

India's Cafe Industry Overview 2024

A Comprehensive Market Analysis by:
The India Watch

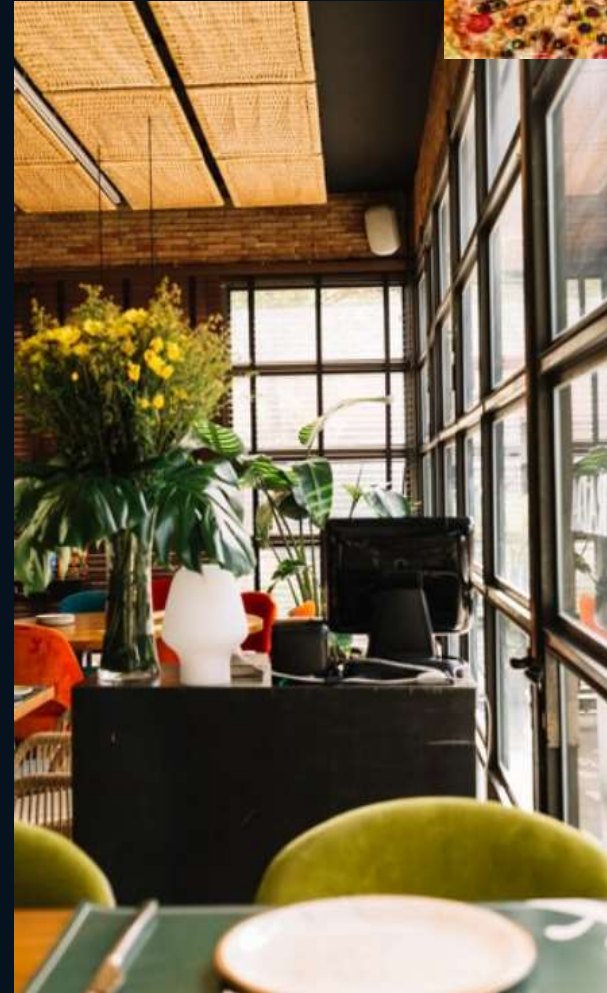


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Summary:

Around 70% of the F&B industry in India is unorganized run by small outlets, local eateries, snacks centres, Dhabas, canteens, etc. While the remaining 30% is organized and comprise fine-dining restaurants, casual dining spaces, tea and coffee cafes, bakeries, ice cream parlours, smoothie bars, food courts, etc. The silver line is organized spaces are growing very fast as demand for quality food, better services, hygiene, and branded eating are rising steeply.

Besides standalone eateries & restaurants, chained outlets and cafes are thriving across length and breadth of the country. Recent years has seen rapid expansion in International food chains such as McDonalds, KFC, Pizza Hut, Dominoes, Burger King, Subway, Dunkin Donuts, Starbucks, Costa Coffee, etc. Likewise, other prominent international brands such as Tim Hortons, Gloria Jeans, Wendy's etc. have ventured in the Indian market, lured by its long-term potential.

Meanwhile numerous India-grown brands such as Haldiram, Bikanervala, Burger Singh, Chaayos, Chai Point, CCD, Sagar Ratna, Blue Tokai, Roastee, Chai Sutta Bar, Yo China, Rollsking, etc. are also extending its footprint across metros and other Tier 2 & 3 cities in the country.

The growth in the organized F&B is stemmed by rise in disposable income, healthy economic outlook, rapid pace of urbanization, and changing lifestyle patterns. Other factors such as increased participation of women in workforce, trends of nuclear families, and rise in migrant workforce are also fuelling demand for F&B.

One of the categories, which is growing at a scorching pace is the café segment. Increasingly people cutting across various age groups such as millennials, gen Z, and grown-ups love to eat and hang out in stylishly designed modern cafes. From family get togethers to small parties to just chillout meets, these new age cafes are becoming the bastion of modern Indian socialization and relaxation. Interestingly these sleek and edgy places are also becoming a hub for business networking, hosting meet-ups, and doing remote work.

The café industry comprising of tea & coffee places, smoothie bars, and bakeries will continue to grow in India. The segment will also get buying boost from mushrooming of new malls, high streets, commercial neighbourhoods, shopping arcades, etc. As such places grow vigorously, new food outlets & spaces will multiply simultaneously.

This will also necessitate the need for tailored market research & insights, business advisories, information services, and feasibility analysis for new F&B ventures.

The Indian café industry might be very lucrative and poised to grow fast, it is also a competitive. Numerous traditional family owned businesses, new-age chained outlets, speciality stores, standalone outlets, are vying with each other to gain large market share.

To succeed in such a vast yet cluttered and complex market like India, it is important to have access to actionable insights and data. This is where brands like The India Watch comes in picture. With our tailor-made insights and advisory services, we can refurbish tons of valuable information to our clients enabling them make informed business decisions to run and grow.

Our exhaustive advisory services backed by diligent research methodologies and seamless access to on-ground data can be beneficial for new businesses as well as existing ones. Our range of services include but are not limited to consumer behaviour insights, market assessment & sizing, supply side & competitive information, go-to-market strategy, key success factors, and financial model & projections. Likewise, we can also render innumerable inputs on value chains, distribution structures, sourcing, segmentation, targeting, market positioning, pricing, location assessment & much more.

Market Overview:

At-a-glance



The branded cafe, bakery, and smoothie bar segment in India is sized at USD 697 Millions in FY 24, growing at a CAGR of 25.59% since FY 22, as per the research by The India Watch.



In the last 12 months, the branded cafe segment has climbed from USD 601 Million to USD 697 Million, a significant growth of 16.02%.



As per the research study 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).



Besides indigenous brands such as Café Coffee Day and Barista, international chains such as Starbucks, Costa Coffee, Café Di Bella, Gloria Jeans, Tim Hortens are either an established name in India or eyeing big expansion.



In FY 24, there are a total of 1238 tea cafes with an aggregate revenue of USD 103 Million. Also, there were 438 smoothie bars with a combined revenue of USD 65.5 Million in FY 24.



Market Growth Drivers:

01 Social media influencers have played a crucial role in popularizing café culture in India. Their visually appealing content, coupled with their recommendations, have attracted a large audience, driving interest in and patronage of various cafés across the country.

02 The growth of powerful food delivery systems such as Zomato, Swiggy, Uber Eats, etc. now makes it very easy to order food & beverages online and get them delivered to their place.

03 This shift in consumer preferences has created opportunities for Cafe companies to introduce healthier and sustainable products, such as plant-based alternatives and organic food items.

04 With the rise in disposable income, people across age groups frequently visit such places for college meetups, family hangouts, semi-formal business meetings, etc

05 The growth of café culture in India can also be linked to some extent with the country becoming a bastion of start-ups. Many start-up ideas are born in coffee shops. For early starters, cafes with their unique ambiance and free internet are the place to work in initial years.

06 Places like coffee outlets are increasingly becoming popular for individuals to interact & socialize. Urban Indians are now willing to spend USD 4-7 on a cup of coffee along with some snack items.

07 FDI has brought in new technologies, expertise, and capital, contributing to the modernization and growth of the Indian Cafe industry.

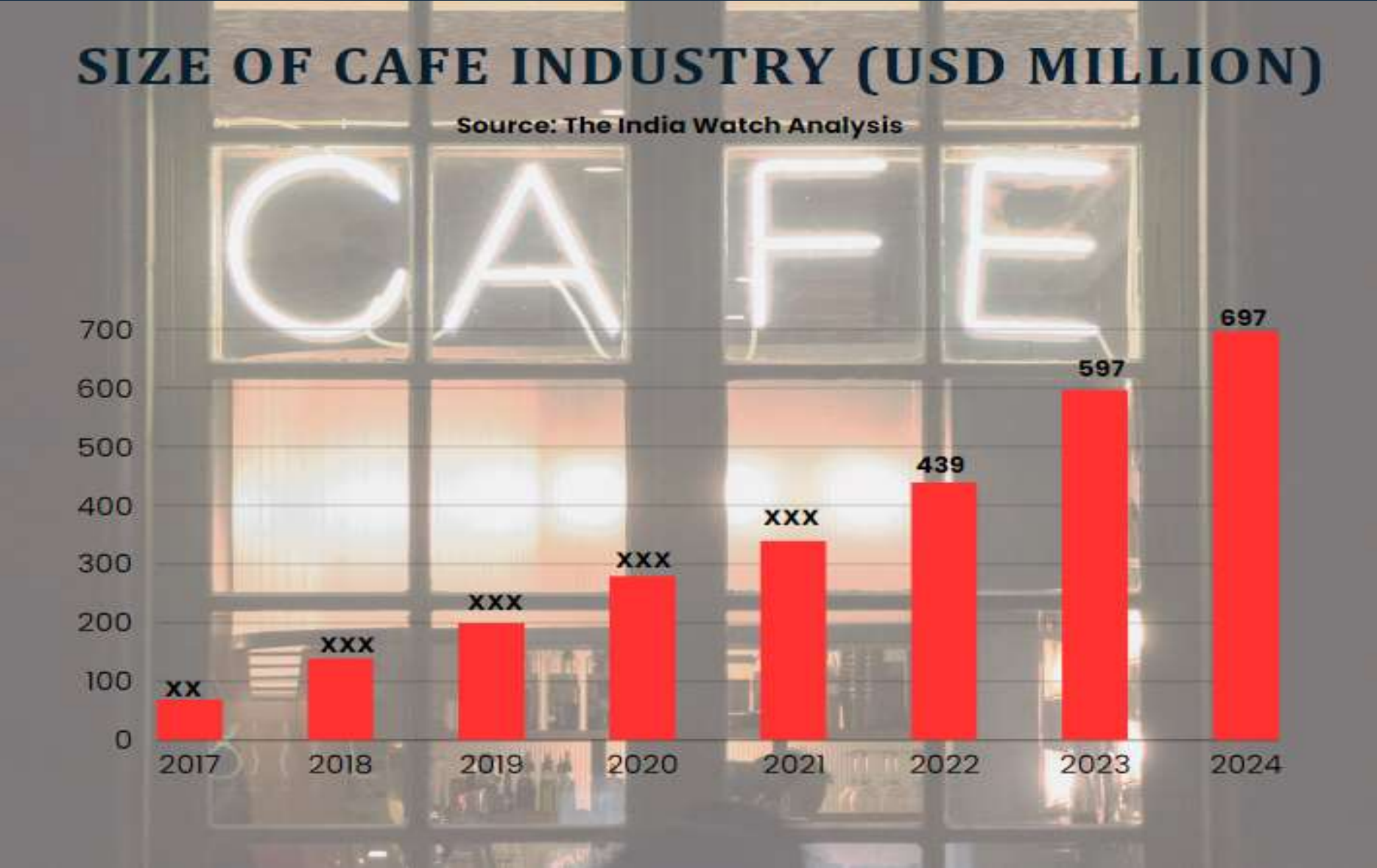


Organized F&B Sector of India :



Total revenue is expected to show an annual growth rate (CAGR 2022-2029) of 11.04%, resulting in a projected market volume of US\$38.73m by 2029.

Café Industry of India :



Coffee Cafe Industry of India:

Size of Coffee Cafe Industry (USD Million)

Source: The India Watch Analysis

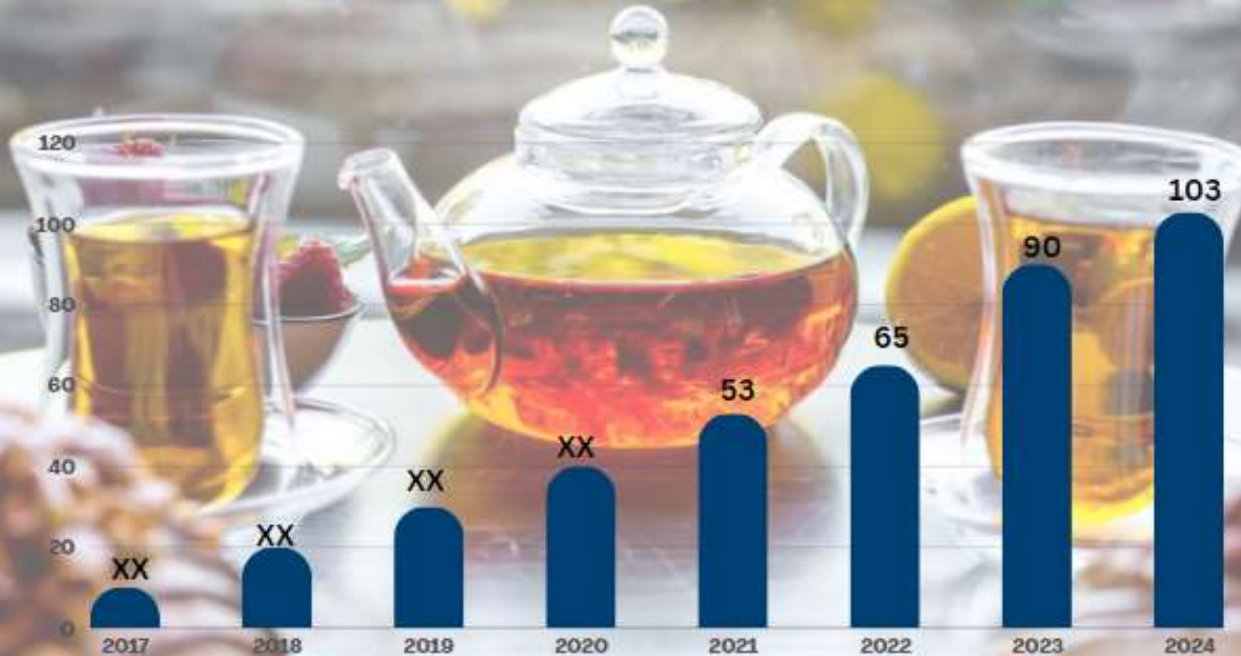


The country has seen a sharp rise in coffee cafés comprising, both specialty and chain outlets. As per the research by The India Watch, India has currently close to ~2650 coffee café outlets. Out of this, chain outlets comprise 89.8% (2380). Others are mainly branded specialty outlets.

Tea Cafe Industry of India:

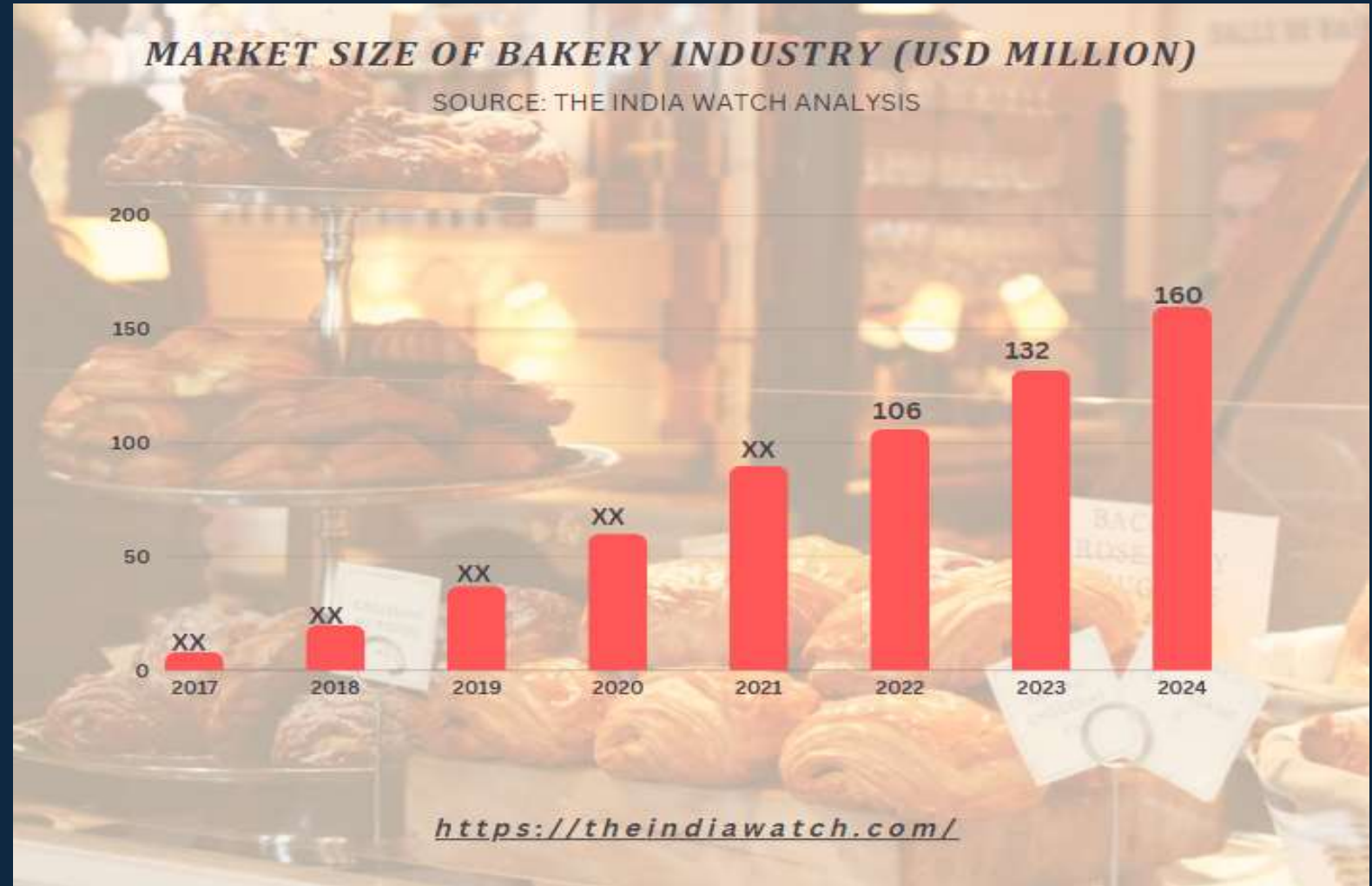
MARKET SIZE OF BRANDED TEA CAFES IN INDIA (USD MILLION)

Source: The India Watch Analysis



- The total size of the chai café market in India is USD 103.9 Million, growing by 15.47% in the past 12 months. (CAGR growth of 25.1% between FY 21 to 24).
- 51% of the market revenue-wise is managed by two leading brands, Chaayos and Chai Point.
- There are a total of 1,238 branded tea café outlets in India.

Cakes & Bakery of Industry of India:



The Indian bakery industry has witnessed significant growth, driven by factors like rising disposable income and changing consumer preferences. Chains like Winni, 7th Heaven, Bakingo, and Monginis have played a key role in popularizing bakery products across India. These chains offer a variety of cakes, pastries, and other baked goods, catering to diverse tastes and occasions.

STRENGTHS

- Customers tend to be loyal to prominent cafe chains.
- Capitalizing on its organized structure, the cafe industry can benefit from economies of scale that reduce costs and increase profits.
- Cafe industries are usually tech-savvy, applying technology for marketing such as social media.
- Majority of the cafe businesses have expanded their range of products to address different markets and demands.

WEAKNESS

- Running such large scale outlets can be capital oriented thereby having a high running cost such as rent, utilities, labor cost etc.
- The presence of a vast local food outlets can pose pricing competition.
- Maintaining the same level of quality and service across various locations maybe difficult.
- Cafe businesses can be under pressure by changing consumer preferences and external regulations.

OPPORTUNITIES

- Rising middle class in India provides various new opportunities for cafe businesses
- Changing food habits among consumers from non-organic and non-experiential food towards healthier, organic and more experiential food create a doorway for product and concept innovation.
- The development of e-commerce and food delivery industries opens new prospects for reaching more target customers for cafe businesses.
- Strategic partnerships with suppliers, technology providers, and other industry players can enhance efficiency, innovation, and market reach.

THREATS

- Highly competitive F&B industry with new market entrants and evolving technologies can be a threat for existing cafe businesses.
- Economic downturns can impact consumer spending and reduce demand for cafe outlets.
- Changes in food safety regulations, taxation policies, and labor laws can create challenges and increase operational costs.
- Changing demographics and urbanization, can affect consumer preferences and spending habits.

SW
OT

Evolution of Organized Café Industry in India :

The Cafe segment of India has undergone a substantial transformation, resulting in the country's economic growth and changing lifestyles. Tea cafes, once a novelty, have become a staple for people of all ages, from millennials to adults. The evolution of tea preferences from traditional milk-based chai to a diverse range of variants, including green, white, Oolong, and spiced tea, reflects the growing sophistication of Indian consumers.



A similar trend can be noticed with the emergence of cafes as social spaces and coffee culture gaining more popularity, indicating a movement towards a more Western-style eating-out culture. This evolution has been driven by factors such as rising disposable income, urbanization, and the desire for experiential dining experiences. As the Indian economy continues to grow, the organized Cafe sector is poised for further expansion and innovation.



Qualified segmentation of the Indian market has also encouraged the development of new concepts in India's organized Cafe business such as smoothie bars and bakery cafes. These optional outlets concentrate on a larger audience and offer specific product categories to the health-oriented consumer. This has led to the increased demand for smoothie bars which are healthy, refreshing, and can be tailored to individual preferences, while bakery cafes are hot spots for yummy treats like pastries, cakes, and other baked products.

Major Tea-Café Brands:



Major Coffee-Café Brands:



Major Smoothie-Bar Brands:



Major Bakery Brands:



HOW THE INDIA WATCH CAN HELP ?



- ✓ Feasibility study reports for new cafes, restaurants, and eatery ventures
- ✓ Consumer behaviour surveys (quantitative, qualitative, mixed) to gain valuable insights
- ✓ Customer satisfaction surveys, brand perception & benchmarking surveys, etc
- ✓ Strategic intelligence and market knowledge for brands looking to expand and scale up
- ✓ Pitch decks, investor reports, corporate presentation for clients





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, Cafe, Hospitality & Wellness, Lifestyle, Agribusiness, Shipping & Logistics, etc.



THE INDIA WATCH ANALYSIS

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THANK YOU!