

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Emerging Growth Market...Bangalore

**Report Categories:**

Market Development Reports

Food Service - Hotel Restaurant Institutional

Food Processing Ingredients

Retail Foods

Dairy and Products

Fresh Fruit

Fresh Deciduous Fruit

Tree Nuts

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**Report Highlights:**

Bangalore, the fifth-largest city in India, is a fast growing and emerging market. The city is favored by international food brands and chains and serves as a test market for many companies wishing to export their products and/or establish partnerships in India. The Bangalore market holds potential for imported U.S. food and agricultural products as its population becomes more familiar with international food brands and cuisines via food and beverage retail and food service providers.

## **General Information:**

### **Introduction**

Located in southern India on the Deccan Plateau, Bangalore, officially known as Bengaluru, is the capital of the southern Indian state of Karnataka. The population of Bangalore has grown by 47 percent to 9.6 million in 2011 from 6.5 million in 2001. Over 90 percent of the population (8.7 million) lives in urban areas of the district, making Bangalore one of the fastest growing and most modern cities in India.

With a Gross Domestic Product of \$83 billion and economic growth of 10.3 percent, Bangalore is home to a strong, skilled work force. Bangalore's annual real GDP growth rate of 8.1 percent from 2007 to 2012 was higher than the rest of the country (6.8 percent).

The state of Karnataka is home to more than 80 Fortune 500 companies and over 700 multinationals. It has been consistently rated as one of the best places to do business by organizations like the World Bank, the Federation of Indian Chambers of Commerce and Industry (FICCI), and The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

The city is India's fourth largest fast moving consumer goods market and with a per capita income of U.S. \$16,000, it is the third-largest hub for high net worth individuals. Moreover, the city is home to over 10,000 millionaires. Bangalore, referred to as the "Silicon Valley of India" by some in the information technology (IT) sector is well known for the large number of international and domestic IT companies calling the area home; including, Dell, IBM, Intel, Oracle, Accenture, Wipro, and SAP Labs. Since 2007, the city has attracted 474 investment projects creating more than 110,140 jobs from foreign direct investment.

Bangalore attributes its productivity premium over the rest of India largely due to its well-developed infrastructure which hosts large innovation centers and centers for learning. Many prominent higher education institutions such as the Indian Institute of Management Bangalore; National Law School; Indian Institute of Science; and, numerous biotechnology schools and engineering colleges have campuses in Bangalore. Also, on infrastructure, Bengaluru International Airport served 12.9 million passengers and transferred 242,000 tons of cargo in fiscal year 2013/14.

### **Image 1. India: Location of Bangalore on the Indian Map (two perspectives)**



Immigration stands as a key driving force in population growth. Due to its thriving high-tech industry, Bangalore is attracting migrants both from within and outside of Karnataka state. During the 2007 to 2012 period, an average 186,000 annual net migrants arrived in Bangalore. According to a study published in 2013 by the Center for Policy Research in New Delhi, 48 percent of migrants to Bangalore are university graduates and post-graduates.

This has created a class of young consumers with high disposable incomes. This growing class is increasingly inclined to global cuisines and styles; namely, Italian, Chinese, Mexican, American (burgers and fast food) and the like. Bangalore has seen a rise in international food and coffee chains in the recent years, too. Also, a wide variety of imported foods and beverages are seen on shelves in retail supermarkets and hypermarkets.

The people of Bangalore are considered warm, hospitable and welcoming. English is broadly spoken by all Bangaloreans for business communications.

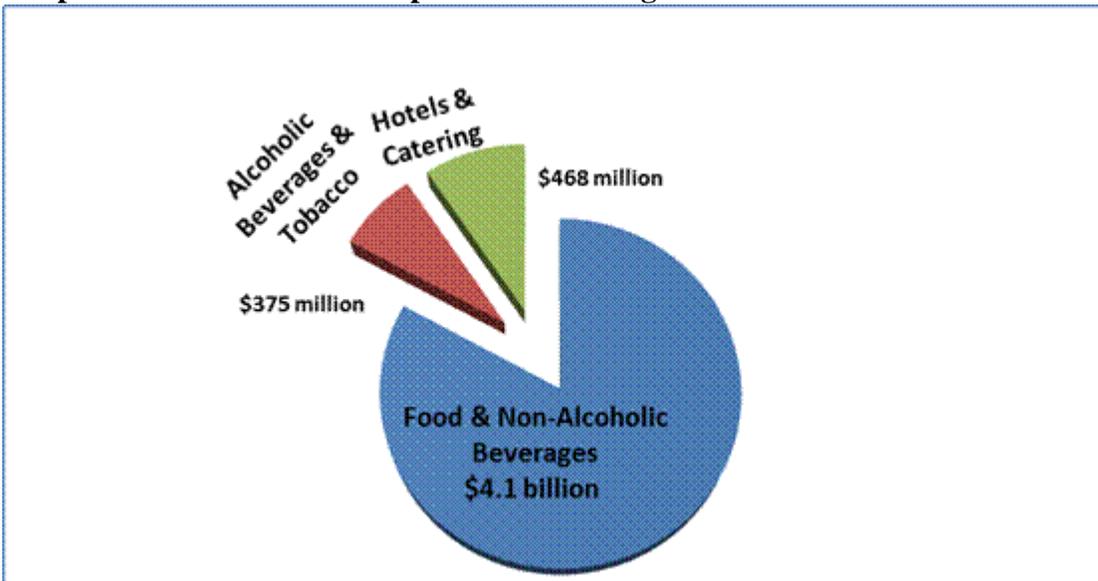
Total consumer expenditure in Bangalore was U.S. \$21.8 billion in 2013 as compared to the consumer expenditure in India of U.S. \$1,085 billion in 2013. Of the U.S. \$21.8 billion, \$4.1 billion was spent on food and non-alcoholic beverages; \$375 million for alcoholic beverages and tobacco; and, \$468 million for hotels and catering. Euromonitor projects that food and non-alcoholic beverages expenditures are anticipated to comprise 15 percent of average household spending in 2017.

With a rise in workforce participation, more people are opting for convenient products; including ready to eat meals, snack bars, breakfast cereals, pasta sauces and salad dressings. Bangalore also sees a rise in the number of premium shopping malls which attracts niche and middle income consumer groups. These groups are exposed to premium and often imported products including organic and frozen foods which are readily available at hypermarkets and gourmet food stores.

**Image 3. Bangalore: Reebok and Calvin Klein Jeans Outlets at a busy Shopping Street**



**Graph 1. India: Consumer Expenditure in Bangalore**



*Source: Euromonitor International*

### Sector Analysis

## Retail

Bangalore contacts see huge market potential for imported food products. As Indians go abroad for school, vacation, or business and when they return home, many have developed a fondness for particular foreign foods or brands. Bangalore's food retail sector is set to surge with modern organized retail expanding with the addition of new outlets. Although the trend for modern retail is accelerating in Bangalore, *Kirana* (small, family-owned, neighborhood shops) stores remain dominant for quick purchases of small items. The shift in preference, however, from neighborhood stores to supermarkets and hypermarkets is largely because of the increase in the urban population combined with the tastes and preferences for high-quality foods. Many shoppers are still price conscious and looking for low prices, but all want shopping experiences in hygienic and comfortable, air-conditioned spaces that offer convenience for individuals and families lacking excess time.

**Image 3. Bangalore: Display Aisle at prominent hypermarket**



The Retailers Association of India (RAI), whose primary focus is to work towards the growth and development of the modern retail industry in India, has a branch office in Bangalore to meet the growing demands and challenges faced by retailers in southern India.

With the growth in shopping malls, many hypermarkets and gourmet stores are securing premium locations within the malls to address consumer's demands who want one-stop shopping experiences when they walk in to a mall for a relaxed evening or during the weekend. Hypermarkets often have a separate entrance from the parking area within the mall leading into the store, to meet the requirements of consumers during weekdays that want to park at the mall and make a quick purchase at the store and head home. Retail stores often, in comparison with *Kirana* stores, offer product discounts, promotions, demonstrations, and sampling thereby attracting and maintaining a loyal customer base. These stores, too, are seen as carrying a wide range of international and domestic products. Imported food products are available in all categories from fresh fruits to sauces, dressings and marinades, ingredients, noodles,

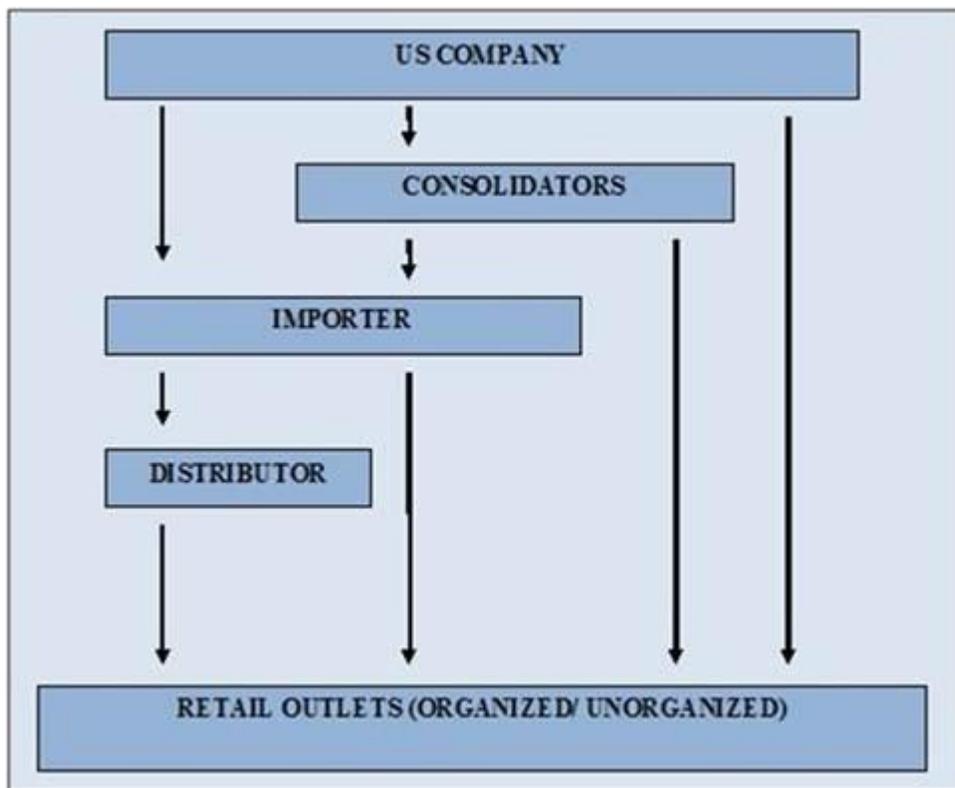
flours, biscuits and cookies, snack foods and beverages. Bangaloreans generally have a preference for product quality and freshness over price.

**Table 1: Modern Retail Segmentation**

Store Format	Store Size (sq ft.)
Grocery Store	500-3,000
Supermarket	10,000-30,000
Hypermarket	60,000-120,000
Convenience Stores	1,000-1,500
Gourmet Store	500-5,000

Source: Post Analysis

Typically, most imported consumer food products are transhipped through regional trading hubs like Dubai and Singapore as importers work in mixed consignments. Most importers are based in Mumbai, Delhi, or Chennai and have distributors who supply retailers, hotels, and restaurants on a day-to-day basis. Imported food and beverage products distributed in Bangalore are brought generally by road or rail from Mumbai or Chennai ports. Some high-value and perishable food products are also air freighted to the Bangalore airport.



**Table 2. India: Major retailers in Bangalore**

Retailer	Format	No. of Outlets in Bangalore
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METRO Cash & Carry	Wholesale mart	3
Tesco (Star Bazaar)	Hypermarket	2
SPAR	Hypermarket	5
Foodbazaar	Grocery Store	19
Hypercity	Hypermarket	3
Foodhall	Gourmet store	1
Spencer's	Grocery store & hypermarket	2 grocery stores & 2 hypermarkets
Heritage Fresh	Grocery Store	12
Foodworld	Gourmet Store, hypermarket & supermarket	40 (of which one is a gourmet store)
Total Super Store	Supermarket	4
Godrej Nature's Basket	Gourmet store	8
Smart Supermarket	Supermarket	28
Namdhari Fresh	Grocery Store	3
Nilgiri's	Supermarket	3

Source: Retailer's websites

**Image 4. Bangalore: Private Label Peas, Lentils, Pulses and Dry Bean at a Retail Store Display**



To meet the growing demands of the city, German based Metro AG, opened their first Metro Cash and

Carry outlet in 2003 to tap the wholesale segment. Their customer base consists largely of hoteliers, restaurants, caterers, and traders whose turnover is between \$6,500 to \$10,000 monthly. As part of their marketing strategy, each customer is given two loyalty cards to extend to individual consumers for retail consumption. The company reports that they have witnessed a rise in sales of their private label products, as well.

Best Product Prospects:

Edible oils, rice, pulses, spices, snack foods (savories and sweets), dessert mixes, fresh fruits

*Source: Trade contacts*

For more information on the retail sector in India, please read our [Retail Annual](#) report.

**Hotels, Restaurants, and Institutions**

India's hotel, restaurant and institutional (HRI) sector continues to expand and modernize as the number of domestic, foreign, and business travelers increases and more consumers patronize both domestic and foreign chain restaurants. The hotel market in Bangalore is broadly divided into three micro markets i.e. the Central Business District (CBD), the Whitefield area, and the Electronic City area. The city is expected to grow further into two additional micro markets; including the Northern (Devanahalli) and Western (Yeshwanthpur) markets. While the CBD comprises mostly first class/luxury hotels that cater to mid-management or higher ranked corporate clients, Electronic City and Whitefield largely consist of midmarket to budget hotels with the exception of a few first class hotels. ITC, Sheraton, Taj, Westin, Oberoi, Marriott, etc. all have a presence in Bangalore. The hotels have restaurants that cater to western as well as Indian cuisines.

Hotels are seen as the most chic place to host corporate gatherings, celebrate wedding functions, bridal showers, baby showers, and birthday parties and host kitty parties, most of which are held at restaurants or banquet halls in the hotels. Hotels hire chefs from international countries to meet the tastes of consumers looking for authentic international cuisines, famous of which are Italian, Chinese, Japanese, Thai, Mexican and Lebanese foods. They also run exchange programs with their counterparts in different cities (both India and abroad), where visiting chefs promote cuisines from their originating cities like Goan, Maharashtrian and south Indian delicacies as well as European and southeastern Asia fair. Five star hotels have also started offering outdoor catering for parties at home for the socialite and elite Bangaloreans who believe in the luxury-in-privacy concept.

With rise in the upper middle and high income class of Bangaloreans and fast paced work life, spending relaxed evenings and long weekends has increased demand for restaurants and hotels to offer multi-cuisines and serve local, international and exotic foods in a cozy, relaxed and peaceful atmosphere.

Quick service restaurants and coffee houses are also seen on the rise in the city of Bangalore. Rising disposable incomes, global exposure and want for comfort has given rise to the need to eat out at restaurants. Many international food chains are seen to be opening their first outlets in Bangalore and expand into the cities of New Delhi and Mumbai. Food chains like Taco Bell, KFC, Pizza Hut, McDonalds, Papa John's, Chilli's, Krispy Kreme, Starbucks, California Burrito, etc are seen crowded with consumers even on a busy work day. The success of international food chains in India owes their competitive strategy of amending their menus to fit local consumer's food tastes and culture. For example, McDonalds introduced a vegetarian paneer tikka (cottage cheese) burger and Pizza Hut a

vegetarian paneer tikka pizza. Also, following religious norms of the country, many chains do not serve beef and pork products in their outlets.

There is a rise in local chains as well; including, Café Coffee Day, Barista Coffee, Pizza Corner, etc. These chains source a few of their products from foreign origins, namely: syrups, beans and bakery ingredients. Most of these outlets source their products through local distributors and importers as opposed to directly importing products from international markets.

**Image 5. Bangalore: Krispy Kreme, Starbucks, and Levi's Outlets at a Newly Constructed Shopping Street**



There is growing potential in the hotel and restaurant sector in Bangalore.

Best Product Prospects:

Fresh fruits, sauces, condiments, and bakery/confectionary ingredients

*Source: Trade contacts*

For more information on the HRI sector in India, please read our [Food Service Annual](#) report.

**Food Processing**

Karnataka is the largest producer of coffee and cocoa (70%) in the country. Other products that follow

this category are plantation crops, flowers, grapes, spices, fruits, maize, coarse cereals, sugarcane, pulses, and sunflower. Karnataka is also one of the largest producers of cashew nuts in India accounting for 8.5% of national production.

Rising incomes, a young population, more working women, an expanding food retail sector and steady urbanization are combining to change food consumption patterns with an emphasis on convenience, quality and food safety; especially in Bangalore which is a growing industrial and commercial hub.

According to data provided by the Ministry of Food Processing, the food processing sector accounts for 1.5 percent of gross domestic product and is valued at \$14 billion. Food processing's share of GDP has been unchanged for eight years. According to the latest Annual Survey of Industries, there are 36,881 registered food processing units in the country with 1.7 million people employed in the sector.

Several major international food companies have operations in Bangalore; including, [Nestle](#), [Unilever](#), [Global Green](#), [Danone](#), [Wrigley](#), [Heinz](#), [Pepsi](#), [Coca-Cola](#), [Nissin](#), and [Ovobel](#), among others. According to media sources, Cargill India Pvt Ltd plans to set up a new corn milling plant near Bangalore with an investment of Rs 500 crore (U.S. \$78.81 million). The plant will process corn to produce glucose and other derivatives that will be used as sweeteners, thickeners and for other purposes in the food and healthcare industry. Reportedly, Eastern Condiments has planned to build its ninth plant in the country in Bangalore. Additionally, as of December 2014, Burger King was reportedly considering Bangalore as a potential location to expand its operations.

Starbucks Coffee Company and Tata Coffee opened a new coffee roasting and packaging plant in February 2013 in Kushalnagar in Karnataka (not far from Bangalore). The new plant plans to also supply roasted coffee to markets across the world as part of their expansion goals and integration in the Starbucks' network of roasting plants located across the world.

The bakery and food processing industry has seen tremendous shift in consumption patterns in Bangalore due to modernization and adaptation to western culture. The opening of premium malls with international and regional coffee houses and bakeries and gourmet food stores is pulling along demand for additional and conveniently packed ingredients.

Many bakeries have been seen using specialty imported ingredients which include flavors, shortenings, leavening agents, and flours which they source from Indian distributors in mixed containers. Presently, imports of these products are generally in small quantity batches. In addition to strong competition from domestically-produced inputs, U.S. exporters of food ingredients face high tariffs and effective import bans in certain categories. Tariffs on many ingredients are 30-40 percent. In addition, there are several additional fee-based tariffs that could apply. Imports of food ingredients into Bangalore from the United States were \$2.8 million in 2013 - up by 75% from 2012.

### **Image 6. Bangalore: A Bakery shop at the Orion Shopping Mall**



A number of agro-food parks and food processing Special Economic Zones (SEZ) are in the state of Karnataka. The latest addition to which is Future Retail's food park on the outskirts of Bangalore. This location was opened in September 2014 and includes a factory for processing food, fruit-ripening chambers, grain-storage silos, and a pasteurizing unit. U.S. exporters of high quality ingredients that are not produced in India are likely to find the best opportunities.

Best Product Prospects:

Dried fruits and nuts, fillings, flavorings, and baking flours

*Source: Trade contacts*

For more information on the food processing sector in India, please read our [Food Processing Ingredients Annual](#) report.

**E-commerce**

With an estimated population over 1.2 billion and an emerging retail market, India's online retail sector is showing fast changes. Karnataka Government is offering free Wi-Fi to residents of Bangalore. It is the first free Wi-Fi service in the country. Consumers will be able to connect using their smartphones, tablets, netbooks, laptops and other mobile devices.

Consumers' lifestyles and preference for convenience in Bangalore is geared towards time savings for urban residents to order goods online. Also, with the availability of multiple payment methods such as online banking, credit cards, debit cards, and cash-on-delivery, mobile shopping has meant that it is convenient for urban consumers, too.

Several websites such as "BigBasket.com" and "NaturesBasket.com" are popular among India's urban

consumers. Recently, India launched out of Bangalore the portal “Amazon.in” with a food and gourmet products basket. “Amazon.in” plans to follow the third party sellers’ market formula to establish itself in the market before adapting to the marketing formula for amazon.com. As of December 2014, they had about 1,600 food and gourmet product SKU’s with plans to expand their gourmet line of products several fold.

Other key players in India’s e-commerce sector are “Flipkart.com” and “Snapdeal.com”. Both companies seem to be waiting to see the success rate of “Amazon.in” venture in the gourmet food sector before diving in, as well.

For more information on the food ecommerce sector in India, please read our [Online Grocery Retail](#) report.

**Table 3. India: Imports of Agricultural Products into Bangalore (land and air) Ports from the United States by HTS Code in Value**

HTS Code	Description	Value (U.S. Dollars)		% Share		Percent Change
		2012	2013	2012	2013	
330210	Mixtures Odoriferous Substance Use Food/ Drink Ind	367,961	1,112,235	22.8	39.3	302.27
170250	Chemically Pure Fructose In Solid Form	233,089	436,435	14.4	15.4	187.24
350790	Enzymes And Prepared Enzymes, Nesoi	166,042	333,868	10.3	11.8	201.07
210690	Food Preparations Nesoi	178,567	252,657	11.0	8.9	141.49
350400	Peptones, Other Proteins & Deriv Etc;	141,623	198,390	8.8	7.0	140.08
350290	Albumin & Albumin Derivatives, Nesoi	3,439	52,081	0.2	1.8	1,514.42
130219	Vegetable Saps And Extracts, Nesoi	296,902	50,301	18.4	1.8	16.94
190490	Cereals (Not Corn), Grain Form, Prepared, Nesoi	-	44,083	0.0	1.6	-
291570	Palmitic Acid, Stearic Acid, Their Salts And Estrs	3,091	39,190	0.2	1.4	1,267.87
090411	Pepper Of Genus Piper, Neither Crushed Nor Ground	44,084	34,351	2.7	1.2	77.92
220421	Wine, Fr Grape Nesoi & Gr Must W Alc, Nov 2 Liters	2,183	28,126	0.1	1.0	1,288.41
330129	Essential Oils, Nesoi	21,888	22,566	1.4	0.8	103.10
350510	Dextrins And Other Modified Starches	18,045	19,354	1.1	0.7	107.25

190590	Bread, Pastry, Cakes, Etc Nesoi & Puddings	91	17,937	0.0	0.6	19,710.99
292320	Lecithins And Other Phosphoaminolipids	10,108	17,654	0.6	0.6	174.65
330190	Concentrates Etc Of Essential Oils, Nesoi	1,576	16,095	0.1	0.6	1,021.26
110630	Flour, Meal & Powder Of The Products Of HTS Chapter 8	-	16,003	0.0	0.6	-
230990	Animal Feed Prep Except Dog Or Cat Food, Retail Pk	3,145	14,108	0.2	0.5	448.59
170230	Glucose (Dextrose), Under 20% Fructose In Dry Form	11,093	13,660	0.7	0.5	123.14
130239	Mucilage & Thickner W/N Modified, Frm Veg Prd Nesoi	14,064	13,516	0.9	0.5	96.10
230400	Soybean Oilcake & Oth Solid Residue, Wh/Not Ground	-	13,188	0.0	0.5	-
010619	Mammals, Live, Nesoi	7,541	10,299	0.5	0.4	136.57
151219	Sunflower-Seed Or Safflower Oil, Refine, Fract Etc	3,064	8,338	0.2	0.3	272.13
520100	Cotton, Not Carded Or Combed	519	7,900	0.0	0.3	1,522.16
330119	Essential Oils Of Citrus Fruit, Nesoi	27,889	7,381	1.7	0.3	26.47
130231	Agar-Agar	-	5,870	0.0	0.2	-
130220	Pectic Substances, Pectinates And Pectates	18,315	5,169	1.1	0.2	28.22
330113	Essential Citrus Fruit Oils Of Lemon	6,013	5,013	0.4	0.2	83.37
330112	Essential Citrus Fruit Oils Of Orange	1,433	4,913	0.1	0.2	342.85
330124	Ess'l Oils Of Peppermint (Mentha Piperita)	2,406	3,379	0.1	0.1	140.44
170199	Cane/Beet Sug Chem Pure Sucrose Refind Nesoi	10,271	2,742	0.6	0.1	26.70
210210	Yeasts, Active	2,687	2,550	0.2	0.1	94.90
170219	Lactose In Solid Form And Lactose Syrup, Nesoi	2,805	2,467	0.2	0.1	87.95
130190	Natural Gums, Gum Resins, Resins And Balsams Nesoi	1,755	2,309	0.1	0.1	131.57
180400	Cocoa Butter, Fat And Oil	2,210	1,796	0.1	0.1	81.27
110820	Inulin	177	1,279	0.0	0.0	722.60
151529	Corn (Maize) Oil, Refined, & Fractions, Not Modif	1,091	1,015	0.1	0.0	93.03

130232	Mucilages/Thicknrs Frm Locust Bean/Seed, Guar Seed	472	1,010	0.0	0.0	213.98
151800	Anml/Veg Fats & Oils Chem Modified; Inedbl Mxt Etc	1,863	928	0.1	0.0	49.81
170290	Sugar, Nesoi, Incl Invert Sugar & Syrup	1,305	891	0.1	0.0	68.28
350190	Caseinates & Other Casein Derivatives; Casein Glue	95	815	0.0	0.0	857.89
210220	Yeasts, Inactive; Oth Single- Cell Dead Micro-Orgnm	303	693	0.0	0.0	228.71
350219	Other Egg Albumin, Except Dried	-	675	0.0	0.0	-
350110	Casein	183	642	0.0	0.0	350.82
151519	Linseed Oil, Refined, NCM	169	552	0.0	0.0	326.63
291615	Oleic, Linoleic Or Linolenic Acids, Salts & Esters	17	457	0.0	0.0	2,688.24
151590	Fixed Veg Oil, Ref Or Not, Nesoi, NCM	877	448	0.1	0.0	51.08
150990	Olive Oil/Fractions, Refined But Not Chem Modified	350	362	0.0	0.0	103.43
151229	Cottonseed Oil, Refined, And Fractions, Not Modif	3,129	338	0.2	0.0	10.80
120810	Flours And Meals Of Soybeans	-	317	0.0	0.0	-
151530	Castor Oil, Whether/Not Refined, Nt Chem Modified	-	212	0.0	0.0	-
110813	Starch, Potato	-	143	0.0	0.0	-
110812	Starch, Corn (Maize)	-	143	0.0	0.0	-
151550	Seasame Oil Whether/Not Refined NCM	135	132	0.0	0.0	97.78
150890	Peanut (Ground-Nut) Oil, Refined, NCM	-	111	0.0	0.0	-
110900	Wheat Gluten, Whether Or Not Dried	47	108	0.0	0.0	229.79
210610	Prot Conc. & Textured Prot Substances	2,289	52	0.1	0.0	-
200990	Mixtures Of Fruit And/Or Vegetable Juices	-	42	0.0	0.0	-
All	Agricultural Total	<b>1,616,401</b>	<b>2,827,289</b>	<b>100</b>	<b>100</b>	<b>174.91</b>

## POST CONTACT AND FURTHER INFORMATION

For further information about the Bangalore and other markets, please contact the following USDA offices in India.

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**Image 7: Bangalore Heritage - Bangalore Palace**

