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India smells the coffee

India is a tea-drinking nation, or so goes the common wisdom. So it is surprising to find that about half a dozen café brands – from Barista and Café Coffee Day to Costa Coffee and Gloria Jean's Coffees – have begun to gather steam in the country and expand rapidly. India's café industry currently accounts for 2,000 cafes spread across the metros, generating revenues of \$185 mn each year. Rising urbanization, increasing per capita income and changing tastes are some of the growth factors pushing the industry to grow 25 percent annually.

Considering that the Indian market can accommodate around 5,000 additional cafes, it seems the party has just begun for the café chains and most of them have settled in India for the long haul. Our cover story puts the spotlight on the café industry, focusing on the market strategy of various players and the future prospects of cafes as a concept in the tea-dominated Indian market.

Not long ago, fast food in India was synonymous with burgers, fries and pizzas. However, in the last six or seven years, a slew of Indian entrepreneurs have jumped on to the QSR bandwagon, offering regional dishes such as *vada pao* and *kaati* rolls. Some of them have now acquired critical mass and begun to develop pan-India ambitions. Can QSRs built around regional dishes scale up successfully in other parts of the country? By the looks of it, they sure can, as Bhavya Misra discovers in our story "Regional Going National."

The menu card plays a very important part in the success of a restaurant and no restaurateur can underestimate its value in communicating with the customers. Chef Manu Mohindra, our regular columnist, explains the secrets of a good menu design, from planning the dishes to the look and feel of the menu.

We hope you enjoy reading this issue as much as we did putting it together. We look forward to your feedback, as always.

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India's home-grown QSRs specializing in regional dishes have traditionally been restricted to a few states. But they have now begun to scale up their business with an eye on the national market. Will they succeed? Bhavya Misra explores.

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There is no gastronomic concept that has created such a stir in Great Britain in the last five years as Jamie's Italian. The restaurant collection, launched in 2008, belongs to Jamie Oliver. It is enjoying tremendous popularity among guests and experts alike. Now they are venturing forth into the big wide world.

In Conversation **26**

AD Singh, the man behind the highly successful Olive Bar & Kitchen, talks about his assessment of the Indian fine dining restaurant industry.



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India, long been a nation of tea drinkers, is witnessing an interesting trend: the steady drift of a significant number of urban young consumers to drinking coffee instead. Indian and foreign cafe chains have woken up to the opportunity and are scrambling to open new outlets all over. So what makes the Indian cafe market tick? Varun Jain spills the beans



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Any restaurant's first selling vehicle after a guest has walked in, soaked in the ambience, and seated himself is the menu card. What goes within it, in terms of content and design, plays a significant role in the success of a restaurant, argues Manu Mohindra.



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In Europe the gastronomic world is talking of the New Nordic Cuisine. Chefs, food writers and other foodservice professionals travel to the Nordic countries for culinary inspiration and to simply enjoy the delicious food. So what is this cuisine all about?



Design 59

Shiro at Samrat Hotel in Delhi offers East Asian cuisine in a royal yet soothing setting. The highlights of its design include a dramatically high ceiling and a 17-foot-high statue of a Thai queen. The restaurant converts into a nightclub within minutes at the stroke of midnight on Friday and Saturday.



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With instances of credit-card fraud on the rise in India, it is very important for merchants to handle the financial and personal information of customers with utmost care and confidentiality, says Sagun Sawhney, Country Manager, MICROSFidelio India. Restaurants tend to be majorly affected by credit card fraud.

NRAI 63
 The restaurant business is perceived to be a glamorous one that offers an easy way to make money. But NRAI Vice President Vipin Luthra, holds the opposite view. He reveals the inside story to Varun Jain in a candid interview. Also, a report on the new Food Safety Act discussed at NRAI's Annual General Meeting.



Regional Going National

Almost all prominent QSR chains in India have historically been serving Western fast food such as burgers and pizzas. But things have begun to change with the arrival of a slew of concepts such as Jumbo King, Goli Vada Pav, and Kaatizone specializing in local dishes. Can these home-grown chains scale up and turn into pan-India success stories?

By Bhavya Misra

If the 1990s were a decade that witnessed the entry of major multinational QSR brands in India, the last ten years have proved to be a watershed in the emergence of homegrown QSRs specializing in regional food. Indian food is something that top QSR players in the country have traditionally steered clear of because of an impression that the market for the concept is miniscule and there is stiff competition from unorganized food joints. However, the emergence of players such as Jumbo King and Goli Vada Pav (both of which specialize in Mumbai street food called *vada pav*), Kaatizone (which serves Indian wraps called *kaati* rolls) and others that started out in the Indian QSR business some years ago have proved that Indian fast-food concepts can indeed be scaled up rapidly and profitably. So what did these successful companies do that others did not?

The Opportunity

The problem, according to Dheeraj Gupta, Managing Director of Jumbo King, is that in India restaurants are trying to sell everything under one roof, with no specialization. The result: no economies of scale and an inability to create real values that can be passed on to consumers. Because of this, retailers are unable to benefit from higher volumes that could flow from selling a single product of





better quality or at cheaper prices. “Keeping this in mind, we decided to do something that had not been initiated in the Indian market until then: the thought of experimenting on an Indian product,” Gupta says. “Vada pav is the largest selling dish in the Mumbai market that moves in huge numbers daily. It made sense for us to start with it.”

S Venkatesh Iyer, Managing Director and CEO, Goli Vada Pav, says that in a country where the QSR concept is synonymous with burgers and pizzas – dishes alien to the Indian palate – they wanted to prove that Indian fast food can be an industry by itself, profitable as well as scalable. “With 125 operational stores right now, I think we have been successful in setting an example for food entrepreneurs in India,” he points out.

Kiran Nadkarni, CEO of Kaatizone, which is owned by East West Ethnic Foods, is emphatic that the potential in India for QSRs is going to be very large and that Indian foods will have a larger acceptance away from the metros in tier I and II cities. “There is a huge potential for companies which want to build brands in the country in the Indian food category. Also, there is an equally strong scope for Indian QSRs to expand into international markets considering the size of the Indian diaspora and the number of NRIs,” he says. Analysts say the market for casual dining and eating at food courts, already very large in India,

is set to grow exponentially over the next decade. Harminder Sahni, Managing Director of managing consulting firm Wazir Advisors, argues that the opportunity is large enough for both Indian and international QSRs to coexist. “There is a market for many more players in the country’s QSR industry. The Indian QSR players have a pretty level playing field in competition to the international QSRs, given that even young Indians prefer Indian foods alongside global cuisines. So it is not an ‘either-or’ story. The players offering good food at good price and at the right locations will capture the market share,” he explains.

According to an August 2011 report by market research firm RNCOS, the Indian fast food industry is expected to clock a CAGR of around 34 percent during 2011–2014. A large part of this growth is expected to come from the untapped tier II and III cities. This is an opportunity waiting to be exploited by home-grown Indian QSRs. Nadkarni of Kaatizone elaborates: “As we go into the smaller cities and towns of India, familiarity with food becomes a very important factor for consumers. In these locations, offerings of Indian-food QSRs will find a greater acceptance.”

For an Indian QSR, the RoI and profitability may be low, but international brand would require much larger investment to enter smaller towns and they will find it difficult to penetrate the local

KAATIZONE SNAPSHOT:

First Outlet Opened in:
2004

Total Unit Count
(as on Date):
17 Outlets in 5 Cities

States Present in:
Maharashtra, Andhra Pradesh, Karnataka, and Tamil Nadu

Future Projections:
Opening seven more outlets this fiscal. Expanding into Pune, Cochin, and Coimbatore



“For a chain of Indian QSRs, the RoI might be low and so could be profitability, but for an international brand to enter smaller towns would require a much larger investment.”

– Kiran Nadkarni, CEO, Kaatizone

Who would have thought some years ago that India, a nation of tea-drinkers, would have a thriving cafe industry growing at 25 percent every year. Driven by growth factors such as the rapidly expanding base of urban people, rising per capita income and changing tastes of the westernized youth, the country has emerged as an attractive opportunity for national and global cafe brands, even as western markets reach saturation levels. With an eye on the future, most players have settled in for the long haul, backed by innovative marketing strategies to tap into India's emerging cafe culture.

Brewing for Success

By Varun Jain



Don't look now, but there is a quiet revolution brewing in the drinking habits of Indians. The country, long been a nation of tea drinkers, is witnessing an interesting trend: the steady shift of a significant number of urban consumers to drinking coffee instead. Coffee is fast becoming the beverage of choice for the young urban Indians who take their cultural cues from the West. This has fuelled a boom in India's café industry and given rise to a new café culture, with new cafés mushrooming everyday in metros and even in Tier II and Tier III cities.

The consumption level of coffee in India is showing a steady upwards curve, doubling from 55,000 tons per annum in the 1990s to 110,000 tons in 2011. There is a long way to go still. In advanced café markets such as Austria, the per capita consumption of coffee is 10 kg; in the US it is 5-6 kg. In India, however, this figure stands at only about 600 gm, highlighting the vast potential for growth of the café chains in the country.

Many national and international brands have woken up to this opportunity and smelt the coffee, so to speak. Around a dozen café brands are already present in the Indian market, from home-grown ones such as Café Coffee Day to foreign chains such as Barista Coffee Company, Costa Coffee (UK), Gloria Jean's Coffees (Australia) and The Coffee Bean & Tea Leaf (US). Collectively, all the organized players account for about 2,000 cafes all over India, a number that has been growing by about 200 outlets every year over the last five years.

The Players

According to Technopak Advisors, the café market in India was estimated to be \$185 mn strong in 2010, growing at a CAGR of 25 percent over the last five years. The segment is dominated by Café Coffee Day (CCD), a division of the country's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL). The café chain, with a \$105 mn revenue, began operations in 1996 and has since grown to 1,185 cafes in 170 cities – well over half of the total number of cafes existing in India.

The country's second biggest café chain, Barista Lavazza, is owned by Lavazza, Italy's largest coffee company. It opened its first outlet in February 2000 in Delhi and now runs over 200 cafes in over 30 locations, generating a total revenue of \$45 mn each year. The British coffee chain Costa Coffee began operations in India in 2005. Today, it has 80 cafes in 4 major metros of the country, with revenues of \$18 mn.

Gloria Jean's Coffees (GJC), an Australian coffee cafe chain, entered India in 2008 through a master franchisee agreement with Citymax Hospitality, the F&B arm of the Dubai-based Landmark Group. It has since then set shop in 6 cities with 18 outlets. In 2008, the American chain The Coffee Bean &



CAFE COFFEE DAY

First outlet:

1996

Total outlets:

1,185

Number of cities:

170+

Number of formats: **3**

Coffee Day Lounge, Coffee Day Square, CCDs

Hottest selling item:

Hot Coffee



Tea Leaf opened its first outlet in India. Now it has presence in 4 metros with 16 outlets.

This is not all – there are more international coffee chains planning an India entry. Dunkin' Donuts is all set to launch its brand in India by mid-2012 by partnering with the Indian fast-food operator Jubilant Foodworks, which runs the Domino's Pizza chain in the country. The US-headquartered iconic coffee chain Starbucks has also queued itself for an entry next year into Asia's third largest economy. Its spokesman Corey duBrowa recently said that the company's talks with India's Tata Group are moving forward and an announcement about the partnership is likely to be made soon.

Tea Cafés, Anyone?

The growth in the café culture in India is all the more impressive because Indians have traditionally preferred drinking tea. It has been the country's favorite beverage, inexpensive and easy to prepare. Roadside tea stalls are ubiquitous, selling a steaming cupful of the sweet beverage for as little

“India has a scope for 5,000 additional coffee outlets which are strategically located close to locations such as office complexes, colleges, and malls.”

– K Ramakrishnan, President-Marketing, Cafe Coffee Day

Royal Taste of Asia



Shiro at Samrat Hotel in Delhi offers East Asian cuisine in a royal yet soothing setting. The highlights of its design include a dramatically high ceiling and a 17-foot-high statue of a Thai queen



The Shiro restaurant at Samrat Hotel, New Delhi, combines Oriental cuisine and cocktails with quality entertainment. It caters to a discerning clientele which enjoys fine dining in a spectacular setting. Spread over 6,500 sq.ft., Shiro is quite spacious with a capacity of 150 covers. It is divided into three distinct dining alcoves: the main bar, the private dining rooms, and the Teppanyaki area with its three live cooking stations. The decor is complimented by a DJ console concealed behind a remote controlled sliding door.

Inspired by Nature

Shiro's décor is inspired by nature. The calming influence of water and the strength of stone create a soothing ambience in which guests can savor delicacies from East Asia. The dramatically high ceilings and graceful statues create a royal atmosphere within the restobar, projecting a castle-like feel with rich red accents and oversized embellishments. A colossal 17-foot-high

“ The word ‘Shiro’ means two things in Japanese: the color white and a castle. The restaurant, with its signature high ceilings and grand statues, encapsulates this concept of an enormous white space.”



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