

Market Analysis of CSB



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Historical Data Analysis of Food & Beverages Industry

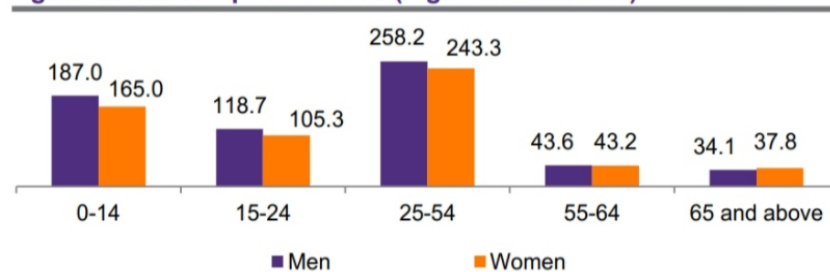
Potential of F&B Industry :

Chai, or Indian tea, is taken very seriously by Indians. India is the world's second-largest tea producer (after China), with 80 % of the tea consumed domestically, according to the Tea Board of India. Tea is consumed by over 88 % of homes. It's a popular drink in India, and it's more popular than coffee. The Services sector contributes to 1/3rd of India's GDP and has been the engine for growth. From among services, The Indian food & beverages (F&B) industry is worth **\$400 billion**. This sector has been identified as one of the **priority sectors** under the 'Make in India' initiative. Funds of INR 20 billion have been set up by NABARD to provide credit facilities to meet the needs of the F&B sector.

From 2018 to 2020, India's overall number of registered food and beverage production firms remained stable, with very minor variations in their numbers. The overall revenue generated by India's food and beverage business increased dramatically from \$75,046 to \$119,949.

Around half of India's population is under the age of 30, and many of them start working as soon as they can to improve their living conditions. More disposable income is available to consumers with greater income levels.

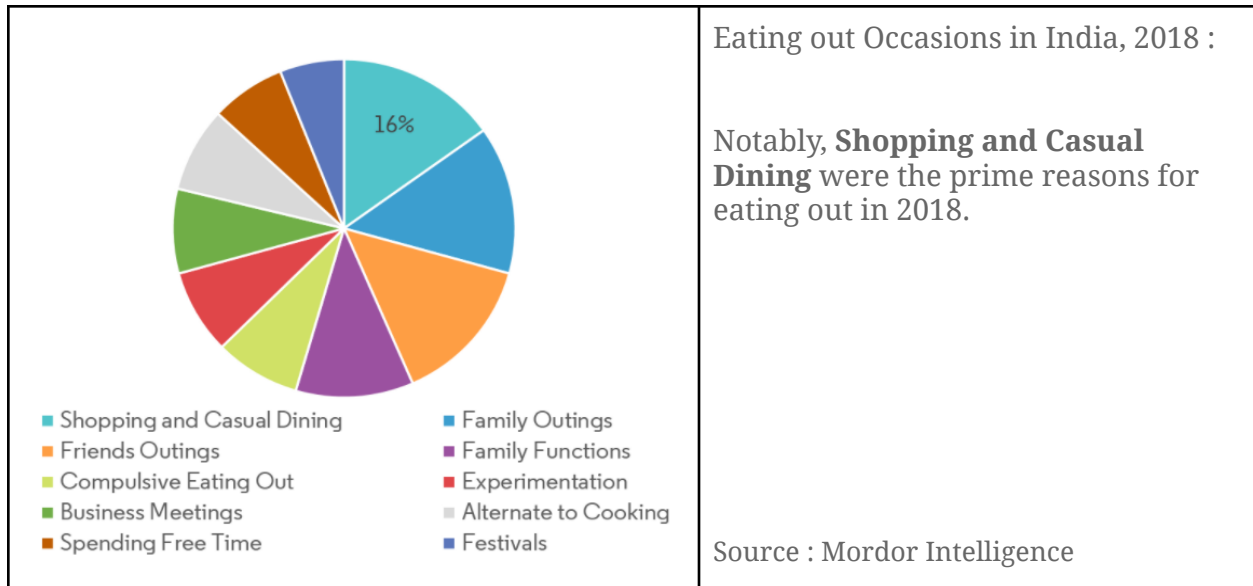
Age-wise consumption of food (Figures in millions)



With rise in incomes, Indians are frequently eating out. 98% of the sales in the industry come from the offline channel and 2% from the online channel. 81% of diners prefer to have fresh food and dine in and 19% prefer to have their food delivered or taken away.

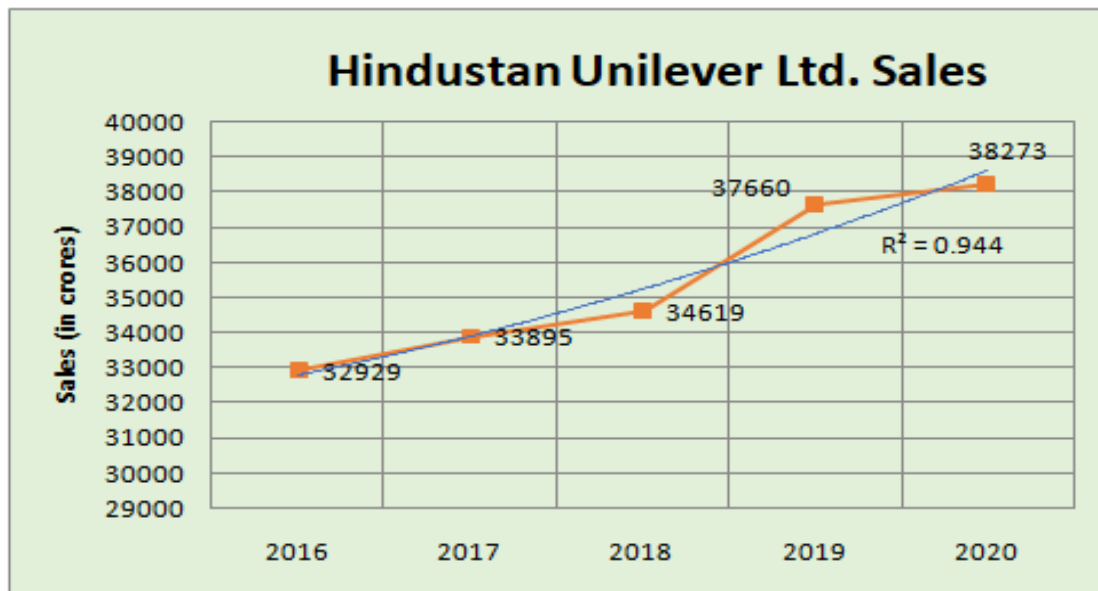


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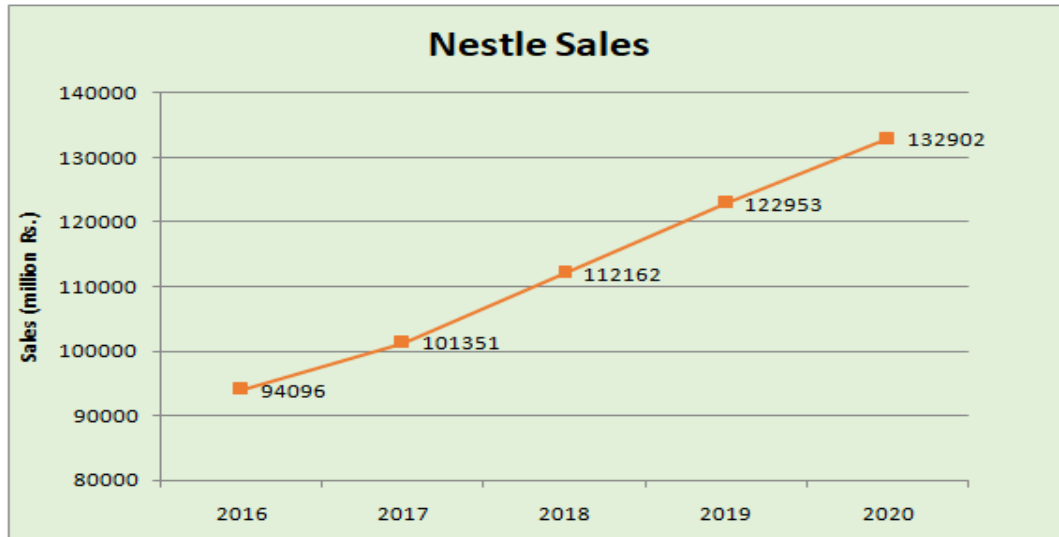


Industry before Pandemic :

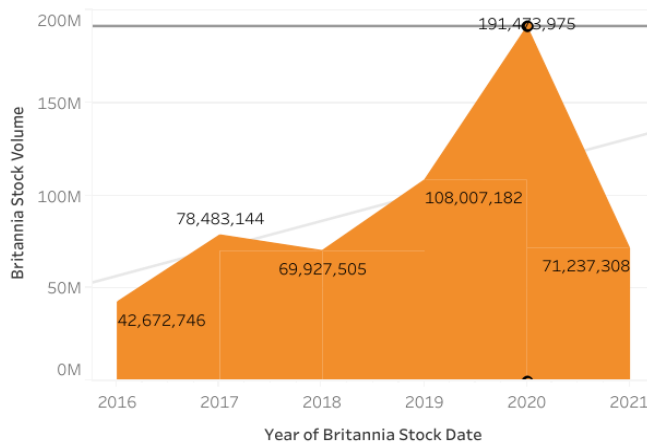
We compared top food and beverages companies' performance in the past years based on their Stock Volume and Sales data. The F & B industry was at an all time high before the pandemic, quick growth is expected in the future also.



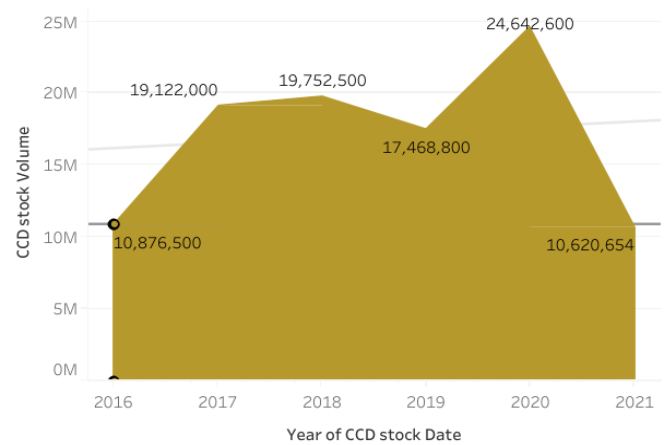
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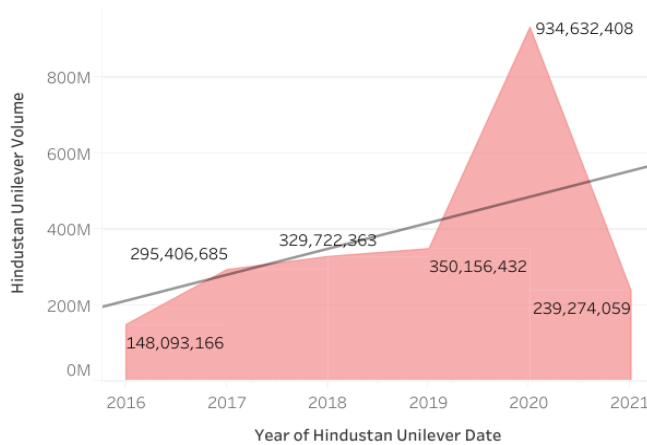
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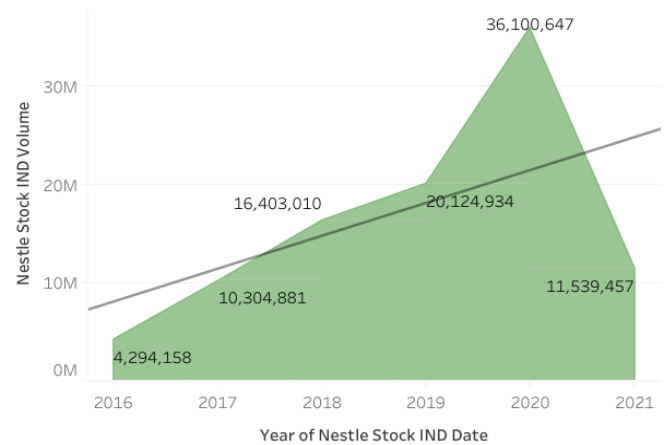
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hindustan unilever

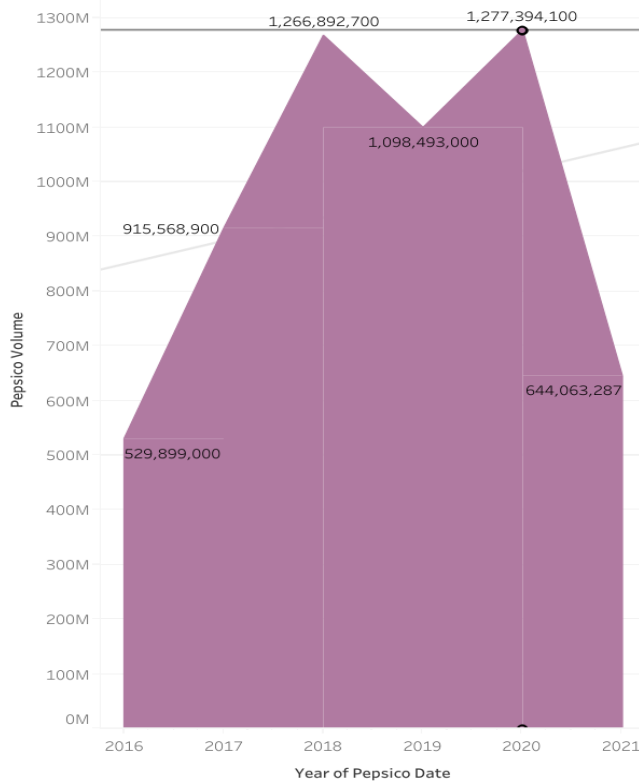


nestle

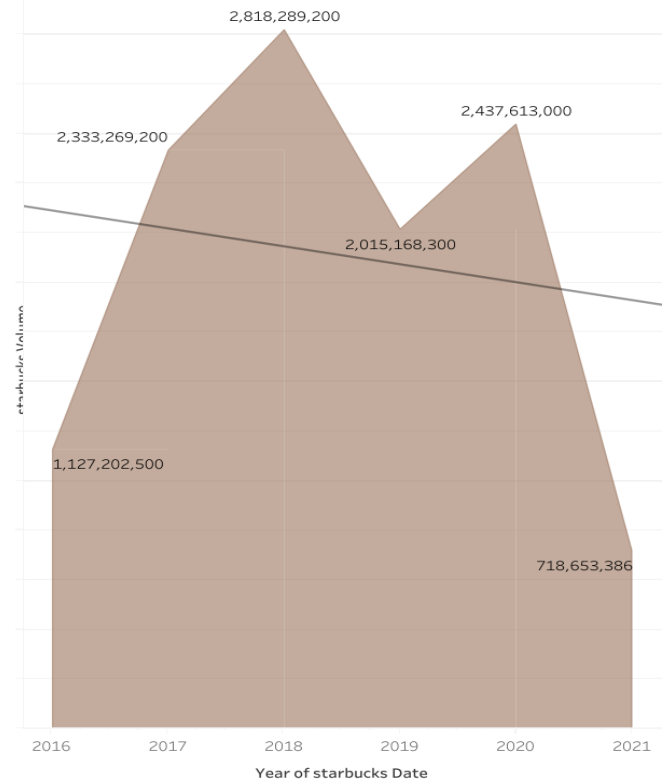


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pepsico



starbucks



Observations :

- Sales of top F&B companies were all time high just before the pandemic.
- Stock volume of top F&B companies fell but expect a quick recovery if vaccination and precautions are taken.

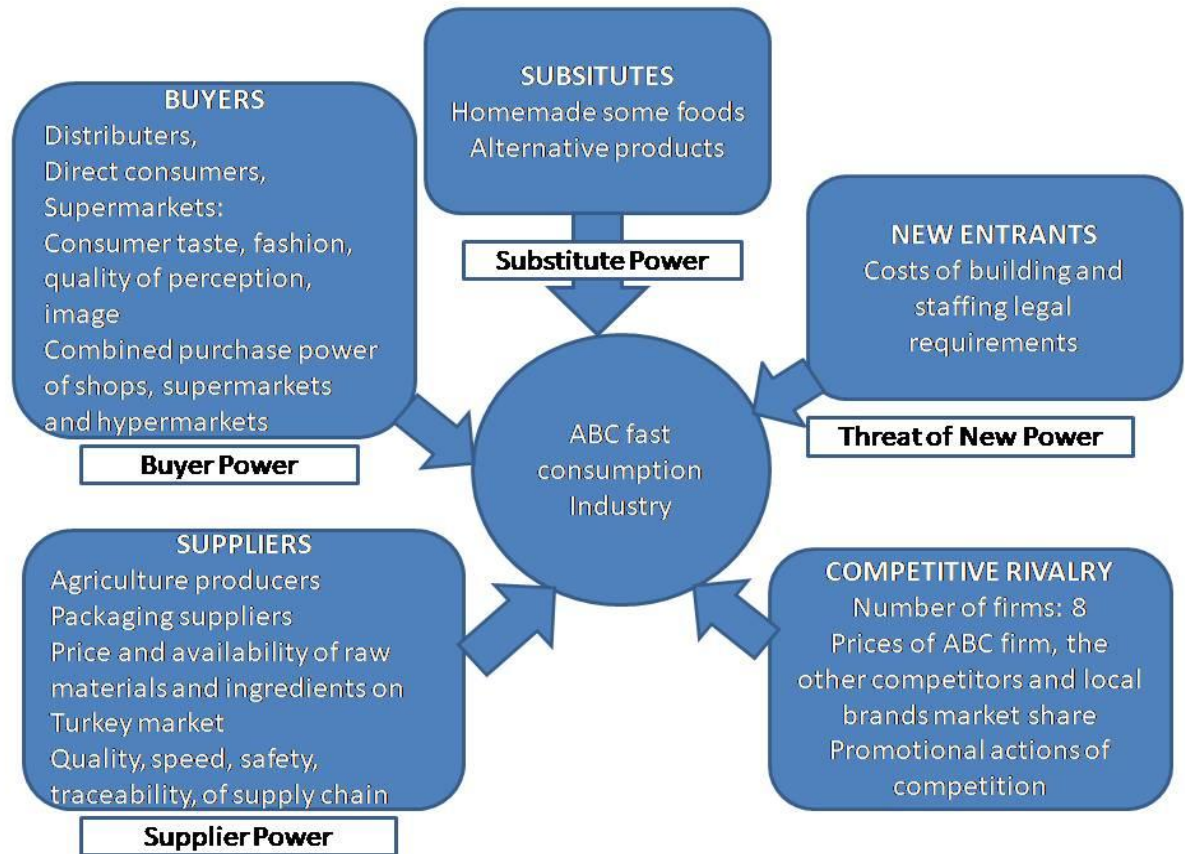
Globalization and Competition in Food Industry :

In order to analyze the competitive environment of the food industry, **Porter's five forces analysis** has been used. It involves 5 forces to decide potential of a market :

- Bargaining power of Suppliers
- Bargaining power of Buyers
- Threat of new entrants
- Threat of substitutes, and
- Rivalry among competitors



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From this analysis in Turkey, results show that competitive profit in the food industry in Turkey is low. However, Globalization is inevitable but for larger companies to remain profitable in the global food industry they have to address the local needs in their global markets. This is the strategy referred to as “*Think global, Act local*”.

Customer segment Analysis :

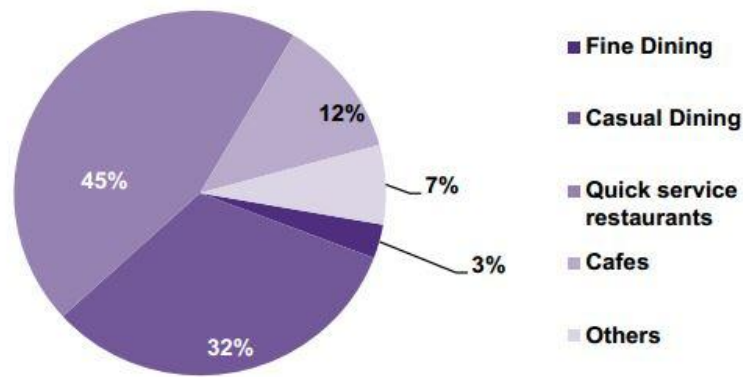
Businesses can increase revenue when they make a habit of responding positively after customers report a bad experience. The **Temkin Group** reports -

“Seventy-six percent of consumers share their experiences after a very bad experience, but only 69% share their very good experiences. About 50% of consumers share their experience directly with their friends, while about 19% share it on Facebook, 13% share it on a third-party rating site, and 10% share it on Twitter. Thirty-one percent of consumers give feedback directly to the company after a very bad experience and 24 percent give feedback after a very good experience.”



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The F&B service industry (in India) is a composition of various components :



F&B service industry composition

Without alcoholic beverages, the beverage business is worth roughly USD 16 billion. Tea and coffee are the most popular beverages, with soft drinks (carbonated beverages and juices), health drinks, milk-based beverages, flavoured beverages, and energy drinks following closely behind. Unpackaged tea and coffee account for half of all tea and coffee consumed worldwide.

Coffee is predominantly an export-oriented commodity unlike tea that is mostly consumed domestically. The major producers of tea and coffee are Tata Global beverages, Dhunseri Petro and McLeod and together they capture a little over 50% of total market share of sale of tea and coffee.

India takes pride in the variety of tea offered - Green Tea, Darjeeling Tea, Assamese Tea, CTC (Crush, Tear and Curl) and the like with most of it being manufactured in Darjeeling, Assam and Nilgiri. Exports would remain flat since most of the tea produced is consumed domestically. More than 88% of Indian households are regular tea drinkers.



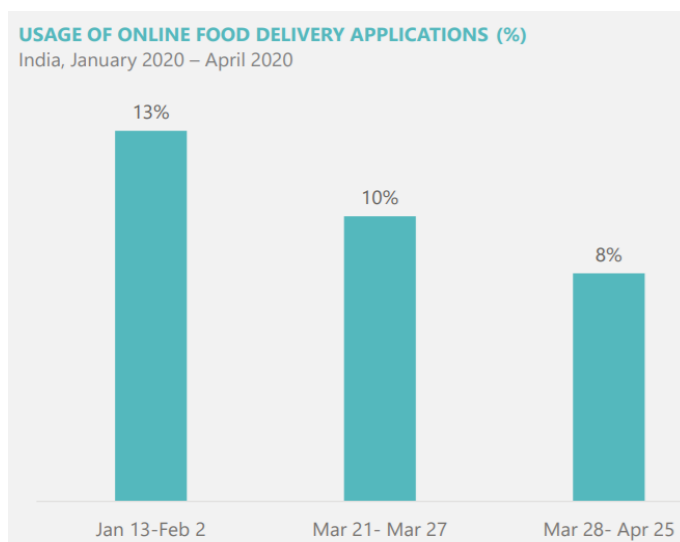
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Effects of Pandemic

The world has endured a year of unexpected onslaught by the novel COVID-19 virus - SARS-CoV-2. It engendered a once-in-a-century crisis in 2020 - a unique recession where 90% of countries are expected to experience a contraction in GDP per capita. India's strategy has been an intense lockdown - a win-win strategy to save lives and preserve livelihoods via economic recovery in the medium to long term.

Effects on Supply Side :

In India, the world's fourth largest producer of tea, **Production fell 22%** due to Social distancing, not allowing for easy harvesting and exporting of goods. The **inability to export goods** easily is a supply chain trend occurring in many different industries over the past ten months.



During the pandemic, the important components of food commodities in terms of availability, accessibility, utilisation and stability received a lot of attention. The key problems for the insecure food supply that hampered access during the epidemic were **logistical, distribution and delivery issues**.

Labor shortages, logistic bottlenecks, and income losses produced major disruptions in

domestic food supply, resulting in direct consequences on domestic food supply and availability. Due to the inconvenience caused by COVID-19, a farmer in the Indian state of Karnataka's Chikkaballapur region dumped a total of 6 grape harvesters on the roadside. Due to a lack of transportation, several farmers have dumped their crops into pits. In the Chikkaballapur and Bengaluru rural areas, grape producers alone are expected to lose roughly INR 500-600 cr (USD 68-82 million).

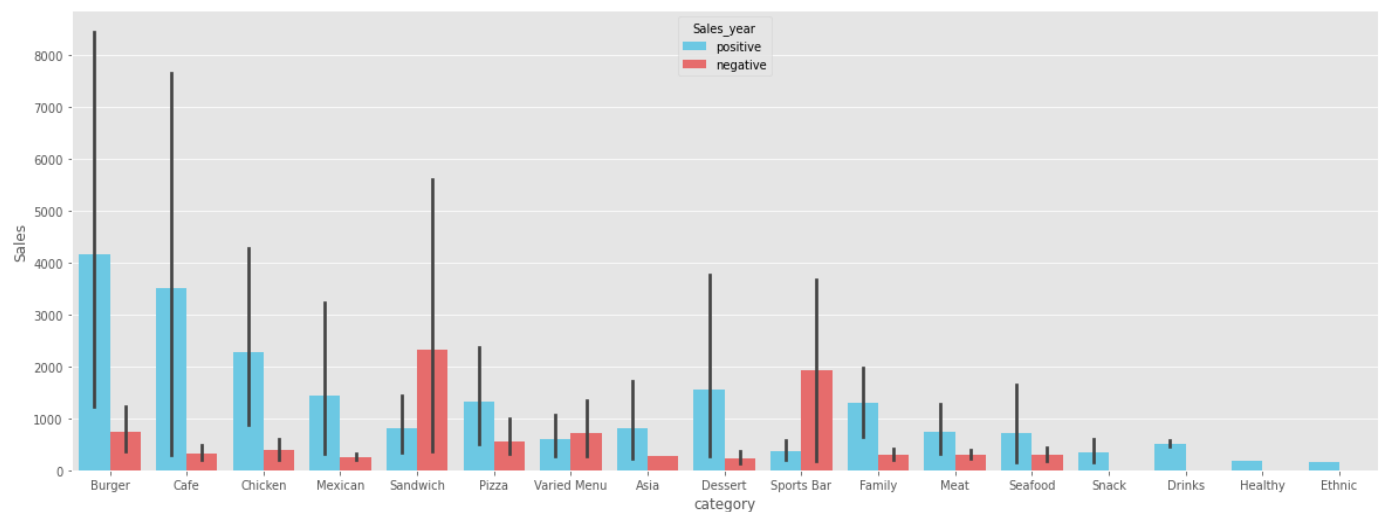
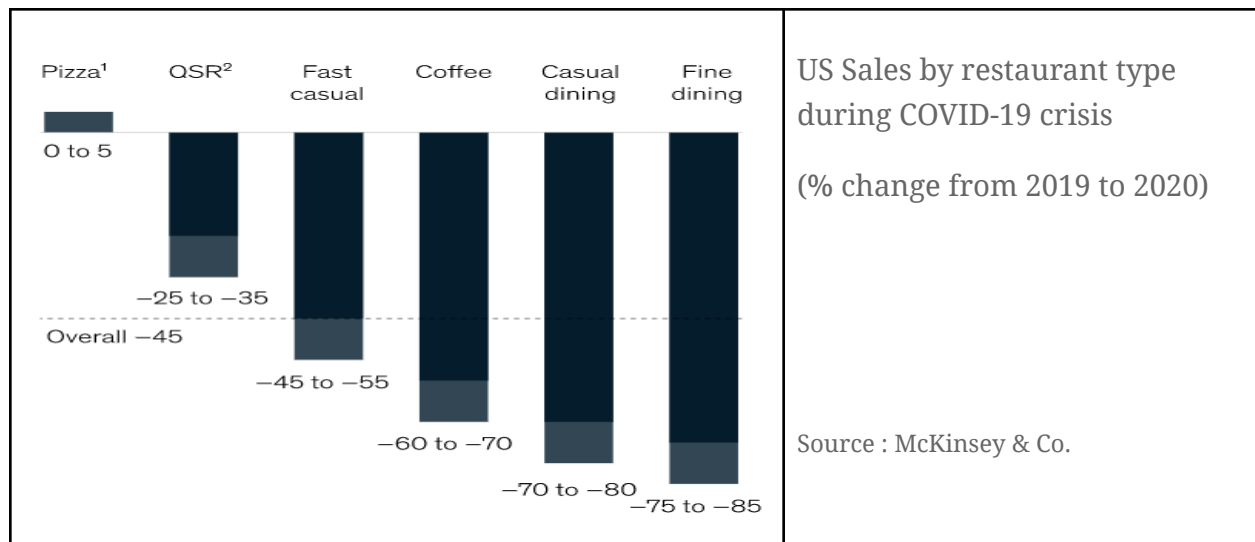


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Effects on Demand Side :

Lockdown led to School/Colleges closure, Work from home policy in every organisation, banning International flights and closure of hotels, theatres, gym etc.

Restaurant Sales during COVID :

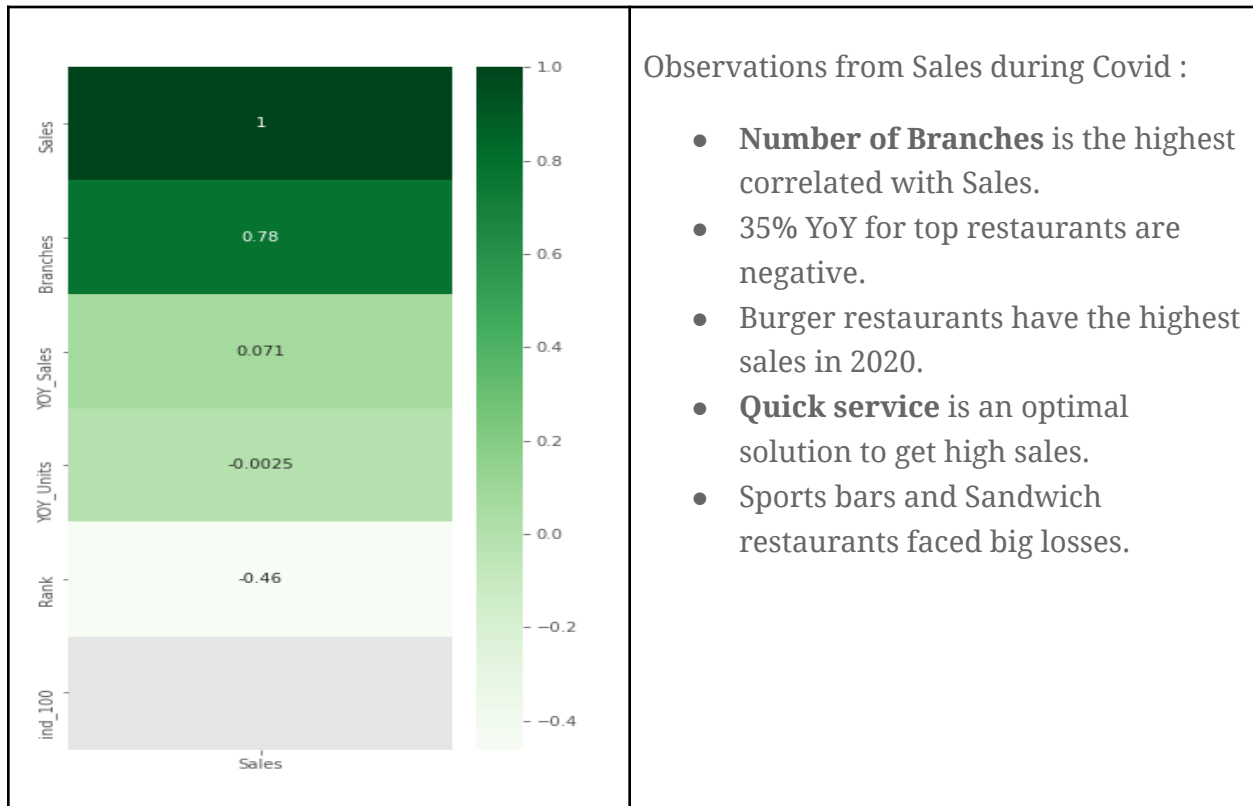
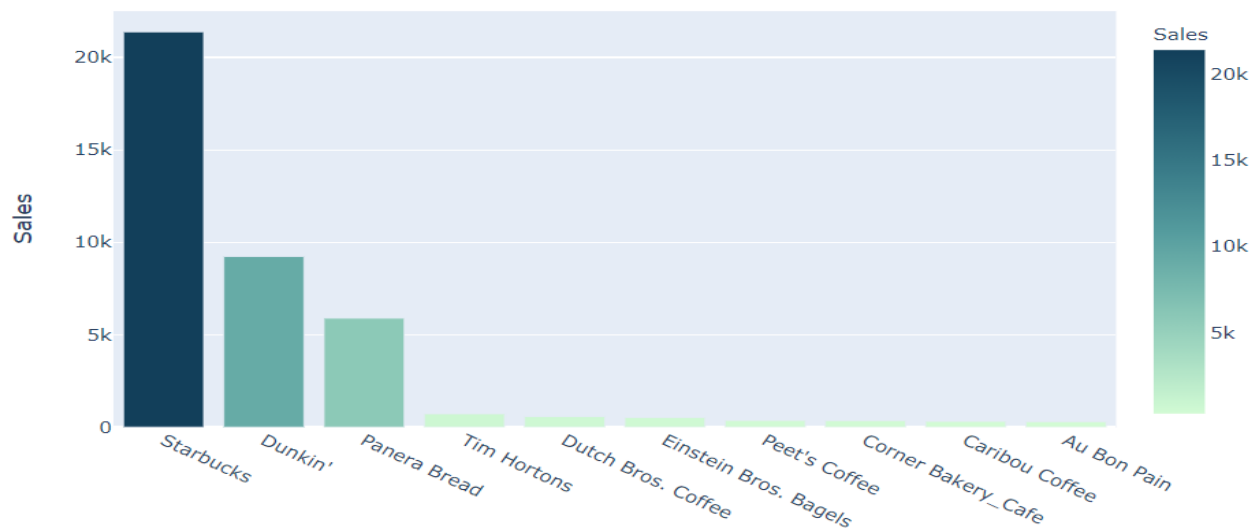


Sales of Varied menu, Sandwiches and Sports bar had negative indicators more than positive. Burger and Cafe sales had positive indicators dominating.



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Sales of Top cafe Restaurants :



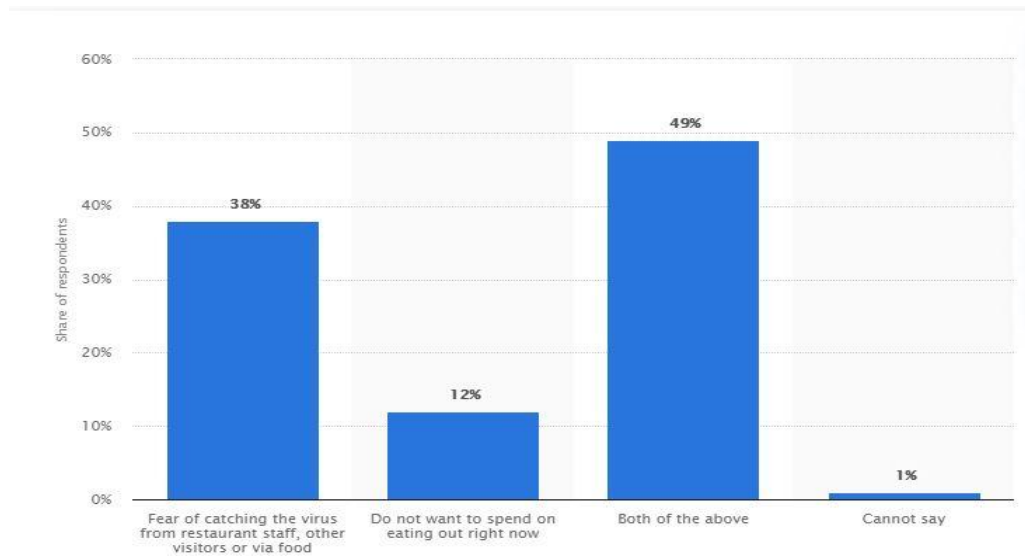
Observations from Sales during Covid :

- **Number of Branches** is the highest correlated with Sales.
- 35% YoY for top restaurants are negative.
- Burger restaurants have the highest sales in 2020.
- **Quick service** is an optimal solution to get high sales.
- Sports bars and Sandwich restaurants faced big losses.

After the Coronavirus (COVID-19) lockdown in India, there are several reasons why people are not attending their favourite cafes or restaurants. Fear of catching the virus from restaurant staff, other visitors or via food is the main reason.



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Products that thrived in Pandemic :

From the heatmap analysis, we observed that vegan products have an inverse relationship with the number of confirmed cases (-5) unlike animal products (+6) which explains why sales of evergreen restaurants increased during the Corona pandemic.



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Observations :

- During the pandemic, Most of the consumers were eating organic food.
- Restaurants that rely on gatherings have faced significant losses.
- It is worth relying on franchising for its high potential in achieving high sales.
- Going vegan can reduce the severity of Covid-19.

According to the experts, the food services sector in our country employs over 7,00,000 people and has a market value of Rs 4,23,865 cr. After we overcome the Coronavirus pandemic, there will undoubtedly be long-term changes in the way we live, work, and consume. With the Corona virus-induced slowdown, the F&B culture, which has thrived for decades, has faced new problems such as loss recovery and a preference for ordering food online. Furthermore, the increased traffic to hotels have had an understandable cascading impact on profits from the food and beverage sector, affecting the entire hospitality ecosystem. In 2016, the **gross value added** and **export growth value stayed about constant**; however, in 2019, there was a significant increase of 12.47%. Furthermore, export growth fell from 11.60% in 2018 to 10.70% in 2019, and then again to 8.90% in 2020, maybe due to the influence of COVID-19 in the country.

Several case studies here show that the pandemic's effects are creating new problems, and companies are working to discover the best ways to solve them everyday.



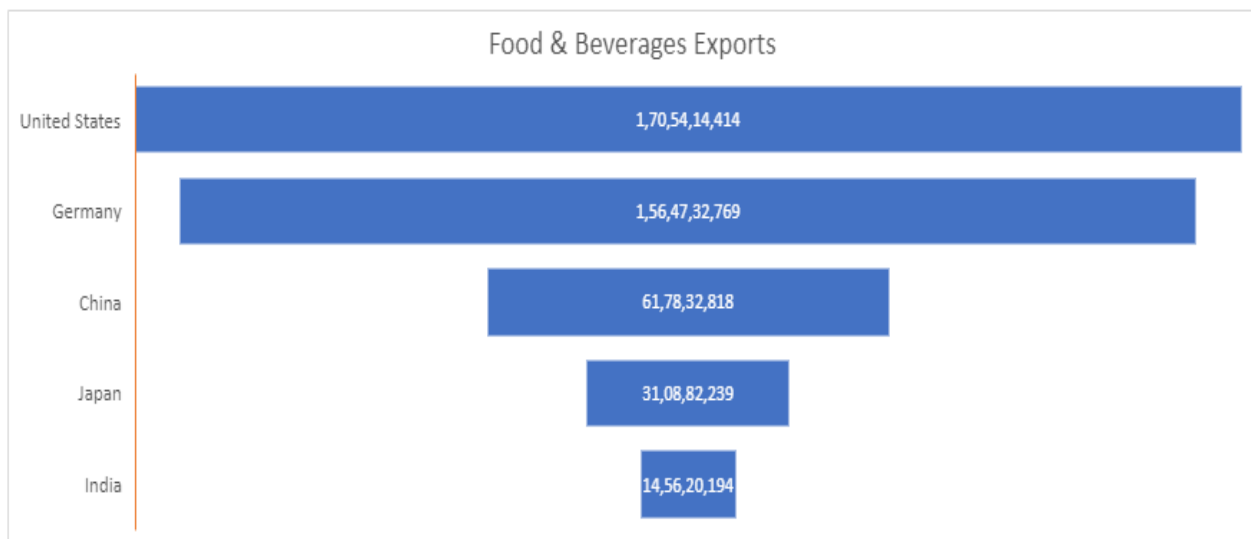
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Prediction of Market Growth

COVID-19 has not only been a devastating public-health crisis; It has also been the restaurant industry's greatest challenge to date. Never before have so many restaurants been forced to cease operations; some will never reopen. **Early indications** - from China and other countries where the pandemic seemed to be under control - suggest that consumer **demand won't immediately rebound** when restrictions are lifted. However, restaurants that plan ahead to adapt and redefine their restaurant **model for the “next normal”** will be better positioned to bring sales back to pre-crisis levels.

India is expected to become the world's **fifth largest consumer market by 2025**, according to a report by the Confederation of Indian Industry (CII) and Grant Thornton. Food and beverages are the most commonly consumed items. The country's enormous agriculture sector supports the food and beverage industry.

India is not among top 10 exporters or importers of Food & Beverages. Being a developing country with the second largest population India has a lot of unlocked potential in F&B industry.



Prediction by Expert agencies :

The Bistro chain broadcast, driven by Cafe Coffee Day and Tata Starbucks, is in addition one of the fastest developing categorisation in the customer nourishment administration industry, which is estimated to become 6.9% every year to **INR 4540 cr by 2023** in worth deals at steady costs selective of expansion/inflation.



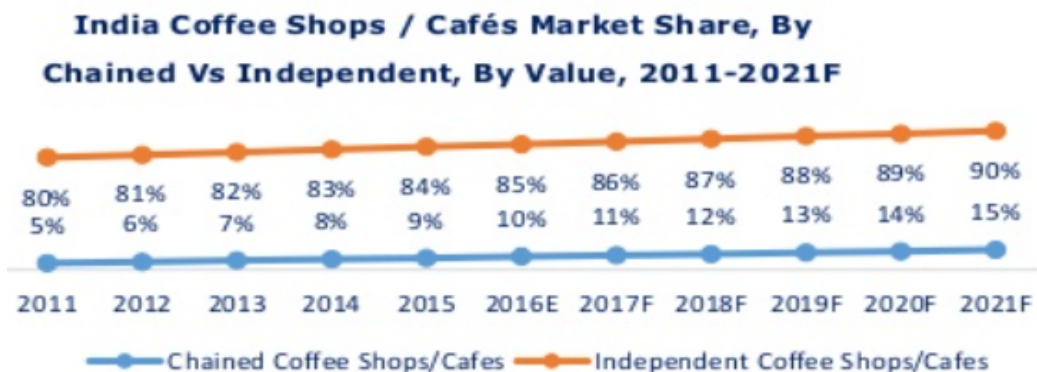
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Euromonitor said the standpoint for both autonomous and affixed cafes stayed solid on the back of **steady development** and more **extensive advertising**. A few items, for example, cool mixed espresso, are showing uncommon development. “One territory with solid long-haul development prospects is tea, which has generally for the most part been expended at home”.

The Indian foodservice sector is one of those vibrantly growing markets that has seen exceptional growth during the past decade and continues to expand rapidly during the forecast period.

- Its market interest is attracting significant **interest from domestic as well as international** private equity and venture capital funds.
- **Online sales & home delivery** are picking up, hence full service & quick service restaurants have special teams to cater to this segment.
- Young professionals with their busy work schedules are eating out frequently and Food services companies are targeting them.
- Menus are being **localized** to meet the local palate.
- People are more **health conscious** and hence the opportunity for food service companies to provide healthy foods.
- Most hospitality brands will provide private catering services with the option of ‘cooking at home’ ingredient packages. This will fill the gap for customers looking for indulgent gourmet experiences in the comfort of their homes.

According to **TechSci research** report, “Indian coffee shops/Cafe market forecast, Consumer survey opportunities 2021, coffee shops and cafes in India are projected to grow at a CAGR of over 11%.



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Despite the pandemic in 2019, 2020 and 2021 there is significant increase in cafe's market share. Hence we can expect the same in 2021 also.

	Expected CAGR	% of Food Services Market
Quick Service Restaurants	>20%	44%
Fine Dining Restaurants	15-18%	22%
Casual Dining Restaurants	15-18%	26%
Cafes, Pubs & Bars	30%	8%

According to the estimates by **IMARC Group**, the Indian PBCL market is expected to grow at a CAGR of 12.2% during 2021-26.



Study Period: 2016 - 2026

Base Year: 2020

CAGR: 10.3 %

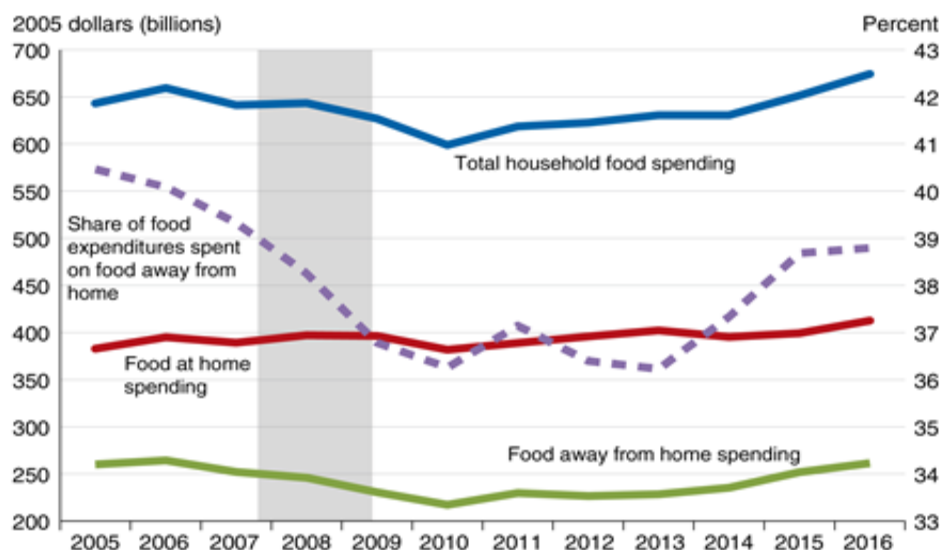


Similar recoveries after recession in Food industry have been made in the past.



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From 2006 to 2010, food-away-from-home spending and its share of household food expenditures declined



Note: Shaded area is the Great Recession.

Source: USDA, Economic Research Service calculations using data from Bureau of Labor Statistics Consumer Expenditure Survey and Consumer Price Index.

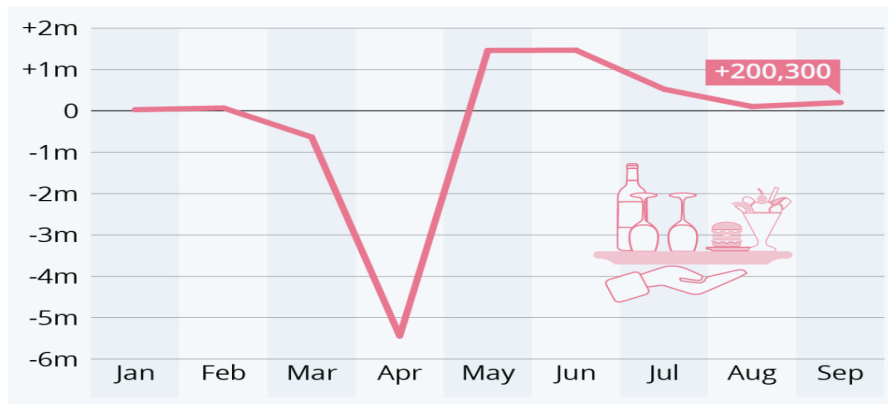
There are 4 main tea groups in the market - Read-to-drink tea (RTD), the traditional market, the specialty segment and the foodservice segment. The RTD market for coffee based beverages is **likely to grow**, although it is currently at a very nascent stage. However, it has benefited from a range of new product launches. These products are mainly consumed by young and middle-aged demographics and tend to be consumed in the mornings as an energy booster.

The channel which contributes most to the sales of packaged coffee is **traditional retail channels**, whereas modern retail is currently at a moderate stage. The **growth of cafe chains over the last decade** also boosted the visibility and per capita consumption of coffee among Indian consumers.

There was an evident dip in the Food and beverage market during the second wave. But now there is a drastic increase after the boost of vaccinations and unlockdowns. This same trend can be expected during the third wave also.

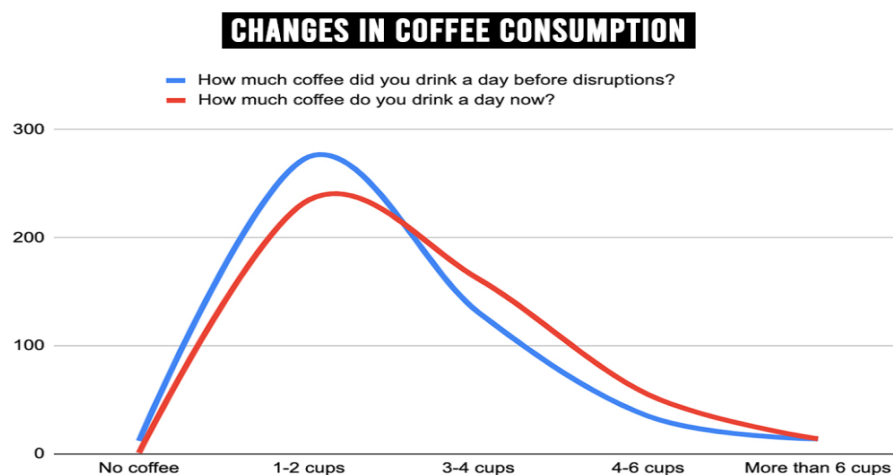


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An **IIT Kanpur study** done by Prof. Rajesh Ranjan and Mahendra Verma, alongwith their team, said the third wave peak of COVID could be around **September - October** this year. Though this third wave would not be that much affecting like that of in 2020 due to all the precocious measures taken and vaccines there will be some negligence for dining out. This situation may last only for 2-3 months, post the third wave there will be prominent growth. Thus 2021 will be a year of growth except 2-3 months.

There's not much difference in the coffee consumption due to COVID (based on the survey report of **spurge.com**)



So when we have people loving tea, coffees and beverages, It is a major support in the market's quick recovery on the path of growth.



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Similar Industries on Growth :

While many businesses have suffered due to the impacts of COVID-19 pandemic, Some industries have seen extraordinary growth.

Food-Delivery Industry - With legislation limiting or preventing the ability of restaurants to host guests, the demand for take-out and delivery options has risen dramatically. The Food-delivery industry experienced record levels of growth throughout 2020.

The revenue of Chai point in fiscal year 2019 was around INR 1.3 billion. While about 40% of the revenue comes from in-store sales, the remaining revenue comes from delivery.

As market dynamics shift with the slow transition back to in-person dining, food-delivery companies will need to continue to build and maintain relationships with the restaurants and customers they have supported throughout the pandemic to sustain their growth.

Innovations in F&B Industry - Cloud kitchen model involving tie-ups with food aggregators, provides significant savings in infrastructure costs. ALOHA expanded its Ready-to-drink(RTD) beverage portfolio with its launch of Iced coffee Plant-based protein. Dunkin announced the addition of Coconut milk as an alternative to dairy.

Indian Hotel Industry - Asset-light model has gained importance with both international and domestic biggies opting for it. An upsurge in travel of the middle class, growing urbanisation, strengthened economic growth and doubling of air travel over the past 7 years have boosted the mid-market brands in the hotel industry in India.



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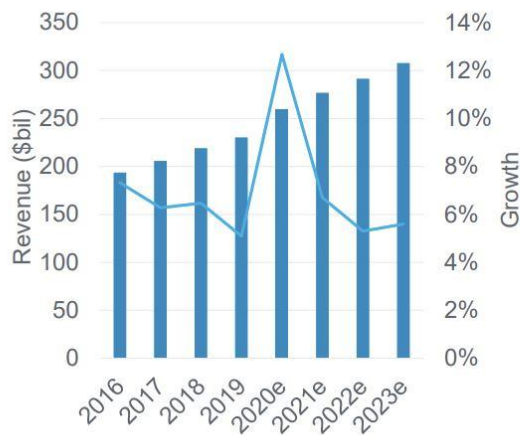
How can CSB cope post-Covid?

Organic Food the future restaurant category ??

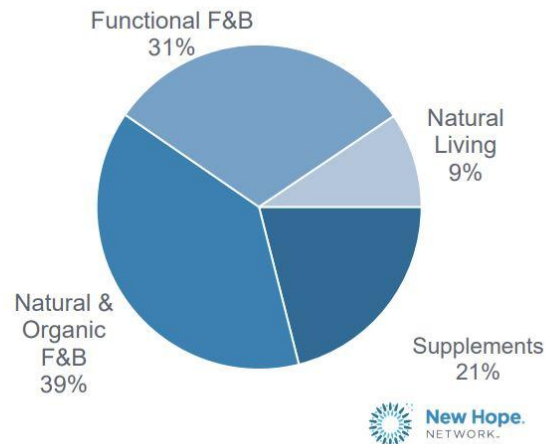


In record year, 2020 industry sales hit \$259B

U.S. natural & organic products industry sales grew est. **12.7%** to \$259B in 2020; total industry sales are on track to surpass \$300B by 2023



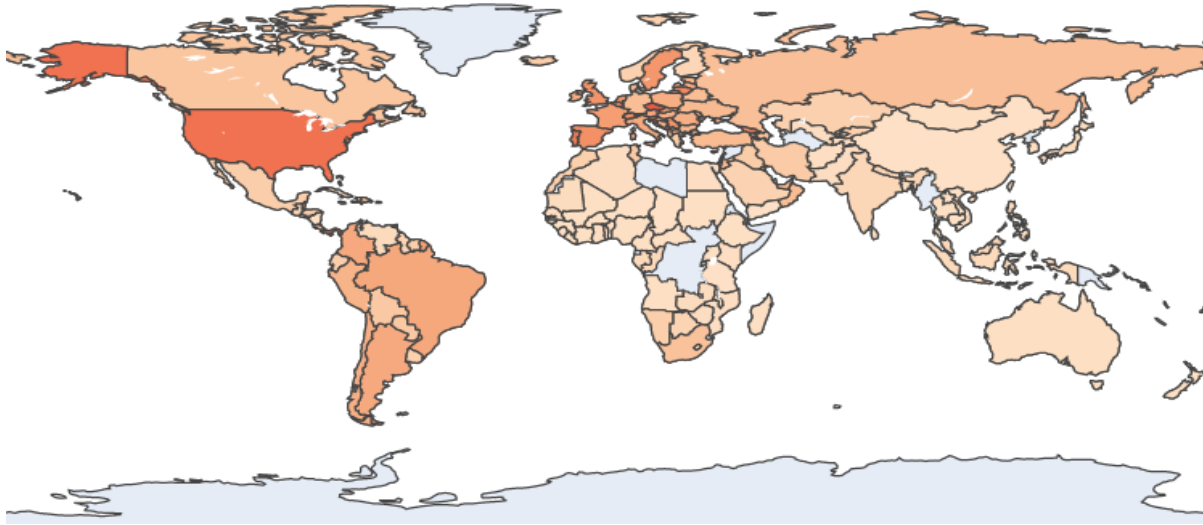
Source: Nutrition Business Journal (\$mil, consumer sales), powered by SPINS



Observation : Negative correlation between Covid confirmed cases and vegetarian diet.



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Many markets are fluctuating through current wants and needs of the world. One market that has grown is the tea market. The tea market before the pandemic was already the largest beverage market after water.

CSB came with the concept where Chai is following ancient tradition and their outlet ambience like the bar carries modern tradition.

Due to pandemic, Food Safety and Standards authority of India (FSSAI) has launched a 48-point checklist on hygiene ratings for restaurants to comply with; plans to set stringent hygiene standards and safety auditing protocols in the future.

How can CSB cope with Post-covid ?

- **Set Protocols** - Food aggregators have observed that restaurants with good hygiene ratings have fared 20% better than those without. To maintain customer trust in health safety, CSB will have to ensure that standard operating procedures (SOP) are set across all its branches. Strict protocols have to be set for safety of the customers as well as staff.
- Introduce appropriate **sanitation measures** - While just approximately 49% of respondents of a survey are concerned about becoming infected with COVID-19, nearly 72% are concerned about friends and relatives. CSB will have to regularly sanitise common surfaces such as keyboards, door handles, tables and chairs.

Here CSB's **concept of KULHAD** to give employment to the potters will be useful. KULHAD protects us from harmful bacteria as it is a non-reusable item.



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- **Manual standards** - From Stickers to mark the minimum social distance to the mandatory masks everything has been designed to keep the ‘man-lovers’ comfortable and at ease while at CSB. Beyond these “manual” standards, frequent **health inspections** and **vaccination certificates** could help CSB adopt technology, affecting not only customer-facing interactions but also behind-the-scenes procedures.
- Social-distancing is the new normal so Open-dining or **Open cafe** would be most preferred by customers. According to our prediction Covid restrictions will be uplifted by September and that time the weather will also be suitable for Open cafes.
- **Contactless operations** - Businesses are putting forth a tremendous lot of work to prepare for contactless dining. In the post-Covid operating future for hospitality firms, efforts on the technology front with QR codes, non-human intervention save for food service at the table, and greater levels of sanitation for staff and clients will become a reality. Some of the trending contactless solutions are delivery robots, digital menus and in-app ordering.
- Post-pandemic colleges will be open again, as other outlets don’t provide breakfast, CSB should start it which will solve the problem of students as their classes start at 8:30 am.
- **Technically Enabled** - Every crisis brings about innovation, as the food business has demonstrated. Technology has evolved into the ideal ally, allowing interactions that were previously impossible. Contactless ordering, payments, and pickup are among them - processes that are likely to survive COVID-19. Simultaneously the pandemic has hastened the adoption of ideas that had previously struggled to gain traction. This includes virtual tip jars and mobile order-and-pay alternatives, such as those offered by fast-food giants McDonald’s, Subway, KFC, and Burger King. Contactless payments, digital screens, QR menus and click-and-collect are examples of innovative digital endeavours. CSB would have to adapt outlets for safe in-store dining and improve digital ordering, pick-up, and delivery services to address the immediate impact of COVID-19 on the food business.
- **New way of Dining** - The simple fact that many customers found a new love for cooking. According to a recent study, 54% of Indians are cooking more now than they were before the pandemic, with 35% indicating they “like cooking more now than ever”. However, 33% of consumers say they are ordering more takeout than they were before the outbreak. This suggests that, in the post-pandemic normal, people will eat more at home, whether it’s through cooking or takeaway and



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delivery. So CSB would have to accordingly adapt itself uniformly to new changes as soon as possible.

- **Survival instinct** - This phase, according to industry analysts, is the survival of the fittest. As a result, while many transactions will fail, others will merge with larger operations. With the entire country dealing with the impacts of a global recession, all sectors are finding themselves in an unprecedented scenario where they will be forced to make difficult decisions that might have massive budgetary consequences for their enterprises. Although the F&B sector is being forced to face this issue, it is doing so for the greater good of the entire community, even if it will take some time to recoup from the losses incurred during the shutdown period. While expectations of a rapid rebound in post-lockdown days are not foreseeable and will be an uphill challenge, robust performance in the recent quarter will be necessary, The road to profitability will not be easy, and businesses will need to adopt creative and more efficient ways of doing business as well as develop new revenue streams to stay competitive. Hence to stay ahead in this cut-throat competition to recover and raise above post covid era CSB would have to adopt creative and profitable business ideas.

Conclusion :

The F&B industry is headed for a **transformation with digitisation** at its core. Services will grow to become more personalised and customer-centric, creative service offerings will be launched, health and safety will be standardised, operations will become less labour intensive and balance sheets will become cleaner. All these changes will elevate customer experience and set new standards for the industry in the post-COVID era.

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