

# I Medikel: A Pharmaceutical Gem Beyond The Golden Triangle

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## Prologue

A calm morning enveloped the MARA Industrial Park in Pengkalan Chepa. A car turned left from the main road and the driver waved his hand to the security personnel. The driver, Mr Haji Mohd Idris bin Mamat, seemed to enjoy the ride. Amid the joyful body gesture, he mused, "What is next for me? It is not easy to be successful. It is not hard to be a failure, either. The speculation engulfed his mind as he reached the factory compound. He whispered, "When did I get here?" Meanwhile, several people in uniformed shirts exited the rotating door and began to signal something with their hands. Mr Haji Idris turned off the ignition while sighing, "Positive or negative?" as he walked towards the people in uniformed shirts. He assumed that I Medikel was regarded as the most expensive original equipment manufacturer (OEM) in Kelantan, which is why many founders did not choose the company. Instead, product founders prefer to seek cheaper options from Thailand.

## Company background

The I Medikel Group was established in 1993 with two subsidiaries, I Medikel Pharmaceutical Sdn. Oh, Bhd. (IMPSB) and I Medikel Cosmeceutical Sdn. Oh, Bhd. (The IMCSB). The company was founded by Mdm. Hasnah Binti Zakaria, which started as a normal pharmacy retailer. Later, the business expanded its operation and became an OEM by owning a small factory that produces health supplements and cosmetic products. Meanwhile, Mr Haji Idris is the current director of IMCSB, who is responsible for the operation of the plant and is considered the backbone of I Medikel. The company operations are under his supervision. He is also responsible for ensuring the smooth operation of the company. He is very diligent and committed to ensuring that the company continues to be the OEM leader in Kelantan to the extent that the company could be in trouble without his presence.

In 2001, the company expanded its operation by building a spirulina-based health supplement plant which is currently located in Fasa 3, Kawasan Industri MARA Padang Tembak, Kota Bharu Kelantan. In 2004, IMPSB collaborated with SIRIM Berhad on the research and generalisation of spirulina-based cosmetic products and successfully produced their beauty care product suitable for all skin types after 18

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## Disclaimer

This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognizable information to protect

months of thorough research. Additionally, the business received an approval certificate from the National Pharmaceutical Regulatory Agency (Biro Pengawalan Farmaseutikal Kebangsaan) and a Halal Certification from Jabatan Kemajuan Islam Malaysia (JAKIM). The products were distributed and marketed through pharmacy retailers across Malaysia.

Mr Haji Mohd Idris reflected on Medikel history as he explained, "It was established as our family business." Naturally, his siblings' education was in accounting and pharmacy studies, which formed the company foundation. Haji Idris holds a bachelor's degree in accounting, while his two brothers graduated from Pakistan University with a Bachelor's degree in Pharmacy. The educational background and opportunities in the pharmaceutical sector, which emphasises pharmacy retailing began to be aware as Haji Idris explained, "We were quite lucky as there was a market vacuum with limited retailers." Hence, I established I Medikel in the pharmaceutical industry. In addition to market-based opportunities, I Medikel also considered the advantages of setting up retail pharmacies over other health care businesses, such as clinics (general practitioners). Mr Haji Mohd Idris explained the situation and stated as follows:

*"People see pharmacies as a close alternative to clinics for some reason. Definitely, cheaper".*

The cost of purchasing products at the pharmacy is significantly cheaper than the clinics when the business is established. Applying the concept and good practice to a customer-friendly approach, I Medikel was able to penetrate the high barrier to entry. For instance, the company offers free health checks to all patrons. Hj Mohd Idris reiterated the experience and stated:

*"I Medikel Pharmaceutical Sdn. Bhd. also practised a customer-friendly concept. For example, they have created a community pharmacy concept through free health check-ups. The concept helped build a good relationship and direct communications between the customers and the company".*

Apart from benefiting the patrons, the approach has provided the company with valuable technical knowledge. As a non-pharmaceutical background, Mr Hj Mohd Idris still understands the business core: correct dosage means efficient and cost-effective. Based on the fundamental knowledge, I Medikel has expanded from being a drug manufacturer to other pharmaceutical and healthcare products, such as food supplements.

## **Economic and operational turbulence**

Every company encounters several challenges in establishing and growing the business, including I Medikel. The company has experienced complications that affect its financial performance throughout the business operation. Generally, the company consistently overcomes the obstacles by focusing on building value among customers. Ultimately, the client can rely on I Medikel for an excellent product and prompt service.

Hj. Fauzy was committed to instilling the virtues of passion, perseverance, and persistence and inculcating the entrepreneurship spirit in all MOFAZ employees. The employees were committed to developing their respective businesses independently and encouraged to take ownership of management, operations, and decision making to achieve exponential business growth and success. Nevertheless, I Medikel still needs to overcome challenges internally (operational) and externally. I Medikel encountered five issues and challenges from internal and external environments that could influence the business future success, namely:

### **i) High production cost**

The high production cost at I Medikel is one of the main issues, as the raw materials for the health supplement products are not from Malaysia but had to be purchased from Indonesia, China, and Thailand. For instance, Kacip Fatimah, which is one of the traditional ingredients for the supplements, came from Indonesia. Automatically, the cost would increase due to the cost of transporting imported raw materials and the currency exchange due to the depreciation of the Malaysian Ringgit.

Another factor contributing to the high production cost is the use of mediators, such as wholesalers, who will charge for warehousing and the transport of materials. The cost of buying machines is also high where I Medikel owns about 100 different machines. The price range of the machinery ranges from RM 25,000 to RM 1,000.000 purchased from Taiwan, Germany, and South Korea.

The machinery is used to manufacture health products in the form of supplements, powders, tablets and liquids, and food products, such as energy bars and nutritious sweets. I Medikel also experienced difficulties retaining skilled workers because competitors often attempt to offer new job opportunities with more attractive salaries. The situation is a loss because I Medikel has trained the employees to be skilled, hence resulting in high costs.

#### ii) Market competition

I Medikel encountered competition due to many competitors in Pengkalan Chepa who offered a similar range of products to I Medikel. Luckily, I Medikel easily overcame the issue by being different from others due to owning the company products offered to the consumer and other pharmaceutical products from other manufacturers.

I Medikel also emphasised the importance of research and development (R&D) for all business products. The R&D process was performed in their laboratory at the MARA Industrial Park, Pengkalan Chepa. The R&D is crucial for the production of a high-quality product that will be sustainable on the market. Additionally, I Medikel functions as an OEM where products are manufactured for other companies that wish to establish their products at RM500 per product sample. The OEM service offered becomes the business competitive advantage over other competitors.

#### iii) Threat of fake products

Fake products are a current popular issue and a rising concern in Malaysia. Although I Medikel may not entirely prevent fake products from being manufactured by other companies, the business could ensure that the products cannot be copied or falsified as an OEM company. Several cases involving those who have previously used OEM services from I Medikel to produce their product and continued to do so for the same product but with different manufacturers to reduce costs. As a countermeasure, I Medikel has taken legal action by holding an exclusive contract where the product can solely be produced by I Medikel, and upon infringement, I Medikel can sue the other company.

I Medikel has also taken precautionary measures by providing the founders with motivation and advice to create a healthy product and not copy other products. Based on the experience, I Medikel had previously refused to fulfil several requests from other founders to formulate hazardous and fake products to maintain the company brand and image. Customers are always the top priority. I Medikel will never use materials of poor quality that could affect their products despite the cost of acquiring quality materials being costly.

#### iv) Hiccup in marketing strategy

I Medikel does not promote its existence and product well enough. Although the company owns social media accounts for the products, no consistent update was conducted, believing that the company could still earn revenue from other goods sales. I Medikel usually promotes their products during the launch by receiving consumers' testimonials and feedback to facilitate the company in improving the products to meet consumer satisfaction. The approach could be a good marketing strategy through several positive reviews and testimonials on the reliability of the products.

Nonetheless, the marketing and promotion of the business products eventually become slow after the launch. The situation occurred because the company sole focus was on its product line and the customers' product (as an OEM company). Thus, the company must construct better marketing plans and strategies to ensure that its product can be maintained on the market.

#### v) Safety issues

Safety issues are critical as they involve costs, particularly for workers' safety in their workplace. Considering that the workers are highly dependent on operating machinery for production, workers operating the machines are also at high risk. The safety and toxicity of the ingredients used are also crucial to prevent any unintended side effects on consumers. For example, a mixture of Vitamin C and Benzoyl Peroxide is not permitted in cosmetics or skincare products. Benzoyl Peroxide effectively prevents acne but can cause Vitamin C degradation when both ingredients are mixed together, thus reducing the benefits of vitamin C and causing skin irritation.

### **Leaping for growth and expansion**

I Medikel is attempting to reduce the cost of supplies. Moreover, the company is attempting to save on supply costs by contacting suppliers to inform them of the price (cost) set for the production. Additionally, the company has continuously improved its operation by practising a kaizen approach, which assists I Medikel in identifying the ways to minimise material costs and optimise company resources. For instance, the company optimises its real estate production by centralising or consolidating the space required for production or leasing unused space to other companies or individuals.

The company also monitors and measures its operating productivity efficiency to adjust and optimise the use of available resources. As a benchmarking component, I Medikel set performance parameters that reflect on the objectives of efficiency and provide incentives when the objectives are fulfilled. The company also perceived that time (production time) had to be reflected in the production cost, which necessitates using efficient time strategies. Expenses could be minimised by optimising productivity effectively. Thus, I Medikel is constantly warned of the issue as Mr Haji Mohd Idris has a positive attitude towards time management. For him, 'lost time is a waste of ringgit'.

The company seeks to minimise distractions, restrict access to time wasters, and utilise software to track employee time or time spent on different types of work or project activities and billable hours. The company would set expectations for a reasonable amount of time to complete specific activities or tasks and provide

incentives to meet or exceed the expectations. The activity schedule must be established and the staff must be encouraged to comply with the daily or weekly schedule.

Apart from an inward-looking analysis, I Medikel considers the environmental analysis. The company constantly pays attention to its competitors. Thus, I Medikel know the competitors, what they offer, and their strengths and weaknesses. The approach suggests the areas where the company needs to compete and provides a platform that differentiates its business or products. Furthermore, the company knows its customers. The main reason is that customer expectations and preferences can transform dramatically. Therefore, the company needs to determine what matters to the customers regarding price, flexibility, premium services, and the latest products. I Medikel can also be unique by providing advice to other founders on business activities. Additionally, the customers are provided with good reasons to choose I Medikel over competitors by developing a unique sales point (USP) that captures customer needs. No one should have to ask what makes the company different.

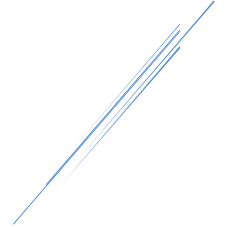
I Medikel suggests that consumers should be made aware of counterfeit products on the market. One simple but highly effective way to stop the fake production industry is to educate consumers. If the consumer base is sufficiently educated and well aware that fake products are spreading on the Internet, the customer will be more vigilant when buying the product. I Medikel can inform customers about the issue through blogs, emails, social media, or a section on the company website where counterfeit products are often sold, what to search for to avoid counterfeit products, and what to do if customers encounter a fake product.

I Medikel is attempting to branch out the marketing content to increase effectiveness. First, the company re-established its marketing strategies to plan and choose the form of content to be published. Instead of using content to engage the audience and listen to what the audience has to say, content is produced to follow any product information updates. The company emphasises quality rather than quantity to build powerful and vibrant content. The social media platform needs to be utilised optimally by I Medikel due to being a powerful tool to reach out to potential customers and consumers in the present world.

The products and services must be constantly updated through the business social media platform. Furthermore, the company can gather more followers by consulting other founders via the social media platform with several practical tips on overcoming challenges and achieving success in the pharmaceutical industry. Educational and awareness campaigns on the business existence can also be performed through the platform. Stories can be created about what the company is selling and why consumers should purchase the products. Promotional ideas can range from window posters and drop-out leaflets to social media campaigns.

## Keywords

Entrepreneurship, Family Business, GAPENEST, Bumiputera



Setting up a pharmaceutical and cosmeceutical company is not easy. Numerous issues and challenges must be addressed. Promoting health to the public, whether through services or products, is complex. Various risks need to be considered and made aware of, specifically when the risks involve counterfeit products that may affect the reputation and are harmful to consumers.

Other issues include high production costs will lower the company productivity. Hence, similar to any other manufacturing company, a pharmaceutical company needs to be prudent in productivity efficiency to minimise waste or money. Additionally, the company will encounter tough market competition.

Similar to I Medikel, many pharmaceutical companies in Kota Bharu are considered competitors. Thus, I Medikel has its R&D team to produce products aligned with customer demands to gain a competitive advantage. Moreover, as a pharmaceutical manufacturer and OEM, the company marketing strategies were challenging due to feeling obliged not to expose their existence and promote their product line.

Nonetheless, the pros and cons are that although I Medikel cannot interact with more people, they can ensure that the company consistently delivers excellent services and products to loyal customers. Additionally, safety issues are a significant concern that cannot be ignored due to high safety risks linked with the use of many machines. Therefore, I Medikel must upgrade security policies.

Although I Medikel is considered the most expensive OEM in the state, which prevented many founders from selecting the company, the company brand will always be the best choice among customers due to the quality and excellent services.

## Epilogue

The big clock on the wall read 5.00 p.m. Meanwhile, the main machine began to hibernate after the final batch of medical supplements was loaded into a vacuum container. Mr Haji Mohd Idris observed the situation from his office on the upper floor of the factory. He scribbled something on his Samsung tablet and ticked next to the note. "It is certainly positive," he whispered. Nevertheless, he kept thinking about competition in the industry and always looked forward to success.

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