



Stanford eCorner

Entry Barriers as Buffers

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Bioengineering executive Michael Ackermann describes how the unique challenges of the healthcare industry can serve as advantages for entrepreneurs. Once you understand the regulatory landscape and intricacies of the sector's diverse stakeholders, Ackermann says those same barriers can discourage other entrepreneurs from entering the market. The onetime CEO of a startup that created a tear-stimulation device for those with dry-eye disease, Ackermann explains how capturing even a small slice of the \$3 trillion healthcare market is huge.



Transcript

- The big difference between software and healthcare is that it's highly regulated, right? And in addition to the regulations to even be able to get on to the market, you have this entire reimbursement side that has to be covered, too, right? So not only does it have to be approved, but somebody has to agree that they're going to pay for it. And so, how does that impact things, and how are things potentially changing? So, what I would say is that in some ways it's very tempting to think about those things as barriers because frankly they are barriers, right? I mean, you gotta go through a lot to do this, and you have to have knowledge of the system, right? You have to understand what this regulation thing is all about to be able to get a product onto the market, and you have to understand what this reimbursement thing is all about to get there. What I will tell you is, it's a great thing. I mean, here I am, I'm a total neophyte to spun this thing out of Stanford just four years ago, and I don't have some high school or a Pali High coming up with a competitive version of our product that's going to launch immediately after, right? There's some complexity there, but there's an incredible network of people in this valley and beyond that understand the nuance, and frankly it's not rocket science, right? So it doesn't take a lot to understand it, you just have to be able to get that understanding and then play by the rule, and once you get on the other side actually it's a really tremendous barrier that actually ends up being very protective. Other things are working to make it go faster, but inherently these are long processes, right? But I think that's part of the trade-off, I mean, the markets are equally as large, even a very tiny fraction of a three trillion dollar market is still, can be a multi-billion dollar market, right? I mean, it's still enormous markets, and so there's really enormous opportunity, but you're not competing with, you have intellectual property, you have FDA, you have reimbursement barriers that really prevent competitors from coming into the space.