



THE  
DUKE MBA  
CONSULTING CLUB

## Case #9

**Company:** NA

**Topic:** Market Entry, M&A

**Industry:** Life Sciences

### About the Case

*This is a “Go to Market” case combined with a piece on M&A. The case is structured on the 3C’s framework and combines the following two questions:*

- *What are the core competencies of this company?*
- *Do they have the funds to develop the capacity in-house, or should they be looking for a partner or buyer for the patent?*

### Defining the Problem

A small life science technology startup, One For The Road, Inc., (ORI), has invested a huge amount of money in R&D and was recently granted a patent for a new breakthrough product. The client wants to know what approach it should take to commercialize the product.

### Information Gathering

*Read this information well before you administer the case. This section of the case is exploratory in nature so make sure that the candidate has come up with a healthy list of questions before proceeding.*

*Information to be given if asked:*

- How long is the patent protection? 10 years
- Are there any competitors? No. This product would create a new market
- Market potential? The client expects sizable immediate demand
- How much money has been invested in R&D? Substantial amounts

**Prompt 1: Market Strategy** – *Discuss the following aspects with the candidate*

- Managing hyper growth
- Optimal acquisition strategy (new customers)
- Appropriate pricing via EVC analysis

**Prompt 2: Operations Strategy** – *Discuss the following aspects with the candidate*

- Costs: fixed and variable
- R&D Resources/Strengths
- Required Capabilities: Buy, Build, or Partner?
- Manufacturing: in house vs. outsourcing
- Marketing & Sales
- Distribution Channels

**Prompt 3: Finance Strategy** – *Discuss the following aspects with the candidate*

- Debt vs. Equity to finance growth
- Timeline to break even

**Prompt 4: External Factors** – *Discuss the following aspects with the candidate*

- Legislation
- Suppliers of raw materials

**Prompt 5: M&A potential** – Ask the candidate to discuss various entry strategies available to the client w.r.t introducing the product in the market.

Answer:

ORI has several options:

- Acquire a company that provides manufacturing and marketing capabilities
- Joint venture with another company
- Outsource manufacturing, marketing and distribution channels
- Grow skill sets organically, ergo more slowly

**Prompt 6: Evaluating M&A options** – Ask the candidate to evaluate the pros and cons of the different strategies suggested above

Answer:

Given that ORI is a small R&D lab, its core competency is not in the area of manufacturing, marketing, and sales. ORI should certainly pay attention to the profitability of these strategies, but also bear in mind the risk (while going alone may allow ORI to keep all the profits, it has many more pitfalls than teaming with an established player in the industry.)

The following comparison matrix presents the pros and cons of the various strategies

Criterion	Develop capability internally	Get external partners
Speed	Slow	Fast
Cost Benefits	Expensive	Cheap
Growth / Future capabilities	Fast and sustainable growth	Slow growth

**Prompt 7: Patent pricing strategy** – Inform the candidate that ORI has decided to sell the patent to an established pharmaceutical firm and ask him how he might derive an acceptable price for the product from the pharmaceutical company.

Answers:

- Conduct Economic Value to the Customer (EVC) analysis
- Surveys to potential customers in order to conduct a conjoint analysis
- Chance to price discriminate among segments (if it can tweak product attributes)
- Analyze past introductions of new products for historical sales trends
- Focus group experiments in separate, comparable regions (to find price elasticity)
  - Lower the price in one and raise the price in the other
  - Compare the sales volume over a period of time



**Prompt 8: Consumer segmentation** - *Inform the candidate that the new market has two segments, healthcare providers and home users and ask him to list some differing characteristics between the two groups that might affect the client's marketing strategy.*

Answers:

Criterion	Healthcare Provider	Home User
User's preferences	Cost, Maintenance	Ease of use, reimbursable costs
Who is the Decision Maker?	Doctor / Procurement Manager	User / Parent / Spouse
Contact strategy	Trade shows, Direct marketing	Doctor(push) / TV, or print ads (pull)
Resource requirements	Experienced sales force to convince doctors or procurement manager	Convenience, ease of use