

TRADE THERAPY

TIM SMITH IS AN INTERNATIONAL BUSINESS VETERAN WHOSE COMPANY, AVAZZIA, SELLS THERAPEUTIC MEDICAL DEVICES WORLDWIDE. WHAT HE HAS LEARNED ALONG THE WAY MAY ALLEVIATE SOME OF YOUR GLOBAL VENTURE'S GROWING PAINS.

by John W. Mitchell



PAIN RELIEVER

TIM SMITH'S COMPANY, AVAZZIA, IS ON A MISSION TO PROVIDE THE WORLD'S POPULATION WITH NON-DRUG PAIN RELIEF. ALONG THE WAY HE'S LEARNED MANY LESSONS IN GLOBAL TRADE.

PHOTO: JUSTIN CLEMONS



GLOBAL TRADER PROFILE TIM SMITH

Years with company: 10

College: Southern Methodist University

First job out of school: Semiconductor chip design engineer at Texas Instruments

Logistics Partners: FedEx; UPS

Favorite hotel in the world: Shangri-La, Singapore

Company bank: JP Morgan Chase

Favorite international airline: American Airlines

Weekend hobbies: Family activities and fishing

Favorite business magazine: *The Economist*

IF TIM SMITH KNEW IN 2004 WHAT HE KNOWS NOW, he would have first sold his line of microcurrent neuromodulation devices in Europe. The handheld devices, about the size of a computer mouse, are a new twist on an old principle that relays electrical impulses to relieve pain and encourage healing.* In Europe the devices are classified as a consumer device—as opposed to a medical device—and are available without a prescription.

“My revenue ramp-up would have been much faster compared to the U.S. market, where a doctor’s order is required,” says Smith, the founder and CEO of Avazzia, based in Dallas. Smith is 70 and speaks like a man who knows his values and is confident in them. He says marketing to doctors requires U.S. Food and Drug Administration (FDA) approval and an intense one-on-one effort to demonstrate to physicians that a new therapy offers good patient outcomes. This is one of many lessons he has learned in the past 10 years selling his product globally. Even for an experienced former Texas Instrument (TI) senior executive who had profit-and-loss responsibility for overseas manufacturing plants, there is always something new to learn about successful exporting. In an upcoming trip to Asia, he will work for the second time to open the Chinese market.

“The first time I tried a few years ago I hooked up with a distributor group who I later realized expected under-the-table payments,” he recounts. “I don’t pay bribes. It’s against my ethics and it’s a violation of the U.S. Foreign Corruption Act,” he says. He has had recent success in India, where the U.S. Commerce Department’s Gold Key Matching Service program offered him several pre-vetted possible distributor contacts.

“One of the gentlemen and I hit it off right away. And because he had been screened in advance, I knew his values and mine were a good business match. I can’t say enough good things about the Gold Key program.” (See sidebar.) The company recently made its first product shipment to India.

Smith says that something he learned well at TI was that when you run into a problem, go to the locals for their suggestions. This is a lesson he has relied on in Malaysia.

“In Malaysia, 30 percent of the population are not native, such as Chinese or Indian, but they control 80 percent of the wealth. So you work a lot with this non-native population,” he says. “But not always. To get our products in Malaysian hospitals, I learned it is imperative to work with a Bumiputera, or a native-born contact. Bumiputera, a Sanskrit word, translates to ‘prince (or son) of the soil.’ So it’s very important to understand these kind of distinctions depending upon the market you target.”

For Smith, successful business is about good relationships, especially globally. This has enabled him to create vital partnerships throughout the world, including with research foundations and medical schools in Malaysia and Romania. He said it is absolutely vital not to act like an American know-it-all when cultivating new markets but to be sincerely respectful. Smith follows this strategy implicitly, to the point where he is often asked if he is a minister.

“I think that indicates there is something about my demeanor that implies honesty and character,” he speculates. But invariably, he says, there will be misunderstandings in overseas-market relationships.

“You have to really watch people,” Smith cautions. “You can tell when you’ve screwed up and done something culturally insensitive by the look on their face. The key is to apologize immediately, then figure out what mistake you made so you don’t do it again.”

As an example, he cited two instances in the Philippines when he was with TI. He learned very quickly that to point at someone with a raised finger, as is done in America to indicate you need them, is very offensive in the Philippines. Instead, the custom is to point toward the ground. Smith also told of an American engineer who worked for him who was on a trip to a TI plant in the Philippines. The exec kept referring to an English slang word for transistor adhesive but was also a local slang word for a body part.

“He figured it out when every time he said the word, the female employees either snickered or looked appalled,” Smith says.

“In Asian markets especially, the best answer you can give is ‘I don’t know,’ rather

than make something up," he advises. "Because then when you give an answer you *do* know, you will be believed and it helps establish trust." He does not speak a second language, noting that English is the language of business worldwide.

Smith's line of 15 electric stimulation products gives a modern update to an old idea. Its history can be traced back to ancient Egyptians who used electric eels for revival and on through to the late 1800s, when the newly invented electrical current was used to make all sorts of wild, unsubstantiated medical claims. But for the past two decades the standard has been Transcutaneous Electrical Nerve Stimulation (TENS). Smith explains that his devices also place electric currents through the skin, but that is where the similarity with TENS ends.

"Most TENS units are designed to overwhelm the nerve with too much current, causing it to shut down to reduce pain. Avazzia devices deliver small amounts of current at a higher voltage and promote peptide production to help relieve pain chemically," he explains. "The neuropeptide response we get equals a morphine dump into the affected area, without the side effects that come with narcotic pain medicines."

Avazzia works on what are known as C-fibers in the muscles as opposed to A- and B-fibers impacted by TENS, according to the company's website. And because it delivers a small amount of current, it can be powered with two AA batteries as opposed to plugging into house current or 9-volt and other larger batteries.

Although ongoing medical partnerships overseas support the notion that Avazzia devices promote healing, the company cannot make that claim in the United States. But Smith says he supports FDA standards for medical-device approval.

"Our global customers appreciate the fact that we have FDA approval for pain relief. FDA approval is highly regarded in the rest of the world," Smith says. He hopes to conduct U.S. clinical studies on healing, although stateside studies are very expensive.

But Avazzia does obtain other standard endorsements that are recognized around the globe. "In India we give the devices to the medical schools and they produce very

credible medical studies accepted in most of the world," Smith says. He adds that in India, hospital pain wards have up to 4,000 patients and the department heads are not happy with the available pain-management options.

"They don't have the money to use narcotic pain meds, and over-the-counter meds like acetaminophen can have long term effects on the liver," he notes.

Smith was motivated to invent his devices when he saw a neighbor suffering from neuropathy foot pain due to diabetes. He had recently left TI after 21 years and was looking for his next project. When his friend began reporting much better pain relief, his development tinkering led him to found Avazzia in 2004. He quickly added former TI senior executives with experience in developing and selling "small gadgets you carry around in your hand" and who are trained in the TI tradition to think strategically with every process. He also hires veterans and likes to have some interns around for their energy.

"I look for people with honesty and integrity who are really knowledgeable in their field. I also want self-starters and people who understand it is important to have fun at work," Smith says.

Rickey Puckett, Avazzia's comptroller and accountant, is a good example. A 22-year Air Force veteran, he also handles shipping for the company. Puckett says he considers shipping to be a function of his duties to control expenses. The company recently switched nearly exclusively to FedEx for an estimated savings of \$10,000 annually. He stresses that there are still some countries where they will continue to use UPS, depending upon the in-country delivery network that performs best. Avazzia's handheld products are relatively easy to ship and are packed to withstand a drop from shoulder-height to the floor. Puckett reports that Customs is the company's biggest challenge. Some of its clients use freight forwarders such as ClearFreight to both batch orders for a better shipping price and to expedite and reduce Custom issues.

"They email me the Customs forms, I fill them out and then a third-party picks them up for the freight forwarder," Puckett explains. "In South America, for example, we've learned it's really critical to have

THE MAGIC OF GOLD KEY

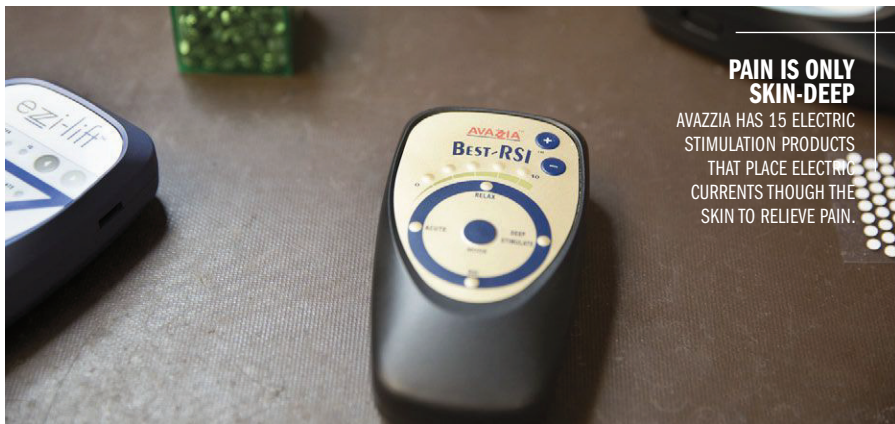
THE U.S. COMMERCIAL SERVICE'S GOLD
KEY MARKETING SERVICES

IN MEDICINE, AN ACCEPTED TRUTH IS IF YOU NEED AN

operation, go to a doctor who does a lot of those procedures. The same thinking applies to global trade. The Gold Key Matching Services are provided through the International Trade Administration's U.S. Commercial Service (through the U.S. Department of Commerce). The program arranges appointments for U.S. business leaders with "pre-screened overseas agents, distributors, sales representatives and business partners." The program saves time, money and uncertainty by assisting with travel, accommodations and interpreter services.

Many companies have benefitted from this program. This includes Sirchie (Youngsville, N.C.), a manufacturer of crime-scene materials used by law enforcement throughout the world. Its Gold Key Service contact resulted in a \$1.1 million sale to the Brazilian government. X-Spine Systems Inc. (Dayton, Ohio) netted a deal worth \$200,000 for its medical-implant devices from the United Kingdom. And Karp Associates (Maspeth, N.Y.) shipped an initial \$130,000 order of its custom-access doors to a Saudi business within nine months of its initial meeting.

The U.S. Commercial Service operates in more than 80 countries. To contact a representative, visit export.gov/eac.



PAIN IS ONLY SKIN-DEEP

AVAZZIA HAS 15 ELECTRIC STIMULATION PRODUCTS THAT PLACE ELECTRIC CURRENTS THROUGH THE SKIN TO RELIEVE PAIN.

someone there to walk the shipment through Customs. There is something about products with wires that are labeled medical devices that creates difficulties in some countries." By contrast, he says, India and Canada are relatively simple destinations for shipment.

With about a third of the world's population suffering from chronic pain at any given time, Smith's vision is to place one of his Avazzia units in every household in the world.

"The U.S. has 5 percent of the population of the world, but we use 80 percent of narcotic pain meds in the world," says Smith. He cites the side effects of narcotic pain relievers—including addiction or overdose—then notes that for the rest of the world his device is a lower-cost, more-effective solution for pain management.

Avazzia manufactures its product line, which includes applications for cosmetic and veterinary use, in Dallas. On the company website, the devices sell for between \$400 and \$3,590, depending upon the application. A few accessories are made in Taiwan. Smith feels there are unique sales benefits to manufacturing stateside, where consumer safety standards are perceived to be among the best in the world. He also says that the global clinical community is used to seeing many medical research and study papers out of Dallas, which is home to some of the most respected medical institutions in the world. This includes MD Anderson, where the first artificial heart was developed, and Baylor Medical Institute, which has a network of more than 3,000 board-certified physicians. At any given time, BMI has 500 ongoing active research investigations for drug, device and vaccine studies.

"People around the world know that

Texas is different from the rest of the United States and that is mostly good," Smith says wryly. He adds that the people of Canada, where he also easily exports his product under NAFTA, are a lot like Texans.

"They are former cowboys who are now drilling oil."

Currently, Avazzia exports account for 10 percent of sales. His goal is to grow that to 25 percent in Asia and 25 percent in Europe. He says the company is working on a web-based plan in Europe. "Right now the Internet outsells what Walmart sells every day and is growing faster. There is a huge opportunity in that trend," he explains. He also says that he does not think European companies can develop a competing product that could be marketed at the same selling price. "European countries have expensive social programs that are paid for by taxes at various business and retail levels. This drives up prices on European goods. European consumers have demonstrated they will choose a lower-cost import product." He says this is a good opportunity for Avazzia in the European market.

Smith is a big believer in his people, talking with pride about how engineering interns he mentored at TI went on to work on the Lunar Lander project and move up to vice presidents for TI. While he recounts this experience, he does not mention that he also worked on successful components projects for the Lunar Lander and Apple computers earlier in his career.

To ensure the company's viability when he may not want to or cannot serve as CEO, he makes sure his senior team is all trained to wear multiple hats.

"When I'm out of town, the company still runs," he says proudly. ■



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GLOBAL

OPERATIONS

APR. - JUN. 2014

Vessel On-Time Performance	
Asia-U.S. West Coast	98%
Asia-U.S. East Coast	58%
Transatlantic	30%
Asia-Europe	46%
Asia-Mediterranean	N/A*
Asia-East Coast	
South America	72%
Asia-Mexico/West Coast	
South America	67%
Intra Asia	62%

SAFETY

JAN. - AUG. 2014

Long-Time Operational Stoppage	5
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ENVIRONMENTAL**

FY2013 vs. FY2012

Carbon Dioxide (CO2) Emissions per TEU-Mile	↓ 4.5%
Nitrogen Oxide (NOx) Emissions per TEU-Mile	↓ 4.5%
Sulfur Oxide (SOx) Emissions per TEU-Mile	↓ 6.0%

NORTH AMERICAN

OPERATIONS

AUG. 2014

In-Terminal Truck Turn Time	
Jacksonville	16 min.
Los Angeles	35 min.
Oakland	24 min.

CUSTOMER SERVICE

AUG. 2014

Lost Calls	2.04%
Phone Wait Time	16 seconds
U.S. Export B/L Documentation Completion Rate	96.87%
Documentation Accuracy	
U.S. Export	98.65%
Asia to U.S.	99.53%

EDI

AUG. 2014

Message Processing Without Failure	95.8%
EDI Uptime	99.2%
Customer Setup Time	48-hrs
Customer Scorecard Compliance	95.7%

* No MOL ships deployed since April 2014.

** MOL has also established a target to reduce CO₂, NO_x and SO_x emissions by 10% by FY2015 vs. FY2009.

PROJECT FINANCE **REEFER TECH** AIR CARGO HUBS **RESHORING**

Global Trade

COMPANIES BUSINESS GLOBALLY



Our Third Annual

BEST CITIES FOR GLOBAL TRADE

In 10 Needs-Based Categories

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SITE SELECTION ASSISTANCE

SKILLED WORKFORCE

EMERGING CITIES

BUSINESS ENVIRONMENT

GLOBAL VIBE

EMPLOYEE-FRIENDLY

PROXIMITY TO UNIVERSITIES

LOGISTICS INFRASTRUCTURE

+

WHY WE LOVE THESE

20 PORTS

AND WHAT THEY OFFER

YOUR LOGISTICS

PROGRAM

“It’s easy for someone to sell you passion but you can’t overlook professionalism.”

**ICELANTIC SKIS CEO
ANNELISE LOEVLIE**

on choosing foreign distributors

Annelise Loevlie, CEO of Icelantic Skis, shares her

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AND HOW SHE CREATED AN AWARD-WINNING INTERNATIONAL BUSINESS

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