

Executive Highlights

- Abbott today announced the US launch of its newest BGM, the FreeStyle Precision Neo, which received FDA 510(k) clearance in September 2014.
- In terms of functionality, the Neo has been designed with simplicity top of mind. The meter is thinner than an iPhone and features only four buttons, giving users the ability to test and scroll through their latest measurements, but no smartphone/cloud-connectivity, trend graphs, or inputting personal information.
- The Neo marketing message is one of accessibility: "Skip the Copay." Neo test strips are available over-the-counter, prescription-free and the Neo's pricing is notable - even relative to store brand - at \$22-27 for the meter and \$14-17 for 25 strips.

Abbott today [announced](#) the US launch of its newest BGM, the FreeStyle Precision Neo. As a reminder, the Neo received [FDA 510\(k\) clearance](#) in September 2014, following a modest seven-month FDA review. The device was [CE Marked and launched in the EU in September 2013](#), though this is the first update from Abbott on the US front in some time - even FDA clearance was not officially announced by the company till today.

In terms of functionality, the Neo has been designed with simplicity top of mind. Abbott has steered clear of many of the bells and whistles of newer meters - no smartphone/cloud-connectivity, no trend graphs, no inputting personal information (e.g., the reading is before/after a meal, exercise, etc.). The interface is more straightforward with only four buttons, giving users the ability to test and scroll through their latest measurements. We have tested the Neo ourselves and been impressed with the easy-to-read display (big, bold numbers) and slim profile (thinner than an iPhone) - see Abbott's [video introduction](#). The meter also features a blood glucose trend indicator (an arrow that lights up when patients are out of range) and allows providers to program a patient's insulin plan into the device (we're still figuring out how to use this feature). Overall, we find that the Neo checks all the boxes, though we'd love to see improvement on the interface especially in terms of its responsiveness.

The lesser focus on design is not surprising considering that Abbott's marketing message is one of accessibility: "[Skip the Copay](#)." Indeed, Neo test strips are available over-the-counter, prescription-free and the Neo's pricing is impressive, even relative to store brand, at \$22-27 for the meter and \$14-17 for 25 strips. (Amusingly, an Abbott website for the Neo actually redirects from [SkipTheCopay.com](#). Abbott's official Neo website [can be found here](#).) Overall, we are impressed with the very consumer-focused approach to marketing. The meter and strips are currently available online at major US retailers ([Walmart](#), [CVS](#)).

Given that Abbott's US business has been hard hit by BGM pricing pressures (in [4Q14](#), sales of only \$108 million fell 16% against an easy comparison [down 14% in [4Q13](#)]), we wonder whether the consumer focus and modest financial intent is reflective of a new strategy to compete with store brands as Abbott tries to rebuild its base. With enough volume, we are hopeful that the revenue might help put Abbott's business on even a slightly positive trajectory though it's tough to term that an official expectation. Regardless, we see the move as a big win for patients - branded, more accurate meters at a competitive (relative to store-brand) price. We will look forward to more specifics on the Neo in Abbott's 1Q15 call next week (April 22).

- **Abbott has taken a very consumer-focused approach to marketing with promotional videos that:** (i) [introduce the Neo](#); (ii) [describe its functionality](#); (iii) [highlight the low cost](#); and (iv) [provide an introduction](#) to the individually packaged tests strips (we are curious about the genesis of this last idea!).

- **The Neo website also features testimonials from patients that focus, again, on the accessibility and convenience of Neo:**
 - "My blood glucose monitoring system easily fits into my life, with its super slim and lightweight profile."
 - "Just because your blood glucose strips are covered by insurance doesn't mean your co-pay is a good deal."
 - From [Neo's EU/Canada website](#): Neo is "dependable", "easy to use", and "helps you with your insulin routine."
- **Abbott really seems to have hit its stride on the marketing front.** Building on the [success of the FreeStyle Libre](#), we mark this as the second product where Abbott has come out with modest financial expectations but aggressive marketing intent. Libre sales, of course, have come [quicker and sooner than expected](#). We do not expect the Neo to see the same uptake given the stagnant US BGM environment but will still be watching to see whether the cost-cutting strategy bears out.

-- by Varun Iyengar, Adam Brown, and Kelly Close