

# Western chains flock to India as fast-food craving grows

REUTERS, Mumbai

McDonald's made its name serving up hamburgers fast, but it took the world's biggest hamburger chain four years to enter India -- without its signature dish.

A number of fast-food and cafe chains -- Starbucks and Dunkin' Donuts to name just two -- that are flocking to India would do well to take away lessons learned by established rivals such as McDonald's in navigating a market beset with obstacles.

Industry experts say patience and flexibility in a country where dietary traditions rule may well define successful global restaurant brands in India.

The stakes are high, with India's quick-service restaurant market worth \$13 billion and growing roughly 25-30 percent a year, according to Euromonitor and market research firm RNCOS. India's entire food-service market is estimated at \$64 billion.

Adapting menus to cater to local dietary needs may be a winning strategy, analysts say. This is not as easy as it seems -- Burger King had looked to enter India in 2007-2008, but hit roadblocks when trying to tweak its menu to suit local tastes, according to analysts and several local media reports.

"If you're a global food retailer, you need to have an offering for the Indian consumer ... you cannot push global products," says Pinikiranjan Mishra, partner and national leader for consumer products and retail at Ernst & Young in Mumbai.

"For a select group of con-



REUTERS

A cook slides a pizza onto a serving plate in the kitchen at a Pizza Hut restaurant in Mumbai.

sumers you can, but not if you are looking at building a mass presence."

India is the first country where McDonald's decided not to offer beef or pork items. Instead it sells chicken and vegetarian variants to cater to a significant portion of the population that is vegetarian.

Some of its newer competitors such as Denny's Corp, which plans to enter India by mid-2012, are following suit.

"We have had to strip beef and pork out of our menu. We have had to customise it completely,"

said William Edwards, chief executive of EGS, which is handling the international expansion of Denny's, well known for its all-day menu featuring eggs, sausages and pancakes.

Analysts estimate that China's fast-food market is nearly six times as big as India's and foreign chains are targeting both markets to take advantage of rapidly growing economies.

Driving the growth in India's fast-food sector is a generation of young and increasingly wealthy consumers with an appetite for western tastes.

More than 60 percent of India's population, or 700 million people, are under the age of 30 -- a prime target for fast-food.

"It's a lot easier to grab a burger at McDonald's than order a vada sambar (savory doughnut in lentil soup) at an Udupi which is time consuming," said Bidisha Mukerjee, a 24-year-old content writer from Mumbai, referring to Indian local fast-food restaurants. "Udupi food is cheaper but it's about foreign brand attraction, it's just fancy to eat at these new places."

It's no surprise that a host of

foreign chains have their sights on India. Starbucks is expected to open its first India store in July or August. Others wanting a foothold include Applebee's, Pollo Tropical, a unit of Carrols Restaurant Group, and hamburger chain Johnny Rockets.

Existing foreign brands know the competition is heating up and have expansion plans of their own.

Yum Brands, which owns the KFC, Taco Bell and Pizza Hut chains, plans to invest \$100-\$120 million in India this fiscal year. It runs about 108 KFC outlets in India, compared with 2,800 KFC outlets in China.

"The market here is competitive. There is competition among the existing foreign chains and the ones who will clearly benefit are the ones who have scale," said Devangshu Dutta, chief executive at retail consultancy Third Eyesight.

"This inflow of western chains does not pose a threat to local players such as Udupis because the market is big enough for both sides to grow."

India caps foreign ownership in single brand retail at 51 percent, forcing all foreign chains to seek partnerships to do business in Asia's third-largest economy.

Denny's plans to operate through regional licenses in India and Starbucks has signed a pact with Tata Coffee Ltd. Dunkin' Donuts said in February it planned to launch its brand in India, partnering with fast-food operator Jubilant Foodworks Ltd that runs the Dominos Pizza chain in India.

## WTO talks on brink of failure

AFP, Geneva

The Doha round of global talks aimed at expanding free trade is on the brink of failure, World Trade Organisation chief Pascal Lamy warned on Friday, with experts signalling that a collapse could even threaten the WTO.

Lamy added to the gloomy atmosphere that has prevailed in recent weeks after negotiators met at WTO headquarters in Geneva to take stock of their most recent attempts to overcome a decade of deadlock.

"My frank assessment is that under the right conditions of temperature and pressure a deal would be doable... were it not for NAMA (Non Agricultural Market Access, or industrial goods)," the WTO director general said.

"The magnitude of the gaps among the major players is effectively blocking progress in other areas and is putting in serious doubt the conclusion of the Doha Development Round this year."

"This round is, once more, on the brink of failure," Lamy added.

Despite the range of reasons given for the deadlock, from criticism of the conditions under which the negotiations were launched in the Qatari capital Doha in 2001 to help developing countries, the expanding membership of the now 153 nation WTO, objections to globalisation or protectionism and the economic crisis, Lamy insisted that main obstacle was much more basic.

"Closure on the remaining open issues is blocked because of a classic mercantilist issue: tariffs on industrial products, the bread and butter of WTO negotiations since their inception," 60 years ago, he explained during the meeting.

Lamy has repeatedly expressed doubt about future of Doha this year, after several missed deadlines and failures over the past decade.

Those hurdles nonetheless did not stop the talks on expanding existing global free trade accords from carrying on in some form, weathering the changing political climate in major trading powers such as the United States, European Union and emerging nations.

# Japan vows to keep global focus

AFP, Washington

Japan pledged Friday that it would stay active on the world stage and maintain aid to Afghanistan as it sought to ease US concerns that the key Asian ally would turn inward after its mega-disaster.

Foreign Minister Takeaki Matsumoto, who took office just two days before his country was ravaged by one of history's most powerful earthquakes on March 11, flew to Washington for talks on his first bilateral visit overseas.

"We were hit by the earthquake, but we wish to emerge stronger and to continue to fulfil our responsibility in the international community," Matsumoto said after talks with Secretary of State Hillary Clinton.

"I would like to express our gratitude for the support given by the United States and also convey our determination to recover," he said. Clinton and Matsumoto said they discussed disaster relief but also a range of global issues such as the Middle East along with key regional priorities for Japan such as diplomacy on North Korea and China.

Clinton said that Japan had made "critical contributions" to Afghanistan, a leading focus for the United States as it tries to find a political solution to end its decade-long military involvement.

Japan "just announced that it will continue its financial assistance to Afghanistan at the same level as before the earthquake," Clinton said. "That is a remarkable example of both leadership and generosity that we appreciate," Clinton said. Japan in 2009 pledged up to \$5 billion in aid to Afghanistan over the following five years.

Matsumoto later left Washington on a trip that will take him to Belgium, Germany and Senegal, where he will go ahead with a previously scheduled aid conference between Japan and African leaders, a Japanese official said.



AFP

US Secretary of State Hillary Clinton (R) shakes hands with Japanese Foreign Minister Takeaki Matsumoto during a press briefing at the State Department in Washington, DC, following their meeting on Friday.

The US military, which stations some 47,000 troops in Japan, mounted a round-the-block relief operation after the earthquake as it ferried supplies, repaired the key Sendai airport and helped the grisly task of searching for bodies.

The relief operation has helped ease some of the recent frictions between the United States and Japan, whose centre-left government that took office in 2009 tried and failed to renegotiate the location of a key military base.

Despite the renewed spirit of alliance, some US officials have privately voiced concern that Japan could turn inward as it undertakes the massive task of rebuilding from the disaster that left nearly 26,000 people dead or missing.

The 9.0-magnitude earthquake struck just after China surpassed Japan to be the world's second-largest economy, a coincidence that some experts have said could make the disaster a symbolic milestone of Tokyo's waning influence.

The United States and especially Japan both have rocky relations with China, which has been seen as stepping up its claims to disputed terri-

tories as its economic and military clout grow.

Clinton said that she consulted with Matsumoto about the Strategic and Economic Dialogue, the main forum for dialogue between China and the United States which will take place in Washington on May 9-10.

"I think there is a convergence of views between the two countries that we expect China to play a constructive role in the Asia-Pacific region," Japanese foreign ministry spokesman Hidenobu Sobashima said after the talks.

Clinton and Matsumoto also issued a joint call for North Korea to give up its nuclear weapons, a long source of tension with the communist state which tested atomic bombs in 2006 and 2009.

But Clinton said that North Korea needed to reduce tensions with South Korea before the United States would consider calls backed by China to resume six-nation denuclearization talks.

"We would like to see them engaging in meaningful dialogue with the South in the first instance prior to any other steps that might be taken," Clinton said.

## EU probes investment bank giants over debt insurance abuses

AFP, Brussels

Europe launched antitrust probes Friday into giant US and European banks whose fine-slicing of the insurance market was blamed by debt-ridden eurozone states for pushing them into bailouts.

The investigation focuses on Credit Default Swaps (CDS), derivative financial products traded between financial institutions or investors originally meant to protect investors in the event a company or state they have invested in defaults on payments, but also used today in speculative investment portfolios.

These products have helped push up yields when trading government bonds issued by Greece and other struggling European states.

The antitrust probe comes amid slow-moving work on legislation by European Union financial services commissioner Michel Barnier aimed at curbing leeway for the main players in a lucrative and hugely influential market.

CDS derivatives have become for some a symbol of reckless speculation in the wake of the eurozone sovereign debt crisis that first hit home in Greece and has since sucked in both Ireland and Portugal.

In a two-pronged investigation, the European Commission said it will examine whether 16 investment banks and Markit, the leading provider of Credit Default Swap market information, colluded or abused a dominant position to control financial information.

## Caterpillar posts record profit, lifts outlook

AFP, New York

Caterpillar, the world's largest heavy equipment maker, reported Friday soaring profit for the first quarter on strong global demand and predicted record earnings for the full year.

Caterpillar said it had "record" profit for the first quarter of \$1.22 billion, an increase of 426 percent from \$233 million over the same period a year ago.

Sales climbed 57 percent to \$12.95 billion for the US company, considered a bellwether in the global economy because its construction and mining products are used in building infrastructure.

Earnings per share hit \$1.84 -- "an all-time quarterly record and a 411-percent improvement" from 36 cents in the first quarter of 2010, the company said in a statement.

The EPS figure easily topped the average analyst forecast of \$1.31.

In midday New York trade, Caterpillar shares led the gainers on the blue-chip Dow Jones Industrial Average, leaping 2.6 percent to \$115.46.

"We expect that the pace of world economic growth will support continued recovery in the key industries we serve," chairman and chief executive Doug Oberhelman said in the statement,

noting he was "very pleased" with the stellar first-quarter results.

"Demand continued to improve, we increased production, cost control was excellent, and our operating profit margin improved."

Caterpillar raised its full-year 2011 forecast, predicting a record-breaking year led by rising sales volume.

Sales for the world's biggest manufacturer of bulldozers, excavators, wheel loaders and other construction machinery were estimated in a range of \$52 to \$54 billion and profit in a range of \$6.25 to \$6.75 per share.

The previous forecast was for sales to top \$50 billion and for profit to be near \$6.00 per share.

The revised outlook "reflects higher expected sales and revenues and higher profit per share than our previous record year of 2008, when sales and revenues were \$51.3 billion and profit per share was \$5.66," it said.

The Peoria, Illinois-based company said its projections did not include the acquisitions of Motoren-Werke Mannheim Holding, a German engine maker, and US mining equipment supplier Bucyrus International, "because they have not yet closed."



Rows of the Caterpillar 2009 Challenger MT765C farm tractors sit on the docks of the Port of Baltimore's Dundalk Terminal.

AFP