

## 3.0 Market Analysis Summary

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### 3.1 Market Need *see Appendix for more analyses & charts*

#### Most Health Care Cost due to Preventable Illness

- Researchers estimate that preventable illnesses make up approximately 70% of the burden of illness.<sup>1</sup> 60% of deaths worldwide are due to chronic illnesses. The World Health Organization (WHO) has termed this “a preventable epidemic.” Most, if not all, of these diseases are preventable to some degree. Every year, the world sees a growing number of disease sufferers, a condition that not only hurts the individual but companies, national healthcare plans and expenditures.
- The Milken Institute recently reported that the total cost for treating the 40 million preventable cases of chronic illnesses exceeds \$277 billion annually, a cost that, at the current rate, is expected to reach \$1.6 trillion by 2023. According to Plunkett Research, the total U.S. health care expenditures are projected to increase from \$2.39 trillion in 2008 to \$2.72 trillion in 2010, with annual increases averaging about 7%.<sup>2</sup> The majority of the billions spent on health, by employers as well as the nation, is committed to dealing with disease after it has become manifest: Over 75% of total health care dollars are spent on patients with one or more chronic conditions<sup>3</sup>. A proactive emphasis on health, rather than a focus on reactive strategy, is long overdue.

#### Medical System Contributes to Health Care Crisis

- Standard medicine is part of the problem in at least two ways. First, modern medicine tacitly aids in the degeneration of American health by focusing on disease-centered treatment which excludes the underlying biological functions of the human body rather than preventing illness by using the body’s existing capacity to fight illnesses. The Milken Institute, along with other institutions and physicians, observes that the health crisis in the U.S. is driven by a systematic failure of healthcare to prevent illness and disease or to address the fundamental causes of chronic and other illnesses.
- Secondly, errors caused by physicians, hospitals, drugs, and medical procedures are a huge issue. More than 250,000 deaths can be attributed to the U.S. healthcare system every year (the country’s third-leading cause of death)<sup>4</sup>, and the incidence of this iatrogenic illness and injury is much larger.

#### LOHAS, CAM and Corporate Markets

- The staggering cost of treating chronically ill people as well as the gamut of other healthcare issues has in recent years spurred a new healthy lifestyle movement entitled LOHAS, or lifestyles of health and sustainability. This \$209 billion market focuses on wellness, health, lifestyle, environment, and other interconnected factors relating to HEDD business model.<sup>5</sup> This group is also more likely to choose a combination of allopathic and complementary modalities (CAM) as their healthcare. Thirty-six percent of U.S. adults are using some form of CAM.
- Corporate healthcare insurance costs have been escalating steadily and illness-related absenteeism comprises up to 60% of total medical costs causing companies to lose more than \$226 billion

<sup>1</sup> New England Journal of Medicine

<sup>2</sup> Plunkett Research. “Health Expenditures and Services in the U.S.”

<http://www.plunkettresearch.com/Industries/HealthCare/HealthCareTrends/tabid/294/Default.aspx> (2008).

<sup>3</sup> Gerard Anderson, Robert Herbert, Timothy Zeffiro, and Nikia Johnson Chronic Conditions: Making the Case for Ongoing Care (2004). Partnership for Solutions (Johns Hopkins and Robert Wood Johnson Foundation).

<sup>4</sup> Dr. Starfield, Barbara. *Journal of the American Medical Association*. Volume 284. July 26, 2000.

<sup>5</sup> LOHAS. “LOHAS Background.” <http://www.lohas.com/about.htm>

annually.<sup>6</sup> In other words, more than one quarter of a trillion dollars is spent on lost productivity due to otherwise preventable health problems. If employers could cut this cost by 50%, their savings would exceed \$113 billion annually. In addition, the American Journal of Preventive Medicine found that employers that invest in worksite health promotion programs can see a return of \$3-\$6 for every dollar invested over a 2-5 year period. Documented savings are observed in medical costs, absenteeism, worker's comp claims, short-term disability and "presenteeism."<sup>7</sup> As such, a 2004 survey reported that while 80% of executives felt that, "corporate America has a responsibility to promote wellness."<sup>8</sup>

- The people most likely to embrace HEDD product are the LOHAS and CAM users open to alternatives because a) they are suffering and have not found relief through allopathic means, b) are seeking additional information beyond what they are receiving through their medical practitioners, c) they are open, explorative, and receptive to modalities other than strict allopathic d) they are committed to wellness and prevention. Other top groups include practitioners looking to supplement their recommendations and prescriptions to their patients, and decision makers in an organization that is committed to improving its bottom line through employee wellness.

### 3.2 Internet Market Trends *see Appendix for more analyses & charts*

#### Internet penetration

- According to the Pew Internet and American Life Project, 73% of American adults are now online,<sup>9</sup> and 79% of online users utilize the Internet to research healthcare information. Eight in ten Internet users have looked online for information on at least one of 16 health topics, with increased interest since 2002 in diet and fitness along with medical topics. Both LOHAS and non-LOHAS seek health care information via the web.
- Approximately 90% of health searches were reported as helpful and reliable. Research areas for 50% of people using the Internet for medical information included specific diseases, fitness, alternative medicine, educational services, and prescription drugs.<sup>10</sup>
- Pew found that Internet use grew by 54% over the past three-years. There was a 40% increase in visitors who reported using the web to search for health information for themselves or for others and reported that it played a major role in helping them cope with major health issues.<sup>11</sup>
- Approximately 55% of all adults in the U.S. have broadband Internet access.<sup>12</sup> A recent eMarketer survey projects Internet usage to grow from 69% to 71% through the year 2012.

#### Online video trends

- According to Parks Associates<sup>13</sup>, the change from 2D to 3D will occur due to the fact that, "without appealing content and applications, virtual worlds are nothing but empty shopping malls...In order to reach mass-market consumers, the industry needs to move beyond its obsession with user-generated content and infuse their worlds with professional content and engaging activities."

<sup>6</sup> The Washington Post. "Now, the Stick." <http://www.washingtonpost.com/wp-dyn/content/article/2007/11/09/AR2007110902102.html> (November 2007)

<sup>7</sup> American Journal of Preventive Medicine, (December 2005)

<sup>8</sup> American Management Association. "More Companies Offering Wellness Programs for Employees – American Management Association survey shows." <http://www.amanet.org/press/amanews/wellness04.htm> (October 2004)

<sup>9</sup> Pew Internet & American Life Project. "Internet Activities." July 22, 2008. Obtained at [http://www.pewinternet.org/trends/User\\_Demo\\_7.22.08.htm](http://www.pewinternet.org/trends/User_Demo_7.22.08.htm).

<sup>10</sup> Plunkett Research. "Information Technology and Health Care." (2007)

<sup>11</sup> [http://www.pewinternet.org/pdfs/PIP\\_Major%20Moments\\_2006.pdf](http://www.pewinternet.org/pdfs/PIP_Major%20Moments_2006.pdf) (2006)

<sup>12</sup> eMarketer. "Broadband Holdouts Hunker Down." <http://tinyurl.com/6qrb7l>. (July 8, 2008)

<sup>13</sup> Kai, Michael. Parks Associates. "Virtual Worlds: The Internet of Avatars." (2008)

- IDC, a global provider of market intelligence for the information technology, telecommunications, and consumer technology markets, reports that “Internet video services will generate more than \$1.7 billion in revenues by 2010, an increase of over \$1.5 billion from 2005,” stating this growth will be driven in large part by the flood of new premium content available on the web.<sup>14</sup>
- Internet video services growth is expanding Internet capacity needs between 80% and 100% per year. The Discovery Institute, a nonpartisan public policy think tank, projects the Internet may grow by as much as 50 times by 2015.<sup>15</sup> This growth will be due to the massive number of internet video watchers in the U.S. Fifty-seven percent of online adults have used the internet to watch or download videos and the same number share links. Nineteen percent watch videos daily.
- The personal computer is the second most popular video channel<sup>16</sup> and provides a vast potential market to which HEDD videos will appeal.

### 3.3 Market Segmentation *see Appendix for more analyses & charts*

The ultimate end-user will be individuals, but the most effective way to reach people, particularly those non-LOHAS mostly needing health promotion information is through third party sources: their health care providers or employers or eventually governmental agencies or schools.

#### Initial Targets:

- **Clinicians and Professionals:** HEDD Knowledge Base and website will be a useful resource for all medical practitioners, whether conventional or complementary, since most physicians are not trained in lifestyle counseling, don't have time anyway, and can't get reimbursement. Physicians (MD or ND), nurses, chiropractors, and acupuncturists constitute this segment's top four niches. Fifty percent of medical doctors use the Internet as a resource to help their patients, and of those, 68% actually research on the web while their patients are waiting, and 55.8% claim improved results.<sup>17</sup> Physicians and chiropractors are projected to receive a 14% and 14% increase, respectively, in their numbers between 2006 and 2016. Our analysis indicates that this is the financially strongest market.

National Employment Projections <sup>18</sup>				
Occupation	Employment, 2006	Employment, 2016	Change, 2000-2016	
			Number	Percent
Physician	633,000	723,000	90,000	14%
Chiropractors	53,000	60,000	7,600	14%
Other health practitioners	571,000	732,600	N/A	N/A

- **Corporate Customers:** A report by Hewitt states that a national survey of more than 450 major U.S.-based corporations indicated that two-thirds have organized wellness and disease management programs.<sup>19</sup> They are on the rise because of their documentable positive effect on both the workforce and its bottom line, with ROI averaging 4:1. (*See also 3.1 Market Need and the well documented results, ROI, on the following page*). But this market is crowded and focused on reports of cost improvement rather than the quality on information.

<sup>14</sup> DC Press Release. "Billion Dollar Opportunity: Internet Video Services Primed for Explosive Growth"

<sup>15</sup> Fernandez, Bob. Pantagraph.com. "Online video growth spells data tidal wave." <http://www.pantagraph.com/articles/2008/04/08/money/doc47f721630f01f485467616.txt> (April 8, 2008)

<sup>16</sup> eMarketer. "More Video Viewed on PCs." <http://tinyurl.com/59ephu> (June 2008)

<sup>17</sup> Andrews JE, et al. Information-seeking behaviors of practitioners in a primary care practice-based research network (PBRN). J Med Libr Assoc 2005;93:206-12; and, Chew F, Grant W, Tote R. Doctors on-line: using diffusion of innovations theory to understand internet use. Fam Med. 2004;36:645-50

<sup>18</sup> Bureau of Labor Statistics. U.S. Department of Labor. *Occupational Outlook Handbook, 2008-09 Edition*. Obtained at <http://www.bls.gov/OCO/>.

<sup>19</sup> The Washington Post. "Now, the Stick." <http://www.washingtonpost.com/wp-dyn/content/article/2007/11/09/AR2007110902102.html> (November 2007)

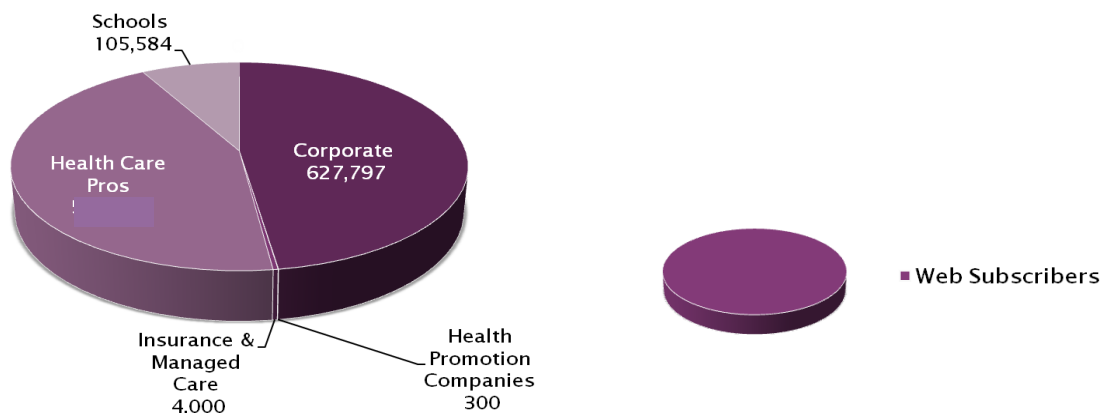
# Indirect: 1,423,681

**Direct:**  
**158,000,000**

- Health Promotion Companies: A better strategy is to target these Health Promotion Companies supplying the corporate market to give them a competitive edge with our unique delivery system and our exclusive knowledge base. Our preliminary research indicates about 100 companies<sup>20</sup>, but it is likely much bigger. Further research is needed to determine the size and parameters of this market.
- Individual web subscribers: There are two main target end-users for HEDD: LOHAS, (identified by Paul Ray in his book *Cultural Creatives*), those who comprise about 41 million Americans committed to some form of lifestyle, based on health and sustainability and who collectively support a \$209 billion market; and 36% of the 195 million Baby Boomers, Generation X'ers, and Millennials, who use a combination of allopathic and complementary modalities (CAM)<sup>21</sup> to manage their health. (see *Appendix*) The Web Subscriber channel is the most expensive for a new launch due to its business-to-consumer nature. Consumers are less likely to make this type of purchase decision without third-party influence.

## Future Targets:

- Governmental Agencies: Obama's has made health care a national priority, intending to expand health care to include education and prevention.<sup>22</sup> HEDD is poised to participate in the turning of the tide in this country. The U.S. Department of Health and Human Services (HHS) is the federal government's principal agency for protecting American health and providing vital human services. It includes more than 300 programs including health and social science research, Medicare and Medicaid, plus services and technologies administered through a variety of agencies mandated to promote health.
- Schools: Schools are of course the preferred market—get them while they're young—but that will take special material targeted to different age groups and special funding. According to SchoolDataDirect.org, there are slightly less than 100,000 schools in the U.S. (98,905 in 2006). With regard to K-12 education, there are 53,075 elementary schools, 16,374 middle schools, and 15,671 schools in the nation. The Census Bureau states that there are 2,363 higher education four-year institutions and 1,721 two-year institutions. In addition, there are also approximately 1,500 private, non-profit, four-year institutions. On the subject of postsecondary vocational and technical institutions, there are 3,660 in the U.S., with 2,073 two-year and 1,587 less-than-two-year institutions.<sup>23</sup>



<sup>20</sup> <http://www.wellnessproposals.com>

<sup>21</sup> US News & World Report: (12/10/08 )

<sup>22</sup> Barack Obama's Plan for a Healthy America; <http://www.centerforpolicyanalysis.org/id25.html>

<sup>23</sup> <http://www.census.gov/prod/2003pubs/02statab/educ.pdf>; and <http://nces.ed.gov/surveys/PEQIS/publications/2000023/images/tab1.gif>

### 3.4 Return on Investment (ROI) for Corporate Health Promotion PROGRAMS

- The American Chronicle shows a \$40-\$50 per employee annualized fee for corporate wellness programs.<sup>24</sup> In fact, General Mills pays \$27/employee; CIGNA's Working Well Program \$73.50/employee, and Bank of America \$30/employee for their corporate awareness programs.<sup>25</sup>
- For \$100 to \$150 per employee, per year, an employer should receive everything—the marketing, the mailing, the administration and so on—they need to get a worksite wellness program underway. When you look at the literature published on health promotion outcomes, the average ROI is somewhere around a \$3 for every \$1 invested. At the most elementary level, if you take the \$100 or \$150, you can expect a \$300 to \$450 savings per employee, per year. Worksites typically don't realize these returns, however, until about three years into the program. So, if an organization is willing to wait two or three years, it will be capable of achieving this magnitude of ROI. Again, if it's a well-designed, well-implemented, science- and evidence-based program with a good staff, achieving such an ROI is very possible.<sup>26</sup>
- There is compelling evidence that a sizable portion of the billions of dollars currently spent by employers on health-related costs is preventable by means of health promotion programming.<sup>27</sup> Well-planned, comprehensive health promotion programs (corporate wellness programs and employee wellness programs) have been shown to be cost-effective, especially when the health promotion programming is matched to the health problems of the specific employee.<sup>28</sup>
  - The following worksite health promotion wellness program results have been reported:

Company	Dollars Saved/Dollars Spent
Bank of America (Fries)	\$5.96/\$1
PacBell	\$3.10/\$1
Wisconsin School District Insurance Group	\$4.47/\$1
Prudential Insurance	\$2.90/\$1
Bank of America (Leigh)	\$4.73/\$1
General Mills	\$3.50/\$1
Motorola	\$3.93/\$1

- Additional examples of demonstrated ROI:
  - Northeast Utilities WellAware Program, which in its first 24 months reduced lifestyle and behavioral claims by \$1,400,000.
  - Caterpillar's Healthy Balance program, which is projected to result in long term savings of \$700 million by 2015.
  - Johnson & Johnson's Health and Wellness Program, which has produced average annual health care savings of \$224.66 per employee.

<sup>24</sup>American Chronicle "Employee Health Promotion Programs: The Bottom-Line Booster" <http://www.americanchronicle.com/articles/view/75301> (2008)

<sup>25</sup>Are Worksite Health Promotion Programs Cost-Effective? <http://xpowerideas.blogspot.com/2008/06/are-worksite-health-promotion-programs.html> (2008)

<sup>26</sup>Ron Goetzel, PhD "The Cost of Wellness: A WELCOA Expert Interview With Dr. Ron Goetzel" <http://www.absoluteadvantage.org/article/?article=277>

<sup>27</sup> American Chronicle "Employee Health Promotion Programs: The Bottom-Line Booster" <http://www.americanchronicle.com/articles/view/75301> (2008)

<sup>28</sup> X-Powered Employer "Are Worksite Health Promotion Programs Cost-Effective?" <http://xpowerideas.blogspot.com/2008/06/are-worksite-health-promotion-programs.html> (2008)

- A recent study from the Journal of Occupational & Environmental Medicine showed that corporate fitness center participants had 1.3 days fewer short-term disability claims per year per employee than non-participants and had fewer health risks. Analysis of plans from more than 200 employers showed an average medical cost ROI of \$3.48 for every \$1 spent.

### 3.5 The Competitive Landscape

In terms of mapping basic physiological processes relative to lifestyle behaviors, the HEDD Knowledge Base is completely unique, so there is no competitor offering such organized health information. Nor are any health web sites or health promotion programs using video, much less edutainment. Still, HEDD has located the following main competitors:

#### General Health Websites

Most online competitors operate as 'authority' sites. They are varied in their business models, generally well linked and search engine optimized. All offer varying degrees of resources to the user. HEDD has listed those sites whose online presence, without more sophisticated research, appear closest to its own:

- WebMD (market capitalization=\$1.29B)
- Mayo Clinic
- Revolution Health (\$28.7M million)
- Mercola.com
- Sermo.com (\$4.4 million)
- EverydayHealth.com
- Realage.com (\$13.9 million)
- Prevention.com
- Drweil.com
- Wellness-Works.net

Sermo.com is a membership site for physicians. It is secure, contains no advertising and is data base driven. Mayo Clinic, WebMD are encyclopedia sites offering information and advice on a range of topics and illnesses. They are somewhat user-friendly, offer social networking, medical resources, and personal health records. Most are geared to the educated searcher and assume a certain amount of foreknowledge, requiring a considerable amount of sophisticated research.

Mercola, Everyday Health, Prevention, Dr. Weil and the others operate with a more commercial business model, are content laden and more user-friendly; they are well-linked and offer a plethora of resources including supplements and informational products, and offer lifestyle tips on health.

*Weaknesses:* These websites lack all-inclusive resources and none have a lifestyle knowledge base. None use video or illustrated educational delivery methods, relying on text or discussion videos and references to articles. Most rely on advertising or information linked to products, straining the credibility of the information.

#### Corporate Wellness Sites

Medifit (\$27.8 million), GCC Corporate Challenge, Plus One, and L&T Health (\$14.2 million) and Fitness promote specific corporate health programs to large companies. Their models are similar, with the exception of Plus One, which is primarily a weight loss business that consults, provides health and wellness programs associated with being overweight, and designs corporate fitness programs and installations.

*Weaknesses:* These programs focus on reports that tie back to company cost measures, not quality of information. Lifestyle topics are limited, and information is provided primarily by newsletter. All are medically oriented even with lifestyle support. None offer video or entertainment.

### 3.6 HEDD Competitive Advantages

HEDD unique value proposition is comprised of two core elements. First, there is no organized body of information like HEDD on the market. Its Knowledge Base uses custom engineering and artificial intelligence approaches that will be continually updated based on unbiased, cross-cultural evidence. When fully operational, it will enable physicians and other professionals to prescribe the most efficacious lifestyle changes to their patients before potentially harmful and costly medical treatments. Further, it will provide a factual way to counter medical myths, while supplying needed information on the body and how its systems are designed to interface with what it is given to work with. Secondly, although other health oriented sites and video products have a market presence, almost all respond in some way to a disease model. HEDD does not; it is forging a new model with both content and style. No health websites currently have a fully animated presentation or entertainment intrinsic to its design, and none present the relationship between the body’s core systems, lifestyle behaviors and the consequences of insults or overabundances in ways that make the viewer laugh, understand, engage and retain the information. See chart below.

	Focus on Lifestyle	Complete, Organized Lifestyle Coverage	Focus on how the body works	Video Edutainment
HealthEDD	Yes	Yes	Yes	Yes
Mainstream Medical Community	No	No	No	No
Functional Medicine Practitioners	Yes +Medical	Mostly	Yes	No
Corporate Wellness Promotion	Yes +Medical	No	No	No
Health Websites: Web MD, Mayo, Mercola, etc.	Some	No	No	No*

### 3.7 SWOT Analysis

SWOT Analysis for – Strengths, Weaknesses, Opportunities, and Threats to Model		
<b>Internal Factors</b> □  <b>External Factors</b> □	<b>Internal Strengths (S)</b> S <sub>1</sub> Unmatched marketing channels S <sub>2</sub> Experienced management S <sub>3</sub> Unique website concept	<b>Internal Weaknesses (W)</b> W <sub>1</sub> Website not yet developed W <sub>2</sub> Rising/unforeseen costs W <sub>3</sub> Approval still pending
<b>External Opportunities (O)</b> O <sub>1</sub> Growing demand health info. O <sub>2</sub> More consumers online O <sub>3</sub> Early-mover status w/this model	<b>(S)(O)</b> S <sub>1</sub> O <sub>1</sub> Capitalize on marketing S <sub>2</sub> O <sub>2</sub> Target users directly S <sub>3</sub> O <sub>3</sub> Bring market something new	<b>(W)(O)</b> W <sub>1</sub> O <sub>1</sub> Prioritize website creation W <sub>2</sub> O <sub>2</sub> Calibrate prices to match W <sub>3</sub> O <sub>3</sub> Present concept ASAP
<b>External Threats (T)</b> T <sub>1</sub> Competition may enter market	<b>(S)(T)</b> S <sub>1</sub> T <sub>1</sub> Compete via web channels S <sub>2</sub> T <sub>2</sub> Forge strong relationships S <sub>3</sub> T <sub>3</sub> Engage and serve consumers	<b>(W)(T)</b> W <sub>1</sub> T <sub>1</sub> Timeline and plan are critical W <sub>2</sub> T <sub>2</sub> Develop alternative methods W <sub>3</sub> T <sub>3</sub> Implement safeguards now

