



Tea bags flavour of the season



Tea



Shri Parag Desai

Exec. Director

Wagh Bakri Tea Group

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Market trend: Sale of tea bags to grow 30% in 2014

Growth fillip: Growing preference for branded tea

Sales pitch: Convenience, more choices in flavours



Tea companies are banking on the rise in the use of tea bags to push consumption.

The industry is looking to tap young consumers by pitching the convenience and better product mix of traditional and flavoured varieties offered by tea bags. In the current year, the sale of tea bags is expected to grow at 30 per cent and is seen to touch Rs 1,000 crore in the next 5-7 years. Growth may be even higher with a number of regional players entering the space. Further, over the last five years, there has been a gradual shift in favour of branded tea over the loose varieties, which can boost tea bag consumption. The compounded annual growth rate (CAGR) of tea has not gone beyond 2 per cent till 2013 compared with 5-5.5 per cent for coffee.

"The only way to drive growth will be to drink more cups of tea. But that is not happening. That is where tea bags are adding to the consumption. While the tea category is stable, growing at 2 per cent in a good year, there is an internal shift from unbranded to branded," said Sumit Shah, executive director of Calcutta-based Madhu Jayanti International Ltd.

Several regional companies have sensed the opportunity provided by bags and are going national through branded packs. Shah's company has launched TE-A-ME bags in 17 flavours.

In June, homegrown FMCG brand Yours Food Pvt Ltd said it would foray into the Rs 150-crore green tea market. In the first phase, it will roll out green tea bags, while a premium black tea will be offered in the second phase. In the third phase, it will roll out the crush, tea and curled varieties.

According to Arun N. Singh, managing director & CEO of Goodricke Group Ltd, tea bags account for 2 per cent of the market in volume terms and 4 per cent in value terms at about Rs 450 crore.

"Since the loose tea segment has been stagnant, growing at 7 per cent, tea bags with a 27 per cent growth are being seen as the future, according to market research firm Nielsen," he said.

Tea bags in the UK account for 90 per cent of the market, while it is 88 per cent in the US and about 80 per cent in Russia.

"Worldwide, 90 per cent of tea are had in bags. It is a modern way of consuming tea. The machinery to manufacture the bags is expensive. Many have invested. But, so far, there has not been enough demand and they are unable to utilise capacity. A lot of players are discounting their brands but that is not our strategy. Our tea bags have been growing but we are not looking at it in isolation as of yet," said Parag Desai, executive director at Wagh Bakri Tea Group.

Innovations are also on course. Madhu Jayanti, for instance, has rolled out boiling bags on a pilot basis in Karnataka under the Lalpan brand. This is a go-between a tea bag and boiled tea without a string and an envelope. The idea is to get roadside stalls into using these bags, which will help them keep a count of the amount of tea that is being used.