Abbott Laboratories Acquisition

Abbott Laboratories has agreed on an all cash deal to purchase the pharmaceutical arm of Belgian conglomerate Solvay SA, for around 4.5 billion Euros ($7 billion), as reported in on page B1 of the Monday, September 28th, 2009 edition of the Wall Street Journal. The sale gives Abbott access into markets in Eastern Europe and Asia. It also brings onboard the work that Solvay has done to create hormone treatments and vaccines for the H1N1 flu virus.

Abbott is paying for the acquisition from cash on hand and requires no financing from the markets. For Solvay, this sale allows it to focus on two, more profitable areas: chemicals and plastics. This is an example of a company divesting and refocusing to consolidate on strategic business units that better conform to its core competencies, to increase profitability.

The two companies, Abbott and Solvay, have collaborated on specific products, which Abbott will gain full control over as a result of this sale. In this transaction the companies demonstrate an example of holistic marketing. They are looking at the big picture and making a trade (cash for assets) as part of a collaborative network in a way that delivers greater value to their stakeholders.

Pharmaceuticals companies have been consolidating through mergers and acquisitions. The article reports that Pfizer has taken over Wyeth for $62 billion and Merck is acquiring Schering-Plough for $41 billion. The sale of Solvay’s pharmaceutical unit to Abbott Laboratories appears to confirm that trend.

# Bibliography

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