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Montréal-based DavidsTea brews up U.S. expansion

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Birthday cake and chocolate macaroon sound more like desserts than teas, and rightly so. But in fact, they are also samples of the creative blends that Montréal-based DavidsTea is serving up in its rapidly growing chain of tea stores across Canada and the U.S. The chain offers about 150 different types of tea, along with accessories and gifts, online and in roughly 150 stores - 130 at home, plus nearly 25 and counting south of the border. The company, founded in 2008, is poised for continued growth amid rumors of an IPO in the offing.

Canada and the U.S. both view tea as a growth sector. "It is a really interesting category, because we are reaching a point where a lot of neighborhoods and communities are oversaturated with coffee," said David Bell, a senior retail consultant at Colliers International, in Vancouver, British Columbia. "And in our families and groups of friends, we all know people that don't drink coffee."

According to the U.S. Tea Association, tea is the second most widely consumed beverage in the world, after water. Over the past two decades, the U.S. tea industry has grown from about \$2 billion in annual sales to roughly \$10 billion. In Canada tea consumption is expected to increase by some 40% between now and 2020, according to Canadian Food Trends to 2020, a report prepared by Serecon Management Consulting, of Edmonton, Alberta. Canadians drink roughly eight cups of tea per week, on average, totaling some 10 billion cups yearly. The report credits this growth to widespread interest in health and wellness and to increased awareness of the health benefits of many teas.

"What sets them apart is their high-quality product," said Kristin Belliard, a vice president and real estate broker at Avison Young, in Montréal. "They target baby boomers and the hip urbanite, promoting healthy living, making tea fun and [coupling that] with a modern, clean [store] look and very experienced staff who encourage patrons to enjoy the type of flavors they like."

The company also has succeeded in landing prime real estate locations in Canada and the U.S. "I don't think they have the same depth that Starbucks does. I don't think they can locate on every corner," said Stephen Knight, CEO of Vancouver-based Sitings Realty. Yet the retailer has landed stores in every top mall in Vancouver, Edmonton and Toronto - including Yorkdale, in Toronto; and Pacific Centre, in Vancouver, both of which have excruciatingly long wait lists, says Knight. "So shopping center landlords love them."

DavidsTea operates at top malls and in lifestyle centers, and also at busy street retail sites. In the U.S. the retailer has opened stores at Downtown Crossing, in Boston; Westfield San Francisco City Centre; and on New York City's Avenue of the Americas.