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Wendy's to Enter Russia Next Year

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Wendy's/Arby's Group operates 3,700 Arby's restaurants and 6,600 Wendy's restaurants throughout the world. **Matthew Staver**

Wendy's, the world's third-largest fast-food chain, is planning to enter the Russian market, and Mikhail Zelman's Food Service Capital is in talks with the U.S. company about purchasing franchising rights, Vedomosti has learned.

Food Service Capital is preparing to sign a franchising deal to bring Wendy's to Russia, several of the Russian firm's competitors told Vedomosti.

"Talks with Wendy's are in the final stages, and the first restaurants are planned to be opened in the first quarter of 2011," said a source close to Food Service Capital's owners.

The Russian firm's press service and Zelman declined to comment, while Wendy's did not respond to questions sent by Vedomosti. According to the Federal Service for Intellectual Property, the trademark "Wendy's" was registered in February.

Wendy's/Arby's Group specializes in sandwiches and hamburgers. It is developing the fast-food brands Arby's, with 3,700 restaurants, 69 percent of which are franchises, and Wendy's, with 6,600 restaurants, 79 percent of which are franchises, in 22 countries.

Food Service Capital is a holding company that in June united consumer assets owned by Zelman, metals billionaire Iskander Makhmudov and their partners. The businesses include Arpikom (28 restaurants under the brands Goodman Steak House, Filimonova and Yankel, Kolbasoff and Mama's Pasta), caterer Komfis, food delivery service Legion and Yedinaya Set Pitania, which was co-founded with Russian Railways and is the only food services operator for the Sapsan trains.

Moscow and St. Petersburg will each get 10 Wendy's restaurants, but the focus will be on regional cities.

"We're interested in cities with populations of up to 500,000 where there's no competition. The restaurants will be located near highways, gas stations and train stations," said the source close to Food Service Capital's owners.

None of Vedomosti's sources would disclose the planned investment volume. Valeria Silina, public relations director for Rosinter, said that opening a small restaurant, such as an 80-square-meter food court spot, would cost about $250,000.

Under the standard franchising agreement for Wendy's, which is available on the company's web site, the royalty is 4 percent of revenue. The partner is also required to make a one-off payment, which is $25,000 per restaurant in the United States.

Wendy's main competitors, McDonald's and Burger King, have already entered the Russian market.

The first McDonald's opened in Moscow 20 years ago, and the company now has 250 outlets across Russia — none of them franchises. Additionally, McDonald's is planning to open 40 to 45 restaurants per year from 2010 to 2012.

McDonald's press service declined to comment on its competitor's plans.

Burger King opened its first restaurant in Moscow in January, with the operator of the Russian coffee house chain Shokoladnitsa buying the franchise rights.

Yana Pesotskaya, head of Burger King in Russia, said Wendy's entry would not affect her company's plans.

"We're supporters of free competition, so we don't intend to change or alter our strategy. We've opened seven restaurants in seven months, and we're very pleased with the results," she said.

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