

«FoodService» is an analytical business-to-business publication about the restaurant and catering industry meant for owners and managers of restaurants, bars, canteens and coffee bars. Among our topics are market trends and successful projects, quantitative and qualitative research as well as interviews with famous foodservice entrepreneurs and key opinion leaders in the hospitality industry. We cover new restaurant brands and chains in Russia, Europe, the US and Asia.

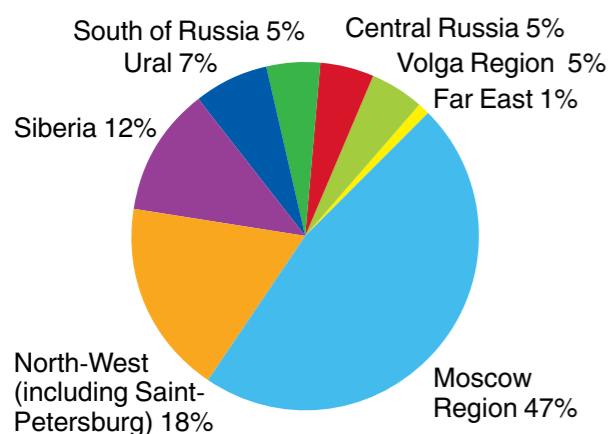
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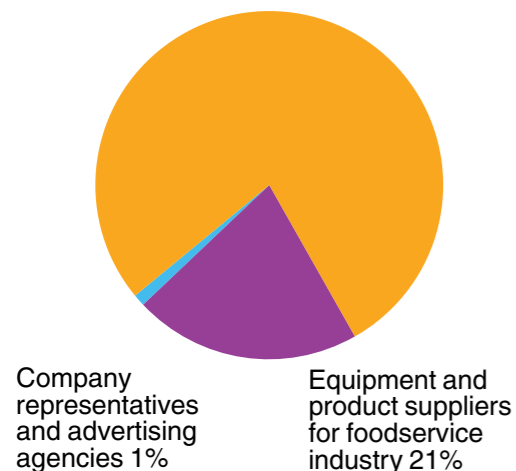
1/1 page 230 mm x 300 mm	1/2 page 200 mm x 124 mm 96,5 mm x 270 mm	1/3 page 200 mm x 82 mm 62 mm x 270 mm	1/4 page 96,5 mm x 133,5 mm	«Business card» 96,5 mm x 48 mm
Full colour 116 000 rub. Black and white 81 200 rub.	Full colour 71 050 rub. Black and white 50 025 rub.	Full colour 55 100 rub. Black and white 39 150 rub.	Full colour 47 850 rub. Black and white 33 930 rub.	Full colour 14 000 rub.

Regional distribution structure



Structure of the audience

Restaurants, coffee bars and other foodservice operators 78%



FoodService is a subsidiary publication of the international B2B magazine FoodService Europe & Middle East, which has been known among European restaurant entrepreneurs for 25 years. The Russian edition is published since 2001.

Another area of FoodService’s activities is the online publication www.cafe-future.ru. Updated every day, the website offers fresh and exclusive articles on the foodservice industry.

Mission: to help CEO’s, managing directors, chefs and purchasing managers in managing their restaurants and creating new concepts.

Specialization: casual dining chains, QSR, coffee bars, canteens, bars, fine dining restaurants, catering companies, equipment and food suppliers.

Audience: restaurant owners, CEO’s, managing directors, procurement managers, chefs, managers of supplier companies.

Structure: The magazine is divided into five sections (see pages 3 and 4) meant for different kinds of target audiences.

Periodicity: monthly.

Number of pages: 60.

Circulation: 18,000.

Publishers: Delovoy Podkhod Publishers (Russia) and Verlagsgruppe Deutscher Fachverlag (Germany).

Distribution: The magazine is distributed to the subscribers and to a selected target group of HoReCa professionals in Moscow, Saint-Petersburg and other big Russian cities.

Advertising on the cover. First wrapper – 250 000 rub., 4th page of the cover – 180 000 rub., 2nd and 3rd pages of the cover – 130 000 rub. (edge only). All prices are without VAT.

Inserts (prices on request). Deadlines should be discussed in advance. Inserts are provided by the advertisers.

Conditions of payment. Account of LLC “Delovoy Podkhod Publishers”. Payment should be transferred based on the price plus 20% Russian VAT. Commission for the advertising agencies is 15%.

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Content Structure

FoodService is divided into five sections targeted at certain types of audience. For readers' convenience, each section is marked with its own color: purple for news, blue for market analytics and business strategy, green for restaurant operations, orange for suppliers and product market, red for menu items and gastronomic trends.



In the news (purple) section one can find information on the latest hospitality industry events, new restaurants and chains, CEO and chef appointments and new books on cooking and gastronomy.

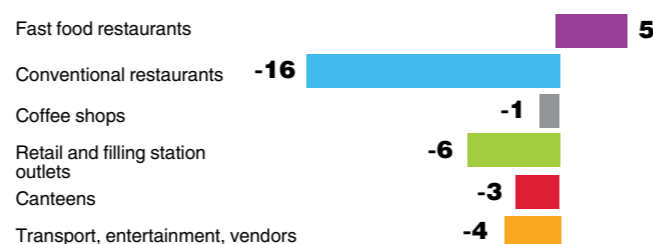


HIGHLIGHTS: we are aiming to analyze business opportunities of different foodservice market segments and niches

Article title: «The Truth is in the Legs», Issue № 3/2020
By Zhanna Prisyazhnaya

Even before the coronavirus pandemic was announced, which forced restaurant market players to switch to delivery as a way to at least partially maintain turnover, the industry was stimulated by the active development of two third-party providers, Delivery Club and Yandex.Eda. Experts predict that by 2023, their share in the restaurant delivery in Russia could grow to 70%. The second factor that has had a strong impact on the industry is the launch of delivery services by the main QSR players.

Foodservice consumption y-o-y dynamics by channel after 9 months in 2016 (%)



Source: The NPD Group, 2017

The analytical (blue) section contains research, market segment reviews, surveys and interviews with known restaurant entrepreneurs. The surveys are conducted in partnership with NPD Group, Synovate, Watcom Group, GDI (Switzerland) and Boston University (USA).

RESEARCH: Quantitative and qualitative research of the foodservice market meant to answer the following questions:
How is the consumer changing?
What does one expect from a restaurant today? What kind of food do people prefer?
What is the dynamics of the industry?
Who are its leaders?

Article title: Market U-turning, Issue No. 3/2017
By Maria Vanifatova

According to The NPD Group, price, including discounts and promos, had been an important determinant for 23 % of the Russians over 2016 driving their choice of a restaurant. The price-oriented customer numbers has so grown by 2%. At the same time, foodservice companies and brands responded to the weakened demand by offering more promos. Apparently, fast food segment is a top performer with such offerings. Overall, more than 28% of the total number of the out of home market orders in major cities were due to discounts, promos or special offers, in contrast to Europe, where promo-driven orders accounted for 14% of the out of home consumption market.

OPINION: stories written by entrepreneurs sharing their practical experience

Article title: Making Money in the Outback, Issue No. 9/2016
By Konstantin Kuleshov

'Why did we decide to choose a place far away from the big cities? The reason is that when we travelled across the US and Europe, we happened to eat at places that were located on the very outskirts of cities, towns and routes. And those were places with real ambience and fair. And they could boast both outgoing and good-hearted staff and delicious food. So we decided to create a place like this in a quiet nook of Medoveevka in the mountains eastward from Sochi. My business partner Dmitry Sergeev owned land in this mountain village, and we built our pub there. We were not positive then that we were going to have a crowd of people coming here. We took the plunge and it worked'.

In the operational (green) section we present stories on marketing technologies, some smart business practices and cases, successful and failed projects in the HoReCa field.

RULES OF THE GAME: items covering introduction of interesting restaurant know-how and technologies

Article title: «Five for 200», Issue № 7/2019
By Zhanna Prisyazhnaya

The boom in combos triggered by global fast-food giants in recent years has affected almost all players in the quick-service segment. Small and medium-sized market players, pizzerias, coffee bars and petrol station cafés are introducing combos into their menus. On the whole, combos at large chains are 30-40% cheaper than à la carte meals.



Articles in the procurement (orange) section are meant for managing directors and purchasing managers.

MARKET: food market reviews and items on different kinds of restaurant and bar equipment

Article title: «Always in the Top», Issue № 2/2020
By Alexandra Skorokhodova

The dairy products category is one of the most stable in terms of sales in the Russian restaurant market. Despite stricter legislation on the production and circulation of dairy products, price fluctuations, and sometimes a shortage of raw materials, milk and its derivatives are growing in sales in HoReCa year after year. In 2019, the category once again increased in volume, but this time at the expense of cheeses and herbal drinks - analogues of cow's milk.



In the gastronomic (red) section targeted at chefs and managing directors we analyze the most effective menu blocks and latest cooking trends.

Article title: Chicken Versus Fowl, Issue No. 2/2016
By Natalya Kosareva

Amid sanctions, soaring prices and pertaining high level of competition, Moscow restaurateurs have to invent new winning concepts offering unhackneyed food and original menus at affordable prices. And the core ingredient here is poultry including moderately priced chicken meat that is becoming the key ingredient not for the fast food only but also for the gourmet cuisine.

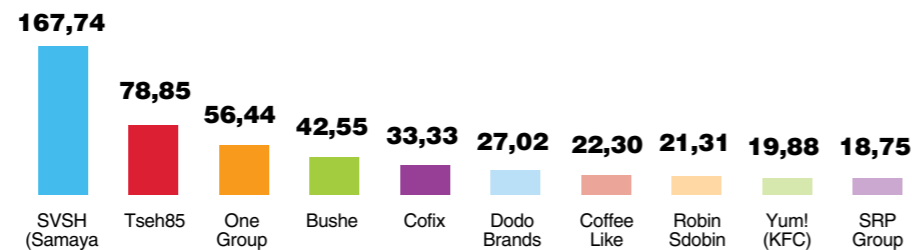
Russia: Navigating through Pandemic Waves

In 2020 the hospitality sector in Russia like in many other countries has faced unexampled challenges, passing a stress test not every entrepreneur or company is able to get through. Julia Matveeva, editor-in-chief of Food-service magazine Russia, reports on the situation in the Russian restaurant industry during the pandemic year.



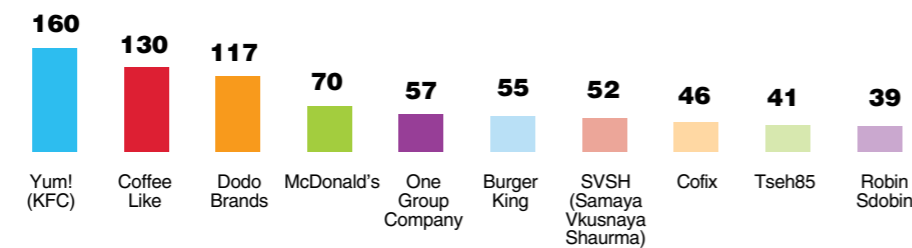
Within the first three quarters of 2020, the Russian eating away-from-home market fell by 22.8% in comparable prices reaching RUB 947.4 bn rub. / 11.5 bn euro. Just to compare, in the same nine months of 2019, the foodservice market volume showed a 4.7% growth to 1,192 bn rub. At its lower point in April and May, the foodservice market turnover fell by 52-53%, according to the official data by the Russian Statistics Agency (Rosstat). At the beginning of autumn, the situation looked much more optimistic already, the total foodservice sales in September 2020 reached the level of just -14% to September 2019, according to Rosstat. But due to a start of the second wave of the COVID pandemic at the end of September, October and November brought another round of weakening sales to the restaurant operators. In case the situation doesn't change dramatically by the end of the year, the NPD Group forecasts a total Russian foodservice market volume drop of 23% in 2020 to 2019.

2019-2020 growth leaders (relative growth, %*)



* Number of new outlets opened over the year from July 2019 to October 2020 (Top 50)
Source: FoodService magazine, October 2020

2019-2020 growth leaders (absolute growth, number of outlets*)



* Number of new outlets opened over the year from July 2019 to October 2020 (Top 50)
Source: FoodService magazine, October 2020

*Detailed results of the survey 'Russian Restaurant Market 2020' created by the «FoodService» magazine are available on request.

The pandemic, however, affected various foodservice sectors in a different way. The biggest QSR players with their strong financial capacity and well-established delivery managed to adapt quicker and better than other operators. Burger King and KFC were the first to launch click&collect to push contactless take away service while McDonald's had many drive-in restaurants in the portfolio that became an unbeatable USP during lockdown months. In July when the lockdown restrictions were removed in many Russian regions the QSR sector lost only 9% sales to July 2019, and in September it almost reached its pre-pandemic level. At the same time coffee bars lost 34% sales in July 2020, and full service restaurants that were hit the hardest by the pandemic missed 41% sales in July and around 20% sales in September, The NPD Group states.

Most operators were left to push delivery, although for many restaurant concepts launching delivery was just the way to keep at least part of the staff busy, not speaking about making profit. The average check in delivery is usually higher than in-store, but the number of orders is not to compare with a regular guest traffic. After the lockdown ended, the share of delivery in total sales of many operators dropped back to the pre-pandemic 1-5%, but they keep it as a reserve channel in case of the second lockdown.

Operating restrictions, demand and sales drop, complicated negotiations with landlords that weren't always willing to change rental contract conditions, growing debt to suppliers and tax authorities, lack of financial support from the government that was broadly declared but hard to get and indeed very small made many companies reduce their assets. The Russia' 50 largest restaurant groups, all of them operating 55 or more corporate and franchising outlets, lessened their total number of units by 6.25% in 2020 (2019: +10.5%; 2018: +10.6%, 2017: +10.1%). 20 groups among Top-50 decreased their unit presence, among them Subway, Rosinter Restaurants, Kroshka Kartoshka, Teremok, Shokoladnitsa and the former ranking leader Marcon that blew the lead unit-wise to Yum! Brands. Yum! Brands (+160 KFC restaurants), Coffee Like (+130) and Dodo Brands (+117), show the most pandemic-resistant types of concepts in Russia, that are international fast food brands, mini-coffee-bars selling coffee to go and pizza delivery.

Russian market leaders for 2020*

R	(*19)	Total outlets in Russia	Russia	Growth vs 2018, %	Moscow and Moscow Region	Brands
1	2	Yum! Brands Russia	965	19,88	380	KFC
2	1	Marcon	932	-15,12	408	Stardogs
3	4	McDonald's	759	10,16	320	McDonald's, McCafé
4	3	Burger King	750	7,91	295	Burger King
5	5	Coffee Like	713	22,30	26	Coffee Like
6	8	Dodo Brands	550	27,02	153	Dodo Pizza, Drinkit, Doner 42
7	7	Tea Funny World	511	2,00	180	Tea Funny, Kinoeshki
8	6	Subway Russia	468	-19,03	92	Subway
9	9	Shokoladnitsa	327	-22,88	259	Shokoladnitsa, Coffee House, Vabi Sabi, etc.
10	11	Teremok-Invest	311	-1,27	167	Teremok
11	12	Amrest	267	6,37	58	KFC, Pizza Hut
12	14	Novikov Group	241	7,59	214	Novikov, Prime Star, Krispy Kreme, Farsh, etc.
13	13	Rosinter Restaurants	227	-8,10	160	IL Patio, Planeta Sushi, T.G.I. Friday's, Costa Coffee, etc.
14	(-)	Robin Sdobin	222	21,31	0	Robin Sdobin
15	16	Papa John's	216	8,54	86	Papa John's
16	18	Dim Coffee	204	8,51	0	Dim Coffee
17-18	17	Coffee Way	200	3,09	62	Coffee Way
17-18	15	Kroshka-Kartoshka	200	-5,66	150	Kroshka-Kartoshka
19	19	Domino's Pizza	196	4,81	169	Domino's Pizza
20	21	Mega Group	192	12,28	53	Cinnabon, Auntie Anne's, Hesburger, Godfather's Pizza
21	25	Cofix	184	33,33	165	Cofix
22	20	SushiVesla	170	-8,11	5	SushiVesla, BlinBerry, PizzaCup, etc.
23	29	One Group Company	158	56,44	119	One price coffee, One bucks coffee
24	22	Podorozhnik	155	0,00	0	Podorozhnik
25	23	Bodryi Den	141	-10,00	23	Bodryi Den
26	24	Coffee Siren	139	-2,80	101	Starbucks
27	27	Volchek Bakeries	127	18,69	0	Volchek Bakeries, Coffeevarim
28	29	Uncle Dener	119	13,33	0	Uncle Dener
29	26	Grand Food	115	-8,73	7	Tashir Pizza, Kebab Toon, etc
30	31	Yakitoria	98	-4,85	87	Yakitoria, Menza, etc.
31	30	Restart Vasilchuk Brothers	97	-7,62	80	VASILCHUKIé Chaihona No1, Plovberry, Burger Heroes, etc.
32	47-48	Tseh85	93	78,85		Tseh85, Sisters, etc.
33	(-)	SurfCoffee	88	n/a	30	SurfCoffee
34	33	Stolle	85	-3,41	22	Stolle
35	(-)	SVSH (Samaya Vkusnaya Shaurma)	83	167,74	0	SVSH (Samaya Vkusnaya Shaurma)
36	32	Traveler's Coffee	80	-13,98	4	Traveler's Coffee
37	34	Ginza Project	78	-8,24	27	MariVanna, DzhonDzholi, Jamie's Italian, etc.
38	45	SRP Group	76	18,75	5	Shashlykoff
39	40	New York Pizza/ Kuzina	75	2,74	12	New York Pizza, Kuzina
40	36-37	Harat's Russia	74	-5,13	8	Harats, MyWay, etc.
Total Top 50			10377	-6,25	3834	

* Corporate and franchisee outlets Source: FoodService magazine, October 2020

Fuel Station Foodservice: An Upcoming Quick Service Niche



- While Russian consumers' purchasing power has weakened, fuel station foodservice is among the few out of home market segment sporting confident growth, which is not only due to stronger demand for low-price quick-served food, but also because the domestic travel is booming. When driving around Russia, big city people who usually go to coffee shops and restaurants as part of their lifestyle want to safely and enjoyably grab a snack or dine casually on the highway.

- An attractive and savvy F&B offering is not only a complementary way for fuel stations to make their money, but also a fuel sales booster,

as drivers tend to choose the stations giving them eating options.

- FoodService Special Project highlights successful ways of how fuel station operators in Russia and Europe serve food to travelers and find out of home market solutions. The project strives to help the fuel facility operators who contemplate offering away from home food services to choose the foodservice option that is best for them. It also seeks to showcase to restaurant keepers the potential of the fuel station places. We also want to illustrate the new opportunities that food producers and suppliers have in this segment.



Article title: Food for Travelers, Issue No. 5/2016
By Alexandra Skorokhodova

People driving to fuel stations now tend to order food and beverages to eat as they drive or when they stop along their route when they travel far. The top favorites ordered at fuel stations are baked products, pastry, sandwiches and coffee. The statistics say that 61% of visitors order coffee.

THE TERRITORY OF COFFEE

Coffee and coffee drinks are an absolute winner among all foods and beverages served at fuel station eating outlets. According to the NPD Group, 61% of fuel facility transactions include such item as a coffee or a coffee drink. Illustratively, every eighth or ninth visitor at a city Shell facility orders coffee. Coffee accounts for 90% of the beverage sales across the Neftmagistral fuel station chain. At Neftmagistral outlets, 8 types of coffee drinks are offered, with 3 of them (caffè americano, cappuccino and latte) are available in 0.3 and 0.4l portions. Capuccino and latte that are the two best-selling coffee types together generate 70% of all coffee sales.

Fuel station outlet visitors are served coffee in two ways. The first one is that they can use self-service coffee stations. This is the case with the Eka, with 8 of its 89 stations having inbuilt Subway restaurants and 52 of them hosting coffee units. The second one, and some other fuel station chains, specifically the Trassa, do so, is to sell coffee over the counter. The Trassa restaurants have espresso machines leased to them gratuitously by whole-bean coffee suppliers.

Operators who opt to use professional equipment, and coffee beans and other initial products from various suppliers prefer to buy their coffee beans from Russian roasters. For example, the Drive Cafe uses an original 80% Arabica blend.

PASTRY AND DESSERTS

A LED-lit pastry display that is part of the fuel station's shopping and customer service area attracts crowds of people, and the aroma of freshly baked bread make people feel happy and comfortable, so they want to buy things.

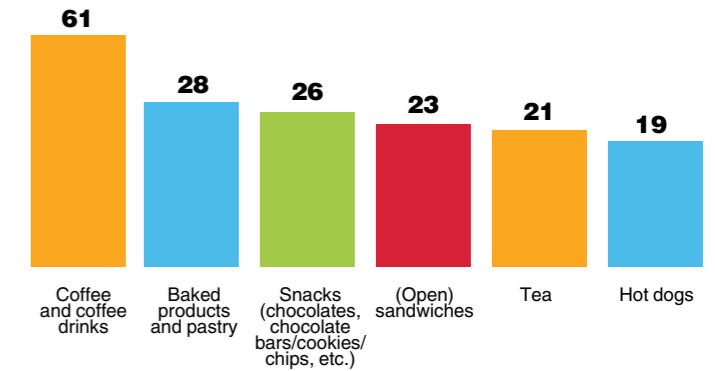
All pastry items sold at the fuel station outlets is baked from frozen semi-finished products. By using deep-frozen semi-prepared pastry products, the operators cut costs and make money, since they can quite easily, quickly and losslessly (and losses do occur in industrial baking, when pastry shrinks, or dough gets overproofed) and offer guests a choice as rich as they can find in a bakery, or in a pastry or coffee shop, but at an affordable price. Furthermore, this kind of process makes it possible to always be ready to offer their usual range of products and be sure that their baked and pastry products' are quality products.

Desserts (shortcakes, cupcakes, tarts, cookies or muffins) are not as popular with the guests as pastry is. And they are mainly ordered as food to have with tea or coffee.

SANDWICHES

A good old sandwich is the best convenient takeaway choice for people to eat on the go or when they drive. The winning takeaway option is plastic-packed triangle sandwiches with

Top choice items at fuel station outlets, % of transactions



Source: The NPD Group, 2016.

various fillings, foods and sauces. Today, fuel stations also offer restaurant menu staples like burgers and wheat French bread sandwiches.

To optimize costs, operators prefer to offer ready-to-eat food. A compelling example is the Drive Cafe with its 40-item menu, with 7 out of the 40 items being sandwiches with an assortment of foods, including ham, turkey, and chicken and egg. They even serve a vegetarian variety with mozzarella and cherry tomatoes.

Frozen sandwiches arrive to outlets where they are defrosted and sold with 2 or less days.

HOT DOGS

Fuel station operators tend to sell products of well-known brands like Stardog's and Sybilla. Some fuel station chains host foodservice franchisee branded counters or display their brands on menu boards and advertising towers. Also, fuel station chains can buy all ingredients (sausage, sauces and buns or breads) from a fast food company in a centralized way, and the fast food company leases its toasters and grill ovens gratuitously to the fuel station operator. The AZS Plus fuel station chain decided on the second option. At the AZS-Plus outlets, guests can buy the Stardog's hot dogs of 16 to 20 varieties using 8 sausage types depending on the location. The absolute winner here is a wrapped bacon sausage Danish hot dog.

READY-TO-EAT OPTIONS

Ready-to-eat dish menu with items like salads, chicken appetizers and French fries are mainly offered at the fuel stations that have a dedicated casual dining areas or restaurants. Usually, ready-to-eat dishes are an alternative to most popular sandwich varieties and pastry items. Fuel station operators are so far leery of acting aggressively in this direction. Equipping an outlet for making ready-to-eat foods like appetizers will require extensive investments, and the investors are unlikely to get their money back due to a relatively weak demand.