



ACG MARKET ENTRY CASE STUDIES

Market: *Russia*
Sector: *Food & Beverage*

1. KFC (www.kfc.com)

KFC first came to Russia in search of a Master Franchisee or an established Joint Venture partner, since they believed that the Russian market offered them incredible opportunities for growth. After a frustrating 8 months of work and negotiations, they were unsatisfied with their options and contacted one of our senior partners in Moscow in February of 2004 to assist them in revamping their strategy and expediting their search.

Once our team was engaged, we conducted a thorough overview of the Client's business model and undertook extensive research on consumer preferences in the Russian market. We had also done a competitive landscape analysis and closely monitored a number of other leading fast food companies' performance in Russia, including that of McDonald's, and drew conclusions based on their successes. Our comprehensive study led to our recommendations to enter the market by forming a Joint Venture partnership with an established local player, followed by the development of Client's own corporate stores. We also co-authored a business plan, together with the Client, that would serve as the roadmap for their expansion in Russia.

When the client accepted our recommendations, we conducted an extensive search in Russia through our network for potential JV partners. One of our top choices for KFC was the largest restaurant operator in Russia - Rosinter Restaurants, to whom we introduced our Client. We went beyond the mere introduction and actually assisted our Client with negotiations and strategic issues. Due to the size and complexity of the partnership, the negotiations lasted for nearly a year and would have likely fallen through on several occasions had it not been for our team's intimate relationships with both sides and our knowledge of each party's bottom line. We were involved in every step of that process and held the Client's hand during that entire time. The total project duration from commencement ended up being nearly a year and a half.

Finally, the parties signed an Agreement to co-brand the current Rosinter Chicken Restaurants (Rostiks) as Rostiks/KFC. The JV agreement included rights for KFC to buy out all the restaurants developed after a five year period. Both sides were very happy with the deal. At the time of closing, Rostiks operated about 90 restaurants with average annual sales of US\$800,000 at each one. Within three years they have nearly doubled the number of stores and grew their sales to an average of US\$1,000,000. As of today they are executing beautifully a plan to build out 300+ stores by 2012, which is a 300% increase from their starting point.

2. **LePain Quotidien** (www.lepainquotidien.com)

This company's concept of fresh baked breads and offerings of salads and sandwiches originated in Brussels and has expanded successfully worldwide. The Master Franchisee in the UK wanted to expand into Russia and was bidding for the rights. He contacted our Moscow office in December of 2005 to add the Russian expertise to his team, which became a huge competitive advantage compared to the other candidates. We provided the Client with key information about the Russian market and added credibility to his team with our interim managers. We also analyzed all critical assumptions and developed a comprehensive business plan for the Russian market based on these assumptions. The business plan included detailed overview of the overall concept, its appeal to the Russian consumer, a complete market entry strategy, pricing strategies, marketing mix, financial projections, and much more.

Finally, our team attended the meetings with the LPQ headquarters in Brussels and helped the client to win the rights for the Russian market. The Client was so pleased with our service that we were also engaged to assist with the rollout of all new stores including such processes as site selection, contractor negotiations, build-out administration, permitting and licensing, construction oversight, staffing and personnel training, brand positioning, and overall market entry strategies. In less than 2 years, LPQ was able to open up 12 corporate-owned stores in excellent high traffic locations in and around Moscow. The average annual sales at each of the first twelve locations were in excess of US\$1.1 million. Our team assisted with the opening of each new store. Two of these stores are now ranked #1 and #2 in annual sales volume in the entire LPQ system worldwide. The plan is to eventually begin franchising throughout the Russian regions when they reach critical mass. Our team is already engaged to assist them with this development.