What We Will Address Today

- Credibility Slide
- Uncertainty & Change
- What type franchises are desired today
- Why people in other countries want our franchises
- Seeking international licensees
- Factors to consider
- Global Data
- Country Analysis
- Cultural impact on success
- Information Sources
- 3 Keys To Successful International Franchise Development
Credibility Slide – Who We Are

William Edwards

- 42 years of international experience, lived in 7 countries and managed projects in 68 countries, including 5 start-ups
- Master Franchisee of a US service franchise in 5 countries
- SVP International Operations & Development for AlphaGraphics®
- Member of the IFA International Leadership Council, the ICFE Board of Governors and the Board of Trustees of the IFA Franchise Education and Research Foundation

Edwards Global Services, Inc. (EGS)

- 2011 & 2015 U.S. Presidential Awards for Excellence In Exporting
- Track record of taking diverse US brands into the countries with the best ROI potential
- ‘Going Global’ processes, trademarked planning, analysis, research, financial and marketing tools
- Our Associate & Advisor network based on the ground in 35 countries

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Global Economic Policy Uncertainty Index

Global EPU Index, January 1997 to November 2016

Using data for 17 countries that account for 2/3 of global GDP

Notes: Global EPU calculated as the GDP-weighted average of monthly EPU index values for US, Canada, Brazil, Chile, UK, Germany, Italy, Spain, France, Netherlands, Russia, India, China, South Korea, Japan, Ireland, and Australia, using GDP data from the IMF’s World Economic Outlook Database. National EPU index values are from www.PolicyUncertainty.com and Baker, Bloom and Davis (2016). Each national EPU Index is renormalized to a mean of 100 from 1997 to 2015 before calculating the Global EPU Index.

For myself I am an optimist - it does not seem to be much use being anything else.
Sir Winston Churchill, speech at the Lord Mayor’s banquet, London, November 9, 1954
Change from Early 2016

- Brexit – And its possible impact not on only the UK but all of the EU
- US Elections – Sea change from the old Washington establishment and focus on free trade to a focus on fair trade and bilateral trade agreements
- Populism and nationalism in Asia, Europe, USA – Netherlands? France?
- China Impact – In the South China Sea, trade agreements and flexing its business muscle elsewhere
- Latin America – Growth shift from Brazil and Chile to Argentina
- Globalism/Globalization – In retreat? Unequal gains over time
- ’The Economist’ “The World In 2017” book was published before 11/8/16
- Eventual pragmatism after the initial shock and awe of 11/8/16
What Type Of Franchises Does The World Want Today?

- **Education** – Children's, management, coaching
- **Commercial Services** - Business services, facilities management, financial, cleaning, handyman, security
- **Personal Services** – Handyman, maid, mobile, senior care, personal care, fitness
- **Retail** – Special clothing brands, theme brands
- **Food** - Well known food brands, pizza, coffee, burgers, healthy food brands, specialty food brands

The Most Desired Franchises
Why Franchise Brands Are Attractive To Buyers In Other Countries

✔ Brands
✔ Quality
✔ Convenience
✔ Customer Service

The best franchises have a systematic and reproducible approach to doing business that is world class and can consistently produce good margins.
To ‘Go Global’ Successfully Today, Franchises Must Have These Qualities

A pro-active plan for entering other countries

An excellent record of success in their country

Strong unit business earnings results
Consistent unit growth with few, if any, closures
Proven margins despite a high level of competition

Strong training, support, marketing and Intranet resources

A financial model that offers licensees the potential for a good return on investment
What To Seek In An International Licensee

A passion for and understanding of your business
A successful business with knowledge in your sector
Good reputation in the country
Experienced management to put into the business
Access to suitable real estate
Marketing oriented company
Capital to start and grow your business in their country

Finding potential licensees with good management resources is difficult
What Will International Licensee Candidates Want To Know About Your Franchise?

• Your unit economics and development track record
• Your ability to train and support them
• The business experience of the senior team at your business
• The difference between your specific brand and others in the sector, especially in their country
• Intranet, training, support, business management tools
• The systems that lets your business succeed on a unit and franchisor level
• Can your business produce an acceptable ROI for their investment?
International Expansion Options Though Licensing

- Direct Investment
- Direct Franchise
- Joint Venture
- Area License
- Master Franchising

Adapted from Kurt Ullman

F&B franchises

Sign-A-Rama® in Australia

McDonald's®

Service franchises
Factors To Consider When Deciding Which Countries To Take Your Franchise Into

- Rule of Law
- Country Stability
- Intellectual Property Protection
- Good GDP Growth = Investors
- Consumer market size
- Culture – business & personal
- Ability to get paid in a timely manner
- Potential to Achieve An Acceptable ROI
Market Selection & Analysis Factors

- **Rule of Law** – Will you be able to enforce the terms of your agreement and get back the rights to your brand if there is a problem with the licensee?

- **Country Stability** – Are the politics and economics of the country stable so that a development plan can be realized?

- **IP Protection** – Will your franchise logo and other intellectual property be protected and remain the sole property of your franchise?
Good Annual GDP Growth = Investors – A World Bank study showed that if there is real annual Gross Domestic Product (GDP) growth of 4% or more there will be considerable new business development in a country

Your Consumer Market Size – Is there a sufficient consumer base who can and will want to pay for the products and/or services of your franchise?

Culture – Will your product and/or service be acceptable in the country or will substantial adaptation be needed?

Ability To Get Paid – Will you be able to get paid initial and ongoing fees and royalties in a timely manner?
The Potential For You To Achieve An Acceptable ROI

- The goal always is to receive an acceptable Rate Of Return (ROI) on the investment your franchise makes in a new country.

- You will make considerable investment in the new country also:
  - Trademark filings
  - Legal costs to create an agreement enforceable in the specific country
  - Technology adaptation – web-based business management, Intranet
  - New licensee training costs in your country and in their country at startup
  - Travel and staff costs to start up and grow the business in a country

- Plan for all costs and projected fee and royalty revenue using a unit, licensee and franchisor level financial model by country.
US$41 trillion in Asia Pacific, US$21 trillion in all of Europe, US$20 trillion in India and the ME
3 changes in country risk ratings
4th Quarter 2016

1. country with upgraded rating
   Iceland
   C3 → B2

2. countries with downgraded ratings
   Mozambique
   C3 → D4
   Angola
   C3 → D8

Source: Euler Hermes, as of December 10, 2016

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Democracy around the regions in 2016

The developed OECD countries of Europe dominate among the world’s “full democracies”; there are the two Australasian countries (but no Asian ones), one Latin American country (Uruguay) and one African country (Mauritius). The almost complete predominance of OECD countries among those ranked as “full democracies” suggests that level of economic development is a significant, if not a binding, constraint on democratic development. “Flawed democracies” are concentrated in Latin
CORRUPTION PERCEPTIONS INDEX 2016

www.transparency.org
EGS 2017 New Franchise Investment Ranking Map

Green = High New Franchise Development
Yellow = Moderate New Franchise Development
Light Red = Low New Franchise Development
Light Blue = Very Little New Franchise Development
Tan = Not A Current New Franchise Country

February 28, 2016
GlobalVue™ - Sorted On Projected Annual GDP Growth

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<th>Countries/Regions</th>
<th>Projected 2017 GDP Growth</th>
<th>Market Size (Customers)</th>
<th>Legal Concerns For Intl. Brands</th>
<th>Ease Of Intl. Intl Brand Entry</th>
<th>Corruption Index</th>
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**EGS Client GlobalVue™ Sorted On A Country’s Overall Ranking As A Place To Do Business Today**

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</table>

‘1’ Is Best, ‘4’ Is Worst
The GlobalVue™ Categories

Projected 2017 GDP Growth
2017 GDP growth projections are an average of rankings from 10 sources

Market Size (Customers)
A measure of the middle, upper middle and upper class consumers in a country

Legal Concerns for Intl Brands
'1' means low IP and legal risk. '4' means little chance of controlling the brand if problems

Ease of International Brand Entry
How open a country is to international brands

Corruption Index
Transparency International Index. The larger the number the harder it is to do business

Political Meltdowns
Stability of the political system, presence of democracy, level of regulation

Economic Disasters
This is an average of research from 10+/- sources

Investment Risk Level
Ability to get cash out, make an acceptable ROI, treatment of foreign companies vs. locals


GlobalVue™ has been published quarterly since 2001
Cultural Competence:
To succeed abroad, learn—and respect—differences

• “Culture illustrates the accepted norms, values and traditional behavior of a group... ‘the way we do things around here.’ The culture of each country has its own beliefs, values, and activities.”

• While business processes may be flattening around the world, cultures are not. To succeed in global business you must add the cultural factor to your approach to people and companies. Ignore the local way of doing business and you will fail.

• **Linear Culture** – aggressive, time is money, task-focused, individualistic, the “John Wayne” approach (North America, Australia, and Northern Europe)

• **Multi-active Culture** – relationship comes first and before business, top-heavy hierarchy, only meet with decision-makers (Mediterranean, Latin America, Middle East, and India); and

• **Reactive Culture** – relationships first, quiet nodding (nodding simply means they may understand what you are saying, not that they are agreeing with you), listeners, group decisions (Asia, except India.)
Information Sources

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http://www.thebfa.org  The British Franchise Association
http://www.doingbusiness.org/rankings  Ease Of Doing Business Index
www.euromonitor.com
www.eulerhermes.com  Country Risk Map
www.worldatlas.com
www.fraserinstitute.ca  Economic Freedom Index
www.transparency.org  Country Corruption Index
www.economist.com  ‘The Economist’
www.eiu.com  Economist Intelligence Unit
www.ft.com  ‘Financial Times’

“Kiss, Bow, or Shake Hands” by Terri Morrison et al - The business culture and practice reference for international business
The Keys To Successful International Franchise Development

• Focus on countries that have the highest ROI for your franchise
• Determine the level of investment risk your franchise finds comfortable
• Find and use the best and most cost effective international development resources
• Find the right licensees to build a long term revenue stream for your franchise

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