

Strategy and Analysis of Tong Ren Tang's Digital Marketing Transformation

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Abstract: The rapid advancement of the Internet and the digitalization process has made digital transformation a necessity for traditional enterprises. This paper examines the digital marketing transformation strategies of Tong Ren Tang, one of China's most renowned time-honored brands, and highlights the critical importance of digital transformation for traditional enterprises. Through an analysis of Tong Ren Tang's historical development and its journey towards digitalization, this study identifies key challenges and opportunities associated with digital transformation. Drawing on established theoretical frameworks and the company's case study, the paper explores how Tong Ren Tang integrates digital marketing tools, content marketing strategies, and online-to-offline (O2O) models to maintain its competitive edge in an increasingly digital marketplace. Despite facing obstacles such as maintaining brand authenticity, overcoming internal resistance, and navigating regulatory complexities, Tong Ren Tang leverages innovative technologies such as augmented reality (AR), virtual reality (VR), and AI to enhance consumer engagement and brand loyalty. This study suggests with strategic recommendations for Tong Ren Tang and similar traditional brands, emphasizing the need for cultural adaptation, technological investment, and omnichannel marketing approaches to succeed in the digital age.

Keywords: digital transformation, digital marketing, digitalization.

1. Introduction

China's time-honored brands constitute a vital component of the nation's brand ecosystem. There are 1,128 time-honored brands in China, with the average age is more than 140 years old [1]. These brands span various sectors and are distributed across the country. One prominent example is Tongrentang, renowned for its long-standing history and superior pharmaceutical expertise. However, the rise of Internet mobile platforms and e-commerce has presented these traditional enterprises with the pressing challenge of digital transformation. According to the Ministry of Commerce of China, online retail sales grew by 11% in 2023, maintaining China's position as the world's largest online retail market for 11th consecutive years[2]. This underscores the importance of online retail, raising the question of Whether China's time-honored brand can evolve beyond its conventional business models and successfully embrace digital transformation.

According to the 2021 Pharmaceutical E-commerce Report, total corporate sales in 2021 increased by nearly 1 percentage point compared with 2020. The proportion of pharmaceutical e-commerce

continues to increase. This reveals the reality that digital marketing is in ever-increasing demand. According to the 2022 JD Health Annual Report, Tongrentang ranks first with a market share of 5.39% and is very popular on e-commerce platforms[3]. In the existing literature on digital transformation in marketing, researchers emphasize its critical importance for the sustainability and competitiveness of traditional brands. As consumer behavior rapidly evolves in response to digital advancements, traditional brands must adapt to remain relevant in an increasingly digital market. Studies highlight that digital transformation involves more than just adopting new technologies such as big data analytics, social media marketing, and e-commerce platforms. It requires a fundamental reorganization of internal processes, corporate culture, and customer engagement strategies[4]. By leveraging digital tools, traditional brands can more accurately target customer preferences, deliver personalized experiences, and strengthen customer loyalty[5]. Moreover, digital platforms provide brands with unprecedented opportunities to reach global markets and expand their consumer base beyond geographical limitations. For heritage brands, digital transformation not only modernizes their image but also allows them to convey their rich history and cultural significance to new audiences[6]. Ultimately, digital transformation is a vital pathway for traditional brands to remain competitive, attract younger consumers, and achieve sustainable growth in a digital-first world. Without it, these brands risk losing market share and becoming obsolete.

This paper will examine Tong Ren Tang as a case study to illustrate the critical importance of digital transformation for time-honored brands. The analysis will first explore the theoretical frameworks before delving into the company's background, and its digital transformation journey, and providing insights on the associated challenges and opportunities. The objective is to draw upon digital marketing theories to offer a reference model for the digital transformation of similar traditional industries.

2. Theoretical Framework of Digital Marketing Transformation

Digital transformation is defined as “a process through which companies converge multiple new digital technologies, enhanced with ubiquitous connectivity, to reach superior per-performance and sustained competitive advantage, by transforming multiple business dimensions, including the business model, the customer experience (comprising digitally enabled products and services) and operations (comprising processes and decision-making), and simultaneously impacting people (including skills talent and culture) and networks (including the entire value system)”[7]. It is increasingly common to integrate digital technology with artificial intelligence, with a particular emphasis on data integration, to redefine customer value. This transformative process not only requires technological innovation but also necessitates a fundamental reshaping of corporate culture. One effective strategy to facilitate this transformation is through the implementation of digital content marketing defined as “a management process responsible for identifying, anticipating, and satisfying customer requirements profitably in the context of digital content, or bit-based objects distributed through electronic channels”[8]. The primary objective is to enable companies to penetrate the market with optimal efficiency, minimizing costs and accelerating time-to-market, while effectively addressing customer needs.

The digital transformation of traditional brands faces numerous challenges, including the absence of clear objectives, insufficient data responsiveness, and uneven developmental progress. While many traditional industries recognize the importance of digitalization, they often lack well-defined goals and strategic planning struggling to approach digital transformation from a comprehensive corporate development perspective. These companies require not only reconfiguration of their technological infrastructure but also a reorganization of internal departments to clarify the changes in roles and responsibilities brought about by digital transformation—an endeavor that is both complex and large in scale. Apart from this, successful digitization relies heavily on the utilization of Internet

technologies and data-driven research. However, many traditional industries remain in the early stages of data utilization, lacking the sensitivity to apply and analyze data effectively. This hampers their ability to conduct predictive analysis, make informed marketing decisions, anticipate market trends, and manage risks. From a technological standpoint, traditional businesses must secure highly skilled technical teams to support their digital development. Given the unique pathways of development that each company follows, personalized and high-quality core technologies are crucial. Finally, traditional enterprises often develop unevenly, characterized by limited capital and an underdeveloped workforce. The hard and soft power of these companies frequently lag, making it difficult for them to keep pace with rapid technological advancements.

Digitalization has two major impacts: one on consumer behavior and the other on brand loyalty. First, digitalization not only alters consumers' ability to engage in online shopping but also reshapes their purchasing behavior in offline traditional channels. It is predicted that the popularity of mobile payments and online advertising will continue to increase in China, indicating that digital marketing will increasingly dominate marketing channels with the growing prevalence of the internet and digital tools[9]. Consumers now engage with digital platforms at various stages of the shopping process and across diverse scenarios, signifying a continuous evolution in shopping habits. Moreover, consumers are increasingly reliant on the Internet to access information and make purchasing decisions. Payment preferences are also shifting, with consumers favoring the speed and efficiency of digital payment systems, while the perceived security of online payments further enhances consumer confidence. Second, digitalization has a profound effect on brand loyalty. By simplifying the shopping process and reducing operational complexities, digitalization can significantly enhance the customer experience. Additionally, data analysis enables personalized product recommendations, further increasing customer satisfaction. Digitalization also fosters customer engagement by inviting consumers to participate in content creation related to the brand, which enhances brand loyalty. In summary, digital transformation presents numerous opportunities for companies to forge closer relationships with their customers and amplify public attention toward their brands.

3. Background of Tong Ren Tang This section must be in one column.

Tong Ren Tang is not only a renowned traditional Chinese medicine brand but also one of the first enterprises recognized as part of China's intangible cultural heritage. Appointed as the official pharmaceutical supplier to the Qing court in 1723, the company has a rich legacy sustained by successive generations. In 1953, Taiwan Tong Ren Tang was successfully established, followed by the founding of China Beijing Tong Ren Tang in 1992, which was later restructured into a wholly state-owned enterprise in 2001. Tong Ren Tang follows a unique developmental path that integrates economic growth with cultural preservation, assuming the responsibility of promoting traditional Chinese medicine (TCM) culture. The company adheres to the ancient adage, "No matter how complex the preparation, we dare not save labor; no matter how costly the ingredients, we dare not reduce them," and implements a quality-centric strategy based on lean manufacturing, precision marketing, and fine management. These principles define Tong Ren Tang's pharmaceutical identity, characterized by unique formulations, superior ingredient selection, meticulous craftsmanship, and exceptional efficacy, which form the foundation of its culture of quality and integrity.

China's TCM industry is experiencing rapid growth, and Tong Ren Tang currently operates in an oligopolistic market, competing with firms like Yunnan Baiyao. The company targets middle- to high-income consumers who prioritize health and have a deep interest in TCM culture. Given the aging population and evolving pharmaceutical policies, innovation in TCM has become increasingly important. However, Tong Ren Tang's R&D expense in 2022 was just 0.217 billion, significantly lower than the industry average[10]. Furthermore, the company faces substantial challenges in adopting the necessary digital technologies and capabilities, requiring significant investments without

guaranteed returns. Building specialized teams will take time and financial resources, while regulatory pressures and the complexity of medical data research continue to mount.

Despite these challenges, Tong Ren Tang has actively pursued a shift from traditional sales models to digital and e-retailing. Since 2015, it has collaborated with third-party companies to establish a comprehensive digital marketing system. A notable example is its partnership with 1 Drug Network, which equipped Tong Ren Tang with digital tools such as the "Eagle Eye" system and Customer Relationship Management (CRM) for data analysis and lifecycle management[11]. Additionally, hybrid cloud infrastructures—combining Microsoft System Center's private cloud with public cloud services from Alibaba Cloud and Microsoft Azure—were implemented to support the company's future development needs[12]. This marked Tong Ren Tang's earliest step toward digital collaboration.

To further align with the digitalization trend, Tong Ren Tang partnered with Zhiyuan Internet in 2018, leveraging the capabilities of the Collaborative Operation Platform (COP) to integrate its operations across office management, finance, and business functions[13]. This platform facilitates the collection and analysis of business data to inform decision-making processes. Tong Ren Tang has also developed applications for process approvals, license management, budgeting, and asset management, expanding to areas like contract and bill management. Through these efforts to streamline operations via digital processes, the company is making significant strides toward achieving its digital transformation goals.

4. Analysis of Tong Ren Tang's Digital Marketing Transformation

Tong Ren Tang employs a diverse range of content marketing strategies to promote its products. In 2021, the company collaborated with a public account Meiyoyou New Knowledge to publish health-related articles and educate the audience while promoting its products[14]. This approach not only attracts more consumers to Tong Ren Tang's offerings but also helps shape its brand image. Additionally, the company has launched numerous interactive campaigns aimed at engaging younger audiences. For instance, it planned an ancient-style pop-up event on Chinese Valentine's Day in 2023 to capture public attention[15]. Moreover, Tong Ren Tang collaborated with the TV series Ningan Like a Dream by integrating teasers and Band-Aid advertisements, using on-screen barrages and character endorsements to enhance brand exposure and extend its brand value.

In response to the ongoing trend of digitalization, Tong Ren Tang has strategically implemented an online-to-offline (O2O) integration of its physical and digital marketing channels, following the "Internet Plus" concept, an application of the internet and other information technology in conventional industries. By 2015, the company had established a network of 1,800 store-in-stores and 40 large-scale flagship stores across China, while simultaneously launching online stores on e-commerce platforms like JD.com and Taobao to broaden its digital reach[12]. In terms of marketing strategies, Tong Ren Tang leverages online platforms like Weibo, and WeChat, and dedicated apps for promotion, employing methods like email marketing and search engine optimization (SEO) to create virtual marketing channels.

The company operates both online and offline With a focus on management and marketing in its digital operations and customer experience and product display in its physical stores. Offline stores serve as critical touchpoints for product interaction, service engagement, and experiential marketing, while online channels complement these by ensuring comprehensive coverage and seamless integration. To enhance O2O marketing, Tong Ren Tang utilizes various digital platforms, including WeChat, WeChat Stores, and health channels. In 2022, the company introduced the "1+4" e-commerce initiative, aimed at integrating online and offline operations to strengthen the brand's appeal among younger consumers[12].

As part of its ongoing digital transformation, Tong Ren Tang has been developing its Enterprise Resource Planning (ERP) to automate data processing and reduce human error[12]. This system enables the company to provide personalized customer services based on purchase history and feedback. For instance, the ERP system can recommend appropriate medications or healthcare products tailored to a customer's symptoms, thereby improving customer satisfaction. Additionally, the ERP system aids in forecasting market trends and business demands by analyzing sales data to identify management and strategic issues, allowing the company to adjust its approach proactively. Tong Ren Tang has introduced an AI robot, Tangtang, which greets customers and provides product information[16]. The company also uses AI for health assessment, offering personalized recommendations based on each customer's physical condition.

These comprehensive approaches underscore Tong Ren Tang's commitment to blending traditional values with modern digital strategies, ensuring its continued relevance and competitiveness in an evolving marketplace.

5. Challenges and Opportunities in Digital Transformation

Maintaining brand authenticity presents a significant challenge for Tong Ren Tang in the digital age. While digital campaigns offer opportunities to expand the brand's reach, they also risk diluting its heritage. The company's traditional values and practices may not and practices may not seamlessly translate into digital formats, potentially compromising its authenticity. Another challenge lies in overcoming internal resistance to change. As a long-established company, Tong Ren Tang may face organizational reluctance towards digital transformation, which could slow the adoption of new marketing strategies and weaken its competitiveness in the evolving digital landscape.

Additionally, Tong Ren Tang must navigate regulatory and cultural complexities in digital marketing. Operating in a highly regulated Industry, Tong Ren Tang needs to ensure that its digital campaigns comply with all relevant laws and regulations. Moreover, as the company targets international markets, it must consider cultural differences, requiring a nuanced understanding of local customs and preferences.

Despite these challenges, the digital age offers significant opportunities for Tong Ren Tang to drive growth and innovation. One major opportunity is expanding the company's digital presence in untapped markets. By leveraging digital platforms, Tong Ren Tang can reach consumers in regions where it lacks a physical presence, thereby expanding its customer base and revenue streams. Emerging technologies, such as augmented reality (AR) and virtual reality (VR), present additional possibilities. From the perspective of practical use, AR could be used to create interactive product demonstrations, while VR could offer virtual tours of the company's production facilities, enhancing the customer experience and differentiating the brand in a competitive market. Furthermore, the implementation of omnichannel strategies provides an opportunity to integrate the company's online and offline channels, ensuring a seamless shopping experience that could boost customer satisfaction and loyalty, thereby driving long-term brand growth.

6. Strategic Recommendations

To effectively navigate the challenges and opportunities of digital marketing transformation, several strategic recommendations are proposed for Tong Ren Tang. These strategies will help the company not only maintain its brand authenticity but also leverage digital tools to enhance customer engagement, streamline operations, and foster long-term growth.

6.1. Maintain Brand Authenticity through Storytelling

As Tong Ren Tang embarks on its digital marketing transformation, maintaining brand authenticity is paramount. One of the most effective ways to achieve this is through storytelling on digital platforms. By leveraging videos, blogs, and social media, the company can communicate its rich history, traditional practices, and the unique value of its products. Storytelling is particularly important in digital marketing because it allows the brand to connect emotionally with its audience, creating a narrative that highlights both the cultural significance and the health benefits of traditional Chinese medicine (TCM). As digital platforms become the primary touchpoints for consumers, using these channels to tell Tong Ren Tang's story will help strengthen its brand image and build a deeper relationship with modern, digitally-savvy consumers. In a digital marketing context, this strategy aligns with the concept of content marketing, which is a crucial component of digital transformation. Content marketing not only drives consumer engagement but also enhances search engine visibility, which is essential for expanding reach in a crowded online marketplace.

6.2. Overcome Internal Resistance by Cultivating a Culture of Digital Transformation

A critical challenge in the digital marketing transformation of traditional brands like Tong Ren Tang is internal resistance to change. For successful digital transformation, it is essential to cultivate a culture of digital innovation within the organization. This can be achieved through training and education programs that help employees at all levels understand the importance of digital marketing tools and strategies, such as data analytics, social media management, and e-commerce. In digital marketing, the ability to adapt quickly and make data-driven decisions is crucial. Employees need to be equipped with the knowledge and skills to utilize these digital tools effectively. Moreover, leadership must play a key role in this transformation by leading through example. Leaders should demonstrate their commitment to embracing new technologies, such as customer relationship management (CRM) systems and automated marketing platforms, which are critical for personalizing customer interactions and improving operational efficiency in digital marketing.

6.3. Invest in Legal and Cultural Expertise for Market Expansion

As Tong Ren Tang continues its digital transformation and expands into new markets, it must navigate the complex legal and cultural landscapes that govern digital marketing activities globally. Investing in a team of experts with in-depth knowledge of the legal frameworks and cultural nuances of target markets is essential for ensuring that the company's digital marketing efforts comply with local regulations. Additionally, thorough market research is required to understand local consumer preferences, behaviors, and trends. This knowledge will allow Tong Ren Tang to develop tailored digital marketing strategies that resonate with local audiences. For example, the company could use culturally relevant messaging in its social media campaigns or adapt its website and e-commerce platforms to align with local consumer habits. This approach ensures that Tong Ren Tang's digital marketing transformation is both compliant and effective, positioning the brand for success in new international markets.

6.4. Leverage AR and VR for Enhanced Customer Engagement

The integration of emerging technologies like augmented reality (AR) and virtual reality (VR) presents significant opportunities for enhancing the digital marketing experience. In the context of Tong Ren Tang's digital marketing transformation, AR can be employed to create interactive product demonstrations that allow consumers to visualize product usage, understand the ingredients, and learn about the health benefits of each product. This type of immersive experience can deepen consumer

engagement by providing a richer, more informative interaction with the brand. Moreover, VR can be used to offer virtual tours of Tong Ren Tang's production facilities, providing an inside look at the company's manufacturing process and commitment to quality. This transparency builds trust and fosters a stronger connection between the consumer and the brand. In digital marketing, such innovative uses of AR and VR not only differentiate Tong Ren Tang from competitors but also create memorable customer experiences that drive brand loyalty.

6.5. Implement an Omnichannel Strategy for Seamless Customer Experience

A comprehensive omnichannel strategy is critical for Tong Ren Tang's digital marketing transformation. In the modern retail landscape, consumers expect seamless integration between online and offline shopping experiences. By implementing services such as online ordering with in-store pickup or in-store returns for online purchases, Tong Ren Tang can create a frictionless shopping journey that enhances customer convenience and satisfaction. An omnichannel approach also allows the company to track customer interactions across multiple touchpoints, providing valuable data that can be used to personalize marketing campaigns and improve customer retention. For example, using data from online purchases and in-store interactions, Tong Ren Tang can offer targeted promotions or recommend products based on a consumer's shopping history. This level of personalization is a key advantage in digital marketing and is essential for driving customer loyalty and long-term success.

7. Conclusion

This paper has explored the digital marketing transformation journey of Tong Ren Tang, a time-honored Chinese brand, emphasizing the crucial importance of adapting to digital tools and strategies in today's competitive marketplace. The key findings of this study indicate that traditional brands, such as Tong Ren Tang, can maintain their authenticity while embracing modern digital practices through storytelling, fostering a culture of digital innovation, and leveraging emerging technologies like augmented reality (AR) and virtual reality (VR). These strategies are critical for strengthening brand image, enhancing customer engagement, and ensuring long-term sustainability in a rapidly digitalizing world.

One of the most significant insights from this research is the importance of storytelling as a digital marketing tool to preserve the brand heritage and foster emotional connections with consumers. By narrating the brand's rich history and traditional practices across digital platforms, Tong Ren Tang has successfully conveyed its core values while reaching younger, tech-savvy audiences. Additionally, overcoming internal resistance to change by cultivating a culture of digital transformation within the organization is essential for successfully navigating the complexities of adopting new technologies. The research also highlights the potential of AR and VR technologies to create immersive and personalized consumer experiences, which can differentiate Tong Ren Tang from its competitors.

While this study provides valuable insights into the digital transformation of traditional brands, it has certain limitations. Future studies could broaden the scope by examining a wider range of time-honored brands across various industries to compare their digital transformation strategies. A comparative analysis of successful and unsuccessful digital transformation efforts could offer deeper insights into the critical factors that determine the success of such initiatives. Lastly, given the rapid pace of technological advancements, future research should investigate how new technologies—such as blockchain and the metaverse—can further revolutionize traditional brands' marketing strategies, contributing to their sustained competitiveness in the global digital economy. By addressing the area, future research can provide more comprehensive guidance for traditional brands seeking to successfully navigate the challenges and opportunities presented by digital transformation.

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