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Study on the Characteristics of Competition in Sichuan Tea Industry

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Abstract Nowadays, there is huge potential in the domestic sales and export of tea in China. However, the tea leaf products are less competitive in the international market because of the lack of brand. Sichuan Province as a province with large amount of tea leaves, characteristics of tea leaf industry in Sichuan Province were analyzed from three aspects, namely fundamental industrial characteristics, the competition strategy of a company and main competition measures. The tea industry in Sichuan Province was featured by its large amount of companies and low industrial concentration. The competition among tea companies often uses the strategy of different brands and low cost. The major way to compete was to build tea brand and to publicize the tea culture. Organic green tea was the main issue. Electronic business platform was applied. Study on the competition characteristics of tea industry in Sichuan can improve the regional competitiveness of tea industry and can make contribution to the entire tea industry in China.

Key words Tea industry, Competition characteristics, Regional competition, Sichuan

Tea is one of the three drinks with the largest consumption in the world. In terms of international demand, the export of tea in China is keeping a steady increasing trend. So far, there have been more than twenty countries or regions that import and consume tea, and more than three billion people enjoy tea drinks. The annual consumption reaches more than four million ton. In China, tea has become an indispensable part of Chinese social life. Although there are more than 300 million Chinese drink tea every day, the annual consumption of tea per capita is low, only 0.4 kg, which is lower than 0.5 kg. Chinese tea is in the starting stage in the globalization and export depends on the raw materials of tea. The market occupation rate is lower than in other tea export countries in the international market^[1]. However, with the steady development of Chinese economy, people's income and consumption level per capita rise, which means there is huge potential to tap in the domestic sale and export of Chinese tea.

Sichuan Province has large plantation with high output. Eleven counties in Sichuan Province have been listed as national counties with good tea. Until the end of 2010, there were 2.189 billion hm² of tea gardens and the output was 1.693 billion ton. The output was 6.7 billion Yuan. Right now, there are more than 120 counties in Sichuan Province, among which Ming'shan County in Ya'an City has been listed as the first county with green tea in China. The total areas for tea plantation and tea garden in China were the number one, only next to Anxi County in Fujian Province. Sichuan is famous for its green tea, black tea and Tibetan tea. The output value of tea industry in Sichuan Province in 2011 was 4.7 billion yuan and the comprehensive output was 16 billion yuan. Compared with tea in Fujian and Yunnan, tea in Sichuan Province

differs from local brand. How to strengthen the regional competitiveness of tea industry in Sichuan Province is worth considering^[2–3]. The main characteristics of tea industry were analyzed so as to play an important role in the development of the competitiveness of tea leaf.

1 Basic characteristics of tea industry in Sichuan Province

The amount and structure of companies in an industry reflect the competition in an industry. More competitors call for certain restrictions on this industry so as to occupy larger market share and higher profit. It is difficult to conduct efficient cooperation. The more companies and low industrial concentration suggest fierce competition among companies and low profit^[4–5].

1.1 Large amount of companies and great difference in business management There are many tea processing companies in Sichuan Province. Until the end of 2010, there were 1 721 companies that process tea leaves. Several leading companies have been expanding and their management capacity has been strengthening. From 2005 to 2010, the number of provincial companies increased from eight to twenty-three, and national leading company rose from one company to three companies. Companies with billions of property increased from two to eight companies, and companies with more than millions of property increased by 66 to 102. There are five famous Chinese brand now and two famous Chinese produces. The number of professional cooperation has developed to 251, which motivated farmers and improved the professional level of tea leaf production. The leading companies processing tea leaves and their basic situation in Sichuan Province in 2010 were shown in Table 1.

In 2010, there were 111 large companies processing tea leaves, which accounted for 7.13% of national amount, and it was in the sixth place in the national rank. Meanwhile, there were only

three large companies suffering from financial loss, which suggested that the competitiveness of tea leaf companies in Sichuan Province was competitive and those companies were well managed. Because of the large number of tea leaf processing companies, small scale, outdated production method, low standardization and weak

brand awareness, most companies were small workshop, which meant poor quality of tea leaves. Because of prolonged historic and cultural significance, precious scarce resources and complicated plantation condition, it was difficult to improve the output.

Table 1 The leading companies processing tea leaves and their basic situation in Sichuan Province in 2010

Company names	Sales million yuan	Output of tea leaves//t	Tea garden area//hm ²	Processing ability //t/year	Brand
Sichuan Emei Mountain Zhuyeqing Tea Leaves Co. , Ltd	42 000	3 200	1 333.33	5 000	Zhulvqing
Sichuan Emei Mountain Xianzhi Tea Leaves Co. , Ltd	23 000	4 000	5 866.67	5 500	Xianzhi
Duijiangyan Gongpingtang Tea Leaves Co. , Ltd	23 000	1 000	1 333.33	1 000	Gongpingtang
Sichuan Micang Tea Leaves Co. , Ltd	16 500	700	2 000.00	3 000	Micangshan
Sichuan Longdu Tea Leaves Co. , Ltd	16 000	1 100	2 000.00	2 000	Longduxiangming
Sichuan Xufu Tea Leaves Co. , Ltd	15 000	3 000	2 000.00	8 000	Xufu
Sichuan Huaqiu Tea Leaves Co. , Ltd	12 000	1 300	1 333.33	2 000	Huaqiu
Sichuan An'ya Tea Leaves Co. , Ltd	11 000	10 000	4 000.00	10 000	Kangzhuan , Jinjian
Sichuan Jiazhu Tea Leaves Co. , Ltd	10 230	2 000	1 333.33	2 500	Jiazhu
Sichuan Wenjun Tea Leaves Co. , Ltd	10 000	1 000	2 333.33	2 000	Wenjun
Sichuan Bashanqueshe Tea Leaves Co. , Ltd	9 000	500	666.67	1 100	Bashanqueshe
Sichuan Shutao Tea Leaves Co. , Ltd	5 572	200	666.67	1 500	Shutao
Sichuan Lvchangming Tea Leaves Co. , Ltd	5 000	900	333.33	2 000	Lvchangming

1.2 Low concentration and various brand kinds The industrial sales were ten billion Yuan in 2010. Suppose the ratio of company sales in industry sales as the market occupation rate^[6], industrial concentration degree $CR_4 = 10.45\%$ and $CR_8 = 15.85\%$. Because of many industrial companies in Sichuan Province, governments at all levels help to assist local tea leaves processing companies. In terms of product structure, Sichuan has various kinds of tea, green tea, red tea, compressed tea, Wulong tea, and other tea, 134 621, 1 510, 13 397, 13 328, and 14 051 t. Five companies got GAP certification and more than 600 t products in over 40 companies got organic product certification. The output of green tea in 2010 accounted for 86% of the general output of tea leaves in Sichuan Province, which was 13% of the general output of green tea in China, such as Zhuyeqing, Xianzhizhujian, Gongpingtang, Micangshan, Longduxiangming, Xufuhuaqiu, Kangzhuan, Jinjianjiazhu, and Wenjun. Because the same technology is used to process green tea, the products are similar in taste, but they differ a lot in appearance, growth environment and advertisement orientation.

2 Characteristics of competitive strategy in Sichuan tea leave companies

The competition strategy of a company, also known as business strategy, refers to the plan and action to guide and manage concrete strategy in line with the general development of the company. The critical problem of competition strategy is how to determine and maintain the particular role of a company through the relationship among customers' demand, competitors' product and the product of a company. How to realize the competitive advantage, to maximize the profit and market share, and to determine the price, promotion measure and sale channels should be considered. The competition in Sichuan companies largely focus on brand com-

petition and low cost.

2.1 Brand competition Because drinking tea renders people a sense of spiritual enjoyment and serenity, which is far beyond the material level, most Chinese tea leaves companies have conducted differential strategy. On the one hand, companies study their own tea culture and create regional brands, such as Xihulongjing, Anxi Tieguanyin, Junshanyingzhen, Wuyiyancha, and Huangshan-maofeng, *etc.*, which gradually win consumer's attention. Besides, companies infuse consumers a special sense that can be only gained by drinking tea.

As the main production area of green tea in China, Sichuan Province carries forward the win-win strategy of regional brand and company brand. In 2011, famous Chinese brand increased from two to five. During the application and protection of geographic signal, it is encouraged to regroup and integrate production element. The Sichuan Emei Mountain Zhuyeqing Tea Leaves Co. , Ltd was founded in 1998. Since 2002, Zhuyeqing Company has been invited to the TOPMARQUES as the only Chinese luxury brand. In June, 2010, Zhuyeqing had been designated as the only brand to serve tea for leaders in each country. The Sichuan Emei Mountain Zhuyeqing Tea Leaves Co. , Ltd took part in the bidding of advertisement as prime period in 2011 as the only tea company so as to create high-end green tea brand. In less than ten years, Zhuyeqing has become one of the top ten famous tea leaf brands in China.

2.2 Cost Tea leaves companies in Sichuan Province manage to control the cost at the given financial scale, technological condition and quality standard through reduction of consumption, improvement of production rate and reasonable organization to reduce cost. Through the management of cost, companies are making more and more money, and the accumulated money is used in the investment of equipment and support of sale strategy^[7-8]. Mean-

while, because of large population and indistinct industrial strategy, the labor force is cheap. So far, leading companies in Sichuan Province have formed into groups. The production scale, brand image, technology level and standardization reached national level, which became the key demonstration area in China.

3 Main measures and forms of tea leaf industry in Sichuan Province

3.1 Image promotion and brand construction Brand is a kind of recognition and evaluation of a company and its products, as well as culture. Consumers can recognize the product through brand and connect brand with product. The brand construction can improve the popularity of a product and distinct the product with products from other companies. Consumers now pay much more attention on additional value. Companies create fashion and culture to upgrade to high additional value, and develop to high end^[9-10].

3.2 Focus on organic green tea The Maximum Residual in Agricultural Medicine in Food was carried out since March 1, 2013. The new standard increased the category of tea leaf from nine kinds to twenty-five kinds. The conduction of new standard indicates that the safe, organic and green tea leaf is turning from fashion to trend. Meanwhile the relevant strategy will outline the competition in tea leaf industry. Chinese tea leaf industry is misbehavior, which influences the image and outcome of entire Chinese tea industry. The tea leaf company builds credibility through the rigorous implementation of product safety standard. Beijing Gengxiang Tea Leaf Co., Ltd conducted the organic tea strategy and built green industry chain, so as to make it into benign circulation. The quality tracking system was established from plantation, process, production, sales, deep processing to the development of tea leaf. The company has obtained the accreditation as Sweden IMO organic food, Chinese agricultural quality accreditation center, QS food safety market accessibility, ISO9001:2008 quality management system, HACCP food safety system, and GAP standard system.

3.3 Software platform In recent years, some traditional tea leaf companies, such as Dayi, Tianfu, and Wuyutai, increased network sale business by dint of its base, finance, brand, product and man power, which promoted the development of sales channels. Meanwhile, more companies opened small on-line shops. The software business aims to promote the transaction of business. However, software not only can increase on-line transaction, but also show the culture image and promote company product. Mean-

while, the network sale provide various products and after-sales. Nowadays, there are two kinds of on-line sales, C2C and independent on-line shops. C2C means that tea leaf companies of small and medium size use large comprehensive on-line business platform to realize its grid progress. Independent on-line shops refer to the phenomena that independent on-line shop uses their own brand, payment link and purchase cart, which all can display the image of the company or product.

With the rapid development of electronic business, on-line sale is the inevitable result of electronic business. Chinese tea leaf circulation cooperation has considered industrial information as the key point. Tea companies should be careful in taking the opportunity of electronic business so as to make new technology as the new motive of industrial innovation.

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