

A Relationship Business

Finding the right fit with international franchisees

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Expanding your franchise internationally is an exciting growth opportunity, but it also presents challenges, like cultural differences, language barriers, and varying business practices. One of the most critical steps in global expansion is finding qualified franchisees and building strong relationships with them from the start. The success of your franchise in a new country largely depends on whom you choose to represent your brand.

IDEAL LICENSEE

When your business enters a new country, the franchisee becomes the face of your brand, adapting it to local tastes and driving market development. Selecting the right partner is as crucial as having a solid business model. A strong partnership with the right franchisee is a key asset for a smooth and successful market entry as well as growth of units and the resulting fees and royalties over time.

Many brands start their international expansion reactively, responding to the first inbound lead rather than taking a strategic approach. While it may be tempting to jump at early opportunities, this often leads to mismatched partners and underperforming markets, and that means lower fees and royalties over time. Our experience shows that successful international franchising requires a thoughtful strategy that carefully selects partners aligned with the brand's goals, resources, and cultural fit.

To ensure you're targeting the right candidates, define the profile of your ideal international licensee. Look for franchisees who have the financial capacity and infrastructure to open multiple locations and understand your business, and they should be committed to your brand values.

Key characteristics of a strong international franchisee include:

- **Passion for your brand.** Ideal franchisees are financially capable and genuinely enthusiastic about your business. They understand your product or service and are motivated to bring it to a new market. Their passion for the brand will help when there are challenges over time.
- **Business acumen.** A successful business background is crucial to navigating the complexities of running a franchise in a new market.
- **Strong reputation.** Your franchisee should have a solid local reputation and network to help build your brand. They become your brand in their country.
- **Experienced management.** They should have, or be able to build, a skilled management team to execute your business model. They should have senior staff members who speak English so that they can interface successfully with your staff.
- **Real estate access.** Finding prime locations is vital for success, and the franchisee should have access to suitable properties.
- **Marketing orientation.** Franchisees must understand local marketing trends and be capable of launching successful campaigns.
- **Sufficient capital.** Expanding into new countries requires significant financial resources. The franchisee must have the funds to support both the start-up and long-term growth of your brand—not just the initial country franchise fee.

QUALIFIED FRANCHISEES

Finding the right international franchisees requires a strategic approach. Many countries lack the franchise ecosystems that exist in the U.S., so it's essential to adapt your domestic strategy to the realities of your target international markets. Here are some effective ways to locate potential international franchisees:



- Internationalize your website and add a dedicated international franchise section.
- Use consultants with global reach and proven experience.
- Network at franchise and industry events, trade shows, and on franchise trade missions.
- Engage with your vendors and existing franchisees for leads.
- Proactively approach companies in your target countries that fit your franchisee profile.
- For U.S. companies, leverage the U.S. Commercial Service post in your chosen countries.

DUE DILIGENCE

Evaluating a franchisee's financial and business qualifications helps ensure a long-term partnership that leads to success. Key elements of the due diligence process include:

- **Financial evaluation.** Review the candidate's financial statements to ensure they have the resources to support both initial setup and long-term growth.
- **Business plan.** The franchisee should submit a detailed plan outlining their strategy for marketing and operating your

brand in the local market, including real estate needs and development timelines.

- **Background checks.** Verify the candidate's business history and conduct background checks to assess their reputation. This goes for both the company and the senior executives of the company. A good source of information is the U.S. Office of Foreign Assets Control (ofac.treasury.gov).
- **References.** Speak with personal and professional references to gauge the candidate's reliability and work ethic. Where their money comes from is a key measure.
- **Confidentiality agreements.** Ensure all relevant information has been disclosed in both application and confidentiality documents.

Pro tip: Make sure the financial qualifications of the franchisee are tied directly to the licensing agreement either through personal or business guarantees.

FROM THE START

Alongside due diligence, it's important to provide candidates with clear, transparent information. Both the franchisor and prospective franchisee should evaluate whether they are a good match.

Top-quality candidates want to know about brand strength, growth potential, investment and ongoing costs, training and support for international markets, and how adaptable the brand is to local customs. They also want to know how successful the franchise has been in its home country and other countries.

Today, virtual communication combined with in-person meetings is a best practice for building strong relationships. A comprehensive due diligence process and relationship-focused approach enable both parties to focus on growing the brand and achieving long-term success. But do not forget the very important visit to the candidate's country to see their market and current business operations and to meet the people you will be working with.

THE RIGHT PARTNER

The most important factor in the success of your brand in a new country is choosing the right local partner. This was a recurring theme in all the interviews we have done with international franchise experts, which will be highlighted in our upcoming book, *Brand Global, Own Local: The Art of International Franchising* (visit www.brandglobalownlocal.com). Too often, franchisors base their decisions on a candidate's willingness to pay the franchise fee, rather than conducting thorough, mutual due diligence.

By following these best practices—carefully selecting franchisees, conducting thorough evaluations, and building strong relationships—you can lay a solid foundation for international success. Clear communication, transparency, and ongoing support are key to ensuring your franchisees succeed and remain committed to growing your brand in new markets. ■

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