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Change the Business Plan in Response to a Changing Environment

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Surromed had to change their business plan due to two reasons, says Ringold:
1) External climate
2) Lack of potential partner interest. All good startups will adapt the business plan in their life, he notes. For example, Surromed shifted to a product revenue generating model. They started to provide a service to make money which they could invest in their own discoveries. The company moved from generating equity capital to generating revenue.

Transcript

We've had to change the business plan and I'll tell you two fundamental things that have changed the business plan.. One is the external climate and I think it's an important lesson in all of these companies is that I have not seen a biotech company or very few biotech companies who have followed a business plan that has very much to do with the business plan that handed the venture capitalist.. You know, I don't know why they seem to what these business plans because they're basically not terribly meaningful but it's pro forma of process I think to kind of test whether you're thinking through issues of building a company, and in fact if you stick to the business plan, 9 times out of 10 you're not going to succeed.. What you need to do is probe, probe.. Fail again.. Fail over here, find a route that is meaningful and successful and most of the time that was never written in and you never thought of it when you started the company.. And so our initial model was to build a technology and then do big deals like Millennium did in the heyday of Genomex and Upmarket where we would partner asthma with Merck, and diabetes with Lily, and osteoporosis with Glaxo for huge upfront fees and milestones and royalties on their products.. And we started to go out and explore that with pharma companies and you know what they said? Excuse the English, "Up yours.. We're not interested.. We overspent on Genomex..

We did those kinds of deals before.. We got very little out of them and so we're not interested in that kind of a deal or that kind of a structure." So in combination between that and a market that says, "I don't care whether you generate profitability 12 years from now that's not meaningful to me, and you can't raise money." We've switched the plan to essentially provide this technology on a very straightforward contract bases.. Don't negotiate intellectual property.. Don't negotiate field.. Don't negotiate exclusivity.. You send me your samples, you decide what they are.. I'll analyze them, give you back the data, tell you what's up what's down, what's changed.. You decide how to use it, what you want to do with it, and if the next company wants to send me samples in the same field that's fine.. I'm here to provide the service and I want to get paid for it now not later.. And so we've really shifted to a product-revenue-generating strategy, which is we sell you a service and we'll price it accordingly to the study design that you want, and as we generate sufficient revenue, we can begin investing more and more in our own bio marker discovery because the next stage of the company will have to be built on value created from diagnostic products..

So if we have that diagnostic for MS or Alzheimer's or schizophrenia or whatever it might be, that becomes a very valuable high margin business especially if you own the patent on the test.. The third stage, which we had started to do more aggressively early when we thought money would be easy to get was to begin investing in more therapeutic development strategies where we begin investing the bio marker, surrogate marker technology in drug development to stratify patients, find the right patients and that's just going to have to wait.. We just can't afford to make that kind of investment or raise the amount of capital required to really make a go of it.. So we've had actually really paired down respond to the external environment and be more conservative in our approach to building a company kind of a good old fashion way, which was generate revenue as opposed to generating equity capital...