

Merck: pricing gardasil

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Merck: Pricing Gardasil Merck & Co. has developed a brand-new vaccine called Gardasil. Gardasil is the first vaccine in the world that helps prevent the cervical cancer and HPV. Allison Watkins, senior director of Merck's Vaccines Division, is faced with the decision of determining the price of Gardasil. An outside consulting firm had suggested a price of \$120 per dose, or \$360 per person. Watkins needs to make the final decision and apparently that she does not accept with that price. The best choice for Watkins and the Gardasil marketing team should be setting the Gardasil's price at a higher price than the suggested \$120 per dose. The first reason that Watkins should price the Gardasil at a higher price is that it is the first vaccine for cervical cancer and HPV in the world. The cervical cancer is the second most common cancer for women worldwide which makes Gardasil a rather desirable vaccine. Though we have many Pap tests for women to take to detect the cancer or precancerous cells in early stage, less than half of women older than 18 are taking Pap test in United States yearly. Before the Gardasil had been developed, there was no known medicine that would help prevent the cervical cancer and HPV. Research has shown that Gardasil is able to prevent 100 percent of cancers related to HPV types 16 and 18 in women who are not previously exposed to the HPV virus as these two HPV types are the main viruses that cause cervical cancer. This data provides concrete evidence to show the cervical cancer can be prevented by Gardasil. The second reason for pricing Gardasil at a higher price can be justified by the crisis Merck & Co. faces. Merck & Co. was the world's most respected and top-ranked pharmaceutical company; it was proud of being a first or second research-driven company that developed drugs and vaccines in their

class and market. However, after the unexpected incident of the Vioxx vaccine, Merck's reputation dropped significantly and the company's morale has taken a dive. Not only the company's reputation and the morale, but the company's stock price dropped more than 40 percent within a mere time span of three years. The stock price continues to drop further as time progresses and it reaches a 60 percent drop after five years. Merck was in need of an innovated product to help them to get back to the position they were once in before the Vioxx incident. Another reason to raise the price of Gardasil is due to the fact that Merck is the first mover in the market for a vaccine that would help prevent cervical cancer. The vaccine for cervical cancer requires three doses per person in six months to achieve adequate immunity. Once a woman decides to take the Gardasil vaccine, she will need to take three total doses to complete the treatment. After the Gardasil has been launched, they Merck would need to market the product to those potential targets who have previously shown an interest in cervical cancer's vaccine. Majority of women would be willing to take the Gardasil vaccine if the chance of getting the cervical cancer and HPV would be reduced considerably. It is important for Merck to have this first-mover advantage so that the company could get the maximum profit on the vaccine before another company launches a similar product. Watkins and the Gardasil marketing team should set the price for the Gardasil vaccine above \$120 per dose not only because Gardasil is the first vaccine to prevent the cervical cancer and HPV, but the success of Gardasil could save the company from the financial and reputation slump they are in. The Gardasil vaccine is the first of its kind as there was no other vaccine in the cervical cancer and HPV

prevention market which gives Gardasil a fairly good competitor advantage to be successful. If Merck prices the Gardasil vaccine properly, the return would surely help the company get back to the rank and redeem the reputation they once had.