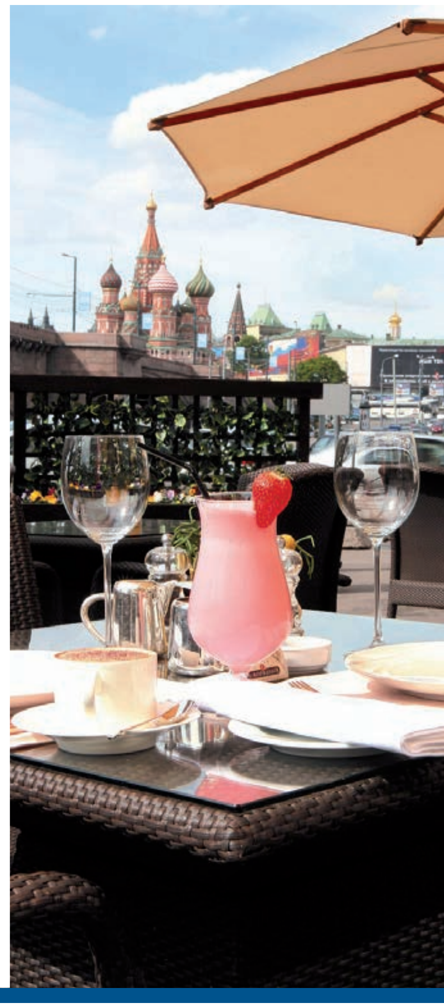
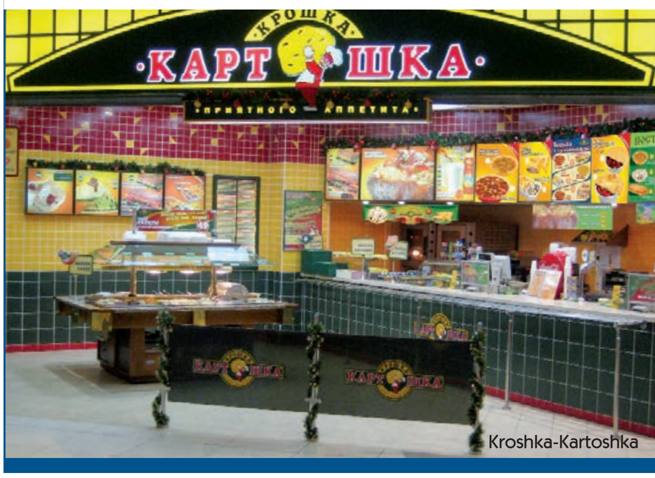
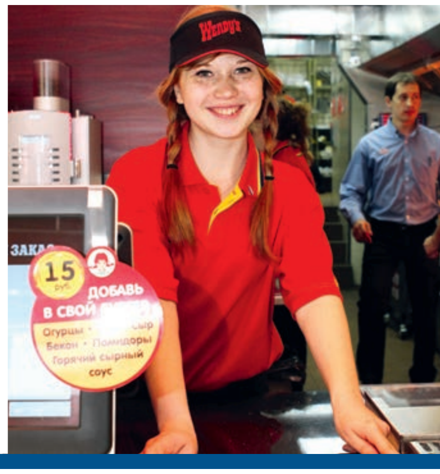

Coffeeshop Company




Kroshka-Kartoshka



Russia: Fighting Inertial Growth

So far the year 2011 hasn't brought any dramatic changes to the overall foodservice landscape in Russia. The major trends that emerged last year are now in full progress. From mid-2010 to mid-2011, Russia's top 20 restaurant operators showed a unit-growth of 11%. The number of operations belonging to the top 15 brands in Moscow went up by 8%. Various entrepreneurs are continuing to invest in the food-service, especially the QSR, sector, often serving as franchising partners for local or international brands. It has become clear, however, that the high margins people were accustomed to before 2008 are no longer possible, and the Russian foodservice has to get used to the idea of more modest profitability.

St. Petersburg*

– Brands: number of units (company owned & franchising) –

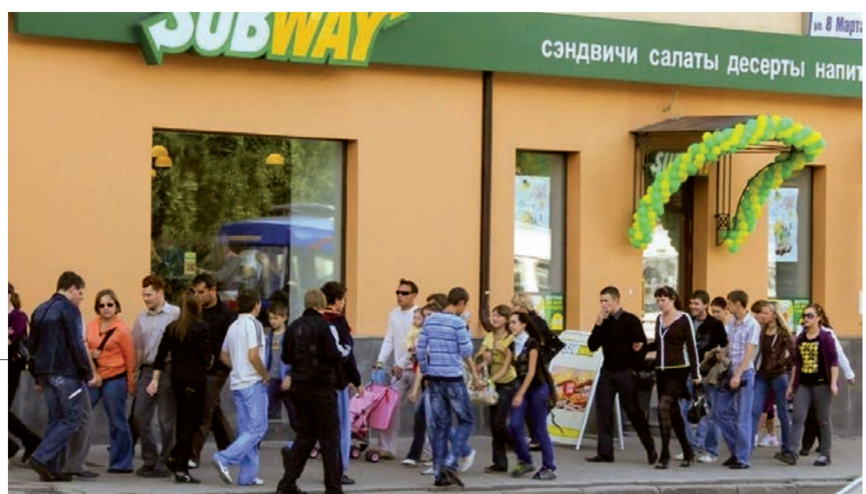
R	Brand	Units
1	Eurasia	118
2	Teremok	92
3	Coffee House	57
4	Chainaya Lozhka	50
5	McDonald's	42
6	Shokoladnica	30
7	KFC	27
8	Wasabi	26
9	Miks	25
10	Kroshka-Kartoshka	24
11	Dve Palochki	22
12	Coffeeshop Company	21
13	Emelya	17
14	SPB	16
15	Rozario	14
	Total	581

*State: July 2011

Top 5 Growth* Stars

R	(R)**	Group	Growth
1	(6)	Subway	80.3%
2	(8)	BRPI	49%
3	(20)	Starbucks/Alshaya Gr.	42.9%
4	(15)	Ginza Project	25%
5	(5)	Shokoladnica	22.7%

*Number of unit dynamics July 2011 vs. July 2010 within Top-20 ** R in Top-20



According to official figures, total turnover in the Russian foodservice sector in 2010 came to RUB780 bn, which was 9.6% more than in 2009 when the market dropped by 1.7%. These figures, however, don't seem so optimistic if we remember that inflation reached 8.8% last year. At the same time, foodservice operators had to face a notable increase in rental rates and food-costs owing to the increase in product prices. All these factors are exacerbated by a rather limited consumer demand, as most people did not return to the unrestrained consumption of the pre-recession years. As a result, the profitability of a restaurant business now is nothing like the amount that Russian entrepreneurs were used to in the early 2000s, when operating a casual dining concept could bring them margins of up to 25%. Local chains are working hard to increase the efficiency of their existing units, to consolidate their brand portfolio, to pursue a flexible pricing policy and often refrain from investing in new company-owned restaurants. Most growth potential comes from franchising both in the QSR and casual sectors. Large and medium operators are willing to increase the share of franchising units in their portfolio and are often ready to cooperate with small entrepreneurs without any foodservice experience. Concepts where initial investment is comparatively small have proved the most successful here, like Subway, which remains market growth leader for the second year in succession.

Another effective way of expanding is to build a wide portfolio of non-chain restaurant concepts by attracting a large pool of independent investors. This is the strategy of the Ginza Project Group, which initially comes from St. Petersburg, but now has more restaurants in Moscow than in the northern capital.

While local operators are kept busy with operational problems and are not ready to invest so much in growth, this is an excellent opportunity for international chains with a strong financial background to increase their market presence. One good example of this is Starbucks, which literally conquered Moscow after it opened 50 coffee bars within 4 years here. Starbucks licensee in Russia is the Alshaya Group from Kuwait, the Middle East's leading retailer, which operates more than 2,000 shops in 15 countries. Another growth champion is Burger King, which launched 29 units within just 18 months with the help of a Russian franchisee, Alexander Kolobov, whose family owned the Shokoladnica chain. Burger King has recently chosen the Ginza Project as their second franchising partner in Russia, which promises the brand even faster growth next year.

Julia Matveeva


Baskin-Robbins

Russia: Market Trends 2011

- Further growth of QSR
- Franchising as main source of growth for local chain operators
- Independent investors consider the restaurant business as an alternative to putting money in a bank
- Big international chains continue their expansion
- Growing influence of the US in the Russian foodservice sector (new brands like Wendy's and Chili's, burgers as top sellers everywhere, diners, etc.)
- Pan-Asian concepts have taken over from the Japanese boom of the 2000s
- Street food chains are likely to reduce their presence in Moscow because of the new Moscow government's unfriendly policy
- Restaurant operators exploring web-marketing (social media promotion, Groupon vouchers, etc.)

Russia: Top 20 Restaurant Operators Mid 2011

– Number of units (company owned & franchising)[1] –

R	('10)	Group	Russia	Vs. '10	Moscow	Brands	Categories	Origin	Start in Russia	www.
1	(1)	Marcon	**475**	**18.5%**	376	Stardog!s, Bageteria, OnTime	Street + QSR	Russia	1993	stardogs.ru
2	(2)	Rosinter Restaurants	**373**[2]	**4.9%**	194[3]	Il Patio, Planet Sushi, etc.	Casual	Russia	1993	rosinter.ru
3	(3)	Kroshka-Kartoshka	**280**	**-14.1%**	210	Kroshka-Kartoshka	Street + QSR	Russia	1998	kartoshka.com
4	(4)	McDonald's	**278**	**10.8%**	93	McDonald's, McCafé	QSR	USA	1990	mcdonalds.ru
5	(6)	Shokoladnica	**276**	**22.7%**	193	Shokoladnica, Vabi Sabi	QSR + Casual	Russia	2001	shoko.ru
6	(13)	Subway	**229**	**80.3%**	119	Subway	QSR	USA	1994	subway.ru
7	(5)	Coffee House	**224**	**-2.2%**	120	Coffee House, Asia Café, Vinegret Cafe	QSR + Casual	Russia	1999	coffehouse.ru
8	(11)	BRPI	**216**	**49%**	53	Baskin-Robbins	QSR	USA	1992	baskinrobbins.ru
9	(7)	Teremok	**191**	**5.5%**	99	Teremok	Street + QSR	Russia	1998	teremok.ru
10	(8)	Planet of Hospitality	**181**	**14.6%**	85	Sbarro, Vostochniy Bazar, Viaggio	QSR + Casual	Russia/ USA	1998	sbarro.ru
11	(9)	Yum! Brands	**164**	**5.8%**	80	KFC	QSR	USA	1993	rostiks.ru
12	(10)	GK Arkadiy Novikov	**150**	**1.4%**	130	Vogue Café, GQ Bar, Prime Star, etc.	Fine + Casual	Russia	1992	novikovgroup.ru
13	(12)	Podorozhnik	**137**	**5.4%**	0	Podorozhnik	QSR	Russia	1995	podorognik.ru
14	(15)	Eurasia	**122**	**18.5%**	2	Eurasia	Casual	Russia	2001	evrasia.spb.ru
15	(17)	Ginza Project	**94**	**25%**	69	Yaposha, Mama Tao, MariVanna, etc.	Fine + Casual	Russia	2000	ginzaproject.com
16	(16)	Vesta Center Intern.	**90**	**16.9%**	70	Yakitoria, Ginno Taki, Menza, etc.	Casual	Russia	1995	vci.ru
17	(14)	Grand Food	**75**	**-38%**	5	Tashir Pizza, Kebab Toon, etc.	QSR + Casual	Russia	2001	tashir.ru
18	(18)	Chainaya Lozhka	**64**	**7.2%**	50	Chainaya Lozhka	QSR	Russia	2001	teaspoon.ru
19	(-)	Lite Life	**55**	**19.6%**	48	Tanuki, Ersh, Benvenuto, etc.	Casual/Fine	Russia	2001	litelife.ru
20	(-)	Starbucks/Alshaya Gr.	**50**	**42.9%**	50	Starbucks	QSR	USA	2007	starbuckscoffee.ru
		Total	**3,724**	**10.9%**						

1) State: July 2011 2) Including 22 Costa Coffee Rosinter operates in Russia together with Whitbread PLc 3) Including 17 Costa Coffee Rosinter operates in Moscow together with Whitbread PLc

Moscow: Top 15 Foodservice Brands Mid 2011

– Number of units (company owned & franchising)[1] –

R	(10)	Brand	Concept	Moscow	Vs. '10	St. Petersburg	Russia	Company	Origin	Start in Russia
1	(1)	Stardog!s	Hot dog	**371**	**6.9%**	0	470	Marcon	Russia	1993
2	(2)	Kroshka-Kartoshka	Potato	**210**	**-23%**	24	280	Kroshka-Kartoshka	Russia	1998
3	(3)	Shokoladnica	Coffee	**177**	**18%**	30	256	Shokoladnica	Russia	2001
4	(10)	Subway	Sandwich	**119**	**105%**	13	229	Subway	USA	1994
5	(4)	Coffee House	Coffee	**109**	**-4.6%**	57	213	Coffee House	Russia	1999
6	(5)	Teremok	Crepes	**99**	**8.8%**	92	191	Teremok	Russia	1998
7	(5)	McDonald's	Burger	**93**	**2.2%**	42	278	McDonald's	USA	1990
8	(8)	Il Patio	Italian	**81**	**6.6%**	6	117	Rosinter Restaurants	Russia	1993
9	(7)	KFC	Chicken	**80**	**-4.7%**	27	164	Yum! Brands	USA	1993
10	(9)	Planet Sushi	Asian	**70**	**9.4%**	5	115	Rosinter Restaurants	Russia	1999
11	(11)	Sbarro	Pizza	**64**	**25.4%**	9	122	Planet of Hospitality	USA	1997
12	(-)	Baskin Robbins	Ice-cream	**53**	**65.6%**	11	216	BRPI	USA	1992
13	(13)	Yakitoria	Asian	**51**	**34.2%**	5	83	Vesta Center International	Japan	1999
14	(-)	Starbucks	Coffee	**50**	**42.9%**	0	50	Starbucks/Alshaya Group	USA	2007
15	(12)	Elki-Palki	Russian	**40**	**2.6%**	6	59	GK Arkadiy Novikov	Russia	1996
		Total		**1,667**	**8%**	**327**	**2,843**			

1) State: July 2011

Source: Food Service/www.cafe-future.ru