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Russia

Burger King prepares to expand into Russia - paper

12:20 | 03/05/2006



MOSCOW, May 3 (RIA Novosti) - Burger King Holdings, a U.S. fastfood chain, is in talks with Russian restaurants with an eye to expanding into the country, a respected business daily said Wednesday.

Vedomosti cited an executive with a local fastfood market leader as saying that the Moscow-based Shokoladnitsa coffeehouse chain, which controls 14-15% of the local market, had the best chances of obtaining a Burger King franchise.

"We are interested in cooperating with them, but everything will depend on the contract," a top Shokoladnitsa manager told the paper, adding that the terms of a possible deal had not been brought up at a meeting that had already been held.

Burger King Holdings HQ in Florida declined to comment on the company's plans in Russia, saying the business was in for a quiet period. The world's second largest fastfood chain has restaurants in 65 countries, and is 34% owned by Texas Pacific Group, and 30% by Bain Capital and Goldman Sachs each.

Vedomosti said that according to Entrepreneur business magazine a 20-year franchise from Burger King costs \$50,000, with 4.5% royalties. About 9,700 of the world's 11,000 Burger King eateries operate under franchise.

Foreign companies have long been present on the Russian restaurant market, and deals with major local companies have proved to be the most successful option. U.S.-based Yum! Brands and Russia's Rostik Restaurants agreed last June to invest \$100 million in a joint fastfood chain Rostik's and KFC - a deal that allowed Rostik to obtain investment and Yum! Brands to find a partner with experience on the local market, Vedomosti quoted a St. Petersburg expert as saying.

However, another expert said Burger King's arrival in Russia was late.

"The competition in this segment is currently the toughest. For example, it is not as easy as it used to be to find a good location for a fastfood restaurant," he said.

Burger King's main rival, McDonald's, the world's biggest fastfood chain, does not seem to be worried about the prospect.

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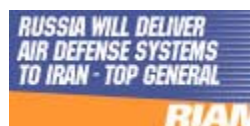
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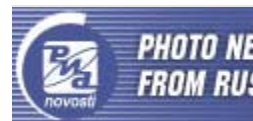
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"What competition are you talking about if McDonald's today has 148 restaurants in 37 Russian cities and towns, and we plan to open 20 more by the end of this year," Svetlana Polyakova, press secretary for McDonald's Russia, told the paper.

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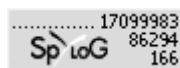
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