



# THE UPS AND DOWNS OF GOING INTERNATIONAL

How to be successful over time with your international brand development.

*By William Edwards, CFE, and William Gabbard*



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After the franchise development department and legal department finalize a new country license agreement and the initial fees are paid, the real work begins for both the franchisor and the new country area licensee or master franchisee.

Various studies indicate that 40 percent or more of all international license agreements do not result in the mutually agreed number of units being opened over time and that often the units that do get opened in a country underperform. The results are less royalties for the franchisor and sometimes even termination with associated legal costs for the franchisor and damage to the brand.

How do you ensure that you as the franchisor are doing everything possible to make the licensee successful so that your franchise can realize the full financial potential of a country? And how does a franchisor manage international licensee support in a cost-effective manner? The following are best practices that we have learned over the years as franchisor executives and taking more than 30 U.S. franchise brands international. We also know from experience being international licensees of a U.S. brand that it is difficult to startup and grow a foreign franchise in another country with the quality and standards required by the franchisor.

While food/beverage, retail and service franchises have

some differences when it comes to international support, these business and franchise types have similar and different processes moving operations forward.

## COMMUNICATION, RELATIONSHIPS AND FOLLOW-UP

We have found that the No. 1 item for successful international development is consistent and detailed communication with

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your intentional licensees. Lack of communication and consistent follow-up are the most common reasons international licensees fail. As a start, when the licensee sends their team to your headquarters for initial training, spend time with them. Make them feel like family. This is extremely important for the relationship in years to come. If the relationships are good early on, it will be much easier to handle problems that come up. And they will.

## TIMELINE AND CHECKLIST

A franchisor should use their home country new franchisee startup timeline and checklist for the new country licensee startup. Whether they are an area licensee who will build, own and operate all units in their country or a master

franchisee who will own and operate some units and then start sub-franchising, they all start out as a single unit franchisee.

## COORDINATOR

Whether your franchise has a dedicated international training and support team or you are using existing resources from your home country franchisee support team, it has been found to be very important that the international licensee have a single person at the franchisor's headquarters to interface with for obtaining support from the franchisor's various departments. This person keeps track of all aspects of the start-up to ensure all steps are completed, the licensee has access to all franchisor resources and everything is done in a timely manner.

## START-UP

Set your target dates for a pre-opening, grand opening and post opening. Clearly define home country training, site selection and licensee staff selection criteria, supply chain development, in-country training, train the trainer, visas and equipment – whether supplied locally or imported.

## VISAS

It has become increasingly difficult to get visas to the U.S. for staff of international licensees. The goal is to get the new international licensees fully trained using the best franchisor resources. If the franchisor has other established and high quality international locations it may be necessary to use these units for the initial licensee training.

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## MARKETING

While the licensee is responsible for marketing the brand locally, they will depend on the franchisor to advise them on social media, grand opening marketing and will need Intranet-based digital marketing collateral to localize with the approval of the franchisor.

## ONGOING SUPPORT

Communicate through calls, emails and in-country visits at least twice the first year.

## REPORTING AND MONITORING

Food and beverage brands use integrated POS systems to monitor the sales and other KPIs of their

international licensees real time. Other franchises use web-based management systems to monitor sales and KPIs to provide real time feedback to their international licensees. Many franchisors use secret shoppers to visit international locations and measure compliance with brand standards. Some franchisors have in-country franchise consultants perform periodic audit of their international licensees.

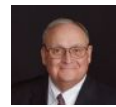
## PLANNING FOR SUCCESS

Franchisors employ startup and annual budgets, unit development investment pro formas and timeline spreadsheets to plan for startup and to develop an annual plan with their international licensees. Most franchisors require that their international licensees

attend their annual and/or regional conferences.

## PERFORMANCE CHALLENGES

Even if all the above are done perfectly, sometimes things do not work out and changes may be needed. The license agreement needs to be very clear as to defaults, cure process and even the termination process. But that major subject is one for a separate international operations and development article! ☺



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