

BEVERAGES

Starbucks brews up big expansion plans

CEO believes the company's business in China will someday exceed that in US

By XU JUNQIAN
in Shanghai

Starbucks CEO Howard Schultz has made no bones about his ambition in China — to have one new Starbucks every day in China for the next five years.

What Schultz is also candid about, as a businessman, is how his ambition is going to be realized — through employees, or in the language of Starbucks, “partners”.

“Starbucks, unlike most traditional consumer brands, has not built the company by traditional advertising. The brand has been defined by experience, and that experience is defined by our people — partners wearing green aprons,” Schultz told China Daily, during his latest trip to Shanghai in late October.

Starbucks enjoys great success in China — more than 2,400 stores in over 110 cities throughout the past 17 years and supported by over 34,000 employees. The coffee scene of China, the world's potentially largest consumer market for the beverage, has also been radically changed.

Back in 1999 when the company first entered the Chinese mainland market, there was barely any competitor and few consumers could tell the difference between a latte and a mocha. Now, like many other industries, China is not only a fast rising consumer of the beverage, but also increasingly catching up with the trends and happenings. Specialty coffee is the most recent case.



Employees serve customers at a Starbucks store in Fuzhou, Fujian province. ZHENG SHUAI / FOR CHINA DAILY

“What we believe, as a company, is that China will one day probably surpass the size and scale of our business in the US,” said Schultz.

Consultancy firm Euromonitor estimated that Starbucks had a 73.3 percent market share in China in 2015, compared to McCafe's (run by McDonald's) 9.3 percent and Costa Coffee's 9 percent.

“Any company that sells coffee can be a competitor. Not with any arrogance, but we have always tried to focus on ourselves and things we can control. And if we do that well, we will take care of the competition,” said Schultz.

When asked if he thinks the

Chinese coffee market would be any different if it were not Starbucks which entered the country back in 1999, he paused and said he doesn't think any other company would have been able to solidify the position that Starbucks has, “because I think we have done it in the right way”.

Schultz said he believes that the key growth driver for Starbucks in China will still be traditional stores, despite the market's keen interest in new premium retail spaces — the Starbucks Reserve and Starbucks Roastery.

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Howard Schultz, Starbucks CEO

Schultz's huge vision: something more than selling coffee

Among the 2,500 or so new Starbucks stores to be mushrooming all over China within the next five years, there is one particular outlet that the world's largest coffee brand is pinning hopes on to sell something more than coffee.

The Starbucks Reserve Roastery in Shanghai, the second one of its kind after the inaugural store in its home market of Seattle, is scheduled to open late in 2017, with a whopping space of 30,000-square-foot (2,738 square meters), twice the size of its Seattle sister.

“We are making a huge financial bet on Shanghai, and what the roastery will represent. This is a part of investing ahead of the curve and is a demonstration to the world and our US shareholders,” said Howard Schultz, the company's CEO, to China Daily.

The store will double the investment lavished on the Seattle location, which is said to be over \$20 million, and occupy two floors of the highly anticipated luxury shopping mall, Swire, to be opened in Shanghai. It will share the same neighborhood as flagship stores of the likes of Louis Vuitton and Gucci.

The space, as its full name suggests, will be part café, part roasting facility and part theater. It will feature varieties of coffee beans that are rarer, smaller in batches, and of course, higher in price.

“Shanghai is a natural place to open up what we think will be the most significant, dynamic, sensory, theatrical and romantic retail experience in the world,” said Schultz.

As the Chinese are increasingly discerning coffee-sippers and are quickly catching up with their world counterparts, they are looking beyond their coffee mugs with a growing thirst for where and how the beverage is made, as well as a better sip. Starbucks first developed the new retail space in 2014 in Seattle, which offers customers a glimpse of the whole process of coffee-making.

It later announced a slew of plans to expand it globally — one in New York and another in Tokyo, aside from the Shanghai site.

“It was not a hard decision (to locate the first international roastery in Shanghai). We have been very clear and definitive about the strategic importance and confidence that Starbucks has for the Chinese economy and government and what we believe to be a very significant opportunity to grow our company,” said Schultz.

“When we open in Shanghai in about a year from now, it will be one of most significant milestones in the history of the company. And I am gratified it's in China. It deserves to be in China,” he added.

XUJUNQIAN

Expo special

Expanding Silk Road biz, trade cooperation

By ZHOU MO
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The 2016 Guangdong 21st Century Maritime Silk Road International Expo held last week, provided a platform to promote the expanding economic and trade cooperation between Chinese enterprises and those from 21st Century Maritime Silk Road countries.

The international expo, which wrapped up in Dongguan on Sunday, attracted 1,526 enterprises, of which 1,098 were overseas and the remainder were domestic.

This year's expo saw 700 projects signed, totaling 206.8 billion yuan (\$30.5 billion), representing growth of 2.5 percent from the previous year.

Among these agreements, 187 were related to investment projects worth a total of 54.1 billion yuan. Some 63 ‘Going Out’ projects attracted Chinese enterprises, with agreements altogether worth 33.5 billion yuan.

Enterprises also made 450 trade deals amounting to 119.2 billion yuan during the four-day event.

According to Sunward Intelligent Equipment Co Ltd, a Changsha, Hunan-based company that produces engineering equipment, the 10 pieces of equipment it exhibited at the expo were all sold, fetching 30 million yuan.

“A number of customers approached us at the expo. The success has exceeded our expectation,” said Long Jucai, the company's marketing manager.

“We feel that Guangdong is the most important market in which we can do foreign trade, as the expo assists us in going international and



A visitor checks a piece of amber from Poland at this year's Guangdong 21st Century Maritime Silk Road International Expo. ZHENG ZHIBO / FOR CHINA DAILY

in accessing more overseas clients.”

Yang Lei, strategy and brand manager of Dongguan Yongqiang Vehicles Manufacturing Co Ltd, said the expo allows his company to march into international markets much more easily and quickly.

But Yang also pointed out differences between the economic, cultural and tax situations in China and other countries as challenges that need to be tackled, because many Chinese enterprises are unfamiliar with the environment abroad.

Purchasing power

Apart from domestic and international enterprises, the expo has also become a platform for buyers who want to purchase interna-

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tional products.

According to statistics from the organizing committee, the expo attracted more than 25,000 buyers from around the world, including those from over

40 overseas chambers of commerce, as well as associations from more than 30 countries and regions.

A number of large business groups such as Wal-Mart Stores Inc, Carrefour

SA and The Vanguard Group also sent purchasing teams to the expo.

“Guangdong will make full use of the expo as an international platform to enhance cooperation and exchanges with countries and regions along the 21st Century Maritime Silk Road in a wide spectrum of areas, including infrastructure, investment, international trade, cultural exchange and tourism, in an earnest and efficient manner,” said He Zhongyou, vice-governor of Guangdong province.



Expo aims to ease creation of new intl opportunities

By ZHOU MO
in Dongguan, Guangdong

In the Sabah pavilion at the 2016 Guangdong 21st Century Maritime Silk Road International Expo, Ming Lee is introducing the eastern Malaysian state's tourism products in detail to a Chinese visitor.

It is the first time she has attended the event. As a sales and marketing executive of Sabah-based travel agency Kayworld Travel and Tours, Lee believes attendance at the expo will help her company gain better access to the Chinese market, which has already become the world's largest source of outbound tourists.

“The number of Chinese tourists to Sabah is growing very quickly. China has become our company's main target market for the coming years,” Lee said.

“Previously, we could only answer inquiries from Chinese customers through email or our WeChat account. Now, by exhibiting our tourism products at the expo, people can gain better knowledge of our company and products, which will help boost our business.”

The expo, held in Dongguan, Guangdong province, from Oct 27 to Oct 30, is a platform for countries and regions along the 21st Century Maritime Silk Road to explore business opportunities and increase cultural exchanges. Exhibitors from 52 countries and regions attended this year's event, with 39 setting up their own pavilions.

The expo aims to promote opening-up and transforma-

tion of foreign trade in Dongguan and across the country, Dongguan Party Chief Lyu Yesheng said at the opening ceremony of the annual event.

Economic and trade cooperation between Dongguan and countries and regions along the maritime route has been expanding over recent years.

Export and import trade volume between the two sides reached \$29.12 billion last year, representing 18.1 percent year-on-year growth, according to official statistics.

Known as China's manufacturing hub, Dongguan exported a total of \$16.73 billion worth of products to maritime road countries and regions in 2015, rising 25.2 percent compared with a year earlier.

Meanwhile, \$12.39 billion worth of commodities were imported to Dongguan from maritime route countries and regions in the same year, a 9.6 percent yearly increase.

The expo not only attracted a large number of business people who hope to showcase their specialties, but also buyers from all over the world.

“By gathering products and services from around the world at a single place, the expo enables us to find what we need easily,” said Chama Chisenga, a buyer from the government of Lusaka, capital city of Zambia.

“Through the expo, we managed to contact several companies producing machinery used in construction and agriculture and will make further exchanges with them for cooperation after the event.”