



Planting the seeds of success in the desert: Lipton's tea factory in Dubai

For many people, tea manufacturing conjures up images of tea pickers in Asia or Africa, with tea leaves being plucked at plantations and brought to a nearby factory for processing. Unilever's decision to build a tea factory in the desert of Dubai in the United Arab Emirates is therefore not what one would expect to see, especially as it involves a major multinational company.

Unilever is the single largest producer of packet tea in the world, with Lipton – a leading tea brand – today available in more than 120 countries.

More than 12 years ago, a Unilever team based in Holland decided to launch a new tea factory to cater for the growing Middle East market. Lipton has deep roots in the tea culture of the Gulf States and has been sold in the region through agents as far back as the 1930s.

Recognising the importance of the tea market in the Arabian Gulf, Unilever set up the first fully-automated tea factory in 1998 in Jebel Ali Free Zone in Dubai. Over the past decade, the site has grown in capacity and geographic reach, establishing it as the second-largest tea manufacturing factory in the world. Today, Unilever's Lipton factory employs a total of 160 employees and exports a third of its production to 53 countries, from as far afield as Australia in the south to Canada in the north. It has also become one of Unilever's most competitive global sourcing sites for so-called 'double chamber' tea bags, which have two chambers, making it easier for the hot water to come into contact with the tea.



As the factory celebrates its tenth anniversary, supply chain manager Tim Drury has no regrets about the decision to choose Dubai as a manufacturing site. "I don't think the reasons for selecting Dubai have changed. If anything, they have strengthened," Drury says.

The main reason for setting up the plant was the size of the market in the region. The Middle East's per capita tea consumption is among the highest in the world, thanks to the region's economic and population growth. Unilever, which has a wide distribution network across the region, has enjoyed strong market share. The potential not only made it worthwhile for Unilever to build the plant, but also encouraged other functional teams such as regional marketing and R&D to establish their presence in Dubai at the same time and so strengthen the whole

supply chain process. Unilever was able to build its regional headquarters next to the factory and with local R&D support developed new packaging or products.

Another critical factor in choosing Dubai was so-called 'value density,' which is calculated by the distances to transport the finished products. Goods with a high value density can be transported long distances, while products with a low value density can only travel relatively short distances before it is worth building a plant nearer to the market.

The classic case is Pepsi and Coca Cola. Their high value concentrates are made in very few places in the world but are shipped to local bottlers who dilute, and bottle or can the product in the local market.

As for tea, the Unilever team recognised early on that they could carry five times as much raw tea as tea bags in a container, so it would be cheaper to transport the raw tea to the market and then pack this into teabags, than pack the leaves in the tea-producing countries.

Other factors favouring Dubai included its banking structure, with available financing, as well as attractive tax benefits. According to Drury, who led the project from its inception, setting up the business was relatively straightforward and the free zone offered full ownership.

The ease of logistics was another plus. Unilever buys tea from places such as India, Sri Lanka, Kenya and Tanzania, and has a large market stretching across the Middle East - so Dubai was both a central location and was convenient for the supply chain.

Dubai had already developed good port facilities and a free zone that is business-focused and customer-orientated, providing a good location for a factory with plans to import large volumes of materials and then export them as finished products.

Unilever was also able to minimise the amount of working capital tied up in its supply chain, which was still flexible enough to meet the needs of its growing business.

As for the workforce, Dubai's employment laws allow people from anywhere in the world to work here. According to Drury, this allowed Unilever to find the very best technical people to run the factory at reasonable cost levels, even though costs are rising.



Consequently, the factory has expanded way beyond the initial intention. Originally, the plan was for a teabag factory to support the local market in the Gulf. Today, the factory's output is three times more than was initially projected.

Over the years, the overall supply chain benefits have become clear: lower costs than those at the original UK-based factory, shorter lead times from order to delivery, resulting in lower inventory and increased responsiveness to market demand. The factory is able to import tea from any location and pack it in Jebel Ali, allowing it to change blends depending on tea costs worldwide.

Although the plant has proved successful as a global sourcing site, the team at Unilever is also aware of the risks and challenges that lie ahead, such as rising costs and political uncertainty in the region.

Equally, if not more important, is the competition for talent. As a multinational, Unilever places a lot of emphasis on training and staff development, and competes with companies which take a more short-term approach, effectively paying attractive salaries but offering no development as such.

The Lipton success story may not be easy to replicate and may carry new risks and challenges, but for the team that set up the factory ten years ago, there are plenty of reasons to celebrate the tenth anniversary of a global supply chain success story.

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