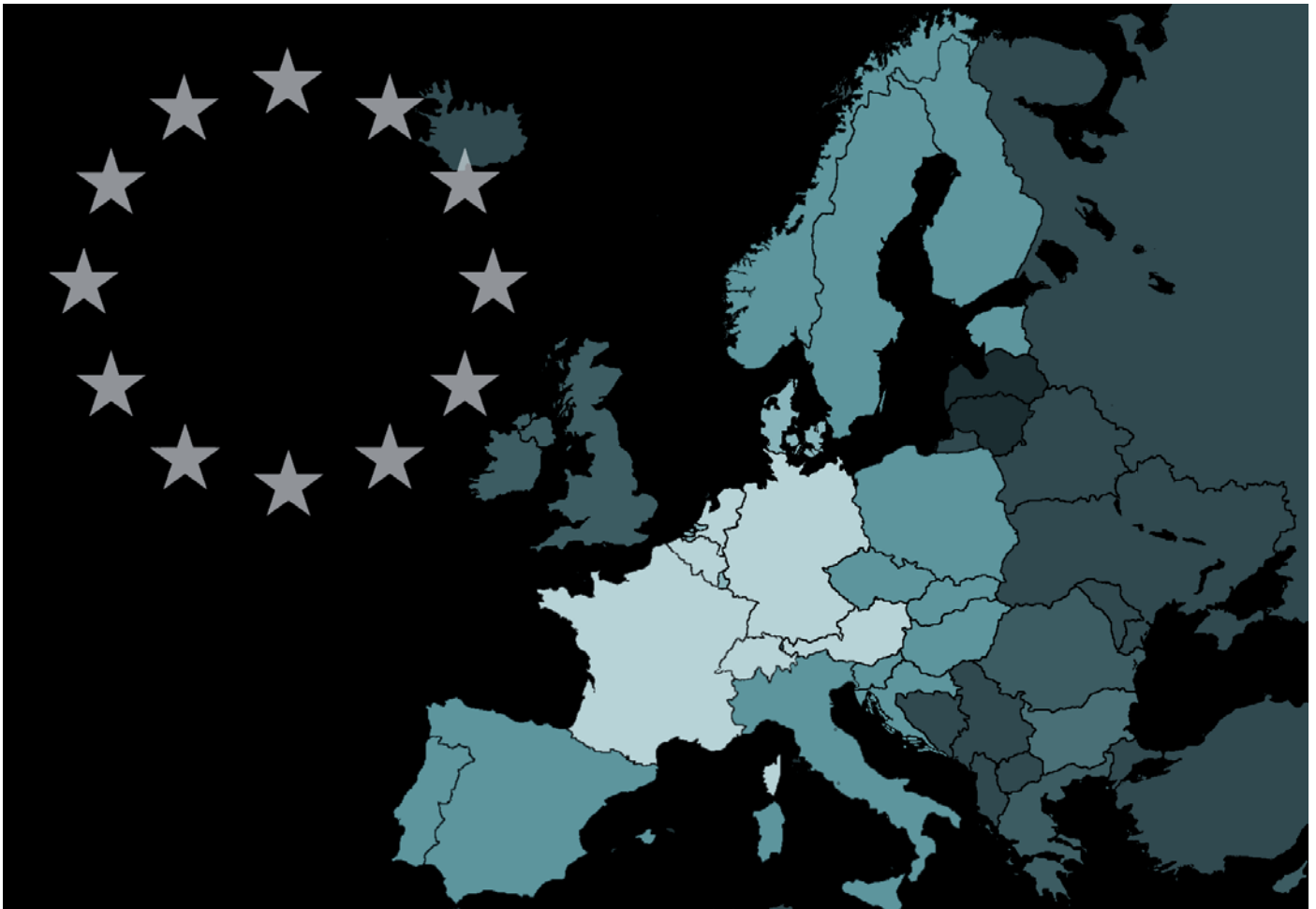




# WHITE PAPER



## Partnerships with European Life Sciences Companies

An Interview with Dr. Robert C. Keefer

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**Robert C. Keefer, PhD, is a Partner with TCG, an international business and market development firm for the life sciences industry. The company is based in Durham, NC with affiliates in Germany, Canada, Switzerland and Asia. Bob's career includes over 20 years of business and corporate development for Fortune 50 and venture-backed companies in the pharmaceutical, diagnostics, chemical, and information industries.**

**TTJ:** Why would a North Carolina company want a deal in Europe?

**KEEFER:** For the same reason as anywhere else – plus a few more. Marketing and R&D partnerships in Europe help life sciences companies validate market potential, speed development, open up new markets, grow revenues, and gain credibility. Most importantly, they increase long-term shareholder value if they are done right. In addition, you can often acquire new product lines and revenues while finding new technologies and products that help here at home.

**TTJ:** What do you mean by the right kind of deal?

**KEEFER:** Every company, and especially smaller and emerging life science companies, need secure partnerships that bring in cash today but that also are sustainable over the long-term. While small companies especially are tempted to do any deal to validate their approach, they must also focus on partnerships that truly add value for both parties.

**TTJ:** Does Europe offer better opportunities than North America?

**KEEFER:** In a number of ways, yes. But there are also some pitfalls to manage.

**TTJ:** How are the opportunities better?

**KEEFER:** European companies, especially the more established German, French, Swiss and Scandinavian companies, are many times hungrier because of their stage of development and, thus, need North American outlets. Second, they have more financial motivation because of the state of the European investment community and financial markets. Third, they really are more committed to closing deals that produce long-term win-win relationships. Finally, for a North American company seeking to launch a product, especially a medical device, it is usually easier to get it approved in Europe, which generates faster revenues.

**TTJ:** What are the pitfalls?

**KEEFER:** Executives seeking successful partnerships in Europe must adjust themselves to some subtle but significantly different business and cultural practices. For example, the most effective route into EU biotechnology companies frequently involves much more of a technical sale than in the US. More heads of European life science companies are scientifically trained than their counterparts in the US. As a result, value propositions and presentations have to be worded and presented differently; and early discussions require a high degree of comfort in talking about the partner's capabilities and core strengths. And, you have to "sell" differently. North Americans focus on the benefits of a product or technology in an overt way, while Europeans focus more on credentials and features and let the buyer decide on the benefits. However, patience with the process leads to important personal relationships that build trust and an

improved basis for a long-term relationship. North American CEOs need to be aware that you are dealing with different cultures, attitudes and approaches in many subtle, as well as overt, ways.

**TTJ:** Is it worth the investment?

**KEEFER:** Yes, by any standard. It may take a little longer and require different processes and new skills, but the results are well worth it. The relationships are more solid and collaborative, which is perfect for life science companies. And, with today's Euro-dollar exchange, the European market size is nearly as big as in the US, if you stop to think about it.

**TTJ:** Are financial terms and contracts similar?

**KEEFER:** The end result is similar, of course, but usually contracts originated in Europe do not define as many terms up front as you will see in North America. They tend to have more implicit understandings and may leave a little too much open to interpretation. To ensure a successful outcome, these nuances have to be accounted for and negotiated in context with the cultural environment. Also keep in mind that the cultural differences between the European countries themselves are more different than you would expect. Each is unique.

**TTJ:** Can you give us an example?

**KEEFER:** Well obviously every situation is different, but that's the point of relationship development and committing yourself to understanding the differences.

North American companies must employ someone who knows the "cultural nuances" in the chain of command, knows who to talk to, and knows what to say when they get there. They also need to know how to say it. They must not use hyperbole common to North American business, and should have the personal comfort and knowledge to follow the

process. This is especially important when explaining the details and the rationale of the more complete US contract. This is not a job for lawyers, although they must be included after the business terms are agreed. When negotiating, it is important to remember that what can seem like obstinate behavior to a North American executive can simply be a misunderstanding or a different cultural approach. Great relationships developed in a business setting will often mean that you are invited to your counterpart's home to meet the family, but business is still being conducted. You must be aware of the differences in that environment and remember that what you do will affect the business relationship. While this takes energy and new awareness, it also ensures that the deal adds value after it is closed.

»You must be aware of the differences. What you do will affect the business relationship.«

**TTJ:** In a small biotech, who has that kind of knowledge and experience?

**KEEFER:** Often they don't because an executive with comprehensive international experience is expensive to hire. For example, even though we have done a lot of it ourselves and feel that we've got the right experience, sometimes even we will work through our network of European colleagues who have the same industry experience we do. You just can't under-state the importance of culture-specific relationship-building skills.

**TTJ:** What did it mean when you said that European companies are financially incented to look to North America for deals and new markets?

**KEEFER:** Venture investing and university technology transfer initiatives in Europe in 1998-2001 resulted in hundreds of life sciences companies with exciting drug discovery and delivery technologies, medical devices, and new therapeutics. These technologies and products are mature enough now but need capital for commercialization. In general, European capital is less available; and those companies also can't rely on deals and partnerships with larger European pharma and device manufacturers because of all the recent mergers and acquisitions.

**TTJ:** Are the European companies doing a good job of marketing their capabilities in the US?

**KEEFER:** Some are, but most are not. They usually don't know how, or they don't have the money, so North American companies may have to be more aggressive in the search and qualification. Many European biotech CEOs are technically trained with little international marketing experience, as well. This creates an opportunity for North American companies to find the opportunities and create deals with better terms overall. That being said, it also requires the North American companies to do a better job in scouting out and pursuing the right opportunities or else business development becomes too expensive, and too risky.

**TTJ:** When is a North American company ready to start looking for deals in Europe?

**KEEFER:** It depends on what market and industry you're in, and on the size and type of European companies you could do a deal with. If you want a deal with large pharma, you pitch a later stage product. You can pitch a technology or earlier stage product to some larger ones, and certainly to smaller

companies, but you must have a solid data package right up front. You must also be able to explain the value proposition in their terms and language. The bottom line is that you should first understand what the potential is, who the prospects are, and know their market position on a country-by-country basis. Otherwise you are just spinning your wheels and possibly wasting money.

**TTJ:** What do you mean by value proposition?

**KEEFER:** It's a 1-2 page succinct but comprehensive summary of how your product or technology adds value to your prospect's business. It must be written in more commercial than technical terms. You must explain how you will make someone more successful in very clear, and very accurate, terms without hyperbole. It includes a description of the features and benefits, but is written in a way that a European executive can understand and relate to. It requires extra work to do it right; but once done, it returns the investment many times over.

**TTJ:** Is the window of opportunity opening, or closing?

**KEEFER:** It is still in its relatively early stage, the opportunities are growing, it is becoming more competitive, and the time is right to pursue all truly good opportunities.

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