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## REWARD AND INCENTIVE SYSTEM PLAN AT ERA EDAR MARKETING SDN. BHD.

Wan Nordin Wan Hussin, Rusman Ghani, Amin Ali, Che Zuriana Muhammad  
Jamil

This case was written by Wan Nordin Wan Hussin, Othman Yeop Abdullah Graduate School of Business (OYAGSB) UUM, Rusman Ghani, Amin Ali and Che Zuriana Muhammad Jamil, UUM College of Business. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Institute for Management and Business Research (IMBRE)

Universiti Utara Malaysia

t: +604 - 928 7607/7608/7609 | Fax: +604 - 928 7611

<http://www.imbre.uum.edu.my>

## **Introduction**

On 28<sup>th</sup> October 2010, the General Manager of Era Edar Marketing Sdn. Bhd. (EEMSB), Prof. Dr. Hamsiah Ismail, listened attentively to the 2010 performance reports and 2011 business plans presented by several managers of EEMSB service centres (SC) during the company's annual convention held at the Head Quarter (HQ) in Jitra, Kedah, Malaysia. Several times during the presentation, she wondered whether the new reward and incentive schemes given to the managers and their marketing agents and distributors were appropriate to achieve the company's objectives and business sustainability in the face of keen competition in the direct selling business. The financial metrics of EEMSB over the period 2006-2009 remained flattish with sales hovering around RM10 million per year, which prompted EEMSB to revamp its direct selling business model by switching from the multi level marketing (MLM) concept. A few months earlier, the Ministry of Domestic Trade, Cooperatives and Consumerism tabled in Parliament the amendments to The Direct Sales Act 1993 to protect consumers by imposing higher ethical standards and penalties for misconducts, and extending the Act to address pyramid schemes and e-commerce transactions for the first time.

## **The Visionary Founder of EEMSB**

The founder of EEMSB was Dr. Hamsiah's husband, the late Prof. Dr. Azizan Ismail (1949-2007). They started the homeopathic family business in 1980 by establishing a homeopathic medical centre in Jitra, Kedah, and marketing herbal-based and homeopathic products which meet the Halalan Toyyiban (effective, safe, pure and halal) concept. Dr. Azizan had his early exposure to homeopathy in Singapore after contracting a serious illness which compelled him to seek homeopathic treatment and learn more about alternative medicine by studying for the Diploma of Homeopathy. Enamoured with the success of the homeopathic treatment, and realising the enormous potential of complementary medicine, his vision was to develop alternative medicine products based on homeopathy, Schuessler's biochemic, herbalism and aromatherapy.

In 1981, Dr. Azizan ventured into personal selling of homeopathic products by setting up Sistem Era Edar to market locally-made health care products. His direct selling business was subsequently incorporated in 1991. The inaugural product formulated by Dr. Azizan is Examo-CKM500 (a special combination of Schuessler's biochemic tissue salts), that is able to enrich mind, strengthen memory, enhance the ability to think, help attain peace of mind, sharpen focus, encourage diligence and aspiration to learn. The product has been in great demand since and has won the first prize under the Health Product Category for One District One Industry Showcase 2008, organised by the Ministry of Entrepreneur and Co-operative Development. According to Dr. Hamsiah, since Examo-CKM500 entered the market in 1978, more than 100,000 consumers have benefited from it. In fact, some have made Examo-CKM 500 part of their family's daily routine and passed it from generation to generation.

When they first started the production of Examo-CKM500, due to their limited capital and personal preference not to seek bank borrowing to finance the investment in manufacturing facility, the flagship product was jointly-manufactured with foreign contract manufacturers. The couple's partial involvement with the production process was up to the preparation of active ingredients and formulation. The remaining production process was done through contract manufacturing with the British, and subsequently American homeopathic manufacturers. In 1984, Dr. Azizan obtained a government scholarship under the Bumiputera Entrepreneur Development Program and was sent to Germany to be trained in homeopathic medicines manufacturing.

In 2000, Dr. Azizan's ambition to produce Examo-CKM500 entirely in Malaysia was realised with the establishment of Darulaman Homeopathic Laboratories (M) Sdn. Bhd. (Homeolab), the first

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