Case 17: Diabetes Testing Meter (I of II)
McKinsey, Round 1

Problem statement narrative	Guidance for interviewer and information provided upon request[1]
Our client is a laboratory that provides diabetes testing services to hospitals in UK. They have developed a self-diagnosis meter that patients can use to do testing on their own. They have hired us to determine if we should take this product to the market: *The candidate should answer the following questions during the course of the case discussion:* •Is there enough long-term demand for this product, given the current competition? • What options does the company have, in terms of taking this product to the market?	**Demand Estimation:** •30% of people and 5% over 65 have diabetes •Out of total population of 10M, 20% are above 65 •No growth in % or population **Competition** •There are 4 other competitors, with market shares of 25%, 25%, 15%, 15% •Client has a 20% share •Growth was over 20% until 2 years ago and has been stagnant since. **Revenues and Costs** Fixed Cost is $2.5M and marginal cost is $20. Per Unit revenue is $25. **Additional points** Patients could opt to use both methods (e.g., self test and also the hospital testing) Product could be promoted as a prevention device (e.g. a low cost option to check for diabetes)

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Additional questions for candidate	Solution guide
• **Are there any cannibalization effects with regards to hospitals in terms of introducing the product?** • **If the product can't be launched within UK, what else can the lab do with the product?**	<u>**Conclusion**</u> **Due to the limited number of customers available and low future growth, the product should not be launched in the market** **The company should look at markets outside UK, or sell it to hospitals or competitors.** **•Key: Good structure, good estimation techniques, risks analysis and breakeven analysis, recognition of long-term growth potential**