

# Quest diagnostics essay sample

[Finance](#)



Quest Diagnostics, Inc. offers some of the best diagnostic testing services available in the industry as well as an array of routine and esoteric services used by the medical profession in the diagnosis, monitoring, and treatment of disease and other medical conditions. We pride ourselves on providing uncompromising quality so that our patients can receive the best possible care available. Our tests allow patients, physicians, hospitals, integrated delivery networks, health plans, employers, and others to make improved healthcare decisions. Our business operations are divided into two groups. The first being our diagnostic testing services which includes, providing clinical testing services such as routine testing, gene-based and esoteric testing, anatomic pathology services, and drugs-of-abuse testing, as well as related services and insights.

Our other group focuses on insurers and healthcare providers. In this portion of our business we are the leading provider of risk assessment services for the life insurance industry and a leading provider of testing for clinical trials. Additionally, we manufacture and market diagnostic test kits. Finally, we provide healthcare organizations with well-rounded technology solutions. We are driven by innovation in our efforts to improve human health. We are zealous about developing our products and tools in an effort to enhance human life, provide value to our clients, and help offer stronger insight towards advanced care for fellow human beings. In addition, we hold ourselves to the highest ethical and business standards.

History

Quest Diagnostics, Inc. actually began back in the 1960s in the Corning Glassworks laboratory. That's right, not only was this laboratory working on creating strong glass for cookware, but they also tested how well a set of poorly operating lungs exchanged oxygen and carbon dioxide. By the 1970s Corning was also developing white blood cell analyzers. In 1982 the company acquired MetPath, Inc. which specialized in clinical laboratory testing. From there the company continued to grow and strive towards new medical advances. Finally, in 1996 Corning decided it was time to completely divide their clinical testing services and other medical services from the rest of the business. This was the birth of Quest Diagnostics, Inc.

#### Mission Statement

Our mission statement at Quest Diagnostics, Inc. from our website is: We are dedicated people improving the health of patients through unsurpassed diagnostic insights and innovation, with a mission to be the undisputed world leader in diagnostic testing, information, and services. We are committed to improving human health. Whatever our respective roles, responsibilities or departments, all of us at Quest Diagnostics share this common goal. Each day, our more than 43, 000 employees strive to find new ways to empower clinical decision-making and improve patient outcomes. Whether you are a lab assistant or technician, work in sales or client services, you play a vital role in this exciting endeavor. (Quest Diagnostics, Inc.).

#### Vision Statement

In 2012 Quest Diagnostics announced a new vision. The new vision is: empowering better health with diagnostics insights. This includes three  
<https://assignbuster.com/quest-diagnostics-essay-sample/>

aspiring goals: a healthier world, build a valuable company, and creating an inspiring workplace. Our values, which are unchanged, include: quality, integrity, accountability, innovation, and leadership. Business Strategy

Our business strategy involves five key points:

1. Refocus of diagnostic information services.

In 2011 Quest Diagnostics, Inc. acquired Celera, which focuses on genetic sequencing and related technologies. In 2012 we sold our OralDNA salivary diagnostics business. Additionally, we have agreed to sell our HemoCue diagnostic products business. All of these moves will allow us to focus our attention on our diagnostic information services.

2. Drive operational excellence.

We are hoping through the improvement of our operations we will be able to offer improved customer service, increase shareholder value, maximize employee satisfaction, improve our competitiveness, and create a stronger business for growth. In order to achieve operational excellence we will focus on our four strategic imperatives, which are: to enhance our end-to-end customer value chain, enterprise information technology architecture, business performance tools and cost excellence.

3. Restore growth.

This goal has seven strategies. The first three are short-term objectives and they include: sales and marketing excellence; grow esoteric testing through a disease focus; and partner with hospitals and IDNs. The other four are long-term in nature and they include: succeed internationally; create value from

information assets; lead in companion diagnostics; and extend in adjacent markets.

4. Simplify the organization to enable growth and productivity. Analysis revealed that the business structure was too complex. By simplifying the organization we will be better able to focus on our customers and their needs and speed up decision-making. The changes to management are still being phased in. The goal by the end of 2013 will be to completely remove three layers of management. 5. Deliver disciplined capital deployment and strategically aligned accretive acquisitions. As a way to increase shareholder returns, we are focusing on improving operating performance and disciplined capital deployment. We aim to maintain investment grade credit rating. In our quest for operational excellence, we will focus on standardizing systems and creating automation.

## Our Competitors

### Industry Background & Competitive Analysis

The industry that Quest Diagnostics, Inc. competes with is fragmented and highly competitive. Our top competitor in the commercial clinical laboratory field is Laboratory Corporation of America Holdings, Inc. However, there are many smaller clinics and laboratories that we must compete with.

Additionally, we must compete in the anatomic pathology industry which is services by many smaller pathology practices as well as academic institutions. Moreover, there are more and more physicians that are offering these types of services in their own offices thus reducing the need for our services. Our company reaches beyond the US boundaries. Therefore, we

must also consider what competition we are facing in foreign countries. Currently, we have the largest and broadest US network and presence outside of the United States. Our foreign laboratory facilities are located in India, England, Mexico, Puerto Rico, and Ireland. Any emerging trends and regulations in these countries could affect our operations.

### Porter's five forces of competition Model

#### 1. Threat of Entry

Throughout the last few years we have expanded our operations into other complex, fast-growing testing areas, including: gene-based and esoteric testing. By concentrating our growth in the testing services, that we know we have the competitive advantage in, we are solidifying our place in the market. Additionally, we have strong logistics capabilities that include courier vehicles and aircraft. Our connections with leading academic centers in key medical fields allow us to be the leader in innovative diagnostic information services. We take extra precautions in guarding our technology with patents, trademarks, and copyrights. All of these resources would make it difficult for a new firm to enter our industry. However, with extensive resources it is not impossible for a firm to join our industry.

#### 2. Powerful suppliers

In 2011, Quest Diagnostics, Inc. acquired Celera Corporation. This acquisition allows us to offer higher quality, improved customer service, and new enhanced products. This, in addition to our extensive selection of products and innovative technology, gives less power to the suppliers in this industry.

#### 3. Powerful buyers

<https://assignbuster.com/quest-diagnostics-essay-sample/>

We are starting to see a trend in our customers consolidating. Hospitals are bringing on more physicians and then offering testing services on site. Thankfully, we still have a broad band of customers. Together this points towards high buyer power. However, there is still high demand for our services.

#### 4. Substitute products

Overall, the threat of substitute products is fairly low. Large clinics, such as the Mayo Clinic, offer diagnostic testing services on site as well as some hospitals and physicians. Another emerging trend is the use of home remedies. Many people are turning toward natural remedies instead of modern medicine. Fortunately, we have a unique market niche and this sustains our competitive advantage.

#### 5. Competitive Rivalry

The industry that Quest Diagnostics, Inc. competes with is fragmented and highly competitive. Our top competitor in the commercial clinical laboratory field is Laboratory Corporation of America Holdings, Inc. However, there are many smaller clinics and laboratories that we must compete with.

Additionally, we must compete in the anatomic pathology industry which is serviced by many smaller pathology practices as well as academic institutions. Assessment

Porter's Five Forces Analysis indicates a high attractiveness to our industry. Our industry is a thriving one and our services are in fairly high demand. The cost for a new firm to enter our industry would be extremely high. However,

the threat is very real. A firm that would like to enter our industry would need to have a high amount of resources available to them, including: finances, academic sources, buyer and supplier contacts, and advanced technology.

Overall, the threat of new entry is fairly low simply because of the cost. Yet, if a firm were to enter our industry and had the resources available to them, it would be reasonable to expect them to make a good profit. There are many opportunities in our industry for growth and profitability. Our Internal Environment

### SWOT Analysis

#### 1. Strengths

We are the leader in diagnostic testing and have the largest selection of tests with over 3, 000 to choose from. Additionally, we are the leading provider of anatomic pathology, routine and gene-based and esoteric testing services in the United States. We have laboratories across the world, including 2, 100 of our own patient service centers. We also employ over 3, 000 phlebotomists and 800 M. D. s and P. h. D. s. Furthermore, we service over half of the hospitals in the United States. Our logistics are phenomenal. We have our own courier and aircraft service that together make over 10, 000 pickup and drops offs per day. This convenience further strengthens our market offering. We have extensive academic and medical connections.

If you pair this with our research and development efforts, we are able to be the leader in innovation. Our medical experts have had over 100 works that have been published in peer-reviewed journals. We are a leader in our



industry. We have the largest and broadest presence outside of the United States. We pride ourselves on offering the highest quality of diagnostic testing and providing the highest level of customer service. Additionally, our employees are the most knowledgeable in the industry.

## 2. Weaknesses

We remain a strong competitor in our industry. In an effort to do so, we take the appropriate precautions to protect our assets, such as patents, copyrights, and trademarks. Sometimes, we must license these assets that are owned by others. Other firms in our industry have the same ability to license these assets that we do. This could limit our ability to develop our tests ahead of the competition. We have a very complex billing system. This proves to be costly for us. Additionally, we have a high bad debt expense that we feel is a result of missing or incorrect billing information. Furthermore, the poor economy has contributed to our bad debt expense problem.

## 3. Opportunities

There are extensive opportunities to tailor testing to each individual patient based on their genetic composition. Quest Diagnostics, Inc. recognizes the need for such tests. They currently have the capabilities to complete gene-based testing. This could be paired with physician's knowledge to offer personalized options for treatments to patients. The opportunities to globalize more are always present. Quest Diagnostics, Inc. already has a great start to their globalization efforts. First, their operations are standardized and customized. This has allowed us to create a strong brand

<https://assignbuster.com/quest-diagnostics-essay-sample/>

image. Additionally, our even improving technology is the key to strategic success. If we continue our advances in globalization we will continue to keep this competitive advantage.

#### 4. Threats

Our industry is highly competitive. As such, we must remain at the top of technology and customer service in order to stand out above our competitors. We are also facing high buyer power with the consolidation of hospitals and physicians. These new forces are offering diagnostic testing services in their own facilities. We may lose some long-time customers to this. The economy in the United States as well as other countries has suffered in recent years. The downturn in the economy could negatively affect our industry and profitability. We must be cognizant of emerging details about our unstable economy and be knowledgeable about what is happening with foreign economies. We face many regulations from the FDA. Any one of the new or existing regulations could negatively affect our operations. We must remain aware of new and forming regulations that may be imposed upon our industry. Our government is starting to crack down on the use of Medicaid and Medicare.

There have been numerous abuses of these systems. Moreover, the government is trying to reduce the amount of diagnostic testing performed under these plans. This government involvement could negatively affect our operations. Additionally, health insurance is covering less and less for diagnostic testing services. We rely on the ability to acquire new licenses for testing our products. If we were to be unable to obtain such licenses this

could negatively affect our operations. Our future success depends upon being able to obtain these licenses. If we were unable to protect our intellectual property rights, it would be harmful to our operations.

This would enable our competitors the ability to see and possibly use our innovative ideas and technology. This could force us to stop development of new and existing products, stop redesign or retesting of our products, or possibly have to pay legal costs. The market for educated employees is getting tighter. If we were unable to secure employees that added to the value of our firm and were knowledgeable in our industry this would be detrimental. This could hurt our research and development, customer service and overall bottom line.

#### Assessment

Our industry has many threats. Anyone of these threats could put a complete halt to our operations at anytime. We must remain cognizant of these threats and keep ourselves knowledgeable of any changes that would impact our firm. As long as we maintain a high level of ethical standards these threats should not be a great problem.

The most important thing to note on our SWOT analysis is our strengths. We have a competitive advantage in that we are the leading provider of diagnostic testing, not only here in the United States but also abroad. We must diligently maintain the protection of our intellectual property.

Furthermore, our superior customer service and strive for excellence allows us to obtain the best customers. We must keep our integrity in dealing with

our customers and providing them with the best service available. Our

## Organizational Structure & Management Team

### MANAGEMENT TEAM

Stephen H. Rusckowski

President & CEO

Robert A. Hagemann

Senior VP & CFO

Dermot Shorten

VP, Strategies & Ventures

### Assessment

These three gentlemen are part of our thirteen person management team. Stephen Rusckowski came to our firm in 2012. Prior to that he was the chief executive officer at Royal Phillips Electronics and substantially increased their revenues. Dr. Stanzione, our Lead Independent Director, states that Mr. Rusckowski is a great fit for Quest Diagnostics, Inc. because he has a proven record for driving growth in the healthcare industry. He has a strong sense for operation excellence and has extensive experience in our industry and the challenges that face it. Mr. Rusckowski has a Bachelor of Science degree in Mechanical Engineering from Worcester Polytechnic Institute and a Master of Science degree in Management from the Massachusetts Institute of Technology's Sloan School of Management. His knowledge and experience in our industry as well as his proven success at Phillips make him a perfect fit to our management team and the goals of our company.

Robert A. Hagemann is our current senior vice president and chief financial officer. Hagemann has been with our company since 1992 when we were operating under the Corning brand name. Prior to joining our team he was employed by Prime Hospitality, Inc. and Crompton & Knowles, Inc. where he also held senior financial positions. Mr. Hagemann has a BS in Accounting from Seton Hall University. Like Roskowski, Hagemann has a solid background in our industry. This experience along with his extensive financial education makes him a strong member of our management team. Dermot Shorten holds the position of vice president of strategy and ventures. His position is located in Madison, New Jersey and he is responsible for our firm's business development activities and our strategy and planning process.

Mr. Shorten has been with our company since 2008. Prior to that he was the vice president of operations practice for Booz and Company where he was a strategic adviser for Quest Diagnostics, Inc. for over 10 years. He has a Master's degree in Natural Science from Cambridge University, a master's degree in Operations Research from Lancaster University, and a Master's degree in private and public management from Yale University. Clearly, Mr. Shorten also has a long history with Quest Diagnostics, Inc. that makes him a valuable asset to our company because he is knowledgeable of our industry and the threats and opportunities that face it. Our Marketing Plan

The four p's

#### 1. Product

Quest Diagnostics, Inc. offers some of the best diagnostic testing services available in the industry as well as an array of routine and esoteric services

<https://assignbuster.com/quest-diagnostics-essay-sample/>

used by the medical profession in the diagnosis, monitoring, and treatment of disease and other medical conditions. We pride ourselves on providing uncompromising quality so that our patients can receive the best possible care available. Our tests allow patients, physicians, hospitals, integrated delivery networks, health plans, employers, and others to make improved healthcare decisions.

## 2. Place

Our products are generally located in physician's offices and hospitals. We are able to quickly process these test and give very useful information back to the physicians and their patients. The results of our test enable patients to better analyze their health problems and get the best possible treatment. Our laboratories are located across the world, but prominently in the United States. Our multiple sites allow us to process more test and give the fastest feedback. The more we are able to globalize and stretch our boundaries the more profitable we will become. In addition, we should consider offering our tests in locations such as pharmacies or health fairs.

## 3. Price

Overall, I think our price is comparable to our competitors. We may be able to offer a bulk discount to some of our larger customers, such as hospitals. As a result we may be able to deter them from choosing to offer our service to their patients themselves. We have a thorough billing department that is able to answer questions at any time of the day. In addition, customers can create their own login to our site and access account information 24 hours a

day, any day of the week. Our product offers the peace of mind of our patients that is an added value.

#### 4. Promotion

Most of promotion takes place through personal contact with the customers. We send sales people out to various clinics and hospitals to promote our products. We pride ourselves on the personal contact we keep with our customers. Furthermore, we offer exceptional after care as a way to abolish cognitive dissonance or buyer's remorse. Our patients want to feel like they have been cared for and that they are still thought of after the purchase is over. Additionally, larger customers, such as hospitals, need to know that they are appreciated as well so they will not go elsewhere with their business.

#### Assessment

Overall, Quest Diagnostics has great marketing plan to be successful in the future. We should consider branching out into other locations to offset those customers that are trying to offer our services in house. Also, we need to offer bulk discounts to our large customers.

#### Our Financial Standing

##### Financial Statements

##### 1. Balance Sheet

Overall, the comparative balance sheet for 2012 and 2011 looks very positive. There is a significant increase in cash. There is also a decrease in accounts receivable. However, allowance for doubtful accounts is down

<https://assignbuster.com/quest-diagnostics-essay-sample/>

as well. Inventory is slightly higher, while fixed assets are a bit lower. It makes sense that cash is higher since fixed assets are lower. Overall, assets are slightly down. On the debt side, accounts payable are slightly higher. However, the great news here is that short-term borrowings are almost non-existent in 2012 from over half a million in 2011. Stockholder's equity is holding steady.

## 2. Income Statement

Net income was quite a bit higher in 2010, but has held steady for the past two years. However, income from continuing operations is up in 2012 almost \$200, 000 from the prior year. Dividends per common share has doubled in the last two years. Overall, income looks very positive for Quest Diagnostics, Inc.

## 3. Statement of Cash Flows

Our Statement of Cash Flows looks very positive for the last three years. In fact, for 2012 our net cash provided by operating activities is up almost \$300, 000 from the prior year. Our Statement of Cash Flows also reflects the large repayment of debt that we made in 2012 in the financing portion of the Statement. Our Cash and Cash Equivalents for 2012 is almost double what it was for 2011. This is due in part to the fixed assets that we sold in 2012.

## 4. Financial Ratios

### Liquidity Ratio – Current Ratio

$1,560,997 / 1,047,603 = 1.490$  for 2012

$1,401,260 / 1,561,159 = .897$  for 2013

A large current ratio (over 3) could be a sign that a company is not making the best use of their assets. An optimal current ratio would be between 2 and 3.



### Leverage Ratio - Total Debt-Total Assets Ratio

$5,098,134/9,283,863 = .549$  for 2012

$5,598,380/9,313,379 = .601$  for 2011

This ratio is a measure of the percentage of total funds provided by debt.

This ratio should only be above .5 for stable industries. Quest Diagnostics, Inc. is in a stable industry.

### Activity Ratio - Asset Turnover Ratio

$7,382,562/9,283,863 = .795$  for 2012

$7,391,932/9,313,379 = .794$  for 2011

This ratio shows how well a firm is using their assets. This number will vary with industries, such as Quest Diagnostics, Inc., that are capital-intensive.

### Profitability Ratio - Return on Sales

$592,134/7,382,562 = .080$  for 2012

$505,650/7,391,932 = .068$  for 2011

This ratio shows how well a firm is being managed. There is quite a bit of difference in this ratio from industry to industry. However, the average for US firms is around 5 percent.

### Assessment

The overall financial outlook for Quest Diagnostics, Inc. is very positive. In 2012, we paid off a substantial amount of our debt and still ended the year with over \$100,000 more in Cash and Cash Equivalents. Our fixed assets were down, but this also points to why our Cash and Cash Equivalents were up. In addition, our dividends per share has doubled since 2010. We are in a strong financial place to continue to grow our operations.

If you compare our numbers to the industry average you will see that we come out above our competitors. In fact, we are showing a 39% stock increase. Our P/E ratio falls right in the middle of our competitors. Overall, our company has a strong financial standing and will continue to grow and show profits. Our Future

The first thing we need to focus on is personalizing our tests for each patient. We have already made significant strides in our efforts to do this. To begin with we are able to offer test from one end of the spectrum to the other. This allows us to be able to do any testing that a patient may need, which results in uniformity and better results for our patients. With this specialized data a patient will be better able to get improved treatment options. Specifically, in 2012 the FDA approved our de novo classification petition for our antibody ELISA testing. This test is the first FDA approved test that will detect antibodies of the polymavirus JC virus. This virus is a serious brain infection that has been known to cause multiple sclerosis.

We must continue our research to find other such specialized test that will allow modern medicine to make large strides towards helping individuals with these serious health conditions. Our main focus will remain customer service, but to achieve that we will continue to invest in our research and employ the best medical staff. Currently, we have the largest and broadest network in the United States and locations outside of the United States. Not only do these locations outside of the US service their local markets, but they also support our clinical trials. We'd like to continue our growth in other nations, but also grow the locations that we have so that they may reach out even further in their existing markets. Our products and services are used by <https://assignbuster.com/quest-diagnostics-essay-sample/>

customers in over 130 countries. We will remain diligent to get our presence in each of those countries.

## Bibliography

Biomed Central, Ltd. (2013, June 8). Globalization and Health. Retrieved from Biomed Central, Ltd.: <http://www.globalizationandhealth.com/content/7/1/19>

Bloomberg Businessweek. (2013, June 23). Quest Diagnostics, Inc.: Robert A. Hagemann. Retrieved from Bloomberg Businessweek: <http://investing.businessweek.com/research/stocks/people/person.asp?personId=361341&ticker=DGX>

Funding Resource. (2013, June 2). Quest Diagnostics, Inc. History. Retrieved from Funding Resource: <http://www.fundinguniverse.com/company-histories/quest-diagnostics-inc-history/>

MarketWatch. (2013, June 23). Quest Diagnostics Names Steve Rusckowski as President and CEO. Retrieved from The Pathology Blawg: <http://pathologyblawg.com/pathology-news/pathology-vendors/quest-diagnostics/quest-diagnostics-names-steve-rusckowski-as-president-and-ceo-marketwatch/> Mind Tools. (2013, June 2). Porter's Five Forces. Retrieved from Mind Tools: [http://www.mindtools.com/pages/article/newTMC\\_08.htm](http://www.mindtools.com/pages/article/newTMC_08.htm)

Mind Tools. (2013, June 24). The Marketing Mix and 4 Ps. Retrieved from Mind Tools: [http://www.mindtools.com/pages/article/newSTR\\_94.htm](http://www.mindtools.com/pages/article/newSTR_94.htm) Pearce II, J. A., & Robinson, R. B. (2013).

Strategic Management Planning for Domestic & Global Competition. New York, NY: McGraw-Hill. Quest Diagnostics, Inc. (2013, June 1). Quest

Diagnostics. Retrieved from Quest Diagnostics: <http://www.questdiagnostics.com/home.html> Quest Diagnostics, Inc. (2013, June 1). Quest Diagnostics. Retrieved from Quest Diagnostics: <http://ir.questdiagnostics.com/phoenix>. <https://assignbuster.com/quest-diagnostics-essay-sample/>

zhtml? c= 82068&p= irol-reportsannual QuickMBA. (2013, June 6). SWOT Analysis. Retrieved from QuickMBA: <http://www.quickmba.com/strategy/swot/>