

## **Irish start-up neoSurgical has just signed an exclusive distribution deal for the US market. But, as founder and CEO Barry Russell explains, it has taken persistence and courage to get the company this far.**

When neoSurgical was first poised to hit the US market, its team and products seemed to tick all the right boxes. “We knew the industry well and saw the opportunity in laparoscopic surgery for a new port closure device,” explains founder and CEO Barry Russell. “For the past 20 years or so, all closure devices have gone about the task in much the same way. But the market leader only had 15 per cent share, so we knew it was open to a new entrant. We also saw a very different way of doing it; one that requires less dexterity and experience. Young surgeons in training can use it without any difficulty – and that makes it a time-saving, game changer.”

### **PRODUCT POSITIONING**

Sure enough, the basic concept was sound. But in finding the right position in the market, neoSurgical has learned a lot of lessons along the way, Russell reveals. That in itself is cause for thought, given the team’s enormous prior experience. Russell himself is an engineer with both R&D and senior commercialisation experience, gained over 15 years working at a senior level for leading medtech companies. His handpicked executive team has similarly strong credentials, and the chairman, Pauric O’Grady, was MD of Johnson & Johnson in Ireland until his retirement in 2007.

In launching any new product, there’s a process to go through, Russell says. “Developing and protecting the IP, raising money and jumping the regulatory hurdles are just the beginning. Commercialisation is the most difficult piece of all. Large multinationals own the supply channels into hospitals across the globe, and they are consolidating all the time. To go up against that, no matter how good your product, is really difficult.”

### **PICKING A PATH**

For any new medical device, the US is the best market to launch in, in Russell’s view. “Europe may be a big market of 300 million people, but there are huge language issues and different health service nuances to cope with in each country. In the US, you’re talking one price and one system.”

However, the challenges of obtaining FDA approval usually force most new medical devices to launch in Europe first. Fortunately for neoSurgical, even though neoClose is novel, it is sufficiently similar to devices already on the market in the US to skirt this problem.

The US market may be homogenous, but that does not make it easy. “In the US, you could sign-up with a big distributor – but do that and you’re left with no strategy and no leverage. If all goes well, that’s great. But any problems and you could be out in the cold, wondering where to turn next.”

Another possible option, quickly rejected, was putting in place a direct sales force. The cost of that in the US – €300,000 to €400,000 a person per year – is prohibitive, Russell says, adding that a viable direct sales force requires a portfolio of more than one or two products. So neoSurgical narrowed its list of options down to a couple of distributors and signed up with one of the smaller ones, fully intending to build its own network across the US.

### **TRIAL AND ERROR**

“But with this kind of product, you simply cannot launch a beta version and tweak it as you go along,” Russell says. “After launch, we quickly got feedback from the market that, although it worked well if the surgeon had good technique, we really needed to change the delivery guide. We could either leave it as it was, a moderate product which would do OK, or we could take a step back and get it 100 per cent right.”

“That was a hard decision to make mid-stream, after four or five years of hard work, but we took the view that the product deserved it, and we went back into redesign. It was a brave move at the time, but it took us less than five months to produce a redesigned product, including completing the FDA filing. That’s the advantage of small companies – and you do need that kind of agility to survive. When we brought the revised neoClose back to the market, the reaction was the difference between night and day, and we quickly received a lot of interest from corporates.”

Russell says the other mistake neoSurgical made was in its distribution strategy. “We had been advised to start small, launching in one state, one city or even just one hospital. ‘You don’t need to launch widely,’ we were told. ‘When you go widely, you go very shallow. Narrow and deep is best initially.’ But we had our own ideas.”

“With the relaunch, the big question was what route we were going to take this time. We went all the way to the altar with one of the very big distributors, but had we gone ahead with them, we would have been undervalued. With hindsight, they were simply trying to buy cash flow.

Ultimately, deciding not to go that route was the best thing we could have done. Instead we decided that we needed to prove the product out in the marketplace and re-evaluate our strategy entirely. We also needed to raise more money, but what was our story for investors going to be on our goto- market plans?”

## **NEXT MOVES**

neoSurgical decided to stay small. “We ran a competitive process with a number of midtier players, ones where we’d be significant to them, in return for a national, exclusive deal. For close to four months, we ran through the process with four or five companies. We were assessing each other, looking at prices and margins.

The eventual winner, Symmetry Surgical Inc, was changing its business model at the time. That meant neoClose was going to be its lead product, positioning it as an innovator in the marketplace and helping to pull through its other products.” neoSurgical already has a number of other IP ideas to bring to the market. “The trick is to boil one egg at a time,” Russell says. “The arrangement with Symmetry gives us both the confidence and the channel to start boiling the next egg.”

That in itself creates further tension. Should neoSurgical focus now on the next product or on launching its original one in more markets? “We will focus on neoClose in the US over the next six to nine months,” Russell says. After that, it will look at how best to move into Europe, Asia, Australia and Canada.

“Every week, we receive approaches from international distributors but we just won’t hand over to them to get international traction. We’re not prepared to make that move yet. We are going to stay focused on achieving success in the US, and that will give us options. Good logical, rational decision-making dictates that you cannot do too many things at one time. You simply don’t have infinite resources.”

Source: [http://www.enterprise-ireland.com/EI\\_Corporate/en/Publications/The-Market/The-Market-Spring-2015.pdf](http://www.enterprise-ireland.com/EI_Corporate/en/Publications/The-Market/The-Market-Spring-2015.pdf)

April 17th 2015