



The cup overflows

The 110-year-old tea brand Wagh Bakri is the third largest and one of the fastest growing tea producers in India, with a turnover of ₹750 crore as on March 2013. The brand has a market presence in Gujarat, Maharashtra, Goa, Delhi and Hyderabad and, this year, it plans to expand its presence and establish its brand in the northern states of India. "We are planning to open many more tea lounges in the north and will also be recruiting a lot of people there and maintain a cultural fit with them," says Parag Desai, executive director, Wagh Bakri Tea group. "Once this investment breaks even, we expect it to receive about 20 per cent of our incremental revenue from it." The company has two tea lounges now – one in Delhi and the other in Mumbai.

The company, which for many years had remained media-shy, is now actively engaging in creative media campaigns and partnering with TV serials to promote its brand. It believes that making its presence known through creative media campaigns is the only aspect in which it lags behind, when compared to the competitors. "In terms of taste and costs, we have always managed to beat our competitors," says Desai.

Companies such as Tata Tea, Brooke Bond Red Label, and Tetley Tea have always had strong media campaigns driving their sales. Currently, Wagh Bakri's market share in the country stands at 7 per cent which, in the next 3-5 years, it aims to increase to 12 per cent. The brand Wagh Bakri, symbolises its appeal to two types of social groups – the rich and the affluent (*wagh*) and the middle class (*bakri*). It stands for creating long-lasting relationships between different classes of society by dissolving differences over a good cup of tea.

When asked whether he feels threatened by the rising popularity of coffee, Desai confidently says: "Coffee is more about style, while tea is a habit." He further adds that, "though people still prefer the usual black tea out of habit, they are now more open to trying out new varieties of tea. The flavoured tea market is growing at 25 per cent." As people get more conscious about their well-being, they prefer healthier varieties of tea such as green and organic tea. The company sells about 40 different types of tea.

To keep up with the demands of their customers, the company has invested in a tea-testing laboratory to ensure that quality standards are met, while coming up with new types of tea. The fast-paced lifestyle of tea consumers has led to an increase in the popularity of tea bags. The company recently made a huge investment in the purchase of an Italian tea-bag making machine, which can produce about 250 staple-free tea bags in a minute. Unlike other brands, Wagh Bakri has also taken extensive efforts to make the experience of drinking tea richer. "In our tea lounges, we allow our customers to taste the tea first before ordering it. Unlike other coffee shops, we prefer serving our tea with a variety of Indian snacks such as *dhokla*, *khandvi*, etc.," says Desai.

The company sources 95 per cent of its tea domestically, while 5 per cent is sourced from countries such as South Africa and Sri Lanka. The major challenge affecting the tea market in India, according to Desai, is the high import duty and the general sales tax levied on tea, leading to a rise in the cost of the brew. Challenges notwithstanding, the tea group is all set to achieve a turnover of ₹1,000 crore slowly but surely (it was ₹650 crore in 2012 and ₹750 crore in 2013), as envisioned by Piyush Desai, chairman & managing director, Wagh Bakri.

Business India last wrote about Wagh Bakri in June 2012, when the company targeted and achieved a revenue of ₹650 crore. Now, in March 2013, it has achieved a turnover of ₹750 crore and is planning to expand in the northern states of India