A Business Model Derived From the Chinese Context:
A Case Study of “Brain Platinum”

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ABSTRACT

The business success of “Brain Platinum” is a success of a business model based on thorough analysis of the Chinese context. Underlying its advertisements is a well designed business logic which embodies keen understanding of the Chinese situation and creation of customer value. Although there are numerous business models effective in different parts of the world, not every one could be made to work in China: only those that comply with the Chinese situation can grow and prosper in the soil of the Chinese market economy. The business model of the famous health product “Brain Platinum” is such a successful case.

Keywords: Brain Platinum, Business Model, China, Chinese Market, Customer Value

1. THE CASE OF “BRAIN PLATINUM”

It is widely believed that marketing can bring premium returns to an enterprise: therefore, people are likely to attribute a business success to its marketing strategies. However, the case of Brain Platinum is a puzzle to many as its advertisement has been considered to be vulgar by the public and lots of professionals in the advertising industry, and yet it is this advertisement that has led it to its miraculous business success.

Since 2001, a new brand named “Brain Platinum” has become known to Chinese customers by a repetition of a single sentence on large scale of TV commercials—“No acceptance of gifts this year except Brain Platinum!” As a result, the sales of Brain Platinum began to hit a crazy growth rate with a total annual sales exceeding one hundred million bottles in 2003 and a continuous high growth in the following several years. On average, every Chinese old aged person has tasted this product.

1.1. The Product

The main component of Brain Platinum is melatonin, which has been popular in the U.S as a functional food effective in improving the
quality of sleep. There have been quite a few health product companies engaging in the sales of this product before Mr. Shi Yuzhu, the chairman of Brain Platinum, began to promote the product. However, since the previous companies worked only as agents for US companies instead of promoting their own brands, they soon ended up in vicious price competition and could no longer survive. Mr. Shi Yuzhu found that there were two types of health products on the Chinese health product market at that time. One type of product dealt with the quality of sleep while the other dealt with digestive problems. However, there was no single product that could tackle both issues at the same time. He then got the inspiration to introduce melatonin from the U.S and combine it with a kind of Chinese oral fluid composing some traditional Chinese herbal medicine for helping digestion. In this way, he invented a new product and named it Brain Platinum.

Mr. Shi Yuzhu registered its trade mark and therefore established institutional market protection. Firstly, he announced that those oral fluids only containing melatonin could not be called Brain Platinum. Secondly, once he found any competitor mentioning Brain Platinum in their promotional materials, he would sue them in court (Yan, Yan, & Wu, 2006).

There has never been a lack of health products in the China market, however, the previous health products always preferred to wear a formal and professional suit, which is “medicine.” In contrast, Brain Platinum has been emphasized as a kind of gift with the promotional appeal of sending health as a present. This promotional appeal has successfully targeted the increasing recognition of the importance of healthy in the minds of Chinese customers. As a result, Brain Platinum has become a strong competitive product against cigarettes, liquor and other types of gifts, which far exceeded the market boundary of health products (Pan, 2004).

1.2. Promotion of Brain Platinum

Mr. Shi Yuzhu chose CCTV, the most influential media in China at that time, to place his TV commercial for Brain Platinum and thus spread his ever lasting advertising slogan all over the country.

Before advertisements were put on traditional media, he first distributed lots of pamphlets and booklets through drug stores and supermarkets to educate potential customers about the product and increase customer awareness and interest. After that, he launched advertisements on TV, radio, and print media. This strategy was so successful that the company broke even in the first month after launching of advertisements and began to make profit in the second month.

The company did not hire movie stars to make the TV commercial and used two cartoon characters instead, thus saving a huge cost of hiring movie stars and in the meantime distinguished itself from other TV commercials (Yan, Yan, & Wu, 2006).

1.3. Strategy Mix of Brain Platinum

Its strategy mix is composed of four elements: creation, reduction, exclusion and promotion.

Value creation: The product development strategy of Brain Platinum expanded the concept of health product and formed a unique positioning of functional product plus the concept of a gift, thus enhancing customer value.

Reduction of functions: in promotion, the company deliberately de-emphasized the feature of health product and strengthened the value of gift, thus maximizing customer value.

Exclusion of movie stars in health product advertisements was to reduce market noise and marketing cost.

Enhancement of distribution capacities: The company expanded from drug stores, the traditional distribution channel of health products, to much more diversified channels such as supermarkets and gift stores, thus greatly widened the market coverage of Brain Platinum (Figure 1).
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