Exploring the Local Market for Uplifting Sri Lankan Tea Industry: A Case of Local Tea Consumers

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Abstract

Sri Lankan tea industry has been mainly focused on the international market from its inception. Still sufficient attention is not paid to develop the local tea market within Sri Lanka. As there is a great potential to develop the local tea market with growing local economy and middle income consumer base, the objective of the study was to assess the consumer buying behavior of tea among the locals, expecting to identify avenues to develop the local market. One hundred and twenty respondents from Kegalle district of, Sri Lanka were surveyed with interviewer directed questionnaires. The effect of demographic factors on making purchase decisions and buying behaviors were analyzed by Chi square test and Spearman correlation test. It revealed that majority of local consumers regardless of their demographic factors consider "quality" as the major factor when making purchase decision. There were three significant relationships including income level vs. buying place, income level vs. brand consciousness and living sector vs. buying place. Therefore, the local tea market can be successfully segmented according to income levels and locality of consumers. As high end consumers are more conscious on brands, marketers must make strong brand image by accelerating brand promotions at supermarkets from where they buy tea. However, marketers can touch mass market by improving the quality of tea, especially taste. They can try out flavored teas at local tea shops for high end consumers to make it popular as a passion. The study finds avenues for development of local tea industry, which can serve as a buffer when international market is uncertain.

Key words: buying behavior; consumer; local market; purchasing decision; Sri Lanka; tea

Introduction

Tea is the most popular non-intoxicating beverage in the world which is enjoyed alike by both rich and poor people all over the world (Gosh and Gosh, 2013). At past, Sri Lanka was the major tea exporter in the world and around 20% of global tea consumed around the world was produced in Sri Lanka (ADB, 1990). For more than a century, tea sector was a significant provider of employment, export earnings and government revenue. But at present, Sri Lankan tea industry is not performing well in global tea market. It has lost its position in the global market and its competitive ability to compete with emerging producers like Kenya and other African producers including Uganda, Malawi and Morocco. Previous studies in Sri Lanka raised issues like low productivity, high cost of production, market inefficiencies, lack of proper government intervention and politically motivated policies which make no sense for development as reasons for this downfall of the sector (Amarasinghe, 1993; Ganewatta and Edwards, 2000; Anderson and Tyers, 2009). But tea still continues to play an important role in the economy, though its relative contribution has decreased in last few years. There is a need for modernized tea industry built with innovative and creative approach which can lead to long term success (Amarasinghe, 1993; Annon, 2014). In this context, De Silva (2017) has put forth two innovative ideas: increasing appreciation and consumption of tea by local consumers and capitalize on foreigners who visit Sri Lanka annually as ambassadors for Ceylon Tea. Thus, local tea market has to be developed by assessing the potential from locals and tourists. If there is a robust local market it would at least act as buffer when the international tea market collapses. The exploitation of the local market will be possible as there is an increasing trend of domestic consumption of black tea by the Asian tea producing countries (Asia Siyaka Commodities Research, 2019).

It is obvious that the success of tea industry mainly relies on the global market as it brings better returns than local market. This should not limit the expansion of the domestic market (Amarasinghe, 1993). With growing competition in international tea market, country must adopt new innovative strategies to uplift the industry and hence improving the sales in local market is deemed to be important. Even though superior tea grades and a wide range of value added tea are produced domestically, major proportion of them are exported. Anon (2014) finds that local market has no efficient marketing strategy to market value added tea locally. The domestic consumption was estimated only 9.4% of the local output. In year 2017, the domestic consumption was recorded as 28.9 million Kilograms from the total production of 307.7 million Kilograms (CBSL, 2018). The average monthly household consumption of tea dust/leaves was 440.2 grams (HIES, 2012/2013). The major reason for this condition was observed as poor affordability of local consumers towards best quality tea (Ganewatta and Edwards, 2000). According to Pethiyagoda (2017), Sri Lankan people have no habit of appreciating its own tea, mainly because they do not have the chance to have a ‘good cup of tea’. Even though limited amount of superior tea grade is available in the local market, the local consumers cannot afford them at higher prices. The amount spent on tea consumption from the monthly income of local family is low and local consumers are used to consume low quality tea over the years. Marketing of any products or service depends on how its consumers behave when they have a need to buy it. Therefore, it is very important to study the behavior of consumers in marketing the products. This is common for tea products as well. Consumers make numerous decisions consciously or unconsciously (Kalpana and Shibhu, 2016). According to Gosh and Gosh (2013), factors affecting consumers’ buying decisions are extremely complex and a range of economic, cultural, social, religious, demographic, marketing and personal factors determine the consumer behavior. Therefore, having a better understanding of buyer’s behavior and what influences them on consumer decision-making is very important for a successful marketing of a product (Kumar and Babu, 2014). For an effective marketing strategy for local tea, it is essential for the marketers to know the decision making and buying behavior patterns of the local buyers. Therefore, the main objective of present study is to assess the potential of local tea market of Sri Lanka by studying purchase decision making and buying behavior of local tea consumers. Even though there are several local studies on tea industry, the market based studies are lacking. Almost all the existing studies were based on the issues related to production, exporting and economic conditions. Studies from other countries such as Gosh and Gosh (2013) cannot be directly extrapolated to Sri Lankan context due to specific nature of the social, economic and cultural backgrounds of Sri Lanka. To address this gap, this study presents an analysis of making purchase decision and buying behavior of local tea consumers living in one of the tea growing districts in the country. Both making purchase decisions and buying behavior aspects of local consumers are analyzed over a wide range of demographic features. As the first specific objective, the effect of demographic factors on the buying behaviors of tea consumers in Kegalle district was assessed. Secondly, the effect of demographic factors on purchasing decisions of tea consumers in Kegalle district was analyzed. Therefore, this study could provide a broad insight in to consumer behavior of almost all the types of consumers in the local market. Hence, this provides a good picture of local tea market of Sri Lanka through the lens of consumer behavior as it reveals certain trends in the local market. Individual marketers can use these findings to make successful strategies to exploit the local market which will contribute at least, partly to expand the local tea market in Sri Lanka.

Materials and Methods

This study was conducted in Kegalle district of Sri Lanka where the total population is reported as 840,648 and 14,203 of this are tea small holders (DCS, 2002). Survey strategy was followed in the study and a sample of 120 consumers from four different Grama Niladhari divisions (GN divisions) was interviewed through interviewer directed questionnaires. Consumers from two urban GN divisions (Ranwala, Kurunduhinna) and two rural GN divisions (Meedeniya North, Malawita) were interviewed for representing both rural and urban sectors within the sample. As the psychological processes of consumers are greatly influenced by demographic variables, the study tested how the demographic factors affect purchasing decisions and buying behavior of local consumers. As the first step data demographic features of the respondents were recorded (Table 1).

Effect of demographic factors on making purchase decision of local consumers

Tea consumers consider a set of factors when making purchase decisions. Accordingly, the study adopted eight factors including quality, price, brand, package, past experience, recommendation by others and loyalty of the buying place which were pre-determined by Foret and Procházka (2006), Kumar and Babu (2014) and Singh and Singh (2014) and Kalpana and Shibu (2016). The considerations of these factors when making purchase decisions by the consumers were recorded on five point likert scales. Then demographic factors were taken as the independent variables while consideration level of each pre-determined factors were taken as the dependent variables. Then the relationship between each pair of dependent and independent variables were evaluated by using Chi square test to find out the significant relationships between the variables. Spearman correlation test was used to find out the strength of existing significant relationships.

Effect of demographic factors on buying behavior tea of consumers

Then the relationship between each pair of demographic variables and buying behavior variables were evaluated by using Chi square test to find out the significant relationships between the variables. Spearman correlation test was used to

Table 1. Demographic variables used for the analysis

Variable	Description	Variable	Description
Age	1 ≤ 20 years 2 = 21 – 40 years 3 = 41 – 60 years 4 ≥ 61 years	Marital status	1 = Unmarried 2 = Married 3 = Divorced 4 = Widowed
Education	1 = Primary education 2 = Secondary education 3 = Tertiary education/ higher 4 = No education	Monthly income	1 ≤ Rs 30,000 2 = Rs 10,000- Rs 30,000 3 = Rs 30,000- Rs 50,000 4 ≥ Rs 50,000
Locality	1 = Urban 2 = Rural	Gender	1 = Male 2 = Female
Employment	1 = Government job 2 = Private sector job 3 = Entrepreneur 4 = Any other		

Source: Own table.

find out the strength of existing significant relationships.

Results and Discussion

Sample overview

More than half of the respondents in the sample were men. Majority of the respondents were in the age category of 21–40 years (38.8%) and rural consumers (51.7%). About 60% of the respondents were married. The sample had an average education level above secondary education. Also, almost half of the number of respondents recorded as receiving a monthly income of Rs 10,000–Rs 30,000. Greater portion of the sample were government employees (Table 3).

It was observed that majority of respondents in the sample consume tea daily (87.1%). Only very few are not consuming tea daily (Figure 1). Largest portion of the respondents prefer black tea (84.5%) followed by flavored tea (3.4%). This finding proves the claim by Asia Siyaka Commodities Research (2019) as there is an increasing trend of domestic consumption of black tea by the Asian tea producing countries. Black tea is the major form of tea produced within the coun-

Table 2. The variables used by the study to assess buying behavior of consumers

Variable	Description	Variable	Description
Buying frequency	1 = Daily 2 = Weekly 3 = Monthly 4 = Any other	Buying place	1 = Retail shops 2 = Wholesale centers and cooperatives 3 = Factory outlets (Tea shops) or delivery vehicles 4 = Super markets
Form of tea buying	1 = Packed tea 2 = Loose tea 3 = Tea bags	Type of the tea buying	1 = Black tea 2 = Green tea 3 = Flavored tea
Quality attributes considering when buying	1 = Taste 2 = Aroma 3 = Color		

Source: Own table.

Table 3. Sample profile

Variables	%	Variables	%
Age:		Marital status:	
- Up to 20 years	5.2%	- Unmarried	12%
- 21–40 years	38.8%	- Married	60%
- 41–60 years	31%	- Divorced	2%
- Above 60	25%	- Widowed	6%
Locality:		Gender:	
-Rural	51.7%	- Male	52%
-Urban	48.3%	- Sector	48%
Educational level:		Employment:	
- Primary education	12.4%	- Government	26.3%
- Secondary education	49.1%	- Private	35.5%
- Tertiary education or higher	31.9%	- Entrepreneur	15.8%
-Not having a proper education	6.6%	- Any other	22.4%
Monthly income:			
- < Rs. 10,000	14.4%		
- Rs. 10,000 – Rs. 30,000	48.3%		
- Rs. 30,000 – Rs. 50,000	25.8%		
- > Rs. 50,000	11.5%		

Source: Own table.

try and this may be the reason for its higher consumption. However green tea is not so much popular (0.9%) in this area (Figure 2). As both flavored tea and green tea are not much popular in the local market, marketers must put more effort to popularize these types of tea among local consumers. For occasions and festivals, this type of tea could be promoted as well as for health reasons. The benefits from these teas must outweigh substantially to that of black tea. This message should be communicated effectively to the local consumers.

Meanwhile the study revealed that more than half of the sample considers quality of the tea as the most important factor when making the purchase decision (50.9%) and most of people (69%), have given priority to the taste among three different quality attributes of the tea (Figure 3). This lines up with the findings of Foret and Procházka (2006). Kumar and Babu (2014) also have supported the idea that people have more sense on quality especially when they buy food. Even though flavored tea is not considerably popular among local consumers, majority of local consumers (79%) are still considering the taste as the important factor (Figure 4). This finding reflects that there should be a loop hall in local market which leads to this controversial scenario. The reason for poor satisfaction of the consumers could be quality of currently available tea flavors. Local tea firms have not yet catered to this existing opportunity. Therefore, it is important to examine

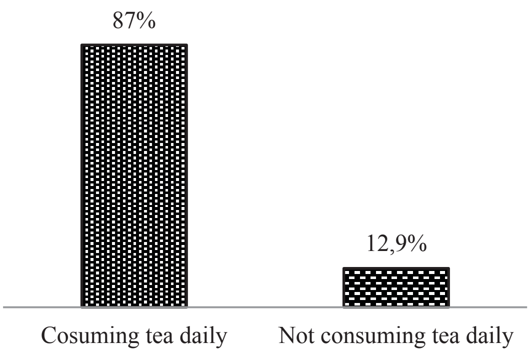

Fig. 1. Tea consumption of the sample
Source: Own figure.

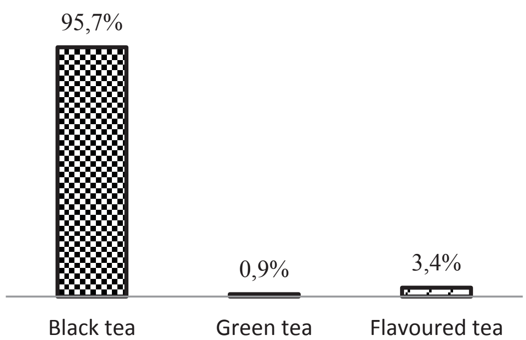

Fig. 2. Type of tea preferred by the sample
Source: Own figure.

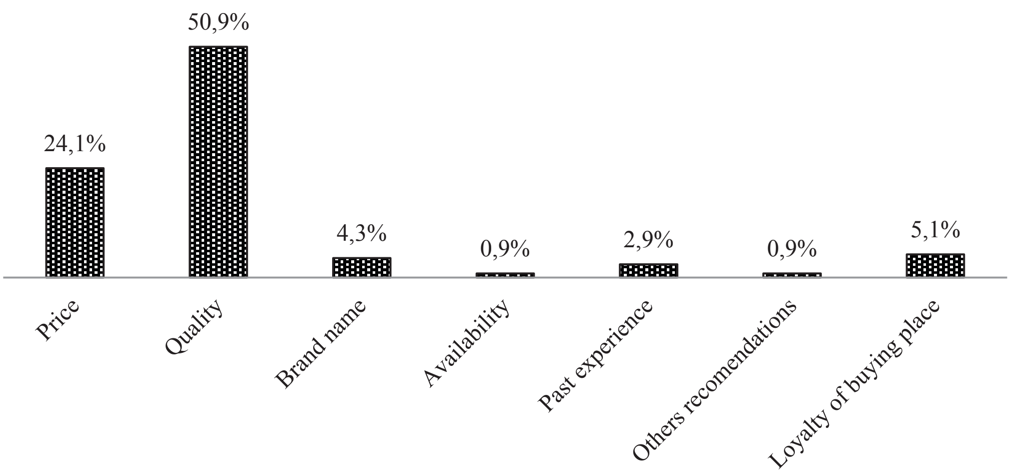

Fig. 3. Factors considered when making the purchase decision of tea
Source: Own figure.

more about taste and preferences of local consumers. This would allow marketers to produce flavored tea for local consumers. Also, the study has observed that high end consumers still prefer drinking coffee rather than tea as they adopted it as a fashion. Therefore, tea firms should come up with different tea products that can replace coffee and inducing tea consumption among the richer elites. More promotional efforts should be taken to make the attitudinal and behavioral changes among local consumers to make them more tea loving.

According to Figure 5, packaged tea is the most popular form tea bought among the respondents (51.7%) while lose tea ranked as second most popular form (44.8%). Tea bags are not noticeably popular (3.5%). Figure 6 illustrates that majority of the respondents buy tea from retail shops (54%) while another significant proportion buys tea from super markets (20.1%). About 16.4% of the sample buys tea from wholesale centers and cooperative shops.

Effect of demographic factors on purchase decision making of local consumers

The Chi Square test reveals (Table 4) revealed that there are few significant relationships among the demographic factors and major factors considered when making purchase decisions of tea. But the correlation test results (Table 5) only two relationships which show considerable relationships as others were found to be weak. Accord-

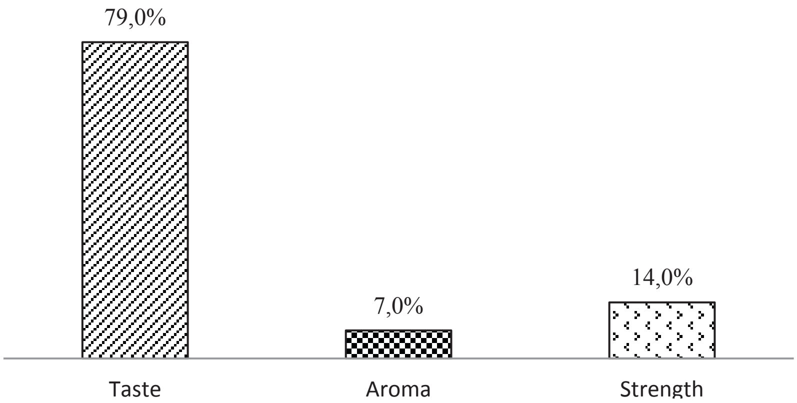

Fig. 4. Tea quality attributes when making the purchase decision
Source: Own figure.

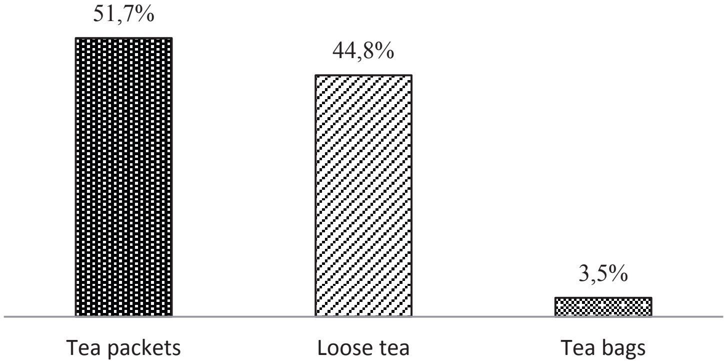

Fig. 5. Form of tea preferred by the sample
Source: Own figure.

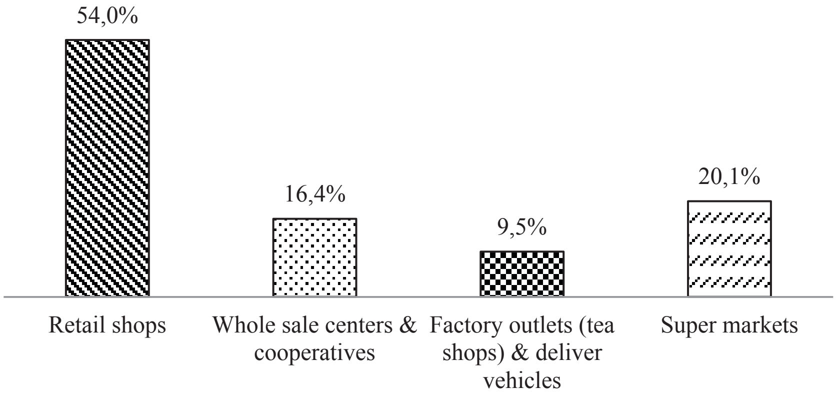

Fig. 6. Place of tea bought by the sample
Source: Own figure.

ingly, the moderately significant relationships were found among:

1. Consideration of brand vs. monthly income;

2. Consideration of loyalty of the buying place vs. the locality.

With education levels, factors like brand, experience and quality forms significant associations (Table 4). It is noteworthy that, based on past experiences. People may stick to same brands of tea. Quality and brand factors can be affected by level of education. Educated people are much open to receive more information about different brands and are capable of coming to better inferences compared to those who are less educated. Further, educated people may also obtain better income thereby going for specific brands. Education opens up more avenues of knowledge and educated people might be employed in the formal sector. Loyalty towards the shop showed associations with age and locality factors. This is plausible as based on the locality consumers may stick to a particular shop for purchasing tea. The distance factor may also play a role though it was not considered. But, locality was used as a proxy variable for distance as well. Further inference, from the results are that the variable age's association with locality. Aged consumers, home makers, and dependents may buy tea from shops within the locality. On the other hand, working generations may purchase tea at different places, probably away from the locality. It is common in Sri Lanka, that these days, there is a proliferation of super market chains against small groceries and boutiques. Working populace and the educated are the main shoppers in these super markets. Boutiques are often visited by older generation and dependents.

1) Relationship between consideration of brand and monthly income

Figure 7, depicts more details of the relationship between consideration of brand and monthly income. Accordingly, majority of the consumers who are getting a monthly income above Rs 10,000 is highly brand conscious. But most of the consumers who are receiving monthly income less than Rs 10,000 do not consider brand as an important factor. Not even a single person in this income category mentioned brand as an important factor for them. The study observed that lower income people are with the attitude that they don't need to consume branded teas which are expensive. But the attitude of high income consumers are totally opposite to that of low income consumers as high end consumers believe branded products are of best quality. Therefore, they are willing to pay high prices expecting better quality of tea. Mukherjee et al. (2012) mention that "when the disposable income is rising, consumption patterns are changing and the level of brand consciousness is rising". Kumar and Babu (2014) also conclude that per capita income of the people highly affects for

Table 4. Association between demographic factors and major factor considered when making purchase decision

Factor considered when making purchase decisions	Age	Gender	Locality	Education level	Employment	Monthly income
Quality	19.93	0.10	2.29	47.56*	16.84	8.75
Price	16.43	3.02	3.69	15.75	22.30	8.10
Brand	6.03	5.39	7.34	81.85*	25.12	30.44*
Promotions	20.65	5.08	5.73	8.80	21.10	14.10
Package	16.65	0.76	5.73	15.48	18.40	13.66
Past experience	14.08	7.83	12.57*	30.15*	14.13	14.73
Others Recommendation	21.26	3.31	6.11	22.81	30.31	23.26
Loyalty of buying Place	30.01*	4.58	29.18*	27.52	35.98	27.39

** denote Chi-square values which are significant*

Table 5. Results of correlation analysis of significant relationships among demographic factors and factor considered when making purchase decisions of tea

Relationships	Correlation coefficient	p value	Interpretation
Locality and loyalty of buying place	-0.481*	0.000	Moderate negative relationship
Locality and experience	-0.233	0.014	Weak negative relationship
Education and quality	-0.095	0.000	Weak relationship
Education and brand	-0.292	0.039	Weak relationship
Education and experience	-0.079	0.003	Weak relationship
Monthly income and brand	0.409*	0.002	Moderate relationship
Age and loyalty of buying place	-0.109	0.037	Weak relationship

** denote moderate relationship. Since other demographic variables did not show any significant association with the major factor considered when making purchase decision, the results are not presented in the table.*

Source: Own calculations.

consumers' buying behavior. When the income levels of the consumers are good, more resources become available for them and hence they search more on brands or value additions (Kim et al., 2002).

According to Malik et al. (2013), people believed that branded products with higher prices have better quality. Therefore, affordable consumers buy branded products. Also, they maintain their status by showing their personalities through buying branded products. They are ready to pay any price for the comfort and quality of branded products (Rajput et al., 2012).

This finding has greater implication for marketers, especially for food commodities. As the majority of middle income and high income consumers are brand conscious, marketers can make their businesses successful by developing a strong brand image for their products. In a middle income economy, more consumers pay attentions to value added food and beverages compared to non-food commodities. In high income countries this is vice versa. Building a strong brand image is a long process, but a successful process can make a strong strategy to fight with other competitors properly and to make strong long lasting profitable relationships with the customers. When the consumers become brand loyal they hardly change their brand as the habit of buying always influence the buying behavior.

They change products to test different brands when they are not loyal for a single brand (Foret and Procházka, 2006). Malik et al. (2013) state brand image can play a major role to boost up any business performance because it can be used as an implied tool which can positively change people's buying behaviors and it can make the product to stay long in consumers mind. Marketers can improve their sales and profit margins by developing tea brands targeting the customer segment with better income levels. Also, according to Kumar et al. (2013) consumers are willing to buy a variety of brands if their prices are lowered. Therefore, if the marketers could lower the prices of different tea brands they can grab the rest of the market segments i.e. consumers with lower income levels. Here marketers can offer lower prices for branded tea products by lowering the cost of production. Marketers try out this by either through scale of economies or value chain integrations across the tea value chain. But they have to pay more care on perceptions of the consumers with higher income levels who usually prefer expensive branded products. They have to take much care when satisfying all the segments of the markets together because rising sales in one segment can lower the sales of another segment.

2) Relationship between consideration of loyalty towards the shop and locality

Figure 8, shows that the loyalty of buying place is very important for majority of rural consumers. But it is not important for majority of the urban population. Kalpana et al. (2016) point out that the loyalty to local retailer shop is highly affects the buying behavior of rural consumers. The buyers living in urban areas have plenty of choices for buying places. They can buy tea from tea shops, retail shops, super markets or from food stalls. But the rural consumers might have only one or two places to buy tea. These places include retail shop, boutique or the cooperative shop located at their villages. So the consumers frequently visit these shops and they have the habit of buying tea from their familiar buying place. As a result, both buyers and sellers are familiar to each other and there is a good connection between the sellers and the consumers. Usually the buyers have trust on the sellers and they are mutually loyal to each other. Foret and Procházka (2006) also have mentioned that "habit" is important factor besides emotional and rational factors that influence the buying decision process. This creates a routine behavior of repeated, automatic purchases of the convenience products that are relatively inexpensive, rapidly consumed and frequently purchased such as foods.

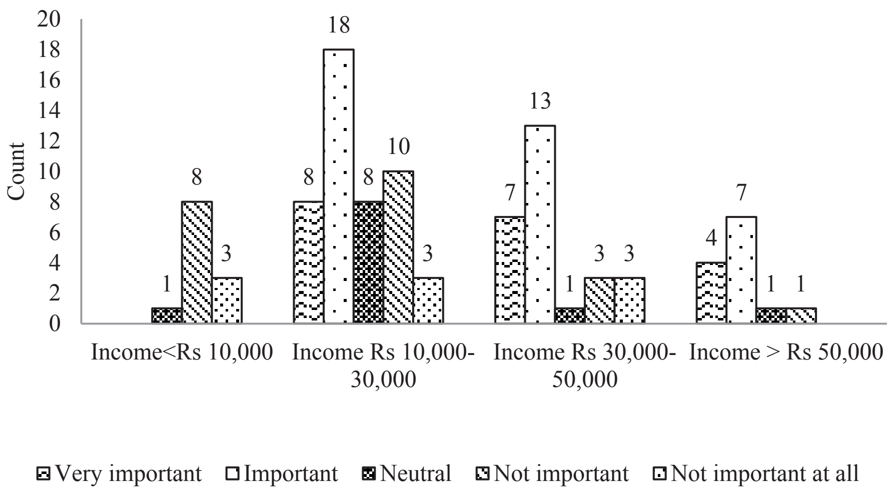

Fig. 7. Consideration of tea brand when making purchase decision by consumers with different monthly income levels

Source: Own figure.

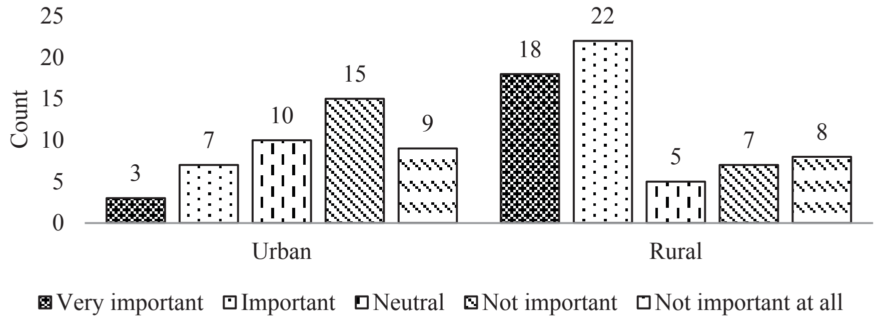

Fig. 8. Consideration of loyalty towards shop as an important factor when making purchase decision by consumers

Source: Own figure.

Effect of demographic factors on buying behavior tea of consumers

The five factors of buying behavior were checked for associations between all demographic factors. Accordingly, thirty-five pairs of variables were tested by using Chi Square test. The chi square test results revealed six significant relationships among this thirty-five relationships (Table 6). But the correlation test results revealed that only one of these relationships is moderately significant (Table 7). Other five relationships showed only weak correlations. Accordingly, the

Table 6. Chi square test results on significant relationships among buying behavior factors and demographic factors of local tea consumers

Significant relationships	Chi square value	P value
Buying frequency and monthly income level	25.961*	0.002
Form of tea buying and monthly income level	25.834*	0.000
Place of buying and monthly income level	32.676*	0.001
Buying frequency and employment	23.019*	0.028
Form of tea buying and employment	26.580*	0.001
Form of tea buying and education	25.412*	0.000

Since other demographic variables did not show any significant association with the buying behavior factors, the results are not presented in the table. The other variables tested were age, gender, locality and marital status.

Source: Own calculations.

Table 7. Correlation test results of significant relationships among demographic factors and buying behaviors of local tea consumers

Buying behaviors	Correlation coefficient	Interpretation
Buying frequency and monthly income	-0.365	There is a weak negative association
Form of tea buying and monthly income	-0.253	There is a weak negative association
Place of buying monthly income	+0.463**	There is a moderate positive association
Buying frequency and employment	-0.343	There is a weak negative association
Form of tea buying and employment	0.250	There is a weak positive association
Form of tea buying and education	-0.180	There is a weak negative association

*** denote moderate relationship. Since other demographic variables did not show any significant association with the buying behavior factors, the results are not presented in the table.*

Source: Own calculations.

moderate relationship was found among the place of buying and the monthly income level.

Since other demographic variables did not show any significant association with the buying behavior factors, the results are not presented in the table. The other variables tested were age, gender, locality and marital status.

Figure 9, shows that majority (92%) of consumers with income less than Rs. 10,000 purchase tea from retail shops. Rest of the respondents in this income category buys tea from either cooperatives or whole sale centers. There is no any single consumer in this income category who is buying teas from super markets. But there is a clear increasing trend of purchasing tea from supermarkets as the income levels rises; while the tendency of buying from retail shops, wholesale centers and cooperatives gradually decreases. This highly depends on the affordability and the social status maintained by the consumers which are associated with their income levels. Generally, the supermarkets are targeting the customers having higher income levels because they are offering convenient shopping experience for higher prices and in some cases even for lower prices compared to groceries. There are expensive, branded products at the supermarkets and wide range of choices for same products i.e. many tea brands. Many complementary studies have concluded that consumers with higher income levels seek luxurious expensive shopping experiences. According to French et al. (2010) "Food price is less of a barrier to purchase choices for high income households". As a result, the consumers with higher income tend to buy tea from supermarkets. But consumers with lower incomes seek products with lower prices and hence they buy products from stalls from where they can economize their purchases (French et al., 2010). Lower income people spend more of their money at small grocery stores, convenience stores compared to the higher income people. They can purchase economized products from the retail shops, wholesale centers or from the cooperatives. Also these consumers can buy foods on credit basis for food stamps at local retail shops and cooperative shops. Consumers with lower income such as farmers, labors living in rural areas have no easy accesses to supermarkets as these big stalls are located in cities which are located several miles away from villages.

Conclusions

This paper looked at the local consumer behavior of tea in Sri Lanka, expecting to expand the local tea market as a strategy to boost consumption locally. A robust local tea industry would act as a buffer when there is trouble in international tea market. It is concluded that there is significant relationship between consumer monthly incomes on their brand consciousness.

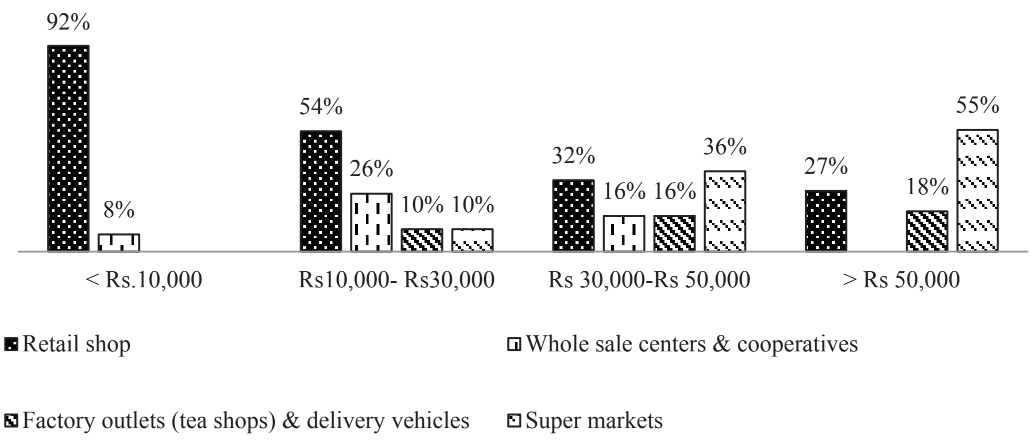

Fig. 9. Tea buying places of consumers with different monthly income levels
Source: Own figure.

Also, the locality of the consumers and their loyalty to the buying place. Therefore, diversity of local tea market is driven by the income levels and the locality of the consumers. As the tea consumers with higher income levels are more conscious on brands, marketers must take more efforts on developing strong brand image on consumers' mind. Also there is a significant impact on monthly income level of consumers on their buying places. Majority of high end consumers buy tea from super markets. Therefore, marketers must invest more on brand promotional tools at supermarkets from where the high end customers buy teas. Marketers can think about selling branded products to the consumers with lower income levels at the retail shops too if they are able to offer teas at lower prices by reducing cost of production. But much care should be taken when serving both market segments together as their perceptions are controversial. Special strategies must be applied to exploit all the market segments. Regardless of the demographic variation of local consumers, local tea market can be fully exploited if the producers pay their attention on improving the quality of tea, especially with regard to taste and differentiated tea products. This would offer a good cup of tea to local consumers. If the individual marketers put their best efforts to improve their businesses, this will expand the local tea market in near future. Thus, the implication of this study is that there is a potential to rebrand tea locally and improve sales, while tapping different segments of the local market in Sri Lanka.

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