

# UOB-SMU

## Asian Enterprise Institute



### Wholesome, Healthy Living: Mekhala Pte Ltd

Mekhala was established in 2006 in response to founder Phanthip Jang Bauerle's fruitless search for safe and effective products for her family and clients at the premier Asian Leadership Institute and Retreat in Chiang Mai. Tapping on her intimate knowledge of plants, herbs and spices, she formulated a limited range of essential oil blends, body care and food products to meet her needs. Shortly after, she was invited to create an exclusive spa range for the Mandarin Oriental hotel group.

As the demand for fine products originating from natural sources grew, Mekhala was officially launched in Singapore and Thailand. Its unique range of organic fine foods and personal care products has found its way into select gourmet shops, supermarkets, and beauty stores. Today, Mekhala enjoys a growing and loyal clientele that possesses exacting standards in quality, health and authenticity.

Mekhala takes its mission to create a better life by providing superior, wholesome and sustainable products very seriously. This is why every item bearing the Mekhala name is made in accordance with the principles of mindfulness and healthfulness, underlined by the belief that this consciousness will shine through.

No artificial flavours, colourings or preservatives are used in the products. Staying true to its philosophy, organic and natural raw materials are carefully sourced from farms in Northern Thailand, and only traditional methods, indigenous spices and herbs are used in the entire production process. Each new creation is tested on humans for quality and safety, before being carefully packaged and delivered for customers' enjoyment.

#### Back to nature

Natural, 100% organic, organic ingredients, hormone-free... mmm, aren't they all the same? No, say those in the know, and the devil is in the details. For a food product, the details begin even before a seed is put into the ground as its source needs to fulfil strict criteria. In fact, its full value chain must comply with stringent requirements if it were to qualify as an organic product. This is why it is important to check the accreditation mark and scrutinise the labels.

While the requirements for an organic certification may vary from country to country, generally, organic food and agricultural produce must abide by a set of production standards for growing, storage, processing, packaging and shipping. These conditions typically stipulate that chemically-formulated fertilisers, growth stimulants, additives, antibiotics, pesticides and genetically-modified organisms must not be used; farmland should be free from prohibited synthetic chemicals for a requisite period of time (often three or more years); production and sales records must be properly kept; organic and non-organic-certified produce must maintain strict physical demarcation, and operations must be open to periodic on-site inspections by the certification authorities.

As society becomes more affluent, people are turning to organic food and products even if the prices are higher than conventionally-produced goods, and they have a shorter shelf life because there are no added preservatives. Organic products are deemed to be of higher quality, safer and healthier due to their compliance standards, and for the environmentally conscious, organic food production places emphasis on sustainability.

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### As good as, or better?

But are organic products really better? An article on the Mayo Clinic website<sup>1</sup> cited a study that examined 50 years' worth of scientific articles about the nutrient content of organic and conventionally-grown foods, and the researchers' conclusion that there may not be significant differences in nutrient content between the two. Anecdotal evidence and growing demand, however, suggest otherwise. For example, one would expect that an apple that is grown in an orchard where chemical fertilisers and pesticides are liberally used, and when harvested, is waxed to preserve its fresh colour and shelf life, could cause harm when the chemicals are ingested (due to improper washing, or chemicals residing in the apple). Especially for the vulnerable – the very old and the very young – surely the residual chemicals would be bad for health. The food scandals in China, which exports in massive quantities to the world, also contributed to the demand for organic food as a safer alternative.

Globally, sufficiently large numbers of people are “going back to nature”. The organic food market is expected to grow from US\$57.5 billion in 2010 to US\$104.7 billion in 2015, a compound annual growth rate (CAGR) of 12.9%, according to a Transparency Market Research report.<sup>2</sup> Europe, which commands the largest market share, is expecting revenues of some US\$28 billion by 2015. Over the same five years, the US CAGR is estimated to reach 12% while the rest of the world is looking at an impressive CAGR of 16.5%. As the foray into the organic segment tends to begin with food, the demand for organic, non-food items is also likely to grow, albeit at a slower pace than for food items.

In Singapore, the organic food market has been trending upwards over the last decade, and is expected to maintain its double-digit trajectory in the coming years, according to a Euromonitor International report. Organic baby food, in particular, chalked up 17% growth in 2012. This is not surprising given Singapore's rising affluence and educated middle class, where a new generation of parents and doting grandparents can afford and are willing to pay a premium for “better” products for the young ones. And given a baby's ultra-sensitive skin, it is easy to move from organic food to organic skincare products and even apparel made from natural fibres.

The accessibility of organic products from online retailers, specialty stores and mass-market shops and supermarkets has played a large part to sustain and even fuel the market demand. For example, NTUC FairPrice, Singapore's largest supermarket chain, had responded to the demand for organic produce as early as the 1980s, when it stocked its shelves with some 200 organic items. It went on to develop its own NTUC FairPrice Organic Assurance Programme (NOAP) and by July 2008, was offering the Pasar range of organic fresh produce with an Asian twist. Sales have been going up by a steady 30% annually.<sup>3</sup> Today, the Pasar range of organic items boasts over 40 fresh product lines, along with over 800 varieties of organic items from fresh produce to household items at its designated supermarkets.

As efforts pour into developing the organic value chain, placing the focus on product innovation, product quality and packaging, the retail sector as a whole should see an improvement in its bottomline. Additionally, it will grow significantly to meet the burgeoning demand for more natural and healthier food and product options both in Singapore and the world. Clearly, the trend is here to stay.

### Stepping up confidently

When Mekhala first approached the UOB-SMU Asian Enterprise Institute (AEI) about its flagship Consulting Programme, it was not with any specific expectation. “I figured that at worst, I would learn

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<sup>1</sup> [www.mayoclinic.org/healthy-living/nutrition-and-healthy-eating/in-depth/organic-food/art-20043880?pg=2](http://www.mayoclinic.org/healthy-living/nutrition-and-healthy-eating/in-depth/organic-food/art-20043880?pg=2)

<sup>2</sup> “Organic Dairy Products (Foods and Drinks) Market – Global and South Korea Market Forecasts, Size, Trends, and Industry Analysis 2011–2017”; [www.transparencymarketresearch.com/organic-food-market.html](http://www.transparencymarketresearch.com/organic-food-market.html)

<sup>3</sup> [www.straitstimes.com/the-big-story/case-you-missed-it/story/organic-way-life-20130728](http://www.straitstimes.com/the-big-story/case-you-missed-it/story/organic-way-life-20130728)

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nothing and at best, I would be enlightened,” said Daphne Hedley, Director/CEO of Mekhala. She was pleasantly surprised from the first meeting. By the end of the project, she was lauding the “professionalism of the team” and the “opportunity to work with such motivated student-consultants and experienced advisor”. While the company did not incorporate every recommendation provided by the team, “our products have been revamped on the back of the results of the project,” she shared.

The Mekhala brand audit is the second consulting project for the team of student-consultants, which had completed a market research project earlier. “We wanted to broaden our learning as much as possible, and we did; we learnt a lot from the SME, our advisor and each other,” was the consensus. A key takeaway for the team was that sometimes, it was necessary to “throw expectations out of the window”. When they did not receive a fixed set of deliverables, they took the initiative to “propose a job scope that was reasonable yet deep enough to produce useful insights” – and it worked. The project also provided the opportunity to bring textbook theories to life.

Project Advisor Philip Wee found it “refreshing” to work with “these bright young people”. By giving them enough free rein, he encouraged the “flow of fresh ideas and diversity of thought” but stood ready to pull them back if they lost sight of the original purpose of the project. “My role was also to question the grey areas in order to get a better result,” he said. Ultimately, the client must benefit, and there must be learning for the students too; in this case, the project delivered on every count.

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