

Take me to **BARE BONES!**

Voice of Industry

Limit content by date:

Year Month

PDF Archive [More »](#)

ORTHOKNOW content is posted to these pages in real time.

Monthly compilations are available in PDF form.



Jul 2019 Issue



Jun 2019 Issue



May 2019 Issue

Orthopedic Market Forces to Watch: A Conversation with Ali Madani

June 19, 2019

By Carolyn LaWell

In March, we attended the IMPLANTS Tutorial Session hosted by AVICENNE to gain additional perspective on the orthopedic device and contract manufacturing markets. Our market numbers, as well as thoughts on what's driving the industry, were validated during the tutorial presented by Ali Madani.

Mr. Madani is founder of the strategic and operational consultancy firm AVICENNE, and an ORTHOWORLD Member. After his tutorial, we asked him to provide a high-level view of the market forces as he sees them. His thoughts follow.

Main Market Forces

For device companies, robotics will continue to have a great impact in the U.S., Mr. Madani said. He pointed to Stryker's ability to gain market share in 2017 and 2018 in knees through its Mako application, and noted that Stryker's success has forced competitors to accelerate their robotic development.

The main market hindrances are price erosion of -2% to -2.9% per year in high price countries like Australia, Japan and the U.S., as well as increased regulatory processes and their related expenses, he said.

Contract manufacturers will benefit from an increase in the outsourcing of manufacturing by device companies. "A special case is the continuing trend toward OEM facility disinvestment that occurs when there are opportunities to sell to a large, reliable player who can guarantee supply security," Mr. Madani said. "In 2019, we will see the huge impact of the DePuy Synthes/Jabil deal—a remarkable example of this driver."

A risk for contract manufacturers is shifting production of products like spine and trauma implants and generic instruments to low-labor cost countries, he said.

Top Players vs. Next-Tier Market

The five largest players in orthopedics by revenue—DePuy Synthes, Zimmer Biomet, Stryker, Smith & Nephew and Medtronic—have mostly experienced lower percent growth than the market average in recent years. Mr. Madani refers to the companies that play in the billions of dollars range as "majors" and those that play in the hundreds of millions of dollars range as "challengers." We asked him what he sees as the main difference between these tiers.

"Generally speaking, the difference is that the challengers have gained organic market share continuously vs. the majors for more than a decade," he said. "They are growing faster because they focus on all of the surgeons, while the majors focus on surgeons with high activity. Also, the majors operate with product standardization and reduced product range, while the challengers multiply the number of customized products and extend product ranges."

Challenger companies that Mr. Madani is watching closely, due to their market position, are Corin, Link, MicroPort Orthopedics and Wright Medical.

Additive Manufacturing Market

Additive manufacturing remains a burgeoning space to watch as more orthopedic companies utilize the technology for their implants and instruments. Knowing that Mr. Madani conducts additive manufacturing research, we asked him to provide his estimates on the market. Just looking at additively-manufactured spine cages and hip cups, Mr. Madani estimated the 2018 European market at about \$50MM in revenue for device companies and contract manufacturers.

"The worldwide market is certainly higher than \$120MM with annual growth of around 20%," he said.

European Market

As an industry veteran based in Paris who closely follows the European market, we asked Mr. Madani about the most important movements taking place there today.

He noted that Europe accounts for less than 20% of the total orthopedic market, mainly because of low prices and past price erosion. Mr. Madani predicts that price will begin to stabilize. "By 2023, price erosion for orthopedics will be around 1% per year (0.9% for hip, 1.4% for knee, etc.)," he said.

On the contract manufacturing side, three European companies—Marle, LISI MEDICAL and In'Tech Medical—are now among the top 10 suppliers by revenue, growing through acquisitions and an increased ex-U.S. presence. "These players have fully understood the global orthopedic market, and the fact that this market is U.S.-centric, as well as the trend toward consolidation of orthopedic contract manufacturers," Mr. Madani said.

The growth of robotics, additive, outsourcing and mid-sized device companies and contract manufacturers are among the main narratives that we—like Mr. Madani—expect will shape industry dynamics in the coming years.

Carolyn LaWell is ORTHOWORLD's Chief Content Officer.