

Why Go Global?

Compelling reasons to expand internationally.

By William Edwards



We are often asked why a franchise company should “go global” and how can it can best market the franchise into other countries. There are several key steps for marketing a franchise organi-

zation in other countries, but first, let’s examine the simple and compelling reasons for going global.

- Build more brand and shareholder value,
- Add revenue sources and growth markets,
- Reduce dependence on your home market,
- Leverage existing corporate technology, supply chains, know-how and intellectual property, and
- Award more franchises in the home country by being global.

This sounds good so far, so one decides to take the franchise company global. What is the best way to market the franchise systems efficiently and cost-effectively around the world?

First of all, it is important to assess the international potential of the franchise. This involves researching how different countries compare to the United States. Look at the cost and ease of doing business in various countries. Sometimes it is quite

difficult to start a new business in country, not a good thing for unit-franchise development.

Assess the international potential of the franchise.

Look at the competitors to the business in each target country. Understand how they market their business and how your business will be different than what is already in a country. It is important to know this before focusing on a country and before starting negotiations with a master franchise candidate.

Once targeted countries are chosen, consider a maximum of five to seven countries at one time, then make the trademark applications. Perform this step first before marketing the franchise organization outside the United States. Otherwise, someone will see the brand and “help” to register it at the cost of the brand’s value.

Develop a Profile

Before starting to market, develop a profile of the type of company that is most suitable to have as a master franchisee in a country and know the level of

investment a master needs to have available. Then look at specific sectors where master franchise candidates for the franchise will come from. For example, Two Men and A Truck often seeks companies that are involved in real estate development or property management as their master franchisees. Also consider companies already franchising, since it is often easier to teach a company about a specific concept than to get it to learn how to franchise.

Tell them up front what the estimated total start-up investment will be.

Actual International Marketing Steps include:

Use the company's Web site. Internationalize it and add a master franchise section. This is the cheapest, quickest and most complete method of marketing in a global basis. Add a special section on your international opportunity. One will be amazed at how many international candidates that can be found through this cost-effective marketing venue

IFA-member franchise organizations are usually very open to sharing the results of their global expansion.

Once the leads come in, be prepared to process and reply to them. Create a simple reply that states the basic requirements for a company to become a country master franchisee. Tell them up front what the estimated total start-up investment will be. This becomes a very effective filter process so time isn't spent on people who do not have the country master franchise investment available.

Subscribe to international lead Web sites. Sites such as franchise.com and franchisedirect.com and, of course,

franchise.org, are excellent, cost-effective places to market a master franchise opportunity in a format that the franchise system controls. These sites draw a large global population. Focus the international page on these sites to attract the master franchisee that is wanted. Again, be clear on the page as to the level of investment that is required for consideration. This is another filter which saves time.

Network at IFA events with systems that have gone international. This step is an excellent way to learn what works in global franchise development and what does not work. IFA-member franchise organizations are usually very open to sharing the results of their global expansion. Be sure to ask what resources the company has committed to international development. The more resources, the more likely they

(Continued on page 40)



Diana King
Edible Arrangements

Print, Ship & Insert
as low as **4¼¢** each

Full sized inserts: 4-color, 2-sided magazine quality printing, with low minimums

Automatic newspaper insertion in hundreds of US markets, including most of the top 25

Customized for EACH location, so every store can display their own unique offers, address, etc.

No charge for shipping

Direct franchisee billing

Pay by credit card



Put More Power in Your Local Store Marketing!

Newspaper inserts deliver new customers every day

“I have only advertised one month, and in that time, the newspaper insert completely paid for itself. I have not received such a strong return on any other marketing venue. I can't wait to see what happens as we begin to build momentum. I have already signed up for my second month and am planning the third.”

—Diana King, Edible Arrangements, Asheville, NC

Call today! Boost your bottom line next month!

FranchiseXpress®

Jim Lipson 1.800.248.4667 x2

jlipson@gannett.com

www.franchisexpress.com



(Continued from page 39)

are to have had a positive experience outside the United States.

Attend IFA/U.S. Commercial Service Franchise Trade Missions. A couple of times a year, IFA sponsors missions to key countries where franchising is a known method of business development. These missions are carefully coordinated to ensure that each franchise is marketing to potential master franchisee candidates. Franchise systems will also learn a lot about these countries from the IFA staff, members and local staff that attend and put on the mission as another cost-effective marketing and market research vehicle.

Attend international trade shows. There are major shows in certain parts of the world each year that bring out master-franchisee level candidates. A few of these are the International Franchise Expo which is conducted in Washington, D.C., the Paris Franchise Show each spring and the fall Singapore Franchise Expo. There are franchise shows focused on master marketing in the Middle East each year also.

Conduct U.S. Commercial Service partner searches and Gold Keys. The U. S. Commercial Service is the international arm of the U.S. Department of Commerce. The USCS exists only to help U.S. companies of all sizes sell products and services to other countries and bring the proceeds back to the United States. The USCS has special programs that can help franchise systems quickly and cost-effectively find master candidates and conduct due diligence on markets and companies.

One of the cost-effective features of the USCS program is a "Gold Key." The franchise company provides the local USCS office in a country, usually associated with a U.S. embassy or consulate offices, with information on the franchise system and the profile of a master candidate and the agency does market research and marketing to find candidates. Then the franchise system visits the city and meets the candidates with the help of the local USCS office.

Advertise in international publications. Although the marketing of franchises through print media has declined in recent years, there are franchising magazines in all major countries. Sometimes these magazines

are associated with the country's franchise association, such as the Canadian Franchise Association and the Franchise Council of Australia. Advertising in these publications is a way to get a franchise opportunity to those seeking to become franchisees and master franchisees in particular countries.

Always require that the candidate make the commitment to attend a Discovery Day.

Work with international consultants with a network of contacts. There are many consultants around the world who are focused on franchise development. These consultants are not usually called "brokers" outside the United States. They often have excellent local knowledge of their market, the potential for specific franchises and candidates for masters.

The challenge is how to choose from myriad available consultants in a country. Here are several local consultant filters:

- Are they members of the country's franchise association? Most such associations have standards a consultant must meet to be a member.
- Ask for a list of the franchise firms they have helped find master franchisees in their country.
- Ask for their process and resources they will use on your behalf to find master candidates.
- Will they not only help market your master franchise opportunity, but also help with due diligence and in closing the candidates?

Once you find qualified master franchise candidates

It is strongly suggested that franchise companies require candidates to provide company information, resumes and sign a confidentiality agreement up-front. This is part of the extremely critical due diligence process. Also, do not provide

detailed information on the franchise business until the candidate has provided the above information. This is another filter process, which will save time and money.

Always require that the candidate make the commitment to attend a Discovery Day at the franchise system's headquarters to provide a face-to-face meeting and the opportunity to get to know him as much as possible so he can:

- Learn first hand more details of your business opportunity,
- Meet your senior executives and directors, and
- See a franchise operating in various environments.

If it is decided to offer the candidate a master franchise, ask that he or she sign a Master Franchise Letter of Intent with the basic terms agreed upon before taking the time and incurring the expense of a legal agreement review in that country. Many U.S. franchise firms also require a deposit towards the initial master franchise fee with the letter of intent. This certainly shows that the candidate is serious.

Final Steps

Focus on specific countries and plan a marketing program using resources such as are defined in this article

Research and understand countries before starting negotiation. Also be sure to have trademark applications in place before marketing to a country to save having to use different trademarks or buying them back from someone.

Use a variety of marketing venues to be sure the franchise organization has tapped into the available master franchisee candidates in a country.

Hold candidates to a structured process to save time and money. Just like with system-unit franchisee candidates in the United States, if the candidate will not follow a structured process, he or she is probably not going to be a good master franchisee in the long run. ■

William Edwards is president of Edwards Global Services, Inc. He can be reached at 949-224-3896 or bedwards@edwards-global.com.