Medi-Cult case

Objective: Evaluate alternative pricing strategies to enter multiple markets with a new product innovation

Q1) Calculate the economic value of IVM, considering the features, benefits and differentiation between IVM and IVF

Table A: Cost for IVF Cycle

	Cost of IVF Treatment (a)	Cost of Hormones [1] (b)	Lab Work (c)
USA	$4,000-$6,000	$3,000	$500
Rest of the World	$2,000-$3,000	$1,500	$300

1 The hormones are usually directly purchased by the patient at a pharmacy while the rest of the costs (IVF treatment, lab work, etc.) are billed to the patient or alternative payer by the hospita

2 Miscellaneous costs include additional doctor visits, ultrasound monitoring, workdays lost, and hospitalization. Note: this cost varies as hormone injections affect some women more than ot treatment.)

Table A: Cost for IVM Cycle

	Cost of IVF Treatment (a)	Cost of Hormones [1] (b)	Lab Work (c)
USA	$4,000-$6,000	$300	$250
Rest of the World	$2,000-$3,000	$150	$150

1 These costs reflect the various steps of IVF treatment such as the initial doctor visit, tests, egg aspiration, fertilization, and embryo transfer which still have to be performed with the IVM. It

USA Market

Rest of the World

Reference Price

sufficient for 1 cycle	$50
No of cycles for child birth	3 to 5
Stimulation	30 days

No of injections	Upto 50 injections	
Women experiencing Nausea	50%	
Women experiencing sickness	10%	
hospitaliztion	2%	
Cost of IVF Treatment	**$5000**	**$2500**
Positive Differential Value		
No Hormonal injections required		
Cost of Hormones	$300.00	$150.00
Lab Work	$250.00	$150.00
Miscellaneous Cost	$250.00	$100.00
Total PDV	**$800.00**	**$400.00**
Negative Differential Value	0	0
Total Economic Value	**$5,800.00**	**$2900.00**

Misc. Costs [2] (d)	TOTAL COST (a+b+c+d)
$500	$8,000-$10,000
$200	$4,000-$5,000

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Misc. Costs [2] (d)	TOTAL COST (a+b+c+d)
$250	$4,800-$6,800
$100	$2,400-$3,400

however does not include the cost of Medi-Cult's IVM maturation medium.

Medi-Cult would be marketing IVM medium in the form of a single dose sufficient for one cycle. In addition, the company would be providing training, upgrading, technology development, and quality control to the clinics involved. Medi-Cult planned to produce IVM like any other IVF medium, and had calculated the cost to produce a single dose of IVM medium to be slightly more expensive than its current cost of producing IVF medium.

Note: I have assumed that we will not be needing IVF Medium for IVM Cycle and that the cost of IVM Medium and IVF Medium is similar

Price + PDV - NDV

Q1) Assess the price sensitivity of demand for IVM in each country. How does elasticity differ from country to country and why does it matter?

		Potential Price Points(USD					
		High Price				Medium Price	
Country	Respondent	Price	Volume	Market Share	**Price Sensitivity**	Price	Volume
Denmark	Kristen Krag, Int'l Sales Director	1875	325	5.00%	**1.75**	1562.5	500
France	Denis Azra, General Manager	1428.57	500	1.50%	**0.38**	892.86	650
UK	Lesley Hutchins, General Manager	1500	2,000	8.00%	**1.17**	1166.67	3,000
USA	Larry Fava, General Manager	2200	1,200	1.50%	**0.00**	1600	1,200

price

Summary:

Denmark
increasing by more than double when they reduced the price.
reimburses upto 70% of hormone and medication cost

France
share increasing from 2% to a mere 3% when they reduced the price.
cost

UK
market share increasing from 12% to 16% when they reduced the price.
decreasing from 12% to 8% when they increased the price.

treatment and this may be the cause for moderate price sensitivity

USA
the higher price

prices or lowering prices will help us achieve our pricing objectives

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	Low Price			
Market Share	Price	Volume	Market Share	**Price Sensitivity**
7.00%	1250	1,200	17.00%	**7.00**
2.00%	714.29	900	3.00%	**1.92**
12.00%	833.33	4,000	16.00%	**1.17**
1.50%	1000	1,200	1.50%	**0.00**

Exhibit 4
Results of IVM Pricing Exercise

		Potential Price Points					
		High Price			Medium Price		
Country	Respondent	Price [1]	Volume [2]	Market Share [3]	Price	Volume	Market Share
Denmark	Kristen Krag, Int'l Sales Director	DKK 12,000	325	5.00%	DKK 10,000	500	7.00%
France	Denis Azra, General Manager	FF 8,000	500	1.50%	FF 5,000	650	2.00%
UK	Lesley Hutchins, General Manager	£900	2,000	8.00%	£700	3,000	12.00%
USA	Larry Fava, General Manager	$2,200	1,200	1.50%	$1,600	1,200	1.50%

		Potential Price Points(USD)					
		High Price			Medium Price		
Country	Respondent	Price [1]	Volume [2]	Market Share [3]	Price	Volume	Market Share
Denmark	Kristen Krag, Int'l Sales Director	1875	325	5.00%	1562.5	500	7.00%
France	Denis Azra, General Manager	1428.57	500	1.50%	892.86	650	2.00%
UK	Lesley Hutchins, General Manager	1500	2,000	8.00%	1166.67	3,000	12.00%
USA	Larry Fava, General Manager	2200	1,200	1.50%	1600	1,200	1.50%

1 Price for a single dosage sufficient for one cycle

2 Estimated number of IVM cycles for the first 12 months
3 Percentage of total number of IVF cycles within that country

Currency Exchange Rates:

US$1 = FF 5.6 (French francs)
US$1 = £0.60 (British pounds)
US$1 = DKK 6.4 (Danish krone)

Exhibit 3

Estimated Number of IVF Cycles/Year

Europe		
France		33,000
Germany		30,000
Italy		27,000
UK		25,000
Benelux		15,000
Spain		13,000
Sweden		10,000
Denmark		7,000
Norway		4,000
Finland		4,000
	168,000	
North America	**90,000**	
USA		80,000
Canada		10,000
Rest of the world	**87,000**	
TOTAL CYCLES WORLDWIDE	**345,000**	

Low Price		
Price	Volume	Market Share
DKK 8,000	1,200	17.00%
FF 4,000	900	3.00%
£500	4,000	16.00%
$1,000	1,200	1.50%

Low Price		
Price	Volume	Market Share
1250	1,200	17.00%
714.29	900	3.00%
833.33	4,000	16.00%
$1,000	1,200	1.50%