

Eu Yan Sang's tonic for success



By **GOH EE KOON**
koon@thestar.com.my

THE days of associating traditional Chinese medicine with dusty, musty old shops with jars full of exotic ingredients are swiftly becoming a thing of the past. Part of this is due to the pioneering efforts to change, modernise and enhance the image of the traditional *sinseh* type of shops that have largely been spearheaded by a homegrown company, Eu Yan Sang Sdn Bhd.

The Eu Yan Sang story is the classic tale of how a poor immigrant who, through hard work and prudent decision-making, slowly built a business that eventually blossomed into an empire. It began in 1879, when founder Eu Kong left his hometown in Foshan, a village in the Guangdong province, to seek his fortune in then-Malaya.

Eu Kong settled in Gopeng, Perak, which was known as a tin mining town. At that point, he noticed that many local tin miners often depended on opium in order to dull the aches in their bodies due to hard work, and to escape from their poor living conditions.

Sensing a business opportunity, he opened the first Eu Yan Sang shop, offering traditional Chinese herbal remedies as a substitute for opium. The name "Yan Sang" is said to mean "caring for mankind". Eu Kong's son, Tong Sen, went into the family business but also diversified to the tin-mining and rubber-planting industries.

Tong Sen, though, was credited with being the architect of Eu Yan Sang's expansion into Hong Kong and China as well. It was also then that he established the practice of giving back to the needy and often donated generously to schools.

Today, Eu Yan Sang has a strong presence in Malaysia, Singapore and Hong Kong, and is said to be the brand of choice for traditional Chinese medicine in all three coun-

Malaysian businesses have come a long way since the pre-Independence days. In this series that appears once in three weeks, *StarBiz* takes a look at some of the companies that started during that era, and traces their history to the present day. We kick off this series with a profile on 103-year-old Chinese medical chain Eu Yan Sang.

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Eu Yan Sang in the 1970s

tries. It is also listed on the Singapore stock exchange, with the Eu family listed as the company's largest shareholder.

Promoting education was something Eu Yan Sang did to this day, according to current managing director Lok Eng Hock. "We give donations to a number of Chinese schools each year, and each Teacher's Day, send hampers to teachers. It's just part of a way of showing appreciation for teachers for all the work they do for society," he told *StarBiz*.

Lok himself has been instrumental in spearheading Eu Yan Sang's expansion across Malaysia, by spreading its retail presence as well as introducing methods of marketing there were then unfamiliar with traditional Chinese medicine sellers.

Lok has written a book entitled *The Cash Register Rings Non-Stop: The Amazing Transformation of Eu Yan Sang*, published by Singaporean Marshall Cavendish, detailing some of the methods the company has employed in the course of its growth for the past 15 years.

"This is a book I wrote for market-



Lok Eng Hock

ing students, to tell them of what I did in the past 10 years to grow the business," Lok said.

"The traditional Chinese medicine industry sells products unlike any other, but business principles tend

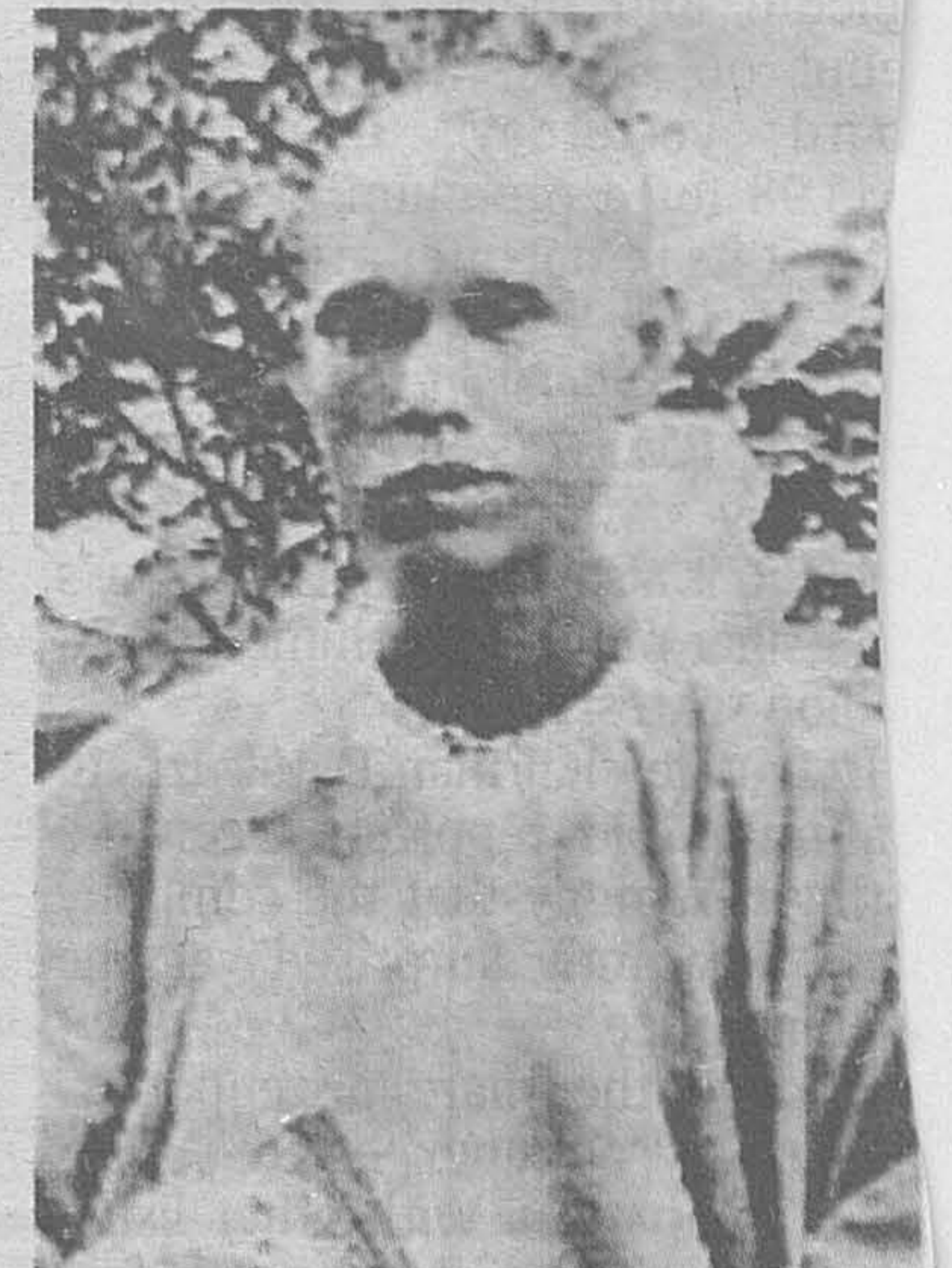
to remain unchanged," Lok said, adding that he joined the company in 1982 as a personal assistant to one of the directors, before becoming operations chief. He was promoted to managing director in 2002.

The growth of Eu Yan Sang in Malaysia really began in the early 1990s. "The company had not opened any branches since the Second World War. I decided that it was time we expanded, so in 1991, we opened the Petaling Jaya branch in SS2. Soon, we closed the Gopeng shop and concentrate on other high-growth areas," he said.

Currently, Eu Yan Sang has 48 outlets in Malaysia. In Singapore and Hong Kong (under different companies), there are 38 retail outlets each, with Hong Kong bringing in the highest amount of sales due to the large Chinese population.

"People from China also buy from Eu Yan Sang because, back in China, there was no assurance of quality from some shops. I think sales of Eu Yan Sang are robust because of the association of quality with the brand."

Along with the growth of retail outlets, business improved signifi-



Eu Kong, the founder of Eu Yan Sang

cantly. "When I took over as general manager, our revenue was about RM8.5mil. I think now, we average around RM80mil in retail sales," he said.

Due to the high cost of overheads, too, Lok said the company had to set higher targets for margins.

The biggest secret to Eu Yan Sang's success, though, has been attributed with running with the changes.

"We have to look at market trends and set the tone. We also need to focus on giving quality service at our retail shops, and maintain quality control," Lok said.

Eu Yan Sang products are regularly sent to an independent laboratory for testing. Best-selling products today remain the "Pak foong" pills, taken by women for health, its ginseng and bird's nest.

Lok credits a large part of Eu Yan Sang's success to being able to promote Confucian values of respecting family and education. "Most shops tend to celebrate traditional festivals like Chinese New Year. We were the first to remember Mother's and Father's Day, and also have special sales for Teacher's Day."

For now, this 128-year-old institution aims to continue growing and maintaining its success in bringing traditional effective remedies to Malaysians while keeping an eye on capitalising modern ideas that can bring benefit in the future.