

Medi-Cult: Pricing a Radical Innovation

Co-Authors: Rogers, B.

Date: 1999

Introduction:

“This is the biggest revolution ever to hit artificial reproductive therapy!” exclaimed Henrik Krogen, president of Medi-Cult. Krogen was referring to In Vitro Maturation (IVM), a procedure and medium that his biotech company had developed for infertile couples, which significantly reduced the time needed to mature an egg from 30 days to just 2 days. The most important advantage of IVM was that it was a hormone-free treatment; it spared women the physical and psychological side effects caused by the 30 days of hormone stimulation required under the current In Vitro Fertilization (IVF) method.

In August 1998, the first baby using the IVM method was born, and the early success of IVM caught Medi-Cult by surprise. Initially, Krogen had thought the product would hit the market in the year 2001 or 2002. “Success rates with IVM were pathetic everywhere else in the world,” Krogen explained. “We were caught somewhat by surprise. IVM hadn’t really been included company-wise as something of strategic value.”

Although Krogen was confident that IVM would revolutionize the way infertile couples have babies, he was uncertain of what price to charge for the new technology. If he priced it too low, he could sub-optimize potential profitability and risk having the credibility of his product questioned. If he priced it too high, he might attract only a limited number of the infertile couples who seek treatment each year, while perhaps making the industry more attractive for potential competitors.

As Krogen pondered what price to charge for a single dosage of IVM, he began to ask himself the following questions: (1) How would patients, governments, insurance companies, and health care providers receive IVM? (2) What price would the market bear? (3) What percentage of the market would IVM attract?

To download this Case Study please visit ecch.cranfield.ac.uk