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Gourmet tea merchants find right blend

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By **SONIA KOLESNIKOV-JESSOP**

The global economic crisis may have dampened the appetite for high-end goods, but one small daily luxury — gourmet tea — has been posting surprisingly strong sales, prompting some tea brands to consider expanding around the world.

Their offerings have poetic names like Silver Moon, Emperor's White Garden, Goût Russe Douchka and Sakura, which reflect the wide range of exotic flavors, attracting an almost religious following among tea lovers.

While the rarest teas, like yellow teas, can cost \$2,120 for a kilogram, or 2.2 pounds, gourmet teas cost only 30 percent more than standard teas on average, making them an affordable luxury for many.

"There is definitely no crisis when it comes down to gourmet tea; our sales have been increasing every year by 15 to 25 percent ever since we started in 1987," said François-Xavier Delmas, founder and chief executive of Le Palais des Thés.

He said the privately owned French company posted annual revenue growth of 19 percent in 2007-8, with sales at \$9.66 million, or \$14.2 million.

Le Palais des Thés' experience has been similar to that of other luxury tea brands, as well as specialist retailers.

"Demand for quality products has remained strong," said Mark Daley, chief executive of Dean&DeLuca, a gourmet retailer based in the United States.

"People are enjoying more time together, more time sharing with friends, more time home entertaining." Mariage Frères, a French merchant of exclusive teas, is opening a boutique in Hamburg in November and another in Munich in late December. It plans to expand to London in 2010 and then to New York and China.

Its director, Philippe Cohen-Tanugi, said the company, which posted revenue of \$50 million in 2008, could grow much faster if it developed a franchise network, something it declines to do.

"Believe me, so many have called us for that, we could have opened a store a month and become a 'Tea Starbucks,'" he said, "but our rules of management have remained unaltered since 1983: complete integration and central decision taking in order to keep full control on the Mariage Frères image and identity." Dammann Frères, another French gourmet tea company, which sells about 800 tons a year, used to offer its teas only through businesses like delicatessens and luxury hotels, but last year, it started to market itself to retail customers, opening its first tea boutique in Paris.

Since then, it has opened three boutiques in Japan and is considering a second in the French capital, while also considering London, said Pierre Merlanchon, marketing manager at Dammann Frères.

One of the most aggressive players is a new entrant to the market. TWG Tea, based in Singapore, has managed in two years to expand its annual sales from nothing to 650 tons while also securing shelf space at Dean & DeLuca and getting served in Singapore Airlines' firstclass cabins.

TWGTea has big ambitions and the financial muscle to support them. One of the company's founders is Manoj Murjani, whose grandfather, B.K. Murjani, started the first designer jeans brand, Gloria Vanderbilt, in 1976.

Manoj Murjani, the chairman of TWG Tea, was responsible for starting the Tommy Hilfiger brand in 1985, picking up on the need for more casual work wear when I.B.M. announced one of the first "casual Friday" policies.

"When my father and grandfather created Gloria Vanderbilt, there was only Levis and Wrangler; no jeans to fit a woman's body," said Mr. Murjani.

"And when we launched Tommy Hilfiger, you already had well-established brands like Ralph Lauren and Calvin Klein, but we felt there was an opportunity in the market to bridge a gap between weekend polo shirt and work shirt. For tea, it's the same. We're not the first, but we believe we're creating a new category: not just gourmet tea but luxury tea." Mr. Murjani said he decided to invest \$10 million to found TWG Tea with four partners after an investment he made in a small tea company gave him a sixfold return within 18 months.

"We're really going for the high end of the market, and we're thinking big and we're starting big," he said. "From year one to year two, we've grown in terms of revenues tenfold, and going forward, I think we will be growing at fivefold a year." He declined to give specific sales figures.

TWG Tea, with one boutique in Singapore, is opening a second one there in October, then its first in Japan and one in the Middle East in the first quarter of 2010. There are also plans for a shop in New York next year, in addition to a counter that it will soon open at the Dean & DeLuca store in New York.

The company clearly has a strong eye for marketing, positioning itself as an innovator with seasonal creations and developing beautiful, elaborate packaging.

TWG teas start at \$4.20 for 50 grams, or 1.76 ounces.

As with other specialist tea merchants, it aims to offer a large range of distinctive blends including White House Tea, a pai mu tan white tea from Fujian, China, blended with red berries and rose petals, created to celebrate the presidential inauguration of Barack Obama.

Gourmet tea remains very much a niche segment of the overall tea market, which has grown steadily in recent years as a category among drinks, largely because of tea's perceived health benefits, market analysts said.

According to data from the United Nations Food and Agriculture Organization, world tea consumption increased from 2.95 million tons to 3.75 million tons from 2003 to 2007, the latest available data.

Data from IBISWorld, an industry research company, show that tea consumption in the United States is on the rise, but it is still only the sixth most popular drink (not including tap water), after soft drinks, bottled water, beer, milk and coffee.

Specialty and gourmet tea is a fastgrowing segment within the tea industry, and in the United States it is estimated to account for 8.5 percent of the \$2.1 billion in sales in 2009.

"The growth in the number of specialty tearooms in the U.S., which is estimated to total over 2,600, has further stimulated demand for gourmet and specialty tea products," IBISWorld wrote in a research note. "Similar to cafes, these establishments are changing the landscape of tea consumption to become a more social occasion." Even though tea consumption has been more strongly identified with the British, French companies have had a stronghold on the gourmet tea market for the past 20 years.

"I think that's because unlike the British that are very used to drinking tea, the French had no preconception about tea; they are willing to experiment," said Mr. Delmas of Le Palais des Thés.

Mr. Cohen-Tanugi of Mariage Frères said, "The French drink the widest range of teas in the world, bringing the same attention and connoisseurship to the choice of the right tea as they would the proper wine." Milton Pedraza, chief executive of the Luxury Institute, a market research company in New York, said he believed that many tea suppliers had seen tea as a mass-market commodity and sold it that way, leaving space for entrants at the high end of the market.

"With the growing popularity of tea, there is an opportunity to differentiate at the top level, even in these challenging economic times," Mr. Pedraza said.

"There is consumer interest in the premium end of almost any category, and I believe a larger segment of tea connoisseurs can be developed globally.

But it will take a great deal of education to help consumers to discern differences and be willing to pay a premium, so it will be a slow build."



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