

We should make a long-term investment in WhiteGlove. Because it is a new, disruptive business model, there are many unknowns. However, if WG catches on, it will flourish due to the large control it will have over the market share.

WG makes money off of their monthly membership fees of \$35 and up with a minimum one year contract. Each visit costs the patient \$35, and it costs WG about \$55. For WG to lose money on a patient, they would have to utilize their services more than 21 times a year. *ScienceDaily.com* claims that the average American only spends about 30 minutes a year with a primary care physician.¹ This data suggests that WG would make \$400 in **revenue** per subscriber.

$\$35/m \times 12m = \$420/yr$	$\$55/visit - \$35payment = \$20 \text{ loss per visit}$
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WG's business model allows for a constant revenue stream. It also utilizes a measure of short-term predictability because customers are locked into one-year contracts. WG's **overhead costs** are relatively low too when compared with the rest of the health care industry. WG doesn't have to pay for facilities, lab machines, or the expensive insurance that comes with invasive care. Their only sunk costs are the fleet of cars they will need.

The primary care **market** last year in Texas was \$38 billion; the primary care market in the U.S. is \$528 billion. However, these market numbers are not directly applicable to WG. This company needs a large population center to function. Census estimates indicate that at least 15% of Texas lives in rural areas, and of the remaining 85%, it is unclear whether they live in large enough urban areas to

¹ <http://www.sciencedaily.com/releases/2007/06/070614090041.htm>

support WG. While the market for primary care in urban centers is still large enough for WG to function, it is not as large as the stated \$38 billion.

Fabbio claims that there is currently no direct **competition** for his business. Home health care and pharmacy “minute clinics” do not offer the same service as WG. While this may appear to be positive, it may also indicate that there is not a market to support this business. However, a disruptive innovation model such as WG is unlikely to have direct competition in its initial stages. Once competition does enter into this type of health care, WG should control a large portion of the market share in Texas and the states into which they expand.

While WG does not offer the same personal experience that a person may feel with a traditional primary care physician, it makes up for it with its use of **technology**. The technology used by WG isn’t particularly innovative, but it is much more substantial than what it currently offered in the health care industry. Patients can schedule doctor visits online, and they can receive lab results via email. This use of technology saves the patient valuable time. While some patients may still place a premium on a face-to-face familiarity with their primary care physician, many people should eventually prefer this timesaving business model. The rise of online shopping, online banking, etc. indicates that customers are willing to forego old models of business that focus on personal familiarity in lieu of timesaving models that utilize technology.

WG shouldn’t have to spend many resources on **sales and marketing**. The company only has to target very specific entities within a regional market. Rather than running media ads, WG can directly pitch their service to predetermined businesses within a city. Since the majority of their customer base comes from

company employees, they won't have to extend resources to chase the individual consumer. Because reputation and costs are major drivers in health care choices, they are more likely to allure individual customers through word-of-mouth testimony than through advertisements. It appears that WG should have a strong word-of-mouth campaign, based on their positive reviews and high retention rate of existing customers.

WG's business model utilizes low overhead costs and constant revenue streams. They have a substantial market opportunity and no direct competitors. Their innovative approach to primary health care makes this a smart investment for our company.