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MIDTOWN MEDICAL CENTRE: Exploring Business Expansion Strategies

Minimol MC and Smitha Siji wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On August 24, 2018, the six young directors of Midtown medical Centre (Midtown) were celebrating the second anniversary of their dream venture. Midtown was a family health care service initiative, providing world-class health care facilities under a single roof. It was unique in the state of Kerala (India’s southernmost state), which boasted a top position in India’s Human Development Index.[[1]](#footnote-1)

As the directors raised their glasses for a toast, their minds went back to 2016, when they had started the venture, and everyone had the same thought in mind: “Have we achieved what we wanted to, and the way we wanted to achieve it?” Their dream had been to add a new medical centre in a different part of Kerala every year. The venture had grown from one to two centres since Midtown’s inception, but the likelihood of another centre opening in the near future was low. What were Midtown’s prospects for growth? What did its future hold? These questions arose in the minds of the directors as they celebrated their success.

The Entrepreneurial Journey

Midtown was the six directors’ first entrepreneurial venture. It was the culmination of their dream to contribute something valuable to society. Jaseen Chandran, the senior among the group, was a mutual friend to the other five directors, and this was how the group had come together. He was a renowned and highly sought after diabetologist who had worked with various hospitals in Kochi, the commercial capital of Kerala. Nishin Rasheed was a pulmonologist, an expert in his field, whose patients included many celebrities. Earnest Thattil was a revered rheumatologist based in Kochi; although, he spent one day per week in Trichur, his hometown, and another in Palakkad, a neighbouring district. Ramaswamy Jagannathan had been active in the pharmaceutical business for more than 15 years, having owned a pharmaceutical company and having been a distributor for many companies. Kurien Kuriakose was a radiographer with over 15 years of experience managing a diagnostic department. Sankar Raj, the youngest among them and Rasheed’s brother-in-law, was based in Dubai. When he learned about the venture, he found it promising and innovative and was eager to join the group as the sixth director.

After several rounds of discussion, the multispecialty clinic took shape in the minds of the partners. Jagannathan was given the responsibility of setting up the pharmacy. Chandran, Rasheed, and Thattil provided the intellectual direction for the clinic. Kuriakose was appointed managing partner and given responsibility to manage the centres.

Midtown’s laboratory facility was outsourced to DDRC SRL, a well-known Kerala diagnostic laboratory that was contemplating opening a new branch. The available space was too large for DDRC SRL, but was suitable with Midtown as a partner. By partnering with DDRC SRL, Midtown could benefit from the DDRC SRL brand, which would help attract new patients.

Midtown Medical Centre: The Dream Venture

With a mission to make communities healthier, the directors of Midtown aimed to provide a cost-effective, ultra-modern, and unparalleled patient experience. The two centres served semi-urban and urban patients in the Kochi suburbs of Thrikkakkara and Aluva. The clinic welcomed patients with a variety of needs, including general medicine; pediatrics; rheumatology; and ear, nose, and throat care. Midtown wanted to be a leader in the service industry by practicing reliable, compassionate, and affordable medical care and by employing advanced diagnostic treatment practices to promote superior patient experience and well-being.

The clinic was committed to attracting the best talent in specialty and super-specialty disciplines of patient care and to retaining this talent pool to ensure excellence in service. With many options available to patients, choosing a doctor or hospital was a difficult decision. Therefore, Midtown combined three key components of clinical care—people, medicine, and technology—to offer quality medical care at affordable prices. Midtown promised to take the time and listen to patients, their families, and the greater community.

Midtown operated on six core values. First, serve patients, their families, physicians, staff, and the community with dignity and respect. Second, serve the ever-changing needs of urban and suburban populations, while honouring their ethnic, religious, and cultural differences. Third, apply a high degree of medical, nursing, and technical management in a professional and accountable manner. Fourth, develop and participate in community-based and managed-care programs that promote affordable, responsible, and high-quality health care. Fifth, strive to consistently provide the highest quality patient care and to outperform benchmarks. Sixth, maintain open communication that fosters collaboration, teamwork, and transparency in operations.

Family Clinic: The concept

The concept of a family clinic was conceived as a unit that delivered convenient access to patient care. Considered an innovative business model, its uniqueness was based on creating a radical value proposition in the Indian health care system. Such clinics were characterized by close and convenient locations, ready access to specialists, multiple specialties across age groups, and transparency in pricing. Family clinics embodied low cost, superior quality, and a convenient alternative to traditional hospitals,[[2]](#footnote-2) although they seldom posed a threat to traditional hospitals. However, legal and regulatory factors prevented family clinics from easily changing their business models by adding new services, such as chronic disease management.

Family clinics normally occupied 35–55 square metres (400–600 square feet) of floor space, consisting of a modest reception desk for registration, a waiting area, several examination rooms, a laboratory, a pharmacy, and a rest room. They normally offered a limited scope of medical services. Most walk-in patients suffered from simple acute health conditions such as respiratory infections, sinusitis, bronchitis, pharyngitis, conjunctivitis, and urinary tract infections and required preventive care such as immunizations, screening lab tests, and blood pressure tests. The sale of medicine through the pharmacy also provided an indirect source of revenue. As a family clinic, Midtown provided 23 different specialties including audiology, cardiology, cosmetology, dental care, pulmonology, and psychiatry (see Exhibit 1).

Midtown Facilities

Midtown was located on the busy seaport-to-airport route to Kochi. The clinic boasted a health care outpatient consulting facility with a state-of-the-art laboratory and pharmacy, supported by a team of compassionate and dedicated medical professionals. Having started operations with a centre in Thrikkakkara, Midtown had expanded to a second location in Aluva, which was a short distance away. Its DDRC SRL laboratory was a trusted brand in diagnostics, providing services including home collection of blood, special check-up packages; executive health check-ups; electrocardiography, histopathology, and cytology; clinical pathology; immunoassay; microbiology; molecular biology; routine hematology; serology; and biochemistry.

Midtown’s pharmacy was well stocked, with qualified pharmacists providing patient care. It aimed to balance the use of medication with the promotion of health, wellness, and disease prevention. The pharmacy offered free home delivery, special offers, and discounts for seniors. The collaboration among pharmacists, physicians, nurse practitioners, and other health care professionals made Midtown unique in its field. Medicines were stocked in a scientific arrangement and managed by qualified personnel. The pharmacy featured all leading brands of medicines for all specialties, including pediatric products; health or nutritional products; cosmetics, skin and hair care products; antiseptic products; adult and geriatric products; adult vaccines; respiratory care devices; orthopaedic devices; surgical equipment; toiletries; and dental products. Patients could order their medicines by telephone and have them delivered to their homes within a reasonable amount of time.

The podiatry diabetic care unit at Midtown took care of all neuropathic screening tests and provided advice on various diet and exercise matters. The vaccination centre facilitated the administration of all types of vaccines for all ages. Midtown’s allergy and respiratory health clinic was committed to delivering up-to-date and all-inclusive medical care to patients. Knowing that allergies could lead to life-changing situations and required specialized care, Midtown worked closely with patients to improve quality of life. The clinic ensured that patients of all ages left with a strong understanding of their medical condition and the treatment plan to be carried out. Cutting-edge technology was used for the finest level of diagnostics and individual care, and was essential to treat all allergy-related ailments including the skin conditions of hives and eczema; conjunctivitis; allergic rhinitis; recurrent sinusitis; recurrent ear infections; immunodeficiency; and allergic reactions to food, insect stings, medications, and latex.

Midtown’s pain clinic was exceptional in Kerala for its pain management service, applying the latest technologies available in the field. Pain specialists at Midtown were renowned internationally for their contributions to the specialty. Spine, muscular, and joint pain treatment specialists at the clinic were experienced in treatment of various conditions, including neck and back pain, sciatica (slipped disc), spinal stenosis, cervical spondylitis, failed back surgery syndrome, sacroiliac joint pain, repetitive stress or strain injuries, and neuropathic pain (e.g., trigeminal and post-herpetic neuralgias).

Midtown’s cosmetic clinic provided evidence-based treatment and cosmetological services related to skin and hair, including radio frequency ablation, chemical peeling, skin polishing, skin toning, acne scar removal, plasma hair therapy, men’s skin care, acne pimple treatment, treatment for blistering diseases, and anti-aging treatment. Midtown also offered smoking cessation services to facilitate the breakdown of smoking triggers and help patients overcome nicotine addiction. It also addressed smoking withdrawal symptoms such as difficulty in thinking; craving for tobacco products; unusual hunger; and irritable, angry, or anxious behaviour.

Midtown’s physiotherapy clinic provided facilities for ortho-rehabilitation, pediatric rehabilitation, neuro-rehabilitation, electrotherapy, ultrasound therapy, interferential therapy, transcutaneous electrical nerve stimulation (TENS) therapy, traction, wax therapy, taping, sports injury rehabilitation, pain and dysfunction management, and customized exercise programs (see Exhibit 2).

THE BUSINESS MODEL

Rising consumer awareness among patients and increased focus on population health initiatives were reshaping health care systems across the world. Patients wanted more options and to be treated on their schedules. They also wanted to be able to access health care in convenient locations, rather than having to travel across town to a central hospital. Therefore, a distinct business model emerged in health care systems, referred to as the inclusive business model.

This new business model focused on using outpatient clinics to drive patients to clinical facilities. Outpatient clinics were the gateway to a more complex—and profitable—care system. At Midtown, service providers looked to individual patients to attract customers, rather than collaborating with other organizations. Midtown predominantly served end-consumers directly through primary care delivery and outreach. The clinic served as the first-contact care provider. It was located close to patients and focused mainly on promotive and preventive care, health education, and basic curative care. Any challenges that arose—whether intrinsic to the firm or originating at the value chain or government level—were strongly manifested at the company level. These changes could affect Midtown’s business model and scale of operations. Some of these changes included a limited ability to attract skilled medical, paramedical, and administrative staff, or to raise capital.

The need for a combination of medical and managerial skills also exerted pressure on the clinic’s business model. A high number of patients and ample floor space were critical for the viability of the inclusive business model in the health sector. Competition for a private primary health care provider such as Midtown came from specialty health care clinics in the greater Kochi region and included Hridya Multispecialty Clinic, HPC Medical Centre, Cutis International Cosmetic Clinic, Rainbow Polyclinic, and Twacha Skin and Hair Care Clinic. However, although these clinics were located near Midtown, they lacked Midtown’s specialized medical services and on-call doctors.

Midtown’s revenue was generated from consultation fees, sales of medicine, fees received from DDRC SRL, and annual registration fees charged to new patients. At each visit, patients paid a consultation fee valid for 15 days. Patients who required further consultation after 15 days would be charged a new fee, and advice from super-specialty doctors required a higher fee. This practice was standard procedure in India’s health care industry.

Midtown generated additional revenue through the sale of specialty health care products in the pharmacy. An agreement between Midtown and DDRC SRL was another source of income for Midtown; this income was based on revenue generated by renting out professional space at the centre to dental clinics, audiology labs, and other non-Midtown doctors, who used the space for their patient consultations. The dental clinic and audiology lab tenants paid Midtown a fixed rental amount and their share of the electricity expenses each month (see Exhibit 3).

HEALTH CARE SYSTEM IN KERALA

In Kerala, there was a perfect co-existence of both indigenous and Western systems of medicine in the private hospital sector. The state boasted high standards in health care, mainly attributed to high levels of health awareness, education, and literacy, particularly among women. The state’s strong tourism sector and its association with private hospitals also promoted growth in medical tourism. The first human development report, published in 2002, ranked Kerala’s health standards above all other Indian states, comparable to those of the world’s developed countries.[[3]](#footnote-3)

Despite low levels of per-capital income, Kerala had low birth, death, and infant mortality rates and high life expectancy. The state’s spending on health care had increased considerably from year to year. Central government programs such as Ayushman Bharat, the National Health Protection Mission, and Mission Indradhanush aimed to improve immunization rates and were expected to increase health care spending. A unique aspect of Kerala’s health care system was the substantial amount of health care services that was provided by predominantly unorganized, segmented, unlicensed, and unregulated health care providers.[[4]](#footnote-4)

Midtown’s MARKETING STRATEGIES

Like any new business, Midtown had to become known among its target customers, and Midtown used both traditional media and social media marketing strategies to spread its message. Midtown created a well-structured website that provided all necessary information to its customers with a single click and facilitated patient registration and appointment management. Midtown also bought advertising space on websites that consumers typically visited to find hospitals, clinics, or doctors, including Practo, Justdial, and QKDoc. Midtown regularly distributed flyers door to door in the immediate vicinity of the clinic, within a five-kilometre radius, especially to announce a new service or new doctor at the clinic. Midtown managed an active Facebook account with health-related posts and new service announcements.

Midtown took part in the country’s Continuing Medical Education program by organizing talks on health awareness, healthy lifestyles, and other topics, delivered both in residential areas and in business organizations. In residential apartments, these talks were organized in collaboration with the respective residential associations. Talks in corporate offices were either organized on request from the corporate entities or initiated by Midtown as part of its corporate social responsibility initiative. The clinic also offered its resources, including doctors and nursing staff, to various medical check-up camps organized by business organizations and local self-governments. Midtown celebrated special awareness days for diabetes and for acquired immunodeficiency syndrome (AIDS), and it celebrated special occasions in support of women, children, and the environment. On such occasions, Midtown organized special programs, inviting patients and the public and offered free or discounted medical tests.

Videos of Midtown doctors speaking on various health issues were produced and uploaded to YouTube and to the Midtown Facebook page. The videos were also shown on closed-circuit televisions in the centres. In-house promotion included promotion of ancillary services available in the centres, such as speech therapy, physiotherapy, counselling, and psychology. Midtown also opted for outsourced co-operative advertising campaigns with other facilities, including DDRC SRL, a dental facility, an orthopaedic clinic, and an audio clinic. Midtown doctors often participated in the local television program, Talk to the Doctor.

Midtown’s TOP THREE SUCCESS FACTORS

Midtown saw outpatient and specialized care as an effective approach for non-critical care. It maintained high levels of quality through increased efficiencies at an affordable cost to patients. The clinic’s directors identified three major success factors: quality, doctors on call, and the family clinic concept.

Quality

Midtown ensured that its medical staff members at all centres were properly trained. New doctors were confirmed as being properly qualified and experienced upon hiring. In-house training programs were provided for nurses to ensure that any serious skill gaps were eliminated. At the laboratory, Midtown ensured the accuracy of all diagnostic services. All clinical decisions were based on a specialized doctor’s input to reduce any chance of inaccurate diagnostic results, which could affect the patients’ medication. Midtown strived to cultivate a high-quality brand that patients could trust.

Doctors on Call

Doctors were available in the clinic based on a pre-determined schedule several days per week. However, Midtown also provided the added service of doctors on call, which provided a specialist for consultation on short notice. If patients experienced a serious medical problem or emergency, Midtown would connect them with their personal doctor.

Family Clinic Concept

The family clinic concept provided treatment to all of the members of the patient’s family under one roof. More than 80 per cent of Midtown customers brought along family members on subsequent visits to the clinic.

GOING FORWARD

All six directors were convinced of the financial viability of the Midtown project. The figures, both in the profit and loss statement (see Exhibit 4) and in the balance sheet (see Exhibit 5) seemed to be moving in the right direction and looked very promising (see Exhibit 6). The directors wanted to further their mission of making communities healthier. A growing patient population demanded expansion of Midtown’s services while maintaining the quality and convenience patients expected. However, adding one new centre in different parts of Kerala each year would require a major revenue investment (see Exhibit 7). Were there other innovations in the field of health care services to consider? “Don’t you see the upcoming opportunities in the primary health care system, called retail clinics?” asked Raj, the youngest of the six directors. He had seen such new developments in other parts of the world and wondered if they would be appropriate for Midtown to consider.

EXHIBIT 1: Midtown medical centre Specialties Offered

|  |
| --- |
| **Specialties at Midtown Medical Centre** |
| Audiology and Speech Pathology |
| Cardiology |
| Cosmetology |
| Dental Care |
| Dermatology |
| Diabetology |
| Ear, Nose, and Throat Care |
| Gastroenterology |
| General Medicine |
| General and Laparoscopic Surgery |
| General Surgery |
| Gynecology and Obstetrics |
| Interventional Cardiology |
| Nephrology |
| Neurology |
| Orthopaedics |
| Pediatrics |
| Physiotherapy |
| Psychiatry |
| Psychology |
| Pulmonology |
| Rheumatology |
| Urology |

Source: Company documents.

EXHIBIT 2: Midtown medical centre facilities OFFered

|  |
| --- |
| **Facilities at Midtown Medical Centre** |
| DDRC SRL Laboratory |
| Pharmacy |
| Podiatry Diabetes Care |
| Vaccination Centre |
| Allergy and Respiratory Health Clinic |
| Pain Clinic |
| Cosmetic Clinic |
| Smoking Cessation Clinic |
| Dermatology Clinic |
| Physiotherapy Clinic |

Source: Company documents.

Exhibit 3: Midtown Medical Centre Business model

Source: Prepared by the authors based on company records.

Exhibit 4: Midtown Medical centre profit and loss Statement, march 31, 2017(in ₹)

|  |  |  |
| --- | --- | --- |
| **Income** |  |  |
| Professional Income |  |  |
| Consultation Fees | 1,159,985.12 | 1,514,547.12 |
| Service Charges Received from DDRC | 354,562.00 |  |
|  |  |  |
| Sales of Medicine |  | 1,973,745.30 |
| Other Income |  |  |
| Commission Received | 11,415.00 |  |
| Discount Received | 1,125.33 | 188,561.33 |
| Other Income | 176,021.00 |  |
| **Total Revenue** |  | **3,676,853.75** |
|  |  |  |
| **Expenses** |  |  |
| Cost of Goods sold |  | 1,436,000.09 |
| Personnel Expenses |  | 532,248.00 |
| Establishment and Selling Expenses |  | 1,564,273.80 |
| Interest and Financial Charges |  | 11,612.20 |
| Depreciation |  | 399,274.00 |
| **Total Expense** |  | **3,943,408.09** |
|  |  |  |
| **Excess of Revenue over Expense (Operating Income)** |  | **(266,554.34)** |
| **Less: Transferred to Partner’s Capital** |  | **(266,554.34)** |

Note: ₹ = INR = Indian rupee; ₹1 = US$0.01407 in August 2018.

Source: Company documents.

Exhibit 5: Midtown Medical centre balance sheet, march 31, 2017 (in ₹)

|  |  |
| --- | --- |
| **Sources of Funds** |  |
| Share Capital | 4,765,164.66 |
| **Total** | **4,765,164.66** |
| **APPLICATION OF FUNDS:** |  |
| **Fixed Assets** |  |
| WDV (on January 4, 2016) | — |
| Add: Additions (Net) during the Year | 3,341,156.50 |
| Less: Depreciation | 399,274.00 |
| WDV (on March 31, 2017) | **2,941,882.50** |
| **Current Assets, Loans, and Advances** |  |
| (a) Inventories | 2,253,092.35 |
| (b) Cash and Bank Balances | 642,480.48 |
| (c) Deposits, Loans, and Advances | 1,141,932.50 |
|  | 4,037,505.33 |
| Less: Current Liabilities and Provisions | 2,214,223.17 |
|  | **1,823,282.16** |
| **Total** | **4,765,164.66** |

Notes: ₹ = INR = Indian rupee; ₹1 = US$0.01407 in August 2018; WDV = written down value.

Source: Company documents.

EXHIBIT 6: MIDTOWN MEDICAL CENTRE FOOT Traffic AND SALES TURNOVER PER MONTH

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Month** | **Foot Traffic (per Person)** | | **Sales Turnover (in ₹)** | |
|  | **2017** | **2018** | **2017** | **2018** |
| April | 286 | 900 | 435,878 | 1,001,924 |
| May | 375 | 892 | 507,358 | 1,015,329 |
| June | 332 | 889 | 504,272 | 1,001,616 |
| July | 483 | 867 | 533,006 | 1,013,765 |
| August | 769 | 982 | 790,181 | 1,056,546 |
| September | 989 | 835 | 1,069,514 | 1,065,789 |
| October | 842 | 803 | 955,741 | 1,162,654 |
| November | 607 | 879 | 741,586 | 1,158,878 |
| December | 803 | 987 | 880,698 | 1,242,713 |
| January | 888 | 932 | 922,309 | 1,165,900 |
| February | 896 | 877 | 1,004,366 | 1,376,933 |
| March | 734 | 838 | 1,045,542 | 1,543,675 |

Note: ₹ = INR = Indian rupee; ₹1 = US$0.01407 in August 2018.

Source: Company documents.

EXHIBIT 7: MIDTOWN MEDICAL CENTRE Investment in various assets

|  |  |
| --- | --- |
| **Equipment** | **Amount (in ₹)** |
| Voltas 2-Ton Air Conditioner | 414,500 |
| Computer | 275,251 |
| Electrical Equipment and Fittings | 12,600 |
| Furniture | 306,559 |
| ID Card Printer and Bar Code Scanner | 161,371 |
| Internet Equipment | 5,290 |
| Lloyd Water Dispenser | 11,900 |
| Medical Equipment | 35,635 |
| Medicine Trolley | 6,500 |
| Office Furnishing | 1,552,632 |
| Epson Printer | 10,800 |
| Hewlett-Packard Printer | 8,750 |
| Samsung Refrigerator | 13,000 |
| Revolving Stool | 3,600 |
| Yale Black Safe | 9,000 |
| LED Sign Board | 175,000 |
| Sofa | 29,000 |
| Software (for Pharmacy and Clinic) | 49,000 |
| V-Guard Stabilizer—600 VA | 20,800 |
| V-Guard Stabilizer | 13,500 |
| Voltas 0.75-Ton Air Conditioner | 86,000 |
| Voltas 1.5-Ton Air Conditioner | 61,000 |
| LED X-Ray Box | 12,000 |
| Fridge | 14,950 |
| Laboratory Electrical Fittings | 28,518 |
| Laboratory Furniture | 9,450 |
| Water Dispenser | 13,500 |
| Camera | 1,050 |
| **Total** | **3,341,156** |

Notes: ₹ = INR = Indian rupee; ₹1 = US$0.01407 in August 2018; ID = identification; LED = light emitting diode; VA = voltamps.

Source: Company documents.

1. The Human Development Index was a composite index of life expectancy, education, and per capita income indicators that ranked countries into four tiers of human development. M.H. Suryanarayana, Ankush Agrawal, and K. Seeta Prabhu, *Inequality-Adjusted Human Development Index for India’s States* (New Delhi, India: United Nations Development Programme, 2011). [↑](#footnote-ref-1)
2. Amer Kaissi, “Health Care Retail Clinics: Current Perspectives,” *Innovation and Entrepreneurship in Health* 3 (2016): 47–55. [↑](#footnote-ref-2)
3. Human Development Report Office of the United Nations Development Programme, *Human Development Report 2002*, 2002, accessed June 07, 2019, http://hdr.undp.org/en/content/human-development-report-2002. [↑](#footnote-ref-3)
4. S.A. Tabish, “Transforming health care in India: Ayushman Bharat – National Health Protection Mission,” *International Journal of Scientific Research* 7, (2018):16-25. [↑](#footnote-ref-4)