



IFA Franchise Business Network

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An Insight On The Global Economy And Taking Your Franchise International

William Gabbard
Senior Director, EGS LLC



Our Agenda Today

- **Why Go Global With Your Franchise**
- **Preparing For Going Global**
- **How To Go Global Successfully**
- **International Development Options**
- **Where To Take Your Franchise And Factors To Consider**
- **Some Hot Franchising Markets**
- **Some Franchisor Results**
- **4 Hard Learned Lessons For Global Franchise Success**

Hot International Franchise Sectors

- **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**

The Strategic Benefits Of International Franchise Development

- *Makes you less dependent on the US market*
- New sources of initial fees, royalties and product sales
- Increases brand value for all stakeholders > a global brand
- New platform for business growth
- Sustainable, incremental and diversified
- Leverages your existing intellectual property and resources
- International image helps franchise sales in the US

International as a Growth Strategy

- International Business Development should be treated as a ***long-term strategic decision*** requiring planning and focused resources
- International Business Development requires an ***organizational commitment – from the top down***
- ***International Business Development is NOT a short term source of initial fees....there are associated short and long term expenses***

Important Questions To Ask

- **What do we offer to international prospects?**
- **Who are the best candidates?**
- **What are the best methods to use in terms of being in country vs. using a master franchisor?**
- **How will domestic growth be affected?**
- **How will qualified candidates be found?**
- **What regulatory mazes need navigation?**

Keys To 'Going Global' Successfully

Company sees International as a business growth strategy

A pro-active business plan

Trademarks

Strong training and support

Clear concept differentiation

Market and competitor research

Intranet as a 24/7/365 training and support tool



Internal Readiness For Going Global

- Commitment at the top
- Strategy & Plan
- Competitive advantage
- Success at home
- Well-documented training, support and marketing systems
- Intranet (365/24/7 support)
- System standards and reporting processes
- Market and competitor research
- Trademarks and other IP

External Readiness For Going Global

- **Market potential – for your specific franchise**
- **Types of markets / profiles**
- **Market analysis, competitor research**
- **Business & Cost metrics - measurement**
- **Ranking / prioritizing**

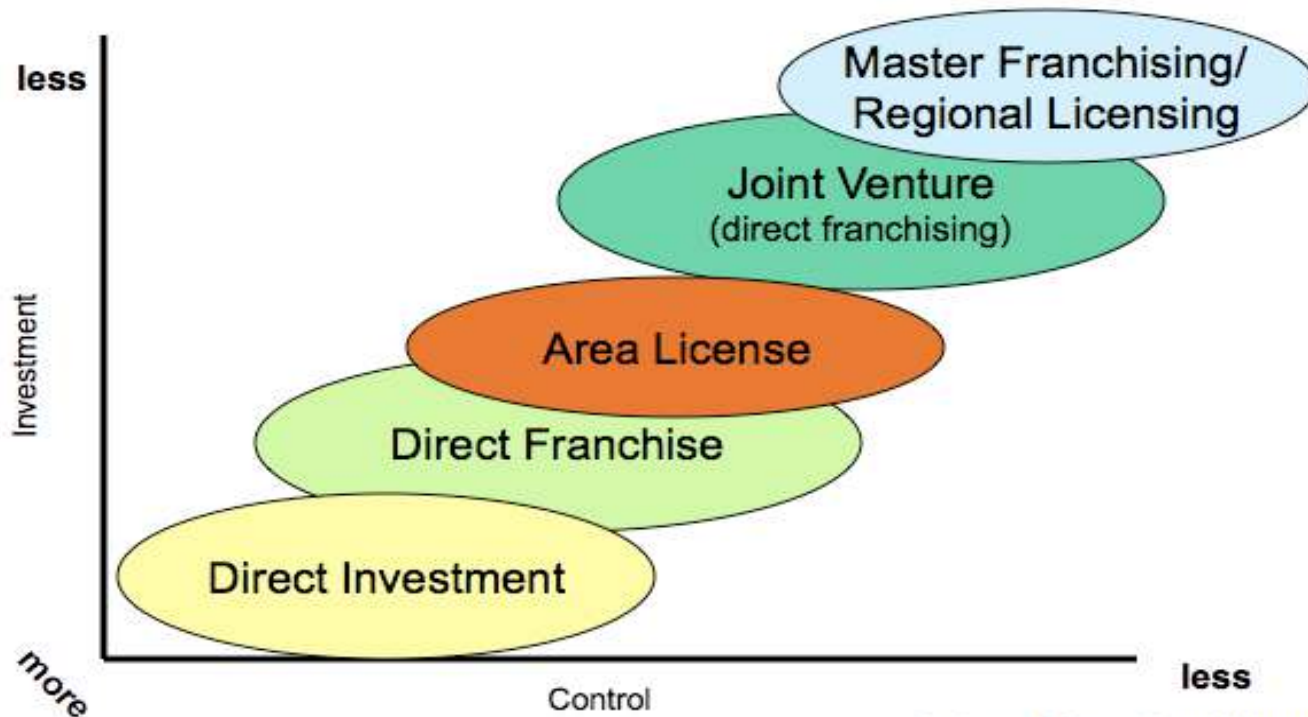
Timeline: Initial Contact To Licensee Start-up

International Development Activity	January	February	March	April	May	June	July	August	September	October	November	December	January	February
Master or Area Level Lead Received	█													
Follow-up Emails and/or Meeting Share information (CV/resume, company information) Share candidate and franchise financial information		█	█	█										
Discovery Day & Franchisee Visits Due Diligence by both franchisor and candidate				█	█	█								
Area or Master License Agreement Pay deposit Pay remainder of initial license fee					█	█	█	█						
Pre-training Support In-country supplier, staff and location evaluation Pre-training preparation								█	█	█				
Unit and Area/Master training at franchisor headquarters										█	█	█		
First unit start-up in-country Open first unit In-country start up training and support											█	█	█	
First Post-startup support visit														█
(If a food franchise, training at HQ is much longer)														

Developing Your Global Strategy

- **Budget for the first 3-5 years of Going Global**
- **Be realistic in your initial fee expectations**
- **Realize that initial fee revenues have some corresponding, associated expenses**
- **Be realistic in how many countries you can award and properly support**
- **Plan ahead for marketing, training and support costs**

International Franchise Development Models



Adapted from Kurt Ullman

Types of Development Models

- **Master Franchise - National (sub-franchising)**
- **Master Franchise - Regional (sub-franchising)**
- **Area Development (Multiple Units)**
- **Direct Unit Franchise (Single Unit)**
 - In-country (or region) subsidiary
 - From US headquarters
- **Joint Venture**
 - At Franchisor level
 - At Master or Area level (as the Licensee Entity)

Market and Licensee Profiles

- **Market Profile**
 - What market characteristics are best for your business, model and internal readiness?
- **Ideal Licensee Profile**
 - Who and what are you looking for?
 - Where are you likely to find them (marketing)

Common International License Financial Model Terms

- **Initial Area License or Master Franchise Fees**
- **Sub-franchise Fees – Shared 80/20 with minimum**
- **Royalties – Shared 80/20 (with monthly minimums)**
- **Technology Fees**
- **Marketing Fund / Fees**

Support Models and Considerations

- Initial and Ongoing Training Models
- Franchise Development
- Operations
- Technology
 - Websites, Intranet - 24/7/365, Urls, e-commerce
- Marketing
- Suppliers and Vendors
- Translations, Localization
- Advisory Councils

Factors Companies Should Consider When Deciding Which Countries To Franchise Into

- Rule of Law
- Country Stability
- Corruption
- Government Involvement
- Intellectual Property Protection
- Potential For Franchisor To Achieve An Acceptable ROI



The World Is Not Flat

- Culture - system of socially acquired values, beliefs, and rules of conduct which define accepted behaviors in a society
- **Cultural differences distinguish societies from one another.**
- Within societies ... demographics, organizations and individuals
- And the good news for International business development ...
 - Small world - easier to understand and capitalize on global markets
 - **And different cultures offer multiple marketing opportunities**

Catering to Local Tastes

- India - non-beef
- Middle East- Halal/Kosher
- Israel & Islam - no pork
- Caribbean - chicken
- Latinos - pollo (dark)
- Japan - low dairy & salt
- Europe - strong food cultures

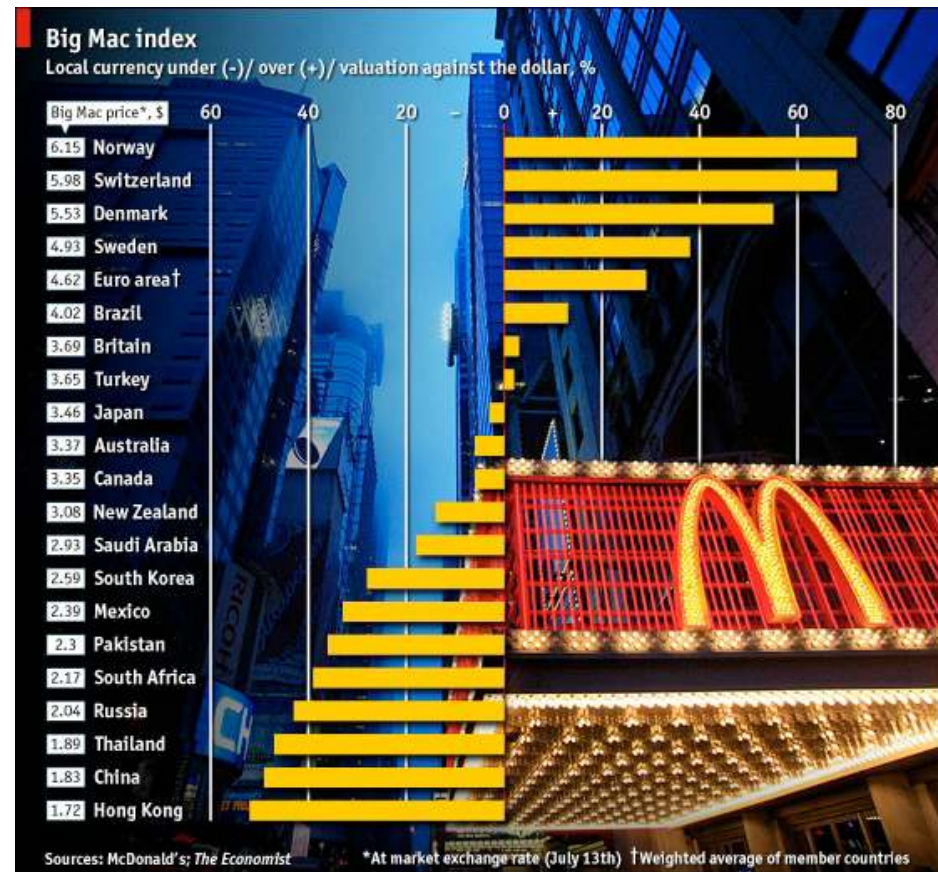


Some localization of the menu adds appeal and sales.

Big Mac Index – Mid 2009

The Big Mac Index compares the cost of doing business around the world

The Big Mac meal in China today costs \$1.83, compared with an average American price of \$3.57, 50% of the US price



'The Economist' – July 2009

Analysis of Markets For 2010 – GlobalVue™

Country Or Region	Expected 2010 GDP Growth %	Market Size	Ease Of Entry	Legal Concerns	Government Involvement	Weighted Ranking 2010 Proj.
Brazil	1	1	2	2	2	1.8
China	1	1	2	2	2	1.8
Mexico	1	1	2	2	2	1.8
Philippines	1	2	2	2	1	1.8
Singapore	1	4	1	1	1	1.8
South Africa	1	2	1	2	2	1.8
Thailand	1	2	2	2	1	1.8
India	1	1	3	2	3	2.2
Indonesia	1	1	2	3	3	2.2
Malaysia	1	2	3	2	3	2.4
United Kingdom	2	1	2	2	1	2.0
USA	2	1	1	2	2	2.0
Japan	2	1	2	2	2	2.2
Canada	2	2	2	2	2	2.4
France	2	1	3	2	2	2.4
Germany	2	1	3	2	2	2.4
Middle East Region/GCC	2	2	2	2	2	2.4
Australia	2	2	3	2	2	2.6
South Korea	2	2	2	2	3	2.6
Poland	2	2	2	3	3	2.8
Russia	2	2	3	4	3	3.2
Turkey	3	2	1	2	1	2.4
Italy	3	2	2	2	2	2.8
Spain	4	1	2	2	2	3.0

Rankings: 1 is best, 2.5 is good, 4 is worst



Countries With Franchise Disclosure/ Registration Laws

- Australia
- Belgium
- Brazil
- Canada (Alberta, New Brunswick, Prince Edward Island and Ontario)
- China
- France
- Indonesia
- Italy
- Japan
- Kazakhstan
- Lithuania
- Malaysia
- Mexico
- Romania
- Russia
- Spain
- South Korea
- Sweden
- Taiwan
- Venezuela
- Vietnam

Hot Franchise Markets For 2010/2011

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

China: Land of Opportunity and Diversity

Many markets and cultures in one country

By 2010, 40 million Chinese households will have the purchasing-power parity of a middle class US family

Higher income urbanites look for foreign brands with more convenience and higher quality than local brands



China – Opportunities And Challenges

Opportunities

- WTO being slowly implemented
- Consumer Class growing very fast
- Western brands are highly regarded
- 2nd tier cities open to franchising

Challenges

- IP still a problem, but some positive results
- Due diligence is a major challenge
- WTO not being fully implemented or quickly implemented
- Size and economic diversity of the country

Brazil – A 1st World And Emerging Market



180+ million people

~50 million in 4 major metro areas

High GDP growth and inflation

Very rapidly growing middle class
with discretionary income

Strong internal growth engine, not
focused on exports

Franchising is a well accepted
business model

Well established, if somewhat
tedious licensing laws

India – Diverse & Aspirational



- 1.15 billion population
- 250 million middle class consumers
- 80 million Internet users
- Strong cultural focus on education, professional and financial achievements
- Some government regulatory challenges to licensing

Indian Market - 2010

- Economic growth of 6+ %
- Two largest banks reported profit growth
- Approx. 900 malls under development
- 250 million Middle Class
- Younger generation comfortable buying on credit
- World's 12th largest economy





Licensing Mr. Handyman Globally

“Extending operations internationally means careful planning, choosing the right partners and observing cultural and language traditions”

Todd Recknagel, CEO, Mr. Handyman®



- **Abrakadoodle® is the US leader in creative art education, offering imaginative classes in painting, sculpting, digital design, collage, mosaics, drawing, and more 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 1000 courses available to franchisees, Abrakadoodle® emphasizes that the arts play a central role in cognitive, motor, language, and social-emotional development of children**
- **Market research showed parents in Asia are beginning to 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.**

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

Bottom Line: The Keys To Global Success Based On Hard Learned Lessons

- **International development is a strategic business direction for a franchisor, not a short term source of initial license fees**
- **Your international business model must have clear differentiation in the market place**
- **Select countries where you have a good chance of making a good rate of return**
- **Take time to find, fully evaluate and sign the right area or master franchisees**