

ACADEMIC

RESEARCH

PAPER

**on TRENDS IN
CONSUMER TEA
PREFERENCES**

by Adya Sethia



What are the emerging trends in consumer preferences for tea products?

Research paper by Adya Sethia

TEA: One of the most consumed beverages in the world!

Tea is one of the most extensively consumed drinks on the planet and has a unique position in everyday life, culture, and history. Its diverse varieties, preparation techniques, ceremonies, and rituals all reflect the broad range of human traditions and tastes.

India is the second-largest tea producer globally, just behind China. In the same vein, India is also one of the world's largest tea consumers, accounting for almost one-fifth of global consumption in 2016. In 2017, India achieved the highest tea exports for nearly 45 years. However, the annual growth of tea exports from India has been moderate due to the high domestic consumption. About 80% of the tea produced in India is consumed locally. The country's per capita tea consumption has seen a significant rise over the last decade.

Produced by steeping in freshly boiled water the young leaves and leaf buds of the tea plant, *Camellia sinensis*, it is the second most consumed beverage globally.

As customer tastes continue to change, the world of tea is undergoing a dramatic metamorphosis. First, we must define "consumer preferences". These preferences refer to how a consumer would compare two baskets of items, assuming that each item was offered at no cost. A collection of products or services that a person could consume is called a basket or bundle.

As part of my research, 'baskets of items' refers to the different aspects of tea marketing, such as flavour, packaging, and health benefits. In this paper, I will define what I mean by a "tea product." Does any product that contains tea count as a "tea product" Are tea cosmetics like 'tea tree oil' included?

Any consumable product with tea as a 'major' or 'distinctive' ingredient will be considered, excluding the above-mentioned products.

The genesis of that cup!

The production method of tea varies widely, and thus, the demand and preference of Tea production methods differ from country to country and region to region, affecting the taste and quality of tea consumed by consumers. In India, tea production methods are mainly classified into ***CTC, Dust, Darjeeling, and Orthodox***.

CTC involves a mechanical process that crushes, tears, and curls the leaves, resulting in dense pellets.

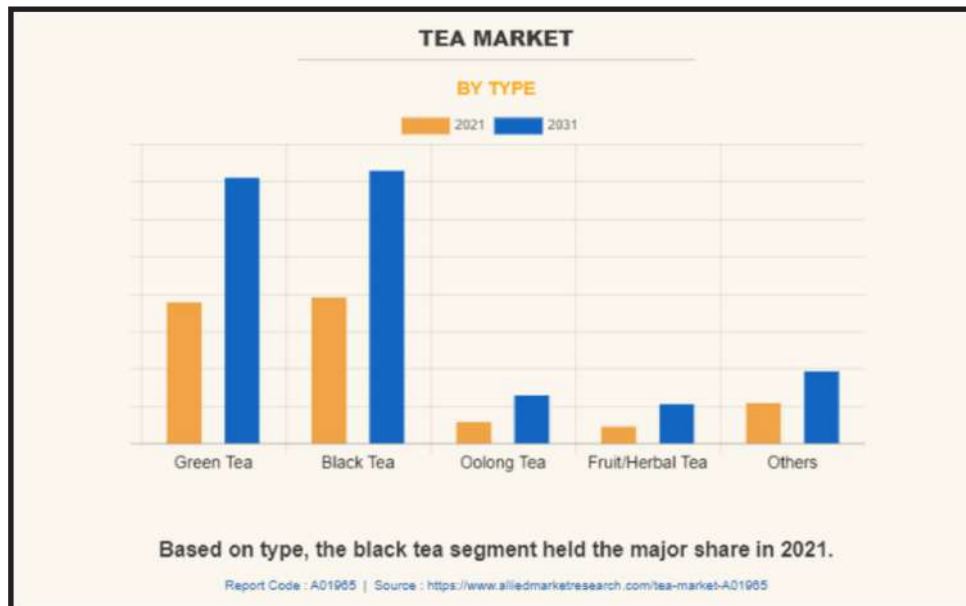
When it comes to making tea, there are ***two main methods: traditional and dust tea***. The conventional method involves carefully rolling and shaping whole tea leaves to preserve their natural appearance, resulting in a higher-grade tea. On the other hand, dust tea is made from leftover particles of higher-grade teas and is considered the lowest grade of tea.

To be considered authentic Darjeeling tea, the tea must originate from the Darjeeling district of West Bengal, India. This type of tea has a distinct flavour that is highly sought after. The different methods used to produce Indian tea have significantly determined the demand and preference for each type. ***Leaf tea and dust tea are two different types of tea***. Leaf tea is of better quality and is identified as such despite having been ripped or broken during processing. It infuses more slowly and can be used for multiple infusions. ***On the other hand, dust tea infuses quickly and has a robust flavour, making***

it ideal for dip tea bags.

Thus, the demand for Dust tea and tea bags has risen tremendously with our increasingly fast-paced world. Therefore, in this paper, we will look at emerging trends in tea products (for different tea brands) across India- judging them based on *three parameters- branding and packaging, flavour and health benefits, and then establish a comprehensive and cohesive*

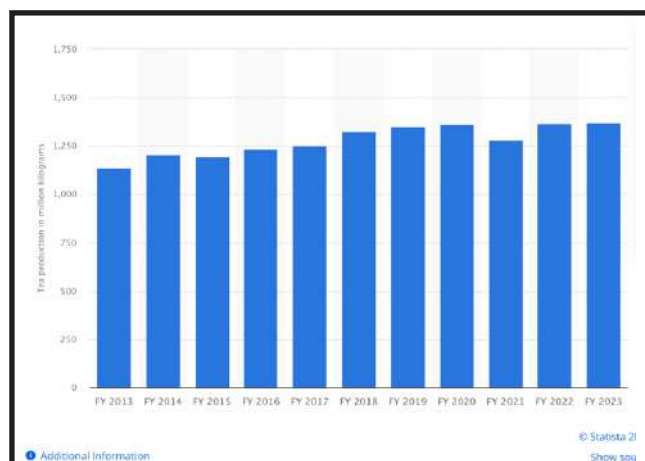
The chart below clearly shows that the forecast is that green and black tea is the most demanding teas.



Market Analysis

India's tea industry is driven by its high consumption across socio-economic classes, healthy economic growth, and the rise of the middle class. Demand for packaged tea is growing due to its convenience, quality, and natural ingredients. The industry is witnessing growth in speciality varieties like green tea and cafes/lounges that serve different tea variations. The RTD segment has the potential to see a healthy increase as consumers seek more convenient food and beverage options. The industry will benefit from increasing innovation in packaging and flavours, and the rural sector presents another significant opportunity for expansion.

Total production of tea across India from financial year 2013 to 2023 (in million kilograms)



The major drivers of the market include ***rising disposable incomes, increasing population, and the healthy production and consumption of the beverage.***

The factors that influence the tea industry's profitability affect consumer preferences. This analysis can help determine how tea companies operate and find solutions to address specific issues that impact product branding and marketing.

Consumption of beverages within India accounts for nearly 80% of the country's total production output. Over the past decade, there has been a notable rise in per capita consumption, which is expected to be a major driving force behind the market's growth. Some key findings are: a major driving force behind the market's growth.

- a) With over 700 tea companies in India, there is a high level of competition, primarily driven by many unorganised players within the market.
- b) Buyers possess significant bargaining power, with many options available in the market.
- c) Due to the abundance of tea producers in India, supplier bargaining power is low, and their products have a low switching cost.
- d) **The Marginalization of Indian Tea Workers:** Indian tea workers, predominantly from marginalized communities, face a multitude of challenges. Many live in isolated plantations, lack access to basic amenities, and suffer from poverty and malnutrition. They endure long working hours, low wages, and limited job security. This extreme marginalisation perpetuates a cycle of poverty that affects generations of tea workers and their families. [

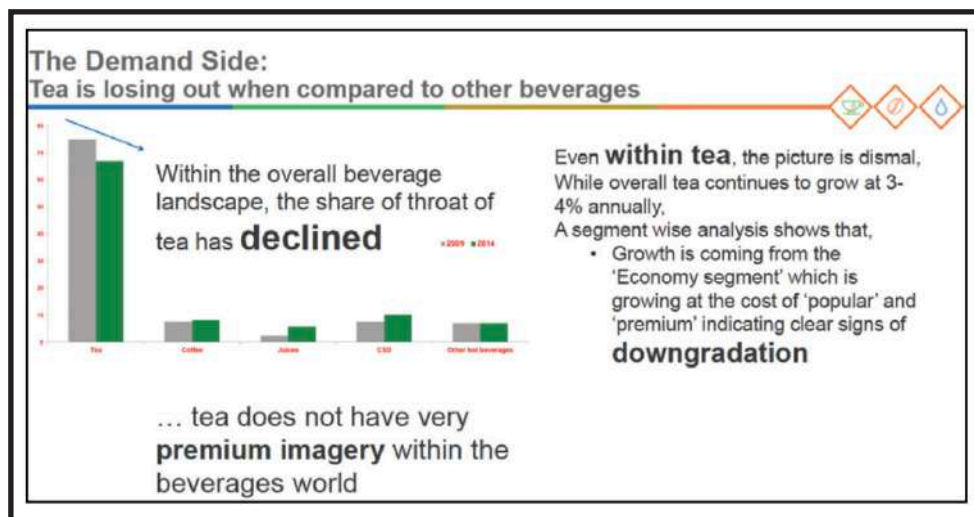
On 9th April, the Indian Tea Association (ITA), the Tea Research Association (TRA) Tocklai, the Ethical Tea Partnership (ETP), and the Sustainable Trade Initiative (IDH) hosted the largest gathering of organisations interested in the future of the Indian tea sector. TEAM UP India brought together the whole tea supply chain, with 165 delegates from over 50 organisations in attendance. Delegates included producer companies, Indian and international packers, UN organisations, specialist implementation agencies, international funders, certification bodies, tea associations from India and abroad, smallholder and bought leaf sector representatives, and development partners.

The industry also faces new challenges, particularly relating to climate change. At the meeting, TRA Tocklai and ETP unveiled the results of climate change impact modelling for Assam, which predicted that, over the next 50 years, many areas of current production will become less suitable for tea due to changes in temperature and precipitation patterns, including increased rainfall during the monsoonal

period, reduced rainfall early in the season, and increasing temperatures.

The key challenges facing the industry identified by the producers were: • Pricing not keeping pace with rising costs • Climate change • Community development • Improving and integrating the rapidly expanding smallholder sector • Outdated legislative frameworks.

The Demand side - tea is losing out when compared to other beverages.



Tea prices are a major concern and sustainability can only be achieved if everyone in the chain can make a decent return. In India, the cost of production has been rising faster than prices.

So what are the possible solutions one can look at

Policies are a significant part of the analysis

a) **Government policies and regulations significantly affect The tea industry worldwide. These restrictions include tea import and export regulations, pesticide and fertiliser use limits, and packaging and labelling requirements.** Companies must comply with these guidelines to avoid legal issues and penalties. For instance, the Tea Act of 1953 established the Tea Board in India. It imposed an excise duty on tea produced in India, thereby regulating tea production and export in line with international agreements.

b) Government stability- Political unrest in India might impact the tea market's development and profitability. Furthermore, geopolitical considerations influence the tea sector. For example, the link between tea-producing and tea-consuming nations can move tea commerce and supply chains. Trade treaties, tariffs, and diplomatic relations among nations can all impact the tea industry's access to markets and resources. Furthermore, geopolitical tensions and wars can result in trade disputes, boycotts, and embargoes, hurting the operations and growth of the tea business.

Economic factors refer to the effects of economic conditions, such as inflation, interest rates, exchange rates, and economic growth, on the operations and profitability of an industry.

Exchange rates- are another economic issue influencing the tea business. Changes in currency rates can impact the industry's export and import markets, affecting operations and profitability.

A rising dollar, for example, might make tea exports more costly, limiting demand and income for tea firms. A weaker dollar, on the other hand, might make tea exports more inexpensive, resulting in greater need and income for tea firms.

Socio-cultural factors: relate to the social and cultural factors that influence the operations, consumer behaviour, and market trends of an industry.

Changing customer preferences, particularly healthier lifestyles, has impacted the tea industry. Demand for organic and herbal teas has increased and tea companies have responded by offering convenient products like tea bags and instant tea. The industry must also adapt to appeal to younger generations, which has led to the introduction of new and unique products. Cultural considerations are also important, with tea deeply ingrained in many cultures and customs.

Technological developments and innovations influence an industry's operations, manufacturing processes, and customer behaviour.

Introduction of new machinery- Tea manufacturing has always been time-consuming and labour-intensive. Nonetheless, technical improvements have enabled manufacturers to employ technology to automate many portions of the manufacturing process, such as picking tea leaves, which saves time. For example, labour-intensive tea manufacturing processes in India produce 'orthodox' tea, while using machinery produces the CTC and Dust variants.

b) The tea industry has been influenced by e-commerce platforms and digital marketing, enabling businesses to reach a broader audience. Technology has also improved supply chain management through tracking and monitoring systems, enhancing product traceability.

Legal factors: Intellectual property law is one of the most critical legal elements affecting the tea business. Tea makers frequently rely on trademarks, patents, and copyrights to protect their products and businesses. Unfortunately, lax intellectual property rules often foster counterfeit goods, harming legitimate tea companies.

Food safety standards and labor legislation are crucial legal aspects of the tea industry. Tea is a consumable product, and producers must comply with regulations regarding the use of chemicals, packaging, and labeling. Additionally, tea manufacturing requires a significant amount of labor, and many countries have laws to protect workers' rights. Violations of these regulations may result in penalties, legal action, and damage to a company's reputation.

Environmental factors: Climate change is a significant environmental element influencing the tea business. Tea plants require precise environmental conditions in order to develop and thrive. Temperature, rainfall patterns, and humidity levels may all have a substantial influence on tea production. Excessive rainfall or drought conditions, for example, can harm tea plantations, lower yields, and degrade tea leaf quality. Rising temperatures can also modify the chemical makeup of tea leaves, resulting in variations in flavour and fragrance. (<https://pestleanalysis.com/tea-industry-pestle-analysis/>)

DATA ON INDIAN PRODUCE

The production of tea in India is consistently increasing by a considerable amount each year. From 1,200,410 tonnes of tea (all kinds) produced in 2013 to 1,365,230 tonnes in 2022. The production of green tea has also risen, owing to growing concern about health. From 17,240 tonnes produced in 2013 to 19,950 produced in 2021. This number is also much higher than the amount of tea that India imports. For example, in 2022 India imported 29,840 QTY tonnes of tea. Between North and South India, North India produces a more significant amount of tea. The regions of Assam and West Bengal in North India each have more than double the amount of tea that South India has. In 2022,

for instance, North India produced 1,133,400 tonnes of tea, with Assam and West Bengal contributing 687,930 and 415,780 tonnes, respectively. On the other hand, South India produced only about 231,830 tonnes of tea, with its major contributor- Tamil Nadu- contributing 158,960 tonnes. The following is represented below:

CASE STUDY: TATA TEA

Tata Tea Premium is the flagship brand of Tata Consumer Products and one of India's most famous tea brands. It is India's best-selling tea product brand, with one in three households waking up to a cup of Tata Tea. But why is Tata Tea so successful?

Tata Tea is more than simply a cup of tea; it represents a new beginning for millions of Indians. Tata Tea recognises the regional tastes of its consumers like no other, producing the perfect cup of tea in a country as diverse as India with its broad selection of varieties through national and regional brands. To elaborate, Tata Tea pioneered the packet tea revolution in India in 1985, directly bringing teas from the garden to customers in poly packets.

Tata Tea Premium debuted in 2019 by utilising its DNA of studying consumers' diverse regional tea taste preferences and producing blends to suit these unique tastes to make it a 'Desh ki Chai' loosely translating to '*The Nation's Tea*'. *The recent relaunch of Tata Tea in India marked the brand's first-ever 'hyperlocal' campaign. The aim was to instil regional pride while capitalising on its national significance. To achieve this, Tata Tea created a customised marketing mix for each state, including state-specific packaging, communication rooted in state-specific insights, and hyperlocal media choices that effectively targeted each state. The brand is offered in Leaf and Dust varieties in India, with numerous SKUs ranging from 4g to 1.5KG. Tata Tea has also acquired or co-branded with many different tea brands, such as Tetley, Teapigs, Joekels, Good Earth and Vitax. Understanding the growing demand for each of these brands can provide a clear understanding of the emerging trends in consumer preferences for tea products. You can learn more about this at <https://www.tataconsumer.com/brands/tea/tata-tea>.*

Looking first at Tetley, the second-largest tea brand globally, it has gone from strength to strength. The Tetley brothers from Yorkshire created the brand, which joined the Tata Consumer Products family in 2000. Tetley has expanded its presence in over 40 countries, including significant markets like the United Kingdom, Canada, and the United States, with millions of people enjoying its delicious flavour daily.

Tetley is built on innovations, inventions, and ideas. Since the start of the nineteenth century, the brand has been developing the consumer's love of tea, always working to produce new, intriguing, and inventive tastes, ranging from fresh herbal and specialised blends to novel Cold Infusions that appeal to a wide range of palates. Tetley also works hard to improve their sustainability, ensuring that all Tetley blends in Europe, the Middle East, Africa, Canada, the United States, and Australia are 100% Rainforest Alliance certified and collaborating with specialist organisations like the Ethical Tea Partnership to help create a sustainable global tea industry.

Newest products by Tetley also hint at which products are doing well, or the products that Tetley thinks will do based on their research on consumer preferences. These include:

- a) Tata Green Tea Plus: they blend green tea, aromatic flavours, and unique customized ingredients.
- b) Tetley Herbal cocktail-inspired tea: they are created for consumers looking for a refreshing

drink. They include Tetley Bellini, Cosmo and Pina Colada.

Tetley's tea products in India are developing in response to changing consumer tastes, with an emphasis on health, sustainability, convenience, and innovation. Tetley's dedication to producing high-quality teas while adhering to ethical and ecologically responsible practices positions the company well to satisfy the needs of the Indian tea market and cater to consumers' different tastes.

The main reason for their growth has been their ability to connect with the masses through advertising, simple packaging, and a focus on health.

Our comprehensive analysis of the Indian tea market, reveals a dynamic shift in consumer preferences that is reshaping the industry. The emerging trends underscore a growing inclination towards teas that offer health benefits, such as herbal, functional, and medicinal varieties. These teas, known for their relaxation, digestion, and immunity-boosting properties, are increasingly favored by health-conscious consumers.

In addition to health benefits, there is a pronounced demand for teas that align with ethical and environmental values. Consumers are showing a preference for products that are environmentally friendly and support fair trade practices, highlighting a shift towards more socially responsible consumption.

The market also shows a rising interest in unique tea experiences. High-quality, specialty teas such as single-origin varieties and rare blends are gaining popularity. This trend is complemented by the emergence of tea pods, ready-to-drink options, and custom blends, catering to the fast-paced and diverse lifestyles of modern consumers.

Furthermore, the industry is witnessing a novel use of tea in mixology, with tea-infused cocktails and mocktails becoming a creative avenue for tea consumption. This innovation extends to the retail and distribution channels as well, with e-commerce and subscription services offering consumers a wide array of tea products conveniently.

The importance of transparency in sourcing and production processes is also evident, with consumers demanding detailed labeling, certifications, and information. This trend towards informed consumption is further exemplified by the desire for customization, allowing consumers to create personalized tea blends or select specific ingredients to suit their individual preferences.

In conclusion, the Indian tea market is undergoing a significant transformation, driven by evolving consumer preferences towards health, sustainability, and novelty. For companies in the tea industry, adapting to these changes is not just beneficial but essential for success. Embracing these trends and aligning products and practices with the new consumer ethos will be key to thriving in the evolving landscape of the tea market.

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