



Relying On The Local Market

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by Anne Stevenson-Yang

Reconciling himself to long hours and slow returns has been harder for Eunson, who stared Arabica when China fever was at a pitch and just about everyone thought fortunes could be made in a matter of months. "What has not been very much fun is being poor for six years," he says. "We were supposed to be rich in six months."

The whole thing started when Eunson and his partners realized that expats in Beijing were going to great lengths to bring the types of coffee they preferred from abroad. They confirmed their hunch when they handed out a survey at supermarkets and expat hangouts in Beijing and determined that the average expat was drinking about three cups of coffee a day and was unhappy with the coffee available in China. The partners figured that they could capture a good proportion of the 40% of coffee purchases made outside the country.

Business did not work out quite as they had planned. They learned that you can't sell the same coffee to a Japanese that you're selling to an American, and an African will snub what, to an Italian, is a superior roast. Finding it difficult to suit every taste, Arabica could not persuade expatriates to give up their long-time habit of carrying in several pounds of coffee from abroad after each trip. Arabica struggled to remake its business plan and became a wholesaler to hotels and restaurants. "When we did our feasibility study, we were going to be selling to the expat community. Now, about all our customers are Chinese companies."

Eventually, the other two partners pulled out, but Eunson stayed on to manage the business. Now the Eunson's built a profitable but small niche business, how will he fare against the big-league players? Germany's Melita and Hong Kong's TW clean Arabica's clock in the hotel market, which is very big; the China World complex, says Eunson, consumes more coffee each month than does the city of Xi'an. With their superior capital and, says Eunson, less concern with quality, these companies can supply a cheaper product. Arabica had to go into smaller establishments that appreciate their service and quality to survive. "The only reason we're so healthy today is that we were so underfinanced that we couldn't work much with the hotels," says Eunson. "Hotels force you to give them \$10,000-\$50,000 of equipment, they force your prices down to ridiculously low levels, they say they'll pay you in 30 days, and they ask you to thank them when they pay in 90-120 days."

Eunson has nothing but gratitude for the best known of the majors, Starbucks. "Somebody is actually marketing specialty coffee in Beijing for me," he says. "They're raising awareness of coffee throughout Beijing, and the more people they introduce to coffee, the more chance they'll come to find me."

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