

Tea with Benefits

The ubiquitous tea has undergone a makeover; it now comes in a variety of flavours and is steeped with the goodness of health

By Juhi Sharma

With Indian consumers taking to healthier food alternatives, it was not long before they turned their attention to the new varieties of tea that are being positioned on the health and wellness platform. In fact, such teas have been gaining shelf space at the grocers.

In the last 10 years, the product diversification strategy adopted by big players in the tea industry has led to the growth of flavoured and/or value-added tea production in India.

And it is the new-age urban consumers who are behind the increasing acceptance of such teas, which are touted by their producers as offering health benefits, besides good taste and unique flavours.

According to Raghav Gupta, Director, SVA India (exclusive agent for Basilur, Tipson and

Vazar tea brands in India), “The flavoured and value added tea segment is the fastest growing category along with premium tea varieties. If we look at the industry consumption pattern, all tea companies have now shifted greater focus to flavoured teas as opposed to the Assam, Darjeeling or plain black tea, as has been the trend, until lately. However, there are very few flavours in the Indian market as compared to the international markets, and it is very hard to predict a pattern as the category is growing month-on-month.”

Quoting a report from commodityindia, Parag Desai, Executive Director, Wagh Bakri Tea Group, says, “The flavoured tea market in India is growing at the rate of 25 percent per annum. Demand is increasing as consumers are experimenting with the varieties and flavours. Though the regular black tea is still being consumed, especially in the morning, but after their first morning cuppa, consumers want to check out the different flavours.”

However, Krishan Gupta, Managing Director and Global CEO, Organic India, feels that the growth is much higher at 70-80 percent year-on-year. “Until sometime back, and to some extent even now, it is considered to be a niche segment, but no doubt the product is more visible now, having gradually grown over the period of time.”

Euromonitor International’s report, ‘Tea in India,’ states that black standard tea is a traditional and highly popular drink in India and accounted for some 84 percent of tea retail volume sales in 2011. However, urban health-conscious Indians are increasingly

curious about testing new products. Currently, green tea and specialty tea are growing at a faster rate than black standard tea.

Market overview

The market today offers a variety of flavoured teas such as green tea, Earl Grey tea, jasmine tea, ginseng oolong, masala chai, and green lemon tea. There is yet another tea innovation called tea with herbal and fruit infusions. But according to experts, herbal infusions literally are not teas, they are merely natural/botanical products, which are brewed and consumed like tea, mostly hot and sometimes cold. Some varieties include, chamomile, peppermint, rosehip and hibiscus, rooibos orange, orange, mango and cinnamon, strawberry and mango, etc. Then there are the organic variants as well.

The market is also offering more choices from various national, regional and imported brands. Exclusive tea boutiques such as Golden Tips Tea and Pekoe Tips Tea have also partnered in the teas’ growth story. Even though over the last few years, there has been a lot of activity in this sub-category, it still remains in the nascent stage compared to other international markets, in terms of length and width of the market and its consumption.

Comments Debraj Banerjee, Head of Marketing at Newby India, “This tea segment is an exciting new addition to the portfolio of branded tea companies worldwide – a trend which is taking root in India as well. However, the product is in its infancy in India, given that we are primarily a traditional tea drinking



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nation. As new consumers come into the tea fold, the franchise for flavoured/value added teas will increase – we are already seeing the first signs of this, particularly amongst urban, upmarket consumers.

Battle of the brew

According to a Euromonitor report, green tea was the fastest growing in 2011, with retail volume sales increasing by 11 percent. This area is performing well in urban cities where awareness of the health benefits of these products is high. Young urban consumers are also becoming increasingly health conscious and are looking for various options to lose weight, one of which is by drinking green tea. Increasing acceptance of this variety has been at the expense of the erstwhile favourite - the black tea. Green tea is also perceived as being healthy.

According to the report, the entire tea market in India accounted for retail sales of Rs 76,681.9 in 2011 and estimated Rs 78,458.7 in 2012. The tea market has been segregated into various tea sub-segments with standard black tea (Rs 72,172.1 in 2011 and Rs 73,467.3 in 2012) and green tea (Rs 4,509.8 in 2011 and Rs 4,991.5 in 2012) making up for the entire retail sales. The analyses and market observation clearly depicts that in India, green tea is, by large, considered to be a generic name or a synonym for the flavoured tea segment.



The flavoured tea market in India is growing at the rate of 25% per annum. Demand is increasing as consumers are experimenting with varieties and flavours

– Parag Desai, ED, Wagh Bakri Tea Group

Venkat Narayanan, Chief Merchandising Officer at Spencer's Retail, shares, "Flavoured tea contributes upto 19 percent of Spencer's tea business, with green tea being the largest-selling variant, closely followed by lemon tea."

Attributing green tea's popularity to its health properties, he adds, "Green tea has been used as a medicine for thousands of years, originating in China but widely used throughout Asia. This beverage has a multitude of uses from lowering blood pressure to preventing cancer. The reason that green tea has more health benefits attached to it than black tea is (apparently) due to the processing. Black tea is processed in a way that allows for fermentation whereas green tea's processing avoids the fermentation process. As a result, green tea retains the maximum amount of

antioxidants and poly-phenols - substances that give green tea its health benefits."

Renu Kakkar, spokesperson at Typhoo India Tea, reveals, "In our Indian range, Typhoo Green tea is presently the largest selling, followed by Typhoo's Ginger, Lime & Lemon, Earl Grey and Masala. Typhoo's fruit infusion is also being enjoyed by the consumers, and we foresee it becoming a key seller as well for Typhoo."

Gupta swears by the tulsi flavour. "Tulsi-sweet rose, tulsi-ginger, tulsi-pomegranate, tulsi-lemon, and tulsi-green are some of the largest-selling variants in the Organic India's flavoured tea basket," he says.

"During winter, tulsi-ginger is preferred more, while in summer it is sweet rose. At night before sleeping, people like to drink tulsi chamomile as it is considered good for a sound sleep. And kids prefer our tulsi vanilla flavour," he adds.

Banerjee feels that since the market for this product is still in its infancy, pointing out the most popular ones is premature. "It is difficult at this stage of the category's inception in the Indian market to analyse the popularity of its flavours. I would like to note some internationally more popular variants, which will help understand the global trends, and these are Earl Grey (flavoured black tea), jasmine (flavoured green tea) and chamomile (herbal infusion/tisane) as amongst the more admired ones.

According to R Gupta, "Currently, lemon tea and mint tea are the largest-selling variants, probably because they have been around forever. Most tea companies are still experimenting with flavours and trying to get a foothold into the market."

He adds that though demand for flavoured tea in bags is growing faster than the loose leaves, true connoisseurs and tea lovers continue to buy loose leaves. "Only Basilur, Tipson and Newby and maybe a few more are offering loose tea leaves packs."

Forecast Retail Sales of Tea by Category: Volume 2011-2016						
	2011	2012	2013	2014	2015	2016
Black Tea	255,775.9	264,415.2	273,106.4	281,872.7	290,702.9	299,561.9
Fruit/Herbal Tea	-	-	-	-	-	-
Green Tea	4,647.0	5,151.3	5,689.6	6,261.4	6,865.9	7,505.2
Instant Tea	-	-	-	-	-	-
Other Tea	-	-	-	-	-	-
Tea	260,422.9	269,566.6	278,796.1	288,134.2	297,568.8	307,067.1

Forecast Retail Sales of Tea by Category: Value 2011-2016						
	2011	2012	2013	2014	2015	2016
Black Tea	72,172.1	73,467.3	76,101.5	79,406.8	82,876.5	86,517.8
Fruit/Herbal Tea	-	-	-	-	-	-
Green Tea	4,509.8	4,991.5	5,606.4	6,331.4	7,136.3	8,027.1
Instant Tea	-	-	-	-	-	-
Other Tea	-	-	-	-	-	-
Tea	76,681.9	78,458.7	81,707.9	85,738.1	90,012.8	94,544.8

SOURCE: EUROMONITOR INTERNATIONAL FROM TRADE ASSOCIATIONS, TRADE PRESS, COMPANY RESEARCH, TRADE INTERVIEWS, TRADE SOURCES

Brewing Hot

- Hindustan Unilever is present in the sub-segment through its brands Brook Bond and Lipton.
- Tata Global Beverage offers flavoured tea under the brand names Tetley and Tata Tea. Twinings, a part of food major Associated British Foods (ABF) is known to have propelled the market significantly through its wide range of flavoured teas.
- Wagh Bakri Tea Group has intensified competition with its brands Wagh Bakri, Good Morning, Mili and Navchetan.
- Influenced by the evolving tea category, Apeejay Surrendra group's tea division is amongst the largest and oldest producers of tea in the country. The company further extended the market with the launch of UK's third largest tea brand and an over 100-year-old iconic British brand, Typhoo in 2005. The brand currently offers a select range of flavoured teas and fruit infusions.
- Organic India has further enriched the segment with its flurry of organic flavoured teas and infusions.
- SVA India has a notable contribution for enlarging the choices for customers, as the company is an exclusive agent for three brands in India – Sri Lanka's Basilur, Tipson and Vazar.
- Newby India, a subsidiary of Newby Teas (UK), is engaged in the distribution, sales and marketing of some of the world's best teas and tisanes from Newby's vast repertoire - to the Indian market.
- The contribution of brands with strong regional hold such as Duncans Industries in East India and AVT Tea in South India have also inflicted significant growth.

Flavoured teas are largely available in the tea bag format in packs of 18, 20 and 25 tea bags. Narayanan at Spencer's says that a pack of 25 tea bags is the largest selling at their stores, also affirmed by Haiko Supermarket. "Loose leaves of flavoured teas is most preferred in 200 gm packs," notes the spokesperson at Haiko.

Says Desai, "Some of the most selling pack sizes are 110, 125 and 250 gm in case of loose tea leaves, and in bags 25 and 100 tea bag packs sell the most. This is because people are being initiated into this tea variety prefer to go for the 25 pack, while seasoned drinkers would go for the 100 pack as it would last for a month atleast."



Flavoured tea is increasingly sharing more shelf space with the regular black tea

Kakkar also informs that 25 tea bag packs are the most popular for the home segment, while packs of 100 are the standard in the out-of-home consumption segment such as for people travelling.

Tea for gifting

An offshoot of the growing consumption of flavoured teas is the growing gifting segment. Some brands are packaging their teas in artisan packaging for positioning them as premium gift items.

According to Euromonitor, offering of teas as gifts is quite common in Japan and China, especially during religious festivals, birthdays, marriages and anniversaries. In India, consumers tend to offer sweets, which are being perceived as unhealthy.

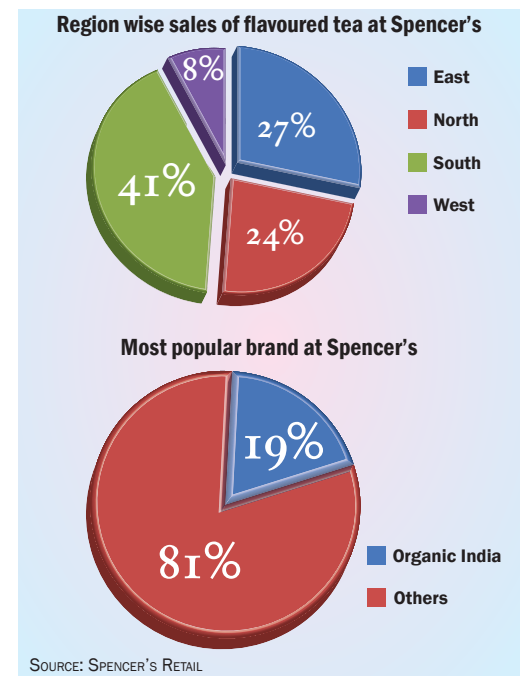
Newby India offers a selection of some of its finest teas in an array of exquisite gift packaging formats, such as tins, tea books, boxes, etc, which lend a premium brand image to the product. Basilur has introduced an innovative tea book collection for different occasions. It looks and opens like a book, and holds a variety of flavours. For instance, its love story tea book collection is positioned as a token of love and gratitude to all the women around the world. "We sell a few thousand books per month as a gifting option. It contributes about 10 percent to our retail sales," informs R Gupta. Typhoo's tea assortment pack is also a good gifting option for personal or corporates.

Hot, yet cool

This variety of tea is not the common man's daily cuppa, given its high pricing, availability in select retail stores, and its positioning has a high-end product. So it caters to a distinguished target audience. But as brands extend their reach, as demand goes up and

volumes increase, its affordability has to be factored in.

"Earlier the target market was just the high net worth individuals (HNI) and the upper middle class. Now, even the middle class has developed a taste for flavoured teas. In fact, it has achieved the status of being a 'cool' beverage amongst consumers in the age group of 16 to 35 years," observes R Gupta.



Flavoured tea contributes upto 19% of Spencer's tea business



- Venkat Narayanan, CMO, Spencer's Retail



Modern trade is the single most important channel partner for flavoured teas; it accounts for a minimum of 60-70% flavoured tea sales

– Raghav Gupta, Director, SVA India

“With prices ranging between Rs 125 and Rs 170 for such teas, people are surely looking for quality plus health benefits. So such teas are consumed by the SEC - A,” quotes K Gupta.

“This segment draws its market from the upmarket, more evolved consumers who are very quality conscious. Some of the finest tisanes will necessarily tend to be more expensive. At Newby, we source our tisanes from the best source of origin to ensure that the end cup is of the best quality,” says Banerjee.

Consumption happens all through the year irrespective of the season, though there may be spikes as in the monsoons and winters - with as much as 25 percent increase in sales.

Says Banerjee, “Well there is a popular perception that tea consumption spikes in winter, the fact is that tea is an all-season, all-weather beverage. Some herbal infusions or tisanes can be consumed both ways – hot as well as cold. Hence, it can be argued that these would have more takers in peak summer when served cold – at a time when the hot (traditional) tea may not be desirable. There is, however, no clear seasonal consumption pattern.”

But some flavours may be more favoured over others during a particular season, as Kakkar points out, “During summers, Typhoo’s green tea with Moroccan mint is extremely popular as it is very soothing and refreshing. Typhoo fruit infusions range is consumed hot and cold, and is highly acclaimed in our specialty tea range. At the moment, our fruit infusions portfolio offers Lemon & Lime Zest, Black Currant Bracer and Orange Spicer”.

Partners in progress

Modern trade has no doubt added to the growth of this segment like other categories largely due to the benefit they offer consumers with their offering of see, touch, and feel.

Agreeing with the viability of modern trade as a partner in progress, R Gupta at SVA India, says, “Modern trade is the single most important channel partner for flavoured teas. They account for a minimum of 60-70 percent flavoured tea sales, as they offer more shelf space and customers are more open to exploring the shelves of the stores while shopping, in contrast to the limited space at the local neighbourhood stores or kiranas. Amongst the modern food retailers, Foodhall, Godrej Nature’s Basket, Metro Cash and Carry, and Gourmet West generate a large slice of our sales. But there are several other smaller stores where this product is showing brisk movement and growing very quickly.”

“Modern trade is the retail engine which will grow this segment as promotions of their products are undertaken by the brands at such outlets. Since awareness of flavoured tea is still low, consumer education and generating tasting and sampling among consumers is necessary at the retailer’s end. Over 80 percent of our flavoured tea sales are generated through modern trade,” informs Banerjee at Newby India.

While Desai at Wagh Bakri affirms the importance of modern retail for driving sales of the sub-category, he feels that modern trade in India is yet to succeed in gaining the trust of the elite consumers. He is referring to the current market scenario where many retail chains/stores are opening and shutting down almost on a daily basis.

“Modern trade is one of the most effective sales channels as it provides great shopping ambience, display of range, direct consumer interaction with products, high footfalls and help in appealing to the right target consumer for this category,” says Kakkar at Typhoo.

“Typhoo has a well-placed distribution in modern trade due to which our business is growing at a fast pace despite being a recent entrant. Modern trade is playing a very crucial role for driving large-scale consumption in this category, and we expect that the growth of modern trade will remain a key driver in future too. Our key partners in progress are Nature’s Basket, Le-Marche, Spencer’s, Big Bazaar, HyperCity, Auchan Hypermarket and Tata Trent, followed by regional modern trade partners like Haiko in Mumbai, Nilgiris, Namdhari’s Fresh and Brown Tree - all in Bangalore, and 24x7 convenience store and Modern Bazaar in Delhi. Overall, modern trade contributes close to approximately 25-30 percent to our total business,” she informs.

Communication is key

No category can flourish without communicating with the target audience and creating awareness amongst customers. And brand communication becomes all the more important in case of a niche, unique or a relatively new category like flavoured teas and infusions.

“Our marketing programmes are based on creating category need by building the knowledge base of consumers, and undertaking demand creation activities through trials. We are focussed on sampling at the POS, along with advertising in select media,” reveals Banerjee.

“We undertake a lot of initiatives such as sampling of our teas at several stores where we have installed tea dispensers for the customers walking in;

we participate in several exhibitions and events, and we have set up tea tasting in many airports as well. We are also signing tie-ups with some key hotel and restaurants for promoting our range,” informs R Gupta.

K Gupta shares, “Even doctors recommend our teas. During winters, our sales representatives visit doctors’ residence for an early morning tea so that they can

experience the taste and its benefits, and further recommend it. We also do sampling at parks such as Lodhi Garden in Delhi, where early morning joggers are invited to taste our teas. We have set up an organic park in Gurgaon where people out on their morning walks can see our organic tulsi and other organic trees and plants growing there.”





Typhoo also attempts to keep consumers in focus and creates consumer engagement via retail stores. This is not a brand visibility exercise at POS but an involved communication with consumers at the stores, insists Kakkar.. “One of our major marketing initiatives has been our participation in the Indian Premier League as one of the sponsors of Kings XI Punjab, which has been small but surely a good awareness stint. Recently, we organised a Typhoo tea and food pairing by celebrity chef Vicky Ratnani at the Park hotel in New Delhi, which also serves Typhoo mocktails and cocktails as part of its menu throughout the year. This kind of engagement generates curiosity and strengthens tea as a beverage and sub segment as well. These initiatives also help in imparting customers with the correct method of preparing flavoured tea and sharing



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– Renu Kakkar, spokes-person at Typhoo Te

recipes for consuming various fruit infusions as cocktails and mocktails”

An important trend that is further propelling the tea drinking culture especially among the urban, young consumers (who perceive tea as an old fashioned drink) is the mushrooming of tea lounges and cafes.

Elaborating on the Wagh Bakri tea lounge concept that has proved to be very successful, Desai says, “We have two tea lounges - one in Delhi (Pitampura) and one in Mumbai (Vile Parle). We have recently launched Wagh Bakri Tea World in Aurangabad. At all these outlets, we serve more than 30 types of teas. This is our way of making consumers aware about the vast

varieties of tea available, and this concept is very hard to find in any other beverage category. The response to our lounges has been really good, which shows the interest of consumers in flavoured teas.”

Apeejay Surrendra Group in the year 2000 launched, an urban contemporary space that further propelled the tea consumption culture in Kolkata under the name, Cha Bar. Char Bar at Oxford Bookstores - India’s leading bookstore chain - has a Cha Bar tucked inside the bookstore, thereby positioning tea as a preferred beverage for a reader thumbing through the books, or indulging in intellectual stimulation.



Vicky Ratnani

Chef Consultant, Gourmand and Food Connoisseur



How would you compare the Indian flavoured tea market with the more evolved Western markets?

Indians are accustomed to drinking their regular tea, which can be Assam tea or Darjeeling tea, but flavoured tea. But in comparison with the Western markets, it is a relatively recent concept in India. However, it has been gaining popularity, and the trend is picking up mostly among the young and urban audience. Players like Typhoo offer a range of variants in the segment, many of which are familiar to the Indian palate such as masala, ginger, cardamom, lime and lemon. These are being easily adopted.

Which variant is being preferred in the F&B sector?

Fruit infusions are set to become a trend. They can be consumed hot and cold, plus we can create mocktails and cocktails with these infusions.

What has been consumers’ response to flavoured teas at Aurus?

We have been using flavoured variants while preparing food, and most of the consumers have given a positive feedback. Indian consumers are in the habit of drinking tea with sugar and milk; but this will change

(and has been changing for some), once they have tried flavoured tea. People are realising that there are different ways they can enjoy tea and they become all the more interested in drinking flavoured tea when they find out the benefits associated with it as it is free from sugar, caffeine, preservatives and artificial flavouring.

How should flavoured tea be prepared and consumed?

Ideally, one should allow the tea bag to brew for 2 to 3 minutes. This allows the flavour to fully develop. I recently participated in an interactive food and tea pairing event organised by Typhoo tea. I think it was a great way to educate consumers. Events like these, along with other media-driven promotions, can help in creating awareness.

How would you pair food with the following flavours?

Green tea - seafood, fish, chicken, salads, Japanese, Chinese, Thai and Asian foods, noodles, rice, aloo chaat.

Earl Grey tea - rabdi, faluda, kulfi, creme brulee, creamy desserts, mild English cheeses, lemon tarts, lemon and orange flavoured cakes and desserts.

Teas with fruit infusions - aloo bhajjia, kachori, fruity and sweet food.

Too hot to handle?

The Indian food and grocery retail business in general is grappling with numerous operational challenges - one of which is logistics and timely delivery of stock. For the flavoured tea market ensuring freshness of the stock delivered is a big challenge. Other challenges are analysing the market correctly, increasing awareness, and tempting consumers to taste the teas.

Says R Gupta, "Flavoured tea is still a growing market and figuring out stores where it will perform better and where it won't will take some time. It is a challenge, which will be solved in the long run, if not in the immediate future. Also, as an importer, we have to make sure that there is always fresh stock on retail shelves. Imports take at least two months from the time of placing an order to reach the retailer, since tea is freshly purchased for every order placed. In fact, we have a company policy to ensure that tea is less than seven days old from the time it is purchased."

Banerjee is of the opinion that flavoured tea is a quality-driven segment, hence maintaining high product quality consistently is a challenge, given that the core ingredients are agricultural /natural products prone to the vagaries of nature. Hence, the supply chain and back-end issues are critical.

"Indian tea lovers expect the tea bags, which are more convenient, to deliver the same qualities of good taste and flavour provided by their favourite loose tea brand. Meeting such expectations is a challenge as is getting consumers to go beyond their usual tastes and try new flavours," rues Kakkar.

Way to go

Industry experts feel that the sub-category has just started its journey and has a long way to go in terms of market penetration, innovation and its positioning.

Asserts R Gupta, "The tea category is definitely growing and has more growth potential than coffee, given its health benefits and flavour options. I look forward to see teas taking on the cola giants in the long run, as consumers become more and more choosy about the healthier food options available to them."



With prices ranging between Rs 125 and Rs 170 for flavoured teas, people are surely looking for quality plus health benefits

- Krishan Gupta, MD and Global CEO, Organic India

"There are several innovations to be seen in the sub-segment and I believe Basilur and Vazar are the leading players in this market. Packaging plays a key role while endorsing flavoured teas, as a large amount of purchases can take place as impulse purchase. Another important trend to watch would be stapler pin-free tea bags, as well as silk bio-degradable, pyramid-shaped tea bags. Both types are already being offered by Basilur as a strategy to stay ahead in the game. Basilur does not only focus on flavours but also on blends, where a few flavours are mixed together to suit different palates. Loose tea leaves are packed in a zip-lock, flavour retention bag inside the basic packaging to help retain the flavours for long," observes R Gupta. "Going ahead, we will come out with a lot of new flavours such as hibiscus and expand to more cities."

"Innovations will be in the area of flavoured tea variants. As consumers' taste evolves, there is always room for new flavours that may capture people's fancy. The flavoured/ value added tea category will witness a lot of action in the space, going forward. However, we don't see this sub-segment as a substitute for traditional tea," feels Banerjee.

"Newby is positioned as a top-end premium tea brand, our distribution/market is currently in the metro cities - as we believe our target

consumers exist in sufficient numbers in these markets. We are constantly tracking market trends and will not hesitate to enter new markets, once we are convinced of its potential with respect to our offerings. We will, however, not enter new markets randomly just to chase volumes at the expense of quality," Banerjee informs.

"At Wagh Bakri, we have already started innovations in this category. We have launched instant tea premixes in four flavours: masala, ginger, elaichi and lemon grass; one just needs to add hot water to make a cup of delicious tea. Besides, we have also launched ice teas in orange, peach and lemon flavours. In future, we will keep innovating with more flavours and varieties. In terms of market penetration, we have recently expanded our network to Andhra Pradesh, Chhattisgarh and Goa, and will explore other markets once we have established ourselves in these states," reveals Desai.

Informs Narayanan, "2011 has seen a lot of innovations from HUL and Tetley in the flavoured tea segment. Hyson Tea of Sri Lanka, the sixth biggest exporter of quality Ceylon tea from the Emerald Isles, will shortly enter the Indian market with its wide range of black and green tea in 12 different variants. Lekkad Exports, merchants and exporters of spices and ready-to-eat foods, have tied-up with Hyson Teas to import and distribute the teas in the Indian market."

"Flavoured teas that use genuine spices will be the clear winners. Teas in convenient consumption format, be it ready-to-drink, premix or bottled, will be the major growth drivers for the future. This category is destined for a robust growth pace, in line with rising disposable incomes, the youth as the target consumer, and the trend towards consuming healthier products," concludes Kakkar. ■



An all-season, all-weather beverage; some herbal infusions can be consumed hot as well as cold

- Debraj Banerjee, Head-Marketing, Newby India