

A Study on the External Environmental Analysis of Dialysis Centers in Hyderabad For The Purpose Of Establishing a 30 Bedded Center.

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Date of Submission: 16-06-2018

Date Of Acceptance: 02-07-2018

I. Introduction

In India, the projected number of deaths due to CKD was around 5.23 million in 2014 and is expected to rise to 7.63 million in 2020¹. There is a need for increased dialysis centres and dialysis machines to cater to these patients. Stand alone dialysis units can play an important role in fulfilling this need. But for self sustenance of any centre, financial feasibility plays an important role and a study of the external environment is critical to determine the financial feasibility.

II. Objectives of the study

1. To study and analyse the external environment of Dialysis centers in Hyderabad.
2. To give suggestions based on the observations of the study of the external environment.

III. Review of Literature

The external environment plays a critical role in shaping the future of entire industries and those of individual businesses. To keep the business ahead of the competition, managers must continually adjust their strategies to reflect the environment in which their businesses operate²

Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. Our market is facing changes every day. Many new things develop over time and the whole scenario can alter in only a few seconds. There are some factors that are beyond your control. But, you can control a lot of these things³

The PEST analysis is the most common approach for considering the external business environment. PEST analysis stands for Political, Economic, Social, and Technological analysis and describes a framework of macro-environmental factors used in the environmental scanning component of strategic management.

An industry is a collection of firms offering goods or services that are close substitutes of each other. Alternatively, an industry consists of firms that directly compete with each other. Industry analysis is also a crucial part of strategic analysis of a business.⁴

Environmental scanning involves capturing information about the firm's external environment in terms of opportunities and threats. It is a proactive exercise to ensure that changes in the external environment – either remote or operating – do not take the firm by surprise.⁵

IV. Methodology

External environment is studied by dividing it into 3 components⁶

- General Environment
- Industry Environment
- Competitor Environment

Observations and Suggestions:

General Environment: It consists of the following 7 components.

1. Demographic segment

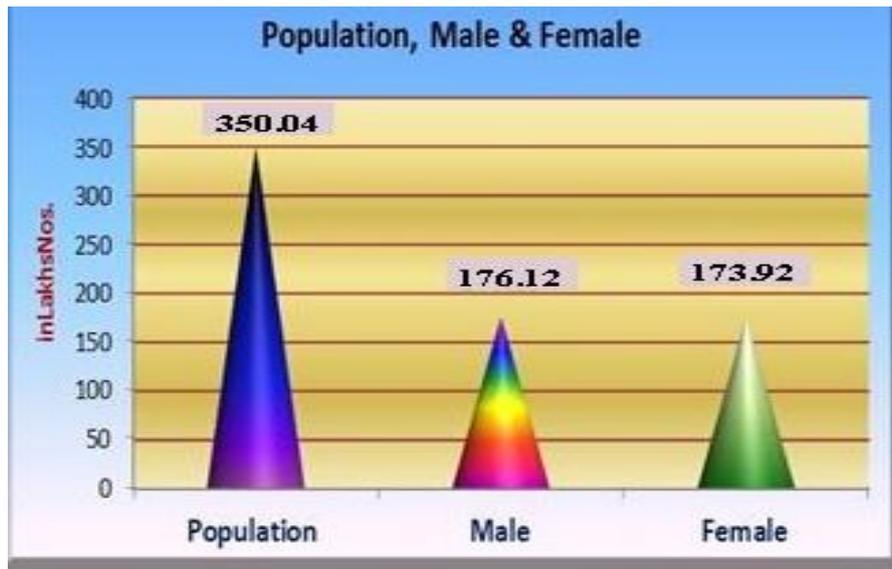


Fig 1: Hyderabad population

The overall growth of total population during the decade 2001 to 2011 is 13.58%, whereas it was 18.77% in the preceding decade. The growth of the population in urban areas has been witnessing a significant increase. Urban population in the State grew by 38.12% during the decade 2001 to 2011 as compared with 25.13% in the preceding decade.⁷

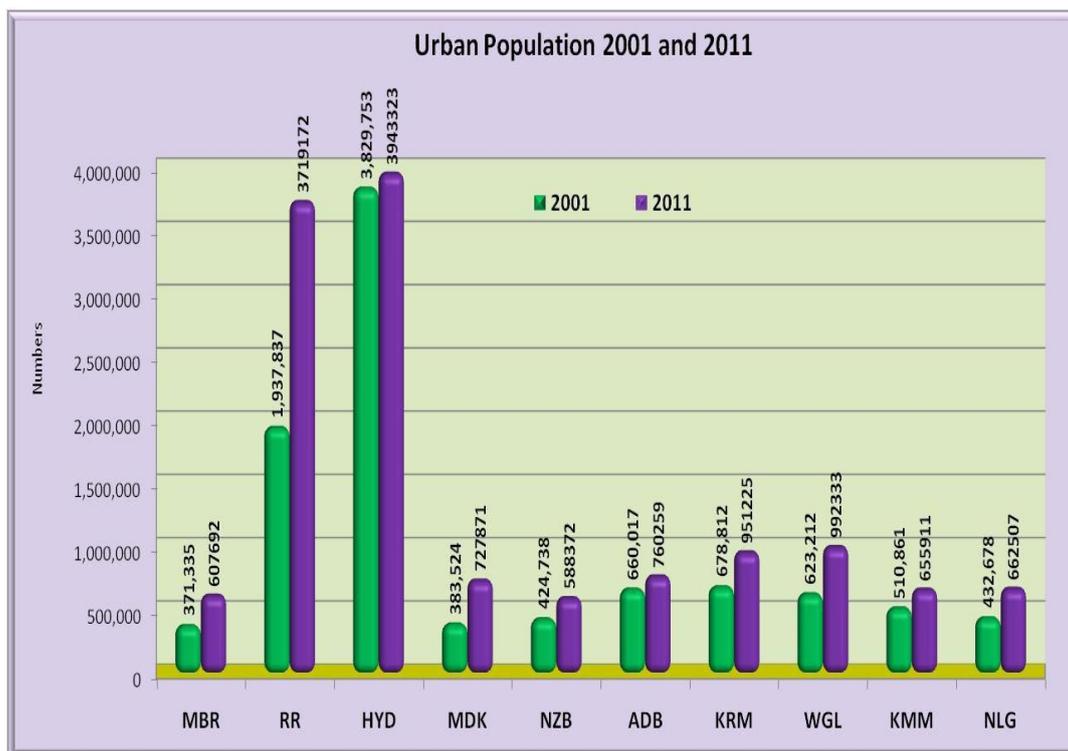


Fig 2: Population census 2001 and 2011

Hyderabad total population - 39,43,323, males - 20,18,575, females - 19,24,748 sex ratio -954, density - 18,172 The area under the municipality increased from 170 square kilometres (66 sq mi) to 650 square kilometres (250 sq mi) in 2007 when the Greater Hyderabad Municipal Corporation was created.^[5] As a consequence, the total population leaped from 3,637,483 in 2001 census to 6,809,970 in 2014 census, an increase of over 87%

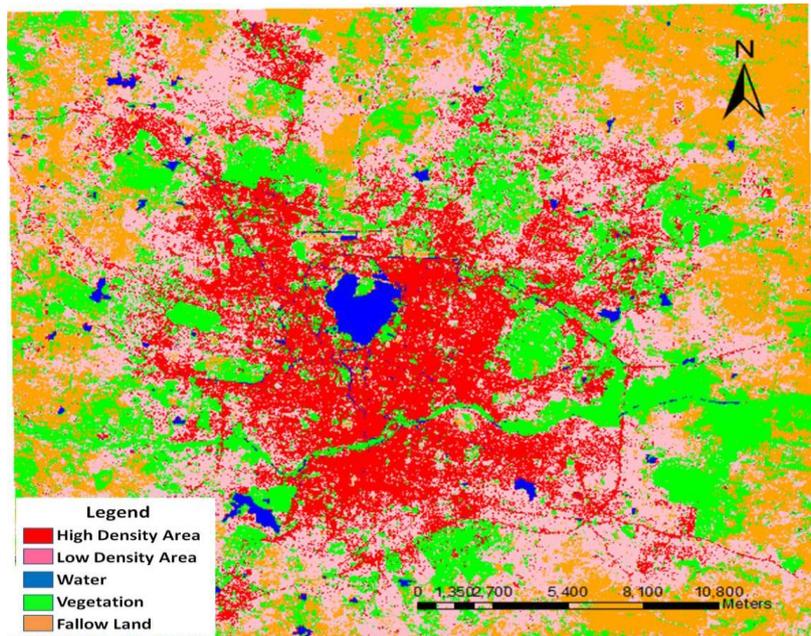


Fig 3: Hyderabad population density

With increasing life expectancy and prevalence of life style diseases, US has seen a 30% increase in prevalence of chronic kidney disease (CKD) in the last decade³⁰. Unfortunately, from India there is no longitudinal study and there is only limited data as there is no any CKD registry.

In community-based studies, the CKD prevalence has been reported to be 0.8%. The studies were designed to detect stage 3 CKD or worse and the real prevalence of CKD is higher than the reported number

Income distribution: Presently most of the jobs in Hyderabad are related to information technology and majority of the IT companies are located in the following areas – Madhapur, Hi tech city, Gachibowli, Financial District and Kondapur. With many townships also coming up in the above locations, it is projected that the above areas would be populated with people having an higher distribution of income.”

2. Economic segment: The present bank interest Rate is around 11% to 13% for most of the nationalized banks and a little higher for corporate banks. Loans for doctors are generally not rejected but are given only against primary collateral and on the basis of the project report. The individuals Cibil rating is considered before the sanction of the loan. Income tax to be paid will depend on the basis of whether it would be a pvt ltd company or a partnership firm or a proprietorship. Generally income tax is around 30%. The purview of GST in healthcare is still not entirely clear.

3. Political and Legal segment: There is a proposed government of Telangana initiative to setup Dialysis centers in Telangana under PPP model. If this initiative takes shape, then it would provide competition to the already established and soon to be established Dialysis centers in Telangana. The scope of applying for the tender in establishing the centers under PPP model can also be examined.

Recently Govt of India has implemented the GST (Goods and services tax). This tax has replaced the multiple taxes that were in order earlier. Though GST is not applicable to healthcare but still its exact purview is not entirely clear yet. Change in taxes due to GST will impact the tax rates of the medical equipment to be purchased. Under the present guidelines, Hospital beds are taxed under 18% category and Medical equipment under 12%

4. Sociocultural segment: Many Kidney conditions remain undetected in the rural areas. As per Aarogyashri (Telangana Insurance Scheme for BPL families) data, there is a high load of patients with kidney ailments in the interiors of Telangana district.

5. Technological segment: Though the technology in the healthcare is rapidly evolving, technology related to Dialysis has not seen any radical changes recently. Latest models with newer features have come but these have just incremental changes. One of the recent advancement in the Dialysis field is Home Hemo dialysis and the development of standalone dialysis units.

6. Global segment: Recently most of the corporate hospitals in Hyderabad have sold stakes to international buyers. There is a high probability that an international player may enter the dialysis market in Hyderabad. All the dialysis machines that are used are also imported. Fresenius, one of the leading producers of HD machines and consumables also operate Dialysis centers overseas.
7. Physical environment segment: Availability of water is mandatory as the dialysis unit consumes a lot of water. It is preferable to select an area which does not have frequent power cuts. And it is also preferable to go for solar power if it is financially feasible.

Industry Environment

It is analyzed by employing Porters 5 forces model

- Threat of new entrants
 - Barriers to entry
 - Economies of scale : Though there are Dialysis chains coming up, economies of scale wont make a huge difference in this segment as each center require its own staff and equipment and sharing of resources is difficult. Development of a brand name and marketing resources would be easier for a chain of centers.
 - Product differentiation: Since this is a service industry based on standard treatment protocols, product differentiation is very difficult.
 - Capital requirements : As a dialysis center requires the latest and expensive equipment, the capital requirements to establish a unit is very high
 - Switching costs : switching cots are negligible
 - Access to Distribution channels: access is easy and everyone has mostly similar access.
 - Cost disadvantages independent of scale
 - Government policy : there is no restriction on the no of centers that can come up
 - Expected retaliation would be difficult to forecast.
- Bargaining power of suppliers : low
- Bargaining power of buyers : low
- Threat of substitute products : Negligible
- Intensity of rivalry among competitors
 - Numerous or equally balanced competitors
 - Slow industry growth
 - High fixed costs
 - Lack of differentiation or low switching costs
 - High strategic stakes
 - High exit barriers: As most of the equipment have high depreciation rates.

Competitor Environment:

There are many centers in Hyderabad which provide Dialysis services. These include Government hospitals like Osmania and Gandhi, Semi Autonomous institutes like Nizams Institute of Medical Sciences, Corporate hospitals, Trust hospitals, Single Speciality nephrology centres and Stand alone Dialysis centres.

Other centres providing Dialysis in Hyderabad and their charges

1. Yashoda Hospital –2500
2. Sunshine Hospitals -2350
3. Maxcure Hospitals -2250
4. Care Hospitals-3550,1550
5. New Hope Nephroplus- 2500
6. Dr Rama Enganti Nephrology - 2250
7. Aware Global Hospitals -2200,1500
8. Mediciti Hospitals - 2250
9. Premier Hospitals – 2500, 1250
10. Ozone Hospitals - 2350
11. Durgabhai Deshmukh Hospitals - 2500
12. Remedy Hospitals – 2500, 1500
13. Prasad Hospitals - 1800
14. Olive Hospitals – 2650,1650
15. Omni Hospitals - 3000
16. Sai sanjeevani – 2500, 1500
17. Deccan Hospitals – 2500,1500
18. Matrix Hospitals – 2500, 1500
19. Sai Vani Hospitals - 2500, 1500

20. Xenia Hospitals – 2500, 1500
21. Apple Hospitals - 2500
22. Prime Hospitals - 2000
23. Preethi Urology – 2500, 1750
24. Madhav Hospitals - 1800
25. Tulasi Hospitals - 1500
26. Pace Hospitals - 2500

Chain of standalone Dialysis centers

1. Nephroplus
2. Sparsh Nephrocare
3. Davitas
4. Bhagwan Mahavir Trust Dialysis

Location:

- The center should be located preferably in the center of the city with proper access to all the population. An area with a high density of population is preferable.
- An area where there is a shortage of dialysis units is preferable.
- The location should preferably be on the main road or an adjacent lane close to it. This will help in easy access to the patients and will also help in better visibility of the center
- It would be preferable if the center is close by to a Hyderabad Metro station or along the metro line. This will help in easy access to the public.
- Suggested Locations: Madhapur, Gachibowli, Financial district, Kondapur.
These areas are preferable as these are the developing areas of the city with high earning population. The rental and land areas are also on the rise in this area.

V. Conclusion

The incidence of Dialysis is on the rise due to various factors. There are many dialysis centers in Hyderabad to cater to the rising incidence of dialysis patients. But still based on the observations of the external environment analysis, there is a market to establish new centers in the new and developing areas of Hyderabad.

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Dr.M.S.Siddarth Sai "A Study on the External Environmental Analysis of Dialysis Centers in Hyderabad For The Purpose Of Establishing A 30 Bedded Center.."IOSR Journal of Dental and Medical Sciences (IOSR-JDMS), vol. 17, no. 6, 2018, pp 51-55.