

## Branding and Promotion as Strategies to Increase Profits of Ceylon Tea Industry

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### Abstract

To remain Ceylon tea competitive among the global tea exporters, focus is essential with strategies that address different consumer preferences for tea. Upgrading the value of existing products is vertical diversification. The objective of this study was to examine the possibilities to increase profits through application of branding and promotion as vertical diversification strategies and to identify their significance towards profit maximization of the industry. Forty five tea exporters categorized according to average export volume by Sri Lanka Tea board were selected by stratified random sampling method and a questionnaire based field survey was carried out for the purpose. Chi square test for association and Wilcoxon signed rank test were used to analyze data. Single brand for all destinations and separate brands for different destinations were identified as prominent branding strategies. Seventy seven percent involved in brand maintenance and it included 50% single brand while the remaining 50% in multiple branding. Thirty nine percent maintained their own brands, 15% maintained both own and private brands together while 46% of firms engaged in providing materials for different private brands.  $\chi^2$  test for association revealed that brand maintenance significantly associates over profit ( $\chi^2 = 4.183$ , P-Value = 0.041). Advertising through social websites, maintenance of own websites, trade fair participation and establishment of sales outlets in abroad were studied for the means of promotion. Sixty percent of the sample advertised in social websites, and 44% of firms had at least one sales outlet abroad while 86% maintained own websites for promotion. Advertising through social websites and establishment of sales outlets abroad were significantly associated with profit. (Chi-Sq = 4.036, P-Value = 0.045 and Chi-Sq = 5.137, P-Value = 0.023).

**Keywords:** Branding, Vertical diversification, Profit, Promotion

### Introduction

Tea is the most popular drink in the world that seconds only to water. It is one of the top income generators to Sri Lanka contributing 1% to GDP and providing livelihood for 2.5 millions of the total population (Sri Lanka Tea Board 2010). At present Sri Lanka owns the fourth place among the top tea producers and second place among the tea exporters to the global tea market. 55% of Ceylon tea is exported in bulk form which is in threat with its top Middle East destinations going down (Athukorala, 2012). Also, bulk tea accounts least prices in the global tea market compared to value added (Herath and De

Silva, 2011). Thus, focus is essential with new destinations. Flavoring, branding, quality certification, promotion and attractive packaging are some strategies to add value to tea to make it worth than its original form of bulk. Branding acts as an important indication to guide consumer in the market. From a psychological perspective, brand on packaging allows consumers to quickly and efficiently select a product from a huge array of products. However a controversy exists in current Ceylon Tea market on its branding that Sri Lanka should retain its brand as "Pure Ceylon Tea" without going for individual brands by private

exporters (Weerasekara, 2012). Promotion is a form of corporate communication that uses various methods to reach a targeted audience and is one of the key elements of the marketing mix. Social media such as Face book and Twitter are widely being used for promotion. Private websites have become an effective and efficient media in advertising and dominant in e-business as well. Also, trade fair participation facilitates both consumer and producer about the latest industry trends, competitor insights and thereby to strengthen the relationships with current customers. Thus, this paper focused on application of branding and promotion as diversification strategies by tea exporters in Sri Lanka and their significance towards increase profits of Ceylon tea industry.

#### **Materials and Methods**

This paper is based on a questionnaire based field survey conducted in 2012 in Colombo Sri Lanka. The tea exporters registered in the Sri Lanka Tea Board until 31<sup>st</sup> of December 2010 was considered as the population. Sri Lanka Tea Board has categorized the registered tea exporters into three strata according to their average export volume in 2007, 2008 and 2009. Exporters having their average annual export volume over 1,000,000 kg belong to large scale and there were 53 large scale exporters in Sri Lanka. Exporters having their average annual export volume in between 1,000,000 and 50,000 kg belong to medium scale and there were 102 registered medium scale exporters. Small scale acquires exporters having the average annual export volume below 50 000 kg and 123 exporters were categorized under small scale.

Fifteen exporters from each stratum were selected using stratified random sampling method. To examine the application of branding and promotion as strategies to add value to Ceylon Tea, the selected sample of exporters representing each stratum were observed for their

diversification strategies through the websites maintained by each exporting firm and through an exploratory study by factory visits, observations and discussions with relevant informants. Records of Sri Lanka Tea Board, company websites, published and unpublished reports were important sources of information. Descriptive analysis was adopted in describing the frequencies of application of branding and promotional strategies while relationship between branding and promotional strategies over profit were explained using Chi squared test results.

#### **Results and discussion**

In the sample, 33 firms (77%) engaged in branding (Figure 1). This 77% included own brand promotion and foreign brand maintenance as well. Providing materials for foreign brands was observed among small scale firms. With reference to large, medium and small scales, 86% engaged in brand maintenance in both large and medium scales while it was 46% among small scale. In the small scale, 25% firms maintained brands and only 8% among them had own brands while the rest engaged in providing materials under foreign brands. Both large and medium scale firms maintained two brands in an average while the mean value for small scale was zero.

Brand maintenance for tea was comparatively diverse. Thirty nine percent maintained their own brands, 15% maintained both own and private brands together while 46% of firms engaged in providing materials for different private brands. Among the branded tea, 50% maintained one brand for all destinations while the remaining 50% involved in multiple branding. Although literature revealed origin wise branding such as Dimbula and Uva for Ceylon tea, no firms had origin wise branding in the studied sample.

Statistical analysis revealed the association between branding and profit was significant with Chi-Sq = 4.183, P-Value = 0.041. But, statistics revealed no significant association between numbers of brands maintained with profit (Chi-Sq = 0.243, P-Value = 0.62). To have returns from a branded product, it takes time to create the brand loyalty in consumers. Majority of these firms have involved in brand maintenance during late 90's. Also, there was a strong argument from exporters that only the single "Pure Ceylon Tea" brand is profitable to maintain multiple brands.

With reference to promotional strategies, 86% maintained private websites for promotion (Figure 1). As internet usage continues to grow in the world, social networks are being used widely in this e-marketing system. Sixty percent engaged in advertising in social websites such as "facebook" and "twitter" (Figure 1). Thus, advertising in private websites was less common than having private websites. Fifty three percent of in both medium and large scale categories involved in advertising in social websites while it was 43% for small scale.  $\chi^2$  test for association revealed advertising in social websites was significant over profit. (Chi-Sq = 4.036, P-Value = 0.045).

Maintenance of sales outlets in overseas facilitates in building a direct consumer-marketer relationship. 44% of firms had at least one sales outlet in overseas. Among large scale firms, 86% had sales outlets overseas while it was 33% for medium and 15% for small scale. The  $\chi^2$  test for association revealed the relationship between profit and maintenance of sales outlets is significant (Chi-Sq = 5.137, P-Value = 0.023).

Trade shows and exhibitions represent a significant opportunity to enhance brand and product visibility, promote new and existing products and thereby to attract more consumers. Results revealed that 30%

frequently participate for trade fairs while 16% did rarely. Also 16% of exporters never engage with trade fairs for promotional purposes.

### Conclusion

Branding associates significantly with profit. Hence, it would be effective to brand Ceylon tea under the country of origin: "Pure Ceylon Tea" with geographical indication (Nuwaraeliya, Uva, Dimbula, Udupussellawa, Kandy, Ruhuna and Sabaragamuwa) as these diverse origins add different tastes and aroma to tea in its origin itself (Yogarathnum 2011). Also, specification "lion logo" in each pack is a powerful tool to assure that the product contains 100% pure Ceylon tea and been packed in Sri Lanka. With reference to promotional strategies, establishment of sales outlets abroad and advertising through social websites significantly increase profit. Especially, small scale tea exporters should be given support in representing themselves in trade fairs in overseas and to assist them to make recognition. Establishment of tea outlets is a costly option although it accounts higher number of global tea consumers on Ceylon tea. Tea Board intervention and collective efforts of Exporters Association will be effective to build powerful consumer - producer relationship.

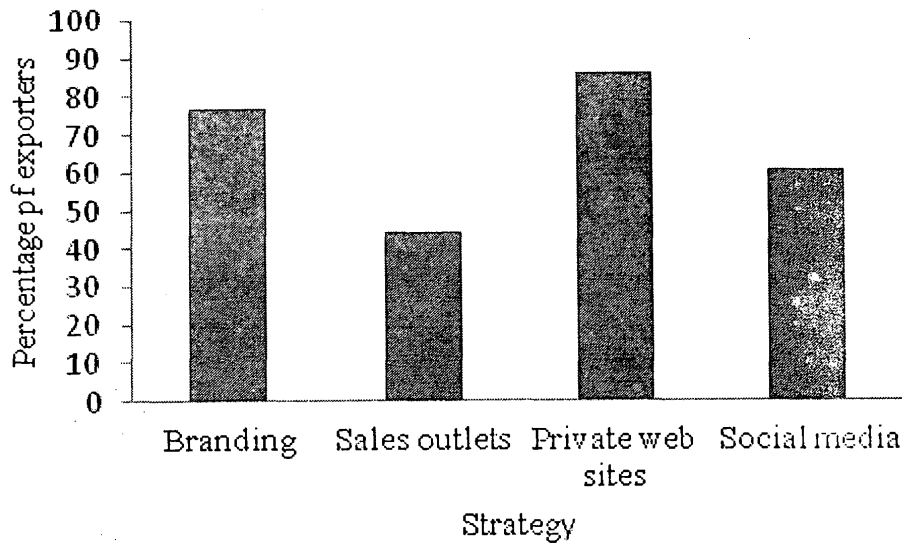


Figure 1: Application of vertical diversification strategies

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