

SPECIFIC FINDINGS

1. Market Composition, Size and Growth

An analysis of the secondary data was performed in order to assess the market potential for noninvasive cardiac diagnostic equipment in the United States.

In 1979, the total U.S. sales volume for noninvasive diagnostic equipment was \$72.8 million. This volume was divided among electrocardiograph equipment (\$32.7 million), echocardiograph equipment (\$20 million), diagnostic computers (\$14.3 million), and stress testing equipment (\$5.8 million). Projected growth rates for these four products differ substantially. Stress testing equipment is expected to show extremely high growth -- 65% in constant sales dollars. Diagnostic computers and echocardiograph equipment are expected to show very high growth (37% and 20% respectively). Electrocardiograph equipment is expected to show a low growth rate of 3%.

The sales volume for all cardiac equipment (including patient monitoring and microprocessor controlled systems, as well as the categories mentioned above) is estimated to be \$650 million in 1981.

2. The Competitive Environment

The competitive structure of the markets for these product categories is characterized by rapid corporate acquisition of small proprietary companies. In the electrocardiograph market, composition is very concentrated with the top three manufacturers of single-channel EKG equipment holding 84% of the market, and the top three manufacturers of three-channel EKG equipment holding 77% of the three-channel market.

The competitive structure of the echocardiograph market is slightly less concentrated with the top three manufacturers of M-mode echocardiograph equipment holding 63% of the M-mode market, and the top three manufacturers of two-dimensional echocardiograph equipment holding 71% of that market. Seventy-nine percent of the stress testing equipment market is owned by the top three manufacturers. The market for computer systems for the diagnosis of electrocardiographs is the most concentrated. Ninety-three percent of this market is held by the top three manufacturers, and the market leader, Hewlett Packard, accounts for 63% of share.

In the Mid-Atlantic market, the predominant purchase pattern for cardiac equipment is one in which almost half (49%) of purchases are made directly from the manufacturer. Cardiac equipment is purchased from a range of more than 35 suppliers. Predominant suppliers were Hewlett Packard (the definite market leader), Marquette, and Avionics.