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**BUSINESS PLAN FOR THIRD-PARTY PLATFORM OF MEDICAL SERVICE FOR THE  
ELDERLY**

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*Master in Management*

Supervisor:

Professor Nelson José dos Santos António, Department of Marketing, ISCTE

Business School

September 2020



BUSINESS  
SCHOOL

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Department of Management

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Because 2020 has really been a banner year for catastrophe. After I came back to China, the coronavirus began to pop up around the globe. Therefore I had to stay in China for those days during which I wrote my thesis. However, every time I faced some problems and sent an email to my tutor-professor Nelson, he always answered me as soon as possible and gave me lots of detailed suggestions and advice, which has been inspiring me work hard.

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## **Abstract**

The main purpose of this business plan is to build a third-party platform to help the elderly patients, especially those who live in rural areas, monitor their health situation by using intelligent Smart Watches. On the one hand, if they would like to go to a large 3A hospital in a big city, far from their hometown, for further treatment or surgery, we will help them to find the best suitable hospitals and doctors scientifically. On the other hand, we will integrate some medicines industry chains by cutting out the middlemen to decrease the price of some particular medicines through group-buying for our patients, which will make medical market more efficient.

With the rise of third-party medical services, the business model of our business plan to solve healthy problems for the elderly has also begun to rise. Before drawing up a business plan for the third-party medical service platform, medical platform staff and specific service population are surveyed, and the results are analyzed. At the same time, the research methods including questionnaire and observation methods are introduced for obtaining some original data. After analyzing the data, we found what kind of problems the elderly and their families face now and what kind of services they need exactly.

Finally, we will make a financial plan for five years to help us to predict the profit , working Capital and Cash Requirements.

Key word: The elderly, Chronic diseases, Niche market, Three-A hospitals

JEL Codes: New Firm; Start-up – M13

## Resumo

O objetivo principal deste plano de negócios é construir uma plataforma de ajuda aos pacientes idosos, especialmente aqueles que vivem sozinhos em áreas rurais, a monitorizar a sua situação de saúde por meio de relógios inteligentes. Por exemplo, caso queiram ir a um grande hospital 3A, numa cidade grande, longe do seu local de residência, para tratamento ou cirurgia, a plataforma ajudá-los-á, de uma forma científica, a encontrar os hospitais e os médicos mais adequados. A plataforma integrará também algumas redes da indústria farmacêutica eliminando deste modo alguns intermediários o que permitirá uma redução dos preços de alguns medicamentos.

O crescimento dos serviços médicos terceirizados levou ao aparecimento de modelos de negócio parecidos ao nosso, a grande diferença do nosso em relação aos restantes consiste no facto de o nosso mercado alvo ser os idosos que vivem sozinhos. Para a construção do nosso plano de negócios analisamos as equipas de plataformas médicas existentes. Ao mesmo, realizamos questionários para obtenção de dados originais. A análise dos dados, permitiu-nos identificar o tipo de problemas que afectam os idosos e as suas famílias e qual o tipo de serviços que necessitam.

Por fim, elaboramos um plano financeiro para cinco anos para nos ajudar a prever o lucro, o capital circulante e as necessidades de caixa.

Palavras- Chave: Idosos, Doenças Crónicas, Segmento de Mercado, Hospitais 3 A .

JEL Codes: New Firm; Start-up – M13

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# Executive Summary

Nowadays, the number of empty nesters in rural areas is increasing. According to China Health Management and Health Industry Development Report[CHMAHID], in the next 10 years, China’s elderly population will has been increasing to 362.5 million by 2030. Thus, it is a huge market potential about the healthy care for the old, especial those in rural areas. Because, now, most of the Internet medical healthy companies aim to help the patients live in big cities or the young people who can surf the Internet. Those patients in rural areas are usually ignored by the big company for lots of reasons, such as low ability to pay, having no idea of network and the market dispersion. That is why those kind of old patients will be our target customers, a niche market for us. However, a new business model is also essential, if we want to make profit and develop our company. Therefore, we will use the Business Model Canvas in our business plan.

In our business plan, on the one hand, we will focus on information integrating about different hospitals’ professional expertise and medicines industry chains, which will come into being our core competitiveness at the first three years. Therefore, we will cooperate directly with some pharmaceutical companies or pharmacies, instead of opening a pharmacy by our selves. On the other hand, as for health management, since there are so many companies can offer medical technique service, we will cooperate with HAOERMEI that can provide intelligent mart wear to help monitor the healthy situation. Thus, our company will mainly has three kinds of products(services) like Table 1-1, at first.

Table 1-1 The retail price and cost of our products(services)

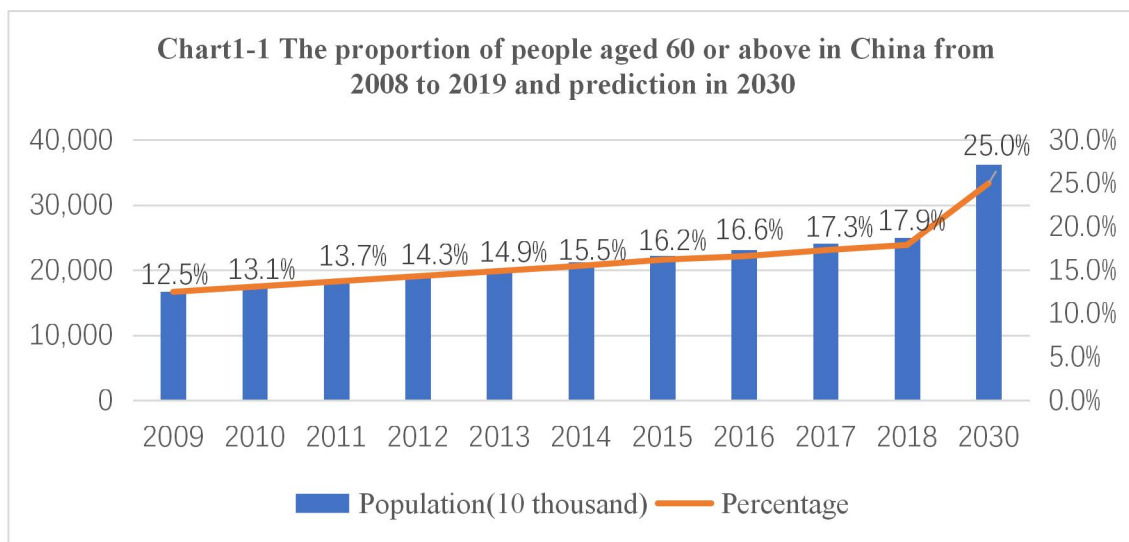
<b>Products ( \$ )</b>	<b>Retails Price</b>	<b>Cost</b>
VIP Card	80.00	40.00
Medicines Group-Buying	160.00	128.00
HAOERMEI Smart Wear	330.00	132.00

In conclusion, our competitive advantage is to grab the market share of the old patients in rural areas and to retain them by integrating the medical industrial chains with a new business model.

# 1. Introduction

## 1.1 Background

Statistics from the National Bureau of Statistics of China indicate that China has entered an aging society. In 2008, the number of elderly people in China was 160 million, with a rate of 12.5%. In the next ten years, the number and proportion of the elderly population had been steadily increasing year by year. And according to Chart1-1 (Health Management Blue Book: China Health Management and Health Industry Development Report[CHMAHID], 2018), in 2018, China's elderly population has reached 249,490,000, accounting for 17.9% of the total population. According to experts, the number of elderly people in China will be 362.5 million by 2030, accounting for 25% of the total population. As shown in Chart 1 below.



Source: State Statistics Bureau

(CHMAHID ,2018) points out that the elderly are facing higher prevalence of chronic diseases such as diabetes, tumors and cardiovascular diseases. In other words, the larger the number of elderly people, the more patients in China will suffer from chronic diseases. These chronic diseases require long-term medical treatment and medication. At the same time, regular physical examinations are required to understand the development of their chronic diseases. Thus, China's health care industry will face an increasing demand of doctors.

Therefore, China's aging population will bring huge challenges to the health care industry.

The reason why China has serious population aging problems is mainly due to historical reasons. In the 1980s, in order to match the population with the country's economic strength, China began to restrict population growth and began to implement family planning. The family structure in China has begun to change towards a family of three, two adults raising a child together. However, when the child grows into an adult, the two adults will also become older, and finally become a family structure for two elderly person and one middle-aged. In China's social structure, middle-aged people, as the backbone of society, not only need to support the elderly, but also need to raise their own children. Therefore, to get good job opportunity, many young and middle-aged people choose big cities, far away from their hometown, in order to make a living. And the elderly have to stay at home and become empty nesters.

With the social changes in rural areas, the number of empty nesters is increasing. However, due to lack of children's company and limited financial resources, the pension dilemma of them involves economic, spiritual and physical aspects, which affects the quality of life of the empty nesters (Guo & Gao, 2019).

## **1.2 Lack of economic resources and with great pressure on life**

Lack of economic resources is the main living dilemma faced by the empty nesters in rural areas. Guo's study(2018) point that the elderly in rural areas have insufficient understanding of their own care problems and the government's support for rural old-age care is not perfect. The existing income of most rural empty nesters in China mainly includes land income, such as agricultural productive income or land transfer money. However, with the increase of age, the physical function declines and the labor force is gradually lost. Once sick, this income cannot guarantee their medical needs. The other parts of income comes from children's supply, which depends on children's economic conditions. Moreover, for a considerable number of elderly people, as long as they are in good health, they do not want to

add extra financial burden to their children to a hospital for a checkup. Comparatively speaking, the overall economic income of rural empty nesters is not high, and the stability and certainty guarantee are insufficient, which can only meet the needs of daily life. Once an accident happens, their income is not enough to meet the medical and pension needs(Cui,2019).

### **1.3 The decline of physical function and lack of life care**

Under the traditional rural family pension mode, the care of the elderly is generally undertaken by children. China is a relatively high degree of aging of the country, rural pension status can not be ignored(Guo, 2018). However, empty nesters have no children or their children are not around them all the year round, so traditional family support is no longer available, and life care can only be borne by spouses or themselves. Furthermore, with the increase of age, the physical function of the elderly gradually weakens, the daily activities of food, clothing, housing and transportation all show that the self-care ability is gradually insufficient. Especially when one of the couples has physical problems and needs medical treatment. Besides, rural elderly people generally have a low level of education, so their ideas change slowly, and some of them are reluctant to spend lost of money on medical treatment. Especially in rural areas, the medical level is generally limited, which often cannot meet the medical needs of the elderly. Therefore, it is necessary to integrate Artificial Intelligence Technology with traditional medical services.

### **1.4 Lack of emotional communication and spiritual comfort**

The lack of economic resources, the powerlessness and helplessness in the process of self-care can easily lead to the spiritual self-doubt of the elderly, the increase of negative emotions, and even the gradual loss of enthusiasm for life. Nowadays, in China, most of the old's material needs have been met, but the change of roles is likely to make them psychologically unbalanced, and their mentality is often shrouded by feelings such as loss, loneliness and anxiety(Song,2009). However, because most of the elderly live alone for a long

time or their children are not around, when they need the care and care of their family members, the family atmosphere is lacking. And the empty nesters lack the outlet of emotional communication and catharsis for a long time, which leads to the lack of hope and unsatisfied spiritual needs in their lives. Compared with the rich and colorful recreational activities and spiritual life of the urban elderly, the elderly in rural areas have a single way of resolving, and the loneliness of empty nesters has become the norm. Empty nesters need more spiritual comfort to improve their quality of life.

The number of empty nest elderly in China has reached 120 million in 2020, which means that nearly 50% of the elderly in China are empty nest elderly (Zhiyan consulting Group, 2020). The medical problem of the elderly in the empty nest is more serious than that of the elderly living with their children. This is because once an empty health elderly suffers from an acute health disease, if there is no one around him to discover the onset of the disease in time, the best first aid time for seeking doctor's help will be lost, which will easily lead to the deterioration of the patient's condition and even loss of life. In addition, the daily medical treatment and medication activities of empty-nest elderly people with chronic diseases are also very difficult, especially when they live far away from the hospital or the road is not easy to travel. Because most of the elderly will face the problem of inconvenience in movement, and if someone helps things, it can be solved well. Thus, if their children are not around, they need a third platform to provide them with sufficient services to help them solve this problem.

## **2. Literature Review**

### **2.1 Business model canvas**

In order to make a scientific business plan for third-party health care service platform clearly, it is necessary to use the commercial canvases as tools. Because, this business canvas can clearly show the value proposition of this business idea and target specific customer groups. At the same time, channels can be accurately located by using the canvases, like table

2-1. By analyzing the relationship among the customer, the revenue model and cost structure, this third-party health care service platform is judged to be reasonable. To discover core resources, key activities and key partners to formulate scientific strategic resource management strategies, the commercial canvas of this third-party health care service platform is shown in table 2-1 below.

**Table 2-1 Business model canvas of the third-party health care service platform**

<b>7.Key partnerships:</b>	<b>8.Key Activities:</b>	<b>1.Value Propositions:</b>	<b>4.Customer Relationships:</b>	<b>2.Customer segments:</b>
<p>As a health educational organization for Medical students in school.</p> <p>Win-win cooperation with pharmaceutical factories;</p> <p>Paying for surgeon according to doctor’s levels and operation’s magnitude.</p>	<p>On-site clinic;</p> <p>Health education lecture;</p> <p>Marketing activities for Pharmaceutical manufacturers;</p> <p>Drug distribution activities;</p> <p>Accompanying diagnosis and treatment.</p>	<p>By helping elderly people in empty nests to carry out daily health check-ups, free appointments for medical examinations, and delivering medicines to their homes, the elderly in empty nests are provided with convenient medical treatment, and the physical and mental health of the elderly in</p>	<p>As a trustworthy third-party platform, we can develop the loyalty and long-term customers and improve physician-patient relationship.</p>	<p>Empty nest elderly people who have health problems, including chronic disease, sub-health and operative treatment in big hospital.</p>

	<p><b>6.Key Resources:</b></p> <p>Health care workers;</p> <p>Pharmaceutical partners;</p> <p>Top three hospitals partners;</p> <p>Delivery staff.</p>	<p>empty nests.</p>	<p><b>3.Channels:</b></p> <p>Drugstores or pharmaceutical factories;</p> <p>Central hospitals;</p> <p>Medical students in school;</p> <p>Logistics distribution.</p>	
<p><b>9.Cost structure:</b></p> <p>Human cost;</p> <p>Rent of headquarters office;</p> <p>Activities fees of Health education lecture;</p> <p>Facilities costs;</p> <p>Advertising costs.</p>		<p><b>5.Revenue Model:</b></p> <p>Membership fee;</p> <p>On-site clinic expenses;</p> <p>Professional purchasing medicines for patients;</p> <p>Delivery fee;</p> <p>Smart wearable devices</p> <p>Accompanying expenses.</p>		

Recources: Osterwalder A & Pigneur Y. (2013). The new generation of commercial canvas models . Beijing: Machinery Industry Press.P13

## 2.2 Value propositions

Sustainable business model(SMB)) is the phased achievement of business model research. The motivation for enterprises to pursue sustainable business model can be

classified into the following four categories: competitiveness, legitimacy, ecological responsibility and social responsibility(Zhu & Lin, 2015). Early enterprises' pursuit of sustainability comes from two aspects: on the one hand, to ensure the continuous business volume of enterprises in the future. On the other hand, to meet the market regulation and legal requirements. At this stage, the social and environmental impacts of enterprise activities belong to the external category, and enterprises rarely include them in decision-making. With the close relationship between economic activities and natural conditions, and the abundance of stakeholders, the connotation of sustainability is gradually increasing, which requires not only profitability but also social dimension and environmental dimension. The latest definition of sustainable business model is: the model of sustainable creation, transmission and acquisition of economic value, social value and ecological value.

As for natural capital (natural capital), the concept of natural capital sustainability was put forward later. Human production cannot be separated from natural input, and most natural resources can provide valuable products and services for human beings continuously. So they can be capitalized as a part of national wealth. Pearce and Turner(1990) defined natural capital for the first time as any natural asset that can produce ecological service flow with economic value, emphasizing the benefit flow brought by ecosystem services to people. Daly (1996) defined natural capital as the stock of natural resources that can provide valuable products or services at present and in the future. So far, it is basically achieved that natural capital creates value for economy and human well-being through stock and flow.

The analysis of the third-party health and medical service platform from a social perspective is of great significance. The problem of empty nest elderly induced by the aging of the population needs to be paid attention to by the society. Because the elderly are more prone to chronic diseases and sudden illnesses, the demand for health care services is higher. However, in China's social structure, because young people as the backbone of the society need to take care of the family, many young people choose to leave their homes to places where they can earn more money or have better job development prospects. The elderly at home became empty nesters.

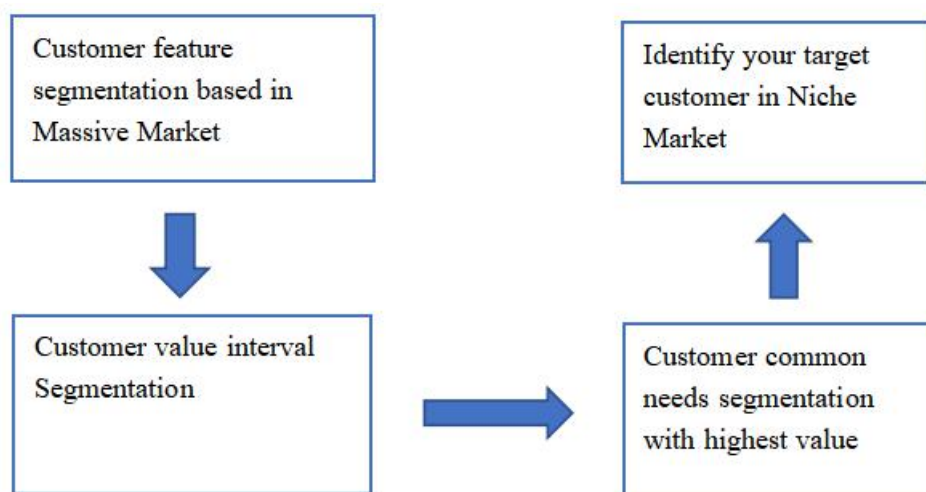


Usually, old people with diseases need to go to the hospital for diagnosis and treatment in time. This is because the elderly have poor physical fitness and recovery ability. If they do not go to the hospital for treatment in time, they may aggravate their illness and even threaten their lives. However, the elderly have inconvenient legs and feet and need more convenient health services. Third-party health and medical service platforms can effectively solve this problem. The third-party health and medical service platform can provide publicity and education lectures for the elderly, help the elderly to enrich their health knowledge, and make up for the gap in health knowledge for the elderly in China. At the same time, our third-party health and medical service platform can also help seniors make appointments for hospital visits, provide on-site clinics, and deliver drugs to their homes, solving the problem of difficulty for seniors to go out to see a doctor. Therefore, the third-party health and medical service platform is an important platform that can help the elderly in China to improve the life quality of the elderly.

## 2.3 Customer segments

Apply customer segmentation procedures to the division of customers. As shown in Chart 2 below.

**Chart 2-2 Procedures of customer segmentation**



Source: Li, Z.G. (2012). *The Customer Relationship Management Theory and Application*. Beijing: Machinery Industry Press. P39.

The main customer group of the third-party health service platform is the empty nest elderly. According to Zhang and Yang(2007), those customers can be divided into healthy but mentally ill, unhealthy and mentally ill, physical and mental health requiring regular physical examination, sub-health, chronic disease, flu and requires surgical treatment. The specific description is shown in Table 2 below.

**Table 2-3 Customer groups of third-party health and medical service platforms**

Customer segments	Description
Healthy but mentally ill	The elderly have no physical health problems, but there are mental illnesses. For example, anxiety, depression, schizophrenia. Emotions are prone to fluctuations. They can live in society without hospitalization.
Unhealthy and mentally ill	Elderly people not only have the mental problems mentioned above. . There may be physical diseases such as high blood pressure, heart disease, Parkinson's syndrome, cancer, tumor or flu.
Physical and mental health requiring regular physical examination	The physical and mental health of the elderly is in a healthy state but in order to ensure that there are no physical problems, regular physical examination is required.
Sub-health	The elderly do not have organ-pathological diseases but there are problems such as memory

	loss, emotional instability, insomnia, dreaminess or being too sensitive.
Chronic disease	The elderly have chronic diseases such as high blood pressure, diabetes, heart disease, cerebral thrombosis or asthma.
Requires surgical treatment	The elderly need to undergo major surgery or surgery in the hospital due to tumors, accidental injuries, heart bypass or cerebral thrombosis removal. Need to continue treatment and observation in the hospital after surgery.

Source: Zhang, D. Q, Zhao X. X, & Yang, G. B. (2007). Study on patient subdivision and Marketing Channel of a military hospital in Western Yunnan. *Journal of Med J Southwest Natl Def*, 17(5), 650-652.

## 2.4 Channels

Drugstores or pharmaceutical factories, central hospitals, medical students and logistics distribution are the main channels for our third-party health care service platforms. This is because the platform requires pharmaceutical companies to provide drugs to our target customers. At the same time, this is also necessary to establish a convenient channel between the central hospital and the elderly patients. In addition, the central hospital needs to provide technical support for diagnosis and treatment. The platform also requires medical school students to hold publicity healthy lectures. And logistics and distribution cooperation is also required when providing delivery and accompanying services. On the basis of the study from Osterwalder and Pigneur (2010), the channels of the third-party health care service platform are shown in Table 2-4 below.

**Table 2-4 The channels of the third-party health care service platform**

Channels	Function
Drugstores or pharmaceutical factories	<p>Provide the elderly who need medicines with medicines that can be taken or injected by themselves under medical standards. The measurement of drugs needs to be strictly controlled according to the state standards . Platform can choose to cooperate with the hospital's pharmacy or pharmaceutical factory according to the actual situation in different regions.</p>
Central hospitals	<p>Provide medical services for the elderly who need medical examination, medical diagnosis and treatment. Cooperate with the platform to establish a green channel for diagnosis and medical examination for the elderly. Provide the platform with medical diagnosis and treatment suggestions for the elderly with scientific basis, so that the platform can provide more detailed health services for the elderly.</p>

<p>Medical students</p>	<p>Coordinate with medical students to held health knowledge publicity lectures, to provide free on-site blood pressure, heart rate and vision routine examinations, and to provide accompanying services for customers.</p>
<p>Logistics distribution</p>	<p>Provide services to distribute medicines and commonly used medical supplies. Such as cough medicine, and blood pressure lowering mediciner. Provide pick-up and drop-off services for medical students who accompany empty nest.</p>
<p>Advertising company</p>	<p>This can be publicized through the Internet, station billboards or leaflets. Advertisements need to highlight the characteristics of our platform's help for the elderly in empty nests. Create a friendly and public benefit platform image.</p>

Resource: Osterwalder and Pigneur's "Business Model Generation" (2010)

## 2.5 Customer Relationships

A good customer and supply chain relationship are necessary condition for us to establish harmonious friendship, build a good reputation and retain our customers. Combing the study of Cai (2005), We analyzed several common customer relationships, as shown in the following Table 2-5.

**Table 2-5 Customer Relationships**

Type	Meaning of cooperation type
Buying and selling relationship	Enterprises and their customers is maintained at the level of buying and selling relationship. There is only low-level personnel contact between enterprises and customers. And the two sides seldom communicate with each other outside the transaction, so customers only buy products produced by enterprises according to their own standards, and the cost of maintaining relationships and the value created by relationships are extremely low.
Priority supply relationship	At this level of relationship, the sales team has a good relationship with many key figures in the customer enterprise. And the enterprise can get many preferential or even exclusive opportunities. Under the same conditions and even when competitors have certain advantages, customers still have a preference for the old enterprise. At this relationship level, enterprises need to invest more resources to maintain customer relations, including giving preferential sales policies to key customers, giving priority to their delivery needs. Using customer information by

	<p>enterprises is extremely important at the tactical level.</p> <p>Enterprises can achieve their purpose of long-term transactions by transferring part of the value to customers.</p> <p>Thus, Customers are reluctant to leave suppliers because of preferential treatment and friendly relationship.</p>
Partnership	<p>At this stage, the enterprise deeply understands the customer's needs and makes customer-oriented investment. Customers with strong loyalty regard this relationship as a vertical integration relationship and realize the significance of the products and services of the enterprises to them. At this level of relationship, value is created and shared by both parties, and enterprises play an important role in distinguishing customers from their competitors and winning competitive advantages. Usually, enterprises' utilization of customer information is manifested at the strategic level.</p>
Strategic alliance	<p>Strategic alliance means that between both parties , their short-term goals and visions are highly consistent. And they may have mutual equity relationship or establish joint ventures. Two enterprises strive for greater market share and profits through joint arrangement. Thus, it is extremely difficult for competitors to enter this field.</p>

Resource: Cai, X. M. (2005). Customer Relationship Management in Professional hospital management. *Journal of Hospital Business School*, 2005(5), 39-41.

The essence of competition in market is the customer, who decides the success of an enterprise. Therefore, the high-value,, satisfied and profitable customers is the core Customer relationship(Zhang, Zhu, & Song, 2006). Only those enterprises that cooperate with each

other and whose negotiation ability is not enough to completely control each other, are appropriate to establish a relationship with more than partners. For the relationship between most enterprises and customers, the priority supplier level relationship is sufficient. Because the establishment of a relationship needs resources, if the resources pay more than the income of the enterprise, then this relationship is “extravagant”.

Zhang, Zhu, and Song (2006) point that customers have become an important resource for hospitals to gain social and economic benefits. Good customer relationship can improve marketing effect, provide an important means of technical support, provide decision support for financial strategy, provide basis for timely adjustment of internal management, make rational use of enterprise resources, optimize enterprise business processes, improve enterprise’s quick response and adaptability, improve enterprise service, enhance customer satisfaction, increase enterprise’s sales revenue, and promote the transformation of enterprise culture.

Therefore, we should pay attention to build strong customer relationships when conducting third-party transactions, which is very helpful for forming a more stable and sustainable business model.

## **2.6 Revenue Model**

More importantly, how do we make a profit?

Although our starting point is mainly public welfare, supplemented by profitability, our industry also needs normal profit space. We can take the membership fee, on-site outpatient fee, professional drug purchase fee for patients, delivery fee and some incidental expenses as our own profitable income methods. The revenue model approximately includes membership fee, which is the biggest proportion profits for the first year, the medicine delivery charge which is the on-site outpatient expenses, and revenue from other program.

Further, here's how we make a profit: first of all, we integrate the resources of food,



medicine and health care products. And we can cooperate with well-operated and reputable enterprises to make some profits. Second, we can carry out offline joining activities, from which we can earn joining fees. Third, we can maintain and update the online information regularly, so as to cooperate with the Internet platform and make some profits from pharmaceuticals.

## 2.7 Key Resources

Company resources are divided into tangible assets, core assets, general capabilities and core capabilities. Tangible assets and general capabilities belong to general resources, while core capabilities and core assets belong to core resources(Lin, 2004).

· **Table 2-6 Enterprise Resource Composition Chart**

Company Resources			
General Resources		Key Resources	
General Capabilities	Tangible Assets	Core Capabilities	Core Assets

Resource: Lin, X. (2004). *Core Resource theory and Strategy of enterprises*. China: People's Publishing House. P57.

We will select some excellent medical partners to provide products related to the positioning of empty nesters, such as: drugs (for those who care about cerebrovascular insufficiency, lung diseases and osteoporosis), health care products (calcium tablets, nutritional products and smart wear) and massage equipment (relax).

Similarly, we also cooperate with health care workers to provide healthy development lecture or tour for the elderly. By giving the elderly a relaxed and healthy living environment, our medical staff can establish a strong customer relationship with our target customers. Most importantly, as a professional service organization, our platform will retain responsibility and excellent team members and develop their skills, which are important human resources.

Finally, on the one hand, the platform must study, analyze and master the information of different hospitals, and provide those accurate and reliable information for our target customers, like key departments of hospitals and their well-known doctors. On the other hand, our platform will also collect information from irresponsible hospitals, which leads to medical accidents. Last but no least, we will strive to establish relationships with the top three hospitals and famous doctors, which are also our important resource.

## **2.8 Key partnerships**

First of all, we must organize an excellent team where everyone has the same idea and can strive for a common goal. Our goal is to take all the behaviors and activities of the elderly as our service tenet. And we will cooperate with medical students from different medical schools.

Second, we must get enough financial support. We can turn the advantages of financial resources into the advantages of material resources, as long as it is more beneficial for us to provide welfare for the elderly. Therefore, we will cooperate well with pharmaceutical factories that want to promote new products or services to the elderly free of charge. And those companies are willing to pay for our platform to get touch of patients quickly.

Third, we have a high level of mastery of the resources of different hospitals and doctors, our information is very developed now, so we can skillfully use various resources for our own use and make them known to the public.

In addition, we should build an experienced student propaganda team, which is very convenient for us to carry out public opinion propaganda in the future. It can not only save a lot of investment, but also further promote our products and services, from school to the surrounding areas and even their hometown.

Those above are my analysis of our main partners.

## 2.9 Key Activities

Value chain is very common in economic activities. There is an industrial value chain about medical industries between upstream and downstream enterprises. Every value activity in the value chain will affect how much value an enterprise can realize in the end.

As Porter's theory, the "value chain" reveals that the competition among enterprises is not only the competition of a certain link, but also the competition of the whole value chain and the comprehensive competitiveness of the whole value chain determines the competitiveness of enterprises. Porter (1997) states that the value of a product or services is composed of a series of concrete activities and profits of enterprises in material and technical aspects. When an enterprise compete with other companies, many internal activities are actually competition, not an activity.

Therefore, we should pay more attention to the activities with achievements and values brought by the industrial chain. For example, cooperation with on-site clinics can quickly select doctors and products that are most suitable for us and the elderly, which is very beneficial to the development of medicines and health products.

Firstly, we can promote the development of the advertising for our platform, which is also very helpful to the development of the advertising industry. For example, we can organize some marketing activities for pharmaceutical manufacturers who want to contact elderly patients who are their target customers. If those patients think that the product or service is of good quality, they will buy it again. And at the same time, they will publicize to their friends who will buy it together later.

Secondly, we can establish more branches while developing ourselves, such as accompanying diagnosis and treatment, so that our labor can benefit more people and industrialists. This activity is also good at building a strong relationship with the elderly patients.

Finally, what we need to do is with people-oriented as our core concept and the health and happiness index of the elderly as our goal. Through the above activities, we will try our best to get more and more loyal customers.

## **2.10 Cost Structure**

Cost structure is the proportion of each cost item in an enterprise. According to Table 2-1 , our roughly predicted costs mainly include labor costs (the daily expenses of our employees), facility cost (the cost of our equipment), headquarters office rent(the rental cost of the place where we hold meetings or master plans), health education lecture activity fee(the fee we need to book the venue and the fee we bear for the lecturer), advertising expenses(the publicity expenses we need to spend).

First of all, we need to integrate various resources, including what is a designated hospital, where is the small clinic near each small village, what is the average price of each drug, and what is the price of expert human resource. Because empty nesters may not live with their children for a long time, and they will be lonely, we also need to pay attention to the mental health of the elderly. So we need a complete and experienced team to guide the psychology of the elderly, which is the human cost. Then, we also need to carry out publicity, Because if a company want its brand to achieve success, it must do with good publicity. Similarly, we also need good online network maintenance, update and improve the information we have, all of which are our cost.

Fortunately, there are several ways for us to reduce our cost, such as technical innovation, supply chain integration, economies of scale and financial management(Yuan, 2014)

Finally, I want to summarize the business model of our company: our target customers are the elderly, mainly including those lonely and unaccompanied empty nesters. Secondly, our business activities is mainly to cooperate with pharmaceutical companies by providing patients for them, and at the same time, offering cheap and good medicines for our patients. The form we take is the combination of online and offline, online promotion and offline

publicity; The sustainable profitable way we choose is to integrate medical industry structure chain and archive a win-win relationship.

### **3. Research Method**

To obtain primary and secondary data resource, this part will introduce the research method for this business plan. Those data is mainly including the macro-environment situations, the needs of the target customers and their families.

#### **3.1 Research approach**

##### **3.1.1 Questionnaire1**

To obtain the primary data, I will design a questionnaire for investigating the needs of our target patients' families. This questionnaire aims to find the practical needs and potential demands of our customers' relatives, who can use the Internet and smart-phone. Therefore, I decided to conduct an online questionnaire survey and telephone interview which are based on China's market.

#### **Questionnaire1: Medical needs survey for patients' families**

Question1: Where is your family located?

A. Rural B.Small town C.Small city D.first-tier city

Question2: Are there old people in your family (60 years old and above)? And live together?

- A. No older person
- B. Yes, living together
- C. Yes, not living together (for work reasons)
- D. Yes, not living together (study reason)
- E. Yes, not living together (other reasons)

Question3:Have you accompanied your family or friends to the hospital to see a doctor before?

A. not have B. Occasional (1-3/year) C.Regular (4 and above/year)

Question4: Do you know and use "online booking registration"?

- A. Haven't heard of it
- B. I've heard of it, but it's not used
- C. Used

Question5: What problems do you worry about in the course of medical treatment?

- A. Nothing to worry about
- B. Relevant hospital expertise and medical qualifications
- C. Details of medical costs
- D. time cost
- E. other

Question6: Do you think it is necessary to find an acquaintance in a hospital before seeking medical treatment?

- A. No need, time and cost are the same
- B. Necessary, the doctor will see it in more detail and be more secure
- C. Necessary, it can reduce unnecessary examination and treatment
- D. Other

Question7: If there is a third party platform: according to hospitals "advantage departments and expertise diagnosis and treatment projects" to assist patients, will you choose? Why?

- A. Yes, if it's free and public
- B. Yes, reasonable fees will also be acceptable
- C. Yes, other reasons
- D. No, do not trust third party platforms
- E. No, other reasons

Question8: For third-party health management platforms, which of the following services do you think are more in line with the needs of patients?

- A. Medical escort (accompanying patients with visits, referrals or periodic review)
- B. Case management (prevention of complications, daily rehabilitation, )
- C. Drug basket management (scientific medication reminder; search for more channels to buy drugs, reduce drug prices)
- D. Patient psychometric assessment and counselling
- E. other

Question9: Your gender?

- A. man
- B. woman

Question10: Your age?

- A. Age under 20 years
- B. 20 to 29 years
- C. 30 to 39 years

- D. 40 to 49 years
- E. 50 and over

Question11: Your marital status?

- A.unmarried
- B. Married

Question12: Your education?

- A. Junior High school and below
- B. High school or secondary school
- C.Undergraduate or junior college
- D. Graduate and above

Question13: What is your current occupation\_?

- A. Student
- B. Educational training
- C.Catering
- D.computer network
- E.Wholesale and retail
- F.Medical service
- G.Financial sector
- H.Government agency
- J.other

### 3.1.2 Questionnaire2

Because most of the elderly in China can't use the smart phone and Internet, I am going to take another questionnaire among a certain number of the elderly patients from my hometown in where our company will be situated.

**Chart 3-1 Questionnaire2: Patient satisfaction survey on third party medical service platform**

Project	Satisfactory	More satisfactory	Not satisfied	Reasons for dissatisfaction
General impression of third-party medical clinics for the elderly				
Third-party medical outpatient consultation process for the elderly				
Visit time for third-party medical doctors in the				

elderly				
Technical level of third-party medical doctors for the elderly				
Service attitudes towards third-party medical doctors for the elderly				
Service attitudes towards third-party medical triage nurses in the elderly				
Rational use of drugs by third-party medical doctors for the elderly				
Attitude towards third-party medical staff for the elderly				
Third party medical fees and pricing process for the elderly				
Service attitudes towards third-party medical toll service for the elderly				
Third-party medical procedures for the elderly				
Service attitudes towards third-party medical				



pharmacy staff for the elderly				
Whether identification of the third-party medical clinic for the elderly is clear				
What are your suggestions for improving third-party medical services for the elderly?				

### 3.1.3 Observation Method

As the Chart 3-2 (pictures) show below, for example, as a looker-on, going to hospital and pharmacy to observe the behavior of the patients and their family is a good way to get the first data resources. At the same-time, communicating with the staffs who were my workmates is also another effective method to get the data for the market analysis.

**Chart 3-2 Patients from the hospital and pharmacy**



Resource: The first People's Hospital of Guangdong Province

After Observing the actual behavior of elderly patients who went to hospitals, it can be seen from the Chart3-2, they got a prescription and drugs from the hospital. After finished their medicines, some patients will go to pharmacies to buy the same medicines.

After communicating with some doctors, we knew that as for doctor's tools in three-A hospitals, many mobile Internet companies aim at the tools to provide services to doctors for the sake of the career growth and convenience of doctors. Clove Garden is the most representative in this field, but also the longest cultivation time of the company. From the medical BBS, it gradually expanded to medical professional journals and mobile doctor tools. Apricot Forest launched medical records folder, can provide doctors with medical records collection discussion and medical literature query services.

Because it is very difficult to ask doctors who are very busy to use a new App or platform, we will not enter this market. At first, we just need to build strong relationship with some doctors in those three A hospitals in order to introduce patients to them. Therefore, we do not compete with other companies in doctor's APP. However, we will focus on integrating

information about different hospitals' specialists, which will come into being our core competitiveness at the first three years. As for doctors' information integrating, we will analysis a hospital from following several aspects.

Firstly, the quality of care. medical quality, which is and the main focus of consumers' choice of medical service, is the foundation of a hospital. Therefore, as a hospital should focus on the quality of medical care, like new technology and new projects in medical treatment. For example, Chart 3-2, it is one corner of Guangdong First People's Hospital, located in Guangzhou. As a regional three-level general hospital, it has set a development goal. On the one hand, it focuses on the development of high-tech projects at the advanced level in the province or at the domestic level, actively engages with large authoritative medical and scientific research institutions in China. Besides, it also contacts first-class experts and professors, and develops specialties by leaps and bounds from a high starting point. For example, Cardiovascular Disease is one of the hospital specialty. Furthermore, its congenital heart disease surgery center, successfully introduced and carried out a number of high-precision technology projects. According to the official website and Jianxun report, in 2013, the Department of Cardiac Surgery completed 4,558 operations, including 302 cases of minimally invasive endoscopic surgery and 279 cases of great vascular surgery. On the other hand, the medical imaging center was established. And the Cr and MR cardiac imaging, three-dimensional imaging and other projects were carried out. At the same time, equipped with first-class monitoring, treatment equipment, special ambulances, to achieve pre-hospital ambulance outpatient and inpatient rescue one-stop service, all these methods are reflecting the "time is life" treatment principle, improving the success rate of rescue. Furthermore, this hospital also speed up the introduction and training of outstanding talents.

Secondly, the quality of services. As is well-known, service quality is an important factor for consumers to choose a medical service institution. Nowadays, consumers not only require skilled health care personnel, but also affable, thoughtful service and thinking of patients. We will pay attention to analyze the service quality of different hospitals. So interviewing the patients from the hospital, especially those referred to the hospital by us, is more accurate and more reliable.

Thirdly, price competition for medical services. In China, it is very difficult to know the exact price of relative medical care, if a patient go to see a doctor. Therefore, the price of medical services in a hospital must be seriously analysis by us. The charge in a hospital should be based on reasonable and legal, not arbitrary charge, not to violate price policy to harm the interests of consumers. At the same time, hospitals should work hard to reduce consumption.

Fourthly, the information of medical service. Nowadays, almost every hospitals is an "information isolated island". Thus, it is necessary for patients and doctors to master the integrity, accuracy and timeliness of information, speed up the transmission, circulation, processing, feedback and use of information, and give full play to the role of information.

Therefore, by observing the behavior of the patients and talking with the doctors, we will pay attention to integrating the important information, such as, examining report, prescription and surgical procedure video.

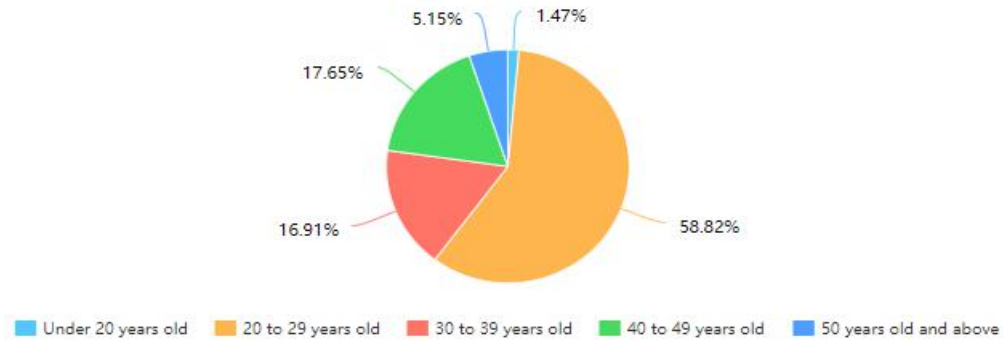
## **4. Field work**

### **4.1 The analysis of basic information of respondents**

#### **4.1.1 The data analysis of questionnaire 1**

According to the survey data from Questionnaire1(142 Respondents), from Chart 4-1,the respondents age groups are 20-29 years (58.8%), 30-39 years old (16.9%), 40-49 years old (17.7%) and over 50 years (5.2%). Their families are located in rural (28.7%), small town (18.4%), small city (18.4%) and big city (34.6%).

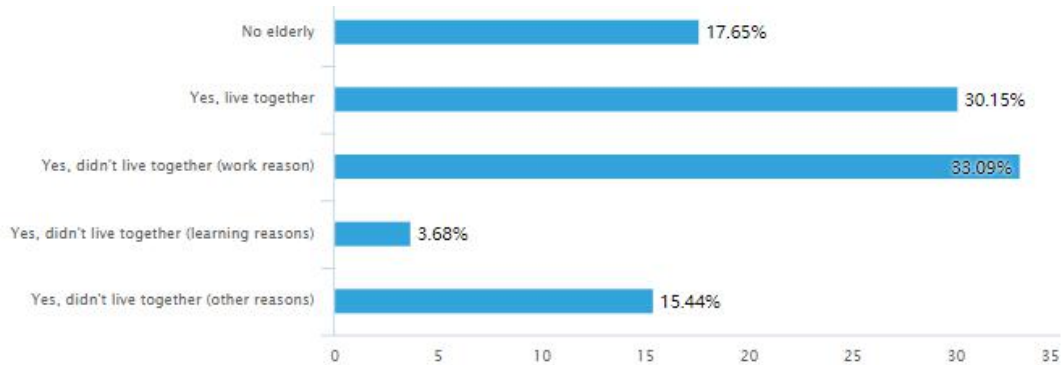
**Chart 4-1**



Percent of respondents with different ages

The bar Chart4-2 shows that more than 82%(1-17.65%) of the respondents' families have at least one elderly member (60 years old or over). And among those 82% respondents, there are about 70% of them do not stay with the old for the reasons of work, learning or others. Thus, those customers who do not live with the old may be our potential target customers, which should be further analyzed.

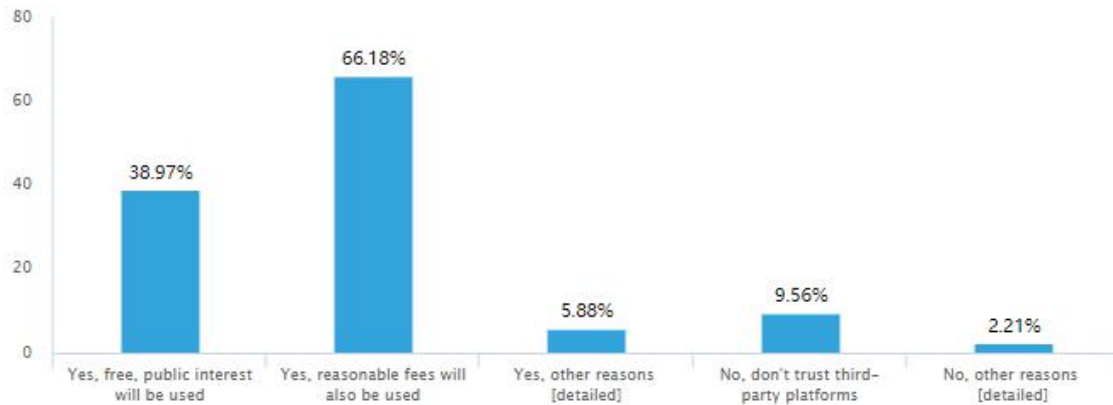
Chart 4-2



Is there an elderly person (60 years old and older) in your home? And live together? [Multiple choice questions]

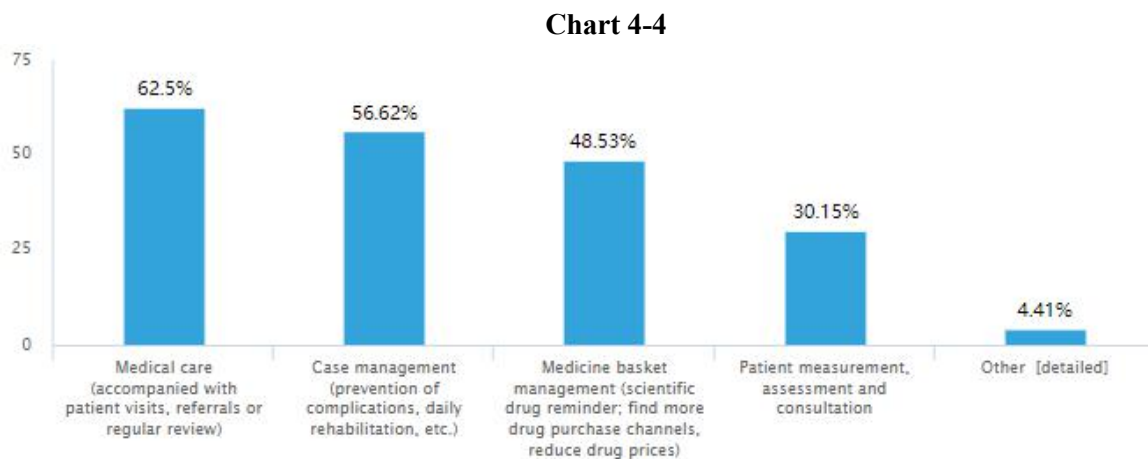
Based on the demand that weather they trust the third-party platform and are willing to use it. The histogram Chart 4-3 bellow indicates that only 11.77% (9.56%+2.11%) of the respondents do not trust the third-party platform, which means that more than 88% of them will use it.

Chart 4-3



weather they trust the third-party platform to help you find the best suitable hospital and doctor.

To find what kind of services do the customers need most. The question that “for the third-party platform, which of the following services do you think are more important with the needs of patients?” are design in the questionnaire. The histogram Chart 4-4 shows that the medical care (62.5%, accompany the patients to the hospital and take care of them) is the top request, following by Integrated case management (56.62%), medicine management (48.53%) and Psychological counseling for patients (30.15%).



The distribution of services that the patients need mostly

Further more, from the Chart 4-4, we know that the top three services that the patients need are medical care, case management and medicine basket management. Therefore ,our initial business will focus on those services firstly.

From the questionnaire1, it can be seen that most of the respondents are young people who are the families of the old. They usually help the elderly use third-party medical services, because most of the elderly are not online. And it is difficult for the old to help themselves through third-party medical services. So those respondents, the young, will pay for the elderly to be more conducive to the analysis of this business plan.

#### 4.1.2 The data analysis of questionnaire 2

**Chart 4-5 Questionnaire2: Patient satisfaction survey on third party medical service platform**

Project	Satisfactory	More satisfactory	Not satisfied	Reasons for dissatisfaction
Third party medical treatment satisfaction	6	16	46	Misleading propaganda
Third party medical drug purchase satisfaction	12	30	26	Drug prices are a bit high
Visit time for third-party medical doctors in the elderly	30	15	23	It takes a long time to wait for each visit
Technical level of third-party medical doctors for the elderly	25	10	33	Doctors can't diagnose accurately
Service attitudes towards third-party medical doctors for the elderly	30	20	18	Slow reply
Service attitudes	23	25	20	The attitude is not

towards third-party medical triage nurses in the elderly				good because the nurses are always busy
Rational use of drugs by third-party medical doctors for the elderly	20	12	34	It's expensive
Attitude towards third-party medical staff for the elderly	35	12	21	The attitude is not good
Third party medical fees and pricing process for the elderly	35	12	21	Some costs are excessive
Third-party medical procedures for the elderly	30	18	20	Longer process
Service attitudes towards third-party medical pharmacy staff for the elderly	26	22	20	The attitude is not good and sales-leading
Identification of the third-party medical clinic for the elderly is clear	39	26	3	Outpatient information is not clear, It is complex for the elderly
What are your suggestions for improving third-party medical services for	<ol style="list-style-type: none"> <li>1. Hope that the third-party medical service platform can be more humane, more affordable.</li> <li>2. Hope that the third-party elderly medical service platform to provide medication guidance, such as: remind medication, safe</li> </ol>			



the elderly:	<p>medication.</p> <p>3.It is hoped that the third party medical service platform for the elderly can purchase clinical drugs for the old,which can't be bought from drugstores. Besides, it is more troublesome to go to the hospital to buy drugs every time.</p>
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From the Chart 4-5 questionnaire 2, we know some information about the level of satisfaction from the old as follow.

The respondents' satisfaction with all aspects of medical services for the elderly on the third party platform exceeded 50%. However, most people are not satisfied with all aspects of service. For example: the service platform has false propaganda, the drug price of the service platform is a little high, the service platform needs a long time to wait for each medical treatment, the outpatient information is not clear.

Therefore, respondents hope that the elderly third-party medical service platform can buy clinical drugs for them, because some of the drugs from the hospital can not be bought from pharmacies. And each time to go to the hospital to buy drugs are more troublesome. Besides, it is easy to buy fake drugs in other ways. At the same time, some respondents hopes that third party platform can provide some medical service, such as medication guidance, remind medication and safe medication. The respondents also hope that the third-party medical service platform can be more professional, objective and justiccial.

## 4.2 Results and analysis

As all we know that with the rise of O2O in the field of consumption, the popularization of mobile payment and the development of mobile medical treatment, many health O2O projects have been launched in China in recent years. As the representative of the medicine delivery to the door are HAOYAOSHI drug delivery and JIANKE Web site. Physical examination field is IKANG and other home health services applications. In addition, the field

of maternal and child health also launched a number of door-to-door service applications, like DOCTOR 101. All those companies have served their own target customers and focus on it. Therefore, we also need to analyze the problems and needs of our target customers (the elderly in rural areas), and then, our company can focus on their needs.

By analyzing the questionnaires 1 and 2, we acquired some information as follows. More than 82% of families of the respondents have more than one elderly person, but most of the elderly do not use the network, resulting in a small number of elderly people using online third-party medical services. That is an opportunity for us (niche market). However, with the popularity of WeChat APP and QQ (online chat tools), nowadays, most of the elderly can use WeChat App, like **Chart 4-6**, which is called Chinese Facebook. That's why almost all companies in China use the QQ and WeChat APP to provide related services to their customers.

**Chart 4-6 We-Chat App**



Resource: Chinese Facebook from Baidu website pictures

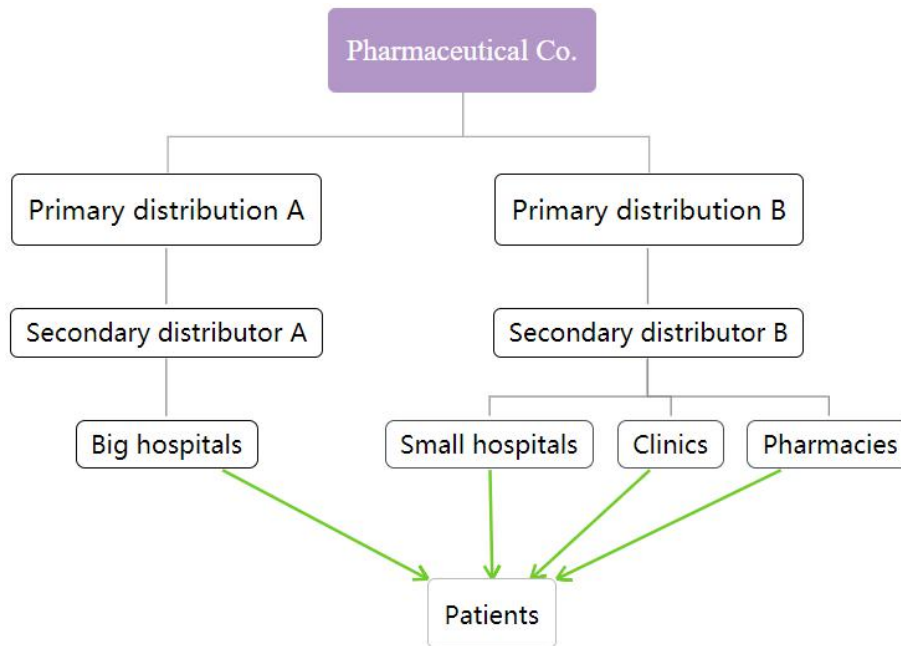
Due to the lack of general practitioners, the imperfect system of grading diagnosis and treatment, and the uneven distribution of medical resources in the medical industry between urban and rural areas in our country, the first task for our company is to connect doctors and patients by the way of the Internet. That is to achieve the effective distribution of medical resources.

As a third party platform, it is also very important to build a intelligent communication platform to connect our target customers, the elderly patients who barely use the Internet except We-chat App. Therefore, firstly, in order to grab our customer's attention, we will use We-chat APP to transmit medical knowledge and doctors information to elderly patients. Secondly, we can also connect doctors in the big hospital with the help of We-chat APP. Finally, this kind of App is also a very useful online tool for us to communicate with our partners. Thus, in the first three years, instead of investing limited resource in developing our own APP, we will focus our energy and resources on integrating the information of doctors and medicines circulation chains, like the following Chart4-7 and Chart4-8(more details are given in the next parts ).

#### **4.2.1 Target market**

In China, the medicine industry chains mainly include five parts. From the chart 4-7, we know that, medicine circulation chains mainly include pharmaceutical Co, primary distributors, secondary distributors, hospitals(clinics and pharmacies) and patients. That means if a medicine produced from a pharmaceutic company flows to terminal patients, usually, it has to go through several distributions. Finally, there will be a huge premium on a medicine.

#### **Chart 4-7 Medicine circulation industries chains**

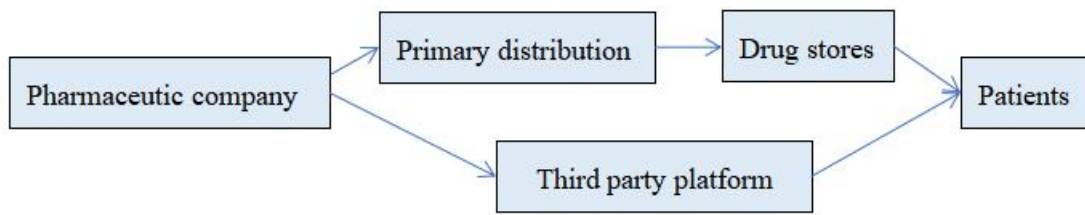


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However, some of the midstream parts, in some way, can be removed from the industry chain. In other words, among those five parts, the in initial parts of pharmaceutical and the final patients are indispensable. So we will help patients buy some medicines from pharmaceuticals directly. But there is still a long way for us to buy all medicines directly from pharmaceutical Co. We will make it step by step.

As far as medicines, in more detail, we will integrate the value chain, which aims to cut down the unnecessary parts in the chain, like Chart 4-8. But, firstly, as an initial company, as lack of resources, we will cooperate with the drug stores who are willing to discount for our elderly patients. Secondly, we also will cooperate with some pharmaceutic companies directly who want to connect the final customers. For example, if a pharmaceutic company want to go to develop a new market in my hometown, Guangdong, they need the information of local markets and the target patients. We can cooperate with them directly, like GUANGDONG SINTAU, a diabetes-focused Pharmaceutical Co.

**Chart4-8 Newly integrate medicine circulation industry chain**



Finally, when we get a large number of loyalty patients and their prescriptions, we can try to cooperate with lots pharmaceutical companies directly, like Chart4-8 (Medicines from Pharmaceutical Co. to patients directly). By this way, not only can we decrease the medicines prices for the patients, but also we can afford an platform to help the enterprises with customer services.

#### 4.2.2 Target customers

These 60 years old or beyond are our fist choice, especially whose children do not live with them. And those patients who live in the village or small city and want to go to the big hospital are also our target customers. However, most of the third Class A hospitals, with cumbersome outpatient procedures in China, are overcrowded and difficult to register. That is why the former Ministry of Health has issued some special documents to encourage third-party platforms to provide booking registration services. Therefore, a group of mobile medical companies, with new customer registration as the entry point grew, rapidly. But most of them are focus on those who are able to surf the Internet, especially the young.

And doctors in the small city only give the patients some information about the hospitals of big city and the patients have to chose the hospital or doctors by themselves. What's worse, if those elderly patients meet some doctors in small private hospital, like Putian Medical Group, they will be deceived into staying in their hospitals for an ineffective drug or treatment). Therefore, our target customers are the old who is ignored by most of the Internet medical service companies.

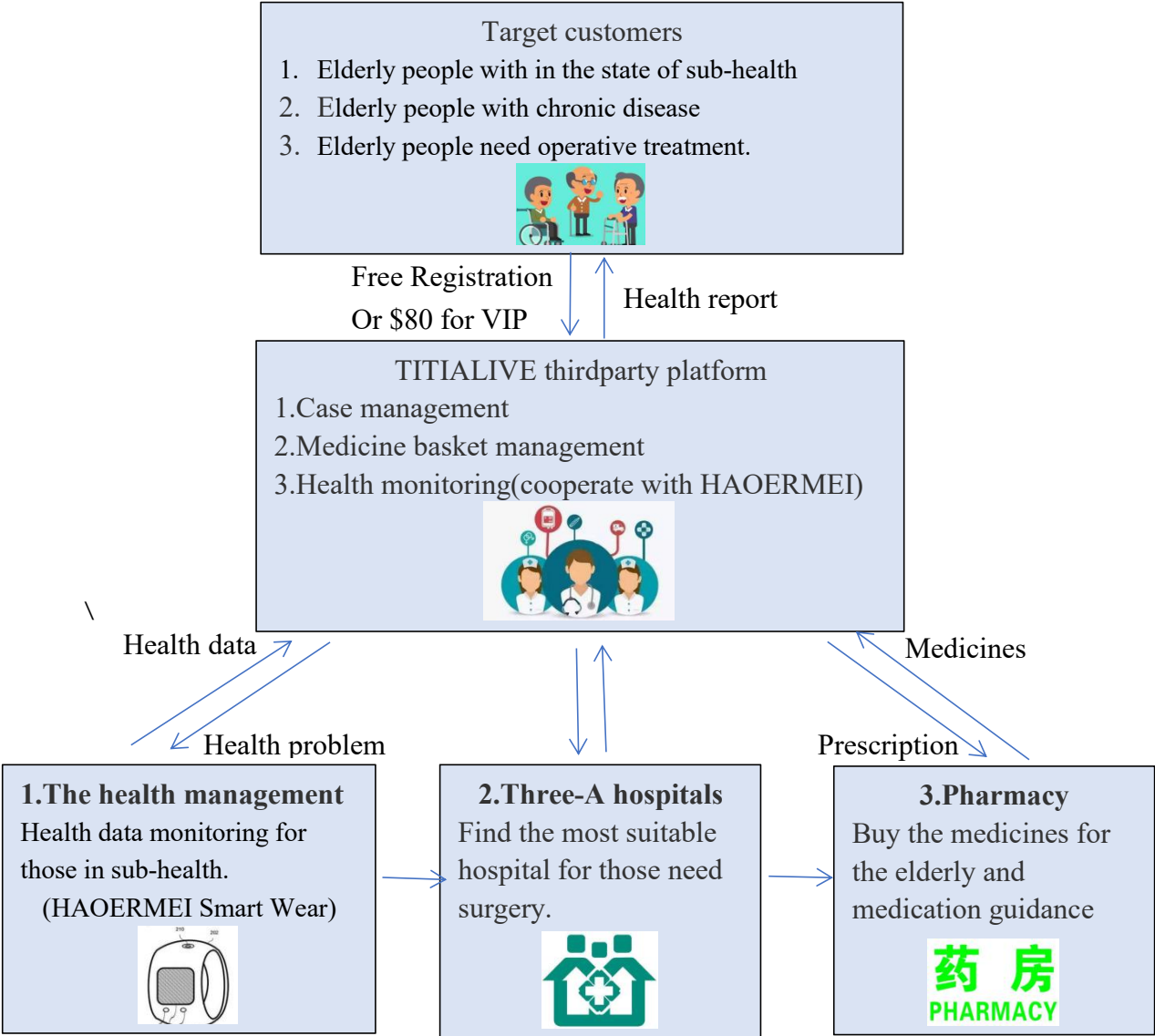
#### 4.2.3 New business model in the first three years.

In order to attract our target customers, a new business model is necessary, which is as the following Chart 4-9. Our target customers includes the old in the state of sub-health, the

elderly with chronic disease, and those who need operative treatment in big hospital.

Firstly, it is free for our target customers to enroll as our membership for the basic case management, which is the electronic case management for the patients and postoperative health fitness. Then, our company will get the prescriptions from the patients and help them to buy medicines. But they have to pay \$80 if they want to be VIP which can get more services, like medicine basket management and health monitoring (\$330) that is from our partner HAOERMEI, a technology service provider in Shenzhen, Guangdong. Besides, after registering as a VIP, it is free to attend the healthy lecture which aims to help the patients to keep a healthy life style. Further more, finding the best suitable hospital and doctor for them is also free. Secondly, accompanying them to the hospital, which is an effective way for us to build strong customer relationships, is also accessible .

**Chart4-9 The overview TITIALIVE third party platform**



Secondly, if our membership want to get home health and presence monitoring(The health management), they need to spend \$330 on smart wear. During the daily monitoring, customers' health data will be sent back to our big data center,like Chart4-9. Then we can detect their health problems.

Furthermore, Our third party platform also help the patients who need to go to big hospital for some complicated diseases or surgery to find the best suitable hospital and doctors, which is strictly based on their health data or cases.

Finally, according to patients' prescriptions, we will help them buy medicines from pharmaceutical firms or pharmacies directly. The medicines' group buying can decrease drug prices significantly. Besides, medication guiding services are also available for them.

To sum up, there are 3 main products(services) in our company to meet the need of our target customers.

**Chart4-10 The retail price and cost of our products(services)**

<b>Products ( \$ )</b>	<b>Retails Price</b>	<b>Cost</b>
VIP card	80.00	40.00
Medicines	160.00	128.00
HAOERMEI Smart Wear	330.00	132.00

As it can be seen from the Chart4-10, our first product is VIP card which is sold at the price of \$80. And the second one is buying medicines for our customers who are the old with chronic disease. They averagely spend around \$160 on medicines ever month(according to the questionnaire ). The last one is a health monitor(HAOERMEI Smart Wear), about which more below.

**Chart4-11 HAOERMEI Smart Wear**



First, when our VIP Customers encounter difficulties need emergency help, there is a key to dial the emergency contacts including their family, like Chart 4-11. At the same time the command center in our company can receive the distress signals and exact location and also can open the front-facing camera which has to be admitted by the patients before. More importantly, after primary diagnosis according to the data from the smart wear, if it is emergency, the command center will connect the nearest hospital.

**Chart 4-12 Medication guidance**





Second, there is a medication guidance and reminding function in this Smart Wear, which aims to help our customers safely use the medicines and warn them take medicines on time, like Chart4-12. Besides, their family also can send some warm prompt messages which will be transform into voice messages by the Smart Wear for showing concern and love from their children.

Last but not least, there is a creative technique in HAOERMEI Smart Wear, which is non-invasive blood detection techniques. As we can see from the Chart 4-13, the traditional glucose meter has to use the blood from finger pinching to measure blood glucose. However, our Smart Wear can detect the blood glucose with non-destructively patients' skin. Therefore, it is very easy for the old patients to take a daily self-monitoring of blood glucose. More importantly, the data will be sent to not only their family but also our big data centers.

**Chart 4-13 Intelligent and Traditional Glucose Meters**



**HAOERMEI Monitor VS Traditional monitor**

This kind of Smart Watch combines the main principle of traditional Chinese medicine, blood rheology and the theoretical basis of biomechanics. Then precise modeling will be analyzed by using big data and combining artificial intelligence. In other world, the chip can detect the blood flow and radial artery blood flow velocity, so the watch can noninvasive measure blood sugar, blood pressure and heart rate.

At the beginning of this business, I will focus on those two services(case management, medicine basket management) in my hometown because of my limited resources. And as for medical care, we will cooperate with HAOERMEI who is good at Smart wear(health monitor) technology. In recent years, portable monitoring equipment based on chronic disease management, represented by blood glucose meter and sphygmomanometer, has developed rapidly in China. Among those device companies represented by Xiaomi, Huawei and Jiu' an, They now also develop Internet medical data and smart terminal equipment. The health management products include bracelets, watches, mobile phones, research, even belts and necklaces. In this part of the market, some are mainly focused on sports and sleep quality data, like Nike to enhance their sports culture, Xiaomi in order to achieve user closed-loop and sticky. But at present, the chronic disease detection market is more professional. And The types of terminal products are also rich, including traditional mobile phones, wrist watches, new smart blood sugar meters, blood pressure meters. At the same time, the production of equipment is also for more professional medical companies, such as heath monitor, ECG, blood pressure, blood sugar and blood oxygen. Those are the reasons why we do not develop our own health-related products.

Among those excellent company, why HAOERMEI Medical company is our preferred partner? Because HAOERME, as a manufacturer of new medical devices such as sphygmomanometer, already succeed in manufacturing intelligent hardware. Further more, the company, in the Shenzhen, Guangdong, has built an ecosystem of hardware App cloud services. At present heath monitor series of products have covered five dimensions of blood pressure, blood sugar, body weight, blood oxygen and exercise. And its wearable devices, sports and sleep car bracelets are mainstream products. That's why we choose HAOERMEI as our health-care technology supplier.

In conclusion, in the first three years, our mainly products or services we focus are the health management for VIP, which includes chasing users' movement, posture, body temperature, weight and heart rate. As for doctor's tools in three-A hospitals, many mobile Internet companies have already develop the tools to provide services to doctors for the sake of the career growth and convenience of doctors. Clove Garden is the most representative in this

field, but it also needs the longest cultivation time of the company. And its the medical BBS gradually expanded to medical professional journals and mobile doctor tools. Besides, Apricot forest launched medical records folder, which can provide doctors with medical records collection discussion and medical literature query services. Because it is very difficult to ask doctors who are very busy to use a new App or platform, we will not enter this market. We just need to build strong relationship with some doctors in those three A hospitals in order to introduce patients to them. Therefore, we do not compete with other companies in doctor's APP. But we will focus on integrating the information about different hospitals' specialists, which will come into being our core competitiveness at the first three years.

As for pharmacies, with the deregulation of pharmaceutical e-commerce, the number of online pharmacies is growing rapidly. For example, 2014, China's B2C number of online pharmacies is 272, an increase of 144. At present, the sale of pharmaceutical e-commerce accounts for only 0.3% of the scale of the national drug market in 2013. But it predicts, in the next few years, China's pharmaceutical e-commerce business will usher in explosive growth. By 2017, the market size will reach 44.8 billion yuan. Although in terms of size and market share, pharmaceutical e-commerce can not have a big impact on the market pattern of hospitals and chain drugstores. And within a certain period of time, the value chain of online pharmacy is not mature. The main body is the logistics distribution system of drugs, the prohibition of prescription drugs (not yet fully open) and the use of medical insurance. For our company, Medicine group-buying is not only simply selling drugs, but also establishing a deep relationship with customers. Therefore, after selling medical products to our customer, we will continue to provide medication guide and health education to them. Besides, by cooperating with medical device companies, like HAOERMEI, we also can provide users with online health management. That's why we will cooperate with drugstores but open the chemist's shop by ourselves in the beginning of our business in the first three years.

#### **4.2.4 Business model in the next four to five years.**

In the next 4 to 5 years, we will upgrade our services and products. Firstly, we will develop an interactive platform for telemedicine consulting services based on web and set up

communication channels between senior doctors and grass-roots doctors. By this way, it will realize the medical professional consultation services of senior doctors to grass-roots doctors and provide advice on disease diagnosis for patients. At the same time, we will help patient's transfer treatment, which we already have been operating since the first year. But in the next 4 to 5 years, we will buy ourselves ambulance to transform the patients to big hospitals. To be more exactly, the platform consists of three parts: doctor's workstation, remote expert workstation and medical technology workstation. That can realize the main functions of primary doctors' front-end consultation, expert diagnosis, medical technology interpretation and examination data image data interpretation. And it also provide the function of patient's electronic medical record to realize the sharing of medical image and other information resources, so that the image of primary hospital can be shared. In summary, to achieve the diagnosis of all aspects of medical resources, it integrates online and offline parts and provide a reasonable distribution of value benefits.

In the operation of the project, the integration of doctors medical resources in Guangzhou and Shenzhen are highly concentrated in-service expert resources. Those experts are effectively coordinated to provide remote consulting services through our platform. Then, we organize our own medical and technical departments to assist remote experts in medical consulting services. Finally, we will also adopt the cooperation way with the township or county-level hospitals, guarantees the sufficient patient source. In the course of project operation, the profit of the enterprise comes from the patient's consultation fee and medicines. What' more, we will sign cooperation agreements with other small hospitals, providing grass-roots doctors to recommend and assist, reasonable access to patient medical data that the patients get from big hospital. That is a a giant project full of difficulties, but we will do it step by step in the next 4 to 5 years.

## **5. Market Analysis**

### **5.1 PESTEL Analysis**

#### **5.1.1 Analysis of Political Factors**

Political factors in the model refer to the political forces that have actual and potential influence on the organization and operation activities. The political factors of the third party platform medical service for the elderly are mainly the multi-agency management, which will lead to unclear power and responsibility between the management agencies.

However, the policy continues to add code, for the third-party medical service industry development laid the foundation. In 2017, a programmatic guidance policy was issued at the national level to encourage social capital to establish third-party independent medical institutions such as imaging, testing and pathology. In 2018, the National Health and Health Commission issued a document clarifying that medical institutions can entrust independent medical laboratory, pathological diagnosis center and medical imaging diagnosis center to provide third-party professional services. The state's intention to push third parties into the industry is clear, pushing public hospitals to focus on developing core business. In the future, in addition to discipline construction and talent team building, other hospital services and management should be handed over to professional social second-party institutions.

Therefore, we know that, nowadays, there will be more incentive policy to encourage the development of third-party health organization.

#### **5.1.2 Analysis of Economic Factors**

Economic factors in the PESTEL model refer to the economic structure, industrial layout, resource status, economic development level and future economic trend outside the organization. The economic factors of the third party platform medical service for the elderly are that China has not established a perfect financing mechanism and lacks a long-term medical care insurance system. So, it is a challenge for third-party health company to get paid

from insurance finance system.

According to the Prospective Industry Research Institute, although the state encourages home care, and in terms of the current distribution of home care, home care also occupies more than 90% of the market share. But with the change of the concept of the elderly and the development of society, the empty nest phenomenon will become more and more serious. Health tourism, migratory bird tourism will become the mainstream. Because the elderly are relatively loose in time, it reflects the characteristics of "slow tourism ". The leisure products of vacation attribute are the leading products in the elderly market. Under the stimulation of the tourism demand for health care and old-age care in the elderly market, the two products of vacation residence and recuperation are expected to become the mainstream of the elderly tourism in the future.

With the increase of free time, the increase of empty nest families, the freedom of disposable funds, more and more elderly people will travel out of the home, like "migratory birds" around the holiday tour. "Migratory bird-style" old-age tourism has become the fashion of the elderly. This will also change the consumption structure of the elderly.

### **5.1.3 Analysis of Social Factors**

Social factors in the model refer to the historical development, cultural traditions, values, educational level and customs of the members of the society in which the organization is located. The social factors of the third party platform medical service for the elderly are mainly the lack of active participation of the elderly and the lack of cooperative power in large medical institutions, especially in rural areas.

In China, the education level of people in various regions is at a lower level and the understanding of medical treatment mostly stays on the traditional. At the same time, the weak medical consciousness and concept lead to the long-term lag of the development of local medical institutions. And the increasing demand of patients for medical treatment can not be guaranteed. Obviously, this situation seriously hinders the growth of local medical institutions and the development of medical services.

Besides, the old usually prefer to get some medicines from the hospital or drug stores than just get services or advises. Therefore, it is another challenge for us to change the attitude of the old. And, we will give some public lectures about medical knowledge and medicine usage for the old at first.

In recent years, aging has become the most common hot word in various media. The aggravation of aging also makes the government and investors pay more and more attention to the development of the elderly health industry. Since, the population age structure is aging, with strong medical demand and huge business development space. There will be a huge space for medical business expansion in China.

#### **5.1.4 Analysis of Technical Factors**

Technical factors in the model refer to the emergence and development trend of new technologies, new processes and new materials related to production. All those are reflected in the quality of professional and technical personnel in the medical service. Fortunately, nowadays, there are lots of high-tech medical company who are good at AI(artificial intelligence) and big data analysis. Such as Ping An Health Cloud, Dr. Spring rain and HAOERMEI. So we will chose to cooperate with them. And our first choice is HAOERMEI who specializes in Smart Wear(health monitor) and big data analysis.

#### **5.1.5 Analysis of Environmental Factors**

Environmental factors in a PESTEL model refer to the factors that can interact with the environment in an organization's activities, products or services. The environmental factors are mainly about the limited supply of medical service resources for the elderly and the structural imbalance of the service coverage between urban and rural areas. Thus, environmental factors such as regional differences should be properly considered.

Especially, in the rural areas, since most of the old lack of medical resources, they have to trek long distances to the big city. This will waste lost of social resources, like the energy and time of their relatives.

**5.1.6 Analysis of Legal factors**

Those third-party platform have not yet formed a complete system of laws and regulations.

The legal system of medical service for the third party platform of the elderly in our country is not perfect. The main reason is that the medical service of the third party platform is no historical experience in related fields. Although developed countries have more successful cases, they can not be directly copied for the companies in China. In recent years, the state and local governments have issued many norms and standards, but has not yet formed a complete system of laws and regulations.

Although the government encourage enterprises to develop healthy industries, China's elderly third-party platform is very different from other industries. They need to carefully study laws and regulations. According to the conditions of the third party platform medical service for the elderly, the degree of economic, social and cultural development in different regions of our country are very different. And there is also huge difference between urban and rural areas in the same region, so the service settings are not exactly the same. Although the state has formulated many relevant systems and regulations from the general direction, the existing systems and regulations can not cover the detailed contents involved in the third party platform medical services for the elderly. Therefore, it is not suitable to "one size fits all" in the form of medical service for the third party platform for the elderly. The laws and regulations should be carefully studied.

**5.2 SWOT Analysis**

	Internal Factors	External Factors
Favorable Factors	<p><b>Strengths:</b></p> <p>1. Some successful experience</p>	<p><b>Opportunities:</b></p> <p>1. Huge market now and future</p>



	2. Medical background 3. Network of doctors	2. No corporate to monopolize the market
Unfavorable  Factors	<b>Weaknesses:</b> 1. Low brand recognition (The trust of the patients) 2. Lack of capital and technique 3. Lack of profit model	<b>Threats:</b> 1. Fierce competition 2. Government policy 3. High-risk industry

### 5.2.1 Strengths

Having some successful experience to help the old to find the best suitable doctors and buy medicines from manufacturers with lower price, it is a solid foundation for our medical service development. Besides, the continuous increase of medical professionals and discipline backbone who are my classmates or teachers provides a strong support for the development of medical undertakings.

Besides, the integration ability of the doctor's resources is our core competitive advantage. And the accumulation of patient resources by our service platform is the basis of the company's business expansion. Further more, our team members who are managers from other big pharmaceutical companies, specialists from the medical university and hospitals . Thus, we have deep participants in the reform of the health care system, medical dispute handlers, first-line experts in medical imaging. We have senior managers in the development of medical systems and products. The implementation of this project is out of the senior project managers who are with lots of experience.

### 5.2.2 Weakness

Firstly, as a new company, our brand TITIALIVE is lack of brand awareness. Because

there are so many small companies treating patients to go to some illegal hospital, nowadays, most of the patients do not believe the third medical party or small hospital.

Secondly, due to lack of capital and minimum medical infrastructure, if we want to operate some basic medical treatment, the operations in many parts of the region can not proceed smoothly. In order to solve this problem, at the first three years we will cooperate with other companies, such as HAOERMEI(health monitor device), GAHA (Hospital ranking platform) and Nep-Star Medical Co(Pharmaceutical wholesale Company).

### **5.2.3 Opportunity**

The opportunity is mainly reflected in the following three aspects: first, the government is actively promoting medical and health reform, liberalizing and lowering the entry threshold in some areas, greatly promoting the development of the entire Internet medical industry. Second, uneven supply and demand of medical services and low medical efficiency bring development opportunities to the entire medical industry. Third, the strong intervention of various types of capital has brought a lot of money to entrepreneurs and attracted more entrepreneurs to the industry.

Besides, the government has not only strengthened its investment in medical care, but also changed its mode of investment, from the beginning of a single material help to gradually attach importance to the construction and development of third medical institutions. Therefore, we should proceed closely combine the reality of local economic and social development to promote the development of medical institutions and patients in their respective regions. It is believed that with the speed of marketization and socialization of medical services, a number of excellent medical services will emerge in all regions.

### **5.2.4 Threaten**

There are also three main threatens. Firstly, although the government has liberalized at the policy level, the boundary problem of enterprises in practice is still difficult to define and there are risks. For example, on April 14, 2015, the Health and Family Planning Commission

explicitly stipulates that patients are not allowed to be diagnosed and treated online. Secondly, the existing industry standards of Internet medicine are difficult to formulate. Furthermore, almost every hospital is doing their own data and information can not be interconnected, which will lead to form different information islands.

Besides, in recent years, with the gradual intervention of online or offline, large comprehensive medical institutions, health departments and health care operations have been opened. This trend poses a serious challenge and threat to the survival and development of medical institutions based on the treatment business. Their original comparative advantage is gradually losing. At the same time, this is also a serious problem for new companies, like us. Therefore, at first, it is vital for us to focus on getting the trust from the patients and doctors.

### **5.3 Competition Analysis-Five Forces Model of Michael Porter**

#### **5.3.1 Threat of New Entrants**

Potential new entrants are another factor in market competition. On the good side, new entrants may bring new technologies, new funds and new other factors of production to the industry. On the minus side, once new entrants join, they will inevitably require redistribution of market share, which will inevitably lead to changes in the original market share, the original cost, the original product price and the original profit level. Therefore, in an industry, discerning manufacturers should always be highly alert to new entrants. The response of us is that we have to flexibly use the corresponding resources ready to defend or attack during the operation. And once this preparation becomes action, it can cause competition. For example, as Apple enters the Smart Watch, in the field, China's major mobile phone manufacturers have also launched their own Smart Watch products.

#### **5.3.2 Bargaining Power of Suppliers**

Suppliers can threaten buyer manufacturers in the industry by raising prices or reducing

the quality of products or services purchased. Pressure from strong suppliers may force manufacturers in an industry to reduce their profitability by not keeping prices up with cost growth.

Nowadays, most of the medicines circulation have been controlled by big companies, like JIUZHOU, GUANGYAO. And, most of three-A hospital in big cities own the best doctors and specialists team. Therefore, it is very difficult for us to bargain with them, especially for a new small company. However, it is still possible to cooperate with them in gap market, like providing services for the old in rural areas.

### **5.3.3 Bargaining Power of Buyers**

Unlike suppliers, buyers have more negotiating advantages (except where exceptions may occur in monopolistic industries). As buyers, always require low prices, high product quality, comprehensive service products or services.

Usually, due to lack of medical knowledge, most patients can't not bargain with the hospital, but they can chose where to buy the medicines after getting the prescription from doctor. That is why will focus on help the patient to chose the best suitable doctors for them and then buy medicines for them (Drug basket management ).

### **5.3.4 Threat of Substitute Products or Services**

Competition within the industry may also come from another threat, alternatives. That is, competitors with threats may come from another different industry. For example, with the development of smart-phone, amount of computer functions have been replaced by a smart-phone. And glass container manufacturers will be plastic container manufacturers competition.

Therefore, if competitors in another industry can produce good alternatives, our company will face strong competition, that is, Porter's threat from alternatives. When alternatives exist in the future, consumers will have more choices, which is indeed a great threat to our present services, like Huawei (produce healthy monitor).

### 5.3.5 Rivalry among Existing Competitors

At present the representative companies are the Spring Rain Doctor, the Good Doctor Online and Ali Health. Those companies have different strategies for connecting doctors to patients. Dr. Chunyu is on the basis of Internet crowd-sourcing to solve users' problems, gradually to vertical disease services, which is private Doctors Service and health management expansion. Good Doctor online helps patients match the right doctor, for doctors to match the right patient, by doing follow-up and management. Regardless of the specific strategy, the overall business logic of such companies is to build online consultation and communication platform based on trust for both doctors and patients.

Competition between manufacturers in the same industry, as an internal force, is the most powerful of the five competitive forces. In the same industry, only those who have implemented a more advantageous strategy than their competitors can succeed. Therefore, we will find the niche market to get our target customers who are empty-nesters in rural areas.

Generally, through the above analysis, we find that the Internet medical service industry is still in the ascendant and in the stage of starting and exploring. At this stage, Internet technology will accelerate the infiltration of medical services, and capital forces will join the process. However, the business model of Internet medical treatment is still unclear, because most of the old with chronic patients usually do not know how to use the Internet. Even so, in the next few years, Internet medical industry will also enter a period of rapid growth. That is why BAT ( Baidu 、 Alibaba 、 Tencent ), Chinese top-three Internet company, also increase investment in the medical industry.

Cooperating with the Internet companies will be an important means for a initial company. Internet medical applications should focus on vertical subdivision to meet the rigid needs of users. The core problem that Internet medical treatment needs to overcome is the low frequency utilization rate of medical application (the frequency of seeing a doctor in general population is low). So Internet application needs to grasp users rigid demand in order to form user stickiness. In the first three years, we will chose to service our target customer face to face. By this way, we can secure customer loyalty.

# 6. Financial Plan

As a third party, service is our important product. Therefore, the following financial analysis which is also including our services, mainly includes investments to the enterprise, sales proceeds, and profits in the next 5 years. The initial financing to invest includes the money of myself, two of my partners and a bank loan. The initial financing of TITIALIVE company requires total \$252,426.94 according to the financial analysis below. \$37,314.85 is from shareholders, including the money of my own and my pals. And \$215,112.08 is from the bank with an annual interest rate of 5%.

## 6.1 Operating Plan

### 6.1.1 Investments needed on capital expenditures

Investment							
Investment per year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Fixed Tangible Assets</b>							
Basic equipment	30,000.00	0.00	0.00	0.00	0.00	0.00	30,000.00
Transport equipment	20,000.00	10,000.00	10,000.00	0.00	0.00	0.00	40,000.00
Administrative equipment	10,000.00	7,000.00	1,000.00				18,000.00
Other fixed tangible assets	8,000.00	2,000.00	1,500.00	1,500.00	1,500.00	1,500.00	16,000.00
<b>Total Fixed Tangible Assets</b>	<b>68,000.00</b>	<b>19,000.00</b>	<b>12,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>104,000.00</b>
<b>Intangible assets</b>							
R&D projects	1,000.00	2,000.00	3,000.00	10,000.00	16,000.00	16,000.00	48,000.00
Software	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	6,000.00
Other Intangible Assets	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	30,000.00
<b>Total Intangible Assets</b>	<b>7,000.00</b>	<b>8,000.00</b>	<b>9,000.00</b>	<b>16,000.00</b>	<b>22,000.00</b>	<b>22,000.00</b>	<b>84,000.00</b>
Patents Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Investment</b>	<b>75,000.00</b>	<b>27,000.00</b>	<b>21,500.00</b>	<b>17,500.00</b>	<b>23,500.00</b>	<b>23,500.00</b>	<b>188,000.00</b>

Depreciatin + Amortization rates	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	NET Book Value
<b>Fixed Tangible Assets</b>							

Basic equipment	20.00%	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	0.00	0.00
Transport equipment	25.00%	5,000.00	7,500.00	10,000.00	10,000.00	10,000.00		-2,500.00
Administrative equipment	25.00%	2,500.00	4,250.00	4,500.00	4,500.00	4,500.00	4,500.00	-6,750.00
Other fixed tangible assets	25.00%	2,000.00	2,500.00	2,875.00	3,250.00	3,625.00		1,750.00
<b>Intangible assets</b>					0.00			
R&D projects	33.33%	333.30	999.90	1,999.80				44,667.00
Software	33.33%	333.30	666.60	999.90				4,000.20
Other Intangible Assets	33.33%	1,666.50	3,333.00	4,999.50				20,001.00
<b>Total Amortizations</b>		<b>17,833.10</b>	<b>25,249.50</b>	<b>31,374.20</b>	<b>23,750.00</b>	<b>24,125.00</b>	<b>4,500.00</b>	<b>61,168.20</b>

**Accumulated** 17,833.10 43,082.60 74,456.80 98,206.80 122,331.80 126,831.80

**VAT Deductible** 23% 17,020.00 5,750.00 4,255.00 1,725.00 1,725.00 1,725.00

## 6.1.2 Revenues

### Final sale price (without VAT)

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
VIP card	80.00	80.00	80.00	60.00	60.00
HAOERMEI Smart Wear	330.00	330.00	330.00	330.00	330.00
Medicines	160.00	160.00	160.00	160.00	160.00
<b>Total</b>	<b>570.00</b>	<b>570.00</b>	<b>570.00</b>	<b>550.00</b>	<b>550.00</b>

### Annual quantities

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
VIP card	2,000.00	3,000.00	4,000.00	6,500.00	9,000.00
HAOERMEI Smart Wear	600.00	900.00	1,200.00	1,950.00	2,700.00
Medicines	1,200.00	1,800.00	2,400.00	3,900.00	5,400.00
<b>Total</b>	<b>3,800.00</b>	<b>5,700.00</b>	<b>7,600.00</b>	<b>12,350.00</b>	<b>17,100.00</b>

### Total

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
VIP card	160,000.00	240,000.00	320,000.00	390,000.00	540,000.00
HAOERMEI Smart Wear	198,000.00	297,000.00	396,000.00	643,500.00	891,000.00

Medicines	192,000.00	288,000.00	384,000.00	624,000.00	864,000.00
<b>Total</b>	<b>550,000.00</b>	<b>825,000.00</b>	<b>1,100,000.00</b>	<b>1,657,500.00</b>	<b>2,295,000.00</b>

VAT Liquidated 93,500.00 140,250.00 187,000.00 281,775.00 390,150.00

### Value per product

Cost of goods sold +consumed material	Year 1	Year 2	Year 3	Year 4	Year 5
VIP card	40.00	40.00	40.00	30.00	30.00
HAOERMEI Smart Wear	132.00	132.00	132.00	132.00	132.00
Medicines	128.00	128.00	128.00	128.00	128.00
<b>Total</b>	<b>312,800.00</b>	<b>469,200.00</b>	<b>625,600.00</b>	<b>951,600.00</b>	<b>1,317,600.00</b>

VAT Deductible 53,176.00 79,764.00 106,352.00 161,772.00 223,992.00

## 6.1.3 Payroll Expenses

### Employee salaries:

#### Personnel costs

12

Number of months of activity in one year

Number of months		12	12	12	12	12
Annual increase (salary +lunch allowance)		0%	2%	2%	2%	2%
Staff		Year 1	Year 2	Year 3	Year 4	Year 5
CEO		1	1	1	1	1
HR Manager		1	1	1	1	1
Production Manager		1	1	1	1	1
Sales Manager		1	1	1	1	1
Operation Manager		1	1	1	1	1
Accountants		1	1	1	1	1
Doctors(general practice)		2	3	3	6	6
Salesperson		4	4	6	10	13
Customer service executives		1	1	2	3	6
<b>TOTAL</b>		13	14	17	25	31
Monthly salary (gross)		Year 1	Year 2	Year 3	Year 4	Year 5
CEO		1,800.00	1,800.00	1,800.00	2,000.00	2,000.00
HR Manager		1,000.00	1,000.00	1,000.00	1,300.00	1,300.00
Production Manager		1,000.00	1,000.00	1,000.00	1,300.00	1,300.00
Sales Manager		1,100.00	1,500.00	1,500.00	1,500.00	1,500.00
Operation Manager		1,000.00	1,000.00	1,000.00	1,300.00	1,300.00



Accountants		800.00	800.00	800.00	1,000.00	1,000.00
Doctors(general practice)		1,600.00	1,600.00	1,600.00	2,000.00	2,000.00
Salesperson		400.00	400.00	400.00	800.00	1,000.00
Customer service executives		600.00	600.00	600.00	800.00	1,000.00
<b>Annual Salary - TOTAL</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
CEO		21,600.00	22,032.00	22,032.00	24,480.00	24,480.00
HR Manager		12,000.00	12,240.00	12,240.00	15,912.00	15,912.00
Production Manager		12,000.00	12,240.00	12,240.00	15,912.00	15,912.00
Sales Manager		13,200.00	18,360.00	18,360.00	18,360.00	18,360.00
Operation Manager		12,000.00	12,240.00	12,240.00	15,912.00	15,912.00
Accountants		9,600.00	9,792.00	9,792.00	12,240.00	12,240.00
Doctors(general practice)		38,400.00	58,752.00	58,752.00	146,880.00	146,880.00
Salesperson		19,200.00	19,584.00	29,376.00	97,920.00	159,120.00
Customer service executives		7,200.00	7,344.00	14,688.00	29,376.00	73,440.00
<b>TOTAL</b>		<b>145,200.00</b>	<b>172,584.00</b>	<b>189,720.00</b>	<b>376,992.00</b>	<b>482,256.00</b>
<b>Other costs</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Social Security						
Company bodies	23.75%	5,130.00	5,232.60	5,232.60	5,814.00	5,814.00
Staff	23.75%	29,355.00	35,756.10	39,825.90	83,721.60	108,721.80
Insurance	1%	1,452.00	1,725.84	1,897.20	3,769.92	4,822.56
Lunch allowance /day	3	9,438.00	10,367.28	10,200.00	15,000.00	18,600.00
<b>TOTAL Other costs</b>		<b>45,375.00</b>	<b>53,081.82</b>	<b>57,155.70</b>	<b>108,305.52</b>	<b>137,958.36</b>
<b>TOTAL Personnel costs</b>		<b>190,575.00</b>	<b>225,665.82</b>	<b>246,875.70</b>	<b>485,297.52</b>	<b>620,214.36</b>

#### 6.1.4 Operational Costs

<b>Suppliers + Service providers (total annual)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>VAT</b>	<b>% variable</b>
Subcontractors of specific activities of business	600.00	600.00	600.00	600.00	600.00	23%	100%
Accounting	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	23%	0%
Cleaning	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	23%	0%
Security	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	23%	0%
Lawyers	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	23%	10%
Rent	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	23%	0%
Electricity	1,000.00	1,000.00	1,000.00	1,500.00	1,500.00	23%	10%
Water	300.00	300.00	300.00	500.00	500.00	6%	0%
Communications (incl. Internet)	2,000.00	2,000.00	2,000.00	3,000.00	3,000.00	23%	10%

Office supplies	1,000.00	1,000.00	1,000.00	1,500.00	1,500.00	23%	10%
Conservation and repairs	1,000.00	1,000.00	1,000.00	1,500.00	1,500.00	23%	10%
Publicity	3,000.00	3,000.00	3,000.00	3,500.00	3,500.00	23%	10%
Other services	2,000.00	2,000.00	2,000.00	2,500.00	2,500.00	23%	0%
<b>TOTAL</b>	<b>28,400.00</b>	<b>28,400.00</b>	<b>28,400.00</b>	<b>32,100.00</b>	<b>32,100.00</b>		

VAT Deductible                                      6,481.00   6,481.00   6,481.00   7,298.00   7,298.00

## 6.2 Income Statement

<b>Proforma results</b>					
<b>Project Name</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Sales</b>	<b>550,000.00</b>	<b>825,000.00</b>	<b>1,100,000.00</b>	<b>1,657,500.00</b>	<b>2,295,000.00</b>
<b>Costs</b>					
Costs of Goods/Services sold	312,800.00	469,200.00	625,600.00	951,600.00	1,317,600.00
Suppliers + Service providers	28,400.00	28,400.00	28,400.00	32,100.00	32,100.00
Personnel costs	190,575.00	225,665.82	246,875.70	485,297.52	620,214.36
<b>Sub Total</b>	<b>531,775.00</b>	<b>723,265.82</b>	<b>900,875.70</b>	<b>1,468,997.52</b>	<b>1,969,914.36</b>
<b>EBITDA</b>	18,225.00	101,734.18	199,124.30	188,502.48	325,085.64
Amortization	17,833.10	25,249.50	31,374.20	23,750.00	24,125.00
<b>Total Costs</b>	<b>549,608.10</b>	<b>748,515.32</b>	<b>932,249.90</b>	<b>1,492,747.52</b>	<b>1,994,039.36</b>
<b>Earnings before Interest and Tax</b>	<b>391.90</b>	<b>76,484.68</b>	<b>167,750.10</b>	<b>164,752.48</b>	<b>300,960.64</b>
Cost of Financing	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00
<b>Earnings before Taxes</b>	<b>-808.10</b>	<b>75,284.68</b>	<b>166,550.10</b>	<b>163,552.48</b>	<b>299,760.64</b>
Taxes (17%)	0.00	12,798.40	28,313.52	27,803.92	50,959.31
<b>Net Earnings</b>	<b>-808.10</b>	<b>62,486.28</b>	<b>138,236.58</b>	<b>135,748.56</b>	<b>248,801.33</b>

## 6.3 Cash Flow Statement

<b>Project cash flow</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Cash flow from operation		18,158.38	88,731.78	170,606.78	160,494.56	273,922.33
Investment in Fixed	75,000.00	27,000.00	21,500.00	17,500.00	23,500.00	23,500.00

assets						
Investment in Working Capital	114,807.89	53,777.42	56,387.74	113,199.84	131,001.15	131,001.15
Total Investments	<b>189,807.89</b>	<b>80,777.42</b>	<b>77,887.74</b>	<b>130,699.84</b>	<b>154,501.15</b>	<b>154,501.15</b>
Total Cash Flow	<b>-189,807.89</b>	<b>-62,619.04</b>	<b>10,844.04</b>	<b>39,906.94</b>	<b>5,993.41</b>	<b>119,421.18</b>
Accumulated Cash-Flow	-189,807.89	-252,426.94	-241,582.89	-201,675.95	-195,682.54	-76,261.36

## 6.4 Working Capital and Cash Requirements

		Days	Year 0	Year 1	Year 2	Year 3	Year 4
Expected sales	Clients	<b>365</b>	550,000.00	825,000.00	1,100,000.00	1,657,500.00	2,295,000.00
Cost of goods sold and materials consumed	Suppliers	<b>365</b>	312,800.00	469,200.00	625,600.00	951,600.00	1,317,600.00
Suppliers and service providers	Suppliers	<b>365</b>	28,400.00	28,400.00	28,400.00	32,100.00	32,100.00

Working Capital Needs	Definition	Calculation	Days	Year 0	Year 1	Year 2	Year 3	Year 4
Cash & Banks	% sales		<b>5%</b>	27,500.00	41,250.00	55,000.00	82,875.00	114,750.00
+ Credit to clients	Days given to clients for payment		<b>30</b>	45,205.48	67,808.22	90,410.96	136,232.88	188,630.14
+ Average duration of materials in stock	Quantity of inventory in value that is necessary to sell according to plan		<b>90</b>	77,128.77	115,693.15	154,257.53	234,641.10	324,887.67

Credit to Suppliers	Days that suppliers extend credit		30	28,043.84	40,898.63	53,753.42	80,852.05	110,934.25
Public Sector	Days for paying VAT, Social security and Taxes			6,982.52	15,267.43	20,942.01	34,724.02	48,159.52
<b>Working Capital Needs</b>				<b>114,808</b>	<b>168,585</b>	<b>224,973</b>	<b>338,173</b>	<b>469,174</b>
<b>Working Capital Investment Needs</b>				<b>114,807.89</b>	<b>53,777.42</b>	<b>56,387.74</b>	<b>113,199.84</b>	<b>131,001.15</b>

<i>Operational financial cycle</i>	<u>Days</u>	94	93	93	93	93
------------------------------------	-------------	----	----	----	----	----

Cash requirements	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Origin of funds</b>	<b>252,426.94</b>	<b>18,158.38</b>	<b>88,731.78</b>	<b>170,606.78</b>	<b>160,494.56</b>	<b>273,922.33</b>
Operational cash flow	0	18,158.38	88,731.78	170,606.78	160,494.56	273,922.33
Shareholder equity	37,314.85					
Financing obtained	215,112.08					
Disinvestment in Working Capital		0	0	0	0	0
<b>Application of Funds</b>	<b>189,807.89</b>	<b>195,585.91</b>	<b>83,774.17</b>	<b>93,138.18</b>	<b>96,477.46</b>	<b>117,481.73</b>
Investment in fixed capital	75,000.00	27,000.00	21,500.00	17,500.00	23,500.00	23,500.00
Investment in Working capital	114,807.89	114,807.89	0.00	0.00	0.00	0.00
Tax on Earnings		0.00	12,798.40	28,313.52	27,803.92	50,959.31
Loan payback		43,022.42	43,022.42	43,022.42	43,022.42	43,022.42
Financial costs		10,755.60	6,453.36	4,302.24	2,151.12	0.00
<b>Annual cash balance</b>	<b>62,619.04</b>	<b>-177,427.53</b>	<b>4,957.61</b>	<b>77,468.61</b>	<b>64,017.10</b>	<b>156,440.61</b>
<b>Accumulated cash balance</b>	<b>62,619.04</b>	<b>-114,808.49</b>	<b>-109,850.88</b>	<b>-32,382.27</b>	<b>31,634.83</b>	<b>188,075.43</b>

## 6.5 Valuation with Net Present Value Technique

Net Present Value	1,801,556.84
-------------------	--------------

<b>Internal rate of Return</b>	<b>60%</b>
<b>Discount rate</b>	<b>10%</b>

It is assumption that, in the next five years, the cash flows increase at 3% every year. Thus our cash flows is going to raise at the speed of 3%, which is necessary for our new company to control the cash flow efficiently.

In general, the IRR(Internal Rate of Return) is to be used to estimate a project's feasibility. When it is bigger than or equal to the benchmark rate of return, the project is feasible. The advantage of IRR is that it takes into account the real rate of return and the time value of capital. Therefore, by combining NPV which is the difference between the present value of capital inflows (income) and future capital outflows (expenditure), it can help our shareholders to decided whether it is a worthwhile investment. In TITIALIVE company, a third party platform to help the elderly patients, the IRR reach at 60%, and the NPV is up to \$ 1,801,556.84. Therefore, it is an ideal business plan to invest.

## 7. Conclusion

In the future, health care is still a blue sea in China. Because of population is aging, so this field is regarded by many people as the next outbreak point of the Internet, or even mobile Internet. Some investment institutions believe that compared with other industries, especially the Internet industry, the health industry is more stable, higher return on investment and more valuable. In the end, there are two innovations in health care, one is technological innovation, the other is service innovation which we will focus on. We think there is a great opportunity to serve this part of China. Nowadays, the websites with the highest similarity in China are Good Doctors, Dr. A Liang, Good doctors online. And mobile Internet app have spring rain doctor.

The difference between our project and competitors is mainly reflected in the following four points.

1. The overall business model is different. We develop disease sources through offline cooperation with local hospitals. But most websites mainly rely on website promotion.

2. The management model, we better organize and standardize the activities of experts through the platform. Doctors who provide services on most websites are in a state of spontaneous activity, which lead to that the quality of medical counseling services is not guaranteed.

3. The profit model, the above-mentioned website, is mainly through channel fees, advertising revenue and telemedicine consulting fees.

As a third party, we will connect the doctor and patient. Due to the lack of general practitioners, the imperfect system of grading diagnosis and treatment, and the uneven distribution of medical resources in the medical industry of our country, the first task of the Internet to transform the traditional medical treatment is to connect doctors and patients by the way of the Internet. So as to achieve the effective distribution of medical resources. Thus, in the first 3 years, we will cooperate with other platform, such as Dr. Chunyu, Pingan and WeDocotr. But HAOERMEI is our first choice at the first year.

In the next 4 to 5 year, after capital and other resources accumulation, we will construct our own website, APP and mobile medical products. Our App will be able to use mobile Internet technology to provide health management services and related information to patients according to the specific characteristics of specific diseases. Examples of such mobile medical products is suitable for the old who live in the rural areas alone. Besides, the core business model of our third-party medical service is "self-examination and inquiry ". Our third-party medical service, relying on the most complete mobile disease database in the world, can better meet the needs of patients' self-diagnosis and treatment. While using structured data, third-party medical service can provide basic advice to users. In addition, third-party medical service is based on building as a platform company. Drugstores, doctors and health management companies can become potential customers of third-party medical services.

## **8. Limitations and future research**

Firstly, age, gender, marital status, education level, family size, medical security, health status and other factors are important factors in the scale of medical expenditure for the

elderly. But we didn't account for all these scenarios at the same time. The scale of medical expenditure of the elderly increases significantly with the increase of age, the increase of the number of years of education, and the acquisition of medical security. Besides, the medical expenditure of male elderly is obviously higher than that of female elderly, and the medical expenditure of married and living with spouse is significantly larger than that of unmarried, divorced or widowed elderly. The worse self-rated health, the more obvious medical expenditure. In addition, there are urban and rural differences and regional differences in medical expenditure of the elderly. For example, the medical expenditure of the elderly in urban is higher than the elderly in rural areas. And the medical expenditure of the elderly in the middle and eastern regions is obviously more than that in the western region.

Secondly, besides the factors of education level, income, medical insurance and self-rated health, location and nearest hospital distance are also important factors. The longer the years of education, the stronger the awareness of risk prevention, So there are obvious regional differences in the utilization rate of medical services for the elderly. And there is a significant negative correlation between hospital distance and the utilization rate of medical services for the elderly. The elderly with regular participation physical exercise and annual physical examination tend to have stronger risk awareness and health care awareness, so the utilization rate of medical services is higher.

Thirdly, as the age increases, the self-assessment health indicators of the elderly gradually increase and the health status gradually becomes worse. the longer the education years, the better the self-assessment health of the elderly. There are obvious urban-rural and regional differences in the health status of the elderly. The self-assessment health of the old in urban, central and eastern regions is better. With the increasing aging problem, the health, medical care, old-age care and nursing of the elderly have become the focus of social attention. It is the premise of scientific and reasonable response to the aging problem to clarify the influencing factors of medical service utilization and health of the elderly.

On the basis of empirical analysis, the factors should be considered in the future are following. First, we should deepen the reform of the medical system, innovate the mode of medical services, further control the prices of medical services and medicines, and lighten the

economic burden caused by illness families by the elderly. Second, it is important to improve the publicity and promotion of basic medical insurance, and expand medical insurance in the elderly. Through medical insurance to improve the use of third party medical services, the health status of the elderly will be effectively improved. Third, government should rationally allocates medical and health resources, especially the designated institutions of new cooperative medical care in rural areas. At the same time, The relevant departments also need to improve the convenient conditions of transportation and improve the accessibility of medical services for the elderly. Last but not least, it is very useful to strengthen health education, guide the elderly to reduce or even give up smoking, encourage them to participate in physical exercise and annual physical examination. By those methods, the elderly can develop a healthy lifestyle to a great extent .



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## 10. Annexe A

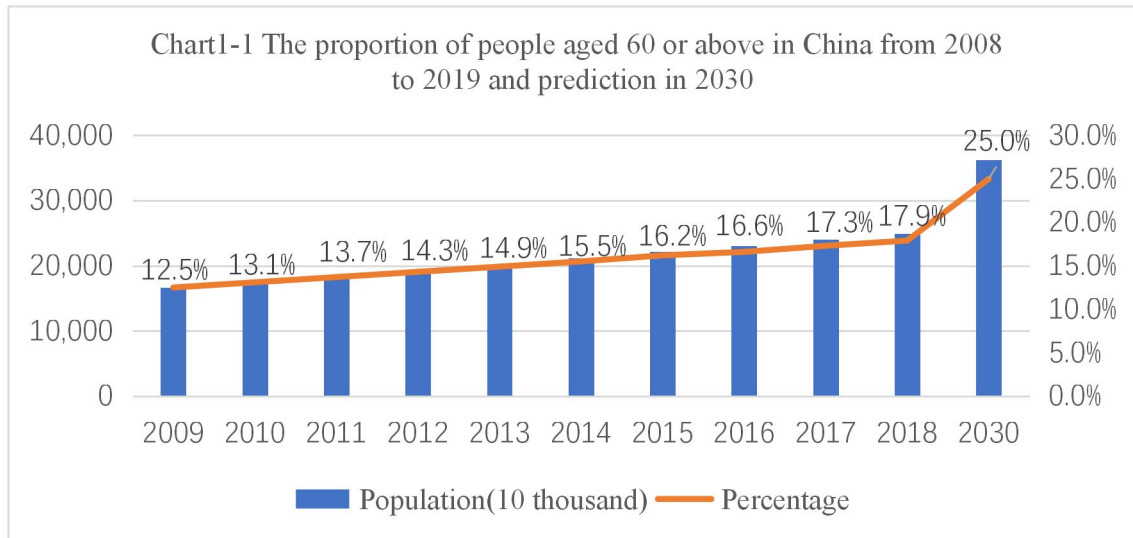
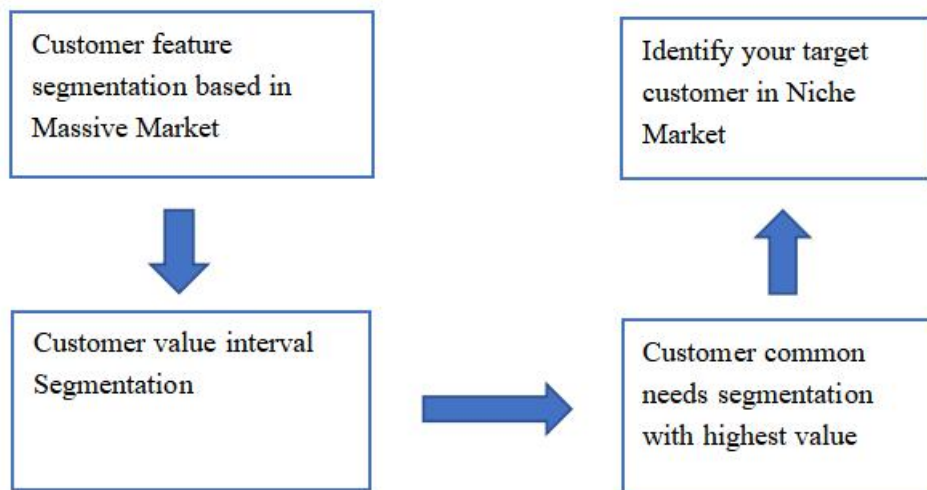


Chart 2-2 Procedures of customer segmentation



### Questionnaire1: Medical needs survey for patients' families

Question1: **Where is your family located?**

A.Rural B.Small town C.Small city D.first-tier city

Question2: Are there old people in your family (60 years old and above)? And live together?

No older persons

Yes, living together

Yes, not living together (for work reasons)

Yes, not living together (study reason)

Yes, not living together (other reasons)

Question3:Have you accompanied your family or friends to the hospital to see a doctor before?

A.not have B. Occasional (1-3/year) C.Regular (4 and above/year)

Question4: Do you know and use "online booking registration"?

A.Haven't heard of it B. I've heard of it, but it's not used C.Used

Question5:What problems do you worry about in the course of medical treatment?

Nothing to worry about

Relevant hospital expertise and medical qualifications

Details of medical costs

time cost

other

Question6: Do you think it is necessary to trust a relationship to find an acquaintance before seeking medical treatment?

No need, time and cost are the same

If necessary, the doctor will see it in more detail and be more secure

Necessary, can reduce unnecessary examination and treatment

Other

Question7:If there is a third party platform: according to the national hospitals "advantage departments and expertise diagnosis and treatment projects" to assist patients, will you choose? Why?

Yes, it's free and public

Yes, reasonable fees will also be used

Yes, other reasons

No, do not trust third party platforms

No, other reasons

Question8:For third-party health management platforms, which of the following services do you think are more in line with the needs of patients?

A. Medical escort (accompanying patients with visits, referrals or periodic review)

B. Case management (prevention of complications, daily rehabilitation, )

C. Drug basket management (scientific drug reminders; search for more channels to buy drugs, reduce drug prices)

D. Patient psychometric assessment and counselling E.other

Question9Your gender:

A. man B.woman

Question10:Your age

A.Age under 20 years

B.20 to 29 years

C.30 to 39 years

D.40 to 49 years

E.50 and over

Question11:Your marital status

A.unmarried B. Married

Question12: Your education?

A. Upper secondary B. High school or secondary school C. Undergraduate or junior college D. Graduate and above

Question13: What is your current business \_?

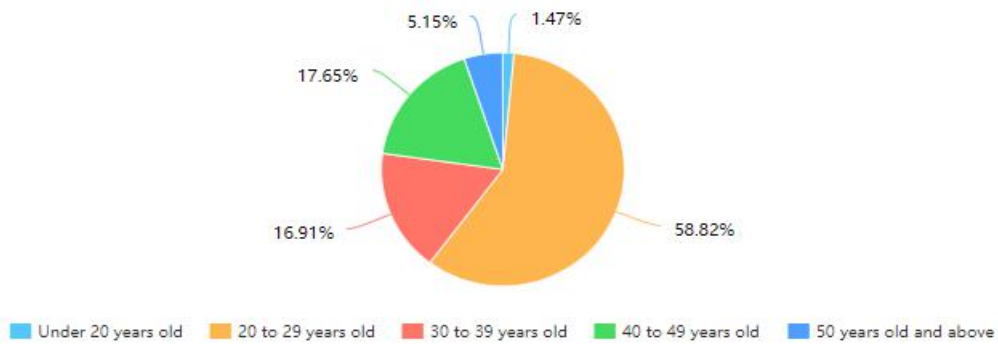
A. student B. educational training C. Catering D. computer network E. Wholesale and retail  
 F. medical service G. Financial sector H. government agency J. other

**Questionnaire2: Patient satisfaction survey on third party medical service platform**

Project	Satisfactory	More satisfactory	Not satisfied	Reasons for dissatisfaction
1. General impression of third-party medical clinics for the elderly				
Third-party medical outpatient consultation process for the elderly				
Visit time for third-party medical doctors in the elderly				
Technical level of third-party medical doctors for the elderly				
Service attitudes towards third-party medical doctors for the elderly				
Service attitudes towards third-party medical triage nurses in the elderly				

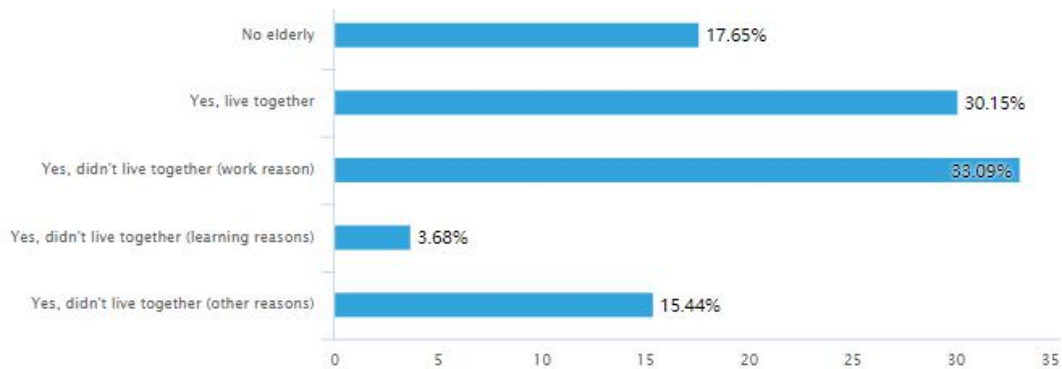
Rational use of drugs by third-party medical doctors for the elderly				
Attitude towards third-party medical staff for the elderly				
Third party medical fees and pricing process for the elderly				
Service attitudes towards third-party medical toll service for the elderly				
Third-party medical procedures for the elderly				
Service attitudes towards third-party medical pharmacy staff for the elderly				
Identification of the third-party medical clinic for the elderly is clear				
What are your suggestions for improving third-party medical services for the elderly:	Hope that the third-party medical service platform can be more humane, more affordable.			

Chart 4-1



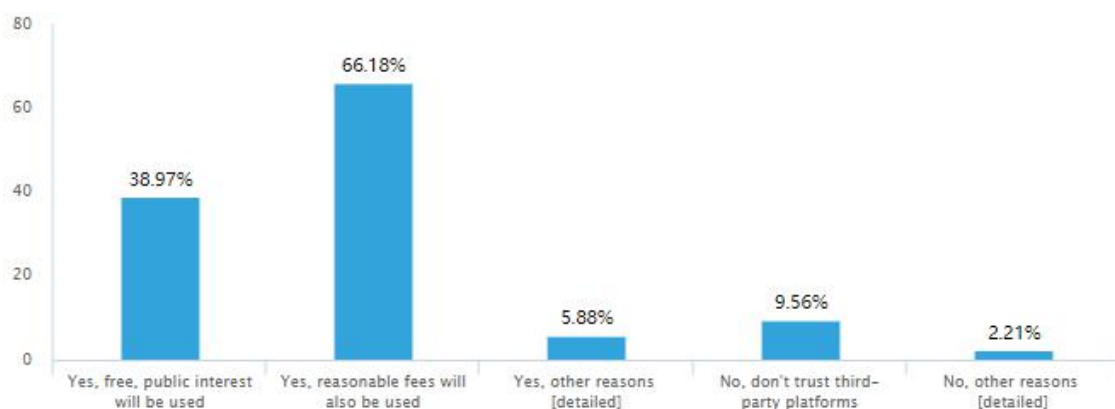
Percent of respondents with different ages

Chart 4-2



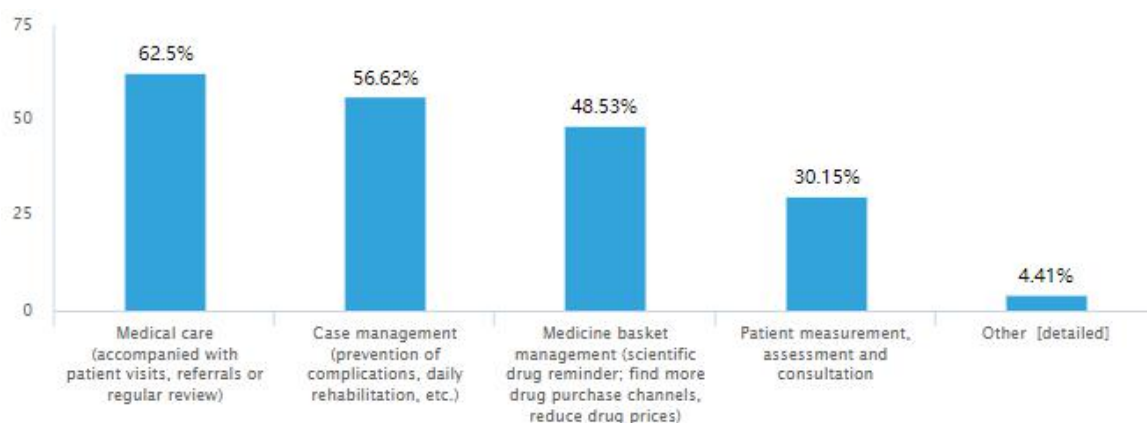
Is there an elderly person (60 years old and older) in your home? And live together? [Multiple choice questions]

Chart 4-3



weather they trust the third-party platform to help you find the best suitable hospital and doctor.

Chart 4-4



The distribution of services that the patients need mostly

Chart 4-5 Questionnaire2: Patient satisfaction survey on third party medical service platform

Project	Satisfactory	More satisfactory	Not satisfied	Reasons for dissatisfaction
Third party medical treatment satisfaction	6	16	46	Misleading propaganda
Third party medical drug purchase satisfaction	12	30	26	Drug prices are a bit high
Visit time for third-party medical doctors in the elderly	30	15	23	It takes a long time to wait for each visit
Technical level of third-party medical doctors for the elderly	25	10	33	Doctors can't diagnose accurately
Service attitudes towards third-party medical doctors for the elderly	30	20	18	Slow reply
Service attitudes	23	25	20	The attitude is not



towards third-party medical triage nurses in the elderly				good
Rational use of drugs by third-party medical doctors for the elderly	20	12	34	It's expensive
Attitude towards third-party medical staff for the elderly	35	12	21	The attitude is not good
Third party medical fees and pricing process for the elderly	35	12	21	Some costs are excessive
Third-party medical procedures for the elderly	30	18	20	Longer process
Service attitudes towards third-party medical pharmacy staff for the elderly	26	22	20	The attitude is not good and sales-leading
Identification of the third-party medical clinic for the elderly is clear	39	26	3	Outpatient information is not clear, It is complex for the elderly
What are your suggestions for improving third-party medical services for	<p>3. Hope that the third-party medical service platform can be more humane, more affordable.</p> <p>4. Hope that the third-party elderly medical service platform to provide medication guidance, such as: remind medication, safe</p>			

<p>the elderly:</p>	<p>medication.</p> <p>3.It is hoped that the third party medical service platform for the elderly can purchase clinical drugs for the old,which can't be bought from drugstores. Besides, it is easy to buy fake drugs in other ways, and it is more troublesome to go to the hospital to buy drugs every time.</p>
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Chart4-8 The overview TITIALIVE third party platform

