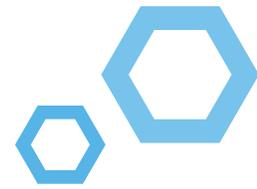


10th Edition

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



# OTC Drugs:

## U.S. Competitor Cost Structures

Published August 2016

Base Years: 2013, 2014, and 2015

**Regional Coverage:** United States

This report is an accurate and comprehensive examination of competitor cost structures of leading OTC marketers, focusing on key trends, developments, and business opportunities.

### This Report is Designed to:

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



# Report Contents

## Introduction

### Executive Summary

- State of the industry
- Major shifts in costs for the industry
- Market sales and growth
- Industry cost structure
- Key factors influencing profitability
- Analysis of key expenses
- Product class cost structures (for those listed in Table 1)
- Historical perspective
- Appraisal and outlook

## 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 Table 4) and includes:

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

Digestive products	Topical products
Feminine products	Upper respiratory products
Internal analgesics	Other products, including home diagnostic test kits, sleeping aids, smoking cessation aids, and weight loss medications
Nutritional products	



Bayer Group	Pfizer
Carlyle Group	Prestige Brands
Church & Dwight	Procter & Gamble
GlaxoSmithKline	Reckitt Benckiser
Johnson & Johnson	Sanofi
Perrigo	



<b>Table 3: Cost Structure of OTC Business</b>	
<b>Line item</b>	<b>% Of net sales</b>
<b>NET SALES</b>	
Trade promotion	
<b>COST OF GOODS SOLD</b>	
Raw materials	
Packaging	
Processing	
Overhead	
Total	
<b>GROSS MARGIN</b>	
<b>MARKETING EXPENSES</b>	
Consumer promotions	
Advertising	
Marketing department	
Sales force/sampling	
Distribution	
<b>MARGIN AFTER MARKETING EXPENSES</b>	
<b>OTHER OPERATING EXPENSES</b>	
Administration	
Research and development	
Total	
<b>OPERATING MARGIN</b>	

<b>Table 4: Product Classes Profiled by Company</b>	
<b>Company</b>	<b>Classes profiled</b>
Bayer Group	Upper respiratory products, internal analgesics, nutritional products
Carlyle Group	Nutritional products
Church & Dwight	Nutritional products, other products, topical products
GlaxoSmithKline/ Novartis	Digestive products, topical products, upper respiratory products, other products
Johnson & Johnson	Upper respiratory products, internal analgesics, topical products, other products
Perrigo	Internal analgesics, digestive products, upper respiratory products
Pfizer	Internal analgesics, upper respiratory products, nutritional products
Prestige Brands	Upper respiratory products, internal analgesics, feminine products
Procter & Gamble	Upper respiratory products, digestive products, other products
Reckitt Benckiser	Upper respiratory products, nutritional products, feminine products
Sanofi	Upper respiratory products, topical products, other products

## Scope

OTC Drugs: U.S. Competitor Cost Structures has been successfully completed nine times before and was last published in July 2013. The report presents information on the financial performance, profitability, and costs structures of the 11 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 2013, 2014, and 2015 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. Companies, product classes, and line items covered in this analysis are shown in the Table of Contents on the previous page.

## Key Benefits

This study provides subscribers with accurate and concise profitability information and cost structures of 11 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
- Competitive intelligence that helps companies make decisions to take steps to lower costs
- Insights into decisions companies have made regarding outsourcing, resource allocation, and product portfolios
- Important comparisons of marketers' cost structures between 2013-2015 and understanding key shifts in costs over this timeframe for major OTC marketers



## Methodology

Kline’s approach places principal emphasis on primary research techniques to ensure that the foundation of business intelligence and insight is accurate, current, and reliable. Building on our 50-plus years in the business and leveraging our worldwide network of offices, our teams of seasoned professionals draw upon pragmatic industrial and commercial experience to understand and interpret global impacts and local perspectives.

### Primary Research



#### We Know Who to Talk to. We Know How to Listen.

A high number of in-depth discussions are conducted by each analyst. All interviews are done with true industry insiders.

Kline’s analysts draw upon pragmatic experience to understand global impacts and local perspectives. Our interviews engage experts across all pertinent fields and sectors including:

- Marketers/manufacturers
- Wholesalers
- Raw material suppliers
- Retailers
- Advertising agencies
- Trade organizations
- Packaging suppliers
- Industry consultants

### Secondary Research



#### We Know Where to Look – Mining the Details.

Analysis is further supplemented by secondary research, consisting of constant tracking of financial filings, press releases, earnings announcements, web searches, national statistics bureaus, trade/ industrial/professional associations, analysis of ad

spending data, and the like. Relevant developments are diligently followed and their impact closely monitored. Reports also draw upon non-confidential data from Kline’s internal database, consisting of over half a century’s syndicated research.

### Comprehensive Market Intelligence



#### We Know How to Verify.

Data are rigorously analyzed, cross-checked, distilled, and validated. Kline’s proven methodology allows exceptionally effective, precise and reliable market intelligence procurement and assessment, giving subscribers a solid foundation on which to grow, refine,

and expand their business with confidence. Secondary information, the varied perspectives gathered from primary research, and Kline’s non-confidential databases on the OTC market are triangulated to provide accurate and actionable information and insights.

## Kline Credentials

Kline is a leading global management consulting and market research firm offering the complete spectrum of services. 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.

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