

Yum China & Lavazza enter into partnership to Expand Lavazza Caf s & Product Distribution

23 September 2021 | News

Yum China Holdings, Inc. and Luigi Lavazza S.p.A. announced that they plan to accelerate the expansion of the store network of Lavazza caf s in China through the existing joint venture, aiming to open 1,000 stores by 2025. Together they will inject \$200 million initially into the joint venture to fund its future growth. In addition, the joint venture is expected to be Lavazza s exclusive distributor in mainland China to introduce more products from Lavazza s global portfolio.



Together they will inject \$200 million initially into the joint venture to fund its future growth.

Yum China Holdings, Inc. and Luigi Lavazza S.p.A. announced that they plan to accelerate the expansion of the store network of Lavazza caf s in China through the existing joint venture, aiming to open 1,000 stores by 2025. Together they will inject \$200 million initially into the joint venture to fund its future growth. In addition, the joint venture is expected to be Lavazza s exclusive distributor in mainland China to introduce more products from Lavazza s global portfolio.

In early 2020, Yum China – the largest restaurant company in China in terms of 2020 system sales, and Lavazza Group – the world-renowned family-owned Italian coffee company – formed a joint venture to explore and develop Lavazza caf  concept in China. The joint venture is owned by Yum China and Lavazza with a stake of 65% and 35%, respectively. The first Lavazza flagship store in Shanghai, the first store outside of Italy, opened its doors to customers in April 2020. Lavazza has since grown to over 20 stores in China across Shanghai, Hangzhou, Beijing and Guangzhou. Meanwhile, digital channels play an important role in Lavazza s initial success. Sales to Lavazza members accounted for approximately 50% of total sales for the first half of 2021.

"The recent progress of Lavazza caf s in China has been encouraging and reaffirms our belief that our partnership is well positioned to capture the significant coffee opportunity in China with accelerated store network development. We are excited about what the future holds for this iconic Italian brand," said Joey Wat, CEO of Yum China. "Leveraging Yum China s world-class supply chain, digital capabilities and in depth knowledge of Chinese consumers, we look forward to

bringing Lavazza's premium and authentic Italian coffee experience and products to even more consumers in China."

"The potential for coffee in China is vast; there is a lot of unexplored white space. As the largest restaurant operator in China, Yum China is the best partner to further grow the Lavazza brand in this market given its deep understanding of local consumers and market dynamics. Likewise, we believe Lavazza is the perfect premium brand for Yum China to achieve its coffee aspirations, bringing outstanding quality products and in-depth expertise of the coffee sector, nurtured over the 126 years of our history," said Antonio Baravalle, CEO of Lavazza Group. "The strengths contributed by each partner create a solid foundation for the success of our joint venture, and we are excited to collaborate with Yum China to develop Lavazza into a leading coffee brand in China."

The next phase of Lavazza store expansion in China is to increase the density of Lavazza café network in higher tier cities with a variety of store formats for a wider range of occasions. With 22 stores as of August 31, 2021, the joint venture plans to more than double that by the end of 2021. The joint venture will further enhance capabilities to drive efficiencies, in particular in-store operation, branding and marketing efforts.

In addition, the joint venture will market, sell, and distribute Lavazza's retail products in mainland China, including coffee beans, ground coffee and coffee capsules. Leveraging Yum China's digital capabilities, operational expertise and deep China market knowledge, and Lavazza's top-quality products, the joint venture aims to further grow the Lavazza brand in China.