

Brian Sheehan: 0:04

<p>Welcome to Retail Intel, the podcast where we dive deep into the dynamic world of commercial real estate. I'm your host, Brian Sheehan, and I'm thrilled to be your guide on this journey through the bustling streets of retail, the aisles of shopping centers and the world of commercial property investment. With me today is Jasmine Chin, a managing member of Happy Lemon USA. Happy Lemon is a global tea brand with locations in 20 countries that offers refreshing and delectable beverages to tea lovers worldwide and is growing quickly. If you haven't heard of cheese tea yet, you're going to be hearing a lot more about it soon. Cheese tea has been exploding in popularity in Asia for the past decade and is starting to gain popularity here in the US. Jasmine, welcome.</p>

Jasmine Chin: 0:50

<p>Thank you, Hi. Thanks for having me, Brian.</p>

Brian Sheehan: 0:52

<p>Well, I'd love to start with your background. How did you get into commercial real estate?</p>

Jasmine Chin: 0:56

<p>Yeah, so I mean, I've always been fascinated by analyzing each community's unique needs and wants, so the diversity and market dynamics across different communities is incredibly intriguing to me. This interest in understanding and catering to these distinct demands naturally led me to commercial real estate and out of college I worked for more like a family commercial real estate company where I was able to engage with and impact various markets directly. So that was very interesting and additionally, you know, commercial real estate offers opportunities to create and transform spaces, very different spaces that significantly influence, you know, local communities and also economies and the quality of life for a lot of people. So I'm also, you know, as I was, more engaged in commercial real estate. It was very interesting and I'm drawn to the challenge of identifying, like prime locations, for example, for Happy Lemon, understanding market trends, market strategic investments, even for both businesses and communities and landlords. So the complexity of everything is very interesting and all these real estate projects really excite me.</p>

Brian Sheehan: 2:10

<p>And how did you come to find out about and join Happy Lemon?</p>

Jasmine Chin: 2:14

<p>Joining Happy Lemon, so a lot of it was family focused. So I was lucky enough to be able to work with my family, so it was a great journey. I mean, my dad was heavily involved. At some point he was the CEO of the company and he kind of blew up the expansion on his own really. So that was incredible and having that support and guidance from him was a really big thing. So first he started off, you know, in Cupertino, one little tiny store probably the worst location ever because nobody knew who we are, who we were back then, you know. So absolutely no parking. It was probably five steps below ground level, so like visibility was at like, basically, zero.</p>

Jasmine Chin: 3:02

<p>And somehow he was able to kind of blow that one store up and as the years gone by it was like so much easier to find. You know locations once you establish a brand that's amazing.</p>

Brian Sheehan: 3:14

<p>Well, so, happy lemon. What is it? What was the inspiration behind its creation?</p>

Jasmine Chin: 3:19

<p>yeah, so a lot of it. We want to focus on fresh ingredients, right, right. So the boba industry, the boba market, has been around for many, many generations in Asia and it's slowly trending and coming to the United States and, with a lot of competition with a lot of beverage chains, we want to focus more on accessibility and also how healthy the products are right. Accessibility and also how healthy the products are right. So if you're feeling something fresh like a fresh lemon, you know green tea, fresh lemon, honey, green tea right, we have our own farm right. So we have our own fruits and we import our fruits from Taiwan, from our farms. So we want to make sure our customers are able to drink this

multiple times a week, it's not just a once a month treat thing where they feel guilty drinking it so me I.</p>

Jasmine Chin: 4:05

<p>I love boba. I drink this, maybe you know. I want to say like four or five times a week. I've been doing it for years.</p>

Brian Sheehan: 4:11

<p>So focus on fresh ingredients. You have your own farms. I mean, like you said, it's a very competitive space. What are some other things that help make Happy Lemon?</p>

Jasmine Chin: 4:22

<p>unique. So our vision was to saturate markets right, so we are one of the biggest international boba chain and we want to saturate each market. So our vision and goal in the Bay Area was to have one everywhere. So we popped up about 60 locations in just a few years and that's what we're doing right now in all major cities and states right, and we want this to be a convenience for everyone. We want brand awareness. If you are traveling from Japan, if you're traveling from Taiwan, you're in Hawaii, you're in Texas, you're in California, you recognize this brand and you're able to just kind of trust the brand, trust the products and have it be like a convenience thing for you trust the products and have it be like a convenience thing for you.</p>

Brian Sheehan: 5:06

<p>So not every landlord might be familiar with Boba Tea or Happy Lemon necessarily, depending on what part of the country I'm in. Why is that a great use for a retail shopping center.</p>

Jasmine Chin: 5:21

<p>You know that was one of the struggles throughout the years. You know, getting into prime real estate, prime shopping centers with prime anchor stores. So a lot of it kind of speaks for itself. In terms of our flagship locations. You know where we're able to go into big

developers. You know, like you guys right, phillips Edison, you guys, if we're in Alamana Mall, if we're at the Salesforce Transbay Center, you guys have that sort of trust. Right, your portfolio, you know where are your other stores, what are your numbers, how fast are you guys expanding? Right, and I'm sure if we're trying to get into a local market that you guys are in as well, you guys will check out the store. Right, how's grand opening? What are the lines like? What are the reviews like? Even if the landlords are knowledgeable or they don't know about boba or anything like that, they do their due diligence and having a good portfolio matters along with also like word of mouth, right?

Jasmine Chin: 6:15

<p>you know, ask around. Hey, are you aware of this? Usually it's the younger generation that knows as well. So a lot of landlords, will you know, ask their kids, ask whoever it is, and that kind of helps as well. Definitely, I a lot of landlords.</p>

Brian Sheehan: 6:26

<p>Will you know, ask their kids, ask whoever it is, and that kind of helps as well. Definitely, I ask my daughter all the time about kind of what's hip and happening, what's innovative, fast growing, and this is a use category that seems to kind of constantly reappear.</p>

Jasmine Chin: 6:38

<p>Right yeah, a lot of malls and trending malls. Now they want to target Gen Z. They want to target what's hip, what's new, not like the old school brands or anything like that. They want to gear towards what's trending right now. Either it's on TikTok or like Instagram.</p>

Brian Sheehan: 6:54

<p>Whatever it is, there's a big influence on that as well but this has been around to your point for what decades in Asia, and it's it's not just a fad right, right, yeah, no.</p>

Jasmine Chin: 7:06

<p>Boba tea drinking culture, beverage drinking culture has been around for many generations. I was just in Asia a few days ago and I kid you not like boba chains. They're

literally back to back to back in a row. Maybe there's like five on one block and the next block you go, there's probably three, and it's just a culture. It's people drinking one to two times a day. They're thirsty, and it's been a culture and it's becoming a culture. Right now I can see it in the United States.</p>

Brian Sheehan: 7:34

<p>Of course, use restrictions, exclusives kind of help protect or prevent that from happening in a single shopping center. But do you see a similar thing happening in the US? Are you seeing a lot more growth and development beyond where you're growing with Happy Lemon?</p>

Jasmine Chin: 7:52

<p>Yeah, I mean exclusives. Yes, we have a lot of tea and coffee exclusives that kind of do block us from going into certain malls and plazas, but I've that wasn't really in the beginning I've noticed there's a trend where landlords kind of hold off on exclusives now because they don't want to kind of tie themselves into a kind of like a hole. You know but you can correct me if I'm wrong but that's kind of like the trend that I'm noticing, like before there were lots of tea exclusives, lots of juice, juice exclusives. And I mean, with our variety and our mass variety and menu there's also some ways to get around it, because if you say we're a coffee shop, no, we're not.</p>

Jasmine Chin: 8:35

<p>Maybe we have one item right. So if you say we're a tea shop, not more than 50% of our menu is fully tea. We have smoothies, we have slushies, and you really can't also say we're a juice shop because we also have tea. So I mean, the variety of our menu kind of helps also and it's kind of also like, okay, are we a juice shop or a tea shop, so we have something for everyone, kind of. So it's kind of nice.</p>

Brian Sheehan: 9:01

<p>For our listeners who aren't maybe familiar with Boba Tea or Happy Lemon. I kind of want to talk real quickly about site criteria and where you're growing and those things. But I guess, first of all, what's your square foot size range? What's your sweet spot size wise?</p>

Jasmine Chin: 9:17

<p>Yeah, so our sweet spot is about 1,200 to 1,400 square feet. Anything bigger, fine, we'll just have more storage room. But we want to keep our customer area cozy and welcoming, right. So if we have, for example, some states like Texas, right, Much bigger land, we get 2,000, 2,500. Sometimes we're locked into bigger spaces because it's in prime locations, totally fine. But we want to make sure the front of the house is just a few tables. We don't want maybe it's just opening, right and it's slow the first two hours. We want to make sure that whoever our first customer is coming in or whoever's walking by, they don't feel intimidated, like why is it so empty? It feels too airy. So we want to make sure, no matter how big the size is, the front is going to. We're just going to keep it at just a few tables, make it nice and cozy. But ideally we want about like 1,200 square feet to 1,400 square feet.</p>

Brian Sheehan: 10:16

<p>Okay, and that's great that you can flex where you need to be, in the right real estate.</p>

Jasmine Chin: 10:24

<p>What's the current number of open locations? In the US, we have about 120 stores right now, wow.</p>

Brian Sheehan: 10:27

<p>And how many are you opening this year or will be open by the end of 2024?</p>

Jasmine Chin: 10:33

<p>So we're planning on 20 more and with the speed of growth, we're trying to obviously double and triple in the next few years.</p>

Brian Sheehan: 10:42

<p>Wow, so next year, end of 2025, you'll have how many open.</p>

Jasmine Chin: 10:46

<p>We want to try to aim for close to 300. We want to double in size. We're heavily pushing for expansion, franchisees and corporate stores. We want to get into prime real estate, prime plazas, prime shopping malls. So that's kind of our goal for the next few years.</p>

Brian Sheehan: 11:03

<p>What's the mix of those that you're going to be opening? What's the mix of franchise versus corporate?</p>

Jasmine Chin: 11:09

<p>So we're a one-to-five model, so every five franchises out store, one corporate store will open. If we're going into a new territory, we try to have at least one corporate store to start off with, so that training could be a lot easier for them.</p>

Brian Sheehan: 11:22

<p>That makes sense. That's a great approach. What are the growth goals for Happy Lemon over the next five years? Where do you see this heading?</p>

Jasmine Chin: 11:30

<p>Yeah. So we want to be mainstream, we want to target all audiences, as this is hitting mainstream market. We want to focus on all age groups, all ethnicities, and I believe that our products and our brand name and our cute little logo is welcoming for everybody. Our cute little logo is welcoming for everybody. So you know, getting more market share going into more prime real estate, being the top of the Boba chain brands and really just blowing up this whole Boba industry and even not focusing on Boba like just fresh ingredients, right. So I know a lot of stores they have items that can last for years, right. What does that mean to you? Like, high preservatives?</p>

Jasmine Chin: 12:09

<p>right, I'm not gonna be drinking that every day you know so we make about 95% of our items in our own kitchen, not even central kitchen, right. So we believe in the products. We want to see growth, we want to saturate all markets, all major cities and states, and that's what we've been doing and we're on the path to do so.</p>

Brian Sheehan: 12:30

<p>Where's your growth focused now, this year, next year, 2025, 2026? What markets are you guys targeting?</p>

Jasmine Chin: 12:39

<p>Yeah, so we want to target Southern California because Northern California has been what's popped off already. East Coast we want to aim for East Coast because it's pretty West Coast heavy right now, so bringing it all to the East Coast. There's a few stores in the East Coast, you know Chicago, new York, but we want to saturate the market and not just have a few.</p>

Brian Sheehan: 12:59

<p>What's saturation look like? How do you feel like when you've got enough? And I know it depends on population, but in a market like Chicago, for example, how many stores would you picture?</p>

Jasmine Chin: 13:10

<p>So a very, very good example I would always like to give is Northern California right. So Bay Area itself, 60 stores right. No one really is going to drive more than 10 minutes away for a Happy Lemon, right. It's more of a convenience thing. So we want to saturate the market, basically mirror how NorCal did it.</p>

Jasmine Chin: 13:30

<p>Certain cities will need more right. For example, san Francisco itself has three locations within a mile and a half right, and that's just the nature of San Francisco Nobody drives, there's no parking anywhere. So you really have to target who's in within two to three blocks

from you, right. But there's certain cities for example I'm going to like, Burlingame or Foster City. It's a small little town. They don't need more than one Happy Lemon there. So it really depends on each city. So when people are like what's the radius right, I can't really give you a radius. It just really depends. Every city is so special, every city is so different, the culture is different. Do they drive, do they walk? I mean analyzing that's the fun part, right, of commercial real estate. Analyzing the communities, the needs and wants is fascinating and you just have to see like, oh, how many happy lemons does this city need?

Brian Sheehan: 14:19

<p>Well, so what are some of the key factors that you consider when you're evaluating a market and a specific property?</p>

Jasmine Chin: 14:28

<p>So, first thing, I look at our neighbors right, so we do well around food and good anchor stores. So either it's national food chains or food halls, food courts. When people eat they want to drink something, right, so those are really good. We want to have an equal share in local residential businesses and also schools right, we don't want to rely too heavily on one thing versus the others, and we kind of learned that during the pandemic.</p>

Jasmine Chin: 14:59

<p>So, during the pandemic, what happened to all the locations in financial district, for example? Right, they were hurting. But the locations in residential areas, they rocketed, they did double the sales. And what about schools? Right, they were hurting too. College towns. So it's nice to have the locations where it's kind of like equal split between the different schools, hospitals, residential and those stores. They're fine. No matter what, they always have a very steady income. They're a very steady store. There's no up and downs really. So those are really good. But focusing on good anchor stores, right. So either it's a good shopping mall or a good grocery store. People, after they shop for groceries, they're thirsty, they want to grab a drink, or they want to grab a drink before they go shopping. So those are really good. But mainly, you know, around food, we do well around food.</p>

Brian Sheehan: 15:58

<p>How about fitness? I don't know why I'm thinking this goes well with fitness, but is that a key tenet that you'd be looking to be around?</p>

Jasmine Chin: 16:01

<p>Yeah, totally, fitness is good. It goes well with fitness. We're next to a few cycle bars for a few locations. We're next to 24-hour fitness. Those are really great. We actually do collabs with a lot of them. Like the Happy Lemon Hawaii, we did a boba bootcamp collab with the gym next to us, which was super fun. How'd that work? It was really fun. We all worked. We did a bootcamp camp class. Everyone got boba after and, like, the owner of the gym loves happy lemons, so they reached out. They're like hey, you know, wouldn't it be fun? We did a collab. Yeah, totally. Like that's cool, like I love working out and to see both worlds like kind of collide, it's like super, super cool oh, I love it yeah so for anyone that's not been inside one of your stores.</p>

Brian Sheehan: 16:45

<p>What's unique about it? What's going to jump out to someone as first timer?</p>

Jasmine Chin: 16:49

<p>Yeah, so we use a lot of technology behind our operations and this is something that my dad, maurice, he kind of implemented a lot of these things to make the experience for our customers more elevated, so he's also in IT himself, so he wrote a lot of the programs for Happy Lemon, catered to Happy Lemon. So, for example, we have a queue chart right, so like if your drink is being made right now, it'll show you your drink the time, your ticket number on the TV, right. So he goes by silent operation, right. You don't have to ask, hey, is my drink ready? You can just look on the board and you'll be able to see. There's also an app right that we have for the entire nation actually, which is very hard on a level of a franchise level, right. So there's different owners involved, but we have an app all of our customers can use and redeem reward points on the app, no matter which location you go to Hawaii, california, texas, it doesn't matter.</p>

Jasmine Chin: 17:48

<p>You're able to send gift cards also to your friends through the app and when you just go into the store. I mean we've been kind of changing the looks of the store now. So the new generation of the store, it's a very fresh, clean feel to it. So we have our lemon dolls right when we have created and catered to each state. So, for example, the Hawaii one has, like the lemon boy with a surfboard right behind him.</p>

Jasmine Chin: 18:14

<p>You know, other states, like Texas, has like a cowboy hat and cowboy boots on the on the dolls. So it's kind of cute. You know, when people go to different states they kind of take pictures with it. It's kind of like a collectible item-ish feel to it. And now I mean the new locations look super nice Lots of LED lights, fresh, clean. It's just a yellow, white, very clean feel to it, A very crisp, minimalistic decor. But that's kind of like the vibe that we're going for.</p>

Brian Sheehan: 18:41

<p>That Happy Lemon app is really impressive, I guess I want to ask you a couple more questions about where you're going and what you're looking for. Are you taking any inline spaces in shopping centers?</p>

Jasmine Chin: 18:52

<p>Definitely yeah. So we have three models. We have the kiosk model and then we have the inline food court kind of model with no seating, right, it's just shared seating with other businesses. And then we also have our stores Right. So it's just with your own entrance and your own seating. But inlines are great. I always say inlines are great. Or your own store is great as well. Kiosk unless it's in a very, very prime location and if the owner has like a second store to support, it, is very hard to have a kiosk as your first store. You know, kiosks are like 100 to 300 square feet and we make all of our products in house. We make our own sugar. Even so, to have such a tight space is nearly impossible.</p>

Jasmine Chin: 19:37

<p>So if you don't have, you know, the first store, it's really hard to open up kiosk as your first store without support.</p>

Brian Sheehan: 19:43

<p>Sure, that makes sense. And then, for anyone that wants to present a site to you and your team, what's the best way to do that?</p>

Jasmine Chin: 19:49

<p>Yeah, contact me, contact. You can go on Happy Lemon USA's website. Yeah, and we're always looking for new opportunities, always looking for new real estate, new locations and also new franchisees as well.</p>

Brian Sheehan: 20:04

<p>I'm curious, like what's your biggest challenge, what's the biggest hurdle that you guys are facing? And maybe it's specific to real estate.</p>

Jasmine Chin: 20:11

<p>but I mean real estate. So far it's hard. After COVID it's been hard because people are more cautious, people are holding onto their monies, right. So when people want to invest, when franchisees want to invest, they're extra careful. And when they have no experience, or even if they do have experience, for them to kind of say, okay, let me do this, the process takes a lot longer. Maybe it'll take them a year to be like, okay, I'm gonna do this. You know, before it was like I'm gonna do it. They kept rushing us, I'm gonna sign this in a few weeks, versus now they're like I'm not gonna sign anything until I find the perfect spot. And as you know, brian, some people are so lucky where they're like, oh, okay, a few weeks, I found my perfect spot. But most people take months, even sometimes years, to find that perfect spot. And with the whole economy situation and after COVID situation, it made it even worse, right. So it kind of drags on a lot longer now, longer than we would like it to drag on for.</p>

Brian Sheehan: 21:15

<p>For sure. Have you changed anything then to help either speed up the process or help your franchisees access capital? Help your franchisees access capital, or I mean, I've

heard some. I was in Vegas, you know, for ICSC and I just across the board. There was a lot of different. What I thought were creative solutions to try to help people get through the process.</p>

Jasmine Chin: 21:35

<p>Yeah, so we are a part of the small business loans, so we got a lot of people loans and they're familiar with Happy Lemon as well now, so that was kind of helpful.</p>

Brian Sheehan: 21:46

<p>I've heard those loans, though nowadays are, you know, it's 11, 12% right.</p>

Jasmine Chin: 21:51

<p>Yeah, it is higher. But I mean people now are just less risky with everything and even spending wise right, they're just more conservative. I have friends in like the POS industry and they're just like oh my God, sales just everywhere, like all restaurants, like bars, clubs, whatever it is. It's just it just drops so much and people aren't spending like they used to spend anymore. So that kind of makes it a little hard, but luckily, like Boba's, just a few dollars, so it's not like fine dining or anything like that.</p>

Brian Sheehan: 22:18

<p>Yeah, I don't know if I've asked you before. What's the average ticket price at Happy Lemon?</p>

Jasmine Chin: 22:28

<p>It's about \$10. Okay, yeah, but that's just like with a waffle and a drink kind of thing, or like one drink six, seven bucks.</p>

Brian Sheehan: 22:31

<p>You know I hear talk about McDonald's and bringing back their value meal and stuff. Are you guys really that focused on price? Or, because you're so focused on fresh and having quality ingredients, you're just maintaining your pricing as it is?</p>

Jasmine Chin: 22:45

<p>so we've never, we were never above market value ever okay we wanted to keep this way because we wanted returning customers and we wanted people to build this into their lifestyle. So we have the freshest ingredients I can say that amongst all the chains and I I'm pretty much a healthy person too and I literally drink this like all the time but we were never above market value, but we had the freshest ingredients. But now, with inflation and everything, we're still not above market value. So what we did was headquarters ate some of the cost to help out our franchisees, to help out our customers, but also we can't keep doing that right. So, like, for example, california, we're considered fast food. So our minimum wage got put to \$20. So I mean, even with the \$20, we raised our prices, but even compared to Jamba Juice Jamba Juice is the same right, like a smoothie, is like 12 bucks but compared to like other boba chains, smoothie shops, and so we're still under market value that's amazing, and a lot of that has to do with your supply chain, right?</p>

Jasmine Chin: 23:53

<p>supply chain. Yeah, we're vertically integrated as well. Yeah, so we are our own suppliers, so that kind of helps a lot also gotcha well, jasmine, it was great speaking with you today.</p>

Brian Sheehan: 24:04

<p>Thank you for joining me on Retail Intel.</p>

Jasmine Chin: 24:07

<p>Thanks so much, Brian.</p>

Brian Sheehan: 24:10

<p>Be on the lookout for new Happy Lemon locations opening near you and be sure to check them out on Instagram at happylemonusa. Whether you're an aspiring real estate mogul, a seasoned pro or simply curious about the places where we shop, dine, play and work, this podcast is your all-access pass to the world of commercial real estate. If you're interested in being a part of the Retail Intel podcast, connect with me on LinkedIn or send a message to nationalaccounts at phillipsedisoncom. If you want to hear more about new and expanding brands, keep tuning in to Retail Intel and please subscribe, follow, like and repost. Keep tuning in to Retail Intel and please subscribe, follow, like and repost. Talk to you next time.</p>