CASE STUDY

The Strategic Evolution of the Indonesian Tea Industry (1990-2026):
A B2B Perspective on Generic Demand Stimulation and Ecosystem Cooperation

Abstract:

This case study analyzes the strategic shifts within the Indonesian tea industry from 1990 to 2026. Facing a paradigm shift in consumer behavior and a 'Derived Bust,' the industry moved from fragmented vertical competition to a sophisticated horizontal alliance. This narrative details how state-owned enterprises (SOE) like National Plantation Co. Ltd. and private corporations like Kabepe Chakra Co. Ltd. and various smallholder farmer cooperatives pooled resources to form the Indonesia Tea Board and the Indonesia Tea Marketing Association (ITMA). Their primary objective: execute downstream demand stimulation strategies to rebuild primary demand and secure downstream retail channels, illustrating a classic model of 'Coopetition' in a declining commodity market.

Chapter 1:
The Upstream Trap (1990s)

1.1. The Status Quo: Pure Commodity

In the 1990s, the Indonesian tea industry was a powerhouse, but its business model was dangerously simple. It operated as a pure commodity supplier. The upstream segment was dominated by state-owned plantations and large private estates like Kabepe Chakra Co. Ltd.. Their primary function was to cultivate, harvest, and process raw tea leaves (black tea/green tea) into bulk form.

1.2. The Supply Chain

The flow of value was linear and top-down:

- ***Upstream (B2B)***: National Plantation Co. Ltd., Kabepe Chakra Co. Ltd., and other private and smallholder estates ⇢ The Producers
- ***Midstream (B2B)***: Brokers & Processors ⇢ Bulk Sale
- ***Downstream demand stimulation***: Brand Owners (Unilever/Sariwangi, Sosro) ⇢ Retailers (Supermarkets, Indomaret)

The upstream producers—including the state-owned sector, private corporations, and thousands of independent smallholders—had no direct contact with the consumer. Their marketing was limited to trade shows and price negotiations with bulk buyers. They assumed that as long as they produced high-quality leaves, the downstream brands would sell them.

1.3. The Threat

By the late 1990s, the industry faced a critical inflection point. The traditional B2B market was shrinking due to a B2C behavioral shift:

- ***Lifestyle Migration***: Urbanization and the rise of a younger workforce led to a shift away from traditional hot tea brewing towards faster, 'cool' alternatives.
- ***Category Substitution***: Global beverage giants (sodas, RTD juices) and specialized coffee chains began to flood the market.
- ***The Problem***: Upstream producers were trapped by Derived Demand. If Unilever or Sosro couldn't sell enough tea to consumers, they couldn't buy bulk leaves from upstream producers. The upstream segment was facing a 'Derived Bust'—a crisis they did not create and could not control on their own.

Chapter 2:
The Collective Awakening

2.1. The Formation of the "Neutral Ground"

By the early 2000s, the "Derived Bust" became a reality that no single company could ignore. The upstream producers realized that fighting for market share in a shrinking market was a "race to the bottom."

This led to the formation of the Indonesia Tea Board and the Indonesian Tea Association. This was the creation of a Horizontal Strategic Alliance. These entities served as a neutral platform where fierce competitors could share market intelligence and, more importantly, pool their marketing capital.

2.2. The Strategy: Moving from Selective to Primary Demand

The industry made a bold decision: they would stop spending money to tell people which tea to buy (Selective Demand) and start spending money to tell people to drink tea (Primary Demand).

- ***The Campaign***: "Let's Drink Tea".
- ***The Funding (The B2B Mechanic)***: The campaign was funded through a Marketing Levy. Members—including major state and private plantations, smallholder cooperatives, and downstream brands—contributed a small fee based on their production volume.
- ***The Message***: Instead of showing a box of Sariwangi or Sosro, the ads showed a "Tea Lifestyle." They promoted the health benefits (antioxidants) and the emotional value of the "Tea Moment."

2.3. The Impact: Securing the Retail Channel

The real genius of this era wasn't just the TV commercials. It was how the Tea Board used the campaign as Trade Marketing. Indonesia Tea Board representatives met with the "Category Managers" of major retail chains (like the rising Indomaret and Alfamart). They presented data showing that the "Let's Drink Tea" campaign was increasing consumer interest.

- ***Outcome***: This convinced retailers to keep tea on the "eye-level" shelves rather than moving it to the bottom or replacing it with imported energy drinks. By stimulating the consumer, the B2B alliance protected their "shelf real estate."

Chapter 3:
Interlude

3.1. The Paradox of Success

By 2010, the "Let's Drink Tea" campaign had largely achieved its goal. Domestic tea consumption had stabilized, and tea remained a staple in Indonesian households and the booming Ready-to-Drink (RTD) market. However, a new B2B threat emerged from this very success. Because the industry had promoted "Tea" as a generic category, consumers and retail buyers became brand-agnostic regarding the source.

3.2. The "Import Invasion" and Land Conversion

While Indonesians were drinking more tea, they were increasingly drinking tea from Vietnam, Kenya, and India. These countries produced tea at lower costs, flooding the Indonesian B2B supply chain with cheap raw materials.

- ***The B2B Squeeze***: Large brand owners (the midstream) began mixing cheap imports with local leaves to maintain profit margins.
- ***The Upstream Erosion***: Finding it impossible to compete with low import prices, many Indonesian private estates and smallholders began converting their land to more profitable crops like Palm Oil. From 2016 to 2020, the total tea-planted area in Indonesia began to shrink annually.

3.3. The Realization: Generic Demand Was Not Enough

The Indonesia Tea Board and Indonesia Tea Marketing Association realized that their previous B2B strategy had a "blind spot." They had successfully made the "pie" bigger, but foreign competitors were now eating most of it. The industry was no longer fighting for Primary Demand (drinking tea); it was now fighting for Origin Demand (drinking Indonesian tea).

3.4. The Need for New Attention

By 2020, the *silent crisis* reached a tipping point. Climate change, declining productivity, and the lack of a national identity had left the industry vulnerable. The B2B stakeholders—National Plantation Co. Ltd., Kabepe Chakra Co. Ltd., and the Tea Board—concluded that they needed a new "Seal of Quality" that could not be faked or substituted by imports. This set the stage for the “Jatayu Era”: moving from selling a "habit" to selling a "certified, sustainable origin".

Chapter 4:
The Strategic Pivot (2020–2026)

4.1. Branding the Ingredient

In response to the "Import Invasion," the Indonesia Tea Board (DTI) and the Indonesia Tea Marketing Association (ITMA) launched the Jatayu mark in 2025. Unlike the previous "habit-building" ads, Jatayu was designed as a National Identity Mark for the B2B ecosystem. It transitioned the industry toward an Ingredient Branding model. Under this system, when National Plantation Co. Ltd., Kabepe Chakra Co. Ltd., or any certified Indonesian producer sells tea to international blenders or local café chains, the buyer is permitted to display the Jatayu logo on their consumer packaging. This "Seal of Origin" guarantees the tea was grown in Indonesia’s unique volcanic soil and meets strict quality standards.

4.2. Value-Added Features

The Jatayu strategy also addressed a critical modern B2B requirement: compliance. By centering the industry around a single certified standard, Indonesian producers moved beyond selling just a "flavor" to selling “traceability”. The mark serves as proof for global buyers that the tea was produced ethically and sustainably, allowing Indonesian tea to maintain its position in high-value international markets that now reject uncertified commodities.

Chapter 5:
Conclusion

The strategic evolution of the Indonesian tea industry offers three critical lessons in B2B resilience:

- ***Cooperation Over Competition***: When an entire category is threatened by substitutes or cheap imports, horizontal cooperation is the only path to survival. The industry proved that rivals can pool resources to protect the "Market Pie".
- ***Influencing the Chain***: Upstream producers (the plantations) successfully used downstream demand stimulation marketing to "pull" demand through the system, ensuring that retailers continued to prioritize tea on their shelves.
- ***De-commoditization***: The shift to the Jatayu era represents the ultimate B2B goal: moving a product from a "price-based commodity" to a "value-based identity".

By branding the raw material itself, the Indonesian tea industry has demonstrated that a brand is more than just a logo—it is a promise of origin and sustainability that secures the entire business ecosystem.

Technical Note: Terminology and Methodology

This case study was developed for an international audience to illustrate core B2B marketing principles such as primary demand stimulation, horizontal alliances, and ingredient branding. To ensure the narrative remains accessible to global readers, certain institutional names and technical terms have been translated or simplified.

1. Terminology Mapping
   The following table provides a reference for the localized Indonesian terms and the English equivalents used throughout this text:

Case Study Term	Original Indonesian Term	Definition / Role
National Plantation Co. Ltd.	PT Perkebunan Nusantara (PTPN)	The state-owned holding company for agricultural estates.
State-Owned Enterprise (SOE)	Badan Usaha Milik Negara (BUMN)	Government-owned corporate entities.
Indonesia Tea Board	Dewan Teh Indonesia (DTI)	The multi-stakeholder body coordinating the industry.
Indonesia Tea Marketing Association	Indonesia Tea Marketing Association (ITMA)	The marketing and promotional arm of the industry.
"Let's Drink Tea" Campaign	Kampanye "Mari Minum Teh"	The primary demand stimulation campaign launched in the early 2000s.
National Identity Mark	Logo Jatayu / Sertifikasi Jatayu	The collective origin brand and certification system launched in 2025.
Industry Levy	Iuran / Dana Promosi	The B2B funding mechanism used to pool marketing capital.
Co. Ltd.	PT (Perseroan Terbatas)	The legal designation for a limited liability corporation (e.g., Kabepe Chakra Co. Ltd.).

2. Scope and Factual Simplification
   While this case study is based on the historical trajectory of the Indonesian tea industry from 1990 to 2026, certain factual elements have been simplified or narratively streamlined.

   The primary goal of this document is to serve as an educational tool for B2B marketing analysis. As such, the narrative focuses on the strategic relationship between upstream producers and downstream demand, and some complex regulatory or administrative details may have been omitted to maintain thematic clarity. Readers seeking technical data or official policy records should consult the primary annual reports of the Indonesia Tea Board and the Ministry of Agriculture of the Republic of Indonesia.

Useful llinks: ptpn.id | solidaridadnetwork.org | pureindonesiantea.id | icert.id | inttea.com | indonesiateaboard.org | sustainabletea.org