
THE POWER OF FLOWER TEA – HARVESTING POTENTIAL

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Image. Conger Desing in Pixabay, 2015.

This problem situation was written by Maria Isabel Ochoa Díaz (marisa.ochoa@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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After 7 years in the market, [Flor de La Paz](#) (FDLP) has positioned itself as a well-known tea brand in the Mexican market. However, the marketing team, which has been together since the brand's inception, knows that FDLP is much more than just a brand that sells tea. Yes, its main products today are tea and infusions (in loose leaf format and sachet format), but the original idea for the brand goes beyond just a consumer product (Website FDLP, n/d).

Beyond a Cup of Tea

Flor de la Paz was born in Valle de Bravo. It stems from a local concern to generate wellbeing for Mexico and its people. They know that 30% of Mexico City's water comes from the Cutzamala system and are aware of the degree of deforestation in those lands. This awareness, along with the lack of rural employment and opportunities, has created the need for a far-reaching project of great outreach that can make a real difference for the situation (Website FDLP, n/d).

After thorough investigation, they began developing sustainable agriculture focused on cultivating medicinal plants that would become organic teas to be sold and thus boost employment in the area (Website FDLP, n/d).

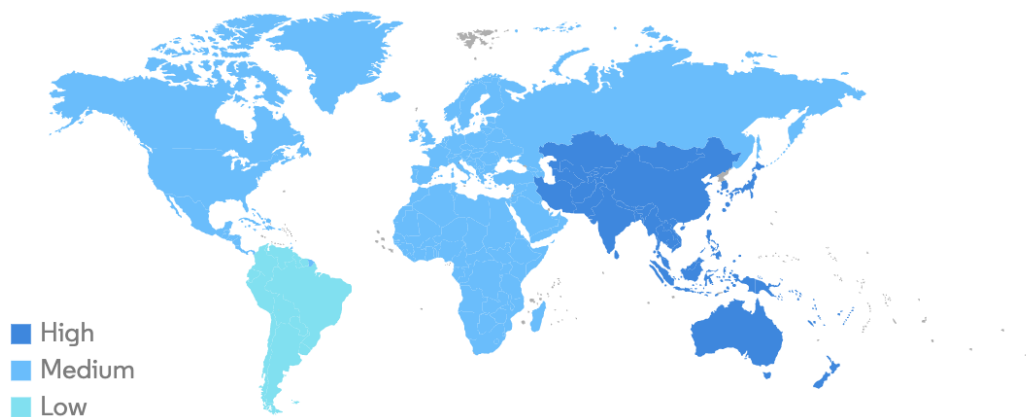
Today, Flor de la Paz is a 100 percent organic and sustainable agricultural model that creates dignified employment. Their agricultural communities heal the soil with the most advanced organic production techniques, respecting all their plants' life cycles, no exceptions. Their purpose is to keep training farmers and landowners of vulnerable areas to sow their own fields and become FDLP suppliers so they may provide for their families with the peace of mind they deserve (Website FDLP, s/f).

From the start, Flor de la Paz has slowly grown to have a presence in the most important supermarket retailers in the country (Wal Mart, Chedraui, La Comer, among others), some specialty stores such as La Europea, as well as two of the most sought out diners (VIPS and TOKS). Additionally, they have curated an ad-hoc portfolio in Amazon so people can directly shop their products through e-commerce. Recently, Costco Wholesalers has also represented a growth opportunity for the brand, with an increasing number of the wholesaler's warehouses that carry the product, helping them to spread their awareness and reach. This could also mean an opportunity for the brand to introduce themselves to foreign markets such as the US (Website FDLP, n/d).

Gen Tea

Mexico is a country of coffee drinkers, with a whopping 1.2 kg a year per capita consumption. But we are increasingly seeing the adoption of tea and infusions. This phenomenon, according to the Mexican School of Tea, is due to the ever-growing offerings of new brands and specialty shops, as well as to increasing education on the product and its various health benefits (Sánchez, 2018).

Imagen. Tea Market/Market Size by Region in percentage global.



Source. Mordor Intelligence, 2021.

If we zoom in and look at worldwide consumption, tea is the second most consumed drink in the world, after water (Rivera, 2021), with a long history and tradition behind it. Although in Mexico the tea culture feels like a new trend, let's not forget that in pre-Hispanic Mexican culture, our ancestors used medicinal herbalism, where infusions had a special role in alleviating the body's and soul's maladies, using different plants and flowers to prepare drinks with healing properties. This is a tradition that many Mexicans still carry close to their hearts: Think of an abuelita (grandma) saying: "Your tummy ache will disappear if you drink a cup of chamomile tea" or "Lemon tea and honey will ease your cold" (Escalada, 2019).

The director of the Mexican School of Tea, Andrés Jurado, states that the Mexican market, in terms of consumption, is aligning more and more to international standards and patterns. There is a segment of the market that is looking for much more sophisticated products. This phenomenon happened with wine and coffee some decades ago, and now it appears to be tea's turn according to Jurado (Sánchez, 2018).

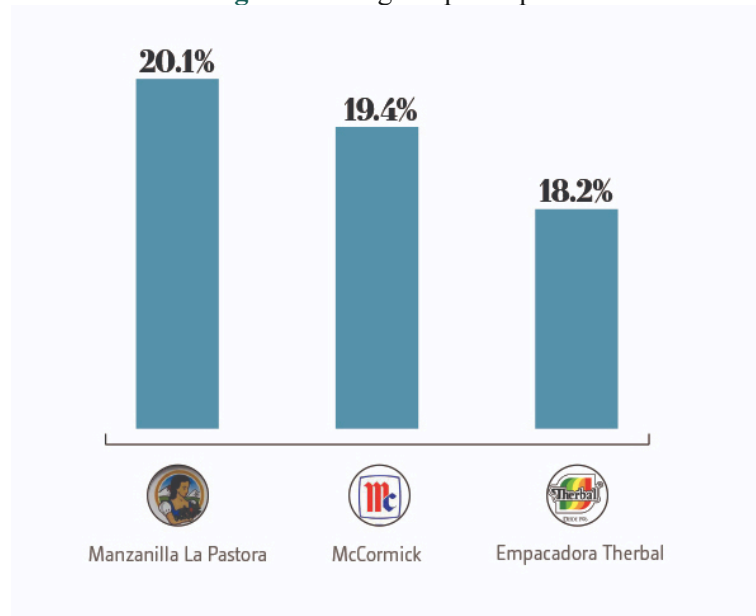
Internationally, the value of the tea industry was estimated to be around \$2 BUSD for 2020 and a projection for 2026 puts it at an incredible \$3.5 BUSD. (Indigo, 2021). In Mexico, according to ©Euromonitor, it was estimated that tea's consumption would be around \$68 MUSD by 2021 and would reach \$98 MUSD by 2026, with an increase of one whole cup of tea per capita by that time.

Tea consumers in Mexico can be divided into two groups. The first one would be the general population that uses infusions as homemade remedies to heal different diseases. The second, a growing young market of consumers that drink tea for various social reasons, including status. These people are willing to spend over \$30 MXN per cup of organic tea. The increase of tea consumption also has to do with the current trend of going back to basics and reclaiming natural products; tea consumption is a symbol of people reconnecting with nature in a holistic way. People are realizing tea isn't just a "remedy" but also an indulgent, tasty, and accessible product around the world. (Conoce Hidroponia, 2018).

Gen Z or centennials are driving these changes by demanding that the brands they use are as natural, transparent, and eco-friendly as they can. Centennials have been proving that they are able to see the value behind the process, the people and the product beyond a price tag or a brand name. (©Euromonitor, 2022).

Today, tea offerings on a retail level are increasingly varied. Within a large price range, the market is so pulverized that a store's shelf can carry up to 20 tea brands. Market leaders are reaching massive consumption through those big retailers, with the main players being La Pastora (20.1% MS), McCormick (19.4% MS) and Therbal (18.2% MS) (Aguilar, 2022). However, the lack of education in the market, in terms of the difference between an organic tea versus a non-organic one, results in low value attributed to this variable. FDLP has a big challenge in terms of educating the shoppers, so they understand the difference between the wide variety of teas they are seeing in the shelves and the root of price differences, if any.

Image. Percentage of participation.



Source. Milenio, 2022.

Looking Ahead

In the hypothetical case where the company decided to hire a consultant, who would support the FDLP team in reaching their overall goals and help build a sustainable business that would allow them to finance future ventures and truly fulfill their purpose...What, then, should the brand's competitive strategy be to position themselves in such a full but potentially growing market? How can they win over consumers that are saturated with brands that have a stronghold on most of the market? Can they be innovative enough and at the same time loyal to their brand's essence to stand out within their competitive framework? Why would someone choose them over so many different alternatives?

The consultant will also help you respond: How can FDLP disrupt the market and anchor themselves in ever-growing trends that align to their core values? Will they be able to break the monopolizing stronghold that main market leaders have based on low price strategies that place quality as a non-priority? What are the main industry barriers that could potentially hinder FDLP's efforts to position themselves strategically? What should their competitive strategy be to ensure the sustainability of the brand and its potential growth to other markets and line extensions of the portfolio? Will they be able to fulfill their true purpose of making this world a better place through the healing of the soil and the soul?

The company knows it's an uphill challenge to really position themselves within the market through differentiators that this new generation truly values. Today, the only communication channels FDLP is using with the consumer are mismanaged social media strategies that are still very much product focused and scarcely focused on content. They know they must do better if they want to win the hearts and minds of these centennials, that are, in every aspect, demanding more transparent, human, and purposeful products. Flor de la Paz knows they can deliver on this promise, with their focus on a sustainable and human economic model where their workers are well paid and treated, all the way through the chain and into the consumers' cups with a high-quality product. However, the threat of competition still looms, and they run the risk of going unnoticed.

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