

## Chapter 8 Marketing and Promotional Activities

**Objective 6: Whether adequate and effective steps were undertaken for marketing and promotion of Indian Tea to improve its position in world as well as domestic market.**

### International market scenario

**8.1** The production and export share of major tea producing and exporting countries is given below:

**Table 12 – Production and Export share of major tea producing and exporting countries (%)**

	1993		2005		2006		2007		2008		2009(E)		2010(E)	
	Production share	Export share	Production share	Export share	Production share	Export share	Production share	Export share	Production share	Export share	Production share	Export share	Production share	Export share
China	23.50	17.42	27.12	18.28	28.72	18.12	30.06	18.37	32.54	17.93	34.55	19.14	33.69	17.45
India	29.80	15.17	27.45	12.70	27.43	13.83	26.01	11.34	25.38	12.26	24.90	12.50	23.76	11.15
Indonesia	5.35	10.72	4.53	6.53	4.10	6.03	3.62	5.31	3.56	5.81	3.47	5.83	3.18	5.03
Kenya	8.27	16.30	9.53	21.64	8.68	19.74	9.75	21.81	8.95	23.15	7.99	21.64	9.81	25.44
Sri Lanka	9.14	18.16	9.20	19.06	8.68	19.91	8.03	18.68	8.25	18.04	7.37	17.68	8.10	17.23

Source: Tea Statistics

### Domestic market scenario

In the world market, India, China, Sri Lanka, Kenya and Indonesia are major producers as well as exporters of tea. From the table it can be seen that:

- India's production share has declined from 29.80 *per cent* in 1993 to 23.76 *per cent* in 2010 while China's production share has increased from 23.50 *per cent* in 1993 to 33.69 *per cent* in 2010.
- India's export share has declined from 15.17 *per cent* in 1993 to 11.15 *per cent* in 2010 while Kenya's export share has increased from 16.30 *per cent* in 1993 to 25.44 *per cent* in 2010.

**8.2** The role of Tea Board in promoting Indian tea in domestic market is to increase consumption of tea in India and carrying out propaganda for increasing domestic consumption of tea.

The trend of production, import and export of tea in India and consumption of tea in domestic market since the year 2003 is given in the table below:

million kgs

Table 13 – Production, import and export of tea in India and consumption of tea in domestic market								
Year	2003	2004	2005	2006	2007	2008	2009	2010
Production	878	893	946	982	986	981 (E)	979 (E)	966 (E)
Import	10	31	17	24	16	20 (E)	25(E)	20 (E)
Total availability	888	924	963	1006	1002	1001 (E)	1004 (E)	986 (E)
Exports	174	198	199	219	179	203	198	193 (E)
Domestic consumption	714	735	757	771	786	802	819	837
Total absorption	888	933	956	990	965	1005	1017	1030

Source: Tea Board E-Estimated

From the table, it can be seen that, while the production of tea in India has increased by 10 per cent since 2003 to 2010, the domestic consumption has increased by 17 per cent since 2003 to 2010. The exports have remained stagnant during this period.

During 2002-09, the Board received ₹129.44 crore for Marketing and Promotion and disbursed ₹135.53 crore. We reviewed 46 per cent of total expenditure incurred on Marketing and Promotional Activities during 2002-09. We studied documents relating to incentive/subsidy schemes, Medium Term Export Strategy, marketing and promotion through foreign offices and activities undertaken for domestic promotion. Our audit findings in this regard are discussed in the following paragraphs.

### Schemes for export, marketing and promotion

**8.3** Tea Board implemented the three schemes for marketing and promotion of tea during the Tenth and Eleventh Five Year Plans viz., Export Incentive Scheme, Transport Subsidy Scheme and Export Promotion Scheme. Audit findings on these schemes are discussed below:

### Export Incentive Scheme

**8.4** An Export Incentive Scheme for assistance to tea exporters towards meeting cost of handling, packaging, transport/freight charges and value addition with an outlay of ₹5.25 crore was approved by the Ministry as a one-time measure in January 2002. Conditions for grant of export incentive were as under.

#### Terms and conditions of Export Incentive Scheme

Tea Board was to monitor the progress of volume of export during the remaining period of the year 2001-02 and grant subsidy only when there was perceptible increase in quantity of tea exported during the year 2001-02 as compared to the corresponding period of the year 2000-01.

### Deficient implementation of the scheme

**8.4.1** The Board released incentive of ₹3.60 crore to 68 exporters between January to March 2002. In this regard, we analysed the quantum of exports by these 68 applicants and observed that:

- Tea Board granted subsidy to 31 applicants despite the fact that their exports had declined in 2001-02 as compared to the year 2000-01.

	<ul style="list-style-type: none"> <li>• The quantum of exports further declined In respect of these 31 applicants post subsidy.</li> <li>• There was no quantifiable measure to define perceptible increase in the quantity of tea exported so as to decide on grant of subsidy.</li> </ul> <p>As such, there was no outcome of this expenditure.</p>
<p><b>Transport Subsidy Scheme</b></p>	<p><b>8.5</b> The scope of Export Incentive Scheme was extended to Transport Subsidy Scheme implemented subsequently and the main features are given below.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;"><b>Terms and conditions of Transport Subsidy Scheme</b></p> <ul style="list-style-type: none"> <li>• Tea for exports from North East is sent to Kolkata and Haldia ports by road where it is directly containerised, customs cleared and exported via Inland Container Depot (ICD), Amingaon, Assam. The scheme proposed to compensate the exporters who had to bear extra cost for empty haulage of containers to Amingaon.</li> <li>• Financial assistance by way of incentive towards export of tea through ICD, Amingaon was fixed at ₹ 1.00 per kg of tea with effect from January 2002 and ₹1.50 per kg with effect from April 2006.</li> </ul> </div>
<p><b>Non achievement of the objectives of the scheme</b></p>	<p><b>8.5.1</b> An amount of ₹23.05 crore was disbursed under the scheme during 2002-03 to 2008-09 to 16 exporters. In this regard, we observed that:</p> <ul style="list-style-type: none"> <li>• Though most of the companies have gardens in North East, the scheme benefited only 16 companies who availed of the subsidy during last seven years (2002-03 to 2008-09). The share of tea exported by these companies was only 12.40 <i>per cent</i>, 15.91 <i>per cent</i> and 14.15 <i>per cent</i> in the years 2006-07, 2007-08 and 2008-09 respectively.</li> <li>• During 2006-09, though ₹12.38 crore was disbursed to these 16 exporters, the quantity of export came down from 28.72 mkg in 2006-07 and 27.33 mkg in 2007-08 to 26.47 mkg in 2008-09.</li> <li>• No benchmark in terms of quantity of export was defined for exporters to make them eligible for grant of subsidy.</li> </ul> <p>As such, Tea Board released subsidies despite decrease in exports by these applicants.</p>
<p><b>Export Promotion Scheme</b></p>	<p><b>8.6</b> An amount of ₹0.57 crore was spent under this scheme during 2005-09. Features of the scheme were:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;"><b>Terms and conditions of Export Promotion Scheme</b></p> <ul style="list-style-type: none"> <li>• The scheme was introduced in 2003 to help exporters exporting value-added tea, boost exports and also make forays into new markets.</li> <li>• Assistance was provided to individual exporters for export promotion activities abroad for participation in trade fairs/exhibitions/buyer seller meets (BSM).</li> <li>• After participation in a particular fair/exhibition/BSM, Tea Board was required to submit an evaluation report indicating the outcome of the</li> </ul> </div>

**Failure to assess the outcome of support activities**

visit and the actual business transacted.

- Exporting companies with f.o.b.<sup>53</sup> value of ₹15 crore were eligible under the scheme.

**8.6.1** Of the 25 per cent (27 cases) of the total payment vouchers (110 cases) called for audit review, Tea Board furnished only five case files relating to five fairs/exhibitions where 34 exporters participated.

In this regard, we observed that:

- None of the above participation was in Pakistan, Chile, Syria, Sudan or South Africa, though these were considered as the new markets for India to gain entry.
- Though India's prime products such as Darjeeling, Assam and Nilgiri were displayed, no specific products of the participating exporters were displayed. Thus, the objective of participation of exporters in exploring individual products/brands was not achieved.
- The reports submitted by the Board did not spell out the outcome of the fairs/exhibitions/ buyer-seller meets. The reports were also silent about the actual business transacted.

Thus, in the absence of benchmarks/quantifiable measure to assess the outcome of these support activities, the impact of the scheme was not verifiable.

The Ministry stated that it was difficult to identify quantifiable measures to assess the outcome of support activities under Marketing and Promotion Scheme. However, the fact remains that the Board was to monitor the progress of volume of export and grant subsidy only when there was perceptible increase in quantity of tea exported.

**Medium Term Export Strategy**

**8.7** The Medium Term Export Strategy which was based on the report of M/s Accenture (January 2002) laid down various recommendations which were initially agreed to by the Tea Board. A Steering Committee comprising industry representatives from North and South India as well as members from Tea Board was formed. A Programme Management Cell was set up along with a Secretariat to handle the working of the Steering Committee. 10 Task Forces were also formed to implement specific recommendations of the report.

We observed that these task forces eventually became defunct as Tea Board could not hire/provide manpower to support its functions. We also observed that though Tea Board initially accepted all the recommendations of the Medium Term Export Strategy, they did not implement all the recommendations fully. During the Exit Conference, the Ministry/Tea Board took a stand that formal rejection of some recommendations was not recorded but Tea Board is now looking

<sup>53</sup> Free on Board- A shipping term which indicates that the supplier pays the shipping costs (and usually also the insurance costs) from the point of manufacture to a specified destination, at which point the buyer takes responsibility. The value of export quantity of tea at the time of shipment at India is to be more than ₹15 crore.

### Market Portfolio Diversification

forward to take up the important issues flagged by the Accenture Report in a different manner. However, we observed that out of 11 major recommendations, Tea Board accepted 10 recommendations. A list containing the recommendations highlighted in the Medium Term Export Strategy and action taken by the Board against these recommendations are given in **Annexure II**.

Response of Tea Board to some of the important issues suggested in the Medium Term Export Strategy are discussed below.

**8.8** The Medium Term Export Strategy identified Chile and Syria as lucrative markets for CTC tea, where India had almost no or insignificant share. To get opportunistic entry to these markets, Tea Board was to commission structured market research to determine consumer and importer preferences to formulate strategy in terms of target products, customer segments and geographic segments, contact key players and generate list of interested parties and generate list of interested tea importers/packers in UAE to evaluate Joint Venture (JV) opportunities for routing tea to Pakistan and to identify regulatory changes and, taxation incentives that could be made to encourage formation of JVs.

In July 2002, Tea Board commissioned market research studies on Chile, Syria, UAE and Saudi Arabia. The market research brought out 'Entry Plans' to these countries and spelt out specific activities to be undertaken by Tea Board.

We observed that though market research was conducted and 'Entry Plans' made, Board did not launch any specific scheme to encourage exports to Chile and Syria. Moreover, there was no impact on the exports to these countries as can be seen from the table below:

(in thousand kgs)

Name of the Country	2003	2004	2005	2006	2007	2008	2009	2010 (E)
Chile	49	0	11	0	0	0	3	12
Syria	84	2467	37	127	154	282	286	80

Source: Tea Statistics

The Ministry stated that capturing new markets cannot be done in the short term and a long-term plan was required, since Chile is quite far geographically and is catered to by Argentinean tea. Tea Board has been participating in trade fairs in Chile with Indian tea exporters. Regarding Syria, the Ministry stated that Syria was still on the Tea Board radar and different ways of entering the market were being considered.

**8.9** Further, to gain opportunistic entry in Pakistan market, Tea Board, through its Dubai office, was to generate a list of interested tea importers/packers in UAE to evaluate Joint Venture (JVs) opportunities for routing tea to Pakistan and identify regulatory changes and taxation

**Activities towards  
Export Market  
Development**

incentives which could encourage formation of JVs. We, however, observed that no scheme for providing financial incentives to encourage investments in JVs was formulated and no JVs had materialised till date.

The Ministry agreed that formation of Joint Ventures was one of the ways to facilitate market access provided both parties were interested in such a venture. Thus, neither has any long-term plan been implemented nor JVs formulated to diversify market portfolio of Indian tea.

**8.10** The Medium Term Export Strategy recommended devising an overall promotion strategy as well as market specific strategies. These promotions were needed to be tailored to the right target segment i.e., end-consumer or trade. Tea Board had to undertake Logo Development and its administration and also develop an Exporter Rating System for rating of exporters. In this regard we observed the following.

**Failure to enhance  
the coverage of  
Indian Logo**

**8.10.1** To develop single Indian logo, Tea Board was to finalise logo rules, set criteria for quality control and hire an independent agency for quality monitoring and to commence trials with trade. Further, subsidiaries logos viz., Darjeeling, Nilgiri etc., were also to be developed.



*Indian Tea logos*

Based on the study of Sri Lankan logo, an international agency J. Walter Thompson undertook development of the India Tea Logo with the new bye-line 'World's Gold Standard'. The logo was launched on a trial basis in the Russian market for which benchmarking was done. Trials were conducted and companies adopted the logo for their Indian tea packets exported to Russia. We observed that, as the quantum of packet tea exported to Russia was much less as compared to bulk tea, very few packets were carrying the India Tea logo, the number further declining due to decline in exports to Russia. Despite being introduced in 2002, India Tea Logo is yet to be used (February 2010) for 21 major markets except Russia, where India exports tea.

The Ministry replied that the system in place domestically for grant of permission for use of all logos is being reviewed and revamped along with implementation of their respective administrative systems.

**Failure to  
implement  
Exporter Rating  
System**

**8.10.2** The Medium Term Export Strategy recommended establishing an Exporter Rating System to provide transparency and guarantee exporter reliability, to help build credibility of the Indian exporters by encouraging better exporters to improve service levels.

**Promotional activities through foreign offices**

We observed that though the Exporters' Rating System was introduced in September 2002, the level of response was inadequate. Initially over 80 exporters signed up but most companies backed out since they felt that if they did not get good rating, it would affect their export prospects. Unless Tea Board takes adequate measures to ensure this rating system is accepted by the exporters, it cannot play its role of a catalyst in enhancing transparency and reliability of Indian Exporters in the International Market.

**8.10.3** Tea Board's export promotion work is carried out from Head Office and through its foreign offices located at London, Moscow and Dubai. Tea Board incurred ₹11.56 crore during 2006-09 towards promotional activities through these offices. We analysed the expenditure incurred by these offices on various marketing and promotional activities such as market surveys, participation in buyer seller meets, fairs and exhibitions, promotional support/joint promotion, logo promotion/media publicity etc. The activity-wise expenditures of the three foreign offices is given below:

(₹ in lakh)

Table 15 – Expenditure of overseas offices on marketing and promotional activities							
Year	Fair and exhibition	Buyer-Seller Meet	Promotional Support/ Joint Promotion	Media publicity/ Logo Promotion	Market survey	Other expenses*	Total expenditure
<i>Moscow*</i>							
2007-08	25.46	8.99	3.59	0	0.17	123.51	161.72
2008-09	65.49	7.35	0.98	0	0	121.28	195.10
<i>London</i>							
2006-07	9.87	0.28	16.32	0	0	60.21	86.68
2007-08	0.16	1.98	0.94	0	0	25.74	28.82
2008-09	78.09	0	13.01	0.63	0.43	84.04	176.20
<i>Dubai</i>							
2006-07	20.85	4.27	0	21.27	0.43	60.54	107.36
2007-08	37.61	3.51	0	15.5	1.28	142.72	200.62
2008-09	9.56	0.88	0.9	4.51	0	184.31	200.16
<b>Total</b>	<b>247.09</b>	<b>27.26</b>	<b>35.74</b>	<b>41.91</b>	<b>2.31</b>	<b>802.35</b>	<b>1156.66</b>

\*Figures in respect of Moscow for the year 2006-07 not available

\*Salary, PR activities, Contribution to Tea Council, Wages, Loss in exchange, Bank charges and other miscellaneous expenses

In this regard, we observed that:

- Expenditure on Market Survey by three foreign offices during 2006-09

**Non assessment  
of impact of  
activities of Tea  
Councils**

was insignificant, though market surveys help determine consumer and importer preferences and can be used for detailed strategy formulation.

- The activities of the above three offices for participation in buyer seller meet was insignificant.
- Though a significant amount (21 *per cent*) was spent on participation in fairs and exhibitions by all the three offices during 2006-09, no quantifiable measures were set for assessing the outcome of the activity.
- No activity was conducted for logo promotion from Moscow and London office during this period.
- Other expenses which were in nature of indirect expenses constituted major share of 69 *per cent* of total expenditure impacting the effectiveness of outcome of marketing and promotional activities.

Thus, the marketing and promotional activities of the foreign offices were mainly focused on attending fairs and exhibitions, for which Tea Board neither fixed any annual target for participation in the potential markets nor laid down any mechanism to measure impact of such participation. Given the negligible impact of these foreign offices of Tea Board, the Ministry should review whether this function could instead be performed through the Economic Wing in the Missions/Posts abroad. The Ministry did not furnish reply in this regard.

**8.11** The Tea Board undertook generic promotion of tea through Tea Councils to increase overall consumption of tea and subscribed for membership of the tea councils of UK, Germany, Canada and USA. In this regard, we observed that:

- Tea Board justified membership to these councils taking export figures to these countries as an important parameter. However, despite spending ₹3.42 crore during 2005-09 as subscription, the quantum of tea exports to these countries fluctuated with marginal increase in some cases, as can be seen from the table below. The Ministry itself questioned (August 2006) the justification for continuing with these memberships.

(In thousand kgs)

	2002	2003	2004	2005	2006	2007	2008	2009	2010 (E)
<b>Canada</b>	1233	1497	1170	1611	1131	1041	1517	2440	2120
<b>Germany</b>	5002	5116	5222	4846	4364	5833	4329	4001	4390
<b>UK</b>	20912	19904	19787	21356	23210	17876	19298	16720	14821
<b>USA</b>	7361	8693	7781	9077	8536	9550	9547	9210	10320

- Tea Board acknowledged that generic promotion was slowly becoming a weak platform and there was a need to shift focus to promotion of original brands. We observed that the issue was not yet taken up with other councils.



**Domestic promotion - Formal review on effectiveness of Domestic Media Campaign not conducted**

- The Board did not furnish information on the nature of the promotional campaign activities or any other campaign undertaken by the councils for the last three years. The Board also did not assess the impact of these activities on Indian Tea.

The Ministry informed in October 2009 that the utility of the Tea Councils was undergoing review. Tea Board had resigned from the Canadian Tea Council and also reviewing the role of the UK Tea Council.

**8.12** The activities of Tea Board under domestic promotion mainly include media campaign and domestic fair and exhibitions. Tea Board incurred an expenditure of ₹36.35 crore on these activities during 2005-09, of which an expenditure of ₹28.07 crore was incurred on domestic generic campaign of tea. We examined expenditure of ₹17.33 crore incurred on two campaigns viz., Domestic Generic Campaign through electronic media to M/s. Ogilvy & Mather (₹13.06 crore) in March 2006 and 'Publicity and promotional work of Darjeeling, Assam and Nilgiri tea along with publications in reputed dailies and magazines i.e., print media to M/s. J Walter Thompson, Kolkata for a period of three years (₹4.27 crore) in June 2006.

In this regard, we observed that:

- Tea Board did not fix any criteria / benchmark to evaluate its efforts towards domestic promotion.
- No formal review of the effectiveness of the print and electronic media campaign was conducted by the Board.
- The telecast was campaigned in the TV channels such as Star One-Nach Baliye, ESPN/Star Sports and Aaj Tak. However, the Board did not intimate any plan which recommended a particular bouquet of channels in preference to others for an effective media campaign.

During Exit Conference, the Ministry/Tea Board agreed that a formal review on effectiveness of Media Campaign was necessary.

**Poor performance of Tea Centre, Mumbai**

**8.13** Apart from the regular functions of a branch office the Mumbai Office of Tea Board runs a Tea Centre where tea and snacks are served. In this regard, we observed that:

- No commercial benefit could be gained from the Tea Centre during July 2002 to May 2007 as Tea Board earned an amount of ₹81.6 lakh from M/s Basu Media<sup>54</sup> and spent an amount of ₹3 crore towards development grant to the building authority, apart from ₹16.37 lakh under non-plan expenditure.
- The Tea Centre was set up to promote Indian tea in the domestic market by popularising speciality Indian tea. We observed that though tea of different types viz. Darjeeling, Assam and Nilgiri were served, specialty teas such as White tea, Yellow tea, Compressed tea, Puer

<sup>54</sup> The contractor who was given the contract of running the Tea Centre

**Our  
Recommendations  
and response of  
Tea Board**

tea, Organic Tea, Decaffeinated tea, Flavoured Tea, Spiced Tea, Iced Tea etc did not form part of the menu.

- No expenditure was incurred on plan activities such as participation in fair/exhibitions and domestic market survey for tea promotion.
- The Board also did not review the performance of the Centre for the last three years, though business review committee meetings were to be held twelve times during the above period.

The Ministry stated that promotional activities of Mumbai office like participation in exhibitions was largely dependent on fund availability.

**8.14** We recommended in November 2009 that Tea Board may fix quantifiable benchmarks for increase in exports for exporters to become eligible for any incentive/support and assess the impact/outcome of the support activities. We also recommended that effective steps be taken to implement exporters rating system and frame logo rules to ensure that exporters adhere to set benchmarks in quality. The Board may evaluate the impact and effectiveness of all its marketing and promotion activities on tea promotion in international and domestic markets by fixing appropriate criteria/ benchmarks.

*Tea Board agreed in December 2009 with the recommendations and proposed to put in place a mechanism by March 2012 to assess the impact of promotional support being provided. It further stated that logo usage and monitoring norms are being put in place and quality norms to accompany the logo would be finalised thereafter without indicating any time-line. Tea Board also agreed to review the effectiveness of various promotion activities including tea council and domestic promotion and take measures to streamline the activities by March 2012.*

**Conclusion**

**8.15** Market diversification efforts including exploring new markets through its overseas offices and other promotional activities have not yielded any effective results and exports have remained largely stagnant. The three schemes for promoting exports viz., Export Incentive Scheme, Transport Subsidy Scheme and Export Promotion Scheme had not made even marginal impact and benefitted only 11 *per cent* of total exporters. Domestic promotion where more than ₹36 crore were spent without specifying outcomes to be achieved, no formal evaluation of benefits derived was done. Medium term export strategy covering introduction of Indian tea logo, exporter rating system and market portfolio diversification was also not implemented fully. Tea Board neither fixed any target/outcome in any schemes nor laid down any mechanism to measure impact of such schemes. As a result, India's export share has declined from 15.17 *per cent* in 1993 to 11.15 *per cent* in 2010.

**We are of the view that Tea Board's proposed course of action and timelines for improving the results of Marketing and promotional schemes can be achieved only when Tea Board is able to frame a long term strategic plan and detailed plan for marketing of Indian tea. The plans should clearly identify the weaknesses including those brought out**

in our Report as well as the Medium Term Export Strategy and appropriately devise schemes and action plan with the proper involvement of all stakeholders.