

Strangled Innovation or Opportunity for Disruptive Technologies?

Maria Shepherd • Data Decision Group

For the past few years, the “new normal” for medtech has been anxiety-driven reactivity, with medical device management struggling to manage price compression, hospital budget constraints, internal cost controls and Wall Street expectations. These issues, along with the upcoming medical device excise tax (clearly, a formidable concern), were addressed at the AdvaMed 2012 conference in Boston, Mass., in early October. One of many factors that made the conference intriguing was the new innovations presented that prove that medtech can

once more reinvent healthcare and provide a new class of disruptive technologies that will drive growth in the next decade.

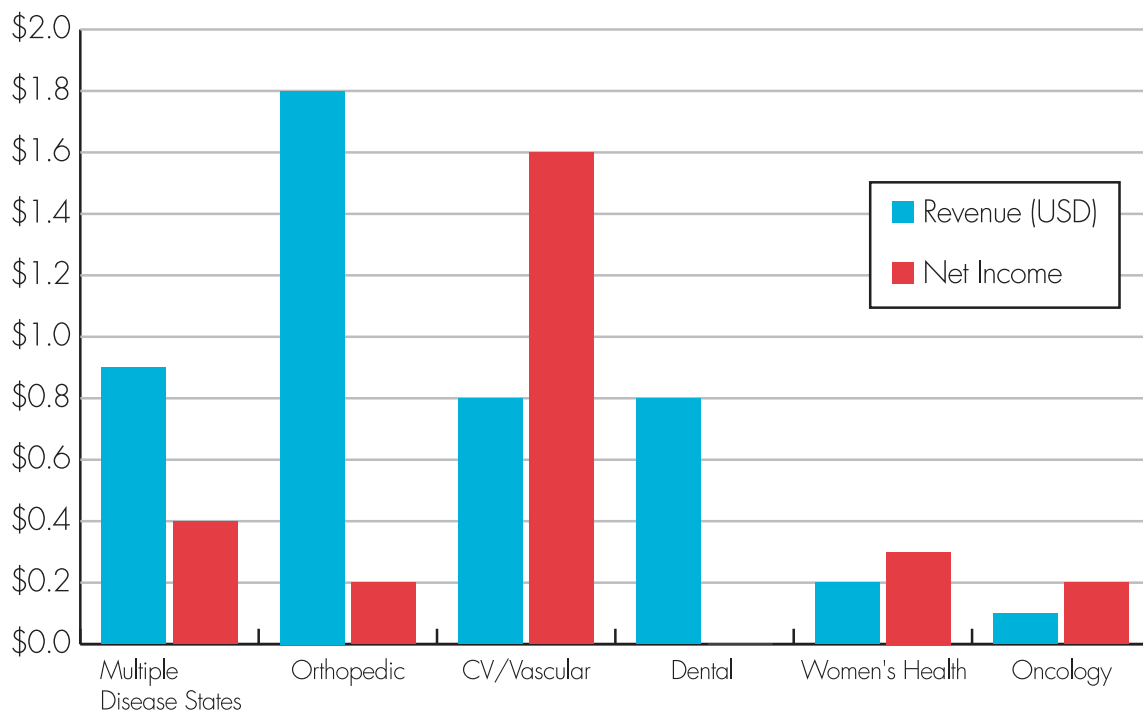
Why It's Important

Attitude is everything, and the data presented at AdvaMed was compelling. The medical device industry is recovering from the Great Recession. In 2011, total revenue for U.S. therapeutic device companies reached \$76 billion, an increase of 5 percent compared with 2010.¹ Six of the major disease categories saw their top lines increase in 2011.

The orthopedic segment generated the greatest revenues of \$1.7 billion (9 percent growth compared with 2010). According to Ernst & Young's Pulse of the Industry report, this largely was driven by Stryker and the upbeat effect of its 2011 acquisition of Boston Scientific's neurovascular group. The Multiple Disease State category was up 4 percent to \$893 million, largely fueled by Sunnyvale, Calif.-based Intuitive Surgical's Da Vinci robotic surgical system with 27 percent growth to \$344 million reported in 2011.

Net income performance of the six disease categories in Chart 1 also improved

2011 Revenue and Net Income Changes By Disease Category (in Billions)



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in 2011. The cardiovascular segment represented 86 percent of the total increase in therapeutic devices, mostly due to recovery from charges that had negatively impacted Natick, Mass.-based Boston Scientific's bottom line in 2010.

In the diagnostic sector of medical devices, imaging led the growth curve by an 8 percent revenue increase in 2011, followed by non-imaging diagnostics, which increased sales by 4 percent.



iBGStar blood glucose meter from Sanofi. Photo courtesy of Sanofi.

Innovative New Concepts

Many products were presented that could reinvent healthcare and create new disruptive markets in our medtech space. Most of these technologies focused on information tracking and analysis, to kickstart a revolution in patient behavioral change.

For example, iBGStar is a blood glucose meter from French healthcare giant Sanofi that connects to an Apple iPhone or iPod. This product gives Sanofi a trifecta in the market for diabetes treatment with insulin (a commodity), the insulin pen market (highly competitive and higher profit) and now glucose monitors, a market estimated at \$8.8 billion worldwide in 2008.² According to company leadership, the device's performance goal is to provide innovative and stylish features and ease of use, and to enable independent diabetes management

that fits the lives of diabetics. This product is in adjacent space to Sanofi's top selling Lantus and Apidra insulin products that also are available in the form of SoloSTAR injection pens.

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The holy grail of medical device marketing is to attain an emotional connection with the clinician or patient. Band-Aid, a product by New Brunswick, N.J.-headquartered Johnson & Johnson is achieving this goal with a formerly commoditized product. The company has re-invented the brand with Band-Aid Magic Vision, a free app for iPhones and iPads that is linked to Muppets Band-Aids. It takes a product from commodity to innovation. After the Magic Vision Band-Aid has been applied, children or parents can use an iPhone or iPad and, with the app, point the device at the bandage. When children look at the screen, a Muppet character appears to emerge from the bandage.³ After that experience, what child would settle for any other bandage product?

The Opportunity

To succeed in today's medtech business, our products also must succeed in driving behavioral change. Chronic disease, such as diabetes, now accounts for 75 percent of healthcare costs in the United States. Think of how Sanofi, now with great products in three critical segments of diabetes control, can drive change with diabetics. Technology prevails and opportunity abounds. ❖

References:

1. *Ernst & Young Pulse of the Industry Medtech Report 2012*



Band-Aid Magic Vision by Johnson & Johnson. Photo courtesy of Johnson & Johnson.

2. Hughes, M. *The Business of Self-Monitoring of Blood Glucose: A Market Profile Journal of Diabetes Science and Technology, Volume 3, Issue 5, September 2009*

3. www.nytimes.com/2012/05/23/business/media/band-aids-and-muppets-soothe-childrens-scrapes.html?_r=0

Editor's note: Readers are invited to submit market data and trend questions to Maria Shepherd. Periodically, selected questions will be presented in this column, with answers from Maria. Send your questions to the email in her bio (below).

Maria Shepherd, founder of Data Decision Group, has 20 years of leadership experience in medical device and life-sciences marketing. Following a career including serving as vice president of marketing for Oridion Medical; director of marketing for Philips Medical; and senior management roles at Boston Scientific Inc., she founded Data Decision Group. Her firm quantitatively and qualitatively sizes opportunities, evaluates new technologies, and assesses prospective acquisitions for medtech companies. Shepherd teaches marketing and product development courses and recently was appointed to the board of the MSBiV Medtech Investment Committee. She can be reached at (617) 548-9892 and mshepherd@ddecisiongroup.com.