

## Packaged Tea Market in India

One of the oldest beverages, Tea makes one of the most competitive and challenging market both in terms of product and competition. The branded tea segment is one of the most highly penetrated branded products in India. Before analysing the market segmentation, it is interesting to understand the product segmentation for the tea market. In terms of product classification, the tea is usually divided into black and green tea primarily and internationally there is some variants of fruit/herbal tea, Instant tea, etc. which has negligible penetration in the Indian market. Further in black tea, there are variants of standard and speciality black tea both in loose and packed form. With increasing disposable income and awareness on product differentiation (aroma, origin, taste etc), the loose/ standard tea is making way for more premium variants and flavours. At the same time, the increasing consumer health quotient is boosting sales for the green tea and its variants – mint, lime/ lemon, classic etc. Green tea has been marketed for many health benefits such as weight loss, effective against diabetes and cancer, healthier skin, stronger immune systems and assisting in hair growth. This has not only resulted in consumption of premium segments but also given an overall push to the unit consumption price point per kg.

To look at the market play, the total branded or the packaged tea (in various forms) market in India is ~9500 crores growing at a CAGR of 5%. The branded tea in India can be classified into the packed, tea bag, and flavoured tea segments whereas the unbranded segment is usually the loose tea both in unpacked or tea bag form. As per industry estimates, unpackaged tea accounts for over 45% of value sales of total tea sold in India and has a dominance presence in the rural market. With the aggressive marketing and promotional schemes along with wide distribution system, the rural market is opening wings to the branded or the packed tea brands – national or regional alike.

In terms of packaged or branded tea distribution, almost the entire urban India is deeply penetrated by various brands. As a typical FMCG product, the kiranas or independent smaller merchants account for the major channel accounting for as high as 65-70% of the sales followed by supermarkets and hypermarkets. The other slow emerging segment is the on-trade sales of tea through food service formats such as tea lounges or tea cafes along with hundreds of chai shops. Most of these formats use packaged or branded tea either of the manufacturer (Wagh Bakri Tea Lounges, Goodricke Tea Café) or smaller packs of established brands. Another channel of on-trade sales for packaged tea is the tea vending machines increasingly been installed in large office complexes and hospitals etc, but this channel shall witness crawling growth due to the smaller street chai shops that appeals more to the Indian palate.

Packet tea market is extremely penetrated with multiple brands with more than 300 brands in the country, dominated by HUL and Tata tea which have a deep presence in both urban and rural market, across pack and variants and hence together account for 30-40% of the total market in the packaged tea segment. The other regional / national players are Waghbakri, Duncan's, Eveready, Goodricke, GPI, Girnar, Sapat, Dhunseri, Mohini, Society, Marvel etc. Among the brands, Brooke Bond, Taj Mahal, Red Rose, A1, Tata Tea Premium, Tata Tea Gold, Tata Tea Agni Dust, Waghbakri, Duncans, Tata Tea Chakra Gold etc are among the key brands sold in the branded, packaged segment though Unilever was the only prominent multinational player present in the Indian tea category and continued to be the market leader in the industry

New introductions are being increasingly witnessed amongst various brands and notably by Twinning's green tea variants, such as Green Tea and Mint, Green Tea and Lemon, Elaichi, and Green Tea Jasmine. Also, A. J. Tea House launched new flavours under its GAIA brand such as Green Tea and Ginger and Green Tea and Lemon. The trend is expected to catch up with other brands and one shall witness more variants and flavours being launched in green as well as standard tea. Apart from the new products, the packaged tea brands are also experimenting with pack sizes –

from HORECA large packing to 5-10 rupee sachets, swiftly targeted at various consumer segments. This is coupled with new innovations being made in packaging, from thin standard packs, tea bags, pet jars, and tetrapaks to wooden and ceramic exotic gift packing for some of the premium variants offered by players such as of Dilmah, Infinitea etc.

These trends are expected to run the market for next couple of years. Premium variants, green tea and its flavours and new flavours and fruit variants shall be launched to target consumers looking for indulgence products. Not only new products, but existing players entering into various price and variant segments and new player entry shall also be expected in packaged tea market. Consumers will also continue to shift from unpackaged to branded tea offerings. Growth is also expected via expansion of modern retail and penetration of branded or packed tea in rural market among other factors. The RTD segment shall also witness a boom and many more players shall be expected to create products with lesser differentiation. On-trade sales of packaged tea shall also be another area to watch out for as new players shall enter with various product and format offerings.

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