

Brewing Success: The Business of Chai

Scenario

Grace Mathew is known among her family and friends to make "the most incredible" masala chai they've ever had- a drink that finds its origins in the Assam region of India. Grace hand grinds the various ingredients that go into the chai and even sources her ingredients directly from the Kerala region of South India, where her family is from. She creates small individual packs that simply need to be mixed into 6oz of steamed milk and voila, a lovely cup of masala chai is ready. Her friends are always bugging her, "Grace, people would buy your chai! It's time you started selling for a profit; you have a great business opportunity on your hands!". When she isn't busy making her famous handmade chai for friends and family, she spends her working hours as a research scientist at MD Anderson Cancer Center. Simply put, Grace is too busy to develop a business plan for her famous chai (let alone launch a business). This is where you come in! Help Grace build a business plan.

Background

Chai tea, often referred to in the West as "chai" or "masala chai," has a long and rich history that spans thousands of years and multiple cultural transformations. Its origins can be traced back to ancient India, where it was first consumed not as a recreational beverage, but as a medicinal tonic in the Ayurvedic tradition. Dating back more than 3,000 to 5,000 years, early versions of chai contained no actual tea leaves (*Camellia sinensis*). Instead, it was an herbal infusion composed of warming spices like ginger, cardamom, cinnamon, cloves, and black pepper. Each of these ingredients had a specific therapeutic function in Ayurvedic medicine—ginger aided digestion, cardamom acted as a detoxifier and mood enhancer, cinnamon promoted circulation, and cloves and pepper provided antimicrobial benefits. This spiced drink, essentially a caffeine-free tisane, was tailored to balance bodily energies or doshas in line with Ayurvedic philosophy.

The arrival of actual tea leaves into the Indian subcontinent came much later. In the early 19th century, the British East India Company began cultivating tea in India, primarily in Assam, Darjeeling, and Nilgiri, in an attempt to break China's monopoly over the global tea trade. Though tea production took root, Indians initially resisted tea drinking, seeing it as an elite British habit with little relevance to their own cultural practices. To increase domestic consumption and profits, the Indian Tea Association—formed in 1881 and backed by British planters—actively promoted tea drinking across India. Railways and factories were targeted for this campaign, with tea vendors (or chaiwalas) encouraged to sell small cups of tea to travelers and laborers.

It was at this point that a cultural innovation occurred. While the British consumed black tea with milk and sugar, Indian chaiwalas and households began to integrate their own culinary traditions into the beverage. They reduced the quantity of expensive tea leaves by adding indigenous spices, milk, and more water, giving rise to what we now recognize as masala chai—a blend of black tea, milk, sugar, and a customized mix of spices. The addition of these familiar and therapeutic spices made the drink not only affordable but also appealing to Indian palates. By the early 20th century, masala chai had evolved into a staple of Indian daily life, served on streets, in homes, and eventually in every train station and office breakroom across the country.

During the 20th century, chai solidified its position as a cultural cornerstone in India. It transcended social classes and became a symbol of hospitality and daily routine. Chaiwalas played a crucial role in this tradition, operating street-side tea stalls that became hubs of social interaction. Each region in India developed its own unique chai profile. Some areas favored stronger spices like black pepper, while others leaned into sweeter or milder blends. Milk type and sweeteners also varied regionally, with some preferring buffalo milk or jaggery over cow's milk and refined sugar. Regardless of variation, chai emerged as a deeply embedded part of Indian identity—an everyday comfort and communal ritual.

By the 1990s, chai began its journey beyond South Asia and entered the Western mainstream. In the United States and Europe, it gained popularity under the label “chai tea” or “chai latte,” often served steamed with milk and heavily sweetened. This naming convention, while redundant—since “chai” itself means “tea”—stuck in Western markets. Companies like Oregon Chai and Tazo (later acquired by Starbucks) introduced bottled chai concentrates and café offerings, bringing the flavor of masala chai to a broad consumer base. In cafés, chai was positioned as an exotic, comforting alternative to coffee, especially appealing to those seeking a less-caffeinated beverage with a perceived wellness benefit.

In recent decades, chai has become both a global commodity and a symbol of identity and nostalgia for the South Asian diaspora. It is now available in numerous forms—from tea bags and ready-to-drink bottles to cold brews and nitro-infused cans. The functional beverage movement has further expanded chai's market presence, with versions enhanced by turmeric, ashwagandha, and adaptogens. Its appeal spans from Ayurvedic wellness enthusiasts to café-goers looking for comfort in a cup. Despite its modernization and internationalization, chai continues to represent a deeply rooted, living tradition—one that blends healing, heritage, and hospitality.

Figures and Graphs

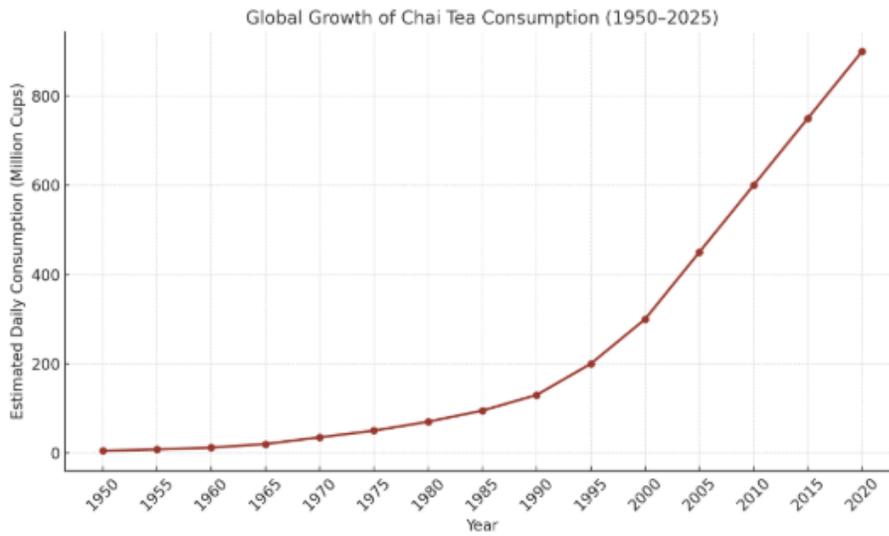


Fig 1: Estimated Worldwide Chai Consumption (1950-2020)

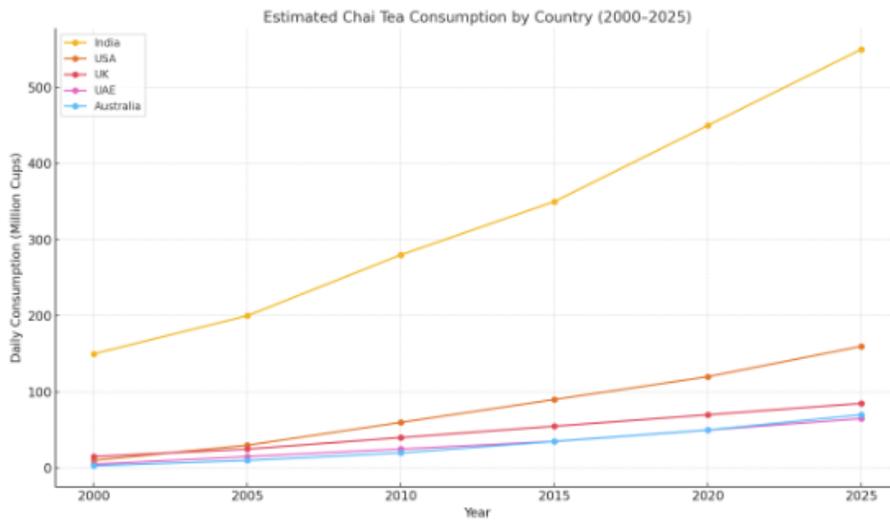


Fig 2: Estimated Chai consumption by country (2000-2025)

Ingredient	Purpose / Flavor Profile	Role in Chai
<i>Black Tea</i>	Bold, brisk, astringent flavor	Base tea—provides caffeine and body
<i>Milk</i>	Creamy, sweet, balances spices	Adds richness and texture
<i>Sugar</i>	Sweetens, balances bitterness	Common sweetener (also jaggery or honey)
<i>Cardamom</i>	Floral, slightly citrusy, aromatic	Signature spice—adds fragrance and warmth
<i>Ginger</i>	Spicy, warming, slightly sweet	Aids digestion, adds heat
<i>Cinnamon</i>	Sweet, woody, warming	Adds depth and sweetness
<i>Cloves</i>	Strong, pungent, slightly bitter	Sharpens the spice blend
<i>Black Pepper</i>	Hot, pungent, slightly citrusy	Enhances heat and circulation
<i>Fennel Seeds</i>	Sweet, licorice-like	Adds brightness and aids digestion
<i>Nutmeg</i>	Warm, slightly sweet, earthy	Optional—used in some regional blends
<i>Star Anise</i>	Sweet, licorice-like, aromatic	Occasionally used for depth and complexity
<i>Vanilla</i>	Sweet, creamy, mellow	Popular in Western-style chai blends
<i>Turmeric</i>	Earthy, bitter, bright yellow color	Used in health-focused blends (anti-inflammatory)

Fig 3: Most Common Ingredients of Chai



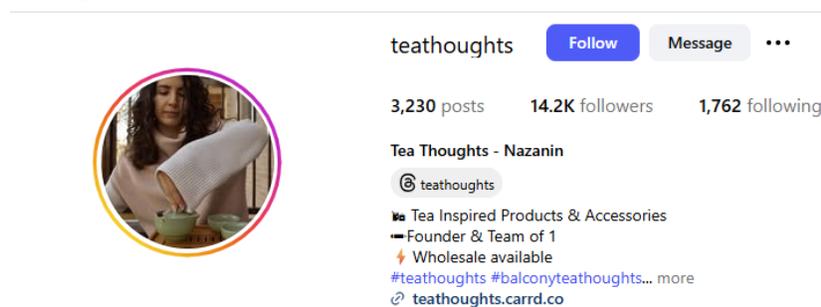
Fig 4: Example presentation of Chai Latte in U.S.A

Hot teas

Chai Tea Latte	\$4.65
Chai Tea	\$2.75
Earl Grey Tea	\$2.75
London Fog Tea Latte	\$4.65
Royal English Breakfast Tea	\$2.75
Royal Breakfast Tea Latte	\$4.75
Emperor's Cloud & Mist	\$2.75
Matcha tea Latte	\$4.65
Jade Citrus Mint Tea	\$2.75
Honey Citrus Mint Tea	\$3.45
Mint Majesty	\$2.75
Peach Tranquillity	\$2.75

Fig 5: Starbucks Menu with Prices ('Hot Teas'), circa Summer 2022

Instagram



The screenshot shows the Instagram profile for 'teathoughts'. The profile picture is a circular image of a woman in a white sweater looking at a book. The bio includes the text: 'Tea Thoughts - Nazanin', '@teathoughts', 'Tea Inspired Products & Accessories', 'Founder & Team of 1', 'Wholesale available', '#teathoughts #balconyteathoughts... more', and 'teathoughts.carrd.co'. The profile statistics are: 3,230 posts, 14.2K followers, and 1,762 following. There are 'Follow' and 'Message' buttons.

Fig 6. Example Instagram Profile with Tea Focus