

# Performance Research of Chinese Patent Medicine Enterprises to Innovative Medicine Research and Development Strategy Transformation

-- Take Zhejiang Conba Pharmaceutical Co., Ltd. as an Example

**Yufan Liu**

Durham University, Durham, UK  
nthf68@durham.ac.uk

---

**Abstract:** This paper takes the Chinese patent medicine enterprise CONBA as an example, and deeply analyzes the performance of its transformation from traditional Chinese patent medicine to innovative medicine research and development strategy. Through the comparative study of the transformation background, the strategy implementation process and the performance before and after the transformation, the key factors and challenges of its successful transformation are revealed. The research results show that CONBA has successfully realized the strategic transformation from traditional Chinese patent medicine to innovative medicine by increasing r & d investment, optimizing research and development structure and integrating internal and external resources, and achieved significant performance improvement. The research in this paper not only provides practical reference for the strategic transformation of Chinese patent medicine enterprises such as CONBA, but also provides useful reference for the transformation and upgrading of other enterprises.

**Keywords:** CONBA, Chinese patent medicine enterprises, Innovative drug research and development, Strategic transformation, and performance research.

---

## 1. Introduction

In recent years, with the continuous expansion of the global pharmaceutical market and the improvement of consumers' health awareness, people's demand for drugs has gradually changed from therapeutic to preventive and health care. At the same time, the rapid development of biotechnology also provides more possibilities and means for the development of new drugs. In this context, with the rapid development of the global pharmaceutical market and the increasingly fierce competition, Chinese patent medicine enterprises are facing unprecedented challenges and opportunities. In the market competition, the traditional Chinese patent medicine gradually shows the problems such as serious homogenization, lagging research and development, and insufficient innovation ability, which is difficult to meet the increasingly diversified market demand. Therefore, the transformation to innovative drug research and development strategy has become an inevitable choice for Chinese patent medicine enterprises to achieve sustainable development and maintain market competition.

As a well-known Chinese patent medicine enterprise in China, CONBA has actively responded to the national pharmaceutical innovation policy in recent years, actively adjusted the strategic direction, increased the research and development investment of innovative drugs, and strive to realize the transformation and upgrading from traditional Chinese patent medicine to innovative drugs. In this process, CONBA is faced with technology, capital, talent and other challenges to overcome difficulties and achieved significant performance improvement and market recognition.

This paper aims to discuss the performance of the transformation of Chinese patent medicine enterprises as an example. Through the comparative analysis of CONBA's

strategic transformation background, strategic implementation process and the performance before and after the transformation, the key factors and challenges of its successful transformation are revealed. At the same time, this paper also hopes to provide useful reference and reference for the transformation and upgrading of other Chinese patent medicine enterprises through this research.

This paper will conduct in-depth analysis and research on the performance of Conbe's transformation to innovative drug research and development strategy by consulting relevant materials, industry reports and academic literature, as well as collecting relevant data and information.

## 2. Enterprise Strategy Implementation Process

### 2.1. Innovative Strategic Goals

Faced with the fierce competition and rapid changes in the pharmaceutical industry, CONBA realized that a single TCM pharmaceutical business could no longer meet the needs of its future development. Therefore, the company decided to make strategic adjustment and put forward the development framework of "one core and two wings". The "one core and two wings" strategy was proposed by Hu Jiqiang, chairman of CONBA. As the leader of Conbe Company, Hu Jiqiang is deeply aware of the changes and challenges in the pharmaceutical industry, and actively promotes the strategic transformation of the company. Through the strategy of "one core and two wings", enterprises hope to realize the diversification and sustainable development of the company's business to cope with market competition and industry changes.

"One core and two wings" is an important concept put forward by Conbe in its development strategy. This strategic

framework was proposed around 2018 and the transformation will be completed between 2022-2023.

### 2.1.1. Industry background

As a strategic emerging industry, medicine and TCM have benefited from policy support and the overall recovery of the national economy, and ensured people's livelihood. In the field of medicine and health care, The State Council, the National Health Commission and other departments have issued hundreds of policy documents on the joint reform of the three medical institutions, and continue to deepen various medical reform measures.

According to the Chinese pharmaceutical industry information center of the latest 2023 pharmaceutical industry operation report [1], according to the affected by demand, the main revenue, profit and other indicators are negative, but each industry trend differentiation, biological products, health materials and medical supplies five sub industry economic indicators appear a certain decline. In 2023, the operating revenue and profit of the two sub-industries of Chinese patent medicine and TCM decoction piece increased by 4.85% year on year, with some growth rate reaching double digits, continuing to show a good development trend.

### 2.1.2. Implementation content

Among them, TCM pharmaceutical business is the core business of CONBA company, namely "core". This core business will continue to be the foundation of the company, maintaining a leading position in technology and products.

With featured chemicals and featured health consumer goods as the two wings; with featured health consumer goods as the main product line, the business covers health food, health products, medical devices and other related fields. By entering the big health industry, Conbe hopes to broaden its revenue streams to meet growing consumer demand for health products. According to the data [2] of Minenet, the processing market size of TCM decoction pieces has exceeded 210 billion yuan in 2022, and the company acquired 66% of the equity of decoction pieces Company of Zhejiang University of Traditional Chinese Medicine in 2022. In 2023, the company's revenue of Chinese herbal medicine and Chinese herbal medicine decoction pieces reached 851 million yuan, with a year-on-year growth of 26.79%.

In the aspect of Internet + medical services. Through the investment and development of Internet medical platform, CONBA provides online medical consultation, health management and other services, conforming to the trend of digitalization and Internet era, and improves its service capacity and market competitiveness. By increasing the brand extension, the brand and products from disease treatment to health care prevention development.

Since the strategic transformation, ComBain has made great changes in its marketing mode. The company will strengthen the development of digital management and marketing [3] in 2021. By building a nationwide operation network, CONBA has a professional marketing subsidiary nationwide, forming a national sales channel and terminal network. In 2023, the number of terminal retail pharmacies will exceed 30 0,000, and the coverage of major grade hospitals and primary medical institutions will be achieved.

Kang company established new in 2019 retail division, and "ali health", "jingdong health" and "Meituan", "hungry" third party platform to establish strategic cooperation, establish new retail system, online synergy drug industry online revenue in 2022 562 million yuan, up 37% year on year, accounted for 9.4% of revenue, achieve rapid growth. As the

company continues to promote the innovation of marketing system and strengthen the digital transformation, the company's marketing efficiency has steadily improved and the sales expense ratio has gradually decreased. In recent years, the company's sales expense ratio has dropped from more than 50% to 42% in 2020, and then to 34.4% in 2022.

According to the " plan of scientific and technology innovation driven development project, CONBA has steadily promoted the research and development of innovative drugs, consistency evaluation of generic drugs, and the secondary development of large brands and large varieties of products. The innovation vitality has been further stimulated and the innovation ability has been significantly enhanced.

In 2023, The overall R & D investment of CONBA Company was 312 million yuan, up 18.80% year on year, accounting for 5.29% of the annual industrial revenue. 57 new research and development projects were approved to lay a good front-end foundation for the construction of product echelon. In the field of innovative Chinese medicine, the registration of 2.1 improved innovative drug of Chinese medicine, the clinical approval of ivy leaf extract and oral liquid; in the field of characteristic chemical medicine, the registration approval of risperidone oral solution, azithromycin for injection, piperacillin sodium for injection and tazobactam sodium for injection, 20 clinical approvals of pifenidone solution for inhalation; 20 newly authorized patents, including 11 invention patents;

## 2.2. Key Areas of Innovation

CONBA core product enteritis Ning series is mainly for stool diarrhea, abdominal pain and abdominal distension, indigestion and other symptoms, has the effect of clearing heat and dampness, can reduce acute and chronic gastroenteritis. According to the latest annual report of CONBA Company in 2023, the sales revenue is nearly 1.3 billion yuan, and the brand of Chinese patent medicine in the digestive system of physical drugstores ranks the third, accounting for 8.18% of the market share.

In terms of specialty chemical drug business, the sales revenue of "Jinkang Suli" brand acetylcysteine effervescent tablets increased by 16% year on year in 2023, while the sales revenue of "Jinkang Lingli" brand galantamine tablets (for the treatment of mild to moderate Alzheimer dementia symptoms) increased by 55% year on year. In 2023, the revenue of featured health consumer goods business reached 580 million yuan, among which the sales revenue of "CONBA" brand health food reached 570 million yuan, up 23% year on year. With the development of the company's key varieties of characteristic drugs, the sales penetration and production transformation of characteristic health consumption, the characteristic chemical drugs and characteristic health consumer goods are expected to create a second growth curve for the company in the future.

## 3. Performance Analysis

From 2019 to the first quarter of 2024, CONBA's net profit fluctuated. Net profit increased significantly in 2020 and 2021, and then remained stable in 2022 and 2023, but declined in the first quarter of 2024. The core business of the company's traditional Chinese medicine health has accelerated its development, and the proportion of revenue in the company's total revenue has further increased. In 2023, the revenue of the company's traditional Chinese medicine health business reached 4.544 billion yuan, an increase of 16.13% over the

previous year, accounting for 67.49% of the company's total revenue, an increase of 2.28 percentage points over the previous year. The company's business structure continues to optimize, and the core business is further strengthened. In 2023, the revenue of all traditional Chinese medicine business was 3.625 billion yuan, up 16.60% year on year; 2.391 billion yuan, up 2.98% year on year; featured health consumer goods business was 580 million yuan, up 21.28% year on year.

The fluctuation in net profit may be related to the company's sales revenue, cost control and expense management. The increase in net profit in 2020 and 2021 reflects the improvement of the company's operations and the

increased market demand.

Among them, the price fluctuation of production raw materials in recent years also has a great influence on the operating profit of Comham Company. Although, Comham has a relatively complete industrial chain in the Chinese medicine industry, and has built Chinese herbal medicine planting base through self-built and cooperation with other units, including *Salvia miltiorrhiza*, *Ginkgo biloba*, *Scutellaria baicalensis*, *Houttuynia*, *forsythia*, summer none, honeysuckle and breeding, etc.; but it is still affected by external price fluctuations.

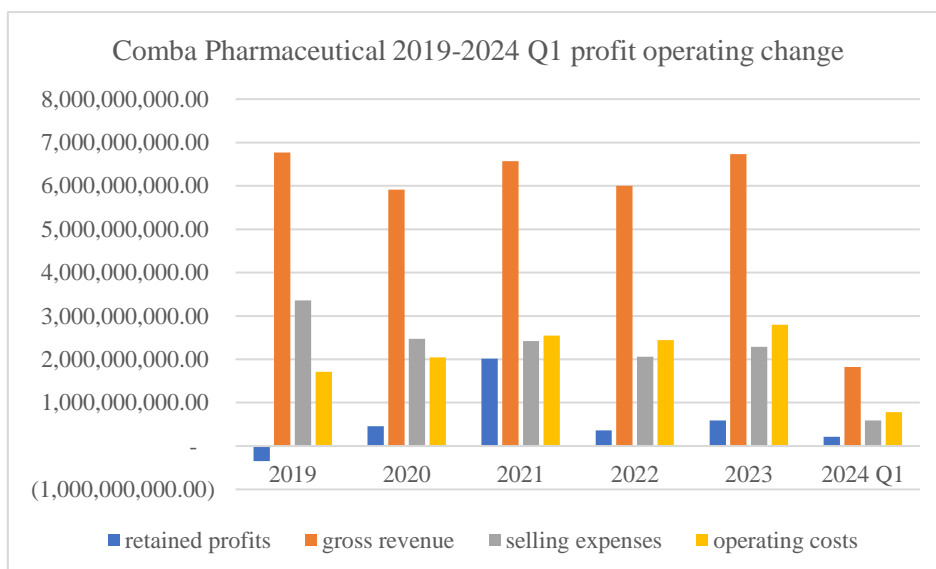


Figure 1. Comba Pharmaceutical 2019-2024 Q1 profit operating change

From the first quarter of 2020 to the first quarter of 2024, the net profit showed large fluctuations. The loss began in the first quarter of 2020, and then gradually recovered and peaked in the first quarter of 2021. After that, net profit fluctuated again, reaching its lowest point in the third quarter of 2022, and then gradually recovering.

In the first quarter of 2021 net profit swings to peak related

to enterprise transformation, the company stripped a lot of the strategic focus of assets to focus on research and development core and new development industry, and the transition of the 2022,2023 the company's overall profit level has a higher degree of growth, back to the transformation before the profit level, but the industry more concentrated than before.

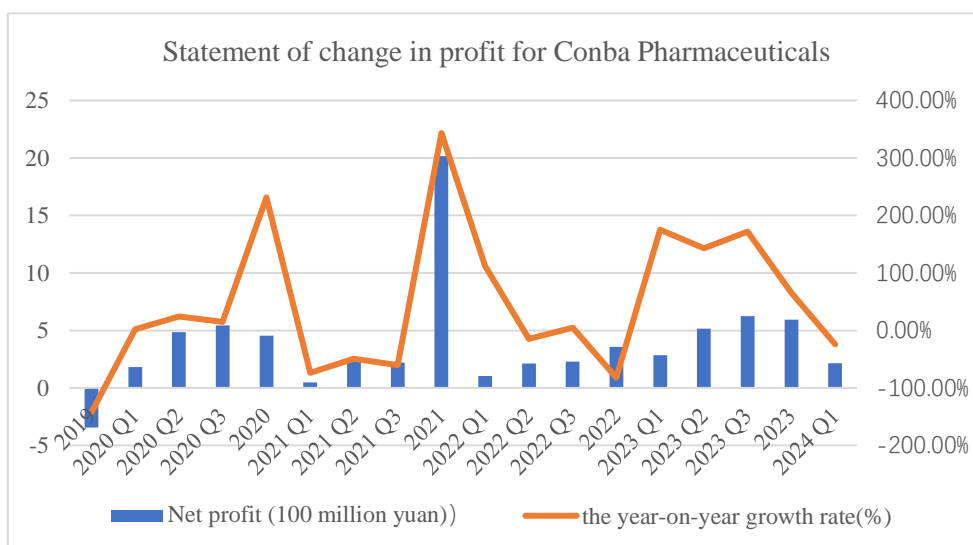


Figure 2. Statement of change in profit for Conba Pharmaceuticals

This chart shows the company's total assets of [5] (in \$100 million) and return on capital (ROE) from 2019 to the first quarter of 2024.

Between 2019 and 2020, the total assets remained relatively stable. In 2021, the total assets increased significantly to nearly 12 billion yuan, indicating that

CONBA acquired the assets of core industries on a large scale after the stripping of invalid assets in 2021 and expanded the production scale.

After 2022, the total operation declined, but in 2023 and 2024 first quarter basically returned to the previous level, stable at around 10 billion yuan.

And return on assets, the ROE gradually declined from 2019 to 2020. In 2021, while the total assets peaked, the ROE dropped sharply below about 10%, and Connbe expanded without improving its capital efficiency or had large capital

expenditures. After 2022, ROE began to recover, indicating that the company began to improve the efficiency and profit margin of capital.

Although CONBA achieved gross operating volume growth in 2021, the decline in ROE indicates possible lower profit margins or increased cost of capital problems. The rebound in ROE in subsequent years means that management has made progress in optimizing costs and improving the efficiency of capital operations.

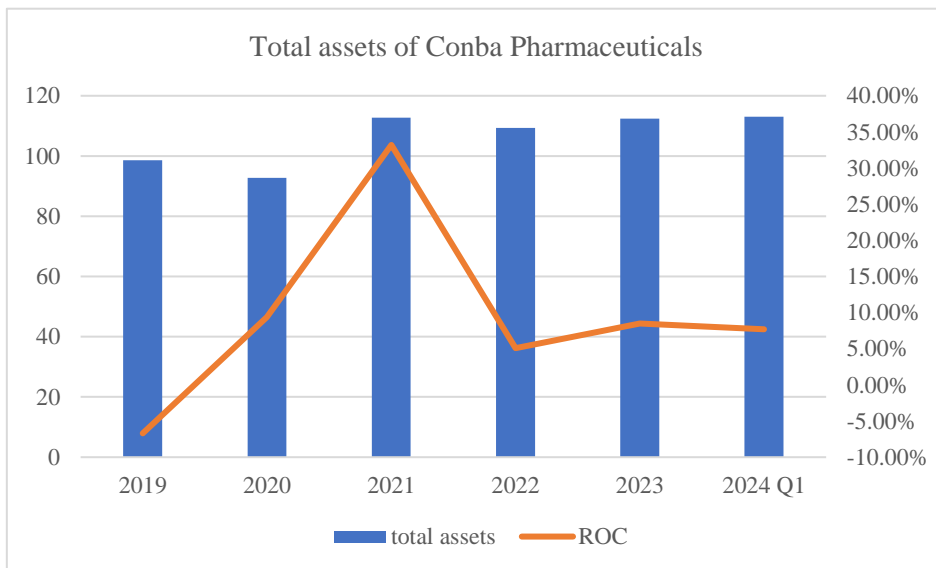


Figure 3. Total assets of Conba Pharmaceuticals

#### 4. Core Product Sales

After the transformation, the core products of CONBA company have increased to varying degrees. The core products of Kangenbei series, baicalensis, Chinese bark, tangerine peel, magnolia officinalis, licorice, licorice, aurantia, mainly for stool diarrhea, abdominal pain, abdominal distension, indigestion and other symptoms, with the effect of clearing heat and dampness, can reduce acute and chronic gastroenteritis. The sales revenue was nearly 1.3 billion yuan, and the Chinese patent medicine brand in the

digestive system of physical pharmacies ranked the third in [5], accounting for 8.18% of the market share. In 2022, it exceeded 1 billion for the first time, a year-on-year increase of 17.51%; its core product IN sales also increased significantly in 2023, the sales volume 2 increased 32.67% year on year. With the deepening of the aging population and the gradual attention of residents to gastrointestinal health, the market size of China's gastrointestinal drug market will increase significantly in 2022, and the demand for digestive and respiratory drugs will surge due to the epidemic in 2023 Q1.

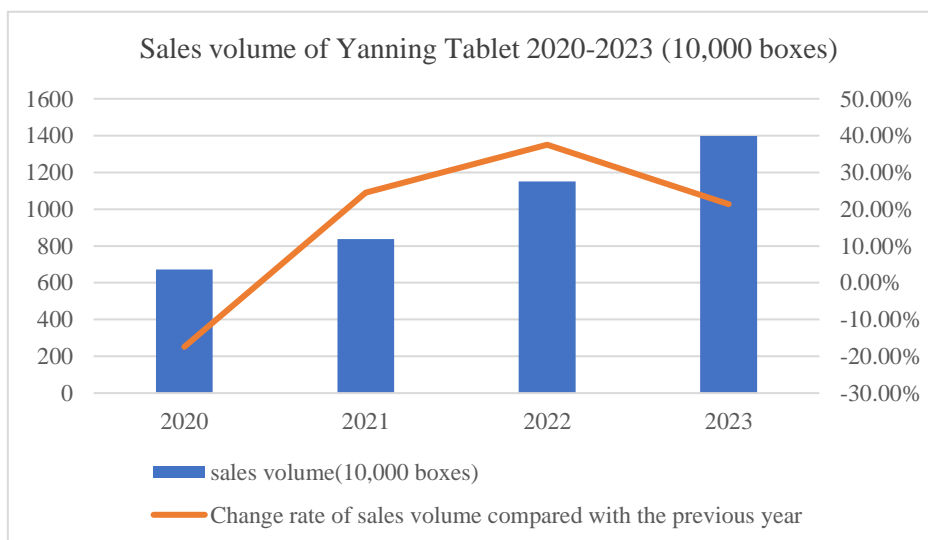


Figure 4. Sales volume of Yanning Tablet 2020-2023

"Tianbao ning" ginkgo biloba, used to promote blood circulation to remove blood stasis, price fluctuation is larger

but the price drop is limited, in 2023 tianbao ning sales decreased by 4% year on year, still maintained 26.3871 million boxes of high sales, the company also actively carried out "based on integrated pharmacology from ginkgo biloba

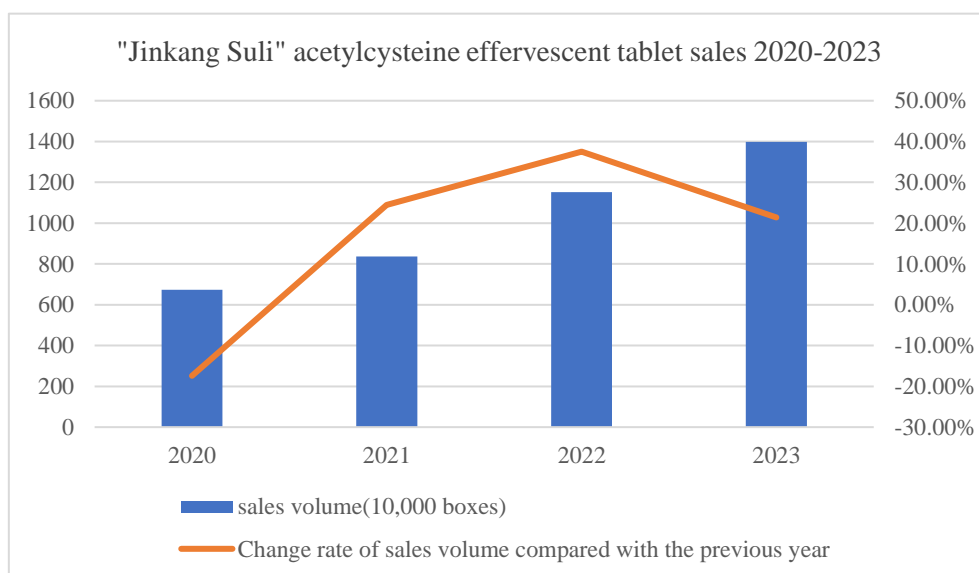
varieties to improve research" and the secondary development of ginkgo biloba products, hope can further improve sales through innovation.



**Figure 5.** "Tianbao Ning" ginkgo leaf sales 2020-2023

"Jinkang speed force" acetylcysteine effervescent tablets grow steadily, suitable for patients with chronic bronchitis and other pharyngeal diseases. In 2022, it ranked the 7th among the TOP20 brands of terminal cough and cold medicine in public hospitals in key provinces and cities, occupying 2.75% of the market share. In 2020, "Jinkang Kuuli" brand acetylcysteine effervescent tablets were transferred to the national medical insurance catalog to

increase the coverage of the grass-roots market. In 2022, the sales revenue increased by more than 35% year on year, and in 2023, it maintained a stable growth of 16%. The sales volume reached 13.9748 million boxes. With being selected as the ninth batch of drug centralized procurement in 2023, the product began to be sold in large volume, helping to further increase the sales.



**Figure 6.** "Jinkang Suli" acetylcysteine effervescent tablet sales 2020-2023

## 5. Summary

The study found that the main drivers of CONBA's transition to innovative drugs include internal growth bottlenecks and changes in external market demand, as well as government policy support. Together, these factors drive the company's strategic transformation.

A detailed analysis of CONBA reveals significant progress in the field of innovative drug development. The company has

successfully built a technology platform, introduced and trained a number of innovative talents, greatly increased the r & d investment, and launched a series of innovative drug products with market competitiveness.

After the transformation, CONBA's financial performance and market performance have improved, the revenue share of innovative drug business has increased year by year, and its market share has been expanding. After a brief twists and turns in the transition period, the profits of CONBA began new growth, and the company's core business products have

increased to varying degrees. This shows that CONBA's transformation has achieved positive results at both the economic and strategic levels.

Among them, the success of Conbe's transformation is mainly attributed to the government's policy support for the innovative pharmaceutical industry, which provides a strong guarantee for Conbe's transformation and Conbe's continuous investment in research and development and the establishment of a technology platform. Secondly, the company is market-oriented, accurately grasp the market demand and quickly respond to market changes, attention and talent strategy reserve

However, Connbe faces many challenges after the transition period, such as capital pressure. The research and development of innovative drugs requires long-term capital investment, and capital pressure is still the main challenge facing Connbe. Technology risk, innovative drug research and development has high risk, high failure rate possibility, the company needs to constantly innovate and adjust strategies to reduce the risk. And as more enterprises enter the field of innovative drugs, the market competition intensifies, the company needs to continuously improve the product innovation and market share.

Long-term performance evaluation, industry comparative analysis and international market research on the possible future research directions of CONBA. It is recommended to conduct a continuous evaluation of the long-term performance of the enterprise after the transformation to better understand the overall impact of the transformation. And by comparing the transformation paths of different Chinese patent medicine enterprises, to explore a wider range of successful models and experience.

Through the in-depth study of CONBA Company in this paper, the key success factors and challenges of Chinese

patent medicine enterprises in the transformation to innovative drug research and development strategy are revealed. This not only provides important reference experience for other Chinese patent medicine enterprises, but also provides possibilities for policy makers with future development. In the future, Chinese patent medicine enterprises need to continue to explore and innovate to cope with the changing market environment and achieve sustainable development.

## References

- [1] China Pharmaceutical Industry Information Center. (2023). The Operation Situation of the Pharmaceutical Industry in 2023. [report]. Beijing: China Pharmaceutical Industry Information Center.
- [2] MeineNet. (2024)., The Connbe Data.[data base]. Available from the <http://www.minet.com> acquire.
- [3] Guosheng Securities. (2024). In The Connbe Research Report. [memoir]. Shanghai: Guosheng Securities.
- [4] Conbe Pharma, Inc.(2023). Conbe 2023 Annual Report. [annual report]. Shanghai: CONBA Pharmaceutical Co., Ltd.  
Conbe Pharma, Inc. (2022). Conbe Pharmaceutical 2022 Annual Report. [annual report]. Shanghai: CONBA Pharmaceutical Co., Ltd.  
Conbe Pharma, Inc. (2021). Conbe 2021 Annual Report. [annual report]. Shanghai: CONBA Pharmaceutical Co., Ltd.  
Conbe Pharma, Inc. (2020). Connbe Pharmaceutical 2020 Annual Report. [annual report]. Shanghai: CONBA Pharmaceutical Co., Ltd.  
Conbe Pharma, Inc. (2019). Conbe 2029 Annual Report. [annual report]. Shanghai: CONBA Pharmaceutical Co., Ltd.
- [5] Sequence. (2024)., The Connbe Data. [data]. Available from the <http://www.10jqka.com.cn> acquire.