

Case 3-1**Sweet Leaf Tea***

In March 2010, Clayton Christopher announced to his employees and all of the fans of Sweet Leaf Tea that he was leaving the company and handing leadership to an outsider, Dan Costello. Clayton's final act was to send an email to his employees praising their performance and integrity, which helped grow Sweet Leaf Tea to the number one ready-to-drink tea at Whole Foods. In his email he stated, that after his departure he hoped:

"we will not sacrifice the magic of this brand and thus jeopardize the love affair we have created with our consumers in order to save a few dollars on our path up the mountain."¹

TEA DRINKERS HEAVEN

The ready-to-drink tea market was consistently ranked as one of the fastest growing new product entries in the early 21st century. In 2007 total sales of tea equaled \$6.85 billion, almost a third of which were ready-to-drink (RTD) or bottled tea.²

Tea is high in antioxidants, has health-boosting properties and is either all natural or organic.³ Which might be the reason more people were moving from traditional carbonated drinks to healthy options like Sweet Leaf Tea. Between 2003 and 2008 the RTD category grew by 65%.⁴

In the Southern United States, tea has long been a popular beverage choice. It is usually served cold and sweetened. It can be found in any restaurant, mom and pop store, or at a road-side stop.

FROM MOONSHINE TO BIG TIME

Clayton Christopher and David Smith were always fans of sweet tea and loved their Grandma's recipe. But, they couldn't find any good bottled tea that tasted as good as what Grandma made. Their Grandma made sweet

tea by brewing teabags for 3–4 minutes. Then she would pour the freshly brewed tea over ice and add natural sugarcane sugar to make it sweet. In 1997 they founded Sweet Leaf Tea (SLT) to fill this void, and hoped that others would enjoy their Grandma's recipe as much as they did.⁵

Initially their production and marketing more closely resembled that of a moonshine producer than that of the multi million-dollar brand it is today. They used giant crawfish pans to boil the water and pillowcases as giant tea bags to brew the tea. To distribute the bottled beverage they had an old run down van.⁵

Clayton and David moved Sweet Leaf Tea from Beaumont to Austin, TX after a couple of years and started using an automated system to make the tea. But, they always remained true to their Grandma's recipe.⁵

Sweet Leaf Tea's only competitive advantage was its superior flavor compared to other ready-to-drink teas like Arizona, Snapple, Lipton, and Nestea.⁶ In 2008 SLT had \$12 million in revenue,⁶ and was available in 30% of the US Market.⁷ In March 2009, Nestle Waters purchased a third of Sweet Leaf Tea for \$16.5 Million.⁷

With the large investment from Nestle Waters also came a new president, Dan Costello, a former executive at Nestle Waters North America.

GROWING THEIR BRAND

Beverages tend to be low-involvement products, but also a unique business in that everyone has a favorite drink, which makes it very personal.⁹ Sweet Leaf Tea had to find ways to develop a following of customers without a big advertising budget. They focused on sampling at music festivals, product placement on shows like MTV's Real World and CBS's Big Brother as well as making sure they had a clear brand personality.⁸

Clayton and David worked with Lyon Advertising to create a brand personality that would represent who they were, laid back and fun, but didn't forget Clayton's Grandma Mimi.⁸ SLT could be described as a cool product for "good times and happy moments."⁸

Before SLT could build a large fan base they needed people to try their product. In an interview conducted by *Inc. Magazine* Clayton stated: "Sampling is the best form of marketing. You've got to get the product past people's lips."⁶

In 2002 they started partnering with music festivals like Austin City Limits (ACL), Lollapalooza, South-by-South West (SXSW), and Country Thunder. The folks attending the festivals were thirsty and willing to try new drinks. This also allowed them to target their core target audience—young (25–45), laid back, hip, and health conscious beverage drinkers.⁸

Initially, ninety percent of their advertising budget went to sampling (Inc.). Focusing their sampling program during music festivals allowed them to target masses of people at a time when they were thirsty such as the dead of summer in Texas, Chicago, and Arizona.⁶

SLT realized very early, however, that they needed to be on store shelves if they wanted their customers to find and buy the product. Selling their product at a few music festivals a year wouldn't be enough to keep them in business.¹²

Their first major store partnership was with Whole Foods (WF) in 2002 which put them on store shelves in the greater Texas market.¹² Adi Wilk, the former marketing manager at SLT, stated the Whole Foods partnership "lifted the brand." In 2006 Whole Foods expanded the SLT market to all of their stores in the US.¹²

Along with the Whole Foods partnership they also found distribution through partnerships with 7-11 stores, placement in Texas school vending machines, and at army bases.¹² This allowed fans that may have tried SLT at Lollapalooza to find it in Chicago, or people that traveled to Austin for ACL or SXSW to find it in New York at their local Whole Foods stores.¹²

SLT's communication strategy had traditionally focused on connecting to their customers.

Their partnership with WF, however, definitely helped them grow the brand by being on the shelves of a national chain store and also helped them connect to other distributors. But, more importantly was that SLT had built a strong connection with their customers, with most of them willing to search far and wide for a bottle for SLT. This truly helped them become a successful company.⁸

In 2008, with an infusion of money from Catterton Partners, a Connecticut-based private equity firm, and Nestle Waters North America Inc., SLT had expanded their marketing beyond sampling and store partnerships. In 2009 they had three major advertising updates—1) Launched a new website 2) Dedicated twitter writer 3) Team of Facebook managers for the fan page.^{8,11} SLT empowered every employee to be a spokesperson for the brand—with even their receptionist taking a core part in their twitter and facebook posts.

COMMUNICATIONS ROLE

Initially the core communication for Sweet Leaf Tea was through direct-to-customer marketing at music festivals. The owners, Clayton and David, were at the music festivals handing out their product. This allowed customers to meet the people behind the beverage and link friendly faces to a good beverage. Also the association with music festivals may have helped the brand develop the "cool and fun" image they were pushing.^{8,12}

Once SLT had expanded beyond the central Texas market they needed to find a way to stay connected to their customers and keep that direct to customer communication active. The infusion of money from both Catterton Partners and Nestle Waters allowed them to expand their communication strategy beyond music festivals and their core website.

Their facebook fans matched the same target audience they first had at music festivals. Their blog, Facebook, and Twitter pages allowed them to continue that face-to-face communication Clayton and David started at the music

festivals, just in the digital world.^{8, 11} Their Facebook and Twitter communication reflected the brand and the culture of the company.⁸

At the time, these two sites were used for announcements about the brand or to communicate special events taking place during music festivals. As an example, during 2009's SXSW they also used Twitter to announce a free concert and used Facebook to get people to RSVP to the event. In one week they had 4,500 people registered on Facebook for the free concert.⁸

Another advertising advance SLT made in 2009 was using mobile technology to get consumers to search for their product and receive free samples. SLT was one of the first companies to give away real samples using Gowalla.⁸ Gowalla was a location game that encouraged people to find a virtual item in a real-world place.¹² Gowalla allowed them to use virtual sampling of a product and connect it to real world sampling.⁸

CASE QUESTIONS

1. What are the strengths and weaknesses of SLT's corporate culture in terms of communications, as described in the case?
2. Considering the relationship the brand had with its audience, should Clayton have reached out to customers to announce he was leaving?
3. What challenges do you see for SLT's new management?
4. What role should corporate communication play at SLT to help the company advance its strategic goals?
5. As the Clayton's replacement would you change the way SLT communicated with its customers, or who was allowed to? Why or Why not?

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