

**World SME Expo 2009, Hong Kong**



# **Franchising Strategies and Opportunities**

## **An Update On Franchising And Global Franchise Opportunities**



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# Introductory Remarks By Mr. Edwards

- **SMEs around the world are creating the jobs of today and the future**
- **And franchising is all about creating new businesses and new jobs**
- **In the next few minutes we will consider the value of franchising your business – both in your home country and abroad**
- **We will see how franchising is an essential part of the two most franchised countries in the world**
- **Then we will compare countries as places to franchise into**
- **Finally we will look at the ‘hot’ franchise sectors and countries for 2010**



# Our Agenda

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- **The International Franchise Association**
- **Franchising – what is it and why do it**
- **Why and how to take your franchise global**
- **The state of franchising in the US and Australia**
- **How countries compare for franchising**
- **Three US franchise case histories in Asia**
- **Hot sectors and markets for franchising**



# Who EGS Is

- **We take successful franchisors into new countries in a manner that will maximize the Return On Investment for both the franchisor and licensee**
- **We work for many of the most successful US franchisors**
- **Our Executive Experience** – 100+ years experience in over 60+ countries
- **Our Process and Tools** – Successful Going Global processes, trademarked planning, analysis, financial and marketing tools
- **Our Network** – 35 highly experienced Associates based in 28 countries
- **The U.S. Commercial Service considers EGS the largest single exporter of US franchises - USCS Special Export Achievement Award in 2009**



# The International Franchise Association

- The largest franchise association in the world and the acknowledged leader for franchising worldwide
- Founded in 1960, the IFA is a membership organization of franchisors, franchisees, and suppliers
- Represents more than 2,000 Franchisors and Suppliers
- Provides a Certified Franchise Executive® (CFE) education program and licenses the program to other country franchise associations
- Requires Member companies to follow a Code Of Ethics

[www.franchise.org](http://www.franchise.org)



# Institute of Certified Franchise Executives



***Mission: To enhance the professionalism of franchising by certifying the highest standards of quality training and education.***

***The only professional development program designed for franchise executives by franchise executives.***



**Franchising**  
Building local businesses,  
one opportunity at a time.



# What Is Franchising?

**Franchising is a business development method for expanding business and distributing goods and services, using an established business system and a recognized brand name**

**The franchising business development model is now used in more than 100 countries**



# What Is The Franchising Relationship?

**A franchise occurs when a business (the Franchisor) licenses its trade name (the Brand) and its operating methods (the System) to a person or group (the Franchisee) who agrees to operate according to the terms of a contract (the Franchise Agreement)**





# Why Franchise Your Business?

**You have developed a good business with excellent systems**

**You want to expand, but lack the money, the people and the time**

**It may be time to think about franchising**



# Is Your Business "Franchisable"?

- It needs to be credible. Does your company have experienced management? A track-record over time? Is the concept proven?
- It needs to be unique. Is your business adequately differentiated from its competitors? Is it marketable as a business opportunity?
- Does it have a sustainable competitive advantage?
- It needs to be teachable. Are the systems in place? Are operating procedures documented in manuals?
- It needs to provide an adequate return. A business needs to generate a 15 to 20 percent return on investment after deducting a royalty



Mark Siebert, CEO, iFranchise

# Why Take Your Franchise Global?

**Tap into the revenue potential of larger markets**

**Increase brand value**

**Reduce dependence on your domestic market and its economic cycles**

**Leverage your existing intellectual property, know-how and technology**

**Being global helps franchise sales in your home country by enhancing a brand's image**



# Keys To 'Going Global' Successfully

**International development must be a business growth strategy**

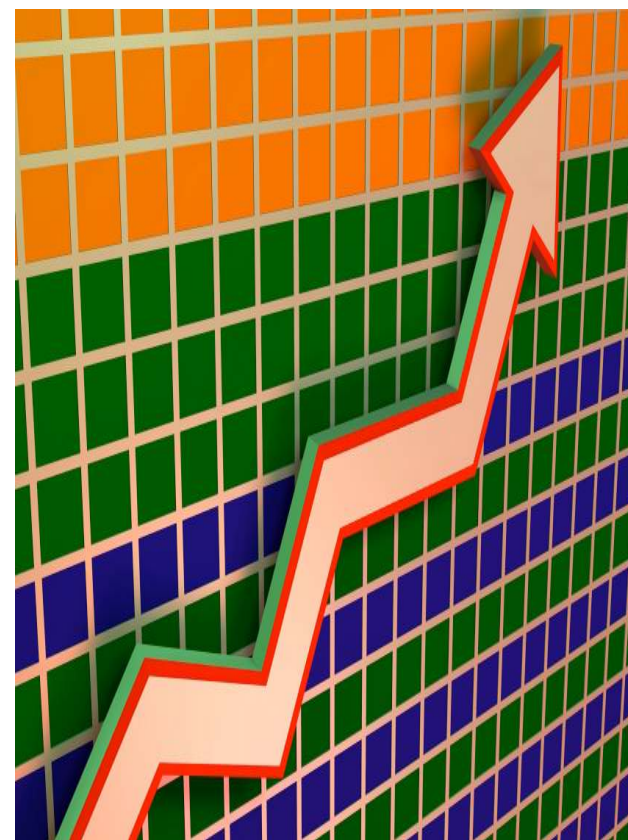
**Pro-active business plan**

**Trademarks**

**Strong training and support**

**Clear differentiation**

**Market and competitor research**



Adapted from an article by Bill Edwards and Robert Shaw in "*Franchise Times*"

# The US Franchise Market

- The direct and indirect impact of the 910,000 franchise business locations in the USA reached more than US\$2.3 trillion in 2005
- 20,000,000 jobs in the US are tied directly or indirectly to franchising
- There are over 3,000 different franchises in over 100 business sectors
- 54¢ of every retail dollar in the USA is spent at a franchise
- Every product and service in the US is provided by a franchise
- The US has well defined franchising laws
- The US market is open to good new concepts from other countries

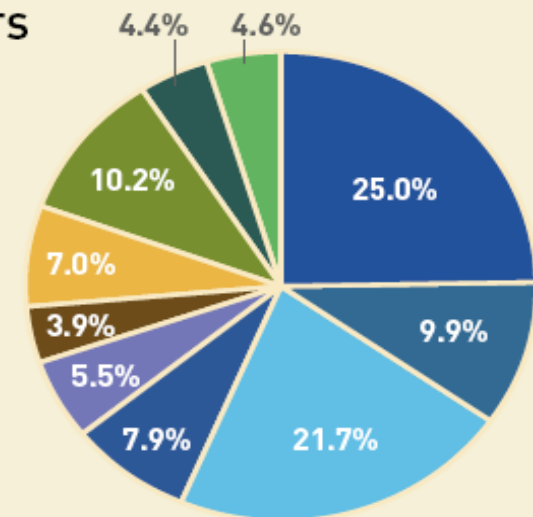


From the recent PWC 'Franchising in the US' IFA study

# Franchises In The USA

BUSINESS SERVICES
PERSONAL SERVICES
QUICK SERVICE RESTAURANTS
FOOD RETAIL
TABLE/FULL SERVICE RESTAURANTS
LODGING
COMMERCIAL & RESIDENTIAL SERVICES
RETAIL PRODUCTS & SERVICES
REAL ESTATE
AUTOMOTIVE

BUSINESS FORMAT FRANCHISES // BY LINE OF BUSINESS ESTABLISHMENTS



**35% are in the food sectors**



# Franchising in Australia

## Franchise Facts 2009

- 1150 franchise systems
- 145 leading franchise systems
- 50,000+ franchisees
- \$180 billion + revenue
- 700,000+ employed
- 5% growth p.a since 2000
- Major Trends
  - International Expansion
  - Aggregation of Mature Systems

## % of Franchise Sector

Retail Trade 39%

Property & Business 19%

Personal Services 14%

Finance & Ins. 6%

All Industries 6 %

\*Not to scale



Source:



# GlobalVue™: Selected Countries In 2010

Country/Region	Expected 2010 GDP Growth %	Competition Index 2009	Economic Freedom 2009	Market Size	Ease Of Entry	Legal Concerns	Government Involvement	Weighted 2010 Ranking
Urban China	1	1	2	1	2	2	2	1.7
Brazil	1	2	3	1	2	2	2	2.0
India	1	2	3	1	3	2	3	2.3
Indonesia	1	2	3	1	2	3	3	2.3
Thailand	1	2	2	2	2	2	1	1.9
Philippines	1	2	3	2	2	2	1	2.0
Malaysia	1	1	3	2	3	2	3	2.3
Viet Nam	1	3	4	2	1	2	2	2.3
Singapore	1	1	1	4	1	1	1	1.6
Hong Kong	1	1	1	4	2	1	1	1.7
United Kingdom	2	1	1	1	2	2	1	1.7
USA	2	1	1	1	1	2	2	1.7
Japan	2	1	1	1	2	2	2	1.9
Mexico	2	2	2	1	2	2	2	2.1
Canada	2	1	1	2	2	2	2	2.0
Taiwan	2	1	2	2	2	2	1	2.0
South Korea	2	1	1	2	2	2	3	2.1
Australia	2	1	1	2	3	2	2	2.1
Middle East Region	2	2	3	2	2	2	2	2.4
Italy	3	2	2	2	2	2	2	2.6
Spain	4	1	1	1	2	2	2	2.4

A ranking of '1' is best, a '2.5' is good and '4' is worst





# Abrakadoodle® In Asia

- Abrakadoodle® is the US leader in creative art education, offering imaginative classes in painting, sculpting, digital design, collage, mosaics and drawing for children 20 months to 12 years old
- Abrakadoodle® ranks as the #1 Art Education Franchise and "Best of the Best" in Children's Services by *Entrepreneur Magazine* for 2008!
- With over 1200 courses available to franchisees, Abrakadoodle® emphasizes that the arts play a central role in cognitive, motor, language, and social-emotional development of children
- Abrakadoodle® knows parents in Asia see the value of learning creativity in order for their children to compete in the global marketplace when they grow up
- Today, Abrakadoodle® has master licensees in Japan, Malaysia and Singapore and licenses are under negotiation in other Asian countries



# Carl's, Jr.® In Asia



- **Carl's, Jr.® is a premium, higher cost burger franchise founded in California in 1941 and now operating in almost 20 countries**
- **Carl's, Jr.® has proven successful in tough markets such as the Middle East, Mexico and Russia**
- **The brand uses very edgy marketing that brand targets a young Asian male demographic**
- **In Asia, Carl's, Jr. first opened in Singapore, followed by Malaysia and licenses are under negotiation elsewhere in Asia**
- **The first Carl's, Jr.® opened in China (Shanghai) in October 2009 through a Singapore based licensee**



# Golden Spoon® In Asia



- Golden Spoon®, the #1 Frozen Yogurt In Southern California, is a premium quality alternative to ice cream that tastes good with zero to low fat and very few calories
- Market research indicated that the Golden Spoon® premium product fits well into the Asian taste requirements and that the brand name was very acceptable across Asia
- Golden Spoon® granted an area license in Japan in 2008 and the Philippines in 2009
- Golden Spoon is now expanding to Indonesia, Malaysia and Singapore



# Hot Franchise Sectors For 2010

- **Automotive – After market products and services**
- **Children’s Education – At all levels**
- **Commercial Services - Facility management, Cleaning, Handyman, Security**
- **Personal Services – Handyman, Maid, Mobile**
- **Retail – To fill large malls in emerging markets**
- **Specialty Food – Mall anchor concepts, special brands, ethnic foods, well known pizza brands**



# Hot Franchise Markets For 2010/2011

- **Strong Desire For Foreign Franchises Today**
  - Brazil – Strong growth, high level of franchising
  - China – Focused on 1<sup>st</sup> and 2<sup>nd</sup> Tier Cities
  - India – Strong desire for food and retail brands
- **Hot Markets For Franchising in 2011**
  - South Africa, Turkey and Viet Nam

