

A Benchmark for International Sales Performance

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We continuously measure our business performance using financial indicators for different products, customer groups and/or business units, but how do these indicators compare to other companies in the industry? In this article I would like to focus on the benchmark for international sales performance by measuring international sales as a % of the company overall gross revenue. Hopefully this will help you answer the question: “How is my business performing outside the U.S. market compared to other companies?”.

First, I identified the top publicly traded U.S. companies in the healthcare industry that represent approximately 80% of the total global revenue generated by U.S. healthcare companies. Secondly, I segmented these companies into pharmaceutical, medical device and dental companies to see if there are different trends in international sales performance within these markets. This segmentation will also help you benchmark your business more accurately based on the segment that you are in.

A total of 13 pharmaceutical, 13 medical device and 12 dental companies reported their international sales as % of overall sales performance and the results are reported below. The median and average numbers did not fluctuate more than 2% and this shows me that there is not a significant spread between the international sales performances of the different individual companies. The average of the medical device companies is in the lead with 45%, followed by the pharmaceutical companies with 43% and lastly the public companies that are active in the dental industry with 37%. An overall average of 40% becomes the achievable benchmark for the total healthcare industry.

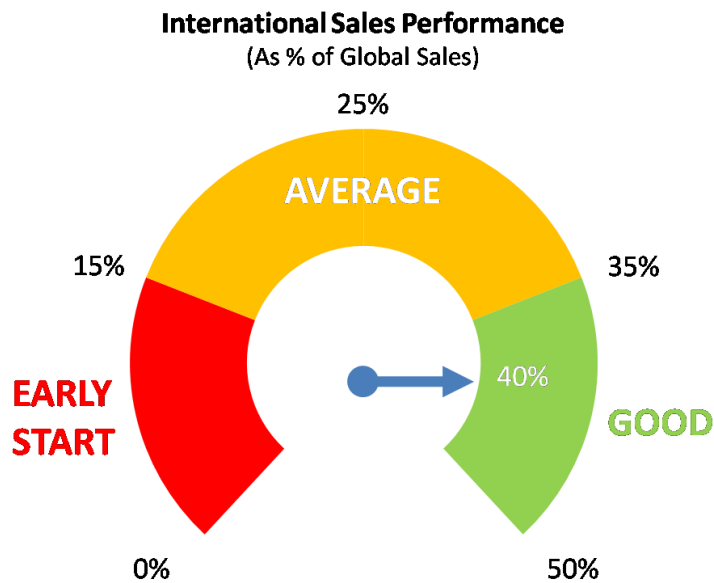
International Sales % of Total Revenue ¹⁾

	Median	Average
Top U.S. Pharmaceutical Companies	42%	43%
Top U.S. Medical Product and Equipment Companies	44%	45%
Top (public) U.S. Dental Companies	35%	37%
TOTAL	42%	40%

¹⁾ International sales by company are listed in the appendices.

The majority of the companies in this research have revenues over a billion dollars and can be considered truly global with offices worldwide and an organization structure in place that will allow them to compete and sell globally. For this reason, the numbers that I present in this research are maybe not achievable immediately for most companies, but can be used as an achievable long-term growth objective.

After presenting these facts, I would like to give a more subjective view and share some numbers that I have seen over my career. Having talked to many different companies, I often ask what they are doing to grow their international sales and what their current sales is as a % of total sales. The feedback that I receive is often not that different from one another and it allows me to summarize with an international sales speedometer that you can find below.



If the international sales performance is under 15%, then such a company can be generally described as just starting to sell internationally and very likely be starting to supply to several distributors in the larger markets. The international sales can jump up to 35% of total revenue after hiring an international sales team, expanding the international distributor network and selling direct in some markets. In the final transition of becoming a global company, which often includes having international subsidiaries, a global regulatory team, country specific sales and marketing teams and product diversification to meet local demands, it is not uncommon for the international sales to reach as high as 50% . Of course there are always exceptions to the rule and every product and company is different, but these numbers can be used as a guide to help evaluate on new investments for global expansion.

The challenges to expand globally are often very similar in small and large companies and the obstacles to be successful in selling internationally normally fall in one or more of the following categories: 1) local regulatory policies, 2) international competitive environment, 3) differences in health insurance coverage, 4) required change in company culture and systems. It is important to be aware of these challenges when making the transformation from a local, to international, to global company. In addition, going global is a journey that requires investments, change in organization structure and culture, patience and dedication from top management. The rewards to expand globally are plenty, but it should be done responsibly.

To be global most U.S. companies need to begin by creating a strong foothold in their home market where they tend to be the strongest, but with the right international focus, an organization can grow substantially and be less dependent on solely the U.S. market. The U.S. healthcare market size is estimated to represent half of the healthcare market worldwide and these numbers tell me that there still is plenty of opportunity for U.S. companies to grow internationally.

For more information and questions about this article, please contact:

Doris de Beer

Managing Director, Glocal Concepts

ddebeer@glocalconcepts.com

www.glocalconcepts.com

APPENDICES

1. TOP U.S. PUBLIC COMPANIES OPERATING IN THE DENTAL INDUSTRY

Total Sales (Billions)	Total Sales (Billions)	International Sales %
3M	\$ 25.3	64.0%
Colgate-Palmolive	\$ 15.3	75.0%
Danaher Corporation	\$ 12.7	53.0%
Henry Schein	\$ 6.4	35.0%
Zimmer	\$ 4.1	40.0%
Patterson Companies	\$ 3.1	8.8%
Dentsply International	\$ 2.0	62.0%
Biomet	\$ 2.1	35.0%
Align Technologies	\$ 0.28	12.5%
Cantwell Medical Corp.	\$ 0.26	18.0%
Young Innovations	\$ 0.10	18.0%
Biolase	\$ 0.06	25.0%
TOTAL AVERAGE		37.2%

2. TOP U.S. MEDICAL PRODUCT AND EQUIPMENT COMPANIES

Total Sales (Billions)	Total Sales (Billions)	International Sales %
<u>Medtronic</u>	\$ 12,2	38.4%
<u>Baxter International</u>	\$ 11,2	59.0%
<u>Boston Scientific</u>	\$ 8,3	42.1%
<u>Becton Dickinson</u>	\$ 6,4	55.5%
<u>Stryker</u>	\$ 6,1	35.8%
<u>Zimmer Holdings</u>	\$ 3,9	40.9%
<u>St. Jude Medical</u>	\$ 3,8	46.8%
<u>Beckman Coulter</u>	\$ 2,8	50.5%
<u>C.R. Bard</u>	\$ 2,2	31.1%
<u>Applera</u>	\$ 2,1	56.0%
<u>Biomet</u>	\$ 2,1	35.0%
<u>Hill-Rom Holdings</u>	\$ 2,0	25.0%
<u>Dentsply International</u>	\$ 2,0	62.0%
<u>Varian Medical Systems</u>	\$ 1,8	52.0%
TOTAL AVERAGE		45.0%

3. TOP US PHARMACEUTICAL COMPANIES

Total Sales (Billions)	Total Sales (Billions)	International Sales %
<u>Johnson & Johnson</u>	\$ 61,1	47.7%
<u>Pfizer</u>	\$ 48,4	n/a
<u>Abbott Laboratories</u>	\$ 25,9	50.3%
<u>Merck</u>	\$ 24,2	n/a
<u>Wyeth</u>	\$ 22,4	51.0%
<u>Bristol-Myers Squibb</u>	\$ 20,0	41.5%
<u>Eli Lilly</u>	\$ 18,6	n/a
<u>Amgen</u>	\$ 14,8	22.0%
<u>Schering-Plough</u>	\$ 12,7	70.0%
<u>Gilead Sciences</u>	\$ 4,2	51.1%
<u>Allergan</u>	\$ 4,0	35.4%

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<u>Genzyme</u>	\$	3,8	51.0%
<u>Forest Laboratories</u>	\$	3,4	n/a
<u>Hospira</u>	\$	3,4	32.0%
<u>Biogen Idec</u>	\$	3,2	33.0%
<u>Mylan</u>	\$	2,7	n/a
<u>Barr Pharmaceuticals</u>	\$	2,6	38.0%
<u>Watson Pharmaceuticals</u>	\$	2,5	n/a
<u>King Pharmaceuticals</u>	\$	2,1	n/a
<u>NBTY</u>	\$	2,0	33.2%
<u>Cephalon</u>	\$	1,8	n/a
TOTAL AVERAGE			42.8%