HORECA SEGMENT IN RUSSIA: CHALLENGES AND OPPORTUNITIES

Abstract

The following article is giving the understanding of the current HoReCa segment situation in Russia is now and tells about which already existing western companies can benefit from entering Russian market in this moment of time and why it is the right time for them. The growth rate of the Russian fast food market in 2018 was two times slower than in 2017, was found by Euromonitor International. The strongest fast food chains continue to expand, but retain customers only with the help of promotional offers, which is bad for their marginality. Further growth in the turnover of fast food is to be carried by the regions.

Keywords: HoReCa, Fast food, Russian fast food market.

The history of the development of the fast food market in Russia.

Fast food is an inexpensive catering establishments, which are widely spread all over the world. There are especially many such institutions in large cities, where the rhythm of life and mobility of working people are high. The main task of the fast food company is to feed the visitors quickly and inexpensively.

A certain kind of fast food was developed even in the USSR times. Even in the late 50s, places selling fast food were widely spread: dumplings, kebab, cheburek, pancakes, pastry and sandwich spots were abundant in many large cities. One of the advantages of fast food of those times was small portions. The Soviet meat pie was smaller and contained less amount of calories than the traditional American burger.

In the 80s, due to the economic decline, small catering points began to vanish, and after the collapse of the USSR, many of them disappeared, but some were privatized by enterprising people and still exist after changing the addresses and several re-brandings.

The development of the fast food segment in the modern sense of the word began on April 29, 1988, when the agreement to open the «McDonald's» restaurant chain in Moscow was signed. The opening of the first «McDonald's» on Pushkin Square in Moscow took place on January 31, 1990. On this day, the restaurant had more than 30 thousand visitors. A little less excitement caused the opening of the Baskin Robins cafe in the same year. In 1993, in Moscow, one after another began to open new McDonald's restaurants. By the early 2000s, there were already more than a hundred spots in different cities of the European part of Russia [1].

In the 1990s, various Western pizzeria chains came to the markets of both Saint-Petersburg and Moscow, but they all had to leave the market in 1998 due to economic difficulties. From that time only «Sbarro» lasted, which opened the first restaurant in Moscow in 1997.

In 1999, the first pancake spot «Teremok» opened at the Airport metro station. The population perfectly accepted the food that was familiar to the Russian consumer, and the network began to grow rapidly. Now it already has more than two hundred points [2].

In the second half of the 2000s, no new significant players appeared on the fast food market, but the existing networks were developing intensively, in the regions, small county-scale chains were created [3].

The role of the fast food segment in the catering market structures.

Fast food is the largest segment of the catering market in Russia. This is not surprising: the modern pace of life dictates its own rules of nutrition - customers want to eat quickly, tasty and at low cost.

According to RBC.Research statistics [4], two thirds of Russians (from 18 to 54 years) periodically visit fast food restaurants, and 6-8 % of Moscow residents do it daily. Today, the largest chains such as McDonald's, Burger King, Subway, KFC have international status and are known for a memorable brand, reliable reputation, diverse menu and stable prices, this is why people in Russia love them [5].

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The active development of the fast food market in Russia started in the beginning of 2000s. In the same period, the movement for a healthy diet intensified in America, which slowed down the growth of this market in the US, but favored the spread of fast food to foreign markets, including Russia. Market growth continued until the 2008 crisis and then resumed in 2010. According to the Russian Association of franchising, in 2016, fast food accounted for 47% of the catering market [6] (figure 1).

Figure 1. Structure of the catering market in Russia, %

The fast food market is also divided into several segments. The largest, according to Euromonitor, is the burgers segment (figure 2).

![Fast food market in Russia: size in billion rubles](image)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Value (billion rubles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakeries</td>
<td>46.80</td>
</tr>
<tr>
<td>Burgers</td>
<td>148.28</td>
</tr>
<tr>
<td>Chicken</td>
<td>63.96</td>
</tr>
<tr>
<td>Takeaway food</td>
<td>18.02</td>
</tr>
<tr>
<td>Ice cream</td>
<td>11.28</td>
</tr>
<tr>
<td>Eastern cuisine</td>
<td>10.79</td>
</tr>
<tr>
<td>Pizza</td>
<td>42.82</td>
</tr>
<tr>
<td>Other</td>
<td>126.12</td>
</tr>
</tbody>
</table>

Figure 2. Russian fast food market size in billion rubles

Experts note that over the past three years the catering market has changed a lot. Consumers began to spend less on food outside the house. Fast food remained the only growing industry is the growth of the segment amounted to 5-8 per cent a year [7].

The impact of the crisis on the fast food market in Russia.

The crisis had a significant impact on the structure of Russian catering. The attendance of traditional restaurants fell by 16%: people began to go to restaurants less often or visit them when there are discounted prices. The flow of visitors from other food segments helped fast food to show positive dynamics.

The growth of turnover in the fast food segment in 2015 was around 5.2%. However, the growth of the segment is mainly extensive, due to the opening of new spots. Fast food started fast expansion in regions, and, according to experts, this trend will continue [8].

However, the fast food industry was affected by the crisis. Since 2014, even the largest players in the fast food market face a drop in revenues and lose ground [6]. For example, McDonald's profits fell by 21%. Owners of fast food chains state the fact that the loss in the number of buyers is up to 20%. Even fast food giants - such as McDonald’s, KFC or Subway – have to adapt to the changing tastes of consumers, who are increasingly looking for simpler, organic, natural and unprocessed dishes [9]. Thus, the crisis has influenced all of the food service industry.

Nevertheless, the fast food segment has demonstrated the greatest resistance to the crisis and that is why the main competition is happening here. However, the client already wants not just a
hamburger or potatoes, but to be fashionable, healthy, tasty and inexpensive: the average check in a fast food restaurant in the first quarter of 2017 amounted to only 260 rubles.

In addition, people are closely watching the new trends. Now very important light menu, with an emphasis on healthy eating. More visitors expect combined offers, so in addition to business lunches in a number of institutions combo dinners at an affordable price appeared.

The crisis has also generated a large number of new concepts. Among them - fast casual (more varied food than in fast food, but faster and cheaper than the restaurant), market place (open kitchen, farm produced food), true cost (meals at net price, payment for the entrance ticket), gastro-bars, gastrofarms etc.

During the crisis, many restaurateurs reoriented the business to corporate and industrial catering. Such projects bring no less revenue than restaurants, but at the same time guarantee a more stable income and flow of visitors.

Another growing trend is gas stations. Major network operators are working with the catering or develop their own chains. This is a profitable business: so, the marginality of a cup of coffee is equal to the marginality of 6 liters of gasoline [7]. However, by now only 8 % of Russian gas stations are equipped with the cafeteria, in the largest cities – 20 %, so that the market has a lot of space for growth [8].

**Biggest players on the Russian fast food market.**

Harland Sanders, who began selling fried chicken dishes during the great depression, founded KFC. He promoted the franchise to other States and regions. Therefore, chicken has become an integral part of fast food and gained the same popularity as a Burger.

Due to its specialization in chicken dishes, the chain was called «Kentucky Fried chicken» until 1991. KFC is the second largest cafe chain in the world, second only to McDonald's. The network has now more than 18 thousand spots in 118 countries around the world.

In Russia, KFC collaborated with the company «Rosint» (network Il Patio, «planeta sushi», Friday's), the cafe opened under the brand «Rostik's». In 2011, the American company bought all rights to the Russian part of the network and returned the name KFC.

<table>
<thead>
<tr>
<th>City</th>
<th>McDonald’s</th>
<th>Burger King</th>
<th>Subway</th>
<th>KFC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow</td>
<td>238</td>
<td>235</td>
<td>119</td>
<td>242</td>
<td>834</td>
</tr>
<tr>
<td>Saint-Petersburg</td>
<td>79</td>
<td>61</td>
<td>57</td>
<td>73</td>
<td>270</td>
</tr>
<tr>
<td>Yekaterinburg</td>
<td>13</td>
<td>18</td>
<td>28</td>
<td>12</td>
<td>71</td>
</tr>
<tr>
<td>Chelyabinsk</td>
<td>5</td>
<td>6</td>
<td>39</td>
<td>3</td>
<td>53</td>
</tr>
</tbody>
</table>

**Fast food market development forecasts.**

Despite the crisis, the fast food market continues to develop. Experts believe that the need for fast food outlets is not yet satisfied. Despite the large number of spots and further growth, it is too early to talk about saturation of the market. Due to the fact that some market opportunities are not fully used, it is possible to predict high industry growth in the future. Thus, three market leaders – McDonald's, KFC and Burger King, occupying more than 80 % of the market, actively continue to open new restaurants [10].

Some experts consider the catering market to be socially important task, as the developed services sector shows the development of the economic system as a whole. The development of the catering industry is an extremely important area of the overall socio-economic development of the region and the country's economy as a whole.

**References**


М. Копырин

СЕГМЕНТ HORECA В РОССИИ: ВЫЗОВЫ И ВОЗМОЖНОСТИ

Аннотация
Данная статья дает представление о текущей ситуации в сегменте HoReCa в России и рассказывает о том, какие уже существующие западные компании могут извлечь выгоду из выхода на российский рынок в данный момент и почему для них самое подходящее время. По данным Euromonitor International, темпы роста российского рынка быстрого питания в 2018 году были в два раза медленнее, чем в 2017 году. Самые сильные сети быстрого питания продолжают расширяться, но удерживают клиентов только с помощью рекламных предложений, что плохо для их маржинальности. Дальнейший рост оборота фаст-фуда будет осуществляться регионами.

Ключевые слова: HoReCa, быстрое питание, российский рынок быстрого питания.

К. Kostareva

EXHIBITION AND TRADE FAIR ACTIVITIES IN THE SYSTEM OF ENTERPRISE DEVELOPMENT IN THE REGION ON THE EXAMPLE OF THE DEUTSCHE MESSE AG

Abstract
The article describes the impact of modern exhibitions and fairs on the development of the regional entrepreneurship. The importance of international exhibitions and fairs, as large transnational corporations, which open up a large number of opportunities for regional entrepreneurship and its development, is considered.

Keywords: exhibition and fair activity, international exhibition, trade fairs, role of trade fairs in economic development, regional entrepreneurship, TNC, exhibition organizer, Deutsche Messe AG, Hannover Messe, Lower Saxony.

The exhibition and fair activity occupies a special place in modern market relations, as it represents very wide possibilities for the demonstration of advertised products, services, projects for establishing direct contacts with consumers. Every field of activity, every industry, every year offers great opportunities to learn something new, to evaluate it and to sell their products at international, national and local level – exhibitions and expositions. For any business, this activity is vital for its development.

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