

Interview: Michel Lavoie – President & CEO, Dermtek Pharma, Canada



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Michel Lavoie, president & CEO of Dermtek Pharma in Canada, discusses the family-owned company's track record of success over the past three decades, the emphasis they place on R&D and product development, with successful brands like Ombrelle and Reversa, and his commitment to growing Dermtek Pharma as a truly Canadian, family company.

Michel, Dermtek Pharma is one of the few local, family-owned pharma companies left in Canada. Could you give our international audience an introduction to the company?

As a company, Dermtek has certainly come a long way. The full story dates back to 1965, which was when my father, Robert Lavoie, started his first job at Westwood Pharma. Subsequently, he moved through a number of other dermatology companies like Trans-Canada Dermapeutics, which became Canderm Pharma (subsequently acquired by Sanofi in 2010). After two decades of travelling across Canada and building a network of connections with Canadian dermatologists, he decided to start his own company, Dermtek! He sold the small sailboat he owned, his sports car, and took a bank loan to do this. His accountant at that time told him he was crazy to give up a well-paid job – so he found a new accountant.

Dermtek started in the basement of our home in 1986 and we moved to our current location in 1990. With the help of an excellent chemist, Dermtek began to formulate dermatological products on the basis of affordability and efficacy. Our first runaway success was the Ombrelle line of sunscreens, which was later sold to L'Oréal, who took the brand global. With Ombrelle, we wanted to protect the skin against the harmful rays of the sun. With our Reversa line today, we are trying to reverse the damage caused by the sun, so we have come full circle, in a sense. Our medical portfolio is still very important and we have products catering to warts, acne, rosacea, eczema and psoriasis, but over the years, we have seen growing market demand for more cosmeceutical, anti-aging products.

This niche is highly competitive and we do not want to go up against the giants, so we operate in certain niches. For instance, we have never gone down the injectable route or into doctors' offices with exclusive lines, as the price points are simply too high. Our business model is based on affordable, effective products.

What does innovation mean to a smaller, family-owned company like Dermtek?

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Innovation will always be our forte. My uncle, Paul Lavoie, works in advertising and he always says, "I doubt the conventional and create the exceptional!" My aunt came up with the Ombrelle logo. When I began as a medical sales representative at Dermtek Pharma, we produced this card for Reversa. When my son was born, we announced the news with a very creative card.

In 2006, we launched a daring campaign for the Reversa line targeting older women, which featured a young, naked man and an older, dressed lady, to subvert the stereotypical ads with women in bikinis holding beers. This campaign won two Gold Lions at the Cannes festival – the highest award for advertising globally.

As a company, we certainly do things a little different. As a family-owned company, it is critical that we have the confidence to do what we believe in. I learnt this from my father, who always had a plan and the courage to execute it. For instance, to promote the Ombrelle brand, we sponsored national teams in sailing, rowing, downhill skiing and so on. We had a huge Ombrelle spinnaker made for the sailing team. We placed huge, inflatable balloons in stadiums. This was the 1990s and these advertising ideas had not made it to North America from Europe yet – but my father thought of them and did them.

Could you highlight Dermtek Pharma's current product portfolio?

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We have a very balanced portfolio. The medical and the dermo-cosmetics sides of the business complement each other very well. For instance, on the medical side, marketing is relatively simple and there are no listing or co-op fees to contend with. We advertise in very targeted journals. On the Reversa side, the volume and sales are very strong.

For instance, we have therapeutic shampoos with coal tar and salicylic acid, and we have an antipruritic therapy with hydrocortisone for minor skin irritations.

Our wart treatment is the number one recommended treatment in the province of Quebec. It has an innovative acrylic vehicle, which makes it very occlusive. You do not need to put a band-aid on the wart after treatment because the acrylic dries after application, creating a protective layer against air and water as well as preventing the spread of the virus.

One of the first products we launched is still available today. It is not a star seller by any means but there is a consistent patient and pharmacy need for it as a reliable compounding vehicle so we keep it on the market. I think that really represents the ethos of Dermtek Pharma.

We also modified a discontinued product, Burow's solution, which is an astringent, antiseptic solution for wound healing. It was previously sold by Stiefel Laboratories, which was bought by GSK, who subsequently discontinued about 45 products, including this one. We have also resurrected a derm oil for patients with psoriasis, eczema and other skin conditions, which is put in the bath to control the condition and offer relief. Both of these were formulated recently because there were no alternatives available on the market.

This is a direction we have taken recently: bringing back the oldies but goodies. We are really trying to help the patients.

Are there any products you are particularly excited about?

We just introduced a three-step acne system called Acnex under the Reversa brand, which has been doing very well.

We also have a 10 percent glycolic body lotion and face cream, which is the highest percentage we can go to in an OTC drug. We were also the first to focus strongly on brown spots and melasma with our Reversa anti-spot lineup.

Next year, we are looking to revisit the sunscreens, having previously been a pioneer in the market. There are a lot of excellent sunscreens on the market right now but we have decided to launch what

we call an "urban sunscreen", combining SPF 30 into our glycolic acid day cream. This is more for the day-to-day office workers, who do not need a full physical block but may want to fight fine lines and wrinkles while protecting themselves from the sun. We will also do a full-on physical block for beach holidays and so on.

How important is it that Dermtek collaborates with dermatologists and healthcare providers?

It was through the help of Canadian dermatologists that we have been able to grow the business. We have developed personal relationships with Canadian dermatologists, who in turn are the ones who steer us in the right directions. Their feedback has become our pipeline. What is good for the patient is what is good for us because it is all about the patient.

Patient outreach is so critical here as the market is so vast. Dermatologists are really the first line of treatment and it is important we build and maintain excellent relationships with them. We are very fortunate to have these tight-knit relationships with them, built by my father over the past five decades and by myself over the past 15 years. We would not be where we are today without Canadian dermatologists supporting our company and our products, and they do that because they recognize the efficacy of our products. This is how we built our brand here in Canada. The price point will always be important to consumers but consumers also value testimonies from dermatologists.

In addition, dermatologists have steered us over the years with their honest insights into patient needs. They are clear in what they would like to see on the market and what does not work in products, so as a company, we aim to be good listeners and really hear what patients are saying. They also provide tips or insights into a particular molecule or patient need, and based on this, we do extensive research.

For instance, we were at the American Academy of Dermatology annual meeting a number of years ago, where we met a dermatologist that told us about an anti-parasitic ingredient that could be used against rosacea. We had read studies that demonstrated a potential link between Demodex mites and rosacea. We were the first company to include an anti-parasitic in our face cream for rosacea patients, and the results were phenomenal! The major players came out with their own anti-parasitic products soon after; previously, they had used vasoconstrictors. But we were ahead of the curve when it came, and that is always important because it gives us the first-to-market advantage!

It is really the relationships we have forged with Canadian dermatologists over the past five decades that have kept us in the loop of market developments and dynamics. This feeds our R&D work so we can be sure that we are innovating for Canadian patients.

Certainly, we have seen some new names with deep pockets enter the market in the last five years but it is not about the money. It is about relationships and knowledge of the business. Muscling in does not work.

As the pharma industry has globalized in the past decades, there has been a significant amount of consolidation within the Canadian pharmaceutical industry. How important is being family-owned to Dermtek Pharma?

I feel very privileged to be in the position I am in. I have been able to learn from my father, my best friend and my mentor my whole life. While I have made mistakes, I have had the opportunity to learn from them. Dermtek Pharma has really come such a long way.

With family businesses, it is very rare to see a third generation take over. Very often, the second generation comes in, works at the company, but eventually sell it. It would be all too easy to sell the business and move on, but Dermtek Pharma is truly a family business. We have employees that have worked with us for over 20 years and there are so many people that depend on us, so we definitely want to continue to innovate and help people. We receive letters from patients thanking us every day. That is the most gratifying part of our job. Our dream is to grow Dermtek as big as possible and have my children and my sister's children continue the legacy of Dermtek.

Looking forward, what are your strategic priorities for the company?

We recently closed our first export deal and the first pallet of Reversa products left for China last week. We are certainly open to more international partnerships and collaborations.

We also recently relaunched our website in order to increase the accessibility of our products to

patients. In our line of work, product placement on pharmacy shelves is very important and the market is highly competitive, which can be frustrating sometimes for a smaller player. Having a website gives us more control over whether patients can access our products.

Dermtek is built on innovation and we strive to be ahead of the curve whenever possible. We look for new ingredients, molecules and formulations. R&D is a huge part of our business and it will remain so. We would also like to continue building on the relationships that we have forged with Canadian dermatologists over the past five decades.

I think Canadians are often seen as less avant-garde than we really are. We have great resources in Canada to leverage and there are many exciting developments taking place here. We should ask ourselves what we can do to freshen our image internationally.

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