



# The Impact of Internet Marketing on The Profitability of Yifeng Pharmacy

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## INTRODUCTION

In recent years, China's pharmaceutical market demand has been strong, and the industry has developed rapidly. On the one hand, the aging of the population and the prevalence inclination to younger groups of chronic diseases have enlarged the development space of the industry. On the other hand, the National Medical Products Administration and pharmaceutical and health departments actively promote the tripartite co-reform of Internet+ "medical, pharmaceutical, and health insurance", which has brought new opportunities for the industry .

With the outbreak of COVID-19 in 2020, the speed of prescription in hospitals and online has accelerated, and the level of professional services in online pharmaceutical prescriptions and physical pharmacies has risen. Yifeng Pharmacy is representative of the pioneers of large national pharmaceutical retail chains in China. Yifeng Pharmacy's main business includes the sale of pharmaceuticals, medical equipment, and other products related to medicine. The company established a new online e-business in 2013, developed an e-commerce group chat in 2016, and revamped and updated its online e-services about retailing pharmaceuticals in 2019 to fully implement Internet marketing. Taking 2019 as the time node for Yifeng Pharmacy to implement internet marketing, this paper collects its accounting reports between 2018 and 2020 from Cninfo. By comparing their financial data and changes in the past three years, an attempt was made to identify the positive and negative effects of Internet marketing on Yifeng Pharmacy's revenue and make corresponding recommendations.

## MAIN PROCESS

Firstly, based on the data of profit and growth rate, this paper analyzes the sales profit and asset expansion of Yifeng pharmacy in past three years. Secondly, the profitability index and growth rate from 2018 to 2020 are calculated. Represented by earnings per share and return on equity, the changes of main profitability indexes of Yifeng pharmacy in recent three years are explored. Finally, under the guidance of financial indicators, this paper comprehensively analyzes the growth rate of operating income, net cash flow from operating activities and earnings per share in recent three years. On the other hand, Internet marketing also brings about problems like the decline of gross margin, industrial policy risks, and market competition. From the data level, this paper compares the gross profit margin of Yifeng's main business under different sales methods and product varieties in 2020, as well as the main operating expenses and gross profit margin of each region.

## RESULTS AND ANALYSIS

On the basis of comparative analysis, this paper discusses the changes and reasons of Yifeng pharmaceutical's profitability index from 2018 to 2020, and dialectically analyzes the impact of Internet marketing on Yifeng pharmaceutical. The development of Internet marketing is both an opportunity and a challenge for Yifeng pharmaceutical.

Internet marketing has a positive impact on the profitability of Yifeng pharmacy, including establishing multiple platforms to expand sales, improve profitability and create economies of scale. We collected the relevant data of Yifeng pharmaceutical's sales in recent three years. It is observed that its operating revenue and sales profit growth rate are in a stable growth stage. The analysis of these data proves that the implementation of internet marketing not only increased Yifeng Pharmacy's sales but also created tangible value for shareholders of listed companies. In addition, in order to judge the improvement of profitability, the profitability index and growth rate in recent three years are calculated and made into a table for comparison. No matter whether non-recurring gains or losses are taken into account, the earnings per share and return on equity of Yifeng Pharmacy achieved sustained growth in 2019 and 2020. Based on the comprehensive analysis of the above financial indicators , Internet marketing connects the client side, the store side, and the supply side to improve operational efficiency and reduce operational costs, thereby improving profitability. Internet marketing has a negative impact on the profitability of Yifeng pharmacy, including reducing the gross profit margin of its main business and increasing policy risk and market risk. Based on the research on the changes of income, gross profit margin and cost growth rate under different circumstances, we draw a conclusion that the operating cost increases faster, resulting in the decline of gross profit margin. At the same time, the growth rate of operating expenses in all regions higher than that of operating revenue resulted in an overall decline in gross margin, implying that Yifeng Pharmacy faces serious market risks nationwide.

## CONCLUSION

In 2019, Yifeng Pharmacy seized new opportunities in the development of the pharmaceutical industry and implemented internet marketing, to take advantage of the internet to build multiple platforms to rapidly capture the market and expand sales and rely on intelligent management to improve operational efficiency and enhance profitability and leveraging flow thinking to enhance user experience and create scale effects. The ensuing adverse effects are as follows. The retail business of Chinese and western medicines and non-pharmaceuticals, which occupy a large proportion of sales, has witnessed a rapid increase in costs, leading to a decline in the gross margin of the main business instead of an increase, policy risks arising from stricter regulations, and market risks brought by intensified competition in the industry.