

# Analysis of Marketing Competition in Traditional Chinese Medicine Industry Based on Boston Matrix

-- Take a Well-known Chinese medicine company A as an example

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**Abstract:** As the original medical science of the Chinese nation, traditional Chinese medicine is facing new challenges and opportunities in the development of the ever-changing times. This paper takes a well-known Chinese medicine company as an example, and uses the Boston matrix to analyze the marketing competition of the Chinese medicine company, in order to have a more eye-catching development in the new market environment.

**Keywords:** Chinese medicine enterprises, Boston matrix, Business operations.

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## 1. Introduction

The Boston Matrix was created in 1970 by Bruce Henderson, a famous American management scientist and founder of the Boston Consulting Group. The Boston Matrix believes that there are two fundamental factors that generally determine the product structure: market gravity and firm strength. Market gravity includes the growth rate of sales volume (value) of the whole market, the strength of competitors and the level of profits. The most important of them is a comprehensive indicator that reflects the gravitational pull of the market - the sales growth rate, which is an external factor that determines whether the product structure of the enterprise is reasonable. Enterprise strength includes market share, technology, equipment, capital utilization capacity, etc., of which market share is the internal factor that determines the product structure of the enterprise, which directly shows the competitive strength of the enterprise. Sales growth rate and market share both affect each other, and each other is conditional: market gravity is large, market share is high, can show a good prospect of product development, enterprises also have the corresponding adaptability, strength is strong; if only the market gravity is large, and there is no corresponding high market share, it means that the enterprise does not have enough strength, then the product can not develop smoothly. On the contrary, a product with strong corporate strength and low market gravity also indicates a poor market prospect for that product. Through the interaction of the above two factors, there will be four different product types with different properties, forming different product development prospects: product groups with "double high" sales growth rate and market share (star products), product groups with "double low" sales growth rate and market share (lean dog products), product groups with high sales growth rate and low market share (problem products), and product groups with low sales growth rate and high market share (Taurus products). This paper further analyzes the problems existing in the marketing and competition process of traditional Chinese medicine enterprises through four different product types.

## 2. Boston Matrix Analysis

After a hundred years of development, Company A has a variety of products, and according to its profit and sales volume, it can be clearly classified according to the Boston matrix. Among them, most of the secret recipe products with high market share belong to star products, most of the products with higher sales volume and high product innovation belong to Taurus products, and most of the products with quality problems and high homogeneity belong to problem products and thin dog products.

### 2.1. Star products

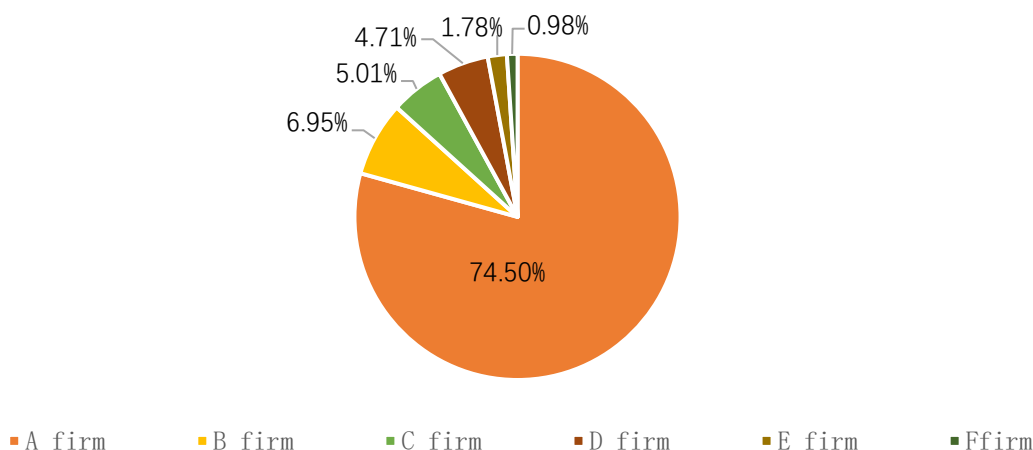
Most of the first-line products of enterprise A are the company's century-old secret recipe products, such as Angong Niu Huang Pill, Niu Huang Qingxin Pill and other products with a high market share and a relatively stable growth rate, and most of them are Taurus products. In particular, Angong Niu Huang Pill, as one of the "Three Treasures" of Enterprise A, has strong competitiveness in the same category and has been in a growth trend, especially after increasing publicity, sales revenue increased by 36%, becoming the seventh product of over 100 million. This type of product is less difficult to market, these high-quality products can attract consumers well, and their good medical effects can maximize customer retention.

### 2.2. Taurus products

Many of the second-tier products of company A have a high market share and rapid market growth, and most of them are star products. Since 2014, there have been 26 products with annual sales of 10 million yuan, and the annual growth rate of Chinese and Western yellow pills and other products has exceeded 20%, and the cluster effect of large-scale products has been further reflected. In the Taurus products, although the contribution of a single breed to the overall sales is small and the market share is limited, its sales growth rate is faster than that of the first-tier products. Around 1999, the sales volume of Liuwei Dihuang Pill did not exceed 100 million, but after 2001, it has become an important pillar product of the company, and these second-class products may have potential pillar products like Liuwei Dihuang Pill. The

marketing difficulty of Taurus products is also relatively small, and its high popularity can form a publicity effect, and

the scale effect of the product can help enterprise A reduce marketing costs to a certain extent.



2019 Angong Niu Huang Pill sales market share

### 2.3. Skinny Dog Products

Most of the first-line products of enterprise A are in the thin dog quadrant due to serious product homogenization and fierce market competition. Although the growth of Bezoar Detoxification Pill has been rapid in the past three years, due to the serious homogenization of products, its market share is not dominant, and it is between the problem quadrant and the skinny dog quadrant. Therefore, the marketing cost of thin dog products is higher, and the degree of innovation of enterprise products is higher, and if enterprise A wants to achieve successful marketing of such products, it should increase innovation, develop new products, and improve the use of products at the same time, and continuously improve competitiveness, so as to attract consumers.

### 2.4. Problematic Products

In January 2012, Company A's fire-clearing tablets were found to be unqualified, and in April 2014, the production of Rehmannia by a subsidiary of Company A was unqualified, which caused damage to the company's reputation to a certain extent. In 2016, Company A was named 6 times for quality problems, involving many varieties such as white grass. In 2017, the State Food and Drug Administration of China announced a list of 22 unqualified TCM decoction pieces, and Company A was also among them. In 2018, due to the exposure of the "expired honey" incident, the State Administration for Market Regulation of China directly withdrew the title of "China Quality Award" of Enterprise A and imposed a fine of nearly 14.09 million yuan. Therefore, it is very difficult to market the problematic products, and Company A needs to ensure the quality of the products in the future production, restore the image in the hearts of consumers through marketing activities, reshape the corporate values, and no longer consume the signboard of the century-old brand to maintain the brand image.

company are in the second line, and the single variety has little contribution to the company's performance, which shows that the company lacks corresponding efforts in promoting the second-line products. At the same time, it also reflects that the R&D of company A only stays at the superficial level such as changing the dosage form, and does not develop drugs such as Japan's Tsumura's "Xingxin Pill", which can quickly occupy the market. To a certain extent, the defects in the product structure reflect the failure of enterprise A at the level of business strategy. Too much reliance on the original products, negligence in product brand building, lack of depth of new product research and development or inconsistent with market demand, insufficient promotion of second-tier products and intensified competition in the industry are all reasons for the decline in the performance of enterprise A. In particular, the lack of star products fully shows that enterprise A is not enough to invest in problem products, and the construction of product brands needs to be improved. At the same time, cash cattle products are also tending to change to thin dog products, and there is no corresponding product in a short period of time to enter this area, once the market environment changes, the performance of enterprise A will still be likely to decline. In order to achieve a stable and effective product portfolio, enterprise A should selectively invest resources in problem products, and strive to transform some second-tier products into star products by increasing R&D efforts, strengthening brand building and market cultivation. For lean dog products, company A can reduce investment to a certain extent, reduce production of these products with very low sales growth rate and market share, gradually withdraw or outsource some functions, and transfer resources to other products. At the same time, enterprises should also appropriately invest in Taurus products, such as Liuwei Dihuang pills and other products, by seeking differentiation in packaging and appeal points, and at the same time increase the distribution of goods, extend their life cycle, and provide cash flow for enterprises.

## 3. Summary

There is a lack of star products in the first-line products of enterprise A. In the past six years, the main products have not changed, and most of the new drugs developed by the

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