



EAST MEETS WEST

U.S. Pizza Franchise Expands in Russia

By Melanie M. Sidwell

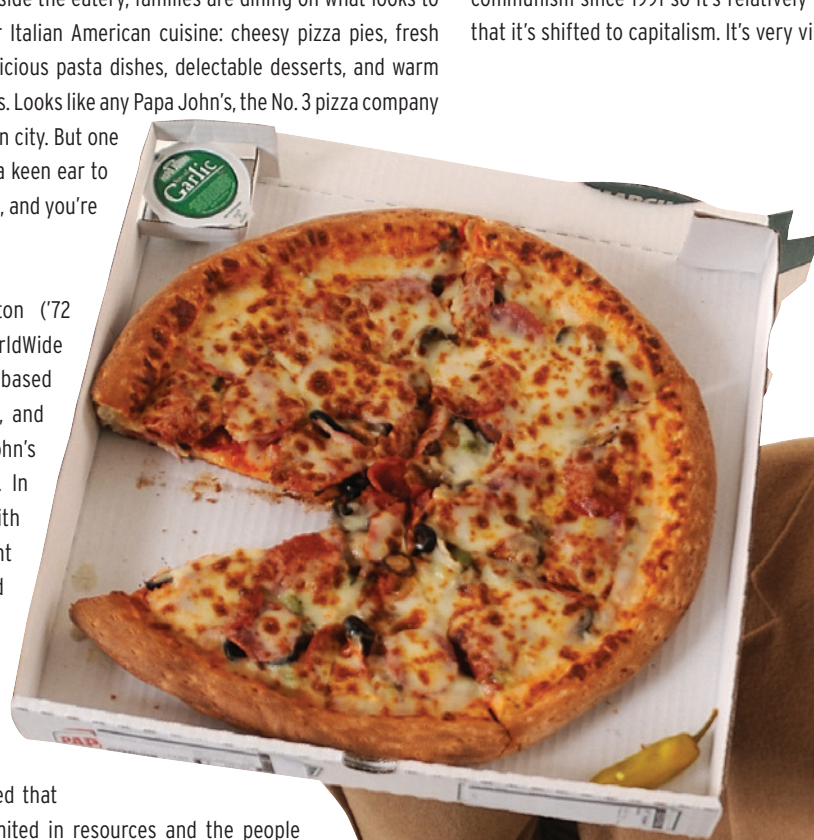
On the outside, the red, white and green colors of the logo look familiar. Inside the eatery, families are dining on what looks to be popular Italian American cuisine: cheesy pizza pies, fresh salads, delicious pasta dishes, delectable desserts, and warm breadsticks. Looks like any Papa John's, the No. 3 pizza company commonly seen in any American city. But one look at the business side, and a keen ear to the native tongue being spoken, and you're in St. Petersburg, Russia.

Behind that is Gary Hamilton ('72 finance), a co-founder of WorldWide Papa's, Inc. (WWP), a Colorado-based company that owns, operates, and develops full-service Papa John's restaurants in St. Petersburg. In addition to four locations with plans for a fifth storefront this year, WWP produces and distributes the high quality dough to all of its restaurants.

"The biggest surprise is the market is every bit as vibrant as in the States. I had assumed that Russia was a country very limited in resources and the people were sheltered and there was tremendous state security... even though communism had fallen there were the stereotypes that there wasn't much in terms of food or restaurants or consumer products. And I couldn't have been farther from the truth," Hamilton says.

St. Petersburg is the second largest city in Russia with a population of 8 million people. A political and cultural hub, St. Petersburg is often considered Russia's most westernized metropolis, which apparently is ripe ground for companies offering western products in a post-communism, pro-capitalism era. Yum Brands, owners of Pizza Hut, KFC, Taco Bell, Long Johns Silver's, and A&W, as well as McDonald's and Subway are all expanding their American franchises, and Papa John's International is seizing the opportunities in Russia as well.

"I really fell in love with Russia," Hamilton says. "It's pro-Western. It's been out of communism since 1991 so it's relatively not that long ago that it's shifted to capitalism. It's very vibrant and



Hamilton's pride in CU runs deep: Since his graduation in 1972, he has been involved with the athletic department specifically through the Denver Buff/Golden Buffalo Scholarship Fund and was president for three years ending in 1990, when the CU football team won the National Championship. He also has two sons who graduated from CU, Nicholas ('04 finance) and David ('09 communications), and daughter Michelle is currently a junior at the Leeds School studying finance.

it's also in a hyper economy. There is a lot of wealth in St. Petersburg. You can see the growth going on in front of you."

Hamilton was a senior vice president of Merrill Lynch & Co., senior vice president and branch manager of Paine Webber, and he managed a number of other regional broker dealer offices. He was also a partner in a Denver-based private equity firm, CEO Equity Partners, and director of business development for W.G. Nielsen & Co., a Denver-based investment banking firm.

So how did a guy with a background in providing private equity and building boutique offices that catered to high net worth individuals get involved with hawking a Western product in an Eastern European market?

In 2004, an office buddy, married to a Russian woman, was interested in taking a business to St. Petersburg. Hamilton knew of a friend considering an opportunity to take a subfranchise of Papa John's to Moscow. He asked his officemate if he was interested in such a deal; he was. Eighteen months later, after forming WorldWide Papa's, raising capital, securing the legal documents, negotiating the subfranchise agreement, finding high quality food and beverage sourcing, learning the Russian tax structure, and completing construction and regulatory aspects, the first store opened.

"Papa John's had no experience in the Russian markets, and at that point they were early in their experience in international markets. We were doing a lot of this on our own," Hamilton said.

WWP also encountered the challenges of sourcing high quality ingredients. They brought in tomato sauce from parts of Europe, and cheese from Poland. This challenge also required WWP to build and operate its own Quality Control Center (QCC), where WWP makes and distributes dough balls for the signature Papa John's pizza crust.

The company hopes to open 40 locations in sprawling St. Petersburg (the city area covers approximately 870 square miles). Hamilton explains that three of its four restaurants are located in "sleeping districts, which are the equivalent to the suburbs."

"These are the old housing complexes from communism, with very large apartment units, with up to 3,000 to 5,000 small units, are heavy concentrations of people." Traffic is so bad, thanks to the crush of citizens, as well as being a port city with drawbridges that add to delivery



times, WWP put its stores within service areas of 300,000 to 500,000 people, or a 10-minute car drive, which in St. Petersburg, Hamilton says, "isn't very far."

"We are more driven by real estate than we would like to be. We try to find spots that meet our requirements for the number of people, the demographics, and having enough power. We use a lot more power than these buildings are typically set up for. We need to know how expensive that is going to be to bring into our facility."

He also said customers prefer a sit-down experience with wait staff and a menu; the workday, and therefore the dining schedule, also differs in Russia by extending longer into the evening. But some things about the American pizza eatery are not lost in translation: approximately \$15 USD will still get you a cheesy hot pie.

"The Russian tastes are very similar to those in the U.S.," Hamilton says. "We were experimenting with a different pizza that was specific to what we thought the Russians would like. It sounds weird, but we made a mashed-potato pizza with cheese; it was very good! But it wasn't the traditional U.S. pizza offerings, which were more popular. The most popular pizza is the same in Russia as in any Papa John's in the States: cheese and pepperoni."

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To date, WorldWide Papa's has invested in excess of **\$8 million USD** in developing St. Petersburg restaurants.

Currently, WorldWide Papa's is made up of approximately 150 employees.



CLOSER LOOK: Want to see how it's done? Visit wwpllc.com and click on "Restaurants" to see photos, maps and even a live webcam of any of the four Papa John's restaurants in St. Petersburg, Russia.