

INTERNATIONAL MARKET UPDATE

- Where Is The Action Globally?
- What Are The Global Franchise Trends?
- Barriers To Entry – From Laws To Customs
- IFA Member Success Stories & Potential Pitfalls

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OUR ILLUSTRIOUS PANEL

- Bill Buckley – President – Coffee News
- Bill Edwards – CEO – EGS
- Jason Zickerman – President and CEO –
The Alternative Board

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WHY US FRANCHISES ARE ATTRACTIVE TO BUYERS IN OTHER COUNTRIES

- Brands
- Systems and Processes
- Training
- Support
- Marketing
- Technology
- Planning

“Designed In California, Made in China”

29 of the 50 Top Global Brands are US

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HIGHLY DESIRED INTERNATIONAL FRANCHISE SECTORS

- **Automotive – After market products and services**
- **Education – Children’s, management, coaching**
- **Commercial Services - Facility management, cleaning, handyman, security, professional services**
- **Personal Services – Handyman, maid, mobile, senior care and various types of personal care**
- **Specialty Food & Retail – Mall anchor concepts, special clothing brands, theme brands, ethnic foods and special food brands**

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Most Desired Franchise Type By Country

Most Desired International Franchise Types '1' Is Most Desired

| Country Or Region | Education | Food | Retail | Service | 2011 Rank |
|-------------------|-----------|------|--------|---------|-----------|
| Australia | 2 | 2 | 1 | 1 | 2 |
| Brazil | 2 | 1 | 2 | 2 | 1 |
| Canada | 3 | 3 | 1 | 1 | 3 |
| Urban China | 1 | 1 | 1 | 3 | 1 |
| Colombia | 2 | 2 | 2 | 2 | 1 |
| Hong Kong | 1 | 2 | 2 | 2 | 2 |
| India | 1 | 1 | 1 | 2 | 1 |
| Indonesia | 1 | 1 | 2 | 2 | 1 |
| Ireland | 3 | 3 | 2 | 1 | 4 |
| Japan | 3 | 2 | 3 | 1 | 3 |
| Malaysia | 1 | 2 | 2 | 2 | 2 |
| Mexico | 2 | 2 | 2 | 2 | 2 |
| Middle East | 2 | 1 | 2 | 2 | 1 |
| Philippines | 2 | 1 | 3 | 3 | 2 |
| Singapore | 2 | 2 | 2 | 2 | 2 |
| South Africa | 1 | 2 | 3 | 3 | 1 |
| South Korea | 2 | 2 | 3 | 3 | 2 |
| Spain | 3 | 2 | 3 | 2 | 4 |
| Turkey | 2 | 2 | 2 | 3 | 2 |
| United Kingdom | 3 | 2 | 3 | 1 | 3 |
| USA | 3 | 2 | 2 | 1 | 3 |
| Viet Nam | 1 | 1 | 2 | 3 | 1 |

Based On An EGS' 25 Country GlobalTeam™ Survey

2011 rank is based on GDP growth

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GLOBALVUE™ - COMPARING COUNTRIES FOR 2012 NEW FRANCHISE GROWTH

| Country | Expected 2011 GDP Growth | Expected 2012 GDP Growth | Inflation | Political Risk (Stability) |
|----------------|--------------------------------|--------------------------------|-----------|----------------------------------|
| Brazil | 1 | 1 | 3 | 1 |
| Chile | 1 | 1 | 1 | 1 |
| Hong Kong | 1 | 1 | 1 | 1 |
| India | 1 | 1 | 3 | 2 |
| Indonesia | 1 | 1 | 2 | 2 |
| Saudi Arabia | 1 | 1 | 2 | 1 |
| Singapore | 1 | 1 | 1 | 1 |
| South Korea | 2 | 1 | 1 | 2 |
| Urban China | 1 | 1 | 3 | 2 |
| Viet Nam | 1 | 1 | 3 | 3 |
| Australia | 2 | 2 | 1 | 1 |
| Egypt | 3 | 2 | 3 | 3 |
| Mexico | 2 | 2 | 2 | 3 |
| Russia | 2 | 2 | 3 | 3 |
| Turkey | 1 | 2 | 2 | 2 |
| Canada | 3 | 3 | 1 | 1 |
| Germany | 3 | 3 | 1 | 1 |
| Japan | 3 | 3 | 1 | 1 |
| United Kingdom | 3 | 3 | 1 | 1 |
| USA | 3 | 3 | 1 | 1 |
| Ireland | 4 | 4 | 1 | 1 |
| Italy | 4 | 4 | 1 | 1 |
| Spain | 4 | 4 | 1 | 1 |

Country Ranking: 1 is good, 2.5 is fair, 4 is worst

Sources: 'The Economist', EIU, Heritage Foundation, World Bank, Fraser Institute, IMF, World Economic Forum, EGS GlobalTeam™ in 25 countries

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TOP FRANCHISE MARKETS FOR 2012/2013

- **Brazil – Strong growth, high level of franchising**
- **China – Focused on 1st and 2nd Tier Cities**
- **India – Strong desire for food and retail brands**
- **The Middle East – specialty food, retail, personal service**
- **Indonesia, Malaysia, Thailand, Viet Nam - niche brands**
- **South Africa, Turkey**
- **Other Latin America – Chile, Peru**
- **Scandinavia and Eastern Europe**

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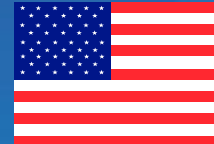


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THE ALTERNATIVE BOARD ®

- Currently in five countries:

- United States



- Canada



- Scotland



- England



- Venezuela



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BE PREPARED

- Whole country vs. partial country
 - Master Franchise
 - Area Developer
 - Area Representatives
 - Joint Ventures

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BE PREPARED

- Understanding the country that you want to expand into, not just by what you read, but by what you experienced – visit the country
- Make sure you understand:
 - The economy
 - The legal system
 - The politics
 - The country's understanding of your concept

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UNITED KINGDOM EXPANSION



- Understanding franchising in the UK
- What this experience taught us
 - Choosing your potential international partners
 - Building the relationship between Franchisor and Master – it really needs to work like a partnership
 - Key reasons as to why the deal closed
 - Be willing to modify the agreement as necessary
- Your Master Franchisee's key role in validation and future international expansion

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GERMANY EXPERIENCE



- What we accomplished
- Deal structure
- Why a change of strategy became necessary
- How the diverse German cultures impacted our model

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NEW ZEALAND



- We have a signed Letter of Intent
- Why New Zealand?
- The lead source that led us to the candidate

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GREECE



- Why we are considering Greece
- What we've experienced

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Coffee News®



- # 1 in Advertising Services
- 20th Top Home-Based Franchise
- 17th Top Low-Cost Franchise
- 31st Fastest Growing Franchise
- 69th Top Global Franchise
- Ranked in the Top 500 Franchises
-Entrepreneur Magazine
- #18 of the Top 20 Franchises to Start
-Forbes.com

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HISTORY OF COFFEE NEWS®

- Est. in 1988 in Winnipeg, Manitoba, Canada
- Founder: Jean Daum
- 1st International Franchisee in 1995 in USA
- Over 80% of Franchises are now International
- International Franchisee now owns Franchise System



Jean Daum, founder of Coffee News®

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WHY FRANCHISE INTERNATIONALLY?

- Ego
- Opportunity to Travel Internationally
- Expand Franchise Base
- Increase Revenues
- Protect Market from Copycat Businesses
- Brand Recognition

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Coffee News® Around the World



1000+ Franchises

as of December 31, 2011

INTERNATIONAL FRANCHISING CHALLENGES

- Legal, Language, Financial, Marketing, Political and Cultural Barriers
- Finding Qualified Master Franchisors and Franchisees
- Taxes, Export Costs, Customs, Regulations and other Business Barriers
- Training and Developing of New Franchisees
- Terminating Under-Performing Masters

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COFFEE NEWS[®] EXPERIENCE

- India, Mexico, South America
- Advertising Program
- New Franchise Development Planning
- Lending program to finance purchases
- Repurchase of Country Masters

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INTERNATIONAL SUCCESSES



Sue Mazur, Australia



Candice Daum, Canada



Helen Fisher, New Zealand



Julian Marin, Spain

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KEYS TO SUCCESSFUL INTERNATIONAL LICENSING

- 1) Focus on those countries that have the highest projected ROI for your franchise
- 2) Define and implement the best market entry strategy for your specific franchise
- 3) Define your clear brand differentiation
- 4) Find, fully evaluate and sign the right licensees to build a long term revenue source

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QUESTIONS?

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