

South African fast-food giants make strides in UK

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5 Jul 2013

SA's quick-service restaurant groups are seeing an improvement in the UK market, where trading over the past few years has been difficult as rising labour costs and depressed consumer spending weighed on operations.

Famous Brands this week opened its maiden Steers outlet in Clapham, London. The group already operates in the UK through Wimpy.

"The timing has never been better for Steers," Famous Brands CE Kevin Hedderwick said recently.

"We've been in the UK for a while and it's been tough, but we've opened two Wimpys in the past couple of months and we want to open a few more this year.

"For us, the UK is looking a bit more optimistic than it has for a long time."

Spur Corporation posted a 26.7% rise in its international revenue for the six months ended December 31 2012, to R91.1m, reflecting an improving trading performance in the UK as well as Africa.

"Spur bucked the trend in the depressed UK restaurant economy and posted a pleasing growth in turnover," the group said in March.

According to Hedderwick, Famous Brands, whose portfolio also includes Debonairs and Mugg & Bean, had always considered exporting Steers to the UK. This had been "fuelled by the constant requests from many expatriates living in London craving a taste of home".

In 2012 research company IBISWorld forecast that takeaway and fast-food industry growth would lift slowly, in line with the broader UK economy.

Newcomer would face challenges from established brands

"Early on, growth will be held back as austerity measures, high unemployment and ongoing concern over the European debt situation continue to foster a climate of uncertainty. Some industry operators should still benefit as some consumers trade down to take-away from more expensive dining options," the company said in a report.

Vunani Securities analyst Anthony Clark said this week that even though Steers was well known in SA for being a fairly

reasonably priced but quality product, in the UK it would be competing against other brands which were far better established.

"It's a bit like Burger King coming into SA - it's going to take them a great deal of time to actually establish a brand presence and brand recognition amongst consumers to cover the initial investment," Clark said.

"I think the same will be true of Steers going into the UK. The cost of operating in the UK is also significantly higher."

The burger brand, which was launched in the 1960s, has 505 restaurants in SA and 43 additional locations across Africa.

Focus on takeaways

According to Famous Brands, the restaurant in the UK will focus mainly on a takeaway offering.

"Spur opened in the UK and they had a sit-down format and this type of format in the UK was a complete and utter, unmitigated disaster because of the cost structure of the business. I think a fast-food franchise will work better," Clark said.

Famous Brands' UK menu is based on the South African menu, with the addition of Steers flame-grilled peri-peri chicken.

"Granted, Famous Brands has deep pockets, but the market is competitive and it might be a challenge for them," Clark said.

"Not an insurmountable one, though, because Nando's did it - although they came into the market with a differentiated product: basted chicken, unlike KFC's coated chicken.

"Famous Brands have done it so well in SA but in the UK a burger is a burger is a burger," he said.

"I don't think it's going to be an automatic shoo-in for them. I would hate to see them burn their buns."

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