Philips-On the Royal Road to King of Medical Equipment

In 1998, Royal Philips Electronics of the Netherlands fathered the Philips Healthcare Services group and appears determined that the son will soon become King of the medical equipment industry. This move apparently came in response to GE Medical Systems' announcement that it planned on becoming king itself of the ultrasound industry before the year 2000. Not to be "out-royaled", Philips from the first year began an acquisition frenzy in order to expand its subsidiary's product portfolio well beyond its initial product line, which started in 1918 with medical x-ray tubes. At the end of Philips Healthcare Services first year, Philips Electronics added digital ultrasound systems to PHS's portfolio by acquiring ATL Ultrasound of Washington. Only two years later, in late 2000, Philips expanded into nuclear medicine by absorbing ADAC Laboratories of California. In 2001 was a watershed year as Philips shifted into high gear by bringing on two more companies and their product lines - Agilent and Marconi Medical. By procuring Agilent Technologies' Healthcare Solutions Group of Massachusetts, Philips catapulted past GE Medical as the leader of the ultrasound sector. Philips absorbed Agilent's expertise in the areas of diagnostic cardiology, automated defibrillators, patient monitoring, and point of care diagnostic systems. Marconi Medical Systems of Ohio, formerly Picker International, was already a big player in its own right among major global CT suppliers. With Marconi, Philips gained cutting-edge multi-slice CT technology along with cardiology, oncology and PET/CT imaging applications. These two acquisitions in one year landed Philips in the top three for the entire medical equipment industry along with giants Siemens and GE Medical - some say as number two. In 2005, the growth continued as Philips bought Stentor, Inc. of California, provider best-in-class picture archiving and communications systems (PACS). This move allowed Philips to help its clients successfully manage the voluminous amounts of imaging data created by its medical scanners. Then, the following year, the growth continued as Philips adopted Witt Biomedical Corporation, the largest independent supplier of Cath Lab monitoring and reporting systems. In its drive to become King of the Medical Equipment industry, Philips Healthcare Services has acquired six companies since its inception in 1998. Each of the six has expanded Philips' offerings to include a total of ten medical imaging modalities, from CT to MRI to x-ray, along with defibrillation and cardiac monitoring equipment as well as image and information management solutions. So, has Philips arrived at the royal industry castle yet? Some believe so. In fact, prior to the last two acquisitions, Palo Alto's "growth consulting" company Frost & Sullivan seemed to think so. In 2004 Frost & Sullivan announced they were awarding Philips five, count them, FIVE awards for "technology and services innovation and industry leadership". Philips was recognized for making distinguished contributions to the cardiac resuscitation and medical imaging industries and for providing leadership in these market segments. Was Frost & Sullivan just looking for a spot at the royal court or were these legitimate kudos? Probably the later. F&S conducted interviews with many market players along with their customers and suppliers, and reportedly did extensive research into the medical equipment technology field. One of the five awards included the regent-like titles of "Medical Imaging Company of the Year", "New Care Setting of the Year", and "Medical Imaging Technology of the Year". The other two were for Technology Leadership and Services Innovation Leadership. The response of Jouko Karvinen, president and CEO of Philips Medical Systems, to the awards sounded like the equivalent of an industry coronation speech. He stated, "We proudly accept the Frost & Sullivan Awards as an independent validation of Philips business and technology leadership.... These five awards are further indicators that Philips continues to set the industry standard for developing innovative products that help treat patients and save lives." Royal Philips. Long live the King!

About the Author

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