

## **Bakery Cafés in India: An Emerging Concept**

With their appetite for socialization increasing, Indian consumers are driving the demand for more “hang-out” options. From the likes of pseudo-city cafés such as MKOP and Java City to mighty chains such as Café Coffee Day, Barista, and Costa Coffee, the Indian market has been witnessing the growth of coffee outlets and tea bars, not only in the mass segment but in the premium segment as well. The arrival of Starbucks and McCafé in India is another cue that cafés are here to stay and flourish.

Cafés are largely focused on ready-to-drink, beverage-based (i.e. coffee, tea, juice, liquor, etc.) food service formats, with beverages sometimes supported by complimentary food items. The average value per person ranges between INR 80-250 depending on the location, brand, and value proposition. Traditionally designed with a smaller footprint with a relatively lower catchment area, the café segment has registered innovation in terms of format type and size, menu offering, and location.

One of the fastest-growing segments in Indian food services, with several domestic and international brands making their forays, the chain café market is estimated to feature ~100 chain brands, with ~3,100-3,200 outlets spread across various cities in India. The size of this market is estimated at INR 1,520 crore (USD 290 million), in 2013. Further, it is expected to grow at a CAGR of ~20%, to reach INR 3,780 crore (USD 725 million), with ~5000-5500 outlets, by 2018.

Café Coffee Day and Barista are the clear market leaders with a presence across all the formats, viz. lounge, café, express, and kiosk. Other brands like Gloria Jean's Coffees and Au Bon Pain have established themselves in at least two of these formats. Costa Coffee, on the other hand, has only explored the Café segment, contrary to the belief that presence in multiple formats gives brands a wider customer base to tap. Another means of attracting customers is through augmenting the experience of being in a café, either through creating an appealing ambience and thereby encouraging consumers to spend more time at the outlet, or through using an assorted menu that caters to more than one kind of food requirement, i.e. snacks, regular meals, etc.

With a greater number of consumers moving up the value chain, new segments, with newer product offerings, are evolving whose differentiation is along such factors as regional flavors, international coffee blends, innovative range of teas etc.. The segment's innovation has powered the rise of newer café formats like Bakery Cafés, which reverse the concept of cafés by extending extant bakeries/chocolate retailers to also offer complementary beverage items.

Thus, unlike a regular café, a Bakery Café is at the core a provider of baked food, with the beverage segment only a complement to the menu. A typical Bakery Café menu includes a wide selection of breads, encompassing such exotic variants like wheat, rye, five-grain, multigrain, cracked wheat, flute, baguettes, ciabatta, etc, as well as other baked goodies like brioches, croissants, cookies, muffins, cakes, scones, strudels, brownies, pies and puffs. The menu may also feature soups, salads, and other dishes, made using wholesome, locally-sourced ingredients, cooked and served fresh. These can include eggs in various avatars, freshly-made sandwiches, rolls, wraps, paninis, baked beans on toast, etc. In terms of beverages, bakery café menus offer a wide range of fine teas, freshly brewed coffees, hot chocolate in multiple variants and, on the cold side, iced teas, smoothies, shakes, and beverages.

International players like Au Bon Pain, Le Pain Quotidien, and domestic chains Theobrama Patisserie, Angels in my Kitchen, Baker Street, La Opera, and Choko La are expanding from their current format to the sit-in café format. This extension is currently witnessed largely in the metros and mini metros as a result of the high population of the target group in these cities. Furthermore, the increasing exposure to international food products through any of a higher degree of travel, media exposure, cookery channels, etc. is creating the demand for such concepts in these cities.

The concept of bakeries and bakery cafés, although it has gained traction in recent years, is not new to India. Earlier, bakeries were set up as a result of British influence. Concepts like Wenger's in New Delhi provided a unique proposition at that time, which set the pace for the growth of bakeries and bakery cafés in the post-Independence era. In Dehradun, where a large number of students from all parts of India have been converging, bakeries such as Elloras have been popular for decades. Other notable establishments include Flury's in Kolkata and Birdy's in Mumbai. The 1980s saw the emergence of the German Bakery in Goa and subsequently in Pune. In Delhi, L'Opera, a chain of bakery shops started by an expatriate couple, is immensely popular due to the authenticity of the products as well as their quality and range.

Whether they are an extension of existing bakeries, or a menu-wise expansion of a café, bakery cafés have become popular as a unique way of dealing with the classic dilemma for any café format, i.e. how to drive sales at all hours of the day. Traditionally, cafés, due to their strong beverage focus, used to see a lull in visitor count during lunch and dinner time. The addition of a food component not only helped these cafés realize additional revenues by catering to traditionally non-peak periods but also offered their customers another eatery to frequent during mealtimes. With their focus on baked items, bakery cafés also offer extended all-day breakfasts with freshly-prepared, healthy breakfast offerings. The menu mix, therefore, is popularizing these formats at travel locations and office complexes. Angels in My Kitchen has launched its first café format outlet in Cyber Hub, the food destination in Gurgaon's Cyber City. This is another area where bakery cafés have an inherent advantage over traditional cafés. Indians love to snack and don't mind packing a few hot patties, tea cakes, or muffins to take home after a day's work. Other popular takeaway categories for bakery cafés are cookies, savories, chocolates, pastries, and cakes.

Although the market is set to gain speed with more such formats anticipated in the near future, some key challenges need to be addressed to make these concepts viable outside of the top 8-10 cities. The inclusion of Indian palate-friendly menu items is an imperative to achieve acceptability at a broader level. Bakery cafés today offer, apart from the traditional bakes and snacks, such

innovative “fusion” products as seekh kebab rolls, ajwain puffs, chilli chicken rolls, kadhai paneer puffs, chicken tikka sandwiches, among others. Constant product innovation is a major challenge for a bakery café. Given that many of the food products offered at bakery cafés are best enjoyed absolutely fresh, efficient production and inventory management is a “must tackle” challenge. The quality of staff, both in service and production areas, is another key area that needs to be taken care of in order to reduce cost and ensure efficient operations. The training of sales staff, in menu, suggestive selling, and up-selling, combined with innovative ways of marketing the offering is likely to be one of the key focus areas as the consumer buying behavior vis-à-vis such cafés remains largely impulsive in nature. Apart from these, the typical challenges applicable to the F&B industry at large are also applicable to this format, e.g. supply chain management, menu consistency, and limited quality real estate.

Despite the challenges faced by bakery cafés, the concept has a strong footing in the market today, and looks set to grow in several cities, adding multiple brands to its fold. The rising disposable incomes of consumers, the greater population of health-conscious, younger people willing to try out new products and cuisines, the growth of consumers in higher and middle income groups, the increased propensity for eating outside the home, the increasing time-paucity, a love for snacking, the need to hang out or socialize, and the growing popularity of takeaway and delivery services, will boost the growth in this market segment.

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