



# **OpenLMIS Sustainability: A Case for Private Health**

**November 2019**



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# Approach

- As part of a larger effort to **re-imagine OpenLMIS** and explore avenues for sustainability, Resonance identified opportunities for OpenLMIS to **expand its footprint** from public health to private health in low- and middle-income countries
- Over several months, Resonance spearheaded a series of interviews with **health and last mile supply chain** subject matter experts, potential customers, and socialized a **product prototype** that further validated the need for a **digital solution** in this space
- Given its experience in the public health market in sub-Saharan Africa, OpenLMIS is **uniquely positioned** to meet a growing need helping private health networks **optimize their businesses** by **streamlining operations** and **tracking inventory**



# The Problem

- Most private health networks in developing countries track inventory – either fully or partially – on paper because they don't have a digital tool that meets their needs
- Networks that have digital tools will often combine multiple types of software or develop a home grown solution that is either inefficient, too expensive to maintain, or still requires manual processes to operate
- These challenges have created a gap in the private health market that is not currently filled by commercial solutions



# Target Markets

Most promising markets are **large economies in Sub-Saharan Africa** (e.g. Ghana, Nigeria, Kenya) with dynamic private health sectors

**Opportunities also exist** in smaller, somewhat limited private health economies (e.g. Zimbabwe, Senegal), east/south Asia.

## Key: Interviewee Type

- ★ Subject Matter Expert (15)
- ★ Clinic Network (6)
- ★ Hospital Network (5)
- ★ Pharmacy Network (1)
- ★ Investor (2)

**Less promising markets** are Latin America and the Caribbean with few potential customers and/or national software restrictions; and more mature/saturated markets (e.g. South Africa, Thailand).

# Target Customers

There are opportunities to support private clinic, hospital, and pharmacy retail networks.

- In a fragmented market, there are growing customer segments in low- and middle-income countries
- Needs are similar (but not identical) to current OpenLMIS users
- Target customers are eager to address common supply chain challenges, which are major pain points for their organization
- They understand the need for software investment alongside growth and are looking for a suitable solution



	Clinic Network	Hospital Network	Pharmacy Retail Network
<b>Defining feature</b>	Out-patient facilities	In-patient facilities	Standalone dispensaries
<b>May include</b>	Pharmacies, laboratories	Clinics, pharmacies and/or laboratories	Distribution/wholesaler component

# Sample Customer Profile

## Growing Private Clinic Network

*Actively seeking appropriate, user-friendly supply chain management solution on a limited budget*

<b>About</b>	Private company/organization operating a network of 5-20 clinics in a low-resource setting
<b>Goals/Mission</b>	Ambitious expansion of clinic facilities and/or service offerings
<b>Supply Chain Management</b>	<p>Current solution: Partially paper-based with facilities/employees combining multiple solutions (e.g. clinic management system + Excel)</p> <ul style="list-style-type: none"> <li><i>Unreliable and inefficient, leading to errors, stockouts, delays, waste, and higher costs</i></li> <li><i>Holding back company growth/expansion</i></li> </ul>
<b>Software Use and Orientation</b>	<p>Some software use: Locally built clinic management system, basic accounting system</p> <ul style="list-style-type: none"> <li><i>Current system(s) offer only partial solution(s) to supply chain needs</i></li> <li><i>System(s) not user-friendly or designed for their needs/circumstances</i></li> </ul>
<b>OpenLMIS as a Solution</b>	Requisitions, inventory management, and reporting/analytics support that interoperates with existing clinic management and accounting systems to address supply chain management gaps

# Prototype Interview Feedback

## Most Valuable Features and Characteristics

- Inventory visibility from supplier to customer
- Data/reporting dashboards
- Health sector focus
- Offline sync capabilities
- User-friendly and intuitive
- Configurable with existing systems

## Questions and Concerns

- Timeline: Customers are looking for this product now
- Integration and interoperability with existing or future EMR/HIS, financial/accounting, point of sale and mobile systems

## Perceived Value

- Customers are willing to pay up to \$25,000 annually for this product





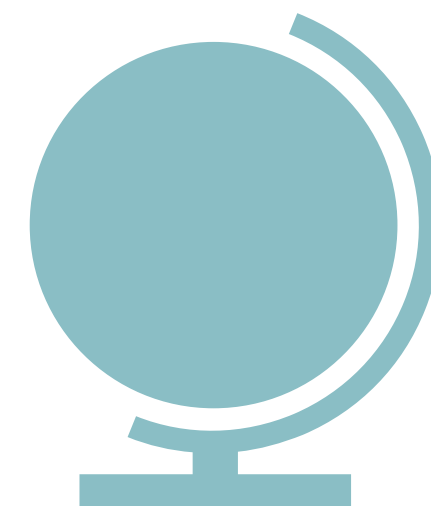
# Market Sizing & Share





# Private Health Markets: Overview

Country	Income Group	Population Size (Millions)	Private Clinics
Zimbabwe	lower-middle	16.5	94
Tanzania	low	57.3	189
Rwanda	low	12.2	252
Zambia	lower-middle	17.1	310
Botswana	upper-middle	2.3	384
Nepal	low	29.3	500
Cambodia	lower-middle	16.0	800
Bangladesh	lower-middle	164.7	991
Ghana	lower-middle	30.4	1197
Malawi	low	18.6	1231
Uganda	low	44.2	2000
Nigeria	lower-middle	200	3000
Senegal	lower-middle	15.9	3020
Kenya	lower-middle	49	4201





# Private Health Market Snapshots

	Nigeria	Kenya
<b><u>Country Profile</u></b>		
Population	200 million	49 million
GDP/ Income Group	\$379 billion/ lower-middle	\$75 billion / lower-middle
<b><u>Health Sector</u></b>		
Total Health Expenditure	\$13.7 billion (77% private)	\$3.5 billion (39% private)
Private Health Facilities (% Total)	33%	52%
Private Clinics	3000	4201
Private Hospitals	2609	243
Private Pharma Retailers	4500	582
<b><u>OpenLMIS Customers</u></b>		
Clinics	200 (20 networks)	279 (28 networks)
Hospitals	59 (15 networks)	5 (1 network)
Pharma Retailers	75 (8 networks)	10 (1 network)



# Private Health Market Sizing

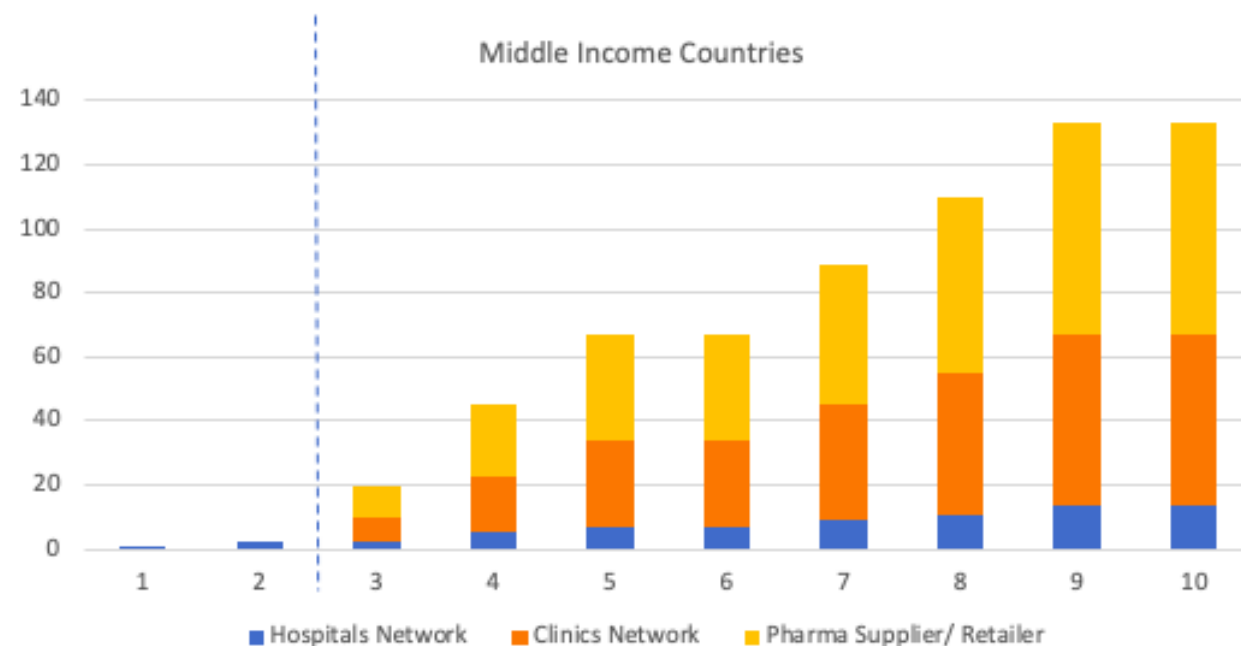
Assumptions	Clinics	Hospitals	Pharma Retailers
<b>Customers</b>			
% of private health facilities that operate as networks	20%	15%	5%
% of networks in need of a supply chain management solution	70%	30%	70%
<b>Product/Marketing</b>			
% of potential customers that can be reached	100%	100%	100%
% of potential customers that will choose OpenLMIS	50%	50%	50%
% of potential customers that can afford OpenLMIS	95%	100%	95%
<b>OpenLMIS Market Share (% private health facilities)</b>	<b>6.65%</b>	<b>2.25%</b>	<b>1.66%</b>
<b>Average Network Size (facilities per OpenLMIS customer)</b>	10	4	10



# Market Share – Middle-Income Countries

Assuming immediate growth comes from middle-income countries where OpenLMIS can capture market share.

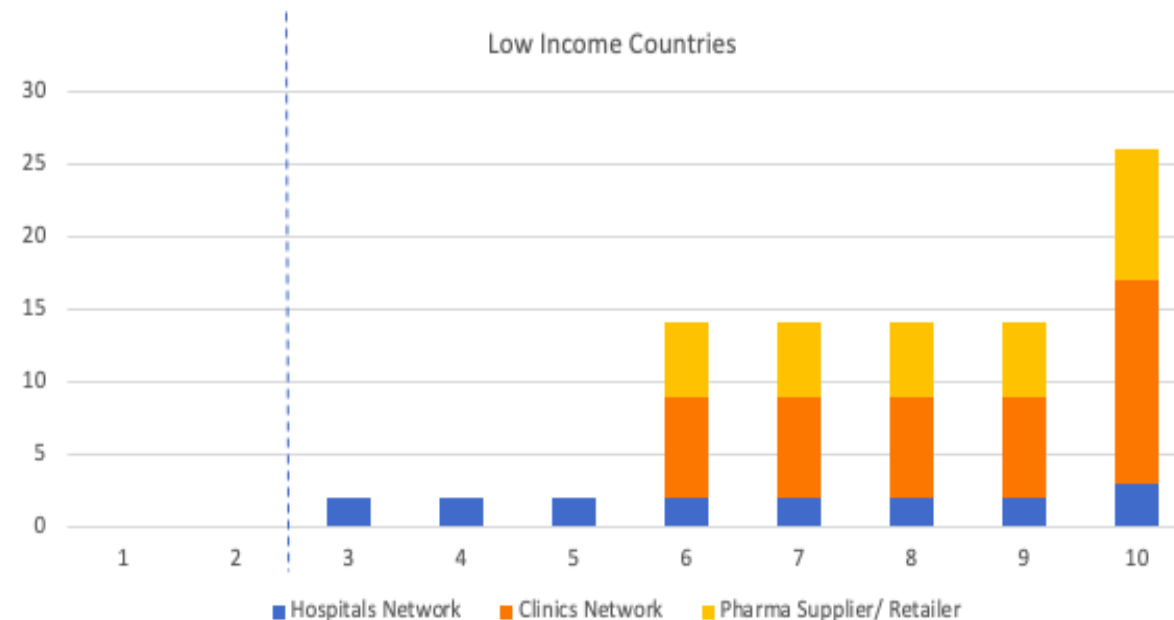
Customer Segments	Total Private Facilities	Average # of Facilities Per Customer	# of Customers	Forecast of OpenLMIS Share
Hospital Network	300	4	75	2.25%
Clinics Network	1,500	10	150	6.65%
Pharma Retailer	10,000	10	1,000	1.66%



# Market Share – Low Income Countries

Assuming entry into low-income countries after three years of growth and focus on middle-income countries.

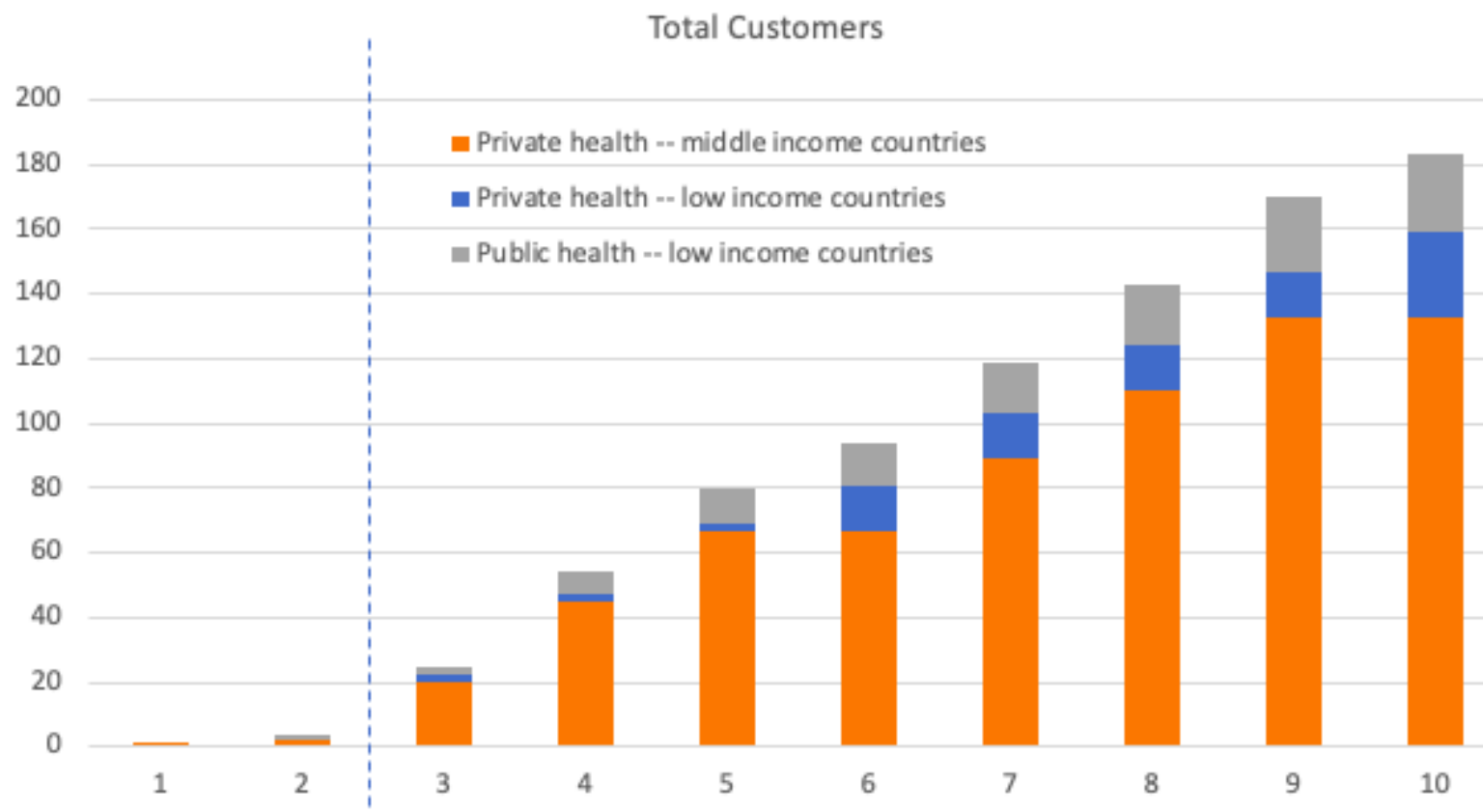
Customer Segments	Total Private Facilities	Average # of Facilities Per Customer	# of Customers	Forecast of OpenLMIS Share
Hospital Network	100	4	25	2.25%
Clinics Network	800	10	80	6.65%
Pharma Retailer	2,000	10	200	1.66%





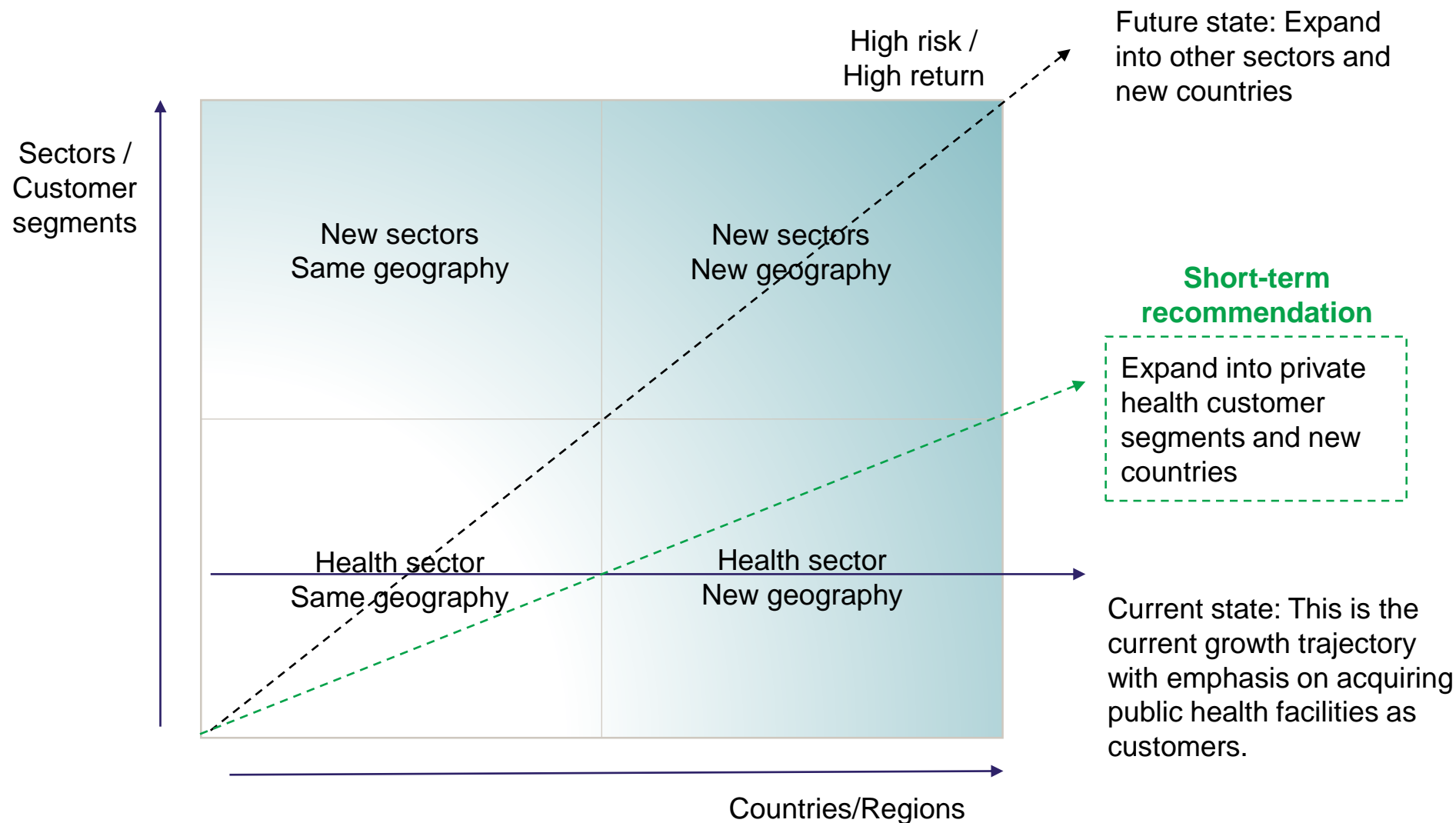
# Public and Private Health Customer Growth

Forecasting a gradual growth of private health customers in low- and middle-income countries in parallel to growth in the public sector, enabling opportunities for **growth and synergies between the two.**





# Long-Term Expansion Strategy





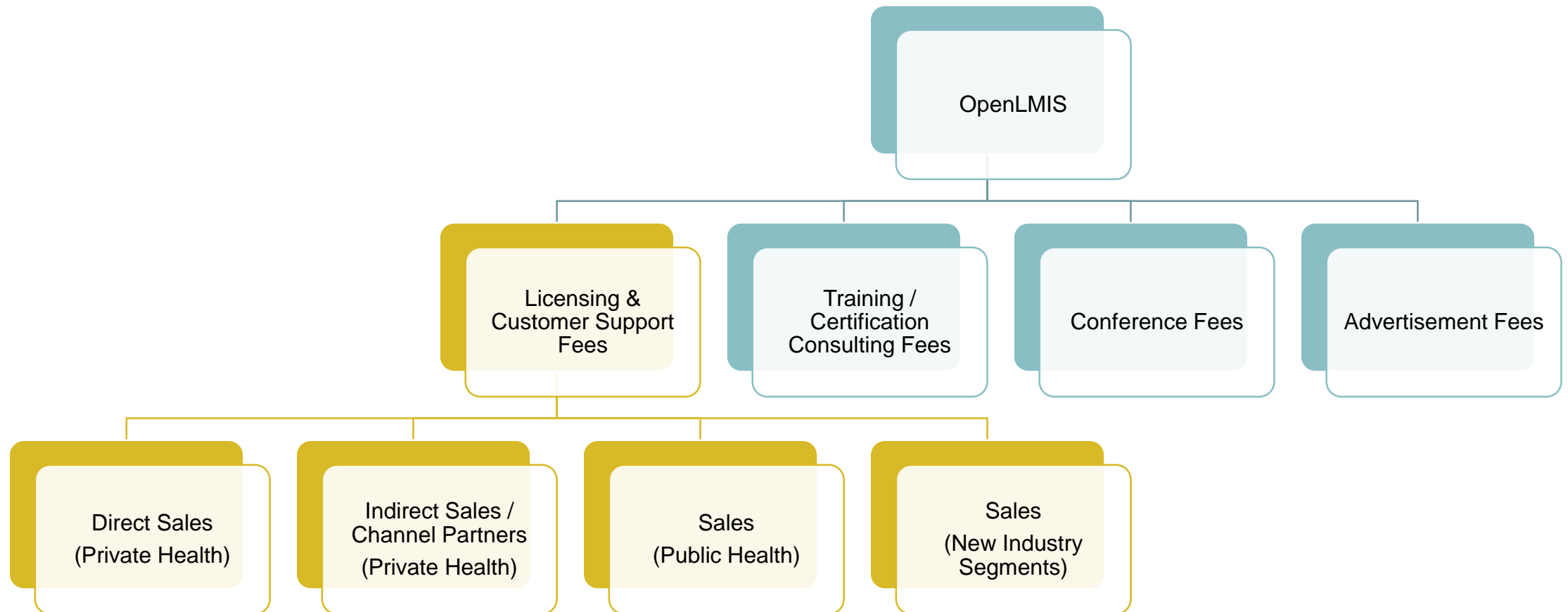
# Financial & Revenue Model





# Revenue Streams

With support from seed stage funding, and/or impact investors, OpenLMIS would aim to generate revenue from various sources.





# Public Health Projections

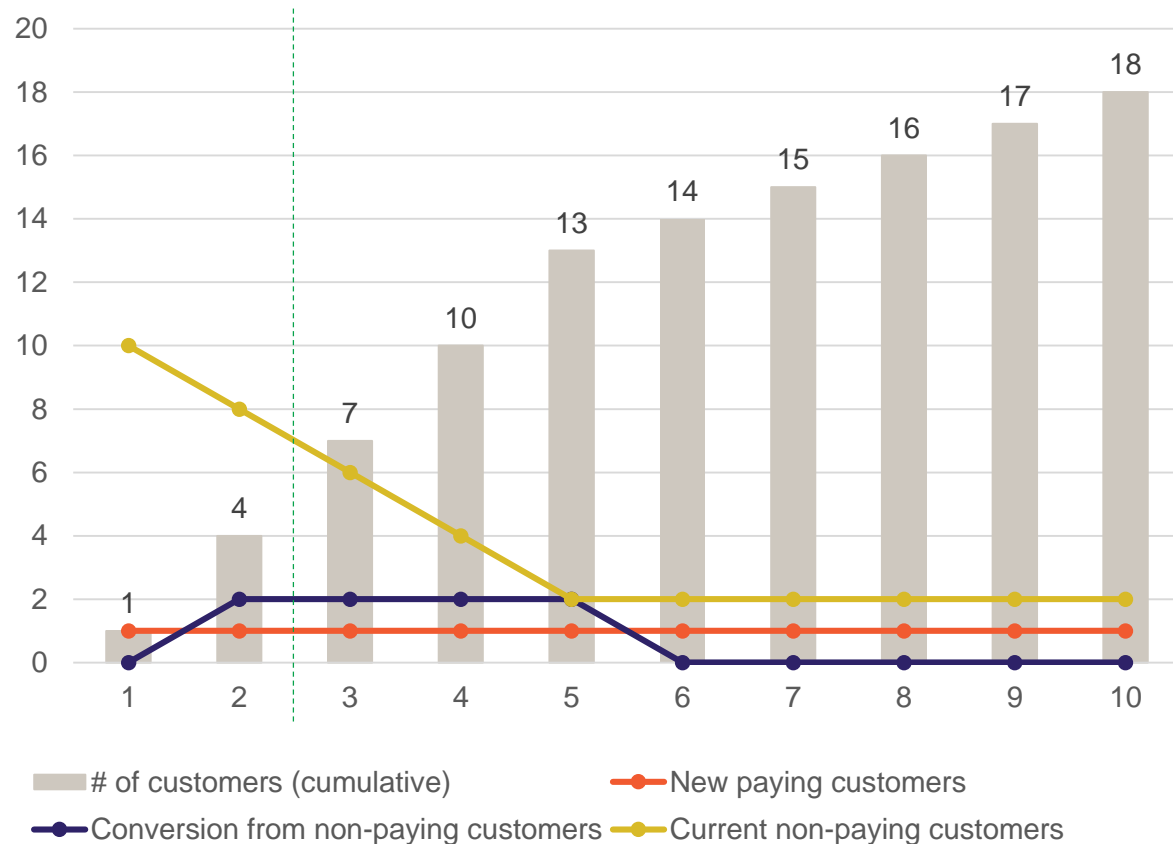
## Growth Assumptions:

- Grow by 1 country per year based on past track record
- Convert 8 of the 10 implementations within 5 years
- 2 of the current implementations will never become paying customers

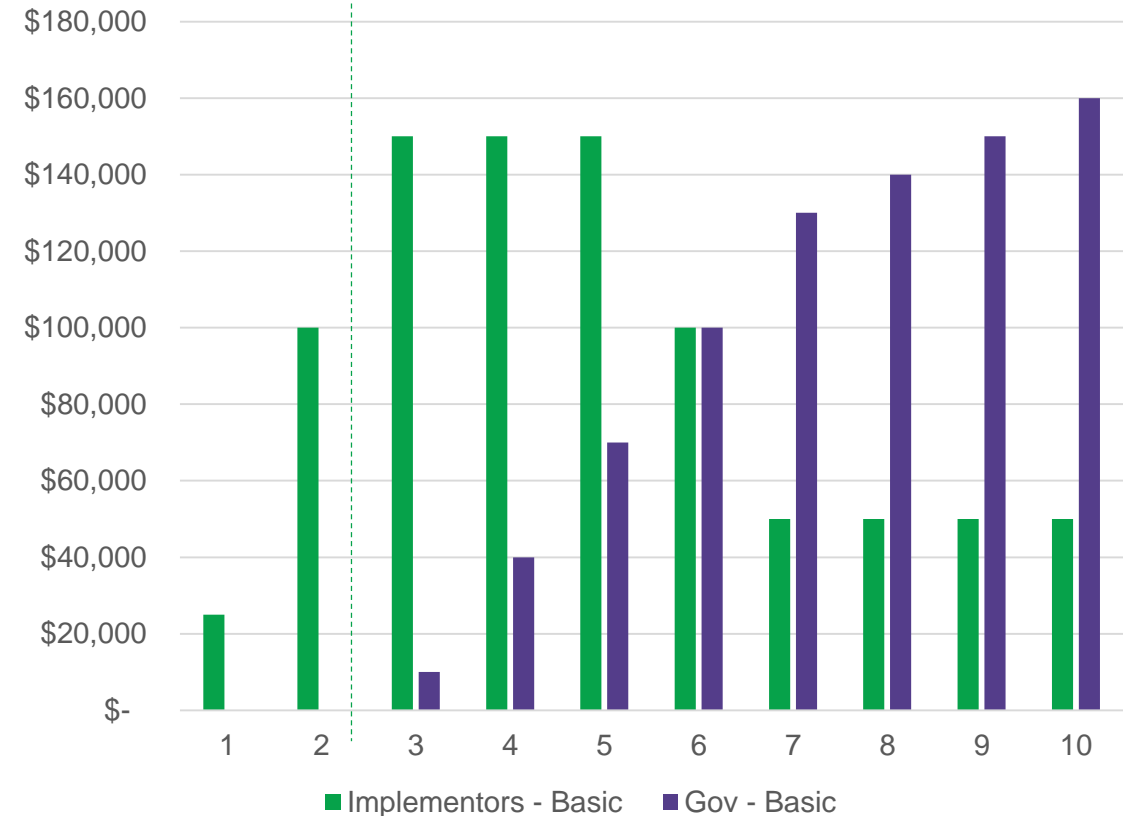
## Revenue Assumptions:

- \$25,000 from implementors for 2 years
- \$10,000 from government after the first 2 years
- Revenues from basic feature version only, could add pricing tier for additional features in the future

Public Health Customer Growth Projections



Public Health Revenue Projections





# Funding Overview

## Seed Stage Funding

- Necessary transitional funding
- Uses would be to:
  - Enable sustainable business model
  - Develop software for private customers
  - Enact public health strategy
  - Build a foundation for future investment, which may include the very important role of de-risking for other investors, collecting impact data that aligns with SDGs, and/or pitching to impact investors or foundations with PRI / MRI\*

## Impact Investment Funding

- Funding that may be necessary after seed stage depending on ownership and business model
- Uses would be to:
  - Further build out business and development team
  - Diversify revenue streams
  - Drive growth in paying customers
  - Expand Channel Partner network



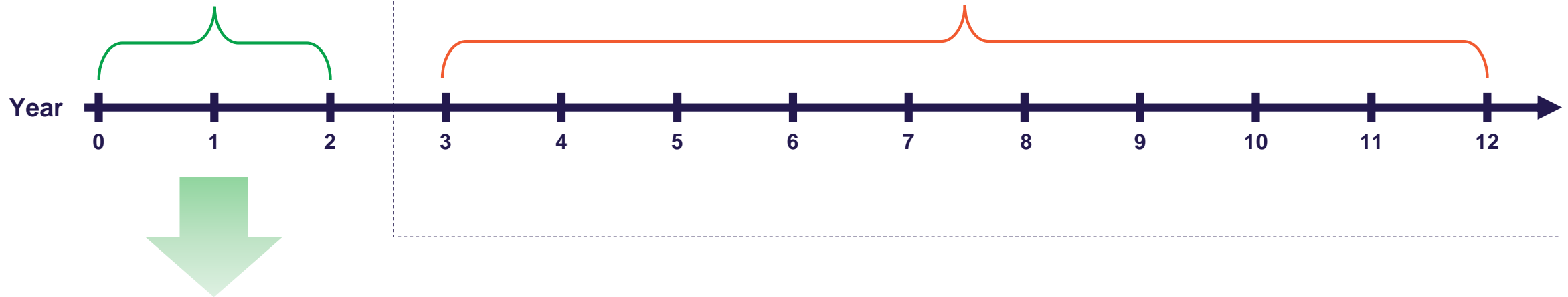
# Types of Funding

## Seed Stage Funding

Donor or philanthropic capital  
Options for 12-24 months

## Impact Investment Funding

Impact-first investors  
7-10 year investment term

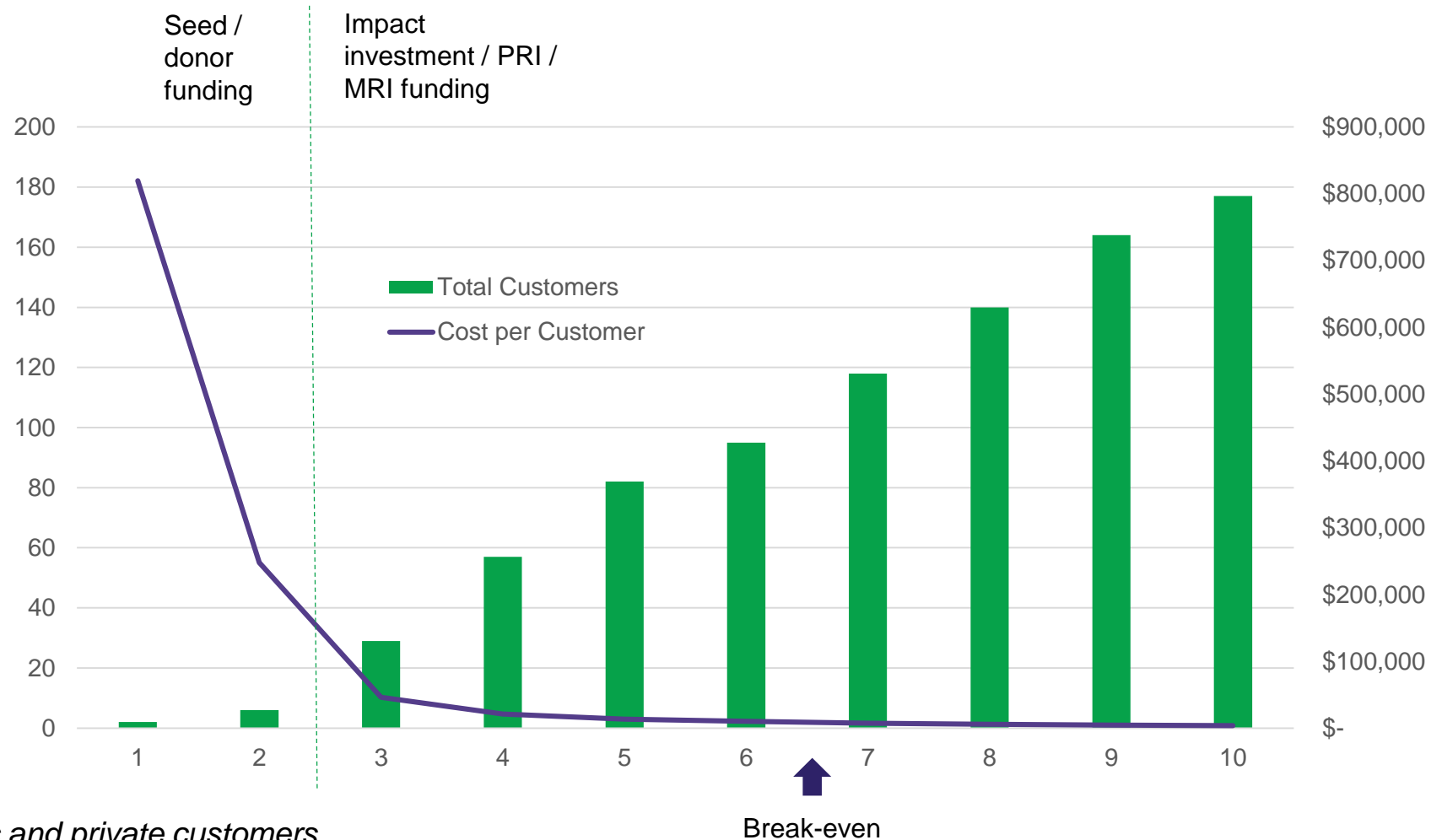


	12 months	18 months	24 months
Independent Entity	\$1.6 MM	\$2.4 MM	\$3.1 MM
Partnership to Handover*	\$1.2 MM	\$1.8 MM	\$2.3 MM

\*Based on assumptions that need to be further validated with potential handover partner.











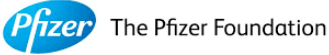





# With projected growth rates of customers\*, OpenLMIS could achieve break-even in less than 5 years (post-seed stage)



\*Includes forecast of public and private customers.



# Focus on Philanthropic and Impact-First Investors as Financial Returns are Developed

Type of Capital	Philanthropic*	Impact First Impact Investment	Finance First Impact Investment
Impact Mandate	High	High	Moderate to High
Finance Mandate	None	Below market-rate returns	Market-rate returns
Description	Focus on social and / or environmental issue areas with no expectations of financial returns.	Focus on social and / or environmental issue areas with some financial trade-offs.	Focus on social and / or environmental issue areas that creates a market-rate return.
Example orgs (not listing DFIs, or multilaterals such as USAID, IFC, World Bank)	    	   	    

\*Some philanthropic foundations have PRI, MRI and impact investing arms and straddle both philanthropic and impact-first categories

# Thank You.

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