

LACKEY-LUIK REPORT

A Monthly Commentary on the International Restaurant Market
November 2011, Number 75

WAYNE'S COFFEE:

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AN EXCEPTIONAL OPPORTUNITY FOR OUR READERSHIP! INDEED—if you are seeking PRIME franchise, license or joint-venture partners in the Middle East—we have exciting news for you!



GINZA:

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Following two recent trips to the UAE and the establishment of an exciting new venture (details to be revealed in upcoming issue)—we are now under instructions by some of the Middle East's foremost restaurant operators (experienced, creditworthy and currently operating other franchises) to seek major restaurant concepts to acquire for expansion in this market! If you would like preliminary information—do not hesitate to contact us.

REFLECTIONS ON RFDC:

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Incidentally, you might enjoy an article we wrote on Dubai—coming up in December's issue of the international publication, *Shopping Center Business*.

SMALLEST FOOD TRUCK:

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STARBUCKS TO DEBUT JUICE CHAIN: Following its acquisition of the premium juice company **Evolution Fresh**, Inc. for \$30 million in cash, Starbucks will begin a roll out of juice bars in 2012. This is part of a long term strategy to move the company into areas around health and wellness. They will begin selling Evolution Juice in the Starbucks units, with the first juice bar slated to open on the West Coast...where they already have brand awareness.

MCDONALD'S TV:

Pg. 4

SWEDEN'S ANSWER TO STARBUCKS: We write often—as we should—about the Herculean expansion programs of such industry giants as **KFC**, **Pizza Hut** and **McDonalds**. However, it's nice on occasion to recognize those smaller chains which are expanding in this difficult international marketplace. In a recent visit to Tallinn, Estonia, we were impressed with the local operation of privately-owned, Swedish coffee chain—**Wayne's Coffee**.

KFC MANUSCRIPT:

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MR. BIGGS:

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With humble beginnings in 1994 as a small coffee shop in Stockholm, Sweden, they have become Scandinavia's leading coffee chain. Expanding primarily through franchising, they have now over 100 stores operating in 10 countries...including not only Scandinavia and the Baltics, but Eastern Europe, the Middle East and China. With their Italian coffee culture, bakery products, cold drinks and fresh foods...this contributes to featuring the Swedish "fika" tradition of taking a break from daily routines and relaxing in the company of others.



TAKING THE FIRST STEPS:

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ON THE MOVE:

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PLANNING INTERNATIONAL EXPANSION: Sayaji Hotels created the novel "live grill" concept, **Barbecue Nation**, to develop in its native India. They have now 19 outlets operating throughout the country, with expectations of adding another 400 domestic outlets by 2014. They will also be moving into Australia and New Zealand.

TAKING THE FIRST STEPS: Golden Chick has opened its first restaurant in Amman, Jordan. It is owned by Jordanian native Hasan Zoubi, who currently operates a Golden Chick in Oklahoma. It will be operated by his brother-in-law, Ibrahim Alzubi, who was formerly with Marriott ** P.F. Chang's China Bistro has signed an agreement with Alsea S.A.B. de C.V. to develop their **Pei Wei Asian Diners** throughout Mexico. The first restaurant is expected to open in Mexico City within the next three months. Alsea is already the franchisee in Mexico for **P.F. Chang's** ** Celebrity New York chef, David Chang, has recently opened a restaurant—**Selobo**—in Sydney, Australia. This is his first international venture ** The 34-unit, Denver-based, **Spicy Pickle** chain has signed an agreement with Franchisee Food Fabulous WLL to open seven units in Qatar—the first unit to open in Doha in April of 2012 ** The Houston-based, **Russo's New York Pizzeria** and **Russo's Coal Fired Pizza** have awarded franchise rights to Dubai-based Prime Hospitality, a division of Ghobash Trading and Investment Company for the entire UAE and to MegaHoldngs Company in Bahrain, for expansion in Bahrain and Qatar ** **Caparossa** will be the name of the new Italian restaurant opening in London this month. It will be operated by the same owners of the meat-only restaurant in Naples—**La Fattoria del Campiglione**.

ON THE MOVE:

- **PIZZA EXPRESS.** This 46-year old chain of 400 restaurants has recently signed an agreement with the Bharti Family Office to develop restaurants in India. They expect to open the first branch in early 2012.
- **PAPA JOHN'S.** After leaving the Bahamas several years ago, they are again seeking a franchisee to re-enter this market. They currently operate in 40 international markets with 37,000 units across the world.
- **STARBUCKS.** They have recently opened their 500th store in China. It is located in the Beijing Capital Airport and is their 7th store in China's largest and busiest airport.
- **WENDY'S.** They have now opened the first of four new Canadian concept stores in Etobicoke, Ontario. The new concept will sell new menu items such as: baked goods and Roasters coffee; offer free WiFi service and a variety of seating options, including chairs around a fireplace.
- **QUIZNOS.** The master franchisee for Quiznos restaurants in the Caribbean and Latin America, QSR International, announced a development agreement with Camex Restaurants to open five units in Guyana within the next five years. Camex also has franchises of Church's Chicken, Mario's Pizza and Dairy Queen.
- **DANIEL BOULUD.** This celebrity French-American chef, with a dozen restaurants (7 in New York) in North America, Asia and Europe, will open a restaurant/bar in Toronto's Four Seasons Hotel next year.
- **NESTLE' TOLL HOUSE CAFE.** They have opened their newest cafe in Doha, Qatar. This location is the first of six locations planned for the next six years by the franchisee—the Ali Bin Ali Group.
- **PIERRE GAGNAIRE.** This empire-building, French chef has restaurants operating successfully in cities as diverse as Paris, Seoul, Moscow, London, Hong Kong, Tokyo and Dubai. Next year he will be opening in the Waldorf-Astoria in Berlin.
- **CAFE2U.** This Australian-based company operates mobile units, specializing in gourmet coffees, espresso, hot chocolate, chai lattes and packaged food products such as cookies, biscottis and wraps. They currently have about 120 operating in Australia and 50 throughout the United Kingdom. They have just rolled out their first unit in the U.S...in Bend, Oregon.
- **YEH! YOGURT.** Burlington, Massachusetts was chosen as the first U.S. location for this Montreal, Canada-based yogurt chain.

ON THE MOVE:

- **HAKKASAN.** This world-renown modern Chinese restaurant plans to open in New York City in 2012. This is the seventh location for this brand since their flagship site in London in 2001. Amongst their other locations are: Mumbai, Miami, Abu Dhabi and Dubai. The Hakkasan group is owned by Abu Dhabi's property investment company Tasamen.
- **KRISPY KREME.** They have signed a new development agreement with the Real American Doughnut Company to open an additional 23 locations in the Philippines. The Real American Doughnut Company currently operates 23 doughnut shops across the country. This franchisee is a two-time winner of the Krispy Kreme International Franchisee of The Year award.
- **WINGSTOP.** As a result of its success with their initial 10 stores in Mexico City, this 490 unit, Texas-based restaurant chain has signed a master licence agreement with their original franchisees to open 120 restaurants throughout Mexico over the next seven years.
- **CHIPOTLE MEXICAN GRILL.** This 1,131 unit chain continues their international expansion with the opening of their 2nd London restaurant and their first in Paris in this third quarter.
- **PIZZA INN.** They have partnered with Hangzhou Restaurant Management Company, Ltd. to open additional units in China.
- **PITA PIT.** This Canadian chain, with 350 units, has this month opened their 18th store in New Zealand.
- **TONY ROMA'S.** Already operating in 32 countries, they have announced recent openings in Jakarta, Indonesia and Bangkok, Thailand. These openings were by their Singapore-based, Area Developer, Mas Millenium.
- **QUIZNOS.** Through QSR International, their Master Franchisee for Latin America and the Caribbean, they have opened their 3rd restaurant in Ecuador.

POTPOURRI: The **Atmosphere Restaurant**, on the 122nd level of Dubai's Burj Khalifa building, was recently recognized by the Guinness World Records as the highest restaurant in the world ** According to the *How Britain Eats Out 2011 Report*, produced by industry analysts Allegra Strategies, Italian cuisine is ranked as the U.K.'s favorite when dining out. When it comes to eating at home, British cuisine is still the first choice ** **Outback Steakhouse** co-founder Bob Basham and Nick Reader, CEO of MVP Holdings, have joined forces to introduce a new fast-food chicken concept - **PDQ** (short for "pretty damned quick"), specializing in chicken tenders, chicken sandwiches and chicken salads ** We were disappointed to hear that the nightclub and bar owner, **Luminar**, has been placed in administration (similar to the American bankruptcy) after lenders refused to extend a loan repayment waiver. It's reported the company employs around 3,000 people across 77 sites in the UK ** Last month the London-based **Ledbury** was named National Restaurant of The Year in the National Restaurant Awards 2010 ** Bain Capital LLC, the U.S. private equity firm, has agreed to buy all of Japanese restaurant chain **Skylark Co.** for \$2.1 billion. The giant Skylark has about 3,680 outlets and about \$4.5 billion in annual revenue.



INTERNATIONAL RESTAURANT PARTNERSHIPS (IRP): Lackey, Luik and Ian Waddell are partners in IRP and have assisted many of the world's icons in the restaurant and hospitality industries with their international expansion...providing them with operating partners.

IRP has worked with the "who's who" of the restaurant/hospitality industry...names as diverse as: Lettuce Entertain You, Baja Beach Club, Compass Group, Scottish & Newcastle, Morton's, Benihana, Asha's, CKE, Bass, Yo! Sushi, Nico's, Canas y Tapas, Intercontinental Hotels, Levy Restaurants, Trader Vic's and Jamie Oliver...to name just a few.
See us at: www.IRP-Global.com Or visit us at www.CIRB.com or contact us at: RichardLackey@IRP-Global.com

IN MEMORIAM: We were saddened to hear of the passing of Allen J. Bernstein. Allen was a friend and former client. We had the great pleasure of working with him in the real estate site selection of several Morton's of Chicago Steakhouses...when he was its Chairman and Chief Executive Officer. During his tenure at Morton's, from 1989 to 2006, he expanded the chain from nine to 69 worldwide...proving the viability of the "high-end" chain. He died in Manhasset, New York at the age of 65.

REFLECTIONS ON RFDC: For those of you who missed the recent (November 7-9) **Restaurant Finance & Development Conference** in Las Vegas—you might want to consider attending next year's event. The reported 1,700 in attendance enjoyed panels and seminars on various aspects of restaurant real estate, development and financing. It was my privilege to have been the Moderator on the panel for our group, the **Council Of International Restaurant Real Estate Brokers**, and its presentation on "Restaurant Real Estate Reports From The Field: Opportunities and Analysis." In addition to meeting many new and outstanding restaurant folks, the camaraderie is always enjoyed when visiting with those industry veterans whom we have known for many, many year; amongst them were: John Metz (President, RREMC Restaurants), Al Vituli (Chairman, Carrols), Dan Hannah (Decision 3), Dejan Vojnovic (President, National Restaurant Brokers), Andy Gunkler (Chief Franchise Officer, Copelands) and Frank Steed (Steed Consultancy)...to name just a few!



FRIES...AND A SITCOM? McDonald's is launching the McDonald's Channel, an in-store digital TV network of original content...to include human interest stories, youth sports coverage, local news and entertainment previews. The programming will be localized to each restaurant's area. There will be, of course, quiet zones within the restaurants for customers who simply want to eat in peace. One of the benefits we can see to this innovative approach is that it will lure some of the customers from the drive-through into the restaurant, spend more time and consequently spend more money. It will be introduced initially to 800 restaurants in California, with a potential for nationwide or international expansion if it is proven successful.

THE 50 BEST BARS IN THE WORLD 2011: It's prudent, of course, when seeing these various "Best Of" lists...to question their modus operandi in the voting/selection process. Nonetheless, they are always interesting to review. The latest is that released by the cocktail industry magazine *Drinks International*. They compiled the list by polling hundreds of bar professionals...including media folk. At first glance, it does not appear any of those selected were on the basis of a criteria of "inexpensive." The following is the top 20 of their list:

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|--------------------------------------|------------------------------------|
| 1. PDT, New York | 11. Pegu Club, New York |
| 2. Connaught, London | 12. Dry Martini Bar, Barcelona |
| 3. Artesian, London | 13. Eau De Vie, Sydney |
| 4. Death & Company, New York | 14. Bramble, Edinburgh |
| 5. Milk & Honey, London | 15. Employees Only, New York |
| 6. American Bar at The Savoy, London | 16. La Capilla Bar, Mexico |
| 7. 69 Colebrooke Row, London | 17. Merchant Hotel, Belfast |
| 8. Drink, Boston | 18. Nightjar, London |
| 9. Harry's New York Bar, Paris | 19. Smuggler's Cove, San Francisco |
| 10. Black Pearl, Melbourne | 20. Buddha Bar, Paris |

A NIGERIAN SUCCESS STORY: Even in one of the poorest countries in the world there appears to be opportunities for restaurant expansion. Despite a GNI per capita of \$2,069—the conglomerate, United African Company of Nigeria PLC, created in 1986 a fast food operation called **Mr. Biggs**...which has grown to over 170 outlets in Nigeria and neighboring Ghana. Serving what are exotic items to the Nigerians—meat pies, doughnuts and hamburgers—they have now become one of the first Nigerian companies to offer franchises to investors.

ON THE LIGHTER SIDE: A man in a hurry taking his eight-year old son to school made a turn at a red light where it was prohibited. "Uh-oh, I think I just made an illegal turn!" "It's okay, Dad" the boy said, "the police car behind us did the same thing."



COLONEL SANDER'S SECRET MANUSCRIPT: An employee rummaging through KFC's archives has discovered an unpublished, 200-page manuscript written by the founder of KFC. Written during the mid-1960's, it does not reveal the secret recipe of 11 herbs and spices...but is chock full of homespun anecdotes and life lessons from Sanders, who struck it rich late in life. It also includes a helping of his favorite personal recipes. The company plans to publish the manuscript online sometime this year...and will be available free.

GINZA PROJECT-A GROWING RUSSIAN POWERHOUSE: In 2003, Dmitry Sergejev, a former real estate entrepreneur from St. Petersburg and his friend Vadim Lapin, decided to open a sushi restaurant, **Ginza**, for their friends. Named after the fashionable district in downtown Tokyo, it quickly gained popularity, inspiring the partners to open other fine dining projects. Ginza Project now owns nearly 100 restaurants in Moscow and St. Petersburg. In addition, they have opened a Tex-Mex restaurant, **Los Dados**, and an authentic Russian-cuisine restaurant, **Mari Vanna**, in New York City. Next month, they anticipate opening another Mari Vanna in the Knightsbridge area of London.

QUOTABLE QUOTES: "Nothing gives a person so much advantage over another as to remain always cool and unruffled under all circumstances." Thomas Jefferson, 3rd United States President

GASTRONOMIKA: This is one of Europe's premiere gastronomic congresses and this year will be "plunging head-first into culinary plurality" by focusing on the evolving cuisines of Peru, Mexico and Brazil. Among the prominent chefs set to present are Peruvian superstar Gaston Acurio and Mexico's Enrique Olvera. It will be held November 21-November 23, 2011.

WORLD'S SMALLEST FOOD TRUCK: We continue to express our concern over the food trucks potential—in many situations—for being injurious to the brick and mortar restaurants in a neighborhood.

However, we did want to share with our readership the news of the "world's smallest food truck." **Verts**, a doner kebab restaurant in Austin, Texas has launched a mobile business out of the back of a Smart Car. Somehow, in working with German engineers, they were able to fit food warmers, sinks and refrigeration equipment into the car. During service they put a tent over the back of the car.



FOR OUR NEW READERS—WHAT THE LACKEY-LUIK REPORT IS ABOUT!

From our offices in London, England and Palm Beach, Florida and through correspondents worldwide, information on the international restaurant markets and activities of interest is gather/reported on a continuing basis. This data is edited by your hosts, Richard Lackey and Jaana Luik, in the Palm Beach offices...and the Lackey-Luik Report is then distributed by email to a select Senior Executives of major restaurant and hospitality groups worldwide, who are already involved in or contemplating international expansion. As the only publication devoted solely to the international restaurant market, it is our intent to provide a monthly report which will be both informative and interesting...and with commentary and articles not typically found elsewhere.

Lackey and Luik have a combined 40 years of experience in the restaurant/hospitality industry worldwide. Founding the Council Of International Restaurant Real Estate Brokers, Ltd. (CIRB) and International Restaurant Partnerships (IRP), Lackey has made CIRB what is today the largest network of real estate firms specializing in restaurants and IRP (with offices in London and Palm Beach and a worldwide network of correspondents) into specialists in assisting restaurateurs with their international expansion by providing them with major operating partners in the markets of their expansion.