



Creating Emerging Markets – Oral History Collection

Merrill Fernando, Founder and Chairperson, MFJ Group
Interviewed by V. G. Narayanan,
Thomas D. Casserly, Jr. Professor of Business Administration,
Harvard Business School
December 23, 2015 in Colombo, Sri Lanka
Video interview conducted in English

The Creating Emerging Markets Oral History Collection is part of the collections of Baker Library, Harvard Business School. The transcripts are made available for academic research and teaching. Any other use - including commercial reuse, mounting on other systems, or other forms of redistribution - requires permission of Harvard Business School. When use is made of these texts, it is the responsibility of the user to obtain the additional permissions for requests to cite and to observe the laws of copyright and the educational fair use guidelines.

Research Inquiries & Requests to Cite Oral History Collection: Please contact Rachel Wise, HBS Archivist, rwise@hbs.edu or Laura Linard, Director of Special Collections, llinard@hbs.edu

Preferred Citation: Interview with Merrill Fernando, interviewed by V. G. Narayanan, Colombo, Sri Lanka, December 23, 2015, Creating Emerging Markets Oral History Collection, Baker Library Historical Collections, Harvard Business School.

Baker Library Historical Collections
Baker Library | Bloomberg Center
Harvard Business School
Boston, MA 02163
617.495.6411
histcollref@hbs.edu
<http://www.library.hbs.edu/hc>



Interview with Merrill Fernando

Interviewed by V. G. Narayanan

December 23, 2015

Colombo, Sri Lanka

Video interview conducted in English

VG: *Good morning, Mr. Fernando. Thank you so much for agreeing to do this interview. I would like it if you could take me back to the beginning, start with your early years, tell us a little bit about your education and how your journey with tea began.*

MF: It is a great honor to me personally and I thank you for providing this opportunity to me. I come from a very humble home, a home in which my parents taught me very good values.

I had an early education in the village school until I moved to the nearby city of Negombo for my education. I walked to the railway station about a mile from my home and another mile from the next railway station to my school. So, I walked four miles every day as a young boy.

During my holidays, I had the opportunity to spend time on my friends' tea plantations where I began to admire the workers' diligence and commitment. Mind you, this was about sixty to seventy years ago when we were a British colony and most plantations were managed by British

nationals. There were also several plantations owned by locals mainly in the low country region.

Plantation workers were provided with line rooms as their homes. The line rooms were rows of very simple accommodation designed by the largely British tea plantation owners to house the migrant labour. The workers' commitment and dedication to work impressed me. They would start cooking for the family around 5 am, feed and dress their children, take them to school and start picking tea and other work on plantations around 7 am. They would go home for lunch and return to the field to resume work until about 6 pm. They worked very diligently. I began to like the industry and developed my love for tea at that point.

On completion of my secondary education I was planning to join the legal profession.

While jobs in plantations were open to the Ceylonese, tea tasting and trading were out of bounds to us. British employers claimed that we ate too much curry and therefore our palates were spoiled and we could not taste tea! That was of course just an excuse for shutting locals from important segments of the tea industry, to protect their work permits. They were granted work permits valid for 02 or 03 years at a time.

While planning my entry into Law College, I was offered the opportunity to be recruited as a trainee tea taster in the first batch of Ceylonese to be admitted into the tea trade. My selection was undoubtedly a result of God's Grace considering my humble family background and the fact that others in the batch and many more who were not selected came from

wealthy and well-connected families. The selection was made by the Commissioner of Tea and a very senior British tea taster.

During my training, I learned various aspects of tea planting over two years.

Thereafter, I went to London, specifically to Mincing Lane, which was then the world's tea center. I was sent there to learn tea trading and marketing. I became aware of blending and marketing tea and the exploitation of the image of Ceylon tea in packets of tea, which even then contained little or no Ceylon tea.

That knowledge and experience changed my mind. I began to worry about the future of our tea industry. Ceylon tea is truly the finest in the world. We grow tea at different altitudes in different regions and capture the terroir of the region. A good tea taster can produce a taste, quality, and character in tea to suit every preference. That is a unique advantage Ceylon tea provides. Tea traders in England exploited that initially to the advantage of our industry; however, activities in Mincing Lane, where blending and marketing concepts were developed, shifted the advantage from our country to London.

In London I was quite shocked by the developing culture of mixing tea from various countries with little or no Ceylon tea content and then marketing the blend as Ceylon tea. This was done to exploit consumer perception of Ceylon tea as the world's finest. As a young boy, I looked up to the tea traders of the time as I believed they would always do the right thing. When I discovered that they were mixing Ceylon tea with cheaper teas from other countries and marketing them as Ceylon tea, I realized that it

would not be long before the real taste of tea would be compromised and downgraded by their action.

I saw a bleak future for Ceylon tea if nothing was done to counter this harmful activity. Our tea industry would not remain viable. There was nothing I could do except to dream that one day I will have my own brand of tea—the best tea in the world! I was twenty-four years of age then and I had neither money nor knowledge even to dream of developing my own brand to begin correcting that situation. It was at that point that I dedicated my life to tea.

After training in London I came back and found employment in a very nice and kind British family company [A. F. Jones and Co. Ltd.], run by a father and two sons, like my company today. The two sons, Dennis and Alan [Jones], became very fond of me and treated me like their own brother. They saw in me qualities that I was not aware of and they often said, “You are a very promising young man...we are giving you responsibility.” In four years, I was appointed to the Board of Directors and I was given responsibility for nearly all divisions of the company.

I began to experiment with tea and some of my efforts worked out well. I was happy and grateful for the opportunity; however I was selling tea in bulk, as a supplier of raw material, continuing the culture of colonial trade. As you would know, colonial trading culture is for colonies to grow crops and provide raw materials, which are imported to their bases for blending, packaging, branding, and marketing.

This is where big profits are made by exploitation of farmers/producers who remain in poverty. This important segment was never introduced in producing countries. There were two or three big trading companies who determined how much they pay the farmers. I asked my employer, "Why can't we do this packaging of tea?" He said, "That is not our expertise, we don't know how this is done, that is carried out in England." They truly believed that. I couldn't accept it but I did as I had to, to protect my job. The thought of having my own brand was haunting me, as was the plight of tea farmers and their families.

[By this time] I was supplying bulk tea to many blenders and packers around the world. Our country Ceylon, Sri Lanka now, elected a Socialist government in 1956. That was the beginning of an era of painful developments in our beautiful country. Every possible industry was nationalized, including the plantation industry, and a near-communist regime assumed power. Most foreign businesses were nationalized and foreign nationals felt uncomfortable. The Jones family decided to sell out and leave the country. They were anxious that I acquire the company. I didn't have sufficient money to acquire it, so I invited two friends to share the investment. I was unhappy to see the Jones family leave our country but I kept in constant touch with them.

A. F. Jones and Co. Ltd. [was now] under my sole management and it did remarkably well. One shareholder caused unpleasantness and made life difficult, affecting my work. At a board meeting on September 4, 1962, I walked out and offered my resignation under certain conditions. Those

conditions, which were agreed and accepted, were [subsequently] dishonoured.

That was the reward I received for developing a very significant business and profits. When they found the task of running the company well beyond them, they invited me back on my terms and conditions. I did not even consider their request. My shareholding and other entitlements were denied but that did not seriously affect me, I was confident that I would be back in business considering my knowledge and experience and importantly, my customers' trust in me. Following this bitter experience I vowed to develop a business which would enable me to achieve my dream of my own brand and introduce new concepts in marketing.

I was back in business a few months after my sad experience...[which] taught me many a lesson. I resumed my business in bulk tea and I vowed to pursue my dream aggressively. In a relatively short time, that business grew dramatically. I was supplying bulk tea, directly or indirectly, to nearly all the world's big trading companies. Soon my company became the fourth largest exporter of bulk tea. The first three were giant multinational companies.

I was a major supplier of bulk tea to Australia and New Zealand. I began to understand and appreciate the efforts of small family companies in developing their own brands, of which there were several. Some of them were managed by family members only. All the tea imported into Australia and New Zealand came from Ceylon and therefore the image of Ceylon tea was very high. At that time—say about 35 years ago—there about 15 family

companies engaged in the tea trade. Their tool for competing was the quality of tea. Today's discount culture was not known. The tea culture was very good for the farmer. The position in New Zealand was much the same. I saw several companies, managed by father, mother, daughter or son, packaging tea supplied by me—the tea bag was unknown then and hence, no machinery was required. They pasted labels with their own brand name onto packets of tea and took their tea to grocers. I truly began to love the value-adding industry and the families involved in the business.

In the early 1980s, big traders began to enter those markets. They started acquiring several [of] the existing family companies. I knew all the company owners. I asked them, "Why do you want to sell your family business? You are the fourth or fifth generation, it's a crime." But they would say, "Merrill, our turnover is one million dollars, they offered us three million; when and how can [we] make that kind of money?" I said, "But you have sold your heritage."

In the next three years, the big traders had acquired almost 75 percent of the smaller companies. Having acquired control of the trade, they revealed their strategy of reducing prices, dropping quality, and removing origins of tea from their packs. The declaration of the country of origin was a customer's only guide to the quality of a product. In this instance, quality, pure Ceylon tea disappeared and commodity tea—multi-origin blended tea, lacking any identity—took its place. That is what hurt our tea industry and continues to deprive consumers of genuine choice on today's supermarket shelves.

There were so many consumers who said, “We are no longer able to buy Ceylon tea,” as they found the quality of tea they had become accustomed to and enjoyed had disappeared. The same brands that once offered quality, “Pure Ceylon Tea,” now under new ownership, replaced the content of their packs with multi-origin blended teas which generated more profit for them but less pleasure for their customers. This is the fate that consumers began to face in most countries, as a result of big traders acquiring control of tea. Australia and New Zealand enjoyed Ceylon tea exclusively for decades as did England, the USA, Middle East, South Africa and in fact, most of the tea-drinking world! Today, they have no access to fine Ceylon tea...

There were so many customers out there who would say, “The tea is of [a] very different taste.” I [would] explain, “You are not getting any Ceylon tea.” Several friends enquired, “Can you send us some Ceylon tea?” I used to send packages of Ceylon tea now and then. So, I realized that the big traders had assumed control of the trade, just two or three of them, eventually. Similarly, at the tea producers’ end, previously, there were fifty to sixty small companies supplying all those family companies. But now, the numbers declined to match traders and the scenario in the marketplace seriously impacted on tea farmers.

Traders deprived consumers of Ceylon tea and farmers were driven to poverty. I used to explain to some buyers in supermarkets that what they do is unfair to consumers and tea farmers. I would tell them, “You have forced consumers to buy ordinary tea and deprived them of the option to

enjoy their favourite Ceylon tea.” I offered them the finest pure Ceylon tea. Their position always was, “These big traders know exactly what the consumer wants and that is what they gave.” I begged to differ as I pointed out that consumers have no option but to buy what the brand owner places on the shelf. Unfortunately, what the brand owner places on the shelf whilst previously of a quality that was best for the consumer, had become instead what is best for the brand owner’s bottom line. I approached the retailers and said, “Give me a chance to bring my brand and put it on shelf and meanwhile, I offered to pack their private label tea. One major retailer in Australia agreed to source their brands from me.

That was my first breakthrough! It provided me the opportunity to establish my integrity and credentials. Within a short period of time, all Australian retailers turned to me for sourcing their house brands. This private label business became quite substantial and reintroduced good-quality tea in Australia. Soon, I was able to supply house brands to New Zealand chain stores also.

Retailers mentioned to me that my credibility and performance were very high, and that I was the only supplier who knew tea so well. They began to respect me, as one who honours his commitments and could be trusted with quality. Having earned their confidence, I believed the time was appropriate to start pushing my own brand. Tea farmers were suffering due to the very low prices they received for their crop. In Sri Lanka, government regulations and union representation at the highest levels of government guarantee that workers receive fair wages and numerous other facilities,

including free housing, free schooling, medical attention, etc. Plantation workers are better off than urban workers because of the special benefits they enjoy.

The fears that motivated me to dream of my own brand of tea were now manifesting. Consumers were deprived of the option to buy fine Ceylon tea and farmers were in poverty. My commitment to save our tea industry faced a number of hurdles, which appeared impossible to clear. I had very little money, earned from selling bulk tea and from the private label business, far too little to invest in the sophisticated plant and machinery I required.

No friend supported my dream. Some said I was out of my mind even to dream of competing with giant tea traders. Others said I would go bankrupt in the first year. Even the government bodies responsible were against my project, under pressure from local representatives of big traders. I did expect my mission to attract opposition from competitors in every single market, but I was unable to understand opposition from fellow countrymen.

Several state agencies tried to dissuade me, fearing that our bulk tea exports would be boycotted if I competed with the buyers of bulk Ceylon tea. Officials had been warned that, if I was encouraged to develop value addition to tea, and undertake direct marketing, our industry would be in further trouble. By that time, our bulk tea exports to several markets had already dropped. I had figures to prove that.

I pointed out that the UK, for instance, imported 170 million pounds of tea a year...up to the late 1970s. At that point its imports had dropped to 40 million pounds. My position then was, that in the next ten years, its

imports would decline to 4 or 5 million pounds. They contested my figures and I explained that tea was being devalued by traders motivated solely by profit, even at the expense of quality. Tea was getting cheaper and cheaper, and, as that happened the Ceylon tea content in the tea packed by trader-owned brands was reduced.

When quality disappears from packets, Ceylon tea becomes the casualty. I convinced officials that the time to develop value-added tea exports was long overdue. Finally I was able to persuade most of my opponents to co-operate with me, in taking Ceylon tea back to consumers. However, I received no support from government until much later. I risked the little capital I had built over the years, in chasing my dream. Now I needed a brand to take my dream to the market.

I named it Dilmah, coined from the name of my two sons DILHAN and MALIK. I thought of that name to demonstrate my commitment to offer consumers the world's finest tea! My sons were at school in England at the time. I told them of my "third son" Dilmah and they were happy although uncomfortable about my venture, perhaps fearing that I was risking too much.

I realized that if Dilmah was to survive the assaults of the opposition from giant traders, it had to be unique in every respect. That was an impossible dream, during that period — the 1970s. Facilities for printing and packaging, for graphic design and the infrastructure that is essential for branding and value addition were unavailable. I was therefore driven to devise alternate solutions for these crucial services.

Having solved these issues in my own way, I had a small building and two tea-bagging machines ready by now. The full process of value addition at source was introduced by Dilmah. Our Ceylon Tea was fully packaged and branded into shelf-ready consumer units, which could be shipped out with love and care. I had to import some packaging materials such as tags and envelopes for tea bags, from Japan. That was very costly and time consuming. I had a friend Ravi, who had a small printing operation. I tried hard to convince him to set up a small business supplying services to the tea bag industry, which was unheard of, at that time. It took me a long while to convince him of the potential for this business. He did not see the logic in my thinking. However, he placed his faith in me and I invested the tidy sum of \$118,000 (which I could little afford at the time) on the purchase of a printing machine.

VG: *When was this? Which year was this?*

MF: We incorporated Print Care Ltd. in 1975 to handle this business. Today, it is amongst the biggest and best printing and packaging businesses in the country and in the Asia Pacific region. Apart from supplying printed packaging to several companies here, we also export to companies in the UK and other countries. In addition to being a major supplier of printed cartons, Print Care Ltd. is possibly the largest supplier of tea bag tags and envelopes to the global tea packing industry.

I vowed [to myself]: “If my business is successful, I will share my earnings with workers and the poor.” When I started my own business I had eighteen employees. I thought of helping them with additional benefits, since they were very loyal and dedicated to me. I called them up and said, “I want to help you further.” Their response was, “Sir, you are already helping us enough, we don’t need anything more.” I said, “I would like to take responsibility for the education of your children” by providing them with all textbooks, clothes, shoes, and stationary required, apart from offering scholarships to those who do well, right up to university. I undertook to care for the children by funding their university education locally or and in regional universities, if they wished. When I made that undertaking I had 18 employees. Today, in the Dilmah factory alone, there are 1,400 employees. All of them enjoy these benefits and much more. Most of the workers in the family plantations also receive them and more.

Caring for neighbors, sharing with the poor, is the seed my mother planted in me, when I was a teenager. We had little to share and help others with. However, when she made cakes or received gifts, she [divided] them, made small parcels, and shared them with our neighbors. That is how my charitable instinct surfaced.

By now, I was respected in Australia, as a good supplier of house brands in tea. After two years of persuasion and perseverance, the major retailer, Coles, agreed to list two Dilmah tea products.

At a press interview, I explained the uniqueness of my Dilmah Tea and I made three promises to consumers. Firstly, I undertook to bring

integrity back to tea. I did so, by introducing single origin tea to compete with commodity tea—whose origins were unknown in the market. Secondly, I promised to launch the finest tea on earth. I did so by supplying 100 percent “Pure Ceylon Tea,” the world’s finest quality. Third, I undertook to share earnings from Dilmah with workers and the poor. I did so, by providing numerous benefits to them and, eventually incorporating The Merrill J. Fernando [MJF] Charitable Foundation, which transforms the lives of over 10,000 less privileged people each year. [Please see more details online at www.mjffoundation.org.]

Complete value addition at origin, creating new jobs and retaining in Sri Lanka the benefits of value addition, branding and marketing, make Dilmah the world’s only genuinely ethical tea brand.

At the time I launched my Dilmah in Australia, the retail buyer did not hold out much promise for the success of my dream. He reiterated his earlier advice to me that big traders knew exactly what was best for consumers and I did not! I believed otherwise and politely maintained that consumers had to buy what was available on shelf. They had no choice. I was ever so grateful for the opportunity the buyer provided me. He meant well in warning me that I should not be too disappointed, if I failed in pursuing my dream. I explained that a strong divine force was driving me and I [was] confident that my dream will come true.

He wished me good luck!

Every pack of Dilmah Ceylon Tea states “Single Origin 100% Pure Ceylon Tea.” Dilmah is the only global brand of tea declaring its contents on

every pack. Some years back, every brand did so to comply with government regulations. Today's commodity tea is a mixture from the cheapest origins and most brand owners would be embarrassed to declare origins, being motivated by price and not quality in choosing the sources for their tea.

The first consignment of Dilmah tea was shipped to Australia. At Coles, the tea category market leader was selling 100 tea bags in 1985, at AUST \$1.99. I priced my tea at \$2.19 because the uniqueness of Dilmah was strong and also engaging for the discerning tea drinker. The buyer told me that Dilmah had very little chance of survival even at \$1.59; therefore I should respect the market leader and price below it. My efforts to convince him of the very special quality of Dilmah had no effect. So I pointed out, "I am admitting that the other market leader tea is better than mine." I was grateful that he gave me two places on the shelf and I bowed to his demand in pricing Dilmah at \$1.89.

My Dilmah appeared on shelf, finally. Sales were slow and the market leader reacted by dropping his price to \$1.49. I thought then that my dream [was] shattered, and I went to see the buyer. I said, "And what do we do now?" He said, smilingly, "I have good news for you." I expected him to say, "I have to delete your tea." Instead he said, "We have never had so many phone calls and letters from consumers, thanking us for bringing Ceylon tea back."

That established my conviction that, given the choice, discerning consumers will opt for Ceylon tea. Today consumers have no choice. Their choice is determined by brand owners, and most retailers focus their

objectives on cheap prices, knowing well that cheap comes with poor quality. Today, Dilmah Tea is sold in over 100 countries, priced above most other global brands. My commitment was to offer the finest tea on earth, and not to become a big volume supplier. Today, Dilmah is respected as the finest quality tea on earth. Nearly all airlines in the Asia Pacific region and some in Europe and South America carry Dilmah Tea. Dilmah has become a much-loved brand name in the hospitality industry.

Consumers are always willing to pay realistic prices for good food and drink; however, retailers restrict their merchandise to cheap prices, ignoring quality [that] discerning customers look for. I tell retailers, “You are forcing your customers to buy cheap. What about people who want good quality? You are driving them to tea shops and coffee shops, where they ungrudgingly pay three or four times the price they would pay you, for the same quality.” Everyday low prices come at a huge cost to consumers in consuming cheap, low-quality food and drink. Suppliers are also exploited by low prices.

Journalist Ellen Shell, in her book entitled *Cheap* wrote, “Everyday low prices are built on everyday crummy lifestyles, not only for Mexican cloth cutters, and Thai shrimp farmers and Chinese toy makers but for all of us. There is nothing innovative about building business plans on the backs of insecure, low-wage workforce, about depleting resources and polluting environment to cut costs, about squeezing producers until they fail or quit or cheat.”

Today's myth of claiming "fair trade" is more a marketing strategy than a true representation of an ethical way of doing business. Fair trade is a very well-marketed brand name. Fair trade labels enable consumers to feel good in the belief that their money reaches producers in poor nations. Only a fraction of the premium they pay benefits the producer. I receive several letters from consumers stating, "Your tea is fair trade, please get the fair trade stamp and increase your prices." They pay higher prices for the fair trade label. I respond with my observation that Dilmah is the fairest form of trade as it is the only ethically produced global brand of tea.

[The] Dilmah Australia launch was followed by New Zealand, a year later. We celebrated the 25th anniversary of Dilmah Tea in Australia with "Thank you Australia" events in each state and the final event was at the Sydney Opera House. There were 250 invitees who helped me to build my dream. I used that event to thank Australians for partnering [with] me in realizing my dream and in fulfilling my promises with Dilmah. If not for them, Dilmah would not have seen the light of day!

I dedicated my life to tea and I have devoted 65 years to tea, so far, working tirelessly, towards building the MJF Group of companies. While our primary interest is in tea, in becoming perhaps the only fully vertically integrated company in the industry, with substantial stakes in every one of its segments including a globally renowned brand name for its tea.

I faced numerous hardships, insults, humiliations, and strong opposition from giant players in the big world of tea. I wore out several pairs of shoes by walking the streets of Sydney and Melbourne in Australia. Stress

of travel, sleepless nights, and irregular meal times caused diabetes, which is restricting my activities.

The Divine force that inspired and drove me tirelessly, until Dilmah Tea made a name for itself, is hugely supportive of my little success, for which I thank the Good Lord.

My MJF Charitable Foundation is my joy. It is the fulfillment of my mission and hopefully carries by example the fundamental importance of every business honoring the obligation of caring for the poor. Most companies in the MJF Group contribute 10 percent of profits, before tax to the MJF Charitable Foundation. A significant portion of my personal income is also transferred to the Foundation.

We help the poor; we change about 10,000 to 15,000 lives a year. We have MJF centers. There is one here about a forty-minute drive from here, on a ten-acre [lot], for autistic children, children with Down syndrome and cerebral palsy and abused women and children. We recently opened a culinary training center, which has the objective of empowering less privileged youth with dignity by giving them the skills needed to participate in the growing hospitality industry.

That center is a place I still go to often and every time I visit it touches my heart deeply and encourages me in my mission. I always say, “Why did this happen to these innocent, helpless children, and why is it that we have been given so much? Until I discover the reason, I will spend to help them.”

And today I have to look back. I am often interviewed and asked, what is your advice to young entrepreneurs?

I will tell you: Believe in what you do. I believed in what I did. I believed Ceylon has the finest tea, and [I gave] total commitment, total dedication, and very, very hard work. In the last sixty years, until one month ago, I worked twelve to fifteen hours a day for five and a half days a week. So there is no alternative to real hard work, total commitment. I have dedicated my life to tea and the results I have achieved for the producers and the poor are unbelievable. Now, in our plantations we have childcare centers. Mothers when they have children they can't work for about six months, they have to stay at home. So the second income to the family is lost. We have built them childcare centers, put in nurses, teachers to give them care. So the mothers deposit the children there, [go to work], after that they pick them up. And the students get scholarships and in September 2013, we had two tea pickers' children [graduate] as doctors from the medical college. There are several other lawyers, engineers, many professionals as a result of the MJF's activities. So business, I always say, must become a matter of human service. Then you grow. And fortunately for me,...there was a strong power driving me. I realized that was almighty God who gave me this position and the success and I am praying to him always.

VG: Thank you. That is very helpful, very comprehensive. What are the changes you have seen in the last few years? What are the next big changes to come?

MF: In our country, we used to have staff and employees who were very dedicated to their jobs. Unfortunately, today's children coming out of schools have a different set of values because they want to do minimum work and get all the technology and have various items which are exciting, but not productive in respect of what they do. In other words, the facilities available are enormous now. If they are made use of [with] the same application to work and the work ethics remained the same as they were maybe twenty years ago, [that] would be fine. But today, youth work[ers] always look at the job, whatever they do, as a temporary one. They look to get a high wage [or] they will go somewhere else, so that is the culture that has crept into this country, which is very harmful. But there are exceptions. So in the next few years, the way technology is going, we should be able to do some amazing things even in marketing and production. Now my younger son, who is a graduate of the London School of Economics (LSE), he has brilliant ideas which we are practicing....We are rediscovering tea and redefining quality....For example, one of the things I did, about in 2002, I used to drink white wine or red wine. Then came you know chateaux bottled wine; they were growing in popularity. Then I tasted the wines, Cabernet Sauvignon, Shiraz or Merlot, Pinot Noir, and Chardonnay.

I realized that low [altitude]-grown tea has a character similar to Cabernet Sauvignon, mid-country [tea has a character similar] to Shiraz, [tea grown at an altitude of] 5,000 feet to Pinot Noir, and [tea grown at an altitude of] 7,000 feet to Chardonnay. So I read about wine. I had a friend in New Zealand who has a vineyard and I spent time with him. He gave me a book

on tea and he showed me wine growing, pruning, and the processing of wine. I found it no different [from] processing tea, maybe little differences. So I started tasting tea....I said, and I gave a few people [samples,] taste this wine and taste this tea, do you see any similarity? They said yes. [I]f I give you four of those teas in glasses and keep wine alongside, a little difference in appearance. Then the mouth feel of those wines is quite similar to the tea. So secretly, because otherwise people will copy, I patented those.

I said, "We will call this the 'Watte' series or selection of tea." Watte is an estate or garden. Yata Watte is low country, Meda Watte (mid country), Uda Watte (high grown), and Ran Watte [grown at an altitude of 6,000 feet]. And that is the terroir of tea, just like terroir of wine. So I introduced it on a very low scale. People couldn't understand that. Then I heard [from] big competitors, I mean very big guys, and they said, "We are working on wine comparisons with France." Another one said, "We are developing tea and wines"—all my concepts. Now it is about seven or eight years [later], nothing has happened. See, you want tea commitment and knowledge. I have been in the tea industry and trade, now my sixty-fourth year so I know a little bit about tea and I am able to experiment....So I give you four Watte teas that remind you of wine, and you would say...that there are potentials in wine and tea. What we know of tea is black or white, with or without sugar. The colonial culture is preserved, nothing has changed.

VG: *Can you talk about the management structure, how you recruit talent for your company, and the role of your own family in managing your business?*

MF: So far we have managed my way. That is, I knew every aspect of the business—tea, tasting, blending, and marketing my own way, which I had learned. I had never read a book on marketing but I have picked up what the consumer needs, from practical marketing. And then I had been successful, business has grown and...both [of my] sons are playing very active roles in the business. My younger son Dilhan shares my passion for tea and has a commitment to the values I pledged at the outset—he values conservation of nature, biodiversity, and humanitarian service and he has brought several new dimensions to the business and his innovations in tea are keeping our big competitors wondering where we get these ideas from. So the tea aspect of it, the tea development, NPDs [new product developments] all come from him, ably supported by Malik.

Then we have several other companies in the group, for example, we have plantation companies, leisure hotel business, and we also own Forbes & Walker Limited, the No. 1 tea broker in the country. So we have other businesses apart from tea, managed by my older son Malik, who also heads the MJF Leisure division. We have been getting things done the way I wanted but in the last three years, we have got junior teams to understand various aspects of it and I recruited three people at different times to make them the general managers, to handle responsibilities.

You know, I am just a down-to-earth person. Nothing is too small for me or too big for me, but these people had different ideas. Now I have got someone who has spent only two months with me. He has an excellent track record of working with various departments. I am now handing over the management areas to him and Dilhan. The tea operation is in one place, all the production, the planning, NPDs in that place. So that business is now in safe hands with Dilhan and we are recruiting three more managers who will report to the general manager. For tea, Dilhan has a team of about forty people for food service and for retail. That is in good hands.

Our production, engineering and factories are in the hands of a General Manager and unit heads who have grown up [in the business] with me. The people who have grown up with me and made tremendous success of the business are reluctant to take orders from anybody else....So I tell them, for the moment, you report to me. Then slowly, if I say you report to him, I am in trouble. So that is the phase I am facing now, but the people and my two sons are tactful, they will handle that. And I see in time, maybe in the next six months, various people will manage the business but the trading aspects will be in the hands of Dilhan and his team. And Dilhan will do the trading with the values and with the foundation I gave him. I was very conscious of that because in tea you can take many shortcuts, we never do that because our hearts must always remain clean....I have started the process and I feel that within the next three months....I will be going in the office once or twice a week having set the structure right. So we will have a general manager, a finance manager, a production manager, IT manager, and my son.

So I am quite satisfied I shall be able to hand power down to them. But of course, what I tell them is, “You have to follow the path I laid down in every respect even if you lose money.” That is the culture that the boys will look after. So [our] other companies have their own CEO. Some are looked after by Malik and he is actively...running the MJF Leisure Group, building hotels. It is a large investment and our hotels are at the very top end. That takes a lot of his time, and in the hotels we do new things and all creative concepts.

I would say [that in] a business like mine, transfer is not easy because I created the business and everything reflects my character and my values, which are not appreciated by today’s CEOs. They are aligned with the prevailing business culture, with profit. We always say profit is important, but how you will make the profit is more important. You must live and let live. That killer instinct must not come into our business. If opposition wants something, I help advise. Our trade—they will never do that. So I hope and pray that the culture will be maintained. And I am happy and really proud to say that I have established that culture where...some of [our success] flows to the poor and the community. My younger son [Dilhan] particularly is very conscious and drives that. My older son [Malik] also plays an important role in the Foundation. He graduated from Babson College [Boston, Mass.].

VG: *Another aspect of your business that really strikes me as being very different is that you are one of the few brands that have emerged from emerging markets and your business has a presence in 100-odd countries all*

over the world. What did it take to create your own brand from scratch? How did you come up with marketing ideas and what were the main challenges that you faced in creating a brand from the ground up?

MF: If there are established challenges facing a man trying to develop a brand, create his own brand, I faced them all and much, much more because if I had the backing of my country and the trade, it would have been easy. Here I am fighting and trying to explain to them that this is necessary for us: for the long-term interest [of Sri Lanka], it is necessary to have our own brands. Why are we creating brands outside our country and letting them take our money away? But nobody was willing to invest money and didn't appreciate my point. They said, "We can't do that." I said, "We can." Nobody followed me. So everywhere I had negatives....[B]ut you know my greatest asset was that I knew nothing about the market. I knew I had a great product, it had to be unique. Unique, because I decided to add full value. So that would be a great story: "I am a farmer, I grow my tea, package it fresh at source so that all the antioxidants are packed fresh for your enjoyment." I had all those ideas coming but they cost a lot of money so I did it in my own way. I started with two machines...and somehow we managed the initial stages because we had no brands in our country, there is no track record, and the struggles I had in printing a label, designing [packaging], we didn't have graphic artists, nothing. I had to draw my own brand; we had to virtually create every little thing. And because I didn't seek a system from experts, I created my own way of marketing an origin-owned brand. Now if our own country followed

the example of Dilmah, if ten people followed, our tea prices [would] be twice where they are. Nobody is willing to invest. I am ashamed to say that...poor Dilmah is the only brand belonging to a producing country of any product commodity....[I]f other people followed what I did, poverty [would] be eliminated from all developing countries. But why they don't think like this I can't understand. I can talk to ten people and say, "You know Dilmah." [And their answer:] "Oh, although you did it, we can't do it." I say, "What is difference between you and me?" [But] nobody can be convinced. So I am proud to say that Dilmah is the only producer-owned brand in the whole world. Now coffee, why can't Brazil have its own brand owned by the people? Why can't Columbia have that? Why can't...tea-producing countries in this region—Sri Lanka, India, Indonesia—get together, create a brand in their own country, and they [can then] say, "This is the best tea in the world." Indians can claim their own legends, Indonesians have their own legends, we have our own legends and [we could] say, "[T]his tea is all produced in our country, packed at source, fresh to you, we will bring it to you with love and care." What great work we [would] have if the three countries [would] get together, form an advertising budget, and say this is our product, guaranteed by the [three] governments. But will the government think of doing that? No. So that is the sad part that, in brief, the success of Dilmah is that everything from day one was an innovation. I had no track record to follow. I had read no books. My son is following my example by innovating at the top end now. So this is what I have done, what hundreds of people [could] do if they have a commitment, love for a product, love for

their country. I have a great love for Sri Lanka. It's a fantastic country. We don't appreciate and when I think what I can contribute...many people tell me, "Look, at your age, why are you working like this? You can live like a king." I [tell them] I will not try to live like a king. I want to live the humble way with same values that I learned from my mother...I will sit down with a beggar. I can sit with the prime minister of any of the country....I owe very much to the force, that even today I require inspiration and I get it all the time when I have a trouble, and I believe that the fact that we look after the poor, help the community in many ways, brings me blessings from God.

VG: Thank you. That is very helpful, to understand the role of society, the government [in your work]. One question I would like to ask—and we ask in all our interviews on creating emerging markets—is: If you are going through turbulent times, how does it impact your business?...Sri Lanka starting in 1983 went through civil strife and now it is thankfully behind you; how did it affect your business, how did you respond, and how have things changed more recently?

MF: We had miserable, sad thirty years of fighting terrorists. I am glad that our country claims to have been the only one that defeated terrorism. We are all one people and this creation of Tamils and Sinhalese was a political thing for which the whole country paid. So during the time of the war, fortunately the tea trade, tea industry, was not affected generally speaking. So our business grew. But there were numerous hiccups. There were bombs

planted in Colombo and people couldn't move and there were several cases of interruption, brief interruption but it was not aimed at the tea industry. One very serious impact of the war was that the terrorists said they [were] going to put arsenic in Ceylon tea. Now, I argued with our government at that time, I said, "Keep it to yourselves, don't publish it because these chaps will never put arsenic [in] because tea is exported. They will not want to kill their supporters in other countries." But the government foolishly told this story to all our importers. America cut down their exports, European countries cut down their exports, but they bought the same tea through other sources at half the price. [This was] one of the biggest setbacks for me in the industry. I had large quantities of tea packed for some countries. They said, "We can't take the tea," but approach so and so, ship it to Holland, let them ship from there and say it is their tea. The Holland chap bid a pittance for that. So I took a substantial loss on a large quantity of tea. Now that damage created by that story lasted...we lost some markets and they [went] to cheaper sources and they won't come back. As far as the industry is concerned, that was serious damage done but largely because it was mishandled by the government of the day by publicizing it. And we had problems in transport not due to that, but we couldn't get the vehicles we wanted and there were hindrances not directly as a result of terrorist activity but fear of certain activities. They [terrorists] would say there is a bomb planted somewhere, then no transport can go to the port and the ships come and go [without taking the product]. That kind of thing. But I think the tea industry except for this arsenic story proceeded along as usual 99 percent. But that was a sad time of our lives, the

worst time for the country, because if the money we spent in fighting a war was invested in the development of the country, where would we [be now]?

VG: You also had certain hiccups in the business environment like inflation. How did that affect your business and how have you coped?

MF: Well, the tea trade is pretty well organized and the strikes...were really in that period and prior to that period. Many times we were forced to miss our shipments and default on our contracts.. I remember there were constant strikes and...I had several [bulk tea] shipments and I had to ship one or two of those to get the money to ship the others.If those shipments didn't go others would also be delayed and I would run out of money. So this is something worth mentioning. I had a bank manager, the late Mr. Len Gash, an Englishman. Every time I told him I had this trouble, he says, "How much money do you want?" He is the man who helped me to build up my bulk tea business. Because of the strikes, I used to go to him, and before going to him, I would go to church and pray, "Now if this shipment doesn't go, how do I get this money? Then I [would] go to Mr. Gash....So he was the man who really helped me when I needed money and today I have built up a cash reserves, every company of mine doesn't borrow a single cent....Now I am able to withstand many strikes. Fortunately, we don't have strikes. And disruptions to business cause serious harm to the smaller companies. Of course in my case, I faced from the very beginning the wrath of the big traders, multinationals over here, and they would go and book all the space

on the ship to Australia, New Zealand, UK, USA, Canada, for bulk tea, [so when the] ship [came in] they would say [they only had] very low space, [so I would] book on next ship. And this ship, [the earlier one], suddenly they say, "Send your cargo, we have space." These chaps booked the space so that I miss my shipment, and at the last moment [when] they can't fill the ship then they call me. I said, "I am not ready." So those were calculated damages done to me....Every possible obstacle was placed in my way by the big chaps. So I had to overcome those, they are too long to tell you...but a young entrepreneur in a developing country faces enormous problems. For example, the bank manager helped me so much. Today, I try to tell people and bankers, when a young chap who has no money but has a good idea, [that requires funds of] maybe 10,000 rupees, he goes to the bank and asks for money, they ask for collateral....I think the government is taking note of that because you want understanding and some of these chaps are very bright.

VG: *Thank you.*

This concludes the formal interview; short questions and answers follow.

VG: *Can you describe your business and your role in the business?*

MF: I introduced value-added tea exports from Sri Lanka. That enabled Sri Lanka to retain all the profits in brand marketing. I introduced Dilmah as the first branded tea marketer in the country. My role is founder of the MJF Group of companies and founder of Dilmah Tea, which is taking fine quality [tea] to the world.

VG: *What advice would you give your own younger self, knowing what you do now?*

MF: I would say in two words: commitment and perseverance. If you aim at certain things which you feel are achievable, they are always achievable. Never give up, do not be discouraged, you will get there.

VG: *Can you describe a memorable challenge or failure you experienced and how it impacted your work going forward?*

MF: I can think of a failure, a serious failure. From 1988 to 2002, Dilmah tea had exclusive distribution rights for tea in the CIS [Commonwealth of Independent States] countries....[W]e shipped hundreds of containers month after month. At that time the Mafia was very strong in Russia. They raided

our warehouses and removed forcibly tea worth about US\$ 9 million. The distributor and we shared [the loss]. Second time, they (the Mafia) hit us again. Then I made an emotional decision: I will never ship tea to Russia. Then all sorts of people started shipping to Russia and the distributors came back to me and said, "Please supply." So I supplied again. But meanwhile, I lost about 50 percent market share by that foolish decision. So emotion must always be overruled by reality.

VG: *Can you tell us a story that describes what leadership or being a leader means to you?*

MF: A leader naturally must inspire people and you must talk to everyone you are associated with personally and build into them your values....Then you can lead a team where each person has the same aspirations as the leader. Good leadership is the result of 100 percent understanding and cooperation with your team.

VG: *Thank you very much.*