

TTS Global Initiative Business Development (BD)

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*Understanding the business development opportunity in
Healthcare / Life Science.*



What do we mean and understand by the term, business development?

- Business development (BD) comprises a number of tasks and processes generally aiming at developing and implementing growth opportunities between (multiple) organizations.
- It is a subset of the fields of business, commerce, and *organizational theory*.
- Business development is the creation of long-term value for an organization from customers, markets, and relationships.

Is business development different for the Healthcare and Life Science sectors?

- For larger and well-established companies in healthcare-related industries, the term "business development" often refers to setting up and managing *strategic relationships* and alliances with other, third-party companies.
- The companies may leverage each other's expertise, technologies or other intellectual property to expand their capacities for identifying, researching, analyzing and bringing to market new businesses and new products.
- Business-development focuses on implementation of the strategic business plan through, e.g. equity financing, acquisition/divestiture of technologies, products, and companies, plus the establishment of strategic partnerships where appropriate.

What is a business development professional?

- The business development professional is ultimately concerned with the analytical preparation of potential growth opportunities for the senior management /board of directors. The position requires implicit understanding of the core business.
- The subsequent support and monitoring of its implementation.
- Both in the development phase and the implementation phase, the business developer collaborates and integrates the knowledge and feedback from the organization's specialist functions, for example, R&D, production, marketing, and sales to ensure that the organization is capable of implementing the growth opportunity successfully.
- The business professional's tools to address the business development tasks are the business model answering "how do we make money" with its analytical backup and roadmap for implementation, referred to as the business plan (BP).

Initiating the so-called *Roadmap* ... the business development plan.

- First consider the ‘bedrock’ – the potential ‘pipeline’ of opportunity. A pipeline refers to flow of potential clients which a company has started developing.
“Networking”.
- Resources: Fiscal and Personnel (HR). Funding and appropriate allocation.
- Identify and understand rate limiting steps.
- **Manage expectations... and the relationships!**
- Use all available expertise.
- Subsequently develop plan to the next level, e.g. localised outposts internationally for sales etc...

Potential (and common) pitfalls.

- Poor understanding of market. Poor analyses. Poor utilisation of funds. Poor allocation of personnel (HR).
- Failure to understand ‘bedrock’ of business... will result in an inevitable poor return on expectations.
- Failure to fully understand and explain technical capability and opportunity.
- Failure to attract interested third parties and fully understand their needs.
- Failure to properly facilitate the creation of a critical mass of intellectual innovation and manage the IPR...
- Interest from **multinationals** will not materialise if there is not an environment that is conducive to creating collaborative mutual benefit and innovation.

Evolution of the sector *per se* and business development in particular.

- New models are materialising out of necessity; both for VC and Pharma. BD is increasingly important and needs to be more specialised and focused...
- BD funding on the premise of potential alone is unlikely. Hard data is required. PoP versus PoC etc. Understanding the different perspective eg *in vitro* versus *in vivo*...
- Pharma: co-development funding will offer bare minimum in majority of cases, eg smaller upfront payments & milestones. Back-end to pay out.
- Pharma need innovation and are developing communication with academia, start-ups, Centres of Excellence etc to (re)build early stage relationships.

Business development checklist.

1. Promotion (loosely, Sales and Marketing)

- What / who is your target market? How will your target market hear about, know, understand your product or service?
- How much will it cost?
- Who are the first customers? Which group of customer will pay the most?
- Which customer will be the easiest to reach? How will you prioritise your customer engagement?
- Will you prioritise within the Healthcare / Life science sectors? i.e. Pharma? Biotech? Hospital trust? Patient group? Academic institution?
- Why do they need or want the product or service?

Business development checklist cont.

2. Operations and know-how

- How is the product / service made? Manufacturing considerations (and quality control).
- How will it be delivered?
- How will the product be serviced and managed? Additional quality control considerations.
- How much is the product / service? Will pricing be staggered to size of customer etc?
- Understanding the IP position implicitly, e.g. what license strategy has the company agreed?
- How flexible can you be regarding cost or agreed licensing strategy?

Financial considerations.

- Hard to raise any PE VC finance. Total US raise was \$1.4 *Trillion* in 2013. Biotech healthcare accounted for \$4 Billion of that... early stage? only \$250-300 Million.
- Majority of investment has moved 'downstream' i.e. later stage because its lower risk.
- Corporate finance in all it's forms has changed. Pharma companies no longer have deep pockets unless you have a *game changer*. They now recognise that they have developmental expertise and e.g. database tools and innovation is increasingly better achieved out-of-house...
- Changes in the financial markets. Can you utilise publically available funds? H2020.
- **Business Development is a critical part of any process.** Collaborative business development is key.

Challenges.

- What are the potential risks in developing the product / service?
- Evolution – what growth has been contemplated? Lateral, i.e. horizontal markets? Vertical markets?
- How will you measure customer satisfaction?
- What other core competencies can you use within the company?
- What have you learnt? What works? What do you need to grow further?
- If you were offered an increased budget of \$1MM, how and on what would you allocate it to develop further and hopefully increase business?
- What are your rate limiting steps and are you aware of them? What is preventing you achieving your business development plan?
- Failure to manage expectations and relationship.
- What other markets are there? Market change? Market analyses...

Summary.

- Brave new world. A better understanding of the **Core Competencies** of each stakeholder group is now required – this is the critical essence of business development.
- Opportunities to learn from both past industry histories and people, and harness the key competencies and skills.
- Innovative thought is the ‘easy bit’, the hard bit is commercialising it...
- Network, collaborate, network again, strategically position and ... develop. And continue developing and **managing both the expectation and the relationship**