

# Dräger

## 2014 Global Mechanical Ventilation Equipment Growth Excellence Leadership Award



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

## Background and Company Performance

### *Industry Challenges*

Frost & Sullivan finds that governments across the globe are struggling with the rise in chronic obstructive pulmonary disorder (COPD). Governments and health organizations have set up asthma control programs with an aim to reduce smoking, along with prenatal care programs to reduce the preterm rate.

The alternative treatment available for COPD is supplementary vitamins, herbal medicine, and lung surgery. The preventive efforts taken by governments along with the availability of alternative treatments methods seek to reduce the severity of respiratory disorders as well as the prevalence of premature birth. This, in turn, decreases the demand for ventilators.

Frost & Sullivan's research shows that the ventilation equipment recalls in the European and U.S. markets has created doubt in the end users' minds regarding the reliability of the products.

The life period for a mechanical ventilator is about 10 years. The market for mechanical ventilation in Europe and the United States is mainly a replacement market. A majority of the hospitals in these regions have budget constraints; as a result, they purchase ventilators only when it is necessary, thus restricting the market demand.

The fact that the replacement of the ventilators is nearly impossible unless they fail to work further hinders the market growth. In such a situation, Frost & Sullivan's analysis indicates that a technological innovation would spur growth. A Lack of advancement in technology and novelty of design are at fault for the dearth of motivation to purchase new equipment in the critical care segment.

### *Customer Value Excellence and Growth Success*

#### **Product/Service Value**

Dräger offers products for ventilation, anesthetics, cardiac monitoring, and warming therapy as well as related accessories and consumables. The company offers an extensive product line in ventilation therapy. The mechanical ventilators offered by the company are highly versatile. The acute care ventilators offered by the company include the Evita Infinity V500, and Savina/Savina 300. For the neonatal acute care ventilation, Babylog VN 500 and Dräger Babylog 8000 plus are offered. In the transport care space, Oxylog 3000+ and 2000+ are offered, and for non-invasive ventilation, the Carina is the product of choice.

Recently, in the Savina 300, additional ventilation modes and monitoring functions were added to provide customers with various additional therapy options. The advanced product

designs provide solutions for hospitals that consider aspects such as safety, ergonomics, efficiency, and comfort.

This standard equipment can be bundled with other anesthesia machines as well as monitors. Frost & Sullivan's competitive benchmarking confirms that with product offerings in the ventilation, anesthesia, and monitoring space, Dräger enjoys an edge over its competitors. This is because the company has the ability to offer an extensive product line in a single instance to the end user, thus reducing the total cost of the device.

### **Purchase Experience**

Dräger employs a highly qualified and technically skilled team that maintains an excellent relationship with end users. This includes offering robust after-sales services as well as product support services. The company maintains a healthy association with the existing end user base. The sales personnel in a particular region regularly visit hospitals in their respective areas. Frost & Sullivan notes that what sets apart Dräger from its competitors is the fact that its end users are well aware of the particular contact person assigned to their region, which allows them to issue a purchase order within a given time.

### **Ownership Experience**

The Dräger brand name appeals to the distributors and to the company's existing customers. With over 125 years of experience, the company enjoys a strong brand image in the mechanical ventilation equipment space. Moreover, Dräger regularly participates in trade fairs and exhibitions across the globe, which further augments its brand value. The company provides a thorough understanding, in terms of the equipment usage, to its end users. The company further raises the brand value of its products by offering online support, by providing educational workshops for sales representatives and healthcare professionals, and by conducting promotional events.

### **Above-Market Growth**

The sale of ventilation products has increased significantly across the globe in the past few years. In 2013, the net growth rate increased between 2% and 4%. The growth rate is due to a stable economy. Frost & Sullivan research supports Dräger's belief that: the company will have an above average growth in the anesthesia and the ventilation segments in the coming years, the service and accessories business will make a major contribution to its net sales and the company will perform better than the industry average.

### **Growth Diversification**

Dräger invests heavily in research and development. The company is currently working on innovative technologies that would improve the control of ventilation equipment for patients in critical care. Innovative technologies can prove to be disruptive in this replacement market. The company also varies its product line in accordance with regional and local needs of the market.

Dräger currently offers its Service Connect 2.0, which is an advanced service portal offering online troubleshooting and diagnostics of its products. The open architecture of the service portal enables data exchange with customers. Additionally, through a standard medibus communications protocol, Dräger ventilators, anesthesia machines, and monitors are compatible with third party manufacturers of data management systems and other alarm systems.

### **Growth Sustainability**

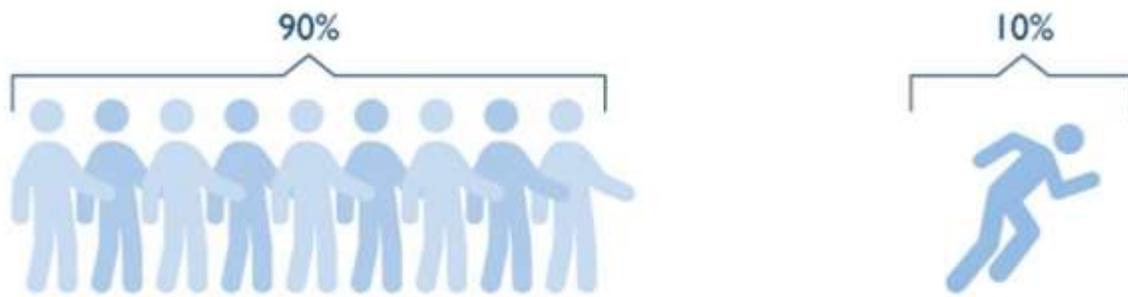
Being a prominent market participant, Dräger enjoys above average sales in the ventilation equipment segment. The company has solutions in the service and accessories business area that can be bundled with the ventilation devices, which effectively leads to increased sales. The company has consistently maintained year-on-year profits across Europe and the United States, which is mostly a replacement market.

### **Conclusion**

Dräger has been able to create and sustain its brand value over the years in Europe as well as in the United States, thus earning significant profit margins in a replacement market environment, where earning profits is relatively difficult. Frost & Sullivan's independent analysis of the Mechanical Ventilation market clearly shows that the company's vision to invest in technological innovations and its ability to maintain superior customer relationships sets Dräger apart from the competition. These factors make Drägerwerk AG & Co. KGaA the worthy recipient of the 2014 Frost & Sullivan Global Growth Excellence Leadership Award for Mechanical Ventilation Equipment.

### **Growth Excellence Leadership**

Growth Excellence Leadership is about inspiring customers. Everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that truly excel in Growth Excellence Leadership are best-in-class in three key areas:(1) take into account what your competitors are, and are not, doing; (2) meet customer demand with a comprehensive, value-driven product or service portfolio; and (3) establish a brand that resonates deeply with customers and stands apart from other providers. To achieve best-practice levels in brand, demand, and positioning is a rare and significant accomplishment, and that is why Frost & Sullivan celebrates it with the Growth Excellence Leadership Award. Recipients of this award represent the top ten percent of their industry: the other ninety percent just can't keep up.



## Frost & Sullivan's Global Research Platform

Frost & Sullivan maintains more than 50 years in business and is a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The Company's research philosophy originates with the CEO's 360 Degree Perspective, a holistic research methodology that encourages us to consider growth challenges, and the solutions companies employ to solve them, from every angle. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the results of our research in Growth Excellence Leadership, Frost & Sullivan is proud to present the 2014 Global Growth Excellence Leadership Award in Mechanical Ventilation Equipment to Drägerwerk AG & Co. KGaA (Dräger).

## Key Benchmarking Criteria

For the Growth Excellence Leadership Award, we evaluated the total client experience and growth success according to the criteria detailed below.

### Customer Value Excellence

- Criterion 1: Total Customer Experience
- Criterion 2: Product/Service Value
- Criterion 3: Purchase Experience
- Criterion 4: Ownership Experience
- Criterion 5: Service Experience

### Growth Success

- Criterion 1: Above-Market Growth
- Criterion 2: Increased Share of Wallet
- Criterion 3: Growth Strategy Excellence
- Criterion 4: Growth Diversification
- Criterion 5: Growth Sustainability

# The Intersection between 360-Degree Research and Best Practices Awards

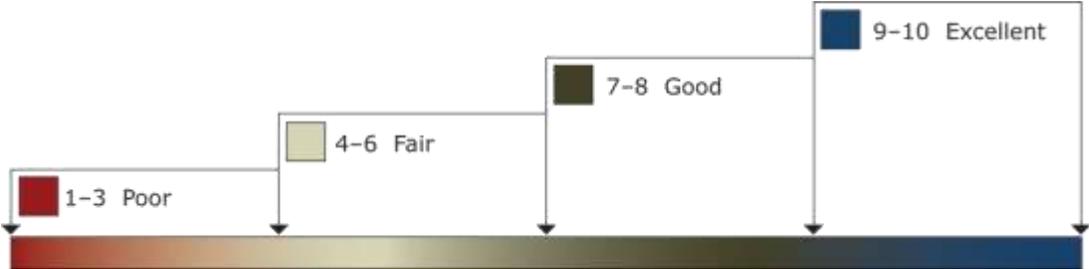
## Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.



## Decision Support Scorecard and Matrix

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard and Matrix. This analytical tool compares companies’ performance relative to each other. It features criteria unique to each award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. This tool allows our research and consulting teams to objectively analyze performance, according to each criterion, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.



## Best Practice Award Analysis for Draeger

### *Decision Support Scorecard: Growth Excellence Leadership*

The Decision Support Scorecard, shown below, includes all performance criteria listed on page 5 and illustrates the relative importance of each criterion and the ratings for each company under evaluation for the Growth Excellence Leadership Award. The research team confirms the veracity of the model by ensuring that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

Finally, to remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players in as Company 2 and Company 3.

#### DECISION SUPPORT SCORECARD FOR GROWTH EXCELLENCE LEADERSHIP AWARD: CUSTOMER VALUE EXCELLENCE

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>	Award Criteria					
	Total Customer Experience	Product/Service Value	Purchase Experience	Ownership Experience	Service Experience	Weighted Rating
Customer Value Excellence						
<b>Relative Weight (%)</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>100%</b>
Dräger	9.0	9.0	9.0	9.5	9.0	9.1
Company 2	8.5	8.5	8.0	8.0	8.0	8.2
Company 3	7.5	8.0	8.0	8.0	7.5	7.8

#### **Criterion 1: Total Customer Experience**

Requirement: Customers receive exceptional impression at every stage of the purchase cycle

#### **Criterion 2: Product/Service Value**

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

#### **Criterion 3: Purchase Experience**

Requirement: It is as simple for salespeople to sell the product or service as it is for the customer to buy the product or service

#### **Criterion 4: Ownership Experience**

Requirement: Customers are proud to own and use the company's product or service

**Criterion 5: Service Experience**

Requirement: Customer service is accessible, fast, and stress-free

**DECISION SUPPORT SCORECARD FOR GROWTH EXCELLENCE LEADERSHIP AWARD: GROWTH SUCCESS**

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>	<b>Award Criteria</b>					
	Above-Market Growth	Increased Share of Wallet	Growth Strategy Excellence	Growth Diversification	Growth Sustainability	<b>Weighted Rating</b>
Growth Success						
<b>Relative Weight (%)</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>100%</b>
Dräger	9.0	9.0	9.5	9.0	9.5	9.2
Company 2	8.0	8.0	8.0	8.0	8.0	8.0
Company 3	7.0	7.5	7.0	8.0	7.0	7.3

**Criterion 1: Above-Market Growth**

Requirement: Company’s growth rate exceeds the industry’s year-over-year growth rate

**Criterion 2: Increased Share of Wallet**

Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company

**Criterion 3: Growth Strategy Excellence**

Requirement: Executive team has a shared vision for the organization’s future growth, and has designed processes that support the efficient and consistent implementation of that vision

**Criterion 4: Growth Diversification**

Requirements: Company pursues organic and inorganic growth opportunities, company maintains a multi-front search for growth, equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) opportunities whenever they suit the long-term interests of the organization

**Criterion 5: Growth Sustainability**

Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base, with no lost ground, year over year

## About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.