Europe's pre-owned market will accelerate

Financial pressures to get more out of existing hospital equipment are driving an expansion in the pre-owned market in Europe

Philip F Jacobus

President
DOTmed.com, Inc

Since 1978 I've been involved in the pre-owned medical equipment business. Initially, I sold imaging equipment in China as an agent for Picker. In more than 70 trips there I sold more than 500 pre-owned diagnostic imaging systems in addition to another 400 systems in South America, Africa, Eastern Europe and the USA.

Believing that the internet would change the pre-owned medical equipment business, I founded DOTmed to create a more fluid, broad and transparent online marketplace. Over the years, I've watched the pre-owned market expand tremendously. In the USA 20 years ago, acquiring brand new equipment from OEMs was considered the safe option (OEMs didn't offer pre-owned) and individuals and facilities that bought and sold pre-owned equipment were few and far between.

The marketplace has changed a lot in two decades. Independent Service Organizations (ISOs) began to make serious inroads to become a viable option. Now, OEMs are also offering pre-owned options, with many major OEMs having divisions dedicated to pre-owned equipment. I predict a similar phenomenon will happen in Europe, China and Brazil, as the market evolves, driven, as it has been in the USA, by financial need and then embraced as a more developed, capable market makes the experience of buying pre-owned more streamlined and dependable.

Drivers of growth in the USA and emergence of ISOs

This financial need was present in the USA two decades ago, and the market growth drivers are fairly simple: hospitals and medical groups were under increasing financial pressure to get the most out of their existing equipment. There was a need to keep equipment longer and extend its useful life. ISOs, initially small companies, made this feasible by providing service and parts at a lower cost. The proliferation of ISOs and the cost-effective options they present equipment owners has proven to be economically self-supporting, hence stimulating market growth and further market development. The small handful of early pioneers began to cultivate fertile ground

While the situation began with smaller companies, eventually OEMs saw great benefit in developing independent, multivendor service and parts companies. Many have established service businesses that service their own and competitors' equipment through asset management and service contracts.

In the USA today there are many multi-million dollar independent service firms – some with turnover in excess of US $50 million. ARAMARK and TriMedx are two examples of successful independents. ARAMARK employs more than 1,200 engineers in more than 500 US hospitals while TriMedx also holds a strong position serving in excess of 300 hospitals, with more than 500 employees powering their $134 million business.

ISO services have become much more than just transactional and some have become very sophisticated, with larger companies providing equipment acquisition and lifecycle management, equipment maintenance management, clinical asset tracking and a range of other value-added services. As a result, hospitals and clinics have an incredible range of viable service options and multiple companies compete for their business and keep costs down.

Consider that in the USA, in the 1980s,

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there were only about five or six ISOs. Today, there are 100 large ones and more than 200 employing at least a couple of professionals. DOTmed's service directory alone lists some 1700 companies. As further proof, in 2009, DOTmed invited companies involved in the spare parts market to meet in Dallas to discuss where the market was heading. For that meeting, representatives from 72 companies were onhand to offer their opinions. It's obvious there's an incredible head of steam in this sector and Europe is poised as the next big growth market. In fact, Frost & Sullivan a recently projected that Europe will see annual compound growth in the pre-owned medical equipment market of more than 7%.

Additionally, hospitals have also become key players in the service industry with many hospitals staffing inhouse service technicians to keep their equipment in top-form – TriMedx actually started that way to service the hospitals of Ascension Health.

Market parallels and opportunities – where is Europe headed?

Objective research from firms such as Frost & Sullivan, as well as my own experiences from travelling to Europe and conversing with European colleagues, topped with observations of traffic on the DOTmed website (the website averages more than 250,000 active listings daily with Europe's contribution steadily growing) has convinced me that Europe, particularly Eastern Europe, is on the edge of a tremendous growth period for pre-owned equipment. By extension, the spare parts market will enjoy an even greater expansion. Clearly, attitudes are changing.

Driving these conditions, similar to what the US market experienced years ago, are financial pressures to get more out of their equipment and more for the equipment when a hospital or clinic no longer needs it. The economy is also responsible for another factor supporting change. Due to tightening budgets and layoffs, qualified technicians are seeking employment, competing for business and demonstrating to the market that small ISOs can provide top-quality work and service. Because of this and other factors, I predict there will also be more independent service companies, like MESA in Switzerland and a host of others that are emerging in Eastern Europe and more OEM service to meet the needs of a market looking for the best service at the best price. I'm far from alone in this belief. Actually, you need look no further than MESA to find another supporter. MESA's current president is the former president of ReMedPar, a well-known parts and training organization in the USA. But there still are concerns.

COCIR and market development

In the USA, ISOs, particularly smaller ones are uneasy about the European Coordination Committee of the Radiological, Electromedical and Healthcare IT Industry (COCIR). Some believe COCIR is a threat to their business and that the organisation may be developing restrictive and unnecessary standards. I'm not convinced COCIR and their OEM supporters will present a long-term barrier to doing business. As the world economy continues to suffer, and as the OEMs in Europe see the financial benefits that their colleagues in North America enjoy, they're going to want to move in that direction. COCIR, I believe, will begin to embrace the concept of independent service. Not only is it a business opportunity for the OEMs, but ultimately, the European market is going to demand it. As the market grows it will, like in the USA, become broader, more complex and multidimensional and therefore economically self-sufficient and supportive of the OEM. The growing availability of high-quality service and parts at reasonable prices will ultimately encourage hospitals and clinics to give pre-owned equipment a second look. I believe they'll like what they see.

Into the future

I predict more hospitals in Europe will be closely scrutinising budgets in the months and years to come. This investigation will lead some to bring their equipment servicing inhouse. Others will be more welcoming to independent parts companies. The increase in business to those parts companies will also benefit the used equipment market since machines will be needed to farm parts from. OEMs, recognising the profit potential, will also move to firmly establish themselves in the pre-owned market. Automobile manufacturers have offered new and pre-owned certified vehicles for years and it has proven profitable. It's about time that the medical equipment industry offers similar opportunities. I believe it will ultimately help to put more hospitals and health care providers back in the driver's seat.