

COFFEE AND TEA SHOPS – INDIAN CONSUMER – 2018

Aim to position café brands as more of a lifestyle accessory rather than just an occasional indulgence.



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Report Content

EXECUTIVE SUMMARY

- What you need to know – Summary
- Lifestyle-driven experiences will help boost sales and footfall at cafés in India
- Café products need to be seen as more than just a treat in India
 - Graph 1: Agreement with the statement 'These products are a good treat', by region, May 2018
- Look to new sources of revenue to improve profitability for coffee and tea chains in India
- Promote tea cafés as hygienic alternatives to the ubiquitous roadside tea stall
- What it means

KEY TRENDS

- What you need to know

Key drivers

- Offer Indian consumers more reasons to partake in the growing café culture
 - Graph 2: Agreement with 'I'm drinking more of these products compared to last year', May 2018
- India is projected to be one of the fastest growing coffee shop markets globally
 - Graph 3: Number of coffee shops, 2010-18
- New revenue streams are vital for sustained profitability for coffee and tea chains
- Play up aspirational and social aspects of coffee shops to drive usage
- Give consumers variety and customisation to raise their interest in organised tea chains
- Focus on Tier 2 and 3 cities for café expansion as consumers here are more positive about their finances
 - Graph 4: Positive financial outlook over the next year, April 2018

Global trends and how they are playing out in India

- Make in-store experiences valuable to Indian café goers
- Indian consumers focus more on experience rather than drinks at cafés
- Take a more casual positioning with tea cafés compared to coffee's sophisticated approach
- Bring familiarity alongside hygiene to drive visits to tea chains
 - Graph 5: Growth of select tea chains with a national presence, 2017-18
- Tea chains offer hygiene and comfort as an upgrade to roadside stalls

CONSUMER INSIGHTS

- What you need to know

What Indians drink out of home

- Sixty-five percent of urban Indian consumers have purchased beverages for out-of-home consumption
- Hot tea is the most consumed drink out of home in India
 - Graph 6: Beverages purchased for out-of-home consumption in the last three months, May 2018
- Indian men consume tea, coffee out of home more than women
 - Graph 7: Purchase of drinks out-of-home for immediate consumption, May 2018
- Tea and coffee shops can borrow from each other's models for sustained growth
 - Graph 8: Out-of-home purchase locations for coffee and tea, May 2018
- Purchase locations definitions
- Promote tea cafés as hygienic, casual places to 'hang out', similar to coffee shops
 - Graph 9: Purchase locations for tea for immediate out-of-home consumption in the last three months, May 2018
- It's time for coffee shops in India to expand via the grab-and-go model
 - Graph 10: Purchase locations for coffee for immediate out-of-home consumption in the last three months, May 2018
- Grab-and-go model can help keep costs down for tea and coffee cafés
- Lower tier cities in India are ready for cafés
- Aspiration will drive cafés among Tier 2, 3 consumers
- Entry into smaller Indian cities will mean lower input costs for café chains

Marketing to women

- Responsibilities of working and non-working women in India
 - Graph 11: Select demographics of working vs non-working women, May 2018
- Use different strategies to appeal to working and non-working women
 - Graph 12: Where women buy coffee/tea for out-of-home consumption, by employment status, May 2018
- Offer discounts, freebies to non-working women to get them into cafés more often
 - Graph 13: Select reasons for choosing a particular tea/coffee café, by working vs non-working women, May 2018
- Play up convenience for working women by offering beverage 'delivery at their desks'
 - Graph 14: Top reasons working women choose a particular tea/coffee café, May 2018
- Convenience and ambience can go hand-in-hand for independent cafés

Expansion into retail

- Promote café-branded products for at-home use as a new sales channel
 - Graph 15: Agreement with select statements about out-of-home coffee/tea, May 2018
- Use cafés as a way to educate consumers on how to make speciality beverages
- Chain brands for home consumption could prove to be competition for store brands
- A number of cafe chains offer take-away products for use at home
- Barista announces plans to launch FMCG products

MARKET APPLICATION

- Opportunity: Key areas of focus

Opportunities

- Promote cafés as good places to work, particularly as India's start-up ecosystem flourishes
- Targets office-goers with delivery options for beverages and food
- Personalise to every customer's tastes to offer better consumption experiences
- Tea companies can capitalise on their brand equity in the café space

Who's innovating

- Explore multiple touchpoints to reach out to consumers and promote brand loyalty
- Look at synergies with brands in other categories for innovative new ways to reach consumers
 - Graph 16: Online activity – ordering prepared food for delivery, by city tier, April 2018
- OnePlus offers customers a premium coffee experience while they get their phones repaired

Global innovators

- Starbucks elevates traditional coffeeshop experience at its Reserve Roasteries
- Shanghai Reserve Roastery features a range of coffee brewing techniques
- Tech-based themes can also drive experiences at cafés
- Luckin Coffee in China taps into white-collar demand
- World's first coffee banking branch opens up in Argentina

APPENDIX

- Consumer survey methodology

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