

Teavana: A Heaven of Tea



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BUAD 471

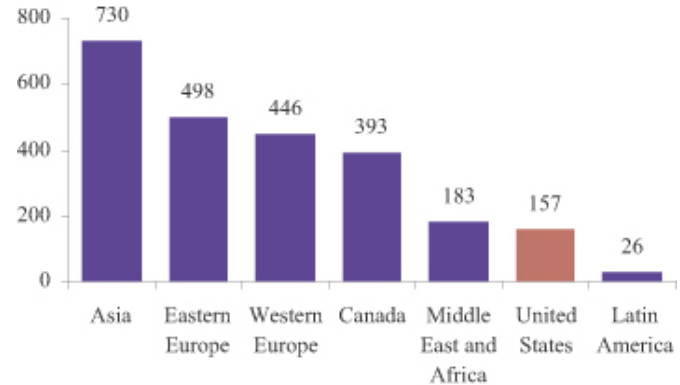
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Introduction

Teavana is a specialty tea and tea accessory retailer with almost 200 locations in the United States. Andrew Mack opened the first store in an Atlanta, Georgia mall in 1997 (“About Teavana”). Mack and his wife Nancy traveled abroad for some time and began realizing that while Americans were trending towards fine wines and fancy coffees, that the rest of the world consumed fine teas (Rubner).

Teavana seemed to pioneer the mall tea-shop business, and now even operates freestanding shops. While Teavana sells products in-store, it also operates an online shop. In 2010, 4% of sales came from prepared beverages, 46% came from loose leaf tea sales, and 40% from other tea-related merchandise (Tillman).

Teavana believes that customers associate the brand with “premium tea products, a distinctive store ambiance and an ‘East Meets West’ healthy living lifestyle (SEC).” While some tea connoisseurs may appreciate the variety of blends, the store also hopes to immerse people with little experience into the tea culture. According to Teavana, “We believe our focus on educating customers in the healthful qualities and pleasures of tea and our position as the largest US specialty tea retailer have enabled us to lead the growth of the domestic loose-leaf tea market, which is a growing segment of the broader \$5.2 billion US tea market (“About Teavana”).” According to the company, Tea consumption in the US is much lower than other countries, representing only 9% of the global tea market. “We believe growth of the overall US tea market will be driven primarily by an increasing consumer focus on health and wellness, growing consumer awareness of tea and the continuing emergence of epicurean preferences in food and beverages (“About Teavana”).”



The Teavana mission is to establish the company as the “most recognized and respected brand in the specialty tea industry by expanding the culture of tea across the world (SEC).” The company pushes to drive category growth, improve brand awareness, and encourage product sampling and customer loyalty. The business strategy revolves around developing and offering “the world’s finest assortment of premium loose-leaf teas and tea-related merchandise,” creating a “Heaven of Tea” retail experience in which educated “teaologists” can educate customers on the benefits of tea, and locating stores in “high traffic locations within malls, lifestyle centers and other high volume retail venues (“About Teavana”).”

While the company has seen success, many customers complain about the high prices of the product. According to many user reviews and blog entries, Teavana makes customers believe that they need to buy a high volume of their product, when in reality it is not necessary. Also, there have been many complaints that employees use aggressive tactics to trap potential customers into purchasing items, which leaves the customer with an overall negative feeling.

Executive Summary

The specialty tea-retailer, Teavana, has seen much growth in the past years, as it markets itself as a trendy, sophisticated merchandiser with fine quality teas. While the tea industry may not outshine the coffee industry, there is still an opportunity for growth, especially when the product sold demonstrates health and lifestyle benefits. The tea market represents a \$5.2 billion industry with the potential to widen the market to include more men and younger people.

Currently, tea drinkers are classified as mostly women in the age range of 40 and over; however, the art of drinking tea draws in younger crowds as well. While Teavana has spent most of its advertising money on internet and direct marketing development, the company has not really explored its media options. Thus, in order to increase company awareness, I propose Teavana starts researching other mediums for advertisement. By creating magazine and television advertisements, the company will become significantly more recognizable among its target market, as well as open the possibility towards targeting a secondary market.

By investing \$6 million in advertising, the company can jumpstart its advertising campaign. As a result, the company will develop better familiarity among consumers. Additionally, those who already have classified the company as an expensive line may give the store another chance. The company will also better manage its reputation when it comes to accusations of pushy employees and negative store experiences, and instead focus on the positive energy that exists within the “Zen-like” store.

Teavana will invest more time and money in market research to better suit the needs of consumers. With accurate research, the company can better capitalize on opportunities in the media.

In addition to budget and media changes, I propose that Teavana starts advertising “to-go” beverages more because currently it is a very small part of sales. The problem is people think that walking into a store means they need to leave with pound of loose-tea, but if the company depicts a friendly atmosphere, then customers won’t be intimidated to buy individual beverages. Additionally, this will help the tea retailer to better compete with coffee giants, like Starbucks.

This ad campaign plan includes more information on how Teavana can increase customer awareness and hopefully become a more nationally, maybe eventually internationally, known name.

Competition Analysis

Starbucks

As the coffeehouse giant of the world with over 11,000 locations in the United States alone, Starbucks continues to be a huge competition for local coffee and tea shops. Though Teavana does not sell many “to-go” beverages, and Starbucks doesn’t focus completely on tea, it’s still important to recognize the impact the coffee industry has on tea sales. Additionally, Teavana is often described as the Starbucks of the tea world because of its rapid growth, so understanding the successes of Starbucks can help model a plan. In 2010, Starbucks spent more than \$172 million on advertising alone, so if Teavana wants to follow in its footsteps, they will need to invest more budget in advertising (“Starbucks”).

Lipton

Lipton seems to be one of the most known and biggest selling brand of tea. As a line under Unilever, Lipton products rank second under the company’s food and beverage sales. Lipton also partners with Pepsi Co., which explains its influential nature (“Lipton”). Lipton produces grocery store products, such as teabags, and also packaged beverages and fountain drinks. Though Lipton does not operate in the same way as Teavana, the brand succeeds at implementing advertising, especially in more recent television commercials. For example, one Lipton ad depicts happy people dancing around in fresh and plumb fruits. Thus, Lipton, like Teavana also chooses to focus on the pleasure of consuming the product, as well as the fresh, healthy concept.

Previous Advertising

Teavana believes that due to the high traffic locations of stores and the unique shopping experience it offers, that it does not need to spend as much money on conventional advertising as other retailers must. The current marketing strategy emphasizes use of the website and social media and mobile applications to “create a community of tea enthusiasts, build customer loyalty, and promote brand awareness (SEC).” By utilizing the “Heaven of Tea” website blog, Facebook, and Twitter, Teavana can provide updates on teas, current news, gift ideas, and basically all things tea.

In December 2009, Teavana launched the Perfect Tea Touch application for Apple iPhones and iPads. Customers can use the application to shop for merchandise, locate a store, or obtain information on blending teas (SEC). Additionally, it provides users with “built-in music-accompanied timers to help brew the perfect cup of tea. The company also utilizes banner advertisements, search engine optimization and pay-per-click arrangements to drive web traffic.

According to KeywordTrak, the average cost per click for Teavana.com links is \$1.36. With around 2,000 clicks a day, this means Teavana spends around \$2,500 on paid internet ads per day (“Opportunity”).

According to the United States Securities and Exchange Commission, the total advertising expense for Teavana was \$671, \$1,354 and \$2,430 (in thousands) for fiscal 2008, 2009 and 2010, respectively, and is included in selling, general and administrative expense in the Consolidated Statements of Operations.

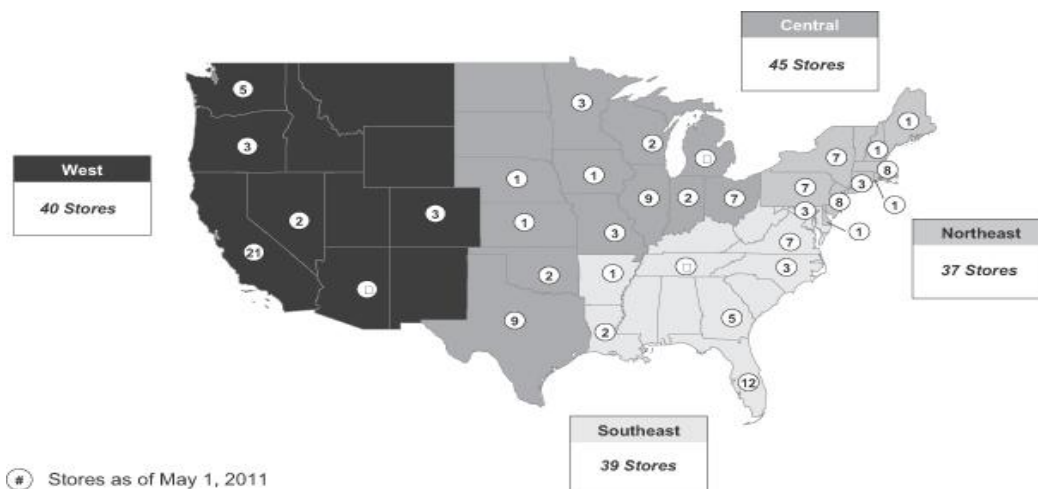
Direct Marketing

Teavana has created a customer database with nearly 300,000 individual names of people who have placed an online order or in-store purchase in the previous two years. The company then sends direct marketing messages to customers to highlight any tea news or promotional events (SEC).

Target Audience

Since Teavana locations mainly exist in malls, the target market seems to include those people that live in suburban areas near malls. These people are generally tea drinkers who consume at least three tea beverages a week. According to the Packaged Facts report, baby boomers are the prime purchasers of high-end specialty teas. While younger, college students and graduates prefer ready-to-drink beverages (which makes up 58.7% of tea market), older generations prefer specialty teas (36.4 % of market) (Rubner). According to the Tea Association of America, "The Baby Boomers (1943 to 1962) are staunch believers in values. Boomers feel entitled to be treated special. Quality of life is essential, especially because they realize they are aging, and love self-improvement. Boomers want to be in control and want to be involved; consequently, they are very busy people. They are in the peak of their earning years ("Merchandising")." Thus, Teavana seems to fit with these values since the teas are a special treat that may help improve overall quality of life, or at least state of mind.

According to stock expert, Rocco Pendola, "While Teavana locates in shopping malls on the outskirts of town, it is not part of the streetscape -- in outdoor, traditional walkable shopping environments -- in places like Manhattan, San Francisco, Santa Monica (Urban Areas)." Pendola concludes that since Teavana sells a high end product, it should market towards the richer people, and thus should be situated in more affluent urban centers.



Internet Users

According to alexa.com, the web information company, the Teavana web domain ranks 7,608 in the United States, in which Google ranks first. Based on internet averages, teavana.com is visited more

frequently by females who are in the age range 55-64, have no children, and are college educated. Though these women seem to be the most frequent visitors, they may not actually be the prime purchasers; thus, it is important to focus also on those who shop in-stores.

Advertising Objective

The goal of this ad campaign is to create brand awareness and reach a majority of the target market. By increasing media channels and creating memorable advertisements, the hope is to engage new customers while also satisfying loyal purchasers. Since Teavana has not spent much on advertising in the past, this plan will budget \$6,000,000 towards jumpstarting an aggressive advertising plan that will hopefully remain in effect and be improved upon in the coming years. More specifically the goals of the plan are:

- Within the \$6,000,000 budget, create a national awareness of Teavana and its products and change opinions of those who see the company in a negative light.
- Following the introductory ad period, provide support throughout the year.
- Target advertising to regular tea drinkers who consume at least two tea beverages per week.
- Secondarily target coffee and soda drinkers looking for a healthier beverage. Also, open up the market to younger tea drinkers.
- During the introductory period, reach 60 percent of target tea drinkers an average of 3 times.
- Following the introduction, reach 25 percent of target at least once a month.
- Use media that can create awareness and effectively communicate the value and quality of the product, as well as portray a positive shopping experience.

Strategy and Execution

Initial Research

In order to ensure that Teavana advertises its product effectively, the company first needs to do its research. By keeping track of competitors' campaigns and tracking sales trends, the advertisers will have a better idea of how to stand out creatively. Teavana should organize focus groups to get input from discussion groups; those involved in the advertising campaign should be present to listen to thoughts of consumers (Belch). Advertisers should expose focus groups to potential advertisement ideas to gauge the consumer reaction.

Main themes and creative ideas

Since Teavana already associates itself as the "Heaven of Tea," the ad campaign will try and keep this slogan in all ads. This will better help Teavana to brand itself as the high-end, but affordable, tea retailer. The advertisements will focus on combining an emotional and rational appeal because the target market needs to connect with the ads but also realize that Teavana offers affordable, high quality teas.

To compete with places like Starbucks, the ad campaign will also attempt to increase awareness of single-cup beverage options, since many people are unaware that Teavana sells “to-go” beverages. Additionally, in these ads it will be important to focus on the comparison between coffee and tea. Teavana sells products with similar caffeine content that have better health benefits and may be a little easier on the stomach.

Choosing a Medium

This ad campaign will focus on television, magazine and internet advertisements. While radio and newspaper may also be utilized, it will not be the initial focus for the first year. Though radio is a viable option, Teavana needs to create an image based mostly on a visual appeal, and radio’s creative limitations may get in the way. Newspapers poor reproduction quality may also interfere with Teavana’s goals to be associated with a more sophisticated image; however, it still might be a good idea to put some money into newspaper advertising especially when those 45-54 who read the newspaper will read at least some form of advertising 64% of the time (12-3). The fear is also that with the online world becoming more user-friendly, paper newspapers are often overshadowed by internet news.

Magazine

According to (Belch fig. 12-10), advertisements score more favorably than TV or the internet in consumer engagement, which includes categories like “ad receptivity,” “trustworthiness,” “life-enhancing,” “social interaction,” “personal timeout,” and “inspirational.” Magazines are the perfect medium for Teavana because of the high-quality reproduction value and creative flexibility.

The series of ads will be one-page, and will present a photo of the newest blend of tea, pictured with the slogan. Depending on the results of the focus groups and pre-research, the focus of the ad may be different. Initially, in locations that are more urban, with locations other than malls, magazines will run regional ads that focus on the single-cup beverage selection. In more suburban areas, ads will run that portray the usual merchandise, as well as a positive experience.

According to Advertising Media Planning, “Advertisers often use magazines to provide additional media weight to people in upper-income, upper-education demographics who tend to be light television viewers (359).” This description seems to suit the busy, sophisticated lifestyle of a Teavana drinker. By using magazines, Teavana can also reach a selected audience, by focusing in on women’s and home magazines. In order to combat the problem of slow building of reach, the advertisement will attempt to be eye-catching and engaging, so that those who quickly flip through may feel the need to stop and look.

Television

Cable television has a 90% penetration rate, an added reach and frequency (especially when combined with big network stations), and comes at a relatively low cost. Additionally, with a high number of networks and channels, comes the ability to segment towards a more specific audience. Also, cables

networks are less susceptible to DVR (zipping) recording because the shows are not as highly-rated as prime-time network shows.

Teavana will run 30 second ads on Lifetime, Oxygen, the Food Network, and the Hallmark channel, to start. The hope is to also develop ads for network spots, perhaps on NBC, ABC, CBS, or Fox. The advertisements will feature products that make the process of making loose tea seem easy, and the commercial will end with an announcement about an in-store promotion to receive a certain deal (buy two kinds, get one free or receive a free Perfect Cup tea maker with a purchase). Thus people will leave with awareness about Teavana's product and will also have an incentive to locate a nearby store.

Internet

Because Teavana already spends most of its advertising dollars on internet outlets, it should continue to maintain accurate websites. The Teavana Facebook and Twitter pages rank well among competitors, and there is strong interaction between the social media outlets and consumers. Therefore, Teavana should continue to put time into improving social media campaigns. According to its social media Klout score, Teavana is at 51 out of 100 in terms of social media ranking, so there definitely is some room for improvement. In order to increase the score, tweets and posts should be well thought out and posted periodically throughout the day to increase user amplification.

Teavana should work on redesigning its website to increase usability and clarity. At the moment, the site suffers from cluttered headings and is far from being as organized as it could be. The company should evaluate the overall website effectiveness by running usability tests on samples to ensure that users who quickly check out the page will find exactly what they want.

The company should also continue to fund advertisements on search pages because they increase overall website traffic.

In-Mall & Billboards

Since Teavana locations primarily exist in malls, the stores should place banners throughout the mall, which will better attract potential customers in. Thus, consumers already motivated to buy will further consider stopping by the store to make a purchase or at least check out the products.

For any more urban locations (though Teavana still lacks many), billboards would be a good addition. The visual appeal may lure city dwellers and busy drivers in for a bit of rejuvenation.

Promotion

Samples

Teavana already uses free samples to bring customers into the store. In fact, when many people think "Teavana," they picture the store that has the samples by the door. Thus, Teavana should continue this practice but also make prices for products better known at the sample table. So if someone is drinking a sample, they may enjoy it; however, they might not have the desire to purchase it because they will

assume it is expensive. Therefore, if a price is clearly listed (either for a container of loose tea or for a “to-go” beverage) the consumer may feel more inclined to justify the purchase, especially when health benefits, such as, “reduces risk of cancer” or “reduces wrinkles,” appears clearly on the tea.

Coupons

People who are on the fence about Teavana may just be uncertain about the quality of the product or unhappy for the price. Since American values are all about combining “quick” with “quality,” coupons will give consumers the chance to at least make a decision about whether or not Teavana is the store for them. People may see loose tea as a hassle, which is why coupons should focus on giving customers a discounted price on tea-makers, such as the Perfect Cup, which easily steeps and filters tea in one cup size. Once consumers understand the ease and quality, they may be more likely to take the risk and steer away from boring, bagged tea.

National Iced Tea Day

Teavana stores should consider a free perk, much like Dunkin Donuts and Starbucks have specific days for free items. Though not a widely celebrated holiday, June 10 is National Iced Tea day. This would be the perfect time for Teavana to capitalize on its products. Thus, using advertisements, commercials, magazines, website advertising and direct mailing, Teavana can promote a free small iced tea day. Though the company is not known for selling iced tea beverages, the ploy will give consumers a reason to at least enter a store. Once inside, employees can explain the benefits of tea and handout more information about products. The hope is to honor loyal customers but also create awareness from those new customers.

Media Plan

Thus far, this analysis has covered objectives, strategies and media selection. This section will further explore the selected media and discuss more specific tactics, such as timing.

Scheduling

Since Teavana needs to make a strong impression on consumers, it will utilize a “pulsing” scheduling system, meaning promotions will last throughout the year, but some periods of time will be more heavily advertised (Belch). Thus, advertisements, or at least maintaining internet ads, will occur on a daily basis. However, since Teavana sees more business in the holiday season, the company will focus on amping advertisements up between November and January. This will lead into winter, which will hopefully bring holiday shoppers back in for warming beverages. Additionally, with the iced tea promotion, Teavana will advertise more heavily in May and June.

Magazines

Ladies Home Journal is geared towards women, has a circulation of 3,831,000, and is read by 12,195,000 adult readers (Sissors and Baron 360). Additionally, Teavana can target some smaller home magazines, such as *This Old House* (circulation 976,000), *Traditional Home* (circulation 977,000), and *House Beautiful* (circulation 135,251) (Sissors and Baron 360).

Television

The Monday through Friday 10 A.M.-4 P.M. television spot mainly receives women, or generally adults, ages 50 and up. Additionally, late news (Monday-Sunday 11-11:30 P.M.) is geared towards adults 25-54. More prime time spots seem to attract all different types of viewers (Sissors and Baron 352). Thus, Teavana should target these time periods to properly suit the desired audience.

Internet

Teavana should continue to use similar internet advertising techniques, though an emphasis should be placed on the application. Additionally, the company should develop some sort of online quiz for those new to the tea world to find out which blend suits them best.

Budget

Magazine: \$2 Million

The company will budget \$25,000 towards coming up with a magazine ad design. I suggest the following magazines, geared toward the target audience, and I have included the price per page as recorded by Medimark Research & Intelligence in July 2009 (Sissors and Baron 360). Ideally, Teavana would advertise in the less expensive magazines during normal times, but due to the pulsing strategy, the highlighted months should be advertised in all magazines.

- *Ladies Home Journal* → 246,600
- *House Beautiful* → \$135, 251
- *Traditional Home* → \$172,040
- *This Old House* → \$85,250

Television: \$2 million

The company will budget \$250,000 towards creating and filming a commercial. The commercial will air on network TV (daytime, 5 networks). The cost for a 30-second commercial in this spot averages around \$1,088,000 (Sissors and Baron 348).

Internet and Direct Marketing: \$1.5 million

Since Teavana already has success in the digital world, the company should continue to put about the same amount of money towards internet advertising. This also includes maintaining the phone application and keeping up with social media and search engine optimization.

Other, Promotions: \$.5 million

Teavana should focus in strategic, low-cost promotions. Since the concepts are new to the company, it is important to make sure tons of money is not waste on promotions that may not bring great success.

Measuring Success

Since the aggressive advertising strategies are unlike any Teavana has experienced, it is of utmost importance to keep track of company success. As suggested, the company should perform pre-tests, such as web usability, focus group and concept tests.

When promotions run, Teavana should track sales to find if there was a spike due to heavy advertising. As far as commercial testing, the company should perform day-after recall tests to find out if consumers can remember the commercial details.

To track print media, Teavana should use tracking studies to measure consumer awareness, recall, interest, and attitude towards the advertisement. The company should perform testing on random intervals and can choose samples to interview (whether in-person, online, or over the phone). The company can include promotional discounts on the bottom of receipts if customers fill out an online survey.

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