CBI
Ministry of Foreign Affairs

Trends and segments for Kenyan orthodox tea

As orthodox tea is mostly consumed in the mid-range to high-end segment, it is very important to market your tea in such a way that it will be attractive for these consumers. Be clear about what distinguishes your product from other orthodox teas. Below you can find important trends which you can take along in your branding.

Drive for diversification

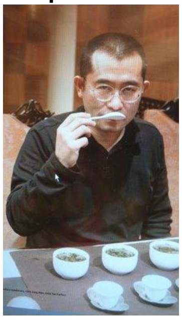
The ever-expanding group of passionate and knowledgeable tea consumers is looking for products which fit their lifestyle. In recent decades, consumption of traditional loose-leafed tea has been largely replaced by bagged tea for convenience. Green and black tea remain as the major forms of tea, however, instant tea, flavoured tea (created by adding fruits, flowers and natural flavours to black, oolong or green teas), decaffeinated tea, 'foamy' tea, roasted tea, rooibos, herbal tea, ready-to-drink tea (canned and bottled) are developing in the market.

In addition, new types of herbal, fruit-flavour and decaffeinated teas, as well as ready-to-drink teas, are becoming more popular. The availability of herbal teas has increased rapidly in recent years, with much innovation in new blends and herbs. It is anticipated that mixing (natural) flavours with teas will become increasingly popular. Although tea on its own is flavourful, diversity is still a continuing trend.

Storytelling – a driver for the orthodox product

The drive for convenience and diversification does not mean that orthodox teas have lost the interest of buyers. In the two last decades, demand has been growing in the high-end segment, where it is sold in speciality shops, restaurants and hotels. These high-end consumers of orthodox tea are interested in the story behind the tea. The terminology used for orthodox tea increasingly resembles that of wine. Origin (*i.e.* area/estate/ garden, single-estate), terroir, harvest year, name of the tea master, and method of production have become important selling points for the high-level segment. The tea industry used to group all of its whole-leaf tea into a category called "specialty." Now, "specialty" is being further categorised through professionals and tea companies increasingly using the term "premium" when referring to high-quality tea versus tea that is simply whole leaf or scented. The "premium" teas will include traditionally labour-intensive and rare teas, like yellow tea and wild pu-erhs.

Picture 1: An example of a famous tea master: Teaparker



Source: Teaparker.com, 2013

Kenyan tea exporters can profit from this trend by marketing orthodox tea as a specialty or even premium tea product for the high-end segment of the tea market. This can be realised by creating a specific taste and body or by making blends with different origins and flavours. Currently, Kenyan orthodox teas already attract the attention of buyers from the high-end segment, but many indicate that supplies of these specialty teas are not reliable. They indicated that Kenyan orthodox tea could be interesting as a single origin as well as a high-quality blend with teas from other origins. However, the quality of the product has to be flawless. This would mean that most Kenyan producers will have to further invest in the processing of their orthodox tea production, in order to bring the tea to the next level.

Sustainability

Sustainability has already for some years been an increasingly influential topic particularly in the Western markets (i.e. EU/EFTA and the USA). The growing awareness of the environmental and social aspects of production methods employed, and their impact on poor people and the environment, have been translated into standard systems which seek to address these concerns. The best-known and most relevant initiatives in the EU are Fairtrade, Organic, Rainforest Alliance (RA) and UTZ Certified. UTZ and RA mainly focus on the mainstream market, while Fairtrade and organic are more present in niche markets with specialised traders. Besides this, UTZ and organic certification cover all the trading and blending/packing stages, while Fairtrade has standards up to the trade level, whereas the standards of Rainforest Alliance are limited to the producer level.

Industry sources indicated that organic certification of Kenyan orthodox tea would currently be the most interesting, in particular for the US and European market. At the moment, there is little organic production of orthodox tea, because traditionally Kenya catered the CTC market which has limited interest in organic tea. However, organic certification can fairly easy be realised by Kenyan producers. Having organic certification means that you can add value to your product by catering to a specific niche market, but it is not a guarantee for a better price. In recent years, prices of conventional tea have been doing very well, driving up the prices for conventional orthodox teas as well.

Health benefits

Consumers are moving towards a healthier life style and, consequently, they are attracted to the inherent health benefits which tea offers. Health-conscious Europeans are looking for the utilisation of active ingredients of tea, as their functional properties and nature become better known. In the case of orthodox tea, green tea is perceived as healthy due to the high level of antioxidants. White and purple teas are also increasingly considered as a healthy tea as it contains even more antioxidants and lower levels of caffeine. Kenyan exporters could tap into this trend by marketing the health benefits of their products. Be aware of the active ingredients of your orthodox teas and actively market these properties.

Picture 2: purple tea bushes and processed purple tea (orthodox method)

Source: Yunnan sourcing, Butiki teas, 2013

Purple tea

Purple tea (Camellia sinensis) is a new varietal that is propagated by grafting and cutting as opposed to seeding. Purple tea is rich in anthocyanin (a flavonoid), which pigments the leaves a purplish colour. Purple tea was primarily developed for tea health products as it is rich in antioxidants. Malvidin, Pelargonidin and Delphinidin are prominent in purple tea. The purple tea species has been in development for 25 years in Kenya and is more resistant to frost, disease, drought, and pests. It is processed by a method similar to green tea; however, when experimenting with different temperatures and times it can take on qualities similar to a green, oolong or black tea and can range from very mellow vegetal notes to astringent red wine-like qualities.

In ***Europe***, it is currently not marketed as purple tea but as a variety of green tea. The health properties do not add so much to the price of the product that European buyers are prepared to pay for purple, but mostly add to the marketing of the product. France, Switzerland and Germany are the most interesting markets for purple tea in Europe. In the ***Asian market*** purple tea is also known as a green tea variety. The following Asian markets could be interested in Kenyan purple tea: Taiwan, China, Japan, Singapore and Hong Kong. In the ***US***, the tea is more commonly marketed as purple teas in specialty shops. The average consumer price in the US webshops is between US$ 500-600 per kg.

Internet sales do not go without brick and mortar

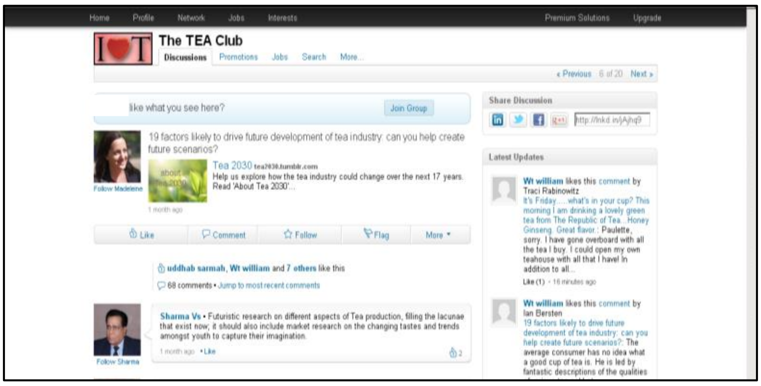
Although internet sales has become a formalised channel for most companies that sell orthodox tea, it still accounts for a minor share in total sales. Industry sources estimated that internet sales of orthodox teas account for 2-5% of total sales. This means that, in most cases, speciality tea shops are still the most important outlet for orthodox tea. The experience of speciality shops (knowledgeable salesmen, tastings etc.) is still preferred over the convenience of the internet. However, industry sources stressed that internet sales are expected to increase in the future.

Internet also provides for Kenyan exporters of orthodox tea, with increasing possibilities to spread marketing communication. Besides a website, online video sharing (e.g. YouTube) makes it possible for you to refer potential buyers to a video (picture 3) about your products and company. Social media can help exporters to get acquainted with buyers, as they are regularly active on social networks such as LinkedIn (picture 4). However, opportunities for promotion through social media remain limited to updates of your profile and group messages. Two-way communication with (prospective) clients still takes place through e-mail, phone and face-to-face contact.

Picture 3: Example of a company video

Source: [Ronnefeldt](), 2013

Picture 4: Example of LinkedIn group on tea



Source: The TEA Club (LinkedIn), 2013

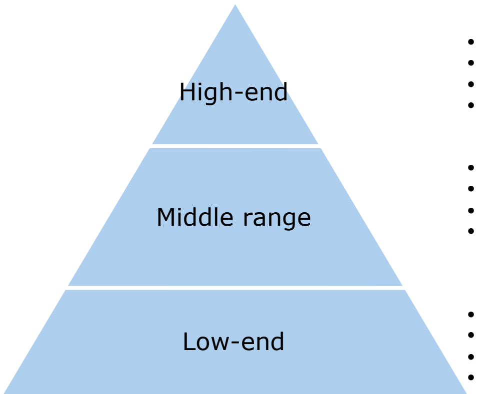
Segments

The quality of tea is segmented based on specific requirements as well as personal judgement. A general segmentation per quality is presented in Figure 1. High-end orthodox tea is often whole-leaf and has a specific geographical indication. Please note that if you are able to produce a high-quality product, your market segment and retail outlet changes from a retail chain to speciality shops and high-end restaurants and hotels. The middle- and low-end orthodox tea can also be graded as dust, fannings or broken-leaf. These segments mostly cater to speciality shops and retail chains.

Other important factors determining the segment for your orthodox tea are:

- Genetic properties of the tea bushes
- Environmental properties: soil and climate conditions
- Cultural properties: field operation and processing of the tea leaves
- Consumer preferences: preference for black or green orthodox tea or even specialty teas, such as white or purple tea, oolong or blends.

Figure 1: Segmentation according to quality



- Grade: Whole-leaf
- Price range: €20 < p/kg
- Recognised high-quality brands
- Speciality shops, high-end restaurants and hotels

- Grades: Whole-leaf, broken-leaf, fannings or dust
- Price range: €10-20 p/kg
- Known brands
- Speciality shops, retail chains, high-end restaurants and hotels

- Grades: Whole-leaf, broken-leaf, fannings or dust
- Price range: €2-10 p/kg
- Known brands, some private label
- Retail chains

Source: ProFound, 2013

Useful sources

- Information about the developments in the tea industry can be found at online-magazines such as Just Drinks (http://www.just-drinks.com), and Food and Drink International (http://www.foodanddrinkinternational.co.uk).
- International Tea Committee - http://www.inttea.com and The European Tea Committee (ETC): http://www.etc-online.org provide information and statistics on the EU tea market.
- TeaTrends - http://www.teatrends.com
- Tea blogs where people evaluate various teas and provide insight into the nuances of flavour and aroma and frequently draw comparisons to established norms:
  - World of Tea - http://worldoftea.org
  - Bigelow - http://www.bigelowteablog.com
  - Tea Masters - http://teamasters.blogspot.nl

This survey was compiled for CBI by ProFound – Advisers In Development
in collaboration with CBI sector expert Joost Pierrot