Customer Acquisition Project

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Targeting Industries

Daedalus priorities

- To target Industries in Boston that have strong National expansion
- Industries with low software penetration
- To target Small and Medium size companies, with sales not exceeding $25 million

Leading Industries in Boston

- **Financial Services**
- **Health Care**
- **High Technology**
- **Education & Consulting**
- **Visitor Industry**

I-

Daedalus should target

1-VISITOR INDUSTRY

Advantages

- Important and growing in Boston
- Software penetration Untapped
- Small and Medium size companies

Drawbacks

- Not as strong nationally
- Uncertainty regarding the Industry response to software integration

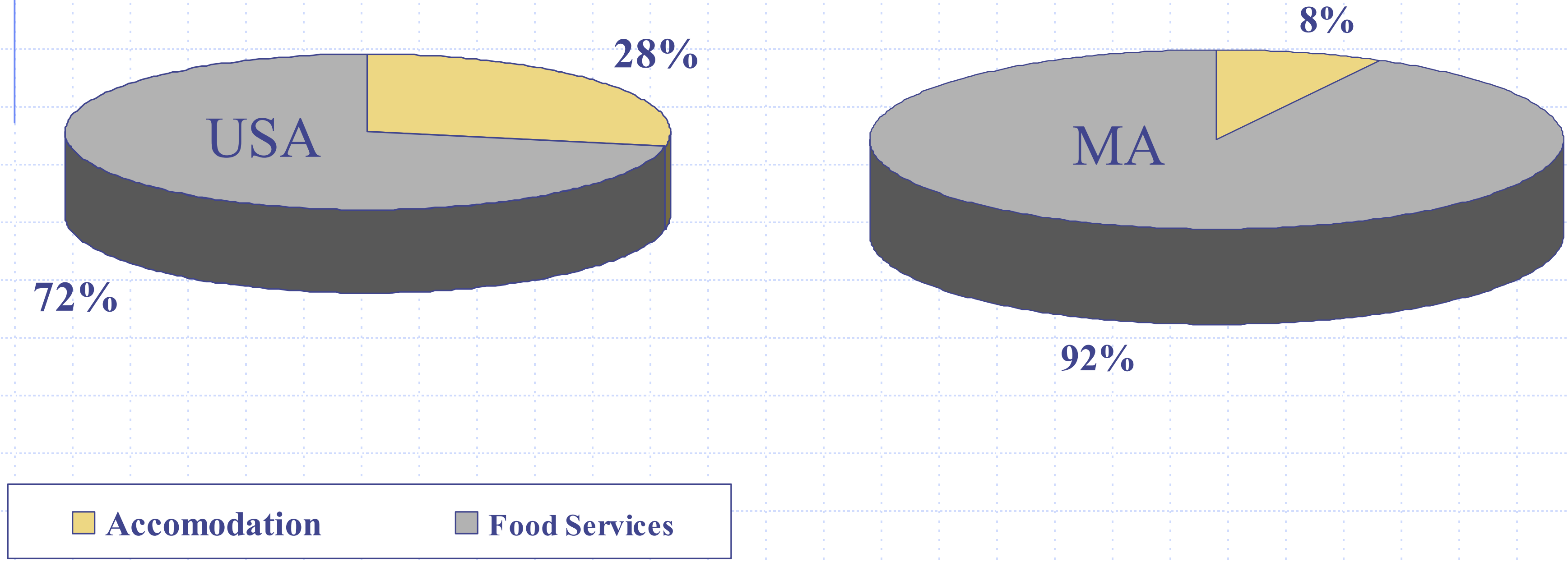
Visitor Industry

- One of the leading industries in Greater Boston Area
- 1996-1999 employment growth
  - nationwide 8.2%
  - Boston 11%
- 1997-2000 increase of visitors 16%
- 1999 economic impact of visitors 7.1b

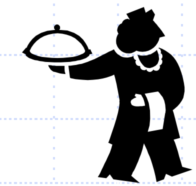
Visitor Industry Segmentation

Sector	Growth	Software Need
Transportation	High	low
Entertainment	High	low
Hotels	high	low
Restaurants	High	High
Retail	low	high
Travel arrangement	none	high

Visitor Industry

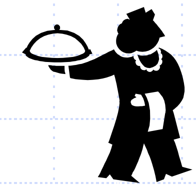


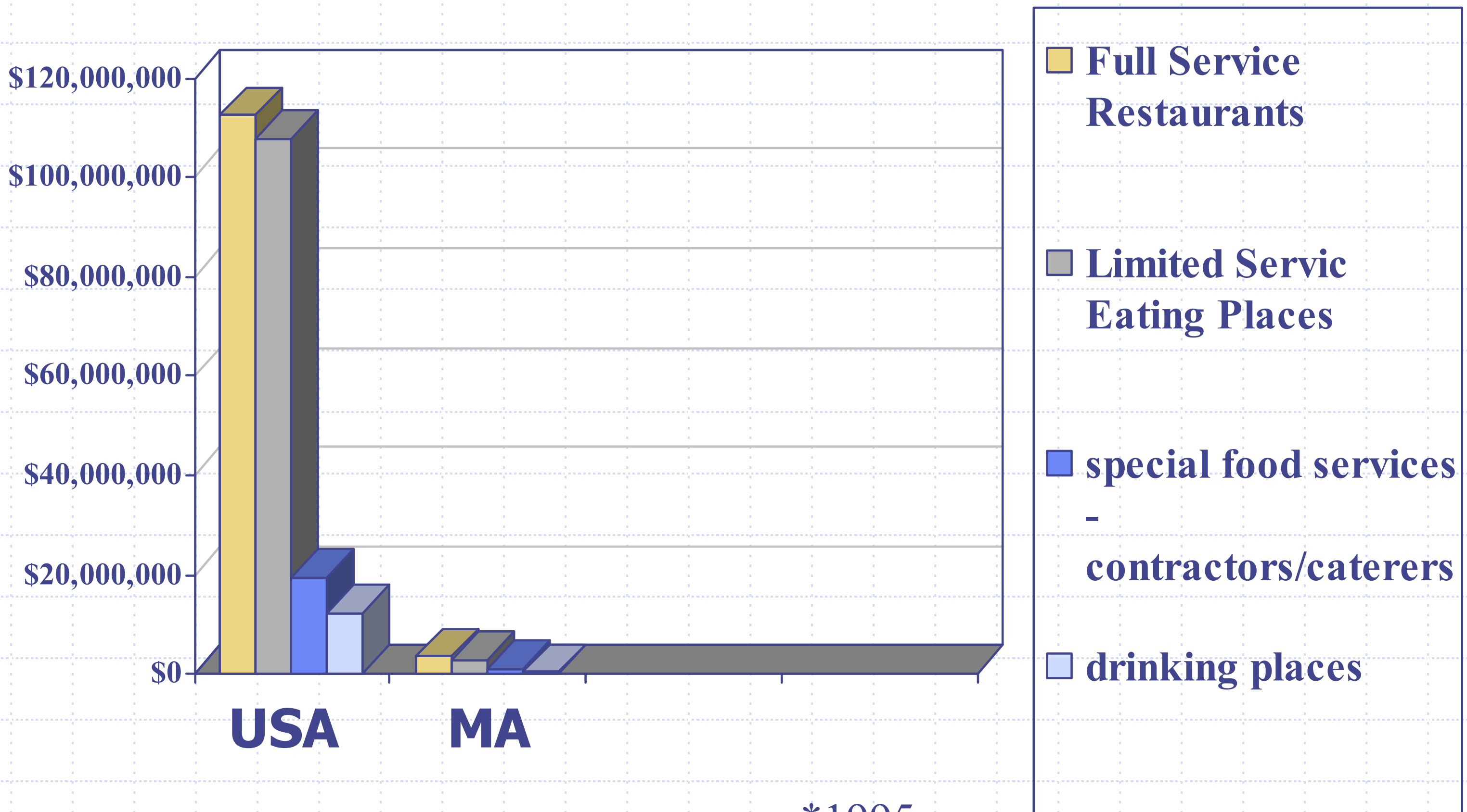
Restaurant Industry



- Consist of restaurants, bars and other away-from-home eating facilities, private or publicly owned, chain or independent
- 2000 estimated sales 379.2 b (6% growth)
- 11.3 m employed
- Fragmented
  - 844,000 establishments
  - despite consolidation trend, mostly small businesses
  - 40% sole proprietorships or partnerships
  - top 100 chains 50.7% of total sales

Restaurant Industry





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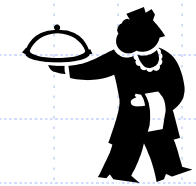
Restaurant Industry Segmentation

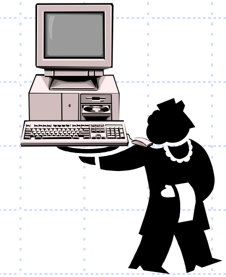


- Quick Service (limited service)
  - sandwich, pizza, chicken
  - sales 107.3 b in 2000 (growth 4.4%)
- Full Service (casual and fine dining)
  - dinner house restaurants, family restaurants, grill/buffet restaurants
  - 134.5 b in 2000 (growth 7.0%)

Industry Problems

- Rise in Food Cost
- Shrinking labor pool - Rise in Labor Cost (industry's # 1 problem)
- Increase in Menu Price Dangerous Competitive Environment (83 on 0-100 range)
- Solution: decrease of costs without burdening customers

Technology Solution



- Low-tech still, labor intensive = untapped market
- declining cost of hardware and software (Moore's Law)
- many tasks automated to improve efficiency (inventory control, payroll, accounting, sales analysis, labor scheduling) and offset higher labor and food costs

- 2 out of 5 use technology to improve efficiency
- point-of-sale systems
- drawback: capital or access to capital necessary which is absent from small operations - chains however have strong cash flows - buying their own shares back

Wish List

- hand held wireless devices
- interaction with PDA and cell phones
- "Digital Deal"
- web based calculation and collection of royalties
- kiosks surveying customer satisfaction, order entry
- total link-up of establishment to manager
- electronic kitchen display conveying orders and tracking their status

Recommendation

- Try to get into the market
- First through the large chains which are already in the mind-frame of using technology and have capital
- Due to high competition, they seek for solutions giving them an edge over competitors - good opportunity for customized software
- smaller enterprises, maybe later, maybe never
- customer acquisition methods: trade shows and conferences, industry magazines, NRA forum for technology

2- HEALTH CARE INDUSTRY

Advantages

- Huge industry national
- Highly diversified Industry
- Weak software penetration

Drawbacks

- Highly competitive
- Mostly large companies

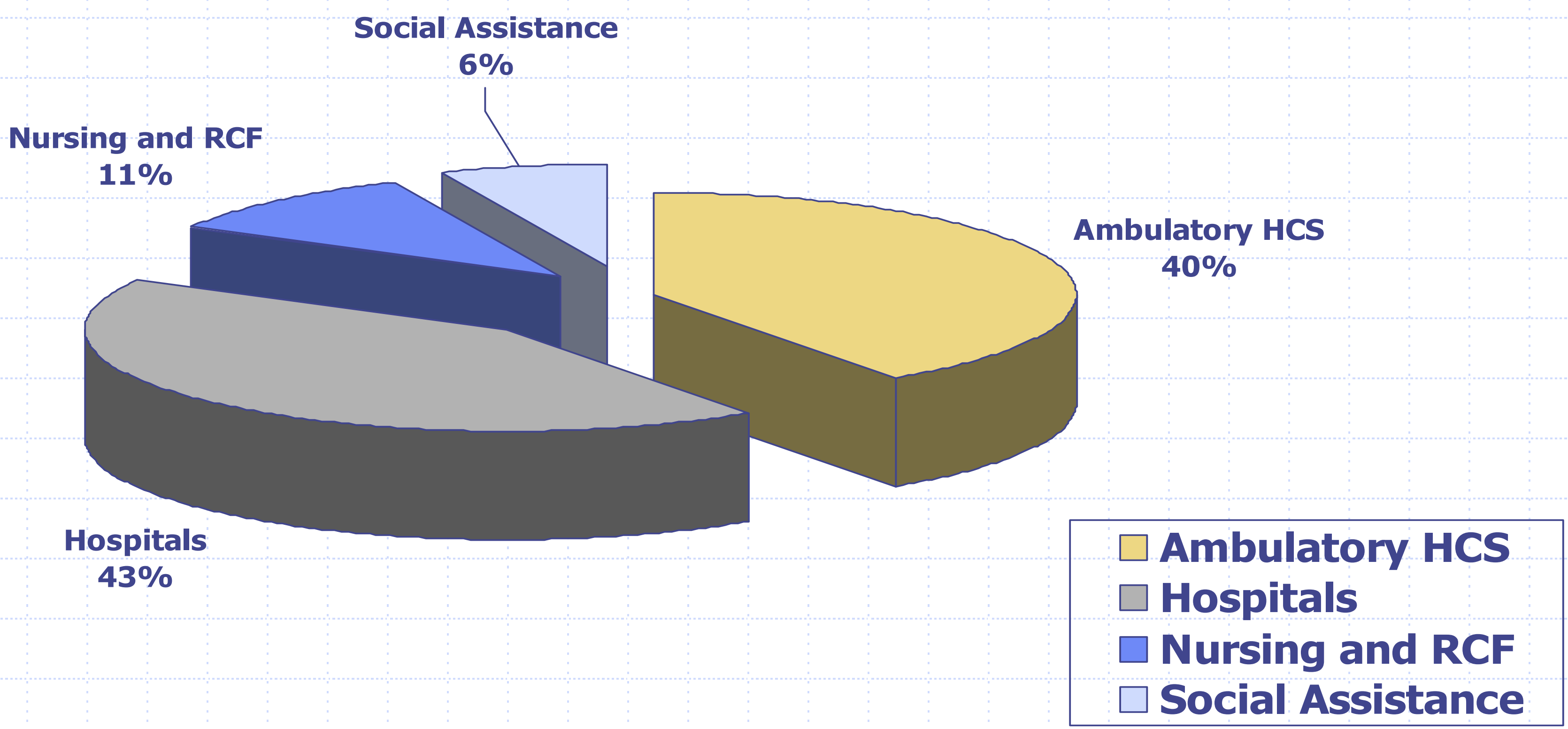
Health Care Industry

Key Findings

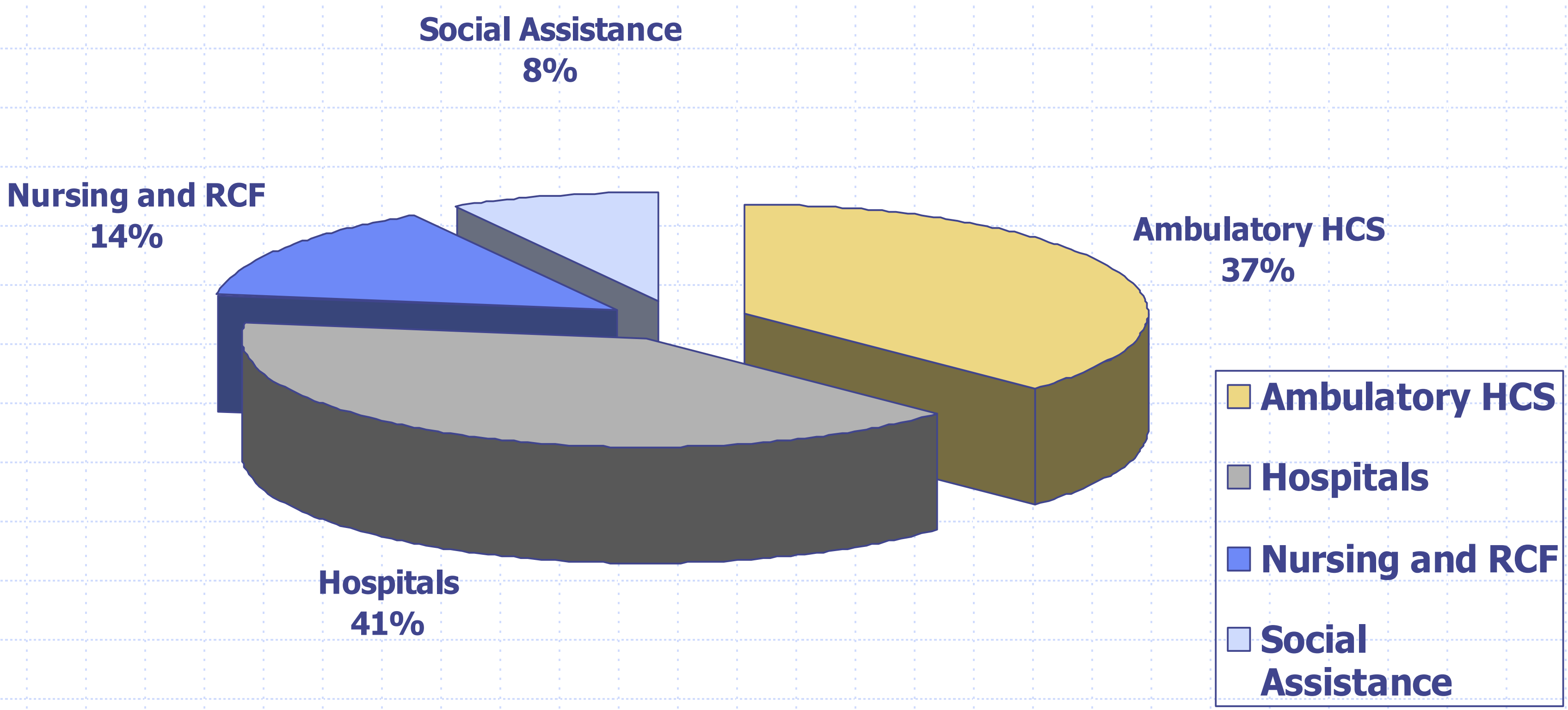
Health Care Industry is highly segmented both on a MA local level and National Level. The HIPPA present an important opportunity for Daedalus to enter this industry.We suggest that Daedalus target the Offices of Physicians and Offices of Dentist in MA as a first step. Although ASP seems appealing, specially regarding the low upfront cost, and the risk sharing, it is still an unproven technology, with security and privacy risk, for this we suggest approaching the two segments, from a software outsourcing strategy.

Health care Customer segmentation

Health care industry sub-sectors in the US

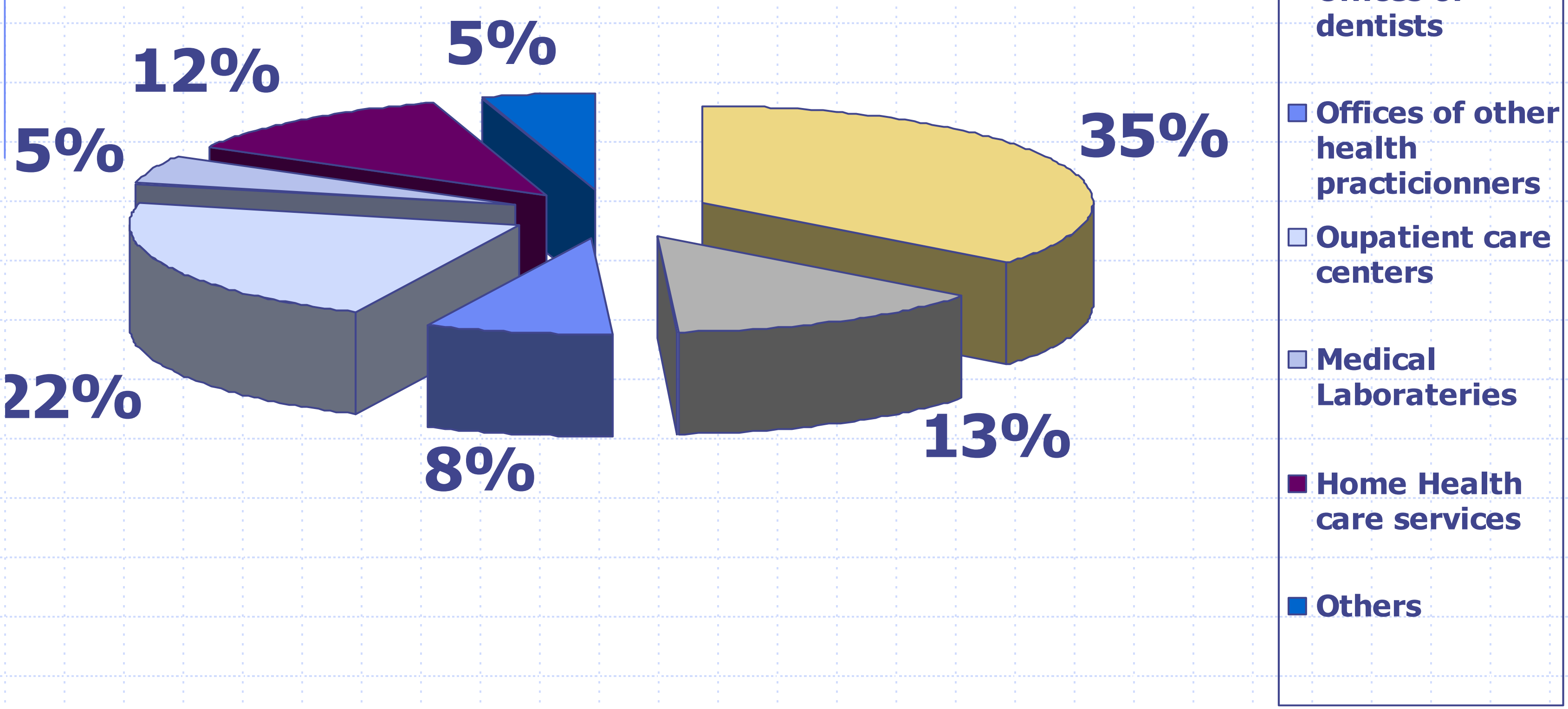


Health care industry sub sectors in MA

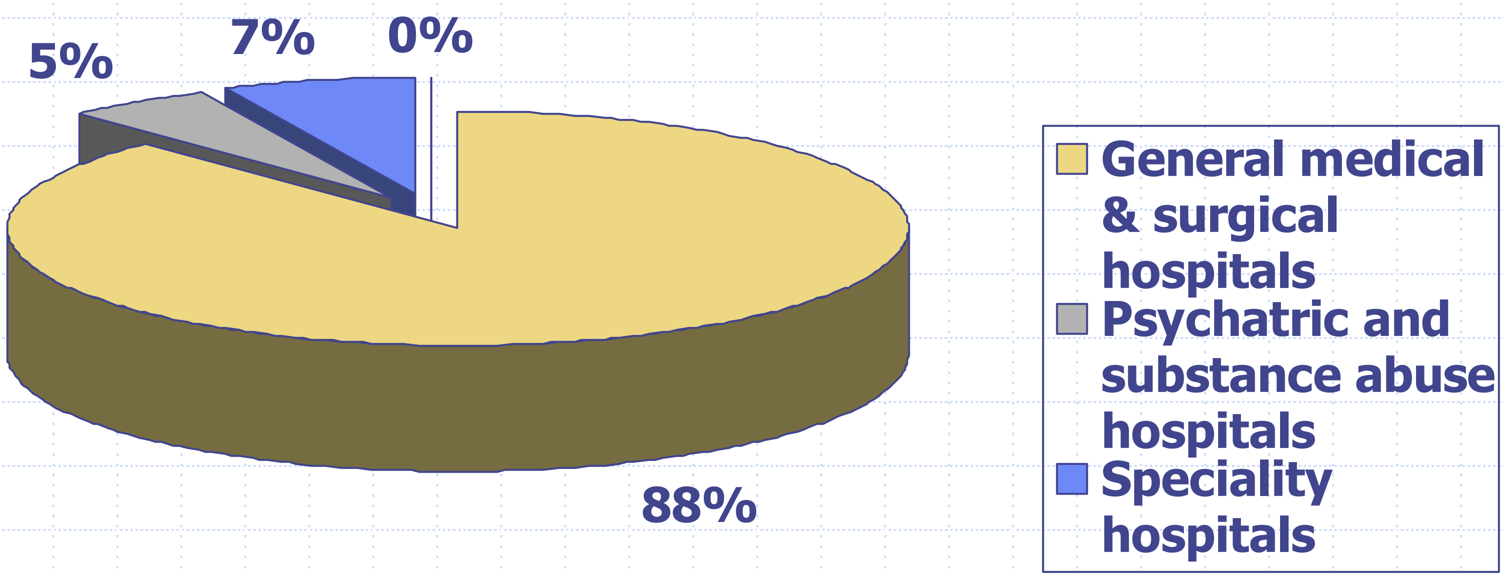


Looking deeper in MA

Ambulatory Health care services

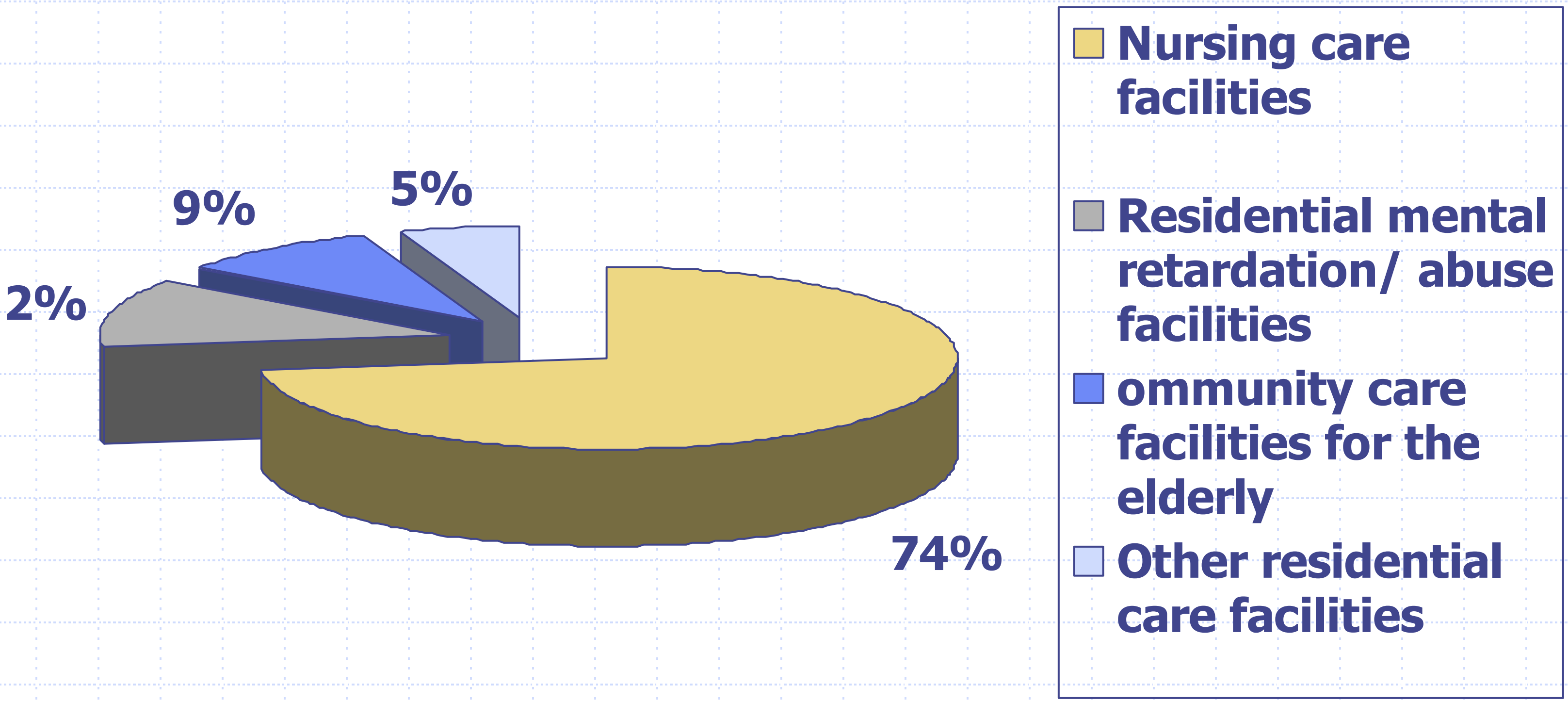


Hospitals

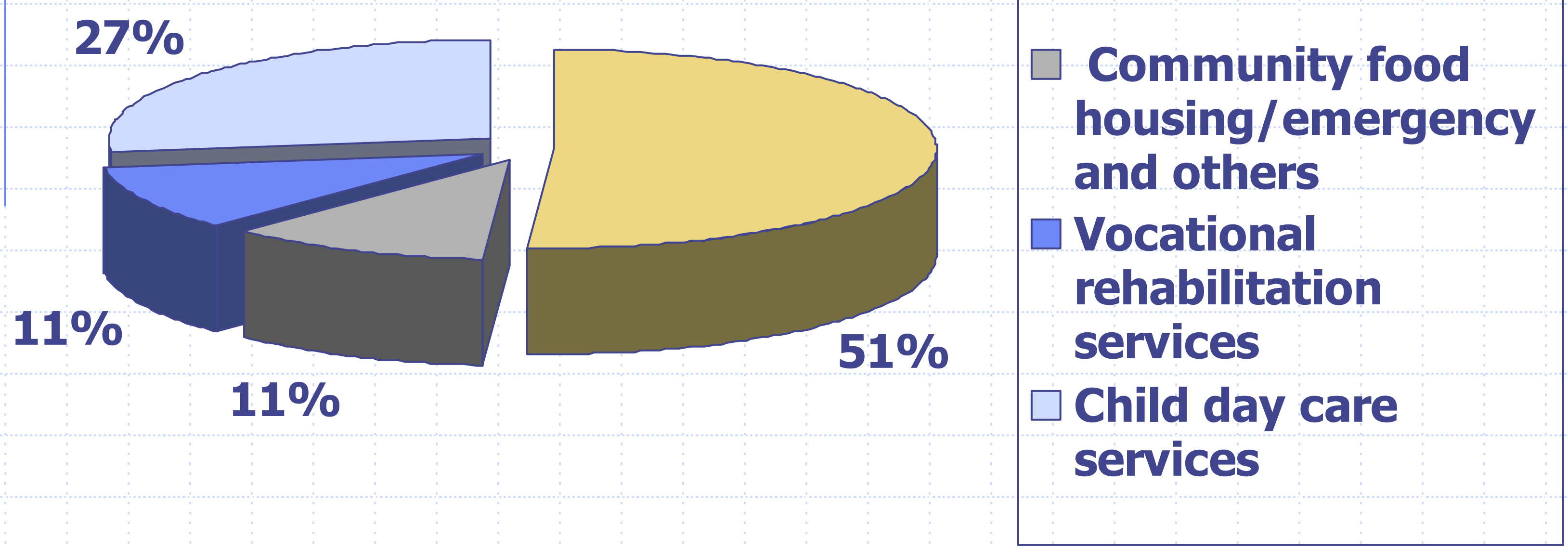


5%
7%
0%
88%
General medical & surgical hospitals
Psychatric and substance abuse hospitals
Speciality hospitals

Nursing & residential care facilities



Social assistance



Identifying software opportunities in the Health Care Industry

HIPAA

HIPPA
An Introduction

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 was signed into law by President Clinton on August 21, 1996. The intent of HIPAA is to improve the efficiency and effectiveness of the healthcare system by encouraging the development of health information systems that utilize EDI for the administrative and financial transactions specified. In addition, HIPAA seeks to establish the required use of national transaction standards when performing these business transactions between organizations electronically. It further requires that all parties using these transactions for healthcare follow the guidelines established by national implementation guides

Implication for the Health care industry: the second Y2K

- Short Term
- Compliance was required for October 2002;
- Compliance is expected to extend to 2004
- large economies of scale are demanded to implement HIPAA requirements : Estimated between $3.5 and 35 billion
- non-compliance will carry stiff civil and criminal penalties
- Long term
- healthcare industry at large would save $26 billion annually,
- Substantial reduction in transaction handling and process times.
- Reduced or eliminated risk of lost paper documents.
- Reduced administrative burden.
- Lower operating costs.
- Improved overall data quality.
- Greater organizational flexibility in choosing software applications and services(a)

Implication for software providers

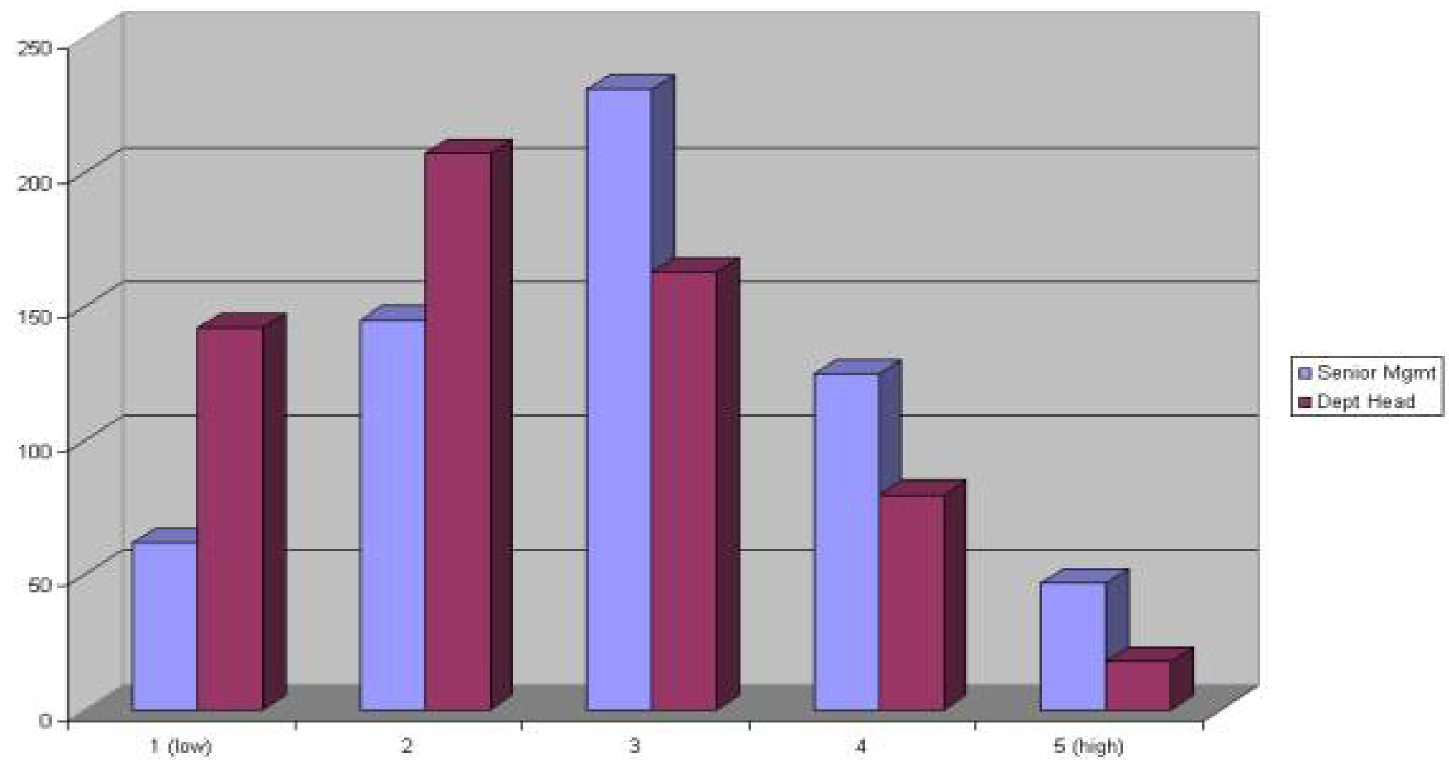
- Need for more sophisticated information systems to meet the "standards"
- Development of wrap-around software so that organizations do not have to purchase new systems
- Outsourcing as a viable alternative
- ASP as a new model

HIPAA Compliance Time Table

STANDARD	NPRM PUBLISHED	FINAL RULE PUBLICATION	COMPLIANCE REQUIRED
Transactions & Code Sets	5/7/1998	8/17/2000	10/16/2002 (2003< $5 MIL)
Privacy	11/3/1999	12/28/2000	4/14/03 (2004< $5 MIL)
Security	8/12/1998	Expected Some Time in 2001	To Be Determined
National Provider Identifier	5/7/1998	Not Yet Announced	24 Months After Effective Date
National Employer Identifier	6/16/1998	Not Yet Announced	24 Months After Effective Date

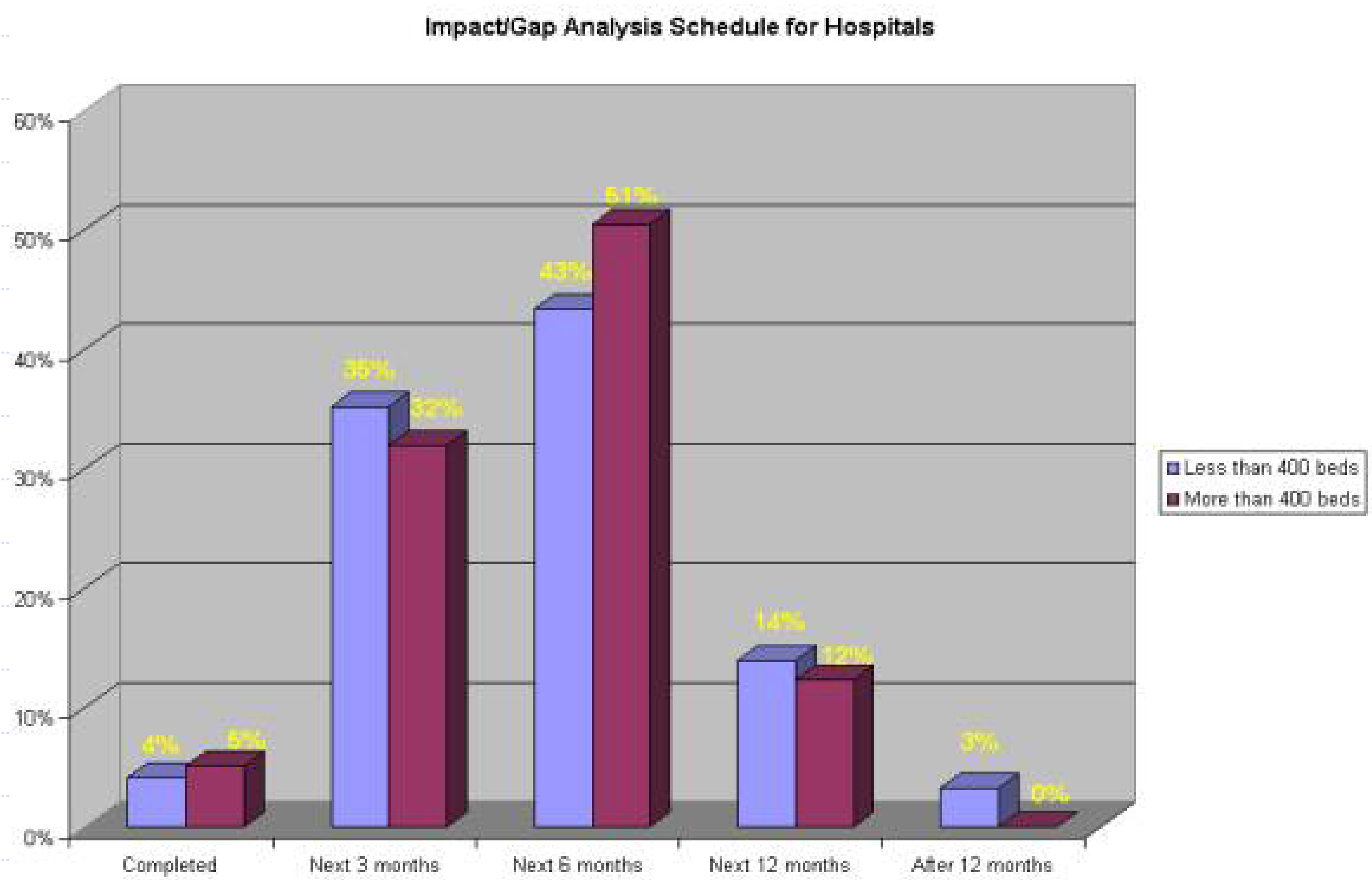
Industry HIPPA Knowledge

Industry HIPAA knowledge



- Quarterly Industry HIPAA Survey Results -Winter 2001
http://www.hipaadvisory.com/action/Survey/winter2001.htm

Hospital effective compliance



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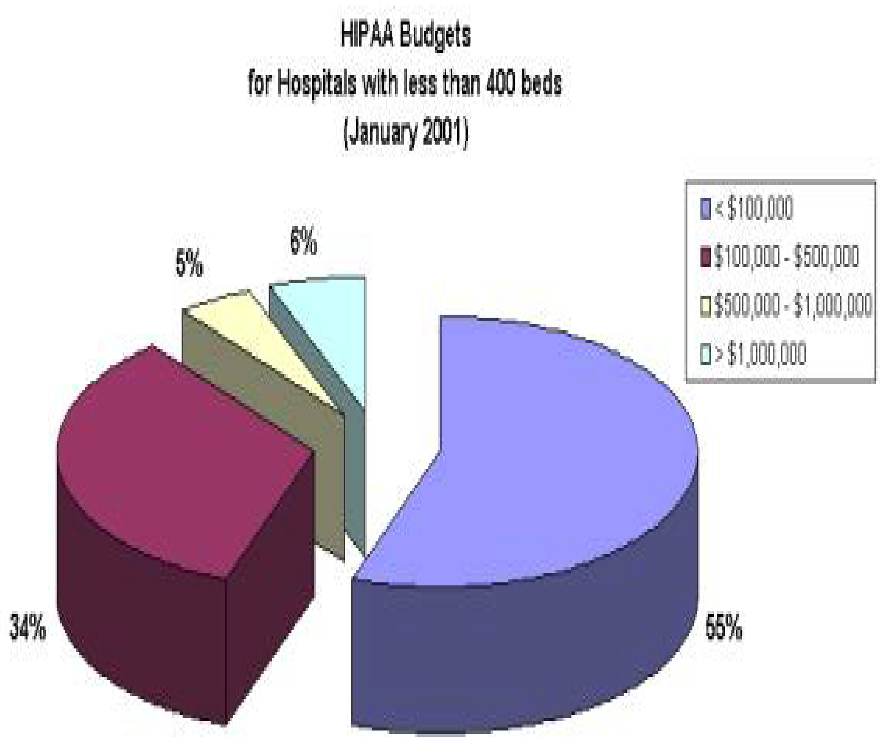
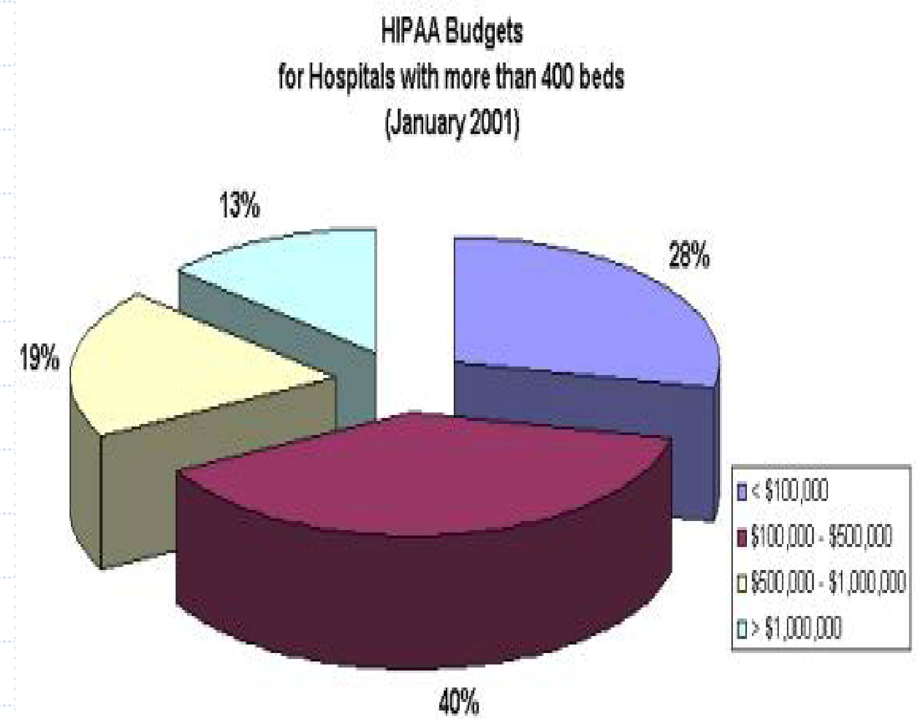
Hospitals HIPPA budgets





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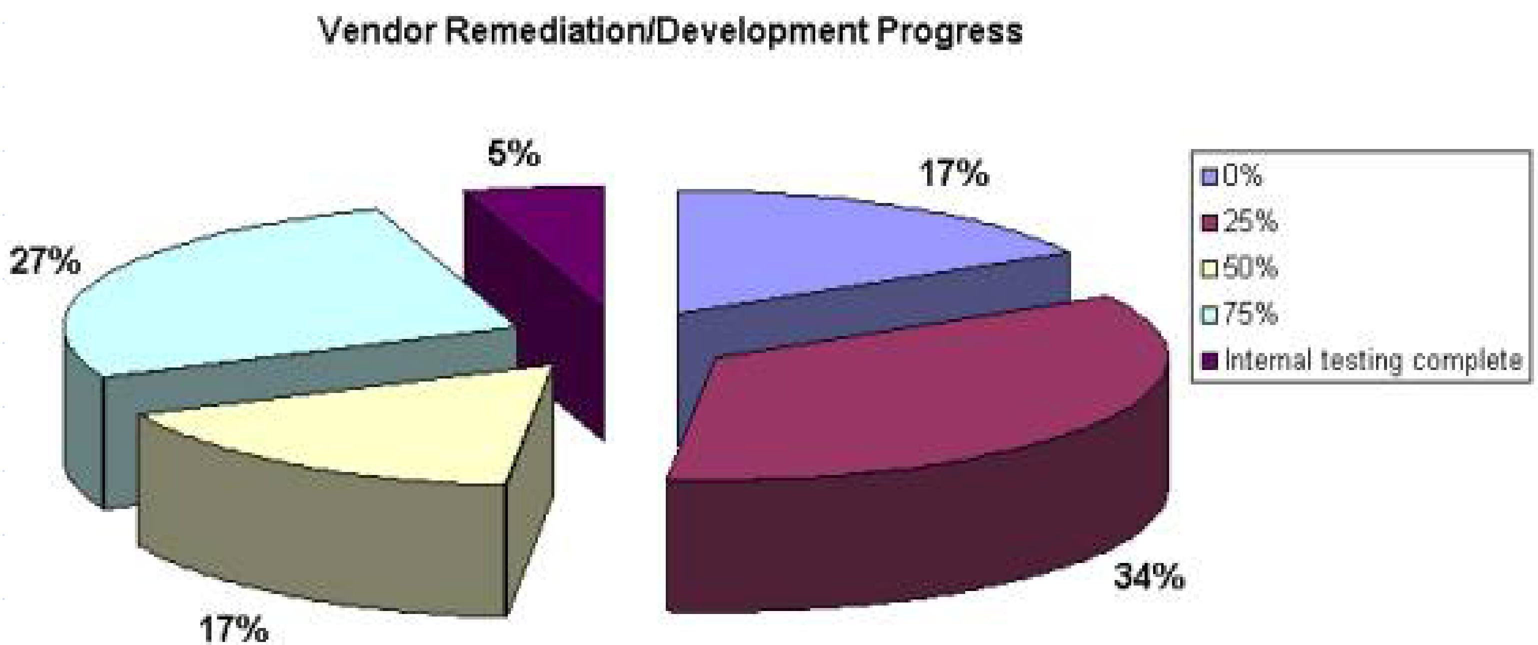
READINESS TO DO HIPAA-COMPLIANT BUSINESS



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Daedalus opportunity

Taking advantage of HIPAA

- How can Daedalus take a piece of this huge pie? Three step strategy:
- First, concentrate on small segments of the health industry in MA
- Build a learning curve, and go to bigger segments in Boston, than expand Nationally

Segments to target in MA

Physicians

- Biggest segment of the Ambulatory Health Care Services sub industry with 4104 establishment and sales of $3,66777 billion
- Facing important challenges in complying with the HIPPA regulation (Please see the attached memo)

Offices of dentist

- Second biggest segment of the Ambulatory Health care services Sub Industry with 2929 establishments and sales of $1.34 billion
- Considered as a small business, which give this segment an extra year to comply

Strategy: Software Outsourcing or ASP?

Software Outsourcing

Advantages

- Core competency of Daedalus
- Daedalus has been able to beat market industry
- prices by 30%
- Daedalus has a good after sale service
- Proven technology

Drawbacks

-High up front cost for the health care

- Health care industry is low in resources

ASP

Advantages

- Low upfront cost
- Lower yearly spending for the industry ($ 200 million compared to $ 280 billion for health care information technology
- Health care companies keep focus on their core competency
- Sharing the risk
- Expanded benefits

Drawbacks

- Security and issues
- not proven strategy yet
- slow or non existing internet connection
- privacy issues
- huge educational task for health care companies