

COPING WITH COVID

WHAT GLOBAL BRANDS ARE DOING TO SURVIVE

Written By **BILL EDWARDS**

In 46 years of doing international business and living in 7 countries, I have seen numerous wars, natural disasters, political meltdowns, and trade disputes. But nothing prepared us for the 2020 Covid-19 global disaster. I have been monitoring what franchisors have done from February to July to manage their international operations. Restaurant, retail, and fitness franchisors have seen their units shut down worldwide, resulting in drastically lower sales and royalties. Unit revenues often fell to zero for several months, as they did in the U.S.

What follows are best practice examples of what top international franchisors have done to save their international business and prepare for a better future. The U.S. franchisors mentioned here all have significant international operations, and each is present in more than 20 countries. Part of this column comes from international operations and development webinars done since April for the IFA and the Titus Center for Franchising at Palm Beach Atlantic University.

The primary issues these franchisors focused on included:

- Communication: frequent, centralized, specific, consistent
- Operations: push standards, manage specific country challenges
- Supply chain: manage ingredient inventory and simplify menus
- Marketing: manage marketing calendar changes, consumer social media programs
- Development: market-by-market discussions related to royalty and development commitments
- Remote support and monitoring: Zoom sessions, phone photos, online checklists
- Reopening: cleanliness standards, restarting supply chains, consumer messaging

They also took this time to:

- Clearly understand country-by-country situations, as they varied widely
- Share Covid-19 best practices in both directions
- Reduce nonessential expenses
- Reevaluate development schedules, royalty reductions
- Prepare in detail for reopening
- Look at innovation to cut costs and fine-tune their operating models





FRANCHISOR POLICIES





Franchisors put in place “no over water” travel policies, and international travel is at a standstill. In-person franchise expos have been postponed until at least late 2020, more probably until 2021. As in the U.S., their international licensees laid off or terminated their employees and suppliers. Support and monitoring are more difficult for international operations because of time zone differences. For example, there is a 12-hour time difference between China and the east coasts of Canada and the U.S., which make real-time video calls difficult on at least one end. Another challenge for franchisors has been getting up-to-date and correct financial information from international licensees. Some franchisors have engaged in-country franchise consultants to monitor their local units.

Some of the policies these franchisors put in place during the Covid-19 crisis are:

- Brand directives on cleaning, employee personal hygiene, reduced operations, store closures, etc.
- Allowances for deferred maintenance and repair
- Renegotiation of development schedules
- Providing information on government policies and available resources
- Supporting negotiation with landlords for rent relief

GOVERNMENT POLICIES

In addition, some governments have put in place business support programs similar to those in the U.S.

-  • **Australia:** Low-interest loans up to A\$250,000 with an initial 12-month interest-free period for businesses to retain staff.
-  • **New Zealand:** Wage-subsidy extension and leave support; business cash flow and tax measures; business finance support loan, including for self-employed; mortgage holidays for employers struggling to retain employees.
-  • **United Kingdom:** Tax payments deferred to January 2021 for the self-employed; job retention scheme to cover up to 80 percent of wage costs for 3 months or longer; and new business loans to be interest-free for 12 months.
-  • **South Korea:** US\$9.8 billion stimulus package that includes subsidies for small and medium-sized business to help companies pay their workers.

FRANCHISOR SUPPORT

What follows are examples of what some very international franchisors have done to support their international operations during this crisis.

Rod Young, *Executive Director*, Cartridge World; *Chairman*, DC Strategy Group (Australia)

- Increased frequency of webinars and Google Hangouts and Zoom meetings with all the masters and area developers (or regions if many masters) together to have each master share their experience and ideas
- From food to printer cartridges, franchisors are going online and home delivery is now king in locked-down or work-from-home countries
- Franchisors are developing apps and protocols to facilitate both marketing of the home delivery service and operational modifications to focus outlets on hygienic delivery of products
- Tailored responses—not all masters or regions are affected or reacting the same, so no simple cookie-cutter solutions.

Marc Mushkin, *Vice President*, International Franchise Sales & Development, CKE Restaurants (Carl’s Jr. and Hardees)

- Daily updates from the field to leadership on the operating situation (closed units, limited operations, limited hours) from the franchise business consultants, country directors and regional general managers
- Daily updates on supply chain management from regional supply chain managers and quality assurance managers
- Regular video “town hall” communications to team members and franchisees



- Corporate and regional staff and leadership engaging in Microsoft Teams and Zoom meetings to facilitate regular, and even enhanced, communication

Brad Houser, *Executive Vice President*, International Dairy Queen

- Focus on ensuring that communication is centralized, specific, and consistent
- Three international communication buckets—for ADQ staff, ADQ franchisees, and DQ consumers
- Deciphering relevant communication as each region has different business models and stages in the crisis
- Updates are sent regionally for managing unit closures/openings and about specific government legislation affecting local market activity
- Crisis management conference calls with franchisees and staff by region
- Centralized PR management on a global basis and dealing with issues as they come up

Alison McElroy, *Chief Global Development Officer & Chief Legal Officer*, Lift Brands (Snap Fitness)

Lift Brands focused on their guiding policies during the Covid-19 crisis to respond as quickly as possible to the ever-changing environment, and to make decisions based on the well-being of employees, franchisees, and their gym members worldwide.

- Internal Covid Response Team: Twice-daily meetings and 24/7 action through leveraging global offices across three continents
- Daily licensee communications with resources and updates
- Town halls and webinars
- Financial support: waivers and deferrals
- Alternative revenue opportunities

Ray Titus, *CEO*, United Franchise Group (7 different franchise brands outside the U.S.)

- Frequent personal phone calls to each master license partner
- Personal video messages
- Offering discounts on royalties
- Continuing to evaluate international candidates and to even award new licenses throughout the Covid-19 crisis

NEW INTERNATIONAL DEVELOPMENT

While most new franchise and licensee development initially dropped sharply after the start of the crisis, by late May franchisors were again looking at international candidates and taking into account the inability to travel to other countries.

- Evaluating the economy of target countries to confirm people are still interested in making investments in new businesses
- Conducting enhanced, detailed due diligence on all candidates to ensure they still have the funds for their franchise license post-Covid
- Very frequent international candidate video and email communications
- Video franchise expos are being conducted in the U.S., Canada, U.K., and Asia
- Video discovery days to initiate candidates to the brand before a face-to-face meeting

CONCLUSION

Will U.S. franchisors keep developing in other countries? Ninety-five percent of the world’s consumers are based outside the U.S. and Canada, and two-thirds of the world’s new middle-class consumers will be in Asia. In addition, international franchise brands are still highly sought after by consumers in other countries. Catherine Monson, CEO of Fastsigns International and current IFA chair, sums it up best:

“As globalization has taken hold over the last 20 years, international growth has become a ‘must’ for any company seeking high rates of sustained future growth.”

Best wishes to all for a better and even more profitable global future. ■

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.