

Analysis of the Influence of Purchasing Quantity on the Development of Drugstores

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ABSTRACT: Objective: The system of purchasing with quantity in China has been constantly improved, but the influence of purchasing with quantity on retail drugstores has not been paid attention to. Methods: Through literature review and SWOT situation analysis, this paper analyzes the influence of purchasing with quantity on drugstores and points out the direction. Conclusion: Drugstores should take the initiative to participate in the purchase of quantity, which can not only provide more possibilities and convenience for patients to purchase low-priced and high-quality drugs, but also adapt to the market demand to explore the innovative operating structure of chain drugstores.

1. Introduction

On November 15, 2018, the China Medical Insurance Administration issued the document on Centralized Drug Purchase in 4+7 Cities, initiating the preliminary attempt of large-scale drug purchase, uniformly implementing centralized drug purchase results, and ensuring the completion of the agreed amount of drug purchase. With the gradual improvement of the procurement rules for three batches of drugs, drugs show a trend of substantial price reduction and head agglomeration [1].

Table 1 Comparison of Three Times of National Purchase with Quantity

No.	The first times 4+7	4+7 Spread	The Second times	The third times
Time	2018.11.15	2019.09.01	2019.12.29	2020.07.29
region	11 cities	25 provinces	Country-wide	Country-wide
Number of species	25	25	32	55
Therapeutic areas	Cardiovascular drugs, neuro drugs and anti-infective drugs are the main fields, including anti-infective drugs and		Genito-urinary system and sex hormone drugs, musculoskeletal system drugs and	Diabetes, hypertension, antitumor and rare diseases; General medicine, chronic

	anti-tumour immunoregulatory drugs.	and	respiratory system drugs, etc.	medicine, special medicine, etc.
Number of types of non-medical insurance	0	0	1	3
Selected companies	1	≤3	≤6	≤8
Purchase amount(hundred million)	19	35	88	226.5
The average decline	52%	59%	53%	70%
Purchasing cycle(year)	1	1-2	1-3	
The market share	50%	50%-70%	50%-80%	
Bid specifications	Choose the lowest price	≤4+7 Choose the price	Reduction in unit declared price≥50%;Unit rate≤¥0.1;Unit rate≤The lowest unit comparable price of the same species is 1.8 times.	

2. The Influence of Quantity Purchase on Four Big Listed Chain Drugstores

According to the four major listed chain pharmacies' public data, the proportion of selected collectivistic drugs in the four major pharmacies' sales is deficient, so the impact of purchase quantity on the four major pharmacies is minimal.

2.1 *Da Shen Lin*:The winning 60 one thousand months or so, the first impact is not significant, along with the advancement of bringing purchasing the entire sales also in ascension, first the total group sales in 30 million, the industry profit margins increased 7.2% year-on-year, the second times of 35 varieties, the winning of commodity sales of 1 to 10 months probably 56 million, calculate the single winning species accounted for 0.5% of total sales.

2.2 *Yi Feng*:The sales weight of the first times of 4 + 7 is 0.59%, the second times accounts for 2.78%, and the combined sales weight is 3.37%, including all the specifications not winning the bid. Non-bid-winning varieties accounted for 2.82%, bid-winning varieties 3.37%, adding up to 6.2%. The overall impact is not big, and short-term sales will decline in the long run is a good policy.

2.3 *Lao BaiXing* :The first times of 7.8 million yuan influence, the gross margin influence 0.2%, the income is higher, the gross margin is flat. In 2020, it is estimated that the expansion shadow of the existing varieties will be 0.25%, and the annual gross profit will have an impact of 0.02%. The sales will be 2.5% for the second counting, and the gross profit of the 35 varieties is expected to account for 1.8%, with a slight impact.

2.4 *Yi XinTang* :The first times accounts for less than 1%, with the same variety and specification only 2.13%; the second times accounts for less than 1%, with the same variety and specification as 3.65%. Among them, 17 varieties have long-term negative gross profit, long-term drainage effect, and 7% comprehensive gross profit margin, which has a very low impact on profit.

3. Swot Analysis is Used to Analyze the Impact of Purchasing with Quantity on Retail Pharmacies

3.1 Superiority

The participation of drugstores in centralized procurement can realize the same product and same price with hospitals, return the price of drugs to a more reasonable and rational space, provide affordable for the people, but also enable drugstores to get a better price basis, which is also the most direct reason for many drugstores to take the initiative to participate in centralized procurement. On the other hand, with the continuous promotion of the system of belt purchase and hierarchical management of branch stores, there are more and more opportunities for drugstores to undertake prescription outsourcing, which is also the “ultimate dream” for drugstores to participate in centralized procurement.

3.2 Weakness

The price reduction of the purchased varieties leads to the loss of drugstores' price advantage, which will lead to the re-flow of customers to the hospitals and affect the gross profit space of retail drugstores. The overall operation of drugstores will be further threatened, and drugstores will be indirectly affected by the butterfly effect with other drugs of the same or related categories.

3.3 Opportunity

Bulk purchase forces drugstores to change their business structure, forcing drugstores to change their traditional development direction, which focuses on selling drugs and exploring innovative new business models [2]. Such as Yi Feng remote medical center and pharmacy benefit Internet construction of the hospital, to provide users with Internet diagnosis and prescription circulation platform, private family doctors, health management, and other services, can also be further pharmacy and wisdom, and set the doctor, medication guidance, health management, AI and health insurance to form a powerful market brand, such as the new era should be the development direction of pharmacy.

3.4 Threats

Local governments have strict control over drug markup, and pharmacies sell selected drugs with purchased quantity, and the maximum markup based on the selected price cannot exceed 15%. Drug prices in retail pharmacies will return to a reasonable and rational space. While exploring and innovating their business model, drugstores have to cope with the competition from medical institutions on the one hand and continuously adjust their market positioning with the changes of the market environment and the update of policies and regulations, on the other hand, making it difficult to survive.

4. Summary

This paper has implemented three times quantity procurement situation: part of the province of pharmacy with quantity procurement implementation present situation, the policy impact on the largest listed four chains, and use the SWOT analysis of situational analysis with quantity procurement implementation. After analyzing the impact on retail pharmacies' survival status, we testified that the belt quantity purchase for the development of retail pharmacies in China is also critical. Under the attack of purchasing with quantity and price limit of medical insurance, retail pharmacies should actively change marketing strategies, adjust management methods, expand sales channels, actively

explore innovative management structure, and make breakthroughs in professional services and health management, resource integration and cost reduction, so as not to be eliminated by purchasing with quantity^[3].

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