

MARKET RESEARCH

UK TEA MARKET



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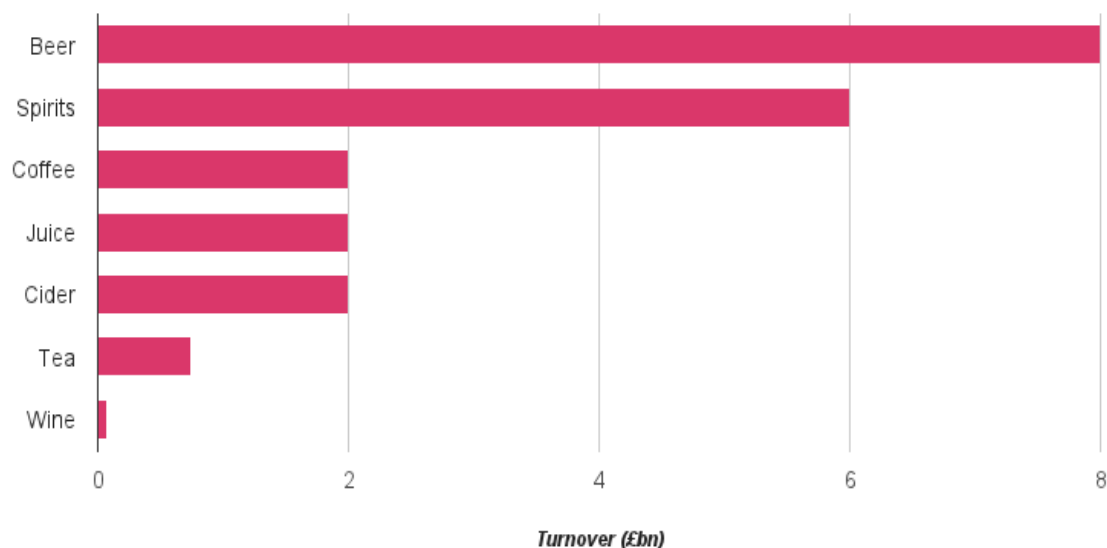
Introduction

Tea is a very popular beverage—second only to water—and is consumed all around the world. Millions of people are engaged in the production and processing of tea, and many more rely on it for their livelihoods. West-European countries such as the UK and the Netherlands have long, historical ties with the tea trade: Dutch merchants already became familiar with tea in the 17th century during their journeys to the Far East, and the UK began building fast ships especially to get tea from the Orient around 1840. Later, the British built tea plantations in India and Sri Lanka (Ceylon, at the time), and the Dutch established plantations on Java and Sumatra (KTIB website). Nowadays, the international tea trade is largely in hands of multinational companies (MNC) with British and Dutch roots, e.g. Unilever, Twinings and Tata Global Beverages.

Tea in the UK is a big deal. We drink 60.2 billion cups of it every year¹, and it's a cornerstone of British culture. Why not give it a try now?

Now you've got your drink, let's get back to the business of tea. We import £251,889,836 worth in the stuff every year. From rich to poor, most of us enjoy it with us all having our own methods for making it. We all have a favourite brand and Brits are famously keen to put the kettle on in celebration, commiseration, to pass the time – and sometimes just because we're thirsty. Having said that, tea isn't that big a deal economically speaking.

The entire UK tea industry in the annual turnover of £748m, which is about 0.02% in the entire country's turnover. It employs 3,324 people across 27 businesses, while the fruit juice industry has 7,071 workers across 111 companies.



Source: <https://www.crunch.co.uk/blog/freelancer-advice/2014/07/29/how-britains-tea-economy-pushed-the-world-boiling-point/>

¹ <http://www.tea.co.uk/tea-faqs>

So, if the British public were to suddenly lose their taste for a good brew today, the economy would not suffer massively. There'd be a in the people out in the job, but it'd hardly trigger another recession. The country would go on just the same as it always had. While tea might be ubiquitous, it's not valuable enough to send shockwaves through the economy like a good old bank collapse will.

However, if in the back in time, tea was a much bigger deal to England – and the world could have been a very different place were it not for our love of a brew.

Market Overview - Global Market

Although the *Camellia sinensis* (the evergreen bush from which its fresh leaves and buds tea is produced) is originally native to mainland China, South and Southeast Asia, today the plant is cultivated across the world in tropical and subtropical regions. Global tea production estimate of 4 million metric tons in the 2010 (ITC 2010), providing employment for millions worldwide.



Figure Main Tea Producing Countries Source: FAOSTAT (2008)

Source: M. Groosman: Sector overview – Tea

In the global tea market, the two most important types of tea produced are Black Tea and Green Tea. In 2009, 61% of global production was Black Tea (38% CTC, 23% Orthodox) and 31% was Green Tea (ITC 2010). Black tea is predominantly produced and exported by Kenya and Sri Lanka. Green tea is mainly grown and consumed in China (TCC 2010:4) Although Black tea is by far the most produced and exported tea, production and exports of green tea are rapidly increasing, as shown in the projections in Figure 4 (FAO 2011). Other major tea types are Oolong, Jasmine and Pu'erh teas, mostly from China.

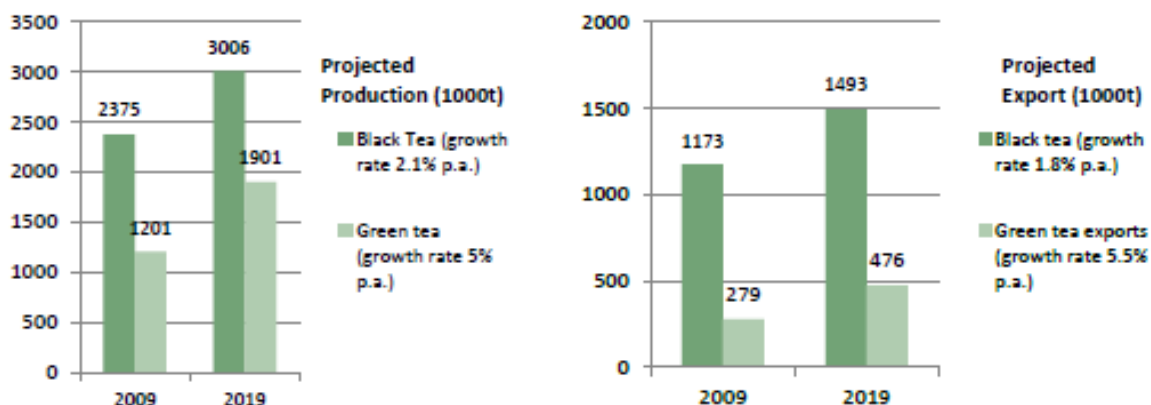


Figure | Projected production and export values of black tea and green tea in 2019. Source: FAO 2011

Source: M. Groosman: Sector overview – Tea

Although tea is produced in more than 35 countries, three-quarters of global production occurs in only a handful of these countries. China was responsible for 35% of world production in 2009, India for 25%, Kenya for 8%, and Sri Lanka for 7% (ITC 2010). Other important producing countries are Turkey (4%), Viet Nam (4%) and Indonesia (3,5%).

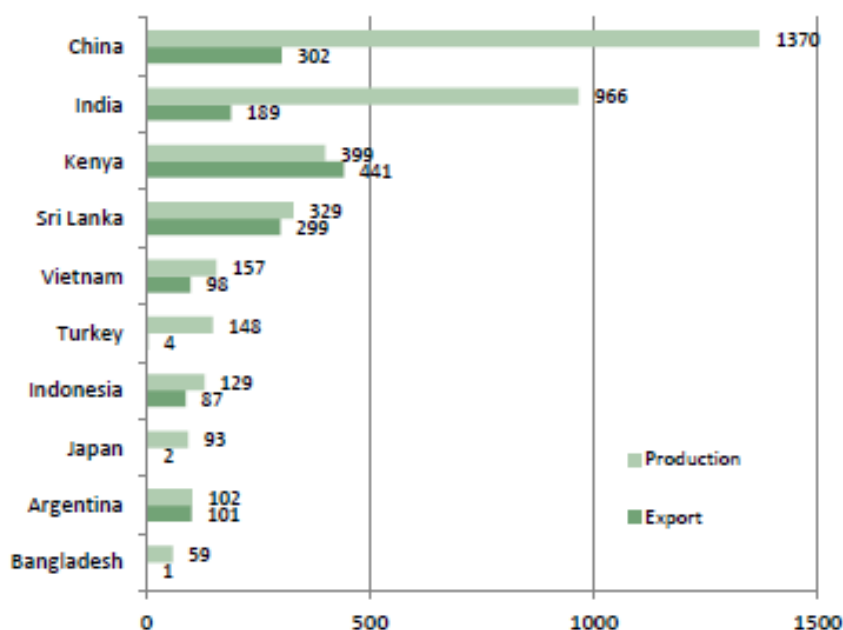


Figure | Estimated Production and Export values 2010 in metric tons of top 10 countries

Source: ITC 2010

Source: M. Groosman: Sector overview – Tea

Figure shows the production (in million kg) and exports in the top 5 producing and top 5 exporting countries. More than half in the tea produced by China and India - the largest producers – is for their domestic markets (TCC). Roughly 60% in the world production is consumed domestically in the producing countries; only 40% (1,609,700 ton) in 2010 was exported to non-producing countries (TCC 2010, ITC 2010). The major consuming countries are also the major producing countries—China and India, respectively accounting for 24%

and 21% of global consumption in 2009 respectively (ITC 2010). The major exporting countries are Kenya, China and Sri Lanka, which together control almost 60% of world exports (ITC). It must be noted however although Kenya ranks number one in quantities, exports from Sri Lanka have a substantially higher monetary value (FAOSTAT)

Contrary to coffee and cocoa, the affluent populations of North America, Western Europe and Japan are not the largest markets for tea. Over 50% of global tea exports are destined to the Middle East, North Africa and the former Soviet Union countries. Tea consumption in the non-producing countries is led by the Russian Federation (4.5%), the United States of America (3.2%) and the United Kingdom (3%); see table 2 (ITC 2010).

Table Top 5 importing non-producing countries

Country	Import (metric tons)
Russian Federation	179,000
USA	126,836
UK	121,752
Pakistan	120,345
Egypt	86,000
World total	1,609,700

Source ITC, 2010

Source: M. Groosman: Sector overview – Tea

The tea of choice in countries like China, Viet Nam and Indonesia is green tea; in other markets Black tea is still predominant. Premium loose tea markets, like Germany and Japan are known to go for the leafy teas of higher quality. Tea bags are preferred in the Western consuming countries like the USA, UK and the Netherlands. There is also an increasing trend in the consumption of non-traditional tea products such as iced tea, lemon tea, herbal infusions etc. (TCC 2010: 5). According to the American tea board, roughly 85 – 90% of the tea in the market the USA is destined for the production of ice-tea and other ready to drink beverages “on ice” (Northjersey.com)

EU market

The West European market is only accounts for 6 percent in the world tea consumption (TCC 2010: 7), and is largely dominated by a few main players. In 2010, the combined import of tea for consumption in the UK and the Netherlands was 129,452 tons for consumption (173,157 tons including re-exports), forming roughly 56% of EU-27's imports, as is shown in figure 6 below. Certified teas are becoming more popular in these markets.

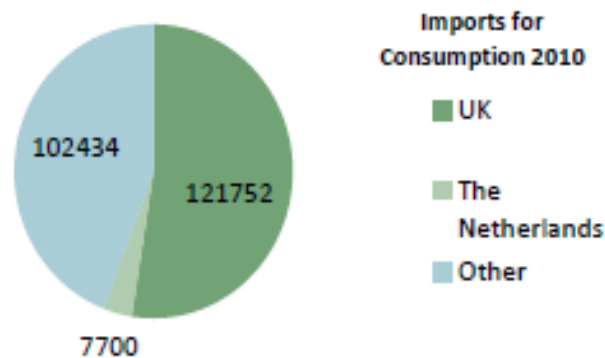


Figure 6 EU-27 tea imports for consumption 2010 (metric tons) Source: ITC 2010

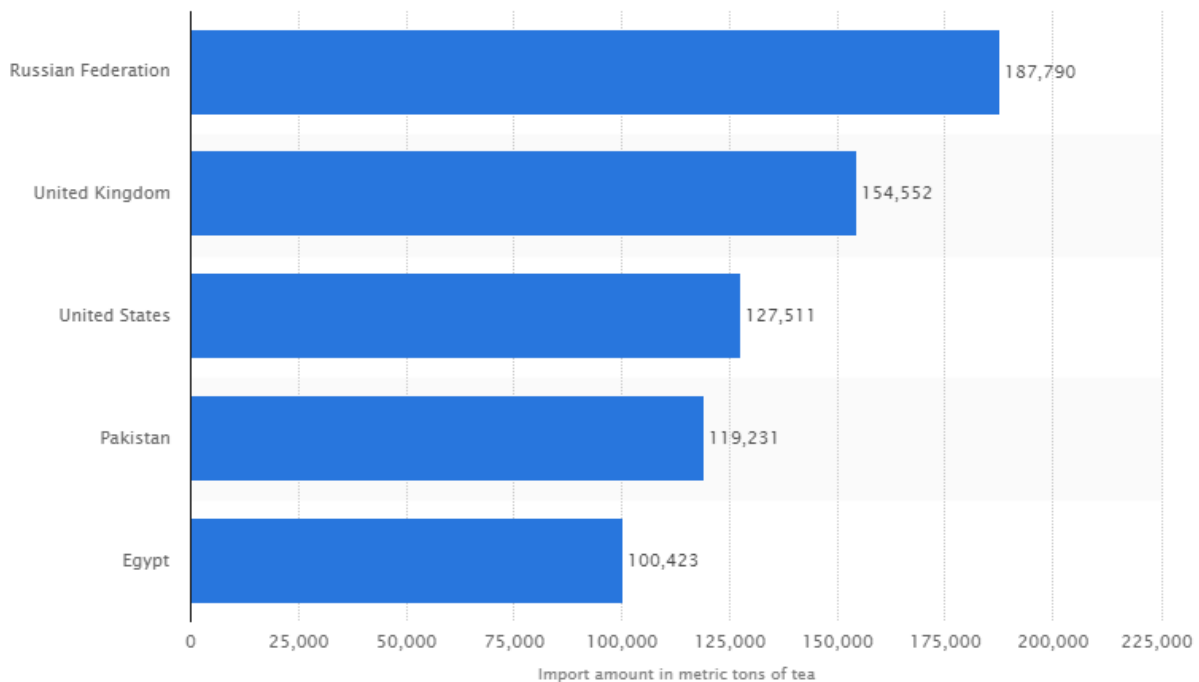
Source: M. Groosman: Sector overview – Tea

The United Kingdom is the largest tea consumer in Western Europe, with a market share of 63% (TCC 2010). Tea consumption amounted to almost 122,000 ton in 2010 (ITC 2010), of which more than half the volume was sourced from Kenya, UK's most important supplier. Other important suppliers are India, Indonesia and China.

In the Netherlands, less than half in the tea imports are for the domestic market—tea consumption amounted to 7,700 ton in 2010 (ITC 2010), constituting 4% in the Western European market. According to the Dutch Central Statistics Bureau (CBS), tea imports not adjusted for re-exports amounted to 23,700 ton in 2009 (KNVKT 2010). The total Dutch export of tea amounted to 11,000 ton in 2009, with Germany as its main destination (KNVKT 2010). The main suppliers are Indonesia, Malawi, Argentina and China (TCC 2010). Sara Lee is with a market share of 65% the main player in the Dutch tea market, followed by the retailer Albert Heijn (15%) and Unilever (5%).

Although the Netherlands is a relatively small market, it is an absolute frontrunner in terms of certified tea: by 2015 an estimated 80% in the available volume of tea will be certified (TCC 2010).

Major tea importing countries worldwide in 2011 (in metric tons)



Source: <http://www.statista.com/statistics/258620/main-import-countries-for-tea-worldwide/>

This statistic shows the five major tea importing countries worldwide in metric in the 2011. The United States was ranked third among the leading importers, with a total import amount of 127,511 tons of tea in 2011.

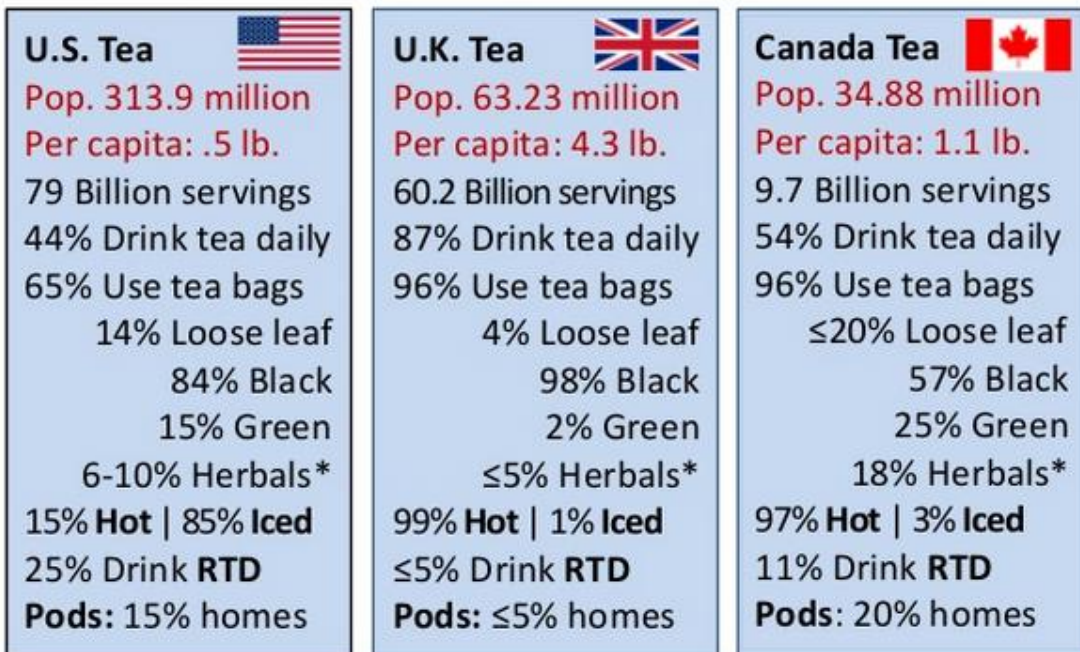
How Big is the Opportunity?

- One trillion cups consumed each year.
- Euromonitor International estimates the global tea market at \$87.5 billion.
- Bottle tea and coffee is expected to generate \$125 billion by 2017.
- U.S. Tea Market: \$10 billion
- Canadian Tea Market: \$4 billion
- U.K. Tea Market: \$1.3 billion

Source: <http://www.slideshare.net/mysticmediapublishing/innovation-in-tea-5th-global-dubai-tea-forum-by-dan-bolton>

Tea Drinkers

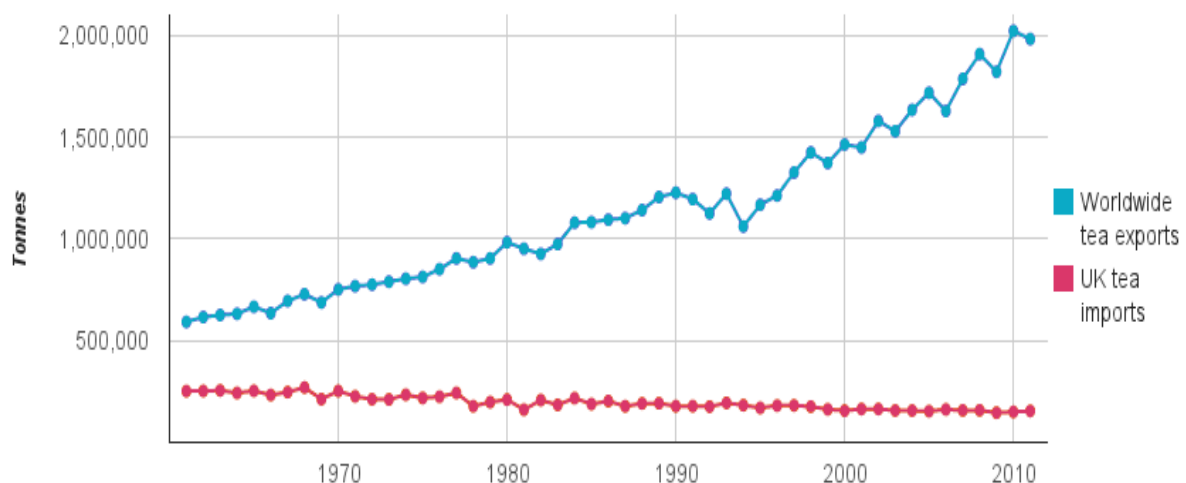
With more than 290 billion liters sold in retail and foodservice, tea is **the world's most consumed beverage**, outpacing bottled water, carbonates, beer and coffee. Euromonitor (2012)



Source: <http://www.slideshare.net/mysticmediapublishing/innovation-in-tea-5th-global-dubai-tea-forum-by-dan-bolton>

Tea in the UK

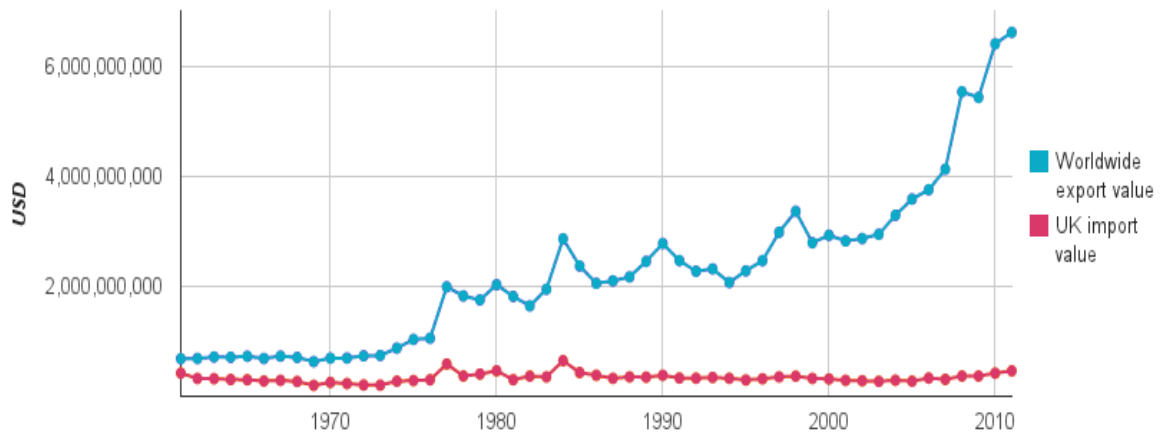
While we've already seen how the tea industry isn't a huge contributor to the UK's economy, what about the rest in the world? Here's how our imports (minus our own exports) stacks up against tea production around the world.



Source: <https://www.crunch.co.uk/blog/freelancer-advice/2014/07/29/how-britains-tea-economy-pushed-the-world-boiling-point/>

Turns out we're not even an influential force on the world trade of tea anymore. Back in 1961 our imports accounted for 42.6% in the world's tea. By 2011 our share had fallen to just 7.4% as the volume of global tea exports has shot up, and our use of it has gradually declined. Between 1961 and 2011, we brought 17.4% in the world's tea to our shores.

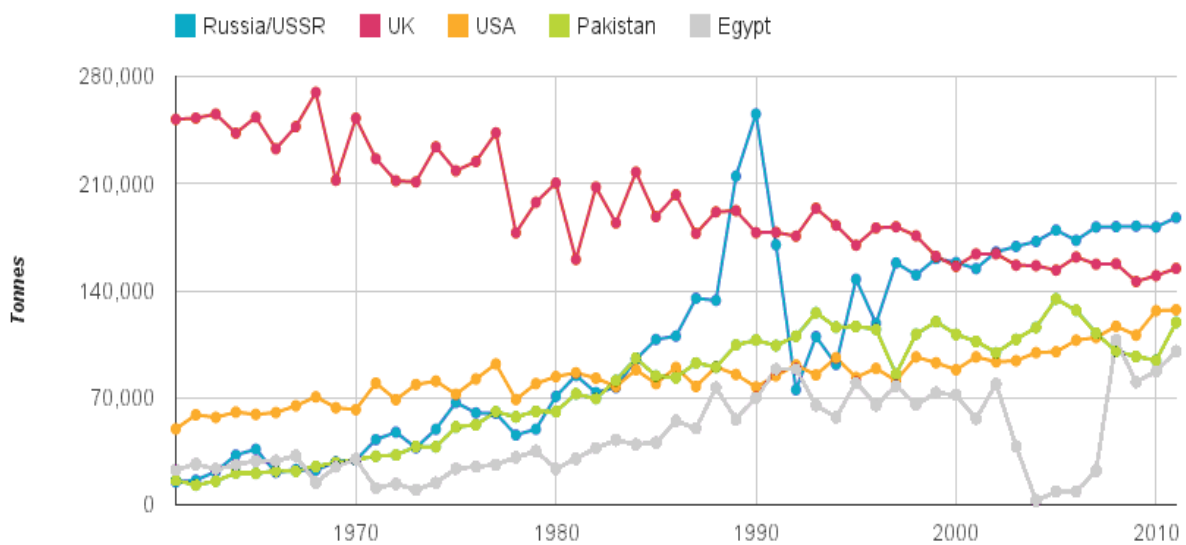
Here's how all that comes out in US Dollars:



Source: <https://www.crunch.co.uk/blog/freelancer-advice/2014/07/29/how-britains-tea-economy-pushed-the-world-boiling-point/>

In 1961, the value of our imports was worth 47.3% in the entire world's export values. Come 2011 and it's just 7%, with the three previous years being even lower.

So, are we really the avid tea drinkers we've styled ourselves as? If you compare us to other big tea-importing nations, we were dominant well into the end in the last century. It was only in 1989 that a country overtook us for the first time:



Source: <https://www.crunch.co.uk/blog/freelancer-advice/2014/07/29/how-britains-tea-economy-pushed-the-world-boiling-point/>

Around this time the Georgia (still part in the USSR) tea industry suffered from poor soil and equipment. They attempted to fix this using fertilisers, which ruined the taste in the tea and turned the population off it. It's likely the USSR would have thus increased imports to combat this, only to see them drop with the Soviet Union collapse in 1991.

Russia finally achieved a steady lead on us in 2002. It was certainly the end in the era when it comes to a love of tea, but bearing in mind Russia has 80 million more citizens than us, maybe we're not beat just yet.

Either way it's interesting to wonder how, if Charles II hadn't had a taste for it, or if we'd lost the Opium Wars, the UK would have been different without tea. Would we have held our nerve during the Blitz all jittery on coffee? How would we have consoled upset relatives without a in the the black stuff? What would we all do at half-time during International football matches?

The British are widely recognized as a nation of tea drinkers, and have a long history with this natural ingredient. According to the UK Tea Council, nationwide black tea consumption is a staggering 165 million cups per day, or 60.5 billion cups per annum, despite a small year-on-year drop. But added to this, are the 900 million cups of fruit and herbal teas, and 279 million cups of green tea consumed per annum. This reinforces that tea is the UK drink of choice by a big margin, but also that in this traditional category, there are new areas of development.

UK Retail Sales of Tea by Subsector: Volume 2004-2009 in '000 tonnes

	2004	2005	2006	2007	2008	2009
Black Tea	117.1	115.2	114.6	116.5	115.5	111.7
Green Tea	0.5	0.6	0.7	0.8	0.8	0.9
Fruit/Herbal Tea	1.8	2.1	2.3	2.4	2.5	2.6
Instant Tea	1.3	0.9	0.9	0.7	0.6	0.5
Other Tea	0.1	0.2	0.3	0.5	0.6	0.6
Total	120.8	119	118.7	120.8	120	116.4

Euromonitor 2010

Source: <http://www.ats-sea.agr.gc.ca/eur/5742-eng.htm#d>

Herbal and fruit teas have been growing very strongly as a healthy drink, and green teas are the most recent addition to this trend. Sales have declined a little in the last year, but manufacturers believe that stronger promotion and a wider range with lower-priced options, will help to revive the category.

UK Retail Value Sales of Tea – Historic –US\$ million – Current Prices from 2004 to 2009

	2004	2005	2006	2007	2008	2009
Black Tea	895.5	880.8	873.9	890.4	898.1	933
Green Tea	13	16	20.5	23.3	24.6	25.9
Fruit/Herbal Tea	57.7	70.3	76.8	80.4	81.3	83.8
Instant Tea	24.6	16.2	14.8	12.9	11.3	10.2
Other Tea	1.7	4.6	8.6	13.3	18.5	21.2
Total	992.6	987.9	994.5	1020	1034	1074

Euromonitor 2010

Source: <http://www.ats-sea.agr.gc.ca/eur/5742-eng.htm#d>

The tea market is also dominated by the big, long-established brands led by PG Tips, Tetley and Typhoo. In the current market, PG in the particular has shown strong sales.

Many of the leading food retailers have developed their own private label ranges to compete with the premium brands, and the biggest areas of growth are organic and Fair Trade products. Despite this, private label has seen a decline in market share over the last five years from 18.1% to 15.1% in 2009, according to Euromonitor International. Reinforcing the power of brands in the tea category, Marks & Spencer, which traditionally offers 100% private label, experimentally introduced branded tea in select categories such as Fair Trade, and have recently increased their branded selection.

Company Shares (by Global Brand Owner) – Retail Value RSP - % breakdown

	2004	2005	2006	2007	2008	2009
Unilever Group	24.1	23	23.6	24.2	24	25
Tata Tea Ltd	22.5	23	23.1	22.6	22.9	22.4
Associated British Foods Plc (ABF)	8.1	9.6	11.1	11.9	12	12.2
Bettys & Taylors Group Ltd	6.2	6.4	6.8	7.6	7.7	8.1
Apeejay Surrendra Group	-	7.8	7.1	6.5	6.2	5.7
Clipper Teas Ltd	0.4	0.5	0.8	0.9	0.8	0.8
Redbush Tea Co Ltd	0.1	0.2	0.4	0.5	0.6	0.7
Cafédirect Ltd	0.8	0.9	1	0.8	0.7	0.7
Private Label	18.1	18.4	17.8	16.1	15.1	15.4
Others	11.5	10.2	8.4	8.9	10	9.2
Total	100	100	100	100	100	100

Euromonitor 2010

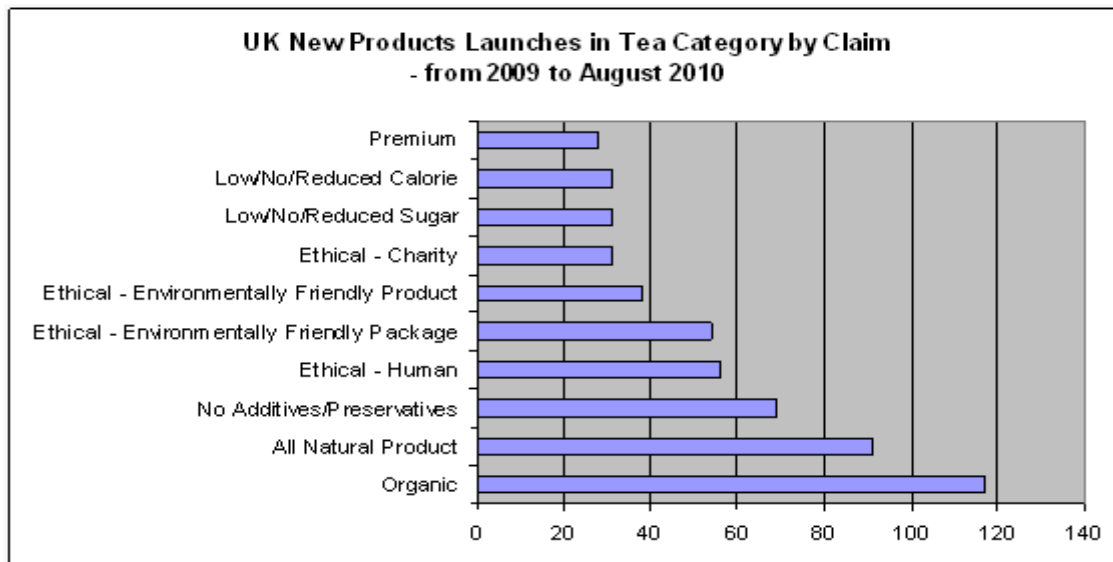
Source: <http://www.ats-sea.agr.gc.ca/eur/5742-eng.htm#d>

UK Tea Brand Shares (by Global Brand Name) – Retail Value RSP - % breakdown							
Brand	Company name (GBO)	2004	2005	2006	2007	2008	2009
PG Tips	Unilever Group	23.7	22.7	23.3	24.1	23.8	24.8
Tetley	Tata Tea Ltd	21.5	22.3	22.7	22.2	22.7	22.1
Twinings	Associated British Foods Plc (ABF)	7.9	9.4	10.9	11.7	11.8	12
Yorkshire	Bettys & Taylors Group Ltd	6.2	6.4	6.8	7.6	7.7	8.1
Typhoo	Apeejay Surrendra Group	-	7	6.3	5.9	5.7	5.2
Clipper	Clipper Teas Ltd	0.4	0.5	0.8	0.9	0.8	0.8
Redbush tea	Redbush Tea Co Ltd	0.1	0.2	0.4	0.5	0.6	0.7
Teadirect	Cafédirect Ltd	0.8	0.9	1	0.8	0.7	0.7
Lift	Apeejay Surrendra Group	-	0.5	0.4	0.4	0.4	0.3
Brooke Bond	Unilever Group	0.3	0.3	0.2	0.1	0.2	0.2
Jacksons of Piccadilly	Associated British Foods Plc (ABF)	0.2	0.2	0.2	0.2	0.2	0.2
Lyons	Tata Tea Ltd	0.9	0.6	0.4	0.2	0.2	0.2
Tetley Green Tea	Tata Tea Ltd	0.1	0.1	0.1	0.1	0.1	0.1
London Fruit & Herb	Apeejay Surrendra Group	-	0.3	0.3	0.2	0.1	0.1
Private label	Private Label	18.1	18.4	17.8	16.1	15.1	15.4
Others	Others	11.5	10.2	8.4	8.9	10	9.2
Total	Total	100	100	100	100	100	100

Euromonitor 2010

Source: <http://www.ats-sea.agr.gc.ca/eur/5742-eng.htm#d>

Health-consciousness is shaping tea preferences as consumers begin to appreciate the importance of maintaining antioxidant levels. Overall tea consumption is also increasingly characterized by indulgence and relaxation needs, which have resulted in more sophisticated consumer choices. This is reflected by the growth of organic, all-natural and free-from tea categories in both foodservice and retail, as shown by bord collected by Mintel.



Source: <http://www.ats-sea.agr.gc.ca/eur/5742-eng.htm#d>

According to a Mintel report, there is room for expansion in the tea market, especially for mid-priced, mass-marketed brands such as Lipton and Nestea. Unilever, the marketer in the Lipton-brand tea, has announced that the company will source all of its teas from Rainforest Alliance Certified farms by 2015. While the seal guarantees environmentally-sustainable tea farming practices, it overlooks „worker welfare“ on tea farms.

Carrying a Fair-Trade-Certified seal may actually become an attribute that most leading companies would require to compete with private labels. Mintel is already observing a few private labels including the seal in their premium products.

2006

The tea industry in the UK is evolving and changing to meet the ever challenging demands of running a profitable and self sustainable business in the ever changing market place. Many in the more traditional practices associated with the tea trade in the UK have either adapted to meet these demands or they have disappeared over time.

With no auction taking place in London since 1998 and the reduction in Brokers to just two from over half a in the the late 90's the trade has been challenged to source and buy in the different ways and to increase their 'in house' expertise at all points of production.

The market for tea in the UK is worth over £560 million, making it one in the biggest grocery markets in the UK. Consumption of tea is static at best but The Food and Agricultural Organisation (FAO) predicts a decline of 0.8% per year between now and 2010² suggesting that domestic consumption in producing countries is more likely to absorb the overall rise in consumption of 1.7% per year.

² Stats from 2006.

Countries / Regions	Actual Consumption	Projected Consumption	Growth Rates
	1998-2000	2010	2000-2010
	Thousand metric Tons		% per year
World	2145	2577	1.7
UK	138	126	-0.8
India	625	850	2.8

Source: FAO Committee on Commodity Problems, Intergovernmental Group on Tea. Fifteenth Session, Current Market Situation and Outlook, August 2003

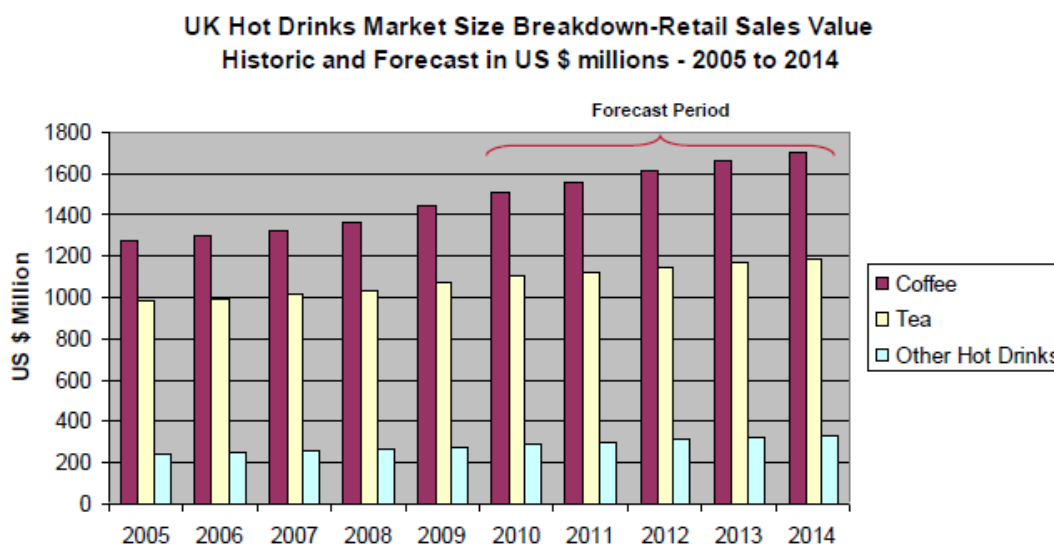
Source: C. Trumper: UK Tea Market Research

With these figures at hand it is predictable that the future in the UK lies in value addition and not increased volumes. Tea is increasingly being overtaken by soft drinks and manufacturers are having to be more innovative to keep their market share. Over the next 5 years, as consumers choose more premium products, the value will rise by 9% and the volume will drop by 8% as the trend towards drinking less tea overall continues.

Therefore, manufacturers will be requiring increasing amounts of high quality tea and not the lower grades of tea that are currently flooding the world market and providing a sense of over production.

Proving resilient despite the recession, sales of hot drinks grew in 2009 and are expected to achieve further growth. Promotional efforts by producers and manufacturers regarding the heightened quality and flavours that can be achieved in coffee and tea beverages, have cultivated increasingly discerning consumer demand for greater variety, and high-end products.

The hot drinks market is expected to see positive value growth between 2010 and 2014. Key drivers are expected to arrive from the coffee sector, where coffee pod systems are expected to grow in popularity, as well as from manufacturers that are increasingly concentrating on launching „light“ or reduced sugar variants.



Consumer Trends – Hot Drinks 15th the United Kingdom

Source: <http://www5.agr.gc.ca/resources/prod/Bord-Bord/MISB-DGSIM/ATS-SEA/PDF/5742-eng.pdf>

The British are widely recognized as a nation of tea drinkers, and have a long history with this natural ingredient. According to the UK Tea Council, nationwide black tea consumption is a staggering 165 million cups per day, or 60.5 billion cups per annum, despite a small year-on-year drop. But added to this, are the 900 million cups of fruit and herbal teas, and 279 million cups of green tea consumed per annum. This reinforces that tea is the UK drink of choice by a big margin, but also that in this traditional category, there are new areas of development.

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Consumer Trends – Hot Drinks 16th the United Kingdom

Source: <http://www5.agr.gc.ca/resources/prod/Bord-Bord/MISB-DGSIM/ATS-SEA/PDF/5742-eng.pdf>

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The tea market is also dominated by the big, long-established brands led by PG Tips, Tetley and Typhoo. In the current market, PG in the particular has shown strong sales.

Many in the leading food retailers have developed their own private label ranges to compete with the premium brands, and the biggest areas of growth are organic and Fair Trade products. Despite this, private label has seen a decline in market share over the last five years from 18.1% to 15.1% in 2009, according to Euromonitor International. Reinforcing the power of brands in the tea category, Marks & Spencer, which traditionally offers 100% private label, experimentally introduced branded tea in select categories such as Fair Trade, and have recently increased their branded selection.

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Bettys & Taylors Group Ltd	6.2	6.4	6.8	7.6	7.7	8.1
Apeejay Surrendra Group	-	7.8	7.1	6.5	6.2	5.7
Clipper Teas Ltd	0.4	0.5	0.8	0.9	0.8	0.8
Redbush Tea Co Ltd	0.1	0.2	0.4	0.5	0.6	0.7
Cafédirect Ltd	0.8	0.9	1	0.8	0.7	0.7
Private Label	18.1	18.4	17.8	16.1	15.1	15.4
Others	11.5	10.2	8.4	8.9	10	9.2
Total	100	100	100	100	100	100

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Tetley	Tata Tea Ltd	21.5	22.3	22.7	22.2	22.7	22.1
Twinnings	Associated British Foods Plc (ABF)	7.9	9.4	10.9	11.7	11.8	12
Yorkshire	Bettys & Taylors Group Ltd	6.2	6.4	6.8	7.6	7.7	8.1
Typhoo	Apeejay Surrendra Group	-	7	6.3	5.9	5.7	5.2
Clipper	Clipper Teas Ltd	0.4	0.5	0.8	0.9	0.8	0.8
redbush tea	Redbush Tea Co Ltd	0.1	0.2	0.4	0.5	0.6	0.7
Teadirect	Cafédirect Ltd	0.8	0.9	1	0.8	0.7	0.7
Lift	Apeejay Surrendra Group	-	0.5	0.4	0.4	0.4	0.3
Brooke Bond	Unilever Group	0.3	0.3	0.2	0.1	0.2	0.2
Jacksons of Piccadilly	Associated British Foods Plc (ABF)	0.2	0.2	0.2	0.2	0.2	0.2
Lyons	Tata Tea Ltd	0.9	0.6	0.4	0.2	0.2	0.2
Tetley Green Tea	Tata Tea Ltd	0.1	0.1	0.1	0.1	0.1	0.1
London Fruit & Herb	Apeejay Surrendra Group	-	0.3	0.3	0.2	0.1	0.1
Private label	Private Label	18.1	18.4	17.8	16.1	15.1	15.4
Others	Others	11.5	10.2	8.4	8.9	10	9.2
Total	Total	100	100	100	100	100	100

Source: Euromonitor 2010

Consumer Trends – Hot Drinks 17th the United Kingdom

Source: <http://www5.agr.gc.ca/resources/prod/Bord-Bord/MISB-DGSIM/ATS-SEA/PDF/5742-eng.pdf>

According to a Mintel report, there is room for expansion in the tea market, especially for mid-priced, mass-marketed brands such as Lipton and Nestea. Unilever, the marketer in the Lipton-brand tea, has announced that the company will source all of its teas from Rainforest Alliance Certified farms by 2015. While the seal guarantees environmentally-sustainable tea farming practices, it overlooks “worker welfare” on tea farms.

2010

Various estimates put UK tea in the range of GBP 700-800 mn (2010). The market is estimated to have grown at a healthy 8% between 2008 and 2010, despite the economic slowdown. Few analysts attribute this to increase in prices (because of shortage of supply) rather than increase in consumption. UK tea market is primarily driven by high penetration of tea among aged population, e.g. 88% of population above 65 drink tea, this percentage drops to 73% among younger population (15-34 year old). "Breakfast tea" accounts for close to 90% of sales value is declining as younger generation moves away from tea to other alternatives.

*UK tea market*³

- **Prices have risen** due to short supply, but the overall consumption has decreased
- **Black tea still dominates** the market but is experiencing sluggish growth.
- **Herbal and Green tea are gaining grounds.** Herbal tea accounted for 12% of overall tea in the 2010, and has been one in the key growth drivers of UK tea market. Specialty tea such as Assam tea is also increasing in popularity. These types of tea are especially liked by health conscious population.
- Most in the **tea sales happen through supermarkets / hypermarkets.** Tea vending is not popular in UK.
- **Competition in the UK tea market is high** with Unilever and Tetley as key players in the market. UK also has large number of small and unorganized players in the market.

"Once a cup of builder's tea was enough to drown the nation's sorrows, but new research from Mintel finds Brits are increasingly turning to alternative varieties, as sales of green tea bags have shot in the impressive 83% in past two years alone.

Indeed, the strain is showing for good old-fashioned English Breakfast tea. Although accounting for the biggest share in the tea market (70%), sales of ordinary English Breakfast tea bags dropped by 1.5% from £470 million to £463 million between 2010 and 2011. Since 2009, the share of ordinary bags as a percentage of all in home tea sales has declined from 73% in 2009 to 70% in 2011. What is more, the number of Brits using English Breakfast tea in the past 12 months has fallen from 87% in 2010 to 83% in 2011.

Meanwhile, other more exotic varieties have shown more positive performances, indeed, between 2009 and 2011, sales of "Fruit and Herbal bags" (valued at £54 million in 2011) increased 10%, while "Speciality bags" (£52 million) and "Decaffeinated bags" (£36 million) grew by 8% and 16% respectively. But it was the "Green bags" sector which was the real star performer in the home tea sector. Sales of Green bags grew a sensational 83% between 2009 and 2011, the market almost doubling from £12 million in 2009 to £22 million in 2011. Today, as many as 12% of Brits drink Green tea on a weekly basis.

³ <http://www.theresearchpedia.com/research-articles/uk-tea-market>

Alex Beckett, Senior Food Analyst at Mintel, said:⁴

“While English Breakfast tea is fondly regarded, the expansion of coffee chains and the exotic flavours of fruit, herbal and green teas are encouraging consumers to diversify their consumption habits, prompting fewer cups of standard tea to be drunk. Though the segment continues to play only a niche role in the market, Green tea, like Fruit and Herbal teas, has benefited from positive associations with healthiness. Green tea extracts are increasingly found in cosmetic beauty products, raising the profile of Green tea among women in particular.”

Overall, retail value sales of tea in the UK jumped by 22% to £655 million between 2006 and 2011. Annual sales growth had rapidly accelerated to 11.9% in 2009 when the market was valued at £610 million. This was largely fuelled by price inflation, which also remained high in 2010 when the total value hit £660 million. The tea market then declined in 2011, when value fell 1% to £655 million. Today, tea is drunk by almost nine in ten (87%) Brits.

“When faced with adversity, Britons have historically reached for a cup of tea. And the state in the current economic climate should in theory provide bountiful times for tea brands, considering three quarters of users describe it as comforting. However, diversity appears to be impacting tea consumption more than adversity these days. With usage rates falling and value sales growth all but reliant on commodity inflation, it could be forgiven for disregarding the long-established motto to ‘Keep calm and carry on’.” Alex continues.

Meanwhile, sales of loose leaf tea dropped by 11% between 2009 and 2011, to record £16 million, accounting for just 2% of overall tea sales. While usage of loose leaf remained flat over the period, with 9% of tea users choosing this format, sales have declined slightly in recent years, with the higher price of loose tea making it more vulnerable to consumer cut backs in the recession. Surprisingly, the biggest users of loose tea are aged between 25-34 at 12% rather than those aged 65 and over (10%) who were more likely to have grown up using loose leaf rather than tea bags.

“Most people would think over-55s are the biggest users of loose leaf tea, but it is actually those aged 25-34. Tea in the increasingly cool image. With many in the nation’s younger consumers’ having a keener in the food, as well as quality coffee, this group are more likely to be more open to discovering the benefits of loose leaf, such as the full flavour 19nt he larger leaves.” adds Alex.

With a strong possibility that the economy will head back into a recession, the outlook for consumer confidence in the UK is bleak. However, as a household staple rather than a luxury item, tea sales are unlikely to be strongly adversely affected. The overall tea market is forecast to grow by 8% to £708 million between 2011 and 2016, as global wholesale tea prices rebound, forcing manufacturers to pass on the costs.⁵

⁴ <http://www.mintel.com/press-centre/food-and-drink/britains-growing-appreciation-for-green-and-herbal-tea-hits-sales-of-builders-brew>

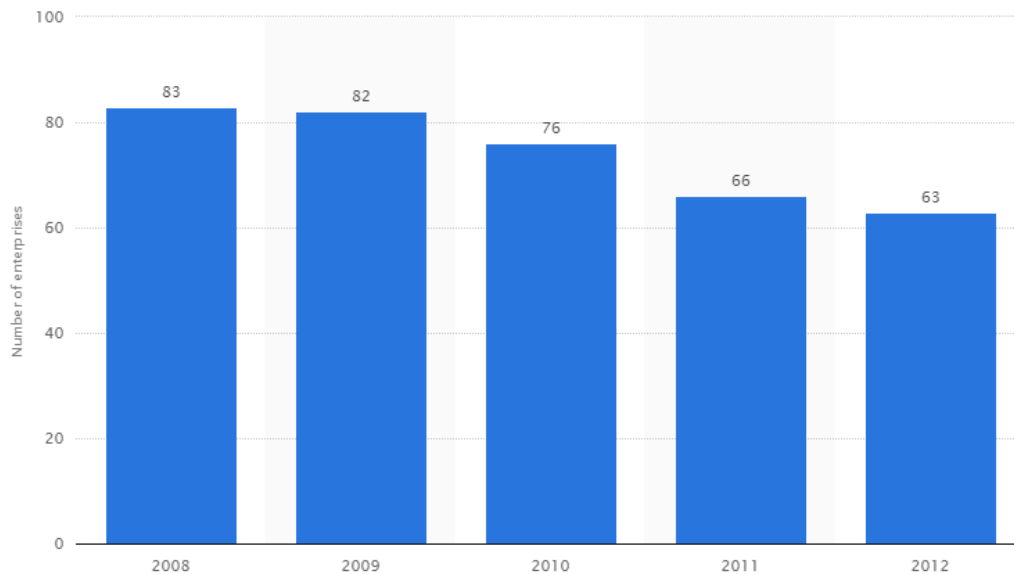
⁵ <http://www.mintel.com/press-centre/food-and-drink/britains-growing-appreciation-for-green-and-herbal-tea-hits-sales-of-builders-brew>

Some facts you may not know – 2010

- The British have been drinking tea for nearly 400 years
- Tea breaks are traditions that have been with us for approximately 200 years. Initially when workers commenced their day at around 5 or 6am, employers allowed a break in the morning when food and tea were served. Some employers repeated the break in the afternoon as well
- Tea costs approximately 3p per cup to make. Coffee costs 6.5p
- Tea outsells coffee by 2 to 1
- There are 26 tea-growing nations. The principal ones are India, China, Sri Lanka, Kenya and Indonesia
- Over 50% of our tea comes from East Africa – Kenya, Malawi, Zimbabwe
- The UK imports and consumes 140 thousand tonnes of tea per year
- The UK drinks 165 million cups per day – 62 billion cups per year
- There are estimated to be about 1,500 different varieties of tea
- In a recent study, 80% of staff claim they find out more about what's going on at work over a cup of tea than in any other way
- The UK tea market is worth circa £700 million annually
- Average consumption is circa 3 cups per day (10 years old and over)
- 70% of population (over 10yrs) drank tea yesterday
- 95% of tea is consumed in tea bags
- 86% of tea is consumed at home, 14% out of home
- 93% of tea consumed is a blend – 7% speciality tea. Earl Grey 50% of speciality market
- Over 25% of milk consumed in UK is taken with tea
- 98% of people take milk with tea
- 45% of people take sugar with their tea

Source: <http://www.beveragestandardsassociation.co.uk/Tea-Facts>

Number of enterprises in the processing of tea and coffee sector in the United Kingdom (UK) from 2008 to 2012



Source: <http://www.statista.com/statistics/368094/number-of-enterprises-in-the-processing-of-tea-and-coffee-sector-in-the-uk/>

This statistic shows the number of enterprises in the processing of tea and coffee sector in the United Kingdom (UK) from 2008 to 2012. In 2012, there were 63 enterprises processing tea and coffee in the United Kingdom.

2011⁶

The traditional British cuppa is under attack from poncey herbal alternatives. Research firm Mintel has found sales of English Breakfast tea have fallen, with fruit and herbal teas, Green tea and decaffeinated tea on the surge.

Your proper builders' tea remains dominant with 70% in the market but sales fell last year by 1.5% from £470m to £463m and its share in the tea market has dropped from 73% in 2009.

What is more, the number of Brits using English Breakfast tea in the past 12 months has fallen from 87% in 2010 to 83% in 2011.

What were they drinking? Other more exotic varieties of teas have shown more positive performances. Between 2009 and 2011, sales of „Fruit and Herbal bags“ (valued at £54m in 2011) increased 10%, while „Speciality bags“ (£52m) and „Decaffeinated bags“ (£36m) grew by 8% and 16% respectively.

But it was the „Green bags“ sector that was the real star performer in the home tea sector. Sales of Green bags grew a sensational 83% between 2009 and 2011, the market almost doubling from £12m in 2009 to £22m in 2011. Today, as many as 12% of Brits drink Green tea on a weekly basis.

⁶ <http://money.aol.co.uk/2012/03/21/herbal-teas-target-the-british-cuppa/>

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Recession-proof? Today, tea is drunk by almost nine in ten (87%) Brits. Beckett said: „When faced with adversity, Britons have historically reached for a cup of tea. And the state in the current economic climate should in theory provide bountiful times for tea brands, considering three quarters of users describe it as comforting.

„However, diversity appears to be impacting tea consumption more than adversity these days. With usage rates falling and value sales growth all but reliant on commodity inflation, it could be forgiven for disregarding the long-established motto to 'Keep calm and carry on'.“

Return in the tea pot? Young people not OAPs are now biggest users of loose leaf tea, the research found. The biggest group of users is aged between 25-34 at 12%. Users over 65 only accounted for 10%. Sales of loose leaf tea dropped by 11% between 2009 and 2011, to £16m, accounting for just 2% of overall tea sales.

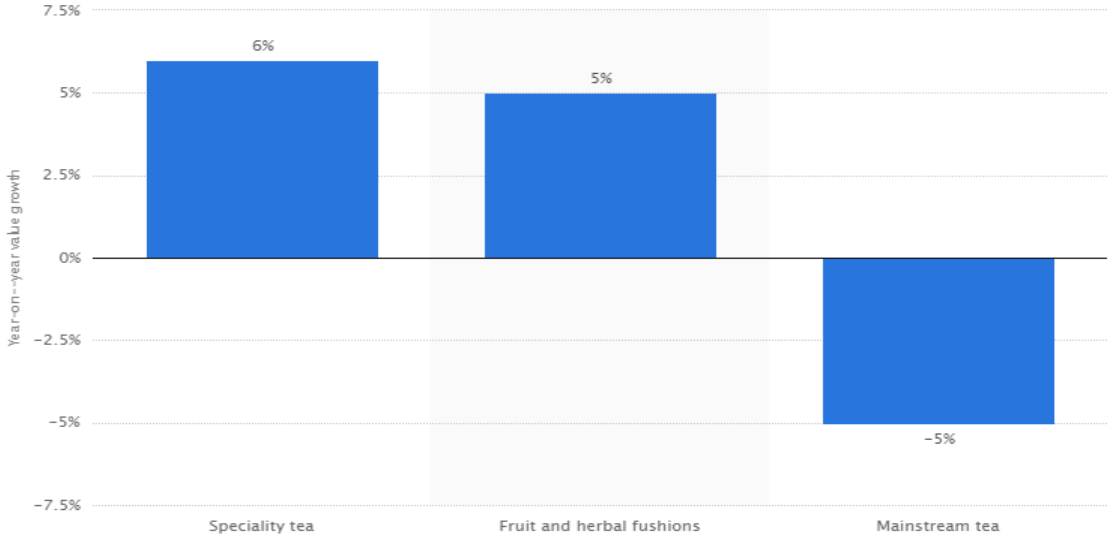
While usage of loose leaf remained flat over the period, with 9% of tea users choosing this format, sales have declined slightly in recent years, with the higher price of loose tea making it more vulnerable to consumer cut backs in the recession.

The overall tea market is forecast to grow by 8% to £708m between 2011 and 2016, as global wholesale tea prices rebound, forcing manufacturers to pass on the costs.

2014

In line with the overall premiumisation in the hot drinks market, it appears that UK consumers are buying tea less frequently but are trading up when they do purchase. Tea will continue to be a mainstay of UK society but premiumisation remains an important factor as consumers adapt the way they consume Britain's favourite drink. As a result, off-trade value sales increased by 2% in 2013 but volumes fell by 1%.

Year-on-year value growth of tea in the United Kingdom (UK) in July 2014, by category

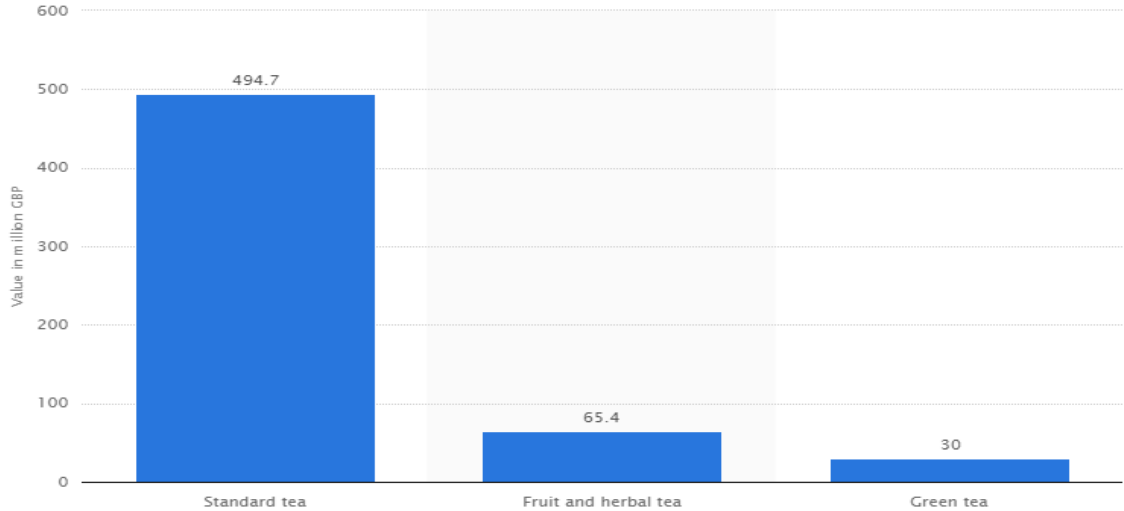


Source:

<http://www.statista.com/statistics/310513/year-on-year-value-growth-of-tea-united-kingdom-uk-by-category/>

This statistic shows the year-on year-growth in value of tea in the United Kingdom (UK) for the 52 weeks ending July 20, 2014, by category. During that period, speciality teas showed the biggest growth in value (6 percent), followed by fruit and herbal fushions (5 percent). Traditional mainstream tea fell in value by 5 percent.

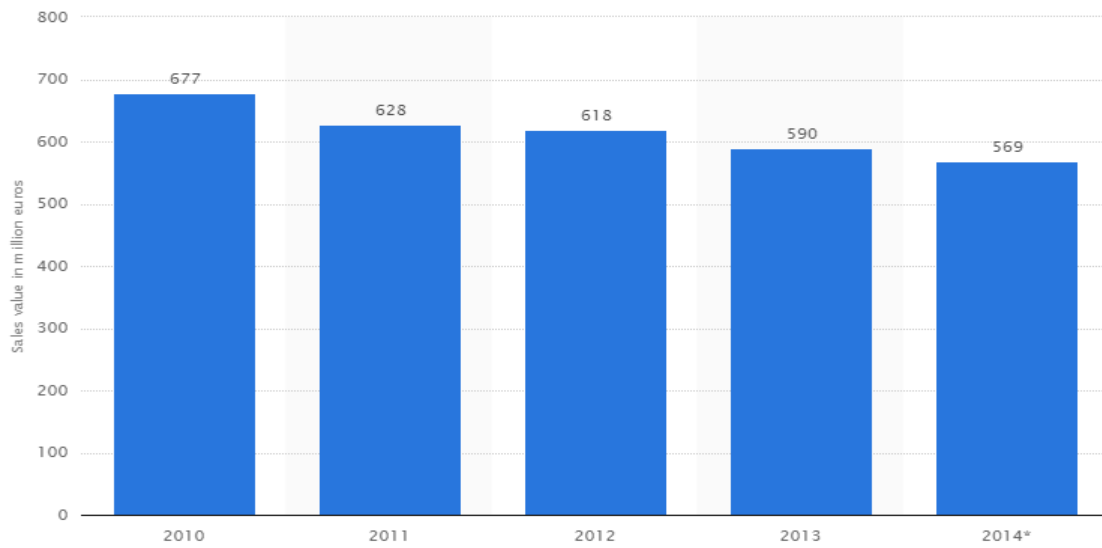
Sales value of tea in the United Kingdom (UK) in 2014, by category (in million GBP)



Source: <http://www.statista.com/statistics/382133/tea-market-sales-value-united-kingdom-uk-by-category/>

This statistic shows the total sales value of tea in the United Kingdom (UK) as reported in 2014, split by category: standard tea, green tea and fruit and herbal teas. At that time, standard tea was worth 495 million British pounds in the UK. Fruit and herbal teas were worth 65 million British pounds and Green Tea 30 million British pounds.

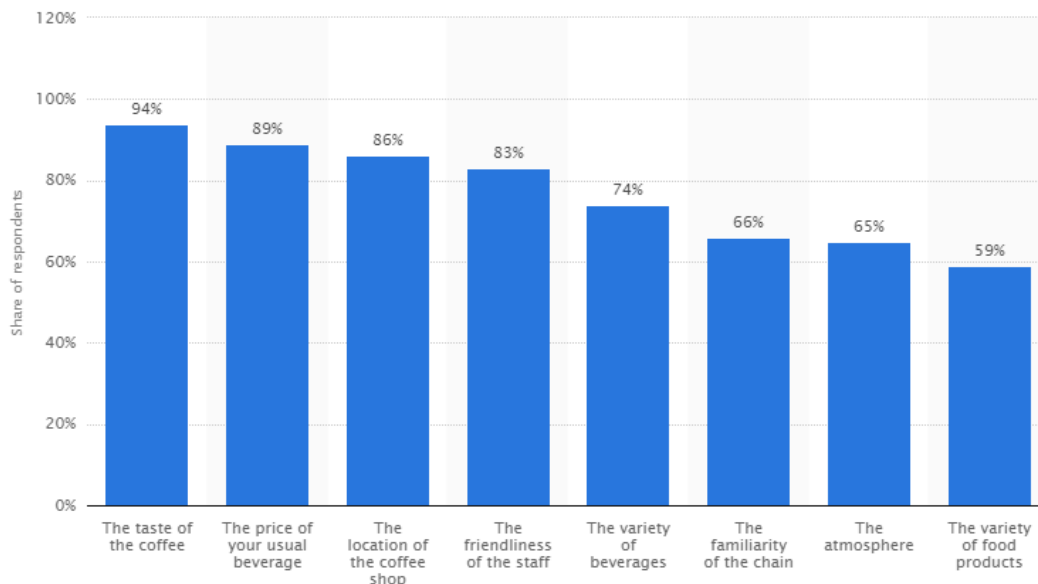
Sales value of tea in the United Kingdom (UK) from 2010 to 2014 (in million euros)



Source: <http://www.statista.com/statistics/365138/sales-value-of-tea-in-the-united-kingdom-uk/>

This statistic shows the sales value of tea in the United Kingdom (UK), from 2010 to 2014. Over this period, sales of tea have shown a decline in value. In 2011, sales of tea were worth 628 million euros.

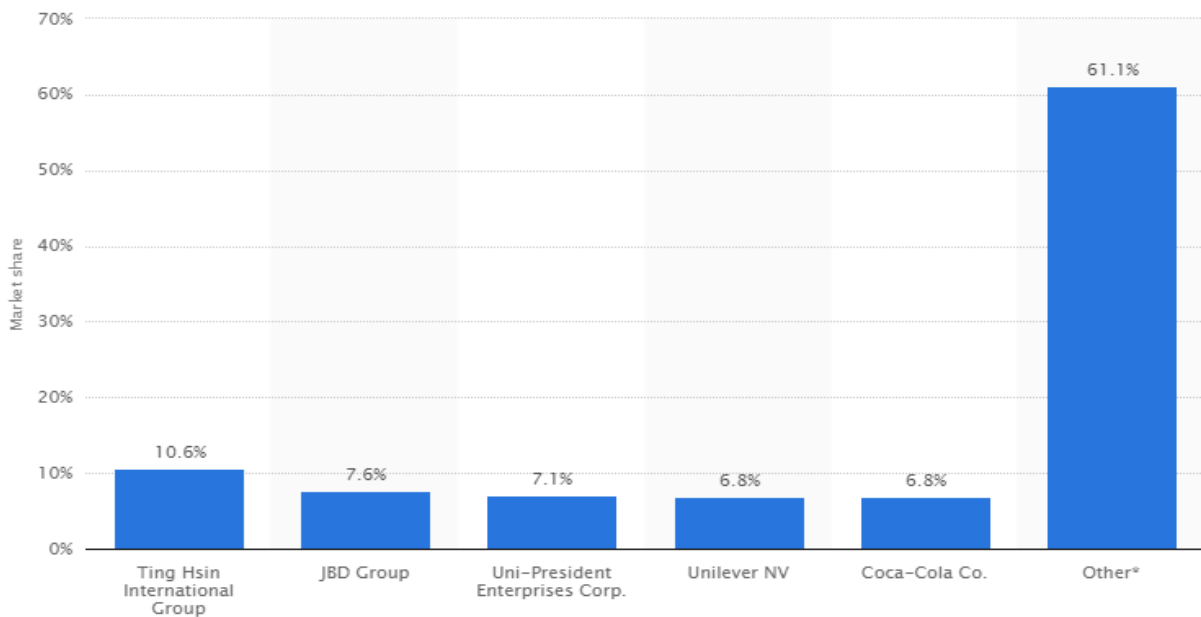
How important are each in the following in deciding where you purchase coffee or tea drinks?



Source: <http://www.statista.com/statistics/292548/us-consumers-rating-of-factors-where-to-buy-coffee-tea-drinks/>

This statistic presents the results of a survey among US consumers. The survey was fielded online by Harris Interactive in February 2013, asking the respondents to rate the determining factors in deciding where to purchase coffee or tea drinks. Some 94 percent of US consumers indicated the taste in the coffee as the key buying factor.

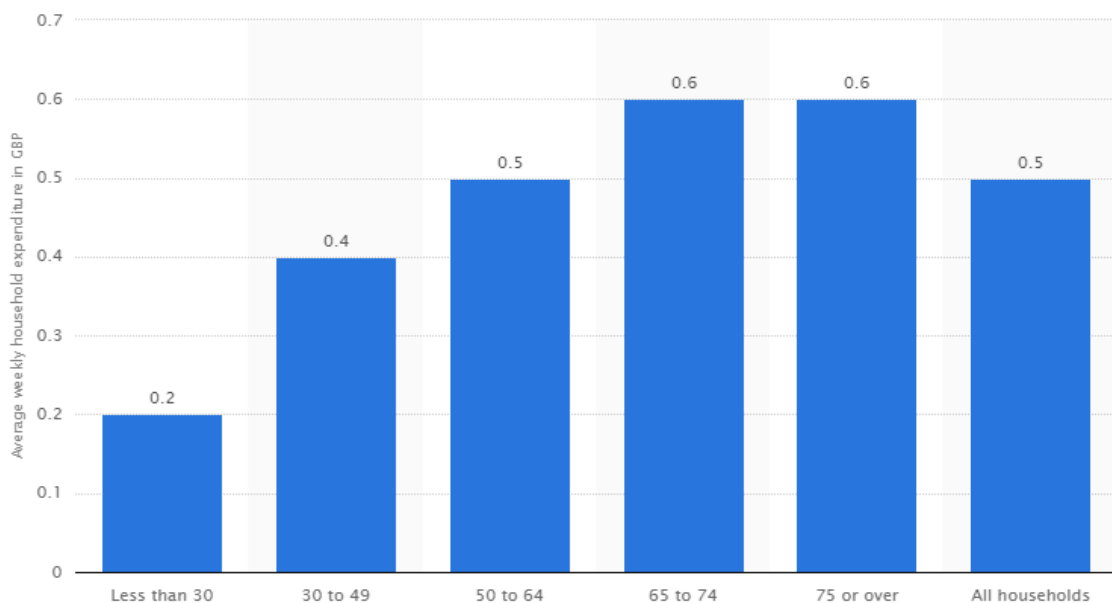
Market share of ready-to-drink (RTD) tea worldwide as of 2015, by company



Source: <http://www.statista.com/statistics/387413/market-share-of-leading-ready-to-drink-tea-companies-worldwide/>

This statistic presents the market share in the leading ready-to-drink (RTD) tea companies worldwide as of 2015. Unilever was ranked fourth with a market share of 6.8 percent. The global market was estimated at 65.2 billion U.S. dollars.

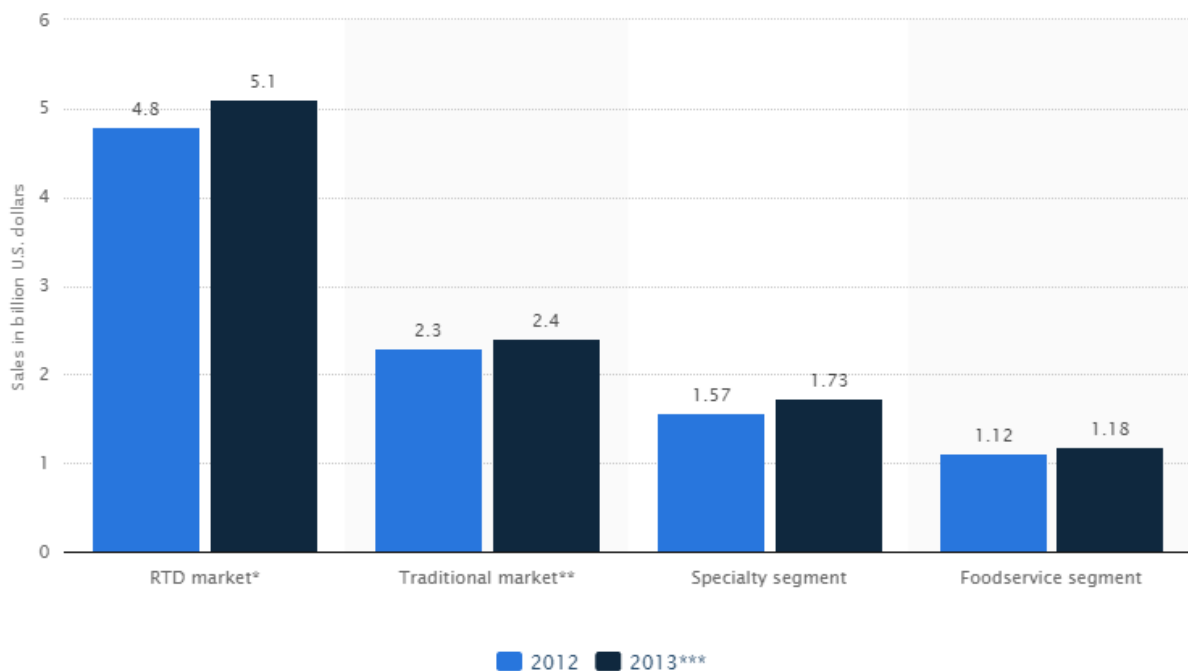
Average weekly household expenditure on tea in the United Kingdom (UK) in 2013, by age of household reference person* (in GBP)



Source: <http://www.statista.com/statistics/285544/tea-weekly-uk-household-expenditure-by-age/>

This statistic illustrates the average weekly household expenditure on tea in the United Kingdom (UK) in 2013, by the age in the household reference person. Respondents with a household reference person aged 50 to 64 spent an average of 50 pence a week on tea.

Wholesale tea in the US in 2012 and 2013, by market segment (in billion U.S. dollars)



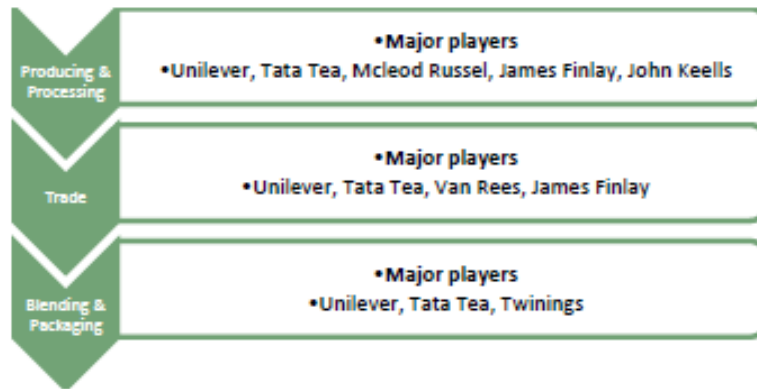
Source: <http://www.statista.com/statistics/258565/us-wholesale-tea-sales-by-market-segment/>

The statistic displays the wholesale tea value in the US in 2012 and 2013, by market segment. The foodservice segment captured wholesale sales of about 1.12 billion U.S. dollars in 2012. The total wholesale value in the U.S. tea industry amounted to about 9.8 billion U.S. dollars in the year.

Supply Chain

The tea supply chain is characterized by a very strong vertical integration by just a few multinationals. At the global level, 85% of global production is sold by multinationals (CBI 2011b). Direct links between manufacturers and producers are common. The main packers, Unilever (12% in the global market) and Tata Tea (4% in the market) are key players in the consumer market.

They dominate the trade, have a strong influence on transport companies, and source part of their supplies from their own plantations.



Overview of major players in the tea value chain (Source: TCC 2010: 5, company websites)

Source: M. Groosman: Sector overview – Tea

Figure below shows a simplified scheme in the tea sector supply chain. (TCC 2010:2).



Producers of tea were traditionally large estates, but the numbers of smallholders are rising rapidly. China, India, Kenya and Sri Lanka are the main producers. On estimate, there are 13 million workers involved in tea production worldwide, of which around 9 million are smallholders (IDH 2010: 12).

Processing (drying, fermenting and/or cutting of tea leaves) is carried out in processing plants. Estates usually have their own plant or one located nearby. Smallholders often need to travel.

Trade between producers and buyers usually takes place at auctions, facilitated by brokers. Brokers communicate information regarding supply and demand, and indirectly determine the price of tea. 70% of the global tea production is sold through auctions.

Tea companies (also called packers/blenders) buy the tea through brokers. Although the processed tea technically is a finished product, downstream stages such as blending, packing and marketing are the most profitable.

Retail: Direct links between buyers and tea packers are often established, making access by smaller companies or local producers/processors more difficult.

Consumers: Roughly 3/5 of the world production is consumed locally in the producing countries. Only 2/5 is consumed in non-producing countries.

Source: M. Groosman: Sector overview – Tea

Producers

Although it is very difficult to put an exact number on the amount of workers active in tea production, estimates suggest there are roughly 3 million workers active in Kenya alone. Tea production has long been dominated by large plantations, but especially since liberalization of markets in the mid 1990s, smallholdings are on the increase. In Kenya and Sri Lanka, about two-thirds of all tea is cultivated on smallholdings (TCC 2010). For these

farmers, cultivating tea provides work and income throughout the year, with a low risk of complete crop failure.

Tea is a very labor intensive crop. Plantations and small farmers employ thousands of workers to maintain and harvest their tea fields. Work in tea gardens is usually gender specific. Harvesting, generally referred to as plucking, absorbs the most amount of labor and is carried out almost exclusively by female workers. There is typically a daily wage for tea plucking, with a stipulated minimum quantum of leaves to be plucked. Male workers are generally employed only for pruning, applying fertilizers and agrochemicals, or hauling heavy loads. As these are largely seasonal or occasional activities, men sometimes have work only for 10-15 days in the month (TCC 2010).

Table Ratio of smallholders to estates and number of workers in main producing countries

Country	Smallholder – Estate ratio	No. of tea workers (estimate)
China	80 – 20	8 million
India	27 – 73	1.3 million
Kenya	60 – 40	3 million
Sri Lanka	65 – 35	1 million

Source: TCC 2010, ETP 2011a

Source: M. Groosman: Sector overview – Tea

Processors

Most in the processing of tea leaves takes place in the countries of origin, as processing the tea leaf should begin within 5-7 hours after harvesting to avoid deterioration in quality. Processing is done in independent BLFs or estate factories (TCC 2010), through controlled fermentation in the liquor present. The two main methods of black tea production—the most widely produced tea—are ‘orthodox’ and ‘CTC’ (crushed-torn-curled or cut-torn curled), where the leaves are cut and rolled in several special ways. Both types come in different grades or qualities, based on the size in the processed and dried leaves. In green tea production the natural fermentation process is halted by first drying (heating or steaming) the freshly picked leaves before further processing. Tea quality and price are determined on the basis of liquor, aroma/flavor and leaf appearance. The processed factory tea (also known as “made tea”) is in the packets and chests.

Trade Phase

Auctions

Roughly 70% of global tea production is traded through auctions (Lines 2006). Brokers constitute an important link between tea producers and buyers, since they communicate information regarding supply and demand (TCC 2010). Unlike the coffee and cocoa trade, there is no single indicator price for tea. Instead, pricing is dominated by the auction system, where the price of tea from each estate is determined on a day-to-day basis, according to the quality and supply and demand on the day. This is because tea quality will vary considerably even from the same factory and region on a weekly or monthly basis. The

average prices at the three most important auction centers (Kolkata, India; Colombo, Sri Lanka; and Mombasa, Kenya) are a reference for the world market price (TCC). The local auction centre is used for rapid delivery and lower costs: there are 6 auction centers in India, and one each in Sri Lanka (Colombo), Indonesia (Jakarta), Malawi (Limbe), eastern Africa (Mombasa) and Bangladesh (Chittagong). Chinese tea is sold at commodity fairs in Guangzhou.

At auctions, buyers bid for one particular grade from a particular tea garden at a time, after tasting the tea and judging its value. The auctioneer plays an important role in the tea market. Apart from personally tasting and evaluating each individual invoice, he has to use his knowledge in the world demand and marketing skill in judging the marketability in the tea. He has final jurisdiction and his judgment to a certain extent determines the selling price in the tea (Lines 2006).

Brokers

A few firms dominate in the each auction centre. The largest tea broker in the world, J. Thomas & Co. Pvt. Ltd., handles over 155 million kg of tea a year, i.e. one-third of all tea auctioned in India (J. Thomas & Co. Pvt. Ltd. Website). Carritt Moran and Co. Ltd., the world's second largest tea broker, handles 24% of auctioned in the India (Carritt Moran and Co. Ltd. Website).

Brokers must be registered with the appropriate tea board in order to operate, which limits the number of auction houses where tea can be sold. 11 brokers are registered with the Tea Board of Kenya, while there are 4 registered brokers at Calcutta (J. Thomas & Co., Carritt Moran & Co., Contemporary Targett and Paramount Tea Marketing). Together these brokers sell the majority of Darjeeling tea (Lines 2006).

The concentration of buyers in most auction centers has traditionally been very high. New buyers are inherently discriminated against for a number of reasons. Firstly, brokers generally do not accept bids from buyers they do not know as they feel it increases their risk. Secondly, the new buyers are disadvantaged by the fact that the tea has to go to the processing and packaging plants most of which are owned by the other companies competing with them at the same auction.

Blenders

Tea is generally exported with minimal processing to importing consumer countries, where it is blended and packaged by the tea companies. Blending is the most lucrative part of the tea trade, meaning the largest proportion in the profits does not end up in the tea-producing countries, but abroad (TCC 2010; Lines 2006). Whilst many producers try to export pre-processed tea, the export of 'ready-for-use' tea is often hindered by the absence of money for expensive marketing strategies.

The consumer markets are dominated by the popular blended brands (over 70% in the UK market) (CBI). These blends can contain up to 36 different types of tea (TCC), in the consuming country. They are designed to keep their taste constant despite the loss of any tea-source due to adverse weather or high prices.

By exporting tea in bulk, developing countries are missing the opportunity for significantly increased export earnings. Producing countries currently sell tea most often as a

generic without branding and packaging, despite the increase this could mean in prices; branded tea fetches prices six times higher than bulk export. Sri Lanka is an exception, and has succeeded in capturing more value in the supply chain through value-added production (Ceylon tea) (Lines 2006)

Retail

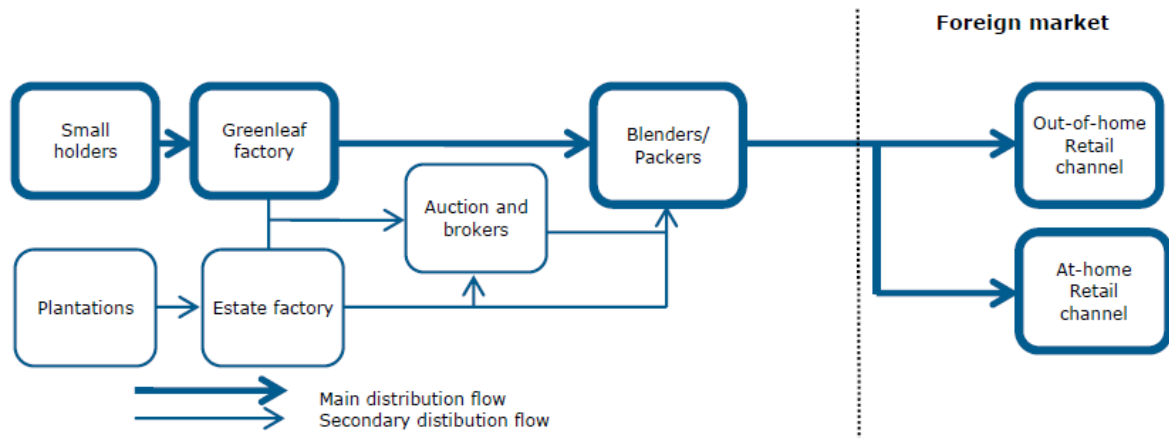
With the growth in Europe and North America, the character of tea buying changed quite dramatically in the 1990s. There has been a centralization of tea buying, increased buying by individual companies and the bypassing of wholesalers through direct links between the tea buyers and tea packers. Leading companies spend a great deal on promotion of their products. In Japan the advertising expenditure was 8%, compared to 4% in the US and 2.5% in the UK (Lines 2006). A great amount of money is also spent on trade promotions to retail outlets to try to persuade them to carry their brands, particularly by smaller companies. Retailers generally seem to add small margins on the tea but make their money from these promotional margin allowances from the packers.

Key online UK retailers:

- <http://www.imperialteas.co.uk/>
- <http://www.pekoetea.co.uk/tea.html>
- <http://www.teapigs.co.uk/>
- <http://www.teahouseemporium.co.uk/>
- <http://www.whittard.co.uk/>
- <http://www.nbtea.co.uk/>
- <http://www.cardewoxford.co.uk/>
- <http://www.brewteacompany.co.uk/>
- <http://www.leafshop.co.uk/store/>
- <http://www.etsteas.co.uk/>

Trade channels

Trade channels for tea packed at origin:



Source: ProFound, 2013

Source: <http://www.cbi.eu/sites/default/files/study/tailored-study-kenyan-tea-packed-origin-europe-trade-structure-channels-tea-2014.pdf>

In the case of tea packed at origin, tea is mostly sold directly to the blender and packers without the intervention of brokers or the Mombasa auction. Producer benefits from direct trade are often considerable; they receive payment faster, endure less uncertainty about sales and price, and can avoid the charges associated with auctioning tea. Likewise, the system appeals to blenders and packers, because it guarantees faster delivery.

Compared to the conventional tea supply chain, the tea does not leave the country in bulk packaging. Tea blenders and packers are situated in UK, whereas these would normally be located in the destination market. As a result, the most lucrative value-adding activities of the tea supply chain, blending and packaging, accruing up to 50% of the consumer price, are carried out in the country of origin. On the other hand, importers profit from lower blending and packaging costs, which outweigh the transportation and storage costs.

Brokers and auction

In the case of tea packed at origin, brokers can sometimes be a link between tea producers and blenders or packers, since they communicate information regarding supply and demand. As a result, the number of auction houses where tea can be sold is limited. New buyers have limited chances of entering the system, because unknown buyers are only marginally allowed to trade at auctions. The auction system is similar to other major global auction centres, bringing buyers (traders, agents and importers/blenders) and sellers together, to determine the price through interactive competitive bidding. If bidding does not reach the price desired, the broker or producer can withdraw the tea from the auction.

Retail channels

The market for bagged tea can be divided into two retail channels:

- *At-home consumption,*
- *Out-of-home consumption.*

Both retail channels have different types of brands available for the consumer, offering well-known brands, private label brands and discount brands. Each of these brands is presented in their own style and price segment. If you aim to be present in a foreign market with your own brand or under a private label in these channels, be aware that you also would have to offer a complete tea assortment. This means you would have to offer rooibos, herbal infusions and aromatic teas next to green and black teas.

At-home consumption

This channel is becoming increasingly diverse and accounts for around 70% of tea consumption. Next to the old-fashioned tea-for-a-pot bags, single cup tea bags (often in tagged double chamber with envelope) are particularly prevalent, next to loose-leafed (often premium) tea. Tea bagged in pyramid sachets are also seen more often on the market. Moreover, the variety of brands, flavour etc. has increased tremendously the past two decades. Consumers (but also small companies) can purchase tea in these forms at:

- Supermarkets
- specialty tea and coffee shops,
- organic shops.

Out-of-home consumption

A proportion of the tea consumption takes place out-of-home, amongst other locations in restaurants, coffee bars, cafes, at work etc. However, since your exports of tea packed at origin are mostly interesting for retail channels that focus on large and continuous orders, these smaller orders from restaurants and coffee/tea bars are not the most interesting channels for exporters of tea packed at origin.

Consumption at work is of great importance. This market segment is partly provided for by the same retailers as the at-home segment. However, large companies often have tea vending machines, which is of limited interest for exporters of tea packed at origin. This market is dominated by a limited number of companies. Your best chances are with the small and medium-sized companies as they still buy tea at retailers, distributors or Cash& Carry wholesalers.

Sustainability

Sustainability issues in the sector

In its current state, sufficient supply and quality of tea is not guaranteed for the sector. Several social, economic, and environmental issues, combined with the finite nature of natural resources and rapidly growing populations, lie at the root of this situation. Supported by a growing public awareness in the West of social, economical and environmental issues associated with tea cultivation, the sector has become increasingly interested in sustainability (TCC 2011).

Table Overview of the social, economical and environmental issues (Source: TCC 2010:6)

	Estate and factory workers	Small-scale farmers
Social Issues	<ul style="list-style-type: none"> - High discrimination, gender inequality - Low representation of workers - Poor living conditions on estates 	<ul style="list-style-type: none"> - High reliance on tea for livelihood - Low level of farmer organization - Lack of land title deeds
Economical Issues	<ul style="list-style-type: none"> - Low wages - High level of casual/temporary labor - Uneven value distribution 	<ul style="list-style-type: none"> - Lack of market information, market access & (technical) training - Low productivity and low prices versus high production costs - Uneven value distribution
Environmental Issues	<p>Small-scale farmers and estate and factory workers</p> <ul style="list-style-type: none"> - Deforestation / loss of biodiversity due to conversion of forests into tea farms - Soil erosion, low soil fertility - Agrochemical use - Pollution and energy inefficiency in processing tea 	

Source: M. Groosman: Sector overview - Tea

Social issues

There are several social issues that influence the overall quality of the tea produced and the productivity in general. Workers on tea estates face discrimination, harassment and gender inequality, combined with poor living conditions, little access to healthcare and low representation (ETP 2011). The income of tea farmers is low. This is often around their individual country’s minimum wage levels, although this does not normally constitute a living wage in tea-producing countries. Their wages are quickly under pressure when market prices for tea go down, as the cost of labor represents about 55 to 73% of made tea production costs (tea processing factory gate price not retail price). Picking makes up approximately 75% of these costs (Lines, 2006).

Although traditionally tea is produced on estates, smallholders are on the increase. Two thirds of all tea cultivated in Kenya and Sri Lanka is from smallholdings (TCC 2010). However, while smallholders in Kenya are often a member of the Kenya Tea Development Agency (KTDA, ETP 2011), most smallholders elsewhere do not have such organizations or representation. Furthermore, poor yields and quality have led to high vulnerability of smallholders’ livelihoods (TCC; IDH 2010).’

Environmental issues

Tea cultivation has multiple environmental effects. According to Clay, the main harmful environmental impact of tea production is habitat conversion (Clay 2003). Large areas of biodiversity rich forests have been replaced by monoculture in North East India (RA website). In East Africa, forests are still being cleared in order to make way for new plantations (McLennan 2011). Next to loss of biodiversity, land clearance also alters the natural flow of water, leading to an increase in soil erosion, which on its turn leads to the loss of wetland habitats and the pollution of rivers and lakes (ibid). In some countries, such as India, Sri Lanka and Vietnam, abundant and wrong application of pesticides is also negatively affecting the local and wider environment. As tea plants are grown in monoculture, they provide ideal conditions for a number of pests. The result is that a number of toxic, harmful pesticides are widely used (ibid). Lastly, energy consumption for tea processing is energy

intensive (Asian Institute of Technology 2002). As the machinery used is often outdated, energy use for tea processing is also very inefficient (IDH 2010).

Economic issues

Due to the remoteness of tea plantations, and the small time window the freshly plucked tea needs to be processed, farmers lack both market information and bargaining power. Furthermore, although tea is ‘ready to drink’ when exported by producing countries, the downstream stages such as blending, packing and marketing are the most profitable. This part of the value chain is controlled by a handful of multinational tea packers and brokers, which as a result can considerably influence world prices. While real prices for tea on shop shelves have remained stable, average real auction prices in the years 2000-2008 were roughly half of those in the eighties (ITC 2010). As an effect of the low market price for tea, farmers were not able to adequately invest for inputs or new planting material. This leads to poor quality and yields, resulting in low pricing, thus creating a vicious cycle. In 2009 and currently, prices are high due to severe droughts in several tea producing countries. A fear is that—motivated by the high prices—farmers will produce too much tea, resulting in oversupply and subsequently a plunging price.

Competitors

Tetley GB Ltd led tea in 2013 with a value share of over 21%, closely followed by Unilever Bestfoods UK Ltd with 19%. Tata-owned Tetley’s top ranking is due to its strong position in black tea, which accounted for 76% of total tea sales in 2013. Tetley is also fairly prominent in emerging categories such as green tea, fruit/herbal tea and other tea, in which it ranked second, fourth and first, respectively, in 2013. The company has been innovative in its product offering, including the introduction of its ‘Blend of Both’ tea, which encompasses both black and green tea.⁷

Organic tea sales in the off-trade have fallen, with black tea, for example, suffering an 11% decline in volumes over 2008-2013, with the trend expected to continue over 2013-2018 with a further 20% decline.

Tea drinking has for centuries been a proud UK tradition, leading to such coinage as tea parties, and tea breaks. Tea is a distinctly British beverage, and more than 60 billion cups of tea are consumed per year in the United Kingdom alone. Britons are the world's second-largest tea drinkers per capita, with over 1,200 varieties of tea sold around the country.

The UK tea market is primarily driven by high penetration of tea among aged population, e.g. 88% of population above 65 drink tea, this percentage drops to 73% among younger population (15-34 year old).⁸

⁷ <http://www.euromonitor.com/tea-in-the-united-kingdom/report>

⁸ <http://www.companiesandmarkets.com/News/Food-and-Drink/UK-tea-market-controlled-by-PG-Tips-and-Tetley/NI6501>

"Breakfast tea" accounts for close to 90% of sales value is declining as younger generation moves away from tea to other alternatives.

The majority of tea consumed in the United Kingdom is of the black tea variety, made primarily from a blend of East African and South Asian tea leaves. Given that very little tea is actually grown in the United Kingdom, the industry is subject to the volatilities of global sourcing, such as weather, crop disease, domestic political situations and other external factors.

The UK tea market is also a great source of revenue for India's tea industry as Britons are the biggest consumers of tea per capita.

The United Nations food agency, the Food & Agriculture Organization (FAO), has forecast that by 2021, Britons will be consuming 15% less tea than 15 years earlier. This decline has emerged as a concern for the Indian tea industry, whose exports to the UK have dwindled to 16 million kg from 22 million kg over the last five years.

The UK market is dominated by five brands - PG Tips and Tetley, Premier Foods (was bought by an Indian firm: India's Apeejay Surrendra Group), Associated British food and Bettys & Taylors. Tetley leads the market with 27% share, followed by PG Tips with about 24% share. Premier food is in third place, with about 13% share, Associated British food is 4th with about 11% share and Bettys & Taylors 5th with about 6% share.⁹

Many of these players are now concentrating on herbal / green tea. For example Pukka Herbal, Yogi Tea and Health-E-Teas are focusing on this fast growing niche segment. Another key characteristics of these niche players is online selling which is not the delivery model followed by market leaders such as Unilever and Tetley.

Key players:

- Unilever UK (market leader)
- Tetley (market leader)
- R. Twining & Company
- Typhoo Tea Ltd.
- Redbush Tea Company
- Pukka Herbs Ltd.

List of tea companies in the United Kingdom

As with most such lists, the following can only ever be a partial compilation of companies:

The UK market is dominated by five brands - PG Tips and Tetley, Premier Foods (was bought by an Indian firm: India's Apeejay Surrendra Group), Associated British Food and Bettys & Taylors. Tetley leads the market with 27% share, followed by PG Tips with about 24% share. Premier food is in third place, with about 13% share, Associated British food is 4th with about 11% share and Betty & Taylors 5th with about 6% share. (Source: ACNielsen Total Cov GB 52 we 25.02.08)

⁹ <http://www.companiesandmarkets.com/News/Food-and-Drink/UK-tea-market-controlled-by-PG-Tips-and-Tetley/NI6501>

- Ahmad Tea
- Associated British Foods
- Bettys and Taylors of Harrogate
- Britannia Tea Company Limited - the webpage presently merely gives a physical address and email.
- British Gourmet Tea Company
- Brodie Melrose Drysdale & Co Ltd
- Brooke Bond (no longer trading under this name - see PG Tips) (Unilever)
- Cafédirect
- Canton Tea Co
- Chateau Rouge Ltd
- The Chinese Tea Company
- Choi Time Teas
- Clearspring
- Clipper Tea
- Cup of Tea Ltd
- The Devon Fine Tea Company
- DJ Miles & Co Ltd
- Dr Stuart's Teas
- Drury's
- Duchy Originals from Waitrose
- Edgumbe Tea & Coffee Co Ltd
- Finlay Beverages Ltd
- For Leaves Tea.org
- Fortnum & Mason
- Glengettie
- Grey's Teas
- Gurkha Tea
- Harrisons & Crosfield
- Heath & Heather
- Higher Living
- Hu-Kwa Tea
- Imperial Teas
- Imporient UK Ltd
- Instanta Ltd
- Jacksons of Piccadilly Ltd
- Jenier World of Teas
- Jing Tea
- Keith Spicer Ltd
- Kent & Sussex Tea and Coffee Company
- Kings Tea
- Lancashire Tea
- Lifeboat
- Lipton Tea (Unilever)
- London Tea Company
- Lyons Tea (Tetley)
- Make us a brew
- Marks & Spencer
- Matthew Algie
- The Metropolis of Tea Ltd
- My Cup of Tea

- Mad Hatter Tea Company
- Newby Teas (U.K.) Ltd
- Northern Tea Merchants
- Palanquin
- PekoeTea
- PG Tips (Unilever)
- Premier Food
- Quilliam Brothers
- Rare Tea Company
- Reginald Ames Ltd
- Richmond Premium Tea
- Ringtons Ltd
- Rosie Lea Tea
- St James's Teas
- Scottish Blend (Unilever)
- Shinzo
- Spicers
- Sternbergs Organic
- Tata Global Beverages
- Tchibo Coffee International
- The Tea Guild
- Tea Horse
- Tea Palace
- Teapigs
- Tetley (Tata Tea Limited)
- The Real Tea Company
- Tregothnan Estate English Tea
- Twinings (Associated British Foods)
- Typhoo (no longer owned by Premier Foods Premier Foods) (new owner)
- Unik
- Viotalife Matcha Green Tea - no website at present (July 2012)
- Whiteheads (1858) Ltd
- Whittard of Chelsea
- The Windmill Tea Company Ltd - website nonfunctional (August 2012)
- Williamson Tea
- Yorkshire Tea (owned by: Bettys and Taylors of Harrogate)
- Nambarrie (Twinings)

Source: http://tea.wikia.com/wiki/List_of_tea_companies_in_the_United_Kingdom

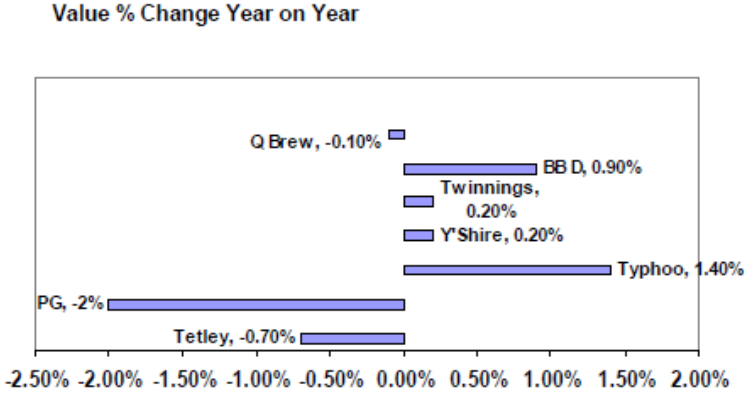
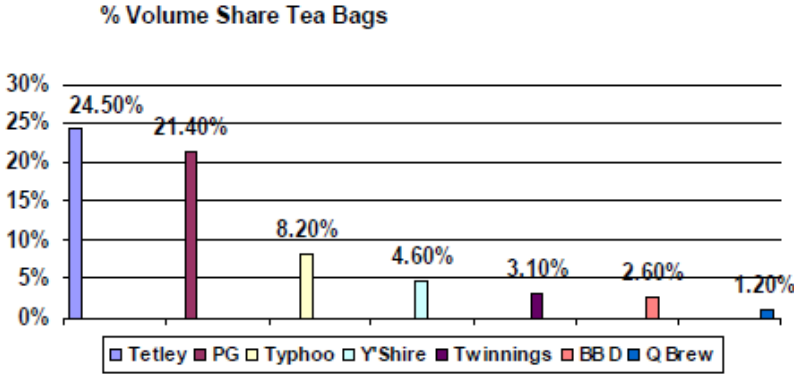
Many of the players are now concentrating on herbal / green tea. For example Pukka Herbal, Yogi Tea and Health-E-Teas are focusing on this fast growing niche segment. Another key characteristics of these niche players is online selling which is not the delivery model followed by market leaders such as Unilever and Tetley.

The UK market is dominated by brands and in the past it was thought that consumers were brand loyal and would repeat buy their favourite tea. However, over the last 5 years, it is generally felt that the overall quality of the mainstream brands in the UK has declined significantly and where as companies would have once wished to blend to a specific recipe that they felt made them stand out from their competitors and retain brand loyalty, this is possibly not happening as much as it did. For example, Tetley used to be known for its inclusion of Indian teas in the blend to retain a malty, thick character that consumers would notice over the brighter but thinner blend of PG Tips.

Over the years and during the change of business practices, Tetley has now reduced it's inclusions of Indian teas in the blend and replaced them with better value Africans and Indonesians in order for the company to remain competitive against its rivals. Much research has been carried out to ensure that consumers are unaffected by this change and notice little difference in their cup of tea.

On the opposite side to this argument, manufacturers such as Taylors of Harrogate and Twinings are now taking advantage of this change in character amongst the two big brand leaders and they are concentrating on growing their market share through producing good quality blends for the more discerning consumer and the speciality markets. It is also interesting to note that Manufacturers such as Premier Foods – the Typhoo Brand – who practice a specialist buying technique that builds on long term relationships with the producers and specialises in quality had the fastest growing brand last year.

The figs below show the main brands in the market place and their % volume share change year on year.



Source: AC Nielsen Multiples MAT data to 09.08.03

Source: C. Trumper: UK Tea Market Research

All the brands are owned by manufacturers, most of whom are large multi-national companies. Therefore, while it is possible to talk about the supply chain in terms of separate functions, the actors may not actually be separate companies. These big companies have interests throughout the supply chain and may therefore supply, pack, ship and blend all of their tea themselves. Similarly, specialist blending / packing companies may provide tea to competing companies for both branded and own-label products.

The major players in the tea industry globally are Unilever (with an estimated 15% share of global volume), Premier Foods, Allied Lyons, the Co-operative Wholesale Society, James Finlay and Associated British Foods. Seven such multinational corporations control not only 90% of Western trade but 85% of production through their ownership of factories and plantations.

The UK is again dominated by four players – Unilever Bestfoods (26.9%), Tetley Group (25%), Premier Foods (12.7%), Associated British Foods (6.4%), with own label taking 21% (all shares by value).

Prices:



PG Tips Pyramid Tea Bags (160)

£4.49 ~~£2.24~~
(14p/10 Tea Bags)



Twinings Lime & Ginger Sensation (20)

£1.49 any 2 FOR £2.50
(74.5p/62.5p/10 Tea Bags)



Barry's Tea Gold Blend Tea Bags (80)

£3.00
(37.5p/10 Tea Bags)



Barry's Tea Irish Breakfast Teabags (80)

£3.00
(37.5p/10 Tea Bags)

★★★★☆ (4)



Cafédirect Everyday Fairtrade Tea Bags (80)

£2.59
(32.4p/10 Tea Bags)

★★★★☆ (2)



Cafédirect Gold Blend Fairtrade Tea Bags (80)

£2.99
(37.4p/10 Tea Bags)



Clipper Fairtrade Big Breakfast Tea (80)

£3.19
(39.9p/10 Tea Bags)

★★★★★ (2)



Clipper Fairtrade Hard Water Tea (80)

£2.99
(37.4p/10 Tea Bags)

Source: http://www.mysupermarket.co.uk/shelves/tea_in_tesco.html

Pictures of key brands:



ENGLISH TEA STORE BRAND TEA



BARRY'S TEA FROM IRELAND



BEWLEY'S



DAVIDSON'S TEA



HARNEY AND SONS TEAS



LYON'S TEA



PG TIPS



STASH TEA



TAYLORS OF HARROGATE



TIGER WING TEA



TWININGS TEA



TYPHOO TEA

Source: <http://www.englishteastore.com/brands.html>

Opportunities:

Twinings is now challenging PG Tips for the title of Britain's most popular cuppa.

Its sales soared by 4.9% to £107million in a year thanks to a change in our tea-drinking habits, figures show.

Growing demand for herbal and fruit teas, which are considered healthier than the builder's brew, means the posh brand has taken over from Tetley as second biggest.

PG Tips is still the market leader after flogging nearly £149million worth of tea, but sales for its old rival Tetley slumped by 12.2% to £102.1million.

Twinings stole a larger share of the £500million market thanks to its Everyday range of traditional bags, but most of the growth came from its more premium herbal infusions and speciality teas.

In October it launched a raft of new green tea flavours including popcorn, apple and elderflower and mango tango.

Retail magazine The Grocer, which produced the figures, said: "It's a world apart from a cup of builder's. The market average price of tea is about 2p a bag - this stuff sells for upwards of 29p."

Yorkshire Tea is the fourth most popular brand with £76.8million of sales, while Typhoo is lagging way behind in fifth on £18.9million a year.¹⁰

Opportunities in UK tea market:

- Black tea segment is dominated by large players. Thus **opportunity lies in the niche herbal / organic / Green tea segment**. This is expected to grow at a fast pace in next 3-5 years. As the market expands, there will be room for players.
- **Innovation in distribution** – niche players can explore internet distribution rather than usual hypermarket / supermarket route. Though retail buying dominates the tea sales, but in future smart internet selling holds promise.

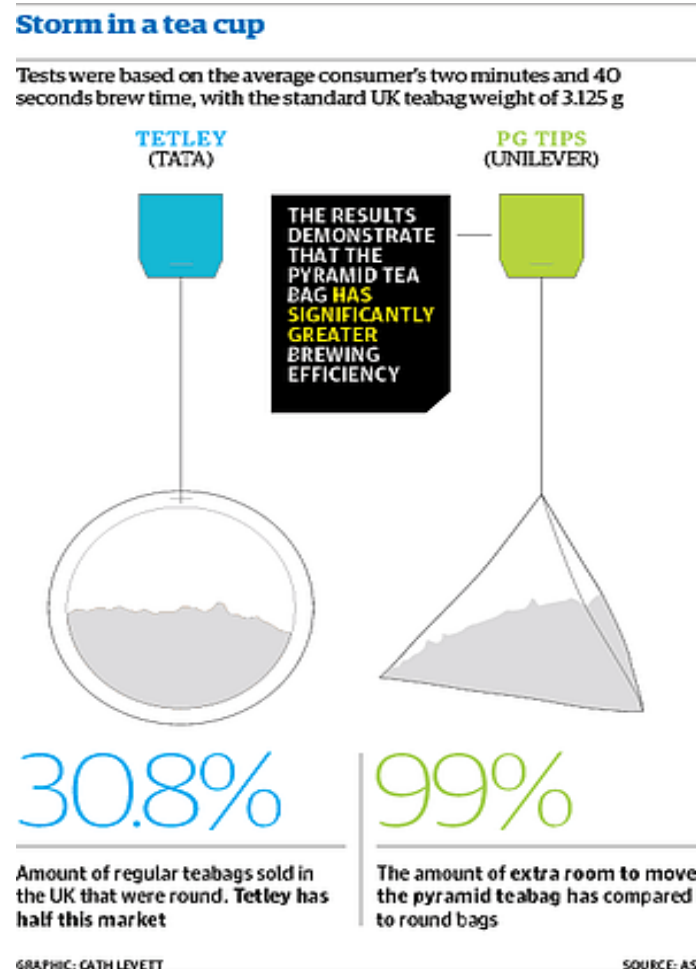
Tetley has brewed up a storm over a teacup after claiming that rival PG Tips "denigrated" its round teabags in a TV ad.

But the flat-capped cartoon Yorkshiremen of the Tetley folk have been sent packing by the advertising watchdog, which backed the claims of the rival brand's monkey puppet. PG Tips owner Unilever got itself into hot water with a recent television ad in which the puppet brews up two cups of tea for comedian Johnny Vegas, one using a generic round teabag and one a using the brand's pyramid bag.

Tetley, which is owned by India's Tata Global Beverages, complained to the Advertising Standards Authority (ASA) that the ad was "misleading and exaggerated the capability and performance of the advertised product" and portrayed its brand, which accounts for half of all the round teabags sold in the UK, in a "negative light". Tata also questioned whether the ad's claim that the pyramid bag meant "the tea has more room to move, freeing the great fresh taste" could be substantiated.

¹⁰ <http://www.mirror.co.uk/news/uk-news/soaring-demand-posh-tea-sees-4915656>

But the ASA has dismissed the complaints, ruling that there are several brands of round teabags on the market and that the pyramid bag did allow the tea to move more freely and release more taste. It said Unilever had provided evidence to demonstrate that the bag had "greater brewing efficiency". The tests showed that the infusion of tea, at 40 seconds and two minutes into the brewing process, was greater when using a pyramid teabag than when using a round teabag.



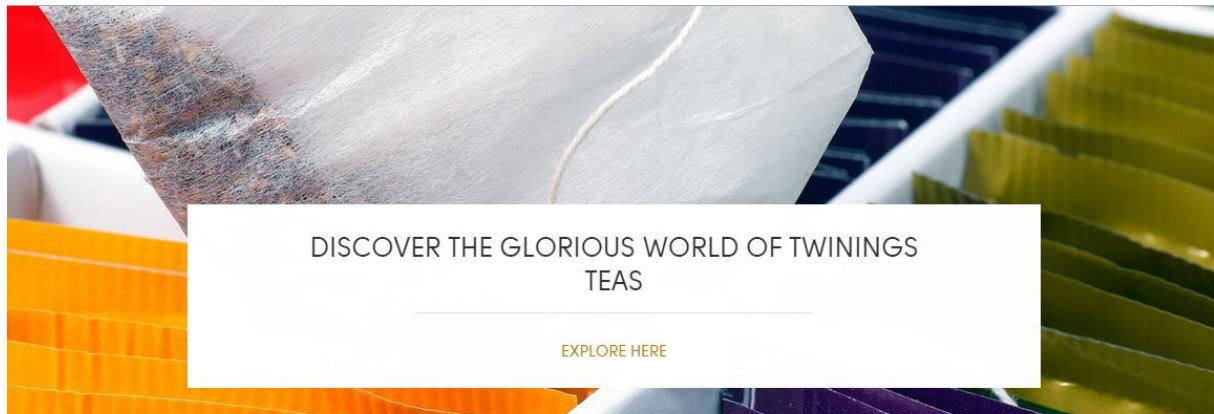
Source: <http://www.theguardian.com/business/2014/jul/23/tetley-pg-tips-teabags-advert-claims-pyramid-round-asa>

Clearcast, the body which checks adverts against the UK advertising code, also supported the points made by Unilever. It said that taste was subjective but that the company had provided evidence to show the tea moved more freely.

R.Twining and Company Limited

R Twining is a marketer of tea based in Andover, Hampshire, England. Holder of a Royal Warrant, Twinings is subsidiary of Associated British Foods since 1964. Twinings sells more than 100 varieties of regional and flavored teas such as Lapsang Souchong, Lady Grey and Darjeeling, as well as infusions, coffee, and hot chocolate.

Twinings produces teas in a number of different lines, including organic, everyday, specialty, "Fresh and Fruity," "Moment of Calm" and "Revive and Revitalize." The company's website includes recommendations on how to serve teas and clearly marks which teas do and do not contain caffeine. It markets tea based on regional preferences.



Source: <http://www.twinings.co.uk/tea>

The company provides details about the production of its teas, including planting and harvesting different species of tea and many interesting facts on making tea. For instance, simple things like the time of day the leaves were picked can affect the taste of leaves grown in the same tea garden. The firm also sells tea through its online portal.

Recent News

- June 2011: Company releases a plan to to open chain of retail shops across the UK
- In April 2008 Twinings announced its decision to close the Nambarrie plant. Twinings said it needed to consolidate its UK manufacturing operations in the face of increasing global competition, and is moving production to China and Poland in late 2011.

Address
South Way,
Andover SP10 5AQ
Phone: +44 0845 601 9612
Website: <http://www.twinings.com>

Source: <http://www.theresearchpedia.com/company-research/rtwining-and-company-limited>

SUSTAINABLE LIVING

- REDUCING ENVIRONMENTAL IMPACT
- SUSTAINABLE SOURCING
- OUR STRATEGY
- TARGETS & PERFORMANCE
- SUSTAINABLE PALM OIL
- SUSTAINABLE PAPER & BOARD
- SUSTAINABLE SOY & OILS
- SUSTAINABLE TEA**
- SUSTAINABLE FRUIT & VEGETABLES
- SUSTAINABLE COCOA & SUGAR
- FAIRTRADE BEN & JERRY'S
- CAGE-FREE EGGS

SUSTAINABLE TEA

30 Share Like 8+1

After water, tea is the most popular non-alcoholic beverage in the world. Unilever purchases around 12% of the world's black tea supply.

OUR COMMITMENT

We sell some of the most popular tea brands including Lipton, PG Tips and Brooke Bond. Lipton is the world's best-selling tea brand, available in over 100 countries and with sales of around €3 billion a year. Lipton offers both leaf and ready-to-drink tea in a wide range of varieties and flavours.

We source tea from many thousands of suppliers around the world: large tea estates, some of which we own; smallholder farmers; and third-party suppliers and processors.

In 2007 we became the first major tea company to commit to sustainable sourcing of tea on a large scale. Our sustainable tea target is part of the Unilever Sustainable Living Plan.

SUSTAINABLE TEA TARGETS & PERFORMANCE

SUSTAINABLE TEA	
<ul style="list-style-type: none"> By 2015 we aim to have the tea in all Lipton tea bags sourced from Rainforest Alliance Certified™ estates. By 2020, 100% of Unilever's tea, including loose tea, will be sustainably sourced. 	<ul style="list-style-type: none"> 83%† of our Lipton tea bag blends contained a proportion of Rainforest Alliance Certified™ tea by end 2013. Overall, 53%† of the tea purchased for all our

"Unilever is taking an exciting leadership position by mainstreaming its commitment to sustainability through its brands. Our work with Unilever on tea sustainability will help improve working conditions for tea growers and help them access better markets and better prices."

Tensie Whelan, Executive Director, Rainforest Alliance

DOWNLOADS

- The Farmer Field School project: Growing sustainable tea in Kenya (2009) - PDF | 4.5MB
- Unilever Guidelines on Use of Pesticides in Sustainable Tea Sourcing - PDF | 181KB

Source: <http://www.unilever.com/sustainable-living-2014/reducing-environmental-impact/sustainable-sourcing/sustainable-tea/>

In 2011 Unilever was one of the world's leading consumer goods companies, selling everything from food products to personal care and home care goods. It was a company with a global reach, with sales coming from more than 180 countries, over half of which were in the developing world. Worldwide, over two billion consumers used Unilever products each day, and 2010 revenue was over €44 billion (\$59 billion^a).² Just over half of these sales came from foods and beverages, with 31% of sales in personal care and 17% in home care (see Exhibit 2 for breakdown by segment). The company employed 167,000 people globally. Much of the company's success was due to its portfolio of strong brands. The company had 12 brands with individual sales over €1 billion per annum, including such widely recognized products as Lipton, Dove, and Axe.

The company faced competition from a number of other large consumer goods companies, including Procter & Gamble, Nestlé, and Colgate-Palmolive.

Unilever Tea

Lipton Tea was the largest tea brand in the world with annual sales of approximately €3.5 billion^b. Unilever's tea portfolio contained a number of other strong regional brands such as PG tips in the United Kingdom (U.K.), Lyons in Ireland, and various other brands in countries around the world, including India, Pakistan, Russia, and Poland. Lipton's global market share was nearly three times that of its nearest rival, Tata Beverages, the owners of Tetley Tea.

Lipton teas were sold in over 130 countries, with particular popularity in Europe, North America, the Middle East, and parts of Asia. Growth in the developed world was in the order of 1%-2% a year, but the markets of the developing world—specifically India and China—were seen as particularly promising, with anticipated annual growth rates of close to 10%.

In 2010, Unilever sold nearly 350,000 tons of tea. Approximately 90% came from external suppliers, with the remainder coming from Unilever's own estates in East Africa, including its flagship estate in Kericho, Kenya. Every market had a distinct taste in tea, making it to some extent reliant on supply from particular countries. For example, the North American market sourced much of its tea from Argentina, since its tea was particularly well suited for iced tea, which was popular in the U.S.

Over the last six years Unilever and our suppliers have invested heavily in improving farming practices amongst tea farmers. In August 2013, Unilever played a significant role in developing the Indian tea industry collaboration on sustainability, Trustea. The Trustea logo is designed to guarantee the social, economic, agronomic and environmental performance of Indian tea estates, smallholders and ‘bought leaf factories’ (ie factories that are not attached to a particular estate and which buy fresh tea leaves from a number of sources). This initiative touches the lives of 500,000 tea plantation workers and 40,000 smallholder farmers.

In 2013, Lipton continued to inform consumers about sustainability. A TV advert was launched to show the Unilever and Vodafone technology that connects smallholder farmers directly with Unilever to enable the adoption of agronomic best practices. Together we have developed a digital data collection and soil analysis process, using a tailor-made app to speed up and simplify the land and crop auditing process supporting RA certification.

As the first major tea company to source tea sustainably on a large scale, we have worked hard to engage farmers and build relationships with producers. Our efforts have been a catalyst to the industry and other tea companies have followed our lead. The tea industry as a whole is now moving to sustainable farming practices. The journey began at our own tea estates in Kenya and Tanzania. These were the first to achieve Rainforest Alliance certification in 2007 and 2008 respectively.

Address:

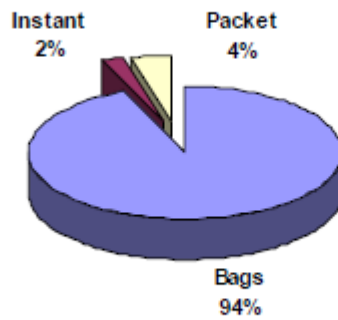
Unilever UK Limited
Unilever House, Springfield Drive
Leatherhead , KT22 7GR
www.unilever.co.uk

Consumer Market Segmentation

The UK tea market is served primarily by the tea bag, with the majority (84%) being sold as ‘everyday tea’ – standard teas produced from normal black tea such as Tetley Tea and PG Tips. The remaining tea bags are the specialty and fruit / herbal teas that currently dominate the only growth area of the market with an increased demand of 0.9% per year.

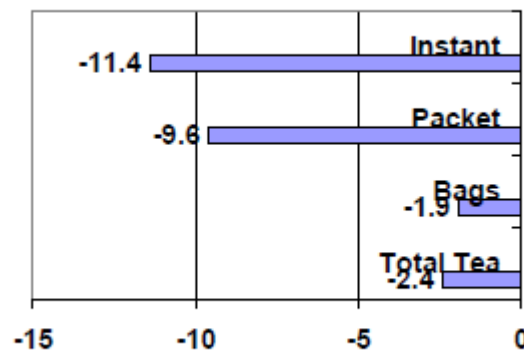
Despite their popularity tea bags are also in decline and brand leaders such as Tetley and PG are having to hold onto their market share through innovations such as advertising the health benefits of tea and providing ready to drink products that are hoped to attract the growing number of younger consumers. If children are encouraged to drink tea from an early age then it is hoped that they will continue to do so throughout their lives

Percentage Share of Sectors



Source: Tea Market Report – Tetley GB Ltd. Customer Marketing 2003

Value % Change Year on Year



Source: Tea Market Report – Tetley GB Ltd. Customer Marketing 2003

Source: C. Trumper: UK Tea Market Research

Henrietta Lovell, founder of The Rare Tea Company, says her customer base is relatively young and concerned about the quality and provenance of their food and drink; “We sell our precious leaves to students who would rather have once cup of delicious leaf tea than 3 cups of bland bags - as well as [to] premiership footballers interested in the purity and health benefits.”

Luxury loose leaf tea can cost between £30 and £200 for 100g, but Lovell maintains the price won’t put people off as long as the quality is there – “if it’s all about pretty packaging and the product isn’t extraordinarily good, people will only buy something that costs more once. Our tea is extraordinarily good and therefore our customers are very loyal.”¹¹

The tea market has seen a declining user base due to the failure of standard “English” breakfast tea to resonate among younger (under-35) consumers as it did with previous generations. Hot chocolate is a small but growing market. It has the potential to be much bigger but must overcome consumers’ perception that it should be only an occasional rather than regular treat.¹²

¹¹ <http://www.intermarketingonline.com/news/story/brandtravel/growing-demand-for-luxury-tea-in-capital/>

¹² <http://store.mintel.com/tea-and-other-hot-drinks-uk-february-2011>

More new product development which blurs the lines between hot chocolate as a liquid and as a solid can help reposition it as an everyday indulgence.

For the new generation of tea drinkers it is vital to link the benefits of particular teas to specific mood states.

The predominantly 18-34 year-old 'white collar' audience who like to drink speciality tea rather than just standard "English" breakfast (ie Tetley, PG Tips) are very open to premium marketing cues.

There is an opportunity to develop an energy-infused herbal tea to attract more young (18-34), male, 'blue collar' drinkers. This group are currently much more likely than average to be put off drinking herbal tea because over a quarter think of it as "just for women".

To become more mainstream, herbal teas needs to continue innovating around flavour in order to improve its taste. Currently, 22 million of the UK population drink standard tea and over half (56%) have tried herbal tea but did not like the taste.

By focusing on specific occasions that they can be drunk at home, hot beverages can help younger consumers to understand how these products can fit into their lives. Malted drink Horlicks has been able to grow sales of a highly traditional product by marketing it to women as 'made for evenings'.

Demographic¹³



The group of people of young age who has a potential to try the innovative product that added the health benefit by the cereal and pulse is the market segment. Moreover, the

¹³ <http://food5450groupa.wikispaces.com/STP+Marketing+Segmentation,+Targeting+and+Positioning>

adults who have a buying potential and tend to try the innovative product are becoming the target group for pushing this new product. According to Mintel, the UK retail market for tea and herbal tea is currently seeing only modest growth, volume and value sales were each up by an estimated 1% in 2008 household penetration remains high (83% of adults drink tea), with the majority of tea drinkers (54%) drinking tea several times a day. Therefore, the marketing plan is conducted to achieve wider range of demographic factor.

Tata Tea - Demographic Segmentation¹⁴:

- Age and Family Size: 20-40 years of age, small and large families in Tier 1 and 2 cities
- Income Group: lower and higher middle class groups
- Education: Well-educated, aware, politically and socially conscious, responsible and aspiring citizens
- Gender: Family/home managers (specifically women)

Psychographic:

- Convenience and comfort-seeking customers
- luxury-oriented customers
- customers active in social discourses and causes

Behavioural:

- The product focuses on segments that use the product on a regular basis and who are quality-conscious, aware and informed, medium to heavy users, with medium to strong loyalty.

Gender

As a health and slimming claim those are aware by the consumers, women tend to have more interested in our product rather than male. The majority of herbal tea drinkers are women, 45-54s followed by 25-34s. Herbal tea that is the similar product to the cereal tea then has a feminine, affluent and urban appeal. With just 15% of men drinking herbal tea as opposed to 27% of women, it could clearly benefit from some male-specific marketing (euromonitor, 2011). However, both genders can consume our product as an enjoyable beverage.

Life Style

The life style is determined by dividing customers by their hobbies, interests, and other aspects of their lifestyles. According to the type of product, the main target group would be those who are health concerned and would like to consume healthy food. Furthermore, the people who usually tea in the restaurant can try this product by the compatibility with any kind of food in the restaurants.

¹⁴ <https://anuradhagoulaymarketingjournal.wordpress.com/2014/09/26/segmentation-targeting-and-positioning/>

Social Class



For the social class of customers, upper or upper-middle class, middle class and working class people are more likely to have a potential to purchase our product. Furthermore, the product pricing and promotion policy has focused on the price acceptability to ensure that these class of people agreed that the price is reasonable and the income factor is determined for pricing for each social class that the price is reachable for purchasing the product to be a present in special occasion.

Targeting

The targeting marketing is the potential customers those are selected for selling product. The targeting strategy involves segmenting the market, choosing which appropriate segments of the market, and determining the products that will be offered in each segment. The targeting strategies of cereal and pulse green tea will be described in the next task of this unit.

Positioning¹⁵

The product positioning has been done on previous unit, the rainbow tea is identified as the healthy tea that has been added the value of nutritional intake for health concerned people. The product should be placed in the same line as herbal tea and other fruit tea those are definitely different from the standard English tea or Jasmine and Chinese tea. The product has been determined by the customer survey whether it is premium or normal product comparing to the commercial product. All customers of 50 people implied that this product looks higher value when they perceive at the first time they recognize the packaging that is quite luxury. Therefore, the pricing could be set up by comparing to the other green tea competitors price and set higher price for this product.

¹⁵ <http://food5450groupa.wikispaces.com/STP+Marketing+Segmentation,+Targeting+and+Positioning>

Porter's five – Tata Tea¹⁶

Porter's five forces model helps determine the long-run attractiveness of the market or market segment.

- Threat of intense segment rivalry: Tata Tea faces intense competition from the local brands, Brooke Bond Taj Mahal, Wagh Bakri, Red Label Special in the segment it targets. This is combated by emotionally appealing, incredible promotional and social campaigns and advertising.
- Threat of new entrants: Foreign Direct Investment and untapped rural marketing. Tata Tea tried tapping into the rural areas through the 'Gaaon Chalo' campaign, an initiative to improve its rural distribution.
- Threat of substitute products: Various categories that cater to rejuvenation and freshness such as coffee, aerated drinks and energy drinks.
- Threat of buyer's growing bargaining power: The wide array of options available in the market, offering at lower prices has facilitated the growing bargaining power. This threat is subsided by the brand communication strategy and superior quality of the product.
- Threat of suppliers' growing bargaining power: With a large number of producers in the tea industry offering a range of benefits to the supplier and low switching costs, the suppliers have increased bargaining power. This threat is minimised by selling the tea packages via various suppliers and some themselves too.

Tea vs. Coffee

- 52% of Britons say tea better than coffee; younger generations more evenly split on hot drinks
- When asked to choose their preference when it comes to tea or coffee, tea came out on top with more than half of the British public favouring the herbal drink next to just over a third who prefer coffee, our poll shows.¹⁷
- 52% favour tea as the best hot drink
- 35% say they prefer coffee
- 11% like neither tea or coffee as their favourite hot drink
- 3% can't choose or "don't know"
- While this preference remains fairly consistent between men and women, there is a slight difference in age groups, with the youngest generation of respondents more evenly split between the two drinks, as well as a quarter who say neither tea nor coffee is their preference.
- Of people aged over 25, more than 50% of each age group (25 to 39, 40 to 59 and 60+) say they prefer tea over coffee; however those aged 18-24 are more split on the beverages with only 39% preferring tea next to 30% coffee
- More 18-24 year olds prefer other alternatives or no hot drink at all; with a quarter (24%) saying they prefer neither tea nor coffee, next to only 9% of people aged 40 to 59 years, and 5% of people over 60

¹⁶ <https://anuradhagoulaymarketingjournal.wordpress.com/2014/09/26/segmentation-targeting-and-positioning/>

¹⁷ <https://yougov.co.uk/news/2012/03/27/tea-vs-coffee/>

- Hot drinks (tea in particular) have long played an integral part in British national identity and culture, with many famous Brits expressing their love of a 'good cuppa'.
- Research has shown that the British tea culture is the highest in the world, with each British tea lover consuming on average 2.5 kg per year, though tea consumption in the UK is supposedly 'on the wane'. The greatest coffee consumers turned out to be Scandinavians, in particular the Danish who apparently drank an impressive 7.5 kgs of coffee per head in 2002.
- Sydney Smith, a 19th century English writer and Anglican cleric, was a prominent tea lover, often describing his love of the beverage, stating: "I always fear that creation will expire before tea-time."
- American born English poet and playwright, T.S. Elliot, had a greater appreciation for coffee, claiming: "I have measured out my life with coffee spoons."

Market Access Issues

Strengths	Weaknesses
<ul style="list-style-type: none"> - Tea market is huge in the UK- Existing loyal customers- High-end and luxurious image that no other tea pod machine companies can compete with- Famous spokespersons - Premium product quality 	<ul style="list-style-type: none"> - Higher prices - Limited distributions of products
Opportunities	Threats
<ul style="list-style-type: none"> - The demand (UK tea buyers have the highest revenue, so they are more able to buy high-end tea) - Convince new customers (pre-ground tea users) - Huge market, continually growth since 2007 - Find new tastes (UK consumers need of quality), diversify the offer (large range) 	<ul style="list-style-type: none"> - Huge and powerful competitor: Keurig - More affordable competitors: Starbucks - Substitute products (soft drinks, coffee...) - Potential entry of new actors (no high entry barriers) - Low switching costs for the customers

Source: <http://www.slideshare.net/awang12/nespresso-case-36802882>

As mentioned above, growing areas of the market are the niche and premium sections that depend largely on quality. Competition is high and market entry is not guaranteed. The majority of value (and therefore profit) is added through blending, packaging and marketing and these parts of the process are currently being carried out in the consuming countries – if a shift is made to add more value in country then this will help the producing country. There is definitely potential to add value in country.

Financial costs of entry are high and include some or all of the following¹⁸:

- Certification fees for either organic, Fairtrade or both.
- Compliance costs associated with meeting buyers requirements either through the ETP or through other schemes operated by for example Premier or Ringtons.
- Compliance to a Quality Assurance System – either HACCP or BRC – Food, which would encompass the Food Safety Act 1990, food labelling and pesticide residue regulations.

Fortunately, apart from packaged green teas there are no import tariffs that apply when supplying the UK market.

Tea enjoys high levels of popularity, drunk by almost nine in ten consumers, while more than eight in ten have drunk hot chocolate and more than three in five have drunk malted drinks.

Value sales in the tea market are estimated to reach £683 million in 2013 growing on the back of price inflation. The long-term decline in tea consumption is affecting volumes which are expected to fall to 91 million kg. The smaller hot chocolate and malted drinks category is estimated to reach £155 million in value sales and 22 million kg in 2013, growing in both volume and value terms following a volatile performance in recent years.¹⁹

Standard tea continues to dominate the tea market, although the decline in sales has caused manufacturers to look to premiumisation of everyday formats and investment in herbal varieties as a means of diversifying.

Tea is inherently associated with Britishness, with three in four tea drinkers saying that tea drinking is ‘part of being British’, while the majority of consumers enjoy the ritual of drinking tea.

Continuing investment in NPD and above-the-line support from major players such as PG Tips, Tetley and Twinings in the tea market and Cadbury and Horlicks in the hot chocolate and malted drinks segment will play a key role in keeping the categories front of mind with the consumer going forward, and maintaining engagement.



¹⁸ C. Trumper: UK Tea Market Research

¹⁹ <http://store.mintel.com/tea-and-other-hot-drinks-uk-june-2013>

THREAT OF SUBSTITUTES

Direct Competitors - LOW

- Whittard
 - Aged brand image - 'bone china cup & saucer'
 - Recently went into administration

Indirect Competitors - HIGH

- Supermarket tea brands and coffee shops
 - No switching costs
 - Easier and cheaper to buy flavoured tea bags during supermarket shop
 - Coffee shop culture is strong in UK
 - Loose leaf tea consumption is lower than bagged tea consumption

(BBC, 2008; Mintel, 2012)

BARGAINING POWER (SUPPLIERS)

Direct and Indirect Competition - LOW

- Deep supply chain of about 15 suppliers internationally
- No impact on current tea manufacturing process; only quantity of product output is affected. Ready-to-sell tea will be shipped from Canada to Antwerp port and distributed to the UK and Poland.

BARGAINING POWER (BUYERS)

NOTE: Buyers refers to the end users as the product is sold through wholly-owned distribution channels.

Direct and Indirect Competitors - LOW

- Buyers are in a weak position as David's Tea is a new product with little direct competition.
- David's Tea can afford to charge a premium price and to increase profit margins.
- If consumers are presented with a high price they are more likely to accept it is a premium product
- David's Tea premium price and specialised outlets restricts buyers from using their purchasing power for price reduction.

Future Consideration:

David's Tea should monitor competitor's offering to ensure differentiation and keep buyers' bargaining power low.

COMPETITIVE RIVALRY

• The structure of competition

- Direct competitors - **LOW**
 - Whittard is the only real direct competitor
- Indirect competition - **HIGH**
 - There are many indirect competitors

• Degree of differentiation

- Direct and Indirect Competitors - **MEDIUM**
 - Tea is a commodity, however, the flavour ranges differ.

• Strategic objectives

- Direct and Indirect Competitors - **MEDIUM to HIGH**
 - Tea is quite a mature market, however, the loose leaf tea market specifically is growing

• Exit barriers - **Undetermined**

- Cannot confirm how other companies source their product.
- Information is not available.

Source: <https://prezi.com/dhnod5gzxf22/davids-tea-presentation/>

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