Going International for the First Time

49TH ANNUAL CONVENTION
FEBRUARY 14 – 17, 2009 • SAN DIEGO, CA

IFA® | **Franchising**
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Speakers:
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Moderator:
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What you need to know:

- Going "International" is a significant commitment

- Understanding international expansion commitments, concerns, strategies and risks is critical

- Direct company expansion versus a "franchise" strategy

- Requires a significant commitment of time, resources and human resources

- It is not appropriate for every franchise organization

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What you need to know:

- One strategy is not better than another…

- Most critical is finding the right strategy for your company

- Which strategy works for you?

  - **International direct corporate expansion**

  - **International Master Licensing**

- Each has benefits and risks

- Franchise companies can use one of these or a combination of both!

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International direct corporate expansion:

- Franchisor will have responsibility for business operations, training and support

- Franchisor rarely has real understanding of a given international market – cultural issues, local customs, knowledge of real estate, product distribution, language, legal issues, local marketing and consumer preference issues

- Religion and tradition issues play a very big role in business in much of the world

- Uses own employees to build, grow and manage the business

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International direct corporate expansion:

- Can offer **better** "control" for the Franchisor – brand, customer experience, image and marketing, quality of customer experience for the end-point customer

- Will be resource and, generally, very capital intensive

- May take much longer for the franchise company to recover their investment and make a profit from their direct corporate expansion into an international market

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International Master Licensing:

- Still requires a significant commitment from the Franchisor
- Master Licensee selection is critical!
- You must do significant "due diligence" on your proposed partners – think about using an organization to do background verification
- They should have significant business and/or franchise experience in their own market
- They should be able to demonstrate significant operational resources can be committed to the development of the franchise system

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International Master Licensing:

- They should have significant capital to support your system growth in their market

- Offers **less** control for the Franchisor: They control the business and brand in their market, quality and compliance, franchisee selection, training and support programs

- As a practical matter, they typically may have control over the collection of fees and royalties

- …But, generally offers the franchisor the opportunity to make a profit much more quickly!

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International Master Licensing:

- Be ready to spend significant time, money and resources on the selection process, evaluation and the structuring of your license agreement

- Much more negotiation than a typical (domestic) franchise agreement

- Remember that different countries have different laws than ours that govern the relationships

- You may have less control and many less legal protections than you have in the U.S.

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Best Practices:

- Often, international development is "opportunistic" for a newer Franchisor – assure that your organization is ready to fully support your program

- You need a plan for each country…don't assume every country or region (or sometimes region of a country!) is going to be the same

- You need to identify who the "internal champion" for international development is going to be…and be comfortable that they are qualified for this responsibility

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Best Practices:

- Don't try to "rule the world" – you want to grow selectively!
- Invest the time and resources in developing a significant plan
- Identify the resources needed to succeed: capital, legal, staffing, supply chain, training, travel and others
- Assure complete organizational and leadership commitment
- Ask the "what happens if…" questions – both good and bad – before you start an international development program

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Best Practices:

- You need to educate your staff on the business, cultural, social and religious norms of each country you wish to do business in…American business and social norms are not polite or typical in many parts of the world!

- Verify your plan by reaching out to more established international franchisors, talk with your legal counsel (if they have an international practice), the IFA International Committee members, the US Department of Commerce and, of course, appropriate consultants to help validate your plan

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Best Practices:

- Finalize your decision to grow internationally…

- There are risks – but proper planning and resources can help eliminate risks

- Be prepared to walk away from your international expansion plans, if you are not comfortable that this makes sense for the organization

- And, if you passionately believe that international expansion is still right for your company…execute your plan!

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Questions

And

Answers

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- Please complete the survey forms…

- Your session Moderator and Speakers will be available following the session for any additional questions

- **Thank you for your time and interest in our session!**

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