

Lithuanian herbal tea finds its way to European homes

Two Lithuanian companies focusing on plant products—Švenčionių vaistažolės [Švenčionys Herbs], one of the oldest herb-processing enterprises in the Baltic region with a history dating back to 1883, and Acorus Calamus—founded over fifteen years ago and already a leader in the herbal product industry—are notably outstanding examples of successful adaptation to both EU regulations and market needs.

The two firms now operate under the same leadership, after a merger that—as Director of both companies Elmantas Pocevičius explains—was based on the realization that size and production capacity matters in securing and maintaining a share of the EU herbal products market. Currently, a majority of the companies' output—notably of herbal tea—is sold in other EU states. While in 2008 most of Švenčionių vaistažolės' production went to Latvia, Estonia, Ireland, the United Kingdom, and France, its goods are now also sold in the Netherlands and Spain, as well as outside the EU (e.g., in Algeria, Japan, and the United States.)

When asked about the time when—after Lithuania's accession to the EU—the companies had to adjust to European standards and fight for a place in the EU single market, Pocevičius does not mince words, noting that it was not an easy process. Both companies did use EU financial support to buy new production equipment; initially, 50% of the cost was covered by Brussels, with the rest being the responsibility of the recipients. Later on, however the EU's share decreased and then vanished entirely—underscoring, in Pocevičius' view, the need for companies to avoid undue hesitation and to take advantage of existing support opportunities: “the bus does not wait for those who are late,” as the Lithuanian proverb holds. Unfortunately, neither both “Švenčionių vaistažolės” nor “Acorus Calamus” were able to avoid such a fate, and ended up missing the chance to use EU support to upgrade their production facilities.

However, both companies have continued to use EU funding to attend international trade fairs and expositions, which according to Pocevičius are among the most successful ways to find international business partners. Even though in this case Brussels' financial contribution is also limited to 50%, this is nevertheless a significant help to the firms—given that the minimum cost of participation in such events is €10,000. This funding is also available for use at events outside the EU; as a result, for example, “Švenčionių vaistažolės” took part in a 2015 exposition in Dubai.

Both companies have obtained high-level ISO certification, with Pocevičius advising those firms just preparing to apply to the ISO to aim for a standard not lower than ISO 22000. In his view, producers should also consider obtaining BRC certificates. Since the latter are globally recognized, the necessary time and investment to acquire them is the time and investment required can be recouped via access to markets beyond only those of the EU.

For small- and medium-size producers seeking to access the EU single market, Pocevičius offers the following broader recommendations:

First, **have an exclusive new product**. Since it is generally more difficult for SMEs to compete with big market players, they need to offer something different to attract consumers' attention.

Next, since small companies that enjoy some success are likely to attract attention—and competition—from larger firms, they can **merge with other small producers**, or **join forces with bigger European companies** to ensure greater competitiveness.

Additionally, companies should **invest in promoting their products** in the target market. This does require significant upfront outlays of cash, but if successfully implemented will pay off in the long run. According to Pocevičius, a 3-year public relations campaign might secure steady sales for a further 10 years.

The last option is to become **a local producer for European companies**. For example, if a company has expertise in producing and selling something, it can continue doing so—but under a European company's brand. Conversely, however, based on the Lithuanian experience in offering an exclusive herbal tea to German consumers, the latter prefer those labelled "Made in Germany" over German-branded Lithuanian products.

Ultimately, Pocevičius argues, knowing one's target market is the key to success. In the beginning, Lithuanian manufacturers had high hopes of selling to Scandinavian markets, but soon learned that local consumers are simply not that fond of herbal tea. Another reason why it was difficult to sell in Germany is that the country is number 2 in herbal tea production—with neighbouring Poland being number 1. It is important to ensure that one can offer better prices than local producers—which in Poland is nearly impossible, given the local firms' advantages of scale. Pocevičius also notes that Lithuanian producers' attempts to sell tea in Georgia failed for the same reason. Ultimately, the only way for Lithuanian producers to continue growing is to join forces with firms in the other two Baltic countries—Latvia and Estonia.

Finally, as far as specific tactics for finding a place within EU markets, Pocevičius identified the following as having worked well at the companies he leads:

First, **participate in international expositions**, where it is easy to present one's product and make business connections with possible business partners.

Second, make sure to walk around European supermarkets to **understand local consumption habits**. During these visits, one can not only see if people consume herbal tea, but also how much they are ready to spend.

Third, Pocevičius is not very enthusiastic about market research surveys offered by various consulting companies. For him, statistical data only reveals information about the size of the local market and the main players but does not provide much else of value to firms not already active on the local market. He does speak more highly of the **analysis done by the Nielsen Corporation, which provides information about the most popular products in a given market**, broken down by brand and accompanied by quantities consumed—in other words, it enables one to assess what (and at which prices) local consumers are buying. While this analysis is expensive, EU support can help firms to obtain it.

Fourth, the Lithuanian executive is similarly sceptical about the value of various Internet portals that purport to be effective spaces for introducing and promoting products, noting that in his experience, **the best advertisement is a prominent position in Google search results.**

Finally, Pocevičius suggests that companies truly interested in a specific local market should have the ability to converse and negotiate in the local language. This can best be done via a local representative who is not only a native speaker, but is also closely familiar with the specific characteristics of the local business culture.

The below images depict the production, packaging, and marketing of Švenčionių vaistažolės' ETNO herbal tea brand:



