

Reversals of Fortune in the Tea Industry

Part XXXI: Thomas Lipton, Philanthropist



This 1920 photograph was taken on Lipton's steam yacht, *Victoria*, after his final attempt to wrest the *America's Cup* from the hands of the New York Yacht Club.

Lipton appears here with Mrs. Joseph (Rose Fitzgerald) Kennedy and her two sisters, Eunice and Agnes.

Lipton was at the height of his popularity in the U.S. at this time.

“In 1920, Sir Thomas Lipton was a bigger attraction than all but a few actors and professional athletes, and none of the world's businessmen commanded more public admiration. ... The man seemed to have fun with every step he took, and few could resist joining in. Wherever he went, he was met by welcoming committees and police escorts.”

— Michael D'Antonio, *A Full Cup*

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Reversals of Fortune in the Tea Industry, Part XXXI

The front cover illustration for Part XXVIII of our series, *Reversals of Fortune in the Tea Industry*, displayed 35 packet teas, which William Ukers referred to as “some well-known American packet teas.” In that installment, we discussed Martin Gillet’s *He-No Tea*, jokingly referred to by other tea merchants as “tea sausages” due to the long, tubular packet shape. When *Hi-Hi Tea* was introduced by C. D. Kenny with deceptively similar packaging, Martin Gillet sued, claiming trademark infringement.

Subsequently we have discussed two other “well-known American packet teas” of 1935, *Chase & Sanborn Tea*, and *White House Tea*, both of which disappeared many decades ago. There are only three teas out of the 35 popular brands of 1935 that are still being sold today: *Salada*, *Tetley*, and *Lipton*.

Salada Tea, along with *Red Rose*, is packaged and distributed in the U.S. by Redco Foods, Inc., which is a subsidiary of Teekanne GmbH of Germany. *Tetley* is a subsidiary of Tata Global Beverages, which also owns the *Eight O’Clock Coffee* label, as well as a 50% interest in Starbucks India.

Lipton’s *Yellow Label* packet tea, which appears adjacent to *Maxwell House Tea* in the 1935 Ukers illustration, is the most recognizable brand among the “well-known” American packet teas. Now owned by Unilever Corporation, Lipton *Yellow Label* packet tea is still sold in over 100 countries worldwide. Surprisingly, the *Yellow Label* brand is a minor player in the U.K. market, where *Tetley* and *PG Tips* control roughly 51% of the market.

Lipton’s successful chain of popular neighborhood provisioning stores in the U.K. made him a millionaire even before he sold his first ounce of tea. His greatest fortune, however, estimated to be in excess of a billion dollars by today’s standards, was earned from his tremendous success in the tea market.

Lipton opened his first store in 1871 at age 21. Three years later, he opened a second store, followed by a third a few months later. Within five years, he had twenty profitable stores and was debt free. By this time annual tea consumption in the U.K. had reached 80,000 metric tons, and British tea production in India was gaining momentum.

Lipton was tempted to add tea to his inventory, but the established tea trade ran counter to his “buy direct” strategy. The wholesale tea market in the U.K. in the 1880s was controlled by a few brokers, middlemen on Mincing Lane, who held tightly to the secrets of tea buying and blending in order to protect their large margins.

In 1888, with approximately 300 stores in operation, Lipton finally decided to enter the tea trade. He knew the potential for tea was huge, especially if he bypassed Mincing Lane and went direct to the growers. In his autobiography (published posthumously in 1932), Lipton relates the warning he received when his plan was discovered:

“Why not let well alone?” urged a Mincing Lane broker who afterwards became one of my best friends. “You don’t know one-tenth of the difficulties and dangers of the tea-trade. If such a scheme as yours was as easy as you think it is, many people would have made a fortune at it before now! Tea’s a difficult game for a novice to tackle, believe me!”

I assured him that tea was a perfectly intriguing proposition so far as I was concerned, and that in a year or two I hoped to be among the world’s largest merchants! He walked off with that look on his face which plainly says — another good man gone wrong!

Lipton had the drive and confidence to take on the challenge of mastering tea. In his words:

[Going at my own pace], I enlisted the services of one or two men who had big reputations as expert tea-judges in London, and, with their assistance, I set out to solve the problem of blending without having recourse to the professional blenders, or offering any of them positions on my staff. In the meantime I “laid low and said nuffin’.” But I was certainly far from idle!

Lipton referred to his eventual success, “after many, many experiments and many,

many failures,” as “an epoch-making day.” Within weeks his stores became a destination solely for his modestly priced tea:

I believe I am merely stating a fact when I say that my entry into the British tea market created a sensation of the first magnitude. The public rushed for my tea at one-and-sevenpence a pound. They liked it so well that before many weeks had elapsed I added two other blends at a shilling and fifteen pence per pound respectively — tea-prices unheard of in the world up till that time. My branch shops were besieged morning, noon and night. The customers who came for tea alone remained to buy my other goods and the Lipton stores in every part of the country broke their trading records over and over again. In tea alone a branch which didn't sell a ton at least every week was held at headquarters to be securing poor results!

Lipton was opening a new store every week by this time. This pales compared to the peak growth of the A&P chain in the U.S., which expanded at an alarming rate of three stores per day! However, Lipton's geographic reach was significantly smaller than that of the A&P chain, so fewer stores were required to capture a large customer base.

Once he saw how well his tea was selling, Lipton embarked on an even grander mission; he decided to become a tea grower. Lipton set sail for Ceylon, just as failing coffee estates were being converted to tea. (See *Part XIX of Reversals of Fortune in the Tea Industry* for more on the collapse of the Ceylon coffee industry). Lipton's negotiating skills and ready access to cash allowed him to purchase top quality estates at bargain basement prices.

When Lipton's supply of quality tea finally surpassed the brisk sales at his stores, he started selling wholesale. The wholesale market in the U.K., however, presented some limitations for Lipton. His rapid expansion and low price concept made him an increasing threat to other store owners. Selling direct at low prices was counter-productive to the development of a wholesale business, and Lip-

ton was not going to keep his store prices high to favor his wholesale trade. To grow his tea sales as fast as Lipton desired, he needed to explore foreign markets.

Lipton had fond memories of his youthful adventures in the U.S., so expanding his tea operation there was an alluring prospect. In 1894 he sailed for New York, the city he had fallen in love with as a youth, to explore the American tea market. The population of the U.S. already exceeded that of the U.K., and it was growing at four times the pace. The only question in Lipton's mind was whether there was an unfulfilled demand for quality tea.

What he found in the U.S. was, basically, a tea wasteland. With the exception of The Great Atlantic and Pacific Tea Company, which had roughly 100 stores, there was very little tea being sold in the U.S., and what was being sold was dreadful. Most restaurants, even in fine hotels, did not serve tea. Ironically, however, the potential U.S. tea market was rapidly expanding as tea drinking immigrants from Ireland and Russia arrived daily.

It was a perfect setup for Lipton. Stores that competed with The Great Atlantic and Pacific Tea Company were eager to stock a product that could compete on price. Lipton wisely decided to avoid retail sales in the U.S., and focused solely on wholesale through established distributors. The American market would soon provide the wholesale venue that was necessary for his vision of the future.

A blending and packing operation was built in New York in 1895. Demand almost immediately exceeded capacity, so the operations were moved to more spacious quarters a few years later, only to be moved again in 1919 to Hoboken, New Jersey. Branches were later opened in Chicago, San Francisco, New Orleans, and Toronto.

When Lipton returned from the U. S., just after establishing



Lipton's packet tea is now sold in over 100 countries worldwide.

his New York packing facility, there was an event being planned that would profoundly alter Lipton's persona. According to Alec Waugh (*The Lipton Story*), it would be "the most important single act in his whole life."

The venue for this "single act" was the celebration of Queen Victoria's 60th year of reign. In the words of Bob Crampsey (*The King's Grocer*),

In the spring and early summer of 1897 Britain was engrossed in the preparation for the celebration of Victoria's Diamond Jubilee. The old Queen, far from popular for much of her reign ... had by mere dint of survival acquired the status of an icon. She could now have little time to go and the combination of the fast-fading reign and the fast-fading century stirred her subjects into manifestations of loyalty. Troops of potentates would come from all over the Empire and for almost the very last time the kings and queens of Europe would assemble in panoply.

Alexandra, "Princess of Wales and queen in waiting," proposed in an open letter (published in *The Times* and addressed to the Lord Mayor of London) that a fund be created to provide a "dinner or substantial meal ... for the poorest of the poor in the slums of London. ... I leave it to your very kind and able organization to arrange that the very poor in all parts of London should be equally cared for."

The event was to take place as part of the Jubilee celebration, the week of June 22, 1897. Alexandra wrote a check in the amount of £100 to establish the fund.

The Lord Mayor was now in the spotlight. How could he refuse the plea of Princess Alexandra? At the same time, the project was publicly thrown in his lap. The poor of London numbered in the hundreds of thousands. Princess Alexandra's £100 was a small fraction of the estimated £30,000 required for such a grand scheme. Moreover, the logistical complexity of such an event was beyond overwhelming.

Lipton volunteered to supply all the tea and sugar needed for the project. Meanwhile, a smattering of cash donations came in, but by May there was little more than £5,000 in

the till. Nothing short of a miracle could rescue Princess Alexandra's delegated project.

When Lipton learned of the imminent disaster, he came to the rescue. He wrote a check in the amount of £25,000 (equivalent to several million in today's dollars) to cover the shortfall. Perhaps more importantly, he also helped organize the entire event. In his words,

Naturally being in the catering business I had expert knowledge of what a "banquet" of the magnitude contemplated would call for in the way of organization and supplies and I remember how interested Her Royal Highness was in my calculations of costs and quantities. Each of the guests at this feast, which took place simultaneously in all the largest halls in the United Kingdom, was supplied with a meal consisting of meat, bread, plum-pudding, cheese, and cake, apart from tea and coffee and other liquid refreshments. Altogether over seven hundred tons of food were consumed by the Royal "guests." Four hundred vans were employed in the delivery of the meals and ten thousand waiters served them. I doubt if there will ever be such another dinner in the history of the world. I had the honor of going round some of the London halls with her Royal Highness during the progress of the banquet and of saying a few words to the delighted and happy throngs.

Thomas Lipton was now a public figure, equally comfortable with royalty and the poorest of the poor. The free publicity he was about to receive as "Jubilee Lipton" would be more valuable to his business success than all the advertising he had paid for. Alec Waugh wrote:

Research has failed to reveal a single reference to Thomas Lipton in the Times up to the end of December 1896. But from May 1897 onward scarcely a day passed in which there was not some reference to him in the London press.

Major newspapers in the U.S. took note of his charitable contributions as well. In fact, his celebrity status became a worldwide phenomenon. There would, however, be another endeavor that would propel his image to the level of a modern day superstar.

Our series on *Reversals of Fortune in the Tea Industry* will continue this topic in the next issue of the *Upton Tea Quarterly*.