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A Tea Party, and All Boomers Are Invited

By Elizabeth Olson

October 17, 2004 – IF you were a tea lover a decade ago, you might have bought bags of Lipton in a yellow and red box at a supermarket. Or if you wanted something different, you chose Bigelow's spicier Constant Comment or Twinings.

Today, however, tea drinkers pick from hundreds of varieties of green teas, exotic black teas and perhaps even white and red teas, and may well have stocked up on several of these specialties.

Tea has become so popular that it has been called "the new coffee." Although tea will not soon surpass coffee as America's No. 1 hot beverage, sales are soaring, and coffee companies are taking notice. Last year, American consumers spent \$5 billion on tea, five times as much as a decade ago but still far below the \$20 billion spent on coffee, according to industry figures.

Much of the tea is at the high end of the market. Well over 100 companies in the United States now sell tea online, through catalogs or in stores, tapping into consumers' willingness to shell out top dollar for designer teas, whose sales climbed to a record \$923 million last year. That is nearly 20 percent of total tea sales.

Tea's staid image - of ladies sipping daintily from china cups - was unceremoniously disrupted by, of all companies, Starbucks. In 1999, it began offering tea from Tazo, a Starbucks and Kraft Foods subsidiary, with "the reincarnation of tea" as a slogan. Soon, it began taking on many stalwarts like Lipton, Twinings (from Associated British Foods) and Bigelow and even Celestial Seasonings, a maker of herbal tea and part of the Hain Celestial Group.

Tazo and the Republic of Tea are two of the best-known brands tapping into the trend. Starbucks offers a playful, apocryphal story that Tazo's name comes from an ancient "tazo stone"; the whimsy lends sheen to the brand, which was started a decade ago in Portland, Ore.

Tea companies say such fanciful marketing is aimed at the estimated 30 percent of the adult population identified by researchers as willing to pay a premium for what they see as healthier products.

One of them is Sharon Bower, associate director of the entrepreneurship center at the John Cook School of Business at St. Louis University. She began drinking tea from Republic of Tea six or seven years ago.

"I like it emotionally," she said. "It's a stressful world today, and I don't think of coffee as a way to calm down. I like to sit down with my tea - it's a kind of ritual - and it puts me in a different frame of mind."

Oswaldo Ortega Chinea, who drinks tea from the online seller Adagio Teas, says the drink has a "varied scent and subtler taste" than coffee and helps him wind down after teaching in a high school in New Orleans.

Makers of specialty teas also point to connections to organic production and resource conservation. The Republic of Tea and others use unbleached bags without strings, staples and tags. Brands like Tazo urge that their packaging be recycled. Social consciousness is part of the appeal. Tazo helps rural communities in Darjeeling, India, where tea bushes are grown, and the Republic of Tea donates funds to a breast cancer foundation and an environmental group.



Oswaldo Ortega Chinea prepares tea with a filtering system. He says tea he buys online from Adagio Teas has a subtler taste than coffee and helps him wind down.

Republic of Tea, based in Novato, Calif., has even set up its mellow "kingdom," complete with its own minister of tea: Ron Rubin, an Illinois wine and liquor executive who bought the company in 1994.

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"We're trying to promote a sip-by-sip lifestyle," Mr. Rubin said. His sales representatives are called ambassadors, his retailers embassies and his customers citizens. He and his other "ministers" gather for daily tea breaks, boiling water for four minutes and steeping their favorite varieties for four more minutes.

Tea drinkers may be paying more, but makers of premium tea insist that they are imbibing a better quality of tea. Purists promote loose tea, saying it tastes better, and many tea sellers use their Web sites to tell consumers the best ways to brew tea.

They also offer hundreds of varieties - blackberry sage, ginger peach, honey ginseng, white pearls or Moroccan mint - and plenty of history (a Chinese emperor concocted tea around 5,000 years ago). Company Web sites also list data about tea's promised emotional and health benefits, along with discussions of a new sensation, rooibos from South Africa, an herbal red tea.

The potential market is huge, as baby boomers look for stress reducers and for foods that they think provide health benefits. Such perceptions have helped drive sales in recent years because drinking tea, the world's most popular beverage, has been linked in some studies to fighting cancer, and it is often promoted as good for cardiovascular health and for lowering cholesterol and weight.

Since Starbucks began selling Tazo, it has tripled its retail tea business per store. This year, Starbucks signed a deal for Kraft Foods to distribute Tazo products to grocery outlets nationwide. Tazo tea fetches as much as 23 cents a bag, versus a typical 10 cents a bag for Bigelow tea, for example. Emperor's White Tea, a Republic of Tea premium product, goes for even more - around 60 cents.

Many people buy just a few ounces of loose tea at a time so the price seems more manageable. Ms. Bowers, for example, said she didn't spend "\$3 for a cup of coffee every day," so she pays more for the fine tea she likes. Mr. Ortega said he had no problem sacrificing "for that half-hour of absolute sensory satisfaction and therapy."

Mr. Rubin says the Republic of Tea's business has quadrupled over five years, to more than \$10 million in annual sales. That total is still tiny, however, compared with those of old-line companies like Celestial

Seasonings and Bigelow, each of which has yearly sales of \$100 million or more. And Lipton, the industry giant and part of Unilever, had tea sales of about \$2 billion last year, it said, noting that its specialty teas, like green, herbal, flavored and ready-to-drink, are its fastest-growing types.

At Bigelow, in Fairfield, Conn., designer tea sales "really haven't hurt us," said Robert M. Crawford, the president. "They've been squeezing us all a little bit" and have taken some share, he said, but consumer interest has also expanded the market.

High-end tea is in a category of its own, said Michael Cramer, a former investment banker who founded Adagio, based in Clifton, N.J. "It's more like the new wine because of the new varietals," he said, adding that even though teas (other than herbal teas) are all from the same plant, "it differs in how it is grown and processed in the hands of an artisan, and that's how it becomes interesting."

Tea aficionados predict that tea houses like Teavana, a chain based in Atlanta that will soon have two dozen outlets, will spread nationwide, until tea is nearly as ubiquitous as coffee.