



IFA[®]

INTERNATIONAL FRANCHISE ASSOCIATION

FRANCHISING[®]

Building local businesses,
one opportunity at a time.



Recipient of the U.S. President's E Award and E Star Award for Export Service.

December 2015



Preparing Your Franchise To Go International



William Edwards, CFE, CEO
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**INTERNATIONAL
TOOLKIT**



FRANCHISING[®]
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Our Agenda Today

- **Why: The pros and cons of Going Global**
- **What you need to know to Going Global**
- **The role of culture in Going Global**
- **Where to take your franchise and why**
- **A proven Going Global strategy and the keys to successful global franchising**

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Why US Franchises Are Attractive To Buyers In Other Countries

- ✓ **Brands**
- ✓ **Quality**
- ✓ **Convenience**
- ✓ **Customer Service**

As consumers reach middle class they spend their newly found discretionary income at places they trust and where they see value

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Why Take Your Franchise Global?

- 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.
- The economic challenges in western markets have accelerated the push into emerging economies.
- Branding has become more commonplace everywhere, representing a tremendous opportunity for a franchise concept to expand its footprint.
- However, as anyone who has tried to expand their brand internationally will attest, it is much easier said than done.

Catherine Monson, CEO, FastSigns®

The Pros & Cons Of International Franchise Development

Opportunities

1. New revenue sources
2. Spread your market risk
3. Follow the global consumer growth
4. Grow stakeholder value
5. Less competitive and less regulated markets
6. Leverage your existing IP

Challenges

1. Choosing the best countries for your brand
2. Finding the right licensee
3. Can dilute your home country focus
4. High start-up costs
5. Candidate due diligence
6. Supply chain management

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What Franchises Does The World Want?

- Education – **Children's**, management, coaching
- Commercial Services - business services, facilities management, financial, cleaning, handyman, security
- Personal Services – Handyman, maid, mobile, **senior care**, personal care, fitness of all types
- Retail – Special clothing brands, theme brands
- Food - Well known food brands, **burgers, pizza**, healthy food brands, specialty food brands

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To Go Global Successfully Today, Franchisors Must Have These Qualities

A pro-active plan for entering other countries

An excellent record of franchising success in their country

Strong training, support, marketing and Intranet resources

Manuals, system standards and reporting processes

Willing to invest in trademarks and market research

**A financial and development model that offers licensees
the potential for a good return on investment**

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What To Seek In An International Licensee

A passion for and understanding of your business

A successful business with knowledge in your sector

Good reputation in the country

Experienced management to put into the franchise

Access to suitable real estate

Marketing oriented company

Capital to start and grow your franchise in their country

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What Will International Licensee Candidates Want To Know About Your Brand?

- **Your unit economics**
- **Your ability to train and support them**
- **The business experience of your senior team**
- **The difference between your brand and others in their country**
- **The systems and resources that lets your business succeed on a unit and franchisor level**
- **Can your franchise can produce an acceptable ROI for their investment**

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Tools For Marketing Your Business Globally

- **Priority Market Assessment**
- **Differentiation Chart**
- **Market & Licensee Candidate Profile**
- **Brand Summaries**
- **Slide Presentation**
- **Online videos**
- **Financial/Development Model**

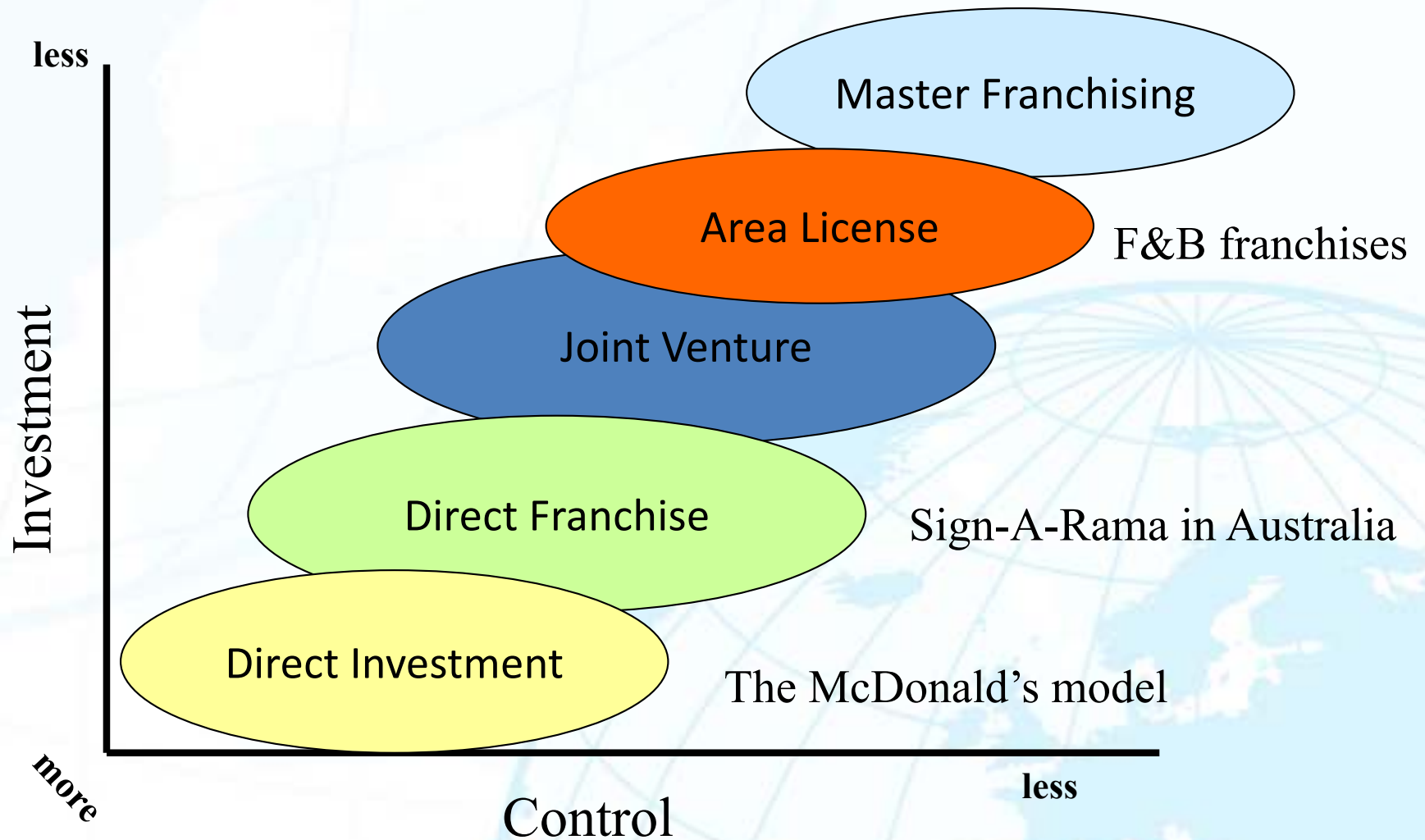
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Your International Market Profile

- **Sufficient consumer demographic with discretionary income**
- **Open to new concepts**
- **Appreciation for name brands, professional standards and business management systems**
- **History of successful franchising and a franchise-friendly environment**
- **Regulatory environment that allows an acceptable ROI**
- **Ability to control the brand and enforce standards**
- **Political, Safety, and Economic Stability**

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International Expansion Options Through Licensing



Adapted from Kurt Ullman

International License Candidate Due Diligence and Qualification Steps

1. Candidate application
2. Confidentiality agreement
3. Company financials for last 2 years
4. Company structure and ownership
5. Company executive and operations managers CVs/resumes
6. A Business Plan
7. International Discovery Day
8. International Agreement negotiation

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The World Is NOT Flat: Cultures Vary

- **Brazil: Lack of punctuality is a fact of life**
- **Canada and China: Punctuality for appointments is critical**
- **“Indians appreciate punctuality, but do not always practice it themselves!”**
- **Build relationships versus quick transactions**
- **Direct, aggressive negotiation is a negative**
- **Bargaining is essential in most business cultures**
- **Bottom Line: Know the country culture before seeking a licensee.**

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'Catering' to Local Tastes

India = no beef or pork

Philippines & Viet Nam = QSR-pasta

Israel & Islam = No Pork

Caribbean = Chicken

Latinos & Philippines = Pollo (Dark)

Japan = Low dairy & salt

Middle East = Halal/Kosher

Europe = strong food cultures



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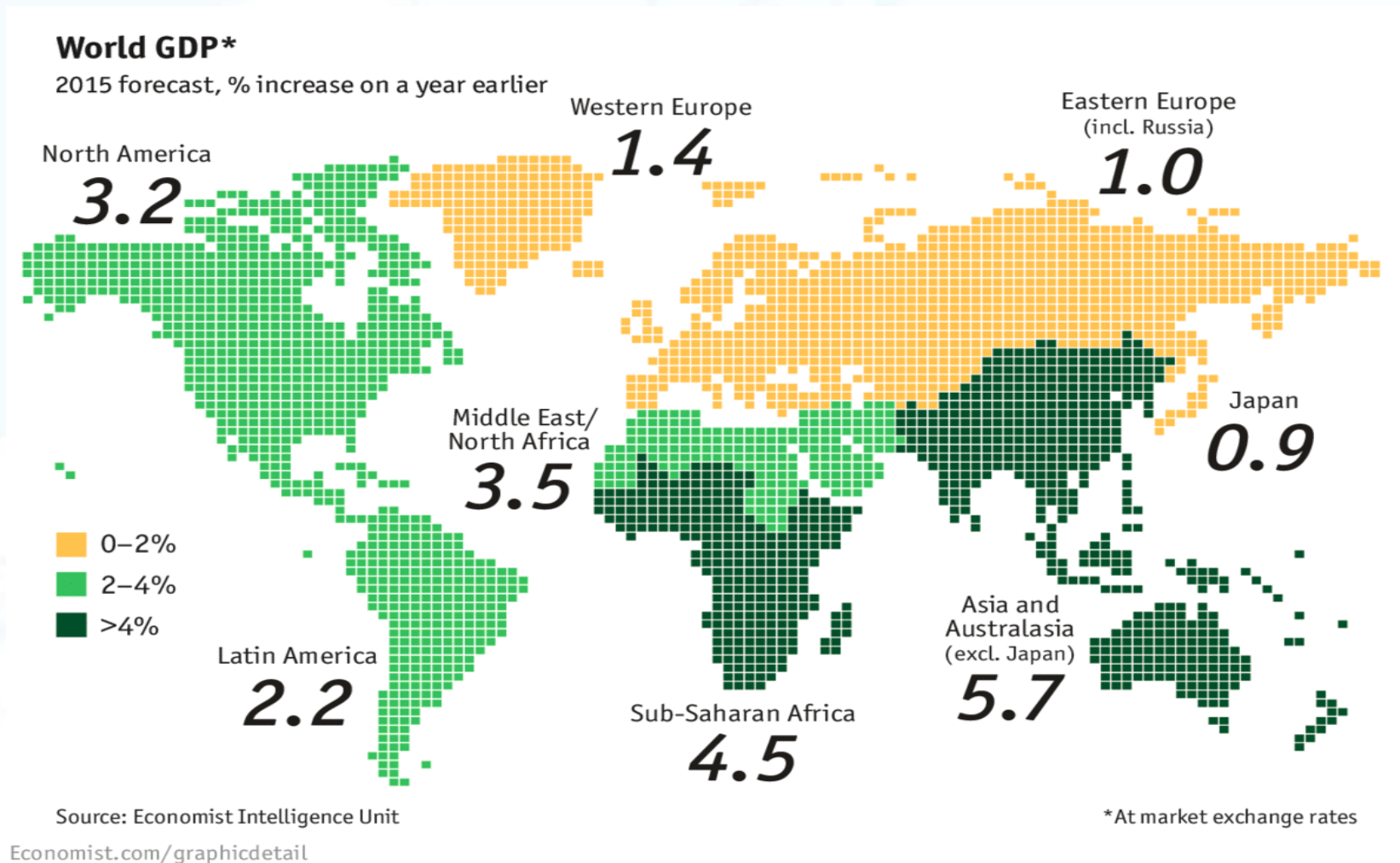
Factors To Consider When Deciding Which Countries To License Into

- Rule of Law
- Country Stability
- Intellectual Property Protection
- Good GDP Growth = Investors
- Consumer market size
- Potential to Achieve An Acceptable ROI

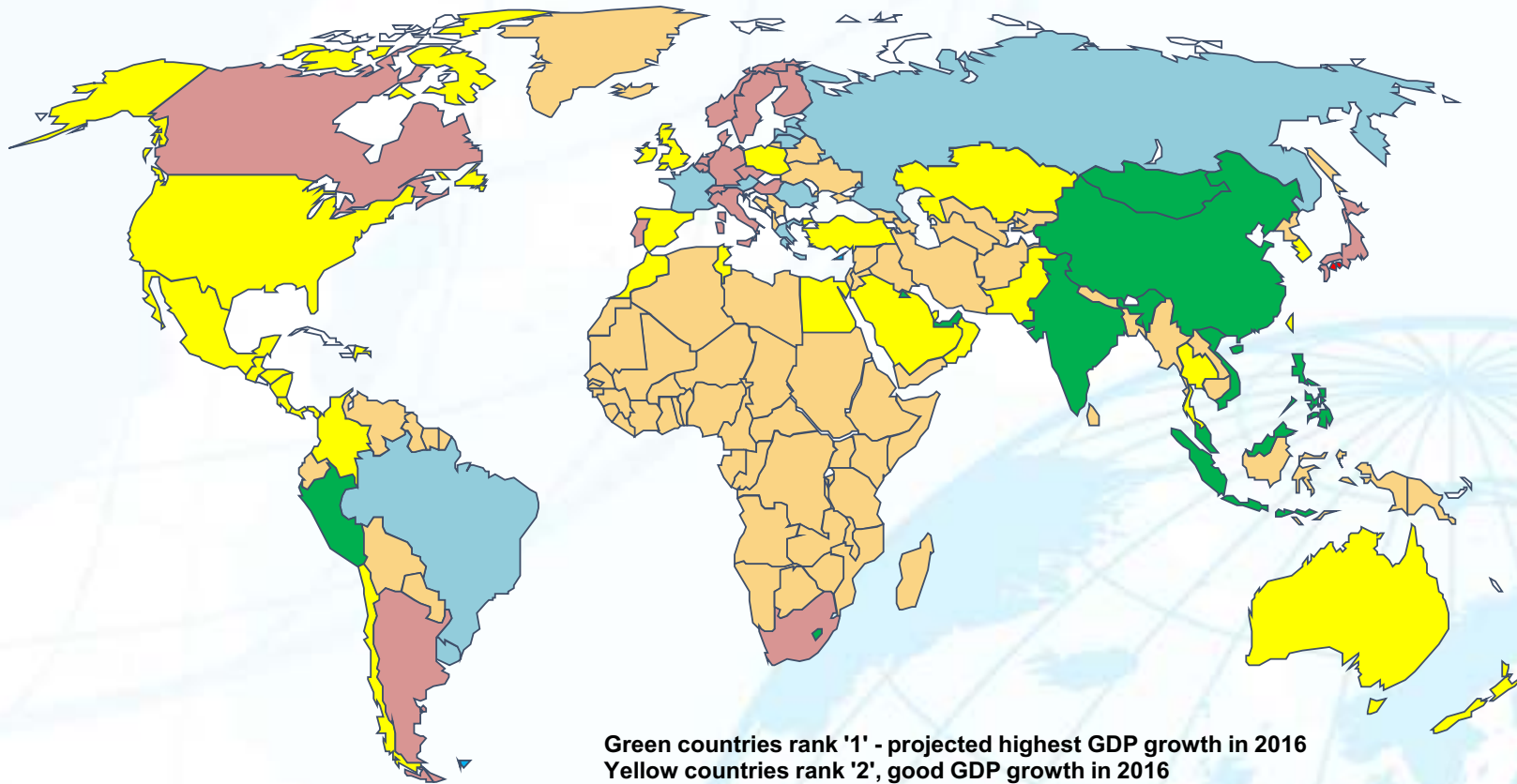


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The Macro GDP Growth Analysis



GlobalVue Country Ranking Based on GDP Growth



Green countries rank '1' - projected highest GDP growth in 2016
Yellow countries rank '2', good GDP growth in 2016
Light red countries rank '3', moderate to low growth, little new investment
Light blue countries rank '4' - very low or no GDP growth
Tan countries are not seeing substantial franchise investment at present

Fall 2015 Version

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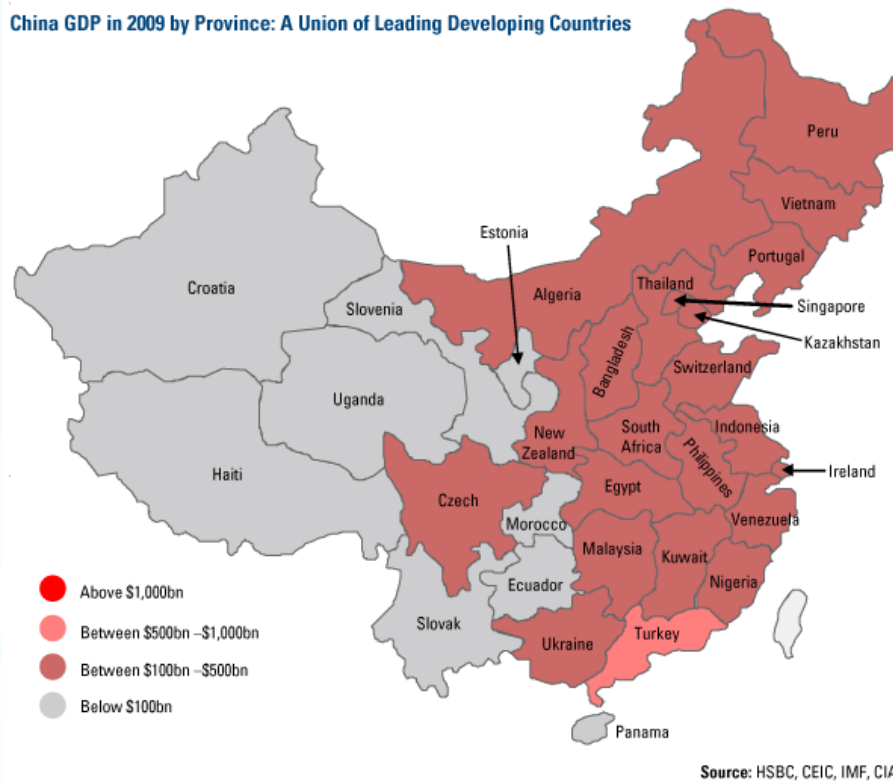
Doing Business Index - How Easy Is It To Start And Grow A Business

1	Singapore	31	United Arab Emirates
2	New Zealand	34	Japan
6	United Kingdom	36	Czech Republic
7	United States	38	Mexico
13	Australia	45	Italy
14	Canada	48	Chile
15	Germany	51	Russia
17	Ireland	55	Turkey
18	Malaysia	84	China
25	Poland	104	India
27	France	116	Brazil

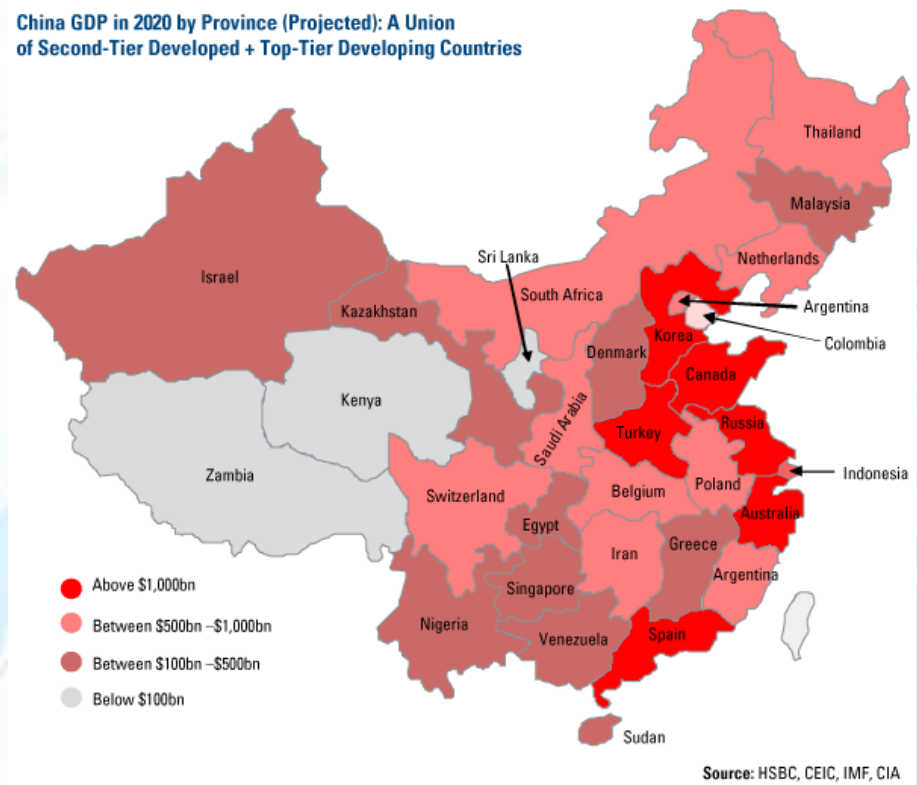
World Bank Group Doing Business index ranks 180 countries on how easy or difficult it is to start and grow a business, '1' is best

China's GDP By Province

China GDP in 2009 by Province: A Union of Leading Developing Countries



China GDP in 2020 by Province (Projected): A Union of Second-Tier Developed + Top-Tier Developing Countries



Based on research by U. S. Funds

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Canada

Large country with high GDP/Capita

Detailed franchise regulations

Few population centers but 38 million people

Challenging to find a country licensee



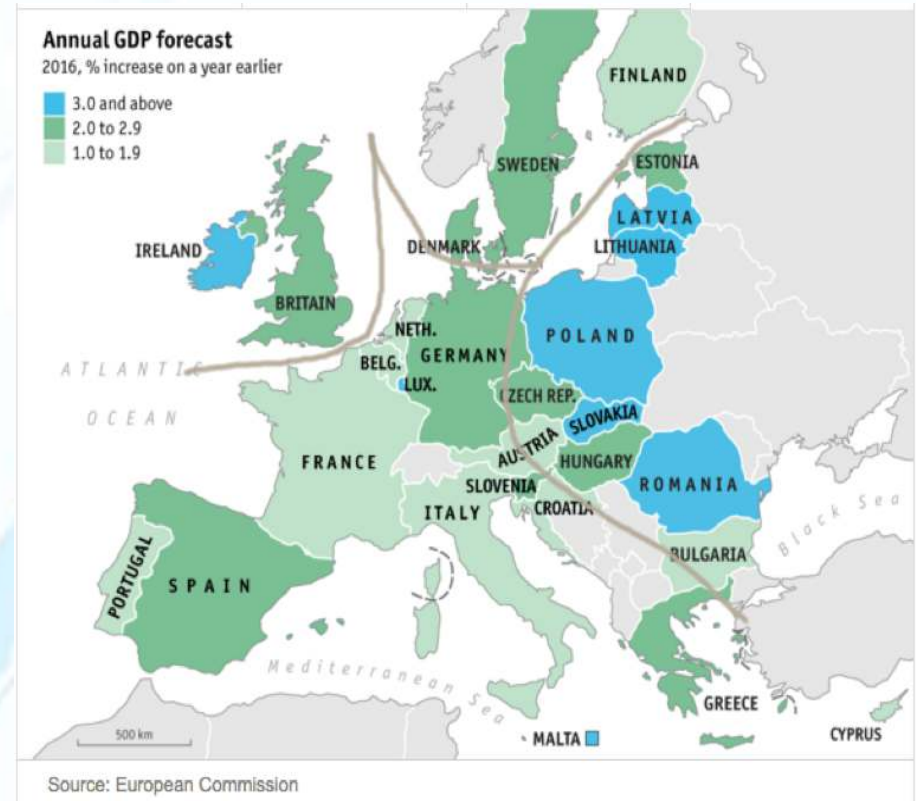
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The European Economy Comes Back (Slowly)

Despite the news reports, parts of Europe are coming back as places to seek licensees

Poland, Spain and the United Kingdom are seeing new licensees for US brands

Annual GDP growth of 3% in Europe is equal to 6-7% in China or India



Source: 'Economist Intelligence Unit' – 10/2016

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The “Engines”

- **China, India and Indonesia are now ‘Engines’ of consumer spending, not tied completely to export income**
- **With a middle and upper class population of more than 600 million, these countries generate a high level of consumer spending internally**
- **This new middle class seeks brands, quality, convenience and customer service – qualities US franchises exemplify.**
- **These are the consumers who our US franchisors’ international licensees service.**

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India

The economy will grow 7% annually over the next five years

The English speaking middle class in India now exceeds 250,000,000 people

F&B brands such as Carl's Jr®, Burger King® and Johnny Rockets® are there – **no beef**

F&B supply chain and distribution challenge is major

Government regs are legendary



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GlobalVue™ - How Countries Compare In General For Franchising

Countries/Regions	Projected 2015 GDP Growth	Market Size (Customers)	Legal Concerns For Intl. Brands	Ease Of Intl. Franchise Entry	Ease Of Starting A New Business	Political & Economic Stability	Overall Country Ranking
Mexico	1	1	2	1	2	1	1.3
Philippines	1	2	2	1	4	2	2.0
Peru	1	3	2	2	2	2	2.0
China	1	1	2	3	4	2	2.2
India	1	1	2	3	4	2	2.2
Indonesia	1	1	3	2	4	2	2.2
USA	2	1	2	1	1	1	1.3
United Kingdom	2	1	2	2	1	1	1.5
Chile	2	3	1	1	1	1	1.5
Australia	2	2	2	2	1	1	1.7
Canada	2	2	2	2	2	1	1.8
Middle East GCC Countries	2	2	2	1	2	3	2.0
Brazil	2	1	2	3	3	2	2.2
Spain	3	1	2	1	3	1	1.8
Japan	3	1	2	2	3	1	2.0

General Country Ranking: 1 is best, 2.5 is fair, 4 is worst - Sorted on GDP Growth

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Specific US Franchise **GlobalVue™** Sorted On Country Priority

Countries/Regions	Specific Franchise Potential	Projected 2015 GDP Growth	Market Size (Customers)	Legal Concerns For Intl. Brands	Ease Of Intl. Franchise Entry	Ease Of Starting A New Business	Political & Economic Stability	Overall Country Ranking
USA	1	2	1	2	1	1	1	1.3
United Kingdom	1	2	1	2	2	1	1	1.5
Canada	1	2	2	2	2	2	1	1.8
Spain	1	3	1	2	1	3	1	1.8
Philippines	1	1	2	2	1	4	2	2.0
Middle East GCC Countries	1	2	2	2	1	2	3	2.0
China	1	1	1	2	3	4	2	2.2
Mexico	2	1	1	2	1	2	1	1.3
Chile	2	2	3	1	1	1	1	1.5
Peru	2	1	3	2	2	2	2	2.0
Indonesia	2	1	1	3	2	4	2	2.2
Brazil	2	2	1	2	3	3	2	2.2
Australia	3	2	2	2	2	1	1	1.7
Japan	3	3	1	2	2	3	1	2.0
India	3	1	1	2	3	4	2	2.2

General Country Ranking: 1 is best, 2.5 is fair, 4 is worst - **Sorted on the potential of a specific Franchise**

Focus on countries that have the highest potential for **your** franchise

Filter in what is important for your franchise to succeed in a country

A Proven International Development Strategy

- **Budget conservatively for the first 3-5 years**
- **Be realistic in your initial fee expectations**
- **Realize that initial fee revenues have corresponding, associated expenses over time**
- **Be realistic in how many countries you can award and properly support**
- **Budget in advance for marketing, training and support costs**

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The Keys To Successful International Franchising

- Have a pro-active plan for entering other countries
- Have an excellent record of success in their country
- Focus on countries that have the highest ROI for **your** franchise
- Take the time to find the right licensees to build long term revenue for your company



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