

# [Mindray](https://assignbuster.com/mindray/)

Midday Is a small player In the global market, ranked at the ninth position globally with a world market share slightly above 1%. The market Is dominated by the " Big Three" (GE, Philips and Siemens) counting on over 75% of global market share. During the last decade Midday has been able to reach theleadershipin the Chinese domestic market even though Ensures still has the highest revenues.

The most powerful competitive advantage Midday can exploit it is a low cost educated labor force coming from the best Chinese universities and hired at one fifth of the salary marred to Its Western counterparts. The Idea Mainland has been developing since it was founded In 1991 was to become an International player and every single move has been made in that direction. First of all, Midday built all its products on proprietary intellectual property, Just to avoid of being dependent from other companies.

Secondly, the fact of being a Chinese company allows Mainland to benefit from government provisions and financial help In many research projects. Moreover the low cost of labor allows the company to increase the percentage of revenues invested in R&D. Finally, Mandarins ales model consisting in a distributor-based system has been working well for the last decade in China and fits perfectly with the global markets especially after the big companies abandoned the main distributors because they were too expensive.

Midday has wisely focused its sales on second and third level hospitals, townshiphealthcenters In rich regions, secondary hospitals and large private hospitals In less affluent areas In order to avoid direct competition with first and second tier companies. In order to be prepared to compete with the international large firms, Midday has titled an advanced R&D center in Seattle where it develops more advanced medical device technologies.

In the meantime Midday leads the Chinese medical R&D research with several centers around the country In which low cost expertise, labor, raw materials and faceless are available. Because of all the facts mentioned above Mandarins products are Just a little bit less technologically advanced but much more competitive in terms of pricing than main competitors' products. In 2007 Mandarins sales were concentrated more on international markets than on Chinese market.

The company was able to distribute its products all over the world through Its distribution network and direct sales network. Despite of this, Mandarins performance In the US market was still not sufficient and even worse considering the leadership of USA in healthcare expenditures (42% of world total). The opportunity to acquire Teaspoon at a decent price could be a great deal for Midday to strengthen its international presence with a particular focus on the US market.

Teaspoon and Midday have collaborated for 2 year from 2004 to 2006, without encountering any sort of problem and creating a great value on both sides. O benefit from the synergies created by combining Midday's strong China-based engineering and production platforms with Teaspoon's established brands, long standing reputation for high-quality products and service, its large and established direct sales and service team in the US and EX. and both companies' leading R&D capabilities.

Given these advantages, it's worth to consider the price for both the acquisition and a stand-alone market entry by creating a successful brand and an effective distribution network. In 2006-2007 the EVE/EBITDA multiple for acquisition in deiced healthcare industry was between 5, xx and 9, xx and this suggests an acquisition price included between $275 millions and $475 millions. Midday could reinvest themoneyit raised due to the successful listing at NYSE.

The other option looks much more expensive not only in terms of money invested but also considering how many years it will take to implement such a strategy. In my opinion, after the acquisition Midday should continue targeting second and third level hospitals even in the USA in order to keep its big competitors quiet. Taking the position of GEE I would suggest to do not react at this acquisition for the allowing reasons: GEE has revenues of more than 20 times larger than Midday.

GEE has already established a large part of its manufacturing in China where it leads the top tier company market share. GEE has better R, brand image and knowledge than Midday. GEE, Philips and Siemens are global leaders of a global oligopoly, which means that the smaller players must serve market niches if they want to survive, benefiting of lower profits and lower R % of revenues. In conclusion I would say that Midday has really good chances to reach the right size or Jumping into the top firms level competition but nowadays hasn't any chance to compete against the global giants.

Over the last years it has demonstrated to possess technical, technological and managerial skills to become a relevant player in the medical healthcare industry also possessing most of the Men's competitive advantages. Nevertheless, leading such a competitive market requires the skills to develop extreme high quality products and Midday doesn't possess those skills and reasonably it will never be able to develop them being a Chinese R&D-based company.