

# American home products corporation

Business



At the end of 1980, APP had almost no debt and a cash balance equal to 40% of its net worth. Description of the Company' 1981 sales of more than \$4 billion were produced by over 1,500 marketed brands in four lines of business: prescription drugs, packaged drugs (i.e. Proprietary or over-the-counter), food products, and housewives and household products. Consumer products included a diversity of well-known brand names, such as Niacin, Preparation H, Sans-flush, Chef Boy-Ar-Dee, Gulden's Mustard, Woolliest, and the Gecko line of housewives.

Pap's success in these lines of business was built on marketing expertise. Whether the product was an oral contraceptive or a toilet bowl cleaner, "they sell the hell out of everything they've got", said one competitor. Pap's Distinctive Corporate Acculturate had a distinctive corporate culture that, in the view of many observers, emanated from its chief executive. This culture had several components: Reticence. A poll of Wall Street analysts ranked APP last in corporate communicability among 21 drug companies. Frugality and tight balancing control.

Reportedly, all expenditures greater than \$500 had to be personally approved by Mr. Laptops even if authorized in the corporate budget. Conservatism and risk aversion. APP consistently avoided much of the risk of new product development and introduction in the volatile drug industry. Most of its new products were acquired or licensed after their development by other firms or were copies of new products introduced by competitors.

A substantial portion of Pap's new products were clever extensions of existing products.

APP thus avoided risky gambles of R and new product introductions and used its marketing prowess to promote acquired products and product extensions. Long-standing policy of centralizing complete authority In the chief executive. Mr..

Lappet's management style was characterized as management from the top, unparalleled in any firm of comparable size. Mr.. Laptops stated the objective ' OFF unmannerly Nils use AT tens attenuator as " we run ten Dustless Tort ten congealers".

The author of a Business Week article on the firm commented: " One of the most common business platitudes is that a corporation's primary mission is to make money for its stockholders and to maximize profits by minimizing costs.

At American Home, these ideas are a dogmatic way of life". Pap's Performance's managerial philosophy produced impressive results: Pap's performance was characterized by stable, consistent growth and profitability. The firm had increased sales, earnings, and dividends for 29 consecutive years through 1981.