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Ignacio Vega and Carlos Ibares Sanz of Spanish medtech Cardiva, explain the group's origins as a distributor, the growing importance of manufacturing, and the company's international ambitions.

How has Cardiva evolved since its formation in Bilbao in 1989?

Ignacio Vega (IV): Cardiva began life as a distributor, primarily for the US company Medtronic, focused only on northern Spain. In 1990 Cardiva made an agreement with a Scottish company now owned by Therumo and began distributing all over Spain, with offices in Madrid and Barcelona, but our headquarters remained in Bilbao.

During the 1990s, we realized that focusing solely on distribution would always be limiting to our growth aspirations, with the continual consolidation, mergers and acquisitions of smaller manufacturing companies making it a very unstable market. Therefore, we began to look at investing in our own manufacturing facilities. We found a small family company in Malaga, southern Spain, which had been developing products for surgical use for J&J. When J&J decided to transfer their manufacturing to China, they looked to sell and Cardiva acquired the company and their factory in 2001.

At the same time, we also made a move into China with the acquisition of a manufacturing plant near Shanghai. Our Chinese facility – due to the comparatively lower labor costs – acts as our main manufacturing hub, after which the products are transferred to our Malaga facility which hosts the automated part of our production.

We also made the decision to invest in a factory in Barcelona to produce products for vascular diseases in general including all peripheral, coronary and neurovascular areas. Our mentality in Barcelona is to develop the product from the beginning, from the raw material. Having control of the entire production of a product allows us to control costs and compete with the big global medtech companies. With this control, the speed at which we can move, compared to these larger companies, is also a key differentiating factor for us.

What are the items currently at the top of your priority list?

IV: We are now investing a lot of money in our Malaga plant because we have grown so quickly and we need larger facilities. Our investments will double the production capacity of the plant. Each day we export more and more products and this is our priority. We want to expand in many countries in order to minimize the risks inherent in focusing on only one country. Currently, between 35 and 40 percent of the Malaga plant’s production goes to exports, but our future goal is that this percentage rises to 90 percent.

Carlos Ibares Sanz (CIB): Another of our key priorities is being able to offer medical professionals a complete portfolio of products. This is achieved by offering a combination of products manufactured by Cardiva as well as those distributed by us in agreement with other companies.

In terms of manufacturing, we want to consolidate what we already produce as well as expanding capacity. With the upgrades to our Malaga facility, we are now able to manufacture Class III medical devices [usually those that support or sustain human life, are of substantial importance in preventing impairment of human health, or present a potential, unreasonable risk of illness or injury. These devices need premarket approval and a scientific review to ensure their safety and effectiveness].

Another important point is innovation, in terms of new products that we are creating through our own R&D department and perhaps in some cases, through partnerships with other actors.

International expansion is also key. We have established direct operations in Portugal and, more recently, in Italy, and we are open to expanding to other countries in the future.

We understand that Cardiva recently inked a distribution deal with Bolton Medical. How do you go about choosing partners to work with and what makes you the partner of choice?

IV: Cardiva was already distributing products from Vascutech which is owned by Therumo, for 20 years in Spain and Portugal. When Bolton Medical and Vascutech merged, the decision was taken that Cardiva should also be the distributor for Bolton in Spain and Portugal. We have developed our business closely with Vascutech over the years and although we are officially the distribution arm, in reality the partnership is a lot closer than that. Some of our other partnerships are with smaller companies whose only requirement of us is that we sell – they are purely commercial relationships.

CIB: It is often very difficult for American and Asian companies to enter the European market. Europe is not a single entity but by partnering with us, they can easily enter the Spanish, Portuguese and Italian markets – three big markets with close to 150 million people – in one fell swoop and with an experienced partner.

Throughout our history we have looked for quality rather than quantity in our partners. We would rather have long-term relationships than a long list of clients and this is shown in our day-to-day activities. We facilitate the contact between our partners and the Spanish, Italian or Portuguese key opinion leaders, we are very transparent, and we invest in these companies. We are not simply a commercializing distributor, but a true partner recreating at a local level what our partners are implanting at the global level.

Cardiva has over 1,000 products, what are your main business lines and which areas are driving growth?

IV: For Cardiva Distribution we are involved in everything endovascular which includes brain treatments, neuroradiology, peripheral vascular and coronary. The second main area is pain. Cardiva has been involved in this area for 30 years and we are very well known in this in Spain. Our third line is our Clinical Division, those products we produce ourselves in Malaga and which are marketed in Spain, Italy and Portugal – all of the single-use products needed in the operating room. The future of this area is in offering complete packs which include everything that a surgeon needs to operate.

CIB: We are also open new opportunities in areas such as arthroscopy and endoscopy.

Who do you see as your main competition and how does Cardiva differentiate itself?

IV: When you are a small, southern European company, you need to develop everything yourself. We gain trust through building relationships with key opinion leaders by inviting them to visit our facilities, for example. We face different challenges than a British, American or German company might but we offer the same level of quality as any other company in the world.

The unique problem we are currently facing is cost. For a comparatively small company such as ours, we need to reduce costs in order to increase our activities in areas such as manufacturing. If you control every stage of production and commercialization, you can offer more to hospitals than big companies. Big companies have problems building relationships with hospitals and, at the end of the day, their concerns are primarily financial.

CIB: It is clear that we are not able to compete with the R&D budgets of the big multinationals. However, we are now seeing that most of these companies' innovations are not coming from internal sources, but from acquisitions of smaller players. We are therefore, faster, more focused and more efficient in terms of innovation.

In terms of commercialization we also have an advantage in that we focus on training – we are committed to training our staff so that they can provide the best service possible to medical professionals – and the level of service. This can be seen in the fact that we have offices all over Spain not only in Madrid, but also in Catalonia, the Basque Country, Galicia, Andalusia and the Canary Islands. Our focus is to be very close to the customers.

IV: It is also worth noting that as a Spanish company developing products in Spain, the rates of tax we pay are much higher than those of an international company only commercializing here. Indeed, when a product is developed in Spain, 80 percent is recouped by the state. Cardiva therefore sells its products manufactured in Spain at the same quality and price as those of a big multinational, but the Spanish state saves 80 percent. This is the real contribution we are making, which is recognized by the Spanish health authorities, but they do not necessarily create ways to help us and promote more homegrown development and manufacturing.

What do you see as the next stage in Cardiva's development?

IV: The next step is to look for partners in other countries that could develop as Cardiva has in Spain. In the future we will be present in all therapeutic areas and in many different geographic regions. We want to continue manufacturing products, distributing products, as well as make agreements with small companies. The first risk in this area is the cost of products and the second is the technology. If you do not stay on top of development and innovation, new products can quickly appear and squeeze you out of the market.

CIB: The window of opportunity for medical devices is getting shorter and shorter. 20 years ago, a company would have three or four years' advantage after launching a product. Now the window is around six months. Expansion will therefore come from investments in new therapeutic areas and international expansion.

To what extent is Cardiva recognized as a true partner by the Spanish state?

IV: The problem in Spain is the fragmentation of the healthcare system – there are 17 regional governments with 17 different ways of seeing the business and the various regional ministers of health often change. Furthermore, from looking at these ministers' resumés, one can see that in many cases they have no experience or expertise in the health field.

CIB: The national Ministry of Health works only on general health policies and does not care so much about how the budget is spent. However, in the regions all problems are associated with the budget. The regions' attitude to innovation and R&D is vague and long-term and they are extremely cautious about potentially exceeding their budget on expensive innovations.

Where would you like to take the company in the next five years?

IV: Firstly, we want our own brands, developed and manufactured by us, to be known in more countries. Secondly, in five years' time, we hope our Italian operations will be at the same level as our operations in Spain. Thirdly, we hope that Cardiva will have a new product on the market using new technology.

CIB: We want to be disruptive with one of our own technologies!

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