

# OTC Drugs:

## U.S. Competitor Cost Structures 2010

**8th Edition**

**One of Kline's series of reports on competitor cost structures**

**Published September 2010**

**Base Year: 2008 and 2009**

An accurate and comprehensive examination of competitor cost structures of leading OTC marketers, focusing on key trends, developments, and business opportunities designed to:

- Understand how key marketers' cost structures have changed during the recession
- Offer a benchmark for industry cost performance
- Reveal profit and loss line items for each players' OTC business and their largest product classes
- Assess the cost positions of market leaders including Johnson & Johnson, Pfizer, Bayer Group, and GlaxoSmithKline
- Give subscribers critical insights in order to succeed in the face of intensifying cost pressures
- Provide an appraisal of expected future performance

### Report Scope

*OTC Drugs: U.S. Competitor Cost Structures 2010* has been successfully completed seven times before and was last published in 2006. The report presents information on the financial performance, profitability, and costs structures of the ten leading OTC companies in the United States. It is designed to help OTC pharmaceutical companies benchmark their cost structures with those of their competitors. For each company, cost breakdowns are provided for its overall OTC business, as well as its leading product classes.

Company profiles also feature overviews of each company's OTC business unit, an assessment of domestic OTC sales by product class, and analysis of costs, expenses, and profitability.

Cost structures refer to U.S. operations only. Sales, expenses, and profits are presented for 2008 and 2009 and do not include extraordinary or nonrecurring items reports in published financial statements. References to overall corporate results are for the latest fiscal year available.

### Key Benefits

This study provides subscribers with accurate and concise profitability information and cost structures of 10 major OTC marketers in the United States. It is designed to help nonprescription drugs firms benchmark their cost structures with those of their competitors.

Specifically, this report assists subscribers by providing:

- Line-item detail to allow companies to benchmark their business against that of competitors
- Details on how OTC marketers structure and run their operations
- Insights into decisions companies have made regarding outsourcing, resource allocation, and product portfolios
- Competitive intelligence that helps companies make decisions to take steps to lower costs
- Important comparisons of marketers' cost structures between 2005, 2008, and 2009 and understanding how OTC marketers are coping with the recession by shifting their costs

### Report Contents

#### 1. INTRODUCTION

#### 2. EXECUTIVE SUMMARY

- State of the industry
- Impacts on the industry from the recession
- Market sales and growth
- Industry cost structure
- Key factors influencing profitability
- Analysis of key expenses
- Competitive landscape/ impact of mergers on costs structures
- Product class cost structures (for those listed in Table 1)
- Appraisal and Outlook

#### 3. COMPANY PROFILES

For each of the companies profiled (listed in Table 2), the report provides information on profitability for its OTC business unit and leading product classes (illustrated in Table 3) and includes:

- Corporate overview
- Corporate sales and profits
- Business unit cost structure
  - Profitability
  - Analysis of key expenses
- Cost structure of leading product classes
- Appraisal

**Table 1: Product Classes Covered**

- |  |   |
|--|---|
| ■ Allergy, asthma, and sinus medications | ■ Nutritional products  |
| ■ Cough and cold preparations            | ■ Topical products  |
| ■ Digestive products                     | ■ Other products, including home diagnostic test kits, sleeping aids, smoking cessation aids, and weight loss medications |
| ■ Feminine products                      |   |
| ■ Internal analgesics                    |   |

**Table 2: Companies Profiled**

- |                     |                     |
|---------------------|---------------------|
| ■ Bayer Group       | ■ Perrigo           |
| ■ GlaxoSmithKline   | ■ Pfizer            |
| ■ Johnson & Johnson | ■ Procter & Gamble  |
| ■ Merck             | ■ Reckitt Benckiser |
| ■ Novartis          | ■ Sanofi-Aventis    |

**Table 3: Cost Structure of the OTC Industry**

Line item	% Of net sales
<b>NET SALES</b>	
<b>COST OF GOODS SOLD</b>	
Raw materials	
Packaging	
Processing	
Overhead	
Total	
<b>GROSS MARGIN</b>	
<b>MARKETING EXPENSES</b>	
<b>Promotion</b>	
Trade	
Consumer	
Total	
<b>Advertising</b>	
<b>Marketing department</b>	
<b>Sales force/sampling</b>	
<b>Distribution</b>	
<b>Total</b>	
<b>MARGIN AFTER MARKETING EXPENSES</b>	
<b>OTHER OPERATING EXPENSES</b>	
Administration	
Research and development	
Total	
<b>OPERATING MARGIN</b>	

### Methodology

Kline is unmatched in our ability to gather hard-to-get market and competitive intelligence with a high degree of confidence. Kline's approach relies heavily on primary research, employing the use of field and telephone interviews to capture insights and information from a wide range of industry experts and opinion leaders including:

- Executives from OTC firms in functional areas such as finance, production, procurement, sales, marketing, distribution, and research and development
- Suppliers of raw materials, packaging, and processing equipment
- Service providers such as advertising agencies, logistics providers, contract manufacturers and packagers, and retailers/distributors
- Key professionals specializing in manufacturing economics, packaging, chemicals, and technology assessment

This report also draws upon nonconfidential data from Kline & Company's internal database, which contains nearly 40 years of syndicated research on the nonprescription drugs industry. The analysis is supplemented by secondary research, including a review of annual reports and other financial files and analyses. This approach has proven to be the most effective and reliable approach to obtaining accurate data and expert insights.

### Kline Credentials

Kline is a worldwide consulting and research firm dedicated to providing the kind of insight and knowledge that helps companies find a clear path to success. The firm has served the management consulting and market research needs of organizations in the chemicals, materials, energy, life sciences, and consumer products industries for over 50 years.

Kline's research and consulting services extend across the entire personal care industry value chain. Our solutions have helped clients develop better ways to create and profit from new business opportunities, respond to competitive and economic threats, improve productivity, achieve sustainable growth, and optimize performance. Kline provides clients with facts, forecasts, and recommendations based solidly on the realities of the market.

Our market research reports and services are designed to provide subscribers with a deeper understanding of their markets, an outlook for their business, and accurate information about their competitors. Our clients tell us they often use Kline's market research to validate their own internal analysis, and many clients rely on Kline reports as their most critical source of information.

For more information about this study or Kline's other services, e-mail us at [sales@klinegroup.com](mailto:sales@klinegroup.com), visit our website at [www.KlineGroup.com](http://www.KlineGroup.com), or contact us at any of our regional offices listed below.

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#### Recently published or in-progress research for the OTC industry includes:

- Nonprescription Drugs USA
- OTC Innovations USA 1999-2009: Analysis of Factors for Success
- Rx-to-OTC Switch Forecasts USA 2010
- Impact of Recessions on the U.S. OTC Market
- Rx-to-OTC Switch Strategies USA
- Personal Care: U.S. Competitor Cost Structures
- OTC Competitor Cost Structures USA 2006
- U.S. Cholesterol-Lowering Drugs 2005
- International Rx-to-OTC Switch Forecasts
- Nonprescription Drugs Canada
- Retailer Perceptions of OTC Drug Marketers
- OTCs in Managed Care