking and grading, - Learning aids 	Online	<ul style="list-style-type: none"> - Patient access - Mobile access (tablet) for instructors and faculty members - Drug prescription management - Patient notification
Clinical	Highly customizable features related to: <ul style="list-style-type: none"> - Specialist charting and clinical questionnaires - Patient history and routines - Diagnosis and treatment information - Care pathways - Third party information 	Clinical	<ul style="list-style-type: none"> -Treatment planning - Evidence Based Dentistry - Lab management - Electronic health records - Patient charts and management - Specialty medical information
Research	<ul style="list-style-type: none"> - Custom reports - Activity tracking - Evidence-based medicine and care pathways - Collaboration tool 	Financial and reporting	<ul style="list-style-type: none"> - Central billing - Reporting

Source: HaylioMed and Titan Website, 2014

Compared to Titan, Hayliomed’s sales and marketing approach worked well as they understood the interlocking of cultural and organizational values of the client and how that influenced its service system. The HaylioMed team used this knowledge to create the highly individual enterprise software capability for the client that off-the-shelf solutions failed to emulate. Depending on the needs and budget of clients, HaylioMed could purchase modules as a combined bundle (all modules including services and updates) or individually (module by module including services and updates). Individual module purchases enabled clients to explore functionality based on affordability and a priority of needs. At the heart of the revenue model of HaylioMed was the ability to capture the value created by its highly configurable ESS - through upfront development fees, annual maintenance fees and upgrades. HaylioMed carefully monitored its costs per client, thus ensuring that revenues exceeded costs on a per customer basis. HaylioMed had experienced a healthy asset growth to date, shown in Figure 1.

Figure 1 – Cash Flows HaylioMed 2005 – 2014



Source: DueDil, 2014

HaylioMed, along with Medi-Wix, were known for their high-quality and customizable ESS solution and the brand sold well within their particular specialty education field. Their good reputation enabled them to attract and retain the world’s leading medical education providers. Like other small technology firms, HaylioMed had envisaged a strategy of long-term growth where it would scale up its business from a core of high prestige clients to a wider global market. Mike Kramer had seen healthy cash growth since 2010 (see Figure 1), but he realized at the same time that they were beginning to reach the point of market saturation.

The Birth and Evolution of HaylioMed’s Business Model

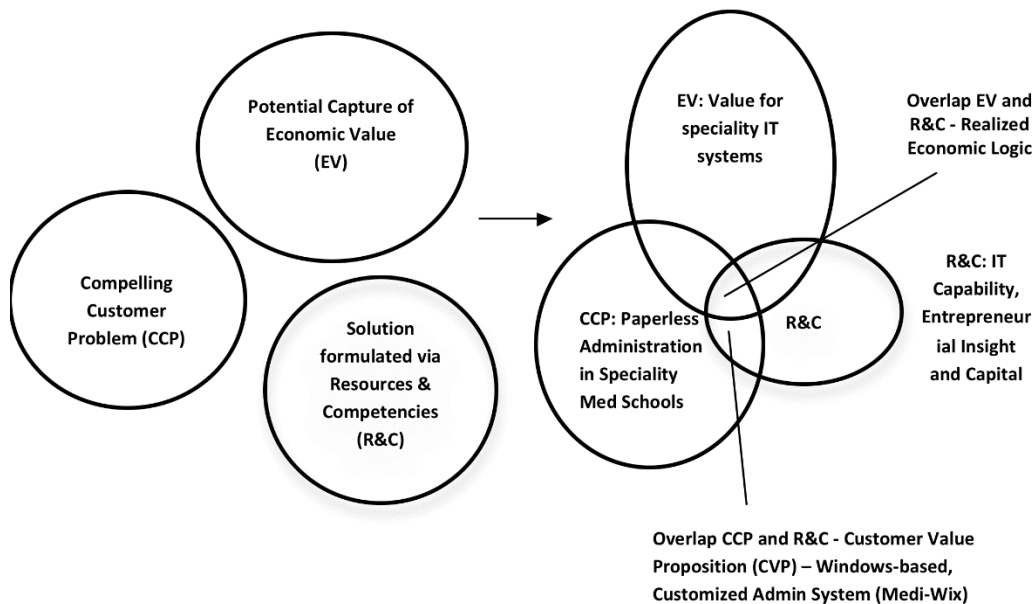
HaylioMed's story began in the early 1990s when the CEO Mike Kramer worked with an international software house to develop an electronic data-recording system as part of a specialty medicine hospital's modernization scheme. A simple DOS-based system was developed to record patients' administrative details and this system served as a precursor to Medi-Wix. This was the first software system in the market that had been tailor-made to reflect the unique requirements of a specialty hospital. The founder had spotted an opportunity, coupled it with an IT competence to create a value proposition for firms within this market that faced complex records management and coordination problems. Medi-Wix was built around innovative software that ensured specialty schools remained functional while moving towards an entirely or partly paperless system. This reduced the risks and costs associated with paper medical management systems that dominated the industry. The emergence of the Windows operating system in the 1990s offered both new technological possibilities and upgrade market opportunities as more firms started to adopt Windows products. Windows-based software system with specific emphasis on enterprise and research capabilities of specialty medical educators was a real innovation.

Clients had various 'pain points' when it comes to paperless administration. These pain points were translated by HaylioMed into core software modules, all of which could be offered and sold separately. The core modules were administration, finance, research, clinical and student-related matters.

HaylioMed developed their software by working with a high-end market lead user in their home market. This provided them with an understanding of how to create an effective ESS in a Windows environment. They used the learning from this client to enter the Scandinavian market in 2000. From these two clients, they were able to validate their technology as effective because it provided a service that others were failing to provide. They used the learning from these clients to develop resource and capabilities that could integrate this technology into the business model of clients. Most importantly, they had hit upon an economic model where the revenue from the client exceeded the costs of production. A business model was born. HaylioMed would spend the next decade refining this business model and exploiting remaining market opportunities within the high-end client niche of this market.

Figure 2 illustrates both the basic concept of a business model as well HaylioMed's business model. The left side of Figure 1 shows that a business model is made up of three basic components, a compelling customer problem (CCP - left circle), a potential capture of economic value (EV - middle / top circle) and a solution which is formulated from the firm's resources and competencies (R&C - right circle). A customer value proposition and an economic logic only developed once the business model components started overlapping (right side of Figure 2). In essence, this meant that a customer was willing to pay for a solution to solve a particular problem.

Figure 2 – HaylioMed Initial Business Model Configuration in the 1990’s



Source: Authors

In the early 2000s, HaylioMed sought to expand into the United States. Unlike their experience of expansion within the European market, they entered a US market that had developed a strong vision and agenda for electronic records in the specialty medicine field. HaylioMed attempted to enter the American market. It soon became clear that the medical schools and hospitals were a closely knit niche community and this community had already been accessed by the ‘Titan’, HaylioMed’s main competitor. After limited success, a strategic decision was taken to focus the firm’s growth on the European market instead.

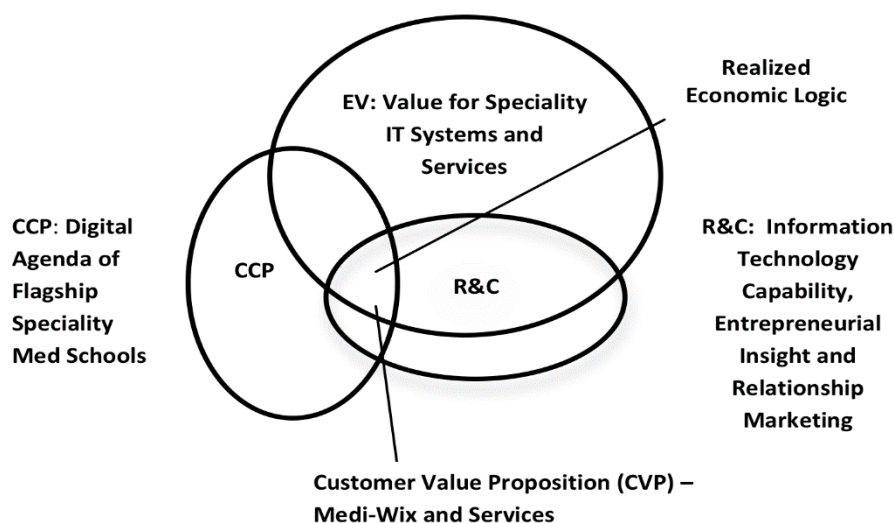
HaylioMed engaged in a fund-raising initiative in 2003. At that time, the business aims were to use the venture capitalists (VCs) strategically, to boost financial resources, gain technical expertise and exploit the opportunities at hand. The arrival of the VCs also saw the departure of Mike Kramer as CEO in the summer of 2004. The VCs had a strong focus on the American specialty medical education market. They were of the view that the US was the real business opportunity and that HaylioMed needed to re-enter the US. However, their attempts of entering the US failed again. The VCs lacked both software expertise and connections in the US. It became evident that scaling within the US market was extremely costly in terms of marketing, public relations and technology development. This was further compounded by an absence of entrepreneurial vision and an inability to provide the financial support necessary to fund entry into the US market. By 2008 (see Figure 1), the firm’s assets had rapidly dropped to less than €500.000, more than halved from a peak of over 1 million in early 2007 (Duedil, 2014). Cash

was similarly affected, dropping from over €750.000 in 2007 to almost zero in 2010 (Duedil. 2014). The VCs had good operational relationships with the management team, however, their lack of resources and capabilities needed to enter the market made a parting of the ways inevitable.

Mike Kramer was a visionary, with a practical knowledge of the business: he returned as CEO in 2008. He immediately set about a review of the customer value proposition of HaylioMed. The customer value proposition was developed to more tightly align with the needs of clients with the software provided by HaylioMed. The firm invested in relationship marketing and project management. Thus, it came to both better understand the needs of its small number of high-value clients and had the project management capabilities to efficiently and effectively develop ESS software that met their changing needs. The essence of the customer value proposition was now to meet the evolving needs of the digital records management and education approach of their clients. By having a narrow focus, HaylioMed was able to invest in deepening the resources and capabilities needed to achieve this customer value proposition. The economic value captured by HaylioMed could then broaden. HaylioMed met a wider need of clients by focusing on investments with a narrower range of resources and capabilities.

The management team argued that that the product was only half of the business model equation, HaylioMed's unique project approach and skilled team was what completed the value proposition. HaylioMed's business model configuration had changed. There was a pull which moved the opportunity, IT competency and financial gains closer together, thus enhancing the economic logic of the overall business model. This shift is illustrated in Figure 3 as a closer alignment between the three business model components. The opportunity as well as capabilities and resources are illustrated as ovals as the opportunity had narrowed over time and capabilities grew and broadened.

Figure 3: HaylioMed Business Model in 2010



Source: Authors

HaylioMed's business model had evolved to meet the needs of 'flagship' specialty medical schools and hospitals, from which it used these as reference sites to attract other clients. These 'flagship' customers had complex problems that the firm could solve and the funds to pay. The idea was then to use these as reference sites to access other firms within the client's network and thus grow HaylioMed. A key challenge was how a technology firm could identify and meet the needs of these firms. The solution emerged through a process of trial and error, resulting in a relationship-based marketing capability that identified customer needs and linked these directly into the software development process. Flagship sites could be described as particularly prominent, prestigious and innovative specialty medical schools or hospitals. The deans in these schools were often well recognized and respected internationally, and these schools provided vision and leadership in the field. Once an influential medical school implemented, a digital system, others tended to follow. Flagship sites tended to be geographically dispersed and they served as reference sites for HaylioMed. Reference site arrangements were usually agreed with the flagship sites and schools were invited to see Medi-Wix in practice.

Having pursued this business approach, HaylioMed also managed to further refine their revenue streams. Income was not only made from the software but also from annual maintenance and professional services. This alignment of potential gains with the value proposition meant that the firm was more profitable and entered a growth phase. By 2014, Medi-Wix Enterprise Software System was being implemented in specialty medical schools and hospitals all over the world.

The Promises and Perils of a Highly Specialized Business Model

Business Model Typology

By 2014 HaylioMed's business model could be best described as a 'boutique business model'. Boutique meant that the firm did not have an off-the shelf 'plug-and play solution' to enterprise software. Its customer value proposition was a customizable ESS and process consulting service for specialty medical school and hospitals. There were a series of pre-defined modules and services. HaylioMed's team worked closely with clients to understand their common and unique processes and then adjusted the standardized modules to meet these client needs. The firm had carved out a profitable niche in the specialty education market and had made strategic decisions to target high profile customers with a high-quality offering, thus providing a degree of exclusivity. The new challenge was considered. Was their sufficient market within this niche to continue the growth or should HaylioMed start looking for new market opportunities?

Competitive Positioning and Unique Selling Points

Within the specialty medical education market niche, HaylioMed worked with only one other major rival, the US based 'Titan' (Titan Website, 2014) who dominated the local market. Titan, which was part of the Medical Information Group, had a number of software products targeted at the same market as HaylioMed. The Medical Information Group was the world's largest distributor of healthcare products and services to office-based specialty health practitioners. Titan's Enterprise Software System was called 'PlatinumMed'. Their ESS system was specifically designed for medical education providers. PlatinumMed, similar to Medi-Wix, had different modules including clinical, administration, finance and reporting. Titan offered the

PlatinumMed software in conjunction with professional services including training and consulting as well as ‘meaningful use’ consultations.

On the surface Medi-Wix and PlatinumMed looked quite similar (see Table 1 for comparison). The Medi-Wix system was more customizable and capable of localization (including languages other than English) to the client’s needs and culture. For example, letter templates, filters, options, tabs, buttons, signs, symbols and reporting features were finely configured in Medi-Wix to reflect the hospitals local needs and processes. In addition, it was available in four different languages. Medi-Wix had the ability to be configured in any language. Titan’s PlatinumMed in comparison was clearly targeted at the English-speaking American market. It had not been configured into languages other than English and the firm’s experience in non-English speaking markets was thus limited to the Anglo-speaking sub-segments. This meant that PlatinumMED was not effective at adapting to local non-English speaking cultures and client markets. The HaylioMed team believed that Medi-Wix’s flexibility and configuration ability had provided them with a unique selling point. The strong personal bonds which clients tend to develop with the team were seen by HaylioMed to be a source of competitive advantage. The success of a boutique business model was contingent on the interception between the customers’ compelling problems, internal resources and competencies and economic logic. Such an understanding generated a deeper understanding about how the financial opportunities were translated into a viable business model and offered insights into how Medi-Wix could expand into new markets versus consolidate its current position. Mike Kramer thus undertook a process of exploring his boutique business model in depth as part of the process of deciding which strategy to follow.

Market Drivers and Opportunities

HaylioMed’s market opportunity was defined by three drivers: the trend of institutions going paperless, the growing tendencies towards patient care funding models where money follows the patient rather than funding of hospitals independent of patient needs and choices. Additionally, there were unique characteristics of specialty medical education, making standardized ESS solutions cumbersome and ineffective in the management of the blend of student education, patient needs and regulatory requirements.

Digitalization of Data

The first market driver was the European Union’s digitalization project, which had a particular focus on healthcare. From the early 2000s, the European Union created policies that strongly encouraged a digital agenda (such as digital medical records that follow the patient) to allow citizens and businesses get the most out of digital technologies (EU Commission, 2010).

Digitalizing any school or hospital was becoming a necessity for many sites to be efficient in meeting its educational and regulatory requirements. Digital records introduced transparency, reduced errors, provided full traceability and increased operational and governance efficiencies. However, flagship sites tended to be a lot more proactive and innovative when it came to their academic standing and branding than normal schools and hospitals. Indeed, in such sites, digitalizing was deeply intertwined with the institution’s overall mission and vision. Being technology-enabled implied expertise, scholarship and excellence in standards and perhaps even

more importantly, it was a recognized sign of leadership and innovation. Most prestigious educators had clearly defined organizational visions and digitalization was a crucial enabler to their visions. Selected mission statements of HaylioMed's flagship sites were as follows:

“To be the specialty medical education institution of choice for education, patient care, research and staff and to continually enhance and develop our unique services to patients, students and society” (Client Company 1 Website, 2014)

“This school has an international reputation for its educational provision, research and clinical service...is noted for research of a national and international standard and in many areas is at the very leading edge of innovation and thinking.” (Client Company 2 Website, 2014)

“We will shape the future of the profession through scholarship, creating and disseminating new knowledge, developing and using innovative technologies and educational methodologies, and by promoting critical thinking and lifelong learning.” (Client Company 3 Website, 2014)

Enterprise software solutions had the capability to deliver transparency and economic benefits to medical schools and hospitals. What is more, the digital data capture gave rise to significant research opportunities and these were important for both, the specialty field and for the prominent educators. To get real value from the system, it was imperative that the technology did not dictate how administrators, clinicians and students conducted their work; instead they needed to embrace the paperless data capture for the benefits that it had to offer. HaylioMed's value proposition captured their needs by combining consultancy, customization and technology implementation end-to-end. As a core IT system, Medi-Wix enabled the top medical school to move their administrative, clinical, research and student-related tasks seamlessly from paper to digital.

Money Follows the Patient

The second market driver was the emergence of a new market-driven concept within the European Union healthcare system, namely that money follows the patient. Many healthcare systems within the European Union were either state owned or hybrid public-private systems. Funding was largely given via block grants to a healthcare provider. Money that followed the patient healthcare funding models implied that the patient was funded on an individual basis rather than from hospitals block grants (Department of Health Ireland, 2013). The “money follows the patient concept” was a contemporary approach to healthcare which advocated the transformation of the healthcare system, making it truly patient-centred, value-focused and supportive of wider health sector objectives. A specialty medical education ESS system, such as Medi-Wix, had the capability to track money and patients across different locations. These systems enabled medical schools and hospitals to become patient-centred and value-focused, thus delivering the “money follows the patient concept” in operational terms. The IT capability of the system allowed the medical school to engage in the mining of data. Data mining enabled the hospital to transform and optimize healthcare and funding flows at any stage.

Uniqueness of the Speciality Medicine Segment

The third market driver was related to the unique requirements of specialized medical schools and hospitals. These types of medical schools and hospitals had needs which were exceptional in the medical world. Rather than observing clinicians and shadowing them as is the case with mainstream medical students, students of this specialty discipline were actively engaged in invasive procedures early in their training. They also had to take responsibility for some treatments as part of their curriculum from the second year onwards of their five-year degree.

These students needed to treat their patients while being monitored by clinical supervisors without compromising quality of patient care or the efficient running of the clinic. Supervisors needed to grade the students, check attendance records and track progress on the treatments carried out. Treatments required the reviewing and authorization of clinical supervisors and recommendations needed to be made to influence the student's clinical performance. It was also important that management could retrieve certain kinds of reports. Reports were needed to ensure students fulfilled the required number of procedures to be qualified and to track that all patient types. Medi-Wix was configured so that student were digitally tracked, supervised and supported. Moreover, it was configured so that medical educators adhered to country-specific customs, local accreditation requirements and legal regulations as well as to other sectoral requirements, including codes of conduct and best practice guidelines for their specialization. For example, the Medi-Wix configurations for an English-speaking medical school in Asia needed to be configured to support Chinese and Arabic languages. This was the case because the patients could give their written demographic information in either Arabic or Chinese but needed to be able to input the data in English. On the other hand, if appointment letters were issued to patients, the postal system and patients both needed the letters to be issued in Arabic or Chinese not in English. Thus, certain linguistic translation components had to be included into Medi-Wix for Asia.

At a local level, each specialty medical school had its own unique requirements when it came to internal administration, clinical procedure and research agenda. For example, one medical school in Asia had separate schools for men and women. In South America, the specialist educator was connected to a religious organization. Administrative requirements were related to patient registration and demographic record maintenance, appointment management and billing, tracking inventory and laboratory work. Clinical requirements included the specialist charting for medical history, lifestyle habits, capture of medical data (pre-configured or free-hand drawing) and the planning of treatments. Research comprised clinical and academic research, including disease-specific and retrospective research, as well as evidence-reporting and the assessment of clinical care pathways. HaylioMed had a strong understanding of both, the general industry trends (digitalization of processes and practices in this specialty medicine field) and the requirements that each individual client had. Competencies related to IT and marketing had been aligned to develop a value proposition that resonated with the opportunity.

Resources and Competencies Particular to the Boutique Business

The HaylioMed's resources and competencies had evolved over time, as demonstrated in Table 2, but were mainly centred on IT, marketing, networking and commerce.

Table 2 - Evolution of Resources and Capabilities



Business Conception	Early Growth	VC Entry	VC Exit and CEO Reappointment	Current Business
IT Capability & Innovation Entrepreneurial Insight (Emerging Market) Market Sensing	IT Capability Entrepreneurial Vision Ability to Raise Capital	Generic Sales and Marketing Skills IT Capability	IT Capability Relationship Marketing Capability Commercial Capability Networking Entrepreneurial Insight in Current Market Leadership Ability to Self-finance	Relationship Marketing Competency IT Competency & Innovation Capability Commercial Capability Networking Entrepreneurial Vision for Scaling (Product or Market) Process Development & De-Coupling Anchoring and Adjusting

Source: Authors

Regarding their technological competency, the Haylio blended technology expertise with a team of consultants who assessed the business model and operational needs of the client on-site such that they could accurately assess the needs of the client and then tailor Medi-Wix so that it fitted with the client’s processes and practices. All of HaylioMed’s customers used the same root base of Medi-Wix; which included the administration, student, research, and clinical modules. The ESS solution was desktop-based, but each was highly customizable. A technical consequence of this customization was that the interconnections with and between modules could address unique problems during the processes of debugging and on-site implementation by clients. When it came to exploring the hospital’s needs at the initial project stages, HaylioMed spent a considerable amount of time on site to observe relevant processes, workflow and practices. A head nurse in NovioMed hospital, a key client of HaylioMed, described the observations as follows:

“From the point of view of research and developing the product, we would have been all interviewed and from an administration point of view, they observed us. They sat in the office for weeks, just noting down every simple thing that we have done, looking at our

systems, our processes and then we would have got a sample product because we were the first site. So we got a sample product which we worked on for a couple of months.”

HaylioMed’s aim was to make Medi-Wix “the heartbeat of the organization”. To make their software central to the hospital’s mission, vision and daily operation, HaylioMed engaged in a rigorous pre-implementation analysis as well as a configuration phase. Most often, this involved members of HaylioMed going to the client’s site for some time. The head of IT in HaylioMed explained:

“Lots of configurations are done specifically for certain sites as there are various regulations in the country and there also different types of developments that they specifically want. This even goes down to how the tick notation [symbols to click on] looks like – they may be different from one country to another country! Configuration may range from minute detail all the way to whole modules being turned off.”

To reflect the ongoing changes that happen within the medical schools’ processes and practices, local configurations as well as annual updates had to be done. Not all configurations were done by HaylioMed - clients also had the ability to configure some aspects of Medi-Wix themselves.

In addition to initial local customization, twice a year HaylioMed released software updates, which included new formats, features and functionalities. Maximization projects were also carried out which ensured that clients were aware of and used all of the functionalities and features available in Medi-Wix, especially the research and reporting functions. Many clients started off with one, often particularly mission-critical ESS module, and then moved towards full functionality over time. Other clients implemented the full version from the start. The accounts and project management team both monitored the progression of new and on-going projects. HaylioMed’s development team checked that new clients put the correct IT infrastructure in place (e.g. Oracle and other applications) to install Medi-Wix. They also checked that existing clients updated Medi-Wix to the latest versions. As the Head of Development in HaylioMed explained:

“Generally, all our releases are available for everyone. We notify our clients about two months before saying: here is what is in it. From discussions with particular clients they will know what is in it. We always try put a few items in that may have been requested by one site in particular or that we have come up with ourselves in here that is a benefit to all. Rather than having very client specific stuff in it, it will benefit everyone. When looking at that list you look at what can help sales, what new development environments are out there that we need to comply with.”

The firm also had a strong relationship marketing capability, which was characterized by deep and meaningful ties with clients and partners. Customers in new geographic regions were positively influenced by recommendations from flagship sites worldwide. Current sites endorsed Medi-Wix as an enterprise software system, and they championed their relationship with HaylioMed to potential new clients. Once signed up, HaylioMed engaged heavily with new clients to understand the customer’s processes, practices, and values. The Head of Operations explained:

“If it was a pure product we would sign the application and say good luck and good bye. But this not what we do and we have never done that. We have embraced the environment, processes and how these work. We look at their change management and if we didn’t do that Medi-Wix would not succeed. There is no question about it it would have no longevity.”

Relationships tended to be continuous, deep and personal. Trust, mutual exchange and fulfillment of promises were important aspects when it came to communicating and delivering value for the client. Most customers enjoyed a quasi-friendship status with HaylioMed’s team. Interactions varied from the stage of the project to the version of Medi-Wix the particular medical school had implemented. HaylioMed approached customer acquisition holistically and emphasized overlaps of organizational and personal values. The team made substantial efforts to get to know the client’s culture. Values ranged from having a long-term vision for the business down to having a good sense of humor in daily life. When it came to culture, the team tried to generate an in-depth understanding and blended in as much as they could. Examples included learning polite key phrases in the client’s language, having knowledge of local celebrities or even discussing football teams. Blending in enabled them to be seen as trusted partners, rather than outsiders, thus helping HaylioMed to both understand the real needs of the client and the practicalities of how clients would actually use the product in reality. The close, culturally accepted relationship between HaylioMed and its clients enabled smooth, clear communication, thus facilitating both implementation and repeat business. Ongoing, dedicated support, given by the HaylioMed accounts team or by a dedicated partner on the ground, was part of their marketing capability. The overall goal was ultimate client satisfaction as their referral system was so crucially dependent on it. The Head of Operations at HaylioMed asserted:

“What makes us unique is the holistic approach. The product is one part, the application is another part of what you get and you’re buying into a relationship. You’re buying into a family, which is a collection of Medi-Wix school. You are buying into the future potential. It is the full the package. You’re not just buying software.”

Interestingly, there was no dedicated marketing person as such in HaylioMed, instead a variety of people were involved. Marketing activities were tightly concentrated around customer satisfaction and relationship-based selling.

The CEO Mike Kramer stated:

“We don’t have a marketing team - we don’t need to. We have a strong sales team but it’s a sales team based on referrals. It is a multi-tasking sales team and it is all based on referrals. Somebody introduces us as great people, great product, great return on investment, go talk to them! Or I know this medical school down the road I will make an introduction or go talk to them tell them that I’ve recommended you.”

The firm’s particular relationship-based marketing approach had evolved over time. Other traditional promotional marketing methods, including brochures, on-line and paper-based advertisements and events, had been tried in the past but had proven to be ineffective. Between 2010 and 2014 HaylioMed undertook episodic public relations; however targeted PR was not

conducted on a regular basis. This had the effect that HaylioMed was very well known within, its niche market and relatively unknown beyond.

HaylioMed's networking capability was closely aligned with their *relationship* marketing capability. Their networking capability was different to relationship marketing as it related to the firm's ability to build, maintain and leverage social network structures. Networking and partnering had become more important than ever before as new sites in geographic regions had been acquired in recent years, many of which were in different time zones and languages. The customer value proposition of HaylioMed was their complex Medi-Wix modular system coupled with excellent services. The HaylioMed team had come to conclude, however, that with a growing customer base, individual support by HaylioMed technicians and consultants at such high-quality levels was not sustainable. Since 2009, partners had been taken on for operations in Australia, Canada, Chile and Saudi Arabia. Relationships were initially forged either via introductions from local authorities and the Department of Foreign Affairs or via the client's own contacts. The first step to connect with a partner was usually to create a checklist of requirements and then to clarify common interests and goals as well as expectations. The Head of Development explained:

"We have a basic profile of say seven things of what we'd like in a partner...These basically are as follows: Are they in our speciality medical field? Do they have good customer care references from current clients? Do they have business analysis, account management and project management experience? Do they work with enterprise solution companies themselves or are they plug-and-play type companies? Do they have access to clinicians? and Do they have a little black book of universities or contacts? Then, it is just through discussions to try and evaluate where they are at and if they want to work with us and what their interests are. From there then we get a good idea together if this is something that we can collaboratively do together"

Partners were important to HaylioMed as they provided local knowledge during the project implementation stage and gave front-line support once Medi-Wix was fully functional. In 2014, with one exception, the partners were not involved in sales. HaylioMed predominantly networked with partners to achieve relationship marketing. The firm sought long-term connections with their partners and looked for a fit between another's organizational culture and values. However, relationships were being clearly led by HaylioMed rather than achieving a co-creation between missions, visions and desired project outcomes. This led to partner relationships being more transactional in nature. HaylioMed's approach to networking did not allow for the exploration of the opportunity to its full potential. Instead, it served to support the firm's internal pace of opportunity exploration and satisfaction. Furthermore, HaylioMed's had significant commercial capabilities, which were closely intertwined with their relationship marketing competency. The commercial capability was a capacity to explore the opportunity further and realize financial gains. This meant finding new customers as well as selling to existing ones, thus having a growing sales pipeline. Efforts were also ongoing to move beyond the flagship site into a particular geographical market. For example, in the UK this market penetration strategy had been successful. This success had been facilitated by HaylioMed's good relationships with the UK's Department of Health. Having forged crucial relationships,

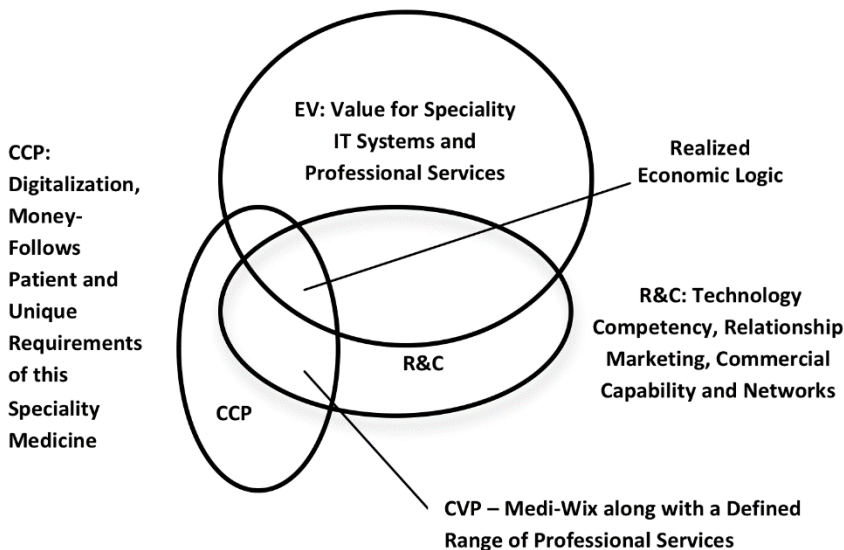
HaylioMed was now the preferred supplier of any UK-based specialty medical school who wished to get fully functional with an ESS system.

Their commercial capability was also underpinned by HaylioMed’s recognition that professional services were an integral part of their value proposition. This shift had come from two sources: increased confidence from their success and time constraints due to mounting volume of projects for current and new clients. As time became an increasingly scarce resource, the team could no longer afford to be doing extensive services for free. This was described by the Head of Analysis as follows:

“I think that HaylioMed was volunteering services a lot. We do a lot of things that we would say are good for the relationship - for this and for that. Let’s discount them! We discount them right down and then the money isn’t coming in. So we have to be aware from the accounts side of things that we need to be charging people for and we’re getting better at that”

This capability enabled the firm to explore the market opportunity further, creating an increasing overlap between the business model components. Figure 4 illustrates this overlap. In addition, the economic logic was enhanced as more professional services were now being charged. HaylioMed’s boutique business model was well-established in 2014. The niche’s unique sectoral requirements (narrowing CCP oval) were being met with a solution (growing R&C oval) while generating profits (overlapping area between all three circles).

Figure 4: HaylioMed’s Business Model in 2014



Source: Author

Economic Logic of the Business

In 2014, HaylioMed’s revenue streams came exclusively from one niche of the specialty medical education market. Revenues within that niche were generated from three sources: software modules, annual maintenance fees and professional services.

The Medi-Wix software fee was a once-off capital expenditure (capex) fee. To install Medi-Wix, a medical school had to invest in other IT infrastructure, either servers or cloud space. The total capital expenditure for installation of the ESS system costed the specialty medical schools around one million Euros of which the fees paid to HaylioMed for Medi-Wix alone would be around one-third of the total expenditure of the client. This was clearly a costly venture and only well-funded schools had the means to upgrade their IT to such premium standard. Perceived value pricing and competitive benchmarks were applied within each country and reference sites received a discount.

An annual maintenance fee was also charged which covered the day-to-day running costs and customer services as well as the software updates released twice a year. This fee was around 20 per cent of the software fee. Wherever possible, HaylioMed charged this fee from the date that the contract was signed.

The third income stream came from the range of professional services that HaylioMed supplied. These services included configuration and implementation, IT development, change management and training (initial training as well as training relating to maximization projects). Professional services days required for new projects ranged from 50 to 150. In recent years, HaylioMed came to recognize that professional services were a crucial part of their value proposition. With that, the complexity of service package had increased and staff, such as the head of training, were identified and allocated. Charges were applied to professional services thus significant parts of the firm's revised value proposition were now being paid.

Conclusion

Mike reflected that his company and the rest of the team nurtured HaylioMed to become a world leader in their market niche. Looking back at their business model evolution, there had been an increasing alignment between the market opportunity, HaylioMed's resources and capabilities, along with a growing economic logic. This alignment had enabled HaylioMed to successfully grow. As an organization, they were deeply committed to each individual client and proud to see their ESS system delivering unique value to the leading schools and hospitals in specialty medicine. However, Mike knew that they had arrived at a strategic crossroad and wondered what to do next. Would they deepen their commitment to their current market, or undertake business model innovations to enter wider markets? Which road would he take to manage the mix of risk, returns and capabilities of HaylioMed?

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