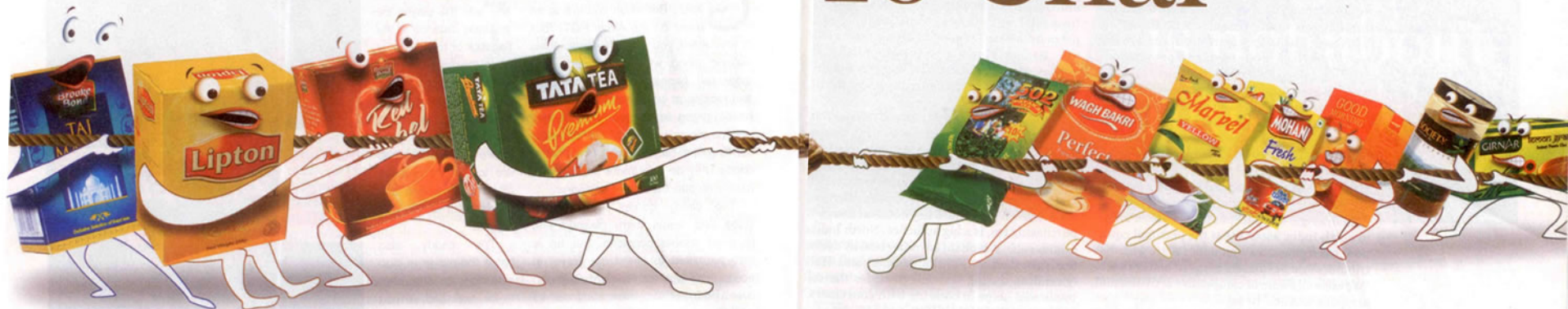


# From Tea To Chai



**In the fight for market share for packaged tea, regional tea brands are inching ahead by Prasad Sangameshwaran & Vishakha Seth**

**T**EA is a poor man's food," says Pravin Bhansali, the septuagenarian tea taster and director at Girnar Food and Beverages. What can be glossed over as words of wisdom from an industry veteran, is giving multinationals a lot to chew on.

Early this year, consumer goods major Hindustan Unilever (HUL) introduced Brooke Bond Sehatmand, a packaged tea brand targeting low-income households. Their selling proposition — tea fortified by micronutrients — claims that three cups of Sehatmand tea can provide consumers with 50 per cent of their daily requirement of micronutrients.

The launch comes at a time when national packaged tea marketers such as HUL are having to work harder in the 300,000-tonne category worth Rs 6,000 crore. In April-March 2009-10, for the first year since Tata Tea (now Tata Global Beverages) entered the branded tea business in 1974, the brand with a 21.6 per cent value market share claimed to have captured the No. 1 slot, overtaking HUL. However, HUL executives say, in the same period, they were head by a slim margin of eight basis points.

The bigger truth, however, is that the market share is changing even before the cup meets the lip. As the June 2010 numbers by research major AC Nielsen reflect, HUL is ahead in value market share, while Tata leads in volumes. Read the tea leaves a little more closely and a more

interesting story emerges. Even as the majors are slugging it out nationally, regional brands (brands that dominate large chunks of market in a given state) and local brands (brands that dominate over a smaller geography) have been the true winners over the past two years.

Between June 2008 and June 2010, local players have been able to increase their market shares in both volume and value, while regional players held their ground. And this has been at the cost of both Tata and HUL. In terms of volume, in 2008, while HUL and Tata Tea together held 41 per cent of the market share, they are losing to regional and local brands, who control almost 40 per cent of the market now. In terms of value, too, they have climbed up from 29.4 per cent share in June 2008 to 33.7 per cent in June 2010.

"Both HUL and Tata have lost ground to local brands. This has been happening because of continuously escalating commodity prices," says Sunil Alagh, founder of market advisory SKA Advisors. In December 2009, tea commodity prices almost touched Rs 172 a kg, a five-year high, while in May 2007, they were at a five-year low of Rs 87 a kg.

With tea prices softening over the past few months to about Rs 120 per kg in June 2010, the major players hope they will regain the advantage. "The local discount players will lose their edge. There is a huge opportunity for

consolidation," says Percy Sigantoria, deputy CEO of Tata Global Beverages. A Tata Tea veteran of three decades, Sigantoria has seen that happen before. Every time packaged tea prices go up, marginal consumers shift to loose tea and discount brands. And when packaged tea prices fall, the same set of consumers upgrade back to established brands. "Historically this trading up and down by consumers has seen the market shares of national players fluctuate, driven by the price differential," agrees Alagh.

However, the recovery may not be as sharp this time. At last count, there were about 800 packaged tea brands in India. But of them about 200 brands do not even have a combined 100 basis points (market) share, points out Arun Srinivas, category head of beverages at HUL. That means the real worry is from the middle order.

#### Small Brands, Big Share

Even as Tata and HUL were losing over the past two years, regional players — such as Wagh Bakri in Gujarat; Girnar, Society and Sapat in Maharashtra; Mohani in Uttar Pradesh, etc. — have gained or maintained their share.

Retailers agree that regional brands are not losing ground despite MNCs pushing lower priced variants such as Tata Tea Agni or Brooke Bond Sehatmand. A Mumbai-based *kirana* owner who sells to low-income groups, points out that regional brands such as Girnar or Society sell more unit packs even when they command a premium of about 20 per cent. "People are very quality conscious when it comes to tea, and don't mind paying an extra Rs 10," he says.

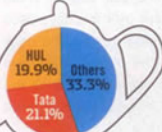
Regional tea brand owners second that. According to Bakul Shah, MD of Society Tea, which dominates in Maharashtra, the key differentiating factor in the tea category is the ability to maintain consistency of flavour, taste and colour of each cup. Some brands say they have an edge as the people at the helm in these companies — like Girnar's Bhansali and Shah of Society — spend a better part of their days tasting tea to arrive at the perfect and consistent blend.

Nikhil Joshi, group managing director at Sapat makes a strong case for packaged tea being a regional business. The quality of water varies across different parts of the country. As a result, tea brewing is not consistent. Then, cuisines vary across India. So it is unlikely that

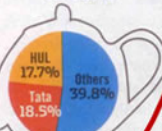
#### MARKET SHARE BY VOLUME

Regional tea brands have increased their presence

JUNE 2008



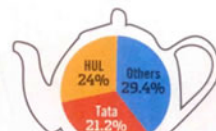
JUNE 2010



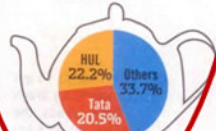
#### MARKET SHARE BY VALUE

Regional brands are cheaper, while others offer consistent blends

JUNE 2008



JUNE 2010



Source: AC Nielsen

people drink the same kind of tea. "There is a distinct need to blend chai keeping in mind the local cuisine and the quality of water in a region. We must deliver at that level," he says.

Regional brands claim they can offer as many as five blends to cater to even different parts within a state. They say it is unlikely that a national brand would be able to do the same. "MNCs sell tea like they market it in London. We need to sell chai," says one regional brand owner.

Perhaps recognising that need, the national brands hope to woo consumers with what HUL's Srinivasan calls a 'micro-marketing' approach. "We will straddle the pyramid and go micro. We will leverage the benefits of scale nationally, but simultaneously focus on particular states."

This 'scale national, but deploy regional' mantra probably comes from analysing marketing patterns of the regional brands. Ramesh Chandra Agarwal, MD of Mohani Tea, a brand in north India, asserts that the personal equation that regional tea companies share with distributors and customers helps in better reach. "We are well aware of competitive activities and are quick to react," he says.

#### Ready With New Blends

It is this nimble footedness of the regional brands that national brands are seeking to match. HUL's key focus areas are "to customise mix, localise production and enable faster logistics", says Srinivasan. Among its six brands, the company claims to have about 35-40 blends. HUL is taking its 'regionalise and rule' policy very seriously. It is focusing brands on certain areas — that is, if some parts of one state are fo-

cus markets for Sehatmand, other parts could push Brooke Bond Red Label, or 3 Roses if you are looking at south India.

Another focus area is marketing. Traditionally, the national players have gone to town with high-visibility advertising campaigns — so much so that tea campaigns such as 'Wah Taj' from HUL or the more recent 'Jaago Re' campaign from Tata Tea are part of advertising folklore. Regional brands, on the other hand, do not have multi-million dollar budgets. But they strike with smart manoeuvring where the big guys are not looking.

In the past, Ginnar was a big advertiser during Ganesh Chaturthi, Maharashtra's biggest festival. Now it focuses its attention on the huge audience of Gujarati tea drinkers by making its presence felt at community gatherings. Society takes to television during the popular afternoon slots as the housewife, a key decision maker in purchasing tea, is a big audience. North Indian brands such as Mohani advertise heavily during festivals such as Rakshabandhan and Holi. "Branding during festivals provides the soft touch and helps in bonding with consumers," says Agarwal of Mohani Tea.

On another front, too, regional brands are slowly increasing their footprints. Gujarat-based Wagh Bakri, which carries the legend of a tiger and a goat being friends over tea, entered the Mumbai market two years ago. As loyalty to tea brands is extremely high, Wagh Bakri tried to get consumers to try its offerings by setting up a tea lounge in a middle-class locality near a famous Jain temple. Now, the lounge has become a common meeting point.

Sapat has taken another route altogether. Borrowing from the concept of freshly ground coffee, the company has introduced Fresh Tea Factories in Food Bazaar outlets where consumers can walk out with a pack of fresh leaves. The company claims to have applied for a patent to this retailing concept and plans to increase the number of Fresh Tea Factory outlets from 12 to 160 this year.

Meanwhile, the national players are banking on their business plans. Tata Tea, for instance, plans to go beyond selling tea leaves to become a beverage major. "We have a lean business plan. You need to have a business model for each game that you wish to play. If you have a way of doing that, then it is worth putting a business commitment to it," says Sigantoria. With the company's good-for-you tea and fruit-based cold beverage T!on having captured 5 per cent share in markets where it is present, tea is certainly giving marketers food for thought.



SUSHARADA DAS

**CUSTOM MADE:** To get customers to try Wagh Bakri blends, the company set up a tea lounge in Mumbai

prasad.sangameshwaran@abp.in