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China Star Food sets eyes on more ventures with supermarket chains

Stephanie Luo , China Star Food sets eyes on more ventures with supermarket chains
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CHINA Star Food Group's recent breakthrough into Walmart China has helped opened new grounds for its development, with the company projecting 20 million yuan (S$4.1 million) of sales this year from the new venture.

China Star Food Group, which produces and sells sweet potato snacks, had inked an agreement earlier this month to expand its products to 419 Walmart stores in China, making them available in more than 19 provinces there.

On China Star Food's progress in Walmart China, executive chairman and chief executive director Liang Chengwang said in an interview with The Business Times that he believes the company will do well.

"Walmart China is just the beginning," he said.

The company is venturing into more deals with supermarket chains such as Ren Ren Le and Yonghui Superstores in China.

China Star Food also has a new concept of a specialty store, which caters to online consumers. Deputy CEO Yeo Choon Tat said that e-commerce will contribute about 10 to 20 per cent to the company's revenue.

China Star Food is based in Liancheng in Fujian, China. The company has three factories and is looking to open a fourth in the future.

With the Chinese government's regulations on environmental protection, the company said that it has benefited from this measure, which gives it the "space to develop".

Smaller competitors which cannot comply with the Chinese government's standards of emission control have to shut down their factories and China Star Food sees this as helping to eliminate its competitors.

However, the company foresees that its Q4 production volume will be heavily impacted for the three months ending March 31, 2017 due to a halt in production. This is because the factories have been shut from Jan 20 this year for the Chinese New Year holidays and will open after a month.

China Star Food's Q3 marketing and distribution costs increased by 89.2 per cent to 32.9 million yuan from 17.4 million the year before. The three months ended Dec 31, 2016, saw net profit fall 28.3 per cent to 12.1 million yuan as revenue dropped 6.7 per cent to 122.6 million yuan.

Mr Yeo said: "We monitor our expenditure very closely. We believe that advertising will strengthen our brand name. About 18 per cent of our spending is dedicated to advertising and promotional efforts."

In the future, the company said that it will secure 8,000mu of farmland to the cultivation and supply of sweet potatoes. It will spend 100 million yuan on this initiative.

China Star Food, whose clientele is mainly women in their 20s to 30s, said that it will increase its variety of healthier snacks beyond sweet potato to include other flavoured snacks such as yam and vegetable.

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The company also wants to promote their snacks to the masses here. It is hoping to seek assistance from IE Singapore and Economic Development Board through grants, and plans to join the Chinese Chamber of Commerce's sub-group food industry in order to tap into its network to find a distributor here.

In Asia Pacific, China Star Food wants to expand its business into Malaysia, Indonesia, Vietnam, Taiwan and Japan.

In Japan, Mr Yeo said that the company will operate through an original equipment manufacturer business model, which will see China Star Food's products come under third party packages.

Referring to strong competitors in the Japanese market, he said: "We don't wish to spend money on sales and marketing to build our brand. It's a bit tough in Japan."

"Walmart China is just the beginning," says China Star Food's executive chairman Liang Chengwang.

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