

Episode 22 R2 Surgical - Transcript

Michael Roberts [00:00:09] So welcome to the Health Connective Show. I'm your host, Michael Roberts, and today I am joined by the folks at R2 Surgical. I've got Tom Shrader, the President, Ryan Koleda, the Sales and Marketing manager, and Jordan Killam, the Marketing and Communications Manager. Thank you all for coming on this morning. It's such a pleasure to have you.

Tom Shrader [00:00:27] Yeah. Thank you very much for having us.

Michael Roberts [00:00:28] Absolutely. So R2 Surgical is a company that buys, refurbishes and sells surgical robotics and equipment. Today we're going to just start talking through that process, like how that works, how this business model fits into the overall landscape of medtech because it's really interesting. I think we just met at the Society for Robotic Surgery meeting, and there was some interesting conversation around this whole process of democratization of these kinds of tools, because they are very pricey and very few can afford them around the world.

So how do we get these types of devices out to more facilities around the world? How do we make this more possible for more patients to receive this kind of care? So we're going to jump into all that. But let's just start with how does this work? I mean, because it's not just like, hey, you drop off your car and somebody else buys it. This is a much more involved process. So I guess if you guys could just kind of start talking me through how the business process works.

Tom Schrader [00:01:25] Yeah absolutely. The process all started, it actually started years ago with my other company called Medco Blue, which specializes in used radiology equipment. About five years ago, I noticed an uptick in demand from my radiology customers asking about surgical robots. And I started to entertain those requests. And a couple of years later, I found myself reselling them. And that led to obviously some, a need in the ability to kind of service these things, do some repair. And after a lot of networking and kind of growing the company, we basically figured out a way to provide a comprehensive service.

So we established marketing channels over the years, and hospitals from all over the world find us through our website, through, you know, our social media. We get lots of referrals, but there isn't one, just against, a surgical dealership website or anything like that. You know, that it's been a kind of a slow growing network. You know, our reputation has kind of grown over the years, and everyone basically knows that we're the robot people. So that's kind of how that came to be.

Michael Roberts [00:02:43] So you guys talk about, hey, you have robots, what does that include? What types of devices does R2 Surgical sell?

Ryan Koleda [00:02:50] So R2 Surgical specializes primarily in laparoscopic robots. 95% of our business is the Intuitive Surgical da Vinci series. Specifically, the SI model is kind of our bread and butter. It's the model that we have the most expertise on. We have the greatest network. We can provide comprehensive support. That is primarily what we do. Having said that, we also are able to resell plenty of the da Vinci X and XI, which were the latest generation prior to the 5 coming in. And then, we've also helped hospitals find some of the other mixed models like the Stryker Mako, the Globus Medical Excelsius robot, and some of the other specialty robots as well.

Michael Roberts [00:03:37] Gotcha. So we're basically like, you're that couple of models back on sort of the premier robot right now is kind of like the bulk of the business at the moment.

Ryan Koleda [00:03:47] It is when you're talking about the da Vinci series. So we were able to resell the latest and greatest. But now that the 5 is in, you know, obviously that's just now coming out. So we're just going out. Yeah, probably a couple years. But as it relates to the other makes and models, we are selling the latest generations of those, we just don't have the level of service and support needed to sustain, you know, a full program.

Michael Roberts [00:04:13] So, let's talk a little bit about service and support, because again, when we were first talking about this, I just thought like, okay, you get the device and now you're good. But like there's disposables that you have to deal with and there's all these other kinds of things, things that can go wrong with the device. So I'd love to hear how you guys are handling that?

Ryan Koleda [00:04:32] I'll take this question. When Tom brought me on to the company, we had a large push to try and give support as an option to our clients, because when he started out, it was maybe not so comprehensive. But then we realized that we did have the capability to take on a much larger role with what we're offering as far as the da Vinci SI robots. So the support, first of all, we offer after sales support, and our support is a little bit different than maybe Intuitive or any other OEM would offer. But we also take it a step further and offer the disposables, the instruments like you mentioned. So that way we can sustain one of our clients.

So when I came on, the goal was to offer more support programs to our client. So when we helped install robots in different countries, whether it be Venezuela or Ukraine or Poland, Turkey, we had a real opportunity to accentuate upon what is possible, especially in parts of the world where this country maybe has a presence within, with da Vinci robots, but maybe a certain portion of that country, it's its brand new technology there. So in short, we offer more of an education platform for our support. We give a hospital the capability to not only learn on a da Vinci SI robot if they needed that type of experience, but if they didn't have robotic experience particularly, we can give them the possibility to learn the basics of handling the robot. We can give them a training opportunity for taking basic clinical exposure and applying it to the robot, learning the suturing techniques, etc. and then also giving them the possibility to learn the biomedical engineering side of handling the system.

They can consult with us after delivery of a system, the client could consult with us on if there was an issue that popped up with the robot, if it displayed some sort of error. They talk to us, we quickly diagnose the potential issue, and then we offer a solution. And the best way to describe what we do as far as support beyond education, is that if there's an issue with the robot that is deemed non repairable, then we do offer them the option to exchange the system for a replacement. So we have the guarantee for them in place with what we have here in our inventory and our stock and our resources to make sure that even if there is downtime in the O.R., it's as minimal as possible, because we have certain expertise when it comes to being able to get something to them in a fast time frame, which is something that nobody else should be able to offer with the da Vinci SI robot.

And then to talk about the instruments and the disposables. We are constantly sourcing, everything that we find is finite on the second hand market. When we, when we acquire anything from hospitals here in the United States or not exclusively from the United States, we're constantly in the know. We stay in touch with our clients to make sure that whatever they need, we're going to have it ready for them to go when they do need it. So a lot of it has to do with forecasting, and it takes a very special amount of regulation from our side to make sure we're not overcommitting ourselves to one, one client versus another. We're very careful in how we make sure that what we've given them is something that they can sustain and make sense for them, especially from a, from a budget perspective, but also from a perspective of helping our clients help as many patients as possible. It's a big pillar of our, of our company to be, to be able to make sure that what we're giving is going to work for a long time, or the sustainability of ourselves. And then also. Yeah..

Michael Roberts [00:08:01] Sure so you mentioned, hey, you've got some stuff there at your facility where y'all are coming from, from Ohio. Right. So how many robots do you have? I mean, like, what's the warehouse look like?

Tom Schrader [00:08:14] We've got quite a few in stock, but thankfully not too many because that means we're actually doing our jobs right. And that's where the goal is not to have is not to have a warehouse full of robots. But at some point, I think that would be kind of neat, just, as a novelty. But we're really we want to, we're focused on getting them in and getting them out. But we also do a lot of refurbishment here. You know, we have a giant stack of instruments. So if you come in, you'll see lots of robots, you'll see lots of instruments, lots of disposables. It's really kind of a one of a kind, because we're the pioneers in our space and we're, as far as we know, from all the network, networking we've done, we're the only company that we're aware of that has such a stock of not only robots, but all the instruments and the capabilities to to maintain and refurbish, so yeah.

Michael Roberts [00:09:04] You mentioned that you had another business that was doing something like this and another space. And from the conversations that we had earlier, this wasn't so much a brand new idea. And was it the radiology area, is that where you were saying?

Tom Schrader [00:09:17] Correct, correct. My background is actually in used MRI scanners, UCT scanners, the mobile MRI and CT rentals, things like that. So reselling equipment is something I've done for over 15 years. And when I saw the demand for these surgical robots increase, I just saw it as another piece of medical equipment. Because even though I focus on MRI and CT, over the years, I've sold every type of diagnostic imaging machine and lots of others. So I just saw it as another piece of equipment I could buy and sell.

But the tricky part about, you know, a surgical robot versus an MRI scanner, a surgical robot requires, there's a lot more to growing and supporting that program. It's not just about putting a machine and turning it on and then having a trained tech run scans. Right? You need to have just the machine and the placement, but you need to train the staff. You need to train, obviously you need trained doctors. You need to have engineering support. You need to have a constant supply of consumables. You need all those things.

So I quickly realized that my ability to provide these robots was limited by my ability to support them from an engineering and training and consumable standpoint. So, you know, it started off with reselling a couple and then networking with some engineers around the globe, who most of which have used to be employed by Intuitive Surgical and they have all this wonderful training and knowledge and with their help and bring them onto our team, you know, we've been able to now offer this comprehensive level of support.

Michael Roberts [00:10:58] That's amazing. So let's talk about this from a sustainability kind of lens. You know, like I don't know about you guys, but I've got my iPhone handy, and this is maybe my second iPhone. I'm probably due for another one you know, judging by some of the

pictures that I took at the conference that we've met at, they're starting to get a little grainy and starting to get a little dated and everything.

But there is always this quest. Right now it seems like we're always looking for that next device, we're always looking for that next thing. And in a lot of Western markets and a lot of, I'll just say, wealthier markets, wherever they are around the world, hey, that's awesome, good for you. Go do these things. But then there's a lot of potential just waste, you know, like, what does a hospital do with the extra machine? I'll pass my iPhone down to one of my kids, and it'll probably become a gaming device or something like that for one of them. But when you think about like, sort of like the global impact of how health care is creating waste, we have to balance this need of making sure that there's enough safety for the patient, but also not polluting the planet. So how do R2 Surgical fit into that? And, you know, how does that factor into what you're thinking about?

Jordan Killam [00:12:03] Well, I think that just the very existence of R2 Surgical to begin with, like you said about cars, if these machines are well-maintained, they can last. And for example, the da Vinci SI is a really hearty, sturdy robot. I mean, even more so, I think, than its newer, newer sisters. And so that's one thing. And then obviously, instruments. Instruments are, if no one's using the instruments, if there are still lives left on them, they should be used too. An alarming amount of medical waste is created each year, especially in the US. And we don't believe that the latest and greatest is always the best option.

We think that, for example, what we love so much about the da Vinci is that it's such a great product and has been a great product and has that two decades-plus worth of attention and research and care. So we really believe in the da Vinci as a sustainable product. And it we're I mean, we're kind of fans of Intuitive Surgical. That's how this whole thing started. We knew it was a safe bet. So we help combat medical waste by making sure that these very well-maintained robots and their amazingly designed instruments are still available to hospitals who otherwise couldn't afford them in far corners of the world.

Ryan Koleda [00:13:35] And, you know, not to mention, if we weren't here, you would see, well, you wouldn't see because we're the only ones who get exposure to this. But because we are providing consumables to hospitals in currently seven different countries, everyone that gets their hands on some of the Intuitive Surgical consumables, the instruments that kind of trickle down from hospitals. Let's just say a hospital decides to trade in their SI for the XI, or they trade in their XI for the 5. Intuitive Surgical, they don't take back these consumables. They don't take them back and repurpose them. These are all getting thrown in the trash.

So right now all of that filters its way back to us, because we are the number one buyers for these, because we're the only company that is able to use them. So all of that that would have ended up in the landfills is now coming back to us, and we're able to resell those. But again, it's

not just the brand new ones or the ones in sealed boxes. It's the used instruments as well. We're able to take those in. We have a full inspection process, making sure it's functioning properly. And then we have customers who are happy to take a used instrument and save money at the same time.

Jordan Killam [00:14:51] So I think in this country and in Western countries, we think of hospitals as these very like large conglomerates, well-oiled machines. Well, there are hospitals all over the world that maybe aren't doing as many procedures as Intuitive wants to work with, you know, so they're not meeting those minimums. But those are our people. Those are our customers. Our customers are maybe not churning out thousands of procedures a year, but they still have an interest in robotic surgery and want to provide that level of care for their patients.

Michael Roberts [00:15:25] That's awesome. We were just having a conversation yesterday. I had a guest on and we were talking through the whole process around telesurgery, and just how that's expanding and all the cool ideas that come around that. But there was a lot of market limiting factors to exactly what you're saying, Jordan, in terms of, hey, is there enough money in this? And as much as we'd love to separate health care and business, the fact is they go together and you have to make that stuff, you have to make those numbers work out and in ways that make sense.

I'm thinking through just about this whole kind of concept, around the economics and everything, and we're talking about some of the other countries that you work in. Are there facilities in the US that are saying, like, hey, we're not ready for da Vinci 5? We would love to be able to use the SI or the XI. How is that working within the United States?

Tom Schrader [00:16:16] Yeah. So the need is there. So exactly what you're saying that's happening, and there are still customers in the United States that have the da Vinci SI, that don't want to upgrade to the X or the XI, because there's not much of a difference between the two platforms. So the SI can do 95% of what the XI can do, and same with the X. And so a lot of hospitals recognize that they're just getting a newer machine. And because they maybe they're not one of the hospitals that they have over, they perform over a thousand procedures. Maybe they're doing 300, 400 procedures a year. And just financially, it doesn't make sense to upgrade.

So there are customers who would prefer to keep their own robots. So like at the end of this year, Intuitive Surgical told all of their customers that they will no longer be supporting the SI. And so we've had a lot of hospitals reach out to us and ask us, okay, are you able to service this? Can you help continue or sustain our program? You know, which is great to see, but it's also illuminating to the real needs of these hospitals. Like you were saying, they don't, some of

them don't want to upgrade. There's no point in upgrading for them. And that's kind of where we come in.

And so yeah, we are definitely going to see that with the X and the XI, maybe lots of hospitals who don't, maybe they don't see the real benefit to the haptic feedback. You know, there was a lot of talk about that at the SRS conference. It'll be interesting to see, but that's not why we're buying it. Honestly, what we're seeing in hospitals in the United States, as far as the interest in secondhand robots and support, it's the same thing we're seeing in other countries. I don't really see much of a difference. The need for affordable surgical robotics is ubiquitous throughout the world. And that and that's where we come where we come in. So yeah.

Ryan Koleda [00:18:10] Our future is just figuring out how we can help all of these customers because there are definitely more than we have the ability to support at this time. And that number of interested people keeps growing as the interest keeps growing from just the knowledge that this is a possibility. It's the same thing. An older robot, I suppose, but also like getting a slightly newer robot. About maybe at some with some other concession. So it keeps growing, which is honestly the most fascinating part.

Jordan Killam [00:18:40] To Ryan's point, and just from a marketing perspective, we're inventing a new language on the internet. You, a surgical robot, didn't exist a short time ago, and so it's kind of like there's the wow, you guys, this is a thing that is actually a very I mean, people can't even imagine until we tell them and. Oh, okay. Well, I see how it would work in this sector. But wow, robots! First there's an education piece.

And then also we live in a digital world where we're on WhatsApp, we're on Outlook, we're on LinkedIn, and we're dealing with people all over the world. And so it's like, we're okay, we're here, we're real. This is what we do, and we can provide these services. It's kind of amazing. And as a marketer, I have run into the challenge of just getting Google right, getting Google Ads, right, because how people are supposed to find us if their search volume isn't even there yet. Yeah, it's a really interesting thing going into a completely new industry that's very niche that hopefully will become more than niche in the future. But I just find it just so fascinating from afar.

Michael Roberts [00:19:51] Yeah, I could definitely geek out with you on that angle for quite a while. Let's talk about ambulatory care, surgical care, kinds of facilities. Are those kinds of places reaching out to y'all yet, or is that something where I'm just curious to see how that would play out, because that's been at some of the events that I've been to this year. Everybody's talking about, well, how do we start addressing the need for ambulatory surgical care? How do we, outpatient hospital care, all of that kind of stuff? There are a lot of different types of constraints, but money is always one of the big constraints that they're trying to deal with. And it seems like you guys are well positioned for them.

Tom Schrader [00:20:27] So it's kind of the same conversation between ambulatory surgical center and hospital. When they're talking to us. Both of them are saying the same thing. They're saying, hey, I can't afford a brand new robot, and what can you do? So very similar conversations, and I think we have and are currently working with a handful of ASCs in the United States. There's more interest than we can cover at this time, which we'll get into. I think a point, I think you'll have another question later in this episode about the new robot manufacturers coming out, because we are planning ahead because we're seeing there's more demand than supply. There's a finite number of sort of second hand robots in the market, and there's a finite supply of these consumables, and you need it all, right. And so we understand that, we need more and easier access to robots and to these, and to consumables. And then once, once those kind of gates open, we'll be able to help Aces and lower budgeted hospitals alike. Yeah.

Michael Roberts [00:21:36] So let's let's lean into that a little bit more. So there were all these interesting devices that we saw recently at this Society for Robotic Surgery meeting. And there were 50 robots there. That was the big number that they were touting, and I didn't even know there were that many in the world in terms of things that you could use for surgical care. So is R2 Surgical's goal to become like a reseller of some of these types of products, because I think one of the things that, as I've talked to people since the meeting and I've come back and said like, hey, there are all these cool devices. Some of them are from India, some of them are from Japan, some of them are from China. And then you have these others that are maybe from Europe or from the United States that are just completely different form factors. And they're not anything like an Intuitive, but there's something like just completely different shapes and everything. So how are you guys looking at that particular landscape?

Tom Schrader [00:22:27] Yeah. So that was one of our biggest challenges at the SRS conference, was trying to figure out which robot manufacturers we really want to talk with because they, they very well, I mean, they represent the future of the surgical robotic space, but they also may represent our future as well. So as I was saying earlier, our ability to supply and support lower budgeted hospitals or ASCs with surgical robots and consumables is limited by our ability to, to acquire things. And not not only that, but also to service the equipment.

So for the da Vinci SI model that supply that, all those consumables, consumables that are trickling down from hospitals that are trading in their equipment or selling them off, that's going to slowly stop, at some point that will stop and that will eventually cut our ability to supply da Vinci SIs permanently. I don't see that happening for at least a couple of years, but there is a need. Again, there are more customers than we have robots and consumables for. So we need to figure out what is the next step? So, you know Intuitive Surgical, we don't have a relationship with them. So we are not exactly working together.

We, our customers are different in that we are focusing on the hospitals who are looking for, we can only do about 50 to, you know, about 200 procedures a year. That's kind of like our sweet spot, right? But there's a lot of those. There's a ton of those. And you have to start somewhere, right? So circling back around. Our goal at that conference was to talk with some of these robot manufacturers and get an understanding of where they're at in their process, where they're at in registering with countries, what their price point is going to be, that we can hopefully find a good match. Because if we're not able to supply and service the X and the XI models, right, we need an alternative. And so we are planning for the future there.

And while we do have a lot of ability to sell and service the X and the XI, it's going to be finite like it is for the SI. So it would be a breath of fresh air to actually have a partnership with one of these new manufacturers, something we don't have with Intuitive Surgical. And if we had that partnership, we could offer, and the goal is being able to offer affordable, brand new surgical robots to our, our existing customers and to all these other customers from all over the world and the United States that are looking for these affordable solutions. So we definitely have our eye on a couple. We've narrowed our list down to a couple that we're pretty excited about.

But, like you said, there are 50 there. It's kind of like an overwhelming number of new surgical robots. Unfortunately, a lot of them, a lot of them will fail. Some of them will succeed. I think the ones that will succeed are the ones that have their own niche or specialty. Taking on the da Vinci model head on is going to be quite the challenge. But if you can, if you can do that and be at a price point of about half or less, I think there's a lot of interest. So we're really excited to see who's interested in working with us, and then which of these robots will really shake out kind of pull heading and kind of get some of that market share.

Jordan Killam [00:25:57] And I think to Tom's point, we're just incredibly agile and nimble. As you know, we're not a huge corporation. Sure, we have the relationships, the network, and the bandwidth to penetrate some of these markets that I think a lot of these companies just probably couldn't get to, and we're more than happy to help them with that.

Michael Roberts [00:26:20] Yeah, absolutely. That's awesome. It's interesting as we're all talking and Tom, you came from a marketing background, if I'm remembering correctly. Is that right?

Tom Schrader [00:26:27] Yeah. My background is marketing. So yeah, when I first got into the medical space, back in 2009, it was in a kind of a market research role, which evolved to higher levels of marketing. But yeah, that is my first.

Michael Roberts [00:26:43] So I'm getting a chance to talk to three marketers at once, which is always fun, talking about being able to geek out on a topic, but so much of the world is digital. Covid happened. We all shifted our behaviors, right, for that time of when the world was turned upside down and it was like, oh, this type of interaction where we're all sitting around a computer, this is the only thing we'll ever have. And it kind of became like the mindset of like, I guess this is the new default. Talk about that in terms of coming at this as a marketer, but how important your networks are, your relationships are your that in person, whether it's through LinkedIn that you're talking to one on one individuals or whether you're doing that in person, like I'm interested to see, like how what kind of mindset shifts, I guess it requires to make something like R2 Surgical work.

Jordan Killam [00:27:27] It's interesting. I think a lot of what we do is very grassroots. It's very conversation based. We scour the things we have, the resources we have. LinkedIn, going to conferences. And I think after I came on last year, these guys ended up just having to talk to a lot more people based on, you know, the work that I was doing on a new website and stuff like that. And like I said before, you know, it's a challenge to get these search engines to recognize you and, and throw you in in a relevant capacity in an organic search.

And so, yeah, I would say that a lot of it is referrals, people that Tom has had a positive working relationship with and can vouch for us. So yeah, it's kind of the most basic way to network. And I think that face to face communication is great. But obviously if you're dealing with someone in Northern Turkey, you're probably not gonna see them face to face. So we've just become experts at digital networking. And luckily, some of the time we've been able to, you know, meet our customers in person.

Tom Schrader [00:28:36] So it's an interesting world that we live in, because before my time in marketing, going back 20 years, there was a lot of a lot of face to face. Pretty much everything was face to face or on the phone. And now it's 99% digital, which in a lot of ways has really enabled us to, to reach out to people we would have never been able to reach out to, especially with things like Google Translate. You know, you can have a broken language conversation. It works. Right? It's pretty amazing to be able to connect to folks in different countries, all of whom can share the same problem. But yeah, it's yeah, it's a challenge in some ways, but because we're able to connect with anybody via email or WhatsApp, we're able to, to help a lot of people.

Michael Roberts [00:29:25] That's awesome. I just think it through like the fact that you all are having to deal with international facilities and like to go back to like search volume and that kind of stuff. It's like, not only do you need second hand robots in English, but you also need it in Turkish and, and all the other languages that you're dealing with. So yeah, that's what would be an interesting project to take on.

Michael Roberts [00:29:44] So y'all, there's so many questions I could just keep peppering you with. But, we've learned a lot today about the whole process of buying and selling surgical robots and why hospitals and surgical centers need to consider this as an option.

Thank you all for hopping on today. This is very exciting, and I love getting chances to learn about how people are tackling problems in brand new ways, which y'all definitely are. So thank you to our listeners for joining us for this episode. For more about R2 Surgical, you can go and see the new website that Jordan helped build out at R2surgical.com. And for more on the Health Connective show, please visit HC.show for previous episodes and Health Connective as a company.