The Analysis of Marketing Strategy of Jianzhijia Chain Drugstore

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Abstract

The aim of this paper is to comprehensively use tools and principles of strategic planning so as to analyze and develop business strategies of Jianzhijia. The finding of external environment analysis shows that there exist political and environmental challenges. There are also opportunities in the development of Jianzhijia in terms of the internal environment analysis, the study result indicates that Jianzhijia has a good enterprise culture atmosphere and perfect organization structure, in the same time, the company forms a certain scale that accumulates some pharmacy management experience. Nowadays, Jianzhijia has a good brand foundation in Yunnan province and even in the Southwest. Yet there are also shortages in Jianzhijia, such as high staff turnover, comprehensive talent shortage, unbalanced development and other issues.

Based on internal and external environmental analysis, therefore, the article puts forward some suggestions for Jianzhijia in marketing strategies.

In summary, the appropriate marketing strategy of Jianzhijia includes: I. Position itself as the leading chain of pharmaceutical companies in Yunnan province and far beyond, II. Develop a more formal and rigorous of product diversification, III. Improve the quality of service as well as build brand culture, IV. Actively explore a new business model on mixing between internet and physical pharmacies. From these aspects, information technology and staffs create a greater differentiation of competitive advantage, moreover, the advance strategies that could be utilized to enhance the market demand, including the creation of online pharmacies, the introduction of new products and new market development, the store service improvement, as well as the management of drug quality.

Key Words: Environmental analysis, Marketing strategy, Competitive advantage
Introduction

In 1996, the first license based chain pharmacy model was originated in China. Recent years, the drug retailing industry has been a hot market trend; a whole picture of market performance is now in the rapid growth stage of transition and can provide broad space and various opportunities. That is because the influence of the following factors: the increment of industry concentration ratio, competitive landscape and so on. In recent years, drug companies are undergoing new reform of medical health system; this is very important to deal with the new competitive situation.

There are two types of retail pharmacy stores in China; one is traditional Chinese medicine stores and; another is Western medicine pharmacy stores. Chain pharmacy stores gradually increase its proportion, 10 local pharmacy players brought revenue of 54.4 million RMB (Figure 1).

Figure 1 2013-2014 China Drugstore Development Report

Source: Behrens (2016), Pharmacies in the Chinese Market
In the new competitive environment, pharmacy chains meet the developing bottleneck of oversupply of pharmacy stores in the big cities e.g. Sichuan, Guangdong, Jilin and Hainan. Moreover, Chinese government introduced a five year road-map for health care reforms (2015–2020), aiming to create a security system where care and costs are standardized nationwide, and such online pharmacy stores are the place for a large number of people to order prescription drugs. This situation has brought new opportunities for investment by international players.

In this case study, Yunnan Jianzhijia Chain Drugstore Ltd., which operates drugstores in Yunnan province, China since 1998, is under the trade name Jianzhiji. It is now facing the market challenge with fierce competition from both domestic and international drug chain stores. Thus, the aim of this research is to analyze macro and micro-environments related to Yunnan Jianzhijia Chain Drugstore by conducting PEST, TOWs, and 4Ps marketing models, the author will then give a series of recommendations to improve competition in the pharmaceutical sector.

In addition, the findings of marketing strategy implemented in recent years based on market demand were explored. It is worthy to guide readers who are the retail sales to explore the Chinese pharmaceutical chain business. In the end, the overview theories of the above research can be used to reference as a good business.

Marketing theory

PEST analysis

Basically, a PEST analysis is a business measurement tool for helping a business to understand an overview macro-environmental factors whether the industry growth or decline. The basic PEST analysis includes four factors: Political, Economic, Socio-Cultural, and Technological environments.

SWOT analysis

In the fundamental sense, SWOT analysis is one of the most widely used methods of strategic planning mechanism in marketing and management. The SWOT matrix was developed by Heinz Weihrich in the 1980s, SWOT, which stands for strengths, weaknesses, opportunities and threats, is an analytical
framework that can help a business make a decision and develop strategies from all the factors involved, when the company faces its greatest challenges.

Basically, the first two letters in the acronym, S (strengths) and W (weaknesses), are internal factors, which mean the resources and experience readily available to businesses. Strengths are the advantages, while the weaknesses are the disadvantages that a business faces when compare to its' competitors. External factors refer to (O) opportunities and (T) Threats that influence every company in the industry. An opportunity is a positive external factor, whereas a threat is a negative external factor. External factors usually reference things a company does not control.

4Ps marketing mix

Borden (1953) firstly explained the term of marketing mix when giving a speech at the American marketing association. He said that market demand is more or less influenced by marketing elements in some degree. The core concept of the 4Ps in marketing mix has been defined as a set of marketing tools that a business uses to satisfy its market demand and business’s objective. In general, the market mix relates to the right combination of marketing decision for a business, namely; product, price, place and promotion.

Product: An item that satisfies the consumer demands by its unique selling point, the company usually focuses on the developing new function.

Price: With regard to different market positioning, a business offers pricing strategies based on enterprise brand advantage, which generates profits for the firm.

Place: The company does not directly face the customer, but emphasize on the sales training program for chain stores and building consumer connections to the brand.

Promotion: it refers to marketing communications, the company increases consumption by boosting marketing promotion in short-term plan, such as lower pricing, gift offering, atmosphere building and so on. Each of these activities attracts the attention of the public or leads to early consumption, resulting in the sales increment.

Literature reviews of Pharmacy Marketing Strategy

As founded in the previous literature reviews of chain pharmacy and operation management in China from 2005 to now, there were only 20 papers submitted. In summary, the local researchers just consider the aspect of the chain operation theory, but there are a few in-depth in systematic research of a single case
study based on pharmacy marketing strategy. However, the research evidences illustrated about chain drugstore’s operation concept of customer orientation were illustrated:

Table 1 The previous literature reviews of chain pharmacy in China

<table>
<thead>
<tr>
<th>Authors</th>
<th>Research titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lan (2005)</td>
<td>Advanced concept, leading technology and rapid development in strategic planning of Jianzhijia Chain Drugstore Ltd.</td>
</tr>
<tr>
<td>Zhao and Liu (2007)</td>
<td>Discussion of chain pharmacy’s diversity operation from the classification of pharmacy goods</td>
</tr>
<tr>
<td>Wang (2013)</td>
<td>Brief analysis of china chain pharmacy's operation management</td>
</tr>
<tr>
<td>He (2013)</td>
<td>Problems existing in the medicine industry chain marketing and its strategy</td>
</tr>
<tr>
<td>Zhao (2014)</td>
<td>Jianzhijia: viewing the customer demand as basis</td>
</tr>
<tr>
<td>Yang (2015)</td>
<td>Jianzhijia: The great way makes everything the most simple*</td>
</tr>
</tbody>
</table>

The analysis of Macro and Micro-environments

PEST analysis

This section describes a framework of macro-environmental factors used by conducting a PEST analysis that gives an overview of the pharmaceutical industry in order to be taken into consideration in strategic management.

Political factor: The medication usage is under the National Safety Programs which are influenced by the government policy and new healthcare reform, resulting in an affected current situation and trend of retail pharmacy industry to date.

Economical factor: Because of rich material capital, the pharmacy industry in China satisfies the market needs by increasing production volume at 17.7% per year. Now China's pharmaceutical industry is the fastest growing development business in the world.

Social factor: Data recorded from the sixth population census data indicated that the increasing demand of China’ medicine consumption, people in 40 - 60 age range consumed 60%, while those are over 60 years occupies 13.26%. By 2011, more than 1.28 billion Chinese were covered by medical security system, accounting for nearly 90% of the total population. And in 2040, it estimates that people aged 60 years or older will make up 28%.

Technological factor: The licensed pharmacist system in Yunnan province had been implemented in 2013. Meanwhile, the Yunnan local government built the provincial medical operation center for enterprise supervision, which helps the entrepreneur strengthen in these issues; the medical selective test management, medical enterprise credibility and integrated information system.
Moreover, with the popularization of computer and network utilization, Chinese people are more interested in an online pharmacy, given that buying drugs through a mail-order pharmacy is convenient and economical.

SWOT analysis

Doing a SWOT – giving a set of the strengths, weaknesses, opportunities and threats of Jianzhijia, it can be identified areas of concern as well as pointed to areas of development.

Table 4.2 Jianzhijia’s SWOT analysis matrix

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>Strengths (S)</th>
<th>Weaknesses (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company has a great experience in pharmacy business management</td>
<td>1. Lack of strategic thinking and planning</td>
<td></td>
</tr>
<tr>
<td>2. Has a better understanding of customer needs with a business relationship network</td>
<td>2. The concept of marketing is obsolete and lack of innovation</td>
<td></td>
</tr>
<tr>
<td>3. Have a strong organizational framework which are effective and appropriate management team and staff ability</td>
<td>3. Employee turnover rate is too high</td>
<td></td>
</tr>
<tr>
<td>4. Easy adapting to changes in business environment</td>
<td>4. There is shortage of technical staffs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities (O)</th>
<th>SO strategies</th>
<th>WO strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Economic growth in China</td>
<td>S1O2: Seize new policy opportunities to expand pharmacy business at a large scale and move to new products and higher growth rates</td>
<td>(W3, O1) The challenge is to reduce shortcomings of employees, thus the company should allot some of its stock to its employees in order to attract high-quality staffs</td>
</tr>
<tr>
<td>2. Policy that supports chain drugstore development</td>
<td>S2O3: Design marketing strategies according to trends in aging and consumption</td>
<td></td>
</tr>
<tr>
<td>3. Growth within the senior population demography</td>
<td>S3O1: Build a healthy company culture to meet a large scale of consumer needs</td>
<td></td>
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<tr>
<td>4 Public health awareness</td>
<td></td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Threats (T)</th>
<th>ST strategies</th>
<th>WT strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The new health care reform needs strict</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
management, and high threshold.
2. Increase in market competition
3. Medicine-price transparency legislation

| S1T1: Adapt business management approach for the new health care reform |
| S3T2: Cultivate core competencies to avoid price war |
| W1T2: Avoid in areas where competition is intense and where local protection is serious |
| W2T1: Study regulation policy and seek opportunities for expansion through cooperation and mergers |
| W2T2: Improve marketing ability and enhance competitiveness |

4Ps marketing mix analysis

Product Strategy
Jianzhijia has a variety of products, namely, prescription drug, OTC, traditional Chinese medicinal materials, healthy food, individual nursing pharmacy, family healthy drugs, and convenience products.

Price Strategy
Competitive pricing is used more often by businesses selling similar products. Meanwhile, Jianzhijia’s price scheming is set as the same or lower than other competitors, a combination strategy in making a gross profit was employed by using a price-band mechanism and implementing a diverse operation.

Place Strategy
Jian Zhi Jia has a distribution center, from which it can reach most of drug chain stores by ground transportation, as well as provide logistics management system to support inventory control. In the terms of store operation, Jianzhijia compiles the procedure for store regulation management so as to direct and regulate staff behavior effectively. Besides, Jian Zhi Jia has built up their own store training and promotion system, in which they can use this system for promoting a consistent compliance structure across the entire member group.

Similarly, as another part of place strategy, Jian Zhi Jia employs a modern multimedia technology that can be a huge help in improving internet marketing campaigns by implementing e-shopping.

Promotion Strategy
In order to raise customer awareness of products, there are a number of different activities of Customer Relationship management (CRM) such as, data collection, sales promotion activities, and membership program. Jian Zhi Jia offers members a package of promotional activities that is designed to push their sales performance. Nowadays, Jian Zhi Jia has a 95% effective rate of active members.
Conclusion and Recommendation

According to the author’s perspective, the suggestions are given according to the research results the following:

1. Jianzhijia should have more emphasize on one aspect; that is a service development of traditional Chinese medicine. A new option can be served as a choice for patients in improving their health care services.

2. The company should provide a customer database in order to keep up-to-date on customer behavior and background. This database helps the company in improving the quality of the relationship, while enabling Jianzhijia to launch on a membership program.

3. In order to improve the staff service quality, Jianzhijia should enhance the training programs for service employees.

4. Jianzhijia should develop its own e-commerce platform in the initial stage for serving the development of China’s medicine e-commerce.

References


http://www.apteka.ua/wp/wp-content/uploads/2016/06/%D0%91%D0%B5%D1%80%D0%B5%D0%BD%D1%81.pdf


