



The U.S. Blood Glucose Monitoring Market – Overview

The Market

Manufacturers' sales of diabetes self-monitoring and professional point-of-care (POC) devices totaled \$2 billion in 2002, and are expected to reach \$2.3 billion in 2004. Sales of blood glucose testing strips led the industry, in 2002, with manufacturers' sales of \$1.6 billion. Non-invasive and minimally invasive glucose testing systems, the smallest and most recent market entrant, registered sales of \$3.5 million.

The diabetes blood glucose monitoring industry is dominated by a small number of players, making the industry difficult for new companies to penetrate. Roche Diagnostics was the overall market leader in 2002, with a 37% share of the blood glucose meter market, and a 35% share of the blood glucose testing strip market. LifeScan, a Johnson and Johnson company, was second, with a 29% share of the market, benefiting from sales of the ONE TOUCH Ultra introduced in 2001. The Ultra is approved for alternative site testing and is providing stiff competition for Roche's Accu-Chek Compact, also approved for alternative site testing. Bayer and Abbott Laboratories are lesser, but important players in this market. In 2004, following the acquisition of TheraSense, Abbott Labs became the number 3 player, with an 18% share of the U.S. market, followed by Bayer, with a 14% market share.

Overall, the U.S. diabetes glucose monitoring industry is forecast to reach sales of \$3 billion in 2008, expanding 7.5% annually during the 2003-2008 forecast period. Fueling the market will be a growing number of Americans diagnosed with diabetes - estimated to climb, from 13 million in 2002, to 14.5 million in 2008. Many more, however, will remain undiagnosed, with the actual number of sufferers much higher than the 14.5 million. The market will also continue to benefit from evidence that frequent monitoring can greatly reduce serious and even fatal consequences of uncontrolled blood glucose levels in patients, as reported by the Diabetes Control and Complications Trial (DCCT).

The Opportunity

While the glucose monitoring market is already sizable – the American Diabetes Association estimates there are 18.2 million diabetics in the U.S.A. (of which 13 million have been diagnosed, and 5.2 million are undiagnosed) and the International Diabetes Foundation estimates there are over 175 million diagnosed diabetics worldwide - experts believe that there exists a tremendous untapped opportunity within the industry. Two factors creating this additional opportunity are the tremendous under-testing among Type 2 diabetics and the large undiagnosed diabetic population.

The Business Model

The revenue structure within the blood glucose monitoring industry leads to a far higher level of sales visibility and predictability than exists in many medical technology markets. In the blood glucose monitor *razor/razor blade business model*, the company either gives away or sells (at a very low price point) its blood glucose meters (the *razors*). The meters then drive the majority of company revenues though the use of disposable strips (the *razorblades*). The price of the blood glucose monitor is not considered very important, as it often is reimbursed by insurance if prescribed by a physician. However, in contrast to this, the cost of test strips is considered a large expense, by the consumer. The blood glucose monitor manufacturers derive the majority of sales, and profits, from the sale of “disposables” – test strips, lancets, etc.



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