# KABI Vitrum in the US

## The Company and the Product

The firm is a medical company and a part of the Procordia Corporation. In 1955 it had 2000 employees of which 600 were employed abroad. Its turnover was 1.5 billion SEK. It had four business areas: Nutrition for intravenous nutrient solution, Hematology for blood products, Peptide hormones for growth hormones and Parma which covered a variety of products. Each business area had its own marketing, R & D, and accounting units. The firm also has a number of foreign offshoots. The product in question, Intra-lipid, is a fat emulsion for intravenous use, It is prescribed for those people who cannot digest food from the stomach and especially patients who are about to undergo surgery. Using this product patient can rapidly obtain nourishment and the number of days in hospital can be reduced.

## The Entry

The launching of this product was successful in Sweden and in Europe. In 1967 the company also tried to launch the product in the US market. It was regarded as a very interesting market not least because of its size but also by reason of life style, economic resources and the relevant R & D activities undertaken there. The management of the company decided that the best way to launch the product was by getting into contact with the best US scientists within the field as well as users such as surgeons and other medical specialists. Professor Wretlind, the discoverer of the product, went to the US accompanied by several colleagues. They visited exhibitions and symposia to introduce Intralipid and also made contact with scientists in ASPEN (American Society for Parenteral Enteral Nutrition). They managed to raise only a limited interest in the product. The next step they decided upon was to find an agent, it being thought that this was the best economic alternative form of market entry. The first commercial contact with the market was made by a chemist who had taken part in the development of Intralipid and was now in charge of marketing. He made contact with the international R

& D and marketing units in the biggest medical companies: Abbot, Baxter, Travenol, Me-Gaw and Cutter. They were all very skeptical of the new product since they had the idea that before surgery people should starve. Only Cutter Laboratories showed some— though only a little interest in the product. The company was known to be a high quality producer carrying out advanced R & D. Negotiations led to an agency agreement in 1968. This included both sales and distribution of the product. Cutter helped in the necessary tests before registering the product.

In 1975 the product was accepted for sales by the PDA (Food and Drug Administration). Kabi Vitrum began to export the product to Cutter Laboratories. As the received wisdom on starving patients had changed, its 30 salesmen— mostly pharmacists and chemists— were able to sell quite successfully. The total sales volume increased steadily year by year even though the price was high. Capacity limitations led to the establishment of a production unit close to the market in the US. It was a joint venture with Cutter. It covered joint R & D, production and marketing and the agreement was concluded in 1978. The manager appointed was a Cutter man. The factory was built in Clayton, North Carolina and was finished by 1979. Cooperation between The Swedish head office and the American managing director was not without its problems. Kabi Vitrum thought that it was not kept informed about the way the joint venture was run and it was regarded as "the little brother" in the situation. Another problem was that the 17-year patent ran out in 1981. The market was soon to be open to competitors.

In 1981 a number of US and Japanese competitors entered the market. Cutter-Vitrum found itself in a price war in the market for fat emulsions. Worse still the market share for its other products fell from 15% to 7-8%. It cut the product line and finally had only Intra-lipid left. In 1984 Cutter withdrew from the joint venture agreement. There were very few potential buyers for the company. Kabi Vitrum decided to stay and bought out the Cutter share. The rationale for this move was that it still wanted to have a foothold in The US market and to have a presence in the competitors' home market. The company was also a supplier of raw material to Cutter and did not want to lose that business.

After the acquisition the American manager was replaced by a Swede. The company gradually began to produce its other products back onto the market. It kept the same sales personnel. In April 1985, the most important of the other products Crescormon, a human growth hormone, had to be withdrawn from the market. Other firms' corresponding products had shown serious side effects. The loss of one of the two corner stone products and severe price pressure on the remainder forced the company to search for a new partner in 1985. Competitors realized the situation Kabi Vitrum was facing and in November 1985 Baxter Travenol made contact. In March 1986 a new agreement was made. Baxter Trave-nol ran the production unit and the whole sales force and bought Intra-lipid from Kabi Vitrum. The disinvestment was cheap and sales turned upwards. Baxter Travenol was an aggressive firm. It described itself as "the hospital supplier" that can deliver everything a hospital needs. To be a part of this product mix gave Kabi Vitrum the chance to get its product sold to the hospitals who previously bought only from Baxter Travenol.

## Questions

1. What were the major firm, market and product characteristics and how did they affect the company’s international strategy?
2. What were crucial to establish operations in the USA?
3. What strategic losses did the company incur?