

HUIXIAOTANG" CHINESE MEDICINE YINPIAN

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ABSTRACT

This paper presents a business plan for Anhui Huixiao Traditional Chinese Medicine Co., LTD. Through industry analysis and market analysis, identify the company's advantages and opportunities, and formulate clear marketing strategies, operation strategies and organizational Settings for the company. The total investment of the company's initial project is RMB 2 million. Through financial forecast, it shows that after three years of project operation, the annual operating income can reach RMB 5 million, and the financial internal rate of return is 110.86%. The initial investment can be recovered in four years, and the income growth in the next five years is relatively stable.

Keywords: Huixiaotang, Chinese medicine yinpien, wholesale and retail, business plan

COMPANY DESCRIPTION

The company is in the family opened "Yue Huichun Tang" Chinese medicine clinic on the basis of newly registered to sell Chinese medicine decoction pieces of limited liability company. The registered capital is RMB 1 million, the investors are four natural persons, the proportion of the four shareholders are 40%, 20%, 20%, 20% respectively.

The main products are functional Chinese medicine decoction pieces commonly used by consumers in the middle market. In accordance with the company's business purpose of "service first, quality first", the company focuses on quality, price and service to create a brand, aiming to deliver "effective and affordable" Chinese medicine decoction pieces to consumers. The company is expected to operate the site planning total area of 5000 square meters. Among them: warehousing covers an area of 3000 square meters, product exhibition hall 1000 square meters, administrative office and life service facilities 1000 square meters. Combined with the actual work of the renovation, the company determined the construction period of the project as 0.5 years. After the launch of the project, it will form an annual sales capacity of 25,000 kg of TCM decoction pieces.

In December 2021, the company has completed the initial project construction investment, completed the lease and reconstruction of the operation site, and will start normal operation and carry out various businesses from 2022.

INDUSTRY ANALYSIS

2.1 Industry Size, Growth Rate and Sales Forecast

In recent years, with the implementation of the national strategy to promote the development of TCM and the introduction of a series of industry-supporting policies, as well as the traditional recognition of TCM by the Chinese people, the TCM industry has witnessed rapid development. In recent years, the growth of Chinese traditional medicine decoction pieces industry has exceeded the average growth rate of the pharmaceutical industry, accounting for an increasing proportion in the pharmaceutical manufacturing industry year by year, and its market position has been gradually strengthened.

2.2 Industry Development Trend

China has abundant resources of Chinese herbal medicine, and the resources and environment provide strong support for the sustainable development of Chinese herbal medicine decoction piece industry. According to the results of the third national survey of TCM resources, there are 12,807 kinds of TCM resources in China. In addition, according to the National Plan for the Construction of Genuine Medicinal Materials Production Bases (2018-2025), it is proposed to build genuine medicinal materials production bases with a total area of more than 25 million mu by 2025. Medical care is one of the basic needs of people's life, and the improvement of residents' income level makes the residents' ability to pay for health care constantly improve. Combined with the increasing number of middle class, aging population structure, increasing incidence of chronic diseases and other factors, TCM decoction pieces will be favored by more and more consumers with its good efficacy and tonifying effect. Consumer demand will continue to increase, driving the further development of the industry.

2.3 SWOT Analysis

1. Advantage Analysis (S) :

The company has advantages in location, resources, service and operation and management.

2. Weakness Analysis (W) :

The company has the disadvantages of relatively insufficient capital strength and insignificant economies of scale.

3. Opportunity analysis (O) :

In terms of product procurement, the company has rich resources of origin (close to Bozhou City); In marketing network construction, the company has established a good marketing service system.

4. Risk analysis (T) :

The company will face market competition risk, new product sales risk, product price fluctuation risk, gross margin decline risk and company growth risk.

MARKET ANALYSIS AND MARKETING PLAN

3.1 Market Segmentation and Target Market Selection

Company is a novice, just enter Chinese medicine yinbian market in order to successfully enter the market and occupy a certain market share, we plan, from the perspective of the "product price", it determines our priority target sales market consumer consumption

level, and the index of reflecting the level of consumption is mainly income population and the local price level, therefore, Select the demographic factors of income and geographical factors of regional administrative division of the market segment. Based on comprehensive analysis, the target market for us should be the third-tier and fourth-tier cities in Anhui Province, starting from the registration place and developing gradually from north to south. Consumers should be positioned as middle-end consumer groups.

3.2 Analysis of Competitors

There are nearly 100 TCM sales companies in Taihe County, among which there is only one anhui Huayuan Pharmaceutical Co., LTD., which has the processing qualification, and the rest are mainly wholesale and retail pharmaceutical companies. Mainly engaged in western medicine, Chinese patent medicine, Chinese medicine yin pian, etc., mainly distributed in the main streets of urban areas and towns. One-third have been in business for more than 10 years. The products are mainly sold around the big central cities in the Yangtze River Delta region, and less to small and medium-sized cities.

3.3 Overall Marketing Strategy

Four marketing strategies were adopted: (1) Product strategy: to strengthen the purchasing management of origin, to select new pharmaceutical dosage forms and to select characteristic packaged yin pian. (2) Service strategy: put forward to have a positive, active attitude, to have a learning attitude, pay attention to pre-sale and after-sales service. (3) Advertising strategy: choose the right advertising media, design persuasive and promotional words. (4) pricing strategy: reasonable pricing, discount price, mantissa pricing.

3.4 Sales Process and Promotion Mix

1. Sales process. According to our business project is mainly the wholesale and retail of Chinese herbal decoction pieces, the sales process mainly includes: (1) to develop marketing objectives; (2) Select channel members; (3) Clear responsibilities and obligations of channel members and sign contracts with legal benefits; (4) Distribution channel cooperation; (5) Regular inspection of cooperation and timely elimination of unqualified partners.

2. Promotion mix. Our company is mainly engaged in the wholesale of decoction pieces, so for our channel customers,

The combination of promotion strategies includes price promotion, activity promotion and membership promotion.

3.5 Distribution and Sales

The effective use of sales channels is a very important part of the marketing mix strategy of enterprises, and its choice will affect the success or failure of enterprises. The company plans to choose marketing channels: (1) with the third - and fourth-tier cities of traditional Chinese medicine hospitals, outpatient cooperation; (2) Cooperate with chain pharmacy; (3) Establish "shop within shop"; (4) "customized" direct sales; (5) Online sales.

Through market analysis and prudent financial calculation, the annual sales volume of the project is expected to reach RMB 5 million after three years of operation, and the market share is estimated to reach 3-5% of the total local market.

MANAGEMENT TEAM AND COMPANY STRUCTURE

4.1 Managing the Team.

The organization of the company has five independent functional departments, which are purchasing, Sales, finance, administration and storage. According to the organizational structure, the board of directors shall appoint 1 general manager, 1 chief financial officer and 3 deputy general managers.

4.2 Board of Directors.

The board of directors of the company shall be composed of five natural directors, who shall be elected or replaced by the general meeting of shareholders. The term of office of directors is 3 years, and they may be re-elected upon expiration of the term. The total number of directors held concurrently by the general manager and other senior management personnel and those held concurrently by employees' representatives does not exceed half of the total number of directors of the company. The company has one supervisor, one of the shareholders.

4.3 Advisory Board.

The company employs two well-known Chinese medicine development experts in Anhui province as our advisory committee members, each term of employment for 3 years, continuous employment can be re-elected.

4.4 Other Professionals.

In accordance with the needs of operation and management, the company will implement the contract system for the recruitment of all staff after the start of the project; Each position is configured by shift, 8 hours per shift.

OPERATIONAL AND PRODUCT DESIGN PLANNING

5.1 Operation Mode and Procedures

The company has the purchasing channel of origin of products, and has built a relatively perfect marketing network. The main products are sold to end consumers through major pharmaceutical chains.

1. Procurement mode. After submitting and approving the purchase application according to the sales plan or inventory situation, the procurement department will select the supplier and sign the contract or order after collecting the market information and comparing the purchasing cycle from the evaluated and approved suppliers.

2. Sales model. Sales model is divided into channel sales, direct stores, network sales, "customized" direct sales.

5.2 Facilities and Equipment

The project is mainly for the wholesale and retail of TCM decoction pieces. As for the facilities and equipment, it is mainly for sales and storage. The main facilities and equipment required by directly operated stores include commodity display equipment, store management and cashier equipment, pharmacist consulting office equipment, and decoction piece preparation equipment. The main facilities and equipment needed for warehousing include transportation, loading, unloading and handling equipment, storage equipment, storage and maintenance equipment, storage management system and other supplies. (Code for Quality Management of Drug Trade, 2016)

5.3 Operational Strategy and Plan

The company will adopt multi-channel marketing strategy and diversified financing methods to promote the coverage of regional sales and meet the financial needs of various development plans. The company will speed up the introduction and training of excellent talents in all aspects, and increase the investment in talents and establish an effective incentive mechanism to ensure the realization of the company's development plan and goals.

5.4 Product Development Status and Tasks

The company's main products are Chinese medicine granules yin pian. According to the feedback of consumers, we will feed back to the cooperative manufacturers where the new decoction pieces need to be improved in the use process and effect, and put forward the direction of product development for the manufacturers. Such as: add different specifications packaging; Improving and increasing the surface area of decoction pieces can improve the dissolution of active ingredients; After the improvement of drying and sterilization, so as to improve the cleanliness of decoction pieces; Using new technology to dry the medicinal materials containing sugar and mucilage properly; Establish strict content standards; Realize the mechanization of TCM decoction piece processing and modernization of management and formula. (Chunyu, 2016)

FINANCIAL ANALYSIS AND FEASIBILITY ANALYSIS

Discuss financial projections for the company's commercial operations from 2022 to 2026. These forecasts are based on business objectives and development plans to predict future performance. Macro environments such as economic trends and pandemic scenarios are also factored into the projections.

6.1 Source and Use of Funds

The total investment of the project is RMB 2 million, and the venture capital comes from shareholders and bank loans. The shareholders invest RMB 1 million with self-raised funds and borrow RMB 1 million from the bank. Among them, the reconstruction project investment is RMB 1.2 million, accounting for 60% of the total project investment; The interest during the renovation period is RMB 30,000, accounting for 1.5% of the total investment of the project; Working capital is RMB 770,000, accounting for 38.5% of the total investment of the project.

6.2 Estimated Profit and Loss and Investment Recovery

According to the profit and loss forecast in five years, after three years of operation, the annual operating income of the project will reach RMB 5 million, the comprehensive total cost and expenses are estimated to be RMB 4.3 million, the total tax payment is RMB 14,700, the net profit is RMB 578,000, and the total investment payback period is 4 years.

6.3 Pro Forma Asset Liability Forecast

Through the forecast of the asset responsibility statement for 5 years, the company is running smoothly and the financial revenue and expenditure can reach balance.

6.4 Analysis of Net Present Value and Internal Rate of Return

The weighted average cost of capital is the average of China's prime lending rate (LRP) over the past five years as an indicator of borrowing costs. The net present value is RMB

9,496,500 and the internal rate of return is 110.86%. The results show that the investment project of TCM decoction piece sales will be an attractive project for investors and founders.

6.5 Feasibility Analysis

From the macroscopic point of view, Chinese medicine yinbian is the main form of clinical medicine. At present, Chinese herbal decoction pieces have become an important means of clinical disease prevention and treatment in TRADITIONAL Chinese medicine, as well as an important raw material of Proprietary Chinese medicine, and the industry demand shows a steady growth trend.

From the micro point of view, through market survey and analysis, it can be seen that consumers' purchasing demand, purchasing ability and health care consciousness are enhanced, indicating that the buyer's market of TCM decoction pieces is gradually expanding. Through market segmentation, it is found that the demand of middle-income people for TCM decoction pieces has increased, but the large brand chain drugstores are mainly distributed in the big central cities, while the distribution in the third and fourth tier cities is less, so our target market can be clearly determined.

CONCLUSION

The company is in the family set up "Yue Huichun Tang" Chinese medicine clinic on the basis of the newly established to sell Chinese medicine decoction pieces of limited liability company, in the selection of goods, regional traffic, business management has advantages, to ensure that our marketing strategy and operation plan is executable. The financial forecast shows that the company can achieve business expansion by opening agents and chain drugstores in different locations. As shown in the income statement, the initial investment can be recovered within four years, and the income growth in the next five years is relatively stable. This shows that the company's business model is feasible.

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