

Analysis of the Competitive Dynamics of The Chinese Medicine Industry Based on The Extended Diamond Model

-- The Example of A Long-Established TCM Company

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Abstract: At present, the shift of China's new crown epidemic policy provides new opportunities for the medical consumer market, and TCM enterprises need to re-optimize their production structure and improve their competitiveness. This paper takes the old TCM enterprises as an example and extends the original diamond model in order to analyze how TCM enterprises can preserve their competitiveness in the new market environment.

Keywords: Diamond model, Chinese medicine industry, Business management.

1. Introduction

The diamond model, which encompasses four core factors of production factors, market demand, industry clusters, and strategic thinking, and adds two supplementary factors of opportunity and government, fully explains the principle composition of industrial competitiveness. With the help of this framework, the conditions underlying the competitiveness of TCM enterprises' marketing strategies can be summarized in the following four aspects: cultivating high-quality production factors from primary production factors such as infrastructure, moving from general mass demand to consumer upgrading to satisfy discerning consumers, internationally competitive TCM-related and supporting industries, and realistic development strategies of enterprises. With the benign interaction of these four core elements, aided by the two major factors of opportunity and government, TCM enterprises are likely to gain sustainable advantages in marketing in the long term, ultimately achieving product optimization and expanding their customer base. This paper expands on the diamond model and summarizes the above six elements into three major subsystems of enterprise efficiency, industrial structure and external environment, which in turn constitute the ecosystem of competitive ability of TCM enterprises' marketing strategies.

2. Measures

First, the efficiency system mainly consists of production factors and demand conditions. Production factors focus on basic equipment and related facilities, a large amount of investment in R&D is the key to efficiency improvement, advanced production factors are the basis for obtaining innovative breakthroughs, and efficient innovative productivity is the key that TCM enterprises can always win the trust of buyers, suppliers and merchants in the fierce TCM market competition. TCM enterprises have been developed over a century, and the company has 7 subgroups, 2 hospitals, and in terms of production supply chain, it has 36 production bases and more than 110 modern production lines; in terms of drug production varieties, it can produce six categories, more

than 20 dosage forms and more than 2,600 kinds of drugs and health products.

TCM companies want to achieve sustainable development, they must first secure infrastructure inputs. And knowledge resources as advanced production factors - innovation inputs and talent elements are increasingly occupying a central position among production factors. According to the public financial report, TCM Enterprise JSC invested 241 million yuan in the field of research and development in 2019, and the investment in the development of new products is increasing. For the cultivation of talents, TCM Enterprise has been implementing the unique traditional and modern "Pyramid Talent Project" strategy. This strategy is based on three points: treatment conditions, individual emotions and career development, and seeks to integrate individual employees into the management system of the entire enterprise. This "pyramid" consists of three main levels: the bottom of the tower is the grassroots staff, the body of the tower is the chief technician, outstanding talent, and the tip of the tower is the leading edge, authoritative field experts.

At present, TCM enterprises have a deep historical origin of traditional Chinese medicine culture, unique Chinese medicine herbal concoction production technology, three national-level "non-heritage" projects such as Angong Niu Huang Pill production techniques and a number of municipal and district-level "non-heritage" projects. At the same time, there are 37 representative inheritors of national, municipal and district-level "non-heritage", 41 masters of traditional Chinese medicine, 8 masters of traditional Chinese medicine, and more than 20 special skill inheritors. Complementary to the "Pyramid Talent Project" is the "Master-Apprentice System", in which experienced "masters" with a senior curriculum vitae can teach newcomers. Apprentices can pass on traditional craftsmanship, medical ethics and pharmacological virtues from generation to generation. To a certain extent, innovation and talent can guarantee the product quality of TCM enterprises, and the stability of product quality ensures that TCM enterprises can continue to market with traditional culture and technology in their marketing strategy and make full use of the brand value advantage.

TCM enterprises currently face a relatively broad demand market, as of June 30, 2021, the enterprise's first half of the two quarters sales revenue reached 2.77 billion yuan, an improvement of 23.45% over the same period; net profit of 470 million yuan, an improvement of 16.72% over the same period. The market recognition of TCM and the formation of people's health concept stimulate TCM enterprise's sales to increase, and the sufficient market demand provides inexhaustible power for TCM enterprise to occupy the core position of consumer market, which makes TCM enterprise have strong marketing competitiveness compared with other enterprises. In summary, TCM enterprises continue to attract talents and increase innovation investment under the guarantee of production infrastructure, thus improving enterprise efficiency and fully satisfying consumer demand, laying the foundation for expanding consumer market, expanding competitive advantage and improving marketing competitiveness.

Secondly, the structural system is mainly composed of corporate strategy and industrial clusters, and the strategy of TCM enterprise is characterized by "continuity and development", not only inheriting the original traditional Chinese medicine process, but also playing the concept of "punk health" among young consumers, and formulating practical development strategies according to the changes of competitive environment. The TCM enterprise has excellent upstream suppliers and downstream customers, for the upstream suppliers, to gradually get rid of the dependence of the raw materials of TCM herbs on the natural environment, but the TCM enterprise always insists on quality control,

based on the suitable geographical environment of the raw materials of TCM herbs to grow. The TCM enterprise has always insisted on quality control and opened up planting sites based on the suitable geographic environment for the growth of raw materials of Chinese herbs, and adopted the model of self-planting and cooperative farming to extend upstream supply chain; For downstream customers, TCM enterprise has opened up offline retail stores in many domestic and foreign cities, and also opened up pharmaceutical e-commerce sales channels, and the industrial clusters formed by high-quality supporting industries help increase the benefits of economies of scale, which is beneficial to TCM enterprise in marketing activities to reduce costs and achieve profit growth. The resources in real economic activities include tangible competitive resources and intangible non-competitive resources, which are the sources of enterprises to maintain competitive advantages. the optimal combination of enterprise strategy, enterprise structure and peer competition is a direct influence on competitive advantages. the market development strategy of TCM enterprises is not set in stone, according to the competitive dynamics of peers and their own structural characteristics to formulate appropriate development strategies and place their competitiveness in It helps to simultaneously enhance the competitiveness of TCM enterprises in marketing activities and win more consumer support by formulating appropriate development strategies based on the competitive dynamics of peers and their own structural characteristics, and placing their competitiveness in industries with economies of scale.

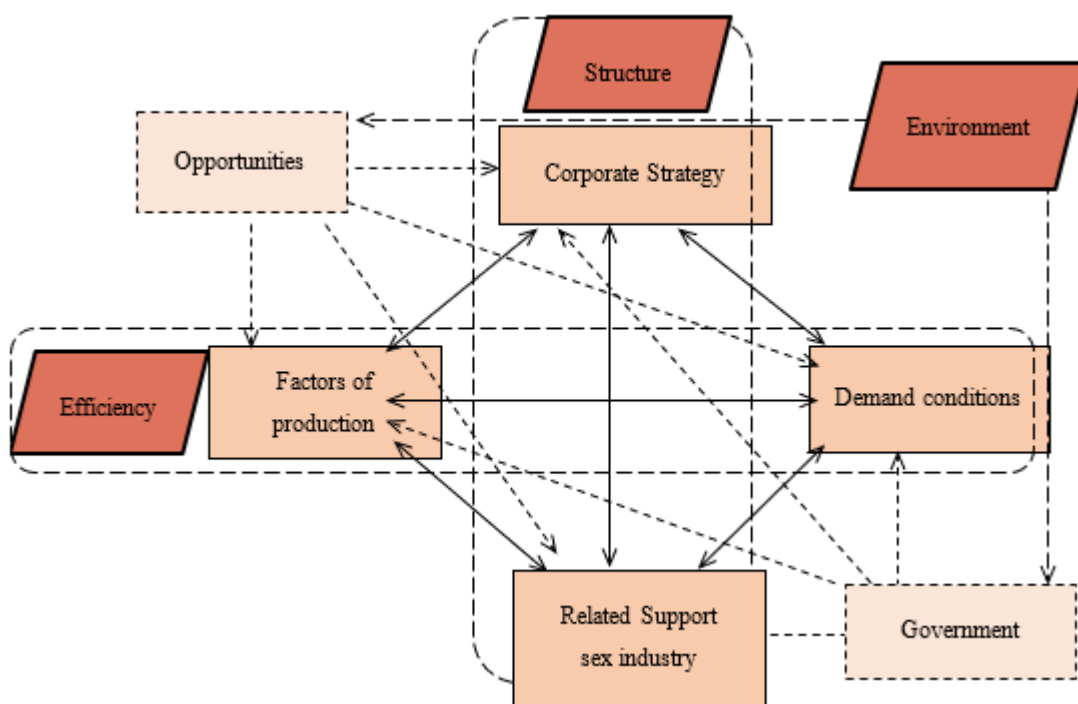


Figure 1. Extended diamond model

Thirdly, the environmental system mainly consists of opportunity and government. the consistent development model of TCM enterprises is to maintain high quality and specialized production of enterprises, while the perception and execution of enterprises to the external environment is the key factor affecting the competitiveness of the consumer market. Opportunity is an unattainable factor that brings both

opportunities and challenges. The popularization of the national concept of healthy living and health care provides opportunities for TCM enterprises to open up the consumer market, plus the stimulation of the new crown epidemic makes TCM come into the public eye again, which helps TCM enterprises to go out of the country and increase their awareness at home and abroad, and provides possibilities for

TCM enterprises to market in overseas markets. The government's support to the enterprises is a key factor in the development of TCM. The government's support to enterprises is an important reason for TCM companies to maintain their dominant position, such as the temporary incentives issued by the government in response to the impact of the epidemic on the global economy, and the public policies that help promote the advanced production factors in the long term, such as investment in TCM education and infrastructure investment in TCM pipes.

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