

Analysis of Ansoff Growth Strategy: a Case of Chinese Yunnan Baiyao Company

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Abstract: With the continuous development of the world pharmaceutical industry, the status quo and future development of the domestic and international pharmaceutical industry has become a hot issue of concern. After a long period of rapid growth in China's modern pharmaceutical industry, the competition between the domestic pharmaceutical industry and the foreign pharmaceutical industry has become increasingly fierce and obvious. This paper expounds the application of Ansoff matrix to analyze the growth strategy of China Yunnan Baiyao Group.

1. Introduction

1.1 Company Background

Yunnan Baiyao Group Co., Ltd., formerly known as Yunnan Baiyao Factory established in June 1971. It is a large-scale comprehensive enterprise combining the industry and trade of medicine in Yunnan Province of China. It is mainly engaged in research and development, production and operation of pharmaceuticals (mainly proprietary Chinese medicines) and wholesale and retail of purchased medicines. After more than thirty years of development, the company has grown from a production enterprise with assets of less than 3 million yuan to a large enterprise with total assets of more than 7.63 billion and sales income exceeding 10 billion yuan. The company's business scope consists of the development and production of chemical raw materials, chemical preparations, proprietary Chinese medicines, Chinese herbal medicines, biological products, health foods, cosmetics and beverages. It is the largest pharmaceutical enterprise group with the strongest strength and the best brand in Yunnan Province .

2. Theoretical Framework

In 1957, Dr. Ansoff, known as the father of strategic management, developed the Ansoff matrix, which uses products and markets as two factors to divided four different products and market combinations and relevant marketing strategies. Ansoff is an effective marketing analysis tools, which is most widely used in the world. The Ansoff Matrix is a matrix that selects four different growth strategies to achieve revenue growth goals and represents the company's choice to achieve

profit growth.

The four elements of Ansoff matrix, from a macro point of view, are product and market dimensions. Among them, in the market dimension, reflecting the enterprise's current business activities and future opportunities, the potential revenue changes significantly. The existing products and new products in the product dimension can also reflect the differences in the cost of various resources needed by enterprises.

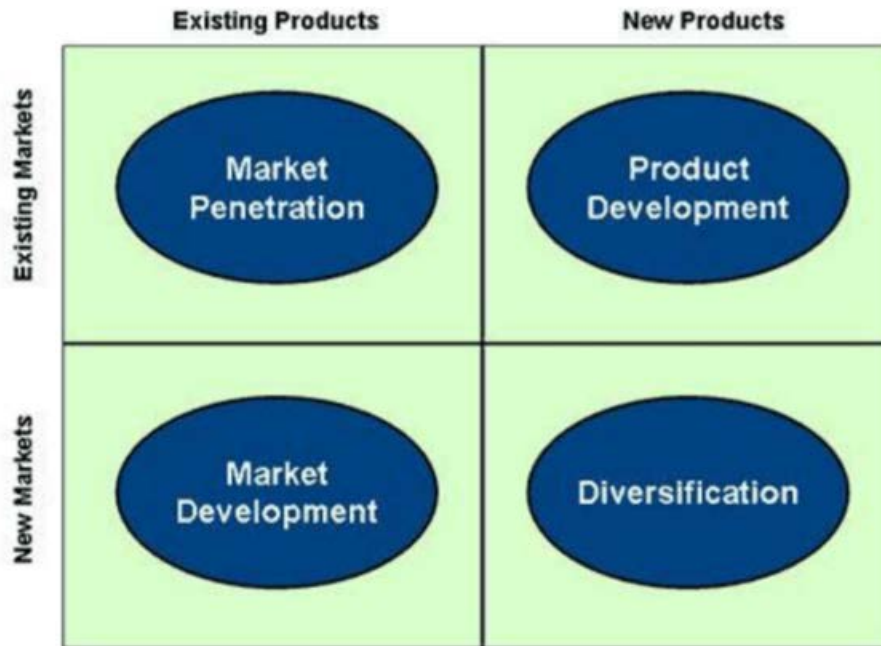


Fig.1 Ansoff Matrix

3. Findings and Discussions

3.1 Discussion on Application of Ansoff Matrix in the Strategy of Yunnan Baiyao Company

The enterprise development strategy first pursues the accuracy of business direction, and then pursues the order of strategic rhythm. From the law, all successful enterprise strategies will go through three stages. In the first stage, we should pursue a breakthrough at a certain point and achieve absolute victory at a certain point. Specifically speaking, it is necessary to make a product with demand and sell it continuously. In the second stage, we should implement the relevant diversification strategy based on the successful points, from point to line, and then continue to build the second, third or more successful products and categories to realize the marketing. In the third stage, we should consider comprehensively from the perspective of industrial height and business ecosystem, and turn into an ecological enterprise, so that all stakeholders can survive well in their own ecosystem.

3.1.1 Market Penetration

The market penetration strategy is an enterprise development strategy that fully utilizes its market potential and realizes profit growth based on existing products, which is also the most basic development strategy of a company. In this case, the most typical strategy for enterprises to expand business performance is price competition. For example, promotion means, channel management, sales team ability improvement, brand image construction, and so on. That is the most common way

to improve the market share of products, or increase the brand loyalty of consumers. The most common way is to promote sales, but also experience marketing, entertainment marketing, word-of-mouth marketing and other ways to attract consumers, promote consumer behavior.

Since this strategy is constituted by the combining of existing products and markets, corporate strategic managers should systematically concern strategies for market, product and marketing mix to realize market penetration. The strategy involves selling existing products or services to existing markets for a higher market share. By convincing existing customers to re-purchase, and attract new customers, and even convert consumers from rivals. Growth is achieved using methods such as competitive pricing, increasing market communication or making use of reward systems like loyalty points and discounts. The new strategy involves using methods and creating new ways to increase profits, promote sales and productivity, and maintain relevance and competitiveness over the long term .

The pharmaceutical industry is a special industry that enhances our health and extends our longevity. The longevity of human life and the growth of the global elderly have supported the growth of the pharmaceutical industry. According to the survey, in 2012, the growth rate of global pharmaceutical market sales will be 4%-6%, and its scale will exceed 825 billion US dollars . In 2013, the pharmaceutical market sales exceeded 975 billion US dollars, China will surpass Japan and become the world's second largest pharmaceutical country; it is expected that China will exceed USA by 2020 and become the top 1 pharmaceutical power in the world . The development of China's pharmaceutical industry is mainly driven by the necessary medical consumption such as disease treatment, health rehabilitation, and childbirth. Since the reform and opening up, China's pharmaceutical industry's output value has grown at an average annual rate of 16.6% . From the development of the country since the “Twelfth Five-Year Plan”, in 2013, the pharmaceutical industry's above-scale enterprises achieved a main business income of 216.16 billion yuan, a year-on-year increase of 17.9%, compared with 1,174.13 billion yuan at the end of the “11th Five-Year Plan”. Increased by 994.03 billion yuan. According to the statistics of the Ministry of Industry and Information Technology, the annual compound growth rate of the pharmaceutical industry since the “Twelfth Five-Year Plan” is 21.6%, which is in a state of rapid development. In 2013, the industrial added value of the pharmaceutical industry increased by 12.7% year-on-year. It is in the forefront of various industrial categories, higher than the national average of industrial growth rate by 3 percentage points, and its proportion in the overall industrial added value is increasing, contributing to the development of China's economy.

From the above data of the development of China's pharmaceutical industry, it can be clearly seen that after 30 years of development, Yunnan Baiyao has formed a large scale, and can take advantage of several product areas with first-mover advantage and brand advantage, and already possessed a large part of the market share advantage, active penetration will have considerable potential, with the increase in marketing efforts, sales will show an upward trend.

3.1.2 Market Development

The market development strategy refers to the company finding customers with the same product demand in different markets and exploiting existing products to open new markets. The market development strategy belongs to the marketing level strategy. How to promote the existing products to more markets and tap the potential applications of existing products. In marketing, more funds should be invested in market development and marketing.

When launching new products, the use of such a strategy is often because the market and user needs have changed. In order to maintain the market position and retain users, brands need to update and iterate the products. In the face of a large number of consumers accumulated in the early stage, we can promote new products with the help of these consumers' contacts with the brand. For

Yunnan Baiyao, the implementation of market development strategy, in addition to favorable macroeconomic development situation, the domestic pharmaceutical industry has a wide range of development, involving a wide area, and Yunnan Baiyao has been adopting multi-channel product sales strategy, from hospitals, pharmacies, Yunnan Baiyin chain pharmacies to the online sales. And Yunnan Baiyao also implemented a parallel sales model of medicine and daily chemical industry, which laid a solid foundation for the implementation of its market development strategy. In addition, Yunnan Baiyao has strong research and development personnel and funds, and has the capital, manpower and technology needed to develop the market and expand its operations. Yunnan Baiyao Powder, tincture, capsule, Gongxuening and other old products have been saturated from a static point of view, but there is still room for growth from a dynamic point of view. First of all, the deep development of old products, and constantly explore new indications; The second is to continuously expand new markets. The traditional new products of Yunnan Baiyao are relatively cheap, and they are all included in the medical insurance catalog, which is very suitable for promotion in rural areas. The state's investment in rural medical treatment has increased the purchasing power of patients, which is undoubtedly a historical opportunity that can not be missed for Yunnan Baiyao, the company can actively recruit and go to the rural market.

3.1.3 Product Development

Product development strategy refers to the use of existing customer relationships to introduce new products to new customers. The most suitable strategy for an enterprise is to continuously promote new products. It needs to refine and expand the experience of the original market, analyze and predict from the perspective of development, analyze the changes and upgrading of market demand, and realize the steady improvement of performance through more product portfolio. For example, the company's newly developed cosmetics such as pharmaceutical mask and other products. Innovation is the driving force behind the development of an enterprise. In an era of rapid economic development, without innovation, companies will be unable to move, especially in enterprises dominated by drug research and development, innovation is even more important. Not only must we maintain the original research and innovation capabilities of the company, but we must also be innovative in our products. Since 2008, Baiyao Group has implemented the multi brand development strategy under the big brand of Yunnan Baiyao. Relying on the well-known brand of Yunnan Baiyao, it has built a collection of products such as drugs, medical devices, personal health care and big health products. The market share of all kinds of products is increasing. Among them, in terms of drugs, Yunnan Baiyao ointment, Yunnan Baiyao aerosol, Yunnan Baiyao band aid and other products occupy the first place in the sales volume of similar products in the domestic market. Yunnan Baiyao toothpaste, as the representative of the company's health products, ranks second in the market share of similar products in China. To make the products enter the market faster, Yunnan Baiyao Company gave up this orderly product development method and chose a new and faster product development method: simultaneous product development. According to this new method, a group of personnel are taken out from different departments of the company to be responsible for product development. The company's R&D, production, materials, marketing, human resources, finance and other departments work closely together, and the various steps in the product development process cross each other. At the same time, it continues from the beginning of the project to the end of the project. The company fully gives the project team the autonomy and gives full play to the initiative of the team members. But the company emphasizes speed because speed is the market. This not only saves time, but also increases efficiency. Up to now, Yunnan Baiyao products have been developed from the original "White Medicine Series" and "Tianqi Series" to "White Medicine Series", "Sanqi Series" and "Yunnan National Characteristic Medicine Series". Therefore, to maintain the sustainable competitiveness of enterprises, it is necessary to improve the

innovation ability of enterprises, and to develop new products that meet the needs of consumers while maintaining traditional characteristics. Continuously improve the innovative technology of biopharmaceutical, produce more innovative products, improve the quality level of new drug products and technology added application value, and increase new products with high product technology content and high technology added application value. At the same time, we should strengthen the research and development of new drugs, which is the core element to maintain the competitiveness of pharmaceutical enterprises. Two factors that cannot be ignored in using the product development strategy are that the company must have strong research and development capabilities and funds. Therefore, from the level of upgrading of Yunnan Baiyao products, in terms of R&D, the company has a high level of R&D technology, strong R&D capabilities, and strong support for technology investment and research and development.

3.1.4 Diversification

Diversification strategy refers to a company engaged in business activities in more than two industries at the same time, while producing or providing two or more products and services with different basic economic uses. Providing new products to new markets, the company's current expertise may be useless, and diversification strategies are the riskiest growth strategy, because it is basically equivalent to "starting from scratch", although the previous brand image and brand reputation can be endorsements for new products, they also share higher risks. If the new products play a better role in the market, it will play a good role in the expansion of the enterprise's strategic territory and increase the profit of the enterprise; If we don't win in the new market, it may have a negative impact on the parent brand.

To provide new products to new markets, such marketing techniques are more common in deep-rooted enterprises, the main purpose is to expand their own "territory". New market means that the market may not be mature enough or small in scale, or the enterprise itself is not familiar with the market and does not have the competitive advantage in the market. The new product shows that the performance of the product in the market can not be fully verified and predicted, and whether the function, price, performance, packaging and other elements of the product can be accepted by the market is also lack of sufficient arguments. Therefore, in order to launch new products, enterprises need to organize personnel, resources, engaged in market analysis, product planning, product development and a series of new activities.

Among the many development strategies, the diversification strategy is the primary choice for many large-scale enterprises with broad market development potential and high brand awareness. For example, the first aid kit project is the profit growth point of Yunnan Baiyao. At present, some orders have been obtained in the army, public security and 110 system. The company is operating these pieces as a demonstration, which will be promoted to the family and vehicle market in the future. Through the creating of the Pharmaceutical Division, the Health Products Division, and the Chinese Medicine Resources Division, Yunnan Baiyao developed its products not only in the original medicines, but also to daily chemical, health and health products, and gradually realized product diversification; in late years, through the coordination of the government, Yunnan Baiyao has realized the acquisition of some relevant companies. It not only broadens the market for white medicine, but also lays the foundation for market diversification .

Therefore, looking at the four growth models of Ansoff, Yunnan Baiyao Group has made corresponding attempts in different stages in its development. No matter which growth model, it has made great contributions to the growth of Yunnan Baiyao's business.

4. Conclusion

The product market diversification matrix can help enterprises to choose a more scientific strategic model. When choosing to use this tool, first of all, consider the market situation and whether the existing products can continue to gain market share; Secondly, consider whether it can develop some new markets for its existing products; Third, consider whether it can develop new products with potential benefits for its brand; Fourth, we should consider whether we can make use of our advantages in product, technology and market, and adopt the integration strategy of continuous and in-depth development of enterprises according to the direction of material flow.

Through the four aspects of market penetration, market development, product development and diversification strategy, this paper explores whether Yunnan Baiyao's existing products can gain more market share, whether it can penetrate new markets with its current products, whether it is possible to develop a range of new products with potential benefits for its current market, whether it can take advantage of its products, technologies, markets, etc., and adopt an integrated strategy that enables enterprises to continue to develop in depth according to the direction of material flow.

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