

Business Model

Introduction

Angel's Flight Transportation Services is a non-emergency medical transportation company officially registered as a Limited Liability Company, but the company is yet to be launched. Brenda Allen founded and registered the company in 2024. Brenda decided to start a medical transportation company because when her mother was sick and needed rides to and from the doctor, the ride service companies available would leave her mother stranded at the doctor's office for long periods. Brenda does not want her clients to wait for a ride like her mother did. So she plans to stay with the clients during their appointments. Brenda needs to consider dropping off and staying in touch with clients via text messaging.

We understand that Brenda has an EIN, a business bank account, and a personal car (2017 KIA) with which she is willing to start operations. It is also clear that although she presently works full-time as a welder, she plans to move over to the company when it starts and hopes to secure a loan to purchase insurance, complete Medicaid registrations and procure another vehicle (that accommodates wheelchair patients) for the business soon after. Based on our assessment of her business structure, she intends to start as a sole proprietor and eventually hire up to 5 drivers to work with her. Conversations with Brenda give a sense that the focus of our consulting should be to support her in defining market boundaries, priority market segments, an approach to penetrate these segments, and establishing a system for managing scheduling and route structures for daily operations when she finally launches.

Business Model

This business model aims to lay out a plan that explains how AFTS intends to make money by outlining what it sells, who it sells to, and how it creates and delivers value to customers. It aims to show the importance of understanding business logistics, provide a clear strategy for how the business will operate profitably and guide important decisions for business sustainability. This model analyzes the company by answering six key questions:

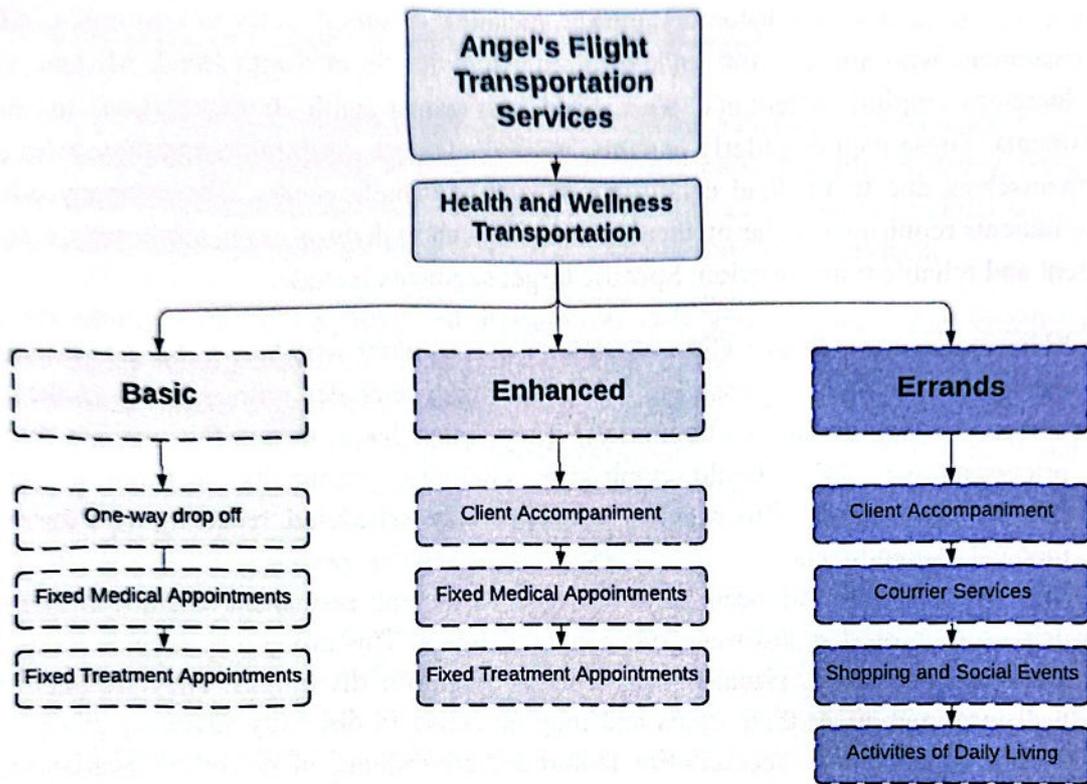
- 1.) **How will the company create value?**
- 2.) **For whom will the company create value?**
- 3.) **What is the company's internal source of advantage?**
- 4.) **How will the company differentiate itself?**
- 5.) **How will the company make money?**
- 6.) **What are the entrepreneur's time, scope, and size ambitions?**

1.) How will the company create value?

Angel's Flight Transportation (AFT) is a service-oriented relational business. It aims to provide reliable, compassionate, non-emergency medical transportation services in the Michiana area. AFT's services are grouped into three main transportation packages: Basic, Enhanced and Activities of Daily Living. The basic component will be a simple one-way drop-off service to medical appointments, the enhanced will include accompaniment of the client throughout their appointment, and the activities of daily living will include all non-medical transportation services with accompaniment. AFT estimates that 50% of its revenue is forecasted to come from the basic bundle as it allows time for more rides, 30% from enhanced, as it may be less frequent but also higher priced, and 20% from Activities of Daily Living. While this bundle may appear to cater for specific, less frequent needs, it includes non-medical services that could attract a niche client base that will likely cause the rates for these services to be higher than for the basic package.

The company will offer drop-off and door-to-door service, including moving bedridden clients to the car, transporting them to their doctor's appointments, staying with them throughout their medical appointments, and transporting them back home. This comprehensive approach ensures that clients receive support from when they leave their homes until they return, reducing stress and improving overall healthcare outcomes.

AFT's service will accommodate various needs, including wheelchair and bed-ridden patients, demonstrating flexibility and inclusivity. The company plans to operate during all hours, including holidays, to ensure clients can access medical care whenever needed. This flexibility sets AFT apart from competitors who may only offer limited service hours or basic transportation without additional support. However, how potential clients will schedule ride appointments with AFT is unclear. Setting up a scheduling system should be a priority. This model should consider how value creation would be affected by the limited capacity of a single car.



The concern with health insurance company partnerships is that the medical transportation service providers receive payment only after 30 days of work, implying the business gets to fund the daily operations until payment comes. Having private clients would also be a good strategy for getting upfront payment. This will also increase volume, revenue and profits. Staying with the client throughout their appointments at all times will be counterproductive for volumes. AFTS may consider two packages: One, to accompany her private clients throughout their appointment and charge a higher margin for low volumes. Two, only drop off clients from Medicaid and Anthem, after all, AFTS will not get paid extra for staying with the client. The challenge with charging more is that the clients are mostly low-income people and may not be able to afford to pay more for the extra accompaniment. AFTS can stay in touch with clients via text.

AFTS should consider partnering with local nursing and retirement homes and assisted living facilities, in addition to health insurance companies and healthcare providers. Building solid relationships with these institutions could broaden its customer base. Overall, AFT has a fairly narrow breadth and moderate depth service mix that would be more feasible to attain only if the business had more cars and drivers.

2.) For whom will the company create value?

AFT is a B2C (Business-to-Customer) market, meaning it sells directly to customers. AFT will serve customers who are low and middle-income individuals in South Bend, Mishawaka, and other locations within Michiana who need assistance with transportation to medical appointments. These include elderly patients, individuals with disabilities, and those who cannot drive themselves due to medical conditions or lack of vehicle access. The company will also cater to patients requiring regular medical treatments such as dialysis or chemotherapy, who need consistent and reliable transportation. Specific target segments include:

- "The Independent Senior Citizen": Adults 65 and older who love to be independent but can no longer drive themselves. This group likely includes retirees living in their own homes or retirement communities. They may have disposable income but are price-sensitive. AFT should emphasize reliability, punctuality, and the comfort of door-to-door service. This segment may appreciate scheduled, recurring trips for regular medical appointments.
- "The Accessibility Advocate": Adults aged 18-64 with permanent disabilities that make using public or standard transportation challenging. This group may include individuals with mobility issues, visual impairments, or cognitive disabilities. They are likely to be well-informed about their rights and may be active in disability advocacy groups. AFT should focus on its accessibility features, staff training in disability awareness, and commitment to inclusivity. They may require both medical and social transportation services.
- "The Temporary Need Client": Adults of any age recovering from surgery, injury, or illness. This group will likely need services for a defined period, ranging from a few weeks to several months. Hospitals or rehabilitation centers may refer them. AFT should highlight its understanding of post-operative care needs and ability to accommodate medical equipment. Emphasizing the temporary nature of the service might appeal to this group's desire to return to independence.
- "The Permanent Need Client": Individuals who are bedridden or use wheelchairs in nursing homes or assisted living requiring specialized vehicles and trained staff. This group may include people with severe disabilities, elderly individuals with limited mobility, or those with chronic illnesses. AFT should focus on its specialized equipment, staff training in patient handling, and ability to provide a smooth, safe ride. This segment may require frequent service and consistency.

The relational nature of this transportation business is seen in its "Enhanced" and "Errand" packages, which focus on building long-term, personalized relationships with clients through accompaniment throughout medical appointments and other activities of daily living. This creates a deeper connection with clients, fostering trust, reliability, and ongoing dependency on the services provided.

3.) What is the company's internal source of advantage?

The founder's extensive experience as a Certified Nursing Assistant (CNA) since 1986, coupled with her background in serving in hospice and pediatric care, provides a strong foundation of medical knowledge and patient care expertise. This unique combination of skills allows AFT to offer a level of care and understanding beyond simple transportation services.

The founder's sense of empathy and friendliness will ensure clients feel comfortable and well-cared for during their trips. This personal touch, combined with the comprehensive nature of the service, creates a significant competitive advantage. The ability to assist clients throughout their medical visit, not just during transportation, sets AFT apart from traditional NEMT providers.

4.) How will the company differentiate itself?

AFTS has not yet established a differentiation in the market. However, AFTS plans to distinguish the business through its personalized, attentive service model. Unlike competitors who may only provide drop-off and pick-up services, AFTS will offer an option of staying with clients throughout their appointments, ensuring they receive comprehensive support. This may include assistance with paperwork, navigating large medical facilities, and communicating with healthcare providers if needed. However, staying with clients during their appointments could result in fewer rides and less revenue if the appointments are too long.

The company's flexibility in accommodating various types of patients, including those with wheelchairs or who are bedridden, will make it a go-to option for individuals with complex needs. Operating during all hours, including holidays, further differentiates AFT from competitors with more limited availability. AFTS will also focus on building strong, long-lasting relationships with its clients through consistent, high-quality service and regular follow-ups.

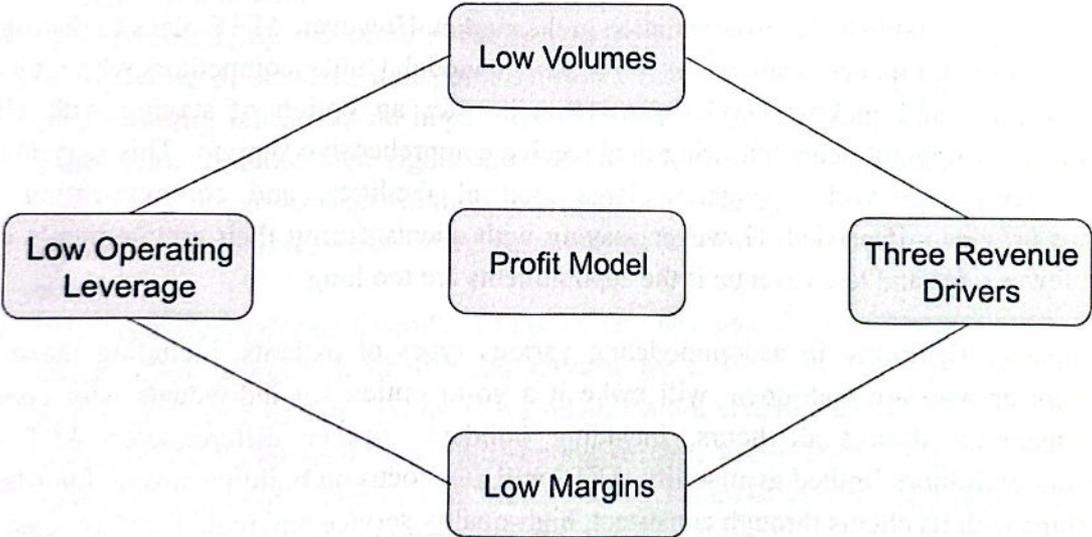
5.) How will the company make money?

The company's cost structure is primarily driven by labor expenses for drivers, estimated at \$20 an hour. Let's assume fuel is consumed at \$0.15 per mile, car maintenance at \$0.30 per mile, and an average of 50 miles per ride. The total vehicle-related expense per service would be approximately \$22.50 ($\$0.45 * 50$ miles). This brings the total variable cost per service to about **\$62.50** when combined with the two hours of labor at \$20 per hour.

AFT will incur some fixed overhead costs, primarily business and vehicle insurance (around \$1000 per month) and marketing and administration expenses (approximately \$500 per month). These overhead costs contribute to AFT's operating leverage, impacting profitability as the

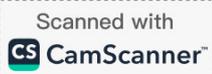
business scales. AFT's pricing strategy is built around a standard rate of \$40 per hour. With an average round-trip service duration of two hours, each roundtrip is expected to generate \$80 in revenue. After accounting for direct costs of \$62.50 per service (covering labor and vehicle expenses), AFT anticipates a gross margin of \$17.50 per service, or approximately 22% (\$80 - \$62.50).

AFT plans to operate five rides per day and five days a week which means AFT will have a weekly capacity of 25 ride services. This translates to a weekly revenue of \$2,000, with variable costs of \$1,562.50 (25 rides * \$62.50) and weekly overhead fixed cost of \$375 (1500/4 weeks), resulting in a weekly gross profit of \$62.50. These small initial margins from low volumes reveal the need for AFT to increase its service volume to achieve more substantial profitability. If AFT employs more drivers in the future and volume increases, it can benefit from economies of scale, potentially improving its profit margins over time.



The business as conceived presently, is not viable. AFT's current business model relies primarily on low volumes and low margins, raising sustainability concerns. Although the company anticipates a gross margin of 22% per ride, the low service volume (5 rides per day) results in an initial weekly profit of just \$62.50, which is not viable in the long term. To improve profitability, AFT needs to scale up significantly or adjust its pricing strategy, potentially raising prices for enhanced services or expanding its customer base through healthcare partnerships, which could mitigate low margins by increasing service volume and benefiting from economies of scale.

6.) What are the entrepreneur's time, scope, and size ambitions?



AFT is a lifestyle venture whose business model demonstrates ambition and foresight. However, the plan may benefit from more feasible projections and detailed growth management strategies. The timeline for launch in November 2024 appears reasonable, allowing enough preparation time for Medicaid registrations and licensing. The initial focus on medical transportation, with plans to expand into social events and courier services within the first year, shows a strategic approach to diversifying revenue streams. However, this rapid expansion may be challenging for a solo operation.

The size and growth projections for AFT seem overly optimistic. The Year 1 projection of 1,500 trips (\$75,000 revenue) averages to 5 trips daily from the outset, which may be difficult for a new service with a single driver and vehicle. The Year 2 projection of 2,400 trips (\$120,000 revenue) represents a 60% growth, which is highly ambitious, particularly given that the plan to acquire a wheelchair-accessible van is dependent on first-year performance. The continued 20% year-over-year growth projection for years 3-5 also appears overly estimated for a service business in this sector. AFT plans to carve out a niched non-medical client base eventually. Below is a summary of the business model.

Summary

How will the company create value?	<ul style="list-style-type: none"> • Medical and non medical transportation; Basic, enhanced and errand bundles. Narrow breadth, moderate depth, direct distribution
For whom will the company create value?	<ul style="list-style-type: none"> • B2C, Local market, Narrow audience, Relational approach
What is the company's internal source of advantage?	<ul style="list-style-type: none"> • Training and experience, Empathy and friendliness
How will the company differentiate itself?	<ul style="list-style-type: none"> • Accompaniment, Flexibility and inclusivity
How will the company make money?	<ul style="list-style-type: none"> • Three revenue drivers, low volumes, low margins, primarily variable costs
What are the entrepreneur's time, scope, and size ambitions?	<ul style="list-style-type: none"> • Lifestyle model, future expansion

Conclusion

Overall, AFT's ambitions are commendable, but it appears overly ambitious, potentially leading to operational challenges and resource strain. Tempering these with more realistic expectations and detailed planning would strengthen the business model. The three-tiered service package approach thoughtfully considers varying client needs and potential revenue streams. However, the lack of a thorough marketing strategy and financial plan, including funding sources for expansion, could hinder the company's ability to achieve its ambitious goals. Also, the pricing structure, while reflective of the value-added services, may need to be carefully balanced against market demand and competition to ensure customer acquisition and retention. By assisting AFT in setting up a ride-scheduling system, developing a marketing and pricing strategy, we believe we can help position the company for potential growth in the competitive medical transportation industry. Additionally, emphasizing the unique value proposition of personalized, accessible transportation services could justify the pricing structure and differentiate AFT in the market.