Vienna/Austria

The Vapiano world capital is Vienna, where Austria's first Vapiano opened its doors in December 2006: by mid-December 2012, the 6th restaurant bearing the brand name opened in the tradition-steeped 'Moulin Rouge', next to the State Opera. Unit number 7 will follow at the end of April 2013. For the year 2013, Vapiano's sales volume in the city has been estimated at more than €20 m.

From Grasping Opportunities to Strategic Growth

Hardly any new concept in the past decade has had such a strong impact on professional catering in Central Europe as the Vapiano formula, which began life in Hamburg in 2002. By 2006, with a good dozen locations in Germany, the country where the idea was born, they ventured forth across the border – to Vienna. Today, the brand is present at 123 locations in 27 countries, the majority of them now outside the home country. We recount the history of Vapiano's expansion as the first part of a series about European concepts and their strategies on their way into the big wide world. www.vapiano.com

In Germany and beyond, Vapiano is considered to be the epitome of the young and promising 'Fast Casual' concept category: fresh, fast, fine. It tallies perfectly with the needs and the lifestyle of the urban populace in practically all the metropolises of our globalised world. The offering is structured to focus clearly on Italy's star products, namely pasta, pizza and salad, which are favourites right round the globe. Healthy and enjoyable at the same time, they are also a rewarding product field in calculative terms. Cooking from scratch means that the preparation is also very much in keeping with the primacy of freshness that is being increasingly demanded by the modern consumer.

Confident, almost even cheeky, the chain, which is, interestingly, not a listed company, but is privately owned today by three families, around five years after its launch started to expand: at first in European metropolises (Vienna, London, Stockholm) and then advancing rapidly into the motherland of fast-casual catering, namely the USA (Washington, DC), and a little later also to the Arabian Gulf (Riyadh and Dubai in 2008). With its launch in Australia in 2009, the brand then had a presence on four continents in the 7th year of its existence, with a total of 66 units in 15 countries by the end of the year. From 2013 onwards, with openings in Cairo and La Réunion, Vapiano will be represented on all continents.

Time for a breather? No way. In the next few years, the management centred around co-founder Gregor Gerlach, who was appointed CEO in 2011, will actually be stepping up the pace. The target is 250 restaurants worldwide by 2015. "With a clearly manageable adaptive effort Vapiano functions all around the world", Gerlach explains. In terms of personnel, he sees himself as being well set for growth after streamlining the ownership structure and making key adjustments in the past few years. Since 2012, Vapiano SE has been managed by a three-member executive board. High potentials with international experience have also been taken on board and a company has been set up in Luxembourg in the form of 'Vapiano Franchising International' specialising in global expansion and in charge of international operations in order to make optimal use of the brand's potentials.

Mario C. Bauer, who as CEO of Vapiano Franchising International has been responsible for two years now for the expansion of the brand outside of Germany, Austria and Switzerland as well as the Netherlands and Australia, repudiates any criticism of (too) rapid growth. On the contrary: "This is exactly where you can find Vapiano's strength, because in geographically distant markets, restaurants can be operated more or less self-sufficiently thanks to the use of raw materials in from-scratch production. A classical supply-chain infrastructure such as that required by other catering-chain concepts using deep frozen convenience products is something Vapiano does not need."

As opposed to earlier times, however, expansion is more selective today: instead of seizing all the opportunities for partnerships or franchises, more consideration is being given to strategic points of view. Of central importance here is the categorisation of the individual markets:

1. Large neighbouring countries like France or Great Britain, as well as the USA, Brazil, Australia or Japan, are being opened up via subsidiaries acting on their own initiative or as a joint venture. A total of ten markets were defined in which Vapiano itself intends to invest and profit immediately from the operational side. The aim is also to ensure that the direct influence of the parent company is preserved there.

2. For smaller countries, on the other hand, and for most states located far away from Central Europe, franchise licenses are issued. Apart from the distance, cultural considerations and economic criteria are also crucial when it comes to categorisation.

3. Only licences for specific countries or areas are available for developing a minimum of five and a maximum of 25 enterprises in a specified and reasonable period of time. There are individual franchising rights available only for restaurants in Germany and the USA, where strong headquarter structures have been set up to support the single franchise operators.

Currently, Vapiano is looking for partners, among other countries, in the USA (single and regional licences), Canada (Toronto, Montreal), Spain (JV), Italy (JV), China (JV) and South Africa.

By the middle of 2012 55% of all the restaurants were being run as franchises, 30% on their own initiative and 15% as joint ventures. There are various markets where a start was made with franchising and later the license was transformed into a joint venture, as happened recently in the Netherlands: here the family-run Van der Valk Group, the largest domestic hos-

Mario C. Bauer was born in Vienna. After studying economics, he worked for several coffee, bagel and pizza systems before joining Vapiano. Applications from potential franchisees and joint-venture partners from all over the world land on his desk.

Vapiano 2002-'12+

End of year	Countries	Units	of which in Germany
2002	1	1	1
2003	1	1	1
2004	1	2	2
2005	1	7	7
2006	2	15	14
2007	7	29	21
2008	14	44	26
2009	15	66	37
2010	22	87	41
2011	24	102	45
2012	27	123	56
2014*	35	237	90

*Prognosis


Geoje/South Korea

Vapiano 2011

	Units	Sales in € m (vs. '10)
Germany	45 (+4)	128.8 (+24.4%)
Europe	77 (+10)	203.3 (+34.2%)
worldwide	102 (+15)	234.3 (+35.8%)
(24 countries/+2)		


New York City/USA


London/UK

Vapiano also functions in an intensely competitive environment, as is demonstrated by the restaurant that opened in London's Great Portland Street in 2008. To start with, the location was a difficult one, but today it is the one that has the largest sales and is at the same time the most profitable.


Ribeirão Preto/Brazil

pitality player, has been taken on board as a partner. Together they now want to step up the rate of expansion: the plan is to expand the number of currently four restaurants to 20 in the long term.

The choice of partner is now subject to much greater scrutiny than in the early years. Around 80 international applications on average land on Mario C. Bauer's desk, without the company having to actively search for suitable partners. Who is eligible? "Preferably all-rounders: hands-on entrepreneurs with local know-how, who can assess the quality of locations and are familiar with the market in question", says Bauer. "Experience in the F&B business is desirable, but what is more important is a general affinity for the food business and sufficient equity capital. Then: persistence and passion." And meanwhile also full entrepreneurial concentration on Vapiano (foodservice-wise). Also, no institutional partnerships – so far. „We don't sign any contracts with investors only", Bauer explains. "If there is also an investor among the operators, that's fine. But basically there is always money available if the partner and location are suitable."

Usually it is men aged between 30 and 40 – system-wide only three of the partners are women, of whom one is outside Germany (Azerbaijan). In recent years, the selection procedure has become a good deal stricter; also because of the experience that partnerships that are made all too spontaneously frequently prove to be a mistake for which one has to pay dearly.

In order to acquire not only a feeling for the country and its people, but also especially for the potential partner, Mario C. Bauer und the members of his development team travel the world to visit the candidates on the spot, so they can spend two to three days being shown their candidates' home country. One of the main ideas is also to find out about the personality and capabilities of the applicants at first hand. "I need to have time to understand a market and the people there," Bauer explains. Before signing the contract, Bauer also travels the country at least once on his own, in order to form an impression of it: "Just how important are pizza and pasta in the restaurant business? Who are the local competitors? How does the food taste there? What kind of ingredients do we find in the markets? What is the general price level? Where are the stomping grounds of the potential Vapiano target group?"

At the same time, his team collects market data on the country's economy and its foodservice segment. Real estate companies supply information on rents, and applicants for a licence need to be well informed about the legal background to opening a restaurant. And then come the questions. What kind of products are available in the required quality? How is the supply situation? What needs to be imported from Italy?

All in all, the process usually takes about 18 to 24 months from the initial inquiry to the launch of the first outlet in a new Vapiano market. Of these, an estimated 6 to 8 months are required for assessing the market and the applicants, 1 month for drafting the contract, 3 to 4 months for training the staff and the parallel search for a location along with the sourcing of the products. The calculation also has to include at least a further 6 months for the building and the operating licence.

For each restaurant, Vapiano asks an initial fee of €50,000, and, depending on the countries involved, the ongoing fees, HQ services and participation in the centrally negotiated purchasing advantages plus 5 to 9.5% of turnover. The service package includes exclusive rights for the region, the use of the brand, training and manuals, as well as the right to constant support. All in all, investments amount to between €1.9 and €2.2 m for each location. The design sovereignty is in the hands of two architectural offices, which ensure that its local implementation is in keeping with Matteo Thun's corporate design.

"The greatest challenge from international expansion is to preserve the authenticity of the brand while taking specific local requirements into account at the same time," Bauer explains. The rule is 'As original as possible, as customised as necessary'. To familiarise their future partners and their teams with the pure form of the concept, all management personnel, from licensee to operating manager, are trained in Germany. Says Bauer: "Only here can they experience Vapiano as the genuine article." So, to start with, the partners are initiated into a 1:1 version of the original formula, and no compromises. Adjusting the details to the preferences of the consumers in the respective country, can be carried out later, if this is generally thought necessary. "Definitely a balancing act that confronts us again and again in every new market," comments Bauer.

To take one example: "In Bahrain, we

Vapiano Prices Worldwide

Products	USA + Mexico Ø	Europe without East Ø	East Europe Ø	Middle East Ø	Asia + Australia Ø
Pizza Verdure	€7.61 (7.11-8.70)	€10.26 (7.25-15.40)	€5.44 (4.09-7.43)	€8.90 (7.28-9.74)	€10.22 (7.44-13.78)
Pizza Margherita	€6.65 (5.96-7.91)	€8.80 (6.25-13.74)	€4.71 (3.80-6.55)	€7.12 (6.24-7.57)	€9.33 (7.44-12.15)
Pasta Aglio e Olio	€6.65 (5.96-7.91)	€8.90 (6.25-13.74)	€4.60 (3.80-6.55)	€7.12 (6.24-7.57)	€8.84 (6.93-12.15)
Pasta Bolognese	€8.45 (7.76-9.50)	€10.43 (7.25-15.40)	€5.75 (4.75-8.30)	€8.90 (7.28-9.74)	€11.24 (8.75-15.41)
Espresso	€1.39 (1.19-1.81)	€2.05 (1.43-3.50)	€1.48 (1.16-2.40)	€2.35 (2.08-2.59)	€2.05 (1.40-2.39)
Cappuccino	€2.23 (1.99-2.58)	€2.98 (2.20-4.00)	€2.07 (1.47-3.28)	€3.41 (3.25-3.66)	€2.95 (2.61-3.46)
Tiramisù della Casa	€2.85 (2.19-4.51)	€5.20 (3.75-6.66)	€3.60 (2.86-6.12)	€4.99 (4.16-5.60)	€3.56 (3.18-3.99)

State: Autumn 2012

wanted to introduce our familiar high tables for eight people, but our local partners objected that, if women were to sit at them, it might possibly block six places, because no men could then sit there on account of the strict local regulations. We looked for a solution that affects the brand identity as little as possible, and decided in favour of two tables for four, separated by just a few centimetres," Bauer reports. Or take the Vapiano's familiar marble condiment sets for oil, vinegar and basil, that got in the way of the practice of sharing food in the South Korean and Taiwanese restaurants: "What we did was insert the marble directly into the wooden tables so that the guests could also put their plates in the middle of the table and share their food." Learning experiences like these are then implemented immediately in new, similarly structured markets.

Whereas in Germany many restaurants achieve frequencies of 1,000 and more guests every day, in other countries 600 to 700 visitors a day already count as a success, with an average of 500 usually being the norm. "In Germany, the brand has been around for ten years and is already a good deal more familiar. Even in medium-sized cities, we are often eagerly awaited, because there is no great frequency of strong catering brands. It is different abroad, where we start by going into the metropolises and, because we are still unknown, are confronted with a completely different competitive situation and people first of all need to understand what we are doing," Bauer explains.

To secure the success of their expansion, support for franchisees and the training of local staff have gained significantly in importance in recent years. "To start with, we were almost negligent in this respect," Bauer concedes. It is no secret that in various markets, for example, Croatia (Zagreb) or Rumania (Bucharest), the system had to be taken in hand and there was a lot of back-pedalling to be done. They also had to completely pull out of the Lebanon (Beirut), although this was for political reasons. In Russia, on the other hand, there are currently legal problems that have to do with the registration of the brand. "Before we attempt a market entry, clarifying this situation has top priority," says Bauer.

In 2013 the rule is: controlling the standards of quality and hygiene is decisive when it comes to keeping the brand on course throughout the world: after the opening, the 15 member international operations team will then pay the restaurants at least four visits a year, with at least one of them unannounced. Apart from this, mystery shoppers test the guest experience twelve times a year at each location. If they identify a need for training, experts come in and work out a strategy together with the team on the spot. "We do not have any secret evaluations. The partners discuss everything," Bauer emphasises. With currently 18 different languages within the system English has long been the second corporate language along with German.

Which of the markets is currently presenting the greatest challenges for Vapiano? The answer is the USA, after Germany the market with the largest turnover (9 units). But: "In conceptual and operative terms some things have got out of hand," Gregor Gerlach admits. A flagship restaurant in Chicago, opened in the 2nd quarter of 2012 will keep closely to the standards of the Vapiano brand and will provide clarification on whether the adjustments were necessary or whether possibly too many concessions have been made. Beyond the world of the product, it is all about significantly different location profiles, design preferences and eating habits, and, not least, however, an incredibly dense competitive environment in the fast-casual segment.

By the end of 2013, Vapiano plans to have a presence in 32 markets: the dates for the 'Country Openings' in Egypt, La Réunion, Azerbaijan and Ukraine have already been determined. Further interesting markets where Bauer is making efforts to find the right partner at the moment are Chile, Canada (Vancouver region) and Japan. In order to be able to control expansion successfully on the Asian continent in the next few years, it is planned to open a small regional headquarters within two years in either Hong Kong or Shanghai, similar to those already existing in Washington DC, Vienna or London. There is close cooperation with German central headquarters, which are, and will remain, the hub of the Vapiano world: from here their know-how is transferred to the international markets and this is where you can find the heartbeat of the brand. "Whenever we open a new restaurant somewhere in the world, the most important question is always: is it a Vapiano? As guests, do people feel what we want to communicate?" says Mario C. Bauer. In other words, does it possess the spirit of the brand, is it 'genuine'? "If this is the case, we can solve all of the problems that might occur." BS

▪ ▪ ▪ Going Global: the Legal Implications and Obstacles ▪ ▪ ▪ ▪

Dr. Johann Christoph Gaedertz, Keil & Schaafhausen Legal Partners, Germany.

1. Marketing strategy and legal protection of the brand. In order to be successful internationally, a well-developed trademark protection strategy is essential to protect the brand in a variety of different countries, jurisdictions and cultural environments. In most jurisdictions, the most important requirement for the protectability and registrability of a trademark is distinctiveness: the trademark should serve the purpose of identifying a product as being of a certain origin; that is to say, from a certain company. Trademark names, which serve only to describe a product sold under the particular brand, are not distinctive, but merely descriptive and so cannot be registered. Therefore, when choosing a brand to be marketed globally, account should be taken from the very beginning of the need to register the trademark internationally.

2. International registration process. The Madrid System makes it possible to protect trademarks in 185 countries worldwide with a single registration at the World Intellectual Property Organization (WIPO). Under this scheme, a trademark registered in one member country can serve as the basis for international registration. This covers the economically most important areas of the world, such as the USA, China, the Russian Federation, Australia, and Japan. However, trademark protection in the Middle East, South America and India must be sought through separate national registrations.

To save costs, there is often a reluctance to extend international trademark registration. Yet, this can turn out to be the most expensive way to seek international trademark protection, as it often causes difficult problems in important foreign countries where the same trademark has already been registered by a third party at an earlier date.

3. Licensing. When going global – either through franchising, licensing or partnerships with foreign-based companies – trademark rights should never be granted to a foreign-based entity not belonging to the trademark owner, unless a rigorous franchising or licensing agreement has been concluded prior to any use of the trademark in that specific country. Foreign-based partners should never be given an opportunity to register the trademark in their own name or to use it as a registered or unregistered company name.

4. Tax structure of licensing. At the very beginning of internationalizing a trademark, a meticulous licensing strategy should be developed for optimizing the license fee revenue stream. This should include a detailed – and often complex – tax strategy. In a number of countries in the world, license fees are either not liable to tax at all or are, at least, subject to a favorable tax rate which is much lower than the usual corporate tax paid in the home country of the trademark owner. In such cases, a trademark owner may consider building up a special trademark and licensing holding company in a country with favorable tax rates for licensing fees.

5. Defending and protecting TM rights. In order to build up a strong national brand, it is of the essence that the brand owner is willing to defend the trademark anywhere in the world, where it becomes necessary. Other trademarks of third parties, which could be confused with the brand owner's trademark, should not be tolerated under any circumstances. These trademarks should be opposed in the formal trademark registration process right from the beginning.

6. Interaction between Legal and Marketing Departments. The brand owner's branding philosophy and the internationalization strategy should be discussed and assessed on a regular basis by the marketing and legal departments/advisors of the brand-owning company. It is important for the legal advisors in every country in which the brand is registered to understand the commercial interests and the commercial strategy of the brand-owning company. www.kspatent.de/en