

Money-Back Guarantees and Service Quality: The Marketing of In-Vitro Fertilization

Madhu Vishwanathan,
University of Arizona

Date: 03.07.2015, Venue: P22 @ 02.30 PM

Abstract

In the context of in-vitro fertilization (IVF) - a medical procedure to assist infertile couples have children - it is argued that MBGs offered by fertility clinics are nothing more than deceptive practices involving opportunistic behaviors (such as sorting higher fertility patients or over treating patients with more aggressive and risky treatment protocols). Not surprisingly, such marketing practices have been increasingly scrutinized and debated in the healthcare and public policy circles. This is in stark contrast to research in marketing and economics that have argued that Money-Back Guarantees (MBGs) act as signals of quality under conditions of asymmetric information. This research empirically examines the underlying mechanism of MBGs - whether MBGs are credible signals of quality or simply marketing gimmicks by investigating the relationship between MBG offers and treatment outcomes at a clinic level.

Our analysis is conducted on a large, longitudinal dataset that includes clinic-level treatment and outcome statistics for almost all IVF clinics in the U.S., fertility clinic characteristics including MBGs, price and physician information, state-level insurance mandates, and demographics. Using instrument variable approach to account for endogeneity, we find that compared to clinics not offering MBGs, clinics offering MBGs secure *better treatment outcomes* (i.e., higher live birth rate) and use *less aggressive treatment* (i.e., transferring fewer embryos) without sorting higher quality patients or imposing long-term risk (i.e., multiple birth rate). In addition, clinics offering MBGs operate more cycles and this is even true in states with infertility insurance mandates. These results taken together suggest that MBGs can work as signals of quality despite the incentive for opportunistic behaviors.

Speaker Profile

<https://marketing.eller.arizona.edu/people/madhu-viswanathan>