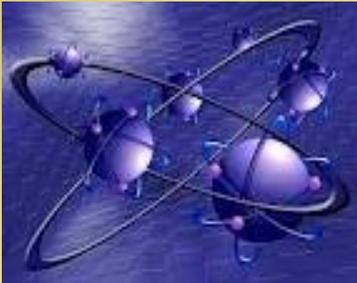


BUSINESS TRANSFORMATION THROUGH INNOVATION

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AN INSIGHT ON EU YAN SANG (MALAYSIA)



MALAYSIA PRODUCTIVITY CORPORATION (MPC)

BUSINESS TRANSFORMATION THROUGH INNOVATION:
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by

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Eu Yan Sang (EYS), the company

The Background

It all began in 1873 when Eu Kong left his hometown of Foshan, a village in Guangdong province of southern China to seek his fortune in Malaya. The industrious young man settled down in the small mining town of Gopeng, Perak. He noticed that the tin mine workers depended on opium to alleviate the pain and suffering from hard work and poor living conditions. Hence, he introduced traditional Chinese herbal remedies to nurse their health. This led to the opening of the first Yan Sang shop in 1879.

The shop Eu Kong founded was made up of the words "Yan" (仁) "Sang" (生). The former means benevolent, kind or humane in the Cantonese dialect, while the latter represents birth, life or livelihood. "Yan Sang" (仁生) literally means caring for mankind. Today, after 132 years in existence, EYS is one of the oldest companies in Malaysia that has become a well-known brand, especially in Traditional Chinese Medicine (TCM) products, and Asia's leading integrative healthcare company. Eu Yan Sang (Malaysia) is a member company of Eu Yan Sang International Limited which is listed in the Singapore Exchange. The company has since transformed tremendously. The rapid transformations observed at the company are due to the younger and professional management team EYS has now. Currently, the company has more than 80 retail outlets throughout Malaysia and will be adding more outlets in the coming years.

The Product and Services

Eu Yan Sang has always focused on providing Chinese medicine products of the finest quality for its customers. With over 1,000 types of finest raw herbs in the store, and more than 300 products under the Eu Yan Sang (EYS) brand, EYS is probably the best-stocked TCM retailer outside China. In anticipation of the modern lifestyle needs, EYS has widened its product range to include health foods, dietary supplements, beverages, packaged tonic soups and personal care items.

Eu Yan Sang is committed in providing products of the highest possible quality. The company is guided by two principles ingrained by its founder, Eu Kong; they are: selling only quality products, and living up to the shop's name of caring for mankind. EYS achieves this by employing comprehensive quality assurance procedures, and carrying out stringent quality controls at every stage of the manufacturing process. Eu Yan Sang sources their herbs only from reliable and reputable suppliers with GAP (Good Agriculture Practice) certification. This helps ensure the authenticity and quality of the raw herbs.

These herbs are subjected to scientific tests before being processed in Eu Yan Sang's GMP (Good Manufacturing Practice)-certified factories in Hong Kong and Malaysia. Every process undertaken by EYS would demonstrate full GMP accreditation for unmatched quality assurance. At all stages - from the harvesting to the manufacturing process - the emphasis is on quality to ensure the efficacy and more importantly, safety of its products.

The Business Transformation through Innovations

The business and reputation of Eu Yan Sang have grown rapidly during the last few decades. And, as with most traditional family businesses, Eu Yan Sang (EYS) has remained contented and unambitious (see Figure 1). However, when the newer generation of the family joined the business, changes and transformations of the business began to be seen. The transformations can be seen through various aspects of the company's business operation such as the branding of the company, types of products, packaging and marketing approach. And, a key factor that drove the transformations and growth was (and still is) innovation.

Image Innovation

EYS began its innovation by revamping and modernising its image. This strategic decision highlights the company's fundamental change in outlook and business approach that have arisen from the recognition of the need to modernise and move with the times. The transformed look has enabled its customers to enjoy the unique EYS retail experience (see Figure 2).



Figure 1
Before the transformation



Figure 2
After the transformation

Product Innovations

In the early days of TCM, upon getting the prescription from the Chinese medical shop, customers would need to bring back a packet of herbs to decoct or boil. This usually takes a few hours and would not be suitable for modern day consumers. This procedure is similarly with the premium health products such as bird's nest. Accordingly, bird's nest would require tedious preparation work and time to double-boil. Hence, to address the above-mentioned two matters, EYS innovated the products into medicine that are ready-to-consume form either pill (Figure 3) or capsule, and the RTD (Ready-to-Drink) Bird's Nest (Figure 4). EYS has acclaimed to be the pioneer in introducing the convenient and ready-to-drink bird's nest that enabled customers to enjoy their bird nest anytime and anywhere. Through the product innovations, EYS has transformed the concept of TCM. An outcome from the product innovations is the expansion of market for TCM and bird's nest drink.



Figure 3 TCM pills



Figure 4 YEN (bird's nest)

Another product innovation of EYS is the Bak Foong pill. EYS's Bak Foong pill that was basically a tonic for ladies has evolved into a well segmented premier product to meet the needs of different age groups. Most brands would offer Bak Foong pill in a standard variant. On the hand, EYS has improved this product into three different variants (Figure 5) to cater to the ladies' different phases of life needs; be they teenagers, adults or menopausal women. The rationale for the three variants is that women at different ages have different hormonal profiles. Hence, in customising the product to the specific segment, EYS was able to meet the needs of its female customers better.

As another TCM modernising effort, EYS has embarked on scientific research for the Bak Foong pills through its collaboration with the University of Hong Kong. This initiative indicated that EYS could be the only TCM Company that puts effort into integrating modern science and technology with the wisdom of Traditional Chinese Medicine.



Figure 5 The three types of Bak Foong pill product

Besides, EYS is also incorporated much R&D and the application of modern science and technology in the production of TCM. At EYS, the company does DNA fingerprinting of the herbs that are used to produce their products. EYS also uses modern and advance scientific techniques like Spectroscopy and Chromatography to provide precise quantification of the ingredients and properties of their medicine and quality control.

Another product innovation of Eu Yan Sang is the Chinese New Year hampers. It was observed that products in hampers have always been indulgent food. Hence, EYS took the lead to produce hampers with health products and supplements. This innovative product is now a significant sales contributor as it is one of most successful products of EYS.

Packaging Innovations



The image innovation of EYS has extended to its packaging transformation into a modern healthcare company. In line with contemporary retailing practices, all retail outlets have been redesigned and refurbished to provide better presentation and conducive shopping environment for customers. This packaging innovation has widened its customer's base to include younger consumers, a contributing factor for the prominence and growth of TCM itself.

Figure 6 EYS' Bucket of Gold

EYS also went into innovative packaging of the TCM products such as ginseng in sachets and packaged herbal soups through the adopted fast moving consumer goods (FMCG) practices. There is also the "Bucket of Gold" - one of EYS' most successful packaging innovations. The Bucket of Gold (Figure 6) that is part of EYS' CSR programme, is a creative packaging presentation in the form of an 8-sided bucket and contains 8 mandarin oranges. EYS donates part of the sales proceeds from the Bucket of Gold to various designated charities annually.

Transformational and Innovative Marketing Strategies

Apart from the image, product and packaging innovations, EYS has also ventured into new channels of marketing to broaden outreach to its customers. Today, one can find EYS products in the health corner of selected supermarkets. The EYS health corner concept has enhanced the accessibility of EYS products to its customers of various ages nationwide. In embracing the ICT and internet age, EYS has started its online store to make shopping for their products more convenient and available on a 24/7 basis.



Figure 7 EYS' TCM clinic

Besides, EYS has also set up the 1st TCM R&D lab in Singapore, a collaboration with Nanyang Polytechnic to integrate modern and traditional medicine production. In addition, EYS has set up 20 TCM clinics (Figure 7) in Malaysia and Singapore, and two integrative medical centres in Hong Kong to cater to its TCM customers. The integrative emphasis on R&D and the stringent quality practices ingrained in the company reflected the founding vision that is caring for mankind.

EYS has through the years inculcated innovative ways in projecting its image that have enabled the company to earn its reputation as one of the most trusted brand and health care provider. These initiatives also indicated the company's TCM Good Agronomics practice.

Summary

Eu Yan Sang has made numerous transformations and innovations in terms of branding, packaging, promotion and product to ensure their businesses remain competitive. The company believes that innovation is critical for business transformations as consumers are becoming more discerning and where more choices are available to them. Hence, companies need to raise their competitiveness to progress. Innovation has certainly become a cornerstone of progress at EYS as innovation has helped EYS to create new opportunities and grow the existing business base. Innovation has also enabled EYS to add more value to its customers, thereby translating into stronger appeal for its products and services. It is the principle of EYS to continuously reinvent itself and doing things in a better way. Through its innovative efforts to transform its business and in recognition for EYS's progress, the company has achieved more than 168 accolades and awards over the last 10 years (Figure 8). Four of its key achievements are "The Most Modern TCM Company", the Gold winner for Healthcare in the Putra Brand Awards, the inclusion of the company in Forbes Asia's list of the "200 Best under a Billion" and the Brand ICON Leadership Award 2011. EYS has certainly transformed innovatively to become a leading modern TCM company in Malaysia as well as in countries where the company operates such as Australia, China, Hong Kong, Indonesia, Macau, Singapore and USA.



Figure 8 Some of EYS' accolades and awards

References:

Eu, Anne. (2012, February). Innovating for Growth at Eu Yan Sang. Power point slides submitted for the CEO Forum on Business Transformation through Innovation, Malaysia Productivity Corporation.

Eu Yan Sang's corporate video

www.euyansang.com.my