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McDonald's Looks to Expansion

By Rachel Nielsen

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McDonald’s army of young employees can expect to remain busy, even with new restaurants opening this year. **Igor Tabakov**

When Khamzat Khasbulatov fielded a question from a reporter who complained that she can't find a free seat in a Moscow McDonald's and demanded to know what he was going to do about it, the president of McDonald's Russia flashed a rare smile.

"It's nice to be popular," Khasbulatov said at the Tuesday news conference in the Pushkin Square McDonald's.

Busy McDonald's restaurants in the capital illustrate the demand behind the U.S. fast-food giant's ongoing expansion more than two decades after it first launched in Russia at Pushkin Square. This year, it expects to open 45 more restaurants and hire another 5,000 employees, Khasbulatov announced, adding to just over 300 restaurants and 30,000 employees.

That is in line with last year's 5,000 hires and about 40 restaurant launches. Such figures put McDonald's versts ahead of its competitors: Burger King, which opened here in January 2010,

has 42 locations, while the Wendy's franchiser in Russia, which launched in June, has just seven.

McDonald's is also building out its domestic food-production facilities, continuing the 2011 initiative to produce in Russia more of the food products that supply the restaurants' grills, fryers and fridges.

It will start production of chicken products this year in the Tula region and Kaliningrad, Khasbulatov said, and it is launching a sauce factory in Chuvashia, near Kazan.

Khasbulatov also confirmed last week's news report that McDonald's Russia will enter into its first-ever franchise agreement, allowing Rosinter to use its brand. Rosinter, which franchises T.G.I. Friday's and runs the Planet Sushi and Il Patio restaurant chains, will operate the franchises in airports and rail terminals in Moscow and St. Petersburg, business daily RBK reported.

The McDonald's executive offered scant details Tuesday. Calling franchising "only a tiny part of our business," he said one or two of the 45 new restaurants this year might be franchisees.

"Is this going to continue further? We'll see the results of our first project, and if it's successful, I'm not excluding the possibility," he said.

Eastward expansion is also cautious. The Golden Arches will be introduced in 2012 to European regions Saransk, Izhevsk, Bryansk and Oryol, as well as various small cities, but Tyumen is currently the easternmost city with a McDonald's.

There are only eight other McDonald's in the Urals, where the company is also present in Yekaterinburg and the Chelyabinsk region. Khasbulatov said McDonald's wants to add restaurants in the area, but the logistics needed for food deliveries are a question mark.

With Siberia, "we have to consider the possibilities for obtaining real estate that makes it possible for us to create a chain," Khasbulatov said, "so that the logistics and logistics management will be effective."

Alexander Kovaler, chief executive of Wendy's franchiser Wenrus, said his firm has opened two Wendy's this year and will start another six by year's end, bringing the total to 13. Next year, it will more than double to 30 as it expands from Moscow into the regions and begins subfranchising, he said by telephone.

Burger King in Russia didn't immediately return an e-mail seeking comment.

Rosinter Restaurants Holding said consolidated net operating revenue in March grew to 882 million rubles ($29.76 million), an increase of 3.9 percent in ruble terms from a year earlier, Bloomberg reported Tuesday.

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