CHAPTER – VII

SUMMARY OF FINDINGS AND CONCLUSION

In the concluding part of the thesis, we propose to sum up our observations.

The tea industry has an important and special place in the Indian economy. India grows the widest varieties of tea, each with its distinct characteristics. Darjeeling tea is unique in its flavour while Assam tea is outstanding for its attractive appearance, strong liquor and long 'keeping quality'. The Dooars and Cachar teas have their own value for strong liquor at "economy" prices, an essential backbone of any popular blend. On the other hand, South Indian growths, ranging from the low elevation Travancores to medium Annamalais to quality Kanan Devans and flavoury Nilgiris, offer virtually the entire variety that Sri Lanka or any other competitors can ever offer.

The variety of manufacture is as comprehensive as that of growths. In fact, except for Oolongs, India manufactures every type of tea whether black or green. The Orthodox type ranges from the wiry tippy type of North India to black stylish teas of South India. India's strength, however, lies in CTC variety. India also produces, although on a smaller scale, value-added products like Instant Tea, Tea Bags, Organic Tea, RTDs and green tea.

During the pre-independence period, UK was the largest importer of Indian tea, India being a colony at that time. But in the post-independence era, the share of tea exported to UK as percentage of total tea exports from the country came down substantially. In the mean time, the erstwhile USSR progressively emerged as the prime importer of Indian tea drawing mainly from the congenial bilateral understanding. After disintegration of USSR, Indian tea industry has been facing problems in retaining its market share in that block; although the countries in the CIS collectively are still the major importers of Indian tea.

A particularly strong point of the Indian tea industry is the fact that India is also the largest single consumer of tea. This lucrative domestic market gives an invaluable cushion to our
industry, an advantage not enjoyed by either Sri Lanka or the African countries. Indian tea industry is endowed with another advantage in that the production units are many and their ownership is widely distributed. As a result, the industry is assured of having its managerial eggs in many baskets.

While the growth of the tea industry in India during the decades following 1980, in terms of rise in production or in average yield, has been phenomenal, the following two facts cannot escape our attention:

(i) the growth of production of tea when considered on a year to year basis was marked by violent ups and downs; and

(ii) India’s share in the global tea production as well as global exports of tea had been persistently declining since 1950-51. The decline was particularly sharp in the recent years.

Tea industry is not only the one where India has been the world leader in production, consumption and exports, but also where the country enjoys enormous advantages in terms of her long accumulated experience, market access and labour skill. In view of the huge untapped international demand for tea there also remains enormous scope for expanding India’s tea exports. But India’s actual record of performance as far as export marketing of tea is concerned has not so far been impressive. The data released by the Tea Board, India shows continuous decline of world-market share of India’s tea and gradual loss of ground to such countries as Sri Lanka and Kenya, which are known for their aggressive marketing practices.

The backdrop as narrated above prompted us to undertake the present study.

The broad objectives of the study was to undertake a detailed examination of the performance of the Indian tea industry in the marketing front with particular reference to the industry’s handling of the marketing mix during the period 1981-2001. To be specific, the objectives of the study were as follows:

i) To examine the performance of the Indian tea industry in the domestic and the global tea-market;

ii) To examine the marketing practices of the Indian tea industry with particular reference to the industry’s handling of the marketing mix and to see how the
marketing practices had evolved particularly during the period of economic liberalism; and

iii) To identify the major areas of weakness in the marketing practices of the Indian tea industry and suggest suitable remedial courses of action.

The period chosen for the purpose of the enquiry was 1981-2001. The process of economic reforms was initiated in India in 1991. Considering this, the study period has been broken down into two sub-periods, 1981-1991 (i.e., the 10 years preceding economic reforms) and 1991-2001 (i.e., the first 10 years of economic reforms). A comparison of the marketing performance and marketing practices of the tea industry during these two sub-periods is undertaken in order to assess the impact of economic liberalization on the said practices and performance.

The underlying premise or hypothesis throughout the study has been that economic liberalization by triggering shifts in favour of openness, deregulation, increased competition, decision-making-freedom and innovation, will lead to significant changes in the marketing practices of an industry particularly as regards the handling of its given marketing mix.

To be more specific, the study has been guided by the following three tentative and a priori hypotheses:

i) There has been significant market opening (in terms of increased imports from other countries) during the period of economic liberalization.

ii) Increased competition in the domestic market has forced the Indian tea industry to be increasingly export-market oriented.

iii) Appropriate coping strategy has also been adopted by the tea industry in terms of product-diversification, promotional campaign and placing strategy.

To put it otherwise, the above are the three questions which have been extensively investigated in course of the present study.

The study is based mainly on industry-level aggregate data. We have relied primarily on the data published by the Tea Board, India and by the various planters’ associations, specifically the Indian Tea Association. Also, the data and information published regularly by various tea auction centres in the country and by some prominent tea brokers, who are engaged in tea trade, have also been used.
To gain insight as regards the marketing practices of different firms and the intricacies of the overall marketing practices of Indian tea industry, personal visit to the offices of some select companies were undertaken. In fact, extensive discussions were arranged with the top marketing officials of Tata Tea Limited, Duncan Industries Ltd., Assam Brook Ltd., Luxmi Tea Co. Ltd., Goodricke Group Ltd., Jayshree Tea & Industries Ltd., Andrew Yule & Co. Ltd., Bisseswaralal Mannalal & Sons, AFT Industries Ltd., West Bengal Tea Development corporation Ltd., Chammung Tea Co. Ltd, and Cachar Native Joint Stock Co. Ltd.. To substantiate the major points arrived at through the industry-level study, the marketing practices of three leading producer-companies of India namely, Tata Tea Limited, Duncan Tea Industries Limited and Goodricke Group Limited, who have significant market shares both in the export as well as in the domestic markets, and are involved in the marketing of bulk tea, packet tea and other value-added products, were analyzed. We have not included the erstwhile Brooke Bond Lipton India Limited, since this company is involved mostly in merchandising activities and the company has undergone a series of mergers over the last few years, its final merger being with Hindustan Lever limited.

The major findings of the study are summed up in the following paragraphs.

II

Tea is currently produced in about fifty countries, ranging from Soviet Georgia, latitude 42 degrees North (N), to South Africa, latitude 29 degrees South (S). The largest producers of tea are India, Sri Lanka, China, Kenya, Indonesia, Turkey, and Japan. China is widely known as the original homeland of tea. From China tea habit did spread gradually to the other parts of the world. In India, tea production and consumption began much later in the nineteenth century at the initiative of the British.

World tea production has been increasing during the study period; we observed a growth rate of 2.2 per cent over the period, 1981-2001. Our study period was divided into two sub-periods, 1981-1991(the decade preceding liberalization) and 1991-2001(the first decade of liberalization). We observed that the rate of growth of world tea production during the period 1981-1991 was around 3.4 per cent per annum; during the period 1991-2001 the average annual growth rate declined to 2.1 per cent.
In the global tea trade, India had been occupying the leading position as the world’s largest tea producer since its emergence in the global tea market, though in the more recent periods her share in global tea production had been showing a steady decline.

In terms of average yield of major players in the global tea trade, Kenya’s average yield per hectare was found to be the highest amongst the major tea producing countries. The average yields of both Kenya and India had steadily been increasing during the period under study. China, on the other hand, had the largest area under tea cultivation, yet its average yield per hectare was the lowest among the major tea producing countries.

It was noticed that the global tea consumption had been persistently increasing during the study-period. We observed a growth of 2.0 per cent per annum in world tea consumption during the period, 1981-2001. Consumption increased at an average annual rate of 3.3 per cent during the period 1981-1991. But during the subsequent period, 1991-2001, the average annual rate of growth of global tea consumption came down to 1.9 per cent.

Indeed, when the tea production and tea consumption at global level are considered together, it appears that the deceleration in growth of tea consumption might have been a major reason causing the deceleration in tea production at the global level.

In the arena of world tea trade, few distinguishing features were clearly noticeable. Most of the major tea producing-countries have very little domestic consumption, except in case of India and China. On the other end, most of the tea-consuming countries either have no or limited local production. The tea-consuming countries therefore depend mostly on imports of tea for meeting their consumption-needs. During the study period, the overall imports of tea for consumption in most of the developed countries had gradually declined, while reverse trend was noticeable in the market of the developing countries.

Among the developed countries, only in case of Germany, Japan, USA and Canada, the demand for tea had been steadily increasing while in the other developed countries, the overall imports of tea for consumption gradually declined during 1981–2001.

During the study period, world tea exports had been increasing at an average annual rate of 3.0 per cent. The growth of world tea exports during 1981-1991 was 3.1 per cent; the growth rate marginally declined to 2.9 per cent during the period 1991-2001.

Despite its leadership position in international tea markets till 1991, India had been gradually losing market-shares to Sri Lanka and Kenya - the two countries which currently
dominate the international tea trade. From our examination of the scenario of global tea exports, the following facts came out:

i) India had been steadily losing its export market share during the study period (i.e., 1981-2001).

ii) Kenya managed to emerge as a vital player in the world tea trade.

iii) Sri Lanka by and large was able to maintain its market share in the global tea trade.

iv) China's Share in the world tea exports had been increasing noticeably throughout the study period.

In the global market, Indian tea generally had been facing stiff competition from Kenya in the CTC tea market and from Sri Lanka in the Orthodox tea market.

Throughout the globe, auction has been serving as a primary system of tea price determination since the inception of tea trading. Marketing through auction centres is a regulated marketing system which provides help to both producers and buyers.

The price trend of the global tea trade may be observed from the prices prevailing in the different auction markets of the world. As different currencies are operating in different countries, we decided to take the equivalent prices (converted in US $) for the purpose of our study and comparison. It is observed that the auction price of Sri Lankan tea had been gradually increasing during 1981-2001. During the same period, Indian tea auction prices had been consistently declining although a little revival could be noticed in 2004. Frequent ups and downs were noticeable as regards the auction prices of Kenyan tea during the same period. The auction prices of Indonesian, Bangladeshi and Malawian tea had been declining during the period. Indeed, price volatility was a general feature of the tea trade throughout the globe, at least during the study period.

The export prices of tea of the major producing-exporting countries may be taken as the other parameter to judge the prevailing scenario regarding the global tea price. A comparison of the export-price realization by the major tea-exporting countries pointed our attention to the following relevant facts:

i) The export price realization in case of Indian tea reached its peak by 1991. In the decade that followed, the prices exhibited a declining trend.4
ii) Price realization for Sri Lankan tea had been steadily increasing during the entire period 1981-2001. In case of both Kenya and China export prices of tea were substantially lower as compared to India and Sri Lanka.

iii) The above trends in turn are indicative of the pursuance by both Kenya and China of an aggressive pricing strategy which enabled both these countries to nearly double their respective shares of world tea exports during the period 1981-2001 and, thus, to emerge as the biggest players in the international tea export market, their positions being next only to Sri Lanka.

III

The domestic marketing practices of Indian tea industry regarding the handling of marketing mix have been studied in Chapter IV of the thesis. It is seen that, between 1950 and 2001, domestic consumption as per cent of total production of tea in India increased from 26.26 per cent to 78.81 per cent. The rise in domestic consumption to a large extent was the consequence of the steady increase in population in this country and was also fuelled by concomitant rise in disposable incomes, the urbanization trend and the spread of modern life-styles across the length and breadth of the country. The expansion of domestic consumption reflects the combined effects of the steady increase in per capita consumption of tea in India on one hand, and the steady rise of population on the other.

There was noticeable growth of tea production in India during the study period. A growth rate of 2.1 per cent can be observed over the period, 1981-2001. Indeed, during the period, tea production in India increased almost at the same rate as that of the growth of world tea production (2.2 per cent). A closer look at the production trend suggests that the growth of Indian tea production during the period 1981-1991 was 2.9 per cent while the growth rate of tea production during the period 1991-2001 averaged at around only 1.6 per cent. Clearly the average growth rate in the decade 1991-2001 was considerably lower than the same experienced during the preceding decade.

Consumption of tea in India also considerably increased during the study period. An overall growth rate of 3.5 per cent over the period, 1981-2001 was observed. The growth of Indian tea consumption during the period 1981-1991 was 4.8 per cent while during the period 1991-2001 the average annual growth rate of tea consumption came down to 2.0 per cent.
The country's annual per capita consumption of tea had been on the rise over the years in both the rural and urban areas. Per capita tea consumption had been persistently increasing over the period 1981-2001. Recent studies indicate that the pattern of tea consumption varies significantly among the different income categories of people. The low-income group and rural consumers generally buy tea in loose forms. Middle income groups and urban consumers drink more cups of tea and usually prefer stronger teas. Wealthy consumers drink less tea than any other group; they drink the strongest and better quality teas and are least likely to substitute tea for other drinks.

In India, Maharashtra, Uttar Pradesh, Gujarat, Rajasthan and Andhra Pradesh were the top five tea-consuming states with high per capita consumption of tea.

As regards product classification, it is to be noted that tea can be manufactured based on the degree or period of fermentation (oxidation) of the leaves. There are two major types of tea, viz., Black Tea and Green Tea. Again, black tea can be classified under two popular varieties, e.g., Orthodox and CTC. India is able to produce all the varieties of tea, although the producers generally have been found lenient towards black tea specially of the CTC variety. Indian producers' preference for the CTC variety was found to be based on the following considerations:

i) Increasing demand for CTC varieties in the domestic market.

ii) The cost and volume considerations. (CTC production does not require the fine plucking which is essential for orthodox production. So, to increase the volume of production and minimize the cost of production, CTC is preferred.)

iii) The preference of the Russian consumers. (After disintegration of erstwhile USSR, the consumers of Russia/CIS reportedly have shifted their product preference in favour of CTC, cheaper price being their prime motivation.)

It was observed by us that, while CTC was generally preferred all over India, the grades of the tea sold differed significantly among the different regions within the country.

Tea is marketed and made available to the consumers broadly in two different forms viz. loose tea and packaged tea. Positioning strategy of tea brands generally centred around differentiating the brand on the key evaluation parameters i.e. aroma, taste, strength, brightness, colour and appearance. Various brands were available on various price points and on this basis the tea market could be classified by us into four segments:
During the study period, it was observed that the branded tea sector in India had two major players. Hindustan Lever Ltd. (HLL) led this segment followed by Tata Tea. Duncans Tea was the number three player followed by Goodricke. There were also some well-known regional players like the Jivaraj and Wagh Bakri etc. The branded tea segment had taken up a product diversification strategy and was trying to bring in value added products into its basket. Some of the companies like HLL introduced new products that targeted the health conscious consumers.

It was observed that there were mainly three modes of marketing of tea, viz., auction, ex-garden sales and forward contract. Amongst these, during the study period, the public auction system had been playing the most significant role. In fact, the auction system had a long history in marketing of tea produced in India since the inception of the industry. Throughout the study period, the auction system had been the most important channel of marketing of tea produced and sold in India, although the other mode of direct marketing was gradually coming into prominence. India has seven auction centres, namely, Guwahati, Kolkata, Silliguri, Amritsar, Cochin, Coonoor and Coimbatore the largest one among these being the Guwahati Auction Centre.

Tea prices in auction are generally set by the interplay of the demand and supply forces and the price trends in the competitor countries. In all the Indian auction centres, we observed that, the average price of tea had been experiencing regular ups and downs suggesting price-volatility.

The price trend in the domestic market of tea in India was found to be maintaining a close correlation with export market prices. Clearly, the industry continues to be a price taker in the international market with the tea prices in India’s domestic market moving in tandem.

Promotion was found as the weakest link in the total marketing chain of Indian tea industry. Though most of the tea companies look predominantly or solely towards rapidly growing domestic market, very little generic promotional activities could be observed for boosting tea sales in the domestic market. With penetration of giant soft-drink MNCs, a gradual shift of the young generation towards soft-drinks and similar other beverages were
noticeable. With aggressive promotional campaign and announcements of numerous attractive incentive packages for the consumers, the soft-drinks manufacturers in the beverages market were clearly stealing the show. Tea industry, it was found, had failed by and large to cope with these new challenges. During the study period, we noticed very few advertisements in TV, radio or newspaper which would speak about the generic qualities of tea and urge the people to drink more cups of tea daily. Even the limited efforts made by the Tea Board in this direction had very little impact, as the amounts of money earmarked for advertisement campaigns were often too insignificant to generate an impact on the minds of the new and young generations vis-à-vis the onslaught carried out by the competing beverages at the national level.

Chapter V of the thesis examined the export marketing practices of Indian tea industry. Since inception, Indian tea industry had been an export-oriented agro based industry. The industry in course of its long history had made significant contributions to the national economy as one of the country’s major foreign exchange earners. Nevertheless, it was observed that during the study period tea exports from India as a percentage of total tea production in the country had been gradually declining. One reason for this decline was the rapid rise in domestic consumption of tea (which in turn meant a gradual decline of the exportable surplus of tea).

During the period, 1981-2001, India’s share in total world tea exports had been waning. A major factor affecting Indian tea exports during 1981-2001 was her declining export to Russian Federation. The fragmentation of USSR, by and large, hampered the Indian tea exports. Even after the fragmentation of USSR, Russia was the largest importer of Indian tea but due to change in Russian consumer preference back to Orthodox from CTC type, there was a sharp fall in the Indian tea market in that country. In contrast, export to Iraq suffered a set back due to the unstable situation there. During this period, India’s export of tea to Poland, Japan, Germany, Australia, Ireland, Netherlands, Kazakhstan, Ukraine, Turkey among other countries declined, whereas, export to UK, UAE, ARE(Egypt), Libya, Uzbekistan, Afghanistan and Pakistan increased. In fact, the increase in export to Pakistan was quite substantial.

In the top 22 tea importing countries, India was the market leader in only three countries and the number two player in only four countries(in 2001); in CIS, Poland and Germany,
India had 48%, 36% and 24% shares respectively, but after 2002 Sri Lanka became the market leader in CIS. Compared to this, Kenya was the leader in all five of its top markets, with over 50% share in each and Sri Lanka was the leader in four markets with over 50% share in each and exceptionally it occupied the position of market leader with 95% share in Syria; where as Sri Lanka was closely challenging the market leaders in the nine different markets as the second largest exporter.

India's top six export markets were short listed as per two criteria viz., attractiveness and ability to compete by Accenture Report, 2001. These were:

- UK, Poland (CTC oriented);
- Russia, UAE, Germany and Iran (Orthodox oriented).

Indian tea export had been dwindling while the production of Indian tea was on a rise. The Indian Tea export on production had significantly decreased during the study period.

In both production and export front of Indian tea, bulk (Loose) tea had been occupying the major share in the product mix. It was noticed that the share of bulk tea in total product mix had been decreasing, although very slowly, with the increase of other value-added components in the product mix. The share of bulk tea in the export basket had been witnessing ups and downs during the period 1981-2001, although it continues to remain the major component of the product portfolio in India's export offerings.

The value-added products of Indian tea mainly consist of Packet Tea, Tea Bags and Instant Tea. In the total volume of tea exported from India during the study period, packet tea had significant shares. The volume of export of packet tea had been persistently increasing during the period 1981-2001. Nevertheless, the share of packet tea in total tea production in India did not show a consistent trend and was significantly lower in 2001 compared to the share in 1981. The 'tea bag' market was essentially export-oriented in the beginning of the study period. Till 1993, almost the entire production (of tea bags) was being exported. Though the share of export to total production of tea bags was coming down due to increasing domestic consumer preference for this product, yet this was seen by us as a field in which India can still improve its export performance. 'Instant tea' is another area which offers many promises for exports. Yet the production or export of this item was still not significant during the study period.
Majority of India’s exports was in bulk form, where margins are slim. It had minimal presence in the high margin tea-bag segment. The total volume of exports of Indian tea in 2001 could be broadly segmented into:

- 60% in bulk
- 38% in packets
- 1% in tea bags
- 1% instant tea

During the study period, India was found to be having two distinct groups of exporters:

- Producer exporters, who own tea estates and export their own produce, and
- Merchant exporters, who source tea through auction, private channels, imports etc.

In the tea exporting segment, the following trends could be noticed:

(i) Value-added exports were gradually done by merchant exporters.

(ii) Producer exporters [like Assam Company, George Williamsons (Assam), McLeod Russell India Ltd (Eveready Industries), Bisbnauth Tea Co. and others] were mainly restricted to bulk exports with the exception of some like Tata, Goodrick, Duncans etc.

(iii) Merchant Exporters (like HLL, Gimar Exports, Limtex (India), Bhansali & co. and others were generally active in both fronts – bulk tea and value-added products.

(iv) The tea-bag segment had very few players, with the large companies (Tata, HLL, Duncans etc.) generally dominating.

It was observed that major proportion of the tea produced in India, Sri Lanka, Kenya and other countries were being sold through auction outlets within the countries. Among the overseas auction centres, the London auction for long was an important centre where teas from almost all countries of origin were made available under one roof. The barometer of the world tea price was being determined by the hammer price of London Auction. However, the London auction was closed with effect from June, 1998. The auction system
was found as the one being governed by the rules of the association managed by the producers, buyers and auctioneers. The prices in auction, as is known, are fixed by bidding. Export prices are fixed in direct marketing through mutual interaction among producers and buyers, on contractual basis. Sales through forward contracts, clearly describe quality, quantity, price and other related issues when the contract is signed.

Export price realization of each value-added item, viz., packet tea, tea bags and instant tea, had gradually been rising during the period, 1981-2001. In case of bulk (Loose) tea, a consistent rise in the export market up to 1998-99 was observed, after which there was a decline.

Promotion had been noticed as the most neglected sector in the export marketing mix of Indian tea. We did not observe any noticeable thrust on promotion even in the era of liberalization. In the competitive field of beverage, Indian tea industry continued to follow its traditional promotional practices which often were being overshadowed by the aggressive promotional campaigning by other beverages. Vis-à-vis the aggressive marketing campaign by other exporters like Kenya, Sri Lanka and others, the Indian tea industry it appeared, had by and large left itself to the mercies of the fluctuation in the international market and the whims and dictates of the global tea cartel including the giant, multinational tea trading conglomerates. Particularly noticeable was the failure of Indian tea industry to create for itself a popular brand image. There had been, of course, some stray efforts in this direction like the one relating to launching of the ‘Nargis’ brand in Moscow in 1996.

V

The major marketing challenges faced by the Indian tea industry particularly during the period of economic liberalization have been sought to be identified in Chapter VI of the thesis.

The major challenges faced by Indian tea industry in the marketing front and the industry’s response to these challenges were found to be as follows:

(a) Opening up of Indian tea market to foreign tea imports: Since 1992, India’s tea import had been gradually rising. The major share of the tea imported by India was accounted for by the orthodox tea coming mainly from Indonesia, Vietnam and Sri Lanka. Nevertheless, the proportion of imports to the total domestic tea consumption continued to remain small.
To put it otherwise, although tea imports to India increased during the first decade of liberalization (1992-2001), when compared with the total domestic consumption of tea, imports till 2001 had been rather insignificant.

(b) Regaining export market orientation: Prior to liberalization, India’s international competitiveness in the tea export market had been on decline. From being a pre-eminent supplier of the world’s tea, India had lost ground to competitors in virtually every export market. Challenges prevailed in the export market concerning the lack of proper quality control by the Indian tea producers. Indian tea was often hurled with criticism from many a corners for not maintaining the proper quality and consistent standard.

Liberalization was supposed to bring a reversal of the about trends. However, our study of the trend of India’s tea export during 1981-1991 and during 1991-2001 suggests that, contrary to the general expectations, Indian tea exports continued to experienced negative growth during the first decade of liberalization, with its share in global tea exports sliding further downwards from 18.81 per cent in 1991 to 13.09 per cent in 2001.

(c) Developing consumer orientation: The product mix of Indian tea Industry often reflected the industry’s indifference to the changing tastes and preferences of the consumers. The industry’s prime focus, as has been noticed in course of the study, had been on bulk tea specially CTC variety, ignoring thereby the rising global demand for the numerous value-added categories. In course of our study, we did not notice any worthwhile initiative at the level of the industry towards re-shifting its focus (in product-mix planning) in favour of the value-added products. Till 2001, the shares of these products or categories (like green tea, orthodox tea, tea bags, instant tea, etc.) in the total tea production in India or total Indian tea exports have been minimal.

(d) Managing Distribution channels in a competitive and turbulent market scenario: Indian tea industry had always been relying heavily upon the traditional auction system for marketing its products. The alternative options of direct marketing (through ex-garden or ex-factory sales) and sales through forward contracts etc., were of relatively lesser significance in the Indian context.

In the era of liberalization, when the marketing is highly consumer oriented, without directly interacting with the consumers, their taste and preference cannot be properly assessed. A major problem confronting the tea industry in marketing front was the non-availability of adequate marketing information. In addition, several problems were
associated with the logistic management aspect of tea marketing. Our study indicates that no noticeable improvements did occur in any of the above mentioned problem areas during the period following liberalization. Among the tea sold through different channels, auction system, till 2001, accounted for about 55 percent of the tea sold inside the country, with the share of direct marketing being restricted, till then, to 45 per cent only.

(e) Value-addition and Image building: The study threw light on the facts that in the export market, value-added teas from India had great potentialities, although the shares of these value-added items in India’s product-mix offerings had throughout been insignificant. Most of the teas being exported from India were in bulk form which normally ensures for the tea producers only minimum margin of profit.

The observed failure to assign the right weightage to value addition aspects, which continued through the period of liberalization, not only reflected the inadequacies of the industry’s consumer-orientation, but also pointed to the failure of the industry in designing for itself a coping strategy that would have enabled it to survive and grow in the turbulent era of price volatility and competition triggered in the mean time by the forces of economic liberalization.

Finally, one major problem of the Indian tea industry was the inadequacies of the tea industry’s promotional efforts in the export as well as in the domestic market. The study shows that Indian tea industry has by and large failed in establishing a brand image for the tea produced in this country.

VI

SUGGESTIONS

The Indian tea industry now stands at a cross road, where improving the marketing performance both in the export market and in domestic market have become crucial for its survival and growth. In the study a modest endeavour was made to identify the major deficiencies in the marketing practices of the industry, closer examination of which lead us to suggest the following remedial courses of action:

(a) Redesigning of product mix is essential

India’s strength lies in production of black tea in terms of both the varieties – CTC as well as Orthodox. But due to rapid increase in domestic demand, the industry currently is concentrated around the production of only the CTC varieties of black tea. This seems
surprising as, as we have noticed earlier, the global demand for tea is highly diversified with a considerable proportion of it still now accounted for by orthodox and green tea. Russia/CIS, Germany, UAE, Iran, Iraq, Australia, France, USA, Canada, etc. prefer Orthodox variety. Even, as pointed out earlier, the prospects of Indian tea in the Russian market is being adversely affected by the shift in preferences of Russian consumers in favour of orthodox tea.

Under the given circumstances, reorientation of the product mix is to be seen as a *sine qua non* if India were to increase her tea exports.

**(b) Promotion is needed in the international market:**

One of the major challenges before the Indian tea industry is to reverse the current trend of declining exports. Along with other factors, as observed in the course of this study, the promotional aspect is perhaps, the weakest link in export marketing. Compared to the other competitor countries, Indian tea has failed to establish a brand image in the international market which is mainly due to the inadequacies of promotional efforts. ‘Generic’ promotion of Indian tea in target markets has not been carried out at the required scale.

To improve the marketing scenario, Tea Board, India, being the top authority of marketing as well as promotion, has to assume the leading role in collaboration with the major tea exporters. The Board of India has to identify the potential markets, formulate a promotional strategy, involve all the major players in the field and launch a vigorous campaign on a concerted basis. Periodic feedback has to be arranged to measure the effectiveness of the campaign and corrective measures taken to plug all loopholes. The various tea associations in India can also contribute significantly towards launching and carrying forward such an offensive.

**(c) Ensure transparency and guarantee Exporters’ reliability**

The formal exporter rating system should be redesigned and implemented. Indian tea industry has to improve its information transparency. It should be mandatory for all auction organizers to update a central repository for auction volumes, grades and prices, on a daily basis.
(d) **Develop effective information system**

Indian tea industry is often criticized by the importers for their lack of marketing information. Tea Board, India has to proceed forwards development of an IT (Information Technology) backbone to facilitate consolidation and dissemination of information globally.

(e) **Focus on Quality improvements**

Unless there is a sustained and concerted drive from all quarters towards quality improvements, the long term health of the Indian tea industry would be in jeopardy.

To improve production quality, a proper replantation and rejuvenation programme is required throughout the country particularly in the gardens of South India and Assam. Besides, an appropriate training and development programme for work force is also required to maintain the health of the bushes.

(f) **Curtailment of Overheads and Procurement costs**

Tea producers have to target reduction in estate overheads and Head Office expenses, field inputs and procurement costs, and infrastructure costs permitting ex-garden sale or shipments at reduced rates.

(g) **Emphasis on Research required**

Necessary initiatives should be taken at the industry level towards tracking customer preferences in key markets in terms of the customers' taste profiles and expectation with regard to quality and packaging standards. Arrangements should be made for regular collection of market feedbacks from top importers or distributors in each market. Undertaking market research, on a regular basis might help in knowing the competitors' strategy and get reliable data on the changing tastes and preferences of consumers.

(h) **Place the due focus on Value-added items**

Though India's tea export was showing declining trend, the export of value-added items viz., Packet Tea, Tea Bags, and Instant Tea had been improving during the period of study. The total volume of 'packet tea' exported had increased from 32.32 million kg (unit price Rs.21.65 per kg) in 1981-82 to 42.72 million kg (unit price Rs.121.99 per kg) in 2001-02. The total volume of 'tea bags' exported had increased from 0.75 million kg (unit price Rs.43.47 per kg) in 1981-82 to 2.54 million kg (unit price Rs.234.89 per kg) in 2001-02. The total volume of 'instant tea' exported had increased from 0.76 million kg (unit price Rs.48.16 per kg) in 1981-82 to 2.59 million kg (unit price Rs.286.04 per kg) in 2001-02.
These trends only suggest that enormous opportunities are available to the exporters from the value-added segments which need to be properly tapped.

(i) Exporters have to target niche segments

Indian exporters have to concentrate on existing supply of high quality Orthodox tea. Besides, exporters should aggressively target niche segments like organic tea, flavoured tea and other RTD products where the young generation may be taken as target markets. For capturing the imagination of the youth, attractive packaging, aggressive promotional campaign and appropriate quality control are to be seen as equally important.

(j) Producers should appreciate the importance of ‘Direct Marketing’ activities

As had been noticed in course of the survey, marketing in Indian tea industry is dependent predominantly on the auction system. Though share of auction sales had been declining, till today, it is the major distribution channel for marketing of tea produced in India. In the changing scenario, producers globally are now searching for the other direct marketing channels like forward contracts with the buyers and ex-garden sales. Indeed, these alternative marketing channels are getting priority in many other tea producing countries. The tea producers and exporters in India however, have been rather slow in switching over to these alternative marketing channels. To create for itself a cushion against the price volatility in the auction market, direct marketing should be accorded the due weightage while the tea producers formulate their overall marketing strategy.

(k) Promotion in the domestic market is as much important as that in export Market

There is a necessity to undertake a domestic generic promotion campaign to protect the increasing competition from other beverages as well as tea from the foreign countries. ‘Indian Tea’ and its various sub-brands (viz. Darjeeling Tea, Assam Tea and Nilgiri Tea) should be properly promoted in domestic market too. A need had been felt for undertaking a domestic generic campaign which will be able:

• to position tea as a good natural and life style beverage;
• to educate the people about the regional varieties of teas that are available;
• to inform about the health attributes of tea and also to inform that tea can be used in a variety of ways.
(1) Develop consumer orientation in every aspect of the marketing processes

The process of economic liberalization everywhere is marked by a number of shifts – from ‘State’ to the ‘market’, from ‘regulation’ and ‘control’ to increased openness and freedom of decision-making. Business in this liberalized era is moving everywhere towards the adoption of ‘marketing concept’ where the consumer is the major point of focus. The shift in favour of the marketing concept (from the erstwhile production concept) necessitates modification, adaptation, remodeling or restructuring of the entire operational strategy. In the given context, Indian tea industry also has to adopt consumer-orientation in each and every field of its activities. All the 4Ps of marketing (viz., product, price, promotion and place) should be reformulated keeping in view the changing profile of consumer tastes and preferences. Direct marketing to reach out to the consumers, focus on value added items, putting due emphasis on such aspects as packaging, creation of niche markets to serve better specific segments of the population, undertaking regular market research in a bid to know better the consumer – constitute some of sine qua non to develop consumer orientation among the producers in their operational and marketing endeavours.

In this era of liberalisation, the buzzword is competition and the bottom line is competitiveness. The key strategy should be to augment our competitive strength in the supply-value chain, production, processing, manufacturing and marketing. We can address our product mix, which is skewed in favour of CTC teas whereas a substantial proportion of the global demand is still for orthodox teas. In this regard, it was observed that Indian tea industry has the capability to produce good quality of orthodox tea, although it requires additional cost. Considering the additional cost involved in switching over to orthodox production, the industry had requested the Government to consider an incentive package for orthodox production, so that producers can work out a strategy and integrate plan for production and export. An additional incentive was also sought for export of orthodox teas to be made available to both merchant-exporters and producer-exporters. These proposals coming from the industry may be assigned the due weightage and considered for implementation.

TO SUM UP

The study suggests that by and large the producers in Indian tea industry are yet to appreciate the importance of adoption of the ‘marketing concept’ within the framework of their overall operation. The continued indifference to the marketing aspects along with the
failure to accord due cognizance to the changing consumer tastes and preferences on top of a fiercely competitive global market scenario at least partly explain the poor marketing performance of the Indian tea industry. This poor performance, as the study brings out clearly, is reflected by Indian tea’s continuously declining global market-share and also by the industry’s inability to resist the price-volatility in its domestic marketing front.

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