

# **How To Start and Run a Successful Tea Business**

**Adagio Teas Wholesale**

**July 2025**

## Index

- Strategies for Success in the Business of Tea – 3
- How To Succeed in Tea – 3
- Why Start a Tea Business? – 5
- Developing a Retail Strategy for Tea Shops – 6
- How to Define Your Tea Brand – 7
- How to Compete in the Specialty Tea Industry – 9
- How to Develop a Tea Brand – 11
- Selling Tea in Grocery Stores: An Overview – 13
- A Guide to Tea Sales in Food Service – 15
- How to Sell Tea to Specialty Shops – 16
- How to Register A New Business – 17
- Starting Your Tea Business – 18
- How to Select the Best Retail Location – 18
- The Pros and Cons of Hiring a Broker – 21
- Tea Business Startup Costs Explained – 22
- What Are the Key Drivers of Profitability – 24
- How to Select a Point-of-Sale System – 25
- What is the Best Time to Open a Tea Shop? – 28
- Your First 6 Months: The Critical Window – 29
- How to Open a Tearoom – 29
- Selling Tea Online: Is It Right for You? – 32
- A Tea Business Website Launch Guide – 33
- How to Launch E-Commerce On a Shoestring – 35
- Defining Your Tea Brand’s Target Market – 36
- Understanding Customer Behavior – 36
- How to Build Customer Loyalty – 37
- Tea and Caffeine: What You Need to Know – 39
- How to Prepare the Perfect Cup of Tea – 41
- Discover the Health Benefits of Tea– 42
- Navigating FDA Rules on Health Claims– 44
- Emphasizing Tea’s Health Benefits: Pros & Cons – 45
- Choosing the Right Tea Vendors – 49
- Tea Sourcing: Direct vs. Wholesale – 51
- Why You Should Learn to Taste Tea – 51
- How to Devise a Tea Menu – 52
- How Many Teas Should You Offer? – 54
- Tips for Naming Your Teas – 55
- How to Write Tea Descriptions – 56
- Blending Teas: Key Considerations – 57
- Organic Tea: Is It Worth It? – 57
- Does Your Tea Need to Be Fair Trade? – 59
- Offering Tea Bags: Pros and Cons – 60
- Tea Packaging: What’s Required? – 62
- Packaging Tips for Premium Teas – 65
- Does Your Tea Need an Expiration Date? – 67
- Tea Accessories: What to Offer – 68
- SEO and Online Ads for Tea Brands – 69
- Grow Your Tea Brand on Social Media – 69
- Hiring Employees for Your Tea Shop – 70
- How to Hire Passionate Employees – 72
- The Secret to Success: Your People – 72
- How to Train Your Tea Staff – 73
- Selling vs. Consulting in Tea Sales – 75
- Tea Education Online Resources – 76

## Strategies for Success in the Business of Tea

Is the US Tea Industry strong and growing, or is it currently characterized by struggle and heartbreak, where only a few survive?

The answer might be... both! Without question, there is a ton of money to be made in tea, and a lot of fun to be had along the way, but any business venture holds the potential for failure.

Our conversations with many tea retailers and wholesalers shape these views. This anecdotal evidence suggests that most tea businesses have seen sizable increases in sales with consumers seeking leafy beverages for a variety of reasons. While retailing in physical shops has taken a backseat during the heart of the pandemic, consumers are happy to have in-person tea consultations as well as buy tea online. Tea is now widely accepted for its vast range of flavors as well as for its inherent benefits. With more and more consumers adding tea as an essential part of their daily lives, the category seems well set for continued expansion.)

The more complicated truth is that while the quantity of tea shops in the US has roughly doubled over the last decade, start-ups are inherently characterized by risk. The US economy has seen incredible expansion and prosperity over the past 50 years. Yet, during this time, we've also seen 2/3 of new businesses fail, so careful research is wise and pays for itself in success.

There are a lot of opportunities out there for tea selling. We can tell you stories of incredible success achieved through sound strategy and hard work. It is possible. But be critical, be careful, and do your homework. Vision, passion, and a romantic idea are simply not enough. Relying on the feedback of friends (which is often irrationally optimistic) and the feedback of passionate tea connoisseurs (which is fantastic but far from mainstream), too many people get sucked into ideas that just don't have legs. Too many people decide to move forward based on vision and gut feel while ignoring the numbers. Aim to avoid such pitfalls.

## How To Succeed in Tea

To be successful in tea, you need to pick a customer and rock their world. It can be hard to tell the difference between a business strategy that will make you king of a niche and one that will leave you floundering in a sea of competition. Still, it's often little differentiators that make all the difference to a company's long-term success.

The number of tea businesses that are trying to be all things to all people is appalling. Mission statements like "appealing to the casual tea drinker without alienating the connoisseur" set up impossible business challenges. Imagine trying to sell \$18,000 economy cars on the same lot as \$180,000 luxury sedans. Do you invest in leather chairs? Are the floors Italian marble? Do your salespeople wear expensive suits? Is the music Beethoven's or Katy Perry's? If you try to cater to both customers, you'll fail to make either happy. There's a decent chance both will be uncomfortable.

If you have a great location and a beautiful store, you'll get a ton of curious customers stopping by. If you have a good product, attractive merchandising, and engaging sales staff, you'll convince a lot of those curious customers to buy. But to succeed, you need them to come back. And here's the rub: The customer who is interested and willing to make a small initial purchase is not necessarily a customer who will ever become a regular, much less a raving fan.

Most Americans appreciate good meat, good cheese, good bread, olive oil, wine, chocolate, etc. Very few, even those who consider themselves connoisseurs, actually go to specialty shops for these products (butcher, bakery, chocolatier, etc.). Instead, we purchase all of these things at the grocery store. We're well aware that we can find better products in specialty shops, but like most Americans, we value time more than the incrementally better experiences that are available.

The customer who is passionate enough about a specialty food product to go to a specialty food store is a rare breed. This customer has different expectations, different tastes, and different preferences. You'll get casual consumers intrigued by a connoisseur shop, and you'll get connoisseurs frequenting a casual store. That said, customers appreciate authenticity, and they can smell a fake a mile away.

Many brands can attract a broader audience by being very narrow and dedicated (i.e., intensely authentic) than by trying too hard to appeal to everyone and coming across as generic. Most importantly, the only way to become king of your niche is to do a better job serving a particular type of customer than anyone else.

The key to this lesson is that you need to leave the grocery store customers to the grocery store, and create a product collection and shopping experience that is remarkably different from anything else you can find anywhere else. Many industries are so crowded that creating a differentiated brand and experience is nearly impossible. Tea is still very young. Every business still has an opportunity to make a lasting impression. So pick a customer, and rock their world.

It's easy to get caught up in secondary goals when developing a business strategy, but the core mission remains to share tea with as many consumers as possible. To accomplish this, what do you want a new customer to think as they walk out the front door following their first purchase? It's not really "Wow, what an amazing store." It's not even "I love this company". No, what you want imprinted on a customer's mind as they leave your store is "I love tea and I can't wait to get home and drink this stuff!"

An environment that brings the customer closer to the leaf and delivers an experience that causes them to fall in love with tea will, by definition, be differentiated and "sticky". The customers will come back, will tell their friends, and will give you their business if you can spark a passion for tea that mirrors your own.

So now it's back to the strategic drawing board. Forget the decor. Forget the snacks. Forget the question of seating. Forget the location. There are only two questions: 1. How does a consumer new to tea get intrigued and ultimately captivated by the leaf? 2. How can you break through the shell of an experienced tea connoisseur and re-ignite that sense of passion and wonder that caused them to fall in love in the first place?

## Why Start a Tea Business?

Why do people drink tea? It tastes good, and that is an obvious prerequisite. The benefits must be stellar for people to keep consuming something they dislike. Taste is, of course, a critical component, but many things “taste good”. We choose between all the tasty options for other reasons. There may be four reasons that Americans (and probably all people) choose tea over other beverages: escape, alertness, health, and identity.

### *Escape*

For many, tea is a ritual. Regardless of whether it's a beautifully precise ceremony or a stumbling, fumbling teabag in a cup at 5 am, it's part of our day. We break for tea for the same reasons that others take a walk or smoke a cigarette. We push back from the task at hand, clear our minds, regain our perspective, and find a moment of peace in a crowded and stressful day.

### *Alertness*

Like it or not, caffeine has a tremendous impact on our nervous system and is highly addictive. Studies have shown that a significant part of our appreciation for caffeinated beverages is the alertness and feeling of vitality that we get from drinking them. If you drink any caffeinated beverage, your brain is now hard-wired to prefer it over other options. Tea is special in that it also has L-Theanine, a naturally occurring component that helps you focus, so instead of the jitters, you get calm, focused energy!

### *Health*

For years, the media have been flooded with stories on the health benefits of tea. Ties have been made to weight loss, cancer, cholesterol, diabetes, and seemingly everything else that ails humanity. Regardless of whether or not you buy into any particular claim, it's clear that tea is good for you and a significant part of a healthy diet. Drinking tea in place of most other beverages is excellent for your health. Many Americans give tea a second look for this reason alone.

### *Identity*

This one covers a broad swath of reasons, from ethnic tradition to chosen hobby. Some drink tea because they were raised that way, and that's what they've always done. Others choose tea because it fits into the image of their idealized self: connected to nature, healthy, and socially and environmentally conscious, etc. Some drink tea as a hobby, learning about and collecting teas and teaware from around the world. Many take tremendous personal pride in their identity as an enlightened drinker of premium teas.

Understanding what drives your customer is critical to crafting appropriate marketing messages and sales approaches. You can help people choose which product to buy based on flavor, origin, or competing features, but you can't begin there. Too many of the people walking past our door equate tea with warmth, illness, bitterness, boredom, and stuffy traditions. Merely showing them your products won't work. You must begin by inspiring desire and giving them a reason to care! You must start by showing them why tea is so much more than just a commodity

tea bag. After all, they're entering the store or coming to your website because they are curious and wondering what this tea shop is all about.

Through marketing and imagery, through a customer engagement process, and the stories we tell, your job is to show the casual consumer how the real experience of quality tea can improve their lives. Yes, tea can do this.

## Developing a Retail Strategy for Tea Shops

Most new tea businesses fall into one or more of the following categories: Retail, Café, or Restaurant.

### *Tea Restaurant*

The advantage of a restaurant is that your product appeals to the vast majority of the local consumer base. Eating out is an American pastime, and getting people to try a new restaurant is not difficult. There are a handful of truly successful tea restaurants in America, and the owners will be very open in telling you that tea is simply a theme, a hook to differentiate their business. They are not in the tea business; they are in the restaurant business, with all of the stress and work and high volumes and low margins that entail. In a restaurant, the speed at which the staff refills your customer's water is more important than the quality of your tea.

Here's an example. In 2006, TeaGschwendner opened a Tea Bistro in the trendy Lincoln Park neighborhood of Chicago. It had a beautiful location, 300 of the world's finest teas, seating for 29, and a chef who used to be the assistant chef at one of the top restaurants in

the US. USA Today named the Halsted Street TeaGschwendner one of the 10 Great Tea Rooms in America, less than 30 days before it closed its doors for good.

We are not saying that you shouldn't open a tea-themed restaurant. There is undoubtedly a market for it, and it has been done successfully, profitably, and with a great deal of romance. Check out the Samovar Tea Lounge and their four locations in San Francisco. They do have very cool tea rooms with a retail element. That said, the retail element is a minuscule part of their in-store sales. Most importantly, the daily workload and challenges of the manager, chef, servers, and hosts are identical to those in any other restaurant. The only difference is the menu and the decorations.

### *Tea Café*

For a while, this was the most common strategy for new tea shops in the US. Modeled after the ubiquitous coffee shop, tea cafes were popping up everywhere. But they are cut from a different cloth. First, Starbucks effectively addressed the consumer need by creating a "third place" (a space between work, home, and Starbucks) where customers could hang out, congregate, and feel at home. Think Cheers without the stigma or the hangover. As a third place, the primary differentiators are comfort and convenience. According to the Specialty Coffee Association of America, 70% of coffee shop customers choose their shop based on convenience. With well

over 25,000 coffee shops in the best locations across the US, do you want to compete with Starbucks over comfort and convenience?

Most tea cafes have mediocre food, mediocre tea, mediocre profits, and a ton of customers with laptops and empty cups of tea.

Also, ask yourself, how many people do you know who do their holiday shopping at a café? The biggest season of the year in the tea business is the gift-buying season. In cafes, the retail product is the stuff of impulse buys. Typically, cafés are not destination gift shopping! Too many entrepreneurs go into the business thinking that they can combine the revenues and profits of a tea retail shop with a tea café (or a tea retail shop with a tea restaurant) and that the combination will make them successful. Based on the experience of hundreds of such attempts across dozens of industries, this rarely works. Usually, the combination of two different models results in a business that does neither particularly well. Consumers go to cafes and retail stores for totally different reasons, and any energy you expend on one side of the company may leave you vulnerable to a less distracted competitor on the other side of the business. Your mission, your message to the customer, and your staff training needs to be focused.

### *Tea Retail*

Put simply, we define a tea retail shop as one that focuses on selling dry tea. We're in favor of offering tea-to-go (being able to sample the tea is rather critical), and are not opposed to seating, but the seating should not be so much or so prevalent that the customer mistakes the shop for anything like a café. (Note: If you have any seating at all, you have to have a handicapped accessible customer bathroom. That means more space and less cost. If you have 10 seats or more, you have to offer both a male and female, handicapped accessible bathroom.)

While none of the tea café models have succeeded in going national without deriving more than half of their business from coffee, three tea retail chains have been able to grow to a substantial size. At one time, TeaGschwendner had more than 145 Retail stores in 9 countries on four continents. Teavana had hundreds of locations in the US, Canada, and Mexico. Ten Ren had 136 stores in 7 countries. Maybe you aren't looking to build a national chain, but these success stories demonstrate a real opportunity to find meaningful profits while focusing on the sale of tea.

## **How to Define Your Tea Brand**

One of the hardest lessons to learn in business is how to pass up an opportunity. Most of us will acknowledge that you can't be all things to all people, can't make everyone happy, and can't land every sale. At the same time, we struggle to say "no" to opportunities that could make a sale or help us grow our businesses. Suppose an entrepreneur enters a category because they believe they can do something better than it's currently being done. In that case, that same confidence can become a critical liability for any entrepreneur or business that fails to draw a hard line and decide who not to be.

### *Example #1: The Tea Shop*

We've seen the inner workings of very successful, very profitable food-service operations with a strong tea theme (bistros, cafes, and tea rooms). We've seen the inner workings of very successful, very profitable tea retail operations (selling packaged or bulk teas and accessories). We've yet to see anyone manage to blend the two without dramatically sacrificing the success of one or the other (or both) parts of the business. Consumers don't do their holiday shopping in a restaurant or cafe, and someone looking for a cafe or restaurant does not prefer the ambiance of a retail store.

We are well aware that people have managed to create hybrid businesses that include both elements and turn a profit. At the same time, no one has been able to convince us that their business is more profitable than it would be as a more focused operation. Hybrid companies are undoubtedly far more complex and challenging to manage.

Can you find the best meat at a butcher shop or a supermarket? Are the best wines at wine shops or liquor superstores? We shop at big-box stores for the convenience of one-stop shopping. Alternatively, some people shop at the local neighborhood grocer because it's down the street from where they live. A specialty tea shop will never offer the convenience of a superstore and cannot survive on local traffic alone (outside a handful of major cities). Most importantly, we have to assume that the shop that spends 100% of its time procuring and selling the finest teas will have a better selection, better product, and better-trained staff than the shop that splits its time between finger sandwiches, mopping the kitchen, and selling premium Japanese Teas.

### *Example #2: The Online Shop*

A small business is going to have a difficult time beating companies like Harney & Sons, Rishi Teas, and Englishteastore.com at their game. These companies have extensive collections and move a tremendous amount of product. Sure, you can carry more teas or offer lower retail prices, but you'll have a hard time matching their efficiency and profitability.

While it may be difficult to get search engines to recognize you and convince the average tea drinker that your site is the single best place for all things tea, there is a huge opportunity to focus on a subset of the business and become something that these large companies cannot: niche experts. Take the examples of the butcher and wine shops above to the next level. Imagine the impact of a site dedicated to aged Pu-Erh, Japanese Green Teas, or Taiwanese Oolongs. Many online startups are focusing on wellness and self-care as their core offering and theme. The opportunities abound for creating powerful visuals, telling compelling stories, and building a strong brand around a niche of the tea business.

### *Example #3: Wholesale*

We'll be honest, the wholesale tea market in the US pains us. More than half of US wholesalers buy from other US wholesalers. Most of the big Specialty Tea companies in the US don't even buy directly from the source, but instead go through brokers and resellers in other countries. The tea supply chain is an incestuous mess, and the result is that if you spend \$10 each on 10 packages of tea from different vendors, you'll get anywhere from ten cents' worth of tea to \$4

worth of tea in each package. Prices often have little relationship to value. Many independent tea shops pride themselves on their shrewd purchasing skills and source from a dozen different wholesalers to get the best teas and reduce their risk and reliance on any one vendor. How shocked many of them would be to find out that in some cases, the teas from half of those vendors all leave from the same warehouse, just in different "Private Label" boxes.

This might make wholesale appear a bright, shiny opportunity for a small tea business. After all, you are considered a tea expert in your local community and are surrounded by specialty shops, restaurants, and cafes that express interest in buying tea wholesale. For these businesses, tea is an afterthought - a minuscule side business that is not worth spending too much time investigating sourcing options. The small retailer gets excited by the opportunity and begins the wild goose chase of meeting the needs of these small retailers. They need packaging with certain information, point of purchase displays, storage options, marketing materials, in-store signage, and training.

We've seen this story time and time again. Launching a new offering always takes significantly more time and money than you expect. While the first few wholesale customers come on board with excitement, the sales are small, and the wholesale business doesn't grow nearly as fast as you expected. Selling something you already have to someone who comes into your store is easy and profitable. Changing the way you do business to chase a small wholesale account proves painful and distracts from your core business. Most importantly, if tea ever does become a meaningful income stream for your new customer, they will begin to investigate their options and find that you are far from the lowest-cost provider, and they will take their business elsewhere.

For most small tea entrepreneurs (and for many larger tea companies), selling wholesale to restaurants, cafes, and specialty retailers is a side business at best. Including the investment of time and the distraction from your core business, it would be wise for most tea companies to avoid wholesale altogether, or at a minimum, avoid changing their product, packaging, and operations to chase the opportunity. Selling to those who approach you is fine, but building a wholesale sales staff and going after small and medium accounts is risky even for large tea companies.

In summary, focus on what you do best. Don't get distracted by ancillary opportunities. It's hard to pass up a sale, and it's equally challenging not to explore creative ways to expand your business during tough times. But always be cautious of any strategy that waters down who you are and what your customer sees as your focus. There is undoubtedly a market for curiosities and tchotchkes, but be careful lest your specialty tea shop becomes a joke.

## **How to Compete in the Specialty Tea Industry**

Too many in the Specialty Tea industry are fighting a gentleman's battle and losing as a result. Many tea shops are doing a poor job of appealing to all existing tea lovers, let alone converting new ones. As we look at the market on a national scale, we see a need for more competition.

The result will be far fewer casualties among independent shop owners than most expect, and a far healthier and faster-growing industry in the long run.

The Specialty Tea Industry is chasing 11% of the US population. According to a study by Mintel, 75% of American households buy packaged tea products, and 15% of those purchase loose-leaf tea. According to those numbers, just over 11% of US households are buying loose-leaf tea. Chasing the 11% is a painful and expensive process. Traditional advertising is far too pricey if only 11% of your audience is predisposed to your product. The prospects for opening a retail store are similarly bleak if only 11% of the foot traffic has any genuine interest.

Converting the other 89% to loose tea lovers is going to require giving consumers better access to high-quality tea. We need to cultivate curiosity and inspire passion. One of the best ways to create buzz and increase the pace of customer conversion to tea is through more competition in Specialty Tea.

"Tea" is an extensive category, and a "tea shop" could be anything from Old English with a focus on black teas to an Asian shop with a specialty in green or oolong tea. A more universal tea retailer that carries 300 varieties of loose teas and herbs must be, by definition, not an English or Asian shop. Whether they admit it or not... whether they're doing it intentionally or by accident, every tea shop appeals to a particular crowd more than others. You simply cannot be all things to all people. It's impossible to cater to pu-erh connoisseurs and fruit tea enthusiasts with equal effectiveness.

The market is not a zero-sum game. This is especially true in tea, where 80% of American Households buy tea at some level. We're pretty confident that we could find a tea or tisane that would make 95% of consumers say "I like tea". The prospect of clawing out a share of a tiny market is not very appealing. What's even more exciting is the potential to introduce quality tea to a broader audience of consumers who have never tried it, thereby expanding the market!

To say it another way, the introduction of competing brands and retailers does not saturate the market - it grows the market. The American consumer loves to consume! Even in the current economy, consumption is far less about physical need and far more about recreation, entertainment, and emotional fulfillment. Consumption is about acquisition and discovery.

Open a new tea shop in a town, and the curious consumers will stop by for a visit. The ambiance, decoration, product selection, pricing, and service will appeal to a third of the audience. Half of those will fall in love with the product and become loyal customers. The rest will remain casual consumers. After a time, the "newness" wears off, and the shop owner is left searching for a way to re-energize the business.

Open a second shop in town, and the cycle begins anew. The consumers are curious. Sure, the first shop will lose business for a time as their loyal customers test out the new offering, but assuming we're not all a bunch of copy-cats, the new store will appeal to a different third of the audience. Most importantly, more people will be drinking and talking about good tea. As more people drink and talk about good tea, the appeal of good tea rises. Tea moves from niche to mainstream.

When wine was a niche luxury, it was considered rather boring and stuffy by most consumers. As wine became more mainstream, a working knowledge of good wine became a social necessity. Wine quickly moved from a niche product with a small core following to a social phenomenon with a great deal of romantic cache.

Coffee is another good example. In 1991, most Americans drank coffee, primarily bad coffee. There were 1,650 coffee shops in the US at that time. By 2006, there were more than 25,000. In some cases, the demand grew faster than the distribution, but in the vast majority of markets, the first specialty coffee shops were met with skepticism. Everyone assumed that Starbucks would never make it in their town. The availability of options bred curiosity, and eventually, just about everyone who had the palate to appreciate the taste of coffee had a shop or brand that appealed to them.

If Specialty Tea is to grow effectively, it must be able to support multiple tea businesses in a trade area. Specialization among these businesses will allow each to focus on what they do best, and thereby do a better job serving the customer.

## How to Develop a Tea Brand

Consumer uncertainty is the enemy that is slowing the growth of the Specialty Tea Industry. In far too many cases, the buying public has no good way to know whether or not the tea they are buying is fresh, clean of contaminants, a good value, and will deliver a rewarding experience. Consumers are hesitant to pay a premium for a luxury or gourmet product when they are uncertain of its value. As a result, the vast majority of tea drinkers in the US retreat into the predictable mediocrity of mass-market tea bags on grocery store shelves. There has to be a better way.

The grocery store is a terrible place to build a premium brand or convert casual tea drinkers to loose leaf connoisseurs. Sure, some people will try a new product on the shelf, but most buy what they know. At a minimum, they buy products that fit within the price and packaging templates they are used to. There is no question that consumers will purchase gourmet products in a grocery store, but that's typically the case when the brand is already known from another environment.

When we, as consumers, see a luxury brand at a reasonable price at the grocery store, we respond enthusiastically. Starbucks, while admittedly not luxury, can fetch a premium price on the grocery store shelf because the product is well recognized and associated with a distinctly non-grocery brand. Branding is key, and the information vacuum of the grocery aisle is a terrible place to build a brand.

In the grocery store (and in too many tea shops), buying gourmet tea is a similar experience to buying designer handbags or clothes at a flea market. Is it real? Is it fresh? Does the vendor even know or care? Will the buyer be disappointed? Apart from a small subset that derives tremendous satisfaction from finding deals, consumers prefer to buy luxury goods in a luxury

environment, and most grocery stores are certainly not that. Sadly, most tea shops also fail to deliver.

Building a brand requires a story and experience. A tea shop is a terrific place to build a brand. The consumer enters with curiosity, and you have the opportunity to engage. Some consumers will respond to sensory engagement, some to intellectual, others to cultural or even spiritual engagement. In the end, tea offers a wide range of options for turning curious consumers into customers. But has this experience established a brand?

The first step to building a brand is engaging the customer on their level. The second step is to establish a relationship. Many small tea shops do an excellent job of this. The third step is what separates experiences from brands, and that's the ability to replicate the experience. Most tea shops are their brand, and the only way to replicate the experience is to return to the shop. This is great if you live or work down the street, but tea is not central enough to most people's lives that they will go to great lengths to replicate a good tea experience.

Imagine going into Joe's Wine Shoppe and finding that every bottle is a private label. There are Napa Merlots, Sonoma Pinots, and Russian River Chardonnays, but all are Joe's private labels available only at this one store. There are two big problems with this. First, while you may decide to buy something, it's unlikely you'll spend much on this unfamiliar label. Second, the pleasure you'll derive if you find the wine excellent will be less because you know it will be hard to replicate. Wine drinkers love discovering new labels and then being able to use that knowledge at the restaurant or their local liquor store. The wine industry is driven, in part, by the cycle of discovery and replication that builds loyalty to a particular brand.

Too many tea shops deliver an experience that can't be replicated, and the relatively high risk of investing in an unfamiliar brand depresses the sales that would otherwise be possible. This is part of the reason that Teavana was able to open stores that grossed more than a million dollars a year while so many beautiful independent tea shops struggle to pass \$250,000. The ubiquity of the chain establishes the brand, and the brand provides Teavana with credibility. These two examples illustrate how independent retailers can surmount this challenge:

Fava Tea in Appleton, Wisconsin, initially offered both branded (Rishi, Adagio, and Harney & Sons) teas and their private label line. Customers are then able to compare products and pricing, and Fava Tea gains a tremendous amount of credibility in the process. Over time, they scaled back the outside brands and have successfully become an excellent purveyor of their line of teas.

Seven Cups in Tucson, Arizona, is an awe-inspiring small company. In addition to buying directly and importing into the US, Seven Cups can work directly with small gardens in China that have no way to get their product to US shores without going through brokers or wholesalers. On the distribution side, Seven Cups has a small tea shop in Tucson where they can engage the customer and offer a rich experience. As importantly, their teas were once also available in local high-end grocery stores like Whole Foods. Finally, they have a quality website.

The feedback loop offered by these three distribution channels is a winning strategy. A Whole Foods customer passing by the Seven Cups shop will be pleasantly surprised to recognize the brand and realize they can get a richer experience in-store. A Seven Cups store customer will

be thrilled by the convenience of finding the teas at their local grocery store. All customers, regardless of their location, will appreciate the convenience of finding the product online. Each distribution channel has an exponential effect on establishing the brand and lending it credibility. A customer of Seven Cups had a high degree of confidence that their investment would pay off and that their tea experience would be replicated each time they buy.

The entire industry would benefit from less focus on private labeling and more on transparency. While it may be a stretch to hope that each independent tea shop will give up the pursuit of establishing their brand, at a minimum, we need to do a better job of talking about a tea's source garden or region. "Anhui Keemun" instead of just Keemun. Just like the appellation "Napa" signifies quality in wine, we need to talk more about where our teas come from. A Silver Needle from Fuding in the Fujian province of China should fetch a higher price than a generic Silver Needle with no known heritage.

## **Selling Tea in Grocery Stores: An Overview**

What's the difference between the success or failure of a new tea on the grocery store shelf? Packaging. In the long run, quality certainly matters. Still, before the consumer can be impressed by your quality, they first have to be impressed enough by your packaging to make that initial investment and give your product a try.

We recognized the importance of packaging in consumer behavior before designing our packaging for bagged and loose teas for wholesale distribution. We developed custom boxes for our individually wrapped pyramid tea bags. Because these bags contained the same, high-quality loose tea we sold elsewhere, we called this product realiTEA. These boxes each contain 15 bags and retail for between \$8 and \$19. We also designed some very cool tins for our loose teas. This visibiliTEA packaging had a clear lid with a UV coating so that customers could see the tea, but it wouldn't be harmed by exposure to the light. These tins typically contained about 4oz (more or less, depending on the leaf) and retailed for between \$10 and \$30, depending on the tea.

What we didn't realize was that most of the tea you see on the shelf at your local grocery stores doesn't sell. OK, so that's an overstatement, but suffice it to say that most of them don't sell enough to make a profit. Many companies purchase shelf space to get their products in front of consumers. Just because you see it on the shelf doesn't mean many people have bought it in the past or will buy it in the future.

The tea products that do sell well in a grocery setting (even a premium grocery store like Whole Foods) are those priced around \$5 or less. Even the people who work at Whole Foods will admit that most customers don't read the packaging, don't pay attention to the amount of tea they are getting, and don't understand 90% of what they are looking at.

They buy based on price, familiarity, and packaging. The best way to encourage customers to try a new line of teas is to design eye-catching packaging and price it around \$9.

For the foreseeable future, the grocery channel will never replace the role of Specialty Tea Retailers online or in small tea shops across the country. You simply can't please a tea connoisseur with a \$9 package of tea bags. But there also aren't enough tea connoisseurs buying tea in grocery stores to support the number of expensive tea products already on the shelf. Please consider carefully whether that is the right area of competition for your business. Here are just some of the concerns:

*Company Stability* is a key criterion of large buyers. New companies or brands pop up (and go out of business) all of the time, and serious buyers have learned to avoid unproven products. To establish your brand in the minds of the buyers and convince them that you're here to stay, consider exhibiting at national and regional trade shows. You might need to pitch your products to buying committees once a year for several years before they decide to give you a shot.

*Buying Shelf Space* is an option for those who don't have a few years to establish their brand and convince the industry that they are for real. Each grocer/retailer handles this a little differently. Some, like Whole Foods, never sell shelf space (but are also very hard to get into). With others, it would not be uncommon to pay \$5,000 per SKU to put your packaged tea products on the shelf for one year. A collection of five different teas would then cost you \$25,000, multiplied by the number of retail/grocery partners you work with.

*Shelf-Ready Packaging* is an absolute pre-requisite. Your packaging has to be highly professional. Grocery customers select their tea based on two criteria: packaging and price point. They lack understanding of quality, fail to recognize most brands, and overlook the quantity of tea in the package. Most customers will choose the best-looking package that is \$5 or less (or \$10 or less in some gourmet stores).

*Competitive Price Points* are critical. While there are tea drinkers who will pay \$15 or more for a 4-ounce package of loose tea, those consumers are not likely to buy their tea in the grocery store. Grocery store tea drinkers are much more price-sensitive. Based on looking at the loose tea shelf at a high-end grocery store, one might conclude that the more expensive teas sell reasonably well in many cases, but that's not the case. Remember, just because a product is on the shelf does not mean it sells. The wholesaler may have purchased that shelf space, or the grocer may keep it in stock to stretch the price points (retailers often carry a few expensive products to make others appear less costly by comparison and move the "middle" up the price ladder). In some cases, 80% of the sales volume may go to 20% of the products on the shelf!

*Distributors* are another key element to the Grocery and Large Retail supply chain. Because they do not want to buy from hundreds of small vendors, many grocers and retailers, or regional distributors. This reduces the burden on you for warehousing, fulfillment, and customer service, but also eats heavily into your margins.

*Brokers* are another vital piece of the puzzle. While many brokers are costly and will represent a wide range of products in addition to yours, a good broker will already know the key decision makers and can gain you an almost immediate audience with top buyers. Many of the larger buyers would be entirely overwhelmed by offers and proposals from small brands looking to get on the shelves, and so they use the brokers as a way to filter out those who are not serious or not ready. A broker won't jeopardize their reputation by representing a company that is not

ready. Hiring a good broker is a sign that you have arrived. But buyer beware. A broker will take your money with no guarantee of success. Choose carefully.

The opportunities for meaningful revenues and profits selling tea into Grocery and Large Retail remain limited, primarily to extensive tea wholesalers with deep pockets. You will find specialty brands on the shelves. Still, the presence of the product does not mean that they are profitable or that their business model is sustainable, given current buying patterns among the bulk of tea drinkers in the US. This is an acceptable strategy for a small company looking to gain exposure, but the speed of adoption and sales results will likely be less than you expect.

## **A Guide to Tea Sales in Food Service**

You may find this surprising, but food-service and hospitality buyers do not purchase a lot of tea. A busy restaurant might serve 20 cups of tea in a day. At 3 grams each, that's about two pounds a month. Let's assume you buy in large quantities and can get your tea at \$12 a pound. You sell it wholesale at \$20 a pound. Your revenue is \$40 a month from the restaurant with a net profit (not including shipping, storage, or any other overhead) of \$16. Weigh the profit potential against the time and effort to land the account, and most people would conclude that it's not worth even pursuing this business.

A medium-sized independent cafe (\$500K in annual revenue) might sell 400 drinks a day. Even if 10% of those are tea-based, total monthly consumption comes to about 8 pounds of tea. Using the numbers from above, your revenue would be \$120, with net profits of \$60 a month.

Of course, there are cafes doing over \$1 million a year, and there are chains upon which you could build a business with one account. The problem is that the larger buyers will either choose a distributor for convenience (Kehe, UNFI, Tree of Life, Sysco, and others can serve a range of needs from tea and coffee to pastries and paper products) or they will buy from a national tea wholesaler for the best pricing.

Wholesaling to food service is the classic chicken-and-egg conundrum. To build a profitable wholesale business, you need to be able to land large accounts. To land the large accounts, you typically need an established wholesale operation with strong relationships and dramatic economies of scale.

Many new, small wholesalers invest significant amounts of time and money (mostly time) into landing small accounts or convincing existing businesses to start carrying higher-quality teas. Once landed, the accounts head in one of two directions. Either tea will remain a small side business and therefore contribute little to the bottom line of the customer or wholesaler, or if tea does take off, the wholesale customer will start paying closer attention to sourcing options and will find a supplier able to offer better pricing or service. Small wholesalers often absorb the majority of the development costs and then lose out on the long-term success.

The most significant benefit of establishing a base of food-service customers is often not profit but rather brand-building. A great way to develop a new tea brand in a local community is to land your teas in prominent restaurants, cafes, spas, hotels, etc. Even if you only cover your

costs of service, getting your teas in front of area tea drinkers can have a powerful impact on building a loyal customer following and driving traffic back to your store or website.

If you choose to pursue this business, you'll run into a second chicken-and-egg challenge. Most food-service operations don't have the necessary tools to make good tea. They need water that is filtered and heated to the proper temperature, large filters for brewing loose tea, and either teapots or appropriate teacups. You'll find that the majority of food-service buyers are currently using teabags, and their water is tap water pulled from a coffee maker at 180 degrees. They don't sell much tea because they don't have good water at the right temperature. Because they don't sell much tea, they're hesitant to invest in a proper water boiler, filters, and teaware. The best tea served in typical fashion at even a fine restaurant is mediocre at best.

Until restaurants and cafes are willing to invest in the proper equipment and procedures for preparing and serving tea, the customers will be unwilling to pay several dollars for a cup of quality loose tea. The key to overcoming this challenge often comes down to finding tea lovers or more forward-thinking entrepreneurs looking for a way to differentiate their business.

To summarize, wholesale tea sales into the food-service arena remain either the playground of large wholesalers with strong economies of scale or a brand-building opportunity for local retailers.

## How to Sell Tea to Specialty Shops

It is crucial to separate Specialty Tea Shops from other Specialty Retailers that carry tea. There are a lot of retail concepts in which a small collection of teas (loose or bagged) will sell well. For these, the preferred strategy is usually to sell an existing brand with shelf-ready retail packaging. The only burden on the retailer is to select a vendor and unpack the packages onto a shelf. Selling to small retailers who are not focused on tea requires excellent packaging, a streamlined sales and service approach, and solid margins. Most small retailers who are selling a packaged product will expect a 50% margin (a 100% markup).

The math typically works out to something like this: A wholesaler buys a tea for \$10 a pound and repackages it in four 4-ounce packages. Let's assume the packaging costs \$1 each. The wholesaler will sell each package to a retailer for \$5 each, netting the wholesaler a 6% margin (on \$20 in gross sales). The retailer then sells each package for \$10. A larger wholesaler might get the same tea for less than \$10 and thereby get a higher margin. In addition, more elaborate packaging may reduce margin by costing more than \$1 per package (including tins, labels, etc.)

The challenge for a small wholesaler to create a profitable business selling to small retailers is that the primary driver of success in a mixed retail environment is brand recognition and packaging quality. Brand recognition is challenging to develop, and excellent packaging is expensive. The larger premium brands on the market have huge economies of scale in sourcing teas and packaging, and big leads in the branding arena.

Conventional wisdom is that selling teas to a tea shop is a much more attractive business model. These customers move a lot more tea and have a better understanding of what they are

buying. Some independent tea shops will sell under someone else's brand, but most purchase loose teas in bulk and repackage under their name. Selling bulk loose teas removes the requirement for fancy and expensive retail-ready packaging. The flip side is that a tea shop buying bulk teas in larger quantities is going to expect better than a 50% margin, especially since they have to cover the labor and costs of re-packaging. Specialty Tea Shops target anywhere between 50% and 70% margin on loose teas.

These margins are tough for a new, small wholesaler to meet without huge quality sacrifices. At the end of the day, a large wholesaler who imports directly might sell a good English Breakfast Tea for \$10 a pound. They'll offer the same price directly to the retailer and the small wholesaler. So, how does the wholesaler find a profit in that? By buying in quantity. The more you buy, the lower the cost, but this becomes a chicken-and-egg challenge. If you don't have the money up front to buy a lot of inventory, then it's hard to make a profit.

As importantly, most Specialty Tea Shops sell a wide variety of teas. One hundred fifty teas is not an uncommon number. To build a profitable business selling to Specialty Tea Shops,

you need to carry a wide variety of teas in enough quantities to turn a profit. Even then, you'll be competing directly with the wholesaler you buy from, who will get your profit margin and theirs when selling directly to the target customer. Long story short, anything is possible, but the challenge of launching a tea wholesaler realistically requires a lot more capital than opening a retail shop. The opportunity for most tea businesses is to treat wholesale either as a side business or as a chance to help build a brand. Wholesale as a profit center is difficult and expensive!

## **How to Register A New Business**

When starting a new business, typically, you would apply for a business license with your state or other local government. This is especially true for food service businesses, where you may also need health department approvals, or if you are operating a physical shop. Requirements vary by state, so be sure to check local business resources to find out more about the requirements for your business.

Additionally, you may need to apply with the US Federal Government for an EIN (Employer ID Number). The IRS offers information on its website to guide you on the application process: <https://www.irs.gov/businesses>

Most wholesale vendors require either a business license or a Federal Tax ID proving that you would be purchasing as a commercial entity versus a consumer.

Many new business owners elect to incorporate by establishing their business as an LLC (limited liability company) or other type of legal business entity. Be sure to

investigate these options (also explained on the IRS website) and the reasons for each as you set up your business.

## **Starting Your Tea Business**

When planning a tea business, some of the first things to consider are the type of business, naming your business, and working on a business plan.

Some types of tea businesses are physical tea shops for in-person shopping, online-only e-commerce shops, tea rooms, and tea bars. You can start up as simply as selling tea at farmers markets with a table, tent, and simple packaged teas, or as elaborate as setting up a boutique tea shop with all the bells and whistles. Frequently, we see new businesses starting up as online shops with plans to expand later to have a physical location. Consider whether you wish to sell only dry tea or also offer brewing and serving options.

For all these business types, it is essential to devise a business name that conveys something about your business and is catchy and easy to remember. Using the word 'tea' in the name instantly lets people know that your business is tea-centric, and it helps from a marketing standpoint.

A business plan is a document that helps you to define your business goals and strategies for achieving them. A variety of templates can be found on the internet, but essentially, they guide you through determining your business objectives, identifying your target market, analyzing the competition, budgeting, conducting cost analysis, setting financial goals, establishing a leadership structure, and developing marketing plans. It can be essential in helping you have a deeper understanding of your business and thus lead to greater success. Your state likely has a resource for small business start-ups, which may also have templates as well as other guides for getting started.

## **How to Select the Best Retail Location**

In Retail, success is all about location, location, location. We all 'know' this, and yet the majority of tea shops are in terrible places. The problem is one of experience and perspective. Understanding the profile of your typical customer is crucial, as it helps in projecting their buying preferences and behaviors. Many tea entrepreneurs incorrectly assume that their customers will behave like them, forgetting that they are a unique group. So, what might be the 'perfect location' for your store, and how can you avoid making mistakes in your selection?

The perfect location for a retail tea shop is one where there is a significant concentration of consumers who are primed to shop. An ideal example is several women meeting in a retail shopping area to spend the day shopping. They browse from store to store, stop for lunch, and then resume their shopping. The purpose of the trip is not to buy anything in particular, but to shop! For these customers, shopping is the target activity, and they are intentionally seeking new and engaging shopping experiences and new and interesting products. This is not to suggest that women are the only customers of a tea shop, but merely to paint a vivid picture of the consumer mindset that will make a tea shop most successful.

Let's agree that the ideal location is surrounded by consumers who are primed to shop and looking for new and interesting stores. It is easy to exclude the vast majority of retail locations. It's essential to avoid making up scenarios to justify a particular location, as it can lead to poor decision-making. Instead, simply ask yourself which shopping areas are well known for attracting throngs of people who are not going to a specific store and are not running errands, but instead are going to shop!

Most tea entrepreneurs will quickly agree with this ideal scenario, but then will cite several myths as justification for choosing the lesser rents or the closer proximity of secondary locations:

*Myth #1: Tea lovers will find me.* There are not nearly enough tea lovers out there to support a retail store. According to a study by Mintel, 75% of US households purchase packaged tea products at some point each year. 15% of those purchase loose tea. That gives you roughly 11% of US households that have purchased loose tea in the past year. While there are certainly tea lovers who only drink bagged tea, it's a safe assumption to say that MOST "tea lovers" purchase at least some loose tea, and so we use this 11% number as an estimate for the percentage of "Tea Connoisseurs" in the US population. A fraction of those will care enough about tea to go out of their way for a Specialty Tea shop. About 5% of the US population is sufficiently interested in tea to visit a Specialty Tea shop if it's near their destination, and likely 1% of all consumers will travel specifically for a Tea Shop.

*Myth #2: I'll drive traffic through advertising.* Advertising will help, but you should consider it a strategy of last resort, not a primary path to success. Advertising very rarely gets people interested in something they don't already buy, so you're only advertising to 11% of the population. Even then, the majority of those who might be interested in your offering won't respond. (What percentage of advertising do you see is for something that you buy over a year? What percentage affects your buying behavior?) The rule of thumb in marketing is that a consumer needs to be exposed to a marketing/advertising message an average of 16 times before they notice and react. (How much advertising can you afford?)

Your best form of advertising is a well-placed storefront! Suppose you are located in a shopping area where consumers go and are already predisposed to shop. In that case, you are effectively advertising to people who are in the right mindset and already within sight of your store. Spending an extra \$1,000 a month on rent to be exposed to more shopper foot traffic is far more effective than spending those same dollars advertising to people that may or may not care and may or may not ever visit the area where your store is located.

Marketing is a key tool for creating customer loyalty and keeping people coming BACK to your store. Every tea shop should have a marketing budget! However, it's essential to understand that marketing is ineffective for attracting new customers. Setting realistic expectations in this regard can help you allocate your resources more effectively.

*Myth #3: I'll pick up customers from traffic to X.* You might be counting on high volumes of foot or vehicle traffic to high-end grocery stores, restaurants, theaters, gyms, salons, yoga studios, business centers (commuters), and tourist attractions. Regardless of whether or not the customer walking by is your target customer, you should dramatically discount any form of traffic that is not focused on retail shopping. The explanation is straightforward: if you are on your way to the grocery store, the movies, dinner, the gym, the salon, or work, how likely are you to see a cool new tea shop and stop in to check it out? You need traffic that is primed to shop! Tourists may be more valuable than some of these other forms of traffic, but only if they are doing touristy activities that are conducive to carrying shopping bags. People who are sightseeing or on their way to the beach are unlikely to walk around with a bag of tea and a teapot.

Vehicular traffic is worth even less. Most people drive past stores every day that they've never actually noticed, and the likelihood that someone will see a new store and stop in on impulse is extremely slim. In fact, high vehicle traffic may actually depress your sales because all the noise and commotion are likely to deter the type of relaxed foot traffic that will stop outside your window and take note.

The simple truth is that your rent will likely be between 10% and 25% of sales\*. You need to view rent as buying customers. If you can double your foot traffic and sales by doubling your rent (while keeping many other costs steady or rising only slightly), then why wouldn't you? Don't take the risk of a secondary location! Your odds of covering your expenses from the day you open are significantly better if you open in a prime shopping location than in a secondary one, and it takes months to build a customer base. Decide for yourself which of these theories applies to your future location:

*Theory #1: Select a location with no real competition (where no one is selling products of your caliber or offering an experience that rivals yours), and you can attract all the specialty tea drinkers.*

This is the most common approach to selecting a location for a tea shop. Except for ethnic communities, it is rare to see several tea shops nearby. There is a large potential customer base in just about any market that is currently underserved, but developing a market is often slower and more expensive than offering a more competitive product to an already established customer base.

*Theory #2: Position yourself near a perfect competitor, and you create an even bigger draw for your product or service. Tea lovers will come from farther away because there are TWO great tea shops to visit. The apparent boom in popularity of premium tea will entice the curious novice.*

Theory #2 is rare in the tea industry, but is ridiculously common with good restaurants, clothing stores, and boutique shops in general. Consumers like to go somewhere that offers a "critical mass" of whatever it is that interests them. Customers like choices, and so long as what you are

offering is genuinely competitive in terms of quality, price, service, and experience, you'll do just fine.

## The Pros and Cons of Hiring a Broker

A good real estate broker may be key to finding the best location and negotiating the best deal possible. Here are a few reasons why:

*The best locations are usually leased before they go on the market.*

Unless you are very well connected in your community and know the landlords, there is no good way around this one other than by using a broker. Long before an existing tenant is out, they will have to let the landlord know that they will not be renewing their lease. Usually, the word will spread through the real estate community, but no sign is put in the window because the tenant still has rights to the space and does not want to alarm the staff or existing customers. A good broker will use their connections to sniff out spaces that will become available in the future, and the best spaces are usually leased before the sign even goes up in the window.

*Many landlords will only deal with brokers.*

When you call the number on the For Lease signs in the windows, you may never get a call back. Landlords and leasing agents often become frustrated with the time-consuming process of responding to and qualifying all potentially interested tenants, and they tend to ignore those without representation. It's much easier to work with a dozen brokers who will weed out those not serious than hundreds or thousands of potential tenants.

*A good broker can help you negotiate a good deal.*

How much space is being leased for? Do you know what the landlord has offered in terms of rent abatement or tenant improvements in the past? Any idea how likely it is that the city will require you to put in handicap accessible customer bathrooms? Is the landlord currently negotiating with any other potential tenants? Your broker should be able to answer some or all of these questions for you, and those answers can make a huge difference in selecting the right space and negotiating the best deal.

*So you need a broker, but how does it work?*

The broker will ask you to sign a representation agreement stating that you will work only with them for a fixed period. They will assist you in finding space and negotiating a deal. In return, you will guarantee them a commission of a certain amount. The amount differs depending on the market, but typically ranges from \$10,000 to \$20,000 per location.

That's a hefty price tag, but the good news is that the landlord should pay some or all of that. Because the landlord relies on brokers to find and qualify tenants (and may refuse to return your direct calls), they will usually offer a commission on the full price of the lease. A typical commission is 3%, but more or less is certainly possible. For example, let's say you lease a

1,500 square foot retail space at \$50 a foot for five years. The total value of the lease is \$375,000, and at 3% commission, the broker gets \$11,250 from the landlord. You are responsible for paying the broker the difference between the commission in your representation agreement and the commission they get from the landlord.

In the case of larger spaces or more expensive markets, the brokers usually get 100% of their fee from the landlord, much the way residential real estate brokers are paid out of the proceeds of the sale of a house. However, if you are looking at a small and/or inexpensive space, you may have to contribute a significant amount of money to the broker's commission. The theory is that it takes roughly the same amount of time to find and negotiate a 10,000 square foot restaurant space as an 800 square foot tea shop.

Finally, you should be aware that it's up to the landlord whether or not they offer a commission at all. Smaller private landlords may refuse to provide any compensation to the broker, leaving you on the hook for the full amount!

## Tea Business Startup Costs Explained

Sure, it's nice to have, but are all those expensive design elements essential to open a successful Tea Shop? Every week, we hear from existing and prospective tea entrepreneurs asking variations on this same question. We believe that a quick survey of the retail market and an analysis of human behavior answer this question.

The cost of opening a Tea Retail shop is about \$250,000 (more for a Tea Room). This number is based on our research into the typical opening costs for the host of national retail chains that operate similar-sized (800 to 2,000 square feet) locations.

While you can't argue with historical data, the question persists: "Why do these companies all choose to pay so much for store build-outs when it can be done for so much less?" For many people, a \$250,000 investment simply isn't an option. So the search begins for alternative strategies and some way of justifying going after the same objective with a fraction of the recommended budget.

If you've been around the Tea Industry for long, you've probably met people who have opened tea shops for anywhere from \$20,000 to \$150,000. Here's the recipe: Find a space in move-in condition, buy basic shelving from Ikea or similar, and purchase the bare minimum in equipment and functionality. After all, you don't need expensive lighting, hardwood floors, granite countertops, custom-built millwork (furniture and fixtures), and an enterprise-class Point of Sale system to sell a bag of tea. The answer to the question, the argument in favor of investing the money, is Human Psychology and Competition.

Human Psychology, in this case, is the consistent preference that consumers show for luxury. By luxury, we don't just mean expensive products, but also costly retail environments. One example from the product side: if the objective of buying a car were simple transportation, the average vehicle sold in the US would not be a 4-door sedan for \$27,000. The customer isn't just purchasing reliability; they are also buying styling and finishes. In short, they are purchasing a

product that fits their self-image from a brand that fits their self-image. The most obvious example of how Human Psychology drives product purchases is the apparent preference for name-brand products over generics, even when there is no discernible difference in ingredients or quality.

This same argument holds for E-Commerce sites. A quick online search will yield thousands of websites selling tea. Why would companies invest hundreds of thousands of dollars in design, pictures, and functionality like customer reviews or integration with social media if you can sell the same product on a \$5,000 template shopping cart? Human Psychology. Customers prefer purchasing higher-quality websites due to their ease of use, better customer service options, perceived credibility, perceived security, and perceived advantages in product quality. Well-designed websites sell tens of millions of dollars' worth of tea every year, while 90% of all tea websites never get past a couple of hundred dollars per week in sales, never turn a profit, and never become more than a hobby for their owners.

Human Psychology also drives the selection of a retail store. Discounters have been successful in attracting the highly budget-conscious shopper with bargain-basement prices in exchange for less "premium" shopping experiences. Even if you could drive huge volumes and handle razor-thin margins like Walmart, tea does not lend itself to this style of retailing. While tea isn't expensive, gourmet tea is undoubtedly a luxury good in comparison to milk, eggs, and underwear. The typical premium tea drinker and your target customer is probably not doing all their shopping at stores like Walmart, Aldi, and Payless.

Retailers like Williams Sonoma, Nordstrom, and Pottery Barn understand that beautiful, comfortable shopping environments are a prerequisite to attracting customers with disposable income and an appetite for luxury. The same logic that says you don't need a luxury store to sell a luxury product suggests it makes no sense for anyone to pay full price for this year's designs/products when you can go to the outlet mall and get last year's designs/products for 50% off. And yet, most consumers choose to pay full retail for the latest fashions. Most consumers shop at "premium" grocery stores and willingly pay premium prices because they like the softer lighting and wider aisles. American consumers prefer premium retail environments and are willing to pay a premium to shop in them.

Possibly more important than the apparent preference for better-designed and more expensive retail environments, there is a significant portion of the population that relies on branding cues and subconscious assessments of quality in deciding whether to trust a retailer in the first place. Consumers don't much like buying eggs from a convenience store, designer handbags from a mom-and-pop discount store, or clothes from Sam's Club. What is it about a small, independent retailer in a secondary location with vinyl floors, fluorescent lights, and utility shelving that gives the consumer confidence that they are likely to find fresh, high-quality teas from around the world at fair prices?

Finally, while you may be able to fill a vacuum in your market by opening a shoe-string tea shop, you're putting whatever investment you can afford to make in severe jeopardy. How long will it be before someone with more money looks at your shop and decides to open a "better" storefront in a better location? In short, even if you can get it open and break even for a fraction of the cost, you will be supremely vulnerable to competition.

No one can credibly say that it's impossible to beat the odds and open a successful shop on a shoestring budget. That said, you need to understand the risks. In our experience, the odds of success increase dramatically the more money you spend on design elements that convey quality and professionalism. They say that more than 70% of new businesses fail in the first five years; however, about 70% of new companies with adequate funding do succeed! The question is this: would you rather invest \$50,000 on a 20% chance of long-term success, or \$300,000 on an 80% chance of long-term success? To believe that the additional cost of premium lighting, flooring, shelving, packaging, etc., doesn't matter is to blatantly ignore the mountain of evidence offered by the hundreds of thousands of existing retail stores across the US.

## What Are the Key Drivers of Profitability

Five key metrics will drive your short-term growth and long-term profitability:

*1. Rent should be less than 25% of sales.* You'd like to see rent below 20% of sales, but you can make do with 25%. The differentiating factor here is the dramatic range in rents between urban and suburban areas and different parts of the country. If you're in a less expensive part of the country, you may be able to find rents in the \$20s. At the end of the day, what you're buying is quality foot traffic. Rent is one factor that you shouldn't cut corners on. It's a lot less expensive to pay for a location with high traffic than it is to try to bring customers to a mediocre location.

*2. Labor costs should be 30% of sales or less.* Your budget for part-time payroll will not be tied to sales, but rather the minimum staff required to run the store. You need one or two people on the floor, whether you expect \$300 in sales or \$1,000 in sales. You might not need a third person on the clock unless you're expecting sales to exceed \$1,200 for the day, as sales rise above the "minimum staffing level", total labor costs should track at or below 30% of sales. You also have to factor in any benefits, payroll taxes, and insurance costs. They are all part of the cost of labor.

*3. All other non-product-related expenses should be less than 8% of sales.* This category includes utilities, marketing, office supplies, cleaning supplies, insurance, and other miscellaneous costs. You should be able to break even with these expenses at 8%, but a good long-term target is to keep non-product costs to 5% of sales.

*4. Total Cost of Goods Sold should be 40% of sales or less.* If you've been doing the math, you know that 25% rent, 30% labor, and 8% other expenses have already eaten up 63% of every dollar you sell. If you hit the metrics above, you'll be losing money if you have to pay more than \$3.70 for a product that sells for \$10. In addition, Cost of Goods Sold (COGS) covers a lot more than just what you pay for a product. It also has to factor in credit card fees (approx. 2% of sales), shipping, and packaging.

Shipping can quickly eat up profits. For example, many teaware companies are located in California. Shipping teaware from LA can cost between 10% and 15% as much as the product. To keep your COGS under 40%, you would need to buy a teapot for \$20, pay \$3 to ship it, and then sell it for \$65. That's just to break even, and does not include packaging.

Packaging can vary dramatically depending on your average sale. Let's assume that you buy 4oz of tea for \$2.00, pack it in a \$1 tin, give the customer a \$0.50 shopping bag, and include in the bag a \$0.50 brochure about your company. The tea costs you \$2, and the packaging costs an additional \$2, so you need to sell that tea for \$10 to break even, and that doesn't include shipping.

5. *The size of my average sale is one of the most important measures of profitability.* This metric ties into most of the other measures of profitability. If you can achieve a large average sale, you'd need to attract fewer customers and may get by with a smaller space. Fewer customers also reduce labor costs as a percentage of sales. Finally, larger sales decrease the relative price of marketing collateral and packaging (the flier and the shopping bag cost you \$1 whether you make a \$5 sale or a \$50 sale).

## How to Select a Point-of-Sale System

Depending on your technical aptitude and proclivities, choosing a Retail Point of Sale system may feel like a joy-ride of potential or a carnival fun-house full of trap doors, warped mirrors, and grinning salespeople. The simple truth is that a good Point of Sale (POS) system can be a cornerstone for your business and a tremendous aid in managing workflow and implementing reliable systems. A bad POS system can complicate and frustrate your operation, leaving everyone (customers and employees) with a poor impression of your business.

We'll simplify a rather complex array of options into three basic components. A computer-based Cash Register lets you ring up and track sales, charge appropriate taxes, accept credit cards, etc. A Retail Management System helps you run your business and manage "back office" things like employees and inventory. Most modern point-of-sale systems include both of these components to some degree.

The system that's right for you depends in large part on the complexity of your business. For example, will you have one store or multiple stores? Will you sell wholesale? Will you sell online? You can purchase very simple computerized cash registers and handle all of the "Retail Management" manually. Still, there are some pretty cool systems out there that will make you much more efficient and allow you to focus more of your time on growing your business. Working on your business rather than in your business (or in this case, in the back office). Here are some of the features that you may require:

### ***At the Point of Sale***

- Advanced control of user rights allows for granular management, down to individual buttons or options on the screen, to control what different levels of users (i.e., cashier vs. manager) can do.
- Powerful search tools
- Options for offering discounts and price adjustments
- Support for coupons, gift cards, vouchers, store credit, etc.
- Place multiple transactions on hold and retrieve them for processing

- Search for past transactions and re-print receipts. Sell items by weight, case, set, or kit
- Suggest relevant add-ons or up-sell items

### ***Inventory Management***

- Assign and view the following for each item: department, category, sub-category, multiple suppliers, multiple bar codes, similar or associated items, and pictures.
- Store and view historic information on each item, including costs and movement (sales/transfers/inventory adjustments). Calculate the figure and store loaded cost information (including shipping and other user-defined costs) and automatically re-calculate the average price every time a new product is received.
- Able to set min/max order levels, including automatically based on sales history
- Integrate with the General Ledger in the accounting program to track all inventory movement and adjustments.

### ***Pricing***

- Create price tables/matrices that allow multiple pricing levels
- Assign price levels based on customer type, department, category, etc.
- Mix and match quantity pricing with user-defined rules
- Maintain discount history with effective dates
- Support lot pricing (single, case, pallet, etc.)
- Support coupons, vouchers, and complex discount schemes

### ***Purchasing and Receiving***

- Manual or automated generation of purchase orders based on available stock and reorder points.
- Generation of purchase orders based on sales history
- Receive against the purchase order
- Print price tags and bar codes at receiving
- Interface with inventory and General Ledger to update average cost of items, on-hand quantities, and appropriate AP/AR accounts

### ***Customer Management***

- Store and view contact, billing, and shipping information
- Store and view notes and preferences
- Able to connect purchases to customers for reporting and marketing
- Able to assign custom pricing or tax status by customer

### ***Employee Management***

- Tie every transaction and inventory action to individual employees
- Assign security access levels to employees

- Built-in time clock with reporting
- Messaging application for internal communications

### ***Reporting***

- Robust reporting tool with copious built-in reports. Reporting is one of the most critical aspects of your system. Remember, it's not just about the report engine! Compare what each system is capable of tracking. The more complex systems can give you a LOT more insight.
- Easy customization of reports and creation of new reports
- Automated report generation (email reports based on schedule)
- Able to assign custom pricing or tax status by customer

### ***Multi-Store Support***

- View detailed customer and inventory information at multiple stores
- Transfer inventory between stores
- Manage products and pricing from Headquarters
- Ability to view, update, and report on each store's data in real-time
- Automated and seamless integration between all systems. Data should never have to be entered twice!

### ***General System Features***

- Fully functional training mode (practice with offline store data)
- Extensive help menus that are context-specific (clicking a help button on a screen shows you that information, not just the Help index)
- Extensively customizable screens and menus (i.e., ability to hide disallowed or disabled features)
- Networkfail-safe (able to keep ringing up sales while the network is down)
- Accurate client/server database for reliability and easy integration with other systems

### ***Hardware Support***

- Cash drawer
- Signature capture pad
- Scale
- Touch screen monitor
- Pole display/customer-facing screen
- Receipt printer
- Barcode scanner
- Portable data terminal for physical inventory counting, invoicing/and order entry

You must choose your battles. If you enjoy tinkering with computers and configuring software, you can save 20% to 40% by assembling your system, skipping training, and taking other

shortcuts. (That's assuming you get it right quickly and don't spend weeks trying to figure it out or end up paying someone to redo it in the end.) If you're not a computer geek and will be more valuable working in other parts of your business, just accept that it's going to cost some real money to do it right and consider it a required business expense.

There are a lot of options and price points out there. Balancing all options and including all hardware, software, peripherals, and professional services, expect to spend between \$5,000 and \$10,000 for a one-lane system in a single store location. If you're looking to be more aggressive, put a couple of lanes in each store, and support more than one location, you should be prepared to spend upwards of \$15,000.

## **What is the Best Time to Open a Tea Shop?**

While timing won't make or break your business, it can have a significant impact on how quickly you break even and how much cash you need to reach the promised land of profitability.

The perfect model, run by a great team and supported by professional marketing, will work smoothly regardless of when you open it. That said, most new businesses and new stores will require a little trial and error, a minor creative adjustment, before you can say with confidence that the store, the staff, and the merchandising are ready for prime time.

For a business that makes its money selling tea and teaware (as opposed to a tea café or tearoom with a food service focus), the key to a successful year is holiday sales. For a store that's open all year, you'll likely find that the 4th quarter accounts for 40% of annual sales, and each week of December (leading up to the 25th) will yield approximately the same revenue as a month in the summer. This seasonal spike, while still present, is much less extreme for operations that derive a good portion of their revenue from food service (or tea service).

The heavy focus on December sales means that a store opened early in the year may not break even for up to 11 months. While this can be painful, the worst-case scenario comes in the form of a store opened too close to the holidays. With no established customer base, people aren't thinking of you when they plan their holiday shopping. If your brand or product is at all unfamiliar, the likelihood that the customer will stock up on tea is pretty slim. It's even less likely that they'll spend a few hundred dollars buying presents.

The perfect time to open a tea retail store depends on the efficiency and readiness of your operation. If it is your first store, we recommend May 1st. May is historically a strong month for tea retail, thanks in part to Mother's Day and in part to people out and about enjoying the weather. Sales over the summer will be slow, but this will give you time to test your systems, train your staff, refine your product collection, and perfect your merchandising and marketing. By the time that business picks up in the fall (as people stock up on warm-weather drinks), you'll be ready to make the most of the renewed interest. Most importantly, you'll have a strong customer base heading into the holiday shopping season.

## Your First 6 Months: The Critical Window

When you open a retail store, you have about six months before your new neighbors don't see you as "the interesting new store on the block," and the hype you had when you first opened your door decreases. When you're a new store, your neighbors want to see what just opened and help your store succeed. Connecting with hotels, cafes, restaurants, and other stores will never be easier than it is during those first six months.

The idea of hitting these outlets quickly seems like a no-brainer, but given that it comes second to in-store tasks, it falls to the back of the list. We suggest having a plan of attack for networking before the launch of your store. This way, you already know who you want to target and the most tactful way to approach them. This certainly irons out the process and saves you time when you'll need it most. By researching key businesses in advance, you now just have to set up the meeting, give them the pitch, and close the deal. Given that you're new, most places are happy to provide you with time and hear you out, so that shouldn't be an issue.

If you've ever sold tea to cafes, you know that price is important, but it isn't always the primary concern for many small business cafes. Many of the small business owners we've sold tea to don't seem to care as much about the price as they do about customer service and the relationship we created with them. Additionally, they value the story they're buying into and the reliability of buying from someone local. I've found that people buy people, and that's been the one issue we've run into when getting cafes to switch.

While setting up events with local places hasn't been a problem for us, getting into some local coffee shops has posed a bit of an issue. It amazes us that we can offer a product of equal quality, lower price, comparable packaging, and next-day delivery, and we still don't get the business because their current supplier of tea is "such a nice guy." Good customer service can go a long way.

## How to Open a Tearoom

Is it any wonder that so many tea lovers dream of opening their very own tearoom? Whether the vision is traditional English, tranquil and trendy Asian, or some modern fusion, I've never met a tea lover who doesn't get excited by the prospect of sitting down to enjoy a few tea-inspired dishes and a flight of premium loose teas with friends. If what Americans buy is mostly marketing, packaging, and experience, then what could be better than a perfectly executed oasis of tea? The flavors, history, and romance are simply unparalleled.

*Understand Food Service.* The first key is to understand what it means to work in food service, and understand that your tearoom will be a food-service establishment regardless of the specifics of your approach and menu. Consider the differences between a Chinese restaurant, a Japanese sushi bar, an American steakhouse, a Spanish tapas restaurant, and a Brazilian steakhouse. The customer experience, menu, and decorations are dramatically different. At the same time, the daily workload and challenges of the manager, chef, server, and hosts are

identical. A tearoom is a restaurant with a tea theme. If you're not prepared to go into the restaurant business, you'll be sorely disappointed.

*Understand Customer Expectations.* According to a study by Mintel, 76% of American households have packaged tea products in the pantry (loose or bagged). 10% of American households buy loose-leaf tea. So while most consumers are familiar with tea, a small percentage can be considered tea connoisseurs who go out of their way for a premium tea experience. The advantage of adding food to a tea-based business is that it attracts a broader consumer base, rather than just the few percent who are tea connoisseurs. The flip side of that is that if you are attracting the average consumer instead of just tea connoisseurs, you are competing against all other food-service establishments. Your key differentiator – being the only tearoom in your area – is just a marketing angle to the average consumer. Your average guest in a tearoom is going to care a lot more about the quality of the food and the speed of the service than the quality and selection of tea.

You will, no doubt, be very proud of your ability to infuse tea into your menu. The average customer will enjoy the upgrade, but it only works best if your dish is as good or better than that offered by competing restaurants. The truth is that since your ingredient costs will likely be higher and your volume lower, your dishes will be more expensive and therefore must be better. The average consumer will pay a premium for something different once, but will only come back if the experience is better than what they can get elsewhere.

When it comes to tea, the average consumer and casual tea drinker will typically prefer inexpensive flavored tea to premium, single estate, gourmet specialties. You'll go into business dreaming of flights of First Flush Darjeelings or Chinese Oolongs, but that's not what you'll serve. The reality is that most customers will prefer the pricing and taste of their fruity teas and tisanes over a perfectly prepared flight of premium classical teas. This is especially true in a setting where they're also eating food and therefore less able to discern the nuances of the tea.

An appreciation for fine teas is taught and developed over time. Very few customers in a tearoom or bistro will have any patience for education and experience. Most are there with friends to grab a bite to eat and talk. A server that tries to educate or discuss the product is often seen as an intrusion. You'll be tempted to go out of your way to make the tea connoisseurs happy, but don't forget that your model is based on attracting casual tea drinkers!

*Understand how Retail complements food service.* Most prospective tearoom owners want to offer a retail section where customers can buy teas and teaware. This is a great idea. Just don't think that you can take a \$500,000 tearoom and a \$500,000 tea retail shop and combine them for \$1 million in sales. The likely result will be maybe \$600,000. In a food-service environment, whether it's closer to a restaurant or a café, retail displays are about impulse buys. People do not do their Christmas shopping in a restaurant or café.

People walking down the street will very rarely step into a tearoom to shop for retail. Section unless they also intend to sit and eat. This might not be how you plan it, but that's how it works. If someone wants a bottle of wine, they go to a liquor store, not any of the local wine bars with retail sections. It is rare to see anyone shop at Cracker Barrel unless they're also eating there. The customer assumes that the shopping is an extension of the dining experience. The diner is not in a shopping frame of mind, having already spent a lot of time in your establishment

and a decent amount of money. The likelihood that a diner will spend more than a few dollars in your retail section is very low.

Samovar Tea Lounge operates three beautiful tearooms in San Francisco. While they've been extraordinarily successful and have generated a ton of national attention, they've never been able to drive retail sales beyond a few percent of their total in-store business.

*Understand the Hours and the Implications.* Traditional tea time is between 1 and 5. This is the slowest period of the restaurant day. In short, tea service may be a great way to drive traffic during the slowest hours, but your tearoom cannot survive on tea service. You will need to capitalize on both the lunch and dinner rush. The only food-service concepts that can survive on one rush per day are huge volume breakfast concepts, lunch concepts that cater to high-density business areas, or high-priced fine dining concepts. It is difficult to make a tea room survive without finding a way to stay busy from lunch through dinner. A successful dinner menu will likely require alcohol and a kitchen. You can cater lunch and tea service items, but dinner is a bit harder.

If your model is more of a café (modeled after the ubiquitous coffee shops), then of course dinner won't be your focus, but then your hours need to be early morning through late evening to drive the sales necessary for success.

*Understand the Staffing Implications.* Employees who are adept at learning about and getting customers excited about tea may not want to serve tables or mop bathrooms. The employees who can handle serving 5 or 6 parties at a time are not going to learn the nuances of your finest teas. The best servers are going to leave you and go to a restaurant with more expensive dishes and alcohol. A server can make twice as much at a chain like Olive Garden than in a tearoom because the traffic and average tickets will be higher, and they get to make their money in tips.

As importantly, an employee engaged in a consultative sale should be able to spend 10 minutes or more with a customer discussing the finer points of tea. The typical café or tearoom customer waiting for service will grow impatient very quickly watching your staff "chit chat" with another customer. This is a challenge that's difficult to overcome unless your retail and foodservice sections are entirely separated. Even if they are, your employees will gravitate towards the immediate service needs of the foodservice guests over the slow, focused process of the consultative sale. It's tough to slow yourself down and engage a customer when you have tables waiting for their check or food waiting to be served. Can you afford to hire both dedicated retail and food-service staff?

*Understand the Costs.* You can open a great retail tea shop in under 1,000 square feet. However, to have enough seating to support a kitchen, you really need at least 2,500 square feet. Labor costs are higher, equipment costs are significantly higher, and the build-out is often very expensive. A Panera sandwich shop is neither huge nor beautiful, but it costs more than \$1 million in cash upfront to open one.

Does that mean you need a million dollars to open a tearoom? Certainly not, but if you don't understand why a Panera would cost \$1 to \$1.5 million and can't explain where and how you're going to do it for less, you have a lot of homework to do.

If you're looking for someone to learn from on the tea and food-service side, pay a visit to the Samovar Tea Lounge in San Francisco and the Queen Mary Tea Room in Seattle. Each is an impressive and profitable business that has an excellent reputation in the tea industry. Each also takes a different angle on the company.

## **Selling Tea Online: Is It Right for You?**

The market for specialty tea in the U.S. has exploded in the past 15 years, and the pace of growth is only accelerating. All of this action is either excellent news or terrible news, depending on your perspective. The good news is that specialty tea is hot! New tea drinkers are born or converted each day, and old tea drinkers are rapidly moving "up market" to better quality teas. Tea is currently experiencing the same growth pattern seen previously in the markets for wine, nutritional supplements, and coffee.

As great as this good news is, the bad news is that the specialty tea trend is not a secret. In the last few years, the U.S. market has attracted leading tea retailers from around the world, with chains from Asia and Europe entering the market with aggressive growth plans. Several U.S. tea companies now have multi-million-dollar war chests, thanks to venture capitalists or angel investors. Even many regular grocery stores now sell reasonably good quality loose-leaf teas. Online aggregators like Amazon.com allow the customer to browse the tea collections of dozens of tea merchants in one convenient, trusted location. A quick search for "loose tea" yields thousands of results on Amazon.com alone.

The key to success (as in most businesses) is differentiation. Why would someone buy from you instead of someone else? In the physical retail world, the experts always tout "location, location, location". But what about online, where Grandma's Tea Room in Walla Walla, WA is just as easy to get to as Amazon.com?

Name recognition? If you haven't already developed a large customer base, you're quite a few years behind on this one. Do you have the marketing budget to make up the distance?

Trust and security? The tea merchants with physical stores and an online presence certainly have the advantage there.

Customer service? Not many new web operations can manage to ship orders the same day they are received and have someone answering the phones 24/7/365.

Design or marketing? Do you have the six-figure design and marketing budgets to compete with online tea merchants already doing several million dollars a year in business?

You may be the difference maker. Maybe you grew up amidst the tea gardens. You regularly travel to the source countries. You may be a tea scholar and can offer a compelling educational experience. Many of the entrepreneurs behind the existing online shops have incredible personal resumes or long histories with tea, and this is an excellent start at creating an online presence that stands out from the crowd.

If you are not already a tea master and the brutal reality of this David and Goliath tale leaves you feeling depressed, you may just need to be a little more creative. The truth is that the market doesn't have much use for another under-sized, under-funded, me-too" online tea shop. But that doesn't mean there isn't a wealth of opportunity hiding a few steps off the beaten path.

So, what is your niche? We'll leave that to your entrepreneurial spirit and creativity. The reality is that in the past 50 years, the stream of marketing messages has become a river and then a waterfall, quickly overwhelming the consumer. At the same time, some of the most profitable small businesses have found a way to target a specific market or demographic and appeal to that market in a way that is nearly impossible for big companies to replicate. The moral of the story is that you'll have a hard time beating the leading online retailers at their own game. To succeed, you will need to change the rules and offer something (an experience, a product, a perspective, or a story) that they do not.

## **A Tea Business Website Launch Guide**

Whether you consider E-Commerce to be your core business or simply a side offering to a tea shop, every tea business should have a website. If your core business is not the internet, at least make a small investment so that as you land customers who are visiting from across the country, you can continue serving them after they've gone home. Also, consider all the people who receive your teas as gifts but don't live near your shop. A simple website won't let you take over the tea world, but it will help you keep the customers you earn.

If your focus is E-Commerce, we recommend at least \$125,000 in capital and the ability to work without paying yourself for six months or more. In round numbers, budget \$50,000 for the initial website, \$50,000 for operations (overhead, product, and administrative costs), and \$25,000 for keyword advertising. More money is always better, but you'd be reasonably confident going to market with this kind of war chest.

Some may insist that an E-Commerce website can be created for a fraction of \$50,000. This is very true. A bicycle will get you from point A to point B. A scooter is motorized and therefore faster. An economy car offers all of the core functionality that anyone needs. Why is the average car in the US a four-door mid-sized sedan sold for \$30,000? Why do many Americans choose to pay more than \$50,000 for transportation? Customers don't choose products or services that offer only the minimum functionality. We like luxury hotel rooms, stores that are beautifully decorated and merchandised, and E-Commerce sites that are beautiful, functional, and easy to use.

The big-boys wouldn't invest hundreds of thousands in ongoing web design and functionality improvements if a five-thousand-dollar or ten-thousand-dollar site would deliver just as many sales. If the leading tea websites would cost six figures to replicate (and most of them would), do you think you can beat them at their own game for 10% of that?

OK, so the reason for having a big budget is pretty apparent, but what if you don't? That doesn't mean you should give up. The more money you have, the better your odds of success. It's not impossible; you just have to nail the design and user interface on the first try.

The time when a new website would attract customers just by existing is long gone. If all you do is launch a new E-Commerce site into cyberspace, you'll be lucky to make one sale a week, even after six months in business. The most effective way to drive traffic is keyword advertising. Google's AdWords is the king of this industry. Your advertisement will appear to customers who search for related terms like "Sencha", "Green Tea," or "Glass Teapot". You bid how much you are willing to pay for each person who clicks the link to your website. The beauty is that each customer is searching for a product that you sell, and you only pay if they click on your website.

Here's how it would work: Let's say you spend \$25,000 to launch your website (including everything from shopping cart to graphic design, inventory, pictures, and hosting). You then invest \$1,000 in keyword advertising and buy 2,000 targeted visitors to your website. If you've nailed the experience on the first try, and 10% of those visitors spend \$30, then you're good to go and can grow organically.

The math works out like this: Suppose you choose the keyword "Sencha" and pay \$0.50 per click to your website. Two thousand prospective customers click the link, costing you \$1,000. If 10% of your customers make a purchase, then you're paying \$10 per paying customer. Suppose the average customer spends \$30. If the product costs you \$10, and your cost of fulfilling the order (labor, packaging, overhead, etc) is \$10, then you broke even on that order. Now you have a new customer, and when they reorder, you make a \$10 profit.

If, on the other hand, only 5% of the visitors to your website choose to purchase, then the cost of new customer acquisition doubles to \$20, and you lose \$10 on each purchase. You then need to invest a couple of thousand dollars to improve the design and functionality of your website and another \$1,000 in keyword advertising to bring more customers. The process repeats until your conversion rate (the percentage of unique website visitors that make a purchase) is high enough to cover your cost of product, fulfillment, and customer acquisition.

How do you know what to improve to increase your conversion rate? We suggest studying successful websites. Examine the simplicity and ease of use of the interface, as well as customer service offerings like customer reviews, live chat, and same-day shipping.

In addition to studying the competition, you need to have comprehensive traffic reporting. Google's free offering, Google Analytics, probably has enough to get you started. You need to know where your customers are coming from and what they do when they get to your site. A good reporting package will tell you which links are clicked most often on each page of your site, where the customers are spending most of their time, and which pages the customers are most likely to leave. If most customers are deterred by the shipping cost, you need to increase your product price and offer free shipping. If most customers leave on the credit card page, it might be because your site doesn't appear secure enough, and you should consider contracting with a verification service. The traffic reporting is only interesting if you have a decent amount of traffic, but it will tell you exactly where your strengths and weaknesses are.

## How to Launch E-Commerce On a Shoestring

Can you launch an online tea retailer for \$10,000 or less? The answer depends on an accurate measure of available resources and your definition of success:

1. Success is a profitable business from which you can draw a salary, and that, when you are ready to retire, can be sold for a profit.
2. Success is a self-sustaining hobby. While you can't draw a competitive salary, it covers its own expenses and at times, gives you a little spending money.
3. Success is a hobby that allows you to express creativity, meet interesting people, and gain a sense of accomplishment regardless of the financial results. In other words, you don't need to work.

If your goal is scenario #3, then the only danger of failure is that the sales and/or customer feedback will be so lacking that you feel worse after investing your time and money. Under this scenario, you have a 90% chance of "success" with a \$10K investment or less.

If your goal is scenario #2, you must do a good job with web and packaging design, but you really should be able to build a part-time side business that covers its expenses and kicks a little back into your pocket. Let's say 70% chance of success.

If your goal is scenario #1, you have less than \$10K to invest, and you expect to draw a competitive salary from your business in the first year, your chances for success are less than 10%. We estimate that less than 10% of the tea websites out there are paying their owners \$50,000 a year (and most of these invested a lot more than \$10K). It's also safe to say that less than half of all tea websites are paying their owners minimum wage for their time.

Be realistic about the investment that you can make. It's not just about cash, though that certainly helps. If you can work for a year for free and have solid technical skills, that's a significant investment. If you know someone who can build the site for you, that counts too. In all honesty, if you have less than \$10,000 in cash to invest and need your operation to cover your living expenses in the first six months, your odds are a lot better in Las Vegas. Play roulette and you have a 47.37% chance of doubling your money. (Since 2/3 of small businesses fail in the US, maybe Vegas isn't such a bad idea.)

Most new tea websites that are launched with solid designs, typical e-commerce functionality, average tea prices, and backed by strong word-of-mouth advertising and aggressive community involvement deliver a couple of transactions a day. Average sales of \$30 and 2 sales a day come out to \$1,860 in sales per month. At a 50% margin (after packaging, shipping, etc.), the site makes \$930 per month to cover initial investment, your labor, and all overhead.

A hobby that pays for itself is a great hobby, but turning that hobby into a paying full-time job will require a pile of cash and a good marketing strategy.

## Defining Your Tea Brand's Target Market

When developing your new business (or even growing an established one), it helps to have a theme or focus on which to build your concept. The world of tea is vast with much to offer. By selecting a type of customer to pursue, you can determine a suitable start-up line of products to carry within that focus, fine-tune your marketing approaches, and write product copy for web or print that is aimed at carrying this message forth to your desired customer.

Often, start-up business owners find themselves wanting to share what they enjoy in a cup of tea and are eager to share this experience. In these cases, your target audience, at least initially, is someone similar to yourself. Others may see a market gap that they might not identify with personally, but see it as an opportunity that they wish to pursue.

Examples of types of tea audiences are wellness seekers, connoisseurs (fine tea aficionados), flavor adventurers, and mainstream consumers. You can further focus on subgroups within these types by demographic, certain tea types, and even by region. Many tea businesses focus on the tastes and tea needs of their local community, which is the one they often know best.

Once a target audience is determined, you can set a tea menu and plan of attack for engaging that customer. Consider what is essential to your desired consumer and how you can provide it through tea. As your business grows, you can similarly expand your range by planning your appeal to additional consumer types and determining what they seek in a leafy, tasty beverage. Define your consumer and fine-tune your message through product offering, packaging design, and store or website design to attract them.

## Understanding Customer Behavior

Steve Jobs, the venerable founder and late CEO of Apple, often cited this quote from Henry Ford: "If I'd have asked customers what they wanted, they would have told me, 'A faster horse!'" Henry Ford envisioned an innovation that the customer didn't realize was even possible. He created the Model-T automobile, the first "horseless carriage" that was mass-produced and therefore within reach of the masses, and then founded the Ford Motor Company.

Apple ignores its customers, ignores the critics, ignores the press, and ignores its employees. New products are approved by Steve Jobs and a tiny group of key employees with a vision for the future. This is from a company that was saved from bankruptcy in 1997 by a \$150 million investment from Microsoft.

So, back to tea. Customer thinking is derivative. It is based on the way they see tea today. According to conventional wisdom, a tea shop is a place where you sit and sip a cup of tea with

a good friend and eat pastries or finger sandwiches. Or, if you're a bit more progressive, a place where you sample fine loose leaf teas and modern, Asian inspired health foods. But this has been done before! There are more than 25,000 cafes in the US already, most of which serve tea and pastries. *Innovation doesn't happen in an echo chamber.*

To succeed, you should ignore what the customer is saying and focus instead on what drives their behavior. There is a big difference between what a customer says they want and what prompts a purchase.

The only people who are less honest than customers are friends and family. They'll tell you that just about any idea you have is a good one and that you should "go for it". Have you ever seen the early episodes of a season of American Idol? Most of those people were told by well-meaning friends and family that they could sing.

The moral of the story? Turn down the volume and start watching customer behavior. Look for opportunities for innovation. Look for the next big thing. There are opportunities all around us, but the next big thing is unlikely to be a carbon copy of something that already exists. An entrepreneur, by nature, thinks they can do it better. The successful ones also do something different!

## How to Build Customer Loyalty

Why is it that the keys to building customer loyalty are so obvious and yet so few companies do it well? A thousand articles and books have been written on the importance of branding, value, quality, personal service, etc. Any consumer can tell you what they want from a retailer, and most of them will also tell you that the majority of companies do a poor job of converting customers into passionate fans. The crucial ingredient that they frequently overlook is identity.

A customer who can identify personally with your product (or better yet, derives identity from your product) is golden. This is also easier to accomplish than you might think. Without getting too deep into psychology, let's agree that our self-image is a construct - a collage of facts, attributes, and preferences that make us who we are.

Professors at Berkley drive Volvos (preferably hybrids), wear Birkenstocks, have leather elbow patches on their blazers, vote liberal, and read thick, dusty books. Our image of ourselves is much more complex than our stereotypes of others, but without question, we identify with specific products and brands. Many of us go one step further and use products or brands to reinforce or communicate our identities.

Some advertising still focuses on the attributes or benefits of a product. Still, much of the focus has shifted to portraying the type of people who buy a product or the kind of lifestyle a product's customers enjoy. Some teens buy from Abercrombie and Fitch because they want to be like the perfect-bodied, perfect-faced, "popular" models that fill the company's advertising. Other teens would never shop at A&F because they reject the perceived values of the brand.

For most consumers, tea is a commodity product. They are no more likely to identify with their tea than with their dish soap. For these casual tea drinkers, simply trying your tea may not be enough to make the sale, much less establish loyalty. Your tea may be better, your service may be exceptional, your online or brick-and-mortar store may be gorgeous, but at the end of the day, it's just tea and not worth the extra effort or attention that is required for a casual consumer to become a loyal customer of a single brand.

The key to changing this dynamic - the path to the Fountain of Customer Loyalty - is knowledge. We're not referring here to the way that tea is grown and processed, the health benefits, or even the story of your company. All of that is good, but it's only the first step. The trick is to understand the individual customer and show them how tea fits their personality, their life, and their identity.

One obvious category of customer is the health-conscious. There are two types of health-conscious customers: Those who see tea as medicine and those who see tea as part of a healthy lifestyle. Those seeking medicine don't want to buy a rare tea and don't care where or how it was produced. They want to know what it will do for them. The Healthy Lifestyle group identifies with the natural beauty and health benefits of tea and finds identity in being a tea drinker. Whereas coffee drinkers are often seen as Type-A personalities (driven, aggressive, and stressed), tea drinkers are content, balanced, and kind.

The luxury consumer, on the other hand, wants rare, valuable, and expensive. For these customers, it's not just about the price; it's also about the story. "Shincha is the first flush of Japanese Green Tea. It is widely considered to be the finest and most expensive green tea in the world, is only available in the spring, and is rarely exported outside of Japan." This story appeals to the luxury buyer and is simple enough to remember and share with their friends. After all, what's the point of buying the most expensive tea in the world if you can't tell anyone about it? These customers derive satisfaction from being able to experience the best this world has to offer. Tea is a fantastic product for this pursuit because it is far less expensive than most luxury items and is also suitable for you.

The socially conscious consumer is appalled by the conspicuous consumption of the luxury buyer and is much more interested in issues like environmental sustainability, working conditions, and connection to nature. These customers derive satisfaction from acting out their values. Certifications are great, but telling stories from the source countries and building a brand that is seen as socially and environmentally conscious at its very core is more critical than the perfunctory head-nod towards Organic or Fair Trade. Starbucks is the largest buyer of Fair Trade coffee in the world. However, because their corporate image is still tied to their rapid growth in the 90s and the ubiquity of their locations, many socially conscious consumers are violently anti-Starbucks and prefer to give their business to local coffee shops.

The "Buy Local" crowd is a perfect example of consumers identifying with a company or even deriving their identity from the products they buy and the companies they buy from. The Buy Local movement is not about price, quality, or service, but rather a romantic vision of community and the perception that big business is impersonal if, not maliciously capitalistic.

Other customer types include the experiential, or sensory-driven customer, interested in flavor profiles and nuance but not in certifications or health benefits. The culturally driven customer

may only be interested in teas from one country. Then some simply love to learn. Fascinating tidbits of information on the legend or history behind a tea will captivate them. A gift buyer may care nothing for any of this, and simply wants help picking out a few products that are likely to be appreciated by someone who does care about tea.

Each of these customer types (and others) provides powerful opportunities for developing customer loyalty. To effectively capture their attention, imagination, and dollars, you need to be able to quickly recognize their identity and which characteristics of tea are likely to appeal to them. There is a saying (coined by Voltaire and made popular by Jim Collins) that has been bouncing around the corporate world for decades: "The good is the enemy of the great." The health benefits, affordable luxury, quality, flavor, history, and social conscience of premium tea are all good stories. On paper, put all together, they make tea the powerhouse beverage and business opportunity that we all love. But in practice, all of these messages become muddled and overwhelming in the mind of the casual consumer who simply sees tea as a commodity product.

To find and capitalize on the Fountain of Customer Loyalty is to master the art of recognizing and engaging each customer with the message that appeals to their preferences, their interests, and their sense of identity. Tea doesn't need to be all things to all people, but it can be an exciting discovery that lines your pockets and satisfies the customer on a very real and personal level. That is the goal, after all. We're not selling a leaf or a beverage, but an experience and an identity.

## Tea and Caffeine: What You Need to Know

Caffeine may be one of the most often discussed and least understood elements in your cup of tea. Sadly, the myths seem more widely accepted than the truths. Even many of the most widely read and respected tea books still promote the old beliefs about caffeine and tea, which have long since been proven to be nothing more than old wives' tales. Without going too deep into the science, let's discuss the truth of caffeine in tea.

Originally called "theine", caffeine was first discovered in tea in 1827. It was later shown that the "theine" in tea was identical with the caffeine of coffee, and the term "theine" was then dropped. While the caffeine in tea and coffee is, technically, similar, the experience is different due to three key factors:

1. There is significantly less caffeine in the average cup of tea, especially when including green and white teas brewed at shorter times and cooler temperatures.
2. L-theanine, an amino acid found only in tea, has a relaxing effect that counteracts the jitteriness of caffeine without reducing the increase in alertness.
3. The high levels of antioxidants found in tea slow the body's absorption of caffeine, resulting in a gentler increase of the chemical in the system and a more extended period of alertness with no crash at the end.

The biggest myth about the caffeine content between coffee and tea is that tea contains more caffeine than coffee. While this is true when measuring coffee and tea in their dry form, this is false when comparing brewed coffee and tea. After all, we usually use 2 grams of tea per 8-ounce cup, and 10 grams of coffee for the same quantity of water. A widely cited 2004 British study looked at 200 cups prepared by consumers going about their everyday brewing routines. It found that the average caffeine level in the cups of tea (black English style teas) was 40mg vs 105mg in the average cup of drip coffee.

The amount of caffeine in coffee or tea depends on several factors, including the method and length of brewing or steeping. With tea, studies also show that leaf location on the tea plant affects the content of caffeine in that tea. The youngest leaves, highest on the plant, contain the greatest concentration of caffeine and antioxidants.

The most significant impact on caffeine content is the water temperature and the length of steeping time. Black, Oolong, Green, and White tea leaves themselves have surprisingly similar caffeine content. However, a tea steeped for five minutes in boiling water will transfer significantly more caffeine to the cup than one steeped for two minutes at 180 degrees Fahrenheit. Let's be clear: Oxidation does not increase the amount of caffeine in tea. You'll find several high-profile tea companies, websites, and books promoting this common myth. Simply put, there is no scientific basis to the claim, and it results from merely measuring the caffeine in the cup after typical brewing methods and incorrectly crediting those results to the tea itself.

While it's difficult (and usually incorrect) to make broad factual statements about how much caffeine is in Green Tea vs. Black tea, the varieties used (Sinensis vs. Assamica), growing methods (shaded or high-grown vs. low-grown), and leaves selected (new vs. old growth) make the following teas stand out in their class:

<b>Relatively low caffeine</b>	<b>Relatively high caffeine</b>
Genmaicha (Green)	Darjeeling (Black)
Gunpowder (Green)	Gyokuro (Green)
Hojicha (Green)	Matcha (Green)
Kukicha (Green)	Assam (Black)
Keemun (Black)	Ceylon (Black)

Also, keep in mind that, because tea bags contain broken leaves of smaller size, they produce an infusion with more caffeine than loose tea does. This is also true of excellent loose tea. In comparison, the same volume of coffee yields at least double the amount of caffeine. Most colas have more caffeine as well.

There has been much concern in the United States recently about the possible dangers of caffeine. Caffeine tolerance varies greatly among individuals, with some being much more caffeine sensitive than others. A common misconception is that those who are caffeine intolerant

should stock up on Decaf tea. Decaffeinated tea is not caffeine-free at all. It still contains about 5-10 mg per cup.

A common myth is that you can "make your own" decaf tea by briefly steeping the tea and throwing away the resulting liquor. The theory is that most of the caffeine is washed away in this initial steeping. The truth, however, is something else entirely. Caffeine is extracted over time, and so the first 30 seconds of a five-minute steeping cycle may only extract 20 to 30% of the caffeine (the amount depends on the leaf and processing style). As importantly, the antioxidants and other health benefits of tea tend to be extracted more quickly than the caffeine. As a result, that first quick steeping or "washing" removes both the caffeine and the healthy elements found in tea.

To eliminate caffeine intake completely, one must switch to herbal tea. All real tea comes from the same plant, *Camellia Sinensis*, which contains caffeine. Herbal infusions, such as Chamomile, Rooibos and Peppermint, are made from botanicals not related to *Camellia Sinensis*, and they are naturally caffeine free.

The L-theanine we had mentioned earlier is an amino acid that occurs naturally in the *Camellia Sinensis* plant. Unless you take an artificially manufactured dietary supplement, tea is the only way to get L-theanine in your diet. This powerful amino acid boosts alpha wave activity in our brains, which promotes a state of relaxed concentration. Think "quiet alertness". The calming effects of L-theanine counteract the extreme highs and jitteriness that can result from excessive caffeine intake.

As with almost all other essential elements in the leaf, L-theanine is most highly concentrated in the newest growth. A high-quality loose leaf tea will contain the most theanine, and the very highest levels are usually found in green and white teas.

## How to Prepare the Perfect Cup of Tea

There is nothing that will make a bad tea taste good. It is also true that the best tea in the world, without the proper equipment, water, and technique, will turn out mediocre. Here are the critical factors to preparing the perfect cup of tea:

*1. Water.* Does your water have a taste? It shouldn't. Tea offers relatively subtle flavors, and the quality of your water will always trump the quality of your tea. In addition, hard water will draw out the flavor and astringency (sometimes called "bitterness") more quickly, whereas water that is too soft will yield a weak cup. Perfect water is filtered and retains 40-50ppm of minerals (usually calcium carbonate). Perfection may be hard to achieve at home, but a tea shop that doesn't bother to be perfect shouldn't bother to open.

*2. Weight.* Using the right amount of tea seems like an obvious requirement, but it is often overlooked. A "teaspoon per cup" appears to be the standard approach, but what is a cup? A "cup" technically is 6 ounces. But for many drinkers, it's a 12-ounce mug. As importantly, a teaspoon of Chinese Gunpowder could be two or three times as much tea (because it is tightly

rolled) as a teaspoon of White tea (large, open leaves). A level teaspoon is possible with Rooibos, but utterly impossible with many Oolongs.

*3. Temperature.* Brewing all teas at the same temperature is like serving well-done steaks to all customers in a prime steakhouse or serving all wines chilled. It just makes no sense and defeats the purpose of buying quality leaves. The perfect cup is derived from a balance of time and temperature. Water that is much cooler than boiling will not properly release all of the flavor and essential elements of a black tea. Water that is too hot will release too much of the astringency and undesirable characteristics of a green tea.

*4. Time.* Twinings did a study years ago and found that the average tea bag drinker steeped their bag for 45 seconds. Given the Twinings recommendation of 3-5 minutes for a black tea, that's a massive problem for quality. As stated above, the perfect cup is derived from a balance between time and temperature. Whatever you do, don't leave the leaves in the pot.

*5. Equipment.* Last but certainly not least, use the right equipment. A fine mesh filter will keep the particulate from your cup. Just make sure that you either brew loose in a pot or use a large enough filter that the leaves can expand. Consider dedicated cups and pots. It is not uncommon for tea shops to serve a soft green tea with a hint of Earl Grey, Jasmine, or even coffee that carried through from the beverage previously in my pot or cup. If you're serious about quality tea or running a tea shop yourself, you should be using a gram scale, a thermometer, and a timer.

Please consider providing detailed instructions on every package, including recommendations for weight (in grams and teaspoons per 6-ounce cup of water), temperature, and time. Many customers won't bother with all the steps, but some will. By offering this information, you make it possible for your customers to get it right, and you communicate the simple truth that to get the perfect cup of tea requires a little attention to detail.

## Discover the Health Benefits of Tea

"Quackery" is a derogatory term used to describe the promotion of unproven or fraudulent medical practices. Quackery is nothing new. The Pure Food and Drug Act of 1906 prohibited the use of the word "cure" on medicine bottles and paved the way for the eventual creation of the Food and Drug Administration (FDA). Antique collectors have identified over two thousand unique bottles embossed with the word "cure". Today, the outlandish claims are just as prevalent; we've just become more adept at the use of legal disclaimers:

1. "The following are the possible health benefits of green tea... decreases the risk for heart attacks, stroke, and cancer..."
2. "The powerful antioxidants found in tea are believed to help prevent cancer [and] lower cholesterol..."

OK, so not everyone in the tea business has become adept at legalese. :) These statements were excerpts from FDA Warning Letters sent to Ten Ren and Rishi Teas.

There's not much question that the widely publicized research findings on the potential health benefits of tea have been a driving factor in the increased awareness and increased consumption of tea in the US. We're not suggesting that most people drink tea for health, but we do believe that a good percentage of the consumers who have tried tea (or loose tea) for the first time in the past decade have been influenced and intrigued by all the buzz.

The obvious question for those of us in the tea industry is, how do we respond to the daily barrage of customer questions regarding tea and health? Most industry insiders take one of three approaches:

1. Feed into the hype and encourage (even if tacitly) the customer's hope for a cure.
2. Attempt to educate the customer on the realities of tea and health, including the fact that all teas come from the same plant, have many of the same ingredients, etc.
3. Refuse to discuss the health benefits of tea and insist on selling by flavor and Quality alone.

The first approach may be great for short-term sales, but is unlikely to yield long-term loyal customers and certainly doesn't establish you as a credible retailer. The second approach is a great way to confuse and confound a customer who wasn't looking for a science lesson and just wanted to know which of the myriad green teas they should drink today. The third approach ignores the opportunity (and customer expectation) to play the role of "trusted adviser and tea expert". Sticking our heads in the sand and sending customers to fend for themselves on Google or, worse yet, into the arms of another retailer who will tell them whatever it takes to get the sale, is not appealing.

At Adagio, we've laid out a defined, concise, and effective strategy for capitalizing on the craze, educating the customer, and building long-term credibility and customer loyalty. It goes something like this:

CUSTOMER: *"Which tea should I drink if I want to lose weight?"*

TEA CONSULTANT: *"I'd recommend our WuYi Ensemble, a famous tea from the WuYi mountains of China. [Show the tea!] Oolong teas, like this one, are most often studied and marketed specifically for weight loss. The truth is, many of the same components found in Oolongs are also found in other teas, since they come from the same plant. Let me show you a couple of my favorites/best sellers."*

The goal in this response is to accomplish three things: First, we answer every question with a product recommendation. Many customers are not interested in the details and just want some way to narrow down a huge tea collection and figure out a place to start. Second, we speak the customer's language and make it clear that we are familiar with what they've read/heard/seen about Oolong and weight loss. It's all over the place, so pretending it doesn't exist just makes us look uninformed. Third, after answering a simple question with a simple answer and establishing credibility, we provide some context and education. We've told the customer that the hype and marketing are mainly hype and marketing, and turned the conversation back to the wide world of tea.

Most customers aren't interested in an answer that is longer than a sentence or two. For those who do want more information, the staff MUST be highly knowledgeable and well-trained. So here's why the researchers and marketers are connecting Oolongs with weight loss:

Until someone does a comprehensive study of people drinking tea, we can't be certain that tea will lead to weight loss, but these are the reasons people are focusing on tea:

(1) Traditionally, Oolongs are enjoyed after heavy, fatty meals in China. This was one of the original reasons for the research.

(2) Oolong teas and tea in general include components that impact the way fat is stored in the body.

(3) All caffeinated drinks increase your metabolic rate because caffeine is a stimulant."

Here's an excerpt from the USDA website: *"...we can't say that [tea] makes people lose weight. What we can say is that it raises metabolic rates and increases fat oxidation rates. Those are two things that are predictive of weight loss."*

Without getting into the nuance of the wording and the science, so long as the news media, pop-culture personalities, and unethical marketers provide the American Consumer with a steady stream of incredible claims, it is our responsibility to the customer to guide and educate. We help no one, including ourselves, by refusing to discuss the elephant in the room or by answering simple questions with a string of scientific statements and legal disclaimers.

Most customers do not expect tea to be a miracle cure, any more than they expect whole foods (brown rice, broccoli, etc.) to be a miracle cure. They do, however, believe that tea, like whole foods, is a potentially valuable part of a healthy diet. They're seeking guidance on where to start and some insight into what makes tea a popular topic in health discussions.

The truth is that the majority of health questions can be answered with a simple statement like this one: *"Most of the focus on tea and health comes down to antioxidants, which are being studied for all sorts of benefits. The teas in our collection with the most antioxidants are..."* That statement claims nothing, but tells the customer exactly what they wanted to hear. And as an aside, it will help you close the sale!

## **Navigating FDA Rules on Health Claims**

The proper role of health claims in the sale and marketing of tea has been one of the core debates of the last decade. Health studies and claims have played a massive role in driving awareness and consumption. Unsubstantiated and outrageous claims have also contributed to some general consumer skepticism. In the last couple of years, the FDA has cracked down hard, banning nearly all claims of any type, whether in retail packaging or even on company websites.

Most recently, the FDA sent a warning letter to Rishi Teas about claims made on their website. What's particularly shocking is that most of these claims are the same that nearly Every Tea retailer is making... claims that were, until recent years, considered perfectly safe and appropriate.

Among the "claims" that the FDA took issue with:

- "[G]inger is used in food and drinks as a preventive medicine against colds and flus."
- "The powerful antioxidants found in tea are believed to help prevent cancer [and] lower cholesterol."
- "Recent research suggests that consuming 5-8 cups of Pu-erh Tea each day can reduce cholesterol and plaque of the arteries."
- "Regular consumption of Oolong Tea is linked to the reduction of plaque in the arteries, reduction of cholesterol, and lowering of blood sugar."
- "Oolong Tea is prized for its cholesterol reduction."
- "White Tea contains high concentrations of L-Theanine Amino Acid."

Because Rishi products like Oolong Tea, Ginger, Organic Botanical, Green Oolong Tea, 100% Premium Tealeaf Powder and Pu-erh Tea are not Generally Recognized as Safe (GRAS) for the uses being marketed the FDA says they are considered "new drugs" and may not be legally sold in the United States without prior approval.

Perhaps the most confounding and potentially impactful ruling, the FDA is banning the use of terms like "rich in", "good source of" or "high" for any ingredient unless the product contains 20% or more of the Recommended Daily Value of that nutrient. Because nutrients like antioxidants, L-theanine, polyphenols, and amino acids do not have recommended daily values, the FDA insists that it's impossible and inaccurate to say that tea is a "good source of" or "rich in" any of these components.

The FDA has sent warning letters to Lipton and Snapple in the past, but the fact that they are now turning their attention to smaller companies like Rishi Teas is somewhat surprising. Some of these rulings sbit extreme, but others make good sense. Regardless, they are in line with the FDA's direction in recent years. Keep an eye on this. It could have a dramatic impact on many tea companies.

## **Emphasizing Tea's Health Benefits: Pros & Cons**

If polled, the vast majority of Americans are likely to strongly agree with the statement "tea is perfect for me". At the same time, a small percentage of Americans would agree with the statement "tea tastes delicious." Most people drink crummy tea. Marketing the health benefits of tea to people who already know it's good for you but think it tastes bad is unlikely to change behavior and grow the industry.

When a tea enthusiast tries a new tea, what excites them is not the expected impact on their health, but the combination of sensory enjoyment and intellectual stimulation. "How does this tea taste and why?" Indifference to the marketing hype surrounding tea's health benefits is not due to a lack of concern for their health. Tea is a part of their everyday lifestyle, and it does offer some very unique benefits.

The inherent health and wellness benefits of tea are certainly an essential draw for new customers, but it should not be the only focus of your business. A medicine is only beneficial if it is consumed, and while acknowledging the benefits is helpful, promoting its value of great taste helps ensure the regular consumption that can lead to those desired benefits.

The health benefits of tea have been a primary focus of industry marketing for some time now. Even with all the hype, there are surprisingly few tea consumers with much of an understanding of the health benefits of tea or how best to get them. Here are a few basic terms and answers to the most common questions that tea consumers ask.

#### *Which style of tea offers the most significant health benefits?*

Green teas have been extensively studied, and numerous findings have suggested that they aid in the fight against cancer and provide better breath, lower cholesterol, weight loss, and general immune strength. These results are valid, but the studies completely omitted other teas. For example, when testing the effects of green tea on weight loss, the results were impressive. However, what is not mentioned in this conclusion is that black tea yields nearly identical results.

Studies confirming the fact that all teas' benefits are similar are now trickling in. In Europe, scientists have concluded that black tea's benefits are consistent with those of greens. Studies in Taiwan are concluding the same about Oolongs. Why have so many scientists and reporters missed this connection? The reason for this is that the research was initially conducted to verify or refute the Ancient Chinese claims that "green tea is good for you," rather than exploring tea's overall benefits.

A little common sense confirms this: all teas come from the same plant (and therefore have the same elemental composition), so we expect the benefits to be similar. Slight differences may occur in the varieties (due to the way that these teas are processed), but these are not considerable. So while White tea may provide a few more antioxidants than Black tea, this amount is likely negligible concerning the benefits. To build immune strength, both will help equally.

#### *Where do the health benefits come from?*

Polyphenols provide a significant portion of the taste and the health benefits found in tea. Polyphenols are a group of chemical substances found in plants. Two classes of polyphenols are tannins (found in wine) and flavonoids. Tea is rich in flavonoids like catechins. Flavonoids are most commonly known for their antioxidant activity. Catechins like EGCG are found in high concentrations in Green Tea. It is the catechin EGCG that has put some bottled green teas in the news lately as providing a wealth of health benefits.

Let's put all of these scientific terms into context: Catechins are a type of antioxidant found in flavonoids. Flavonoids are a class of polyphenols. These terms are often used interchangeably when discussing the health benefits of tea.

Antioxidants are universally praised, but what do they do? The human body produces unstable molecules called oxidants, or free radicals. To become stable, these oxidants steal electrons from other molecules and thereby damage the cells, and can even cause DNA aberrations. Antioxidants bond to oxidants such as free radicals and inhibit the chemical reactions that cause cellular damage. Antioxidants can even target and repair DNA damage. All teas made with *Camellia Sinensis* tea leaves are high in flavonoids, a powerful class of antioxidants.

Tea contains a variety of antioxidants, and the processing of the tea does affect the levels. Oxidation causes small antioxidant chains to link together and form larger antioxidants. Most of the antioxidants found in black teas are Theaflavins and Thearubigins, while Green and White teas contain primarily the smaller Catechins.

*Will drinking tea cause me to lose weight?*

Maybe. Tea causes a slight increase in metabolic rates and encourages the body to burn fats (lipids). Tea increases insulin activity, thereby moderating blood sugar levels. Most importantly, tea replaces other calorie-rich drinks or foods in our diets. The truth is that all of these factors are minor, but combined, indeed suggest that tea is part of a healthy diet.

The USDA said it this way: *"...until we do a comprehensive study in which we have humans drink tea and see whether they lose weight, we can't say that green tea makes people lose weight. What we can say is that it raises metabolic rates and increases fat oxidation rates. Those are two things that are predictive of weight loss."*

*What is Wulong or Oolong tea, and will it help me lose weight?*

Wulong tea, also known as oolong, as it has been marketed in recent years, is simply a marketing gimmick and is no more likely to lead to weight loss than any other tea. Tea is very good for you, but there is no reason to overpay just because some celebrity endorsed it or because they have impressive before-and-after pictures of models.

*How many calories are in a cup of tea?*

Most teas will have a couple of calories resulting from ingested plant matter. Fruit teas may have as many as eight calories. Frankly, we consider this a non-issue. The health benefits of all teas (classic or fruit) are considerable. No one would think to question the calorie content of a head of broccoli!

*What is the best "detox" tea?*

This question has been asked concerning everything from a bad hangover to a disturbed aura to a recent cancer diagnosis (happens more than you would believe). Without making inappropriate claims, we can easily say that the antioxidants in tea and tisanes are prized for their ability to protect our bodies from Free radicals, which can damage cells, cause

inflammation, and promote disease. In the end, there is no "best" detox tea, but some of the teas with the highest content of healthy elements include white teas (especially Silver Needles) and green teas (especially Gyokuro or Matcha).

*Do any of your teas contain allergens?*

For Adagio, the answer is no. None of our teas contain nuts, lactose, or gluten. You will need to determine the accurate answer for your tea.

*Does adding things to my tea affect the health benefits?*

In some cases, yes. *Lemon*, in addition to containing vitamin C (an antioxidant) itself, actually increases your body's ability to absorb the antioxidants in the tea. Other citrus fruits have a similar impact. *Milk or cream* may reduce the body's ability to absorb the antioxidants in tea. To this point, the research is offering conflicting reports. The theory is that the proteins bind with the antioxidants and, in some patients, this has been found to negate the antioxidant effect completely. In other studies, no impact has been found.

*Is tea dehydrating?*

No. Caffeine is a mild diuretic for people who do not regularly drink caffeine, but this effect does not present itself in regular coffee or tea drinkers. Regardless, tea is 99.5% water, and any impact of the caffeine on hydration, even in non-tea drinkers, would be practically imperceptible.

*Is tea acidic?*

Slightly. The water you use will have a great deal of impact on the answer. Pure water has a pH of 7, and anything less is acidic. Cola has a pH of 2.5, orange juice 3.5, and black tea approximately 4.9.

*Why does tea cause some people's stomach aches?*

Two compounds in tea can be rough on a sensitive or empty stomach. Caffeine can cause heartburn and acid reflux. Polyphenols (a.k.a. flavonoids or antioxidants) can bind with stomach enzymes and cause discomfort in some people.

*Does tea contain fluoride?*

Yes. Tea is a natural source of fluoride, which improves tooth and bone health. That said, tea contains much less fluoride than is added to the water in most municipalities. Even consumption of 10 cups per day of most teas would not lead you to take in more than the recommended daily allowance of fluoride.

*Does tea contain tannins?*

No. Polyphenols fall into one of two groups - flavonoids and tannins. Flavonoids are found in tea, as well as in certain fruits and vegetables. Tannins are found in other fruits and vegetables, including grapes, cocoa, and apples. Both flavonoids and tannins create similar astringent, dry-

mouth sensations. So, while technically tea contains no tannins, it's usually not worth it to correct the record when discussing tea.

### *Should pregnant women avoid tea?*

The answer to this depends on your doctor. Some doctors recommend cutting out all caffeine, which would preclude traditional teas. In addition, the antioxidants in tea cause a minor disruption in the body's ability to absorb Folate and Iron, both critical for fetal development. In cases of women who already enjoy a healthy diet, the benefits of tea generally outweigh any concerns. If you'd rather be 100% safe, consider tisanes.

### *Conclusion*

So, what can we accurately say? Tea is calorie-free and rich in antioxidants. Tea is an integral part of a healthy diet and lifestyle. While there is not yet enough evidence to make conclusive statements about specific benefits, there are new research reports each week uncovering new potential links between tea consumption and the improvement in, or prevention of, most medical ailments.

So far, the FDA has not approved any claims on the health benefits of tea. As a result, we recommend falling back on the following message: Few of us get the recommended 5-7 daily servings of fruits and vegetables. Most of us have heard that when you boil or steam vegetables, most of the nutrients end up in the water. That is tea!! Drinking tea is the rough equivalent of a serving of broccoli. That may not be medicine, but it's undoubtedly part of a healthy diet!

## **Choosing the Right Tea Vendors**

The US Wholesale Tea Business is a fascinating niche business characterized by an incestuous supply chain and an irrational focus on everything but product quality. In this section, we'll attempt to unpack a few fundamental truths about the wholesale tea business that every entrepreneur should learn before either becoming a tea wholesaler or buying from a wholesaler.

The supply chain for most teas sold in the US is ridiculously incestuous. Half of wholesalers buy from other wholesalers. It's not uncommon to find the same flavored tea, blended by the same large wholesaler, sold at dramatically different price points under the names of quite a few smaller wholesalers. Many independent retailers pride themselves on choosing only the finest teas for their collection. As proof of this, they buy from many different tea wholesalers. We've heard shop owners boast of having more than 30 tea vendors. The incredible irony is that we've also heard tea wholesalers boast of selling to the same shop owner under the name of a half dozen different companies.

Allow us to elaborate. Because they lack the resources to establish their own fully functional warehouses and source and store a couple of hundred different teas in sufficient quantities, many wholesalers are only virtual distributors. They rely on larger wholesalers to drop-ship under their company name. So Joe's Tea Shop sits down on a sunny Monday morning and

places orders with 10 different vendors. What Joe doesn't know is that five of those vendors are reselling the teas of the same wholesaler. Instead of getting all of his teas in a single shipment (or better yet, on a single pallet), Joe is now going to pay shipping costs for five different shipments. Worst of all, Joe is paying the markups and extra handling and packaging costs of these additional middlemen who are adding no value whatsoever to the supply chain!

This scenario plays out far more often than most will admit. This is not necessarily wrong. The question is whether the wholesaler is adding value to the supply chain. Value can be added in several ways including:

- Local warehousing for just-in-time inventory management
- Quality packaging that adds to the sale value of the tea
- A brand that has a loyal customer following
- Training, custom blending, or other services

Extra steps in the supply chain are not necessarily a bad thing. It's much less expensive for small retailers or wholesalers to buy from US distributors than to go directly to the source countries. Unfortunately, a significant percentage of US tea wholesalers are not adding value to the supply chain and are only taking advantage of the lack of sophistication and accurate information on the part of the buyers.

This leads us to the second point - buyers often have an irrational focus on everything but product quality. In many cases, this is because they simply don't know how to tell the difference between a high-quality and low-quality tea in each of the two dozen categories of teas they carry. Buyers of bulk, loose teas tend to buy based on the personality of the salesperson, the story behind the company, and the price of the tea, irrespective of quality. Buyers of packaged tea products purchase based on the quality of the packaging, price point, and low minimum orders. Buyers of tea for service often buy based only on convenience (they sell so little tea that it's not worth it to them to search for the best supplier).

We speak with a significant number of small business owners. Our information is anecdotal, to be sure, but a remarkable number of people who make their living selling tea choose their vendors based on the company websites and only sample the teas as a matter of curiosity. We've seen buyers sample 10 teas and then place an order for a collection of more than 50. If all such buyers were purchasing from highly reputable companies with proven track records of supplying only high-quality teas, that might not be the end of the world. Unfortunately, this flippant approach towards buying is all too common among wholesalers as well.

The result of all of this inefficiency and dysfunction is that there is very little correlation between the final retail purchase price of a tea and the quality of the leaves. That's the bad news. The good news is that it isn't all that hard for a business to "do it right", and those that do are rewarded with loyal customers and much better long-term results.

## Tea Sourcing: Direct vs. Wholesale

Should you be buying directly from the source? A collection of 100 teas may contain a dozen different suppliers in five countries. To keep shipping and import costs low, you need to be able to purchase and store large quantities from each source. The most efficient shipping method is a full 40-foot container of tea, roughly 16,000 Kilograms, or over 35,000 pounds. Your import costs for this shipment are below \$1 per kilo. If you are a small wholesaler and are only able to purchase 25 Kg (55 lbs) from a single supplier, your import will likely be much closer to \$20 per kilo. It will be challenging to develop a competitive wholesale business with those numbers.

The question of direct sourcing is far more complex than this simple analysis of import costs; however, the branding value of direct sourcing is immense. Even if it's ridiculously inefficient and you're only able to source one or two teas, being able to tell the story of your relationship with a single garden gives you tremendous credibility and the mystique of a "real" tea buyer. Our general recommendation would be to source all but a handful of your teas from US wholesalers. Your costs will be much lower, the minimum quantities much more manageable, and you can rely on their ability to manage relationships and quality control across dozens of international partners.

As you choose your tea vendors in the US, we encourage you to ask questions in the following categories:

- |                                     |                          |
|-------------------------------------|--------------------------|
| 1. Freshness                        | 6. Guarantees & Returns  |
| 2. Supply Chain                     | 7. MSRP and Market Value |
| 3. Processing, Blending & Packaging | 8. Other Services        |
| 4. Inventory Levels                 | 9. References            |
| 5. Quality Controls                 |                          |

## Why You Should Learn to Taste Tea

For new business owners, understanding their products is crucial for effective sales, which is why learning to taste tea is essential for a tea business owner. Humans are all born with a natural ability to detect sensations on our palate that we call taste. As we grow, we quickly learn to associate taste with the liking or disliking of any sampled item. We don't necessarily have to discern anything particular about the item, as all we need to know is *whether we like it or not*. This can even produce an emotional response in reaction to our likes and dislikes.

Professional tea tasters do not have the luxury of liking or disliking. Their job is to analyze, evaluate, and identify the character and nuances of their subjects. How do they get there? It generally takes many years to develop a taster's palate, but it is easy to start.

Professional tasting is akin to listening to one instrument or a simple melody of music within a composition. Just as most people tend to focus on the vocal parts of a song, which are usually the most dominant, they also tend to notice the top notes or the most basic character of a tea. Listen more carefully and see if you can now hear harmonies, such as a backup singer, or listen for the drum part or bass guitar. These are the elements that fill out a musical performance, just like a good quality tea will have its elements. (Hopefully, harmonious ones!)

If your tea purveyor provides a good description of the tea's character, it should provide a vocabulary for the sensations you experience as you 'listen' more deeply with your palate. Does it have citrus notes? Does it remind you of a hoppy lager? Is it crisp and fruity like a green apple? Sip and think while rolling the tea around in your mouth. Does it feel dry like a Chianti or silky like coconut milk? How do all these sensations work together? In a great tea, they will harmonize in a wonderful interplay, leaving you intrigued and seeking the next sip. Indeed, a great tea will always invite you back for another drink.

During this exercise, at no time can you decide whether you like the tea or not. It is hard to break the habit of immediately deciding to like or dislike, but it is essential. Once you can stay neutral, you are more likely to find the nuances and define them in your mind. Also, note that it helps to have other food items as flavor reference points. The more you sample and ponder fruits, herbs, and different tastes commonly found in fine tea, the more these sensations will jump out at you when you cup.

## **How to Devise a Tea Menu**

We often get questions about how to select teas for your offering. Whether a café or a tea retailer, the approach can be similar. Decide how many teas you wish to offer. This can be based on space constraints for storage or display, as well as how many of your staff can feasibly handle it. Regardless of how many teas you decide to offer, you will want to represent a couple of teas from each tea category to present a balanced assortment. Some basics below:

Most tea menus will include an Earl Grey as it is a well-known tea and a quality measure for new clients. Additionally, having a breakfast tea will serve the same purpose, but without added flavors for those who prefer straight-up tea that they can have with creamer and sweetener. You can build on these basics with single-origin black teas such as a full-leaf Ceylon OP or classic Fujian Golden Monkey.

Flavored black teas offer familiar flavors in a familiar tea type for the mainstream consumer and those just looking for something fun. Perennial bestsellers include something fruity, like Mango Black tea, and something decadent, like Caramel Black tea. Vanilla is also a crowd pleaser.

In today's tea landscape, you cannot get by without a green tea or two for the health-savvy customer. Now widely accepted by mainstream consumers, offer at least one flavored green and perhaps one traditional, non-flavored, such as Gunpowder or Genmaicha. You can always level up to the more exotic and esoteric, such as Dragonwell or Gyokuro, as your clients come to trust you for their green tea fix.

Matcha – with its healthy reputation and ease of use, this popular green tea powder is something to be seriously considered. It can also be used in baked goods, particularly in a tea room with a tantalizing dessert menu. Powdered teas can be messy to work with, but the matcha trend is still going strong!

White teas are also much more popular than in years past. Offer something easy to understand, such as White Blueberry or Peach, and maybe something high-end and exquisite, such as Jasmine Silver Needle, to impress.

Herbal blends, also called tisanes, are a must-have. They are usually caffeine-free (but not always!) and offer health benefits of their own. You can go with traditional pure herbs such as chamomile or peppermint, or see if your vendor has a blend of these to appeal to a variety of needs. Hibiscus and fruit blends are very popular and make excellent iced teas. Choose one or two to complement a food menu or to take advantage of current 'super fruit' trends.

Speaking of herbals, consider including a rooibos or honeybush blend, as they are so easy to brew and also offer a caffeine-free option for those who abstain, as well as for children. Fruity or nutty flavors abound, so balance out your menu with these offerings.

While oolong teas might be a little less well-known, they offer the beauty that lies between green and black teas. They range from being closer to black teas in richness to being light-bodied and beautifully delicate and floral. Captivate your customer with a flavored version and something pure, to entice the adventurer. Adagio's Peach Oolong is lovely hot, but iced is a smooth, tasty crowd pleaser and an excellent gateway to the beauty of oolong teas.

Pu erh teas are probably the most esoteric but have become better known in the past few years. A flavored option might be nice to test willingness among your clientele, and see if you get requests for the pure, rich, earthy ones over time.

Seasonal blends are a great way to keep your menu fresh and have an answer for the persistent client question: "What's new?" Pumpkin Spice, Spiced Apple Chai for autumn, and teas like Watermelon Cooler and White Fuzzy Navel make great summery iced teas. Consider having a couple of teas that change fairly often for something new!

Lastly, consider a wellness tea or two not covered by your herbal section. Special 'medicinal' blends like Throat Therapy or Happy Belly will draw your customer to you in their time of need!

## How Many Teas Should You Offer?

For anyone considering a new tea venture, building a product collection is one of the most important and most enjoyable parts of the process. While "playing with tea" is what draws many people to this business, when the time comes to start making decisions, the range of options and strategies can easily get intimidating. The questions you'll need to answer may be: (1) Are we better off selling under the name of an established brand or creating our private label? (2) What is the likely impact on our existing business if we start making dramatic changes to our collection? (3) How many teas should we carry?

Let's start with the question of branded vs. private label. There are a lot of advantages and disadvantages to each of the options. To illustrate, please consider the story of Fava Tea, founded in late 2007 by husband and wife team Bryan and Mellisa Stafford. They offer three established brands plus their private label teas.

Their theory was that existing tea drinkers would feel most comfortable buying from a new vendor that carried familiar products from familiar brands. The Staffords chose Rishi Teas, Adagio Teas, and Harney & Sons to give them branded products that targeted specific demographics of tea drinkers. Rishi Teas is known for their super-premium and very expensive specialty teas. Adagio was selected as a gourmet-value brand, and Harney & Sons was to cater to the more price-sensitive customers. Each brand fits well within the category of "Specialty Tea" and positions Fava Tea well above the local supermarket. Still, each brand also has a particular image and appeal to segments of existing tea drinkers.

These established brands offered instant credibility and maximum efficiency in the early stage of the store's development. Simply open the box and put the product on the shelf. No need to create packaging and labels, write descriptions, and stress over what will or won't sell. The wholesaler can give you a list of their best-selling teas, and you're off and running.

Fava Tea also offers a line of private-labeled teas to help build awareness of their brand and achieve a level of customer loyalty that can't be duplicated with branded products (which can be purchased elsewhere). This gives Fava the maximum flexibility and allows it to transition customers to its products slowly. Carrying at least a few teas under your name gives you and your staff a greater sense of pride in ownership and allows you to tell a much more interesting story to the consumer.

The second question, for existing retailers, is what the impact will be of making changes to the collection. The answer differs dramatically between physical retail and e-commerce models. With an online shop, it is exceedingly easy for the customer to comparison-shop and select a different vendor. Stop carrying their favorite tea, and it's a toss-up whether they'll choose to buy something else or search for their tea from another vendor. In a physical retail location, the cost

of comparison shopping is much higher. You should find it relatively easy to substitute another product, and you'll get at least one chance to prove to the customer that your changes are for the better and keep them coming back. Short answer: Don't be afraid of change, but train your staff well on how to identify what the customer liked about the tea and cross-sell to similar products.

The third and final question was how many teas a shop should carry. The answer is highly dependent on your business model. In a cafe, bistro, or tea room/restaurant, the focus is on the food and the service, and a small collection of 10 to 20 teas is sufficient. If you are a specialty tea retailer, it's in your best interest to offer a much larger selection. Fava Teas claims 320 teas.

Those who consider themselves a little more mainstream carry between 60 and 120 teas. The best tea retailers who cater to connoisseurs carry 150 to 300. While we've seen a few shops with over 300 teas, we don't believe this is necessary for most operations. (NOTE: Given the limited nature of many small lot productions, a shop that claims 320 teas over a year may have 280 in stock at any given time.)

The goals are competitive differentiation and offering a compelling experience that makes it worth the customer's time to come to your shop. Like it or not, you are competing with the online retailers and their extensive collections. You also need to be aware of what other tea shops are doing. If 250 teas is considered "impressive", and you carry 150, what does this say to your customer? As importantly, the range of teas on the market is much larger than most people realize. Start large and remove what doesn't sell. Your customers will form an opinion of your operation on the first visit. Fail to impress them and they'll never return.

## **Tips for Naming Your Teas**

The famous Shakespeare quote is, "What's in a name? That which we call a rose by any other name would still smell as sweet." This may be true, but when it comes to tea names, capturing the essence of the blend and adding a touch of romance is beneficial to the customer and effective marketing.

Tea blends have long carried fanciful names, and the myths spun around them have added to their popularity. For example, Earl Grey sounds much more regal than "Bergamot Blend." When it comes to buying and selling bulk tea blends, you can create your signature teas by either simply renaming a pre-blended tea to suit your business occasion or by devising your blend recipe.

So often, a proprietor will get requests for a tea of a fanciful name that is not known to them. Research can reveal it is a simple blend of tea, flavor, and inclusions, such as fruit or flower petals, that may be carried by many vendors but under different monikers from retailer to retailer. One may call it "Mango Tea," while another calls it "Midnight Mango Madness." These fantasy names can create some confusion when trying to

source a particular tea, but they go a long way when it comes to selling a tea. Doesn't the latter sound more exciting?

Consumers are known to respond to pleasing packaging and cool names. They want to buy into a bit of fantasy and romance. There may also be a touch of the placebo effect in a creative name. A "Peace of Mind Blend" may be soothing to the sipper not just because it contains camellia sinensis, mint, or chamomile, but perhaps the power of suggestion?

If you are considering creating a special blend, work with your bulk tea vendors to choose a blend that will suit your concept, or teas you can blend easily yourself. In doing so, can you create a brand identity with your line of creatively named teas? With such diversity in the realm of tea, almost anything is possible. Just remember, making health claims of any kind is tricky business and closely watched these days by the FDA - a wise tea person will steer clear!

## How to Write Tea Descriptions

Unless tea is being sniffed or slurped, it cannot speak for itself. Because of this, tea relies heavily on its loving human caretakers to relay its wonders to the world (and potential sippers.) Whether you are creating packaging, a menu, or a website, the descriptions given to your teas can make or break their sales.

We can talk about origin, provenance, health benefits, and other distinctions to describe a tea, but the visceral connection will always be to the palate. To put it more plainly, how does the tea taste?

Tea tasters in the classic sense have their parlance that, while helpful within their small circle, does not connect effectively to the intended audience. We have to take those descriptors and translate them into better-known sensations to convey the wonder of each cup.

Very often, when reading about tea varieties in various media, we are dazzled by the notoriety of a particular tea, but its nuances and texture are frequently overlooked. Describing the taste also helps to manage expectations of the consumer, as novices can confuse varieties or don't know what to look for when brewing and cupping without an expert present.

When writing descriptions, be sure to use examples of familiar food items to help the consumer understand the tea. One classic association is the lovely, sweet, lightly roasted chestnut notes in a Dragonwell. Even if the reader has never eaten a chestnut, they still might get the idea of what the tea has to offer. Similarly, a good Golden Monkey will offer cocoa notes, hints of black currant, and a red wine-like richness.

Fortunately, the wine industry does a great job of offering a spectrum of taste descriptors from which we can usually borrow various terms. Look at a wine aroma wheel to fill your adjective arsenal.

There is also an ancillary benefit from doing so, in that you will also help your customer build a vocabulary to describe their likes and dislikes better when they ask for suggestions.

## **Blending Teas: Key Considerations**

Blending teas is at the same time incredibly easy and extremely difficult. Anyone can blend a tea, throw in a few inclusions (the proper word for dried flowers, fruits, or pieces of candy designed to add color and sometimes flavor to a blend), and create their blend. Adagio has been very successful letting customers create their blends on our website. That said, making a good, stable blend is not easy. Blending is both an art and a science. You need to understand how the blend will settle during storage and transport, how the flavors will mingle and change over time, which flavors will fade first, and what the customer experience will be using different types of water at various temperatures for different durations.

Quality flavored teas are made with liquid flavoring agents, and the inclusions you see are primarily for aesthetic appeal. These liquid flavoring agents themselves are expensive, sometimes volatile, and differ dramatically in quality. They are also sold in large quantities appropriate for blending thousands of pounds of tea.

The best way to explain the complexity might be to compare it to the difference between cooking a good meal at home and being able to consistently deliver a top-quality culinary experience in a restaurant over thousands of meals under less than perfect circumstances. It's not enough to be good. The customer must choose your tea and be willing to pay for it.

## **Organic Tea: Is It Worth It?**

In recent years, we've seen an explosion of claims and certifications in the tea industry. Ultimately, the consumer will (and should) drive the evolution of any controls that protect the quality, environmental sustainability, and economic sustainability of the foods they consume. That said, it is essential for those of us in the tea industry, and those who care about the tea industry, to understand and communicate the pros and cons of any particular certification or quality control approach.

We believe, without reservation, in the concepts and theories behind movements like Organic and Fair Trade. At the same time, each of these certifications (and a host of other competing programs) is not yet perfect. However, while calling attention to the impact of Organic Certification on the premium tea business and some of the current program's shortcomings, we do not wish to discourage people from buying Organic, but to encourage a comprehensive understanding and continued evolution of Organic Certification rules. For example, we would

like to see adjustments made in the regulations to account for the inherent differences between growing corn in Colorado versus tea in Taiwan. More on this later.

To begin, one must understand what makes a product organic. The USDA tells us that organic foods are those that are "produced without using most conventional pesticides; fertilizers made with synthetic ingredients or sewage sludge; bioengineering; or ionizing radiation." In other words, Organic foods must use very few chemicals during the growing process. In addition, the soil that the products are grown in must be free and clear of the same chemicals. In practice, the prohibition against artificial fertilizers and pesticides (natural versions may still be used) typically reduces tea production by 30-40% vs. conventional methods.

While "organic" does have real meaning and impact on the environment, it is not focused on the quality of the tea and does not come with guarantees. Organic Certification controls the inputs and the process and strives to protect the environment, but does not involve any testing or verification after the tea is produced to determine whether the rules were followed. Because there are no quality standards for the final product, organic certification also does not guarantee that there are no environmental pollutants or contaminants during processing or packaging.

Being "certified" organic is also a rather complicated process. There are hundreds of different agencies internationally that certify products as organic. Each agency has different standards, and some certifications are accepted in one country but not in others. For example, some products considered organic by the European organic association will not be regarded as organic by the USDA. Undoubtedly, these complications are due to political reasons as well as health concerns. It is natural to suspect a tea company that boasts a foreign "organic" sticker. But, on the other hand, there is no scientific evidence showing that it is dangerous to drink tea that is not organic (provided the farmer isn't using chemicals that are already banned by other regulations).

Most importantly, because of the bureaucratic complexity of certifications and the small size of many premium tea producers, most teas that could qualify as organic will never be formally certified. The Organic movement started with small producers and farmers' markets. Because, as with most good things, people started taking advantage of the movement and improperly claiming the organic label, complex regulatory regimes were put in place. The complexities of Organic Certification and the differences between the requirements of different consuming countries tilt the scales in favor of the vast tea conglomerates (read: "big business") with thousands of acres under production. Yet the best teas are usually produced in tiny lots and come from small, family-run tea gardens.

As an aside, it is essential to note that between the costs of Organic Certification, the extra effort involved in organic agriculture, the reduction in output of 30%+, and the fact that there are no controls or tests of the final product, the incentives to cheat are significant! Without naming any specific country or producer, consider that if it's common knowledge that 70% of the "Darjeeling tea" sold globally doesn't originate from Darjeeling, it's likely that a significant portion of the "Organic Tea" sold in the US isn't truly organic. It is essential to buy from growers, distributors, and retailers that you trust, regardless of the certification!

In conclusion, we are indeed in favor of environmentally sustainable farming methods. We are also in favor of input and quality controls. We would prefer to see the final output of a garden

tested for "real" purity and quality rather than a bureaucratically audited paper trail promising that the rules were followed. The only approach we're uncomfortable with from a tea retailer's perspective is the one that says only Organic tea should be sold and consumed. We find it fascinating that the same people who will only buy organic coffee or tea have no interest in organic wine... Regardless, mindlessly chasing the Organic certification label has the potential to crush the small producer and dramatically reduce the range of unusual and beautiful teas available to the consumer. Organic production accounts for less than 2% of the world's food supply and less than 3% of the US food supply. Less than 1% of US agriculture is organic.

It is essential for any tea retailer to offer their customer Organic options. You would be doing yourself a disservice to ignore the movement. At the same time, conventionally grown teas still account for all but a few percent of the total industry output and are still a better value.

## Does Your Tea Need to Be Fair Trade?

The best way to help people experiencing poverty is not to give them someone else's fish but to create the circumstances in which they can consistently catch (or earn) their own. Fair Trade is an interesting hybrid because it focuses effort both on artificially increasing the wages of the workers in the short run, and also on investing in local infrastructure and community development to create long-term, environmentally and economically sustainable circumstances.

Let's pause for a moment to better define the Fair Trade movement and Fair Trade Certification process as it relates to tea. Fair Trade is based on the assumption that the market price paid to tea growers/laborers is not "fair" and does not promote sustainable living environments. In this way, Fair Trade is to the local economy and the worker what Organic is to the environment and the plants. (To be fair, some Fair Trade organizations also focus attention on environmental sustainability, but their mission is primarily social and economic.)

A Fair Trade premium of between \$0.50 and \$1.50 per Kilogram (2.2 lbs) of tea is charged by the grower. In addition, the growers pay a certification fee to gain Fair Trade status. These premiums and fees go directly into the pockets of the laborers, towards developing programs at the local level, and towards funding the certification process, the Fair Trade bureaucracy, and marketing the Fair Trade brand internationally. For comparison purposes, the "Fair Trade" premium on coffee is \$0.05 per pound.

Producers must apply for certification through one of several Fair Trade Organizations (FLO, IFAT, NEWS, EFTA, etc.,) which require adherence to the following criteria:

1. Fair Labor Conditions: wages, working conditions and living conditions
2. Direct Trade: no middlemen adding unnecessary costs
3. Community Development: investment in services and/or infrastructure to aid the community
4. Environmental Sustainability: agricultural methods that are "healthy"
5. Transparency: free association of workers and farmers and democratic decision-making

Because many tea gardens are small, family affairs without the means to participate in community investment or adhere to extensive bureaucratic documentation and auditing rules,

the vast majority of specialty tea producers are not "Fair Trade" certified. In truth, these programs and processes are best suited for the giant tea estates that produce 97% of the global tea supply, which is commodity grade and harvested and processed by machine. In some countries, like Japan, no Fair Trade teas can be found because the tea workers are already paid far above the poverty level. This would be akin to demanding a Fair Trade wine from France.

"Fair Trade" sourcing options have expanded in recent years, but they are still very limited in the world of premium loose tea. As a result, Adagio prefers to get involved directly at the source. While we support the ideas behind Fair Trade, we believe that, currently, the best way for us to raise the living and working standards of the growers is to introduce Americans to premium loose leaf teas. Premium teas fetch premium prices and require significant additional human involvement. The result is higher wages, more employment, and better tea for all of us! In addition, we buy all of our teas directly and choose our producing partners based, in part, on their business practices. Finally, we contribute directly to the well-being of the farmers through programs like our Roots Campaign. As we grow, our purchases result in meaningful changes in the lives of our producing partners and their employees.

Fair Trade is a noble and valuable movement. It has been effective in driving change in several industries, including mass market coffee and tea. However, we question whether Fair Trade certification is the best approach to today's premium loose leaf tea market. If the consumer were to insist tomorrow on buying only Organic and Fair Trade teas, the immediate impact would be the destruction of the small tea farmer and the shift in production to large corporate conglomerates with much larger volumes and the resources to handle the administrative auditing and documentation burdens.

## Offering Tea Bags: Pros and Cons

Conventional wisdom holds that loose tea is expensive, messy, and far superior to anything that can be found in a bag. Bagged teas, by comparison, are cheap, convenient, and filled with nothing but the dust and fannings swept up after processing "real" tea. What if conventional wisdom is wrong? What if these commonly held beliefs are standing in the way of the growth of specialty tea in America?

Many (if not most) Americans value simplicity and convenience over quality and price. Americans will gladly pay more for a lower quality product if you can deliver it through the car window so that we don't have to get up. We pay several times as much per pound for sliced, preserved lunch meats as for choice cuts of steak. We pay huge premiums to get our drinks in single-serving bottles or cans instead of the hugely inconvenient bulk sizes. Time is money, and many gladly trade one for the other.

Loose tea is undoubtedly the most efficient method for inexpensively delivering an excellent cup of tea, but let's consider the products or industries where growth has been driven by convenient re-packaging more than by changes in price or quality.

Beer is far better when served on draft. Still, there is little question that without cans and bottles to encourage home consumption and broaden the offerings of bars and restaurants, the industry would be much smaller and less profitable than it is today.

Coffee is best when prepared from fresh ground whole beans, right? Then why do 84% of coffee-drinking households use pre-ground beans? The trend today is toward single-serving devices. These glorious little devices cost several times as much and are terrible for the environment (extra packaging and shipping), but preclude the need for even a measuring spoon and filter!

What do we as an industry gain by wishing it weren't so? Or rather, what do we lose by getting off our high horses and meeting the customer where they are? We, as an industry, are converting the casual consumer to a tea lover by the thousands. That said, many of us have also been expecting the pace of adoption to increase. We certainly expected independent tea shops to be more numerous and more financially successful than we are presently seeing.

The customer knows that tea is good for them. We know that tea tastes delicious. So what's the catch? What's making it so hard for so many tea companies to turn easy profits?

The consumer is adamant about their willingness to pay a premium for convenience. How else can Tea Forte sell two tea bags in gift packaging for \$5? Second, the consumer is not sure that they like tea enough to spend the time and money to switch to loose tea.

Solution? Why not put premium teas in tea bags? Except for a few particularly voluminous teas, a pyramid tea bag or large sachet gives plenty of room for the leaf to unfurl and steep. We understand and agree that the bag is not the least expensive solution and is not best for steeping some teas, but it should be easy enough to impress the customer with a perfect cup of tea in a bag. Good enough to convince them that tea is a lot better than what's found in the "traditional" tea bag.

Wouldn't it be easier to convert a customer to loose tea after meeting them where they are at and proving that your tea is a lot better than what they've had before?

For this reason, we package 100% of our Adagio tea collection both loose and in pyramid bags. We do charge a significant premium for the convenience of the tea bag. The typical flavored black tea sells for \$3 per ounce online and in our stores. That comes out to about \$0.24 per 2.8-gram serving. That same tea sells in pyramid tea bags for \$0.60 per bag.

Despite the significant price premium and the ease with which our employees brew loose teas for every customer, tea bags account for 30% of our tea sales and 20% of our overall sales (numbers based on retail stores only). If we didn't offer our tea in tea bags, surely some of these customers would give in and buy loose. It is also possible that some would walk back out the door and go on believing that tea just isn't worth the hassle.

The delivery mechanism shouldn't matter. We'll continue to educate, but the customer will decide. They always do.

## Tea Packaging: What's Required?

Navigating regulations is one of the more intimidating aspects of running a business. It should be relatively straightforward - and sometimes seems that way - but of course, lawyers or bureaucrats write everything, and the cost in time and money if you get anything wrong can be high. The Food and Drug Administration's labeling regulations are no exception. You may learn to hate the FDA's Code of Federal Regulations Title 21.

The purpose of this article is to provide guidance based on our research and experience. We recommend that you pass your plans for tea packaging by legal counsel before making a significant investment. That said, we hope you find this helpful info.

The first question you need to answer is whether your packaging must be labeled for resale. There are three ways you can avoid the packaging regulations:

- If the product is being served (i.e., a tea bag selected from a self-service display at a restaurant), it does not need to be labeled for resale.
- If the product is being packaged in front of the customer (i.e, loose tea sold in bulk by weight), it does not need to be labeled for resale.
- If you are selling online, then the package you send the customer does not need to be labeled for resale.

If, however, you package any food product ahead of time and have it sitting sealed on a counter, shelf, or display for the customer to pick up and purchase, you need to understand and follow the regulations. So, whether your teas are packaged and sealed professionally in a distribution facility or by a 17-year-old sales associate, anything pre-packaged and displayed should be compliant with all federal regulations on food labeling.

These regulations are listed in detail online in the FDA's Code of Federal Regulations Title 21. There are eight relevant sections that you should be aware of:

### *1. Principal Display Panel*

Every package must have a "principal display panel" which is defined by 21 CFR § 101.1 as "... the part of the label that is most likely to be displayed, shown or examined under customary conditions of display for retail sale". This panel must be large enough to accommodate information that is required, such as the declaration of net quantity of contents (See, 21 CFR § 101.105) and the statement of identity (See, 21 CFR §§ 101.3). Packaged tea can have more than one principal display panel.

To determine the appropriate font size of the required contents declaration, the "area of the principal display panel" must be ascertained. This is defined as the surface area of the side of the package that bears the required information. For rectangular containers, such as boxes, tins, or pouches used for tea, the area of the principal display panel is simply the height times the width of the side where the information will be displayed.

## *2. Information Panel*

The information panel is the part of the label of the package that is immediately contiguous and to the right of the "principal display panel". 21 CFR § 101.2. Generally, this panel includes nutrition information (if necessary), an ingredient list, a statement of the name and address of the manufacturer, packer, or distributor, and country of origin markings, if the product is imported. Of course, some or all of the required information may be included on the principal display (front) panel. If any of the required information appears on the front panel, it does not need to be repeated on the information (right side) panel. Most of the information required is subject to a minimum type size requirement of one-sixteenth inch in height (ingredient list, name, and address). Nutrition information (if required) is subject to different type sizes and presentation requirements.

## *3. Identity Statement*

The principal display panel of a tea package is required to bear (as a primary feature) a statement of identity, generally consisting of the ordinary or usual name of the tea. For our purposes, the particular blend or featured flavor of the tea would be sufficient, such as "ENGLISH BREAKFAST TEA", "CARAMEL BLACK TEA", "PEPPERMINT TEA", etc. 21 CFR § 101.3(2-3) requires the use of the "common or usual name of the food; or, in the absence thereof, an appropriately descriptive term, or when the nature of the food is obvious, a fanciful name commonly used by the public for such food." We interpret this to allow Identity Statements like "DARJEELING", "KEEMUN," or "DRAGONWELL" to be sufficient as stand-alone declarations. The purely arbitrary names like "BERRY BLAS" or "WHITE CHRISTMAS" should be accompanied by a more descriptive Identity Statement like "FRUIT TEA". In the case of flavored teas with single names, the tea type should be included in the name of the tea to guide the customer (in addition to the color scheme) and satisfy the packaging requirements for an accurate Identity Statement. For example, "ALMOND" should be named "ALMOND BLACK TEA".

21 CFR § 101.3 requires that the identity statement appear on the front panel in bold type of a size "reasonably related to the most prominent type" used on the label and in lines generally parallel to the base of the package as it rests when displayed. In other words, it needs to be one of the biggest words on the panel and shouldn't be at a crazy angle.

21 CFR § 101.3(c) requires that, "Where a food is marketed in various optional forms (whole, slices, diced, etc.), the particular form shall be considered to be a necessary part of the statement of identity and shall be declared in letters of a type size bearing a reasonable relation to the size of the letters forming the other components of the statement of identity; except that if the optional form is visible through the container or is depicted by an appropriate vignette, the particular form need not be included in the statement." We interpret this to apply to tea bags vs. loose tea.

## *4. Contents Declaration*

Section 403(e)(2) of the Federal Food, Drug and Cosmetic Act (the "FDC Act") and 21 CFR § 101.105 require that the principal display panel bear a declaration of the net quantity of contents expressed in numerical count, weight, measure or a combination of numerical count and weight

or measure. The declaration must: (1) appear as a distinct item on the principal display panel; (2) be separated, by at least a space equal to the height of the lettering used in the declaration, from other printed label information appearing above or below the declaration and, by at least a space equal to twice the width of the letter "N" of the style of type used in the quantity of contents statement, from other printed label information appearing to the left or right of the declaration; and (3) be placed within the bottom 30% of the area of the label panel in lines generally parallel to the base on which the package rests as it is designed to be displayed. (On packages having a principal display panel of five square inches or less, the requirement for placement within the bottom 30% does not apply.)

21 CFR § 101.105(3) requires that the term "net weight" shall be used when stating the net quantity of contents in terms of weight. This may be abbreviated, but may not be omitted.

The type size of the contents declaration must comply with specifications that depend on the "area" of the "principal display panel" (See, No. 1 above regarding the "Principal Display Panel") as follows: (a) not less than one-sixteenth inch in height on packages the principal display panel of which has an area of five square inches or less; (b) not less than one-eighth inch in height on packages the principal display panel of which has an area of more than five but not more than 25 square inches.

Finally, the metric equivalent of the net quantity of contents that is declared by weight or volumetric measure is required to be included as a result of the American Technology Preeminence Act of 1991.

This section assumes that the declaration of quantity of contents (i.e. 10 tea bags) will be the primary choice of the packager and allows for the combination of quantity and net weight for purposes of clarity, but does not speak to the use of only net weight without quantity where quantity would otherwise be the customary measure of the product. In the case of tea bags, it is safe to assume most customers measure a package by the number of tea bags rather than the total weight of tea in the package. We have reviewed a number of the labels for teas that are prominent in the United States and determined that they usually declare the contents as a combination of numerical count and net weight, where applicable. We would recommend that the contents be proclaimed on the front panels of the bagged tea products as follows: "10 TEA BAGS NET WEIGHT 0.9 OZ/25 g".

### *5. Nutrition Information*

All food labels are required to bear nutrition information presented by 21 CFR § 101.9, unless exempt. In general, foods that contain insignificant amounts per serving of all the nutrients (vitamins and minerals for which a daily value is established) and food components (calories, fat, carbohydrate, protein, etc.), as long as the food bears no nutrition claims or information on the label, in labeling (brochures, etc.) or advertising. 21 CFR § 191.1(j)(4). The vast majority of teas and herbal teas are exempt from nutrition labeling on this basis. Still, many major tea brands include a "Nutrition Facts" panel, particularly those that have begun featuring the "antioxidant" properties of tea.

### *6. Ingredients List*

Section 403(i)(2) of the FDC Act and 21 CFR § 101.4 require that the label of a food include a list of all ingredients that are declared by their common or usual names and in descending order of predominance by weight. The ingredient list must be included on the principal display panel or the information panel. An accurate identity statement on the front panel, such as "Black Tea", "Green Tea", etc., may be sufficient for single-ingredient tea or even a blend of black tea leaves, so long as the only ingredient is *Camellia Sinensis*.

#### *7. Name Of Manufacturer or Distributor*

Section 403(e)(1) of the FDC Act and 21 CFR § 101.5 require that the label of a food in package form specify conspicuously the name and place of business of the manufacturer, packer, or distributor of the food. The statement of the place of business must include the name, street address, city, state, and Zip Code. However, the street address may be omitted if it appears in a current city or phone directory.

When the food is not manufactured by the party whose name appears on the label, such as a U.S. distributor, that name must be qualified by a phrase that reveals the named party's relationship to the product, e.g., "Distributed By \_\_\_\_\_".

#### *8. Country of Origin*

Section 304 of the Tariff Act of 1930, 18 U.S.C. § 1304, and U.S. Customs and Border Protection regulations require conspicuous, legible, and indelible country of origin markings that disclose such information to the ultimate purchaser, i.e., "Product of China" or "Made in China" on products of foreign origin. Generally, each time the container or holder (retail package) of foreign goods includes the name and address of the U.S. distributor, the name "United States" (or abbreviation) or any U.S. city or state, the country of origin's name must appear nearby and in a comparable type size.

## **Packaging Tips for Premium Teas**

How should you package your super-premium, single-harvest, hand-made, limited-edition, classical loose leaf teas, which represent the very finest available? Here are a few things to consider:

*Q: Who is the target audience?*

*A:* Two target audiences often want different things. The first group consists of real tea connoisseurs who know what they're looking for and are comfortable buying a \$200 tea from someone who doesn't speak English. The second audience is mid-20s to mid-40s, mixed gender, well educated, and sophisticated. These are people who like the natural, healthy, environmentally friendly ethos of Whole Foods but also like the fact that Whole Foods is extremely clean, well lit, and meticulously merchandised. In other words, highly produced and staged "trendy natural." One audience "gets it", the other has the money and a self-image that wants to get it or at least look like they do.

*Q: What is the message?*

A: Premium, small lot, hand-picked and processed, traditional, authentic, exotic... In a world of tea blends that are Western representations of the conventional beauty and romance of tea, these are the real deal. If the loose tea at Whole Foods is Panda Express, this stuff is like having dinner in Chinatown at a place where no one speaks English.

*Q: What does a connoisseur look for that other tea drinkers don't?*

A: Casual drinkers are into obvious flavors and just enough "authenticity" to make them feel like they're being different/healthy/trendy. These are people who love and are proud to know the up-and-coming pop musicians. They think they are on the cutting edge. Connoisseurs are into deep niches and nuance. The shape of the leaf in a Wuyi or the Muscatel notes in a first flush. Connoisseurs "like" nuances and flavor notes that might not even taste "good" to them because they are supposed to be there, and they are the sign of an excellent tea. Continuing the music analogy, these are people who are into obscure niche bands or sit with their eyes closed following the cellist in a piece of classical music. They appreciate the nuance and are bored by the obvious and straightforward.

*Q: Describe the proper aesthetic of "premium" tea packaging.*

A: Natural, rough, traditional, classical, old, and clean. There are no inclusions (fruits, flowers, etc.) in this tea, so it's all about the leaf and/or the garden. For me, the balance is like a rough-hewn dining room table carved from a single giant tree with all of the rings and rough edges intact. But that beautiful, natural table is displayed in the pristine cleanliness and meticulously staged setting of a brightly lit William Sonoma store.

*Q: What type of marketing copy do we include?*

A: Skip the marketing copy. Just describe the tea! For example, here is the cupping description for one of these beautiful teas (you'll have to check the website in a few weeks to see which one): *The aroma rising from the wet leaves is bright and brisk with incredibly high notes that awaken the palate. The flavor of the warm, golden-green liquor is softly sweet and floral, lingering on the tongue like the sensory memory of lilac, lemongrass, and sunshine. We highly recommend a second steeping, which will fully unfurl the leaves and floral character of this exceptional tea.*

*Q: What material to use?*

A: This is a tough one. A true connoisseur is fine with simple packaging so long as it is air-tight and includes a detailed description of the tea's origin, the flavor profile, and brewing instructions. The "luxury customer" will want to see premium packaging to go along with the premium price tag. This is especially true if the tea is to be given as a gift.

## Does Your Tea Need an Expiration Date?

How will you handle sell-by dating, and what systems will you put in place to track and "move" aging products? First, a little background. According to a USDA Fact Sheet, *"Except for infant formula and some baby food, product dating is not generally required by Federal regulations... There is no uniform or universally accepted system used for food dating in the United States. Although more than 20 states require dating of some foods, there are areas of the country where much of the food supply has some type of open date and other areas where almost no food is dated."*

The Germans, famous and/or notorious for their quality controls on tea, have adopted an industry standard of marking tea "best used before" three years after the date it's packaged. This is startling for several reasons. First, while we know it is relatively common practice in the US to sell teas that are a couple of years old, we at Adagio try to avoid stocking teas past the following year's new harvest. In practice, it's not possible to perfectly predict sales volume, and so any retailer will at times be forced to sell "last year's tea" a couple of months after the new harvest, but we certainly are not selling teas that are *years* past the latest harvest. Second, you may have caught that the rule was three years after it was *packaged*. There's no telling how old the tea was when it was packaged. (This is not intended to pick on the Germans. At least they have a standard!)

The simple truth is that tea, properly stored, will never be dangerous for human consumption. Tea doesn't spoil and won't hurt you. Freshness is all about the quality of the taste and aroma. Once a tea is processed and packaged, it slowly loses freshness from day one. Poorly packaged tea (or opened every day or two at home and re-exposed to the air) loses freshness much more quickly. We recommend that customers purchase no more tea than they are likely to consume in six months.

All of this leads to a conundrum. If we don't include a date on our packaging, neither we nor the customer has a reliable way to determine which tea is the oldest or from which harvest. If we do put a packaged-on date, we hold ourselves to a standard of disclosure that few else do and raise questions of freshness that other retailers side-step (and sometimes lie about - "of course that's this year's harvest"). If we put a use-by or best-before date, we would want that to be, at most, a year from packaging. The problem is that even if we perfectly predict demand, we'll have to sell some tea 11 months and 29 days after harvest because the next harvest isn't available yet. Do those teas say "use before tomorrow"? Will the customer buy a tea with a use-by date a couple of months or weeks away, when the competition doesn't even print one?

It is imperative for internal controls that we at least track packaged-on dates. Disclosing information to the consumer is a double-edged sword. We like to be responsible (and appear responsible), but don't want to complicate things unnecessarily and certainly don't want to suggest that the tea is "not good" when it's 18 months old. Consider placing a "Packaged On" date on every package marked for resale. This will allow your staff to enforce a FIFO (first in, first out) method of inventory and give the customer a sense of how old the teas in their cupboard are.

It will be the responsibility of your sales staff to explain the harvest cycles of tea and the fact that while tea is best consumed quickly, it never really goes bad. The good news is that, with our new zip-lock foil packaging, you'll have a substantial advantage over many other tea retailers. The enemy of tea freshness is light, moisture, and air. A pouch is superior to a tin because it is more air-tight and because it is easy to expel extra air from within the pouch. (A 4-ounce tin with an ounce of tea in it is exposed to three ounces of fresh air every time you open it.)

## Tea Accessories: What to Offer

New retail tea shops often derive 40% of first-year sales from accessories. Even well-established shops usually get 20% to 25% of sales from accessories, so this is a critical component of the business.

All tea accessories may be split into one of two categories: Brewing Equipment and Decorative Teaware.

Brewing Equipment includes everything you need to prepare a cup of tea: kettles, teapots, cups, thermometers, gram scales, teaspoons, and storage containers. These are the tools of tea. They should be focused on utility and efficiency, and should be reasonably priced.

Decorative Teaware usually serves a purpose, but focuses less on simple utility and more on aesthetic appeal. Decorative filters, teapots, teacups, storage containers, trays, warmers, and candles are just a few of the most common pieces. These make great collector's pieces for tea lovers and wonderful gifts. Here are some items to consider:

1. Japanese cast iron teapots and cups
2. Chinese clay teapots and cups
3. Porcelain and ceramic teapots and cups
4. Decorative storage containers
5. Decorative teapots

As part of the store's marketing strategy, consider featuring the teas, accessories, and culture of a specific region. For example, you could focus on Chinese Oolongs. During this themed period, you would highlight the teas in this category, offer a series of tastings and events, and carry a broader collection of decorative Chinese teaware. This will permit you to expose your customer base to a broad array of culturally interesting and aesthetically beautiful accessories without dedicating the shelf space necessary to stock a wide range of accessories from each category all year long. It will also provide your employees with deeper ongoing education in the culture and history of tea, without overwhelming them by requiring them to know the history and use of every accessory when the store first opens.

The retail store may also serve as a great test bed to identify the most popular decorative accessories that will then be carried on your website. The process of selecting the accessories for the core collection and for the themed promotional periods is one of the more enjoyable parts of the job of running a tea retail shop. Please consider including your customers and employees in building the ideal collection.

## SEO and Online Ads for Tea Brands

While having a website is almost indispensable these days, generating traffic to it, and especially the *right* traffic, is nearly as crucial. Whether it's a brand-centered website or an e-commerce platform geared towards sales, it requires special efforts to ensure high visibility among your customers and the wider audience. With a saturated online landscape and hundreds of businesses competing for eyeballs and clicks, it is worth considering how to optimize the website to make it relevant to your audience and the search engines that display search results.

The first port of call is the website's search engine optimization, or SEO. It's a variety of "signals" that a webpage gives off to search engines, telling them more about the content located on that webpage. Each of those signals needs to be carefully adjusted to reflect the information therein correctly. Afterwards, search engines index this information and display it in search engine results based on relevance for a given search term. While some aspects are a bit technical and may require input from web developers, at least a basic knowledge of the essentials is beneficial, and a thorough primer can be found here: <https://moz.com/learn/seo>

Once a website is optimized and humming along, what happens if it's still not visible in the first pages of search results? Or what about if you wish to promote a new product or service online? In this respect, the gatekeeper of online advertising is Google, with an approximately 90% share of all searches. Their AdWords ad service allows advertisers to place ads at the very top of any search results. Offering an excellent level of control over target budget and keywords, even small advertisers with limited means can serve their ads along with giants of online retail. A detailed overview can be found [here](#).

While it does initially require some time for set up and fine-tuning, the service (as well as similar ones provided by Facebook, Bing, and other companies) can be configured to run passively in the background thanks to many automation options.

## Grow Your Tea Brand on Social Media

How can you optimize your tea shop's social media strategy to be engaging and relevant? In this new age of social media, merchants are provided with the luxury of data, a company-specific audience, and the ability to connect with their customer base consistently.

For starters, it is crucial to be mindful of the difference between promotional and engaging activities. In the past, marketing focused on incubating awareness of specific products and services. Everyone is bombarded with alerts to buy new products, and in order to rise above the static posts, they need to be uniquely personal.

Let's break down three key elements to incubating a successful social media strategy:

**Consistency:** Training your customer to expect content. A campaign that drove traffic featured a daily posting schedule, including Mantra Monday, Tasting Note Tuesday, What Tea Wednesday,

Tea Trivia Thursday, Free Tea Friday, ActiviTea Saturday, and New Sips Sunday. By creating consistency, customers are more likely to engage with pages.

*Story:* Encourage customers to share stories about their experiences in-store. Often, we feature real customers enjoying tea at the shop with clever captions. This can create a strong psychological effect, as when people see others enjoying the process, it makes them want to take part.

*Empowerment:* creating a social media manager in-store is empowering to your employees and makes them realize they have an active stake in the company's success. Creating this position is often overlooked and will help ensure that you don't lose face with your customer. Lastly, make it fun by considering a contest for the most successful post that utilizes data from your campaigns.

Measuring your impact. It's thrilling to create new content, but ensure you are monitoring data to ensure posts are engaging. Facebook offers three metrics that can really help you strategically improve content.

*Reach:* Number of people who see your posts on their newsfeeds. To increase reach, you need to increase the number of people talking about this.'

*Engaged users:* Number of people who click on a post.

*Talking about this:* The number of people who like or comment on a given post.

## Hiring Employees for Your Tea Shop

*Hire the right personality for the job.* Don't hire shy people to serve customers. But hire them! Use them for gift wrappers, window display designers, marketing and displaying of merchandise, Internet orders, shipping, and/or creating gift baskets.

Hire outgoing personalities for sales clerks, wait staff, cashiers, and answering the phone, but make sure they're putting your business's interests before their need to be the center of attention. The focus, as always, should be on the customer.

Get referrals from like-minded sources, including culinary schools for cooking and wait staff, discreet signs in your shop window to attract dedicated customers, current employees for seasonal positions, and local vendors.

*Don't just interview, audition everyone.* Resumes are essential for checking references (which you must!) and getting basic information, but for servers, sales staff, or display staff, audition them! Provide a few examples to demonstrate their functionality. Are they quick and neat, slow and sloppy? Hire the person with innate creativity and a penchant for neatness.

Show a potential server your typical table service, then ask them to take an order, serve, and clear the table. Are they graceful and careful? Do they know the service protocol? Use handwritten orders? Can the chef read their handwriting? Use a tablet or similar device? Can

they easily pick up the technology? It probably shouldn't have to be mentioned, but are they clean and neat from hair to shoes?

For sales clerks, explain the variety of teas or gift items you sell. Do they seem interested? Do they know how to operate scales for weight and the tablets or registers for sales? Ditto for credit card machines.

If you're a high-end coffee roaster or own a fine restaurant, finding hires that appreciate coffee is legion, but are these new hires willing to learn about the artisanal or single-estate teas you offer? Give them a sample tasting to test their palate and their appreciation. Hire mature workers. They're reliable, knowledgeable, and they'll show up on time and stay until the job is done.

*Get the word out in a targeted way.* Hire local. Friends love to visit shops where friends work. Opt for personal and business contacts for referrals, unless you need hundreds of hires. Also, consider social media! Check those references! (Can't say it often enough.)

*Train well.* During the interview and audition process, determine the potential of your hires. Even the most experienced employee needs to understand how your business works and what you expect of them. That means training. Train new hires on any equipment that they will use daily and have them practice sales execution. Determine if they need more training and for what tasks. Note the new hire's attitude when they're corrected.

Partner each new hire with an established employee. This mentee/mentor relationship takes the slack off you answering every single question that comes up. Your established employees will soon discover if you have self-starters/quick learners.

Ask potential hires to observe your business in action. (A half or full hour after the initial interview would work.) If your pace aligns with their capabilities, great. If not, it's best to learn that immediately.

Be clear about company standards for behavior, dress codes, schedules, days off, and how long the seasonal hire will last. Some employers no longer allow personnel to use cellphones during work hours, only during lunchtime or breaks. Make sure employees understand your policy, if you have one. Put this information on a poster in the employee bathrooms and employee break rooms.

Be specific about what you expect of them. Describe a successful employee. Discuss perks, if you offer them, like inventory discounts, meals, parking, public transportation discounts, insurance, payment schedule, and of course, hourly rates or salaries. Be clear if you're flexible or limited about scheduling.

Discuss up front whether or not this is a permanent hire or a temporary position. Put everything in writing, and give a copy of your "What to Expect When You Work for Us" to every new hire.

## How to Hire Passionate Employees

Passion is an elusive and incredibly diverse concept. For some, passion is inspired by nature, and others by art. Some discover their passion in accomplishment, and others in relationships. Some are inspired by thought and others by experience. My objective is to inspire passion for tea in every customer who walks through the door. Accomplishing that requires insight, skill, knowledge, and passion!

A good interview question is "What are you passionate about?" There is no wrong answer. It can be anything from cooking to shopping to traveling. It does not matter. The key is the follow-up question. "Tell me why you are passionate about it. What about that excites you? Pretend that you know nothing about it (gardening, music, art, whatever) and explain it to me." If an employee can't compellingly communicate their passion, they can never inspire a customer to be passionate about tea. It is possible to teach someone what they need to know about tea, but you can't teach passion, and you don't have time to teach the basics of communication.

Once you have a team capable of getting excited and communicating effectively, the next step is to understand the customer. The key is to teach your employees (and yourself) to identify what drives a customer quickly and then to see the world through their eyes. Speak their language, share their passion for knowledge, romance, or sensory experience, and thereby feed their love for tea. Misreading a customer or approaching every sale with the same template tells the customer that their passions and interests are either wrong or not as valid as yours. A passionate employee who fails to speak the language of the customer may come across as impressive, but will never transfer their passion to the customer.

We open stores to give the customers something they want. Everyone in the tea business needs to understand that customers are not looking for tea. They are looking for an experience (flavor, relaxation, education), feeding an identity (cultured, relaxed, healthy), or pursuing a goal (health, knowledge, etc.). The most loyal customers are those who identify on a personal level with your product. That is your mission.

## The Secret to Success: Your People

A new business is to an entrepreneur what a blank canvas is to an artist, a vineyard to a winemaker, a farmer's market to a chef. We feel the electric crackle of potential in our fingertips and are filled with hope and possibility. At the same time, there is an apprehension that comes from understanding that the difference between success and failure in business is as subtle as the difference between good art and bad, good wine and bad, good food and bad. The ingredients and creation process may be identical, and yet the result is made perfect or spoiled entirely by the slightest variation.

Creative people in all professions often find themselves blocked, staring at a blank canvas or cupboard of spices, and uncertain where to begin. Many small business owners stand thoughtfully in the peaceful silence of their operations long after work has ceased. We pore over

sales and financial reports late into the night, searching for the strategy that will transform possibility into reality. “You know you have the right idea, but something is missing...”

You’ll never be delighted, and that hunger for perfection is probably a good thing. At the same time, it’s hard to rest knowing that things could be “better”, and “better” will most certainly increase sales. Perfect packaging, products, marketing, merchandising, and store design are only ingredients. Mastery of each of these will not lead to success.

People buy from people; are served by people, and build relationships with people. The best brand and the best marketing story will appear nothing more than slick and shallow marketing if the people behind it are not authentic. The most perfectly designed and merchandised store will fail to resonate with the customer if the eyes of the person behind the counter are dead and uninterested. The greatest works of screen, stage, or orchestra fall flat unless they are performed with passion.

Consider the small, underfunded, poorly located, and poorly merchandised independent retailer that becomes part of the fabric of their community through customer service and relationship building. People buy from people, are inspired by people, and believe in people.

It is easier to perfect the tangible components of the retail operation than to perfect the way we serve and interact with customers. For anyone searching for the secret sauce of profitability, we encourage you to examine your team. Do they believe in you? In your product? In your business? Can they tell that you believe in and care about them?

## How to Train Your Tea Staff

Training your staff is an essential component of your success and is, unfortunately, rarely given the attention it deserves. For customers who are connoisseurs the quality of tea, the quality of your staff, and their familiarity with the collection communicate whether or not you are as serious about tea as they are. For customers new to tea, your employees are critical to helping them make sense of the store and the collection and take the uncertainty out of the buying process.

A good Tea Consultant, using the appropriate sales techniques and equipped with a solid knowledge of tea, can and should deliver 50% higher average sales than a very lovely, very friendly, but relatively untrained cashier. In most tea shops, the right employee training program could increase sales by at least 25% while dramatically improving long-term customer loyalty.

Here are a few components of employee training:

1. A “good sale” is one in which the customer leaves excited about tea AND is likely to remain so after they begin enjoying the product. Some retail stores attempt simply to maximize the dollar value of the sale and often do so at the expense of the customer experience and the detriment of customer loyalty. If your customer regrets their purchase, they’re not likely to return. You will earn much greater profits in the long run by feeding our customers’ tea habit than by convincing them to buy an overpriced, low-margin accessory and never seeing them again.

A customer who leaves with just one sample of tea is likely not overly impressed with the shop or the tea itself. There is a balance that needs to be struck between maximizing the sale and avoiding a "hard sell" that will turn off the customer. Your sales techniques should focus on building customer excitement and identifying and meeting the customer's needs and desires, not pushing the featured product of the day or badgering them to super-size their order. If we can get the customer genuinely excited, they will buy more because they want to. And they'll tell their friends!

*2. We don't sell, we consult.* The goal should never be to get the customer to buy what you're selling, but rather to identify what will make the customer happy. Often, what they want will make them happy, but part of the role of a customer is to determine the proper drivers and needs of the customer and guide them into a purchase that will make them happy. We're not salespeople trying to push our preferences on the customer. We're not directory assistance; we simply point them in the direction of their inquiry. Our goal is to understand the customer and provide the level of service, information, and assistance that they need. Sometimes that involves telling them what to buy as a gift, and sometimes it means knowing enough just to leave the customer alone!

*3. It's not about the product, it's about the experience.* Developing a deep understanding of tea is essential, but less so than you think. The more some employees know, the more they forget the customer and start sounding like an encyclopedia. Customers come in all types. Their intellect drives some, and they may be very interested in the history and production techniques behind a specific tea. Others are driven by their senses and simply want to see, smell, and taste the tea. They couldn't care less about where it comes from. Their worldview drives some to purchase products that make them feel socially conscious, spiritually aligned, or physically healthy. A thirst for luxury drives others, and they want to buy and experience the very best. Then some want to buy a gift, hate tea themselves, and just want to know what's popular and likely to please.

Applying a sales pitch based on luxury to a socially conscious customer will be a disaster. Appealing to the senses of a tea hater who just wants a gift for grandma is equally a waste of time. The most important thing to teach your staff is to identify and understand people quickly. Only then can we choose a consultation approach (or sales technique) that will resonate without alienating.

*4. We're mentoring people, not programming robots.* Many of the skills we aim to teach have applicability far beyond the tea shop. A new employee joins the team with the desire to do enough to please their boss, make some money, and hopefully not be miserable along the way. It doesn't take a lot of personal time and attention to tell someone that you care about them and that there is the potential for them to learn more profound lessons and gain a greater sense of fulfillment from the job than they expected. For an employee to be truly effective, they need to buy into what we are doing and care about the shop. The best way to accomplish this is to invest in the employee and genuinely care about their development. Whether you are a business owner or just a manager, you are where your employee hopes to be someday. Take them under your wing and they will do their best to learn and apply everything you can teach them.

When a part-time employee becomes frustrated with the owner for cutting corners on shop maintenance or customer experience, some owners perceive insubordination and become angry. However, the opposite might be true, as it shows they care and are invested in the store's success or failure. That is powerful!

*5. Encourage self-study but jealously guard the truth.* There is a lot of bad information out there about tea. There are a lot of very well-respected authors who have written things that, quite simply, are demonstrably false. In many ways, we're sitting in the early 1500s when people started to understand that the Earth was indeed round, but most of the textbooks were still wrong. You want your employees to be curious, to read, to blog, and to continue learning. At the same time, it is imperative that you develop strategies for vetting "new information" and jealously guarding the core truths of tea. A few well-intentioned statements from a novice tea consultant eager to share their latest discovery can quickly earn your shop a starring role in the derisive blog of a tea snob. :)

## **Selling vs. Consulting in Tea Sales**

A "good sale" is one in which the customer leaves excited about tea and is likely to remain so after they begin enjoying the product. To accomplish this, the staff must be taught to consult, not sell. A consultation is focused on helping to connect the customer with the products that will meet their needs and/or make them happy. The process of selling often gets distracted by featured items, current promotions, or the most expensive option, to hit pre-defined sales goals that have nothing to do with customer satisfaction.

There's nothing wrong with featured products and promotional items. This is a very common and effective way of introducing customers to new products. That said, a well-trained employee should have the insight and flexibility to skip the script if it doesn't fit. Imagine a regular customer - an elderly gentleman - who buys nothing but Keemuns for the morning and Decaf Earl Grey for the evenings. He has said before that he has no interest in all the new, fancy, flavored blends. If, the next time he walks in, the employee pulls out the script and extols the virtues of your new Rooibos Pomegranate blend, you're telling him in no uncertain terms that he's just another customer and no one cares about his preferences.

A good sale also isn't defined by the absence of a hard sales pitch. We don't refer to our retail store staff as sales associates, but we also don't call them cashiers or customer service staff. We call them tea consultants. Part of the mission of a consultant is to provide targeted feedback and guide the customer's purchase. The world of tea is huge. Our collection can be daunting - even for a connoisseur. The amount of conflicting information out there on tea and its health benefits is bewildering. The consultant's job is to provide any necessary information and do whatever they can to make sure the customer is happy with their purchase and is likely to remain so after they begin enjoying the product.

We're looking for customer loyalty here, not a one-time maximum sale! A Tea Consultant who discourages a sale over concern that the customer might not enjoy it is a rare thing indeed. You can bet it will be appreciated and remembered by the customer.

Finally, a customer who leaves with nothing more than one or two small samples probably did not have a fantastic shopping experience. They most likely never got excited about the store or the product, and/or did not find anything that suited their tastes and preferences. Granted, we didn't make the mistake of hard-sell, but we still failed to inspire the soul and delight the senses of the customer.

Your goal is to teach the staff to read the customer and target their approach appropriately. This is a skill that will make them (and by extension the shop) incredibly successful. It's also a skill that they can easily take with them and use wherever life leads them. And besides, if your goal is truly to delight the customer, imagine the culture you'd be able to build! Done correctly, this is a true win-win. Your staff is proud to be associated with the company and excited to spend their time making people happy. The customers feel welcome and appreciated, and develop a real trust relationship with your staff and the company. Sometimes, doing the right thing for the right reason is the best way to make money! :)

## Tea Education Online Resources

Adagio Teas offers [TeaClass.com](https://www.adagio.com/teaclass) as a free tool to educate your employees about tea. Over the years, many thousands of people have taken advantage of the free training and improved their knowledge of the world's most popular beverage.

The Beginner Level is an excellent tool for tea consumers and covers the basics of what tea is, types of tea, how to make it, and basic health benefits.

The Intermediate Level targets tea connoisseurs and provides information on how tea is made, how quality is determined, advanced health benefits, and detailed information on the categories of tea.

The Advanced Level is designed for tea consultants - those who rely on their knowledge of tea to inspire the soul and delight the senses of consumers (and encourage them to buy, of course). The lessons in this level cover how to cup teas, how to talk about teas, more than 20 of the most common customer questions, and a description of each of the major growing countries.

[TeaClass](https://www.adagio.com/teaclass) is free and open to the public, making our internal training available to everyone! We ask that you participate in helping us refine and improve the content to increase the value for everyone!