

McDonald's forays into coffee retail with McCafe

Will compete with cafe chains like Costa, Starbucks, Cafe Coffee Day and Barista

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Mumbai: You will soon be able to walk into a McDonald's outlet, grab a masala grill burger and also have the option of picking up a cuppa cappuccino, latte or mocha from its brand new cafe counter inside the same store.

Hardcastle Restaurants (HRPL), a master franchisee for McDonald's Restaurants for India's west and south regions, is all set to launch the 'McCafe' chain in India. The objective behind this new offering, the company management said, is to tap the growing coffee culture among Indian consumers, thereby bringing incremental sales into its outlets.

Globally, there are over 10,000 McCafes located inside McDonald's outlets with a dedicated space and manpower (baristas) offering a more relaxed seating and ambience.

A subsidiary of Westlife Development, HRPL will open the first McCafe on October 14 inside its refurbished McDonald's restaurant near Haji Ali in south central Mumbai.

According to Amit Jatia, vice-chairman, Westlife Development, the company sees huge potential for coffee retail within the Indian marketplace, considering that consumers have a strong taste for coffee. "The specialty coffee segment is growing and we believe we have found a great place for us to be able to offer quality espresso coffees that will appeal to coffee connoisseurs and those that are new to the growing market place," said Jatia.

Industry experts feel the move is likely to intensify competition in the cafe chain space which is already chock-a-block with Indian and international players like Cafe Coffee Day, Barista, Lavazza and Starbucks.

According to Technopak estimates, the Indian cafe market was estimated to be \$230 million in 2012 and is expected to reach \$410 million by 2017.

Despite the fact that McCafe is a late entrant in

India, Jatia believes that they still have the advantage to grow as their ability to expand is better, considering that they have a larger footprint now.

The McCafe offering is McDonald's third such initiative after desserts and breakfasts over three years ago. Hardcastle will be aggressively expanding the McCafe operations in its territory, launching up to 150 outlets over the next five years.

It currently operates 174 McDonald's outlets and is targeting another 100 new restaurants in the next 20 months.

The company had recently raised Rs 180 crore through a preferential issue and some portion of the money will be utilised to open McCafes and McDonald's outlets. Opening one McDonald's-and-McCafe restaurant costs between Rs 2.5 crore and Rs 3 crore.

The McCafes will be spread across 500 square feet inside a McDonald's store. Coffee will be sold at starting price of Rs 90. It is a step away from McDonald's pricing strategy which focuses on low price points. But Jatia still believes that even though the pricing is higher, it still remains value-for-money. "Considering the quality of items, you can't call the pricing premium. Even McCafe will work on the affordable luxury format."

Considering that beverages have a higher margin than food, McCafes will also help in better realisation. Apart from this, the company is focusing on introducing healthier options in its menu. With items like grilled burgers and muesli muffin, McDonald's plans to cater to health-conscious consumers.

