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PROPRIETARY MEDICINE AND OINTMENT TRADE IN CHINA

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PROPRIETARY MEDICINE AND OINTMENT TRADE IN CHINA.

INTRODUCTION.

No country offers a richer field for the proprietary-medicine trade than China. Hygiene is practically unknown among the Chinese, and the sickness and suffering to which the masses are subject on account of the lack of efficient native remedies or treatment is probably greater than in any other country. This is especially true of all varieties of skin diseases, against which no native salves or blood tonics seem effective. Competent foreign or foreign-trained physicians are few, and hospitals are unknown except in or near treaty and trade ports.

RECENT DEVELOPMENT OF TRADE.

Ten years ago the proprietary-medicine trade in China was hardly worth mentioning, although foreigners had been laboring for 20 years or more to develop it, but immense strides have been made since then and ample profits have been realized, although the trade may still be said to be in its infancy.

Through judicious and persistent advertising the natives are gradually being educated to the necessity of paying some intelligent attention to their various ailments and are responding remarkably well. For this reason it should not be difficult to introduce a good article at a reasonable price, if supported by the right methods of advertising, and thus obtain a foothold in what now seems destined to become within the next decade the world's greatest market for proprietary medicines.

PRESENT SALES SYSTEMS.

There are now as many as six American and English patent-medicine houses and one Japanese house established in China. These either have headquarters in Shanghai, with branch organizations extending all over the country, or send out traveling representatives who cover the field thoroughly by periodic trips. These houses and a few others working on a small scale are all engaged in the sale of their own brands and are not open for any proposal for the sale of other medicines.

However, some patent-medicine houses that have no organizations of their own in the field do a thriving business through old established houses in the general import business that have special departments under the management of experts for handling special lines. Several of these firms are particularly well fitted to care for the patent-drug trade because of their large organizations extending all over China, and in some cases penetrating to hitherto almost inaccessible points

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in the interior. The efficiency of these foreign agents is materially enhanced by having patent-medicine departments under the management of men thoroughly familiar with the requirements of the trade both in Western and Oriental countries.

The American and English firms may be said to have obtained no more than a foothold in China, but the receipts of the Japanese concern are estimated to be nearly equal to those of all the other foreign firms combined. The success of this company is no doubt due in part to the superior facilities which the Japanese have in China by virtue of similarity of language, racial characteristics, and business methods; but this company has spared no pains, either in canvassing or publicity campaigns, to exploit thoroughly and systematically the whole of China, so that even in remote interior sections it is difficult to escape the familiar poster extolling the virtues of "Jintan."

ADVERTISING.

Since the selling of patent medicines has proved to be successful largely, if not wholly, to the extent that well-planned advertising creates a demand, and thus ultimately gives the manufacturer maximum returns with a minimum expenditure, it may be advisable first to consider and analyze various methods of publicity to determine which produce the quickest results in China.

Generally speaking, judicious advertising produces the same effect on the Chinese as on the Western mind. There is, indeed, a tendency in China toward a quicker response to a concentrated, well-executed advertising campaign than in Western countries, probably because the Chinese habitually take notice of even the smallest fact that comes under their observation, think it over, and discuss it. Comparatively few Western firms have gone in for vigorous and well-organized publicity in China, chiefly because of the prevailing but erroneous notion that the Chinese are too illiterate to warrant the expenditure of even the smallest sums for advertising foreign goods in the native press, but there is an inviting field for manufacturers who are willing and able to introduce their products through the vernacular press and by other methods of advertising calculated to reach the masses. It is positively asserted by one American, who reaped a rich harvest of orders after a good publicity campaign, that with sufficient advertising anything at all within reason can in time be profitably introduced to the Chinese trade.

VERNACULAR NEWSPAPER PUBLICITY.

Excluding foreign newspapers, printed in English and circulating chiefly in the small community of foreigners here and consequently not of much service in reaching the native population, there are about 130 newspapers in China, printed in Chinese and published by Chinese concerns, that are suitable for advertisements.

A campaign in these 130 papers would practically cover the whole country, but it is not necessary, and in some cases not even advisable, to exploit the whole of China at once.

China can roughly be divided into four sections, each of which can be handled separately for publicity or distribution. The northern section, extending north of Kiangsu Province through the Province

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of Chihli into Manchuria, has about 40 of these native newspapers; the central section, extending from Shanghai through the Yangtze Valley into Tibet, also has about 40; the southern section, extending from Hongkong up to the border of Burma, has about 30; and the Manchurian section, leading through Manchuria as far as Urga, in Mongolia, has 20.

NEWSPAPER CIRCULATION AND RATES.

Some Peking, Tientsin, Hankow, Shanghai, and Hongkong papers have circulations of upward of 25,000 copies, but the average circulation of the papers in interior towns and of the less important papers in the capital and in the treaty ports seldom exceeds 5,000 to 6,000 copies. However, these figures do not represent the actual number of readers, since, in the interior especially, newspapers go from hand to hand. In the larger cities there is a regular collection of distributed newspapers for subsequent resale in outlying towns.

Newspaper advertising in China is comparatively inexpensive and is customarily based on rates for daily insertions, contracts being made and paid for monthly.

In the northern papers, including the important Peking dailies, space for daily advertisements 1 inch by 9 inches can be bought at an average price of about $1.90 per paper per month.

In the Central China papers, except for those in Shanghai, the average rate for advertisements of the same size for daily appearance would be about $1.65 per paper per month.

The Shanghai dailies, the most important and influential in China, are fairly expensive, the average price for similar advertisements in the six leading papers being about $3.50.

In the southern papers, including the influential Hongkong and Canton papers, space can be bought at an average rate of $1.85 per paper per month.

As stated, these rates are for advertisements 1 inch by 9 inches. To calculate the price of a half-page advertisement, the above prices should be multiplied by 13, since, with few exceptions, a half page in Chinese newspapers is 13 by 9 inches. Of course, these prices can not be guaranteed, as many contracts have to be specially bargained for and there is, besides, a tendency in Chinese newspaper circles to raise rates.

PREPARATION OF COPY AND ELECTROTYPES.

Electrotypes can be made cheaper here than abroad. Shanghai especially has printing plants where the finest kind of designing, printing, lithographing, engraving, and block-making is being done by efficient and capable Chinese experts who have the finest and the most modern machinery at their disposal. Designs should be used wherever possible and should be made by Chinese artists here so as to suit Chinese taste.

These drawings should always embody the trade-mark, or "chop" as it is called in China, and great care should be exercised to see that this design is never modified in the slightest degree. One firm lost almost a half-year's business by using a new label plate which printed the clouds in a landscape that the old worn-out plate had long failed to bring out. The firm experienced such difficulty in

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attempting to convince the trade that the label was the same and not that of a spurious article, that it was finally decided to have another new plate made which omitted the clouds that had caused the trouble.

It is quite unnecessary to have blocks made of the whole advertisement. While in all cases printed examples showing the type desired should be sent to the papers, it is sufficient to supply only the block for the illustration and to leave it to the papers to follow the type indicated or, what is still better, to supply woodcut characters for the specially large type. These characters are cut at very little expense by all printing works. As a rule, the papers follow the instructions with regard to setting very carefully, and voucher copies are handed in regularly at the end of every month with debit notes, thus facilitating the accurate keeping of an advertisement account.

The quality of the Chinese paper is so poor that none but first-class zinc plates or electros should be used for reproduction. Half-tone blocks are out of the question.

Newspapers in the vernacular are sold in the streets or sent to subscribers' houses, if desired. The best papers seldom cost more than 2 cents a copy sold in the street, or 40 cents per month delivered daily at the house.

POSITION OF ADVERTISEMENTS.

The position of advertisements in the Chinese papers also deserves considerable attention on the part of the advertiser. The front page, except for the name of the paper, is usually devoted to advertisements only. These are the usual short theater, business, want, loss, and similar announcements and command the highest rates. Whether this position is worth the price is a point on which advertisers differ. The very best position obtainable appears to be the inside of the first page, which, with the exception of a small space for advertising, is exclusively devoted to Government news, local news, and foreign telegrams. Special rates have to be paid for this position. One sheet of the paper is always exclusively reserved for editorial news and no advertisements are allowed on that sheet. For the rest, advertisements are inserted, as nearly as possible, in accordance with the wishes of advertisers, i. e., alongside or surrounded by reading matter, although this, of course, depends on the space available and the nature of the contract. There are also unfavorable positions in the Chinese papers which should be avoided.

Generally speaking, it is desirable to support newspaper publicity in China by as many other methods of publicity as circumstances warrant, according to the nature of each case and the desirability of obtaining certain and quick results, but it is possible to create a demand through newspaper advertising alone, provided, of course, that the campaign is judiciously planned, well carried out, and supplemented by efficient distribution.

It is essential to open every important newspaper campaign according to Chinese tastes and ideas. Once the product has been introduced and is well known there is no objection to following Western copy more closely, but the introductory copy should appeal forcibly to the Chinese taste. It is highly important to avoid too much exaggeration, as the average Chinese is phlegmatic and sensible.

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TRANSLATIONS.

Although the spoken language is entirely different in various sections of China, there is but one written language for all China and this is understood throughout the country. This fact can not be too strongly emphasized, as the general impression among American manufacturers seems to be that differences in dialects constitute an insurmountable barrier to a widespread advertising campaign.

For translations none but the very best Chinese experts, who realize the importance of addressing the masses in a popular yet dignified style, should be employed. Failure to have translations prepared by trained men has frequently resulted in errors which caused the advertising house to be held up to ridicule, thus entirely defeating the purpose of the advertisement. The translation of patent-medicine literature, whether for labels, wrappers, circulars, or general advertising matter, can only be done efficiently by Chinese specialists trained in this kind of work, who know what to emphasize and what to avoid, under the supervision of foreigners who are thoroughly familiar with the requirements of each case.

BOOKLETS AND TESTIMONIALS.

If intelligent attention is given to the preparation of suitable booklets containing the necessary reading matter splendid results may be obtained through this medium.

There are several ways of organizing a booklet distribution in China, but house-to-house distribution, well organized and well controlled, still seems to be the best method. About 5,000,000 booklets are necessary to cover the principal centers in China.

The whole make-up and the printing of booklets, calendars, or other pictorial Chinese advertising matter should be done in China. Many otherwise cleverly conducted campaigns have failed through "home arrangements" of these all-important matters, despite the fact that this work can all be done here under the supervision of foreign and Chinese experts, usually at a considerably lower price.

Testimonial advertising has met with success in China, as the Chinese are just as grateful as other human beings if they have obtained relief from a long-standing ailment, and many spontaneous letters of gratitude are received daily by leading patent-medicine firms here.

CALENDARS.

No form of advertising is more popular with the Chinese than an attractive calendar issued toward Chinese New Year (about the middle of February). The Chinese calendar takes the form of a scroll and is of considerable value for advertising purposes, since the Chinese are eager to have a pictorial calendar in their homes all year round for the purpose of discovering "lucky" or "unlucky" days for weddings, funerals, and other affairs. The calendar is usually displayed in a conspicuous place in the home all through the year, so there can be no doubt that this form of advertising is one of the best that can be devised. Calendar distribution requires a very large quantity of calendars, at an average price of not less than $0.12

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Mexican ($0.06 U. S.) for a well-finished and attractive design, hence this form of publicity is fairly expensive, but most advertisers have lately gone in for it. The favorite design for calendars used to be an illustration of an old classic tale, but now the Chinese prefer a girl picture either in semi-Western or Chinese dress.

OTHER FORMS OF ADVERTISING.

Handbills are an inexpensive and effective method of reaching the masses, and as the Chinese seldom throw away anything, a thorough distribution of handbills is more to be expected in China than in Western countries.

The use of electric signs is constantly increasing not only in treaty ports but even in fairly remote interior towns, and some of the signs in Shanghai are quite as imposing and attractive as any seen in Western countries. Space for window displays and signboards can easily be arranged for, and trained demonstrators can also be engaged to explain the merits of medicines while distributing small samples to those interested.

In almost all the treaty ports and in many inland towns motion pictures are rapidly becoming a very popular form of entertainment and attract large crowds of the better classes. Slides advertising various articles are often displayed, and occasionally enterprising manufacturers have had films displayed illustrating processes of manufacture and methods of using products. Such films are highly educational and only too rarely seen.

A very popular form of advertising, limited at present to a few seaports such as Tientsin, Shanghai, and Hongkong, is the display of posters in street cars. Billposting is another favorite method of advertising in China, but results are uncertain unless it is carried out on a very large scale, in which case it will, of course, be expensive. For publicity of this sort it is necessary to have a large, well-designed poster in attractive colors, a billposting staff, and rented rights for wall or boarding space.

DISTRIBUTION AND SALES.

Although the whole subject of publicity in China is practically inexhaustible, the main features have been touched upon and it is now desirable to revert to the conditions of distribution and sales.

In former years distribution was a serious problem because of the lack of adequate means of transportation, but traffic conditions in China have improved so that rapid, safe, and economical distribution is now possible. In fact, China does not differ greatly from any Western country so far as the necessities of a business like the handling of a patent medicine are concerned.

The actual number of medicine shops in China is unknown, but they are to be found in every town of any size and carry other commodities as well as medicines, especially prepared foodstuffs. The patent-medicine trade is, however, confined to the activities of about 300 leading drug stores, some of which are conducted very efficiently by foreign-trained physicians, and in nearly all cases by well-qualified chemists.

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The drug and patent-medicine trade has always been a flourishing one in China, especially for the retailer. The trade seems always ready to cooperate with the manufacturer who attempts to introduce a new line that promises to be profitable, especially if the first parcel is supplied on consignment terms.

ADVANTAGES OF CONSIGNMENTS.

It is not absolutely necessary for the first parcel to be supplied on consignment terms, but this course greatly facilitates the rapid introduction of a new brand. There are some proprietary medicines already on the market, so the possible profit must be sufficient to tempt the Chinese dealers to push the sale of a new article on their own account or else inducements and helps must be offered to assist them in making sales. As there is little use in advertising without a readily available supply to meet the demand thus created, the stocking of small lots with various druggists in a certain territory on a consignment basis, followed by any or all of the publicity schemes above mentioned, seems to be the most successful plan yet tried.

Naturally, if the American firm in China intrusted with the introduction of a new proprietary medicine can meet with the desired success more rapidly by an initial consignment of goods to Chinese distributers, followed up with an advertising campaign, than by any other method now attempted, the American manufacturer seeking to enter the China market should not ask its agent to bear the entire risk and responsibility, but should rather seek to cooperate to the fullest extent in the introduction of the article. If the agent must, because of prevailing conditions, distribute stocks by consignment, the least that the manufacturer can do is to consign goods to the agent until a sufficiently steady demand can be created to minimize any risk of loss to either manufacturer or agent. If the agent is prepared to offer the manufacturer the service of a complex and efficient publicity organization, built up by years of arduous, pioneer effort, the serious seeker for a foreign outlet for his products will not hesitate to assume his share of the initial expense.

The advantage of stocking the goods first in leading drug stores in approximately 80 of China's natural distributing centers lies in being able immediately to meet the demand that will have been created by advertising. Much valuable time, energy, and money can be thrown away by merely waiting for sample orders to come in to the import house instead of having already met the anticipated demand.

TERMS OF CREDIT AND PRICES.

In filling orders from these drug stores, which might be said to be of comparatively sound financial standing, for normal requirements credits up to 60 days are usually allowed by the foreign import house handling the agency. In rare instances the Chinese stores order direct from manufacturers, but unless the manufacturer has a representative on the ground to assist in settling all questions that might arise it is not to the advantage of either the American shipper or the Chinese dealer to attempt direct trade. Just as in dealing with firms in ports of entry in China, f. o. b. port of shipment quotations are receiving less and less consideration and quotations c. i. f.

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port of arrival are being insisted upon, so more and more the Chinese dealers in the interior are demanding quotations in fixed prices, including all charges paid to destination. While such quotations are impracticable for the manufacturer, import houses in China are able to meet this growing requirement with some degree of satisfaction, thus rendering almost indispensable services as intermediaries. This condition of affairs has been recently brought about by the change in the sales methods of the large treaty-port "hongs."

Whatever arrangements may be made between the manufacturer and the agent in China, it is necessary to allow for a trade discount or margin of profit of 25 to 30 per cent off the retail selling price. Discounts usually vary according to quantities sold but should not be less than 20 per cent off the retail price.

Protection of retail selling prices is out of the question, since the Chinese are past masters in the art of bargaining, no matter how small the amount or what they buy, and in many cases 50 per cent of the trade discount is given away by selling under fixed and advertised prices.

RECENT CHANGES IN TRADE METHODS.

It was formerly, and with many firms of non-American nationality still is, the practice to wait for the Chinese trade to come to the "hong," or import house, instead of going out after it. Merchants traveled for many weeks and over thousands of miles to get to the big ports and place their orders with foreign import firms operating only in these ports. Within recent years improved transportation conditions have made it possible, at the same time that keen competition has made it imperative, to go out into the interior and bid for the Chinese trade.

Chinese buyers are now beginning to await the arrival of the foreign traveling salesmen who are combing the country for orders that formerly almost went begging. Some foreign firms use Chinese salesmen, but thus far their success does not begin to compare with that of their less at home but infinitely more energetic and business-like confrères.

These salesmen, who in many instances have beaten out pioneer trails to rich interior markets that were not even marked on their maps, have returned to the treaty-port "hongs" with full and accurate information regarding trade routes, not otherwise obtainable even from Chinese official sources. With this constantly increasing volume of dependable information stamped in the experience of the sales force, but seldom reduced to written form, it is now possible for treaty-port "hongs" to meet changing conditions of trade in a manner that the manufacturer seeking direct trade with the interior can hardly ever hope to equal.

The Chinese market presents certain difficulties not found in other markets, but, on the whole, the successful introduction of proprietary medicines simply requires sound judgment, experience, knowledge of conditions, and, above all, persistence. The details of arrangements depend upon the particular line to be launched. In an energetic sales campaign reliable American import houses in China can and do render most valuable assistance.

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In case an individual representative is sent out, or if a man residing in China and already acquainted with Oriental methods and procedure is selected, he should be a man of even temper, not irritable, and patient under all conditions. A highly nervous man traveling in the interior of China would not prove satisfactory. The representative chosen should, by all means, be able to speak more than one language; a knowledge of English, French, and German would be serviceable to a traveler throughout the interior, especially if he had the aid of a good Chinese interpreter speaking the northern dialect, Mandarin.

It is unwise to inaugurate any extended campaign unless the goods to be handled are to be had in the nearest and most convenient distributing centers to fill orders with. A quick delivery is one of the first essentials of a successful campaign.

As in Western countries, a mail-order business in patent medicines is exceedingly difficult to obtain, and in fact offers very few advantages compared with the possibilities of the ordinary trade channels.

OTHER FEATURES OF INTEREST.

There is room for all kinds of proprietary-medicine preparations in China, provided, of course, that such medicines are reasonably efficacious for the ills for which they are recommended. In this respect the Chinese are perhaps more critical than any other nation, and are very sensitive about spending money without adequate returns. The goods should be put up in an attractive manner and retailed at a moderate price.

The Chinese prefer medicines prepared in tablet or pill form, although several liquid medicines have met with success, notably palatable tonics with medicinal properties. Some liquid preparations can be put up also in tablet form, and this should be done whenever possible.

It sometimes happens that advertising is not necessary. In some sections of the Orient where means of communication are few, news of the efficacy of a certain new medicine has been known to travel far and fast, and large sales have been made in a surprisingly short time as a result of word-of-mouth recommendation alone. This factor is an important one even in countries where there is every facility for a publicity campaign on a large scale, and is not to be overlooked in the China trade.

TRADE-MARKS AND CUSTOMS TARIFF.

Before advertising or pushing any article it should be fully protected by registered trade-mark. Further, all articles should be submitted to a good Chinese scholar for selection of the Chinese characters to be used in forming various names, as each Chinese character has a name, a meaning, and a pronunciation so that when used collectively to form a name a combination of characters may sometimes have a very ridiculous or vulgar meaning, which would prevent the articles from receiving their due recognition.

The import duty on both medicines and advertising matter is 5 per cent ad valorem, to which 5 per cent of the duty so levied is added

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for conservancy and wharfage dues, making a total effective duty of 5¼ per cent. There are no other restrictions upon publicity or sales in China.

LIST OF DEALERS AND IMPORTERS.

A list of drug stores, dealers, and importers of patent and other medicines in Shanghai may be obtained from the Bureau of Foreign and Domestic Commerce or its district and cooperative offices by reference to file 82090.

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