

Problems and Countermeasures Faced by Pharmaceutical Companies in the Context of Homogeneous Competition

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ABSTRACT

With the progress of biotechnology and the rise of health industry, pharmaceutical companies are developing in good prospect. However, many pharmaceutical companies are facing new challenges in the context of homogenization. There have been many scholars who have explored the homogenization in other fields and the development strategies of pharmaceutical companies deeply, but there are fewer case studies that combine the dual factors. Based on literature reading, this paper adopts the case study method and roots in coding to study representative pharmaceutical enterprises, analyze the common problems of pharmaceutical enterprises based on the background of homogenization and propose corresponding countermeasures for the current situation, to help pharmaceutical enterprises continue to innovate and breakthrough in the fierce competition, thus promoting the iterative upgrading of the whole industry.

Keywords: Homogenization, Pharmaceutical Companies, Development Analysis

1. INTRODUCTION

1.1. Research background

In recent years, with the development and progress of the biotech pharmaceutical industry, changes and developments in the pharmaceutical environment, as well as the increasingly-fierce competition among companies, the pharmaceutical industry is facing many new challenges. Among them, product homogenization is one of the dilemmas faced by many pharmaceutical industries today. Product homogenization refers to the phenomenon that a product can be replaced by a competitor in the process of consumer selection and purchase because its functional benefits are the same as those of competing products. It has had an increasingly obvious impact on domestic pharmaceutical companies in recent years.

In a comprehensive view, the phenomenon of homogenization is a great challenge for modern pharmaceutical enterprises, but in fact, this challenge is still an opportunity. In today's rapid development of technology, especially in biomedical science, the core of the survival of enterprises lies in continuous innovation. In this paper, we will take some representative pharmaceutical companies in the homogenization phenomenon as the research object, identify the problems

in their development process and propose corresponding solutions.

1.2. Research significance

Product homogeneity, a common problem in the pharmaceutical industry today, is a problem that both small and medium-sized enterprises and large enterprises will face and need to solve. The most consumed and largest market drugs are often the common drugs that most pharmaceutical companies have put into production. There may be dozens or even hundreds of pharmaceutical companies producing a class of common drugs at the same time and the competition among pharmaceutical companies is getting fierce. In this paper, we will analyze the opportunities and challenges faced by enterprises, their advantages and disadvantages in the competition, find the development path of pharmaceutical enterprises under the background of homogenization, make suggestions and look into the future of the pharmaceutical industry.

2. LITERATURE REVIEW

2.1. Concept definition

2.1.1. Homogenization

Homogenization refers to the phenomenon that goods of different brands in the same category imitate each other in terms of performance, appearance and even marketing methods, finally, they gradually converge. Competition in the market based on the homogenization of goods is called “homogeneous competition” which refers to the phenomenon of the existence of various types of information in a certain field with approximately the same type, means of production, production process and delivery content. This paper focuses on the phenomenon of homogenization of pharmaceutical products.

2.1.2. Pharmaceutical companies

Pharmaceutical enterprises are enterprises in the pharmaceutical industry, which can be divided into drug production enterprises and drug business enterprises. The so-called drug production enterprises refer to the production of pharmaceutical companies or part-time enterprises. The so-called pharmaceutical business enterprise refers to the special enterprise or part-time enterprise that deals with pharmaceuticals. The research objects selected in this paper are more diversified, both in production and operation.

2.2. Status of homogeneous research

Homogeneous competition has become the most significant business competition problem in the new economy and the value-added capability of enterprises is always at a low level because of the convergence of structure, low business differentiation and similar inputs. In response to this phenomenon, many scholars have conducted research on it. Han Bing proposes that due to the homogeneous competition, industrial structures converge and major enterprises seek to expand production capacity to gain competitive advantages, resulting in redundant allocation of industrial resources and competition focusing on competing for customers rather than innovating their own business, thus triggering vicious bidding. With the expansion of competition, the inefficient cycle of “structural convergence- vicious bidding- inefficient value-added” has gradually formed in the industry, which brings obvious constraints to the value creation ability of enterprises in the process of transformation and upgrading ^[1]. On this basis, Yin Yanqi and Xin Hui further analyzed the reasons for intensified homogenization and the consequences of homogenization, i.e., the trend of businessmen chasing hot spots and the varying levels of market-oriented products due to the differences in management, product

development, sales and other conditions among homogenous enterprises, thus leading to increasing polarization among enterprises in the fierce homogenous competition ^[2]. In this regard, it can be seen that the background of homogeneous competition has affected many industries and is not conducive to industrial iteration and upgrading. Based on this research basis, all industries should enhance their sense of innovation to break the current dilemma.

2.3. Current status of pharmaceutical company research

Based on the collected literature, it was found that the development studies for healthcare firms involve many aspects, with small angle cuts, such as performance, R&D and employee motivation, rather than macroscopic corporate strategic layout. In terms of R&D, Li Pengpai studied the relationship between financial constraints and firm growth, firm investment and R&D intensity and came up with an investment R&D model applicable to the Chinese pharmaceutical industry ^[3]. In contrast, Chu Zhihan took the impact of R&D investment on corporate performance in the pharmaceutical industry as the starting point and explored the impact of corporate R&D investment on corporate performance from three aspects: R&D capital investment, patent application results and R&D human resources ^[4].

Many scholars have also studied the human resource development of pharmaceutical enterprises. Especially in the context of highly complex and homogeneous competition in the external environment, it plays a decisive role in enterprise human resource management and the realization of enterprise strategic objectives ^[5]. Secondly, Ma Tao and Li Helin pointed out that there are serious internal control defects in the development of many pharmaceutical enterprises, which has brought many adverse effects on the development of pharmaceutical enterprises ^[6].

2.4. Summary

By reading and summarizing the literature, it is not difficult to find that there is a certain research foundation in the field of homogenization and the development of pharmaceutical enterprises. But overall, the research on homogenization is based on multiple industries, rather than focusing on the pharmaceutical industry. In view of the particularity of the pharmaceutical industry, it is necessary to consider domestic policies and other factors to make a specific analysis of the industry. In the analysis of the development of pharmaceutical enterprises, many domestic scholars have carried out research on the R&D, performance, employee incentive and other fields of pharmaceutical enterprises based on China's basic national conditions, but these studies basically cut in from a small perspective and few have explored the

research results of the development of pharmaceutical enterprises from a macro perspective. In the process of literature collection, it is found that there is little research and analysis on the combination of homogenization and the development of pharmaceutical enterprises. As one of the industries deeply affected by the background of homogenization, many pharmaceutical enterprises are facing new challenges, so this research is of great significance. This paper will use the case analysis method to select a number of representative pharmaceutical enterprises as the research object, analyze their development status and problems, show the development status of China's pharmaceutical enterprises under the background of homogenization. At the same time, this paper puts forward corresponding solutions to the problems existing in its development.

3. ANALYSIS ON THE CURRENT SITUATION OF PHARMACEUTICAL ENTERPRISES

3.1. Analytical method

This study mainly uses literature research, case analysis and coding to analyze China's pharmaceutical enterprises. Firstly, with the help of literature research method, through reading the literature, we can roughly understand the current situation of the industry and select representative pharmaceutical enterprises. Secondly, according to the selected specific research objects, the relevant information of enterprises is collected and the operation and development of enterprises is comprehensively understood. Finally, through the problems shown in the case, the common problems of pharmaceutical enterprises are summarized with the help of coding.

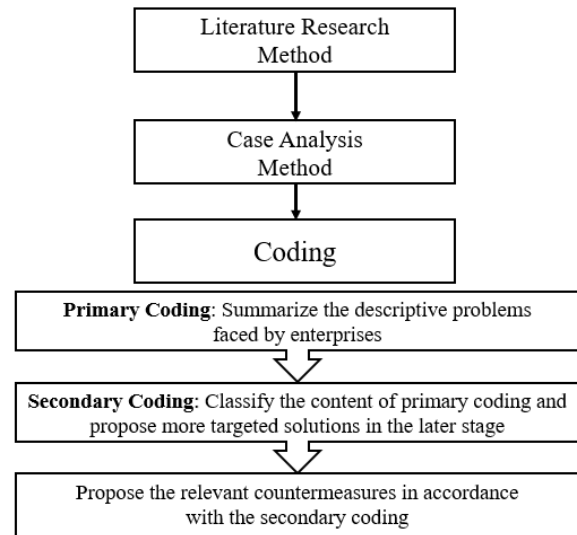


Figure 1. Research ideas

3.2. Coding process

3.2.1. Case analysis

Considering practical factors, the selected research object is the representative large and medium-sized enterprises in the industry, rather than small enterprises, because the problems of these enterprises are more universal and representative and the strategies proposed for them are more meaningful to promote the overall development of the industry. In terms of case analysis, PEST analysis, SWOT analysis, Michael Porter's Five Forces Model and other analysis tools are used in order to draw a comprehensive and reliable analysis conclusion. This paper deeply analyzes the market environment and situation of the enterprise and analyzes the internal and external situation faced by the enterprise in detail.

3.2.2. Primary coding

This paper selects 11 enterprises including Zhejiang Love Biopharmaceutical Co.,Ltd and TianMuShan Pharmaceutical Enterprise Co.,Ltd. as the research object, looks for the challenges existing in the development process of these enterprises, summarizes the problem description of the enterprises, obtains a total of 6 problems, and numbers the questions using A1, A2, A3, etc.

Table 1. Primary code

Primary coding	Evidence citation
A1 Lack of innovation momentum	Hangzhou TianMuShan Pharmaceutical Enterprise Co.,Ltd. has obviously insufficient innovation driving force since 2015; in terms of patent type distribution, Zhejiang Love Biopharmaceutical Co.,Ltd mainly focuses on the products of utility models and its comprehensive competitiveness is not strong enough.

A2 There are too many business types involved and the professionalism is not strong	Zhejiang Love Biopharmaceutical Co.,Ltd covers many varieties such as granules and oral liquids. At the same time, it completes the processes of granulation, total mixing, loading and unloading molds, tablet pressing, pressing plate, basket connecting, inspection plate, cartoning, baling, scanning, packing and so on.
A3 Inefficient internal management	Zhejiang Love Biopharmaceutical Co.,Ltd adopts a very typical linear functional organizational structure; Due to the management error of Hangzhou TianMuShan Pharmaceutical Enterprise Co.,Ltd, many of its subsidiaries suffered losses, which eroded the company's profits.
A4 The price of pharmaceutical raw materials is rising	In 2018, the CCTV financial channel's "Economic Information Broadcast" focused on the rising raw materials of drugs.
A5 There are many competitors with equal strength	Due to the intensified market competition, Huangshan TIANRI Mint pharmaceutical completed only 75% of the production plan in 2015.
A6 Sales channels are not diversified	According to the financial annual report of Enoch bio, its seller is mainly Zhejiang Love Biopharmaceutical Co.,Ltd, which once accounted for more than half of the total sales of Zhejiang Love Biopharmaceutical Co.,Ltd in 2020.

3.2.3. Secondary coding

On the basis of combing the case materials, the above

six problems are summarized. Next, the secondary coding is sorted out in order to put forward more targeted solutions in the later stage.

Table 2. Secondary code

Secondary coding	Primary coding
Management development issues	A1 Lack of innovation momentum
	A2 There are too many business types involved and the professionalism is not strong
	A3 Inefficient internal management
Marketing channel issues	A6 Sales channels are not diversified
External environmental issues	A4 The price of pharmaceutical raw materials is rising
	A5 There are many competitors with equal strength

It can be found from the above table that there are challenges in management development, marketing channels and external environment in the development process of Chinese pharmaceutical enterprises. Among them, the problems of management development and

marketing channels can be solved through the enterprise's own efforts, while the external environmental problems are difficult to be solved through their own behavior change. Therefore, the countermeasures proposed in this paper are mainly to solve the first two problems.

4. COUNTERMEASURES

4.1. Innovative development paths

4.1.1. Highlight core products and shape corporate image

Core products are the top priority to improve market competitiveness under the background of homogenization. For core drugs, an important property is irreplaceable. Therefore, enterprises need to enhance their scientific research and development capacity, innovate drug R & D and production technology, strive to improve cutting-edge technology, master core technology and apply for corresponding patents on the basis of accurate positioning of core drugs^[7]. At the same time, advertising, CO branding with other brands and participating in social public welfare activities can be used to increase popularity and shape the corporate image. In addition, we should use modern media to promote the official account of enterprises, popularize popular news websites, live video sites and create unique customer groups to form brand competitive advantages.

4.1.2. Develop with big data

In terms of understanding the market information, establish and improve the overall system, so that the decision-making has data support, establish a close relationship with consumers and the management department adjusts the marketing strategy according to the market changes^[8].

4.2. Invest sufficient funds

4.2.1. R&D funds

As a pharmaceutical company, the research and development of innovative drugs and the acquisition of patents are the driving force for the survival and development of enterprises^[9]. For the R&D department, it needs a lot of capital investment to support the research. Therefore, pharmaceutical enterprises should firstly ensure the supply of R&D funds and then it should ensure that all stages of R&D work are carried out on time so as to provide product support for the sales of subsequent enterprises.

4.2.2. Administrative expenses

The implementation of the strategy is inseparable from the work support of an excellent management team. Enterprises should invest sufficient financial support, build a perfect team, clarify the division of labor among organizational members, effectively combine all departments systematically and improve work efficiency.

4.2.3. Marketing expenses

Nowadays, the combination of online and offline has become the main sales mode of goods. Enterprises should determine the proportion of funds in offline and online marketing expenses, adopt the method of combining multiple marketing modes, form a comprehensive marketing system with the concept of overall marketing from the perspective of overall operation, expand commodity awareness, expand market share and improve profit level.

4.3. Enrich sales channels

4.3.1. Increase offline sales points

Increasing the purchase of fixed drugs from hospitals, as an important channel for drugs to consumers is the main way for enterprises to increase market share. Pharmaceutical enterprises invest more energy in cooperation with hospitals and send medical representatives in charge of hospitals to participate in various hospital bidding.

4.3.2. Increase the proportion of online sales

As the most popular sales channel recently, online shopping has many advantages such as saving time and effort compared with offline special sales points. Pharmaceutical companies should try to establish their independent sales websites, complete with a sound logistics system, provide customers with convenient and high-quality door-to-door service and take the lead in occupying the online market in the homogeneous competition^[10].

4.4. Innovative management thinking

4.4.1. Innovative thinking

Under the trend of homogenization, the innovation is the most important factor to improve the competitiveness of enterprises^[11]. Therefore, innovative thinking is particularly important in marketing. Pharmaceutical enterprises should integrate innovative thinking into all aspects of enterprise management and win advantages under the background of homogenization.

4.4.2. Scientific management thinking

In terms of personnel management, the enterprise organizational framework should be adjusted in time to meet the needs of enterprise development; at the same time, regular skill training shall be conducted for employees and a perfect performance appraisal system shall be established to improve employees' business

ability. In terms of strategy formulation, after deeply understanding the current market background, enterprises should clarify the sales population, use SWOT and other modern market analysis models, specifically analyze their own advantages and disadvantages, challenges and opportunities in the market, innovate and formulate a complete development strategy.

5. CONCLUSION

Today, with the rapid development of biomedicine, if pharmaceutical enterprises want to survive, they must take targeted measures to innovate the development path, invest sufficient funds, enrich sales channels and innovate management thinking. Enterprises should accurately position themselves, comprehensively analyze the current situation, including the internal and external environment, identify business opportunities and evaluate the market development potential, so as to select the most suitable development direction. With the help of literature research, case analysis and coding, this paper analyzes the common problems of pharmaceutical enterprises in China under the background of homogenization and solves the problems through the mode of "identifying problems - proposing solutions", so as to achieve the purpose of promoting the growth of enterprises. Through the analysis process of selecting cases for coding, the corresponding evidence is cited for theoretical support so that the conclusion can be popularized, which has a certain reference significance for other pharmaceutical enterprises.

Based on the self-analysis of enterprises, the new economic era also puts forward higher requirements for the managers of pharmaceutical enterprises. Due to the dual pressure from the inside and outside facing the development of enterprises, we must constantly find and solve problems. Therefore, as a manager of pharmaceutical enterprises, in order to maximize enterprise value, maintain enterprise vitality and enhance enterprise innovation, we must consider breaking through the restrictions of homogenization on enterprises, reflect, find and solve problems in time.

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