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Rosinter Signed as First McDonald's Franchise

By Roland Oliphant

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Shares in restaurant group Rosinter surged on the back of unconfirmed reports that it has won the first-ever franchise to run McDonald's restaurants in Russia.

The RBK daily newspaper reported Friday that Rosinter, which runs some of the country's best-known eateries, had landed a deal to open McDonald's outlets at airports and railway stations in Moscow and St. Petersburg — making it the U.S. fast-food giant's first local franchise partner.

Rosinter's shares were up 26 percent in the course of Friday — the most in more than seven weeks — before ending the day at 202 rubles ($6.89), a 19 percent increase over Thursday's close.

A Rosinter spokeswoman reached by telephone on Friday said, "It is too early for us to comment." Calls to McDonald's went unanswered Friday.

About 80 percent of McDonald's worldwide business is based on a franchise model, while all of its 314 Russian restaurants located in 85 cities across the country are run directly by the corporation's local subsidiary McDonald's Russia.

The new deal, which runs until April 2032, allows Rosinter to open restaurants at Moscow's Domodedovo, Sheremetyevo and Vnukovo airports and all nine of the capital's major rail terminals, including Belorussky, Kievsky and Leningradsky stations, according to the paper, citing a copy of the agreement. It will also have rights to run restaurants in St. Petersburg's Pulkovo Airport and at five rail terminals there, including the Moskovsky and Finlyandsky stations.

McDonald's may have made the decision to move to franchising in response to rapid expansion by competitors like Burger King and Wendy's, who use the franchise model.

Earlier it was reported that the fast-food chain was planning to introduce its franchising model as it pushed into the Siberian cities of Novosibirsk, Tomsk and Barnaul.

That news followed an appeal from Deputy Prime Minister Igor Shuvalov at the beginning of March for McDonald's to open branches in Vladivostok.

Shuvalov, who oversees economic development in the Far East, warned that if the fast-food giant moved forward too slowly, other players could enter and dominate the market. He said he had already sent representatives to McDonald's Russia's head office and that he would use "every available means to convince McDonald's to open a restaurant in Vladivostok."

McDonald's Russia vice president Viktor Eidemiller said at the time that the company plans to develop its logistics in western Siberia before expanding eastward. The easternmost McDonald's in Russia as of now is in Tyumen.

Rosinter Group already holds franchises for Costa Coffee and T.G.I. Friday's. It also operates several of its own chains, including Il Patio Pizza, Planet Sushi and 123 Cafe. It has 382 restaurants in 44 cities in 10 countries and grossed more than 10 billion rubles ($342 million) in 2011, according to its website.

Russian-Venezuelan businessman Rostislav Ordovsky-Tanayevsky-Blanco, the founder, chief executive and chairman of the board of Rosinter, has recently expanded the company's sphere of interest into organic farming, investing $20 million in an indoor municipal market that opened in the Moscow suburb of Mitishchi in November.

The company hopes to open 10 more such "EcoBazars" over the next five years.

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