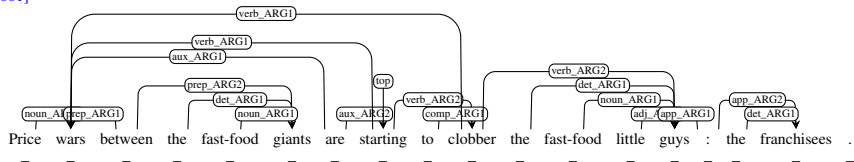


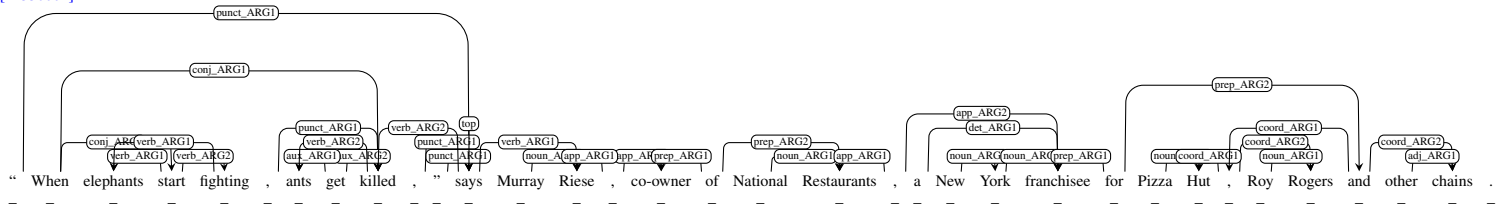
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[21556001]



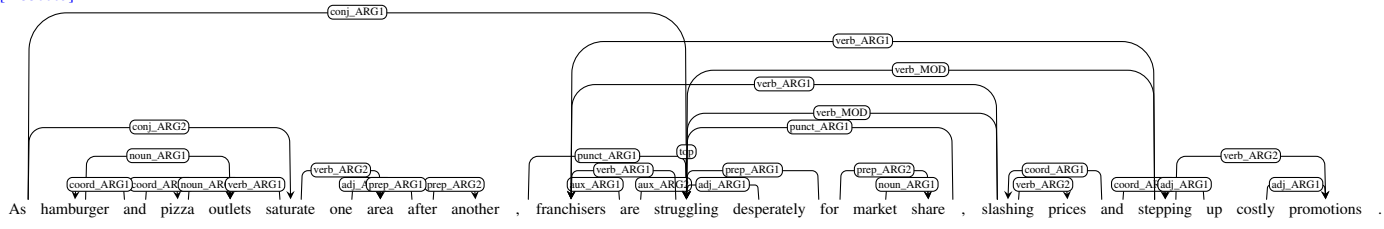
Price wars between the fast-food giants are starting to clobber the fast-food little guys : the franchisees .

[21556002]



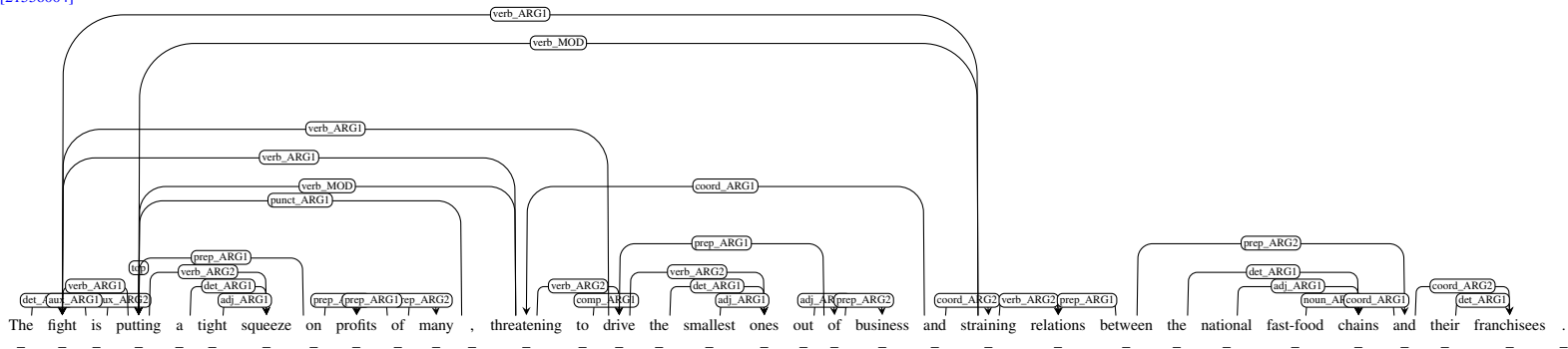
" When elephants start fighting , ants get killed , " says Murray Riese , co-owner of National Restaurants , a New York franchisee for Pizza Hut , Roy Rogers and other chains .

[21556003]



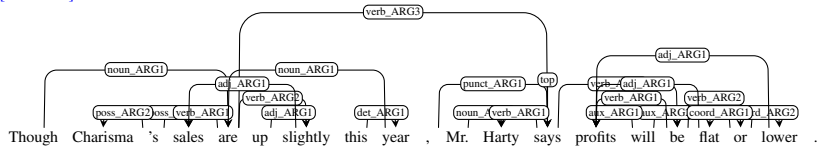
As hamburger and pizza outlets saturate one area after another , franchisers are struggling desperately for market share , slashing prices and stepping up costly promotions .

[21556004]



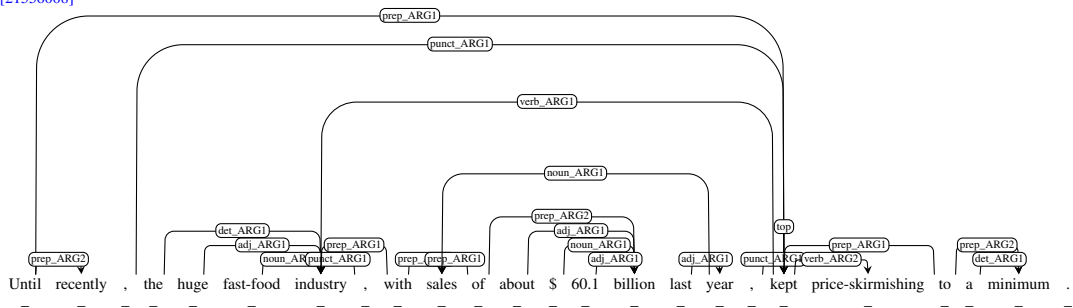
The fight is putting a tight squeeze on profits of many , threatening to drive the smallest ones out of business and straining relations between the national fast-food chains and their franchisees .

[21556006]



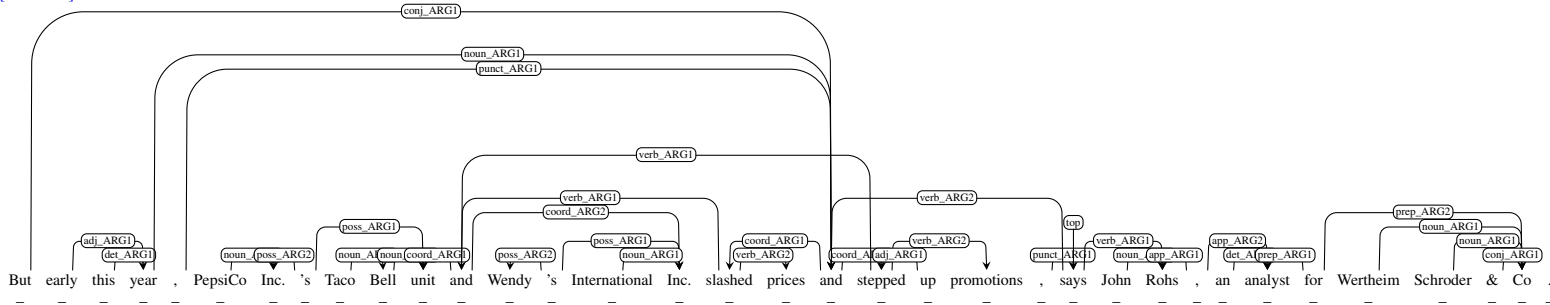
Though Charisma 's sales are up slightly this year , Mr. Harty says profits will be flat or lower .

[21556008]



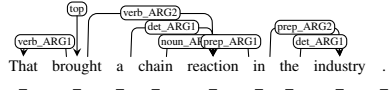
Until recently , the huge fast-food industry , with sales of about \$ 60.1 billion last year , kept price-skirmishing to a minimum .

[21556009]



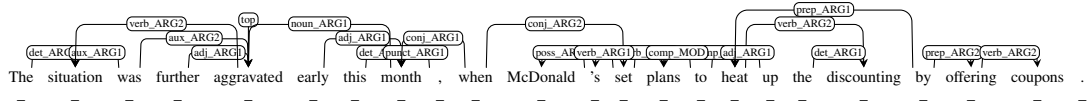
But early this year , PepsiCo Inc. 's Taco Bell unit and Wendy 's International Inc. slashed prices and stepped up promotions , says John Rohs , an analyst for Wertheim Schroder & Co .

[21556010]



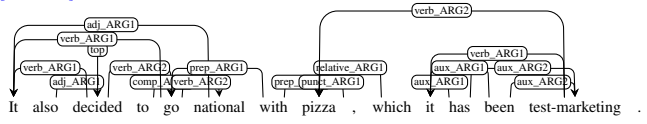
That brought a chain reaction in the industry .

[21556011]



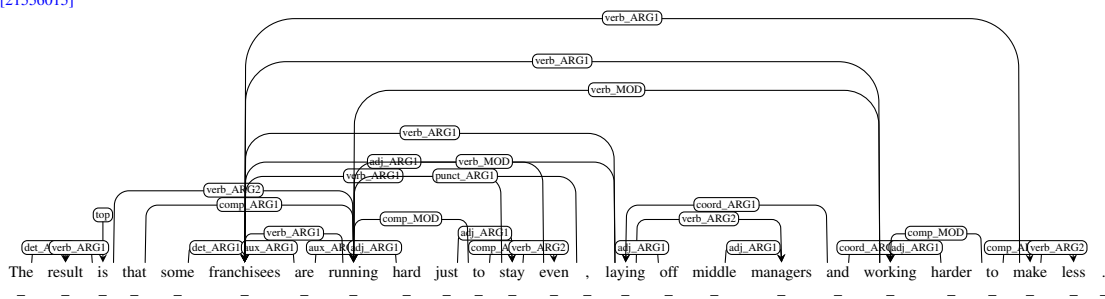
The situation was further aggravated early this month , when McDonald 's set plans to heat up the discounting by offering coupons .

[21556012]



It also decided to go national with pizza , which it has been test-marketing .

[21556015]



The result is that some franchisees are running hard just to stay even , laying off middle managers and working harder to make less .

[21556016]





