

Teladoc - The Next Amazon

Summary

Teladoc Health is a global leader in comprehensive virtual healthcare services. The telemedicine industry is growing rapidly with a projected annual growth rate (CAGR) of 25% over the next six years.[6] We believe Teladoc, with a strong leadership team, well-aligned innovation strategies, a balanced innovation portfolio, and core competencies, is well-positioned to address the challenges and meet the growing needs for a high-quality, affordable, and convenient healthcare experience.[5]

Founded in 2002, Teladoc now serves over 170 countries, 50 million members, 12,000 clients with a broad range of clinical services, such as chronic condition management and behavioral health solutions, all powered by advanced data science technology and a scalable core platform. [7]

With a strong track record of leading both business and technology innovations to reshape the healthcare industry and the vision to enable virtual first healthcare access, Teladoc is equipped with comprehensive clinical capabilities, rich technology experience, deep consumer engagement expertise, and an efficient global distribution network to drive virtual care service adoption on a global scale. Beyond empowering patients to navigate their entire healthcare journey with ease, Teladoc is continuously expanding its services to meet evolving market needs through acquisitions and partnerships with health systems and government-sponsored programs.

The Role of Strong Leadership

CEO's Vision: Shaping Telemedicine as viable service

Much of the growth that telemedicine is experiencing has been invigorated by the recent obstacles the pandemic has created. From the summer of 2019 to the summer of 2020, experts estimated that telehealth claims increased by an incredible 6000 percent. [15] However, Teladoc Health, through its co-founder and current chairman Michael Gorton, along with current CEO Jason Gorevic, have been at the forefront of shaping the viability of telemedicine long before COVID-19 placed it at the front of everyone's minds. The initial inspiration for Teladoc was provided by a physician, Dr. Byron Brooks (co-founded company with Gorton), who administered virtual care to NASA astronauts. [16] Telemedicine dates back to the early 20th century, when radios were used to provide medical advice to the crew of ships at sea. [6] In the 1950s, hospitals adopted telemedicine practices by using closed-circuit television links for psychiatric consultation. [6] As technology has evolved, the way in which people receive and deliver health care has grown alongside it. In many ways, Teladoc, who has been at the forefront of telemedical care for over 15 years, believed that telemedicine taking a much greater role in the health of everyday people was inevitable. The potential of the market has always been dependent on who would be the group to successfully expand on the existing

opportunities. According to Gorevic, the mission of the company since its creation, has been to provide efficient, high-quality, and low-cost health services to people all over the world.[16]

Teladoc is attempting to thrive in a highly competitive, and heavily regulated industry where it must manage numerous stakeholders, including government officials, fortune 500 companies (health plan clients), and powerful investors. In the 2020 annual report, upper management has indicated the challenges and risks the company faces in sustaining growth.[5] From a market standpoint, telehealth is immature and volatile, and if it does not develop, develops too slowly, or encounters negative publicity, the growth of the business will be harmed. From a client perspective, a large portion of revenues come from a concentrated number of clients, and that is why upper management is paying close attention to retaining customers and expanding its partnerships with new clients to diversify revenue streams. The pandemic has made this even more critical as losing key clients due to struggles with COVID-19 has become more common for firms in all industries. Lastly, as a player in the healthcare industry, government influence consistently impacts the fragility of the business, and complying with evolving regulations is a reoccurring challenge of the utmost importance. With these pressures, Gorevic and his management team have had to use the Innovator's Toolkit [8] technique of stakeholder management to ensure that all relevant stakeholders, internal and external of the company, know their respective roles and responsibilities. Clear distinction of the company goals allows the entire firm to maintain a sense of clarity even as the ecosystem around Teladoc continues to evolve. Figure 3 outlines the stakeholders of the company and analyzes their satisfaction in regards to the relationship.

How does this align with innovation strategy - PTW

Teladoc has been aggressive about growing to meet the needs of customers, and being proactive about predicting future consumer demands. The company has prided itself on being a first mover in producing cutting edge innovations and has leveraged the advantages that being early to market has produced. [5] A primary driver of growth for the company has been their aggressive acquisitions as the firm has recently acquired both InTouch Health in July 2020, in a deal worth approximately \$600 million, and Livongo in October of the same year, for a blockbuster \$18.5 billion deal. These strategic mergers have positioned Teladoc Health as the largest telehealth provider in the world and have completely changed the trajectory of the firm. The acquisition of InTouch Health, the leading provider of enterprise telehealth solutions for hospitals and health systems, places Teladoc as the only virtual care provider covering the full range of acuity – from critical to chronic to everyday care – through a single solution. [17] The Livongo merger combines Livongo's platform for managing chronic conditions, such as diabetes and heart disease, with telemedicine. The deal supplies resources to deliver a complimentary service to Teladoc's original product, with Livongo's platform offering a way to keep patients engaged in between telehealth visits. [18] Overall, the firm's acquisitions have positioned it to grow organically in the future through strategic market diversification, similar to an early stage Amazon. Teladoc has adopted a play to win (PTW) strategy which is visible when analyzing the actions of the firm and the claims made by upper management. In 2014, when the company was first being recognized for its potential to become the *Uber of healthcare*, Gorevic stated, "We'll do more than a half a million telemedicine visits next year (2015). The data is pretty clear

there's this massive wave building and I think we're really just at the beginning of that wave.” [19] In 2020 alone, the firm completed over 10.6 million telehealth visits. [5] The firm accomplished this dramatic growth by aggressively developing its expertise in data science and analytics to more accurately connect with customers. Additionally, the firm focused heavily on making its product user-friendly and the work resulted in Teladoc's award winning user experience for its mobile platform. [3]

Instilling a culture that aligns with innovation strategy

Teladoc and its insistence on abiding by a play to win strategy has many risks attached to it. Upper management is consistently striving to achieve new and more aggressive goals. In order to do this the company culture must be one that rewards and supports risk taking inside the firm. In an interview in March 2021, Gorevic stated how he believed his job was to set direction and strategy for the firm and its employees, and a major part of that is playing to people's strengths. He mentioned that he is a firm believer that you can enhance someone's strengths and make them stronger, but you will run into trouble trying to make someone's weakness a strength. [1] After putting people in position to leverage their strengths most effectively, he believes it is his duty to “get out of the way” and trust his employees to produce quality work. Gorevic has instituted a culture of empathy and support across the company and this plays critical roles in limiting organizational antibodies [2] and allowing employees to feel most comfortable taking risks to improve the company. When asked about his leadership style in the same March interview, the CEO said, “the leader archetype that resembles the admiral at the head of the ship... is no longer effective.” He went on to elaborate by saying he feels his leadership is most effective when he is “genuine” and “present, both intellectual and emotionally” for his employees. This has been especially important during this recent year when people's lives could be dramatically impacted by factors existing outside of the office.

Amount of Innovation Needed

To become the next Amazon in the healthcare market, Teladoc is required to apply a balanced portfolio of 60-20-20 (the investment percentage of incremental, breakthrough, and transformational innovation), which leverages transformational and breakthrough innovations to generate new sources of revenue while maintaining a level of incremental innovation to achieve profitability. “Health care delivery and treatment settings continue to evolve, leading to the acceleration of alternate network strategies, including high-performance networks, third-party providers, and telemedicine. For example, 17% plan to offer telemedicine by 2013, and another 27% are considering it for 2014 and 2015.” [9] As the pandemic continues, more and more people and companies will try to provide health care digitally.

In order to reshape a highly competitive industry, companies like Teladoc need to take on a higher level of risk to differentiate themselves in the immature and volatile telemedicine market. There is high risk associated with Teladoc's growth strategy. For example, the protocols the company uses must always align with the legal policies of the countries they serve. The foreign currency exchange rate fluctuation could also adversely affect its financial and business condition. Teladoc is currently operating mainly in the USA with other 26 offices in other

countries and they plan to expand more globally through both organic growth and acquisition. [5] To achieve these goals, they must balance the risks associated with expanding too fast and being vulnerable to non-compliance, or avoiding moving too slowly and being excluded from emerging markets. In addition to a complicated regulatory environment, there is also a high chance that customers (regular people who are used to doing things a certain way) are stubborn and resistant to using the technologies Teladoc propose. The firm has created products and services that people do not know they need, and the marketing and sales divisions have to be heavily invested in to ensure that enough people are willing to try. Furthermore, simply the nature of such a firmly established market as healthcare requires new, disruptive companies like Teladoc to act aggressively with a great number of transformational innovations to gain the competitive advantage. The more attention that the telehealth industry draws, the more people are willing to get into the market and grab any profit existing. If they act too slow and let other competitors take the leading position, the growth will be slowed down. Meanwhile, to reach profitability that a multi-billion dollar firm of its size must have, at least 60 percent of the innovation portfolio needs to be invested in incremental innovations to generate sufficient cash flow for routine operations. Thus, with such an unstable environment and pushing elements, a balanced portfolio of 60-20-20 will set companies like Teladoc up for success to become the next Amazon in the healthcare industry.

As the first and largest provider of telehealth medical consults in the United States [4], Teladoc is transforming how people access healthcare around the world by achieving all the JTBDs listed in Figure 1. Like Jeff Bezos, whose goal is to change the way Americans shop, Teladoc's vision is to change the way Americans seek medical care and their healthcare experience. As a relatively new company in a nascent market, Teladoc has applied an innovation portfolio of 60-20-20 to stay ahead of any competition by investing over 10% of the total revenue every year to its R&D [5] and taking more risks on transformational and breakthrough innovations. Over the past decade, Teladoc has invested massive assets in developing a platform to provide telemedical treatment with a hybrid subscription-based and fee-per-visit billing model. This transformational innovation in the business model pushed Teladoc to a leading position in the market since founded in 2002. [4] By combining the latest in data science and analytics with an award-winning user experience through a highly flexible technology platform, Teladoc can now provide whole-person visual medical service 24/7 for all customers through its transformational API-driven cloud-based platform. At the same time, Teladoc is also paying a great amount of attention to incremental innovations to ensure maximum value capture, improve customer experience, and provide solutions covering hundreds of medical subspecialties from non-urgent, episodic needs like flu and upper respiratory infections, to chronic, complicated medical conditions including diabetes, hypertension, cancer, and congestive heart failure. [5] We believe this balanced innovation portfolio aligns with the next Amazon requirements.

Six Levers of Innovation

Teladoc Health has made many key innovations at all levels that have led to the success it currently enjoys. The company has been existing at the forefront of the healthcare industry and has ushered in a new era by contributing many radical and breakthrough innovations.

From a business model innovation perspective, the critical levers that Teladoc focuses on to generate successful innovations are target customer and value proposition. These two levers are critical to ensuring the successful growth that Teladoc wishes to see in the future. Leveraging differentiated value propositions and cultivating an expanded target customer base are goals that upper management has mandated as most critical in Teladoc becoming a powerhouse in the health industry and a strong, differentiated competitor globally.

In technology innovations, the key levers Teladoc must evaluate are process and enabling technologies. The main driver of success for the telemedicine software company will be the ability to produce competitive advantages through scale and usability. These technologies may not be as perceivable as the products and services that Teladoc offers, but these innovation levers are what create significant competitive advantage. As a software provider, the process technologies Teladoc utilizes must be creative and strategic in order to ensure the most user-friendly experience for the customer. Enabling technologies are of major importance to Teladoc because they make the efficiency of operations increase and as Teladoc intends to grow, quality of service cannot diminish. Hence, the enabling technologies they can produce will serve as the foundation in which the company grows upon. Below we will discuss what specific innovations Teladoc is producing to leverage these innovation levers most effectively.

Teladoc's entire business is built on their ability to deliver, enable, and empower virtual care visits to customers all across the world. To do this, Teladoc has created the Virtual Healthcare Delivery platform that is both secure and easily scalable to adapt to the evolving virtual care needs of customers. Teladoc uses an API-driven cloud-based proprietary technology platform that can serve over 100 million members and provide consistent levels of support and response times for up to 100,000 visits per day. [5] The application platform is a transformational innovation for Teladoc as it provides significant changes in the business model and technology levers of innovation. From a business model standpoint, the platform enables Teladoc to provide its customers with an easy to use, end to end platform to receive health care solutions. This improves the value proposition for Teladoc along with expanding the target customer base. The cloud based platform leverages Microsoft Azure and Amazon Web Services to deliver solutions with speed while maintaining massive scale. The platform has been built to accommodate the introduction of new products such as behavioral health, dermatology, nutrition, global healthcare, and other services that are currently in the developmental stages. [5] This innovation also enables easier integration of the newly acquired services of Livongo and InTouch Health and positions the firm to more easily scale up operations in existing market segments, and enter new ones in the future. The upper management team has stated that it intends to use the brand loyalty that its newly acquired partners has created to stimulate growth by expanding its customer base and cross-selling Teladoc Health and Livongo products to its existing clients. The significant changes in the enabling technologies lever of innovation have resulted in Teladoc being able to handle the large influx of customer demand during the pandemic, and allow for the firm to expand in the future to meet the growth expectations that upper management has set forth.

Another successful innovation that Teladoc has created is its direct-to-consumer distribution strategy. This transformational innovation leverages the business model and technology levers as it provides significant changes in the target customer, value proposition, value chain, enabling technology and process technology for the company. The direct to customer business model allows for customers to receive the full suite of Teladoc products, ranging from mental health to general health check ups. Having these services delivered virtually dramatically decreases the costs for customers, enabling a broader target customer base for Teladoc. Additionally, the usage of smart technologies, artificial intelligence and machine learning algorithms, and predictive data analytics allows for targeted marketing strategies and more efficient supply chain management, while still providing value to the customer quickly.

Finally, a transformational innovation that Teladoc has issued is its medical device integration system. This system allows for Teladoc's platform to integrate with private hospital and health plan medical devices "such as robots, carts, and tablets in hospital networks via a unique network architecture" allowing for increased productivity and reliability for clients (hospitals and health plan customers specifically).[5] This technology is transformational because it dramatically changes the target customer, value proposition, and product/service Teladoc can deliver. The target customer expands further to incorporate more hospitals and health systems that are using their own medical devices to deliver treatment. Teladoc being able to integrate with their existing infrastructure in a customizable way increases the value they offer to a large and global client segment. The value proposition is expanding to include the support and integration of existing medical devices which changes the value proposition for individual members as well as the existing clients (hospitals and health plans). This innovation changes the overall product being offered by Teladoc as now the service's reach extends to tangible devices such as robots. Integrating these machines into the virtual ecosystem enables the company to provide a more hands on health care offering. Hospitals can use the devices to perform unattended remote round and response in ICUs and other high-acuity environments, surgical mentoring, remote education, and specialist consultations. The merger with Livongo, a leading producer of medical monitoring devices and the platform to support them, makes these capabilities even more impactful as the company will have the opportunity to produce its own medical devices and enter the hardware market segment in the future.

Seven Innovation Rules

1. Exert Strong Leadership on Innovation Direction and Decisions

Teladoc has cemented its position as industry leader in the Telehealth sector. Furthermore, COVID-19 pandemic has led them to unprecedented growth and revenue. But Teladoc's future is tied around the successful adoption of telehealth by the masses even post pandemic. This would require leadership at Teladoc to act as advocates to shape new industry space which has enough potential upside for all the stakeholders involved. According to Institutional Theory, Teladoc leadership must claim the role of shapers to align the view of stakeholders such as healthcare providers (physicians, hospitals, etc), insurance companies, regulators & general public. Thus, leadership at Teladoc has an added responsibility of managing external factors in terms of shaping industry view besides providing innovation direction within the organization.

We have discussed earlier how CEO Gorevic has led Teladoc being at the forefront of wide scale adoption of Telemedicine.

Internally, Teladoc's leadership has provided clarity about the goals of the organization. This also includes steering the organization with a focussed innovation plan. Telemedicine being a novel field requires innovators to focus on a few niches first. This is evidently the case for Teladoc as it provides OPT Care through Primary 360, Psychotherapy through Betterhelp and expert consultation through Best Doctors.[5] We believe that these 3 services are a gateway for masses to adopt Telemedicine because these services are equivalent regardless of whether it is offered through Conventional Systems or through Telemedicine. Going forward leaders would need to maintain the same clarity as Teladoc expands its offerings.

2. Integrate Innovation into the Business Mentality

The industry structure for telemedicine is not yet properly defined, and the leadership position will be claimed by the firm which successfully churns out a steady stream of innovation in its products and services. Teladoc has woven innovation into its business mentality. Innovation has been viewed by leadership and employees as a means to survive, Teladoc is nothing without its innovative offerings. As the world moves into the post-pandemic era, the public may go back to conventional healthcare systems which could be disastrous not only for Teladoc but also for the entire Telemedicine industry. Thus to preclude that, Teladoc is offering innovative products at consumer's convenience and at fractional cost.

A sizable portion of the employees are employed in creating and managing innovation projects rather than maintaining existing businesses. This is an appropriate thing for Teladoc as it is currently aggressively looking to expand its products and ramp up the capacity. Teladoc invests a lot on R&D and new acquisitions. They have instituted a product development team working on new services. They also leverage 3rd party services for design and application development. Thus an active effort to incubate innovation is visible at Teladoc which is very crucial for Teladoc at this juncture. Lastly, CEO through various communications underscores the importance of innovation as one of the biggest risk factors for their business. [5] Thus, Teladoc is able to continuously integrate innovation into its business mentality.

3. Match Innovation to Company Strategy

We have established that Teladoc has adopted a 60-20-20 portfolio which includes hefty investment in incremental innovation besides breakthrough and transformational innovation. We believe this suits the company's overall strategy. Teladoc is a billion dollar company yet working in a nascent industry. They have been able to boost their revenue but lack profitability as of yet. Through heavy investments in acquisition they are able to offer wide ranging services. The next big challenge for them would be to grow their revenue by 35% year on year for the next 10 years. With 60% investment in incremental innovation, Teladoc will be able to focus on increasing customer engagement and adding new customers across new geographies or demographics.

CEO Jason Gorevic professes that the mission of Teladoc is to “...empower all people everywhere to live their healthiest lives by transforming the healthcare experience...” This encourages employees within the organization to narrow their focus to innovate and better the healthcare experience for the clients. He also further claims that virtual care will not only endure but will be the central pillar of the healthcare system.

4. Manage the Natural Tension Between Creativity and Value Capture

Teladoc has thus far managed the tension between creativity and value capture well. They have been able to rake \$1 Billion in revenue for year 2020, a 100% increase from the previous year. This shows that the organization has escaped the startup mindset which focuses heavily on building innovation fuelled by creativity.

Through a steady stream of revenues on the basis of Teladoc's early innovations it has proved itself able to be a strong revenue generating organization. Furthermore, they have not abandoned innovations entirely. They are bringing in more and more innovations to keep up with the business demands and also invest in transformational projects such as hardware integration. In spite of an insurmountable increase in Telemedicine demand during Covid pandemic, Teladoc has ramped up its capabilities to capture the incremental revenues. They have done it through leveraging scalable core platforms and massively expanding on healthcare professionals signed up on their platform. Teladoc uses a range of models to increase its healthcare capacity, for example leveraging semi-retired physicians, filling the gaps in a conventional physician's schedule, automating claims filing, eliminating the need of front office resources and medical assistants, etc. Teladoc claims to have low operating costs and low per consultation engagement time as compared to conventional healthcare systems. This allows them to offer affordable services with lowest time commitments for consumers. All these can be chalked out as improvements in Value Capture.

5. Neutralize Organizational Antibodies

While building new services, acquiring new organizations and expanding to new markets Teladoc is bound to have organizational antibodies to deal with. This includes scepticism towards anything ranging from organization's entire innovation strategy to scepticism towards a particular innovation. Teladoc is currently at a very precarious position as it has to transition towards profitability and also has to bring in necessary disruptive innovations. This is a fertile bed for tension between skeptics and proponents of innovation. Teladoc would be required to manage this and rest the fears of the skeptics. Experts have laid out ways that an organization can do this.[14] Teladoc would require to persuade key antibodies by aggressive canvassing of innovation and an enhanced dialogue between the skeptics and the proponents. Leadership also plays a key role in this, when the CEO puts his confidence on an innovation and encourages the organization to pursue it many of the antibodies are liable to be neutralized. To incisively neutralize key antibody proponents of innovation can involve them in the innovation process so that the antibody can provide feedback and in turn neutralize their scepticism for the change.[14]

We think Teladoc is able to manage the antibodies issue well. The leadership at Teladoc have cultivated the idea that the Telemedicine would boom only if continuous innovations are carried out. This must include the ability to think about innovation opportunities outside of Teladoc's core businesses. For example, instead of going with commercial IT infrastructure, Teladoc created a secure proprietary API driven platform custom made for providing various services. Through this platform Teladoc aims to expand services through acquisitions. Thus, Teladoc has demonstrated the ability to efficiently incorporate external ideas into its core service offerings. Which is in return a sign of successfully pursuing the naysayers to commit to new innovations.

6. Cultivate an Innovation Network Beyond the Organization

Studies show that 66% of Americans are willing to try Telemedicine but only 8% have actually tried it[6]. This underscores the huge potential for telemedicine which has caught customer curiosity as of now but severely lacks general widespread adoption. Healthcare is especially subject to key regulations including those in medicare & medicaid. Furthermore, Teladoc's business model also depends a great deal on Healthcare providers and insurance agencies. To tackle all such issues, Teladoc would need to work on managing external networks including customers, regulators, healthcare professionals and insurance companies. We have already discussed earlier that the biggest challenge for Teladoc is to shape a favourable industry view which is conducive towards telemedicine. Through cost leadership and plans to increase customer engagement, Teladoc has brought forth a set of services including per month and per subscription customer models. These are aimed to expand the customer base and retain loyalty of the existing customers. Even though Teladoc's efforts to navigate regulatory uncertainty has not been made public, leadership does touch base upon important regulatory roadblocks in their key public statements (for e.g. in Teladoc's Annual Report). Furthermore, Teladoc has aggressively expanded on adding healthcare professionals to its network. Going forward it would need to enhance relations with all these external agents and successfully equip themselves to roll out new services. We have used Stakeholder Management technique and Teladoc can follow it to manage the external uncertainties. The same is given in Figure 3 in the Appendix.

7. Create the Right Metrics and Rewards for Innovation

KPIs and performance metrics at Teladoc should be tied to innovations. They should motivate risk taking for new projects and incentivize successful innovation. We believe separate metrics should be used for transformational innovation and incremental innovations. Teladoc uses cash flow, return on investment, new customer addition and customer retention as its metric. These metrics aim to gauge incremental innovations. Furthermore, Teladoc would need to craft metrics which measure and reward identification of new opportunities such as new service or geographics etc. For transformational innovation, we believe that metrics which measure execution of the project should be used. This includes product platform effectiveness, R&D Productivity, rate and quality of experimentation and price of products and services offered. [2] These metric systems would be able to separate incremental and breakthrough innovations measurements and would prevent employees incorrectly choosing one over the other.

A culture of tinkering and ideation should be fostered to bring in the much required creative impulse within the organization. Employees should have the liberty in the workplace to point out innovation opportunities in Teladoc's offerings. Any established institute like conventional healthcare has undergone numerous improvements through innovations in the past and a similar process is required for a newer system such as Telemedicine in order to successfully disrupt the industry. Thus Teladoc's innovation game must also include the correct metric for its teams and its employees so that they align with the organization's innovation strategy.

Innovation Strategy

For the past decade, Teladoc energetically attacked the market with a PTW strategy and focused on bringing the platform that provides fully telemedical treatment to the healthcare market. Because of the nascent property of the telemedical market with few competitors, this PTW strategy aligning with its 60-20-20 portfolio and business strategy, like merging with Livongo to bring the best platforms and technology, helps Teladoc to maintain in the leading position in the entire market. Undeniably, such a strategy comes along with great risks that rely on a new business model that requires a significant change in the healthcare experience of all patients and a significant redesign and digitizing of the medical supply chain. Teladoc redefined a "best-practice" by providing a whole-person and high-quality virtual medical service anytime with lower cost, much higher efficiency, and great customer satisfaction rate. As the pandemic outbreak nowadays and the rest of the economy is tanking, this process innovation, which thrives Teladoc's business, is needed more than ever and even becoming a necessity since healthcare is headed toward the long-term "virtual first" reality. While taking as much market share as it can, Teladoc continues to serve the patients well today via Teladoc's PTW strategy with the superior technology and business model.

In the future, as the telemedical market is taking notice and becoming stable, Teladoc should focus more on integration and execution. To maintain Teladoc's leading position in the market, a combination of PTW and Play-Not-To-Lose (PNTL) strategy will be more suitable for achieving its promises, which will also match our future balanced portfolio stated in the next section as 70-20-10. As the opportunities to unlock greater consumer, client, and shareholder value are clear and massive, the PNTL strategy can help Teladoc to add new client partners and touch the lives of many more people around the world. Meanwhile, whilst the technology evolves, the PTW strategy is still necessary for applying emerging technology to provide the top customer experience. As a global leading company, Teladoc cannot wait for the rise of its competitors and become a follower but an aggressive innovator. There is no reason for Teladoc to become conservative and decrease its investment or change its current innovation strategy.

Sufficiently Balanced Portfolio

With significant growth in the last several years and an outstanding 98% revenue growth in 2020 due to the skyrocketing virtual healthcare demands amidst the pandemic, Teladoc has still incurred net losses of \$485 million and \$98.9 million in 2020 and 2019 respectively.[5] The losses and accumulated deficit are due to its substantial upfront investment in R&D and

acquisitions to enhance its existing solution and develop next-generation services and high operating cost to expand penetration amongst the existing customer base and acquire new clients.

Uptill now Teladoc has been following a 60-20-20 portfolio to maintain a high rate of radical and transformational innovation. However, to maintain a high revenue growth rate, increase market share, and achieve profitability, Teladoc should adopt a 70-20-10 innovation portfolio for the next 5-10 years. This solution will enable Teladoc to generate sufficient cash flows to service its capital expenditures and continue delivering innovative solutions to adapt to the rapidly changing market. Per the YoY revenue outlook shown in Figure 4, we predict that the 70-20-10 innovation portfolio will empower Teladoc to get on a fast growth track with a 35% YoY revenue increase from 2020 and achieve profitability by 2022. By 2030, Teladoc, with approximately 22B annual revenue, will seize about 4% of the \$560B global telehealth market.[11] To put in perspective, Amazon's 2020 retail ecommerce revenue was \$404 billion[12], which is approximately 9% of the \$4.28 trillion global retail e-commerce market [13]

Under its incremental and breakthrough innovation portfolio, Teladoc should continue leveraging its clinical expertise, data, and scalable platforms to deliver an integrated solution that covers a wide spectrum of medical conditions. On the business model side, Teladoc should expand its international presence and customer base through strategic acquisitions, service localization, and close partnership with local health systems and employers, government-sponsored programs, and complementary product vendors.

Besides introducing incremental innovations by adding new features to improve its existing solution, Teladoc should expand its service coverage to address new use cases and unmet needs, such as complex medical issues. In addition, it should also invest in process technology and enabling technology to achieve economies of scale and establish cost leadership. To streamline its supply chain, refine its global distribution network, and amplify customer engagement, increase customer sentiment and retention, Teladoc could develop a customized supply chain management (SCM) and customer relationship management (CRM) system. This integrated solution can help it effectively and efficiently interact with its clients, manage its in-house and third-party healthcare professionals, and deepen the relationship with the professional entities that provide physician services.

As of 2020, over 79% of Teladoc's total revenue comes from subscription access fees, which highly depends on the number of Clients, the number of Members in a corporate client, and the number of services contracted for by a Client.[5] Thus, we believe the incremental and breakthrough innovations of process and enabling technology will help reduce its operating expenses, create a flywheel effect to attract more service providers and clients, and generate more revenue to achieve profitability.

To maintain its market leader position in the healthcare landscape, Teladoc should also actively invest in transformational innovations. Teladoc could continue growing and expanding its product lines by entering the digital health device space through alliances with companies, such

as Apple, Alphabet, and Fitbit, capitalizing on the customer health data to provide personalized healthcare and medicine, or offering platforms to assist healthcare institutions with advanced medical research.

Overall, Teladoc has positioned itself to continue capturing value while maintaining rapid growth within the emerging telemedicine (telehealth) industry. Leveraging a balanced innovation portfolio relying on strong breakthrough and transformational innovations supported by an increasing number of profitable incremental innovations, the firm is poised to continue expanding on its path to global domination. With clarity provided by the leadership, a well-designed reward system to promote innovation, and a strong external network to navigate through uncertainty in its highly regulated industry, Teladoc Health has potential to entirely redefine the healthcare industry and become the next global powerhouse.

Appendix

Figure 1. Job to Be Done Analysis

Market	Healthcare Market
Main JTBD	Get convenient and affordable healthcare services
Related JTBD	Get high-quality healthcare services anytime, anywhere
Functional Job	Get any type of medical care anytime needed
Personal Job	Increase life span, improve healthcare experience, lower healthcare cost
Social Job	Increase the perceived medical quality
Job Statement	empowering all people everywhere to live their healthiest lives by providing telehealth medical consults.

Figure 2. Six Levers of Innovation Graphic

Innovation Types/Levers	Business Model Levers			Technology Levers		
	Value Prop	Value Chain	Target Customer	Product & Service	Process Technology	Enabling Technology
Incremental	Small change in one or more of six levers <ul style="list-style-type: none">Adding semi-retired and work from home physicians during COVID-19 outbreak					
Semi-radical Business Model Driven	Significant change in one or more of three levers			Small change in one or more of three levers		
	<ul style="list-style-type: none">Increase global footprint through geographic expansionCross-selling products to customers of newly acquired assets (Livongo specifically)					
Semi-radical Technology Driven	Small change in one or more of three levers			Significant change in one or more of three levers		
	<ul style="list-style-type: none">Incorporation of data science and analytics into existing customer tracking and customer satisfaction tools					
Radical (Transformational)	Significant change in one or more of three levers			Significant change in one or more of three levers		
	<ul style="list-style-type: none">API-driven cloud-based proprietary technology platformMedical device integration system					

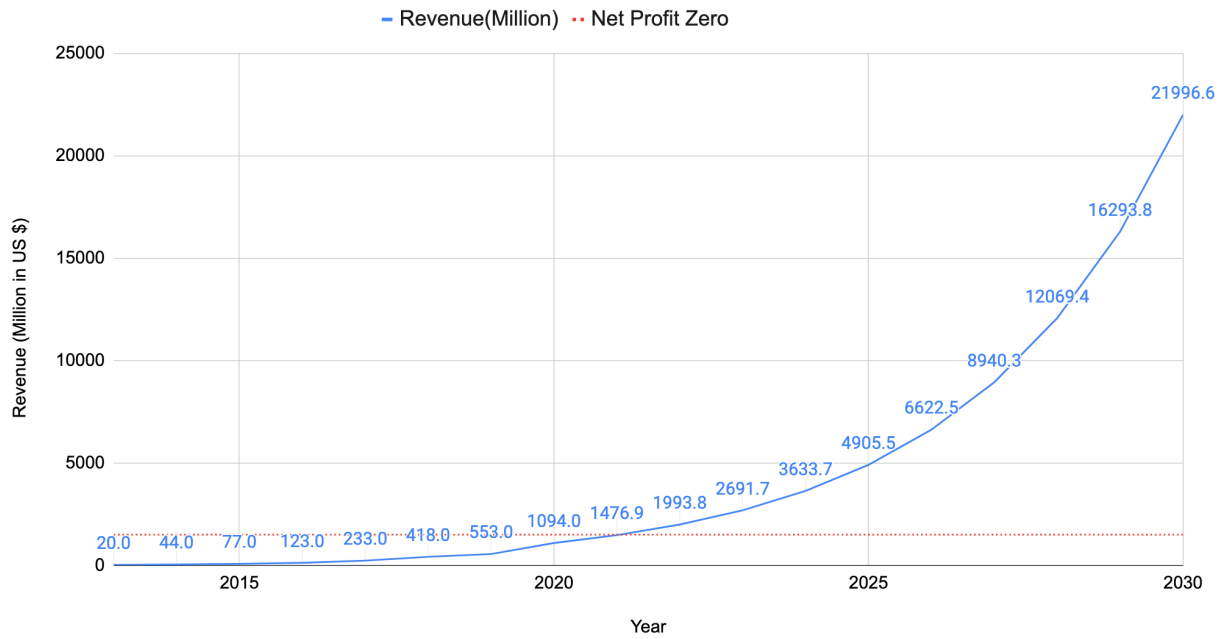
Figure 3. Stakeholder Management

#	Stakeholder	Influence	Power	Outlook	Desired Outlook	Reasons
1	Regulators/ Legislators	Very High	Very High	Uncertain	Highly Favourable	Favourable in the pandemic may change post pandemic
2	Customers	Low	Very High	Favourable	Highly Favourable	Favourable currently because of strained healthcare
3	Healthcare Professional	Low	Medium	Favourable	Favourable	May see Telemedicine as an alternative to their business
4	Insurance Companies	High	High	Favourable	Favourable	Telemedicine reduces the cost of healthcare

Plan to Reduce Resistance:

- Regulators/Legislators: A comprehensive plan to clear Federal, State & Local roadblocks that affect Teladoc's business through canvassing the benefits of Telemedicine to the general public relative to that in conventional healthcare systems.
- Customer: Create Product Quality & Cost differentiation for Teladoc's offering than what an individual can expect from conventional healthcare systems.
- Healthcare Professionals: Offer Teladoc as an alternate method for revenues to the professionals without the need to invest capital in administrative staff and infrastructure.
- Insurance Companies: Promise Teladoc services to grant them a steady torrent of insurers and limit unnecessary and high cost medical visits from patients.

Figure 4. YoY Revenue



(Source [10] for revenues before 2021. Assume annual operating cost is roughly 1.5 billion.)

References

- [1] Jason Gorevic, CEO of Teladoc Health on the Virtual Care Revolution and Doing <https://youtu.be/ydiDrzL30cg>
- [2] Davila, Tony; Shelton, Robert; Epstein, Marc. Making Innovation Work: How to Manage It, Measure It, and Profit from It. Pearson Education (US). Kindle Edition.
- [3] Teladoc mobile app wins 2016 One Show Gold Pencil and Merit awards for Consumer Utility and Experience
<https://www.teladochealth.com/newsroom/press/release/teladoc-mobile-app-wins-2016-one-show-gold-pencil-and-merit-awards-for-consumer-utility-and-experience/>
- [4] Teladoc – Innovation and Investment, Opportunity and Growth
http://www.ehcca.com/presentations/hcisummit1/gorevic_pc2.pdf
- [5] Teladoc Annual Report 2020
[https://s21.q4cdn.com/672268105/files/doc_financials/2020/ar/2020-Annual-Report-\(1\).pdf](https://s21.q4cdn.com/672268105/files/doc_financials/2020/ar/2020-Annual-Report-(1).pdf)
- [6] Is Telemedicine The Future Of Health Care?, CNBC, May 17, 2020, Youtube Video
<https://www.youtube.com/watch?v=PLp6U5mUMQQ>
- [7] How Teladoc works? Business model and revenue streams
<https://insights.daffodilsw.com/blog/how-teladoc-works-business-model-and-revenue-streams>
- [8] David Silverstein, Philip Samuel, and Neil DeCarlo, The Innovator's Toolkit 2012
- [9] Health Care Changes Ahead Survey Report, Towers Watson, October 2012. Link:
<http://www.towerswatson.com/assets/pdf/8139/TW-HealthCare-Trends-Survey-NA-2012.pdf>
- [10] Teladoc Health Revenue 2014-2020. Link:
<https://www.macrotrends.net/stocks/charts/TDOC/teladoc-health/revenue>
- [11] Telehealth Market Size. Link:
<https://www.fortunebusinessinsights.com/industry-reports/telehealth-market-101065>
- [12] Worldwide retail e-commerce sales of Amazon from 2017 to 2021. Link
<https://www.statista.com/statistics/1103390/amazon-retail-ecommerce-sales-global/>
- [13] Global e-commerce sales 2019-2024. Link:
<https://www.oberlo.com/statistics/global-ecommerce-sales>
- [14] Mitra Best, Get the Corporate Antibodies on Your Side, HBR, May 14 2012.
<https://hbr.org/2012/05/get-the-corporate-antibodies-on>
- [15] COVID-19 As a Digital Transformer: Telehealth Accelerates & There's No Looking Back
<https://www.definitivehc.com/resources/webinars/covid-19-as-a-digital-transformer>
- [16] Teladoc CEO Reveals the Future of Telemedicine
<https://www.youtube.com/watch?v=pcqehrM4Whw>
- [17] Teladoc Health to Acquire InTouch Health
<https://intouchhealth.com/teladoc-health-to-acquire-intouch-health/>
- [18] Teladoc, Livongo finalize \$18.5B merger
<https://medcitynews.com/2020/10/teladoc-livongo-finalize-18-5b-merger/?rf=1>
- [19] Will medical practices become 'Uberfied'?
<https://www.healthcaredive.com/news/will-medical-practices-become-uberfied/409913/>