

Analysis of the Basic Competition Situation of Traditional Chinese Medicine Industry based on the Porter Five-Force Model

-- Take The T Traditional Chinese Medicine Enterprise as an Example

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Abstract

With the national support for the Chinese medicine industry, the improvement of Chinese residents' health concept, the improvement of social consumption level, and the opportunities brought by COVID-19, the consumer market of the Chinese medicine industry has ushered in a new development trend. This paper takes T TCM enterprise as the main body, and analyzes the basic competition situation of TCM industry based on the Porter five-force model.

Keywords

Porter Five Force Model; Chinese Medicine Industry; T Chinese Medicine Enterprise.

1. The Ability of Potential Competitors to Enter

Traditional Chinese medicine industry has the characteristics of high threshold, difficulty and difficulty:

1. GMP certification is required to enter the TCM industry. This certification not only has very high requirements for hardware and software, but also this certification has certain requirements for the enterprise's capital and professional talents, which requires a lot of investment and support.

2, Chinese medicine industry to high technical requirements, product development cycle is long, research and development is difficult, capital and talent investment is larger, set high requirements, technology is quite complex, but also have the ability to bear return cycle pressure, from listed to profit at least five years, relative to other industries into the difficulty is very big.

3. The state has a very strict supervision over the TCM industry. The introduction of TCM laws and regulations and the intellectual Property Protection laws and regulations have put forward stricter requirements for the TCM industry. At the same time, the introduction of environmental protection law not only restricts the collection of Chinese medicinal materials, but also puts forward requirements for the production and processing of Chinese medicine, making it more difficult to enter the industry.

However, T TCM enterprises also face the threat of potential competitors, mainly from other TCM enterprises and some western medicine enterprises. On the one hand, as the recognition of traditional Chinese medicine by more and more people, a certain number of small and medium-sized enterprises of a certain scale will surely emerge. These fierce competition may produce cost pressure and innovation pressure on the marketing of T TCM enterprises. On the other hand, the continuous development and innovation of western medicine also pose a certain threat to the marketing of T traditional Chinese medicine enterprises. The higher the recognition of western medicine, the more likely it is to occupy the recognition of Chinese medicine, especially the marketing of foreign consumers, which causes some difficulties to the

marketing of T Chinese medicine enterprises and causes certain unstable factors to T Chinese medicine enterprises. But the T Chinese medicine enterprises as one hundred, has very mature technology and management strategy, enterprise well-known degree is quite high, based on one hundred old and establish a good reputation and consumer loyalty, with social responsibility of corporate image, occupy an important place in the whole consumer market. Therefore, for T TCM enterprises, potential competitors pose less threat.

2. Competitive Ability of the Existing Competitors

With the strategy of Healthy China, the popularity of traditional Chinese medicine is increasing, which makes the competition in the domestic Chinese medicine industry very fierce, and T Chinese medicine enterprise, as the most famous Chinese medicine enterprise, is also facing the threat of existing competitors.

Table 1. Comparison of the same industry

	T TCM enterprises	Yunnan Baiyao	Dong-e-E-Jiao	China Resources sanjiu
superiority	<ul style="list-style-type: none"> ① Century-old brand, with a strong brand advantage; ② Star products have a large market share and are irreplaceable; ③ Strict and clear management system, with a strong corporate culture. 	<ul style="list-style-type: none"> ① Brand effect is obvious; ② Product popularity has been gradually improved in recent years; ③ Good results in overseas market development. 	<ul style="list-style-type: none"> ① Obvious geographical advantages; ② Control of the upstream raw material market supply and pricing. 	<ul style="list-style-type: none"> ① The company's extension development has been strongly supported; ② Pharmaceutical direction is clear, effective cost control; ③ 999 brand sales profit and influence.
inferior strength or position	<ul style="list-style-type: none"> ① Lack of further expansion of overseas markets; ② product homogeneity; ③ Eager to achieve success, most of the innovative products affect the flat. 	<ul style="list-style-type: none"> ① Employees are satisfied with the status quo and lack of enthusiasm; ② Products are lack of international market competitiveness. 	<ul style="list-style-type: none"> ① The emergence of the artifacts is serious; ② Excessive advertising publicity. 	<ul style="list-style-type: none"> ① Lack of innovation, insufficient research and development efforts; ② The rising price of Chinese medicinal materials and other factors lead to a decline in profits.

On the one hand, T TCM enterprises are facing the threat of other famous TCM enterprises in China. At present, there are well-known large enterprises in the TCM market, such as China Resources Sanjiu, Yunnan Baiyao, Dong-e E-Jiao. These enterprises, as well as their large production scale and market influence, to some extent weaken the market influence of T TCM enterprises and weaken the marketing effect. Yunnan Baiyao, a well-known pharmaceutical brand with a long history, is the main competitor of T TCM enterprises in the current TCM market. In recent years, Yunnan Baiyao has not only expanded the domestic market share, but also successfully expanded the overseas market, which further improves the profits of the enterprise. At the same time, Yunnan Baiyao has not only achieved a significant increase in the domestic and foreign consumer market share, but also gradually established a stable purchase

channel of pharmaceutical raw materials, a terminal sales channel of pharmaceutical products and a number of loyal consumers. It poses a severe challenge to the marketing activities of T TCM enterprises.

on the other hand. T TCM enterprises are facing the serious problem of product homogenization. There will be many TCM enterprises to produce the same TCM products in China, and there is fierce competition in the aspects of price, quality, market share and pharmaceutical production chain. The key products of T TCM enterprises are produced by many other Baiyunshan enterprises, which makes it particularly important for T TCM enterprises to carry out innovative marketing among many enterprises.

Although T enterprises of traditional Chinese medicine, after one hundred, has a strong brand effect, belongs to the leading enterprises in traditional Chinese medicine, but T Chinese medicine enterprises in recent years due to frequent quality problems, improper cost control, innovation success problems lead to T Chinese medicine companies in the face of strong competitors, therefore, the existing competitor's competition ability is strong.

3. Buyers Chaser Bargaining Power

The downstream buyers are faced with a large number of options; therefore, on the basis of more options, buyers will "shop around" to discuss the product price reduction or put forward more demanding requirements on product quality specifications to continuously improve their profit margins. In order to expand the consumer market share, establish cooperative relations with more buyers and game with competitors, to some extent, merchants will try to meet the needs of buyers, resulting in a decline in industry profits. For T traditional Chinese medicine enterprises, the current sales method is mainly in the form of directly selling products to cooperative distributors, agent distributors or offline stores. When the product is an ordinary product, the buyers will have a strong voice in the formulation of prices, and the profitability of T TCM enterprises will be weakened. On the contrary, when the product is a star product, if the consumer market is active in the consumer demand of T TCM enterprises, the initiative will be in T TCM enterprises; the pricing power of direct sellers, agent distributors and offline stores will be weakened, and the profit space will be increased.

4. Supplier Bargaining Power

Suppliers have an important influence on the price of raw materials, and is also an important part in determining the quality of products. If the supplier raises the raw material price of the enterprise, it will directly lead to the increase of the production cost and reduce the market competitiveness of the enterprise. Moreover, if the supply of a product needs an exclusive production supplier, the supplier of the product will have a strong voice and initiative. If the product lacks corresponding substitutes, raw material pricing, which causes great uncertainty in the production cost of the enterprise and unstable profit margin of the enterprise. In the field of TCM industry, both small and medium-sized enterprises and T TCM enterprises have high threshold requirements for supplier qualification and raw material specification and quality standards; therefore, suppliers tend to have higher voice, and enterprises will have less voice in price. However, T traditional Chinese medicine enterprises directly set up planting bases under their subsidiaries and cooperate with farmers in raw material origin in areas suitable for raw material growth, which can effectively manage the production cost of raw material under the condition of ensuring product quality. In general, the suppliers of T TCM enterprises have a strong say in price setting.

5. The Substitution Capacity of the Alternatives

Each field has its own competitors and is threatened, both directly and indirectly.

1. Direct alternatives

The homogeneous and similar TCM products produced by other TCM enterprises will pose a certain threat to the marketing of the existing products of T TCM enterprises. As a TCM enterprise, T TCM enterprise faces the threat of replacing western medicine. Western medicine has developed rapidly over the past hundreds of years. Compared with traditional Chinese medicine, western medicine has occupied a considerable share in the pharmaceutical market, which has weakened the recognition of T TCM enterprises to some extent.

2. Indirect alternatives

T TCM enterprises also face some substitution risks of health food and drugs. However, due to the high visibility and good brand effect of T TCM enterprises, the threat is relatively small at present, and it is easier to market among consumers.

6. Summary

T TCM enterprises face relatively little threat to potential competitors and alternative products, and the risks are relatively small. However, the existing competitors, downstream buyers, upstream supply chains and suppliers have a greater threat in price setting. Therefore, T TCM enterprises should further enrich their marketing activities, improve their appeal to consumers, increase their investment in drug research, actively research and develop core new products, increase the occupation of TCM market share, ensure product quality and improve consumer recognition.

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