Publication: Financial Times, p 12
Date: 21 May 2013
Headline: The knock-on effects of innovation

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A new business model posed questions

medneo

The story. In 2010, André Glaron, Matthias Issing and Nicolas Weber were executives at a large multinational healthcare company based in Germany. The organisation was developing, producing and selling premium magnetic resonance imaging machines to hospitals and private practices.

In the aftermath of the financial crisis, however, many customers were delaying new orders. This prompted the three to think about tweaking the business model. Instead of selling the machines, which typically cost between €1.5m and €3m, they could offer physicians a way to obtain and pay for MRI images as and when needed. In their pay-per-use model, the idea would be to sell images instead of imaging machines.

The challenge. They soon realised that their idea of selling a service (the picture) instead of selling a product (the machine) would require a whole new business model. Offering images on an individual basis was just the starting point. They also had to figure out who to target as customers. Big or small hospitals? Physicians thinking about replacing an old scanner? Or those with no MRI scanner – mainly because they could not afford it – but who still wanted MRI diagnostic images?

Then there was the question of how to reach the target group and whether customers would buy regularly or only once in a while. This would determine the kind of relationship they might build with the customer.

They also had to consider other elements, including key activities, such as marketing and operations; key partners, such as manufacturers, insurance companies and opinion-formers; and key resources, such as IT and location, as the medical office needed to be easily accessible for customers. All would help determine the cost structure of the new business model.

The strategy. The three proposed the new model to their employer but were turned down. So in 2011 they founded Medneo to develop the new service.

First, they developed proprietary software that would enable their customers to gain access to an image whenever and from wherever they wanted. This was the heart of the business model for Medneo.

Then they devised a highly efficient room layout and new processes for dealing with patients – from when they first made contact to performing the scan to when the patient went back to their doctor. This was mainly to maximise usage of the scanner.

When it came to marketing the new service, they decided to target physicians without their own large imaging machines and the smaller hospitals. For such customers, the new service was especially valuable because it gave them flexibility and also kept them close to the patient, since physicians made the diagnosis of the Medneo scans.

To reach such customers, Medneo went through insurance companies because they were interested in this potential new way of lowering costs.

What happened. The first radiology centre opened in July 2012 in Berlin. The waiting time for patients was much shorter than was normal, sometimes less than 24 hours compared with days or even weeks.

30%

Average reduction in cost to customer of MRI images

24 hours

Much shorter patients' waiting time for scan

A large number of physicians signed up for Medneo's service because it meant they did not have to have their own scanner, while hospitals liked the option of pay-per-use.

Overall, Medneo was able to reduce the cost per image to the hospital or physicians by an average of almost 30 per cent.

The lessons. The disruptive effects of innovation spread much wider than the initial change – in this case, the switch to a pay-per-use model.

As well as the payment model, the founders had to think about the customers (hospitals and clinics) and their customers (the patients) and how to reach them. The appeal to physicians, hospitals, insurance companies and patients was lower costs, shorter waiting times, and better quality images.

Martin Kupp and Katharina Lange

The writers are, respectively, professor in entrepreneurship at ESCPEurope, and deputy director executive development at Singapore Management University