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Research Article

Global Expansion Strategy of Chinese Herbal Tea Beverage

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Abstract: In order to provide insights into the potential future of Chinese herbal tea beverage industry, we analyze serious challenge on how the herbal tea beverage will develop global expansion strategy in china, as well as a series of recommendations as to how the sector might collaborate and respond. This study discusses the key challenges and opportunities factors that Chinese traditional tea industry face, from across the global value chain, representing both producer and consumer countries and including topics ranging from climate change to finance and markets. For these ever-growing problems, factors as diverse as the use of precision farming, biodiversity, production instability and consumer demand for personalization of products were identified. To support the development of Chinese traditional tea industry, increase investment, vigorously promote to transfer Chinese traditional tea into fast, convenient, standardized and normalized tea beverage products for global expansion strategy of Chinese herbal tea beverage, so as to promote the development of Chinese traditional tea industry and make the regional contribution to the realization of Chinese dream.

Keywords: Chinese herbal tea beverage, Chinese traditional tea industry, consumer demand, global expansion strategy

INTRODUCTION

Throughout history Chinese people have the habit of tea drinking. Tea drinking and tea planting in various countries in the world are spread from China directly or indirectly. In 729 AD, tea drinking spread to Japan first. In 1610, Dutch traders bought tea from China, which was transferred to various European countries afterwards. Subsequently, tea became a kind of worldwide drinking. Chinese tea planting technology was first transmitted to Japan. In 1780, East India Company in India imported tea seeds from Guangdong to India (Yu, 1986). At present, there are over 50 countries planting and producing tea worldwide. Into 2010, the total output of tea in China exceeded 1.40 million tons, ranking the first in the world. In China, in addition to traditional tea, deep processed products with high technology content have become new favorites of the market (Ann-Marie *et al*., 2010). Tea beverage, tea food and instant tea have met consumers' requirement for increasingly accelerating life pace. Tea beverage, tea pigment and other tea extract products have become health care products chosen by many people in china, even in global (CIAISC (Chinese Investment Advisory Industry Research Center), 2012).

Tea, the national drinking of china, plays an important role in the drinking world. But nowadays, more and more people in global prefer other modern beverage. Therefore, tea has fallen into disfavor. Although tea has a long history and it is good for our health. In modern societies, the pace of life is becoming faster and faster. Most people in china won't choose tea as their daily beverage. In contrast, fresh juice or cola and other fast drinks will replace it (Institute of Chinese Academy of Agricultural Sciences (ICAAGS), 2008). In fact, tea has a disadvantage in that it is hard to be taken along with, people need more convenient drinks, so that they can enjoy them wherever they are. Although teabags are easily available, Chinese people prefer to lose tea over teabags. By the way, when you are outside, you will not be sure to find hot water to make tea. Based on the reasons above, there are fewer people who like drinking tea. Drinking tea is just a habit of old people and a custom for middle-aged people in china (Kalogeras *et al*., 2009). They regard tea as a decent gift. Therefore, tea in shops is more expensive for its magnificent appearance and its affiliated products. At the same time, despite the large number of China's tea enterprises, there's a lack of leading enterprises and global well-known brands in international tea industry in a real sense and standardized and normalized tea production chain has not been formed. In addition, global expansion strategy in international tea industry has not also been formed (Gaskell *et al*., 2004). At present, Chinese exported tea is still mostly raw material products and the

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competition is mainly low-level price competition. In 2010, Chinese average tea export price was less than 2.70 USD/kg, lower than that of Sri Lanka, Kenya and other countries (CIAISC (Chinese Investment Advisory Industry Research Center), 2012).

In a word, tea has lost its traditional meanings. However, we see that Chinese people have the responsibility to make our national drinking live longer as a culture of China. Therefore, global expansion strategy of Chinese herbal tea beverage will effectively overcome the demerits of Chinese traditional tea (Including green tea, green Puer, yellow tea, dark tea, dark Puer, white tea, black tea, oolong tea etc.), promote to transfer Chinese traditional tea into a fast, convenient, standardized and normalized tea beverage products, so that can be accepted by global people, so as to promote the development of Chinese traditional tea industry. At the same time, we hope these can promote global expansion of Chinese herbal tea beverage, to deal with the relationship between domestic and international market and make the regional contribution to the realization of Chinese dream.

MATERIALS AND METHODS

In China, the tea industry is a perfectly competitive industry, there are over 70,000 enterprises producing and processing Chinese traditional tea, over 100 tea brands, very low industry concentration and even the market share of the No. 1 enterprise is less than 1%. The future development trend is that the industry concentration will increase substantially and need the integration. It is predicted that in 2015-2020, the output and the export volume of global tea will continuously rise and market competition will become more intense (Jiang, 2008).

Factors affecting Chinese traditional tea quality and production process flow: The future of this much-loved beverage is uncertain, Chinese traditional tea industry faces unprecedented challenges (Chen *et al*., 2000). A shift in consumer demand and habit, a changing climate, resource constraints and mechanization of farming are converging to put pressure on the industry, a number of different factors were highlighted that have the potential to significantly impact the future of Chinese traditional tea industry.

Factors affecting Chinese traditional tea quality: Pesticide poisoning has become Chinese traditional tea industry must continue to overcome a difficulty, it is Chinese traditional tea industry revival must cross an awkward spot. native foods from China Import and Export Chamber of analysis, due to the problem of pesticide residue testing, exports to the EU, Japan, decreasing the number of tea. In 2013, Chinese traditional tea exports to the EU amount to 40,863.8 tons, down 5.2%, the amount of tea exported to Japan was 17,319.9 tons, down 4.3%. Pesticide testing standards with international standards not only hinder multinational companies in China to carry out large-scale procurement and also restricting the bulk of China's exports of tea from low-end to high-end transformation of raw tea, which is also the last year, Chinese traditional tea exports minus 2.82% of the important reasons (Jiang, 2008). Chinese traditional tea export change trend is as shown in Fig. 1.

Factors of production technology for Chinese traditional tea: Chinese traditional tea should be produced using sustainable technology so that the production and processing of tea does not degrade the soils, biodiversity and water on which tea production depends, or negatively affect tea workers. Production technology should look at how it can be restorative-replenishing soils, increasing biodiversity and minimizing the use of water, energy, fertilizers and pesticides going beyond the field where Chinese traditional tea is grown to examine its impacts on the wider community and environment (Xie *et al*., 2007).

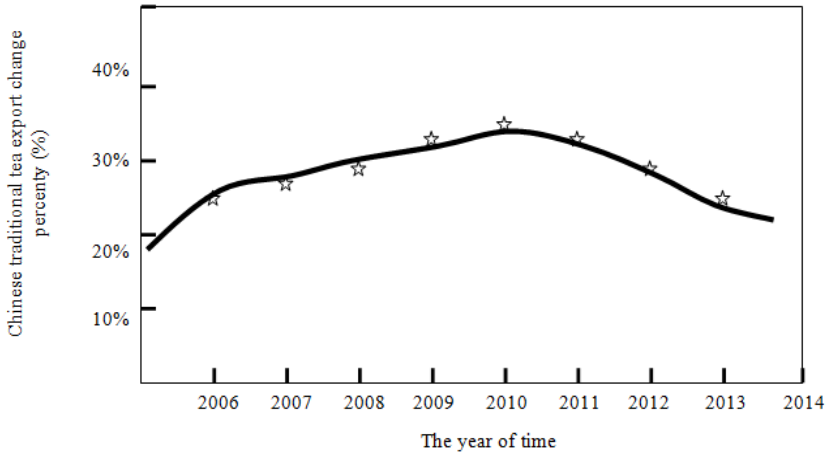

Fig. 1: Chinese traditional tea export change trend

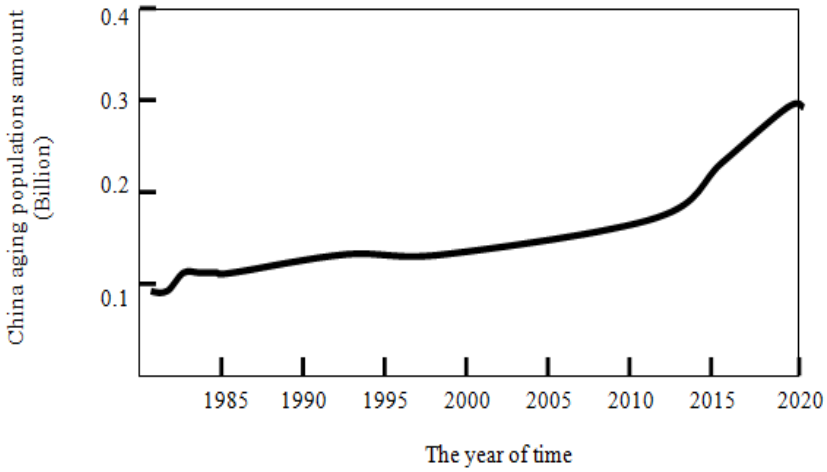

Fig. 2: China aging populations change trend

Factors of productivity of Chinese traditional tea: In Chinese traditional tea industry, the balance of power is in the hands of producers, who invest heavily in marketing their tea directly to consumers. There is a strong focus on improving productivity with new tea varieties and growing techniques. Demonstrating sustainability to consumers is vital and tea is promoted as a 'carbon sink', giving growers access to the new carbon market. The competition for land will stress the importance of improving yields per hectare. As with other crops, advances in agronomy and chemical inputs since the Second World War have resulted in significant increases in tea yields per hectare**.** But it is uncertain whether further advances can be made in tea to increase yields per hectare even further. What is more certain is the potential to spread the advances in productivity made to date to countries such as China and some African countries, as well as among smallholders (Amador *et al*., 2009).

Factors of production process flows for a great variety of tea beverages: The production process flows of a great variety of Chinese traditional tea will face many challenges in the future and the sector needs to deliver a resilient value chain able to collectively manage its risk, particularly from climate change (Chen *et al*., 2004). Chinese traditional tea needs to play its part in reducing emissions, from the processing of tea leaves and transportation, to the boiling of water.

Key challenges and opportunities factors facing Chinese traditional tea industry:

Demographic changes: The size and make-up of the global population is undergoing profound change, with the world's population predicted to reach 9.6 billion by 2050, Among them, the number of China aging populations will reach 0.3 billion by 2020 in China (Fig. 2). In past 30 years through 2012, growing China aging populations will drive demand for food and tea, which is predicted to increase by 50% by 2030. And this, coupled with urbanization, will put pressure on all available agricultural land. Chinese traditional tea will increasingly have to compete with other food crops to access land for production. One positive impact of demographic changes is the growth of domestic tea consumption in producer countries, such as China. Chinese traditional tea consumption is forecasted to rise from 1.118 m tonnes in 2011 to 1.365 m tonnes in 2015 (Hui *et al*., 2009).

Resource constraints: Looking at resource constraints in general, the availability of water, energy and vital nutrients, such as phosphorous, will all put severe pressure on Chinese traditional tea industry in the future. On a global scale this will potentially lead to higher prices and greater competition for resources. Chinese traditional tea processing is also energy intensive. Withering, drying, grading and packing tea requires 4 to 18 kwh energy/kg of made tea, compared to 6.3 kwh required to make a kilogram of steel. A number of tea crop-producing countries, including India and many in Africa, experience frequent outages and unreliable power supplies. There are, however, opportunities such as those posed by the falling costs and increased take-up of renewable energy, which might provide localized, sustainable energy supply for Chinese traditional tea (Chen *et al*., 2005).

Climate change: In past 10 years through 2012, Chinese traditional tea is a very delicate perennial plant, sensitive to changes in temperature and precipitation in global. Global climate change (Including global temperatures rising etc.) is expected to increase the number of pests and diseases affecting tea plants quality

(Fig. 3), extreme weather events affect several growing areas simultaneously, it will impact on tea yields and tea prices (Wang *et al*., 2008).

Competition for land and productivity: The tea sector has already seen the impact of competition for land. Between 2005 and 2010, a lot of land in china was converted from tea to other purposes such as growing rubber, palm oil and fruit and in china are already facing land constraints (Ann-Marie *et al*., 2010).

Balance of power across the supply chain: We have seen the rise of big food companies in china, in both the food processing and retail sectors. Although the tea sector has a large number of small players, large companies, predominantly in the packing part of the value chain, play a highly significant role. This balance of power within the tea sector may shift in the future. Producers are slowly beginning to capture more economic value in the chain. The tea sector is also seeing the emergence of new powerful players from the growing ready-to-drink market, which may play a more dominant role within the tea sector in the future (Mingwei *et al*., 2008).

Emergence of new business models: Disruptive new technologies and social media could transform Chinese traditional tea industry in remarkable ways. Clearly, it's difficult to predict the emergence of new business models for the sector, but there are signals in technology, markets and finance that show how the tea sector could change in the future. These include social impact bonds or development impact bonds which attract funding from the investment community to deliver on, usually, social outcomes, crowd-funding through internet sites and funding to address action on climate change through the Clean Development Mechanism. The development of new financial models may mean that alternative sources of finance are available to the tea sector (Chen *et al*., 2005).

Sustainability leadership of emerging economies: As the consequences of unsustainable development become increasingly manifest in developing nations, such as China and India, it is increasingly likely that these emerging economies will take a more active role in sustainability leadership. Signs of this are emerging. For instance, China is planning to steadily introduce a progressive pricing scheme for water use before 2015,

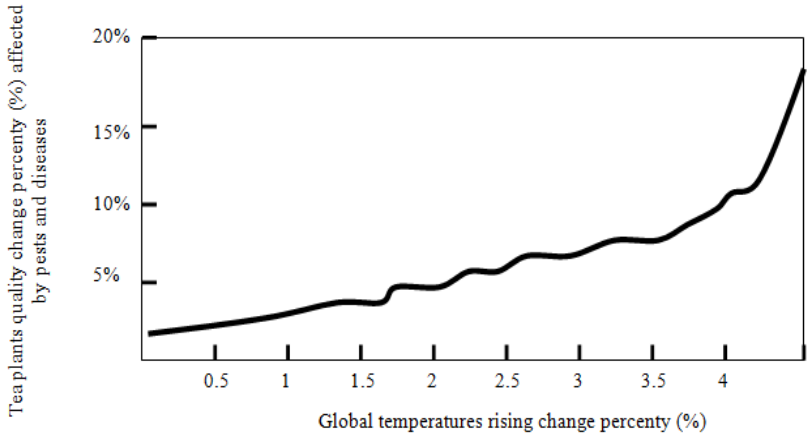

Fig. 3: Chinese traditional tea export change trend

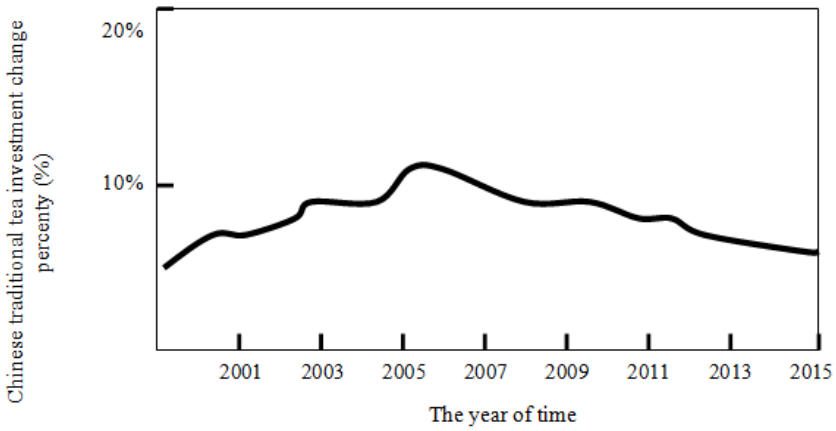

Fig. 4: Global economy affecting Chinese traditional tea investment

according to a government water conservancy plan. Alternatively, the pressure for governments and businesses to take a more active role on sustainability may come from consumers within emerging markets (Hui *et al*., 2009).

Global consumers' attitude to food value: Global consumers are generally unaware of the true cost of producing Chinese traditional tea. Whilst the widespread adoption of certification schemes such as Fair-trade, Rainforest Alliance and Utz by private brands and retailers has helped communicate to consumers that work is ongoing, it still remains unclear how consumers will value food and Chinese traditional tea in the future and whether they will demand higher standards (Institute of Chinese Academy of Agricultural Sciences (ICAAGS), 2008).

Global economy: In past 10 years through 2012, global economy is experiencing very low growth levels. Chinese performing best are those least affected by global economy change and Chinese traditional tea that invested in global economy adaptation (As shown in Fig. 4), as global economy emergencies hit. There is strong investment regulation and pressure on land availability. Food shortages are common and spark political tensions (CIAISC (Chinese Investment Advisory Industry Research Center), 2012). With limited capital available, the focus is on efficiency of resource use.

RESULTS AND DISCUSSION

Despite the large number of Chinese traditional tea enterprises, there's a lack of leading enterprises and global well-known brands in international tea industry in a real sense and standardized and normalized tea production chain has not been formed. Nowadays, Chinese exported tea is still mostly raw material products and the competition is mainly low-level price competition. Therefore, to support the development of Chinese traditional tea industry, increase investment, vigorously promote to transfer Chinese traditional tea into a fast, convenient, standardized and normalized tea beverage products for global expansion strategy of Chinese herbal tea beverage, so as to promote the development of Chinese traditional tea industry and make the regional contribution to the realization of Chinese dream.

Focus on restorative production for global expansion strategy of Chinese herbal tea beverage: Examine how a producer-led sustainable landscapes approach can help us to improve sustainability outcomes for the wider environment and community within which tea is grown in china. Conduct further agricultural research in specific areas, such as developing drought-resistant varieties of tea suitable for different climates and locations and improving soil nutrition and water management. Focus on improving productivity with fewer inputs to ensure that production continues into the longer term. Ensure knowledge is transferred to smallholders and research on improving productivity is shared more widely across Chinese herbal tea beverage. Explore how herbal tea can deliver additional benefits beyond producing the tea crop. This includes examining how the growing of tea can be aligned with food security, non-toxic tea planting, particularly at the early stages of tea growing. Other benefits include diversification, inter-cropping, carbon sequestration and pest management, to promote global expansion strategy of Chinese herbal tea beverage (Xie *et al*., 2007).

Improve tea quality for global expansion strategy of Chinese herbal tea beverage: Improve research and mapping of tea-growing areas likely to be affected by climate change in china. Learn how other agricultural sectors are tackling climate change and learn from best practice within the tea sector and elsewhere to scale up adaptation measures. Examine how tea could play a part in carbon sequestration and access carbon financing. Scale-up existing low-carbon processing practices including the use of renewable energy in production and processing to improve tea quality. Evaluate transport emissions. Although proportionally low in a tea supply chain, more investigation is needed into how emissions can be reduced and alternative models of supply and distribution need to be explored (Jiang, 2008). Educate consumers on their role. In the case of hot tea, most emissions occur at the consumer end of the chain in boiling water, creating an opportunity around changing consumer behaviors and adopting herbal tea beverage. Evaluate and utilize the genetic diversity of tea to improve sustainability and quality of herbal tea beverage. The tea sector needs to play its role in exploring the potential of new innovations and sustainable ways to serve herbal tea beverage to global consumers and promote global expansion strategy of Chinese herbal tea beverage.

Help to create sustainable market mechanisms for global expansion strategy of Chinese herbal tea beverage: Investigate new and different financial and trading models to evaluate how they could work to deliver sustainable outcomes and benefits for all players across the tea sector in china. Which includes specific areas such as payment terms and cash flow and wider questions, such as whether a futures market for herbal tea beverage is desirable and needed and in what form. Examine the future role of the trader and intermediaries within the context of a sustainable value network and how they could help manufacturers and retailers understand the sustainability issues faced by producers and do more to facilitate co-operation on addressing risks within the chain. Actively seek to be transparent, along all points of the chain. Which should be possible for the tea sector given its shorter and less complex supply chains and help to create sustainable market

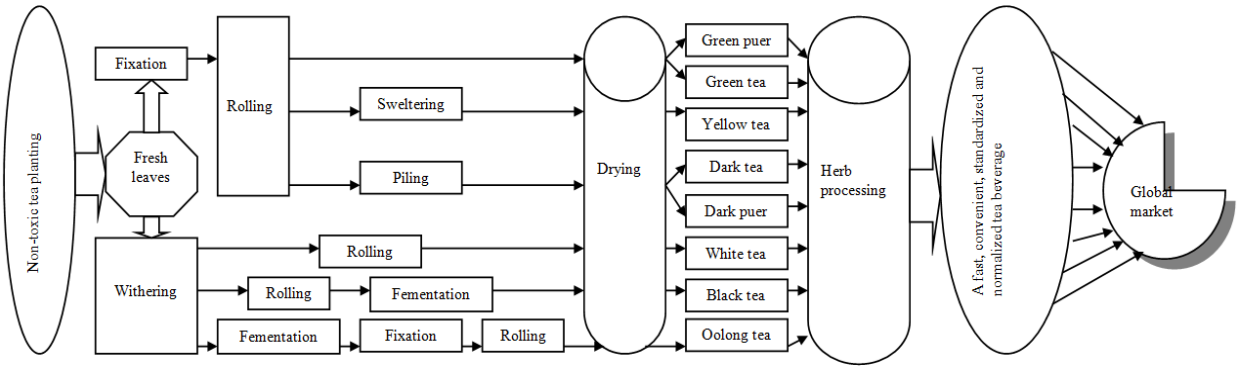

Fig. 5: A fast, convenient, standardized and normalized tea beverage production process for global expansion strategy of Chinese herbal tea beverage

mechanisms for global expansion strategy of Chinese herbal tea beverage (Chen *et al*., 2004).

Reach consumer demand for global expansion strategy of Chinese herbal tea beverage: Raise the profile of tea and sustainability issues in the supply chain through brands and consumer-facing organizations in china and in so doing create a demand for more sustainable herbal tea beverage which enables better social, environmental and economic conditions at the production end of the chain. Explore how the value proposition for herbal tea beverage amongst consumers could be enhanced. Use sustainability to pursue opportunities for product and service innovation. There are opportunities for creating multiple benefits, for example, supporting consumers in reducing their energy and water use. Engage new and younger herbal tea beverage consumers. Tea drinking is often regarded as 'traditional' and for the older generation rather than the young and dynamic. This needs to change. Use social media and new technology to reach consumers and create dynamism in the sector for global expansion strategy of Chinese herbal tea beverage (Kalogeras *et al*., 2009).

A fast, convenient, standardized and normalized tea beverage production process for global expansion strategy of Chinese herbal tea beverage: Tea drinking is often regarded as 'traditional' and for the older generation rather than the young and dynamic, which needs to change. Use social media and new technology to reach consumers and create a fast, convenient, standardized and normalized tea beverage production process for global expansion strategy of Chinese herbal tea beverage. Therefore, global expansion strategy of Chinese tea beverage will effectively overcome the demerits of traditional tea, promote to transfer Chinese traditional tea into a fast, convenient, standardized and normalized tea beverage products (Fig. 5), so that can be accepted by global consumers.

Global expansion strategy of Chinese herbal tea beverage is an invaluable tool for planning ahead. They help identify risks and opportunities, inform strategy development and stimulate innovation. In order to create our scenarios we took the two trends that according to our study would have the greatest role in shaping the future of Chinese herbal tea beverage and about whose future pathway there was most security.

CONCLUSION

In the last 10 years, it can be seen from the current development of Chinese traditional tea industry, which is still immature. Despite the large number of Chinese traditional tea enterprises, there's a lack of leading enterprises and global well-known brands in international tea industry in a real sense and standardized and normalized tea production chain has not been formed. Nowadays, Chinese exported tea is still mostly raw material products and the competition is mainly low-level price competition. Therefore, in order to reach global consumer's demand, in order to protect the people's needs and national food security, in order to support the development of Chinese traditional tea industry, we must increase investment, vigorously promote to transfer Chinese traditional tea into a fast, convenient, standardized and normalized tea beverage products for global expansion strategy of Chinese herbal tea beverage, so as to promote the development of Chinese traditional tea industry and make the regional contribution to the realization of Chinese dream.

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