

# Ceylon tea services plc marketing essay



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## **Introduction**

Ceylon Tea Services PLC which is a subsidiary of MJF group, is engaged in the manufacture, export and marketing of tea bags and packets under the brand name Dilmah. The company exports its products to the UK, the US, Canada, Australia, New Zealand and South Africa. The company primarily operates in Sri Lanka, where it is headquartered in Peliyagoda which is 7.5 km from Colombo.

Merrill J. Fernando the founder of Dilmah set out in the 1950s to offer tea drinkers the finest tea on earth. Whilst doing so, he desired to make a genuinely ethical brand. It took nearly four decades for Merrill to fulfill his mission, but in 1988 he launched his family tea – Dilmah – the first producer owned tea brand in the world, handpicked, perfected and packed at source and shipped within days to tea drinkers around the world.

## **Key Milestones**

Table 1 – Company milestone

### **Year**

### **Key Milestone**

1930

Merrill J Fernando, Founder of Dilmah is born in Pallansena, a tiny village in South Western Ceylon

1950

Merrill begins his journey in tea, as a trainee Tea Taster in London

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1981

The incorporation of Ceylon Tea Services, the company which markets  
Dilmah tea

1988

Launch of Dilmah Tea in Sydney Australia

2000

Dilmah launches in Sri Lanka

2001

Dilmah launches in United Kingdom

2005

Medinge honors Dilmah as a Top Brand with a Conscience

2006

Dilmah acquires ISO 22000 : 2005 status

2007

Dilmah receives accolades at the Best Corporate Citizen Awards

2009

Dilmah Conservation unveils first Elephant Information Centre in Sri Lanka

Source: Dilmah website

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Dilmah operates both in B2B and B2C markets by producing tea, tea bags and packets. Its product range varies from different flavored tea as depicted in Table 2.

## **Products and features**

Table 2 – Product Categories

### **Product Categories**

#### **Product Names**

##### **Dilmah Tea**

Premium Singal Origin Tea

The Original Gourmet Teas

Exotic Fun Tea

##### **Other Products**

Asian Spice Tea

Ceylon Green Tea

Watte Single Estate Tea

Green Tea

Fruit Infusions

Trax Pack

Box Pack

Almond Toffee

Creamity Wafer Rolls

Korento Cookies

Fruit Cookies

Good Choice Cookies

Chocopie

Cheese Ball Cracker

Fruit Drop Candie

Wafer Sticks

Darling Jelly

Source: Marketing Memo June 2010

Salient features of Dilmah tea brand includes,

- Safe to use & consume
- Non-toxic
- Rich in aroma and taste
- No side effects
- Free from artificial ingredients

- Secure Packaging

## **Company Performance**

The company recorded revenues of Rs. 4, 957. 1 million (US\$43. 2 million) in the fiscal year ended March 2010. Its net profit was Rs. 1, 203. 5 million (US\$10. 5 million) which is 25% in fiscal year 2010. Ceylon Tea Services PLC has a issued share capital of Rs. 200 million (US\$ 2M).

Year over year, Ceylon Tea Services PLC has been able to grow their bottom line from 487. 1M to 1. 2B primarily through revenue growth (4. 4B to 4. 9B). For while the costs associated with cost of goods, SGA and income tax all increased as a percentage of sales, the growth in top line revenues contributed enough to still see net income improve.

Figure 1 – Company Performance

Source : Ceylon Teas PLC Audited Accounts

## **Industry and Market**

As Dilmah operates in over 95 countries, competing in a global market place they fight for market share with both global and local players in each country. Therefore, the market share differs based on the country in which the organization cater. The MJF Group which is the parent company of Ceylon Teas PLC, caters to over 95 countries which include Australia, New Zealand, CIS, Eastern Europe -Poland, Baltics.

Dilmah holds 15% and 28% of the total market share in Australia and New Zealand respectively.

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Out of the high quality tea drinkers that Dilmah caters, organization serves three main customers segments; viz

Premium Mainstream

Gourmet/Specialty

Boutique and Super Premium

Global market size is US\$ 361billion and with a volume of 2. 1 billion kilo grams.

Figure 2 – US\$ Value Contribution of Global Tea Market

Figure 3 – Volume Contribution of Global Tea Market

Source: Dilmah Teas Corporate Profile

Source: Dilmah Teas Corporate Profile

The global market consists of many players amongst them MJF group which owns Dilmah brand has positioned in the top 10.

Table 3 – Past Competitor Analysis

Source: Datamonitor Market Data Analytics (MDA) database

## **Corporate Social Responsibility**

Dilmah tea maintain a clear understanding of the role of the wider community, the environment, workers and staff in making its business possible. Acknowledging this reality, the personal funds and assets of Founder, Merrill J Fernando and his family as well as a significant share of the

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revenue of the Dilmah tea companies fund the work of the MJF Charitable Foundation. As the companies develop, so does the work of the Foundation.

In 2006, the Foundation directly or indirectly benefited the lives of 10, 000 underprivileged Sri Lankans. That benefit will expand as the business of the Dilmah tea and necessarily, its social obligation, widen – synergistically and symbiotically.

Key features of the MJF Charitable Foundation;

Established with the objective of rewarding the workers and community that helped the Founder with his journey.

Funded completely by Merrill J. Fernando and his family & through the profits of Dilmah.

In line with Dilmah's ethical business model which incorporates the assertion that business is a matter of human service.

Actively promotes the welfare of the Group's staff & workers, as well as pursuing charitable projects with wider social objectives.

## **Marketing Audit**

### **Introduction**

The marketing audit is the preliminary phase of emphasizing Ceylon Teas PLC's corporate position in launch of new Value Added Teas. Data, information and analysis of findings were based on both internal and external environments and done both at micro and macro levels.



## **Methodology**

Both qualitative and quantitative research information and data was obtained from primary research and secondary research.

Secondary data sources include Corporate website, Annual reports, Research reports on tea industry and hot drinks industry, Omnibus research reports on beverage industry, Central Bank publications and reports of Department of Census and Statistics.

Primary data sources include formal group interviews, one to one discussions with key personnel in the tea industry, These key personnel include Roshan Tissaarachy Director Marketing and Ganga Wijayawardane Regional Marketing Manager of Dilmah teas, Brand manager Lipton, Assistant Marketing manager Mlesna tea.

Information and data collected in both sources have been recorded, archived and analyzed and only most significant and relevant information has been reported in this report.

## **Findings**

### **Global Tea Industry**

The global tea industry is largely dominated by Indians the largest producer and consumer of tea which is followed by China, Sri Lanka, Kenya and Indonesia in the production hierarchy of countries.

Unlike many other agricultural crops the tea industry is peculiar; the soil characteristics, the climate and the rainfall determine the character of the tea and its taste. Tea affects the taste buds; therefore, it is difficult to

replace a particular variety with a beverage that substitutes tea . This explains why certain types are favored by certain countries: for example, the CIS[1]countries favor Indian and Sri Lankan teas. UK and Pakistan favor Kenyan teas.

India accounts for 30 per cent of world's production. While Sri Lanka, Kenya and Indonesia are the other leading producers; their combined production is lower than that of India. What makes India an interesting object of study is that its size is no millstone around its neck; its production growth between 1996 and 1998 at 5.63 per cent was way ahead of the increase in world production of one per cent only.