



Startup Speakeasy

Honest conversations. Real stories

S01 | EP05 | Behind the beans: Blue Tokai's journey



Musical intro

Karan Marwah

Hello and welcome to "The startup speakeasy" by KPMG in India. My name is Karan Marwah, and I'm here today with, someone whose brand I'm a personal fan of. We have with us Matt Chitharanjan, who set up Blue Tokai and has taken it to a different level. I would say as far as coffee and what it means for Indian consumers cause. Matt, it's lovely to have you here today. Thank you so much for, you know, coming over and having a chat with us. Really appreciate that.

Matt Chitharanjan

Oh, it's a pleasure to be here. Looking forward to having our conversation.

Karan Marwah

Absolutely. Maybe let's start with, personal element here. You know, let's get to know you. Because, honestly, I try to do my research. But there wasn't a lot to sort of, read up about you. I'd love to know your personal journey. I know you spent some time in the US, and you started out with a very different career path, and then landed up doing coffee, which is great for us. But you want to just maybe talk to us about that?

Matt Chitharanjan

Sure, sure. So, I was born and brought up in the US. Actually, my father. He's Indian. He's from Chennai. He emigrated and he started teaching.

Karan Marwah

Where in the US?

Matt Chitharanjan

Wisconsin.

Karan Marwah

Oh, wow.

Matt Chitharanjan

Okay. So, I grew up in a very small town. Very different. Very different from where I am now.

Karan Marwah

Yeah.

Matt Chitharanjan

The town I had, grew up in was only 20,000 people.

Karan Marwah

Wow.

Matt Chitharanjan

So, I graduated went to college in NYU and studied finance. Then I moved to the San Francisco Bay area, and I was doing economic and real estate consulting there. And actually, that was really where I got into coffee. So, during college, actually, from a very young age, I grew up in a coffee drinking household. So, yeah, I sort of progression, kind of mimics what, the family which many families are going through.

Karan Marwah

Right.

Matt Chitharanjan

Started off drinking Folgers instant coffee. Once in a while, we'd get, we get better quality coffee from a local roaster. But then in college, I would drink Starbucks.

Karan Marwah

Yeah.

Matt Chitharanjan

And that was purely because it was a functional drink. I just needed that caffeine hit to be able to study, but, then when I was in San Francisco, I was exposed to specialty coffee. And so that coffee culture.

Karan Marwah

Which year was this?

Matt Chitharanjan

This was in 2003 is when I moved there.

Karan Marwah

I guess this is about the time that, you know, it was taking off, right? Artisanal coffee and all.

Matt Chitharanjan

Yeah. Actually, the first blue bottle there, actual cafe was in a garage that was right around the corner from my apartment.

Karan Marwah

Oh, well, that's a story.

Matt Chitharanjan

So, being exposed to that made me see how coffee could be so much more than just a functional drink.

Karan Marwah

Yeah.

Matt Chitharanjan

How it's sourced, how it's roasted, how it's brewed, how it's communicated. These all have a big impact. And actually, coffee has more flavour potential than wine and people.

Karan Marwah

I didn't know.

Matt Chitharanjan

All that snobbery about, you know, the notes in wine, but that, hadn't happened to coffee yet. So, while I was there, I started roasting coffee as a as a hobby. Both my parents being professors, I thought I'll also become a professor. So, then I went to grad school in Canada, to get a master's degree, and I quickly realised that academia wasn't for me.

Karan Marwah

What did you post-grad in?

Matt Chitharanjan

Economics.

Karan Marwah

Okay.

Matt Chitharanjan

But while I was there, I sort of got an interest in international development and economic development. So, after that, I moved to the Middle East, to Jordan. I did a development project there for a year. Then I moved back to the US, working for an NGO that did, development around handcrafts.

Karan Marwah

Okay.

Matt Chitharanjan

I was doing monitoring and evaluation for them. I was living in Hartford, and I was quite miserable. It wasn't a very, appealing city, for me. And so, I started looking for new opportunities. And I saw that there was an opening at, a place called IFMR in Chennai.

Karan Marwah

So, from Hartford to Chennai.

Matt Chitharanjan

From Hartford to Chennai.

Karan Marwah

That's quite a leap.

Matt Chitharanjan

So, the job itself was something that I thought was quite interesting. It was working on research projects of U.S. and European universities doing the on the ground execution in India. And plus, still half my family lives in Chennai.

Karan Marwah

Okay.

Matt Chitharanjan

So, I thought I get the opportunity to spend time.

Karan Marwah

Get back to the roots.

Matt Chitharanjan

But honestly, I thought I would come for a year and then I would move on to some other assignment.

Karan Marwah

And as it happens, that never happens, right? It never goes to plan.

Matt Chitharanjan

Actually, I blame Namrata for that. Namrata was working at the same centre. So, we ended up meeting. We ended up, falling in love and getting married.

Karan Marwah

So that's where you met in Chennai?

Matt Chitharanjan

Yeah. So, she was also working at IFMR.

Karan Marwah

Okay. Was in love at first sight?

Matt Chitharanjan

Very quickly, actually.

Karan Marwah

Was coffee a common factor?

Matt Chitharanjan

She is also very interested in coffee.

Karan Marwah

Yeah.

Matt Chitharanjan

We ended up getting married within, I think, eight months of meeting.

Karan Marwah

Oh wow, that is quick.

Matt Chitharanjan

It was very, very, very fast.

Karan Marwah

And when was this?

Matt Chitharanjan

This was in 2012.

Karan Marwah

Okay.

Matt Chitharanjan

2012. So then after marriage, I mentioned that I didn't really like living in Chennai. Her parents were living in Delhi. So we would visit, and I love Delhi as a city. I thought it had, amazing energy. I love the history.

Karan Marwah

Being a Delhiite, I'd have to agree with you, but why did you prefer Delhi to Chennai?

Matt Chitharanjan

So, Chennai feels more like an urban village to me. I grew up in a village.

Karan Marwah

Have you going back recently?

Matt Chitharanjan

Yeah. Yeah. Well, now it's changed. Yeah, and I think in another five years they doing all the Metro work and everything, and it's going to change again. A really nice city. And Namrata would be happy to move there right away. She loved it so much. But yeah. So then we moved to Delhi, and this was in 2012. And then, we both hit points in our careers where we were kind of tired of what we were doing and looking for a change. And having done mostly desk jobs my entire life, I wanted to do something very physical, like, create something with my hands. So I looked at brewing beer because that was also a hobby of mine. But the investment required is very high. Plus, you have to deal with licensing and, taxation.

Karan Marwah

Yeah, it's a hassle. Can be a hassle.

Matt Chitharanjan

Yeah. So, then Namrata suggested coffee, actually.

Karan Marwah

Okay.

Matt Chitharanjan

And that was something that we both had a very shared passion for. And especially at that point in time in 2012, it was very difficult to find the quality coffee.

Karan Marwah

Oh yes.

Matt Chitharanjan

So you had some of the international chains, but they were more because selling commodity coffee, very little differentiation.

Karan Marwah

Yeah. I think the whole artisanal movement never happened here, until a few years ago, I think.

Matt Chitharanjan

Yeah. So it was really mass chains or there's imported coffee. Imported coffee has 100 per cent duty.

Karan Marwah

Yeah. Priced out for a lot of people.

Matt Chitharanjan

It's, unaffordable. So we started doing some research. We found that there were estates in India who are producing very high-quality coffee, but they weren't selling it domestically. Yeah, they were all exporting. So Namrata started cold calling these farms. Luckily, she was able to get through to one or two. So then we went down South. We met them. We pitched them on our idea. Some were receptive, some were not.

Karan Marwah

I'm sure the those who weren't are regretting it now possibly.

Matt Chitharanjan

Yeah. Yeah. So I think, it was it was a big leap of faith on their part, I would say, because we're just two random people. No background in coffee coming from Delhi.

Karan Marwah

We just love coffee. We'd like to sell it.

Matt Chitharanjan

Yeah. Tell us your best quality coffee and let us roast it and let us sell it under your name. Why they said yes. Even now, I kind of wonder. But we were fortunate that we got, around six estates that we started working with. And we're really happy that, even to this day, we still source coffee from the same estates.

Karan Marwah

And where in the south were these?

Matt Chitharanjan

That was in Coorg and, Chikkamagaluru and Nilgiri Hills were the first.

Karan Marwah

That's where a lot of the good stuff still comes from I think.

Matt Chitharanjan

So actually, you can get good coffee all over India. So even in Kerala, even in Orissa, even in Andhra.

Karan Marwah

Yeah. I think Orissa is coming up quite well.

Matt Chitharanjan

Yeah. So now there's a big focus on more the non-traditional areas.

Karan Marwah

Yeah.

Matt Chitharanjan

So it depends. You need to have, very good quality, plant material. Then you also have the right climate conditions. Then you have to have the knowledge and expertise to process.

Karan Marwah

Just like wine.

Matt Chitharanjan

Yeah, exactly. Exactly. Yeah. Yeah. So that's how it started.

Karan Marwah

Where was this? What was the first cafe in Saidulajab?

Matt Chitharanjan

Actually the business started as an online business. We were lucky that Namrata's parents had an extra room in their house. So first we started in the bedroom on one floor, then the business grew, then they converted. They had a veranda that we turned into a roastery.

Karan Marwah

And who were the early customers?

Matt Chitharanjan

So the early customers I would say, is that they were people who already knew what specialty coffee was.

Karan Marwah

Yeah.

Matt Chitharanjan

So we were kind of tapping in.

Karan Marwah

I remember I tried ordering, I don't remember, if I got it. It's been a while. So, apologies for that. So, there were people even at that time who were looking for specialty coffee?

Matt Chitharanjan

So people who had travelled abroad or lived for outside for some time. They were looking for that type of coffee in India, and then they couldn't find it.

Karan Marwah

But how do you get the word out?

Matt Chitharanjan

It was totally through word of mouth initially. There was no big, because actually, we didn't start it to start a business.

Karan Marwah

Yeah.

Matt Chitharanjan

We started as a passion project. We wanted to have this type of coffee to drink. So we didn't do it as business.

Karan Marwah

Isn't that the best way to start a business?

Matt Chitharanjan

It's good in some ways. Maybe not great in others, but, for us, it worked out. And so we would do a lot of these farmers markets, a lot of pop-up events, a lot of tastings, more on the ground executions.

Karan Marwah

Yeah. Get people to taste it and then adopt it.

Matt Chitharanjan

Because the great thing about coffee is, it's very social.

Karan Marwah

Yeah.

Matt Chitharanjan

If you're a coffee lover and you like a coffee, you're going to tell the world.

Karan Marwah

Yes.

Matt Chitharanjan

So if you're able to really make a good connection with a few customers, they can really spread it really wide.

Karan Marwah

Yeah.

Matt Chitharanjan

So that's how we got some good traction initially. And then we started supplying wholesale to other cafes, restaurants. Actually, this chain, L'Opera, was one of our first customers.

Karan Marwah

Okay. That explains why the coffee is what it is.

Matt Chitharanjan

Yeah. So actually, we now know it's not that we don't supply them anymore.

Karan Marwah

Oh, okay.

Matt Chitharanjan

Then we sort of reach an inflection point. We had hired some people. We were, actually profitable at that time. Saw

potential in the business. And so we had to decide, do we want to keep it's kind of a mom-and-pop lifestyle business, or do we want to raise outside capital and scale it?

Karan Marwah

Yeah.

Matt Chitharanjan

So, that was actually a very, big debate.

Karan Marwah

Has to be.

Matt Chitharanjan

A move to go, just set up a roastery cafe there and live a very calm, relaxed life. But we ended up this, feeling that the opportunity was too low. That, we did have some first mover advantage. There was no one really doing specialty coffee before we started.

Karan Marwah

Yeah.

Matt Chitharanjan

And it would be very easy for someone to come in and kind of take that away if we didn't scale the business. So that's when we started reaching out to investors, raised some capital, and then we moved to the sales of the job, which ultimately became our first cafe.

Karan Marwah

Awesome. I think, you know, just doing a deep dive on, sourcing. And you mentioned, you know, going down to the estates and actually choosing and convincing, you know, the estate owners to sell you coffee. But I think it's true for largely for, you know, all agricultural India and, you know, the ability to trace what, what you're consuming or what's on your plate, making sure it reaches you, in your case, to the roastery in the shape and form that it needs to with the quality not getting, diluted. Has that been a challenge? And how do you solve that?

Matt Chitharanjan

Yeah. So, I would say it's a challenge and an opportunity. So one of the good things is that before we started, people would never highlight where their coffee came from. Yeah. And they would even this would be like, you know, rain mist blend, or cloud burst.

Karan Marwah

Yeah. Exotic names without lineage.

Matt Chitharanjan

Sometimes they would just say the estate. Sometimes they wouldn't say anything. And actually, when we first started meeting some growers, people were telling us, don't put the name of the estate on the packet, because then people will copy you, they'll go to that estate and they'll just, source the same coffee. And that's ended up happening. But that's fine. Right?

Karan Marwah

Yeah. You just go on the market.

Matt Chitharanjan

Yeah. So, that even that basic level of transparency wasn't common at that time.

Karan Marwah

Yeah.

Matt Chitharanjan

So and that was very important to us because ultimately, the coffee that you get in your cup is only going to be able to, to be as good as what's happening at the farm.

Karan Marwah

Yeah.

Matt Chitharanjan

There's no magic that we can do that if the coffee which

Karan Marwah

We'll come back to that. I do have a question for the magic that you guys do in the kitchen or the roastery in your case, but yeah. So going back to sourcing.

Matt Chitharanjan

That's why it's very important for us to highlight that now, growing that means that you have to put in a lot of effort in terms of developing great relationships with the farms, finding out, you know, we so we have now we have a team that goes throughout the entire country. So not just the South, but in, you know, Orissa, Andhra, they even started working in the northeast to identify estates that have good

potential. And so it might be that right now you're kind of at the cusp of being able to supply us with, with specialty coffee. So we can suggest some interventions where if you do certain different practices at the farm level, then maybe the next year we can start buying from you.

Karan Marwah

So typically, what's the period of time that you curate, or do these interventions?

Matt Chitharanjan

So the harvesting happens now, with climate change has become a bit more unpredictable. It used to be fairly predictable from starting in, November and ending by, you know, Jan, Feb now, starting as early as October and going up to March.

Karan Marwah

And you see yields getting impacted too?

Matt Chitharanjan

Yields are getting impacted because what's happening is there's rain that happening at the wrong time.

Karan Marwah

Yeah.

Matt Chitharanjan

Coffee is actually a very sensitive agricultural product. And it's just the right amount of rain to happen at just the right time. And it's the sun to come out at a certain time in the right temperatures. And so now climate change is causing this to be very erratic. So it could be that on one side of the hill, people have the right conditions, one year. On the other side of the hill, it's more time where it's, deeply affected.

Karan Marwah

But how do you solve for that? Because that's the reality right now.

Matt Chitharanjan

We just have to diversify. So now I mentioned we started with 5 or 6 estates. Now there's more than 50 that we work with. And we also make sure that we, we try to be a long term partner for the growers so that even if you have a bad harvest one year, we'll still buy some coffee from you so that we maintain that relationship, because ultimately, this is a very relationship driven.

Karan Marwah

Yes. Yeah. But do you see that? I guess growing up, you know, that trust that you trying to build with the grower and possibly, I'm sure you trying to give them more value by doing this, is that, getting reciprocated, in terms of the longevity?

Matt Chitharanjan

Yeah. So most of the people that we sourced from we've we have a very long term relationship.

Karan Marwah

Yeah.

Matt Chitharanjan

It goes both ways. Right. That, so if we if we support a grower for a certain amount of time, and then the next year, they decide.

Karan Marwah

Yeah, that's exactly what I was asking.

Matt Chitharanjan

Yeah. We'll stop working with them. Yeah. And we're fortunate there's a, there's enough growers right now that we can afford to do that. And also we've established a reputation. We've been doing this for 12 years now. So people know that when they're dealing with us, we're not we're we operate in a very ethical manner. If we say that we're going to pay you, will pay you, we'll pay you the rate that we agreed on. Yeah. So, that's very important to us.

Karan Marwah

Who came up with the name?

Matt Chitharanjan

Namrata, actually. So we wanted to, it's a big thing for us was that people in India didn't even know that India grew coffee. And especially.

Karan Marwah

Yeah, the perception is we are a tea drinking nation. Right.

Matt Chitharanjan

And people didn't know that India has high quality coffee.

Karan Marwah

Yeah.

Matt Chitharanjan

So it was really important to highlight the Indian ness of it. And so, Tokai is actually an old Malabar word for the tail of the peacock, so.

Karan Marwah

Oh, now, now that explains why you have the peacock on the cups.

Matt Chitharanjan

Peacock is the national bird of India, you go to coffee estates, you'll see peacocks flying around. So we thought it tied it nicely. And actually, she made that logo herself.

Karan Marwah

Oh, that's a lovely story.

Matt Chitharanjan

Yeah.

Karan Marwah

So I think I'm a huge fan, you know. So is my son. So are a number of my colleagues at KPMG, I think the one question that always bothers me, you know, especially when you think about QSR and, you know, the whole I guess eating out, whether it's eating out, how do you ensure the consistency that a customer gets every time he comes to the store and, you know, has that cup of coffee because that's the make or break, right? In terms of being able to scale this up and keep growing, what goes into it for you? What goes into every cup of coffee, I guess, to get it to that level of consistency.

Matt Chitharanjan

So there's many, many things that have to be, executed well for that to happen. So one good, good thing is that if we're able to control the quality of the coffee that's going to the store, that solves a lot of it. So we have incredibly rigorous, QC procedures on the roasting processes. We do colour sorting of the green beans before they even go into the roaster. We have a roaster that's hooked up to a computer software. So there's a profile associated with each coffee. And there's certain tick marks that the roaster has to meet. Otherwise it automatically flags it and says it.

Karan Marwah

So is it mechanised or is it automated?

Matt Chitharanjan

It's not automated. The roaster has to control it, but they get to see in real time how.

Karan Marwah

So it's imaging essentially

Matt Chitharanjan

It's basically temperature probes throughout the machine. So the temperature path and the rate of change on the temperature.

Karan Marwah

That's very interesting.

Matt Chitharanjan

So, that's one step. Then after that, it goes through another level of colour sorting, then every batch is tasted. So we have four Q Graders and Q Graders is an international certificate to be able to taste coffee objectively.

Karan Marwah

And these are people you trained up?

Matt Chitharanjan

Yeah, they all came, have grown, gone through the, the system.

Karan Marwah

And where do you keep them safe? I'm sure you know, the there's the risk of them getting poached.

Matt Chitharanjan

And so, we're lucky in that, because we've, they've been working with us for a very long time. We've supported them, and, like, help them grow in their careers. So, there's at least some loyalty, the, you know, that's also a relationship. It is also we they need to be compensated and treated well and given more opportunities. But it's a two way path. And actually one of the, I think it was the third employee. So he was working at the house. He's actually become a Q Grader. He's a guy from.

Karan Marwah

Oh wow.

Matt Chitharanjan

You know, grew up in a village in West Bengal and, and just like, that's probably one of the things that I'm most proud of, that now he's one of the few Q Graders in the country, but they oversee the quality of coffee at the roastery then now when it goes to the cafe, one is we invest a lot in equipment. So the quality of equipment that you put in there, that means that the consistency increases.

Karan Marwah

Yeah.

Matt Chitharanjan

And then we also try and layer on some tools to help them automate processes. So like the coffee grinder dispenses exact amount of coffee. There's a tamper automatic tamping machine that tamps the right amount of.

Karan Marwah

Yeah. It's seen those.

Matt Chitharanjan

Yeah. The, espresso machines dispense the right amount of water.

Karan Marwah

So does the water matter?

Matt Chitharanjan

Yeah, yeah, the 90 per cent, 95 per cent of coffee is water.

Karan Marwah

So how do you how do you take care of water?

Matt Chitharanjan

We've tied up a company that delivers a certain water profile across all of our locations.

Karan Marwah

Wow. That is that has to be a logistical challenge.

Matt Chitharanjan

Then the last part is training. So, you know, I feel very strongly that if, your team is able to deliver, let's say, a six out of ten coffee, but a nine out of ten-customer service, you'll be very, very happy because if you deliver a nine out of ten coffee and if your customer service isn't there, you'll feel like there's a not a good experience.

Karan Marwah

So this training is in-house?

Matt Chitharanjan

Yeah. So it's been an iterative process before. We used to over index on people who had coffee skills.

Karan Marwah

Yeah.

Matt Chitharanjan

Now we over index on people who are able to communicate well with people.

Karan Marwah

Yeah. If you can't tell it, you can't sell it, I guess.

Matt Chitharanjan

Yeah. Absolutely. Absolutely.

Karan Marwah

I think the other interesting thing that's happening is, and there's a lot of debate about it, right? The whole premiumisation of, consumer brands in India.

Matt Chitharanjan

Yeah.

Karan Marwah

There are various schools of thought. One says that that's here to stay and it's growing. You know, there's another alternate school of thought which says that that's still a

limited sort of space and a segment of consumers. What's your view on that? You've been successful and, you know, again, selling coffee to a nation of tea drinkers or perceived tea drinkers, I think, a large part of the country drinks coffee, and swears by it. So do I, but, what are your thoughts?

Matt Chitharanjan

Yeah. I think ultimately, if India continues on the same growth path that it's on, premiumisation will just accelerate. When we started, the idea was that if you wanted something premium, you had to get it from outside. It had to be imported.

Karan Marwah

Yeah.

Matt Chitharanjan

What's made domestically is never up to the mark. Everything that's imported is of high quality. And now that I feel like that that mentality doesn't exist anymore. There's been enough premiumisation done in the right way across brands, within food, outside of food that now. And you can get any high flying

Karan Marwah

Indian brands are aspirational.

Matt Chitharanjan

Yeah.

Karan Marwah

So whether it's premium spirits or coffee.

Matt Chitharanjan

Yeah. Meat, cheese, beer.

Karan Marwah

Yeah.

Matt Chitharanjan

It's across, you know, luggage. It's a cross category.

Karan Marwah

But was it a challenge? How did you discover price points? I guess because again you can still get a cup of tea for a rupee in certain parts of the country today, to convince people to part with a certain price for a cup of coffee.

Matt Chitharanjan

So we're fortunate that, tea is very much tied to that price point. Coffee has always had some increased pricing power because it's seen as more aspirational. Cooler.

Karan Marwah

Yeah.

Matt Chitharanjan

Something that maybe you can't necessarily make it home very easily. You have to have equipment or knowhow. So one is that we don't get pegged to the price of tea, and the other is that even from when we started, there have been international brands who've been charging a higher price than what we charge.

Karan Marwah

Yeah.

Matt Chitharanjan

So we're able to come in and price ourselves slightly below them and offer a very, differentiated product of what they were offering.

Karan Marwah

Yeah.

Matt Chitharanjan

So that that was helpful for us.

Karan Marwah

And the chef here? I mean, maybe chef's the wrong word, but who cooks up the recipes for the blends? You guys do an amazing job at that.

Matt Chitharanjan

So for us, I actually in the beginning I used to roast all the coffee for a couple of years. I used to roast all the coffee. Then it quickly became beyond my capabilities. And so we

brought in some international experts who were, been leading the roastery is. So for the first couple of years there was someone from Australia, and now I think for four years now it's been someone from New Zealand who's been overseeing all of our roasters. And so now we have, an incredible coffee team. If I was to go roast the coffee, people will start complaining about the quality. It would decline significantly. And as I mentioned. So then then we have the Q graders, and they work with her. And so it's a very, very strong team who, works on the coffee side.

Karan Marwah

And I think that's my next question. You know, it's fascinating how again, I've seen the brand of all when the formats that you sell coffee now whether it's at the stores or what you can take away from the store and do at home. And the blends, you know, the so many interesting blends that you've come up with. How do you keep that innovation going? You know, is there a secret sauce here or, or a secret coffee that you get everyone to drink to keep going?

Matt Chitharanjan

I think it's really about, encouraging and empowering people throughout the organisation. Right. So some drinks have come from baristas at the cafes. The people who are visiting the farms are seeing some incredible processing techniques. And then they apply, and we really encourage that to, to happen. If everything becomes top down, then, then it's very limited by it, by sort of by exposure.

Karan Marwah

You can't scale.

Matt Chitharanjan

Yeah. And I feel that also good thing about coffee is that you can see what's happening around the world, and then you can just see what things are applicable to the context here.

Karan Marwah

Yeah.

Matt Chitharanjan

So it's a very, very easy way to get inspiration. Sitting here in India, you can see you can get inspired by what's happening in the U.S or in Europe or in Korea or Thailand and then see, okay, this might be something interesting to try here. So my job is more to set guardrails rather than drive the innovation.

Karan Marwah

But is it a science? How do you how do you blend flavours? Right. And this may be a very layman-ish question, but, you know, I always get fascinated by, you know, all the different flavour profiles that, you know, the pack says it has. Right, and, you know, have fruits and sort of, you know, exotic sort of spices. And is that real? Do you blend that?

Matt Chitharanjan

So it's not that's not something that we create. That's something that's inherent in the coffee bean.

Karan Marwah

Yeah. Much like wine right.

Matt Chitharanjan

Yes. So now so the raw coffee that comes from the farm has some flavour potential. Now, how we roast that coffee that determines which part of the flavour comes out.

Karan Marwah

Yeah.

Matt Chitharanjan

Yeah. And then blending is about marrying different flavours together. So because there's only one harvest in India, we have to buy all the coffee, at the start of the harvest. And sow that down over the course of the year and, you know, at the cafes, you want to have a consistent taste.

Karan Marwah

Yeah.

Matt Chitharanjan

So what we do is we find different coffees from all over the country that have a particular flavour profile that we know when mixed together will yield the taste that we want from our coffee. So then, throughout the year, those components change. But because different areas have somewhat similar taste profiles, we're able to maintain the quality or the taste profile across.

Karan Marwah

Yeah, I think a large part of, your success, I guess, lies in, also finding some great locations for opening the stores. Who does that? And then it's also interesting that you're doing a lot of different formats.

Matt Chitharanjan

Yeah.

Karan Marwah

Is that by design?

Matt Chitharanjan

No. So, let me answer the format part first. Formats have been a bit of experimentation and a bit of capital constraint.

Karan Marwah

Okay, we'll come back to that. I know you raised some serious equity.

Matt Chitharanjan

Yeah. So in the past, we used to be raising money in very small chunks.

Karan Marwah

Yeah.

Matt Chitharanjan

So everything had to be very tactical.

Karan Marwah

So but that's India right? Frugal innovation and making do with what you have and doing a fantastic job at that.

Matt Chitharanjan

Yeah. So we had tried small cafes, we tried large cafes, we tried store in stores, we tried corporate kiosks. We tried operating coffee counters in someone else's restaurant. And so there were a lot of learnings that came along with that. And we've kind of narrowed down on to opening up 800 to 1200 square foot cafes. That's sort of the sweet spot if you go too low and too like the pure kiosk model. What happens is that it's almost as operationally intensive to run that kiosk.

Karan Marwah

And that's not the experience you want at least.

Matt Chitharanjan

Yeah. So I think and there's no experience. And for at least now, coffee is not, for not enough people that have totally functional. Yeah. Like they want the experience to go along. Correct?

Karan Marwah

Correct. You know, they want to sit down there and sit down there. They want to work there, they want to chat. and do work.

Matt Chitharanjan

Yeah. So building a significant brand out of purely takeaway and kiosk is, I think is going to be a challenge. Now on the location side, again, because of capital constraints, we would always pick out of the way kind of locations. So we'd be in good catchments but not be at the front of the market.

Karan Marwah

Yeah.

Matt Chitharanjan

Get the back of the market with the idea was that people are willing to go a little bit out of the way for a better cup of coffee. They're not going to go across town for a better cup of coffee. And so we saw that actually that was working out for us as we had, raise more capital and had, the freedom to take larger bets. We started opening up more prominent locations. And actually those did very well for us. So, there is a balance right?

Karan Marwah

So I think it's kind of lent a very nice touch to the brand. You know, I know you're saying it's not by design. Possibly. Or maybe it was by design, but I think it just lends it, you know, it differentiates the brand at least because you've got a range of different formats also all catering to the same, potentially the same customer segment. And you still get the same consistent coffee experience.

Matt Chitharanjan

And I think that there is a little bit of fun in kind of going to the back of the market.

Karan Marwah

And then just I think I can say this, you know, you walk into a store and you know, it's going to be different. Not the same cookie cutter.

Matt Chitharanjan

Yeah.

Karan Marwah

You know, store that the other previous store that you went to was,

Matt Chitharanjan

Yeah.

Karan Marwah

Yeah. That's quite interesting.

Matt Chitharanjan

Yeah. So now the challenge for us is to.

Karan Marwah

How do you keep that going?

Matt Chitharanjan

Yeah. It, you know, scale that model without turning into a cookie cutter approach.

Karan Marwah

Yeah.

Matt Chitharanjan

You don't want every place to look exactly the same.

Karan Marwah

Yeah.

Matt Chitharanjan

But at the same time, you should be able to walk into a cafe. So I think now, right now we have a bit of a hodgepodge. So we have to move it a little bit more towards streamlining it. And consistency is make it more consistent.

Karan Marwah

You spoke of equity. You spoke of investors. You spoke of freedom in the same breath. Does that happen? So again, let me rephrase the question. Has raising equity meant you have to be more measured in your decision making?

Matt Chitharanjan

So I would say we're very fortunate in that we found a group of investors who believe in the business that we were building and believed in our decision-making ability to drive that forward. So there's been very few cases where we wanted to do A and we've been forced to do B and I think actually no cases there have been cases where maybe we've been guided to do B, but we've been very stubborn and still done A, and luckily many like that's turned out to be the right decision. But, and I think, you know, that's very important when you raise capital from someone is that you're aligned on vision. And so we've definitely found a group of investors where we're very much, much aligned.

Karan Marwah

Oh that's excellent. Congratulations. And I know the valuation has doubled, in the last year or so?

Matt Chitharanjan

A year and a half.

Karan Marwah

Congratulations again.

Matt Chitharanjan

Thanks, thanks.

Karan Marwah

So moving on to, I think something you touched on earlier about the fact that, you know, with climate change, it's becoming difficult to predict crop patterns, crop seasons. Are you guys doing anything to sort of, you know, is the government also thinking about that? But, at your level, is there something you are doing to maybe invest in more climate resilient, you know, seeds or varieties of coffee or even the flavours? Right? I mean, is that something you can actively do to, you know, encourage the, I know there is always the right word for coffee.

Matt Chitharanjan

Yeah. No. So actually, most of the coffee is, two varieties, arabica or Robusta.

Karan Marwah

Yeah.

Matt Chitharanjan

And actually, there's hundreds of different species of coffee. So in the last year and a half, we've been working with some estates who are doing experimental varieties. So, that's one area is to help them explore what other varieties of coffee can be grown that are economically viable and still meet the taste requirement that people have. And I think we've just scratched the surface of the potential there. So that's one big thing that we're doing. And then the other is that are the two different processing, techniques that you can do, because if you're, you know, can we push one flavour profile more?

Karan Marwah

Yeah.

Matt Chitharanjan

That's more, I would say climate ready. Whereas if you're doing like a lot of right now, these kind of funky, fruity coffees have become all the rage.

Karan Marwah

Yeah.

Matt Chitharanjan

But the problem is they require to be out on raised beds in the sun, and our rain is coming at different times. So you've got to really be able to get a similar profile out of that coffee but doing a different processing method. So working on, on things like that also working on are there ways to grow coffee with less water. That's because water stress is another thing. So can we do water less pulping. And we've worked with some organisations and some of the more rural areas where we've actually invested in some of the pulping equipment for them. So it's more strategic right now.

Karan Marwah

Right.

Matt Chitharanjan

I say more tactical rather than we have our overarching, strategy the government is, is doing. Not a little bit they're putting a little bit of research into the alternate species, but I don't think that they've really woken up to what the, the, you know, the scale of this challenge.

Karan Marwah

Yeah. But I think is Indian coffee having its moment under the sun right now?

Matt Chitharanjan

In India, I would say India is having its moment. Outside of India, it's still very much under appreciated, under recognised.

Karan Marwah

I know you trying to change that, right. You've opened a store in Japan.

Matt Chitharanjan

We've been in Japan for two years now. So before we were doing online business in pop ups. Now we've opened our first outlet a couple of months ago. So we'll be open up a few more outlets, as well. I think the Middle East is also another interesting area, where there's a lot of potential for, for Indian brands.

Karan Marwah

Yeah.

Matt Chitharanjan

Indian Coffee. But we just see so much more opportunity domestically.

Karan Marwah

Oh, yeah. So it's a large enough market still.

Matt Chitharanjan

And it's just really scratched the surface.

Karan Marwah

Yeah.

Matt Chitharanjan

And some ways going outside of India at this stage is, is a bit of a distraction.

Karan Marwah

So how many stores are you at right now?

Matt Chitharanjan

Right now we have 130.

Karan Marwah

And what's the plan?

Matt Chitharanjan

Open around 60 a year for the next couple of years.

Karan Marwah

Yeah.

Matt Chitharanjan

I think in two and a half years, three years. We should be targeting 350 stores.

Karan Marwah

Well, that is sizable growth.

Matt Chitharanjan

Yeah. Even last year, we've opened 50 stores. So it's not that we want to go from 50 to opening up 200.

Karan Marwah

Yeah, you've done it. It's a matter of replicating it now.

Matt Chitharanjan

It's more a matter of fine tuning and executing rather than having to reinvent the playbook.

Karan Marwah

Anything interesting coming up on the product side? Again, you already do lots of innovation with packaging.

Matt Chitharanjan

Yeah. So I think one is that we've realised that a lot of people are very convenience based.

Karan Marwah

Yeah.

Matt Chitharanjan

So how can we make the cup of coffee in the most convenient form possible without compromising on the quality.

Karan Marwah

And you don't want instant coffee? I'm sure.

Matt Chitharanjan

No. So I don't have anything against instant coffee. It's just. I don't like the way that it tastes.

Karan Marwah

Yeah.

Matt Chitharanjan

So if, if you can get the same taste with, they get the same taste in an instant format, and you know, we've actually been spending more than a year and a half trying to do it. Still have not yet cracked it yet, but, it's been done in other countries. It's just that the price point that they offer it, so high. So it's USD4 for a cup of coffee. So if I'm going to pay USD4 for a cup of instant coffee, I might as well go to a cafe.

Karan Marwah

Yeah.

Matt Chitharanjan

So is there a way to replicate that taste profile at a price point that's still mass premium? And not compromising on and on the quality. So that's the challenge there. But we recently launched, our, Nespresso capsules. We see a lot of interest and opportunity in that market. Really focus on more of the ready to drink and ready to brew.

Karan Marwah

Yeah.

Matt Chitharanjan

That's the, the focus there. Another interesting thing is that we're going to be launching a decaf coffee soon. So, we do have a lot of people.

Karan Marwah

All decaf lovers should watch out for that.

Matt Chitharanjan

Coming to our cafes in the evening, and they want to have

the taste of coffee.

Karan Marwah

Yeah, but not the caffeine.

Matt Chitharanjan

Yeah.

Karan Marwah

So we had a talk about that too earlier, right? I think you made an observation that it's not really, a habit that, you know, happens at a defined time during the day.

Matt Chitharanjan

Yeah.

Karan Marwah

I think you see footfalls through the day. Is that right?

Matt Chitharanjan

Yeah. And I think that's really more than the coffee. That's a testament to the bakery and the food offering that we have.

Karan Marwah

Oh, yeah. We haven't spoken about that. I think that's a brilliant, you know, call collaboration or now I know you, you own a chunk of that you own.

Matt Chitharanjan

Yeah. So, Suchali's, is the bakery partner that we've had for a long time, and now that's been merged into one company. We've acquired them. And then, now it's just one company, and we work. We work together.

Karan Marwah

It's a great combination, I would say.

Matt Chitharanjan

Yeah, yeah. Bakery and coffee, you know.

Karan Marwah

Yeah.

Matt Chitharanjan

I would say match made in heaven. I like personally, it would be great if our business could be viable where we only sell coffee, but, that's unfortunately not.

Karan Marwah

But is that the way to go? Do you think all your stores are now going to be, you know, similar format in terms of having both offerings.

Matt Chitharanjan

Yes, you have to have food.

Karan Marwah

Yeah, I think it's a market, right?

Matt Chitharanjan

It's not. The customer demands demanded the same that same thing that I was saying with the kiosk model, the challenges that people are now grabbing coffee and going.

Karan Marwah

Yeah. Again, they want to be there. They want that experience to sit down and to do something there.

Matt Chitharanjan

Yeah, yeah. So definitely the food offering is extremely important to the success of, the outlets.

Karan Marwah

What's most unusual demand customers made at the store?

Matt Chitharanjan

Mostly unusual demand? So I don't know what it is. It's something that's it's not it's very unusual to me. It's very common to everybody else is that, you know, consumers like their coffee to burn their mouth, piping hot. Everything has to be piping hot. And actually, once, you know, beyond a certain point, it changes the flavour. It actually makes the coffee more bitter and tastes worse.

Karan Marwah

Yeah.

Matt Chitharanjan

So if you have your coffee a little like 60, 65 degrees, that's when you kind of maximise the sweetness of the milk. And it really pairs well with the coffee. And so we serve that, that level of, heat to the customers. And many times people will come back and say, no, no, I need it hot.

Karan Marwah

My dad is one of them. He has to get his, cappuccino at the right temperature, which you said it has to be literally burning your throat.

Matt Chitharanjan

Yeah, yeah. So, then we explain to customers that this is why we do it this way. Please try it. If you're really unhappy, then we'll make you a new one. And then we burn the milk and serve it to them. But, yeah, that's a unique thing about India.

Karan Marwah

Yeah. I think it's amazing you are doing something that you are passionate about. And, you know, you were someone who's come back, you know, being in another part of the world. You grew up there, and then came to India. How's that experience been? And then, you know, we there's a lot of, you know, work that the government's doing on Make in India and making sure that, India has its rightful place, as a part of the global economy.

Matt Chitharanjan

Yeah.

Karan Marwah

But what's been your personal experience, having, like I said, you know, grown up and lived outside India and then coming back and doing something so different from, you know, what's typically perceived to be, you know, a safe career.

Matt Chitharanjan

Yeah. So, I mean, I think, there's so much opportunity so that if you're able to do things slightly differently or there's so many gaps that maybe you would be common in other places that are not common here. So I say this often that if I open this business back in the US, I'd be one of 10,000 coffee companies there. Yeah, it'd be very hard to be differentiated. Whereas in India, there's so many gaps where you can find those with seemingly, niche things and they can end up growing to become sizable businesses. I would say that it's still very difficult to start a business here for many reasons. The infrastructure is, you know, not so great. The taxation and licensing, you know, can be a nightmare. And it's very, burdensome. And I would say, especially in our industry. But this is common in many other industries. There's not a lot of innate, talent.

Karan Marwah

That's a big challenge, I think. And we spoke about that earlier, too. Right. I think you said you train people in-house.

Matt Chitharanjan

Yeah.

Karan Marwah

Yeah. And a lot of, we see a lot of our clients do that across the board, you know, across different sectors, because, clearly, to again, going back to customer experience and making sure that it's like you said, nine out of ten, at least, if not ten on ten.

Matt Chitharanjan

Yeah. So, I mean, especially like if you look at our business job, in the US, where, where I'm from, it would be, you know, like, a high school kid or a college kid.

Karan Marwah

Yeah. Doing a side gig.

Matt Chitharanjan

Yeah. Right. And but they would also they would be visiting restaurants and they would understand what good customer service is.

Karan Marwah

Yeah.

Matt Chitharanjan

So they would already understand what kind of the basics are. And they would have probably the confidence to be able to communicate with people. But here, you know, the people who end up, the that are working in these jobs, often it's their first job. They don't have any experience. I would say what's unique here that the socioeconomic background is very different.

Karan Marwah

Yeah.

Matt Chitharanjan

Where the people who are working at coming from are very different from the customers. And that creates a divide. And not like, obviously you're going to feel shy, right? You feel like you're intimidated. So like we have to help them and equip them to overcome that. And so that's a big challenge. And then at least in our industry, because there was no one doing specialty coffee, there was no, it's not like we could hire a roaster who had these skills that we couldn't hire a master trainer.

Karan Marwah

They weren't just hanging around.

Matt Chitharanjan

We had to develop it from scratch or in some cases, bring it that from overseas and hire those people. To work here. So I think those are the challenges. But the opportunity is immense.

Karan Marwah

Yeah.

Matt Chitharanjan

And I think that there's, there just feels to be like more energy here. So when I go back home to the U.S., I, I feel it just feels somehow like a place on decline. Whereas when you're here, this feels more energetic.

Karan Marwah

I think that's thanks to coffee that you feed people.

Matt Chitharanjan

Yeah. Okay. More energy.

Karan Marwah

Yeah, yeah. But, going back to the same question, what's the number one challenge for scaling up going forward.

Matt Chitharanjan

Going forward. Again it's people.

Karan Marwah

Yeah.

Matt Chitharanjan

So people so now at least we have strong training programs and, and you know, very good second layer of management to help oversee. But, you know, at the scale that we're growing, we need to be able to, identify, recruit and retain the right the right talent.

Karan Marwah

And what can technology solve for you.

Matt Chitharanjan

So technology.

Karan Marwah

I think because, again, you know, a lot of what you do is artisanal in its truest sense. So, yeah, you can't replace the human element, completely.

Matt Chitharanjan

So right now, it is possible, I would say that in our industry we don't. So I think the future will be totally automated.

Karan Marwah

Yeah,

Matt Chitharanjan

Right. You'll press a button and they'll give you, an incredible cup of coffee, probably even on the roasting side that once you upload the profile. But we have the technology that automatically will be more precise. So, but at least in terms of the customer experience, I feel that as a specialty coffee chain, if you go to a place and the person is just pressing a button.

Karan Marwah

Yeah, it's not the same.

Matt Chitharanjan

Yeah. Then I would be, as a customer, a bit cheated. It's not it doesn't give the same, feel.

Karan Marwah

Yeah.

Matt Chitharanjan

And coffee is a very emotional thing. Yes. So I think for us it's about can we layer on smaller pieces of equipment that help make the barista's job easier, but at the same time retain that essence of what specialty coffee is.

Karan Marwah

Doing it by hand.

Matt Chitharanjan

Yeah. So there's a fine, fine line there. And I think, you know, probably at some point in the future that, that will, that line will disappear. But at least right now it's very much important to us.

Karan Marwah

My last question and, I think, it's been fascinating talking to you, but, again, you know, what resonates for me is you've chosen to follow your passion and you've created, you know, such a beautiful business out of it. What's your advice to people who are starting up today?

Matt Chitharanjan

So, I feel that, you know, I started this out of a passion.

Karan Marwah

Yes.

Matt Chitharanjan

I started this because I wanted to do something with my hands.

Karan Marwah

So, passion projects can be great businesses, right?

Matt Chitharanjan

So. Well, it depends. It depends on what your definition of great business is. Because, and I thought it would be involved in coffee all the time. Right?

Karan Marwah

Yeah.

Matt Chitharanjan

Tasting coffee, visiting farms. My whole life would be around coffee. And, you know, I mean, as I mentioned earlier, now, I don't really that we have such a good team that I don't do the coffee part. And I spend most of my time at a desk job.

Karan Marwah

Yeah.

Matt Chitharanjan

So, what started as sort of something very different.

Karan Marwah

Is there another passion project coming up?

Matt Chitharanjan

Oh, no. No, I like that. So, I my advice is that make sure you enjoy the aspect of running a business. Yeah. So, it doesn't matter whether you're selling your passion or you're selling nuts and bolts. Ultimately, once you reach a certain, scale, it's going to be about running that business.

Karan Marwah

Yeah.

Matt Chitharanjan

So, I'm fortunate in that I actually enjoy I enjoy the finance aspects, I enjoy the management aspects. I enjoy the non-coffee aspects as well because that's where 90 per cent of my time ends up going. So, it was great to start off with the passion and I'm very happy that I like. I'm probably the number one consumer of Blue Tokai, if you would go on to Zomato.

Karan Marwah

Actually, I did not ask you that. So, do you ever have any other coffee?

Matt Chitharanjan

I do when I'm traveling and I'm traveling or I like, there's a new place that I want to, check out.

Karan Marwah

Do they let you in?

Matt Chitharanjan

Yeah, some, actually, some places they. When they recognise me.

Karan Marwah

Yeah, they go to have your picture behind the till right.

Matt Chitharanjan

Because they go ahead and just give everything for free. And I feel so embarrassed. So, but actually the interesting story is that, you know, because we've been growing, there's, we have a cafe at this Ambience Mall.

Karan Marwah

Yeah.

Matt Chitharanjan

And I went to the counter, and I asked for a Cortado, and the guy goes, excuse me, sir, do you know that this this is a coffee? It has very little milk at this, it is only espresso and has very little milk in it.

Karan Marwah

I mean great, great customer service.

Matt Chitharanjan

Yeah. Yeah. Like he didn't know who I was.

Karan Marwah

Yeah

Matt Chitharanjan

And he followed the SOP perfectly. And that was really a great thing to see.

Karan Marwah

Awesome. Matt, thank you so much for, coming here and having this conversation with me. I wish you all the best. I wish you all the best. I wish Blue Tokai all the best. You know, keep brewing, keep roasting, and keep doing the great stuff you're doing.

Matt Chitharanjan

Thanks. Thanks. Really appreciate it.

Karan Marwah

Thank you so much. Yeah.

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