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

**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.

**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.

**Financial Model**

- Develop and utilize a comprehensive, fact-based financial model.

**Business Projections**

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

**Workstreams**

- **Financial Model**
  - General Flow of the Model:
    - Warranty
    - Model
    - Software 
    - Model
    - Device Costs
    - Training Costs
    - FTE Costs
    - Input specific
    - Tab selection
    - Spa Software

- **Customer Outreach**
  - Create new sales leads and explore the existing pipeline of current customers.

- **Channel Expansion**
  - Identify and explore new sales channels to expand top-line growth.

- **Business Projections**
  - Describe key financial assumptions in the model through commentary and tables.
  - Highlight assumptions in the analysis, and:
    - Sensitivity assumption analysis: What if revenue assumptions are adjusted up/down 10%? What if costs assumptions are adjusted up/down 10%? What if margins assumptions are adjusted up/down 10%?
    - Sensitivity scenario analysis: What if the model is run, Dermograph should look to expand sales channels and invest in hardware/software upgrades.

**Findings and Recommendations**

- **Dermograph Can be Profitable Today, with Room for Sustainable Growth in the Future**
  - Key Business Issues for Dermograph:
    - Next Year: Can Dermograph be profitable today?
      - Answer: Yes; none; existing resources.
    - Next 3 Years: Can Dermograph grow sustainably in the future?
      - Answer: Yes; none; existing resources.
    - Invest for Growth: What is the business model for future growth? What are the results?

- **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 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.
  - Dealers 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 market.
  - 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 importance of growing sales profitability, we believe estheticians and spas should not be a focal point for the salesforce.
  - Do not spend time / effort pursuing these sales.