

Project Goal

Can Dermograph be profitable today and in the future? If so, what is the business model for future growth?



Current State

Dermograph is a Beloved, High-Margin Product, but Sales and Pricing Strategy Needs to be Addressed

Key Strengths

Customers love the Dermograph

- Majority of the interviews conducted show that the product solves a need for estheticians, brands, and distributors
- Customer referrals are a leading sales pipeline

The Dermograph is a high-margin product

- Although margins vary by price point, many sales have been at a very high gross margin percentage

Many hardware and software issues will be solved with Dermograph 2.0

- Majority of improvements / requests identified from customers through interviews will be addressed in the new version of the Dermograph

Key Opportunities

Unstructured sales strategy affects revenue

- Dermograph has focused on developing the product and not on sales
- Inconsistency in sales strategy (clear sales targets, resource allocation, and working capital) has held back revenues

Pricing is highly variable by customer, and margin is largely not tracked/ignored

- There is insufficient information on COGS, overhead costs, and margins by price point
- As a result, margin is ignored when determining price point per contract

Custom installation reduces scalability

- Labor hours required to install, test, and support each Dermograph post-sale are significant, and reduce ability to scale

Key Sales Channels

Brands

- Brands provide high margin, high volume potential (high WTP, low cost of sales, large reach)
- Historical success as well as customer interviews suggest Dermograph should shift more focus here
- Develop partnerships and integrate with a brand to become part of the brand's program for nationwide or global sales and marketing

Retailers

- Specialty retailers are growing in the beauty industry, and their customers are the perfect target for a Dermograph-like product
- Focus on personalization, data-driven purchasing behavior, high WTP
- Department stores are losing market share in the beauty retail space, but still represent a huge percentage of total sales and customers

Distributors

- Distributors are typically lower margin customers, but are an efficient vehicle to use to enter a new geography or region (Asia potentially given the importance of that region)
- After entering a market and growing brand recognition, do not rely heavily on distributors as they are generally margin dilutive customers

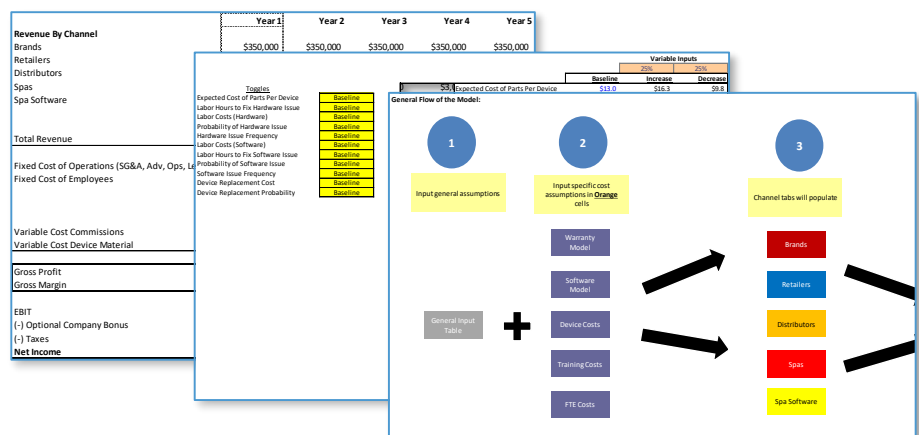
Spas

- Estheticians and spas are typically low volume, low price, high cost of sales customers
- Due to Dermograph's resource constraints and the importance of growing sales profitably, we believe estheticians and spas should not be a focal point for the salesforce
- Do not spend time / effort pursuing these sales

Workstreams

Financial Model

Develop and utilize a comprehensive, fact-based financial model



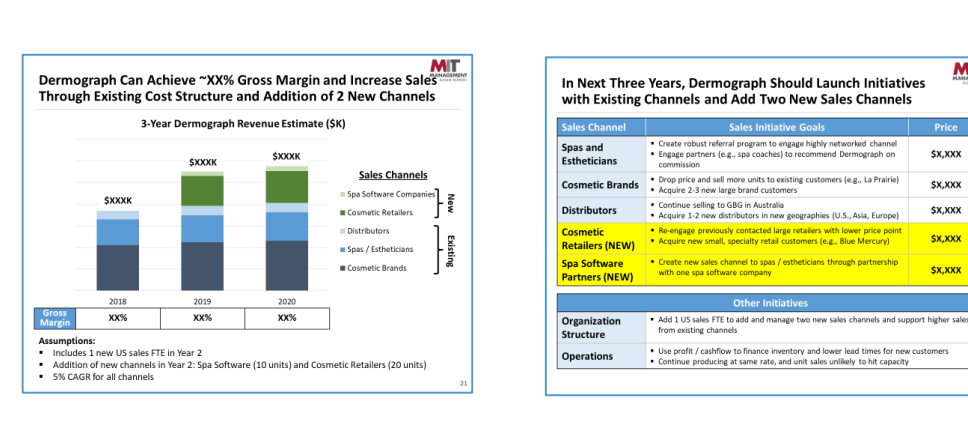
Customer Outreach

Create new sales leads and explore the existing pipeline of current customers



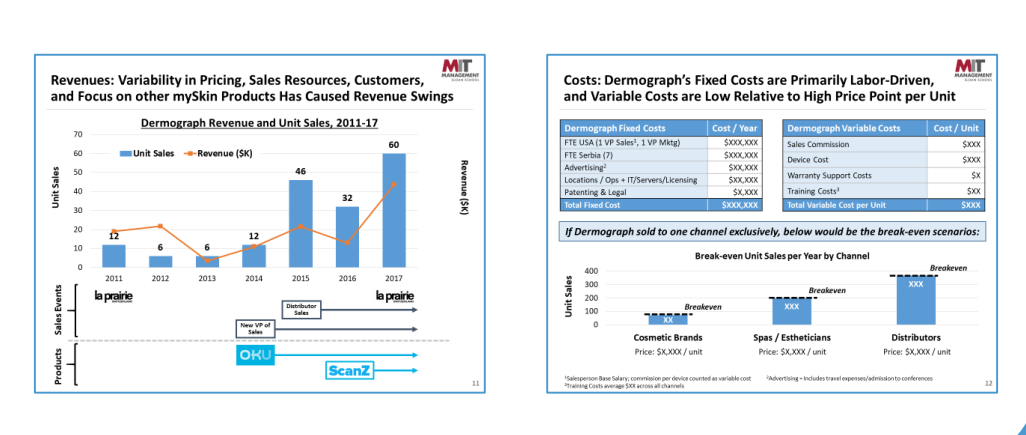
Channel Expansion

Identify and explore new sales channels to expand topline growth



Business Projections

Estimate defensible revenue, costs, and profitability for 1-, 3-, and 5-year time horizons



Findings and Recommendations

Dermograph Can be Profitable Today, with Room for Sustainable Growth in the Future

Immediately, Dermograph should reduce headcount, increase sales resources, and set clear quarterly targets

In the long-run, Dermograph should look to expand sales channels and invest in hardware/software upgrades

Key Business Issues for Dermograph		Answer	Investment
Next Year	Can Dermograph be profitable today?	Yes	None; existing resources
Next 3 Years	Can Dermograph grow sustainably in the future?	Yes	None; existing resources
Invest for Growth	What is the business model for future growth? What are the results?	Organization + Operations Changes	Significant

Using Existing Channels and Org. Structure, Dermograph Can Grow Sales To \$370K and Contribution Margin to 80% in 2018

Immediate Next Step for Dermograph: Focus on Sales, Create Lean Org. Structure, and Increase Tracking

- Continue to create positive customer feedback
- Make orga Dermograph leaner
- Create more Dermograph forward
- Device
- CRM
- Software
- Technical

At the End of This Week, MIT G-Jab Team Will Transition Existing Workstreams to the Permanent Dermograph Team

External	Internal
Customer Outreach Ongoing conversations with Strivectin, ~10 estheticians, and Hong Kong distributor	Financial Model Robust financial model with detailed assumptions, projections, and cost breakdowns
Influencer Partnerships Ongoing conversation with spa business coach with end goal of referral program	Referral Program / Tracker Referral database to ensure referral program success and payment follow-through
CRM Tracker Customer tracking database enables efficient outreach and consistent messaging	Device Support Tracker Support tracking tool to measure "cost-to-serve" of various customers and channels

Multiple Future Initiative Options Exist to Increase Dermograph Sales and Profitability, With Varying Costs (\$ and Time)

Initiative	Description	Costs		Benefits			Dependencies
		Invest (\$)	Invest (Time)	New Channel?	Higher Margin?	Higher Units?	
Dermograph 2.0 Launch	Finalize and produce next gen. Dermograph	Med	High	Yes	Yes	Yes	(None)
iPad Integration	Allow software to be run on iOS	Med	High	No	No	Yes	Dermograph 2.0 launch
CRM Integration	Enable software to link directly to customer	High	High	Yes	No	Yes	(None)
Self-Installation	Allow customers to self-install software	Low	Low	No	Yes	Yes	Dermograph 2.0 launch
Expand Sales Team	Hire additional US FTE for sales	High	Low	Yes	No	Yes	(None)
Ad Campaign	Launch digital media ad campaign	High	Low	Yes	No	Yes	Hire Operations FTE