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Tea biggies pack a punch during Covid

Consumers Shift From Loose To Packaged Tea Due To Better Distribution & Pricing

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Mumbai/Kolkata: Procurement constraints and spiralling tea prices post-pandemic has been a crisis that turned into an opportunity for packaged tea players.

When prices of the commodity came to a boil following the lockdown, it hit the loose tea market and data suggests that consumers converted to packaged tea. Large players with a diverse portfolio were in a better position to absorb some of the external shocks to manage product pricing better.

Industry sources said the moving annual total (MAT) of the Rs 20,000-crore packaged tea market in value is growing by around 19% in August 2021, over MAT August 2020. Pre-pandemic, the growth was around 7% (2019 vs 2018). In-home consumption volume MAT, according to Kantar household panel, has grown by around 6% in August 2021 over 2020 as against 2.3% pre-Covid (2019 vs 2018), said these sources.

This has changed the market dynamics too. Both Hindustan Unilever (HUL) and Tata Consumer Products (TCP) gained market shares in both value and volume, according to data provided by industry sources. However, HUL has gained a leadership position in volume (22% in MAT August 2021) and has strengthened its value leadership (25% in MAT

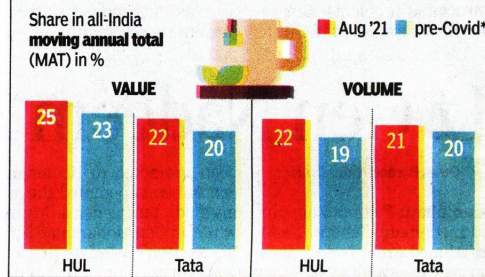
August 2021) as well.

HUL VP (tea & foods) Shiva Krishnamurthy said: "The packaged tea category has grown faster during the pandemic. Our growth has been significantly ahead of the market. We've been market leaders in value for 3-4 years, and in volumes, we gained a leadership position more recently."

growth," said TCP.

On the other hand, witnessing a fall in counter sales of around 30% compared to its pre-Covid level, big loose tea retailers in India are going online, unveiling more owned or franchised touch points, taking up social media marketing and reaching out to customers with discounts.

BOTH HUL & TATA GAINED SHARE



Source: Industry sources; *2019 for HUL and Feb '20 for Tata Consumer Products

TCP, which was formed in February 2020, began its transformation journey, including a revamp and expansion of its sales and distribution. "Given this and the aberrations brought on by the pandemic, the right way to understand our performance in the marketplace would be to compare February 2020 value market share (pre pandemic & TCP formation) to August 2021. We have grown our value market share by 270 basis points according to Nielsen and this has come on the back of building brands as also the fastest distribution

Souvari Modak, operational head of Dhrubo Tea Centre, one of the largest-selling tea counters in the country, believes that quality improvement and business efficiency can only bring back around 10% of the lost offline customers, mostly aged ones, who believe in trust factors. "The rest 15-20% will never come and stick to the easy online mode of home-delivered tea. Whole distribution channel and manpower situation for the offline tea business have gone haywire," said Modak.