

Global opportunities for the tea trade: a Sri Lankan perspective

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Abstract

Studies were carried out in 2006 at the Wuhan University of Technology, China using exploratory as well as descriptive research methods and past data and present data were used to investigate meaningful relationships. The exploratory phase dealt with focusing on the existing literature on value addition, core competencies and factors affecting the purchasing decision. Valuable thoughts of major tea producing companies, tea exporters, tea experts and tea brokers who already have a better exposure of these topics were also reviewed. The Descriptive phase covers the administering questionnaire to a selected sample of tea consumers. The objectives of the study were to identify the changing patterns of supply and demand of tea at International market, to probe the ability of converting raw material (Bulk tea) into value added items and market them as finished products and to identify the most appropriate ways and means of improving the tea productivity in Sri-Lanka.

It was observed that a third of consumers use only natural beverages. This may be a hint that the artificial beverages no longer could keep the customer satisfied. The majority (85%) of the respondents is in favour of tea as a natural beverage. This is a clear indication of increase in consumer demand for tea in future and tea industry could strongly compete with other beverages. About two thirds of the respondents consume more than one cup of tea daily. The continuous increase in demand and per capita consumption could assure a bright future for the tea industry. Winning and keeping customers appear to be difficult as reported by many manufacturers. This has no exception to the tea industry. The majority (77%) of respondents was in favour of drinking tea as it stimulates the body. Black tea is preferred over other teas as many of the respondents were from Asian and African countries. It appears that demand is shifting gradually towards other teas. More than 90% of the respondents sentient on health benefits of consumption of tea and this should be the future slogan for tea propaganda. Consumer preference for differentiated products is on the increase. Association between price and demand for tea was tested by using Chi-square test and results show that tea is not price sensitive as it is generally a necessary commodity in Asia and Africa. Association between quality and demand for tea was tested by using Chi-square test and results show that the quality of tea is associated with the demand.

Regaining the competitive edge and maximizing the market share in the international tea trade is essential for the tea industry in Sri-Lanka to adopt sound strategies with proper blending of four conditions namely, firm strategy with good structure and rivalry, demand conditions, related and supporting industries, factor conditions considering the continuously changing and fluctuating consumer demand in international tea trade.

Keywords: Tea trade, Market share, Value addition, Product differentiation, Competitive edge.