*Mini Case 3* Tetley’s Teabags - Sustainable Competitive Advantage

Tetley is a market leader in the world teabag market and originator of the round teabag. On the face of it, the round teabag was only an incremental change from the traditional square version. However, through the process innovation required to support the production of the new product, Tetley gained sustainable competitive advantage. When the company developed the round teabag, it knew that with suitable marketing, this new product could capture significant market share. Advertising copy was based around the better cup of tea that would result from bags where the tea could circulate better. Tetley knew that competitors would quickly try to copy this product innovation. So the company decided not to discuss it with its normal supplier of manufacturing equipment. Instead, it hired Cambridge Consultants Ltd to develop a new manufacturing line for round teabags. When the new product was introduced, the competition was unable to obtain similar manufacturing equipment quickly and Tetley maintained its lead.

Tetley became part of Tata Tea in 2000, forming the world’s second largest tea com­pany. Tata Tea is itself a subsidiary of the Tata Group, a successful, growing conglomer­ate with a reputation in India for doing business responsibly. In addition to tea, Tata also has interests in a broader group of beverage companies which includes Eight O’Clock Coffee in the USA and Mount Everest Mineral Water, with its Himalayan brand of mineral water in India.

Andrew Dobson, Director of Global Innovation at Tetley says/innovation is critical. It’s really important to continually bring new and fresh things to market which surprise and delight, whether that’s simply a new blend or flavour, an entirely new product or a new route to market. It’s also vital to stand out from the crowd and consistently communicate what makes the Tetley brand unique and better than its competitors. A good product is one thing but in our competitive environment, it is equally important to be innovative at getting our message over to consumers. The objective of our inno­vation programme is to be one step ahead of our competitors and develop brands and products that offer consumers both functional and emotional benefits. We've built a reputation as pioneers in the tea industry - we were the first to launch the teabag, the first to “change the shape of the market” by introducing round teabags in 1989 and then the “no-drip” drawstring bags in 1997, and the first big “black tea” brand to really branch out into new and exciting varieties such as green tea and rooibos (an infusion of the leaves of the rooibos plant drunk as tea). We’re always looking for new ways to revolutionize the tea industry and our relationship with the Tata Group gives us access to greater resources and exposure to a different culture which is global, acquisitive, fast moving and responsive to change’.