Automotive Diagnostic Products


Study #2290 | January 2008 | $4400 | 207 pages
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US demand to grow 5.9% annually through 2011

US demand for automotive diagnostic equipment, software, services and data will grow 5.9 percent per year to $1.3 billion in 2011. Despite the vehicle-quality-driven slowdown experienced in overall aftermarket parts and service sales in the US, diagnostic equipment demand should remain healthy for a number of reasons. Perhaps most importantly, demand for these products is driven by the expanding role played by electronic/electrical systems in automobiles -- these systems should comprise over 40 percent of vehicle value by 2016; up significantly from the 22 percent they represented in 2000. The heightened awareness among car owners of vehicle fuel efficiency, as noted in a number of recent surveys, will also likely stimulate diagnostic equipment demand, since regular engine tune-ups, which require the use of diagnostic equipment, can improve vehicle fuel economy by 10 percent or more. A similar phenomenon occurred during the 1970 fuel crises.

Other demand drivers include the continued rollout of new vehicle regulations; the increased need for vehicle electronic system reprogramming at the service level; and the abilities of equipment manufacturers to maintain innovation-based pricing levels. The increasing prevalence of in-vehicle wireline and wireless networks, such as the Controller Area Network (CAN), BLUETOOTH wireless systems and vehicle telematics systems, will require more advanced diagnostic equipment going forward.

Technician-owned handheld systems, software to become more important

There have also been two ongoing shifts within the diagnostic equipment industry that will affect future market demand. The first involves the transition from highly expensive shop-owned “big box” devices toward technician-owned handheld systems. Today, rather than rely on the shop’s big box analyzer, more technicians are purchasing their own scanners and other electronic tools, which has supported demand for these tools. The other, and newer, trend involves the shift away from a primary focus on hardware to the rising influence of software. Some diagnostic equipment manufacturers see software becoming the dominant source of the value for the industry in the future, as hardware becomes more commodity-like in nature. In fact, the introduction of less-expensive PC/Windows-based operating systems opens the door to the total commoditization of hardware, with software becoming the most valuable part of the business. As a result, diagnostic software will experience rapid annual growth as the introduction of new, more powerful diagnostic hardware allows the use of more sophisticated (and more expensive) software.
DIAGNOSTIC PRODUCTS

Diagnostic Equipment

The US market for automotive electronic diagnostic equipment is forecast to grow at a 5.9 percent annual rate through 2011, reaching $1 billion. This growth will be supported by expected increases in engine tune-up activity as well as the expanding variety of vehicle drivetrains. The continued increases in electronics content found in new light vehicles, including the introduction of newer electronic-controlled underhood systems.

The increased diversity of engine underhood systems includes widening numbers of hybrid-electric, diesel and alternative fuel (e.g., ethanol) vehicles. At the powertrain system level, new technologies include more sophisticated emissions control equipment, advanced engine ignition, timing and valve actuation systems, complex hybrid-electric power control and management systems, and higher levels of engine/transmission/safety/convenience integration. As vehicles with these systems enter the vehicle park and begin to grow in numbers, the need for more sophisticated diagnostic equipment will continue to grow. Beyond system integration complexity, the number of standalone electronics systems also continue to grow in interior, safety and entertainment/information systems, increasing the need for more advanced diagnostic equipment in these areas as well.

Another factor driving growth is the increasing expense of high-level diagnostic equipment. Equipment costs, despite the tendency of computer-related equipment to increase in power and decrease in cost, will likely continue to grow in order for new systems to attain the needed flexibility to work with an ever-increasing variety of light vehicles in the vehicle park. Trends in new vehicle marketing have put a premium on the introduction of new product lines in new segments, which does not appear to be slowing down. The number of new models in the marketplace has continued to grow in recent years, as automakers introduce...
Sample Profile, Table & Chart

COMPANY PROFILES

Hickok Incorporated
10514 Dupont Avenue
Cleveland, OH 44108
216-541-8060
http://www.hickok-inc.com

Sales: $13 million (FY 2007)
US Sales: $12 million (FY 2007)
Employment: 160 (FY 2007)
Key Products: scan tools, circuit testers, brake pad pressure test kits, quick probes and cooling system pressure test kits

Hickok is a manufacturer of precision indicating instruments, automotive diagnostic tools and equipment, and fastening control systems. The Company is organized into two segments: Indicators and Gauges, and Automotive Diagnostic Tools and Equipment.

The Company participates in the US automotive diagnostics industry through the Automotive Diagnostic Tools and Equipment segment, which had sales of $11 million in FY 2007. The segment designs and produces equipment, including diagnostic tools, for testing and servicing automotive systems. Among Hickok’s diagnostic products are scan tools, circuit testers, brake pad pressure test kits, quick probes and cooling system pressure test kits. The automotive aftermarket accounted for 26 percent, or about $3 million, of the segment’s sales in FY 2007.

Scan tools are manufactured and marketed under the NEXT GENERATION STAR (NGS) brand name. NGS tools are designed primarily for use on vehicles manufactured by Ford Motor Company.
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