



Foreign chains looking to China for expansion

The massive potential for growth is attracting overseas chains and celebrity chefs to set up in China. Victoria Brownlee reports on how food scandals and global tastes are driving consumer demand for foreign food

The number of foreign-owned food and beverage outlets in China has grown and diversified in the past five years. In a dining market that was, only decades ago, dominated by US fast-food franchises – including McDonald's, KFC and Pizza Hut (having all entered the market between 1987-90) – there has been an influx of foreign-owned casual and fine-dining operators. These include the likes of Hakkasan, Pret A Manger, Oreno and Wolfgang Puck. Also carving out a place at the higher end of the dining spectrum are branches from celebrity chefs, including Jason Atherton, Umberto Bombana and Jean-Georges Vongerichten.

So why the influx of casual and high-end foreign operators in China? And why now? Where previously operators were more likely to use destinations such as Hong Kong, Tokyo and Singapore as footholds into Asia, they are now interested in joining the burgeoning scene in Shanghai and Beijing and tapping into the increasingly well-travelled and affluent market of Chinese consumers.

Safe and healthy

The Chinese consumer is becoming more health conscious and interested in global cuisine as international travel becomes

more widespread. They value the overall dining experience, and a restaurant's ambience and design plays an important role in attracting diners, in particular, more affluent customers and young, adventurous food lovers.

Consumers have a heightened awareness of food safety following the fast-food health scandals that made global headlines (in particular, the 2014 incident involving fast-food chains being sold expired meat). As an indirect result of this there has been a rise in "consumption at casual and fine-dining restaurants that are perceived to have higher food safety", says Esther Lau from Mintel. Lau reports that Chinese consumers are willing to spend more on expensive dishes as an "effective way to ensure a healthy lifestyle".

Research indicates that there's a growing market of Chinese consumers willing to spend on dining out, so how are operators capitalising on this? Casual dining operator Pret A Manger arrived in China at the end of 2014 offering their trademark healthy menu at a time when consumer demand for safe and healthy food was increasing. Country manager for China, Eira Jarvis sees Shanghai as "a vibrant, growing city with a strong



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international food scene and a population that is adventurous in their dining habits and genuinely interested in food". Furthermore, she explains the company was drawn to China where "people are increasingly demanding about the quality of food and are placing more emphasis on health and nutrition".

In the case of fine-dining operators, the move into China is as much about expanding their brand as it is about potential business growth. UK-founded brand Hakkasan's general manager in Shanghai Yong Zheng says that after expanding in the US and Middle East, they began looking to Asia. "China was our first choice as its economy is one of the fastest growing in the world, a great potential market to be discovered and expanded," he says.

Chinese culture

Operators cannot expect to show up in China with a foreign brand and anticipate success without an understanding of the cultural differences relating to Chinese dining preferences. Jarvis from Pret notes of their Shanghai outlet: "We have made a few modifications such as increasing the number of seats because we have more dine-in customers than in our other markets." Pret has also used customer feedback to help introduce more bespoke menu items to their range, including a crayfish toastie and chicken congee, as well as stocking a larger percentage of hot food items than they do in London, Paris or New York.

For Hakkasan, perhaps the biggest difference in their operations relates to how they've positioned themselves in the Chinese market. "Since our inception, the Hakkasan brand is known for being a bit mysterious and not spelling out



THE ARRIVAL OF FOREIGN DINING BRANDS IN CHINA

- 1987 Kentucky Fried Chicken
- 1990 McDonald's, Pizza Hut
- 1995 Domino's Pizza
- 1999 Starbucks
- 2012 Outback Steakhouse
- 2014 Hakkasan
- 2014 Pret A Manger
- 2015 Wolfgang Puck



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in obvious terms what it is behind our veil," Zheng says. "However, Chinese consumers prefer to know what they are getting in advance. So we have to compromise a bit on the way we market ourselves, raise enough of our veil while still maintaining our sense of intrigue."

Competitive market

Growing awareness of healthy eating and food safety, coupled with shifting consumer desires for global cuisine and Western-style dining, demonstrates a gap in the Chinese market that foreign operators have already started to fill.

Looking forward, Pret A Manger and similar operators should continue to do increasingly well, especially if they continue to grow and adapt based on customer feedback. For fine-dining establishments, China is already set to receive an influx of new additions in the coming years, including the imminent arrival of l'Atelier de Joël Robuchon in Shanghai, as well as branches from Australian celebrity chefs Luke Mangan and Bill Grainger. And although Mintel foresees that "foreign F&B chains certainly see a promising future in China", it will be interesting to see if consumer demand can match what looks set to be a competitive market. ■