



YumChina™

# **BUILDING COFFEE PORTFOLIO IN CHINA**

Steven Li | CMO

## **Innovation Powering Growth**



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# *The Strategic Intention*

## 01 **WHY COFFEE ?**

Coffee Represents a **Large, Growing and Attractive Market** in China

## 02 **WHY YUMC ?**

YUM China is a **Leader in Coffee Capabilities & Assets**

**Leverage Existing Assets** to Drive **Meaningful Growth**

Empowered by the **Digital Ecosystem**

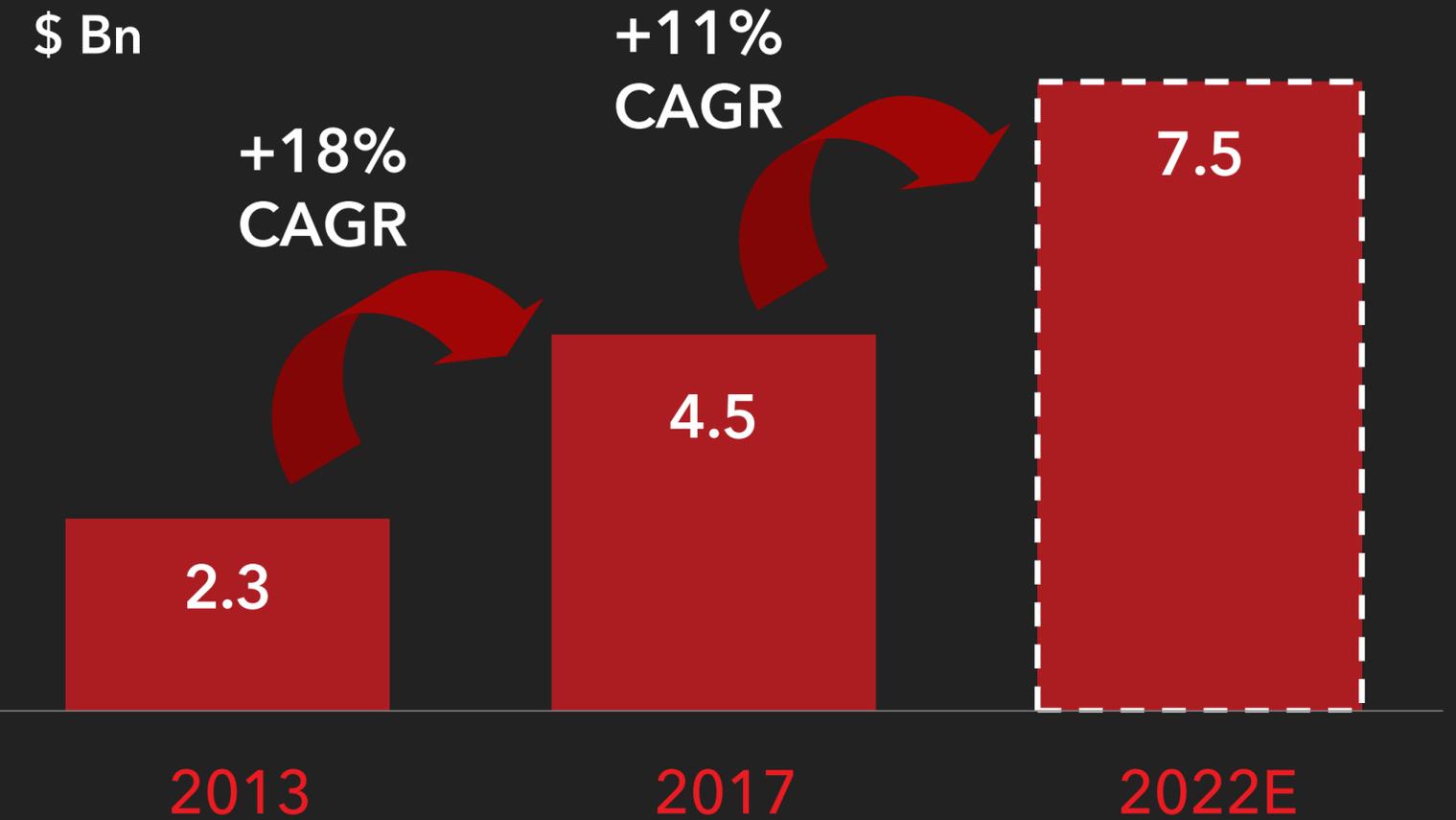
## 03 **WHAT VISION ?**

Yum China **Coffee Powerhouse**

**Integrated Coffee Value Chain**

# Coffee Market Growing Rapidly....

## Market Size of China Coffee Shop



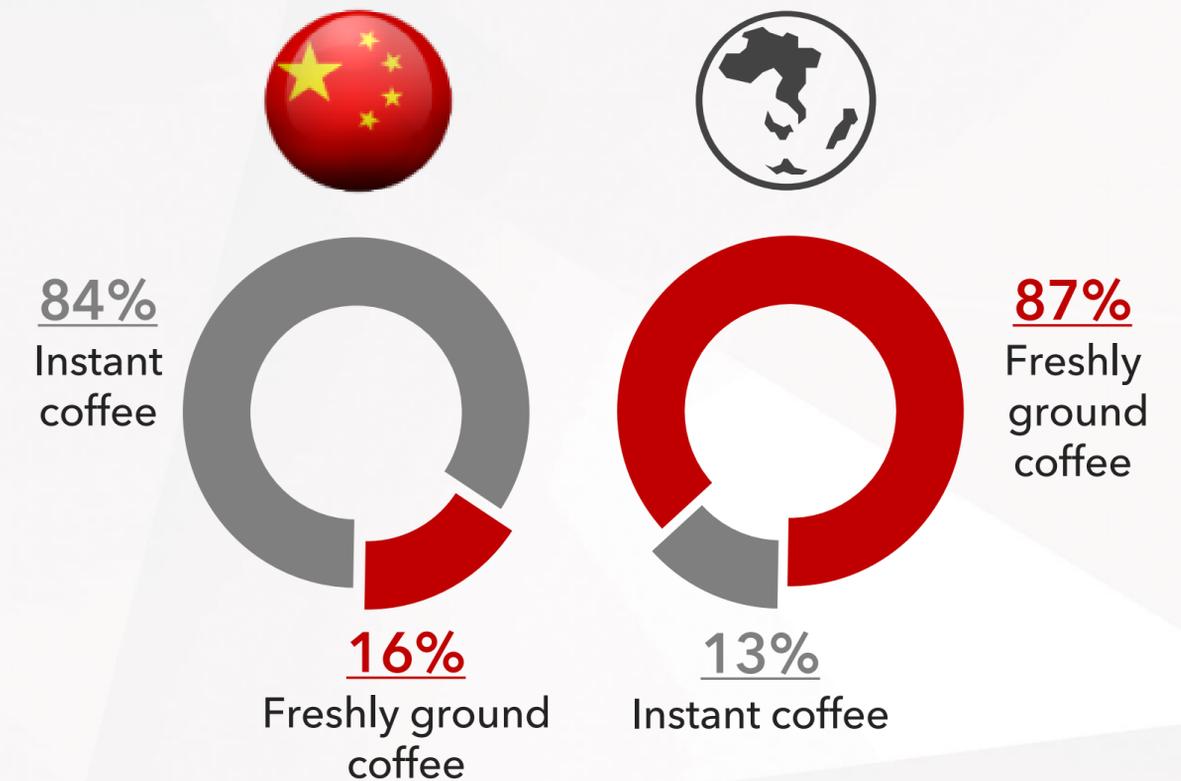
Coffee shops correspond to "coffee-themed" outlets, which focus primarily on serving coffee  
Source: Euromonitor, McKinsey Analysis

# Very Low Penetration in China

			
 Coffee Cups per Capita	3.7	335	263
 # Coffee stores per 100k population	0.7	8	29

High Instant Coffee  
Mix Indicates  
**UPGRADING  
POTENTIAL**

Instant coffee consumption  
**5x**  
Freshly ground coffee  
in China



# ***Multiple Drivers of Coffee Demand***



**Generational Shift**



**Entry-level Coffee**



**Specialty Coffee  
In Tier 1 Cities**



**Social-Status-Coffee  
Marketing**

# Multiple Drivers of Market Supply

## STORE EXPANSION



From Tier 1  
to Tier 2&3 cities

## FORMAT INNOVATION



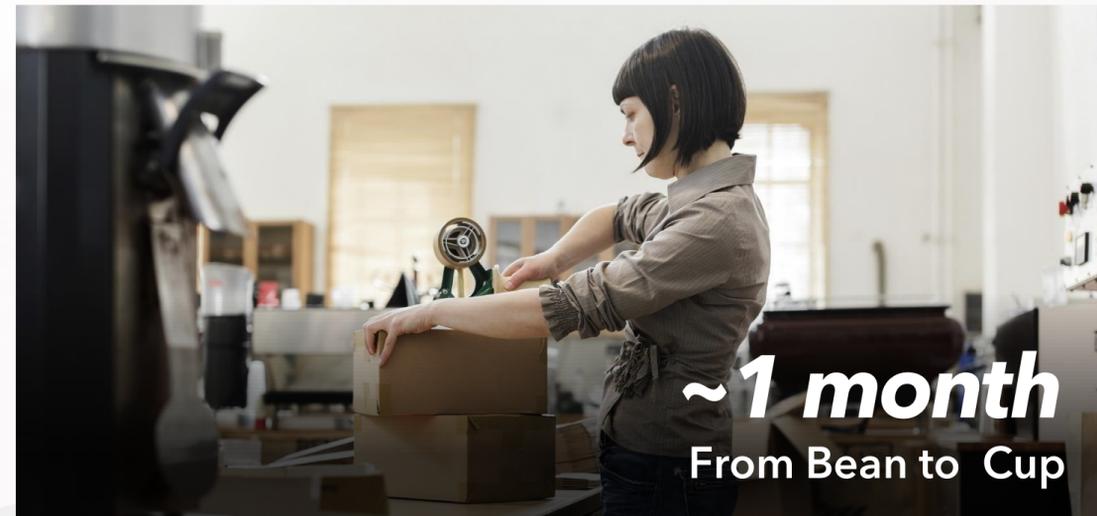
## COFFEE DIVERSIFICATION

Sweet, milky coffee  
new drinkers



Roasted coffee  
sophisticated drinkers

# Strong Coffee Capabilities & Assets



**Innovation  
Powering  
Growth**



2019 YUM CHINA INVESTOR DAY

# Leverage *YUMC Ecosystem* To Drive Coffee Growth

**1,200+**

City Supply Chain &  
Bold Store Development



**30 mm+**

Coffee Buying Members  
Out of 180 MM YUMC Membership



**6,000+**

Delivery Store



**1,100+**

Cities with  
Delivery Services



# Yum China's Vision

## A COFFEE POWERHOUSE

# COFFEE PORTFOLIO IN CHINA



**"Convenience & Value"**



Targeting : Mass Consumption  
Product : Freshly ground  
Price : Value for money  
Stores : ~6,000 and expanding



**"Artisanal Coffee & Experience"**



Targeting : Young professionals  
Product : Inspired by handcraft  
Price : Friendly (vs. luxury)  
Stores : 13 and expanding



# K COFFEE

- Quality, Convenience & Value for Money



**90 Million cups**

2018 volume

**1 Billion Yuan**

2018 sales

**30 Million**

2018 coffee buying members

# K COFFEE - Strong Growth Drivers

Format & flavors



All day occasions



Delivery



Membership



# K COFFEE - Connecting with Millennials

Art



Comic



Celebrity



Fashion



INSPIRATION  
ATION

# COFFii & JOY

手冲精品咖啡

A trendy & handcrafted specialty coffee brand for the young

年轻人的手冲精品咖啡潮牌

# FOCUSED APPROACH TO GROWTH



CRAFT & ESPRESSO



COFFEE INSPIRED  
PREMIUM BEVERAGE



CRAVEABLE FOOD



DELIVERY

# BUILDING AWARENESS AROUND CHINA

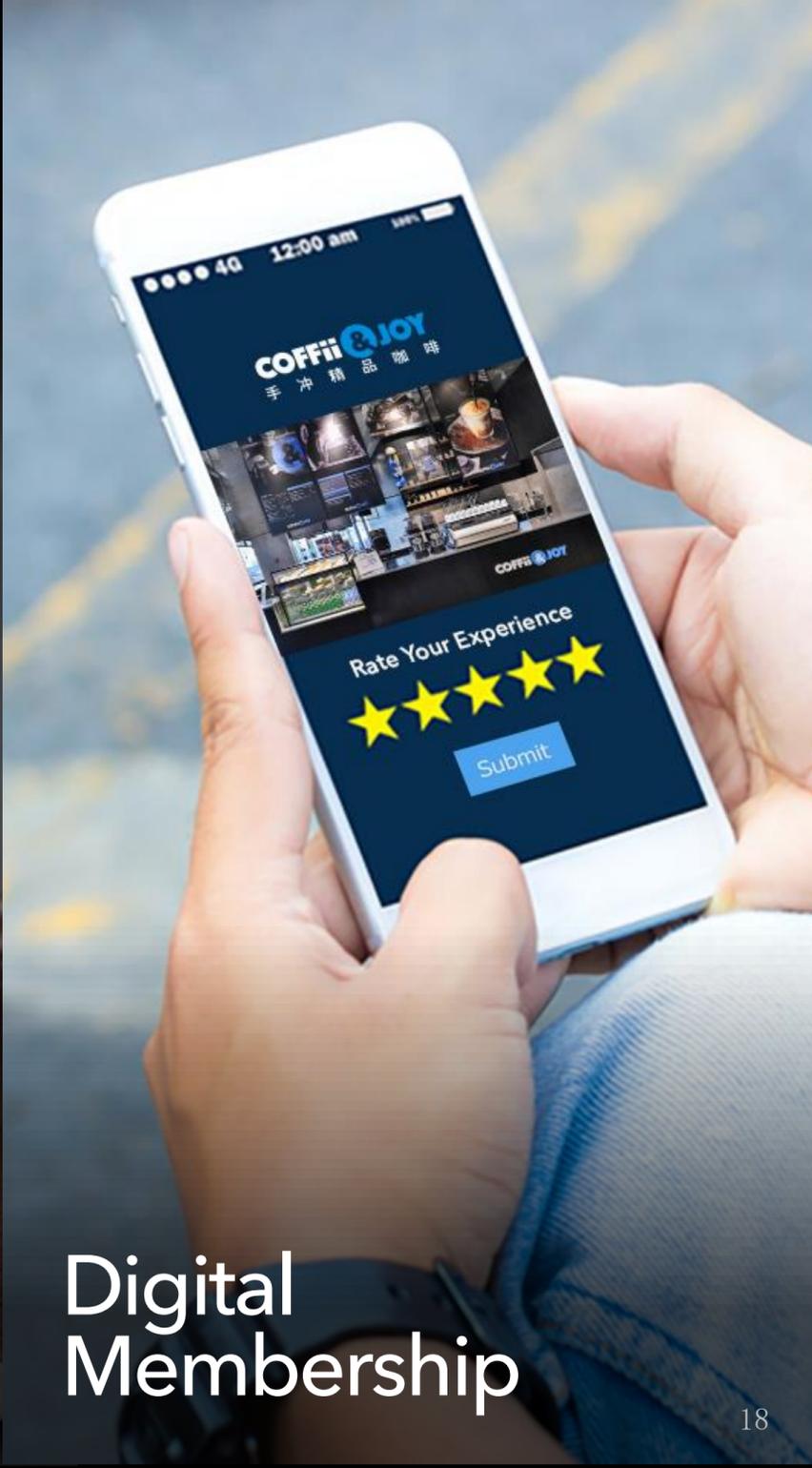


COFFii & JOY

New  
Openings



Disruptive  
Products



Digital  
Membership



**CONCEPT**



Size: 150m<sup>2</sup>

**COMPACT**



Size: 40-80m<sup>2</sup>

**EXPRESS**



Size: 20m<sup>2</sup>

**COFFII & JOY**

*Brand Development within 7 Months*

4

13

127

CITIES

STORES

BARISTAS



# COFFIN & JOY

Boutique Coffee Shop in Office  
办公室里的精品咖啡馆

CASE STUDY

# wework

Phase 1: 2019 Mar-Apr  
Shanghai: 9 Wework sharing  
offices



Phase 2: 2019 first half  
Beijing: 4 Wework sharing offices  
Shanghai: 2 Wework sharing  
offices



# Building Coffee Supply Chain to Support our Coffee Vision



## Upstream Sourcing Green Coffee

- Cost Optimization
- Quality Control
- Market Volatility Risk Control
- Supply Assurance
- Specialty Coffee Sourcing

## Create YUMC Coffee Blending Recipes

- Quality Assurance
- Quality Consistency
- Origin Yields Risk Control



Innovation  
Powering  
Growth



2019 YUM CHINA INVESTOR DAY

A close-up photograph of a person's hands pouring water from a silver gooseneck kettle into a white coffee dripper. The background is blurred, showing a coffee shop setting. The text is overlaid on the image.

# ***SIGNIFICANT OPPORTUNITIES TO BUILD COFFEE***

- ✓ Best in Class Capabilities
- ✓ Leading Digital Ecosystem
- ✓ Enormous Membership

- ***BUILD COFFEE POWERHOUSE***

- ***BUILD INTEGRATED COFFEE VALUE CHAIN***



YumChina

***Thank You***

Steven Li | CMO