

- Yong Zhao: This episode of Beyond the Bottom Line is brought to you by the Program on Entrepreneurship of the Yale School of Management, where we're educating students for business and society.
- Jen McFadden: So welcome to this week's edition of Beyond the Bottom Line. We are excited to have Yong Zhao in the studio with us today. Yong is one of the Founders of Junzi Kitchen, which is a fast-casual Chinese restaurant concept that was launched here in New Haven, back in 2014.
- Jen McFadden: Welcome, Yong.
- Yong Zhao: Thank you.
- Jen McFadden: I would love to hear a little bit about the beginnings of your story and then we'll move into some of the work that you're doing around bringing Chinese culture to America at scale.
- Yong Zhao: Sure, Junzi Kitchen started in 2014, before that a bunch of Chinese students at Yale, so we're missing the food from home, in the meantime we want something quick. So that idea, we started really thinking about the food we had been eating when we grow up in home and in college. The Chun Bings and the noodle bowls, and then started really thinking about the start up idea around it and find a lot of visibilities around it. Seeing the new potential of making a new generation of cultural brand of Chinese culture in the food. Through making accessible everyday healthier, more authentic Chinese food. So that's kind of the initial idea. A bunch of friends of mine got really excited about it, started really kind of drawing, the brand, the images. Started really cooking the first Chun Bings, by calling my mom about how do you do that. At home, with a lot of friends getting together. [inaudible 00:01:56] the Chun Bing to my lab to my lab mates, kinda make them try it. How they feel it, all these things happen before. Let's really open restaurant, 2014 in the Y.E.I.
- Jen McFadden: The Yale Entrepreneur Institute.
- Jen McFadden: So at the time you were a Forestry school graduate student.
- Yong Zhao: Yes.
- Jen McFadden: And your co-founders were?
- Yong Zhao: One also already graduated from Forestry master programs, and the other one just graduated from U R School.
- Jen McFadden: You are from Northern China, so can you talk a little bit about the area that you're from.

Yong Zhao: I'm from northeast China, the Manchuria area, which is the border between Russia and North Korea. So the food there is very straight forward, because it's a very new kind of residential area for the Chinese. The farm land that is new, and is large farms, it's like in a way it's like Texas of China. The people there are old and wild. (laughs) [inaudible 00:03:16] imagination, but our food is a large portion is a simple straightforward food. In northern China, people eat a lot of flour based food, such as noodles, dumplings, chun-bings.

Jen McFadden: So what is a Chun-bing?

Yong Zhao: Chun-bing is a basic, the literal translate spring pancake. The bing is a term as a foundation of flour based food. So dumplings traditionally, it's like a bing wrap with meat ball in it, so basically a flat pancake. So noodles was called soup bing, because the basic shredded bing into a soup. [inaudible 00:04:08] become, kind of shape of flat bread, in China called bing. So when Pizza-Hut in China, the way they market pizza in China is called pizza bing. [inaudible 00:04:21] people still understand pizza bing more than pizza. It's the same thing like pasta in China is called Italian noodles. So we're seeing the reverse way of saying that, we can make a Chinese burrito, but it's actually Chinese bing, it's a wrap. Or like something you know, ramen is Japanese, Chinese food, today is called ramen is more like Japanese food. [inaudible 00:04:50] find also a Chinese version of Japanese Chinese food. The Chinese Chinese food of noodles. There's huge tradition of that as well. So seeing all the potential of making these food accessible, is more authentic, healthier Chinese food version.

Jen McFadden: So you make that decision and you're coming into a U.S.-based market that has a very particular style either of large scale franchise based Chinese foods like P.F. Chang's, or I can't remember what stat you gave, but the thousands and thousands of smaller family owned Chinese restaurants. Can you talk a little bit about that and how you look to differentiate yourself in that market.

Yong Zhao: Yes, so there are few kind of the [inaudible 00:05:35] through this, historically Chinese food been developed before 150 years. That means several generations iterations of Chinese food. The first generation Chop Soy. The Chop Soy idea of Chinese foods is very related to the real real old era. Which Chinese people will come here the mainly like half slaver labor kinda type. They basically worked really hard on the railroad on the labor based road, established whole new agricultural system in California where they're now appreciated as a part of history. Then become forcing to only do Chinese restaurant because Chinese exclusion act.

Yong Zhao: In, around the beginning of the twentieth century, basically from ten percent of people, in Chinese people in the restaurant industry to ninety five percent because of this law thing. These generations of Chinese food was more based on imagination of Chinese food. Chop Soy translate a little bit of miscellaneous things, it's always the food, you just cut up whatever you have in the

ingredients. The intestines stuff and just chop it and stir fry it. It's nothing like real traditional higher end better Chinese food. So then understand Chinese food our beginning was pretty bad. But it's getting popular again anyway because Chinese food has such flavor, unique flavors.

Yong Zhao: So in 1950's, Chinese food becoming more like today because a new generation immigrants came here. They bring in a whole new idea of Chinese food, Hunan food, spice and different dimensions so people can use new imagination Chinese food, this idea that Chinese is all chicken, is literally viewed like that imagination, but today we see a new generation. Like our generation came here, not just only trying to survive here. We want to make a more contribution. We want to express ourselves, that's we want to bring real Chinese food, without too much imagination. We want to bring the authenticity through here, so that what you see today is like, we always enjoy the food that's more everyday food and also real. That's culture but also healthier. It's more sustainable. To me I cannot eat Chinese food chicken everyday, it's just too sweet and too greasy.

Jen McFadden: So explain then a little bit, you've got this idea, you launched the first restaurant in New Haven, you've since opened two in New York City. Can we talk a little bit about the transition to New York and how you're incorporating some of those cultural elements in what you're doing, whether it's from the ways in which you're configuring your stores to begin with, the pop-up dinners that you're doing, and how your kind of trying to build the bridge between the two cultures and really provide a more authentic experience for the US based consumers.

Yong Zhao: So going into New York, based on the decisions, it's tough decision because New York's the most competitive restaurant world. For any restaurant to survive is very risky for out of town [inaudible 00:09:04] success there. But going to New York is very important as a brand or start up because we are not just only establish a restaurant setting, Chun-Bings and noodle bowls. We're establishing a new idea of Chinese food, so Chun-Bing and noodle bowls first iteration of the idea, but it's not the end of this idea. So we have to establish our presence in New York.

Yong Zhao: Then I says it's very risky so we have been thinking about strategically, so from the very beginning we know Yale and then similarities between Yale and other universities, is much higher then the similarities between New Haven, city to neighborhoods on the upper west side of New York. So going to the school in large city is less risky than large city and neighborhood, and also the brand has to occupy the space because we need to gain the support of authenticity through the support of Chinese students. These schools the two largest Chinese student community in America. So we'll have to go to Columbia and N.Y.U. to start with. So that's our strategies first off the bat, how to establish without too much risk of failure in New York City and save as much marketing cost as possible because you need allocate money wisely.

Yong Zhao: In the school, you don't need much marketing because [inaudible 00:10:34] school people good, people talk about it. You're good. You don't need to reach out to a lot of individual [inaudible 00:10:40] of companies and stuff. And then [inaudible 00:10:45] in the school and then we get out of school is very important so we'll have [inaudible 00:10:51] next month. To really improve your mainstream brands in the future have much larger market share can take. So that's kind of you start to think about the brand strategies communicating strategies from a beginning of where to go. And then you have the product [inaudible 00:11:09] tell you who you are. So as a food company, although our basic simple fast kind of modern sells few things well, if you want become the iconic Chinese food brand of America, become authentic icons as ambassadors, you cannot only sell two things. You have to be able to tell a different story than to sell noodle bowls. Jinzu, from the beginning we try, so Bings and noodles, is our kind of foundation of cash cow to help us do something better, interesting. Culturally more interesting as well. The basement, the base layer of this pyramid then to view then to build on top of that, there's like a tenth shared concept called after hours, we sell something more indulging kind of food in the night. That's a part of our lifestyle in China, we just don't sleep until probably midnight and it's still evening on the street at that moment. That happens to a lot of large population cities because people have more things to do. We kinda want to bring eating base over unto nightlife culture here as well. To providing after hour concept and then because we do have a very talented chef, graduated from Yale, so we'll have the luxury to really start to expand other narratives of Chinese food through higher end chef table dinners. Chef table dinners we're doing right now in New York, every time we announce it, within one hour we are sold out, for 60 tickets. It's very popular because every time we bring new concept about Chinese food through range from certain century, ancient recipe revival to from Silk Road Chinese food, evolutions to Chinese Indian food, this kind of cultural communications thing. Chinese also Puerto Rican food, all these things. We are so excited to make Chinese food become a vessel or lens to communicate different cultures in historic context. So use that as a language rather than object.

Jen McFadden: Was food as therapy to help the health the emperors is that correct?

Yong Zhao: Well yeah, it's not only health of emperor, everyone in China they believe. I'm not saying scientifically how accurate that can be, but to believe that food has a lot of contribution to your health, you need to only think about calorie counts, but also kind of the food balance of food qualities, the heat, different flavors, different [inaudible 00:14:17], you can connect yourself through the seasons that the surroundings around you, but also the food you are taking into yourself, and then you live a healthy life in the seasons.

Jen McFadden: So you've raised a couple of rounds of funding, this is a capital intensive industry obviously, that you've entered into, but I think that you've raised those rounds with this much bigger vision of what Junzi will be in 10 years. Can you talk a little

bit about that vision and how you're working now to really lay the foundation for that.

Yong Zhao: We are, understand we are not an American Chinese restaurant, we are a Chinese American restaurant, so in bottom level it's a scalable American concept, that's going to be one of the largest concept Chinese food in the world, that's our vision.

Jen McFadden: Small vision.

Yong Zhao: That's kind of an interesting opportunity for us, and if we have the size, we can become the iconic Chinese food brands as a kind of brand ambassador between Chinese culture and [inaudible 00:15:25] real Chinese culture outside China. So then we'll have a large responsibility, opportunities to become that kind of ambassadors. We can translate a lot of different food to different markets, we can translate a lot of different culture, different arts, products, entertainment to American market, but also international market as well. So that's one of the things that's opportunity to become the second largest economy in the world. That so far doesn't have much of cultural presence in the world market. It's hard to find the brand that you can match that oh that's from China, that you feel great and you want everyday. So we can be the first one of that. Then that's going to differentiate from the traditional American Chinese food with more localized American culture. So we can be the bridge, not only popular in American mainstream culture but also appreciated in China as well, and internationally as well.

Jen McFadden: You've already started to achieve that, I think you said that in an area where it's 10 percent Asian, you have 30 percent of the food is being served to Asians, can you talk a little bit about how feel like you're already managing, and managing quite well, with this beautiful branding and this beautiful experience that you've created to both target that American market but then also have those hints and wonderful whimsical elements to your branding that really appeal to that traditional Chinese.

Yong Zhao: Yes definitely, so what we're trying to create is going to do a communication system, with more like a ocean, that you can surf on it, dive it, there's a certain depth you can dive into. To our customer who either grew up in China or grew up in Chinese family, or have a group of Chinese friends, that have been through, that know the real Chinese food that's different from the American Chinese food, what they usually eat and they will feel they'll find home, they'll find their memories. So we do have a lot of Chinese students come here, talk to hey I've been here for a while, for like 5 or 10 years, this is the first time I feel that this is home flavor. And they so appreciate it because they only expect that. On the surface level, the form, it's very Americanized, in the restaurant you don't see many staff in it. Because basically it's an American restaurant and the flow the operations, just like another chip hole screen, that's transparent, clean

and light. You don't feel that much of a traditional red gold Chinese restaurant anymore. The flavor is right, so that kind of gave us such an advantage of communicating to non-Chinese, non-Asian customers, without too much burden of culture. You don't want to go to place you can always get educated, because it's too much a burden for your everyday life. In the meantime, before people understand the culture it can remind a lot of them by that. It's [inaudible 00:18:45]to hide a lot of valuable details to the customer that don't get it, until they learn it.

Jen McFadden: And there's little nods like the candies that you give out for free, or the fact that you accept we chat as a payments platform.

Yong Zhao: Yes, so yeah there's a whole thing, we'll sell Chinese lace, right, and Chinese Lays, it's Lays, it's such a common thing, you trust Lays the company, but in the meantime the flavor is very Asian-ish, there's like a spicy crab, a seaweed. All these things, that make you feel that's kind of exotic, interesting way, also familiar with.

Jen McFadden: So we do like to talk a little bit about failure here. So I would say you don't necessarily, you may not have experienced failure yet, but certainly what has been the hardest or most unexpected thing that you've encountered as you've gotten this off the ground over the past 5 years.

Yong Zhao: I think, for me, well from the very beginning we see like there's definitely a lot of room for a brand like this, but we don't know how hard, how much it take to be that one. It's just always harder than you think. Right, you don't think, I don't need open a restaurant or operate a restaurant, but you do, but you don't have that 180 degree of failures, you always like, I think restaurant, we can handle it, but it's just so hard, right, we don't have a lot of those things, hard day, but in the meantime definitely it's about being the consensus, through an investment, investors, supporters, collaborators, those people who believe the thing you're going do is going happen, and that you can make it happen all right. So the self fulfillment of prophecies is that challenge will always be to tell how hard the prophecy to a lot of people. Especially when there's down turn economics cycles. So like in 2000, in 2008 Chinese investments always very active, they give a high evaluation, but when I go back to China in 2008 to try and raise [inaudible 00:21:03] I find difficulties because usually you hear a story that people give out-of-state company a huge evaluation because they tell us something bold and great, interesting. We do the same thing, but we don't get a huge [inaudible 00:21:17] investment. Or we get a lot of interest about it, or trying to, or almost close a few rounds with a lot of money but eventually didn't go that way, so we'll come back and say hey let's regroup and think of a smaller round, a very smaller incremental steps to be able to get there. So those economic cycles we are less prepared for the economic cycles and also for the investment firm cycles, we see they're less aggressive, they come back in less than a year, to figure out what's going on. If you really need money in that moment, this a hard

time. So yeah, I think definitely from last June, we had been through half year of hard time raising money, but I think we're getting out of this right now because economically, well it's not getting better, but the confidence is getting better a bit more, but in the meantime, we're store is getting better.

Jen McFadden: Yeah I think you have this kind of perfect point sometimes at which you can go and try and find capital and sometimes just having an additional couple of months of information on your underlying existing businesses and the story that you're telling it can work in either direction. It can be great, because you're telling the story of what the growth will be, and you don't have the data to disprove that necessarily. Or you may have this great story you know is going to occur, but you don't have the data to prove it, so it's the timing can sometimes be.

Yong Zhao: It's about the trust, it's about the confidence and sometimes for the investors.

Jen McFadden: Wonderful, well I would like to ask, one final question, I ask this to everybody, what book are you recommending or buying for people.

Yong Zhao: You mean for start-up books?

Jen McFadden: No, just in general, in life.

Yong Zhao: Hmm, that's a great question, so I mean the most recent books, about homo sapiens are the books that I always want people to read it, because it gives it new perspectives seeing the histories and the futures. Of course, I would definitely want to recommend a lot classic Chinese literature, to a lot of people to understand our culture and history better. As well, there's like a bunch of canons you can always recommend, I enjoy reading those. And also start-up is always going to be those 0-1, the beginning start-up, how are things to prepare for the journey, that, but yeah.

Jen McFadden: Wonderful, well Yong, thank you so much for join us today, and we look forward to see where you're expanding next and hopefully it's to a neighborhood near all of our listeners.

Yong Zhao: Thank you.

Jen McFadden: Thank you.