

## Integration - a Critical Market Force Causing Change

Flow Research ([www.flowresearch.com](http://www.flowresearch.com)) has released the **Worldflow Market Barometer**, the first in a series of monthly reports published as part of the Worldflow Monitoring Service. The Barometer identifies **integration** as the most critical issue for process control companies today. Analysis of process control companies finds that those companies that integrate their diverse divisions and acquired companies with the rest of the company will be in a more favorable competitive position. By contrast, companies that fail to absorb newly acquired companies or divisions into the company as a whole will struggle to compete in today's globalized marketplace.

As a result of globalization, larger companies with a worldwide reach are outpacing smaller companies that compete in only one market, or have distribution channels mainly within their own country or geographic region. Companies such as Emerson Process, Invensys, Honeywell, Yokogawa, Endress & Hauser, and Danfoss are companies that benefit in this environment. Many smaller, single-technology companies will be forced to allow themselves to be acquired in order to compete effectively in this new globalized world. Here's a partial list of companies acquired in the past ten years: Daniel Industries, Dieterich Standard, Eckardt, Elsag Bailey, EMCO, Fischer & Porter, Hartmann & Braun, Intellution, Measurex, Milltronics, Moore Products, Water Specialties. For more companies in this list, go to <http://www.flowresearch.com/vanishedcompanies/vanishedcompanies.htm>.

The concept of integration refers to the extent to which the components of a company and organization are playing the same tune, or on the same page. Our analysis finds that companies who are in the business of expanding by acquiring companies run the risk of creating a collection of inconsistent and in some cases incompatible product lines. Until they can rationalize their product lines by finding a single perspective in terms of which these products can be viewed, they will continue to struggle in the flow and process control environment.

How to deal with the brand names of an acquired company is an important decision for a company that acquires an existing product line. Some companies choose to eliminate brand names that customers have developed loyalty to. While customers may eventually develop loyalty to a new brand, this is a process that can take years. Companies that keep the brand names of acquired product lines have been more successful in retaining market share than companies that do away with existing brand names.

One article in the Worldflow Market Barometer is entitled “Will the ultrasonic flowmeter market consolidate?” This article analyzes the relative situations of Panametrics, Controlotron, and Krohne in the ultrasonic flowmeter market. Of the three, Krohne is clearly the company of the future, with multiple product lines and worldwide distribution system. Panametrics and Controlotron are essentially single-technology companies whose leadership role is being threatened by the twin waves of globalization and integration. Instromet and Daniel clearly also belong in the “company of the future” category.

The Worldflow Market Barometer is part of a series of monthly reports published by Flow Research, Inc. The Barometer provides a detailed analysis of events in the flowmeter industry. It provides an update on events in ten different flow technologies, and also reports on important developments within flowmeter companies. Other publications in the series include Process Industry Monitor and User Perspective. The service is intended for suppliers and end-users of flowmeters and process control equipment. More information is available at [www.flowresearch.com](http://www.flowresearch.com).