

Analysis of Value Creation in CR Sanjiu's Consecutive Mergers and Acquisitions from the Perspective of Resource Orchestration

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Abstract. Amid China's healthcare reform, intensified competition and policies like volume-based procurement drive industry consolidation. This study analyzes Huarun Sanjiu's serial acquisitions through a resource orchestration lens. Its strategic acquisitions evolved from diversification to health industry layout, enhancing market position through structured resource integration and platform-based resource leverage.

Keywords: Resource Orchestration; serial acquisitions; value creation.

1. Introduction

CR Sanjiu is a large-scale listed pharmaceutical company that ranks among the top domestic pharmaceutical enterprises in terms of scale, development prospects, and brand influence. Its product lines cover a wide range of fields and categories. Since its listing, the company has been repeatedly recognized with honors such as the "Golden Bull Top 100" and "Top 100 Most Valuable Companies." CR Sanjiu places great emphasis on brand building and is widely recognized in the market with its "1+N" brand strategy. The "999" brand is deeply rooted in consumers' minds. Leveraging the brand advantage of "999," CR Sanjiu has established a new brand-building model, comprehensively expanding the "999" brand across various fields and gradually developing other well-recognized pharmaceutical brands. CR Sanjiu leads development through innovation, with continuous investment in research and development enabling the company to achieve key technological breakthroughs. Innovation efforts are mainly focused on academic research and process improvement. These initiatives have not only brought substantial economic benefits to the enterprise but have also earned multiple National Science and Technology Progress Awards, playing a leading and exemplary role in the technological advancement of the pharmaceutical industry.

From 2011 to 2014, CR Sanjiu adhered to the development vision of "becoming the leader in China's OTC market and the innovator in the traditional Chinese medicine (TCM) prescription drug market." The OTC business focused on being consumer-oriented, consolidating its leading position in three key areas: cold remedies, dermatology, and gastrointestinal treatments, while also expanding into niche segments such as gynecology. The TCM prescription drug business concentrated on key fields including cardiovascular and cerebrovascular diseases, anti-tumor, respiratory anti-infection, and TCM granules, emphasizing R&D innovation and innovative transformation to improve product quality and ensure drug safety.

From 2015 to 2016, CR Sanjiu upheld the development vision of being a "leader in self-medication" and a "creator of TCM value." The self-medication business represented an extension of the OTC segment aimed at meeting consumers' personalized health needs.

Since 2017, CR Sanjiu has pursued becoming a leader in the mass pharmaceutical health industry. In response to consumption upgrade and rising consumer health awareness, the company conducted in-depth insights into consumer demands and analyzed industry status and competition, leading to a strategic decision to enter the health and wellness sector by establishing the Health Division in 2017.

Through an analysis of CR Sanjiu's overall strategic goals and main business layout, this paper divides the timeline of the company's continuous acquisitions into two stages. The first stage, from 2011 to 2016, represents diversified expansion through acquisitions, with OTC and prescription drugs

as the main products, building the “1+N” brand strategy, enriching product categories, and capturing segmented markets through continuous acquisitions. The second stage, from 2017 onward, follows the consumption upgrade trend, where CR Sanjiu established the Health Division to enter the blue ocean of the health and wellness market, focusing acquisitions on women’s and children’s segments and expanding its core business into health care, aiming to lead the mass pharmaceutical health industry. Therefore, this study divides CR Sanjiu’s continuous M&A activities into the diversified expansion phase (2011–2016) and the health and wellness layout phase (2017 to present).

2. Analysis of the Value Creation Process in the Diversified Expansion Phase

2.1. Industry Environment Analysis

In 2011, the Ministry of Industry and Information Technology issued the "12th Five-Year Development Plan for the Pharmaceutical Industry." Against this backdrop, competition within the pharmaceutical industry intensified, and the fragmented "small and scattered" pattern faced restructuring. Industry concentration was expected to gradually increase, scale effects became more pronounced, less competitive enterprises were gradually eliminated, while opportunities and space for mergers and acquisitions by leading companies expanded.

2.2. Resource Structuring

In 2011, CR Sanjiu completed the acquisition of 100% equity stakes in four companies: Benxi Sanyao in the gastrointestinal drug field, Hefei Shenlu in the cold medicine field, Shuanghe Gaoke in chronic disease, and Beijing Beimao in drug sales. These acquisitions enriched the product lines in gastrointestinal and chronic disease areas, promoting the company's external expansion.

In 2012, CR Sanjiu acquired Guangdong Shunfeng Pharmaceutical, which had a rich portfolio of dermatology products and strong market influence. This acquisition supplemented CR Sanjiu’s scarce products in the dermatology field, rapidly increased its visibility in the antifungal niche market, and provided a new economic growth point for the company.

In 2013, CR Sanjiu acquired Guilin Tianhe Pharmaceutical Co., Ltd. and Shandong Linqing Huawei Pharmaceutical Co., Ltd. These acquisitions marked a major move in implementing the company’s external expansion strategy, broadening CR Sanjiu’s product lines in orthopedics, tonics, and gastrointestinal areas. In the same year, CR Sanjiu rose to first place among OTC companies.

In 2015, CR Sanjiu completed acquisitions of Zhejiang Zhongyi Pharmaceutical, Beijing BioT, and Ya’an Yuhe. The acquisition of Zhejiang Zhongyi reflected CR Sanjiu’s persistence in external expansion after becoming the leading OTC company by introducing high-quality oral antibiotic products into its product portfolio. Meanwhile, the acquisitions of Beijing BioT and Ya’an Yuhe showcased the company’s strong emphasis on drug research and related academic studies, striving to create breakthrough innovative drugs for clinical medicine.

In 2016, CR Sanjiu acquired Kunming Shenghuo Pharmaceutical. This acquisition helped CR Sanjiu gain multiple excellent assets in the cardiovascular and cerebrovascular field, introducing oral dosage forms to improve the company's declining performance in injectable drugs in this field. This aligned with the company’s strategic orientation in prescription drugs and promoted the construction of a differentiated product line.

2.3. Resource Reconfiguration

2.3.1 Strengthening the Management Team

The management team not only leads the company’s future development direction but also oversees daily production and operations. The large volume of high-quality resources acquired through consecutive mergers and acquisitions requires effective integration and management to be transformed into capabilities that create value for the company. Therefore, building a professional management team is indispensable. CR Sanjiu has appointed elite professionals at the levels of

independent directors and supervisors to provide specialized decision-making support and risk control and planning in the financial field for the company's M&A activities.

In 2015, Mr. Ye Zuguang served as an independent director of CR Sanjiu in the 6th Supervisory Board. Mr. Ye is a seasoned expert in the pharmaceutical field with many years of experience and extensive industry connections. He is highly sensitive to policy changes and market trends within the pharmaceutical industry, enabling him to offer the company deeper professional insights and strategic development planning. His involvement improves the accuracy of CR Sanjiu's M&A target decisions and enhances the company's growth potential. Also in 2015, Mr. Zhang Xiaoqiang served as a supervisor of CR Sanjiu in the 6th Supervisory Board. Mr. Zhang graduated from Zhongnan University of Economics and Law with a bachelor's degree in Financial Management and holds several professional certifications including CIA and CRMA. With strong financial knowledge and management experience, Mr. Zhang has held audit and risk management positions in multiple subsidiaries within the group and possesses an in-depth understanding of the group's overall condition. He provides high-quality support in financial planning, risk control, and investment decision-making. His guidance on financial coordination in CR Sanjiu's continuous M&A activities helps keep acquisition risks within a reasonable range.

2.3.2 Building Specialized Production and Planting Bases

In 2012, the construction of CR Sanjiu (Ya'an) Pharmaceutical Industrial Park began, with plans to become a production base for traditional Chinese medicine injections in its development plan. This move is of great significance for the achievement of CR Sanjiu's "dual-terminal" development strategy of OTC and Chinese medicine prescription drugs. After completion, CR Sanjiu (Ya'an) Pharmaceutical Industrial Park will have multiple product clusters, including seeds and seedlings, prepared Chinese medicine slices, natural drug injections, etc., promoting full coverage of the Chinese medicine health industry chain. In the same year, the Huaibei production base was built and put into operation to solve the bottleneck of production capacity and site limitations, and gradually release the production capacity of the Chinese medicine formula granules business. In 2013, an investment of 42.5 million yuan was made in China Resources Lanhua (Jincheng) Pharmaceutical Co., Ltd., striving to build a Chinese medicinal material planting base, extending the layout to upstream medicinal material planting areas to ensure the supply of production raw materials. After 2014, CR Sanjiu further promoted the construction of the four major production bases in Northeast China, Lianghuai, South China, and Southwest China to achieve the goals of specialization, scale, and intensification, give full play to cost advantages, further integrate business resources, and release production capacity.

2.4. Resource Leveraging

CR Sanjiu has achieved the accumulation of resources such as business, market, and technology through multiple horizontal mergers and acquisitions, and actively integrates resources through multi-dimensional measures to improve resource utilization efficiency. During this period, CR Sanjiu acquired mature product lines in topical dermatological drugs and orthopedic drugs through mergers and acquisitions. These include Guangdong Shunfeng Pharmaceutical and Guilin Tianhe Pharmaceutical Co., Ltd. The former has a good reputation and product efficacy in topical dermatological drugs, while the latter provides a variety of high-quality orthopedic drug products. Acquiring these companies can enrich CR Sanjiu's business landscape, consolidate the company's market position, and become a core brand in CR Sanjiu's "1+N" brand building policy. In the Chinese medicine prescription market, Zhejiang Zhongyi and Kunming Shenghuo were acquired. Zhejiang Zhongyi Pharmaceutical performed well in the field of Chinese medicine prescriptions, and Kunming Shenghuo's main focus was cardiovascular and cerebrovascular, which can be developed in conjunction with CR Sanjiu's original injections. Through diversified expansion, not only can CR Sanjiu's business areas be broadened, but also it can be developed in conjunction with CR Sanjiu's original business to achieve business synergy. CR Sanjiu constantly enriches its product categories in the process of mergers and acquisitions, absorbs the resources formed by mergers and acquisitions

to drive performance growth, expands market share, and realizes business leveraging resource utilization.

3. Analysis of Value Creation in the Health and Wellness Phase

3.1. Industry Environment Analysis

According to the report of the 19th National Congress of the Communist Party of China, the country will vigorously advance the "Healthy China" strategy, a policy that brings new development opportunities to China's pharmaceutical and healthcare sectors. Accompanied by the growth of the national economy and an aging population structure, residents' demand for medical and health services is steadily increasing. Amid the backdrop of consumption upgrades, people's awareness of health and wellness has strengthened, leading to a surge in demand for health products, with women and children as the primary consumer groups. Given the vast development potential of the health and wellness industry, the domestic pharmaceutical industry urgently needs to undergo transformation and upgrading to meet differentiated and high-quality consumption demands.

3.2. Resource Structuring

In 2017, CR Sanjiu completed the acquisition of Shandong Shenghai. This was the first M&A transaction following CR Sanjiu's strategic decision to enter the health and wellness business, initially establishing the product line and operating model for this segment, marking the official launch of CR Sanjiu's health and wellness business.

In 2019, CR Sanjiu essentially completed the acquisition of Aonuo (China) Pharmaceutical Co., Ltd. The children's health sector is a vital part of the health and wellness business, and Aonuo Pharmaceutical enjoys high recognition in this field. This acquisition solidified CR Sanjiu's product layout in children's health, laying a solid foundation for the company to build a comprehensive health and wellness product line covering all ages and segments.

In 2020, CR Sanjiu completed the acquisition of Shenzhen CR Tang, a company with many years of experience in the health care and tonic product sector. As a pharmaceutical sales enterprise, Shenzhen CR Tang possesses rich brand resources and operational capabilities. This acquisition not only helps CR Sanjiu integrate marketing channels and promote the integration of online and offline businesses but also supplements CR Sanjiu's product line in traditional Chinese medicine tonics, supporting the layout and development of its health and wellness business.

3.3. Resource Reconfiguration

3.3.1 Strategic Cooperation Enhances R&D Innovation Capability

Since 2017, CR Sanjiu has continuously strengthened cooperation with traditional Chinese medicine hospitals and higher education institutions, promoting innovation through industry-hospital and industry-academia partnerships to stimulate corporate vitality. Hospitals, as key sites for technology research and practice, enable industry-hospital collaboration to leverage unique resources for product development, clinical trials, and market promotion, saving time and costs while improving R&D and marketing efficiency. Industry-academia cooperation builds on the strengths of both parties to deepen collaboration in the "industry-university-research" field, achieving complementary advantages, win-win outcomes, and jointly promoting the inheritance and innovation of traditional Chinese medicine.

3.3.2 Innovative Brand Marketing Approaches

To cope with intensifying market competition and enhance brand awareness and customer loyalty, CR Sanjiu has continuously explored and innovated its marketing strategies, diversifying its promotional methods. The "3.9 Health Day" campaign and Thanksgiving short films launched by CR Sanjiu align with the OTC business philosophy of "Focused on Love, Protecting Families," vividly presenting the brand image and product features through genuine and warm stories. This strengthens

consumers' memory and brand impression, achieving phenomenally successful marketing. Since 2019, the company has actively experimented with cross-industry marketing, integrating products with creative and fashionable elements to reach a broader audience. This approach injects youthfulness, fashion, and vitality into the brand, expanding sales channels and enhancing brand influence.

3.3.3 Coordinating Business Development through External Investments

While acquiring resources through consecutive mergers and acquisitions, CR Sanjiu's corporate scale has continuously expanded. Relying solely on organic growth makes it difficult to effectively utilize acquired resources, potentially causing resource waste and hindering the company's growth and development. Therefore, CR Sanjiu coordinates development by establishing a series of subsidiaries. Through wholly-owned subsidiaries and joint ventures, CR Sanjiu expands its business in pharmaceutical sales, drug manufacturing, and even investment consulting, striving to achieve full industry chain coverage and corporate transformation and upgrading. To realize value creation from the resources gained through continuous M&A, CR Sanjiu externally expands by establishing pharmaceutical sales subsidiaries, better allocating resources to sales activities. Multiple sales-focused subsidiaries are geographically distributed across provinces such as Zhejiang, Anhui, Heilongjiang, and Hong Kong, building a sales network that meets consumer demands in various regions, flexibly responding to market changes, enhancing brand image and awareness, and driving sales revenue.

3.4. Resource Leveraging

During this period, CR Sanjiu established the Health and Wellness Division, adjusted its product structure, and expanded its business into health preservation and rehabilitation care. To fill gaps in its health supplement offerings, CR Sanjiu acquired several related companies. In the field of children's nutrition and health care, it acquired the leading enterprise Aonuo (China) Pharmaceutical Co., Ltd., and in dietary nutritional supplements, it acquired Shandong Shenghai Health Products Co., Ltd. Aonuo Pharmaceutical leveraged its product, calcium zinc gluconate oral solution, to enter the health supplement market and became the top zinc supplement product in China. The acquisition of Shandong Shenghai was a critical step in building CR Sanjiu's health and wellness product development platform, helping the company quickly supplement its vitamin and mineral product lines and expand market sales of health preservation products.

While promoting its health and wellness business, CR Sanjiu continuously optimized its downstream sales network. For example, Shenzhen CR Tang, with many years of experience in traditional Chinese medicine health care, possesses abundant health product resources and extensive retail and distribution expertise. By integrating the acquired companies' TCM business resources with its own brand advantages, CR Sanjiu has created synergies that strongly support the expansion of its online business and drive the strategic transformation of its online TCM health care brand. CR Sanjiu's series of initiatives have achieved integrated upstream and downstream operations, completing a comprehensive layout in the health and wellness sector. These efforts provide continuous momentum for the company to build a robust TCM business platform and become a leader in the mass pharmaceutical industry.

4. Summary

In 2011, amid supportive national policies and industry consolidation, CR Sanjiu set the vision to be a leader in China's OTC market and an innovator in the traditional Chinese medicine prescription drug market, launching over a decade of consecutive acquisitions to implement this strategy. In 2017, driven by consumption upgrading and rising health awareness, CR Sanjiu actively deployed its health and wellness strategy and acquired several well-known firms. For pharmaceutical companies, adapting to policy changes and industry dynamics is crucial; enterprises should establish timely

development strategies and employ planned serial mergers and acquisitions to support strategy execution, adjusting M&A plans in response to internal and external changes.

CR Sanjiu's "dual-end" strategy targets both consumer and medical markets, focusing on self-medication and prescription drugs. Multiple acquisitions have enhanced competitiveness by integrating quality pharmaceutical resources to meet consumer needs. During the diversified expansion phase, CR Sanjiu enriched its product lines through continuous horizontal mergers, expanded OTC and traditional Chinese medicine prescription drugs, and implemented the "1+N" brand strategy with 999 as the core brand to cover more categories and strengthen control over market segments, increasing market share. After 2017, CR Sanjiu established the Health and Wellness Division and acquired major health product companies such as Shandong Shenghai and Aonuo Pharmaceutical, marking its entry into the health and wellness sector. Leveraging continuous acquisitions, CR Sanjiu deepened its dual-end strategy, utilizing strong brand, channel, and scale advantages to create value and consolidate its industry leadership.

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