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# Article about Statitrol Corporation Acquisition

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hospital services are paid for by the federal government or private insurers rather than by the individual patient.

Dr. Leo J. Gehrig, executive director of the American Hospital Assn., says that his group will oppose any bill that limits hospital charges without limiting the costs for goods and services bought by hospitals. Most of the medical community is also expected to oppose the bill.

Insurers, on the other hand, back the controls. A spokesman for the Health Insurance Association of America, which represents major health insurance companies, says his group favors across-the-board controls rather than Talmadge's efforts to cap only medicare and medicaid costs. Limited controls cannot work, he says, because "unreimbursed costs from government programs will get passed on to private-sector patients." Pressure has been mounting for some time, the health insurers say, for prospective budget review (the HEW-proposed method for setting cost limits in advance). Similar review programs, they add, have been effective in states that have tried them, such as Connecticut and Maryland. ■

## The blazing market for smoke alarms

The fragmented group of smoke alarm manufacturers that only a few years ago competed for a 50,000-unit annual market now find themselves in a big business dominated by big companies. Room for the independents is shrinking.

"We just have to merge in order to gain access to the financial and marketing resources of a big corporation," laments Duane D. Pearsall, president of Statitrol Corp., a Lakewood (Colo.) company that is the largest independent remaining in the business, with annual sales of \$20 million. Unless he finds a well-heeled parent soon, Pearsall says, "we'll have no hope of competing with all the major consumer product and appliance companies that have moved into the residential smoke detector market in the last year or so."

Attracted by a market that doubled from 1975 to 1976 to \$145 million—and which is expected to mushroom to \$500 million by 1981—such companies as Gillette, Sunbeam, and North American Philips have joined General Electric and Teledyne in the smoke detector business. Other companies, such as Walter Kidde and Honeywell, which formerly supplied smoke detectors only for new-home construction, are now in the retail



Inspecting a detector: Unit sales are expected to grow 40% annually for several years.

market as well. Faced with such competition, Pearsall is negotiating the sale of his company to a conglomerate, and he expects an agreement to be signed soon.

Sales of the plug-in or battery-powered devices, which sound a self-contained alarm when they sense a fire, spurred to some 5 million units last year. As more companies crowd into the market, it is turning into a classic marketing battle. Some 130 companies now sell the detectors, which typically retail for \$35, but only 20 companies manufacture them. Gillette, Sunbeam, and International Telephone & Telegraph are among the major companies which do not manufacture the devices but instead purchase them from outside suppliers.

**The sobering pitch.** "The smoke detector is an inert item—not like a coffeepot, which makes something every morning," says Frank A. Lopez, manager of home security products for North American Philips' Norelco Div. "It is an appliance that needs advertising support." GE, for example, spent more than \$2.5 million last year to promote its "Home Sentry" smoke detector.

The ad pitches vary, but most employ "very sobering tactics," as one industry executive puts it. Norelco's TV ad ends with actor Danny Thomas urging viewers to buy its smoke alarm "if not for yourself, for your kids."

With competition getting stiffer at the retail level, some companies are using other approaches. Emhart Corp., for example, sells its "911" model through hardware wholesalers. Last year the company spent \$500,000 on advertising directed at hardware middlemen and increased its sales 110%.

The stiffer competition is pushing prices down. "Even with fire safety,

most people think of price first," says William F. Johnston, marketing director for Fenwal Inc., a division of Walter Kidde & Co. Some national-brand, battery-powered models are selling for as little as \$25 in discount department stores. The slimmer margins might pare the number of competitors. "I think we'll see a shakeout in the next year," says Neison Harris, president of Pittway Corp.

**Manifest destiny.** The market itself seems destined to continue its fast growth. Since 1974 the Housing & Urban Development Dept. has required detectors in

## Sales boom, big companies crowd out independents, and prices are pushed down

all new homes financed with Federal Housing Administration loans. In addition, 19 states have written smoke alarm mandates into their new-home building codes. Last summer Montgomery County, Md., passed a law ordering that smoke alarms be installed in the existing 750,000 houses and apartments within its borders by July 1, 1978. Chicago is considering a similar law, and industry executives say other big cities may follow.

Less than 10% of the nation's 75 million households now have smoke alarms. Unit sales are expected to grow at least 40% annually for the next several years, according to the Center for Fire Research of the National Bureau of Standards. "The market is growing faster than anyone thought," says Richard C. Block, product manager for GE's smoke detector. "Last year I predicted the market would reach \$200 million by 1980," Block says. "Now I think it will be \$500 million by 1981. But no one knows for sure." ■