

IFA INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses,
one opportunity at a time.

50 YEARS
1960-2010

50TH ANNUAL CONVENTION • FEBRUARY 5 – 8, 2010 • SAN ANTONIO, TX

Going International
for the First Time

50TH ANNUAL CONVENTION
FEBRUARY 5 – 8, 2010 • SAN ANTONIO, TX

IFA INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses,
one opportunity at a time.

50 YEARS
1960-2010

Speakers:
Rose Nichols Zinkel,
Director of International Development,
International Dairy Queen

William Le Sante, CFE, CEO,
Le Sante International

Moderator:
Robert Stidham
President and Chief Franchise Officer
Franchise Dynamics, LLC

50TH ANNUAL CONVENTION
FEBRUARY 5 – 8, 2010 • SAN ANTONIO, TX

IFA INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses,
one opportunity at a time.

50 YEARS
1960-2010

Focus of Our Discussion

- When to consider international expansion
- Checklist prior to launching your international program
- Potential ways to enter foreign markets
- Identifying which countries might be right for your brand
- Identifying and qualifying international candidates
- Costly mistakes to avoid
- Questions and discussion

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Quick Survey of our Audience

- Your company is not yet franchising
- You franchise in the US and are considering international expansion
- You already franchise internationally
- You're lost and wanted into this room . . .

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



When Should you Consider International Expansion?

- Being opportunistic versus realistic
- Franchising "what you know"
- Integrate international development into your business planning process
 - For most young franchisors, the US market offers the greatest and easiest opportunity
 - Ensure your domestic and international strategies complement rather than compete with each other

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Questions to Ask Before Committing to an International Development Strategy?

- Do we understand the commitment that is required in terms of time, resources and people?
- Is our product or concept well suited to international markets?
- Does our management team have any experience outside our home country?
- Have we completed a thorough business plan?

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Checklist Prior to Going International

- Ownership commitment to international development
- Designate an internal champion who will focus on your international strategy
- Business plan identifying your intended strategy and resources
- Preliminary list of targeted countries
- International lead generation strategy
- Initial trademarks filed in targeted markets
- Franchise attorney with strong international experience
- A plan to educate your team on their responsibilities

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- A variety of options are available for international expansion, including
 - Direct entry via company-owned operations
 - Joint-venture relationship
 - Direct Single-unit franchising
 - Area development franchising
 - Master franchising
 - Some combination of the above . . .

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- The strategy you select may depend on:
 - Which countries you wish to develop
 - The nature of your concept or the industry in which you operate
 - The rate of expansion that you desire
 - The capabilities that exist within your company
 - The resources that are available to you
 - The types of candidates that exist within your targeted countries

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- Direct Operation of Corporate Locations
 - High risk, high reward option
 - Capital intensive, with longer return cycle
 - US company can maintain a high degree of control
 - Requires a deep understanding of the markets you're entering
 - Need to evaluate foreign ownership restrictions that might exist
 - US company will typically rely on local staff talent

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- Joint-Venture Development
 - High risk, moderate reward strategy
 - Can be used to avoid foreign ownership restrictions or to "acquire" local knowledge within the ownership group
 - Partner roles must be clearly defined
 - Many joint-ventures fail
 - Dissolving the relationship is often difficult

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- **Direct Single Unit Franchising From US**
 - High degree of control
 - Difficult to recoup initial development costs related to entering the country
 - Challenge of managing many relationships from a distance
 - Challenge of implementing a cohesive brand strategy within a new country
 - More difficult to negotiate in-country supplier agreements

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- **Area Development Franchising**
 - Allows greater direct control over unit-level quality
 - Can create a level of “healthy competition”
 - Fewer relationships to manage than single-unit franchising
 - Ability to segment ownership groups by markets or regions within the local country
 - Some countries rarely use area development

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



International Development Strategies

- **Master Franchising**
 - Most common form of international development
 - Often over-used
 - Ideal for countries having larger populations or core markets which are geographically distant
 - Success is reliant on selecting the right master franchisee
 - Master franchisee should also operate locations
 - Sub-franchisees could be area developers or single-unit franchisees

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Identifying Countries for Expansion

- Do your US experiences offer insight ?
 - Franchisees? Clientele? Geography? Suppliers?
- Have you received requests from abroad?
- Have you done your homework ? What sources are available?
- What market criteria matter for your brand entry?
- How do you determine the “ripe” markets, what is the prioritization and at what rate do you plan to grow?
- Do your competencies match the target countries selection?

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Identifying International Candidates

- Potential International Franchisee Candidate Groups - Example
 - Successful companies and groups particularly from these sectors
 - Multi-Unit developers of other non-competing franchise systems
 - Foodservice and hospitality sectors and other service related businesses
 - Real estate and property/mall development and management businesses
 - Food, beverage and distribution related businesses

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Identifying International Candidates

- Potential International Franchisee Candidate Groups – Example
 - In-country franchisors of significant stature seeking U.S. brand synergies and expertise
 - Investor groups that can bring a proven management team
 - A reputation for integrity and “fair play” in their marketplace

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Qualifying International Candidates

- **Restaurant Candidate Profile - Example:**
 - Preferably - possess foodservice or industry experience
 - Groups seeking to diversify into the full service restaurant market sector
 - Property development experience and access to real estate
 - Understands the value of franchising and proven business systems
 - Willingness to dedicate intensive full time focus on multi-unit restaurant development emphasizing strict attention to the food experience and the service performance

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Qualifying International Candidates

- **Candidate Profile – Example (con't):**
 - Start up capital funding of US \$2.5 to 6 million
 - A thorough knowledge of the local market; connected
 - Ability to staff the business to assure the smooth transfer of Restaurant operating systems
 - Experience in multi-unit franchising is highly desirable
 - Proven competence in "business building"

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Costly Mistakes to Avoid

- **The Opportunity:** "We just got a call from Raj in India..."
- **Organization:**
 - Neglecting to identify the resources needed to succeed: capital, legal, staffing, supply chain, training, travel and others
 - Not investing the time and resources toward developing a realistic plan
 - Plan for each country...match your resources to the task
- **Selection of Franchisee:**
 - Recruit – don't sell!
 - Beware of "investor only" sign ups
 - Not performing full due diligence – know your partner
 - Being 'one more' in a stable of brands

50TH ANNUAL CONVENTION
FEBRUARY 6 - 8, 2010 • SAN ANTONIO, TX



Costly Mistakes to Avoid

- Staffing:
 - Thinking that brand knowledge trumps international expertise
 - Not being involved in the “key manager” hiring decision
- Commitment: Assure your organization is ready to fully support your program

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Going International for the First Time

Questions And Answers

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX



Going International for the First Time

- 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!

50TH ANNUAL CONVENTION
FEBRUARY 6 – 8, 2010 • SAN ANTONIO, TX




