

Virtual New Year

2021 international development goes online

Written By
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2020 has been a challenging year for the entire global franchise community, as Covid-19 has changed how we seek new international licensees. International travel to countries stopped in May. To meet new licensee candidates, we resorted to videoconferences. Due diligence on candidates became remote. Discovery days to have candidates meet the franchisor team either did not happen or were done virtually.

One of the biggest challenges has been overcoming cultural differences between countries. While some Western countries already were open to a first meeting by phone or video, most cultures require you to meet face-to-face and build a personal relationship before any business can be considered. Much to my surprise in 2020, we were able to do first candidate meetings virtually in Colombia, India, Japan, Panama, and Peru. We also were able to do licensee candidate discussions, and even negotiations, virtually for Australia, Cambodia, Italy, Korea, Spain, and the UAE.

In fact, this change has been beneficial because it allows us to eliminate unqualified candidates up front and then meet with only the best ones when international travel finally returns. We continue to believe it is necessary to eventually visit a country before awarding a license. I asked some highly experienced international development executives to comment on the future in their countries and regions.

Ray Titus, Founder and CEO, United Franchise Group

"2020 represented some of the toughest challenges to ever hit businesses, especially internationally. It was hard, but we managed to move forward and sell some master licenses. Since everyone was dealing with the same issues, we understood that, but what most were missing were the positives, and we pounded the positives! This

is the best time we have ever seen to buy a business. From finding locations to negotiating with landlords, from finding good employees to less competition, we changed the narrative. When vaccinations were first mentioned or cases going down, all leads got the update. What helped sell even more was that some of our franchisees actually were doing better in 2020. We set up calls, talked about how we pivoted the business, and the franchisees helped explain how it worked. Today our brands are all up over pre-Covid numbers, and we are looking at 2021 being our best year ever."

Iain Martin, The Franchising Centre, United Kingdom

"In the U.K. and Europe, 2020 has been a challenging year. Master franchises have been awarded, but in very specific sectors. One of our traditional growth areas has been successful food and beverage MUMBOs (multi-unit, multi-brand operators) taking on additional brands. But most have been focused on adaptation and survival and have deferred investment decisions. The one exception is for brands with a strong delivery/takeaway component. There is money available for investment, and once the landscape becomes more clear I am confident that successful brands will be introduced into new markets once more—likely in sectors that can thrive with or without a pandemic!"

James Liu, FranChina and EGS, Beijing

"The epidemic in 2020 significantly slowed investment in physical store business in China. Education is the most affected sector, where online classes will continue growing to replace offline, in-person teaching when relevant technology is available and in place. Franchising will be more popular in lower-tier cities; in high-tier cities brands prefer to build and run company-owned units. Every business must adapt itself to the online model, which means the majority of customers will be coming through an online channel. New technology will definitely change the usual way of doing business. Franchising will not be an exception."

Martin Hancock, COO, World Franchise Associates

"2020 was certainly a trying year for international business, but it has not been all doom and gloom. Understand that not all businesses have suffered as a result of the pandemic. In fact, some have increased revenue, and others understand there is

pent-up demand for their products or services that will be realized once Covid vaccines are widespread and restrictions lifted. The international deals we saw close in 2020 happened because both franchisor and franchisee were able to look through the current situation and understand the opportunities that exist on the other side. These include a changed real estate market, an increased pool of available workforce talent, and a predicted post-pandemic economic upturn. We also saw a strong uptick in inquiries from potential international franchisees in Q3 and Q4. Our outlook remains optimistic. We believe franchised brands in all sectors will see increased demand for international development in 2021."

BOTTOM LINE

It has been a very interesting year in franchising and business in general to say the least! Covid-19's impact has been felt worldwide, certainly here in Asia. Like many consulting businesses, we relied on frequent travel throughout Asia as a core part of our services (e.g., organizing franchise business-matching events and discovery days in major cities across the region). We had to adjust quickly and embraced the fact that digital sales and marketing would be key to our success in 2020.

We predict 2021 will be a year when franchise development will be strong in many countries, with most candidate identification, due diligence, and communication done by virtual sessions.

William Edwards is CEO of Edwards Global Services (EGS) and a global advisor to CEOs. From initial global market research and country prioritization to developing new international markets and providing operational support around the world, EGS offers a complete international operations and development solution for franchisors based on experience, knowledge, a team on the ground in more than 40 countries, and trademarked processes based on decades of problem-solving. Contact him at bedwards@edwardsglobal.com or +1-949-224-3896. Read his latest biweekly global business newsletter at www.geowizard.biz.