



Market & Feasibility Study: India's Branded Chai Cafe Industry

Prepared by The India Watch



info@theindiawatch.com



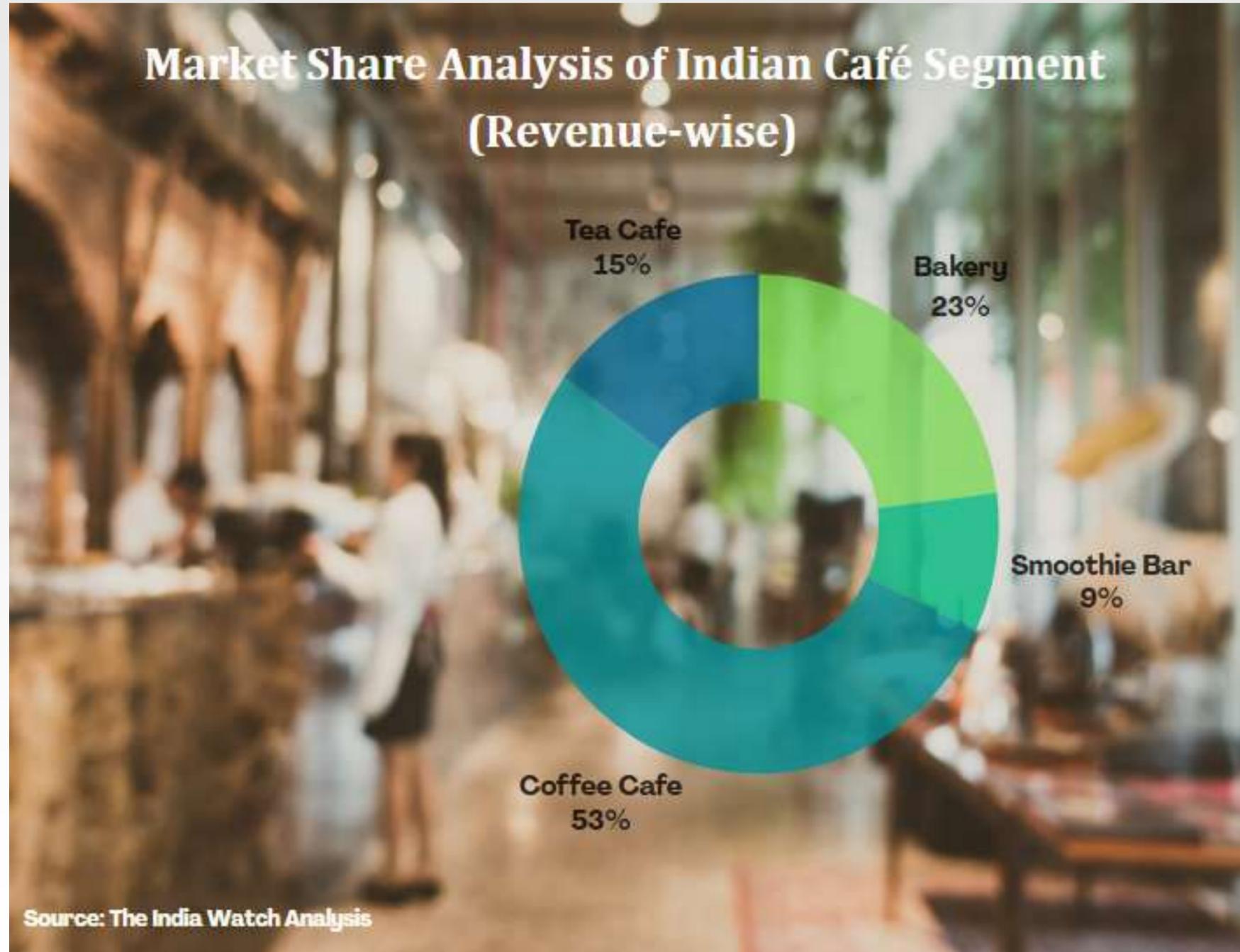
SUMMARY:

Tea has been introduced to India by the British in the 90s. Since then, it has become an integral part of the Indian households. Initially, the concept of tea was mostly limited to milk-based Chai, which has now spread to various other varieties such as white tea, green tea, masala tea, lemon tea, and much more.

Tea is no more just part of homes or the street side kiosks but is now consumed frequently across high streets, shopping malls & arcades, and commercial neighbourhoods in the form of upscale cafes. These sleek and edgy cafes offer a wide range of tea variants alongside an assortment of food items to satiate the food buds. The concept of tea as a lifestyle beverage, served creatively is becoming popular all over India.

The size of organized tea café industry in India has reached USD 103 million in 2024, growing at a CAGR of 24.1%. The market will continue to expand fast at a staggering speed. While existing players will grow many folds, there is enough headspace for new entrants in the market as well. Both self-made entrepreneurs as well as larger corporates will be lured by the segment due to the tea café culture becoming mainstream in India. This will also require increased demand for research & advisory services such as feasibility & viability studies, consumer & product research, market studies, etc. Investing in the tea café segment offers plenty of scope for business growth. However, this is also not a risk-averse segment, as there is intense competition from other tea cafes as well as related segments such as coffee shops, bakeries, QSRs, take away, etc. Hence it is advisable to conduct in-depth research and market analysis before making a major business decision.

The Indian Café Segment (Overview):



The café segment of India serves light meals, including sandwiches, burgers, pizzas, bakery beverages, and non-alcoholic drinks such as tea, coffee, shakes, smoothies, etc.

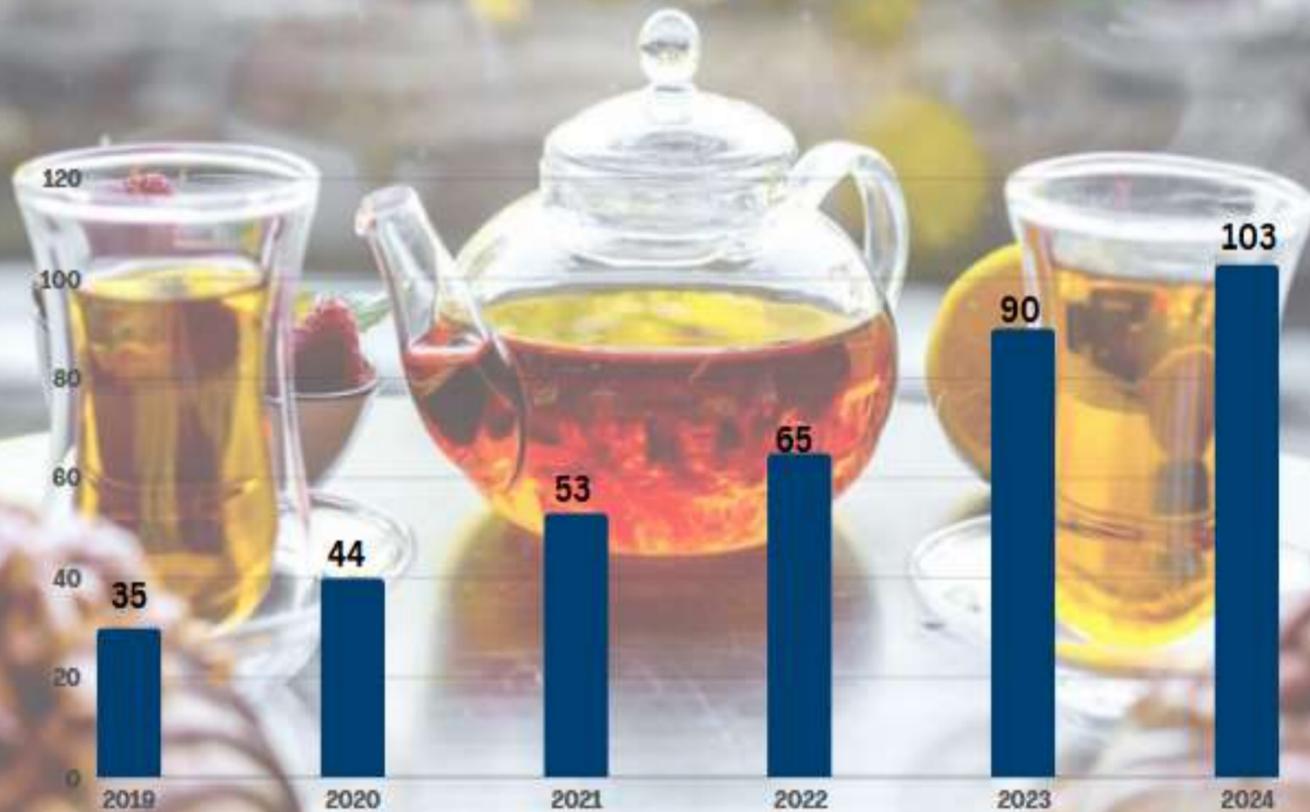
The branded cafe, bakery, and smoothie bar segment in India is sized at USD 697 million in 2024, growing at a CAGR of 25.59% since 2022, as per the research by The India Watch.

India has presently close to ~6,700 branded café, bakeries, and smoothie bar outlets. Around 40% of the market is led by coffee cafes (~ 2,650 units).

Tea Café Market Size:

MARKET SIZE OF BRANDED TEA CAFES IN INDIA (USD MILLION)

Source: The India Watch Analysis



As per the study by The India Watch, in 2024, the size of the Indian tea café industry is USD 103 million, growing by around 14.4% over the past 12 months. In the past 5 years, the tea café industry has grown by a CAGR of around 24.1%. The segment will continue to grow at a commendable pace, contributing a substantive part of the overall QSR and organized food retail in India. By 2028, the market is set to reach USD 244 million.

The 2010s witnessed a significant shift in India's tea culture, with the emergence of branded tea cafes like Chai Point and Chaayos. These cafes revolutionized the tea-drinking experience, offering customization, diverse food options, and stylish ambiance. As of 2023, India boasts 1238 branded tea cafe outlets, showcasing the growing popularity of this modern tea culture. Urban areas, especially Tier 1 and Tier 2 cities, have witnessed a significant surge in tea cafe openings.

Tea Café Segment Growth Drivers:

1. Indian Tea Café offers affordable options attracting younger demographics, students, and the middle class.

2. Customizable tea offerings and delivery services are boosting customer satisfaction & loyalty.

3. Increasing consumer interest in premium and gourmet tea (like Moroccan mint tea, Kashmiri Kahwa, etc.) driven by evolving lifestyle preferences fuels growth within the tea café segment.

4. New cafe chains are elevating the tea-drinking experience by offering a diverse food menu, including finger foods, burgers, and local snacks.

5. Social media platforms have played a supporting role in growth of tea culture, with influencers showcasing their tea experiences and promoting new trends.



Tea Café Industry Trends



Bubble tea has emerged as a popular trend, particularly among younger consumers. Its unique combination of flavours, textures, and customizable options has driven its rapid growth.



Mobile ordering and payment systems are gaining immense popularity, allowing customers to place orders and pay digitally, reducing wait times and enhancing convenience.



Recently, tea enthusiasts have been interested in loose-leaf tea which has gained popularity due to its superior quality and flavour. Black tea, green tea, and oolong tea are some examples of loose-leaf tea.

Challenges in the Segment

- Supply chain challenges are a significant hurdle for the tea café segment. India's complex tea supply chain, involving multiple stakeholders from small-scale farmers to large tea estates, can lead to inconsistencies in quality, timely delivery, and pricing.
- Coffee chains, bakeries, and other food and beverage outlets are acting as a barrier on the tea café segment's growth. Major coffee chains like Starbucks and Café coffee day have strong presence across major cities making the space highly competitive for the tea café vertical.
- High real estate costs particularly for prime locations in major cities hinder the growth trajectory, as it increases the initial investment and operational costs for tea cafés.
- Complex regulatory compliance and climate change are other limiting factors for the tea café segment. Additionally, increasing costs of raw materials, labour, and utilities can impact profitability.



Future Scope of the India Tea Café Industry

1

Herbal teas, with diverse flavors and health benefits, are increasingly popular among younger generations, driving demand for innovative blends and brewing methods within tea cafes. This market shows strong potential, growing at a 7.3% CAGR.

3

Functional teas like turmeric and matcha are gaining traction due to perceived health benefits like immunity boosting, cognitive improvement, and weight management, offering further growth opportunities for the industry.

2

Tea cafes are evolving into dynamic social hubs, offering co-working spaces, hosting events, and fostering community. This taps into the growing demand for meaningful connections and shared experiences, expanding their role beyond just beverage service.

4

With India's food service sector projected to gain 110 million customers by 2030 (Bain & Company, Swiggy), the tea cafe segment is poised for substantial expansion and market penetration.

Major Tea Café Brands in India



Market Research & Feasibility Services Scope:

- Market size of the industry, past trends & future projections
- Market share analysis: organized vs unorganized, franchise vs company-owned, beverage sales vs food sales, etc.
- Key competition, capacity, USP, growth plans, etc.
- Major investments, mergers & acquisitions, fundraise, etc
- Major customer segments, needs & wants, market gaps, etc.
- Customer decision-making journey mapping
- Potential assessment & market scanning
- Pricing benchmarking & strategy
- Go-to market strategy
- Sales and marketing strategy
- Policy & regulatory insights, subsidies, incentives, etc.
- Location analysis (if needed)
- Addressable market size estimation
- Financial projection and plan, ROI, ratio analysis, sensitivity analysis, etc.
- SWOT analysis
- Key success factors, growth enablers, risks & challenges
- Future growth roadmap based on the overall research



Who All Should Opt for Feasibility Study

- Business owners & start-ups planning to open new chai cafes
- PE players & investment house planning to invest in chai café chains
- HNIs planning to enter or invest in café venture(s)
- Existing café chains planning to expand & scale-up
- Food delivery e-commerce
- Cloud kitchen
- Trade promotion bodies & industry associations



🔍 Benefits of Conducting a Feasibility Study ✕

- Evaluate the viability of the business idea
- Gain deeper insights about the market
- Make informed business & strategic decision(s)
- +
- Feasibility report is a must-have in case of fund raise
- Helps in engaging better with stakeholders

What Other Service(s) The India Watch Offers?



Market research & studies

Market surveys & consumer
research

Quantitative surveys

Qualitative studies

Market intelligence reports

Custom insights

Pitch decks & corporate
presentation

White papers & thematic
reports

Company valuations

T H A N K Y O U !

ABOUT US:

The India Watch is an independent Market Research and Feasibility Study advisory. Through our customized research solutions, we help Corporates, Entrepreneurs, Sovereign Agencies, Family Offices, and institutional investors to make informed business decisions. We have in-depth expertise across a range of sectors such as Manufacturing, Infrastructure & Real Estate, Consumer Retail, Technology, E-commerce, F&B, Hospitality & Wellness, Lifestyle, Agribusiness, Shipping & Logistics, etc.



CONTACT US:



info@theindiawatch.com



8076704267



<https://theindiawatch.com/>



theindiawatch