

Orthokinetic Review – Orthotic Industry
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1. Will profits in the orthotic technology industry increase in 2002?

Profits in 2002 for the orthotic technology industry will most likely rise only slightly due to the relative flat growth in the O&P industry in general. When used appropriately, automated techniques and imaging devices using microprocessors and CAD/CAM technology can save labor, rework time and thus have the potential to increase business volume, sales and profits. While the bulk of the revenues generated in the orthotics industry are derived from lower limb and spinal devices, automated design and fabrication of custom orthotics will most likely create the largest impact on profits. One specialty area, custom foot orthotics should see the most profit increase as more automated techniques are utilized. Custom foot orthotics generate about \$500 million dollars per year (end user cost) in the U.S. While most O&P labs fabricate custom foot orthotics, it is a small percentage of their overall total income. As lab owners and managers become more aware of how automated technology can significantly save time and money in their custom foot orthoses business, they will be more likely to invest in that technology.

Out sourcing the fabrication of custom foot orthoses to a central laboratory, is becoming more appealing as it: a) eliminates the expense of buying equipment (i.e. mills), b) reduces labors costs and c) provides a more consistent product. Another strong influence on profitability is managed care as it will continue to force the orthotics industry to provide patients with better products at lower prices. However, this is like a double-edged sword as lower prices usually reduce profits, and the purchase of cost-saving equipment is also decreased. Thus, technology can be viewed as an undesirable expense or an investment in developing a more profitable business. In order to justify new technology, clinical efficacy and effectiveness studies must be conducted to justify reimbursement and these outcome studies have been slow in coming.

2. What type of equipment/technology will see the biggest sales jumps in 2002?

Computer-based systems such as the TracerCAD (Tracer Corp.) and the FootFax-SL (Amfit Corp.) will see the biggest jump in sales primarily due to awareness and proven clinical efficacy. These CAD/CAM systems are user friendly and generate in minutes, digital images that are used (plaster-free) to carve orthotic devices. These automated imaging and carving systems are accurate, reliable and can be cost-effective in the appropriate setting. Not all labs or office practices need to

have both the scanner and carving mill. We are entering an era where a practitioner can image (scan) an anatomical part, email the digital file to a specialty fabrication laboratory and have the finished product back in 1-3 days. And all of this is done at a total lower cost than if the orthotic or prosthetic was fabricated at the lab/office taking the cast.

It is interesting to note that the foot orthotic industry is primarily oriented around manual techniques and the skill of the technician making the custom foot orthoses. Automated technology has had a slow acceptance in this industry. If a laboratory or office-based practice makes 5 or more pair of custom foot orthoses a month, it is financially justifiable to purchase an automated scanner such as a contact digitizer or a laser scanner to assist in the design of the orthoses. Creating digital foot files now makes out-sourcing the fabrication of the orthotics a viable and profitable alternative.

3. How can companies position themselves to take advantage of niches opened up by changes in technology and demographics?

Demographics have probably offered more of an opportunity to grow the orthotic industry. We now have a larger portion of the population that is older and more informed about the benefits of orthotics, and have the discretionary income to afford them. There are now more medical and paramedical professionals prescribing orthoses thus increasing the referral sources to O&P labs. Companies need to get more involved with medical professionals to develop "out-reach" programs that will take automated technology out to special interest groups, clinics, and retirement communities. This is particularly true for custom foot orthoses. Combining portable technology with out-reach programs will bring custom foot orthoses to more people that are in need and at the same time develop a stronger business and profit base for the prescribers. Companies need to provide a solution and help develop an awareness of the benefits of orthotic products. Greater awareness in both the medical and consumer minds will grow the orthotic businesses.

4. What is the process of introducing new products at Amfit?

Amfit specializes in the manufacture and distribution of automated equipment (CAD/CAM) for the design and fabrication of custom foot orthoses. In addition, Amfit operates its Central Fabrication Facility that offers medical professionals and O&P laboratories a cost-effective service to fabricate custom foot orthoses. For our high tech products, the Footfax¹-SL and the CAD/CAM Mill, we assess the target markets and design a specific marketing strategy for these specialties. We are market driven and design what the practitioner, the lab owner or the medical professional wants and needs. Combining advertising with seminars or workshops where potential customers can "see and touch" the equipment is a powerful selling tool. Trade shows also continue to be a prime method of introducing new products.

For our "out source" fabrication service, our process for introducing its services and new products has been directed to better meeting the financial needs of customers. We have developed a low cost alternative, called the Footprinter`, which allows immediate access to Amfit's CAD/CAM facility and custom orthoses without an investment in expensive equipment, a big benefit for office practices and high volume O&P shops. In addition, we have expanded our product offerings to include semi-rigid and rigid orthoses, and custom orthotic sandals. Quality products and services speak for themselves and our belief is that "word-of-mouth" is still the most powerful tool in selling our products.