Traditional Herbal Products Create Innovation Model in Yunnan Province

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Abstract: In this paper, by adopting the method of summarizing experience, we introduce the present situation of development and problems found in Yunnan’s traditional Chinese medicine enterprises, combine it with innovative examples of Yunnan Baiyao Group, come up with the methods to innovate of the pharmaceutical enterprises, arrive at the conclusion that Yunnan’s traditional Chinese medicine enterprises are in need of innovation of trans-product variety and the combination of competitive products as a production model.

Keywords: Yunnan, Traditional Chinese Medicine, Products, Innovation

1 Introduction

With the development of economic globalization, traditional Chinese medicine industry is considered as not only the most intellectual property industry, but also the healthy sunrise industry in the 21st century. With the "return to nature" idea being taking hold and highlighting the increasing side effects of western medicine, the concept of health care are changing gradually. The potential development capacity of traditional Chinese medicine in the world market will be greater. According to the World Health Organization (WHO) statistics, at present, there are more than 400 million people around the world who use Chinese herbal medicine treatment, more than 70 countries and regions that has developed the Chinese herbal medicine regulations, and more than 120 countries and regions’ traditional Chinese medicine agencies being into the standardized operation under the guidance of the Government. On May 15, 2002 WHO convened annual meeting of the governing bodies to constitute the first global action plan of traditional medicine and its medicinal plants in Geneva. This plan makes traditional medicine become more proficient in its profession in the world by strengthening the management and reasonable application of traditional medicine and in-depth researching its efficacy and safety. All of those bring traditional Chinese medicine industry a new opportunity.

China’s pharmaceutical industry’s development is very imbalanced, the coastal areas’ local pharmaceutical industry has become one of the pillar industries; and Yunnan well-known as natural medicine resource-rich region, although with more obvious comparative advantage of the resources and characteristics of construction industry conditions, but there is a big gap in the pharmaceutical industry in Yunnan Province and the coastal areas in terms of size and speed of development. In recent years, because of lagging behind in product innovation of Yunnan Traditional Chinese Medicine, it is difficult to meet the diverse needs of consumers with each passing day, which has seriously affected the development of Yunnan traditional Chinese medicine industry. Therefore, how to make product innovation in the international competition environment is a problem that Yunnan’s traditional Chinese medicine enterprises urgently need to resolve.

2 The Present Situation and Problems of Yunnan’s Traditional Chinese Medicine Enterprises

2.1 The present situation of Yunnan’s traditional Chinese medicine enterprises
Types of medicinal plants in Yunnan and production of natural medicine rank first in our country. There are more than 11,000 kinds of medicinal plant resources in China of which there are 6157 kinds in
Yunnan, accounting for 55% of the country. Yunnan with more than 900,000,000 kg reserves of medicinal wild plants ranks first in the country. Yunnan is one of the main producing areas of medicine in China. Yunnan has 60-70% species in the National valuable wild medicinal items; there are more than 2000 kinds of Chinese herbal medicine in Yunnan; natural medicine cultivation area of Yunnan production base has reached 108 600 hectares. Rich medicine resources develop a solid foundation for the Yunnan’s pharmaceutical industry, especially Yunnan's traditional Chinese medicine industry. Since 30 years of development after the reform and opening up, Yunnan’s traditional Chinese medicine industry has been nurtured and developed well. Although keeping the treasure of medicine, the development of Yunnan medicine enterprises has lagged behind the advanced region as well as Guangxi, Guizhou and other neighboring provinces. The change of the state's macro-control to drug prices and the increasing variety demands of drugs dealer and patients push Yunnan’s traditional Chinese medicine enterprises to improve ceaselessly their management capability, especially innovation capability.

2.2 The problems of Yunnan’s traditional Chinese medicine enterprises

2.2.1 Low-technology content of product
There are lots of universal problems for Yunnan's pharmaceutical enterprises such as small scale, obsolete equipment, extensive processing and low-level imitation and so on. The majority of Yunnan’s traditional Chinese medicine enterprises can not independently develop new drugs and apply scientific and technological achievements into the production. This leads the medicine upgrade always lags behind the needs of the market.

2.2.2 Narrow market of product
Yunnan's pharmaceutical enterprises are lagging in the cross-border research between medicine and other subjects. Once leaving the purely medical field, it is almost impossible for Yunnan's traditional Chinese medicine enterprises to expand their own products to other markets, such as the daily goods market, the cosmetics market etc.

3 The Analysis of Product Innovation Model of Yunnan’s Traditional Chinese Medicine Enterprises

3.1 Innovative example of Yunnan Baiyao Group
Yunnan Baiyao is Chinese famous traumatic medicine, which is made from Yunnan rare herbs and with the efficacy of dispersing blood clots and arresting hemorrhage, activating blood circulation and arresting pain perception. Yunnan Baiyao Group is the largest pharmaceutical enterprise of Chinese medicines in Yunnan Province, its product series makes up of baiyao series, pseudo-ginseng series and natural medicine series Yunnan Baiyao is the key product of the Yunnan Baiyao Group. Prior to 1999, Yunnan Baiyao Group basically took the powder-based product as its leading product. Although the curative effect of product is significant, the single product makeup brings the result that the profit is very limited during a long period. How to use modern science and technology and its own core technologies to develop new product is the first step towards the reconstruction for Yunnan baiyao Group. In March 2001 the Yunnanbaiyao Group invested 4.5 million Yuan to set up Shanghai Transdermal Technology Co., Ltd., which is responsible for R & D, production and sales of Yunnan Baiyao band-aid and Yunnan baiyao cream. Since coming into the market Yunnan Baiyao band-aid has exceeded billion Yuan in its annual sales revenue, and become No.2 in the band-aid market. Yunnan Baiyao cream further highlights the curative effect of Yunnan Baiyao, its market prospect is promising. In 2005, Yunnan Baiyao Group put forward a strategy of "stabilizing body and stressing two-wing". "Stabilizing body" mains keeping steady growth of the traditional Baiyao manufactures. "Stressing two-wing" refer to developing actively the transdermal Dep. (band-aid, Baiyao cream and first-aid kit) and the Health Dep. (Baiyao toothpaste and other daily goods). Next Yunnan baiyao will march forward hair and skin care market and other high-end medicine-cosmetic market. In 2008, there are more than ten varieties in the product series of Yunnan Baiyao Group. Of which, there
are seven ones with billions-Yuan sales revenue. As to product makeup, the "body" product accounts for about 60% and "two-wing" product accounts for about 40%.

3.2 Enlightenment from the successful case
3.2.1 "trans-product "variety innovation
The innovation of product variety is extremely important to achieve continuable development of enterprises. The space of curatorial market now is very limited. Under the pressure of strong competition from western medicine enterprises, the market space in which the traditional Chinese medicine enterprises exist is even smaller. The traditional Chinese medicine enterprises can not be solidified in the small space in order to survive and develop. It needs to break the original circle into the larger space. To achieve this breakthrough, the most effective way is to learn from Yunnan baiyao Group to carry out so-called "trans-product "variety innovation.

On the basis of insisting on the principle of "independent intellectual property rights, self-core technology, unchangeable dominant product", focusing on the core functions of stanching, Yunnan baiyao Group extends product variety from the breadth and promotes the innovation of a series of baiyao product. From 1999 to 2008, Yunnan baiyao Group took the extension strategy of brand and variety to make the original single product makeup changed. Now it has formed product makeup with numerous series through trying to expand new product in a variety of market space such as traditional Baiyao, common OTC drugs, daily goods and cosmetic and so on. Especially after the fulfillment of the strategy of "stabilizing body and stressing two-wing" since 2005, Yunnan baiyao Group expanded its market into daily goods and personal care product market. These strategies are the embodiment of idea of "trans-product "variety innovation. The essence of which is to invent product of multi-disciplinary characteristics and meeting demands of a number of markets through applying the cross and merging research of Chinese medicine and other subjects in order to achieve expansion of product market space.

3.2.2 "win-win combination" production model innovation
Regardless of the rapid development of Yunnan Baiyao band-aid or the innovative growth of Yunnan baiyao toothpaste, the success of Yunnan baiyao Group roots in applying "win-win combination" production models.

Early in the period of band-aid’s production and market introduction, Yunnan baiyao Group chose Beiersdorf AG of Germany as a production technology partner to ensure innovativeness of product P&D and the practicality of products. Beiersdorf AG has hundred-year history and leading technological edge in skin care, wound care, techno-bandages and adhesive paste in the world. In 2001, Yunnan baiyao Group commissioned Beiersdorf (Changzhou) Co., Ltd to product band-aid. It made Yunnan Baiyao band-aid can compete with Bondi band-aid on a high starting point and quickly enter into the market by taking full advantage of the Beiersdorf’s technological advantage and Yunnan Baiyao’s unique efficacy. In 2004, Yunnan baiyao Group respectively cooperated with the American 3M company and some Japan, Taiwan transdermal materials companies to develop Yunnan baiyao cream and other new products. Yunnan baiyao Group make its patent medicine newly shows unique value in the full competition market such as band-aid market, toothpaste market and medicine-cosmetic market etc. As to production model, Yunnan baiyao Group focus on R&D of its core technology and hires classic OEM in their industry to do the other production. In other word, Yunnan baiyao Group combines its own advantages and other enterprises’ leading technology advantages in the world to manufacture the most competitive product in order to open up new markets.

4 Conclusion
Yunnan baiyao Group enters into the health care products industry and the cosmetics industry with the help of its toothpaste and mask product. The expansion of Yunnan Baiyao involves not only pharmaceutical industry, but also health care, cosmetics and other consumer goods industry. This is a kind of combination of horizontal and vertical expansion. To topple over traditional market segments and exploit new market space should be the direction of marketing strategy that traditional Chinese medicine enterprises can think about. The traditional Chinese medicine enterprises achieves the
combination of their professional research and development advantage and production advantage of other enterprises in the world by attempting in trans-cooperation of traditional Chinese medicine industry and functional cosmetics, daily products industry on the basis of own brand of traditional Chinese medicine. This can greatly extend the inclusiveness and upgrade the value of traditional Chinese medicine brand. The innovation stresses on "trans-product" and "win-win combination". The best way for Yunnan’s traditional Chinese medicine enterprises to achieve continual development is to constantly carry out this kind of innovation. We hope that the innovation road of Yunnan baiyao Group can bring some useful enlightenment to Yunnan’s traditional Chinese medicine enterprises.

References