



LAVAL TECHNOPOLE International Business Centre

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Labopharm: a pioneer in emerging markets

Labopharm is a drug optimization specialist with 130 employees in Laval, 10 in Dublin (Ireland) and 10 in Princeton (United States). But when it was founded in 1994, its mission was different. It licensed its patented sustained-release formula (Contramid®) to multinationals who then used it in combination with their own products to produce tablets that could release their active ingredients over a period of 24 hours, allowing the patient to take just one dose a day. In 2001 it adopted a new mission: from now on, it would apply its technology to generic drugs and market them. This change of direction led it to become creative in developing new business markets.

Useful contacts

Although not all its proposals have led to contracts, the contacts it has developed in negotiations have been priceless. Isabelle Trempe, Head of Business Development, has been quick to take advantage of this. In negotiations with the French multinational sanofi aventis in 2000 to license Contramid® technology, Labopharm developed ties with the pharmaceutical company. Thanks to these contacts, Labopharm signed its first distribution agreement with the multinational for its one-dose-a-day Tramadol Contramid®. With this endorsement from sanofi aventis, the Laval company went on to build its own international distribution network. "They were a lucky contact," says Ms. Trempe. "The project for which sanofi aventis approached us didn't actually materialize, but then we worked with them later when we decided to develop our own products. It opened many doors for us."

Knowing how to find the right people

When you dive into unknown waters, you need the right people around you. This is what Labopharm did when it set up its product distribution strategy in Europe. "A person we knew at sanofi aventis retired... and we hired him! What's important is to find a person you can trust with a well-established network of contacts. That's essential," says Ms. Trempe. Today, Labopharm's product portfolio consists of four products in various stages of development and two products on the market distributed by sanofi aventis, Paladin and Merck.

Go for it...

Just after changing its mission, Labopharm came up with the idea of developing non-traditional markets, particularly in Latin America, which at the time had not been considered "emerging" markets. At the start of the decade, there was no culture of distribution or agents to facilitate networking in these markets, but Labopharm was determined to be a pioneer, saying that this investment would eventually be profitable even if it meant complex preparation work. "The pharmaceutical companies based there distributed their own products without making their networks available to other companies,

Message from the Director



What does the future have in store?

Over the next few years, which countries will Laval exporters be targeting? Which sectors will be growing? What strategies will exporters adopt? These are all pertinent questions for entrepreneurs.

To date, a large majority of Laval exports are still bound for the United States. However, market diversification is a marked trend that we continue to encourage because it is the only way for our exporters to ensure long-term operations and growth.

The BRIC countries offer numerous business opportunities but also present major challenges. At the same time, other countries that have attained a somewhat mature status can also offer interesting markets. We therefore encourage Laval enterprises to target the markets that offer them the best potential.

Let's not forget that Laval's industrial economic fabric is composed mainly of SMEs from various business sectors. Because of that, we will adapt our support to suit their needs. And we continue to support those with the desire and ability to shine on the international stage. We will be able to help them develop a similarly outstanding strategy.

Do read the article on Labopharm, where Isabelle Trempe unveils the company's strategy to ensure its international presence.

Happy reading!

Véronique Proulx, MBA

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unlike Europe and North America, which made it really tough finding contacts," says Ms. Trempe. She had to contact embassies and consulates to be put in touch with pharmaceutical companies, then to multiply and expand their remits. "It's clear that you can't do international business by sitting in Laval," says Ms. Trempe. "You need to invest in personal contacts, get out there and make yourself available."

Already present

With one thing leading to another, Labopharm's efforts have been fruitful. The company currently exports to most of the world. Its early presence in emerging markets, even more than its current business markets, gives it a net advantage. It has had the time to build a solid network of agents and distributors. It works closely with them to help position its products correctly in terms of marketing and finding solutions to meet local market challenges. It has also set up a small team to support its agents and distributors.



Oleptro is an innovative, once-daily formulation of the antidepressant trazodone.

Labopharm continues to create relationships and sustain them by participating in trade shows. "We must not ignore the recommendations they bring," says Ms. Trempe. "If someone recommends an agent to us, we'll look to see if they're the sort of person we want and assess their experience in terms of their sales and jobs held previously."

"Daring" has proven to be lucrative for Labopharm. It posted \$9.6 million in revenue last quarter.



For more information on Labopharm, contact Isabelle Trempe, Senior Director, Business Development, at 450 680-3209 or visit the company's website: www.labopharm.com.

Negotiating for value

As the last stage of the sales cycle approaches, many sales representatives become eager to trigger the "close" process at any cost. Often, this is accomplished by offering discounts, giving away free services, technical support or maintenance, complementary training and implementation, or creating unnecessary product bundles. All of this translates into free billable time from your tech and support groups and costs the company a lot of money.

As a vendor, you may find yourself in this situation if your sales team is not in control of the three basic Negotiation Variables: **POWER**, **TIME** and **INFORMATION**.

1. Building POWER

- Your unique competitive advantage has not been made clear to the key stakeholders: "Complex Sales Methodologies 101"
- Customer needs have not been clearly established and their connection to profits is even less obvious
- The backing of a powerful sponsor has not yet been secured
- The customer has no way of identifying you or your organization: branding, market leadership, references
- You have not yet determined whether the customer is willing to take a risk
- Your team has not yet identified the customer's "source of urgency"
- Your firm has been "selected" but not "approved"

Our team of columnists:





Incoterms 2010: negotiating to reduce risk!

Incoterms ("International Commercial Terms") were created in 1936 by the International Chamber of Commerce (ICC) in order to harmonize international trade. These rules define the obligations of both the buyer and the seller. They also specify the moment when responsibility for the goods passes from the seller to the buyer. Being a manager means taking charge of the logistics chain, choosing the mode of transportation, carriers, costs (transportation, customs, insurance) and risk (damage, loss, theft, etc.).

In January 2010, the ICC issued a major revision to Incoterms, as the previous version dated back to 2000. This revision was motivated partly by the increasing use of Incoterms in national transactions (for example, between the member states of the European Union) and partly by the desire of the United States to harmonize its trading regulations with the outside world and use Incoterms for both domestic and international markets. Incoterms 2010 will gradually replace the UCC in the United States. These rules should also help regulate customs clearance to bring it in line with international practices.

RULES FOR ALL MODES OF TRANSPORT	RULES FOR MARITIME AND INTERNAL RIVER TRANSPORT
EXW (ex-works)	FAS (free alongside ship)
FCA (free carrier)	FOB (free on board)
CPT (carriage paid to)	CFR (cost & freight)
CP (carriage and insurance paid)	CFR (cost, insurance & freight)
DAT (delivered at terminal - loaded)	
DAP (delivered at terminal - unloaded)	
DDP (delivered duty paid)	

The 2010 revision reduces the number of Incoterms from 13 to 11 and the number of categories from 4 to 2. The Incoterms 2010 rules now include the DAT term to replace Incoterms 2000 DEQ and the DAP term to replace Incoterms 2000 DAF, DES and DDU. The table below lists the eleven 2010 Incoterms. They define maritime or river transport as being strictly for monomodal port-to-port movement (right-hand column) and specify that container or road (RO-RO) transport is considered to be multimodal transport (left-hand column). This means you cannot use the usual terms for monomodal transport to refer to multimodal transport.

In your contract, it is important to always state the words "Incoterms 2010" with the term you use. Furthermore, the chosen version of Incoterms is not legally applicable unless the parties precisely specify a place of port, for example: "Incoterms 2010 – FCA Plant #2, Laval; 500, boul. Industriel, H7S 3H4."

Diving into Incoterms with all that it involves (insurance, transportation method, carrier, etc.) without knowing its smallest details is a major risk. The best way to reduce your risk is to see a specialist.



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2. Reversing TIME pressure

- The person with the deadline is automatically at a disadvantage—you with quarterly objectives to achieve, the customer with implementation schedules
- Are we facing seasonal vs. mandated schedules?
- Determine the effectiveness of the "exploding proposal" tactic
- Patience! Haste makes waste
- People don't change with time, circumstances do
- Most concessions occur within 24 hours of the deadline

3. INFORMATION is key to being prepared

- Gather information from internal sources, i.e. employees, precedents
- Gather information from external sources, i.e. competitors, vendors

- Use information as it applies to issues, not just for its own sake
- Use information after all hands have been played
- Listen carefully to what is said and what is left unsaid. Look for unintentional verbal and behavioral cues

By keeping these variables in mind and using them to your advantage, you can easily avoid the pitfalls and headaches that often accompany the end of each sales cycle.



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Blogger's corner

Tips for doing business with **big-box stores** in the United States

For Quebec SMEs, doing business with big-box store buyers can be a very lucrative dream. Unfortunately, it can also be synonymous with bankruptcy if no preliminary planning is done before negotiating with them. Last year I accompanied some Laval representatives on their individual meetings with buyers from major U.S. hardware chains. You will find some of my observations and recommendations below.

Pricing strategy

The buyers work with suppliers from all over the world, and their main criterion to select a new supplier is the price. This is why some of them buy up to 50% of their products from China. It is really hard for Quebec companies to be price competitive, especially for mass market products. I have seen many business meetings start with the question: "What is the cost for your products delivered to our warehouse?" If your price doesn't fit within their price range, they will lose interest even if your products are of better quality.

When they do a product line review, they will ask all the potential providers to exhibit in their showroom. The buyers will then walk around and ask you questions about pricing. So be prepared to answer and have competitive prices!

Delivery policy

When you negotiate a contract with them, they will give you a specific delivery schedule. If you don't respect the lead time, expect to pay a penalty. This is why you should know how to file documentation¹ in order to avoid any trouble at the U.S. border.

Buy-back policy

During the line review, the big-box stores may decide to replace their current product with yours. Some hardware stores don't have a buy-back policy and may ask you to buy your competitor's product in order for you to do business with them.

Defective product policy

When you negotiate your contract with big-box stores, be aware of the future consequences of the option you take for any defective products. It could cut into your profit. Remember, you are agreeing to sell large quantities and, incidentally, your profit margin will be lower.

They will not sell your products for you!

Salesclerks don't have time to sell your product, so it must come with a marketing strategy in order to facilitate its market penetration. Pay particular attention to your packaging, as it should be clear and self-explanatory. I suggest that you come up with a sales strategy that will help the salesclerks on the floor to sell your product. Keep in mind that some stores don't offer sales training. So, their employees are ill-equipped to inform customers about your product. Be strategically creative with your sales strategy and allocate a portion of your budget to this essential item.

In conclusion, doing business with those big-box stores is not for all SMEs. You need to be well prepared for your first meeting, making sure you have the necessary production capacity and transport logistics for efficient delivery.

Should you need more information on how to do business with big-box retailers in the United States, please do not hesitate to contact me.

Caroline Bouchard

¹ On this subject, see the blog article "How important it is to know your HS code for the products you export or import", October 13, 2010, www.lavaltechnopole.org/cait/en.

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