

The tea market in the netherlands marketing essay



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Market analysts believe the tea industry will continue to grow and will probably not realise its full potential any time soon. The positive change in the industry is related to two major factors; consumers raised requirement of time-saving services and for convenience and the positive publicity given to tea. The tea market in the Netherlands is currently doing well. According to a report by Euromonitor the hot drinks market is experiencing a healthy growth. People are preferring to spend money on tea as an affordable luxury despite the economic crises (Euromonitor 2010). Sales of tea in 2008 generated revenues of \$ 296. 9 million dollars, which is 29. 4% of the total hot drinks market as indicated in the graph below.

The European Union (EU) has the biggest impact on the tea industry in the Netherlands as they follow most of its regulations. Legal requirements are the basis for the market entry and products sold in the EU must meet these requirements. Other requirements are social, mostly dwelling on the safety of workers and environmental practices involving the tea production (EPCKenya 2010).

There has been a positive boost for the tea industry especially within Europe, it is the second largest continent after Asia to import tea. In 2002, NL consumed one tenth of tea consumption in UK as the biggest consumers in Europe (MAMO et al 2006). As mentioned above the economic crisis has seen consumers opting to buy more tea as other products have become more expensive, According to the Euromonitor the fact that hot drinks are seen as a good way to get comfort and feel good when times are rough has helped the sector to achieve growth (Euromonitor 2010).

Social environment

Consumer tastes are changing as result of social influences, making tea drinking more convenient, pleasant and fashionable. Consumers are prefer to taking more care for their health and have improved knowledge about nutrition. Today's world demands a lot and consumers are more pressed for time , any product filling the consumers' need for easiness and convenience are accepted readily into the Dutch lifestyle (Datamonitor 2009). There is more focus on anti-stress and simplification of one's life. In the last decade, tea's benefits of health have been widely and positively discussed in media. Studies continuously prove these benefits of tea, with health benefits a mixer of improvement in heart health, lower levels of cholesterol to and decreasing chances of cancer (ukteacouncil. com). The positive publicity has definitely increased the demand for tea which has been increased by the Dutch belief in natural homeopathic treatments to prevent disease. The latest influential trend is the concern for the environment. This has also been n the media hence the popularity of fair trade goods (Max havelaar. com). Consumers are now also demanding quality products offering true value. (Euromonitor 2009)

Technological environment

This sector is very competitive in the Netherlands. The tea consumer is becoming increasingly educated and complex. This means producers and sellers need to keep creating added values products to attract and cater for the individual needs and preferences. There is a great call for continued innovative research and developments to come up with new flavours and products (Euromonitor 2009).

Market characteristics

There are a lot of products in the market, black tea, green tea, white tea, fruit herbal teas. Black tea has the largest market followed by black fusion tea. However green tea demand is growing as health issues become more popular. The majority of tea is sold in tea bags covering 94% (Datamonitor 2010). The average price of tea is Euro 1. 81 per 100 grams. Tea is mostly sold in Supermarkets with specialised tea sold in specialised tea shops. In the previous years tea was taken mostly outside the home but 2009 saw more consumers preferring to take tea in the home. (Euromonitor 2010).

Consumer characteristics

Tea in the Netherlands is drunk by all types of people, however the main demographics are people of all ages from mostly 21 years of age upwards with women being the most consumers. Women between the age of 30 and 50 are still the major tea drinkers. There are varied moments of usage and widening tastes. Women will mainly drink tea during breaks and in social settings. They prefer flavoured teas such as vanilla and chai, as well as Earl Grey. Men are a segment growing that is seeking the enjoyment of tea. Most are consuming it for health reasons, as well as to relieve stress. Men generally prefer the original teas, including oolongs and greens. Others such as young consumers' interest in tea is driven by the many media. They also try tea for health reasons. (Datamonitor 2009)

There is a growing market for fair trade teas. China is among the main suppliers of fair trade tea along with, Vietnam, Tanzania, Sri Lanka, Rwanda, Nepal Laos and a few other emerging origins. 85% of all fair trade tea is tested and certified organic. The Fair Trade was started in 1988 when a fall <https://assignbuster.com/the-tea-market-in-the-netherlands-marketing-essay/>

in the price of coffee facilitated economic crisis for developing nations that produced and sold coffee, having great consequences on small scale farmers. The Netherlands was the first country to be active about Fair Trade certification through the first ever Fair Trade label, Max Havelaar. It did not take long, many countries followed the trend of Fair Trade certification. Products with the Max Havelaar label are produced and traded under fair conditions. Max Havelaar label is one that consumers and businesses the opportunity for small producers in developing countries help to acquire a better place in the supply chain so that they can live their work. The Max Havelaar label found in the Netherlands alone returned more than 250 different products ranging from peanut butter to bath towels. Most companies are now heading in the direction of fair trade. (Max Havelaar.com)

However, according to the results of the interview with the teabar owner who has been in the tea café industry for 4 years, she acknowledged that many European people (not only Dutch) are sceptical about the quality of the tea that comes from China. People tend to give more trust to the Japanese tea. Please see interview appendix B.

This opinion is supported by MAMO et al on their book. It is said that “Chinese exports to the EU and Japan are hindered by import restrictions imposed because pesticide residues encountered in Chinese tea exceed maximum permitted levels” (MAMO et al 2006).

Company analysis

A long established tea company, The Hong Kong Fine Tea Ltd (THF) has expertise for producing and distributing the high quality Chinese teas for more than a century. Over generation, nowadays this company has become aware to the strong competition in the tea market. Therefore THF plan to expand their business to Western European and North American market so that they can introduce the high quality tea flavours of Chinese teas to the western world.

In order to build Chinese tea awareness among the aimed market who are young urban professionals, THF require a retail and product brand concept that fit to the young urban professionals characteristics.

Strengths

Market leader in China' Central District in all types of teas.

Experience in marketing tea .

Weaknesses

Limited experience of Western consumers

unknown to Western consumers.

Lack of western technological expertise.

Opportunities

i) Introduce genuine Chinese tea. Create curiosity and be the first.

ii) Declining markets for other beverages such as soft drinks as consumers become more health conscious.

iii) Wider knowledge of health benefits of tea.

Threats

i) Major competition from market leader Pickwick and other big manufacturers.

ii) possible difficulty in distribution of the tea retailers have set tea types of products they already sell.

Consumer analysis

Demographic segmentation

We used income as our main basis for the segmentation. This was because of the quality of the brand. Hong Kong Fine Teas have been producing high quality tea for years therefore we would want to enter the Netherlands market at the same level. The brand will be meant for consumers of upper middle and low upper class. They also are in a professional job which means they have a university education or are in University. We also chose age as many products in the market are based upon "stage of life" and there are different patterns of consumption at different ages.

Psychographic segmentation

On the basis of Psychographics, lifestyle was the best suited for this product because it determines how people organise their lives and spend their time and money (Pelsmacker 2009). Values of working hard to get ahead in their

careers, they have money and believe in quality of life, spending on comfort, pleasure, health and youth products time savers.

Geographic segmentation

Where people live has an impact on their consumption habits (Pelsmacker 2009). This will also help us in planning for the store locations and the distribution for the in-store products. We will aim at the urban professional as the match the social class and characteristic of need for time. For further segmentation please refer to appendix A.

Consumer Profile

Hence from the research results above our ideal consumer will be from the demographic of 25 years to 44 years, likely to be in university and or a professional. Demographically they are urban, looking for benefits in tea of health, relaxation and rejuvenation. Psychographically they are sociable, environmentally active, busy and stressed – seeking convenience and require the relaxing benefits given by tea. They are interested in new cultures and tastes. Secondly the brand would be more ideal to target working class people who have a high disposable income.

Consumer insight

Our research results (appendix C) revealed that a large percentage have tried Chinese green tea. Most of the consumers are more concerned with health benefits of tea and would also like a tea that relaxes and rejuvenates (indicating a need for replenishment of energy). Choices of tea vary a great deal and depend heavily on individual taste, hence consumers now prefer to

brew their own tea in order to get a personal taste right, no longer do they like tea brewed to cover many tastes at once. Most consumers prefer green tea to other types of tea. Therefore our key insights are :-

Drinking tea for

Health - increased metabolism, anti-oxidation, well balanced

Relaxing - refreshment, serenity

Rejuvenation - renewed energy

Warmth - during winter

As shown below in the chart.

Core consumer insight

A consumer includes more psychological areas - what consumers think and feel, what their objectives and how these influence how they behave. Many of these things are not conscious behaviours or thoughts on the part of consumers. A large number of consumers are affected, perhaps expectant of various external factors such as the way a brand is marketed. Consumers are not born wanting to buy a particular brand. Therefore our main core insight is consumers are looking for a high quality genuine green tea, easy to make that will rejuvenate them while relaxing in a healthy way. This clearly shows what our customer is looking for and why.

Big idea

As result of the above a clear opportunity arises when we identify that we can enter the tea market in Netherlands to offer a genuine Chinese tea that gives the great benefits people have heard of Chinese tea. Our big idea comes from the insight that “ Many consumers have heard of Chinese green tea but feel it is not for them” we intend to offer them an experience of Chinese spring in a cup of green tea. This is because Chinese spring is associated with freshness, warmth and that’s when everything comes to life. The Chinese believe spring time is also the best time to harvest the high quality tea leaves the highest health benefits.

Brand concept

All products have core benefits that are to be provided for consumers. Consumers rarely want to pay a large amount for products or services that simply deliver the main core benefits, that is what they already expected to get as a reason for the core price. Successful brands are those that surprise a consumer with added value in coupled with core benefits. These added values go toward the brand to setting itself as different from the competitors. Added values executed well will have the customer choosing the brand as a preference because they are unable separate the two. Consequently, some customers are likely to be in search for the brands to add meaning to their life in terms of lifestyle or personality. A brand can usefully be represented like a “ fried-egg” format, where the brand is shown to have core features that are surrounded by less tangible but effective features as shown below. (strategicmarketsegmentation. com)

Hence as explained above the brand is to give the simple functional value - intrinsic advantage of being simply tea. It is a hot beverage to meant to keep you warm. This is its basic functionality. The next is the emotional values will be to the consumer that tea makes you healthier, feel refreshed and relaxed. The added services or rather experience of the consumer with the product will be the smell, looks and tastes that is lovely spring flavours.