

# Accelerating Health Care Licensing Growth

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*Building a good licensing program by developing relationships, tapping, focusing criteria*

Today's health care marketplace is highly competitive and our changing regulatory climate may make it even more difficult to compete going forward. However, the ground rules change, one fact will remain the same — new products will drive business success. And your success in bringing new products to market will depend primarily on the relationships you build.

These relationships may be in your own organization, with R&D people, or with outside sources of new product opportunities, such as licensees, acquisitions, strategic alliances and distribution arrangements. This process of business development is really marketing and selling — creating a plan, taking action by contacting your target audience about how you can help them achieve their objectives, and building long-term relationships based on trust and understanding.

You can significantly increase your likelihood of success by taking an active rather than a passive business development strategy. The following five-step program will help you discover more new product opportunities and grow faster than your competitors.

## STEP ONE: PLAN YOUR BUSINESS REALISTICALLY GOING FORWARD

A business growth starts with a simple plan. Start by asking probing questions about the business, such as, "What is not perfect yet?" Identify areas of opportunity and possible solutions. You do not need full-page planning guides. Some of the best plans start on the back of

envelopes. Simplifying a complex business down to the two- or three most critical factors of success and honestly assessing the company's strengths and weaknesses will pinpoint the most viable options and initiate development.

You can use any planning system you are comfortable with. I have found that a sales gap analysis is a simple, effective planning mechanism. By focusing only on product sales and markets, it can be developed fairly quickly. Key questions that you should address in the sales gap analysis include:

- What is the company's business mission?
- What are the company's strengths and weaknesses?
- What are the future projections of the company's currently marketed product?
- What new products does the company have in development and what are they realistically can return in sales?
- Where do you want the business to go in the future (the company's long-range goals)?
- What is the "Gap" to be filled (the difference between the projections of existing and new products and the company's long-range goals)?

It is very important to do "inside-in planning" with your business mission and long-range goals. Customers and external forces are used to identify market niches of opportunity. You should also question how you are organized as well as your expense structure. Look for ways to be more efficient and responsive to your customer's needs.

Any business that has a fairly good handle on expense controls can use the sales gap analysis for planning. The sales gap analysis can be expanded into full-blown business plans and R&I projections.

A company may feel this additional information is beneficial. The next step is closing your "Gap" by developing realistic criteria.

## STEP TWO: DEVELOP FOCUSED CRITERIA FOR EACH COMPONENT OF LICENSE

A company grows by selling more units of existing products, raising prices, and by introducing new products. The importance of each component will depend on the firm's competitive position, market conditions, and resources available. My experience has been that new products drive business and determine success. The develop a stream of new-product opportunities, you must prioritize your internal R&D programs, and you to place programs for uncovering outside opportunities with acquisitions, licenses, joint ventures and distribution arrangements.

You must have a focused and practical internal R&D program. It starts with building relationships with your core research managers. They must have a clear understanding of the company's goals and capabilities. Ask your management team what new products you will need for a market leadership position. Also do you have the technical and financial resources to guarantee intensive development of the required new products? The success of your R&D efforts depends on your own focus. Conscientiously prioritize your internal projects in light of available funds. Maintaining an open mind to the potential of outside possibilities.

While building relationships with your internal R&D management,

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you should consider the following outside sources of new-product opportunities:

- Product and company acquisitions are important for entering new market niches and new territories and for achieving economies of scale in existing market categories.
- Product licenses are a critical element in supplementing internal R&D work and providing entry into new market niches.
- Joint ventures may be viable choices where new products are well-suited to a specialized market or country knowledge is required.
- Distribution arrangements can fill short-term product voids where building long-term value is not an immediate goal. For instance, if you are trying to build an effective sales force in a niche market, handling products through a distribution program can minimize your upfront costs until your own brands are available.

Building relationships with outside business executives and centers of R&D is critical for finding opportunities. As part of this relationship-building process, you must understand what the other parties want to do with their business and products. I believe that most business relationships fail because enough effort is not put into understanding the other person's agenda and continuously working on building on it.

You must develop specific criteria for each component of growth: internal R&D, acquisitions, licenses, joint ventures, and distribution. The more specific your criteria, the better your results. Your goal in your business-development activities is to add value and profits to your company. And your success depends on relationships! The next step involves searching and screening all possible growth opportunities against your criteria.

#### STEP THREE: IDENTIFY TARGET COMBINOS OF INTEREST

Once you determine where you want to go and you develop focused criteria for each component of your growth, how do you make the growth happen? You can passively sit back and wait for people to bring you opportunities, either from com-

panies directly or from business intermediaries. But how many good opportunities have people brought to you over the years? (Take in my 25 years, the answer is none!) The fact is that most unsolicited new-product proposals are rejected after a lot of management time is wasted reviewing the materials.

I believe you must identify your target companies for each component of growth you wish to pursue. Use directories, databases, mailing lists and trade associations. And contact them yourself. For example, the system I developed for uncovering potential acquisitions before they are "on sale" is a process for pursuing new opportunities. It also works for licenses, joint ventures, product distribution and other forms of technology transfer. It requires taking a rifle rather than a shotgun approach in developing your criteria. It requires an aggressive attitude toward uncovering opportunities and communicating with principals, rather than passively waiting for intermediaries to present situations. My experience is that most investment banker "deal-book" situations are over-priced, shopped-around businesses with little likelihood of success.

I would rather aggressively pursue opportunities and exercise a fair degree of control over who I am talking to, about what, and at what price. If you adopt this system, you will find yourself talking to key executives before the opportunity has been shopped around.

In licensing, I believe, once an opportunity is published in Pharma Projects or a similar source, you are competing with everyone in the marketplace. I would rather contact and maintain relationships with firms likely to have opportunities in the future so I have an existing dialogue going before the opportunity becomes well known. This approach is cheaper; you find more good opportunities, and you add more value with less risk to your business.

#### STEP FOUR: ESTABLISH MARKET ALIGNMENTS WITH YOUR TARGET AUDIENCE

Now, you have specific and de-

tailed criteria (the rifle approach) and you have identified all the potential companies that fit your criteria. The next step is targeting a high-potential list of companies to contact personally, either through existing contacts or through networking. And for the remainder of the companies in your criteria, utilizing a "direct marketing" campaign to inform these firms of your business and what you are trying to do.

You can mail or fax your criteria to a significantly expanded list of people that you would never have the time to personally contact. Create your own "W" list of contacts, so to speak. Focus your personal efforts on your high-potential "W" list, but a few times a year broadcast your criteria to a significantly expanded network. Hopefully, you will uncover new "W" opportunities.

It is important that you address the whole company's interests (What's in it for me?) in developing brochures and other materials you send out. Focus on the benefits for other party gets from entering into a business arrangement with you. Support the benefits with letters.

#### Market Awareness

Market awareness is not a one-time effort. It is an ongoing process. Today, we have so many things fighting for our attention that multiple contacts three to four times a year using a variety of vehicles (brochures, letters, printed reports, public relations releases, etc.) are important in maintaining a successful awareness program. At the Institute for Health Care Business Development, we developed a multi-awarers program in which we contact companies within your target criteria using our data base so you can gain maximum exposure. Promotion and agenda change, so this periodic marketing program will help you maintain awareness with a significantly expanded network. Your objective is to have as many potential partners remember your criteria and interests when an opportunity crosses their minds. And hopefully, you will be in a position to acquire this opportunity before your competitors become

ment of it.

#### STEP FIVE: PREPARE BY RESEARCHING AND FINDING COMPANY INTELLIGENCE

Preparative study does impact opportunities. The more you know about a target company — its background, key management, goals, etc., what it has coming out of R&D, the current financial condition and past licensing and partnering relationships — the better prepared you will be to discuss mutual interests.

Try to understand the company's needs and long-term plans. Identify holders agencies. Determine whether you have a business fit in which value can be achieved by both parties. Does an environment exist in which you and the other company can work together and adapt to each other's culture?

Mutual interests can give you insightful information about a company and its management. So can bankers, accountants, advertising

agencies and suppliers. A good librarian can direct you to newspaper articles, publications, brochure reports, on-line data bases and annual reports. At the Institute we can use the you information about a company from our data base to help you prepare for meetings.

#### FINAL THOUGHTS

How much are you spending on business development? Is it enough? How many deals have you closed in the last year? How did those opportunities come to you? Is there a more effective way to turn up more opportunities? You must evaluate how you spend your time and your resources searching and closing on opportunities. If you spend a fair amount of time reviewing unsolicited opportunities from the outside or from intermediaries (without any being closed), you should relook at how you are handling such inquiries. I have found that a focused and targeted criteria

saves you a lot of time in responding to unsolicited opportunities. Make it a policy to return phone calls, and if you must say no, explain why (friendly) relationships lead to opportunities!

As you know, the environment is much more competitive today. Many people pursue the same opportunities. You cannot afford to sit back and wait for other people to bring you good deals. For me, the secret to being in seeing an exciting new product opportunity acquired by a competitor because a company did not know it was available. The five-step program that we just reviewed is based on people and relationships. To accelerate growth, you must actively pursue opportunities, target and screen your criteria, and communicate the benefits you can provide to a significantly expanded network. In the changing health care marketplace, your new product success will ultimately depend on the quality of the relationships you build.