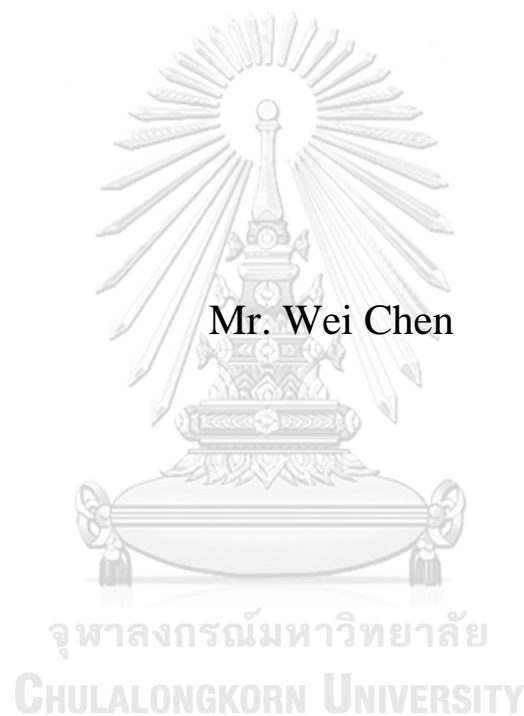


How does Tongrentang's pharmaceutical business integrates with the company's mission to maintain its leading position ?



An Independent Study Submitted in Partial Fulfillment of the
Requirements
for the Degree of Master of Arts in Business and Managerial Economics
Field of Study of Business and Managerial Economics
FACULTY OF ECONOMICS
Chulalongkorn University
Academic Year 2019
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By Mr. Wei Chen
Field of Study Business and Managerial Economics
Thesis Advisor Chalaiporn Amonvatana

Accepted by the FACULTY OF ECONOMICS, Chulalongkorn University in
Partial Fulfillment of the Requirement for the Master of Arts

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จุฬาลงกรณ์มหาวิทยาลัย
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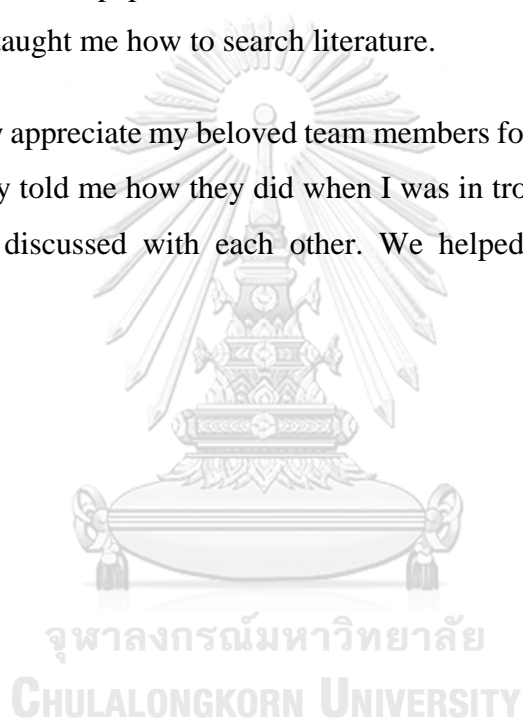
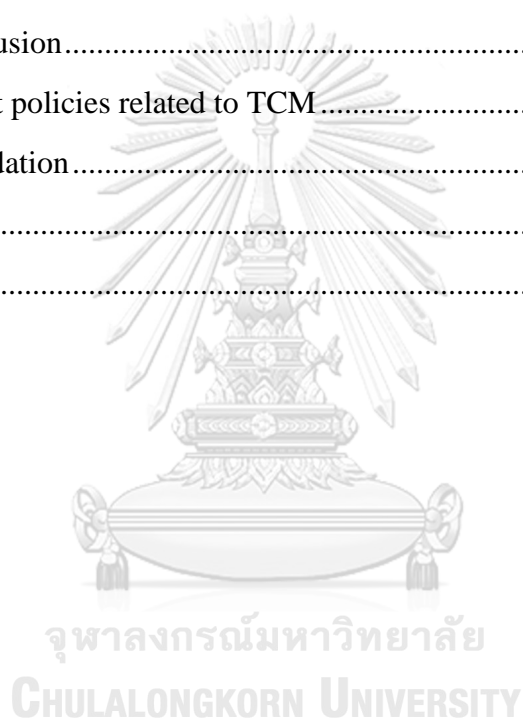


TABLE OF CONTENTS

	Page
ABSTRACT (THAI)	iii
ABSTRACT (ENGLISH).....	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS.....	vii
LIST OF TABLES	ix
LIST OF FIGURES	x
1 Introduction	7
1.1 Company Background and Significance of the Problem	7
1.2 Research Question	7
1.3 Research Objectives	8
1.4 Scope of the Study	8
1.5 Possible Benefits	8
2 Literature Review	9
2.1 Theoretical Foundation.....	9
2.2 Literature Review	9
3 Methodology and Data Gathering Process	10
3.1 Analysis of Tong Ren Tang products.....	10
3.1.1 Tong Ren Tang product classification.....	10
3.1.2 Tong Ren Tang product production and sales process.....	11
3.2 Michael Porter five forces model	12
3.2.1 Threat analysis of potential entrants.....	13
3.2.2 Competition of substitutes.....	14
3.2.3 The buyer's bargaining power	17
3.2.4 Suppliers' bargaining power	18
3.2.5 Competition between existing competitors in an industry	19

3.3 BCG Matrix	20
3.3.1 Data collection.....	20
3.3.2 Data analysis.....	22
3.4 SWOT analysis	24
3.4.1 Weakness.....	26
3.4.2 Opportunity	27
3.4.3 Threats	28
3.4.4 Tong Ren Tang's SWOT matrix.....	29
3.4.5 Conclusion.....	30
4 Government policies related to TCM.....	30
5 Recommendation.....	34
REFERENCES	36
VITA.....	38



LIST OF TABLES

Page

未找到图形项目表。



LIST OF FIGURES

Page

未找到图形项目表。



Abstract

Entering the 21st century, enterprises are facing a rapidly changing and uncertain global competitive environment. Product technology has been constantly updated and improved, and the pace of industrial upgrading and transformation has been accelerated. In the new competitive environment, the key to the success of an enterprise is the goal, truly in-depth, comprehensive, in-depth analysis of the enterprise's internal and external environment, use their own advantages, tap the potential of the enterprise, timely seize the opportunity, avoid threats, and develop the enterprise's Core technology. In order to create the core technology and competitive advantage of the enterprise, it is necessary to establish or adjust the corresponding competitive strategy with new thinking, concentrate the resources and ability that the enterprise can control, and implement the strategy effectively.

Based on the research object and the current competitive status of Tong Ren Tang,, this paper adopts the method combining theory and practice, including SWOT analysis and BCG matrix analysis, as well as relevant government policies, and the Tong Ren Tang method to study and analyze the industry environment, industry competition, products and competitors. This article mainly from the company's development direction, overall strategy, competitive strategy and product research and development and other aspects of strategic recommendations. Based on the appeal analysis, while ensuring that TRT is the leading enterprise in the industry, it will continue to develop and innovate to Expand the new global market to meet the requirements of economic globalization.. Let TRT not only be the TRT of China, but also the tong ren tang of the world.

Contents

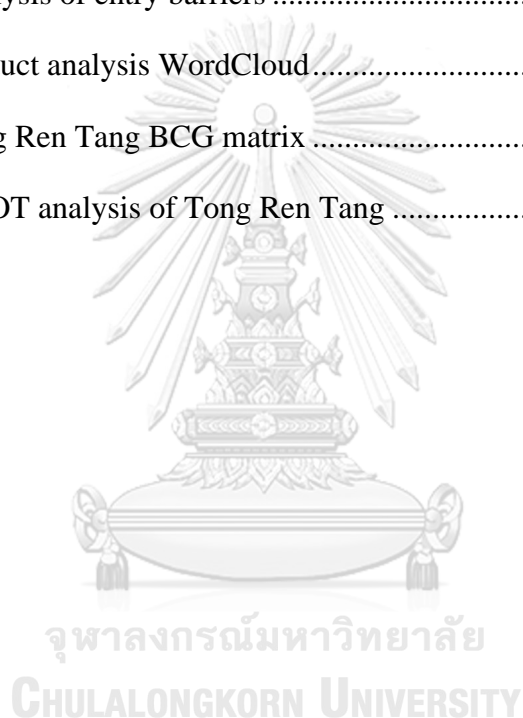
1	Introduction.....	7
1.1	Company Background and Significance of the Problem	7
1.2	Research Question	7
1.3	Research Objectives	8
1.4	Scope of the Study	8
1.5	Possible Benefits	8
2	Literature Review.....	9
2.1	Theoretical Foundation.....	9
2.2	Literature Review	9
3	Methodology and Data Gathering Process	10
3.1	Analysis of Tong Ren Tang products.....	10
3.1.1	Tong Ren Tang product classification.....	10
3.1.2	Tong Ren Tang product production and sales process.....	11
3.2	Michael Porter five forces model	12
3.2.1	Threat analysis of potential entrants.....	13
3.2.2	Competition of substitutes.....	14
3.2.3	The buyer's bargaining power	17
3.2.4	Suppliers' bargaining power	18
3.2.5	Competition between existing competitors in an industry	19
3.3	BCG Matrix	20
3.3.1	Data collection.....	20
3.3.2	Data analysis.....	22
3.4	SWOT analysis.....	24
3.4.1	Strengths.....	24
3.4.2	Weakness.....	26
3.4.3	Opportunity	27
3.4.4	Threats	28
3.4.5	Tong Ren Tang's SWOT matrix.....	29

3.4.6 Conclusion.....	30
4 Government policies related to TCM	30
5 Recommendation	34
Bibliography	错误!未定义书签。



List of Figures

Figure 1 Product structure diagram.....	10
Figure 2 The proportion of sales revenue of the First-tier and Second-tier products of Tong Ren Tang	11
Figure 3 Tong Ren Tang product production and sales process.....	11
Figure 4 Structure of Michael porter's five forces model	12
Figure 5 Analysis of entry barriers	13
Figure 6 Product analysis WordCloud.....	21
Figure 7 Tong Ren Tang BCG matrix	22
Figure 8 SWOT analysis of Tong Ren Tang	29



List of Tables

Table 1	Competitiveness comparison of potential entrants	13
Table 2	Competitive comparison of alternative products	15
Table 3	Partial cold medicine price list.....	17
Table 4	Comprehensive analysis of competitive environment	19
Table 5	Market share and sales growth rate of various products.....	21



Executive Summary

For the pharmaceutical industry, especially the traditional Chinese medicine (TCM) industry listed companies, 2019 is a year full of challenge. Multiple traditional Chinese medicine (TCM) industry listed company performance downward pressure appear, traditional Chinese medicine (TCM) industry leading listed company Tong Ren Tang also is same. It was in this year that Tong Ren Tang broke its 12-year record of performance growth, and for the first time there was no growth trend. On the one hand, the current challenges in the TCM industry may be one of the reasons for Tong Ren Tang 's slow performance. As the medical insurance fee, prescription drug regulation, can't open the comprehensive policy factors such as traditional Chinese medicine, western medicine Chinese traditional medicine industry faces adjustment, multiple related listed companies performance under pressure. On the other hand, the adjustment of capacity also has a certain impact on the upward performance of Tong Ren Tang. Covid-19 has accelerated the activation of Tong Ren Tang 's historical product resource reserve. In the last decade, with the continuous development of the market economy, TRT, which attaches importance to the basis of development and emphasizes the quality of development, has achieved a good result. But with the rapid rise of other TCM enterprises. The competitive pressure of TRT is also gradually increasing. Tong Ren Tang should maintain its leading position in the TCM industry while sticking to its corporate mission and good reputation.

1 Introduction

1.1 Company Background and Significance of the Problem

Company Background

The industry of traditional Chinese medicine, China TRT is very long brand,, with a history of more than 300 years since its establishment in 1669. All production workshops of Tong Ren Tang are designed, Upgrade and configure according to GMP standard, with greater production potential, greater formula reserve and better product quality. Products involved in more than 20 dosage forms, more than 200 varieties, and has developed a wealth of new products, and in the new product development reserves. In the future, TRT will develop natural medicines, slowly follow the trend of The Times, and promote modern TCM to enter the mainstream medical market in the world.

Significance one

The r&d investment in traditional Chinese medicine industry is generally low, but TRT, which is in the leading position in the industry, should not only focus on brand promotion, but should increase the r&d investment and launch more star products, which will help improve the slow performance trend.

Significance two

Medical improvement and the implementation of relevant government policies have impacted the business of Tong Ren Tang to a certain extent, resulting in the unsalable sales of some of the company's products.

1.2 Research Question

How does Tong Ren Tang's pharmaceutical business integrates with the company's mission to maintain its leading position ?

1.3 Research Objectives

The research object of this article is the analysis of TRT in the Chinese medicine industry. Including the use of industry matrix analysis of TRT 's products. Use professional industry models to analyze the competitive environment of TRT in the industry. Through SWOT analysis of the four aspects of TRT, we have obtained industry strategic guidance. Finally, it draws the leading position of TRT in the Chinese medicine industry, and how to maintain and deploy strategic planning.

1.4 Scope of the Study

Tong ren tang's industry analysis, such as the analysis of industrial economic operation, production, sales, consumption, technology and industrial competitiveness, and industrial market competition, in-depth analysis of factors, such as industrial policies, guide enterprises to make decisive strategic business planning and development.

1.5 Possible Benefits

Significance one

The change of different competitive combinations finally affects the change of profit potential of the industry. The optimal method is analyzed from the results.

Significance two

In the case of limited resources, TRT can reasonably arrange different combinations of different products, harvest or give up the products with extremely low profit and no market, and increase the investment in the products with development prospects.

2 Literature Review

2.1 Theoretical Foundation

Love the brand have a positive impact on brand loyalty, brand loyalty and have a positive impact on both. View directionality of these relationships, the results showed no difference in product categories (Boulanger, M 2014).

Every year thousands of organizations and companies to analyze their strengths, weaknesses, opportunities and threats (SWOT), but most entities in this process contains too much ambiguity. In strategic planning ambiguity disastrous (George & MacMillan, 1985; Love, Priem, & Lumpkin, 2002)

Potential external and internal factors constitute a SWOT analysis of the needs of specific instructions in order to provide a sufficient basis for developing strategies (David, David, & David, 2017)

"Construction of a new matrix platform portfolio: how to maintain the company's leadership position." (Hensmans, M. 2019).

Annotation: The analysis of BCG matrix can enable the company to invest more in products with more development prospects under the condition of limited resources.

2.2 Literature Review

The competitiveness of an industry consists of two main parts: the conditions of production and the use of these conditions. Production conditions are primarily determined by the external factors that make up the companies in the industry, including the economic environment, the regulatory framework, etc. The utilization of production conditions corresponds to the classical economic concept of structural efficiency.(Hougaard, J. L. (2019))

Strengthening the development of financial services between China and countries along the "One Belt And One Road" route is an important aspect of promoting trade and economic cooperation and development with other countries.(Li, J. X. 2017)

The research on TCM industry is close to stable development, and the research focuses on TCM industry, TCM resources, internationalization and TCM modernization(Qiang, H. E. 2019)

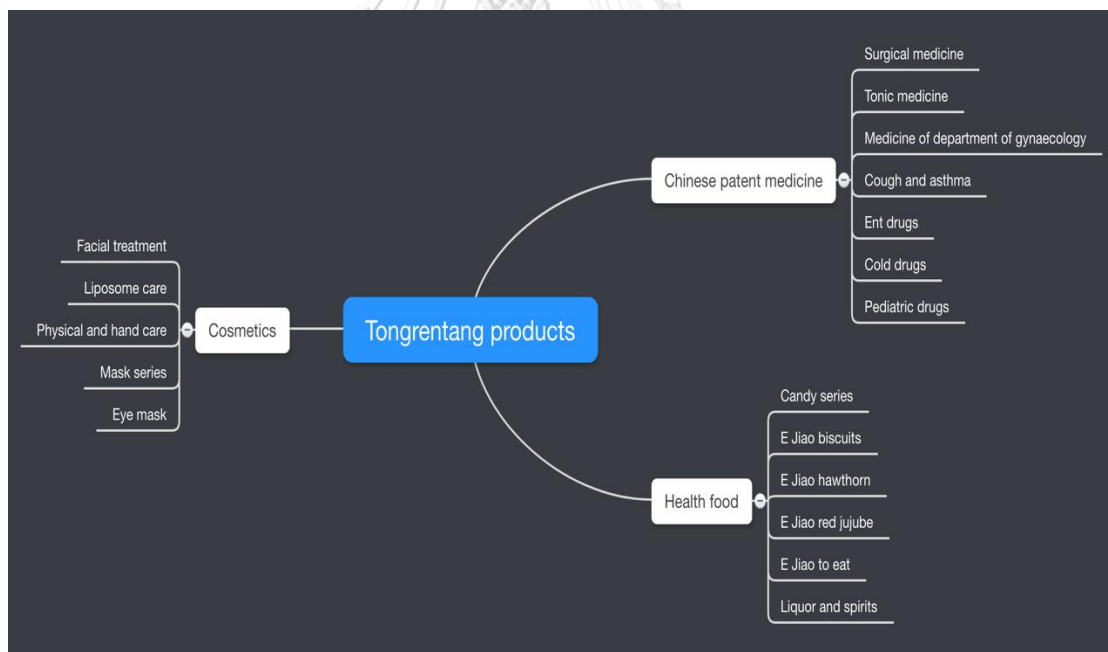
3 Methodology and Data Gathering Process

3.1 Analysis of Tong Ren Tang products

3.1.1 Tong Ren Tang product classification

Beijing Tong ren tang's products involve more than 20 categories and more than 200 products such as medicine, food, and health products. It has a factory with rich innovative development technology and new product development reserves..

Figure 1 Product structure diagram

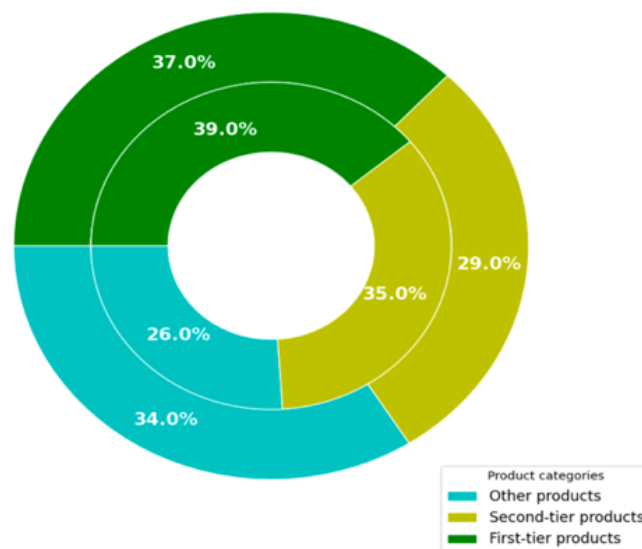


In 2018, the total sales revenue of Tong Ren Tang was \$2.003 billion, with first-tier products accounting for about 39%, second-tier products accounting for about 35%, and other products accounting for about 26%. In 2019, the total sales revenue of Tong Ren Tang was \$1.873 billion, with first-tier products accounting for about 37%, second-

tier products accounting for about 29%, and other products accounting for about 34%. The pie chart is as follows(The outer circle is 2019, and the inner circle is 2018):

Figure 2 The proportion of sales revenue of the First-tier and Second-tier products of Tong Ren Tang

The proportion of sales revenue of Tong Ren Tang in 2019 and 2018

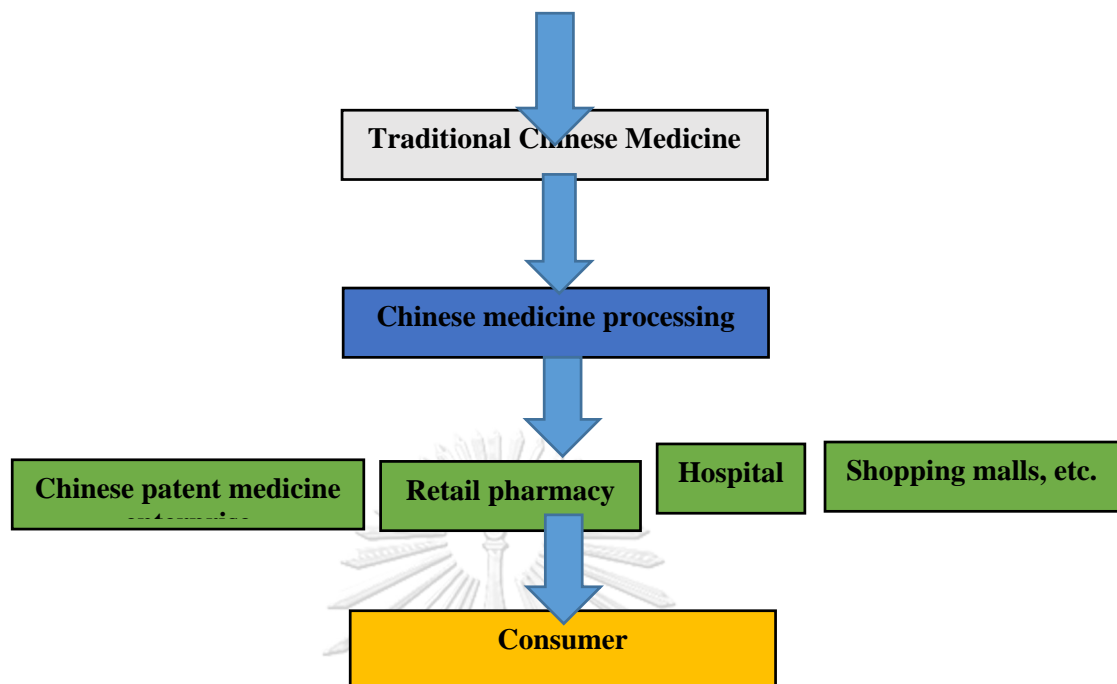


3.1.2 Tong Ren Tang product production and sales process

Tong Ren Tang plant Chinese medicinal materials, to the production and processing of Chinese medicinal products, and finally to the hands of consumers, including the planting of Chinese medicinal herbs, the processing of Chinese medicinal herbs in the middle, and the circulation of Chinese medicinal herbs in the downstream. TCM and western medicine are different in nature. TCM attaches great importance to the integrity of the human body. The treatment is based on the differentiation of syndromes and diseases.

Figure 3 Tong Ren Tang product production and sales process

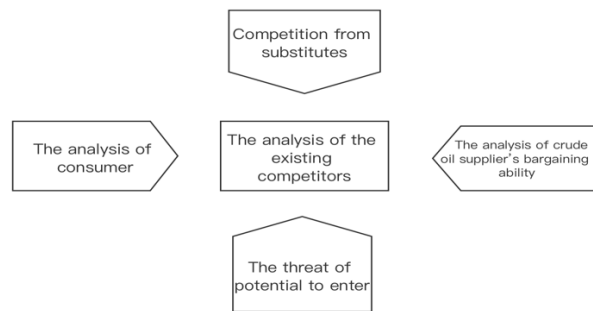
Planting and collection of TCM



3.2 Michael Porter five forces model

Porter's five forces model combines a large number of different factors affecting the competitive environment into a relatively simple model, and then analyzes all the competitive situations in the TCM industry. This method identifies five main aspects of competition, such as the bargaining power of suppliers and buyers, the threat of other potential entrants into the TCM industry, the threat of substitutes, and the competition between companies in the TCM industry for products and potential customers. Then determine the strategy based on these competitive factors. As shown in the following figure:

Figure 4 Structure of Michael porter's five forces model



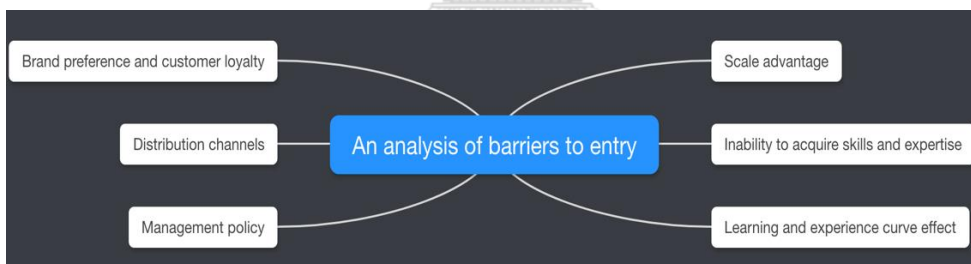
The analysis diagram of Petrochemical industry competition structure and the strength of the five environmental factors analysis diagram

3.2.1 Threat analysis of potential entrants

In a given market, the severity of the new entrants are faced with the competitive threat depends on two main factors: **Barriers to entry and the existing supplier expectations of new entrants.**

1. An analysis of barriers to entry

Figure 5 Analysis of entry barriers



2. Competitiveness comparison of potential entrants

Table 1 Competitiveness comparison of potential entrants

Influence factor	Weight	Pharmaceutical chemicals	Chinese patent medicine
Scale advantage	0.15	4	4
Technical and professional skills	0.05	4	5

Learning and experience curve effect	0.05	6	4
Brand preference and customer loyalty	0.15	7	9
Distribution channels	0.20	9	8
Management policy	0.20	10	8
Various potential entrants	0.10	2	4
Profit outlook	0.10	3	2
Aggregate	1.0	6.6	6.2

3.2.2 Competition of substitutes

There are substitutes for Tong Ren Tang 's products, which can be divided into chemical drugs and proprietary Chinese medicine.

1. Chemical medicine

The analysis of alternative products usually analyzes the price, quality, performance, and conversion costs of the alternative products. Generally speaking, the lower the price of the substitute products, the higher the quality and performance of the substitute products, and the lower the conversion cost of users, the greater the competitive pressure brought by the substitute products. However, although the market share of proprietary Chinese medicine is still less than that of chemicals, its growth momentum is not optimistic. Thanks to the slight influence of local culture, proprietary Chinese medicine is expected to rise. And policy brings business opportunities, the hope of proprietary Chinese medicine in tomorrow.

1.1 The **performance** of a drug is its effect. Under normal circumstances, the efficacy of proprietary Chinese medicine is not very exact, or the effect is slow, belongs to the acute disadvantage; More suitable for the treatment of chronic diseases, or tonic health care, conditioning the body. Chemical drugs are generally effective, effective time, can treat most of the disease; However, chemical drugs generally have great

toxicity and side effects, there is a problem of drug resistance, and some difficult diseases have no solution.

- 1.2 In terms of **quality**, chemicals have obvious advantages over proprietary Chinese medicines. Although the production of chemical drugs and proprietary TCM in China need to be carried out in accordance with GMP standards, due to the lack of clear production process quality control standards for proprietary TCM, there are no exact detection indicators for traditional Chinese medicinal materials.
- 1.3 The question of **price** is complicated. Theoretically speaking, the research and development cost of chemical drugs is higher than that of proprietary Chinese medicine, and the production cost is also slightly higher than or equal to proprietary Chinese medicine. However, the actual situation is that at present, domestic chemicals are mostly generic drugs, the cost of research and development is not high. In terms of product prices, the most common chemicals have the lowest prices, followed by proprietary Chinese medicines.
- 1.4 In terms of **user switching costs**, switching between proprietary Chinese medicine and proprietary Chinese medicine is usually not difficult. In terms of prescription drugs, the conversion from chemicals to proprietary Chinese medicines is more expensive than over-the-counter drugs.

Based on the above analysis, chemical drugs and proprietary Chinese medicine are substitutes for each other, and chemical drugs have obvious competitive advantages. To substantiate and quantify the above analysis, we subjectively weighted different factors and gave scores for different factors for chemicals and proprietary Chinese medicines. Finally, we calculate their total score according to the competitiveness of alternative products, as shown in the table:

Table 2 Competitive comparison of alternative products

Influence factor	Weight	Pharmaceutical chemicals	Chinese patent medicine
Performance	0.6	8	4
Quality	0.2	9	5

Price	0.1	5	5
Switching costs	0.1	7	6
Aggregate	1.0	7.8	4.5

2. Chinese patent medicine

In terms of TCM, Tong Ren Tang's main substitutes include: jiuzhitang, wanxi zhongjing, hu qingyu tang, and sanjiu group products. Among the products of these enterprises, there are many substitutes for Tong Ren Tang products. Among them, the following are the most prominent:

Liuwei product (liuwei dihuang pill/tablet)

Cold medicine (banlangen/cold granule/capsule/tablet)

Black chicken baifeng pill

Bezoar detoxification tablet

Compound danshen tablet

In the Liu Wei products and cold drugs, for example. At present domestic about 1500 proprietary Chinese medicine production enterprises, more than 700 companies with various products on the six flavors production approval, and the six flavors of the products are sold in brand on the market at present up to more than five hundred, there is no doubt that the six flavors come drug product is one of the most serious product homogeneity varieties in the market. The six flavors products competition means basically has the following four: price, technology, advertising campaign, terminal.

Market analysis of cold medicines (Comparing Tong Ren Tang and 999). PPA drug is banned, which provides an opportunity for people to re-understand TCM and proprietary Chinese medicine. In the treatment of the common cold, Chinese patent medicine has the advantage that western medicine is difficult to replace. For TCM manufacturers, such a large market space is a good opportunity to expand their business. Cold preparations of Chinese medicine has a number of production companies, such as

Tong Ren Tang (production cold granule, radix isatidis, fructus forsythiae jiedu tablet, cold soft capsule, etc.), san-jiu pharmaceutical production (999) soul infusion of cold, cold ling capsule medicine production enterprises, such as will get unexpected revenue. When using cold medicine, a few big cold medicine brand has been recognized by consumers. Comparing the products of TRT and sanjiu pharmaceutical co., LTD., TRT yinqiao jiedu tablets, banlangen tablets and sanjiu pharmaceutical co., LTD. Sanjiu cold granule only has certain experience in some areas and groups. TRT has more kinds of such products with lower prices. But the 999 product is considered to have strong applicability to a variety of colds; Work fast; The characteristic of long efficacy, to a certain extent, poses a threat to Tong Ren Tang's products.

Table 3 Partial cold medicine price list

varieties	specifications	unit	Retail price (dollar)
Tongrentang banlangen granule	5 g * 10 bags	box	1.5
Tongrentang banlangen granule (no sugar)	3 g * 10 bags	box	1.7
Tongrentang cold antipyretic granule	12 g * 6 bags	box	4.1
Tongrentang yinqiao detoxification tablets	0.55 g * 40 bags	box	1.12
Tongrentang cold soft capsule	0.45 g * 20 bags	box	1.12
Nine nine cold ling capsule	0.5 g * 12 bags	box	1.7
Nine hundred nine cold ling granule	10 g * 9 bags	box	1.6

3.2.3 The buyer's bargaining power

According to porter's five forces model, buyers mainly influence the profitability of existing enterprises in the industry by requiring them to provide better products or

higher service quality. In general, buyers who meet the following conditions may have strong bargaining power:

- There are relatively few buyers, but the number of buyers each purchase and purchase is large.
- The sellers are made up of many small businesses in small markets..
- Buyers buy most of the products that are visible to the market, so it is very economical to buy from multiple suppliers..

At present, TRT has two listed companies, more than 700 chain stores at home and abroad, branches all over the country's major shopping centers and stores, more than 30 overseas joint ventures and stores, covering more than 20 countries and regions, and its products have been sold to more than 40 countries and regions. At present, in the group's overall framework Tong Ren Tang has formed the modern pharmaceutical industry, retail pharmaceutical service, medical service three plates, formed the 10 companies, two bases, two hospitals, two center "project 1032". TRT people's confidence and ability to TRT group built into a group of internationally renowned as the core of traditional Chinese medicine and modern, life and health industry, realize the new mode of TCM modernization, improve the existing production, operation and management level of tongren temple. Simply put, Tong Ren Tang is a "time-honored, large enterprise". TRT has 300 years of profound deposits and excellent medical quality, enjoys a good reputation, and has attracted a large number of customers. The number of buyers cannot be underestimated. And buyers are less sensitive to price than to quality. In addition, the secret recipe of Tong Ren Tang inheritance is a strong competitive advantage. The quality of its drugs is beyond anyone's ability to replicate and mass-produce. So buyers don't have the same standardized products. **To sum up, Tong Ren Tang buyers bargaining power is very weak.**

3.2.4 Suppliers' bargaining power

Analysis of Tong Ren Tang suppliers bargaining power. First, there are a large number of TCM suppliers in the market, with different quality and price. There are many competitors in the Chinese herbal medicine market, and the conversion cost of

buyers is low. Only in this respect, the bargaining power of suppliers of TRT is very low. In this case, TRT established its own medicinal plant base. With the increase of environmental awareness, the amount of animal medicine is decreasing. Such as tiger bones, musk and so on. China has banned drug makers from using both drugs. Tong Ren Tang has its own medicinal materials cultivation base, which not only enables its pharmaceutical industry to use better quality, more environmentally friendly and safer medicinal materials without outsourcing, but also realizes backward integration and becomes a strong competitor in the medicinal materials supplier and the medicinal materials supply market. **As Tong Ren Tang is its own supplier, there is no question of bargaining power.**

3.2.5 Competition between existing competitors in an industry

The interests of most enterprises in the industry are closely related. In order to avoid unnecessary competition, it is very important to avoid conflicts and confrontations with other enterprises and achieve win-win results. Because these conflicts and confrontations are often manifested in many aspects such as the price of products, the cost of advertising, the quality of after-sales service, etc., the current competitive environment is mostly related to these. Competitors of Tong Ren Tang. The industry can compete with such enterprises as Tong Ren Tang, must also have time accumulation of enterprises. The main ones are Tong Ren Tang, Nine Zhitang and Hu Qingyutang.

Table 4 Comprehensive analysis of competitive environment

The buyer's bargaining power	Suppliers' bargaining power
Hu Qingyutang > Nine Zhitang > Tong Ren Tang	Hu Qingyutang > Nine Zhitang > Tong Ren Tang
The reason: when the quality of a drug is comparable, the analysis is based on the number of consumersSales ranking:	The reason: simply look at the degree of backward integration. There are 7 planting bases in tongrentang, chengdu jiuzhi tang jinding medicinal material

<p>tong ren tang > nine zhi tang > hu qingyu tang Popularity: tong ren tang > nine zhi tang > hu qingyu tang</p> <p>Number of consumers: tong ren tang > nine zhi tang > hu qingyu tang</p> <p>Therefore, it is not difficult to get the bargaining power of three customers: hu qingyu tang > nine zhi tang > tong ren tang</p>	<p>planting and trading co., LTD., while hu qingyu tang has not developed into this aspect. The deeper the degree of backward integration, the less bargaining power suppliers have</p> <p>Degree of backward integration: tong ren tang > nine zhi tang > hu qingyu tang</p>
--	---

3.3 BCG Matrix

It uses the market growth rate / occupancy rate matrix to analyze all the products and businesses produced by the enterprise as a whole, which can be used for enterprise product portfolio analysis. The vertical axis refers to the percentage of market sales growth before and after a product line or product project. It represents the attractiveness of the market in which the product line or product item is located. In the analysis, usually the sales growth rate of 10% is the limit of high and low, more than 10% is the high growth rate, and less than 10% is the low growth rate. The abscissa is the relative market share, that is, the ratio of the company's market share to the market share of the largest competitor's product in the industry. The relative market share is limited to 1, more than 1 is a high market share, and below 1 is a low market share. The more the relative market share of a product line or product item, the stronger the competitive position of the enterprise. Being in a leading position; otherwise, the competitive position is weak and in a subordinate position in the market. In this way, 4 combinations, 4 quadrants, and 4 types of products are formed.

3.3.1 Data collection

China medical news conducted interviews and surveys at 240 terminals in eight major cities across the country, and surveyed more than 500 representative TCM products. According to their research results, I wrote a program in python to screen 19

representative TCM products and made a word cloud diagram, as shown in the following figure (the larger the word number, the clearer the description, and the more representative it is):

Figure 6 Product analysis WordCloud



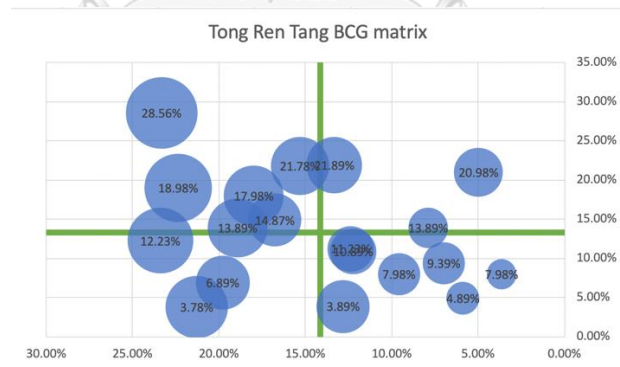
First, calculate the product's sales growth rate and market share. I set a time limit of three years. Then, three years' data were used to calculate the sales growth rate of representative products of the enterprise. The abscissa refers to the market share. I mainly analyzed these 19 products and then calculated the corresponding market share and market growth rate. Then we started to make the BCG matrix. The statistics are as follows:

Table 5 Market share and sales growth rate of various products

Product	Market share	Market growth	Profit
Angong Niuhuang Jie	18.92%	13.89%	100
Beijing-mac	16.76%	14.87%	80
Ejiao	22.35%	18.98%	130
Cold clearing	12.23%	10.89%	60
Jinkui Sheng	17.98%	17.98%	102
Zhibai Dihuang	4.97%	20.98%	67
Xihuang Wan	13.31%	21.89%	88
Liuwei Dihuang	9.58%	7.98%	50
Niuhuang Jie	5.87%	4.89%	30
Compound	3.64%	7.98%	25
Peppermint	7.89%	13.89%	45
Ejiao Cookies	12.37%	11.23%	59
Sweet red	19.78%	6.89%	83
Health wine	21.28%	3.78%	112
Hemostatic	23.39%	12.23%	122
Pediatric medicine	12.80%	3.89%	80
Surgical medicine	15.32%	21.78%	96
Surgical medicine	23.32%	28.56%	145
Hand care	6.98%	9.39%	49
Mean	14.14%	13.26%	

3.3.2 Data analysis

Figure 7 Tong Ren Tang BCG matrix



Stars: As can be seen from the figure, the upper left corner has relatively high market share and relatively high growth rate, so it can also generate relatively more profits. So it's called a star product. But just because it is a star product, it must have invested a lot of money in the early stage, such as advertising expenses. So it's a big investment product. So earn more investment is also more, can not necessarily be profitable. As a long-term goal, we should strengthen technology research and development and skilled generation technology, especially at present, artificial

intelligence is particularly popular, and the production of products can be completed by machines with higher efficiency and lower cost. According to the BCG matrix above, the star products of tong ren tang include Surgical medication, Ejiao, Surgical medication, Jinkui Shenqi Wan, beijing-made bezoar detoxification tablets and Angong Niuhuang Wan.

Cash cows: The growth rate of these products is low, but the market share is very high, which is In the lower left corner of the picture. However, due to the growth rate, there is no need to increase investment, but such drugs have a high market share, so the profit for the company is relatively considerable, so it is necessary to invest a certain amount in order to maintain a higher market. Occupancy rate, because these products are relatively mature. Such as instant noodles and some daily necessities. The best way for such products is to maintain a certain investment to maintain the current image. Increase the possibility of R & D under conditions. According to the above BCG matrix, Tong Ren Tang's star products include Hemostatic charges, Health wine, and Sweet red dates.

Dogs: Such products are located in the lower right corner of the figure, because the market share and growth rate are relatively low, here I measure the level of high and low, the average of these 19 products is taken as the limit, and the level of these two factors is analyzed. They often break even, neither earn nor spend much money. Dog is usually considered a cash trap, because companies make money tied to the dog, although they are basically not bring anything in return. These businesses are prime targets for divestitures. Therefore, such products bring particularly little profit to the company, or even in a state of loss. Such products have no benefit to the enterprise. The best solution is to reduce the sales and wholesale of such products or even remove them. According to the BCG matrix above, tong ren tang's star products include Pediatric medication, Ejiao Cookies, Cold clearing particles, Compound Danshen Tablets, Hand care, Liuwei Dihuang Wan, Niuhuang Jiedu Tablets.

Question Marks: These products are located in the upper right corner of the figure, because they have a relatively high growth rate but low market share. Because relatively large amounts of money are invested in the development of such products, such as

promotion activities and R & D expenses. But the profits that can be obtained from such products are particularly small. However, the growth rate is high, so the market potential is also relatively large. If you continue to invest, it is possible to become a star product but with certain risks, because the taste and enthusiasm of customers have been changing. In this case, the best way to deal with it is to hand over to those employees in the company who have strong planning skills, dare to take risks and are not afraid of difficulties, to be responsible for the launch and management of these products. According to the BCG matrix above, Tong Ren Tang's star products include Xihuang Wan, Zhibai Dihuang Wan, Peppermint candy.

3.4 SWOT analysis

SWOT analysis is mainly based on the competitive environment inside and outside the industry and opportunities in the industry, as well as some potential threats. And in a weak position in the industry. Then analyze the advantages that are in the industry. Based on these aspects, it is concluded that it is beneficial to the enterprise. This method can accurately study relevant industries and markets, obtain relevant information, and provide a basis for decision making. Based on the above research results, then formulate strategies for how the company should develop and methods to face competitors. The following is a SWOT analysis of TRT, a Chinese medicine industry.

Time-honored enterprises and well-known brands

TRT is a listed company that in a sense represents the image of China. TRT is a well-known pharmaceutical company in China. Tong Ren Tang has inherited a good reputation for more than 300 years, which is equivalent to doing 349 years of advertising. It has been passed down from generation to generation. TRT is a well-known brand in China and is loved by the world!

The prominent position in the traditional Chinese medicine industry

Tong Ren Tang is the inheritor of the essence of Chinese medicine culture. While passing on, Tong Ren Tang will never forget innovation and practice. It absorbs the

essence of Chinese Confucianism and Taoism, and creates a traditional Chinese medicine brand image with the characteristics of TRT. TRT will become a pioneer and practitioner of the combination of traditional Chinese medicine culture and modern western medical culture.

Many kinds of medicine with fine materials and high quality products

TRT has more than 850 kinds of drugs, including more than 500 kinds of commonly used drugs. Tong Ren Tang has rich drug reserves, including the famous yellow pill of anbuli, tongren niuhuang qingxin pill, tongren huoluo pill, and niuhuang jiedu tablet. The abundant drug reserve also laid a good foundation for the secondary development of TRT drugs. Tong ren tang began to worship imperial medicine during the reign of emperor yongzheng. Generation after generation of leaders of tong ren tang always followed the old adage that "although complex treatment will not dare to save labor, taste though you will not dare to reduce material resources", and strengthened the sense of "repairing without anyone seeing, deliberately with self-discipline". Therefore, Tong Ren Tang has formed the spirit of preciseness, prudence and excellence in the pharmaceutical process, which is also the uniqueness of its pharmaceutical culture. Tong Ren Tang always adhere to high quality, high standard of palace pharmaceutical technology.

Rapidly promote the international market

Tong Ren Tang's gold brand enabled Tong Ren Tang to enter the international market earlier. In 1992, Beijing Tong Ren Tang Group was established. In 1997, Beijing Tong Ren Tang Co., Ltd. was successfully listed on the Shanghai Stock Exchange. In 1998, Tong Ren Tang started overseas investment. It was the first company in China to successfully split its a-share listing. At that time, Hong Kong's economic status in the world provided a good platform for Tong Ren Tang to expand its overseas business.

A sound pharmaceutical platform

Tong Ren Tang builds five drug production bases, and more than 50 drug production lines, with more than 600 chain stores all over the world, establishing a concentration of medicinal materials Procurement, pharmaceutical production, pharmaceutical wholesale and integrated distribution platform for pharmaceutical chain pharmacies.

3.4.1 Weakness

TRT disadvantage that a wide variety of drugs, many of which have similar pharmaceutical efficacy. For example, there is insufficient research and development of therapeutic drugs, and attention and development of blockbuster products are weak. Lack of brand advantage; There is still room for development in production R & D, promotion, and other production and camp management links.

Single brand

The single malpractice of tongren tang brand makes the jinzi signboard of "tongren tang" highly diluted. The reason is that more than 700 products produced by various companies of TRT group are all under the " TRT" brand. In addition, the product research and development is weak, the product does not represent most enterprises, no competitive advantage, this makes the Tong Ren Tang brand appeal and public awareness plummeted.

Ignore key marketing

Tong Ren Tang's marketing strategy in the product sales market lacks pertinence and accuracy. Tong Ren Tang does not provide targeted product promotion means for different customer groups. Tong Ren Tang sells its products to other departments in the form of outsourcing. In addition to focusing on the overall development of the enterprise, it only CARES about the immediate interests. That is, we often say that we are not focusing our resources on what is most profitable.

Differences between Chinese and western medicine

Since western medicine is the focus of positive philosophy, it pays great attention to practice from practice to experiment, from research and development to bedside. It has a complete medical system of etiology. On the premise of discovering the pathogen, the western medicine can rapidly develop the western medicine with strong needle-resistance and quick curative effect. Therefore, in the future, the research and development level of western medicine will be much higher than that of TCM. Tong Ren Tang for TCM

has contributed to the continuation of the traditional manufacturing technology, but traditional product research and development of upward momentum is weak, on products development along the old lines.

3.4.2 Opportunity

China's current medical system reform will provide a lot of policy support, so as to produce a great impact on medicine industry. The top contenders for market share will be essential drugs, because a lot of them are covered by Medicare. As a sunrise industry, China's pharmaceutical industry has maintained an average growth rate of about 12% in the past 20 years. In the next five years, rapid development is expected to be at a rate of about 18%, far more than other domestic industry and medical market in the world. Traditional Chinese medicine (TCM) industry profits generally higher than that of the chemical industry. After China's accession to the world trade organization, Chinese medicine as a natural medicine has attracted the attention of the international community.

"One Belt And One Road" goes international

In the belt and road forum for international cooperation held in Beijing, a detailed explanation was made on the development of TCM. TCM in China shows that 187 countries and regions have received the spread of TCM culture, and TCM centers have been established in 19 countries including France, Russia and Thailand. It is also pointed out that the new pattern of TCM "One Belt And One Road" will be basically formed in 2021, including more than 30 overseas TCM centers and more than 50 TCM exchange demonstration bases. This indicates that Chinese medicine culture has

become more international and globalized under the background of "One Belt And One Road".

The development of traditional Chinese medicine

The most natural and in the three modules by a great number of drug companies, who are care development path, although in the field of Chinese and western medicine is the TCM industry in a land of barbarians, but due to the market demand of many modern Chinese medicine enterprises will approach the western medical business requirements. As for the TCM transformation that Tong Ren Tang insists on, contrary to the situation, it shows a greater opportunity for development and represents that the TCM market is still in the situation of under-development and unsaturation. With the support of government policies, it is believed that Tong Ren Tang can create a new pattern of TCM by relying on the development direction of TCM transformation of traditional Chinese medicine.

3.4.3 Threats

Risk of product homogeneity

Each category can have only one leader, the colleague of liuwei dihuang pill, wuji baifeng pills, it can remove heat, etc. Main products are respectively wan west pharmaceutical, hui ren group, compared to pharmaceutical drug firms such as product homogeneity, causing Tong Ren Tang brand advantages weakening, market resources shortage, the more severe competition in the industry.

Risks of rising raw material prices

Due to macroeconomic factors such as explosion, epidemic disease hair will result in Chinese medicine raw materials price fluctuations. Due to global warming, the government has introduced a series of policies to control the production and limit the production of traditional Chinese medicine.

Expansion risks of competitors

Yunnan baiyao, Tong Ren Tang, wang Huang, east e-jiao has a long history, such as brand, one piece of wang Huang growth at a higher growth rate; The risk of expansion by rivals undoubtedly intensifies competition in the industry.

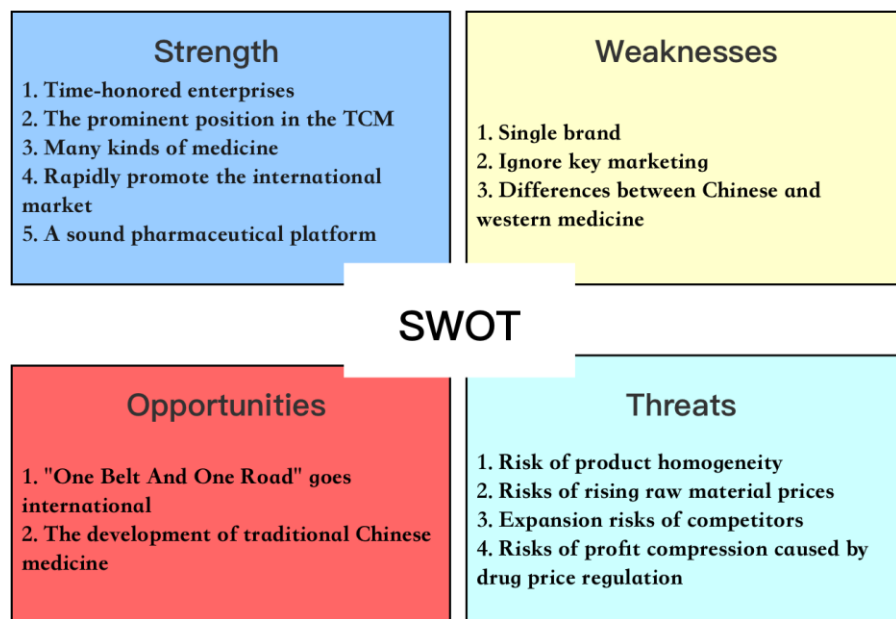
Risks of profit compression caused by drug price regulation

In order to solve the problem of people's livelihood that "it is difficult to see a doctor and it is expensive to see a disease", the government has issued the national catalogue of essential drugs, the drug price guidance and the new medical insurance catalogue. The trend of drug price reduction is inevitable, pharmaceutical enterprise's profit space will therefore be squeezed, in order to ensure that the market share and provide affordable medicines will become the direction of each drug firms try to believe in the cost of each drug firms to bring serious test control ability.

3.4.4 Tong Ren Tang's SWOT matrix

According to the SWOT analysis of TRT, the following table is drawn.

Figure 8 SWOT analysis of Tong Ren Tang



3.4.5 Conclusion

In this paper, through the SWOT analysis, and points out that the TRT the advantages and disadvantages of the current situation and the opportunities and threats and the solution. For a single brand, ignore is focused on the disadvantages of the marketing, by fractionizing market segmentation and strengthen brand, to create different levels of brands, columns such as Tong Ren Tang brand can be subdivided into medicine, Chinese medicine yinbian, proprietary Chinese medicine implied three parts. Brand segmentation is not only conducive to enterprises to improve market share but also to develop appropriate sales strategies. For example, the shampoo brands owned by p&g are highly targeted, piaorou is specially anti-dandruff, and pantene is soft. Different levels of brand establishment, whether in enterprise strength or brand awareness, have a great advantage. In terms of maintaining the brand image, should be in strict control of product quality at the same time in terms of product innovation; Secondly, we should shoulder the social responsibility of the brand and carry out public welfare activities. In the aspect of product homogenization, we should pay more attention to marketing means and increase the strength of research and development. Believe that the implementation of a series of measures to create a new direction for the development of tong ren tang.

4 Government policies related to TCM มหาวิทยาลัย

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TCM and western medicine complement each other the coordinated development of health development model with Chinese characteristics, in developing the original advantages of TCM, promote life science breakthrough innovation, to carry forward Chinese excellent traditional culture and enhance national self-confidence and self-confidence, promote mutual learning among civilizations and hearts are interlinked, promote to build human destiny community is of great significance.

Improving the TCM service system

1. Strengthening the establishment of TCM service institutions. We will revise the standards for the establishment and construction of TCM hospitals, improve the

evaluation and performance appraisal system, strengthen the model and service function of hospitals that focus on TCM services, and establish and improve a modern hospital management system that reflects the characteristics of TCM. We will vigorously develop TCM clinics, outpatient departments and specialized hospitals, and encourage chain stores.

2. Establishing a position for TCM services at the community level. We will expand the number of rural medical students majoring in traditional Chinese medicine who receive free training in accordance with orders, and encourage retired doctors of traditional Chinese medicine to provide services at the grassroots level. We will improve the mechanism for training general practitioners and rural doctors in TCM knowledge and skills. We will support TCM hospitals in leading the establishment of medical consortia.

3. To support the construction of a service system through its application. We will implement the "Internet plus TCM health service" initiative, establish a basic database focusing on electronic medical records and electronic prescriptions of TCM, encourage the development of internet-based TCM hospitals relying on medical institutions, and develop intelligent TCM diagnosis and treatment systems.

Giving full play to the unique role of TCM in maintaining and promoting people's health

1. Highlighting the advantages of traditional Chinese medicine in disease treatment. By 2022, about 50 integrated TCM and western medicine treatment programs will be established and promoted. We will establish a system of consultation between traditional Chinese and western medicine in general hospitals and specialized hospitals, and bring traditional Chinese medicine into a system of multidisciplinary consultation. We will establish effective mechanisms to better leverage the role of TCM in preventing and treating emerging infectious diseases such as influenza and in responding to public health emergencies.

2. Improving the ability to recover from traditional Chinese medicine. We will promote the integration of TCM, traditional Chinese sports and modern rehabilitation techniques, and develop rehabilitation medicine with Chinese characteristics. We will vigorously carry out training to bring TCM rehabilitation techniques into communities, families and institutions.

Vigorously promoting the improvement of the quality of TCM and the high-quality development of the industry

- 1. strengthen the quality control of Chinese medicinal materials.** We will strengthen environmental protection in authentic production areas of Chinese crude drugs, revise production quality management standards for Chinese crude drugs, and promote ecological cultivation, wild cultivation and bionic cultivation of Chinese crude drugs.
- 2. Promoting the improvement of the quality of prepared slices of traditional Chinese medicine and proprietary Chinese medicines.** Establish the strictest standards. We will improve the standard system for preparing prepared slices of traditional Chinese medicine, and formulate and implement national standards for the processing of prepared slices of traditional Chinese medicine. We will improve the competitive environment in the market and improve the quality and price of prepared slices of traditional Chinese medicine. We will strengthen quality control over proprietary Chinese medicines, promote the application of modern information technology in the production of traditional Chinese medicines, and improve the level of intelligent manufacturing.
- 3. Reforming and improving the registration administration of TCM.** To establish and improve the evaluation methods and technical standards for the safety and efficacy of TCM in accordance with the characteristics of TCM.

Strengthen the ranks of TCM professionals

- 1. Reforming the personnel training model.** We will strengthen the cultivation of

thinking in TCM, reform the education in colleges and universities of TCM, adjust and optimize the structure of disciplines and specialties, strengthen the dominant position of TCM, reform and improve the education of integrated traditional Chinese and western medicine, and train high-level personnel of integrated traditional Chinese and western medicine.

2. **We will improve the way talents grow.** Through the development of specialized disciplines, the construction of major scientific research platforms and the implementation of major projects, we will train and train a number of high-level TCM clinical talents and leading TCM innovative talents with interdisciplinary knowledge, and support the establishment of a number of high-level innovation teams.
3. **Improving the talent evaluation and incentive mechanism.** We will implement the requirements that medical and health institutions be allowed to break through the current wage control level of public institutions, that medical service income be allowed to deduct costs and that funds be withdrawn in accordance with regulations to be used mainly for personnel rewards, and improve the salary system of public TCM medical institutions.

Promote the inheritance and open, innovative development of TCM

1. **Accelerating research and innovation in TCM.** A multidisciplinary research platform will be established to address the strategic needs of the country and major scientific issues related to traditional Chinese medicine. We will build state key laboratories in key areas of TCM, and establish a number of national clinical medical research centers, national engineering research centers and technology innovation centers.
2. **Promoting the open development of TCM.** We will include TCM in the building of a community with a Shared future for mankind and in "One Belt And One Road" international cooperation, and implement a special program for international cooperation on TCM. We will promote the formulation of international standards for TCM and actively participate in the formulation of international rules governing traditional medicine. We will promote the overseas dissemination of traditional

Chinese medicine. We will vigorously develop trade in traditional Chinese medicine services. Reform and improve the management system and mechanisms of traditional Chinese medicine.

3. **Improving the investment guarantee mechanism.** We will allocate funds for the development of TCM and increase support for it. We will increase investment in the development of TCM, improve conditions for TCM hospitals, and increase the supply of quality services.

5 Recommendation



The development direction of the company

Industry development trend and TCM market competition situation. With the reform of the medical system and stricter drug regulation, the requirements for pharmaceutical enterprises are constantly increasing, and the market competition will remain fierce for a period of time. Tong ren tang 's ability to develop and innovate and to control product costs will become the decisive factor for the enterprise to win in the market competition.

The difficulties and opportunities faced by the company. Tong ren tang should continuously improve its professional level and r&d and innovation ability of proprietary Chinese medicine, continue to strengthen cost management, reduce costs, strictly control risks, and further improve its management level to ensure good asset quality and business quality, so as to realize long-term, stable and healthy development.

Overall strategy

Innovative business model. Facing the increasingly fierce market competition in the TCM industry, TRT should speed up the implementation of unified operation, unified channels, unified prices and unified distribution, so as to ensure that all the profits of the products are kept in the department and truly realize the sharing of resources and interests.

Strengthen brand management. Tong ren tang shall, in light of the overseas reality, hold a special meeting on overseas brand management, formulate overseas brand management measures and emergency plans, and make a thorough understanding of the use of overseas brand names, product advertising, product prescriptions and packaging labels, so as to ensure that tong ren tang's golden brand is not infringed overseas.

To expand exports. At present, the export situation is extremely severe, tong ren tang should increase the market analysis and forecast, improve the market strain ability and customer service awareness, apply price lever, timely reduce the export product price.

Competitive strategy

Product personalization. with the secondary development of proprietary Chinese medicine and the innovative development of TCM technology, consumers have an increasing demand for proprietary Chinese medicine with innovative technology, and personalized products are becoming more and more attractive to consumers.

Reasonable price. first of all, reasonable price is not equivalent to blind price war; Secondly, product pricing must be based on consumers' psychological acceptance.

Brand vivid. to highlight the product in the promotion work, to make the product brand vivid, we must combine the personalized characteristics of the product, through effective publicity means, to influence consumers' cognition and recognition, and finally achieve a distinctive brand image and brand effect.

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