



# Franchising

Building the future  
together



# How to Identify and Avoid Problems in International Franchising

## Moderator:

Jerry L. Crawford, CFE  
President  
Jani-King International, Inc.

## Speakers:

Susan Grueneberg  
Partner  
Snell & Wilmer L.L.P.

Yoshino Nakajima  
Chief Development Officer  
Home Instead Senior Care

Kurt Ullman, CFE  
Vice President  
International Development  
Tasti D-Lite LLC

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Introduction

---



**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV





# Critical Steps Before Embarking on an International Franchise Relationship

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Franchise System

---



- “Proven Model”
- Viability of Product or Service
- Franchisor’s International Team
  - Sales
  - Operations
  - Training
  - Visionary
- Support System





# Due Diligence on Prospective International Foreign Market and Master Franchise

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Foreign Market

- Business climate



**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Foreign Market



- Economic Kidnapping
  - Importance of training personnel
    - Kidnapping avoidance techniques
    - Hostage behavior techniques
  - Involvement of insurance carriers
    - Training
    - Hostage negotiation services





# Foreign Market



- Political and Ethnic Conflict
  - Analysis of ethnic groups
    - “ranked” vs. “unranked” groups
    - History of coalitions
    - Geographic disbursement

# Foreign Market



- Political and Ethnic Conflict
  - Example of Ethnic Conflict
    - Affects local area
    - Can affect strategic development



**Franchising**  
Building the future  
together



ZOU YUE

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV

**IFA**   
INTERNATIONAL FRANCHISE ASSOCIATION



# 140 Killed in Xinjiang Riots Instigated by U.S. Funded Hate Group (CCTV)

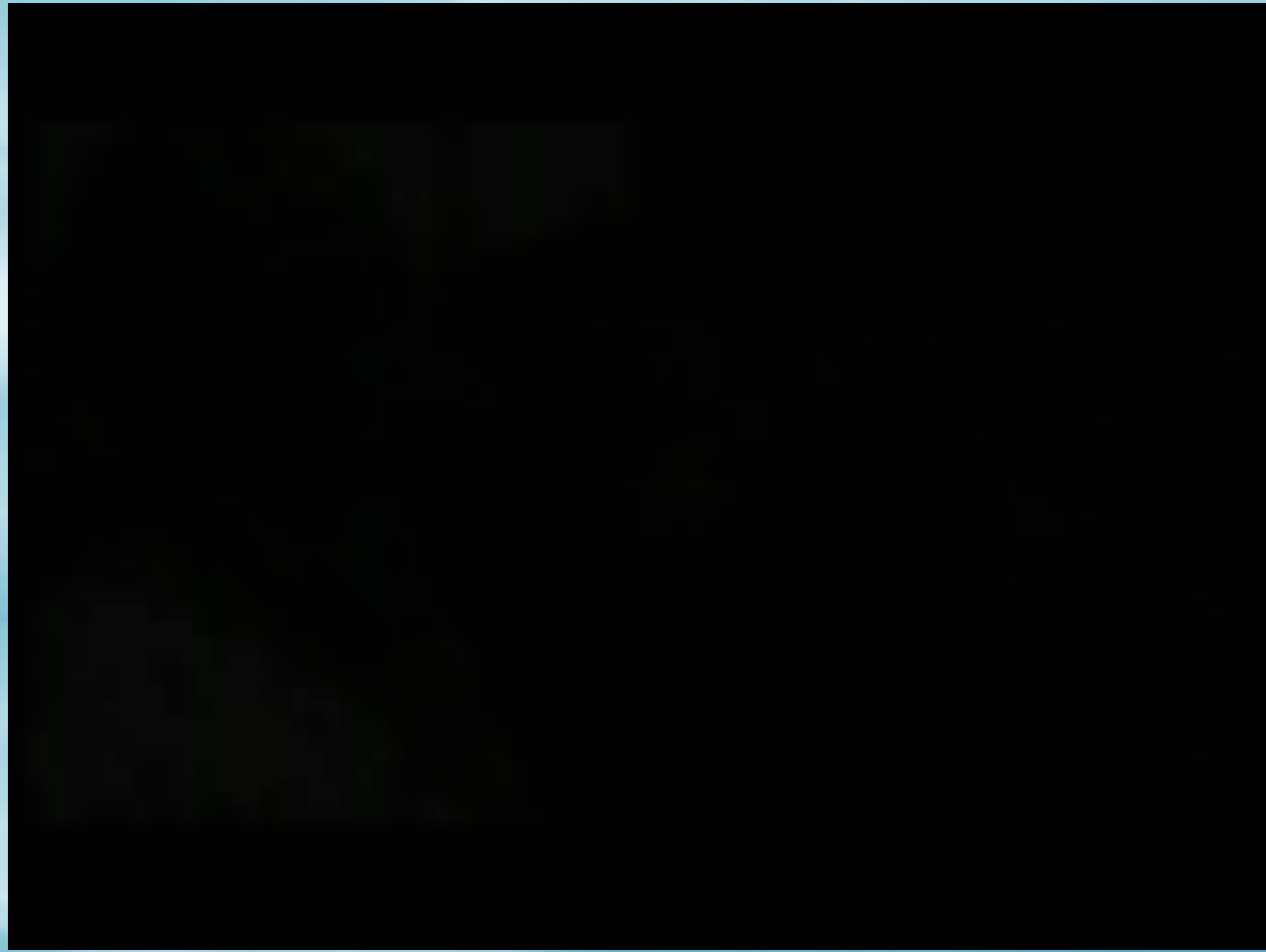
**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV







**Franchising**  
Building the future  
together



**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Foreign Market

---



- Cultural Considerations
- Experiences of Other Franchisors in Market
- Language issues (English vs. Non-English)

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# International Master Franchisee



- Experience with Other Systems
- Familiarity with Market/Influence in Market
- Access to Prospective Franchisees
- Capitalization

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Legal Considerations



- Contractual Provisions
  - Capitalization Requirements
  - Territorial allocation
  - Ownership and structure
  - Transfer restrictions
  - Force majeure clause
  - Relocation provisions
  - Dispute Resolution



# Local Legal Issues

---



- Franchise Laws
- Commercial Agency Laws
- Technology Transfer Laws
- Currency Repatriation Restrictions
- Foreign Corrupt Practices Act

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV





# Problems that Develop After the Agreements are Signed

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV



# Manageable Challenges



- Proficiency in execution
- Capitalization
- Focus and energy
  - Shared vision
  - Business system
- Ownership and management change
- Compliance

51st ANNUAL CONVENTION  
February 13 – 16, 2011 | Las Vegas, NV



# Non-Controllable Issues



- Economic/Currency Volatility
- Legal/Regulatory Change
- Political Change
- Disruptive Technology
- Competitive Landscape
- Social Attitudes

**51st ANNUAL CONVENTION**  
February 13 – 16, 2011 | Las Vegas, NV







# Franchising

**Building** local businesses,  
one **opportunity** at a time.