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**MASTER’S THESIS**

**Title: “Research on the development strategy of Chinese pharmaceutical companies”**

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**TASK**

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2. Analysis of problems in marketing strategy of a Chinese pharmaceutical companies

3. Optimization of the marketing strategy of a Chinese pharmaceutical companies

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2	Preparation of the thesis' first section
3	Completion of the first section according to the supervisor recommendations. Writing the thesis' second section
4	Completing of the second section according to the supervisor recommendations. Preparation of the thesis' third section
5	Completing of the third section according to the supervisor recommendations. Preparation of a report for a scientific conference with a presentation of the main results of the thesis
6	Writing of the introduction, conclusions of the thesis. Making references list
7	Submission of the thesis to the Department of Management and Administration

#### 5. Date of assignment issue October 17, 2023

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## INTRODUCTION

In recent years, the domestic economy has developed greatly, the material conditions of the masses are constantly improving, health issues have been paid attention to, and the willingness of residents in pharmaceutical consumption has gradually increased, promoting the marketing scale of domestic pharmaceutical enterprises to get bigger and bigger. Major pharmaceutical enterprises have also established a characteristic marketing system according to their own advantages and actual situation, and at the same time improved the marketing countermeasures and methods, flexibly respond to various competitions, and strive for an invincible position in the fierce marketing environment.

This paper selects a Chinese pharmaceutical company as a research case. As a medium-sized pharmaceutical company in China, the company has developed rapidly and taken shape under the background of good economic operation in China. Although there is a good foundation at present, the marketing strategy also needs to be improved in the current severe medical environment. Based on the perspective of 4 Ps theory, this paper introduces the marketing status of a Chinese pharmaceutical company, and finds that the existing marketing strategies, such as single product line, poor channel control, lower winning price, insufficient professional level of promotion, the need to strengthen customer relations and the need to coordinate government relations. And this paper conducts a deep investigation on these problems, and finds out a series of reasons for the problems. Later, through the application of 4 Ps combined marketing theory and STP theory combined with the current pharmaceutical environment and the actual operation situation of the company's marketing, some new marketing strategies were formulated from the aspects of products, channels, prices, promotion and market segmentation to adapt

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to the current fierce market competition environment. At the same time, it also puts forward practical suggestions to adjust the marketing organization system, reform the marketing operation mode, build an excellent marketing team and improve the relationship with partners.

***The goal of the research*** is provide a theoretical basis for marketing transformation of Chinese pharmaceutical enterprises under the background of the development of Chinese pharmaceutical industry and the reform and opening up of domestic pharmaceutical enterprises

***To achieve this goal, the following research objectives were solved:***

- to analyze of domestic and foreign research status;
- to adopt the basic theory of marketing strategy;
- to make of pharmaceutical marketing model;
- to determine the marketing environment analysis of a pharmaceutical company in China;
- to reveal the marketing status of a pharmaceutical company in China;
- to analyze the marketing strategy of a Chinese pharmaceutical company;
- to determine the pharmaceutical company's marketing strategy optimization;
- to make STP policy;

***The object of the research*** is on the marketing strategy optimization of a Chinese pharmaceutical enterprises

***The subject of the research*** is to explore the theme of marketing transformation of a Chinese pharmaceutical enterprises

***Research Methods.*** (1) Investigation and research method: Through the collection and analysis of existing domestic and foreign literature and marketing content of the pharmaceutical industry, research ideas and research methods are determined. (2) Case study method: A marketing case of a pharmaceutical company in China to conduct in-depth analysis of the marketing status of the company's

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products and the causes of related problems. (3) Theoretical application analysis: Combining 4Ps, STP and other relevant marketing theories with the actual situation of a Chinese pharmaceutical company, the corresponding improvement countermeasures on marketing strategy are proposed.

*The information base of the research* are written articles, newspaper articles, historical records, statistical data from organizations, articles from encyclopedia, secondary data, data collected from oral life stories and experiences of real people, online conducted surveys, various analysis from figures and tables and pages of Books.

*The practical meaning of the results* : On the one hand, the marketing theory combined with the actual situation to optimize the marketing strategy of a Chinese pharmaceutical company, formulate marketing safeguard measures to help enterprises improve marketing strength; On the other hand, it can help the company to clear up the clue in the complex marketing environment, avoid risks, provide guidance to the market management, timely adjust the marketing ideas, establish a good marketing concept, so as to find a truly suitable marketing strategy for their own, for the future in the fierce market competition environment to occupy a favorable position, to achieve a better and more stable development of the company to lay the foundation.

**The structure and content of the thesis** correspond to the tasks and consist of introduction, three sections, conclusions, references. The total number of pages in qualification work is 83. The work contains 6 tables, 4 figures. The references contain 53 titles.

Key words: strategy research; marketing theory; situation analysis; strategy optimization

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## **SECTION 1.**

### **RELATED MARETING THEORY AND REVIEW OF DOMESTIC AND FOREIGN STUDIES**

#### **1.1 Basic theory of marketing strategy**

The concept of marketing is evolving and most people think it as a combination of science and art. The most representative is Philip Kotler (2021), known as the "father of modern marketing", who proposed that marketing refers to a social and management process in which individuals and collectives create, provide, sell and exchange products and values to meet their needs and desires with others [16]. The pharmaceutical marketing studied in this paper is a part of marketing, with the general connotation of marketing, but also has its own particularity. Now we introduce the marketing strategy theory involved in this paper.

In 1960, Jerome McCarthy of the United States put forward the 4 Ps theory that is popular in the world, namely product (Product), price (Price), channel (Place), promotion (Promotion) first defined the four elements of the marketing combination. Its theory has a profound impact on the marketing theory and practice, and is regarded as the classic in the marketing theory [17].

##### (1) Products

From the perspective of marketing, products refer to things that can be provided to the market, be used and consumed by people, and meet people's certain needs. It includes tangible products, people, organizations, services, concepts, or a combination of them [18]. The influencing factors include the product characteristics, accessories, trademark, quality, brand, appearance, packaging, guarantee, service, etc.

##### (2) Price

From the perspective of marketing, price refers to the price when a consumer

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buys a product, including payment, discount, term and so on. Price or price decision involves the company's cost compensation, profit, whether it is conducive to sales and promotion [19]. Its influencing factors include distribution channel, regional distribution, middleman type, transportation mode, storage conditions, etc.

### (3) Channel

From the perspective of marketing, channel is distribution, also known as sales channel, which refers to all organizations and individuals who acquire the ownership of the product or help transfer the ownership in the process of transferring from the production enterprise to the final consumer or user[20]. Its influencing factors include distribution channel, regional distribution, middleman type, transportation mode, storage conditions, etc.

### (4) Promotion

From the perspective of marketing, promotion is to promote sales, namely the enterprise through the staff and staff marketing, the enterprise and product information to consumers, prompting consumers more understand and prefer to buy the enterprise products, in order to achieve expand sales activities, the core is information communication, the purpose is to encourage consumers purchase behavior [21]. The influencing factors include payment method, discount, wholesale price, retail price, credit condition, basic price and so on.

The combination of the above four aspects of the strategy is called the marketing portfolio strategy. The basic idea of marketing combination strategy is: from the formulation of product strategy, while the formulation of distribution channels, price and promotion strategy, combined into the overall strategy. The success or failure of the operation depends on the rationality of these combination strategies and the effect of comprehensive application. Of course, many people think that the theory of 4 Ps is rough and fine, and some market elements are missing. Therefore, the marketing experienced "7 Ps", "10 Ps" and "11 Ps", but its core

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element is still "4 Ps". Analysis the marketing of the current enterprise cannot avoid the consideration of "4 Ps". This paper is mainly starting from 4 Ps to make strategy for a Chinese pharmaceutical company.

The concept of market segmentation is the earliest American marketer Wendell Smith in 1956, after the American marketer Philip Kotler further developed the theory of Wendell's Smith, finally formed a mature STP theory, S, T, P is three English word abbreviation, respectively is Segmenting, Targeting, Positioning, namely market segmentation, target market and market positioning.

The key point of the STP theory is to choose to determine the target consumer and the customer, also known as the market positioning theory. According to the theory, the market as a whole is a multi-level, diversified complex, is a collection of consumer demand, no enterprise can meet all the demand, the enterprise should according to consumer purchasing power, different demand factors, the market is divided into similar demand of consumer groups, which is a number of child market[22]. Enterprises can according to their own marketing strategy and product selection from the child market prospects and conform to the company ability of market segments, as their target market, and then the enterprise need to target the preference of consumer groups, through a series of marketing activities to the target consumer groups the positioning information, make them focus on the company brand, and feel this is what they need.

Market segmentation refers to the process in which an enterprise divides a certain product or service into a series of market segments according to the differences in the needs of customer groups. It is based on the difference of customer needs, the similarity and the limited resources of enterprises. The subdivision basis includes demographic factors, psychological factors, geographical factors and behavioral factors, etc.

Target market selection refers to the enterprise's selection of the segmented

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market segment from the segmented market, which is the market part that is most conducive to the enterprise. There are three main strategies: indiscriminate market strategy; differentiated market strategy; centralized market strategy. Each of these three target market strategies has its own advantages and disadvantages. When choosing the target market, various practical conditions and factors faced by enterprises must be taken into account, such as the size of the enterprise, related market similarity, product life cycle, raw material supply, product similarity, competitive target market, etc.

Market positioning refers to the specific position of the company's products or services in the target market in the marketing process, that is, to determine the competitive position of their products or services in the target market, also called competitive positioning. The ultimate goal of market positioning is to establish a special position for the enterprise in the hearts of consumer groups. This unique position cannot be replaced by other enterprises and is realized by the products and services of the enterprise. Market positioning includes product price positioning, functional positioning and packaging positioning. While conducting market positioning, we should always pay attention to the product characteristics of competitors, and find out what consumer groups have high attention to the product characteristics, thus distinguish them from other enterprises and create unique products and services belonging to the enterprise.

In this paper, I also put forward my own suggestions for a Chinese pharmaceutical company in terms of market segmentation and positioning according to the actual situation, so as to help the company to have a clearer understanding of its target market.

In 1985, Barbara Ben Jackson, he proposed the concept of relationship marketing. Relation marketing regards marketing activities as a process in which enterprises interact with consumers, suppliers, distributors, competitors, government

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agencies and other public. Its core is to establish and develop good relations with these public. Kotler proposed the comprehensive marketing theory in 2011, pointing out that the application of relationship marketing is not only limited to enterprises and consumers, but also can be widely applied in various relevant objects in enterprises and society.

Broad relationship marketing: refers to the enterprise through the identification, obtain, establish, maintain and enhance the relationship with customers and their stakeholders, through honest exchange and service, including customers, suppliers, distributors, competitors, Banks, government and internal staff of various departments and organizations to establish a long-term stability, mutual trust, mutual benefit, make the goal in the process of relationship marketing. Special sense of relationship marketing: refers to the relationship between enterprises and customer marketing, its essential feature is enterprise and customers, two-way information exchange between enterprises and enterprises, refers to the enterprise and the customer, the strategic process, is the relationship with the goal of marketing activities, is the use of control feedback means constantly improve the management system of products and services. Relationship marketing has its very common applications:

(1) Establishing and maintaining a harmonious relationship with customers is the basic guarantee for the success of enterprise marketing

The requirement must set up the real consumer as the center, all from the consumer concept, and the concept throughout the whole process of enterprise production and marketing, in addition to truly care about the interests of consumers, strengthen the contact with customers, enhance the emotional communication between the two sides.

(2) Promote the cooperation between related enterprises to jointly develop the market

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Cooperative marketing is conducive to consolidating the existing market position, conducive to concentrating on opening up new markets, conducive to the development of diversified management strategy, is conducive to reducing the loss of unbeneficial competition, to achieve the purpose of coexistence and co-prosperity.

(3) Coordinate the relationship with the government departments to create a harmonious marketing environment

Enterprises need close cooperation between governments, and all the activities of enterprises must be conducive to the realization of the goal of the government's macro-control, and the government's macro-control should help enterprises to explore the market and promote the development of the overall social economy.

## **1.2 Pharmaceutical marketing mode**

### Agent mode

#### (1) National general agency mode

The agency company is fully responsible for the promotion of product marketing and the construction of product brand. The pharmaceutical enterprise will give their own varieties to the agency company to operate, and the enterprise itself only provides production qualification and quality documents[23].

The advantage of the model is able to quickly open the market in the short term, because with the help of the division of labor spirit, enterprises can concentrate on production, marketing, to save a lot of human resources, improve the capital turnover, but the disadvantage is that once the dealer once the market do big, control of the enterprise is strong, even in turn to the advantage of the enterprise, the model to the enterprise operation risk is bigger, in practice, the total distribution contract must strengthen prevention and restriction, limit the general agent "freedom", and requires the distribution level of sharing transparent, etc.

#### (2) Regional agent

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And general agent, but according to different provinces, such as regional general, provincial general, regional agent, county agent even specific to hospital agent, the company with different sales wholesale prices for different regional dealers different policies, this requires the company to form a larger investment team operating across the country, do preliminary fine investment, investment manager can be positioned to the specific hospital agent choice [24].

The adoption of this marketing model is mainly small and medium-sized enterprises, but also because of the lack of cost and stable market network, the model can quickly to the national market, but also master the initiative of the market, so that the market from the source of the standard [25]. The disadvantages are: first of all, the layout of the national market in the short term, because of the differentiation of regions, there will be different prices. Driven by the sales volume and interests, the products will flow from the region to regions with higher prices, which will cause impact on other markets, affect the company image and increase the management difficulty of regional managers [26].

### Outsourcing and self-management

#### (1) Outsourcing mode

Enterprises no longer deliver goods to customers at the base price, but establish their own commercial distribution channels in important cities in the country through their own investment. If all partners want to cooperate with the pharmaceutical company, they need to sign outsourcing contracts and stipulate the unit service fee, settlement form and settlement cycle, etc. Partners who promote products regularly receive promotion fees based on the product flow data of the commercial distribution company [27].

This model is adopted by those companies with certain financial strength and greater confidence in their products. On the one hand, they want to quickly expand the market and, on the other hand, they want to hold the sales channel in hand, which

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is conducive to the later market management and even incorporated into the self-run team. The disadvantages are that they bear a large tax burden and delay the capital withdrawal time [28].

## (2) Self-supporting mode

Self-management means that the enterprise establishes its own wholly-owned subsidiary to do commercial sales for its own products, all the people, finance and materials belong to the enterprise, in the country of the dispatched office team, responsible for the local sales promotion of the company's products, the company will pay salary and bonus according to the sales performance [29].

The use of this marketing model is generally some domestic large pharmaceutical enterprises with strong strength [30], Have their own independent pharmaceutical enterprises and pharmaceutical commercial companies, they recruit a large number of sales personnel, set up a large number of overseas agencies all over the country, has a strict hierarchical administrative system, a strict sales assessment of sales representatives, very professional academic promotion[31].

A pharmaceutical company in China's sales is agent mode is given priority to, outsourcing and proprietary mode proportion is not high, regional manager need to deal with a variety of different target customer management, a Chinese pharmaceutical company in the direction of proprietary transformation, although with some money and management pressure, but if the product running smoothly, the to scale to benefit advantage can enlarge, cash flow will be continuously strengthened, market management will be more standardized.

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### 1.3 Review of domestic and foreign studies

#### Background of the study

The pharmaceutical industry has always been known as the eternal sunrise industry, and China's pharmaceutical industry is developing rapidly. The latest data show that since the 14th Five-Year Plan, the added value of China's pharmaceutical industry has increased by 13.4% annually, and the proportion of industrial added value has increased from 2.3% to 3.0%. In 2021, the main business revenue of enterprises above designated size reached 2,688.5 billion yuan, and the total profit reached 276.8 billion yuan. The average annual growth rate since the 14th Five-Year Plan was 17.4% and 14.5% respectively [1], Always in the forefront of the industry. It is estimated that the demand elasticity coefficient of medical care products is 1.37, that is, the living standard increases by 1 percentage point, and the medical consumption level will increase by 1.37 percentage points [2], Expected overall growth in the pharmaceutical industry to remain high at around 15% from now and 2030 [3]. The national plan raises "healthy China" to a strategic height, and it also provides a strong policy guarantee for the development of companies mainly focusing on medicine and medical care.

Good fundamentals make the pharmaceutical industry become a hot place for investment. China's pharmaceutical enterprises are springing up after a spring rain, and a Chinese pharmaceutical company has gradually growing as one of them. But with the economic development in the transition, the reform of public hospitals has entered the deep water area, the government gradually out the policy of "medicine keep medical", the hospital retail drugs for zero price difference, circulation comprehensive change "camp", "two votes", generic strictly implement "drug consistency evaluation", strictly control the cost of medical insurance fund, bidding policy is more and more strict, etc., all become the new problem in front of every pharmaceutical company. Looking at the development of pharmaceutical companies

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in the past 20 years, we find that pharmaceutical companies with scientific research strength, product innovation, channel standards and clear strategy gradually stand out, and constantly open the gap with ordinary pharmaceutical companies, growing into well-known domestic and international large companies, and drawing close to excellent foreign enterprises.

However, many ordinary small and medium-sized enterprises are still in a conservative state, implementing the past marketing methods but do not actively adapt to the changes of the industry, thus ignoring the best opportunity for their own transformation and transformation. The current form has shown that, can not bear the pain during the transformation, can not adapt to the fierce competitive environment in the future, leading to the fate of being eliminated.

The success of a pharmaceutical enterprise not only depends on whether the quality of the product is good or bad, but also depends on whether the product positioning is accurate and whether the marketing method can adapt to the environment. In the current pharmaceutical marketing environment, the success or failure of each marketing link is related to the life and death of the company. As a typical representative of a pharmaceutical company, a Chinese pharmaceutical company has a small scale, a single product structure and a lack of core competitiveness, and its survival and development have been tested. Therefore, we must change the traditional marketing methods, increase research and development innovation, integrate the company's internal and external resources, establish a brand and other changes to adapt to the fierce market competition.

### **Study purpose and significance**

With the new medical reform policy further deepening, pharmaceutical macro market situation is changeable, a Chinese pharmaceutical company need to study suitable for their own development strategy, draw lessons from the advanced experience of foreign drug marketing enterprises and marketing model, at the same time under the condition of domestic actual environment, develop effective ideas

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and way to adapt to the future industry competition and change, it is also related to the actual survival of the enterprise.

Through the research of this paper, we understand the structure, scale and marketing methods of the marketing products of a Chinese pharmaceutical company, find out what problems in the marketing status of a Chinese pharmaceutical company hinder the growth of the company, and deeply analyze the causes of these problems. On the one hand, optimize the marketing strategy of a Chinese pharmaceutical company through the marketing theory and the actual situation and develop marketing safeguards to help the company to help the company to clarify the idea, avoid risks, guide the marketing management, establish the good marketing idea, establish the marketing strategy, and realize the better and more stable development of the company.

### **Status of foreign research**

With the forward development of economy, population growth, aging aggravation and the continuous improvement of people's awareness of self-health care, the global medical and medicine market continues to expand rapidly. The European Union, North America and Japan are the top three in the global drug market, accounting for more than 2 / 3 of the global drug market share. From the trend, except the North American market is relatively flat, the market size of most regions is growing rapidly. At the same time, the development of foreign drug marketing theory is relatively early, and the development of drug marketing theory system has become increasingly perfect and mature, which has also driven the great change of drug marketing in the world.

In the 1920s, Nelson founded a professional market research company, and the development of marketing began a scientific development. Nelson combined scientific investigation and marketing theory to improve the scientific nature and accuracy of the theory. In addition, Ted takes the "consumer view" and explores the

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enterprise marketing theory from the perspective of consumers, and all these studies provide a strong foundation for the establishment of the marketing theory. Later, McCarthy in the United States founded the 4 Ps marketing theory in the 1960s, and then it continued to develop up to 11 Ps.

In the early 200 st century, two Harvard professors at The University studied corporate data related to service and found that product market share provided limited and unstable help to improve product profits, while customer loyalty made a greater contribution to corporate profits. On the basis of Harvard, Heskite (2019) and other professors summarized the 3R combination theory on the basis of predecessors: try to retain customers, products and related services, and encourage customers to introduce successful consumption experiences to friends. Later, in his book, Marketing, Eliot Edenberg put forward the 4R marketing theory, namely: correlation, reaction, relationship, and return[4].

Zhang Chuang (2022) believes that the reference price plays an important role in the hearts of consumers. They take the price paid by the people they know or the people around them when buying similar services or products as an important reference standard, so as to evaluate whether the actual price is fair[5].

Mela et al. (2021) suggested that price promotion will damage brand equity because consumers will be more sensitive to the price of the price promotion, especially for non-brand loyalists [6]. Delvecchio et al. (2020) believe that if there is no advertising campaign for brands, direct price promotion will reduce consumers' brand preference [7].

In terms of the current popular Internet marketing, Judy Straus (2021) believes that network marketing achieves the following goals through the extensive application of information technology: First, through more effective differentiation, channel strategy, market segmentation, target positioning and other ways to transform marketing strategies, to create greater value for customers[8]. Paul W

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Farris (2019) Make more effective planning and implementation of network marketing concepts, distribution strategies, services and creativity, promotion strategies, product prices, etc.; finally create transactions that meet the needs of organizational and individual customers [9].

Louis.W. Professor Stern (2019) believes that marketing channels will be restricted by profit distribution and environmental factors. The marketing environment determines the marketing channel, and all the members related to the channel must adapt to the changes in the environment, while constantly changing their own functions, changing the organizational structure and tasks. The realization of each person's interests depends on other personnel, so there are conflicts and coordination problems of interest distribution among channel members[10].

Since the third decade of the 21st century, the pharmaceutical market environment in Europe and the United States has undergone great and profound changes. With the wind of mergers and acquisitions, pharmaceutical giants have united with each other to seek resource complementarity and industrial integration. Many large multinational pharmaceutical groups keep trying and exploring more advanced and mature drug marketing concepts, and some new marketing forms emerge as The Times require. The collectivization and chain business model has made these enterprises achieve great success in the reform. In order to keep up with the pace of changes in the pharmaceutical market, pharmaceutical enterprises are still actively exploring marketing countermeasures to keep pace with The Times, thus promoting the rapid emergence of a large number of joint ventures and joint-stock enterprises, which has laid a solid foundation for the high-speed, sustained and healthy development of the pharmaceutical market.

#### **Domestic research status**

After the reform and opening up, foreign advanced pharmaceutical enterprises represented by "Janssen Company" and "Johnson & Johnson Company"

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entered the Chinese medical market with their strong scientific research strength, excellent product quality and perfect marketing management mode, which brought many new drugs and new medical treatment to the Chinese people, but also the "pharmaceutical marketing"[11]. The concept was brought into China. The domestic research on pharmaceutical marketing began in the 1980s. With the promotion of medical reform, Chinese scholars have joined the research and written a lot.

Jia Xuefeng (2020) stated that the marketing strategy of pharmaceutical products requires pharmaceutical enterprises to start from the needs of customers, and then obtain information such as demand and purchasing ability according to market research, and then carry out planned operation, adjust product prices, channels and promotion strategies, so as to maximize the interests of enterprises[12].

Zhou Ziyue (2022) applies the 4R marketing theory to re-examine, select and formulate the company's marketing strategy, so as to participate in the fierce global competition under the background of internationalization. He emphasized the need to strengthen integrated services and establish customer connections; build new marketing channels to achieve rapid market response; follow medical reform policy documents to establish win-win marketing relationship; and promote branded marketing strategy [13]; The selection and implementation of marketing strategies according to 4R marketing theory can help enterprises to connect, win-win and interact with customers, and help to enhance the core marketing competitiveness of enterprises.

Li Jingqi (2020) to the domestic famous "Harbin pharmaceutical group pharmaceutical factory six" marketing strategy discussed in detail, realize the current foreign pharmaceutical enterprises in the Chinese market took a large market share, in the environment of danger and opportunities in the new health reform, Chinese enterprises must adjust the marketing strategy, to adapt to the future marketing competition [14]. She analyzed the macro environment, industry environment and internal conditions of the company, thus found the problems

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existing in the enterprise marketing, and used the 4 Ps theory combined with the actual environment to improve the company's marketing strategy.

Zhu Shengchao (2022) application SWOT theory, enterprise value chain analysis model and BCG matrix to example analyzes the "medicine" enterprise operations, think should be marketing strategy from 4 Ps to 4C strategy, optimize the business structure, innovation and development of multi-channel marketing mode, which emphasizes the Internet digital age, the application of electronic commerce for pharmaceutical enterprises is a new marketing way worthy of the exploration of advanced enterprises [15].

### **Summary of domestic and foreign studies**

From the current situation of research at home and abroad, the marketing theory of western developed countries started relatively early, and the theoretical level is slightly higher than that of Chinese scholars. Although many experts and scholars have carried out a lot of research on the pharmaceutical marketing, many discussions mostly stay on the reference level of the marketing concepts and methods of pharmaceutical enterprises, focusing on some multinational enterprises or large famous brand enterprises. For a large number of small and medium-sized pharmaceutical enterprise research is not much and deep enough, some about the problems in the enterprise marketing strategy and domestic medicine marketing environment changing, combined with the combination of marketing strategy and marketing management countermeasures, so this paper to a Chinese pharmaceutical company marketing strategy research is more practical significance, and can make the same type of enterprises for reference and reference.

### **Methods and content structure of the study**

Using theory with specific enterprise actual research method, the classic marketing theory and enterprise actual operation of internal and external environment, the research mainly adopts the following methods: (1) the research

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method: through the collection analysis of existing domestic and foreign literature and the content of the pharmaceutical industry marketing, determine the research ideas and research methods.(2) Case study method: the marketing case of a Chinese pharmaceutical company, the in-depth analysis of the marketing status of the company's products and the causes of related problems.(3) Theoretical application analysis: using 4 Ps, STP and other related marketing theories combined with the actual situation of a Chinese pharmaceutical company, put forward the corresponding improvement countermeasures in marketing strategy.

The article is mainly divided into seven parts, The Content structure is: The first part, Introduce the research background, purpose and significance, research method, domestic and foreign research and the innovation and deficiency of this paper; section two, Introduce the relevant marketing theory; part three, This paper analyzes the marketing strategy environment of a Chinese pharmaceutical company from two aspects of policy environment and competitive environment; Part IV, Quantitative analysis of the marketing status of a Chinese pharmaceutical company from the aspects of price, products, market and scientific research; Part V, The problems and reasons in the marketing strategy of a Chinese pharmaceutical company are deeply analyzed; Part VI, To optimize the marketing strategy of a Chinese pharmaceutical company; Part 7, Summary and outlook.

This paper belongs to the applied research paper, focusing on the practical problems of the enterprise, through market research and enterprise internal survey interview to collect relevant resources and data, closely combined with the actual situation of a Chinese pharmaceutical company marketing, collect first-hand information, and then on this basis, through the relevant Chinese and foreign literature, combined with the actual situation of the corresponding marketing theory, to study the marketing strategy of a Chinese pharmaceutical company and draw a conclusion.

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## Conclusions on Section 1

The rapid development of China's economy has brought opportunities to all walks of life, and the pharmaceutical industry is also developing rapidly. With the aggravation of aging and the extension of average life expectancy, it will also bring more potential medical needs. For China, which is in the transition period, the development mode of pharmaceutical companies should also keep up with the pace, and only through continuous reform and innovation can they adapt to the future competition. Marketing strategy, as an extremely important link of pharmaceutical companies, is related to the success or failure of the whole enterprise, which is worth our key research.

On the basis of field investigation, this paper obtains the first-line information of a Chinese pharmaceutical company and experiences the marketing operation process, personally participates in the implementation and feedback of various strategies, makes a thorough analysis of the causes of existing problems to make strategy formulation, avoids the simple subjective judgment, and is the discussion combining theory with practice. In addition to the application of the classic 4 Ps marketing theory, it also attaches more importance to the relationship marketing relationship between Chinese medicine enterprises and customers and the government. The future fate of medical enterprises not only depends not only on external demand, but also depends on the relationship between enterprises and internal partners and external government policies.

This article also has shortcomings, the article mainly for a pharmaceutical company in China in the provincial procurement platform of secondary public hospital market made a lot of analysis research, and the "base" market and broader "third terminal" namely community health center, health marketing strategy is

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insufficient, this a market has very big potential in the future. Also for the current medical policy rapid change environment, especially since last year "two votes", "camp to increase" vigorously promote the case of how to realize the company's larger share of agent sales model transformation, enterprises, agents and circulation commercial company three win-win countermeasures not in detail.

**SECTION 2.**

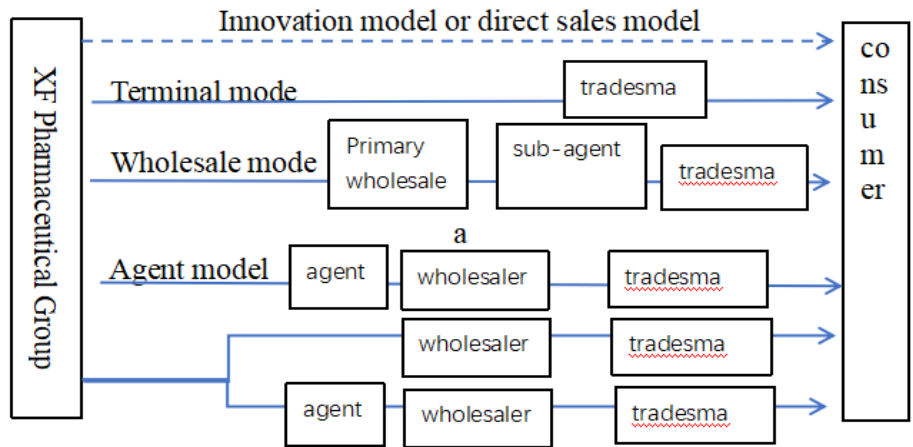
**ANALYSIS OF A CHINESE PHARMACETICAL COMPANIES**

**2.1 Analysis of marketing environment of a pharmaceutical company in China**

**Overview of a pharmaceutical company in China**

A Chinese pharmaceutical company took Chinese medicine varieties as the starting point, and realized the first takeoff of the enterprise with a variety of unique Chinese medicine drugs, and the sales volume crossed the threshold of tens of millions. A Chinese pharmaceutical company using capital accumulation from traditional Chinese medicine products, started in western medicine product research and development and production, cooperation with hospital developed for the treatment of muscle pain, and then bought a new land construction of new factory, research and development of the second western medicine products mononric acid sorbate, the drug makes a Chinese pharmaceutical company realized the second take-off, annual sales from ten million to one hundred million yuan mark. The marketing model of a Chinese pharmaceutical company is as shown in Figure Figure 2.1.1.

**Figure 2.1.1 Marketing model diagram of a Chinese pharmaceutical company**



After the sales volume exceeded 100 million yuan, the production, research and development and office focus of a Chinese pharmaceutical company gradually shifted to the new factory, and the focus of product development and the main source of profit also shifted to western medicine. In 2016, a Chinese pharmaceutical company began a new chapter, buying nearly 10,000 mu of mountainous and barren farmland in the suburbs 40 kilometers away from the urban area, and started a large-scale infrastructure work, setting up a new pharmaceutical industrial park called Xinlian Pharmaceutical. After nearly two years of vigorous infrastructure work, factories, office buildings, scientific research buildings and supporting facilities have been built. In view of the remote location and convenience of life, the company has built dormitories, family courtyard, restaurants, sports fields, supermarkets and comprehensive service and entertainment center, so that employees can meet all the needs of life without leaving the factory. A Chinese pharmaceutical company transferred the biological drug industry, research and development and production for the second time to Xinlian Pharmaceutical. Staff numbers rapidly grew to a total number of nearly 10,000. In 2018, the sales volume not only broke through the 1 billion yuan mark, but also exceeded the 3 billion yuan mark.

By 2021, a Chinese pharmaceutical company has become a joint-stock group with several branches, with the following branches:

**Table 2.1.1. Branch of a pharmaceutical company in China**

Serial number	Company name	Main business
1	XF Canon Pharmaceuticals LTD	Western medicine preparation production
2	XF <u>Shengtai</u> Pharmaceutical Co., LTD	Chinese medicine preparation production
3	XF New United Pharmaceutical Co., LTD	<u>Chinese</u> and Western medicine, biological medicine raw materials, preparation production, research and development base
4	XF <u>Xinda</u> Technology Co., LTD	Drug sales
5	XF Packing Co. LTD	Production and sales of packing boxes, Products are exclusively for the Group
6	XF <u>Biomedicine</u> Co., LTD	Biological drug research and development

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Can be seen from the above group company structure, group production is divided into three subsidiaries, XF Canon pharmaceutical co., LTD., XF sheng tai pharmaceutical co., LTD and XF new pharmaceutical, the first two for pure productive subsidiary, finally a new pharmaceutical for comprehensive subsidiary, and new pharmaceutical co., LTD., is also the core of the whole group, the group's production and research and development gradually transferred to the company. The group's sales are specially sold and financially handled by the sales company, Xinlian Pharmaceutical Co., Ltd.

(1) The sales strength of the group is very strong. The annual sales of prescription drugs of nearly 4 billion yuan are only completed by more than 2510 salespeople, and the per capita sales ranks the top among domestic pharmaceutical enterprises. Moreover, the sales model of a Chinese pharmaceutical company is very special.

(2) Regional characteristics of salesmen: All the salesmen in the sales team are local people, namely the army. It is worth noting that a Chinese pharmaceutical company has adhered to this characteristic since the first day of the 1990s until now.

(3) Sales identity characteristics: a Chinese pharmaceutical company basically all recruit fresh graduates from technical secondary schools, vocational colleges, non-fresh graduates basically do not accept, a Chinese pharmaceutical company every year mainly from local colleges and universities, supplemented by surrounding colleges to recruit fresh graduates, non-fresh graduates in the recruitment of very few.

The sales business is all sold by the sales team built by the company itself. There is no variety of investment promotion and agent. Even if some drugs are unsalable, they are not taken out for investment promotion or agent. At present, the vast majority of small and medium-sized pharmaceutical enterprises do not even have their own hospital sales team, only the investment team is responsible for the investment agency work. For most large pharmaceutical enterprises, they adopt the sales method of combining self-built sales team and investment attraction. The

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heavyweight varieties use their own sales personnel for hospital sales, while the secondary varieties are wholesale to agents, who carry out sales work.

The sales organization structure of a pharmaceutical company in China also has its own characteristics. Its organizational structure is the divisional system under the jurisdiction of the general manager, mainly including sales department, supervision Department, promotion Department, business logistics department, business Department, training department, account checking room and other major departments. Among them, the sales department, business supervision department, logistics department and promotion department are the most important. According to the product classification, the sales department is divided into one department (Western medicine department), two departments (Traditional Chinese medicine department) and three departments (antibiotics). Each department has no special office and responsible person, and the business supervision department, logistics department and promotion department also carry out the corresponding division of labor according to this classification. All sales departments report directly to the General Manager. The business supervision Department and the logistics Department shall conduct work assessment of the sales department and daily sales logistics work of the sales department, and also directly report to the general manager.

In sales, its organizational structure is flat, the middle leadership level is very few, and even the regional sales system adopted by general enterprises and even multinational pharmaceutical enterprises is not adopted. Its sales team using the director of the office, according to the province, city market size is divided into several offices, each office by 1 office director, 5-10 salesman, in Beijing, Shanghai, each city distribution about 10 offices, respectively responsible for different hospital sales, each office independently report to the group, other second- and third-tier cities organization structure category, only the number of offices. This sales structure is similar to the current combat unit form of the army, with the combat autonomy of the front-line soldiers, and the combat units are divided into

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combat groups of less than 10 people. The various combat groups work together and can communicate directly with the command center.

At present, a Chinese pharmaceutical company produces more than 200 kinds of Chinese and western medicines, with an annual output of 300 million pieces of TCM oral liquid, 70 million injections, 700 million tablets and 70 million packets of granules. The production organization structure for the production director responsibility system, each factory by the branch general manager is responsible for the daily production work, group general manager generally not directly in daily management affairs, each workshop set a workshop director, an average of every 50 people set a big monitor, each big class set 2-4 leader, such big monitor is similar to the responsibilities of deputy director of the workshop. It is worth mentioning that the production in the production workshop does not simply pay attention to automation, comprehensively takes into account the labor cost and automation cost, but also takes into account the work problems of the original old workers, and not simply to transform the automatic production and the layoffs of production workers.

Research and development work is one of the two cores that a Chinese pharmaceutical company has always adhered to. The research and development of the whole group focuses on manpower and capital investment, and the whole scientific research strength ranks in the leading level in China. In addition to the internal scientific research team, a Chinese pharmaceutical company also actively carries out scientific research cooperation for the outside world.

In terms of salary distribution, the annual salary of the doctor starts from 300,000 yuan, and he is equipped with housing and special cars. The technical personnel evaluate the company independently, which is divided into senior engineers, engineers and technicians, and gives different high salaries, far higher than ordinary workers.

A Chinese pharmaceutical company has strong strength and characteristics in production, sales and scientific research. Generally speaking, the group is characterized by the general manager "grasping", and adopts a centralized

management mode, with sales and scientific research as the two cores, and the general manager of the branch is more responsible for the daily production. Because of its relatively remote geographical location, so its scientific research and sales has the characteristics of their own, although more than 20 years group gained outstanding development, is also ranks the top 20, but its sales and scientific research still exist can further improve improvement, if improved in these aspects, believe that will have a more brilliant future.

The organizational structure of a pharmaceutical company in China is shown in Figure 2.1.2:

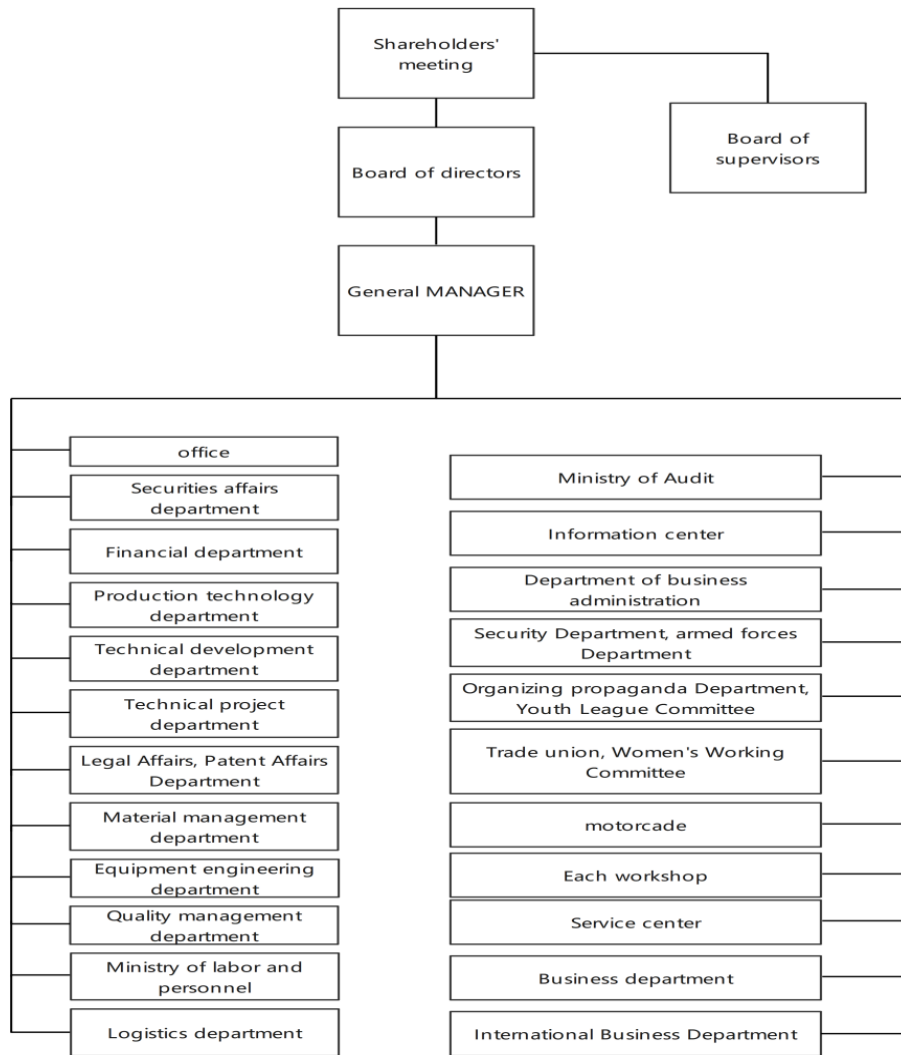


Figure 2.1.2 XF medical organization structure diagram

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## **Macro-policy and environment analysis**

This paper uses PEST method to conduct macro environment analysis, namely political law (Politics), economy (Economy), social culture (Social), technology (Technology).

### **Political and legal environment**

In the pharmaceutical industry, especially in China, it is the most heavily regulated by the government. According to the development characteristics of the pharmaceutical industry, the state has continuously introduced policies conducive to the development of the industry, which has driven the demand of the pharmaceutical market.

With the rapid implementation of the new medical reform policy, the state has vigorously promoted the medical reform, which fundamentally stimulated the consumer demand. The commercial purchase and sale of medicine were steadily improved, the concentration of the pharmaceutical industry increased, and the reimbursement ratio increased, so that more rural people dare to see a doctor. However, at present, the proportion of medical expenditure in the total fiscal expenditure in China is still low, and the proportion of expenditure needs to be increased. The increase of medical expenditure can play an important impact on medical consumption. Pharmaceutical industry mainly has the following laws and regulations policy: drug production licensing system, drug production quality management standard (GMP) system and drug management quality management standard (GSP) system, registration management system, medical insurance drug management system, prescription drugs and non-prescription drug classification management, high quality policy, Chinese medicine protection system, the new health reform.

**Table 2.1.2 Important medical reform policies introduced since 2019**

date	Policy name	content
2022.2	The 14th Five-Year Plan for the Development of the Pharmaceutical Industry	The plan calls for strengthening key and core technologies, including vigorously promoting research and development of innovative products and improving the level of industrial technologies. Among them, the specific connotation of improving the level of industrialization technology includes tackling the core equipment, focusing on improving the production technology of high-end preparation, and clearly proposing the development of complex preparation technology with high selectivity and long-term slow and controlled release, including slow and controlled release, multi-particle system and other oral preparations.
2021.5	Implementation Opinions on Strengthening Capacity Building for Drug Supervision	Consolidate improve China food and drug control institute of biological products (vaccine) issued ability, promote industrial Internet in vaccines, blood products, special drugs in the field of regulation, follow the law of traditional Chinese medicine development, establish the theory of traditional Chinese medicine, human experience, clinical trials of combining

		TCM characteristics review evidence system, attaches great importance to the evidence-based medicine application, explore   drug real world evidence research, etc.
2020.12	The Pharmacopoeia of the People's Republic of China (2020 edition)	The legal technical standards shall be followed in the development, production (import), management, use, supervision and administration of drugs.
2020.7	Measures for the Supervision and Administration of Drug Production (revised in 2020)	Standardize the application and examination and approval, license management, commissioned production and supervision and inspection of pharmaceutical enterprises.
2020.7	Measures for Drug Registration Administration (revised in 2020)	It mainly standardizes the applications for drug clinical trials, drug marketing license, re-registration and supplementary applications submitted by drug registration applicants in accordance with legal procedures and relevant requirements
2020.7	Good Laboratory Practice for Drug Clinical Trial (revised in 2020)	It is the quality standard for the whole process of drug clinical trial, including program design, organization and implementation, monitoring, inspection, recording, analysis, summary and reporting.

2020.1	National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance (2019)	Reasonable determination and release of essential medicine varieties (dosage forms) and quantity in China: establish a system of priority and rational use of essential drugs; all essential medicines are included in the reimbursement list of basic medical insurance drugs, and the reimbursement rate is significantly higher than that of non-essential drugs.
2019.12	Drug Administration Law of the People's Republic of China (revised in 2019)	It is the basic law of drug administration in China, which provides for the development, production, use and supervision of drugs in China.
2019.3	Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (revised in 2019)	According to the Drug Administration Law, the administration and supervision of drug production and distribution enterprises and drugs shall be further clarified.

The political and legal environment has also had an impact on the policies of the pharmaceutical industry. In China, a number of improvement policies have been formulated to solve the problem, so as to make the public afford the disease and buy medicine. In recent years, the great social response is that the state has made

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intensive regulation policies in 2018, such as drug consistency evaluation, new classification of chemical drug registration, drug clinical trial data verification process, and the 4 + 7 volume procurement at the end of 2018.

### **Environment for economic development**

With the development of The Times, the world economic situation is good. Despite the baptism of the international financial crisis, the world economy has basically stepped out of the crisis and gradually recovered to a stable state. Emerging economies such as Latin America and Asia are less affected by the financial crisis than some developed economies such as Europe and the United States, and their economic growth is better.

The development opportunities and challenges of the pharmaceutical industry coexist. From the international economic environment, the economic changes of foreign countries have a significant impact on the export of our pharmaceutical industry, related to the total output value of the industry; for the domestic economy, the steady improvement and macro policies have brought many favorable effects on the pharmaceutical industry. With the national concern for livelihood issues, a lot of policies on medical economic development, adjusting the industrial structure of the pharmaceutical industry will inevitably stimulate the economic development of the pharmaceutical industry and bring great development opportunities to the pharmaceutical industry.

Economic development has further optimized the pharmaceutical services. For example, after the entrusted enterprise submits the drug and the application for commissioned storage and distribution, if the entrusted enterprise accepts the inspection of the same or covers the contents of the provincial bureau within one year, the field inspection will not be conducted; if the application for commissioned

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production involves a long time, the application for commissioned production and production resumption, field inspection, registration inspection and field inspection shall be combined.

### **Social environment**

#### (1) Consumption habits and culture

Traditional medicine consumption habit in China has several aspects: through hospitals, following doctors' medication advice, purchasing drugs in hospitals or pharmacies; through community outpatient clinics or village health clinics, using drugs according to the suggestions of doctors; and buying medicine directly in the pharmacy according to their own medication experience or pharmacy staff recommendation. The high medical burden cost of Chinese citizens has contributed to the formation of the habit of fearing seeing a doctor. For ordinary diseases, they usually choose to buy the habit of directly going to the drugstore to reduce the cost of seeing a doctor. Only in the case of serious diseases and have to be treated through the hospital, they choose to see a doctor in a hospital.

#### (2) Per capita healthcare expenditure

Personal income determines consumer expenditure. In the future, China's labor force will be less and less, and the era of accelerated wage growth is coming. Rapid economic growth has boosted the real income levels of both rural and urban residents. The increase of income level has also led to the increase of medical care expenditure of rural and urban residents, so the development of China's pharmaceutical industry is good.

#### (3) Population

The number of population directly determines the demand for drugs, and the structure of population determines the consumption structure of drugs. At present,

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the elderly occupy a large proportion in the consumption structure. With the aging, the number and structure of drugs in China will change. For example, the higher incidence of diseases in the elderly is heart disease, high blood pressure, diabetes, etc., so the sales of such drugs may increase. The process of urbanization in China is also undergoing profound changes in income, family habits and morbidity. Therefore, the population will have a huge impact on the quantity and structure of drug consumption.

### **Technological innovation environment**

Technical environment from the traditional Chinese medicine, western medicine, biopharmaceutical three categories of analysis in detail.

#### (1) Traditional Chinese medicine technology

Since ancient times, China has taken Chinese medicine civilization, Chinese medicine has experienced thousands of years of civilization, and has its own unique development advantages. In recent decades, with the combination of traditional Chinese medicine technology and modern advanced pharmaceutical production technology, the relatively backward manufacturing situation in the past has undergone profound changes. In the past, Chinese medicine production used to be a family workshop, but now it is transforming to a large manufacturing factory. The production technology and management mode of the factories are becoming more and more international. In China, the secondary and tertiary hospitals are generally equipped with Chinese medicine preparation rooms, which is greatly convenient for consumers. This change of production and management mode is an exploration for the development of new Chinese medicine, which greatly improves the overall level of Chinese medicine in China.

#### (2) Western medicine technology

Western medicine is mainly introduced from the west. At present, the

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production of western medicine in China is mainly imitation, and the industrial development is limited by intellectual property rights, which hinders the development of western medicine in China. In recent years, with the strengthening of China's scientific strength and the improvement of innovation ability, achievements have been made in some western medicine fields, but drug innovation and accelerating the industrialization of new products are still the core issues of the development of China's western medicine industry.

### (3) Biopharmaceutical technology

Biopharmaceutical technology was originally produced in foreign countries, and the research and development of biopharmaceutical in China started relatively late. Since the mid-1980s, China began to invest in energy and biotechnology pharmaceutical. Many biopharmaceutical technologies, such as protein preparation, gene integration technology and fermentation technology, have rapidly caught up with the international advanced level. Even the research and development of gene therapy, bacterial gene recombinant vaccines has reached the international top level. In addition, the dysentery vaccine independently developed by China is the first biotechnology drug listed on the market among all the international products.

## **Competitive environment analysis**

The PORTER five-force model is used to analyze the specific marketing environment of a Chinese pharmaceutical company, that is, the bargaining ability of competitors, potential competitors, substitutes, suppliers in the industry and the bargaining ability of the buyer.

### **Competitors in the industry**

#### (1) Group size

As the state attaches great importance to the pharmaceutical industry, in order to ensure the healthy and orderly development of the pharmaceutical industry, the

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policy control of drug price and drug quality, the operating profit of enterprises is lower and lower, and the industry development trend causes many small and medium-sized enterprises to afford low profit space, and some enterprises expand their scale through mergers and acquisitions to cope with the complex and changeable social development. Therefore, for the domestic pharmaceutical industry, the competitors of a Chinese pharmaceutical company are mainly large pharmaceutical enterprises with large-scale products and complete products.

With the deepening opening up of the pharmaceutical industry, foreign pharmaceutical enterprises will increase the degree of competition in China's pharmaceutical market. Foreign pharmaceutical enterprises are better than domestic enterprises in financial strength, profitability, research and development ability, production process and technology level and operation and management level, and the market competition is becoming increasingly fierce. Foreign pharmaceutical companies have also caused an important impact on a Chinese pharmaceutical company.

## (2) Group products

A Chinese pharmaceutical company produces products of both traditional Chinese medicine, western medicine and biopharmaceutical, with a wide variety of products. Some small and medium-sized pharmaceutical enterprises cannot cause strong pressure on a Chinese pharmaceutical company in terms of brand. However, small and medium-sized enterprises have small scale and low production cost, which will affect the group by using price as a means. While some pharmaceutical enterprises are producing, the strong market competition brings great challenges to the management of similar products.

### **potential competitors**

A Chinese pharmaceutical company produces traditional Chinese medicine,

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western medicine, and biopharmaceutical enterprises. For Chinese medicine, most of them started from small enterprises. Even now, the scale is still small. At present, the standard management of Chinese medicine in China is not standardized, and the threshold of entering the Chinese medicine industry is still low. Therefore, there are many competitors for TCM. Western medicine in our country has a high economy of scale, the personnel quality and fixed assets, marketing investment, product development cost of development cost is high, but the western medicine enterprises is given priority to with generic, research and development cost is not big, innovation is not high, and circulation is chaos, so more potential competitors of western medicine. As an emerging product, the cost of biopharmaceutical is mainly composed of research and development costs. With the development of society, more and more people pay attention to biological drugs, so more and more enterprises will focus on biopharmaceutical, and there will be more and more potential competitors.

### **Alternative products**

Drugs, as a special existence, do not have a great substitution. A Chinese pharmaceutical company produces a wide range of products, and for now, it is difficult to find effective alternatives for traditional Chinese medicine, western medicine and biopharmaceuticals. If replacing existing drugs, it should be used as substitutes, such as the innovation of medicine, more effective drugs to replace previous drugs, which requires some time and innovative technology.

### **Bargaining ability within the channel**

Company's procurement target mainly Chinese medicine raw materials, chemical raw materials and the necessary auxiliary raw materials, there are some energy supplies and packaging materials, procurement system consists of three core subsidiary wins tai, Canon, new material management department, each department

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according to the company's production plan to formulate procurement plan, in the specific procurement link using separate procurement and joint bidding. The enterprise has formulated strict procurement system and quality standards, requiring the procurement department to implement procurement in strict accordance with the Quality Management Standards for Drug Production (Good Manufacturing Practice of Medical Products, GMP), and control the cost on the basis of quality assurance. A pharmaceutical company in China for many years to establish strategic cooperation, the long-term and stable cooperation to a large extent, but in recent years, due to the rise in prices, human costs and logistics costs, the influence of natural disasters and capital hype, traditional Chinese medicine raw material prices continue to rise, the company supply of raw materials by a certain extent, since 2019 some drug raw material prices rose nearly doubled, the price fluctuation of raw materials makes the company's business risk rise.

The sales terminal of drugs is the buyer, because the buyers are individuals, their bargaining power is relatively weak, the specific performance: poor bargaining ability due to the small number of individual purchases; the consumption amount of consumers is not high, so they are not sensitive to the price, so the bargaining consciousness is low; China formed the traditional habit of hospitals and pharmacies are clearly marked price, can not bargain, so buyers will not bargain in the actual purchase behavior.

## 2.2 Analysis of the marketing status quo of a Chinese pharmaceutical company

According to Philip Kotler's marketing management theory, the principles of economy, control and applicability are used to quantitatively evaluate the actual operation of marketing channels, which is helpful to analyze the effect of their marketing channels. In conducting quantitative evaluation, this paper considers two aspects of marketing channel and marketing ability.

### Quantitative analysis of product prices

The quantitative analysis of the price data of some products sold by a Chinese pharmaceutical company in the marketing channel explains the marketing ability of each marketing channel.

**Table 2.2.1. Price data of some products of a Chinese pharmaceutical company**

Drug name	quantity	specifications	price
Yimother grass particles	10 Pack	box	eight yuan
Five plus biochemical capsule	24 Pieces	box	thirty yuan
Black chicken oral liquid	10ML * 12 branches	box	thirty- eight yuan
Rice inflammation net piece	36 Piece	box	thirty yuan
Lactophile slices	36 Piece	box	twenty- five yuan

Wuji Baifen Wan	6g * 8 bags	box	eighteen yuan
Blood house by blood stasis particles	5g * 10 bags	box	fifteen yuan
Ketoconazole hair with a lotion	5ml	box	two point five yuan
metronidazole	Seven pieces	box	eighteen yuan
Compound aminophen alkylamine	12 Pieces	box	twenty yuan
Bitter ginseng wash liquid	260ml	bottle	fifteen yuan
Mulberry chrysanthemum cold piece	24 Pieces	box	nine yuan
Cold spirit capsule	24 Pieces	bag	twelve yuan
Phitase flat gasp	30 Pieces	box	ten yuan
Anti-inflammatory cough tablets	24 Pieces	box	ten yuan

The influence of price factors in pharmaceutical marketing is very important. The establishment of a scientific price system and the formulation of appropriate price strategies play a positive role in promoting the publicity and promotion of the brand, the expansion of consumer groups and the construction of corporate culture. Therefore, when enterprises develop and launch new products, in addition to

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consider whether the product can be accepted by the market, but also consider the problem of price, whether it can give full play to the advantages of price in the marketing process to promote product sales, and expand the market share is the key to the success of marketing.

### **Product life cycle analysis of a Chinese pharmaceutical company**

The products of a pharmaceutical company in China basically belong to the original research drugs. Generally speaking, the drugs have invention patents, and the insurance time is for 20 years. All pharmaceutical products have a certain life development cycle (from the initial input into the market to being finally eliminated by the market), among which the pharmaceutical life development cycle includes four, one is the introduction period, the second is the growth period, the third is the maturity period, the fourth is the decline period. The specific information can refer to figure 2.2.1 below.

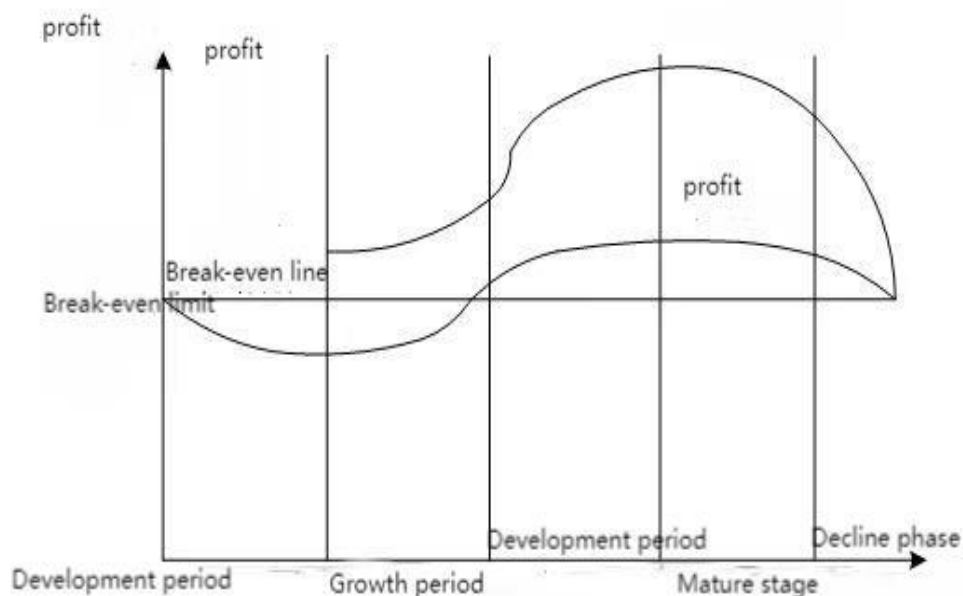


Figure 2.2.1. Product Life Cycle Reference

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In the introduction stage, the new drugs initially enter the market, the sales volume is not high and the growth rate is slow, the promotion cost is high, the net profit is low, and there are not many competitors. At this point, the key is to let doctors and patients know about new drugs, and to enhance the cognition of doctors and patients on new drugs through distribution models, product promotion meetings, academic exchange meetings and other relevant ways. At the same time, we can also send experienced and qualified dealers to strengthen communication and contact to increase sales. During the growing period, drug sales continued to increase, profits continued to increase, and competition for the number of players continued to increase. To cope with this situation, we can increase sales by expanding market share, wide coverage, secret distribution and other ways. The drugs produced by a Chinese pharmaceutical company are in this period of development. After successfully entering the national medical insurance catalog, the product sales continued to increase. After entering the mature period, the same type of products continue to be sold on the market, the market gradually tends to stabilize or even excess, the cruelty of competition rises sharply, and more competitors form intensive distribution through multiple channels. After entering the recession period, the product sales decrease, the price decreases, its economic benefit decreases. In this stage of development, it is necessary to reduce the number of sales people, abandon the profit thin channel and profit and loss channel, and at this time, the secondary sales can be realized through the agency way. Rosuvastatin calcium tablets and Tiglio capsules produced by a Chinese pharmaceutical company are in this period of development. In order to reduce operating costs, a Chinese pharmaceutical company is now entrusting agents to manage and promote such products.

The products of a Chinese pharmaceutical company are basically in the mature period or growth period, which provides dealers with a wider range of choices, which means that it is necessary to choose commercial enterprises with a wider range of

channels. It is particularly difficult to try to extend the life cycle and increase the market share based on intensive distribution models. At present, it is necessary to retain a wide range of channels and combine the method of increasing sales volume to increase corporate revenue. If no matter what kind of enterprise sales and operation mode to choose, it can not fundamentally meet the demand of products for the market, we need to choose new dealers.

### Quantitative analysis of market share

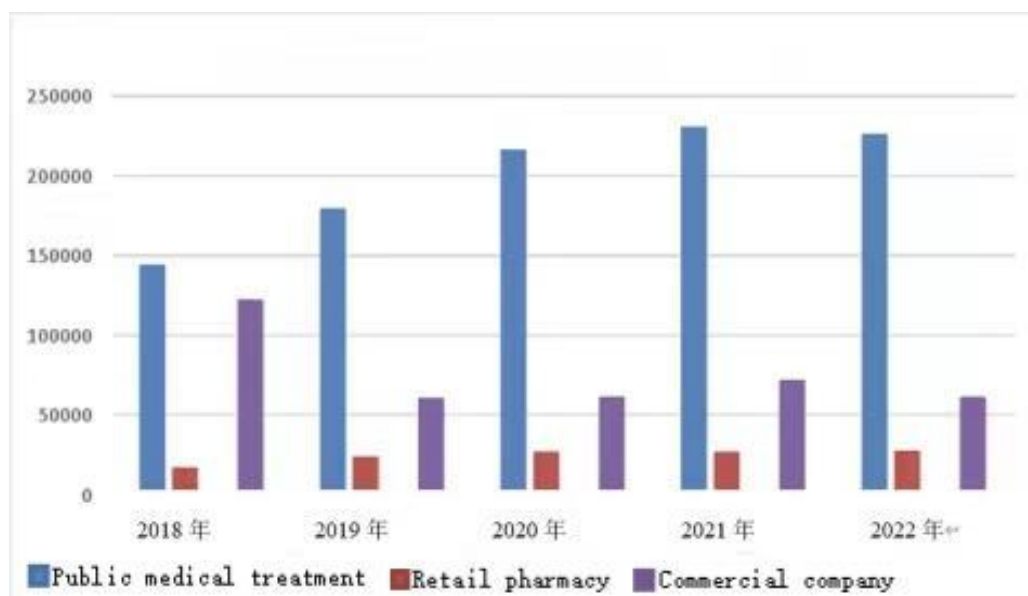


Figure 2.2.2 Analysis of the market situation of a Chinese pharmaceutical company in the past five years

As shown in Figure 2.2.2, XF Pharmaceutical companies showed a slight increase in the past five years, and slightly decreased in 2019 and 2022. There are several reasons for the analysis:

(1) The decrease in 2019 is due to the implementation of the national two-invoice system, which forced some of the secondary and third-level commercial customers of the company to lose to the manufacturer or first-level dealers, which

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has a great impact on the commercial allocation of the company. In addition, the three-level and fourth-level agents sold by XF Company cannot be sold in medical institutions, which is also the cause of the sales decline.

(2) The slightly lower demand in 2022 was due to the decreased demand for drugs in medical institutions caused by COVID-19, and the other due to the implementation of national procurement, the price of 4 + 7 varieties was reduced. Although the sales volume was increasing, the overall sales volume did not increase than before the price reduction, and some of them were slightly reduced.

(3) pharmaceutical industry in recent years, although new policies, new policy gradually began, after all, the pharmaceutical industry is the national economy and people's livelihood, the health industry relationship of the life of the people, major reform will first trial in some provinces and cities, then gradually expand the scope of execution, the whole industry or in the process of steady operation, gradually improve. This also makes the overall stable development of XF pharmaceutical company in recent years.

In terms of all kinds of customers, public medical care shows an upward trend, while retail pharmacies and primary medical care have not changed significantly in recent years. Commercial companies exceeded 1 billion yuan in 2018, and remained below 1 billion yuan in the following years.

(1) hospital customer sales growth and commercial customer sales decline, are related to the country policy of two ticket system, two ticket system compressed circulation, the middle of the industry which caused some small circulation enterprises, drug manufacturers can only to large-scale business enterprise opened primary products, to ensure the steady growth of its market share. As a result, the operating enterprises in the industry are reshuffle, and the resources are more and more concentrated in a few large enterprises, which makes XF company not only open more varieties, more supplier manufacturers, but also increase a lot of hospital

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customers in the customer market. On the other hand, XF Pharmaceutical Company also has secondary and tertiary commercial customers, which are also the objects to be compressed. It is equivalent to XF Pharmaceutical Company under the guidance of the policy, XF Pharmaceutical Company has redistributed resources internally, increasing and decreasing more and less, and the overall decline.

(2) the growth of the grass-roots level thanks to the national classification system, the national advocated medical sinking, grassroots medical quantity increased, varieties, natural sales also increased, but the grassroots medical decline in the past two years, mainly related to the development strategy of the company, the company's main business is public medical institutions and cities and counties in large distribution business, mainly do hospital high-end new medicine, inconsistent with the varieties of grassroots medical demand structure.

(3) There are two main reasons for the sales growth of retail pharmacies. First, the country is gradually implementing the process of pharmaceutical separation, which requires many retail pharmacies to undertake this part of business. The second is the improvement of people's quality of life, and the continuous improvement of health care awareness. In order to meet this demand, after opening the threshold of opening pharmacies, many pharmacies spread all streets and alleys like bamboo after rain, especially near major hospitals, and more pharmacies are opened.

### **Quantitative analysis of scientific research funding input**

Large-scale capitalization of R & D spending has always been an important means for pharmaceutical companies to adjust their profits. According to the financial statements of a Chinese pharmaceutical company over the years, the capitalization rate of R & D expenditure of a Chinese pharmaceutical company was not high before 2016, but the capitalization rate of R & D expenditure has increased significantly since 2016, and the capitalization rate of R & D expenditure has been

floating around 50% from 2016 to 2020. In 2021, due to the change of the company's development strategy, a Chinese pharmaceutical company focused on key R & D projects and suspended some R & D projects, and the capitalization rate of R & D expenditure declined rapidly. In 2016, the capitalization of R & D expenditure of a Chinese pharmaceutical company increased in a huge year, with the capitalization rate as high as 46.14%, about 21 percentage points higher than that of 2015. In addition, a Chinese pharmaceutical company was questioned by the Shanghai Stock Exchange in 2016 due to excessive capitalization of R & D expenditure, and regulators asked the company to reply whether to turn a profit by excessive capitalization of R & D expenditure. Therefore, the specific research and development projects in 2016 are analyzed below.

**Table 2.2.2 Schedule of R & D expenditure of a Chinese pharmaceutical company from 2013 to 2022**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capitalized on R & D spending (100 million)	0.55	0.83	1.40	3.82	3.64	4.05	5.31	3.84	0.83	1.55
Expensed research & development expenditure (100 million)	2.92	3.97	4.18	4.46	4.11	4.39	5.03	4.29	3.76	4.02
Total R & D expenditure (100 million)	3.47	4.80	5.58	8.28	7.75	8.44	10.34	8.13	4.59	5.57
Capitalization rate of R & D expenditure is (%)	15.85	17.29	25.09	46.14	46.97	46.94	51.37	47.24	18.01	27.80

In 2016, a Chinese pharmaceutical company was questioned by the Shanghai Stock Exchange due to the excessive capitalization ratio of R & D expenditure. In

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the reply letter, a Chinese pharmaceutical company said that it could declare or conduct clinical trials as the starting point of the drug development stage, and regarded the production approval or new drug certificate as completing the development. After the start of drug research and development, it will be subdivided under the development expenditure items and calculated clearly. The research and development projects that meet the conditions can be capitalized when obtaining the certificate or approval. That is to say, as long as the declaration, did not get the clinical approval can also be capitalized processing. However, only the application cannot guarantee the clinical approval. There is still great uncertainty about whether the government can continue to research and develop in the future. This capitalization treatment is obviously too radical.

## **2.3 Analysis of the problems in the marketing strategy of a Chinese pharmaceutical company**

### **Problems existing in the marketing strategy**

#### **Single structure of the product line**

Although the product category of a Chinese pharmaceutical company is relatively rich, it mainly relies on two products to contribute the main sales, and the profit contribution rate of other products is very low or even loss. At present, the market competition is fierce, the market tends to be stable, and the growth is slowing down significantly. In particular, cardiovascular and cerebrovascular products have not been innovated since 2000, and the dosage form units have been kept unchanged, while not long ago, competitors in the market have launched new dosage forms with the same component to seize the market share. At the same time, it has not launched any new products with market influence, there has been no good sales scale for the introduced general drugs, and it has been seriously insufficient in new product research and development and old variety innovation. There is no high-quality product reserve, and the investment proportion of scientific research funds is obviously low, which leads to the lack of growth momentum.

#### **Poor control of sales channels**

In the current marketing channel mode of a pharmaceutical company in China, the agent control accounts for the majority, while the self-control channel accounts for a small proportion. Road agent channel model occupies more than half of the share, the self-control channel is much less. See shown in Table 2.3.1.

**Table 2.3.1 Statistics on the proportion of marketing channels**

irrigation ditch	sales volume (Wan Yuan)	proportion (%)	Control hospital (family)	proportion (%)	Compound growth rate in the past three years (%)
Agent channel	162810	69	5487	72	18
Controls channel	73810	30	1878	27	29

However, with the expansion of sales scale and the implementation of fine market management, the channels controlled by agents have seriously hindered the growth space of products. Company completed after agent delivery, the channel link behind the depth of the participation of the company is not enough, led to the market area manager of product sales in a fuzzy state, because the agent since the product price payment after all the jurisdiction, they refused to the participation of the company sales manager, this is not conducive to the company's brand effect construction and professional medical academic promotion. In contrast, in the market of self-control channels, sales managers often have a deeper understanding of the market, willing to intensive cultivation, with obvious growth potential.

### **Price decline of key products**

With the new round of bidding and procurement in the whole country, the classification of procurement, the introduction of negotiation and other ways of product selection. Data show that 26 provinces have issued a new round of centralized drug procurement plans, of which 22 provinces will bid bids in 2022, and nine provinces, including Fujian, Guangxi, Hainan, Guangdong and Shanghai, have implemented the new procurement plans. Among these provinces, the winning price of a Chinese pharmaceutical company was lower than the winning price of the last round. Guangdong province directly reduced the price by 30%, and Fujian Province

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even directly "lost the bid", leading to the loss of 100 million cardiovascular and cerebrovascular market.

In 2019, the "new medical reform" vigorously promoted the time when the bidding and procurement system of essential drugs was implemented[32]At that time, the cardiovascular and cerebrovascular drugs of a Chinese pharmaceutical company were still the exclusive production. It was the first 100ml dosage form containing miltiorrhiza and ligustrazine monomer in China. There was only one manufacturer that could produce this variety, and other manufacturers were either in the stage of approval or in the process of production line transformation. At that time, we took the opportunity to rapidly expand the market nationwide with the exclusive advantage, and in the provincial bidding and procurement review, not only the winning rate is high but also the winning price is high. But as time goes by, there have been at least three manufacturers of the same product, including some strong listed companies [33]. The new manufacturers covet the huge market share of a Chinese pharmaceutical company, as well as the reputation of product treatment effect, and try their best to explore the possible opportunities, and naturally they are willing to cut the price for the winning qualification to develop the market when bidding.

### **Promotion level is not professional enough**

The promotion of drugs is different from the ordinary other products, and requires very professional medical literacy. In terms of product promotion by a Chinese pharmaceutical company, The biggest drawback is the lack of professionalism among marketers, Insufficient learning efforts, Not as strict as traditional foreign enterprises in talent selection and academic assessment, At the same time, many older employees also feel that these product knowledge is useless, Instead, they use personal relationships or emotional maintenance to market drugs

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in their own territory, In general, front-line personnel and prescribers maintain better emotional contact and maintenance, But once you have a drug specialty problem, I can't answer that, Prescribers have long had the impression that the company's drugs are ok, The company is also a general pharmaceutical company, Unable to highlight the differentiation advantages of enterprises and products, It also fails to meet the potential professional needs of doctors.

### **Market segmentation did not go deep**

(1) The company's product marketing has been all over the provinces, and the network coverage has reached the basic requirements, but the market is mainly concentrated in the eastern coastal areas, as well as provinces with relatively large population, hospitals in remote areas, sales managers may only go on a business trip once a month.

(2) In addition, there is still a lack of vertical network construction, which is reflected in the insufficient investment in the "third terminal" sales in economically developed regions. In the current form of medical insurance control costs, the large target hospital market has limited the overall prescription amount, while a Chinese pharmaceutical company ignores the allocation of this potential market.

(3) another aspect has been in the target hospital of a Chinese pharmaceutical company products, simply cover the mainstream department, such as cardiovascular products mainly concentrated in cardiology, but a Chinese pharmaceutical company's products can be in many departments to adapt to different conditions, such as in dermatology, oncology, orthopedic have related applicable pointer, lost these niche on the product promotion, ignored their growth potential.

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## **Causes of the problems existing in marketing strategies**

### **Lack of product scientific research and innovation**

Cardiovascular and cerebrovascular drugs and orthopedic drugs of a Chinese pharmaceutical company occupy a high proportion, with a series of other drugs and medical services serving as supplements. Products cover most of the provinces and a small part of the exports. Although in recent years has maintained rapid growth, also tried to expand through acquisition of other new product sales to bring growth to the company market, the varieties of holding units need long-term adjustment and transformation, including the transformation of product line, holding company marketing transformation and team is not so overnight, so the effect is not obvious[34]At present, there is only one new tumor drug that has a certain market growth rate and scale, but there is still a certain distance from the large market sales.

In terms of scientific research, the company is not strong enough and has its own drug development unit. Instead, it adopts the way of outsourcing cooperation with relevant scientific research units or universities[35], In this aspect of the budget annual only about 2% of sales, the company's cardiovascular and orthopedic products in ingredients and dosage form has not been able to have update and progress, especially into the medicine extraction of cardiovascular products injection dosage form is a single problem, the industry has been debate, Chinese medicine active ingredient extraction purification technology without essence, the company in the clinical trial prove can provide convincing literature report is missing.

### **Lack of brand building awareness**

At present, cardiovascular and cerebrovascular drugs rank second only to anti-infectious drugs in the scale of China's drug market, and show a trend of increasing year by year [36]. In 2022, the market size of cardiovascular and cerebrovascular drugs in China was 256.2 billion yuan, an increase of 8.4% compared with 2021.

The market size is expected to reach 270.1 billion yuan in 2023 [37]. The number of related varieties to as many as 100, enterprises manufacturers too numerous to enumerate. With the steady growth of market sales year by year and the increasing maturity of the market, some varieties stand out in the fierce market competition. Among them, in 2022,15 cardiovascular and cerebrovascular system drugs entered the 3 billion yuan club in 2022, all of which are well-known brands in related fields in China. The enterprises with the highest sales have exceeded 3 billion yuan, as shown in Table 2.3.2:

**Table 2.3.2 TOP10 of cardiovascular and cerebrovascular system drugs in 2022**

Cardiovascular and cerebrovascular system drugs	manufacturing enterprise	Sales volume (RMB 100 million)
Thrombotomy was used for injection	Wuzhou Pharmaceutical, Guangxi	80.35
Atorvastatin calcium tablets	Pfizer Pharmaceuticals	56.46
Danhong injection	Step long pharmaceutical	54.68
Compound coenzyme for injection	Beijing Shuanglu Pharmaceutical	46.25
Hydrophobic flux injection	Mudanjiang Youbo Pharmaceutical Company	45.19
Amlodipine phenylate tablets	Pfizer Pharmaceuticals	38.77
Brain heart capsule	Step long pharmaceutical	38.43
Guyipezil maleate	Beijing Fourth Ring Pharmaceutical	38.03
Nifedipine controlled-release tablets	Bayer Pharmaceuticals	37.77

Source: Open information collation

Such a large market has attracted many famous pharmaceutical enterprises to join in this piece of cake, they have invested heavily, inviting experts and scholars to build their own brand effect, so as to open the gap with small and unknown

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enterprises. In a Chinese pharmaceutical company production products, product awareness is limited, the company to the brand maintenance investment is too small, outside may know a Chinese pharmaceutical company products, but don't know a Chinese pharmaceutical company itself, the company awareness, the difficulties for the subsequent product line of the marketing, caused the customer of a Chinese pharmaceutical company other product recognition is small, cannot have other companies big brand effect.

### **Insufficient attention to channel control**

When the company was founded once considered proprietary sales model to carry out business, but need huge manpower, financial resources, management, etc., the actual situation is a shortage of funds, financing difficulties, lack of contacts, etc., only in individual provinces have their own marketing resources, if you want to achieve solid marketing management so there is no doubt that the marketing process of time is long, but the market sales opportunity is often fleeting, let not wait, and agency system for agents to create higher profit space, realize powerful promotion of terminal. So management that agency channel distribution is the most suitable, so the initial choice is all the agency model, using the resources of the agents to quickly occupy the market, realize the rapid withdrawal of funds, is conducive to the stable production, with the advantage of the exclusive products quickly covered the vast majority of provinces. After having a relatively wide sales coverage and abundant cash flow, we can recruit people on a large scale, we began to try to build their own commercial channels, adopting outsourcing mode and self-management mode by region, so as to establish our own resources step by step.

Medical reform continues to advance in recent years, as the "camp to increase", "two votes", and the general office of the National Development and Reform Commission issued "on strengthening drug factory price investigation and

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monitoring notice" will from the system level pharmaceutical companies timely specification circulation channels of products, like this "agent ticket" in the form of more and more difficult.

### **Unharmonious relationship with the partnership**

Company early insufficient attention of enterprise culture construction, and the interests of the relationship between the agent is particularly prominent, not the relationship between culture construction, the communication with the surface, cannot really deep contact downstream sales chain, common goal is not clear, the agent is not trust the company and fear of resource sharing cause the loss of survival value, to worry about losing the market no win-win mentality. Due to the partners of customer relationship construction not enough attention, failed to personally approached the actual operation of the agents, not enough sincere care about their difficulties, provide valuable sales guidance, but often focus on the index, profit and internal game loss, even some regional manager deliberately set contract trap for customer malicious punishment caused by larger losses, these reasons lead to failed to establish a close relationship with partners, unable to do real synergy, together.

### **Lack of professional promotion personnel**

Drugs, especially prescription drugs, need strong professionalism, and can not be open casually advertising, only in some professional pharmaceutical industry newspapers, websites, medical magazines can do limited publicity[38]However, a Chinese pharmaceutical company has insufficient number of experts in the construction of product publicity, lack of expert visiting experience, and no heavyweight academic leaders as the spokesperson of the company's products. Although a Chinese pharmaceutical company has its own academic team, its resources are far from meeting the market demand. During the current transformation of pharmaceutical marketing, some leaders of the company are still

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the old way of the past. They always think that the market can be opened by relying on personal relationship and gray model, considering the high cost of academic construction, slow effect and long time. As a result, the importance of the academic department of the company is not improved, the degree of participation in many academic seminars is relatively low, and there is no own expert team. At present, the information used to promote and introduce product knowledge in a Chinese pharmaceutical company is very simple, which belongs to the low level of advertising nature. Its inefficient promotion effect also makes many pharmaceutical representatives feel headache and helpless, and leads to wrong understanding and underestimate the market potential of academic promotion.

### **Influence of medical policy level**

Reducing drug prices is still the government's main idea, and this trend is still continuing, mainly including:

(1) In recent years, in the publicity of medical reform, "remarkable achievements in drug price control" is always placed in the first place, and the bidding mechanism is mainly price reduction[39, 40], The bidding principle advocates "quality priority, taking into account the price, cost-effective appropriate", the problem is often in practice, only low price to win the bid day by day, the bidding provinces often refer to the same kind of varieties in other provinces in the lowest price, the implementation of price linkage has become a national guideline.

(2) The problem of secondary bargaining, although the state explicitly prohibits public medical institutions from secondary bargaining [41,42]. However, in the draft, it is allowed to purchase by itself on the provincial centralized drug procurement platform in the pilot cities of public hospital reform, and if the transaction price in the pilot cities is lower than the provincial winning price. Hospitals in the whole province shall purchase according to the transaction price of

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the pilot city; if the transaction price of the pilot city is higher than the provincial winning price, the provincial winning price is purchase. The implication is that the National Health and Family Planning Commission does not publicly advocate the secondary bargaining of medical institutions, especially against the self-bargaining [43,44]. However, if the pilot cities where the public hospital reform is located, the drug price can be reduced, then the trial of "secondary bargaining" will also be allowed. At present, the scope of zero margin of drugs is gradually expanding, and the bargaining enthusiasm of medical institutions is high, which require the price reduction of drugs from manufacturers[45, 46].

(3) the combination of bidding and health pay more and more closely, medical insurance fund cost management control is very strict, each big hospital made very strict "drug proportion" to limit the "prescription", the ultimate goal is to control the price of the drug, now the country in order to break "to keep medical" problem, in various cities have different regulations and policies, all measures seem to point to the drug prices, a pharmaceutical company's products are not exclusive products, not with high price in the winning directory and health care directory for a long time.

## **Conclusions on Section 2**

With the implementation of China's pharmaceutical reform policy, the pharmaceutical market has undergone great changes, especially for pharmaceutical enterprises, in the face of a more competitive market environment, it is urgent to adjust their own business strategy [32, 47]At the same time, as the pharmaceutical sales industry changes from the past era of high profits to the era of small profit, it is both a challenge and an opportunity for a Chinese pharmaceutical company.

From the current development of the industry, the business scope of

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pharmaceutical enterprises is mainly composed of: Chinese herbal medicine, Chinese patent medicine, biochemical drugs, etc. From the perspective of product types, various types of drugs are rich, which can basically meet the daily needs of the public. According to relevant data, the composition of pharmaceutical sales is mainly drugs, supplemented by non-drugs. With the change of people's medical and health concepts, the sales of non-drugs begin to show a rapid upward trend.

According to Philip Kotler's marketing management theory, the principles of economy, control and applicability are used to quantitatively evaluate the actual operation of marketing channels, which is helpful to analyze the effect of their marketing channels. In conducting quantitative evaluation, this paper considers two aspects of marketing channel and marketing ability [48,49].

After understanding the marketing status of a pharmaceutical company in China, it is not difficult to find that a pharmaceutical company in China has its own characteristics and some advantages. However, after the rapid development of a stage, many problems and difficulties also appeared in the marketing process of the company, leading to a slowdown in the growth rate of product sales. The reason not only comes from the background of the overall macro economy and the slowing growth of the pharmaceutical industry, but also from the many factors that do not adapt to the current development in our own marketing strategy system [50]. Only by finding out the causes of these problems in time can we achieve targeted improvement and achieve more steady development.

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## SECTION 3.

### OPTIMIZATION OF THE MARKETING STRATEGY OF A CHINESE PHARMACEUTICAL COMPANIES

#### 3.1 Upgrade the product strategy

##### Expand the key products

A Chinese pharmaceutical company is currently in the growth stage, the cardiovascular injection and orthopedic injection sales is given priority to, is effective, less adverse reactions and is the mainstream in the treatment of drugs, has been accepted by doctors and patients, in each line market has a certain market share, and sales show a trend of rising year by year. The company should innovate on the basis of the old products, and introduce new key products as reserves through multiple ways.

A Chinese pharmaceutical company, first of all, should pay attention to the process innovation of "old" products. The continuous process innovation of API can help enterprises to improve product quality and reduce costs, so as to gain competitive advantages and consolidate the existing market. Actively innovate in the dosage form of the original products, and make use of the "one product and two rules" in the hospital market policy, so as to avoid the competition for other companies with the same component.

Secondly, a Chinese pharmaceutical company can take advantage of the financial advantages after successful listing to vigorously acquire and merge. The company is currently negotiating to acquire Deze Pharmaceutical and obtain the national registered varieties owned by its wholly-owned subsidiaries: incense ene oral milk and incense ene injection [51]. Both of them are exclusive original patent drugs and national anti-tumor drugs, which have entered the national medical

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insurance drug catalog and are safe and effective anti-tumor plant drugs that have been confirmed by "sign-based medicine". Once the product is operated, it will immediately become an important performance contribution variety. Such varieties of companies should actively merge or cooperate in research and development, which is the way of long-term survival and progress. In addition, other drugs in the current sales product line should be paid attention to mining, and put forward the goal of making small varieties bigger and stronger.

Finally, the investment in scientific research and innovation is increased, and the proportion of investment in annual sales funds is increased. The innovation and research and development funds in developed countries generally account for more than 15% of the sales revenue, and scientific research and innovation is bound to be positively correlated with the investment. In addition, under the current development of network information technology, the "Silicon Valley model" of the United States and the "Partner Plan" of the United Kingdom invest funds to vigorously integrate the internal and external resources of enterprises to realize the linkage between industry, university and research [52, 53].

### **Pay attention to brand building**

As a guarantee of quality, brand has become a necessary factor for the success of modern enterprises. In a sense, the war of marketing is the war of brands, who wins the victory of the brand, will naturally occupy the market. Brand effect can make the product different from other similar products, occupy a certain position in the minds of consumers, which is conducive to expanding the production and sales of products, forming a stable consumer group, and forming a competitive advantage for similar pharmaceutical enterprises. Brand effect is to make consumers have trust in their brand. Therefore, the brand is not only a symbol of the product, but also reflects the intrinsic value of the enterprise and the product. A good brand reputation

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is an important intangible asset of the enterprise.

In terms of brand maintenance, the important reason for consumers to form brand loyalty is that enterprises continuously carry out brand publicity to achieve the purpose of forming a deep impression in the hearts of consumers. The company's brand publicity activity is a long-term and continuous process, and the brand marketing is also carried out in the consumer group over the years. The establishment of domestic well-known brands, behind its excellent brand is the enterprise marketing personnel for years of continuous brand marketing activities efforts to promote. As a listed company, a Chinese pharmaceutical company wants to achieve long-term and stable development, it should not only rely on excellent drug quality, but also include long-term brand promotion activities as an important part of enterprise marketing.

For consumers, the core products are what they want to buy the most. For drugs, patients are most concerned about the quality and efficacy of the drugs. In the face of such fierce competition in the market, a Chinese pharmaceutical company to obtain market share, you need to produce high quality and significant curative effect products, always guarantee the quality of drugs and curative effect, to fully meet the demand of consumers, leave consumers good impression, increase consumer trust in the enterprise, form the brand effect. A Chinese pharmaceutical company should have a responsible attitude towards patients, ensure high standards in drug quality management, and maintain a good brand image of the company. Develop and produce high-price drugs to improve customer loyalty to the company's brand.

A Chinese pharmaceutical company should have a high sense of social responsibility and actively perform public welfare activities to bring more long-term benefits to the enterprise. Actively participate in charity, care for the vulnerable groups in society, shooting public service advertisements in the name of "a pharmaceutical company in China" and donating to poor primary schools, so as to

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increase the brand awareness of the company, which will have great social benefits and also bring great economic benefits. Public service advertisement can show to the consumer public that "a Chinese pharmaceutical company not only provides quality products", but also pay close attention to social problems and public interests, so as to establish a good corporate image in the minds of the public; public service advertisement can also expand the visibility of the enterprise, make people know and understand a Chinese pharmaceutical company and weaken the influence of competitive brands.

### **Adjust and optimize policies**

The two varieties that occupy the main revenue of a Chinese pharmaceutical company are the bidding price of the centralized procurement of each province. The centralized drug procurement plan of each province basically follows the procurement principle of "classified procurement, hierarchical management and step by step implementation" in the Guidance Opinions of The General Office of the State Council on Improving the Centralized Procurement of Drugs in Hospitals. On the basis of the provinces are also developed to adapt to their own supplementary scheme, but the basic implementation 7 "drugs to price as the goal of" tenet, the reference to the other provinces in the lowest price, low price principle, this requires a Chinese pharmaceutical company must consider the price strategy, cannot appear for individual market price bidding and to develop individual cities hospital and secondary bargaining, prevent the adverse situation of the country. The following points need to be noted:

(1) Interpret the policy, make good use of the policy, and try to use the provincial science and technology progress award or quality award won by the company to classify their products to a special level in some provinces, so as to enter the competitive bidding group, and finally get a better price.

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(2) If some regions have the opportunity to enter the medical insurance directory, but will face the situation of price reduction requirements, a Chinese pharmaceutical company should make a comprehensive survey and calculate the profit margin between the expansion of market sales and price reduction brought by the medical insurance directory, and not to hastily reduce the price to avoid the impact on the overall situation.

(3) for similar manufacturers competitive cheap bidding, take competition oriented pricing method, adjust the price of competitors accordingly, malicious cheap bidding, pay attention to make good use of the drug difference comparison rules to do homework out the other party evidence of violations, positive defense, if necessary can even complain about the provincial government bidding office illegal national policy.

### **Manage the partners well**

Once the price in a region is locked, a series of price negotiations between market partners will begin. For a Chinese pharmaceutical company, different customers need to implement different base price and outsourcing settlement strategies, among which the most important thing is to deal with the base price between different customers and the settlement problem of outsourcing customers.

A pharmaceutical company in China should adopt different price discount strategies according to the size of the regional market size, competitiveness, credit rating and other factors of its agency. The high sales in the large market must have a low reserve price, so as to ensure their profits to operate the market. For fine management signing separate hospital customers, may be slightly higher on reserve discount, for such customers should try to its sales channel control, because in the local medical circle are closed, news price is sensitive, the price of different agents are prone to problems, affect the stability of the overall market. However, both big

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and small customers should be treated equally to receive the market margin, at the same time, formulate the market rewards and punishment regulations, abide by the rules and outstanding sales performance, give benefits, violate the sales rules to confiscate the margin, to create a fair and just sales environment.

### **3.2 Improve channel management and the promotion of professionalism**

#### **Strengthen the agency channel control**

The agency channel occupies the main sales scale of a Chinese pharmaceutical company, and whether their management and control is reasonable and orderly determines whether the company's sales are stable and whether it can reach a higher level. The following points are hereby proposed:

From the signing of the agent contract will need to clear between the obligations and objectives, determine the definition of the developed hospital and dynamic management, divided clear has the rights and interests of the developed hospital, and share the terminal pure pin number data, abnormal timely communication, do early found early solution, when necessary to replace responsibility management.

For the management of the undeveloped hospitals, this is the key point in the practical management. Adopt the record system of hospital development to clarify the time and subject of hospital development. Considering the continuity of the market, those who do not successfully enter the hospital in the record development time can not overrule their efforts immediately, but extend the development period or change the development responsibility subject after full communication.

Formulate a strict "cross-shipment" punishment system, and once confirm the immediate punishment notice, so as to protect the confidence of other agents in the national market, and ensure the fairness and justice of the market.

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The regional sales manager of the company is required to get the flow data of the agent channel without obstruction, ensure the channel distribution of products is in a normal state, accept the regional manager's deep understanding of the market, participate in the sales meeting of the agent, and make suggestions to the target market.

Agents should give certain returns after making contributions to government affairs, and should retain certain benefits in the medical market outside the terminal hospital where they operate, so as to solve the contradiction between the depth of market development and customers' requirements for market control.

Medical reform in recent years, as the "camp to increase", "two votes", and the general office of the National Development and Reform Commission issued "about strengthening drug factory price investigation and monitoring work notice" has shown that the agent sales model will be more and more difficult, should timely remind agent customer operation risk, negotiate to return to the company channel to achieve deep win-win cooperation.

In short, we should let the agent realize that the cooperation with a Chinese pharmaceutical company is a win-win concept, coordinated development, common growth, sharing weal and woe concept, and deepen the relationship with the agent from the corporate culture. Let the agent realize the future prospects of following a Chinese pharmaceutical company.

### **Scientific management of self-control channels**

With the financial standardization of a Chinese pharmaceutical company after listing, and the implementation of the "two-invoice system" in the pharmaceutical circulation link, the reserve price will gradually disappear and be replaced by high billing and self-established business model, which is more conducive to the terminal control of regional managers.

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At present, a Chinese pharmaceutical company has grown from the original small enterprises for medium-sized enterprises and listed, have sufficient cash flow and accumulated certain management experience, for the company subsequent new fist products, personally think the company should do proprietary sales model, and outsourcing system at the same time, although the development progress and sales growth is relatively slow, but the sales quality and steady growth become very controllable, with the basis of other future varieties must also can be freely, thus to more specification a higher level of enterprise. The current model needs to be improved as follows:

For regional terminals with direct sales mode, fully do a good job of regional profit and loss calculation, timely settle sales expenses, so that the sales team has a better income and a reasonable evaluation mechanism.

For cooperative customers using outsourcing sales mode, the settlement payment must be timely, and the sales data and the business department should be accurate. For the sales performance of the rewards and penalties to do have evidence.

The regional manager should go deep into each department of the target hospital, understand the actual situation of sales, and sign sales contracts to operate, so as to refine the market infinitely.

### **Attention should be paid to academic marketing**

At present, the nationwide crackdown on commercial bribery has made it clear that "sales with gold" is illegal, which makes it clear from the policy source that the original gray sales will be eliminated. As the senior management of the company, they should establish a marketing strategy with academic promotion as the main form from the general direction and conform to the reform trend of The Times. In the process of marketing operation, funds are invested to form a more powerful academic department and enrich the personnel allocation. Establish an expert team

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for the important products of a Chinese pharmaceutical company and provide sufficient cost support. From the national expert maintenance, to the provincial experts, experts not only include the company product experts, should actively hire research institutes of pharmaceutical authority, hospital clinical experts, professor of medicine universities as its academic spokesperson, through its credibility and authority to promote the academic publicity. These can be assigned as tasks to regional managers in each province. In the province, more than 5 product spokesmen are trained every year, and the number of new experts is required every month.

In addition, for the first-line marketing market, the company should continue to strengthen the academic training for employees, conduct academic examinations for the marketing personnel in the first-line market, and assess the small-scale promotion ability of the target market. Academic departments should cooperate with marketing personnel to carry out targeted publicity in the hospital, prepare all kinds of materials and literature before the meeting for systematic explanation, enhance the interaction with prescribers, and deepen the understanding of the products.

### **Multi-way marketing display**

At present, there are strict regulations on the publicity of prescription drugs in drugs in China, which can not be publicized through TV, newspapers and other publicity means, but only through the evaluation of the use effect of drugs by medical institutions. However, in the context of "Internet +", we can assemble emerging media technologies, promote public health information on some professional medical websites, mobile APP application software and other platforms, establish the enterprise's own wechat public account to publish the relevant knowledge of some diseases, and include the company's product information. In addition, well-known experts are invited to use the company's products for clinical research and published in authoritative medical journals to enhance the authority of the products

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and spread a good reputation.

The company should actively participate in the medical equipment and pharmaceutical products exhibition twice a year. In the exhibition, we should pay attention to the overall image of the company, do a good job in publicity, fully display the company's products, and establish the image of well-known enterprises in medical institutions, agents and in the same industry. Actively organize to participate in medical academic conference, a Chinese pharmaceutical company to make full use of this precious resources, every year need regular organization composed of research and development personnel, marketing personnel team to participate in the country medical seminars, exchange, academic communication with professional communication, information exchange, expand enterprise visibility, improve enterprise technological innovation ability, and invite experts at home and abroad, using academic marketing to establish the enterprise image.

Actively sponsor academic conferences. The medical industry regularly holds academic conferences of different sizes every year. A Chinese pharmaceutical company should seize the opportunity to make use of the academic conferences, so that professionals can know more about the company, improve the brand image of the enterprise, improve the visibility of the enterprise, and open up new markets for the enterprise.

### **3.3 Develop an STP strategy**

#### **Customer Market segmentation**

Because drugs need to be passed on to patients through professional doctors in the process of use, different from ordinary consumer products, drug manufacturers

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are difficult to reach consumers or direct users of drugs, which brings great difficulties to customer market segmentation in the sales process. A Chinese pharmaceutical company should do sufficient market research and market segmentation when drug research and development is approved, so as to better serve the use of doctors and patients' rehabilitation treatment when drugs enter the clinical sales stage. After a period of market application, drugs should do a good job of re-evaluation after marketing. On the one hand, it can testify to the efficacy of the drug, on the other hand, it can increase the indications of the drug in the process of clinical use observation and expand the scope of the market business. However, the core customer is the user of drugs. Although the patients with cardiovascular and cerebrovascular diseases are becoming younger, the main patients are still concentrated in the middle-aged and elderly groups over 50 years old. The medication phase can be used from the onset of hospitalization, and then long-term use from discharge to the next five years. Therefore, the main market is still concentrated in the hospital links at all levels with the first diagnosis, as well as the out-of-hospital retail market.

### **Selection of the target market**

After years of development and change in the pharmaceutical market, with the help of the new medical system reform, the market is divided by the first terminal led by the original tertiary hospital, the second terminal led by the district, county and township hospitals, and the third terminal dominated by pharmaceutical chain drugstores, and gradually subdivide the market.

The key products of a Chinese pharmaceutical company should adopt a comprehensive channel marketing strategy. Give priority to with high-end tertiary hospitals, for these target hospital sales a separate operation, brand construction and construction of benchmarking here, and then focus on county secondary and tertiary

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hospitals to promote the market, to the township community hospital (third terminal) as the extension channel, set up sales two operation, a two collaboration in the same province.

### **Customer market positioning**

The key products of a Chinese pharmaceutical company are the medical insurance catalogue and the new catalogue products, and the main function is patients with cardiovascular and cerebrovascular sclerosis. Treatment, prevention, prevention and treatment. Therefore, the market positioning of customers is mainly for patients who find clinically before the onset of cardiovascular and cerebrovascular diseases, patients who have become sick and need to be treated, and patients who need to take long-term medication to prevent recurrence after discharge. As the leading tertiary hospital market of cardiovascular and cerebrovascular diseases, these hospitals are mainly concentrated in Beijing, Shanghai and some key provincial capitals. At the same time, according to the new policy of medical system reform, the power point will cover county-level hospitals. County-level hospitals will be the main market for the first diagnosis and rehabilitation of cardiovascular and cerebrovascular patients in the future, and the products will be used by more patients.

### **Conclusions on Section 3**

Through the above chapters, the analysis of the marketing strategy of a Chinese pharmaceutical company and combined with the current pharmaceutical environment, we can know that there are many problems in the marketing of a Chinese pharmaceutical company, including the market adverse factors and its own institutional defects, but the company still has its own characteristics in the competition of pharmaceutical marketing. At the same time, in the favorable environment of population aging and the implementation of

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the "Healthy China 2025-2030" strategy planned by the state, there are still more opportunities to forge ahead and create new marketing high growth. In this way, it is particularly important to timely improve their own marketing strategy to adapt to the new situation in the process of development. The content of this chapter puts forward some feasible new strategies for a Chinese pharmaceutical company from a practical perspective.

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## CONCLUSIONS

The paper studies the characteristics, status quo and adjustment of pharmaceutical marketing channels, which is an important link in the marketing management of pharmaceutical enterprises. Whether the marketing channel of an enterprise is stable or not has a direct impact on the management and control of products, effective distribution and market share expansion.

(1) In this paper, a Chinese pharmaceutical company marketing channel change as the research object, through to a Chinese pharmaceutical company, analysis of the marketing link, combined with marketing and marketing channel theory method of a Chinese pharmaceutical company existing marketing channels in architecture, effect, qualitative evaluation, then from the aspect of sales ability and performance comprehensive quantitative analysis two channels, find out the problems existing in a Chinese pharmaceutical company marketing;

(2) Based on the demand of change and the principle of change, the corresponding change specific change plan is put forward. In order to make a Chinese pharmaceutical company develop better in the reform, this paper adjusts and transforms the existing marketing channel mode, and puts forward the marketing strategy suitable for the current market environment;

(3) It is found that the reformed model has the characteristics of diversification and high efficiency. In the formulation of marketing strategies, according to the actual situation of different regions, joint strategies of different lengths and widths are adopted, and social channels and self-run channels are managed separately, and social channels are established into vertical marketing channels, so as to improve the marketing efficiency of a pharmaceutical company in China.

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A Chinese pharmaceutical company has gone through twists and turns in the Chinese market, but with the growing Chinese pharmaceutical and health market, as long as the appropriate market strategy is developed and is well implemented, it will surely gain more market share and benefit more patients. The headquarters of the company has also increased its investment in China. In 2021, the company will invest 200 million RMB to expand the factory, which will greatly improve the storage scale and supply chain service capacity, optimize logistics costs, and make sufficient preparations for the introduction of more innovative drugs in China and emerging markets in the future. Marketing channel is an important part of marketing, which contains a very rich content. Due to the limited space, this paper only studies and discusses the problems that need to be solved, and strives to solve the problems of the existing marketing channels of a Chinese pharmaceutical company, and puts forward the corresponding reform plan. The following problems that need to be further explored are:

(1) Channel management after the reform. Under the condition of new market situation and new marketing channels, a Chinese pharmaceutical company how to manage new marketing channels, including the market control ability, and the way of cooperation with partners, product promotion, the choice of old and new channel managers and dealers, training, incentive, channel conflict response, evaluation work need to consider.

(2) Informatization of marketing channels. With the advent of the era of big data, a Chinese pharmaceutical company in the marketing channel change, how to gradually penetrate market information, product information, dealer information, price information marketing channels of comprehensive information, the data integration processing analysis, make the company really rely on powerful data resources to improve work efficiency, this is the new era of change need one of the problems.

(3) Electronic channel innovation. In the information age, the electronic marketing channels are gradually deepening into every household, and the electronic marketing channels will also become the development trend of the marketing channels in the pharmaceutical industry, such as online direct selling, online bidding and other

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forms will gradually develop and mature. A Chinese pharmaceutical company should break the traditional marketing concept, accept new challenges, seek solutions in the new environment, and use electronic channels to achieve the new era of change, which will be an urgent problem for many pharmaceutical enterprises to consider.

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