

By Vita Reed
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Electronic middleman

Lathian Grows in Bid to Take Work of Drug Reps Online

Pham: started company as part of business school competition

Lathian Systems Inc. of Newport Beach is banking on doctors wanting more control over their office time for its growth.

Lathian, formerly known as MyDrugRep Inc., does what sales representatives making office calls do--providing drug marketing information to doctors.

But Lathian doesn't make office calls. The company is putting a lot of effort into a strategy dubbed "e-detailing"-- calling on doctors via the Internet to provide drug details.

"What we do is provide a five- to eight--minute, Web-based presentation, a short movie," David Ramsay, Lathian's chief financial officer, said.

Afterward, doctors can order samples of the drug presented or schedule a visit from a sales representative.

Using the Internet allows doctors to spend more time with patients or deal with other matters, Ramsay said.

Primary care doctors get up to 25 visits a day from drug sales representatives, according to Quang X. Pham, Lathian's founder and executive vice president of corporate development.

"That's a lot of interruptions," he said. But Lathian isn't looking to do an end around on drug makers. If the three-year--old company is going to make it, it needs drug makers in its corner.

"You just can't walk into an industry and say the Internet will change everything," Pham said.

Lathian has signed up several big drug makers as customers.

Clients include Aventis, AstraZeneca PLC, Johnson & Johnson's McNeil Consumer and Specialty Pharmaceuticals, Merck & Co., Novartis AG, ScheringPlough Corp. and Wyeth.

Company officials estimate there are some 200 other drug companies-out there that could use Lathian's services.

One notable name missing from Lathian's roster: Pfizer Inc.

Pfizer counts some 12,000 sales representatives, Pham said, and doesn't have "need for E-Detailing."

"It's very difficult to win every customer," he said. "As far as I know, no one has Pfizer as an E-Detailing customer."

Lathian's management has been key to landing drug makers, said Pham, who's worked for Astra Merck, a marketing venture of Merck and AstraZeneca, as well as Genentech Inc.

Financial chief Ramsay was vice president and treasurer at ICN Pharmaceuticals Inc., the midsize Costa Mesa drug maker.

Chief Executive V. Brewster Jones hails from Shared Medical Systems Corp., now part of Siemens AG.

Lathian is on target to do \$10 million to \$12 million in revenue this year, Ramsay said. The company is cash flow positive and expects to turn a net profit this summer, he said.

Lathian has raised around \$17 million since its start, Ramsay said. Backers include Sprout Group, the venture arm of Credit Suisse First Boston Corp., Hummer Winblad Venture Partners and Siebel Systems Inc.

"We have plenty of cash to last us for the next two, three years," Ramsay said. "We're done raising money."

Going public isn't a pressing priority for Lathian, "given today's market and how difficult it is," Ramsay said.

"We want to scale the business up and double the revenues," he said.

Lathian is second only in its market to Physicians Interactive, a business unit of Allscripts Healthcare Solutions Inc. of suburban Chicago, according to Ramsay.

Beyond that, there's "another 10 companies vying for the No. 3 spot," he said. As for the overall market, Ramsay said he believes that Lathian's business sector may evolve in a similar way as direct-to consumer drug advertising for medications such as Clarinex, Prilosec and Nexium, which he said accounted for \$3 billion in business at the end of 2002, up from nearly nothing a decade ago.

"It won't be as large, but I can see a similar growth curve," Ramsay said. "In five years, I think this could be between \$500 million and \$1 billion and us having 30% of that market."

Another factor that may help Lathian, according to Pham, is what he called "over saturation" of drug representatives, quoting figures showing the number of drug reps has grown from 50,000 in

1995 to a projected 90,000 by the end of 2003. Growth among physicians hasn't been anything near that, he said.

Lathian grew out of a-Hummer Winblad business plan competition Pham won when he was a business student at the University of California, Irvine.

Pham and his mother came to the U.S. in 1975 from Vietnam. His father, a lieutenant colonel in the South Vietnamese air force, spent 12 years in labor camps before joining his family here.

Pham himself joined the Marines in 1987 and flew missions as a helicopter pilot in Kuwait.