

Quantifying Growth Opportunities in China

Published: Tuesday, 21 Dec 2010 | 7:35 PM ET

☛ China now offers one of the world's best growth markets for companies across the globe, but just how big is that opportunity? Cramer on Tuesday set out to quantify exactly what the Middle Kingdom could mean to household names like Starbucks [\[SBUX 32.86 ▼ -0.07 \(-0.21%\) 📉\]](#), Yum! Brands [\[YUM 50.02 ▲ 0.40 \(+0.81%\) 📈\]](#) and McDonald's [\[MCD 76.86 ▼ -0.06 \(-0.08%\) 📉\]](#).

His thesis here is predicated on the fact that even these companies, with their vast number of outlets, can find new profits in China. Starbucks already runs 16,000 stores? Yum! and McDonald's over 30,000 each? Doesn't matter because there's more growth to be had in Shanghai, Beijing and Guangzhou.

And Cramer wasn't basing his predictions merely on China's massive population of 1.3 billion people. He stuck only to those consumers who can afford these companies' products. In effect, that meant staying in urban centers like the aforementioned Chinese cities.

Look at these numbers and you start to get an idea of just how big China is to SBUX, YUM and MCD: Twelve cities there have more than 4 million people, while only New York and Los Angeles have those bragging rights here in the States. (We're talking core population here, by the way, no metro area.) New York clocks in at 8.4 million, versus Shanghai's 15.8 million, Beijing's 11.7 million and Guangzhou's 9.4 million. Plus, the total population of China's 10 largest urban areas, or 81 million people, is more than three times the size of the aggregate population of America's top 10 cities, which comes to just 25 million.

So what's this mean for Starbucks? Well, the company plans to grow its 400 Chinese locations to 1,500 by 2015, or 220 new stores a year. Thirty-two cities are home to SBUX outlets already, and more will be opened in second-, third- and fourth-tier cities over time. In the end, CEO Howard Schultz is looking to turn China into the company's second home, behind the U.S.

And the idea of saturation is so far off in the distance that it couldn't possibly stunt Starbucks' growth anytime soon. Not with just 0.7 stores per million active customers in the People's Republic compared to 36 stores per million active customers here at home. Plus, store profits are 22 percent higher in China than they are in America, and the company already has a long track record of success there, meaning still more success should be on its way.

As for Yum! and Mickey D's, the first is more established than Starbucks, Cramer said, but the growth for Yum! is by no means over. And McDonald's is building as many as 200 more stores on top of the 1,100 it already operates in China. Cramer thinks the company's success in Europe should translate over to the Middle Kingdom as well.

"You gotta recognize the sheer scale of the Chinese consumer. It's large enough to turn Starbucks into a growth stock again, large enough to give Yum! Brands enormous room to run. ... I would buy both Starbucks and Yum!," Cramer said. "You know why? Because I can count."

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