



Apeejay Surrendra Group Chairman Karan Paul (pictured) hopes to move up the value chain in India with Typhoo

# TYPHOO TEES OFF IN INDIA

*Will compete with Twinings for shelf space*

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In October 2005, Kolkata-based Apeejay Surrendra Group acquired Typhoo, the British tea brand, for £80 million from Premier Foods. In the deal, Apeejay bought Premier's entire tea business which includes brands like London Fruit & Herb, Lift and QT apart from Typhoo. Premier's tea blending and packing unit at Moreton, Wirral, was included in the deal. Typhoo, which was launched in 1903, was the third-biggest tea brand in Britain, behind PG Tips and Tetley. At that time, Premier sold 23 million packets of

Typhoo each year.

Four years later, Apeejay has put in motion plans to sell Typhoo in India. The group, to be sure, is a new entrant to the world of packaged and branded tea. Apeejay, which turns 100 this year, has focused so far on plantations and bulk tea. It has plantations spread over 50,000 acres in Assam and produces about 25 million kg of tea every year. But the lure of brands, which complete the loop for the group and offer better prices than loose tea, was too hard to resist. It first launched in India a mass-market brand called Mantra. Typhoo targets the top-end of the market. "People in India are finicky about tea. We are creating a brand here,

so we have to give the best," says Apeejay Group Chairman Karan Paul.

Typhoo, according to Paul, will fight for shelf space with Twinings, and will be priced above Tetley (from Tata Tea) and the brands of Hindustan Unilever (Brooke Bond, Lipton, Taaza and Taj Mahal). In other words, Typhoo will stick to tea bags and sell at a premium. This is a small segment of the tea market at the moment but, Paul is convinced, it will grow in the days to come. With rising incomes, consumers become lifestyle conscious and up-trade to premium products. And that's the opportunity Paul is eyeing with Typhoo.

The offerings from the Typhoo stable are: Black tea, green tea, flavoured

tea and infusions. The infusions and flavoured tea market in India is minuscule at the moment — less than one per cent of the total. But it could grow as the market matures. In the UK, for instance, infusions have a 20 per cent market share, while green tea would be 10 per cent. (The balance is black tea.) According to the tea trade, the value-added segment which includes origin-based tea, flavoured tea, green tea and tea bags is about 20 million kg or Rs 600 crore. Paul is looking to corner about 20 per cent of this market in two years.

A premium position in the market calls for extra investments. Paul is aware of it. He has readied heat-sealed

envelopes for the tea bags that provide lasting freshness. The infusions are being imported from the UK and Germany. A production hub in Kolkata has been set up to blend and package the teas. The climate-controlled manufacturing facility is equipped with fully-automated machinery. A separate company, Apeejay Typhoo Tea, has been set up to oversee the business.

The tea bag segment may be small, but the returns are good. "It may not be a huge chunk of the trade, but it is a high-value segment," says Paul. Profit margins are around double of loose tea.

In a market that is dominated by black tea, to establish a brand with such offerings is tough. Paul is aware of the challenges. That's why he has decided to move slowly — one city after the other. Typhoo was first launched in Delhi and Mumbai, and moved to smaller markets like Chandigarh and Pune subsequently. "Each city has some amount of network that we have to cover," says Paul. On the distribution side, Apeejay has tied up traditional grocery stores in up-market locations as well as new-age supermarkets.

The home market for tea is tough. Sector experts say that tea is usually bought by the women in the household, who are loyal customers and do not switch brand preferences easily. But there is the institutional segment of the tea market in which scale can be built rapidly. This is all the more relevant for Typhoo which is essentially a tea bag brand. From the Railways to the world of large private employers like Infosys and Wipro, the spectrum is broad-ranged. Paul is on the job. "Chennai is an important market as institutional sales are big. Infosys, Wipro, TCS are all there and the market therefore is big," says he.

As Paul wants to take small steps at a time, he has decided not to rely on mass media campaigns for Typhoo and will instead put his money on below-the-line promotion like point of sale communication. Of course, Paul is associated with Kings XI Punjab in the Indian Premier League. This offers scope to associate the brand with cricket, the ultimate ploy in the cricket-crazy country. "When they (the cricketers) are back in Mohali this time, we will do some promotion with them," says Paul.

Bates 141 has done the packages and logo for Typhoo. Paul is also keen to tie up with FMCG companies that already have a distribution network in place. The main target is the discernable and growing breed of new-age consumers.