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A PATIENT APPROACH TO GROWTH - FROM VC BACKED START-UP TO PLC



James Balmain

James Balmain co-founded Zesty, a VC backed Digital Healthcare business, which he sold in 2020 to AIM listed Induction Healthcare PLC. Now Co-CEO of the PLC he provides insight into the company's pathway to success.

Zesty - where did it all start?

Zesty started in late 2012 when my business partner, Lloyd Price, and I secured a seed capital investment from Mangrove Capital. Our business model then was very different to what it has grown into today; initially, the plan was to create a system to connect patients with private healthcare professionals, such as dentists, physiotherapists and osteopaths. A little bit like Open Table but for healthcare whereby a patient could see a live view of a healthcare professionals' availability and were able to book a consultation via the portal. The original proposition was for healthcare practices to pay a fee for every patient referral but keeping the platform free for patients.

Zesty first launched in London and we gained really fast traction and as a result decided to take follow-on funding to support the launch in Holland and in other major cities in the UK. The sizes of these cities and their spending power meant that they did not flourish quite as well as in London, but the various launches were successes, nonetheless. We then moved into rural areas and soon realised that the cost per acquisition per patient was rocketing, to the extent that at one point it cost five times as much to acquire a patient than we were being paid. It became clear that this was not sustainable, and we went back to the board and suggested a pivot away from private healthcare. This coincided with me having met Joe Harrison, Chief Executive of Milton Keynes Hospital, who was keen to see a version

of the Zesty app for his patients to manage their outpatient appointments. Doing this manually had become costly for the hospital, so they were looking for a new digital solution. If you have ever had an outpatient appointment you know how inefficient the process can be – appointment confirmation letters still being sent by second class post, sometimes the letter arrives after your appointment time, you cannot get through on the phone to rearrange, etc.

With the new contract at Milton Keynes Hospital, Zesty began to build an enterprise platform from the ground up and made the pivot to expand into the NHS secondary care sector – thus began the Zesty as we now know it. So, as I often say, even though the company is eight years old, actually it is only really approaching four years old now. Over the first 18 months working with Milton Keynes Hospital, new modules were added, such as allowing patients to access all their correspondence in real time, expanding the platform beyond a booking platform. Zesty have since been working on adding remote monitoring to improve communication between patients and their care teams. This even goes so far as to connect devices that patients can use – for example in monitoring their blood pressure –and we can take that data and write it back into the clinical records inside the hospital.

Over the last three years we have built a comprehensive digital platform that forms the patient-facing system for the hospital. It is taking

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all that paper and telephone analogue communication which was sporadic and expensive to maintain and turning it into a much more up to date digital experience that we are seeing in just about every other vertical sector in the world at the moment. If you want to use a digital platform to reduce costs and make the process more efficient from an overall health economy point of view, my view is that the place to start is in the hospitals themselves, and once you have got the scale, given the national coverage of the NHS, you can leverage the power of that large user group. For example, you can start to provide data feeds within the NHS on population health, or moving forward, there could be a way to empower secondary care patients with a local copy of their own records.

The Zesty commercial model is straightforward, in that we charge hospitals a recurring annual licence fee for the platform, and we measure success and growth by the number of hospitals that adopt the platform each year. I believe that Zesty has a compelling offering to patients, and I believe that, when it comes to patient engagement platforms, the market will consolidate to one or two players in major territories across the world that reach a critical mass of patients on their platform.

Why did Induction Healthcare acquire Zesty?

I first met Ibs Mahmood, one of the two co-founders of Induction, when we were doing another venture capital fund raise. Induction's MicroGuide enables hospitals to set and distribute clinical guidance locally, while Switch is a communication platform that enables Healthcare professionals to connect and collaborate with the people they need within a clinically complex environment. Induction had the solution to one of Zesty's main challenges – access to doctors. Currently, there are 165,000 registered users, all NHS clinical professionals, now on Induction Switch. We recognised the strategic value in creating a digital platform in secondary care that brings doctors and patients together.

What challenges has Zesty faced when selling to the NHS?

A few years ago, I had a wonderful breakfast meeting with somebody who had founded one of the main companies that supplies the NHS, who was interested in what we were doing at the time. He asked me, "How old is your company?" and I said, "Well, we are about three years old now" and he said, "Great. So, you are still on year one of your business plan!" Now, of course, he was speaking from a lot of experience and he was absolutely correct. I think the huge challenge in selling software solutions to the NHS is that – and I do not in any way mean this to be negative – nobody is in a hurry except you. One thing you cannot control is how long it will take to get NHS organisations to make the purchase. There are quite a few stories that I could point out in the history of Zesty where seven, eight, nine months have elapsed where all the key stakeholders in the hospital all the way up to the Chief Executive have said, "This is the direction of travel. We want to buy this software. We want to transform our hospital." They are all unanimous, they all want to buy it and yet, nine months goes by until the deal is actually done and the contract is in place. But this is the function of the NHS being one of the largest organisations in the world! There are very complicated procurement rules and as a small company coming into the market where you are unknown, and not a big established supplier, you are perceived a risk. There are very few people in the NHS who will take a risk on a small unknown business. That period of time where you go from being completely unknown to a known quantity, could be ten years. I can think of a few quoted companies where the NHS is their major customer but it has taken them 10 years to get any kind of scale.

So, I just do not believe the idea that you can achieve really rapid growth in the first three to four years of your business. There are very, very few of these cases in healthcare. I also do not think it is unique to the NHS, incidentally; selling into healthcare globally is relatively slow.

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Ultimately, if you have got a great product and it works really well and you can evidence it (and that evidence is key!) then, actually, selling to the NHS is like selling to any other enterprise organisation. It just takes longer.

There is light at the end of the tunnel, however. We're now seeing far faster procurement times – this is partly due to the Covid19 pandemic, but more the result of Zesty gaining scale and building a solid reputation for delivering benefits.

How has the pandemic impacted digital transformation in the NHS?

There has been an increase in areas such as consultations between patients and doctors over video, but I think in recent months, the pandemic has actually slowed down the digital transformation of the NHS. Attention is focused elsewhere as hospitals are dealing with the enormous day to day challenges of dealing with the pandemic. However, in the medium term, the pandemic will accelerate digital transformation. Previously, digital transformation was just one thing on a list of priorities for C-level teams, but now it has risen into the top 3 or 4 critical agenda areas. Purchasing patterns that encourage digital transformation may return to a kind of normal level later in 2021, but with extra regional and national resources being made available to invest in digital tools, particularly those that look to replace the analogue referral pathways for patients with digital alternatives.

How is Induction moving forward with its internationalisation?

The numbers of Induction users in Australia, South Africa and Mexico through our MicroGuide offering are strong and increasing. The real focus is taking that organic user base and commercialising it to provide integration and bring patients into the mix, in the way we have been able to in the UK. Right now, we're working to launch in Australia with several hospitals in Melbourne and we have a national contract in Mexico. The key target for the business is to be

operating in four territories (one of which being the UK) in the next two years. The high-level ambition, over the next three to five years, is to take the business to the £200m to £300m market capitalisation level, with a strong recurring revenue stream and the right mix of multi-territory activity.

How have you adapted to a PLC environment?

The switch to public ownership from private has been a steep learning curve, particularly the significant increase in governance and the focus on information flow. The cost base of a public company is very different to that of a private company; we invest a lot more time and energy as a public company in our finance function and processes than you never would in a private company of similar scale. From a management perspective, there is a bigger overhead and bigger set of concerns for senior managers; but generally, in a day-to-day role the responsibilities are not too different – building the market, honing the product for market, monetising are all the same things a private company do. The credibility of being a PLC with a strong balance sheet, liquidity and access to capital are a definite positive as it will be easier to drive an M&A strategy to accelerate our growth plans.

Are there certain key attributes you look for when hiring for Induction?

I always look for three main things. First is their motivation; that they want to work for Induction – it's not just a new job anywhere, they are excited about our company and what we do. Secondly, their skills and experience, what they have been accountable for in the past; fundamentally, can they do the job. Lastly, although we are a listed business, we are really a start-up moving to a scale-up phase and our people need to be "hands on" and entrepreneurial, aligned to our culture and values.