

Ice cream chains find country hot

By Ding Qingfen and Wang Xiaotian

International ice cream chains such as Dairy Queen, Baskin Robbins and Haagen-Dazs are aggressively expanding their networks in the country, despite a global economic downturn.

The US-based Dairy Queen (DQ), which had the largest network in China with 170 outlets by end-2008, is gearing up to add more this year.

“We plan to open an additional 100 stores in China this year. These will be located in 12 Chinese cities,” said Echo Yang, marketing director of Shanghai Shida Catering Management Co Ltd (Shida), DQ’s largest franchisee with more than 100 ice cream parlors nationwide.

DQ has three major franchisees in the country. Last year, Shida alone opened 46 new outlets. But, this year, “we will keep enhancing DQ’s presence in China by annually doubling the number of new outlets”, Yang Said.

In the first quarter of this year, Shida opened 20 DQ outlets in Shanghai, Wuhan, Chengdu and Xi’an.

Yang said the financial crisis has not hurt DQ’s business. “You know the Lipstick Effect? The ice cream industry is similar to that-wherein sales of lipstick would rise even if there were an economic recession-as people are still willing to buy it. Ice creams are a good alternative to lipstick and satisfy a psychological need,” he explained.

DQ is not the only one expanding. Baskin-Robbins, the world’s largest ice cream chain, said recently that it would open 20 new outlets in major cities, including five in Beijing and 15 in Shanghai and Xi’an.

The figure, although much smaller than that of DQ’s, is double the company’s previous estimate which called for opening 100 new outlets over the next 100 years.

Srinivas Dumar, Baskin Robbins’ chief brand officer, attributes the expansion to contraction in the consumption of ice cream in the United States and Japan, its top two markets. Baskin Robbins has 2,700 outlets in the US and 930 in Japan. In the past seven years, Japan ranked first in Baskin Robbins’ global development portfolio in terms of the number of new outlets opened annually.

But now the focus is shifting. “China will be our most important market, and the key growth engine,” Kumar said.

According to Lin Xinbin, general manager of Stellerich Food & Restaurant Co Ltd, a franchisee of Baskin-Robbins in China, “the economic recession provides the ice cream chains a nice opportunity to expand”.

Lin said rents for new outlets have decreased by at least 20 percent compared to the previous year.

Movenpick, the Swiss brand acquired by Nestle, entered China in 2006. It targets the high-end sector as Haagen-Dazs outlets, and sets up outlets in four-and five-star hotels only. Its China business has now been expanding beyond the first-tier cities to the second-tier like Xi’an, Shenyang and Sanya.

Despite a drop in the occupancy rate of hotels, Movenpick’s sales “grew by double digits in the first quarter, and we are confident of delivering strong growth in 2009”, said Olivier Jakubowicz, country business manager, Movenpick, Chinese mainland & Hong Kong.

Movenpick is also accessing alternative sales channels to drive growth. “Opening our own outlets could be one of the strategies to further build our brand awareness here,” he said.

Haagen-Dazes said it witnessed a rise in sales by around 20 percent since January.

“We won’t slow down the pace of expansion,” Guo Yu, director of Public Relations, Haagen-Dazs China, told China Daily, predicting an annual sales increase of “20 to 30 percent in 2009, the same as in previous years”.