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Spryance Case Study: Transformation in the Medical Transcription Industry

Background:

In 2000, Raj Malhotra formed Spryance Inc. to pursue opportunities in the medical transcription industry. He was joined early in this venture by Russell Franks, Rajiv Shetye and Rajen Shah, who became investors and executives with the Company. Over the following 6 years, the company grew from a bootstrapped startup, raised significant venture capital and became one of the leaders in the industry. In 2006 the Company acquired a larger competitor and changed its name to Heartland Information Services. Raj Malhotra served as Chairman of the combined company until 2007.

Market Situation:

In the late 1990's, Healthcare BPO represented a sizeable and growing market – driven mainly by labor shortages, HIPAA compliance, technology investment requirements, and increasingly cost reduction. According to Gartner, the US healthcare IT & Business Outsourcing market was estimated to exceed $20B. According to the Medical Transcription Industry Alliance (MTIA), the medical transcription segment, which forms a part of the healthcare BPO market, was valued at approximately $10.6B. Of this, approximately 47% of the medical transcription business was outsourced, with the outsourced segment growing at 15 –20% CAGR.

Business Opportunity:

Despite these attractive market characteristics, existing competition within the transcription segment was still very fragmented – with less than 15 companies larger than $10M annual revenue. Cost was increasingly driving the buying decision, resulting in expanding price-performance demands in both acute care and physician practice environments. In addition, customers were looking for scaleable vendors so that they could consolidate their supplier base and reduce administrative overhead. Existing US-based MTSOs could not easily meet these demands due to their thin profit margins. While other India-based companies had emerged, most were small Mom+Pop type operations selling cheaply on a wholesale basis.

Transformative Approach:

To achieve the twin goals of significant cost reduction and scaleable growth, Spryance pioneered a unique business model that comprised three principal elements:

a) Unique remote workforce management strategy, deploying a home-based franchised labor pool in India;
b) Scaleable technology platform (SpryFORCE™), enabling improved labor utilization and productivity;
c) Sophisticated quality management processes, designed to ensure repeatable and scalable growth.

Leveraging this unique business model, the Company initially successfully pursued an indirect channel strategy, selling to US-based MTSOs and established itself as the cost leader with the ability to deliver quality on a large scale to its clients. High levels of customer satisfaction resulted in 100% same-store growth year over year, enabling the Company to deliver 25% per quarter compounded revenue growth over its first 3 years and gross margins in excess of 30%. In 2004, Spryance leveraged its position as the leading wholesale supplier to begin selling direct to hospitals and clinics.