



BONE GRAFTS AND SUBSTITUTES - GLOBAL ANALYSIS AND MARKET FORECASTS

Executive Summary

Bone Grafts and Substitutes: Key Metrics in 10 Major Markets	
Bone Grafting Procedure Volume in 2013	
Spinal Fusion	1,047 million
Trauma Fixation	414 million
Joint Reconstruction	352 million
Craniomaxillofacial (CMF) Procedure	48 million
Total	1,861 million
2013 Market Sales (\$m)	
US	\$1,391.9m
5EU	\$406.1m
Japan, Brazil, China and India	\$291.5m
Total	\$2,089.5m
Key Events (2013–2020)	Impact
(2013) Alphatec Spine voluntarily stopped shipping PureGen Osteoprogenitor Cell Allograft	↑↑
(2013) Wright Medical's premarket approval (PMA) application for Augment Bone Graft was not approved by the US Food and Drug Administration (FDA)	↑↑↑
(2014) FDA's 510(k) clearance for NuVasive's AttraX	↑↑
(2014) Osiris Therapeutics' transition of its Ovation product line to the OvationOS formulation	↑
(2014–2015) RTI Surgical's commercial launch of map3 Cellular Allogeneic Bone Graft	↑↑
(2015–2016) Expected FDA's PMA approval for CeraPedics' i-FACTOR	↑↑
(2015–2016) Expected FDA's approval for Advanced Biologics' OsteoMEM	↑↑
(2015–2016) Expected FDA's PMA approval for BioSET's AMPLEX	↑↑
2020 Market Sales (\$m)	
US	\$1,776.8m
5EU	\$467.0m
Japan, Brazil, China and India	\$464.9m
Total	\$2,708.7m

Source: GlobalData, based on secondary research and primary research, including interviews with key opinion leaders (KOLs) and industry experts in 10 markets (US, France, Germany, Italy, Spain, UK, Japan, Brazil, China and India).

Note: 5EU = France, Germany, Italy, Spain, and the UK.

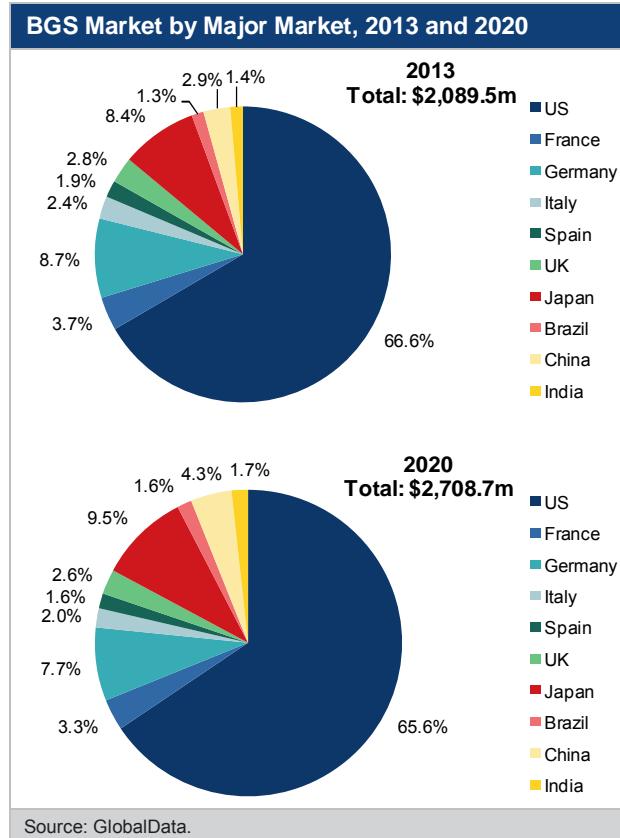
The field of bone grafts and substitutes (BGS) is among the most promising markets in the orthopedic industry. In 2013, revenue from the global BGS market, consisting of traditional allograft bone, machined allograft bone, growth factors/bone morphogenetic proteins (BMPs), demineralized bone matrices (DBMs), synthetic bone substitutes, and cell-based matrices, is estimated to be \$2,089.5m across the 10 major markets covered in this report, including the United States, France, Germany, Italy, Spain, the United Kingdom, Japan, Brazil, China and India. Despite the FDA's ongoing scrutiny of the growth factor/BMP and cell-based matrices segments, the BGS market sales are expected to rise steadily throughout the forecast period, reaching \$2,708.7m with a compound annual growth rate (CAGR) of 3.8%.

Key drivers during the forecast period:

- The growing procedure volume of spinal fusion and joint reconstruction due to pandemic aging and obesity
- Companies' continued efforts on product innovations and line extensions to create a comprehensive orthobiologics platform
- Orthopedic community's ongoing search for materials promoting osteoinductivity and osteogenesis
- Improved accessibility to the latest-generation BGS products in emerging economies

Executive Summary

- Increased public awareness of bone regeneration achieved through biologics



As of 2013, the US comprised a majority of the market share, with 66.6%, and is expected to continue to contribute a substantial amount to the global BGS market over the forecast period. The 5EU countries all together contributed 19.4% to the market revenue, with Germany leading the pack at 8.7%. Another major market with significant presence is Japan, at 8.4%.

GlobalData estimates that global market share will remain relatively stable for the forecast period across the 10 major markets. While all of the major markets are expected to expand from a procedure standpoint, western countries will be experiencing stronger pricing pressures stemming from the governments' healthcare budget constraints for high-volume orthopedic surgeries, limiting the growth potential of the BGS market in the EU.

Continued Product Innovation Drives Market Growth

Bone grafting procedures are undergoing a gradual shift from autologous and allogeneic bone grafts to synthetic bone graft substitutes. The emergence of new biological or synthetic materials to facilitate regeneration of damaged or diseased bone can increasingly minimize the usage of autograft in the surgeries. In particular, the motivation to incorporate the favorable properties of different materials into an effective bone graft product has led to the manipulation and development of various new composite grafts. One of the recent attempts from orthopedic companies to enhance bone substitutes' osteoconductivity is the incorporation of bioactive materials, such as bioactive glass.

Meanwhile, with the increase in corporate and federal funding in regenerative medicine, stem cell therapies represent a fast-growing, high-margin opportunity. Today, some of the leading orthopedic companies have allocated a large portion of their R&D budget to these stem cell-based products.

Executive Summary

A good example is the cell-based matrices recently introduced to the US market. The incorporation of adult mesenchymal stem cells into allograft bone gives rise to a matrix harnessing the healing triad – osteoconductivity, osteoinductivity, and osteogenesis.

While evolution in bone graft materials is driven by the manufacturers, which create different bone substitutes products to enhance their product mix, it is mandatory that these advances be adequately studied in clinical practice. In a market that is inundated with biologics with very limited basic science data supporting the efficacy, availability of human clinical data to demonstrate product efficacy remains the key to success.

Key Players in the Global BGS Market

Overall, the competitive landscape in BGS mirrors that in the spine market, as more than 60% of the BGS products are used in spinal procedures. At present, there is one clear leader in the market: Medtronic. As Medtronic is the pioneer in spine technologies and is the only supplier of BMP-2 product (INFUSE Bone Graft), the company has sustained the leading position in the global BGS space, especially in the BMP and DBM segments. While Medtronic is very likely to dominate the market in the next several years, its share will be shrinking, as the growth potential of INFUSE has been affected by some negative media attention regarding off-label usage and adverse events with specific indications.

Moreover, the lower adoption rate of DBM products in markets outside the US due to variations in regulation has hindered Medtronic's business expansion in the global DBM segment.

Following Medtronic is Stryker and DePuy Synthes. Compared with Medtronic, these two companies thrive in the synthetic bone substitutes segment. Beyond these three major players, the BGS market comprises a great number of players, each specializing in a couple of segments. Moving forward, the erosion of the share of the major players by smaller start-ups observed in the spine market is also expected to occur in the global BGS market. With cell-based matrices on the rise, it will be interesting to see how these products would help orthopedic companies to hone the technological edges and redefine the competitive landscape in the global BGS arena.

The Global BGS Market Future Outlook

The economic downturn has been a continued concern with pricing wars in other sectors of orthopedics. While BGS is a market that can be susceptible to this, it has affected this market only partially, as the whole orthopedic community is now placing appreciable emphasis on the importance of biologics.

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Because bundling complementary biologics to hardware allows for continuous income generation, and ensures that the company's biologics platform is a fixture in a hospital's orthopedic implant inventory, cross-selling has helped a number of orthopedic and spine companies to bolster their positions in the BGS space. Additionally, a crop of start-ups that are biologics pure play companies are also hoping to achieve a statistically significant difference in their products' performance compared with those of established firms.

Moving forward, the increased marketing that will follow approval of new BGS products will contribute to even greater awareness of all of the viable alternatives to the conventional autograft harvesting technique. In the years to come, launching and marketing a comprehensive BGS portfolio with a clear value proposition will remain critical to companies' success as they jockey for market leadership. Meanwhile, companies will need to understand two basic driving forces – surgeons who continuously seek improved patient outcomes and healthcare systems who become increasingly concerned about the economics.

What Do Physicians Think?

Following the negative media surrounding Medtronic's INFUSE Bone Graft, surgeons now hold varied opinions regarding the BMP products. While there are a group of firm believers in the clinical efficacy of BMP-2, an increasing number of surgeons have raised doubts about the cost-effectiveness that BMP products can bring to the patients and hospitals.

"The real difference in fusion rate comes from the use of BMP-2. The fusion rate of BMP-2 is so good that the cost for revision goes down."

Key Opinion Leader

"It's not all about the price tag; you have to look at the value they [BMPs] can add to the patients. Because of better osteoinduction and fusion rate, the patient can be discharged one day earlier, and that's where actual cost saving comes in."

Key Opinion Leader

"I haven't seen a drastic decrease [in the usage of BMPs] so far. But the debates put a bit of barrier on growth. The other element is cost-containment measures that most EU countries put in place."

Industry Key Opinion Leader

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As health executives are scrutinizing purchases and using multiple channels to procure biologics at highly competitive prices, surgeon's preference is no longer considered the top priority in many hospitals' decision-making processes.

"Because of the large availability of different preparations, and inconsistencies within preparations, it's hard to make any kind of decision just based on product information [of these BGS products]. So the biggest driving force is the cost, and surgeon preference is not a top priority."

Key Opinion Leader

Human clinical efficacy is an important consideration for physicians in choosing to adopt a new biologic. Currently, in the BGS market, the lack of reliable studies to demonstrate products' efficacy in human clinical settings has led to many surgeons reluctant to adopt newly launched biological products.

"The push for new orthobiologics is in large part industry-driven, rather than based on objective patient clinical data."

Key Opinion Leader

"There are an enormous number of biological products currently on the market, but the number of unbiased scientific data in human studies is pathetically small. This is a real problem in orthobiologics today."

Key Opinion Leader

Regarding the recently introduced cell-based matrices in the US market, physicians explained the potential barriers to further expanded adoption of these products.

"The use of cell-based matrices is rare, because they are very expensive. There has to be a good reason to use cell-based matrices. If there is a biologic issue in the patient, like lack of healing or not enough bone healing, I may try a cell-based therapy. But that's only because I can't or I won't do something to increase the healing."

Key Opinion Leader

"I think there is definitely a market for cell-based matrix in the future. We haven't used any of those products yet. We are currently sitting on the sidelines and waiting for their clinical efficacy to be proven, but we have great interest in that."

Key Opinion Leader

Table of Contents

1 Table of Contents

1	Table of Contents	7
1.1	List of Tables	15
1.2	List of Figures	20
2	Introduction	23
2.1	Catalyst.....	24
2.2	Related Reports	24
3	Clinical Outcomes	26
3.1	Overview.....	26
3.2	Autograft Bone.....	27
3.3	Allograft Bone	28
3.4	Bone Graft Substitutes	30
3.4.1	BMPs/Growth Factors	30
3.4.2	DBMs	32
3.4.3	Synthetic Bone Substitutes.....	33
3.4.4	Cell-Based Matrices	35
4	Industry Overview	36
4.1	Procedural Trends	36
4.1.1	Overview	36
4.1.2	US	37
4.1.3	5EU	43
4.1.4	Asia-Pacific	48

Table of Contents

4.1.5	South America.....	51
4.2	Market Access	55
4.2.1	US.....	55
4.2.2	5EU.....	61
4.2.3	Asia-Pacific	64
4.2.4	South America.....	68
4.3	Regulatory Issues/Recalls.....	71
4.3.1	FDA Convened a Dispute Resolution Panel to Discuss Wright Medical's Augment Bone Graft (October 2013)	71
4.3.2	FDA Issued a Warning Letter over Globus Medical's MicroFuse Bone Growth Putty (September 2013)	71
4.3.3	Medtronic and the Australia Therapeutic Goods Administration Recalled Unused Lots of INFUSE LT-Cage Bone Graft Kits (June 2013).....	72
4.3.4	Alphatec Spine Voluntarily Stopped Shipping PureGen (February 2013)	72
4.3.5	FDA Rejected Approval of Medtronic's AMPLIFY rhBMP-2 Matrix (March 2011)	72
4.4	Mergers & Acquisitions/Key Partnerships.....	73
4.4.1	Bacterin Developed Strategic Alliance with DMP Spine Biologics (November 2013)	73
4.4.2	RTI Surgical Entered into a New Distribution Deal with Medtronic Sofamor Danek (October 2013)	73
4.4.3	RTI Biologics Completed Acquisition of Pioneer Surgical Technology (July 2013)	74
4.4.4	Amedica Commenced Distribution of Dynamic Surgical's Dynamic Bone Expandable Allograft (April 2012).....	74
4.5	Economic Impacts.....	74
4.6	Market Drivers.....	75

Table of Contents

4.6.1	Disadvantages of Autografts	75
4.6.2	Continued Increase in the Procedure Volumes of Spinal and Orthopedic Surgeries	76
4.6.3	New Generation of Biological or Synthetic Materials	76
4.6.4	Cross-Selling	77
4.6.5	Improved Patient Awareness	78
4.7	Market Opportunities	79
4.7.1	Stem Cell Therapies	79
4.7.2	Foot and Ankle Market	80
4.7.3	Comprehensive Orthobiologics Platform	81
4.7.4	Antibiotics-Eluting Bone Graft Substitutes	82
4.7.5	Emerging Countries	83
4.8	Market Barriers	84
4.8.1	Variations in Regulations	84
4.8.2	Lingering Questions on rhBMP-2 to Generate Negative Spillover Effects	85
4.8.3	Negative Publicity Concerning Screening and Processing Methods of Allograft	86
4.8.4	Reimbursement and Pricing Pressure	86
4.8.5	Proving Clinical Efficacy	87
4.8.6	Medical Device Excise Tax	88
4.8.7	Substitutes	89
5	Competitive Assessment	91
5.1	Overview	91
5.2	Marketed Products	91
5.2.1	Advanced Biologics	91

Table of Contents

5.2.2	AlloSource.....	92
5.2.3	Bacterin.....	94
5.2.4	Baxter.....	96
5.2.5	Biomet.....	97
5.2.6	DePuy Synthes	100
5.2.7	Exactech	102
5.2.8	Integra LifeSciences.....	104
5.2.9	Medtronic	106
5.2.10	Musculoskeletal Transplant Foundation (MTF).....	109
5.2.11	NuVasive.....	110
5.2.12	Olympus Biotech	112
5.2.13	Orthofix	114
5.2.14	RTI Surgical	116
5.2.15	Stryker.....	119
5.2.16	Wright Medical	121
5.2.17	Zimmer.....	123
6	Unmet Needs.....	125
6.1	Clinical Data Transparency	125
6.2	Lack of Human Clinical Studies.....	126
6.3	Optimization of rhBMPs' Dosage and Carrier	128
6.4	Standardization of DBM Products' DBM Concentration across the Bone Banking Industry ...	129
6.5	Need for Products with Improved Osteoinductivity	130

Table of Contents

6.6	Continued Research on Cell-Based Matrices	131
6.7	Need for Improved Medical Education on Bone Substitutes Products	132
6.8	Need for Cost Containment.....	134
7	Pipeline Products.....	135
7.1	Overview.....	135
7.2	Advanced Biologics' OsteoMEM	135
7.3	Aursos' Synthetic Bone Substitute	136
7.4	BioSET's AMPLEX.....	136
7.5	CeraPedics' i-FACTOR.....	136
7.6	NuVasive's AttraX	136
7.7	Osiris Therapeutics' OvationOS	137
7.8	Wright Medical' Augment Bone Graft	137
8	Clinical Trials to Watch	138
8.1	Yale's Review of Medtronic's INFUSE Bone Graft	138
8.2	Wright Medical's Augment Bone Graft	139
8.3	Orthofix's Trinity Evolution.....	140
8.4	AlloSource's AlloStem.....	141
8.5	NuVasive's AttraX	141
8.6	CeraPedics' i-FACTOR.....	142
8.7	BioSET's AMPLEX.....	142
9	Current and Future Players.....	144
9.1	Trends in Corporate Strategy	144
9.2	Company Profiles.....	145

Table of Contents

9.2.1	Alphatec Spine	145
9.2.2	AlloSource	147
9.2.3	Bacterin	149
9.2.4	Biomet	151
9.2.5	DePuy Synthes	153
9.2.6	Exactech	155
9.2.7	Globus Medical	156
9.2.8	Integra LifeSciences	158
9.2.9	Medtronic	160
9.2.10	NuVasive	163
9.2.11	Olympus Biotech	165
9.2.12	Orthofix	166
9.2.13	RTI Surgical	168
9.2.14	Stryker	170
9.2.15	Wright Medical	172
9.2.16	Zimmer Holdings	174
9.3	Other Players	177
10	Market Outlooks	180
10.1	Market Share Analysis	180
10.1.1	Global	180
10.1.2	US	181
10.1.3	5EU	184
10.2	By Geography	186

Table of Contents

10.2.1	Overview	186
10.2.2	US	190
10.2.3	France	193
10.2.4	Germany	196
10.2.5	Italy	198
10.2.6	Spain	200
10.2.7	UK	202
10.2.8	Japan	204
10.2.9	Brazil	206
10.2.10	China	208
10.2.11	India	210
11	Appendix	213
11.1	Abbreviations	213
11.2	Bibliography	216
11.3	Report Methodology	225
11.3.1	Overview	225
11.3.2	Coverage	225
11.3.3	Secondary Research	225
11.3.4	Forecasting Methodology	226
11.3.5	Primary Research – Key Opinion Leader Interviews	227
11.3.6	Expert Panel Validation	228
11.4	Physicians and Specialists Included in this Study	229
11.5	About the Authors	232

Table of Contents

11.5.1	Analysts	232
11.5.2	Bonnie Bain, Ph.D., Global Head of Healthcare	233
11.6	About MediPoint.....	234
11.7	About GlobalData.....	234
11.8	Disclaimer	234

SAMPLE

Table of Contents

1.1 List of Tables

Table 1: Definition of Bone Growth Mechanisms	26
Table 2: Advantages and Disadvantages of Autografts	28
Table 3: Advantages and Disadvantages of Allografts	29
Table 4: Differences Between INFUSE Bone Graft and OP-1 Products	31
Table 5: Advantages and Disadvantages of BMPs	31
Table 6: Advantages and Disadvantages of DBMs	32
Table 7: Major Types of Synthetic Bone Substitutes	33
Table 8: Advantages and Disadvantages of Synthetic Bone Substitutes	35
Table 9: Advantages and Disadvantages of Cell-Based Matrices	35
Table 10: Usage of BGS by Procedure Type in the US, 2013	38
Table 11: Usage of BGS by Procedure Type in 5EU, 2013	43
Table 12: Usage of BGS by Procedure Type in APAC, 2013	48
Table 13: Usage of BGS by Procedure Type in South America, 2013	51
Table 14: Medicare National Average Reimbursement Rates for Major Orthopedic Procedures that Involve the Usage of BGS, 2013–2014	60
Table 15: Currently Marketed Cell-Based Matrices in the US Market	79
Table 16: Differences between the US and EU Regulations for BGS	84
Table 17: Types of Autologous Grafting Commonly Used to Treat Non-Union	89
Table 18: Advanced Biologics' BGS Products	92
Table 19: SWOT Analysis – Advanced Biologics' BGS Portfolio	92
Table 20: AlloSource's BGS Products	93
Table 21: SWOT Analysis – AlloSource's BGS Portfolio	94
Table 22: Bacterin's BGS Products	95

Table of Contents

Table 23: SWOT Analysis – Bacterin's BGS Portfolio.....	96
Table 24: Baxter's BGS Products.....	97
Table 25: SWOT Analysis – Baxter's BGS Portfolio	97
Table 26: Biomet's BGS Products.....	98
Table 27: SWOT Analysis – Biomet's BGS Portfolio.....	99
Table 28: DePuy Synthes' BGS Products	101
Table 29: SWOT Analysis – DePuy Synthes' BGS Portfolio	102
Table 30: Exactech's BGS Products	103
Table 31: SWOT Analysis – Exactech's BGS Portfolio	104
Table 32: Integra LifeSciences' BGS Products.....	105
Table 33: SWOT Analysis – Integra LifeSciences' BGS Portfolio.....	106
Table 34: Medtronic's BGS Products	108
Table 35: SWOT Analysis – Medtronic's BGS Portfolio	109
Table 36: MTF's BGS Products.....	109
Table 37: SWOT Analysis – MTF's BGS Portfolio	110
Table 38: NuVasive's BGS Products.....	111
Table 39: SWOT Analysis – NuVasive's BGS Portfolio.....	111
Table 40: Olympus Biotech's BGS Products	113
Table 41: SWOT Analysis – Olympus Biotech's BGS Portfolio	113
Table 42: Orthofix's BGS Products	115
Table 43: SWOT Analysis – Orthofix's BGS Portfolio	115
Table 44: RTI Surgical's BGS Products.....	117
Table 45: SWOT Analysis – RTI Surgical's BGS Portfolio	119
Table 46: Stryker's BGS Products.....	120

Table of Contents

Table 47: SWOT Analysis – Stryker's BGS Portfolio	121
Table 48: Wright Medical's BGS Products.....	122
Table 49: SWOT Analysis – Wright Medical's BGS Portfolio.....	123
Table 50: Zimmer's BGS Products.....	124
Table 51: SWOT Analysis – Zimmer's BGS Portfolio.....	124
Table 52: Compelling Questions Regarding the Cell-Based Matrices	132
Table 53: Pipeline Products in the Global BGS Market.....	135
Table 54: Major Clinical Findings of the YODA Project	138
Table 55: Major Clinical Studies of Augment Bone Graft	139
Table 56: Major Clinical Studies of Trinity Evolution	140
Table 57: Major Clinical Study of AlloStem.....	141
Table 58: Major Clinical Study of AttraX.....	141
Table 59: Major Clinical Study of i-FACTOR	142
Table 60: Major Clinical Studies of AMPLEX.....	143
Table 61: Company Profile – Alphatec Spine	145
Table 62: SWOT Analysis – Alphatec Spine.....	146
Table 63: Company Profile – AlloSource.....	147
Table 64: SWOT Analysis – AlloSource	148
Table 65: Company Profile – Bacterin.....	149
Table 66: SWOT Analysis – Bacterin	150
Table 67: Company Profile – Biomet.....	151
Table 68: SWOT Analysis – Biomet	152
Table 69: Company Profile – DePuy Synthes.....	153
Table 70: SWOT Analysis – DePuy Synthes	154

Table of Contents

Table 71: Company Profile – Exactech	155
Table 72: SWOT Analysis – Exactech.....	156
Table 73: Company Profile – Globus Medical.....	157
Table 74: SWOT Analysis – Globus Medical	158
Table 75: Company Profile – Integra LifeSciences	159
Table 76: SWOT Analysis – Integra LifeSciences	160
Table 77: Company Profile – Medtronic	161
Table 78: SWOT Analysis – Medtronic.....	162
Table 79: Company Profile – NuVasive.....	163
Table 80: SWOT Analysis – NuVasive	164
Table 81: Company Profile – Olympus Biotech	165
Table 82: SWOT Analysis – Olympus Biotech.....	166
Table 83: Company Profile – Orthofix	167
Table 84: SWOT Analysis – Orthofix.....	168
Table 85: Company Profile – RTI Surgical	169
Table 86: SWOT Analysis – RTI Surgical.....	169
Table 87: Company Profile – Stryker.....	170
Table 88:SWOT Analysis – Stryker	171
Table 89: Company Profile – Wright Medical.....	173
Table 90: SWOT Analysis – Wright Medical	174
Table 91: Company Profile – Zimmer Holdings	175
Table 92: SWOT Analysis – Zimmer Holdings.....	176
Table 93: Other Players in the Global BGS Market.....	177
Table 94: Global BGS Market Sales Forecast (\$m), 2011–2020.....	187

Table of Contents

Table 95: US BGS Market Sales Forecast (\$m), 2011–2020	192
Table 96: France BGS Market Sales Forecast (\$m), 2011–2020	194
Table 97: Germany BGS Market Sales Forecast (\$m), 2011–2020	196
Table 98: Italy BGS Market Sales Forecast (\$m), 2011–2020	198
Table 99: Spain BGS Market Sales Forecast (\$m), 2011–2020	200
Table 100: UK BGS Market Sales Forecast (\$m), 2011–2020	202
Table 101: Japan BGS Market Sales Forecast (\$m), 2011–2020	205
Table 102: Brazil BGS Market Sales Forecast (\$m), 2011–2020	207
Table 103: China BGS Market Sales Forecast (\$m), 2011–2020	209
Table 104: India BGS Market Sales Forecast (\$m), 2011–2020	211

SAMPLE

Table of Contents

1.2 List of Figures

Figure 1: An Overview of BGS Used in Orthopedic Surgeries.....	27
Figure 2: Usage of Autograft, Allograft, and Bone Graft Substitutes, by Country, 2013	37
Figure 3: Bone Grafting Procedure Volumes in the US, 2011–2020	39
Figure 4: Traditional Allograft Bone Sales Volume in the US, 2011–2020	40
Figure 5: Machined Allograft Bone Sales Volume in the US, 2011–2020	41
Figure 6: Bone Grafts Substitutes Sales Volumes in the US, 2011–2020.....	42
Figure 7: Bone Grafting Procedure Volumes in 5EU, 2011–2020	44
Figure 8: Traditional Allograft Bone Sales Volume in 5EU, 2011–2020.....	45
Figure 9: Machined Allograft Bone Sales Volume in 5EU, 2011–2020	46
Figure 10: Bone Grafts Substitutes Sales Volumes in 5EU, 2011–2020	48
Figure 11: Bone Grafting Procedure Volumes in APAC, 2011–2020.....	49
Figure 12: Traditional Allograft Bone Sales Volume in APAC, 2011–2020	50
Figure 13: Bone Grafts Substitutes Sales Volumes in APAC, 2011–2020.....	51
Figure 14: Bone Grafting Procedure Volumes in Brazil, 2011–2020	52
Figure 15: Traditional Allograft Bone Sales Volume in Brazil, 2011–2020	53
Figure 16: Machined Allograft Bone Sales Volume in Brazil, 2011–2020	53
Figure 17: Bone Grafts Substitutes Sales Volumes in Brazil, 2011–2020.....	54
Figure 18: Utilization Trend of Bone Graft in Foot and Ankle Fusion Surgery in North America, 2013	80
Figure 19: Global BGS Competitive Landscape, by Estimated Revenue, 2013.....	181
Figure 20: US BGS Competitive Landscape, 2013.....	182
Figure 21: US BGS Competitive Landscape, by Segment, 2013	183
Figure 22: France BGS Competitive Landscape, 2013	184
Figure 23: Germany BGS Competitive Landscape, 2013	184

Table of Contents

Figure 24: Italy BGS Competitive Landscape, 2013	185
Figure 25: Spain BGS Competitive Landscape, 2013	185
Figure 26: UK BGS Competitive Landscape, 2013	186
Figure 27: Global BGS Market Sales Forecast in 10 Countries, 2011–2020	187
Figure 28: BGS Market by Major Market, 2013 and 2020	188
Figure 29: Global BGS Market Revenue Distribution, By Segment, 2013 and 2020	189
Figure 30: US BGS Market Sales Forecast (\$m), 2011–2020	192
Figure 31: US BGS Market Revenue Distribution, By Segment, 2011–2020	193
Figure 32: France BGS Market Sales Forecast (\$m), 2011–2020	195
Figure 33: France BGS Market Revenue Distribution, By Segment, 2011–2020	195
Figure 34: Germany BGS Market Sales Forecast (\$m), 2011–2020	197
Figure 35: Germany BGS Market Revenue Distribution, By Segment, 2011–2020	197
Figure 36: Italy BGS Market Sales Forecast (\$m), 2011–2020	199
Figure 37: Italy BGS Market Revenue Distribution, By Segment, 2011–2020	199
Figure 38: Spain BGS Market Sales Forecast (\$m), 2011–2020	201
Figure 39: Spain BGS Market Revenue Distribution, By Segment, 2011–2020	201
Figure 40: UK BGS Market Sales Forecast (\$m), 2011–2020	203
Figure 41: UK BGS Market Revenue Distribution, By Segment, 2011–2020	203
Figure 42: Japan BGS Market Sales Forecast (\$m), 2011–2020	205
Figure 43: Japan BGS Market Revenue Distribution, By Segment, 2011–2020	206
Figure 44: Brazil BGS Market Sales Forecast (\$m), 2011–2020	207
Figure 45: Brazil BGS Market Revenue Distribution, By Segment, 2011–2020	208
Figure 46: China BGS Market Sales Forecast (\$m), 2011–2020	209
Figure 47: China BGS Market Revenue Distribution, By Segment, 2011–2020	210

Table of Contents

Figure 48: India BGS Market Sales Forecast (\$m), 2011–2020	212
Figure 49: India BGS Market Revenue Distribution, By Segment, 2011–2020	212
Figure 50: Other Primary Research Participants Breakdown, by Country (n=236)	231
Figure 51: Other Primary Research Participants Breakdown, by Institution (n=236).....	231

SAMPLE

Introduction

2 Introduction

Autograft bone is considered the gold standard in orthopedic surgeries, as it confers complete histocompatibility while possessing osteoinductive, osteoconductive and osteogenic healing potentials. Allografts and bone substitutes may be used when autograft is insufficient or when immediate structural support is needed. At times, the quantity of bone graft required exceeds the amount of the patient's own bone, possibly because of factors such as patient size, age, previous graft harvesting, or donor-site pathologic processes. In addition, the patient may opt against graft harvesting from a distant site (e.g., iliac crest) because of the comorbidities involved. All these factors have led to a soaring demand for alternatives to autograft bone in the global orthopedic community.

The ideal bone graft substitutes are biocompatible, bioresorbable, osteoconductive, osteoinductive, structurally similar to bone, easy to use, and cost-effective. Within these parameters, a growing number of bone alternatives are commercially available for orthopedic applications, including spinal fusion, joint reconstruction, trauma fixation, and CMF procedures. An extensive list of bone grafts and substitutes are currently available, along with a classification scheme that divides these products into six major groups depending on the primary material composition and processing method – traditional allograft bone, machined allograft bone, BMPs, DBMs, synthetic bone substitutes, and cell-based matrices. Excluded from this report are platelet concentrators, allograft tissue, tissue substitutes, hyaluronic acid viscosupplementation, surgical hemostats, cartilage repair products, and cell concentration systems.

The market for BGS is characterized by rapid technological change, frequent new introductions, changes in customers' demands and evolving industry standards. An example is the industry's recent re-evaluation of the expanding utilization of BMPs. After its approval by the US FDA in July 2002, BMP-2 has been adopted by many spine surgeons as a replacement for the more traditional iliac crest bone graft to avoid the complications associated with autograft bone harvest. However, as broad clinical use escalated, reports increased of potentially serious complications associated with BMP-2. Controversy continues, particularly regarding the safety of BMPs and whether it should routinely replace iliac crest bone graft in off-label indications.

Introduction

Following the publication of the Yale University Open Data (YODA) project's findings on Medtronic's INFUSE Bone Graft in mid-2013, the issue of clinical trial transparency has been brought to center stage in the orthobiologics space. Players in this field will need to continue to invest in providing solid clinical data to secure a long-term foothold in the BGS market.

2.1 Catalyst

Across the countries covered in this report, bone grafting procedure volume has experienced notable growth in recent years, although increases in sales volume and market revenue have not been consistent for all types of BGS. Although autograft is still perceived as the gold-standard material in bone grafting, the wide array of alternatives available in the market has resulted in a gradual shift towards increased adoption of bone graft substitutes, especially in the US and European markets. In contrast to the general picture in developed countries, autograft bone still represents the most popular option during bone grafting in the Asia-Pacific (APAC) region and South America. Moving forward, in the highly competitive orthobiologics industry, there will be a growing preference towards the use of bone substitutes. In particular, the shift to lower-dosed BMPs is expected to be accompanied with continued rise in the sales volume of synthetic bone substitutes in all markets, and increased adoption of cell-based matrices in the US market. Since BGS companies have uncovered new ways of using their technologies to find synergies with spine hardware products, and orthopedic implants to deliver better therapeutic outcomes, future access in the market will hinge on suppliers positioning their products as part of a broader therapy system for bone repair that includes multiple offerings. Additionally, ample opportunities lie within the emerging markets, which are the countries that have a higher compound annual growth rate (CAGR) in the BGS market and will provide the key for growth and gaining market share.

2.2 Related Reports

- GlobalData (2013). MediPoint: Knee Replacement – Global Analysis and Market Forecasts, November 2013, GDME0181MAR
- GlobalData (2013). MediPoint: Trauma Fixation – Global Analysis and Market Forecasts, October 2013, GDME0185MAR
- GlobalData (2013). MediPoint: Total Hip Replacement – Global Analysis and Market Forecasts, July 2013, GDME0174MAR

Introduction

- GlobalData (2013). MediPoint: Total Shoulder Replacement – Global Analysis and Market Forecasts, June 2013, GDME0177MAR
- GlobalData (2013). MediPoint: Total Wrist Reconstruction – Global Analysis and Market Forecasts, March 2013, GDME0171MAR
- GlobalData (2013). MediPoint: Total Ankle Replacement – Global Analysis and Market Forecasts, February 2013, GDME0167MAR
- GlobalData (2013). MediPoint: Cervical Total Disc Replacement – Global Analysis and Market Forecasts, January 2013, GDME0169MAR

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Appendix

11.6 About MediPoint

MediPoint is the flagship product for GlobalData's Medical team. Each MediPoint report is built from the ground-up by our team of healthcare analysts in the US and UK. Each report includes input from experienced physicians and leading Key Opinion Leaders (KOL). Running throughout each report in the series, "What Do Physicians Think" quotes provide a unique insight into how healthcare professionals are reacting to events within the industry, and what their responses could mean for industry strategists.

11.7 About GlobalData

GlobalData is a leading global provider of business intelligence in the Healthcare industry. GlobalData provides its clients with up-to-date information and analysis on the latest developments in drug research, disease analysis, and clinical research and development. Our integrated business intelligence solutions include a range of interactive online databases, analytical tools, reports and forecasts. Our analysis is supported by a 24/7 client support and analyst team. GlobalData has offices in New York, Boston, London, India and Singapore.

11.8 Disclaimer

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