

Why System Evaluations?

If you are a seller or a buyer of diagnostic imaging equipment, regardless if you are the user of the equipment or a dealer, there is one question you should ask yourself:

Why should I spend money to get a high quality System Evaluation before a system is going to be traded?

There are several good and reasonable answers to this question. In this paper, we will have a closer look to the answers from various perspectives.

In general, a deal involves two parties, a seller and a buyer. But there are different qualities of sellers and buyers. We have to distinguish between professional sellers and buyers such as dealers for pre-owned equipment or the trade desks of the OEMs, which we will call seller/dealer and buyer/dealer for the rest of this paper. And there are non-professional sellers and buyers, such as hospitals, clinics, etc., who own (seller) the equipment, or intend to own (buyer) the equipment. We will call them seller/owner and buyer/owner.

1. From the Seller/Owner Perspective

If you want to sell a piece of equipment, you will have a certain initial expectation what the value of the equipment is. In most cases, this expected value is too high for such simple reasons as availability and demand.

The market for pre-owned imaging equipment is a fairly small market and with things like DOTmed and other trading platforms it is a very transparent market. Therefore it adopts extremely fast to changing conditions. Systems are traded worldwide and every dealer knows what is available and what is in demand.

To be able to get as much for your system as possible, you will need a very detailed list of the specifications of the equipment you want to sell. This list should include at least the following items:

- Software Version
- Software Options
- Coils (for MRI systems)
- Gradient System (for MRI system)
- Tube Count (for X-Ray and CT systems)
- Accessories (Phantoms, Phantom Holders, etc.)
- Technical and Cosmetic Condition of the System

For the typical user, it is almost impossible to assemble such a list. You could ask the service organization that takes care about your system. They should be able to get you most of the information, but would they be motivated to do so? They might lose a service contract, if you sell your system. And even if they are willing to help you, they usually do a system check and provide a service report, stating that the system is ok, or not. And of course they are not neutral justifying their own work and will certainly never certify, if the system would be poorly maintained and serviced. During my career, I have seen systems under service contracts that have been in real bad shape, technically and cosmetically.

But without the information of the above list, potential buyers will be very careful with their offers, since they don't know exactly what they are offering for.

So chances are high, that you will not get as much for your equipment as you have

initially expected.

And then comes the day of the de-installation of the equipment and all of a sudden, the buyer comes with some bad surprises for you. The specifications and/or the condition of the system might not exactly match the contract. Or there might be a technical problem with the system, you were not aware of.

This will at least result in re-negotiations and a reduced sales price. And if the problems with the systems are plenty, the buyer might even cancel the contract and walk away from the deal.

This puts you in a very bad situation, everything has been planned properly and you could not afford to compromise the schedule and therefore have to make sacrifices on the sales price.

2. From the Buyer/Dealer and Seller/Dealer Perspective

If you want to buy a piece of equipment, you will have a certain initial expectation for how much you could sell the equipment and usually base your offer on these numbers. Another important influence on your bidding price is the quantity and quality of the information you have about the system in question. The more reliable information you have and the earlier you get it, the better you can market the system.

But as you know, in most cases, it is very difficult to get detailed and reliable specifications of systems that are sold either by the OEM trade desks, by hospitals or by most brokers. And it is even more difficult, if the system is located abroad. If your company does not have detailed technical knowledge of that system, it is quite impossible to get reliable and detailed specifications.

Therefore you have to rely on the data you get from the seller. But the seller usually has the same problems getting the specifications of his system.

How often did you have to realize, that the specifications and/or the condition of the system did not match your expectations?

And how often did this get you in trouble with your customer you have sold the system to?

3. From the Buyer/Owner Perspective

If you want to buy a piece of pre-owned equipment, you will have a certain budget for the whole project and based on that and your clinical requirements and maybe based on your personal experience or preference, you decide on a certain system you want to buy.

You might have been in the market for a while, checked all trading platforms and have a pretty good idea, what you could get for your money.

Eventually you find a dealer who is offering the system with exactly the specifications you are looking for and after some rounds of arm wrestling you agree on a price, sign a contract and send the money.

And then comes the day of the delivery and the subsequent installation of the equipment and all of a sudden, there might be some bad surprises for you. Unfortunately the dealer did not have reliable specifications about the system although he has tried very hard to get them from his supplier and the system does not match your expectations.

What if important system parts such as software options are missing? Legally, this is easy, if the missing item is mentioned in the contract. The seller has to deliver. But we all know, how difficult, time consuming and expensive it can be to solve such problems.

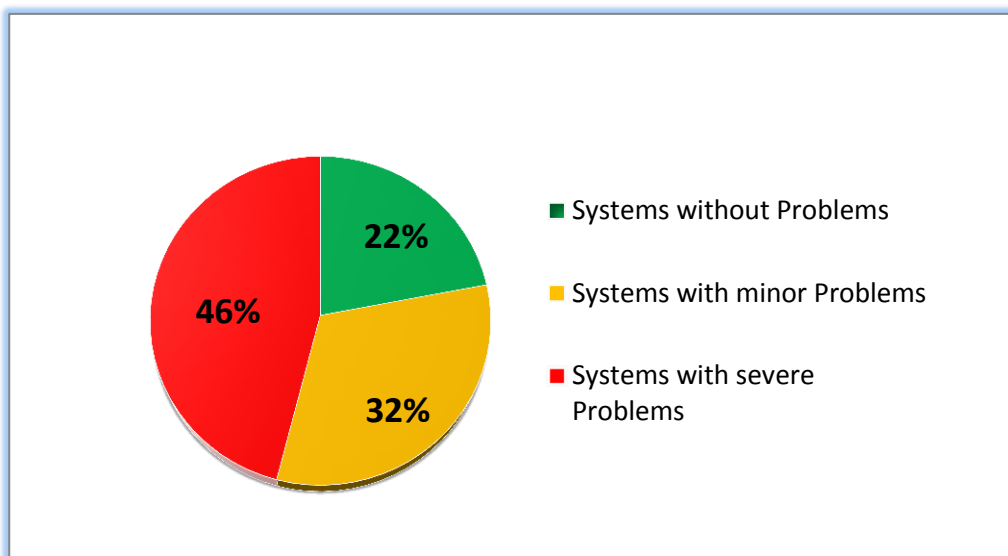
And what about problems, that are not so clear? In your opinion, the system might not be in superb condition, shows signs of heavy usage and needs refurbishment. You had only seen some photos in the size of a stamp, made with a cheap smart phone camera. On these photos, the system did look good. But not in reality.

You might ask yourself, how realistic are those scenarios? What is the condition and status of a typical pre-owned system?

To answer those questions, we have re-evaluated the last 50 system inspections we have done in Europe and categorized the results as follows:

- System has no problems → Everything is fine
- System has minor problems, with a significant impact on value (e.g. coils are damaged but functional, software packages are not included, cold head service is due, X-ray tube age and utilization is higher than stated, etc.)
→ *Depending on the number of problems, the buyer might try to re-negotiate the price*
- System has major problems that could severely hurt the buyers business and reputation (e.g. huge de-installation costs, gradient specifications are lower than stated, major damages to the system, missing coils, etc.)
→ *The buyer has to re-negotiate the price or cancel the contract*

And this is the outcome:



As you can see, a fairly large number of systems had severe problems that would have led to big problems, if they were unknown. Only 22% of the evaluated systems were without problems.

In at least 10% of the systems with severe problems, the deals were canceled due to the problems we have found with our system survey.

We don't have detailed knowledge about how often the price has been re-negotiated and by how much it has been reduced. But we do know that this happens quite often, because the hard-facts presented in our reports together with pictures are the best bases for price and delivery adjustments and the financial side of the business deal.

How can YOU avoid the above mentioned scenarios? The answer is:

Spend money to get a high quality System Evaluation from an independent company that is not involved in the deal.

This is the only way, to get detailed and reliable system specifications that are well worth the extra money considering all the problems you could avoid.



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