The Commitment is Made
What are the First Key Areas that Must be Managed

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2/25/07 9am-12pm
What Should Be in Place Before Going International

• A passion/vision from the CEO/Board to go international
• Think long-term
• Successful profitable operations and franchisees in home market
What Should Be in Place Before Going International

• An initial reality check
  – Does your Brand translate/exportable to global markets
  – Is your system sufficiently bug-free in home-country, mature
  – Have you enough home-country market share
  – Can you take key executives out of home-country business
  – Can you fund international expansion and how
What Should Be in Place Before Going International

- First Steps
  - Appoint internal executive as global champion & dedicate to project fulltime
  - What skills/style does this executive need
  - Ensure you do not distract other executives/staff from local focus
  - Be ready to answer concerns from local franchisees re loss of your focus/support. How / When to announce it to franchisees
  - Research and appoint an experienced consultancy with global positive track record
  - Conduct a day/s lock up with senior executives & consultancy & list all issues by department into project planner
  - Develop an international business plan-in detail
  - Adjust home market policies and procedures to international expansion markets.
Where to go for Research and Country Data

• Attend Franchise expos in key markets & “talk” to locals
  – *USA- Washington DC, Miami, Los Angeles
  – Greece, *Mexico, *UAE, *India, Australia, *France, Great Britain (London and Birmingham), Spain (Milan and Valencia), Italy, Argentina, Panama, Indonesia, *Canada, Brazil, Philippines, Malaysia, *Singapore, Australia, Italy, *China (Beijing, Shanghai and Guangzhou)
  • * Endorsed by IFA

• Trade Missions
Country Specific Franchise Associations

- Thirty Six International Associations are Listed in the IFA Franchise Opportunities Guide
- Visit the web sites and speak directly to the association
- Attend local association conventions
- Speak with members of the local associations
Professionals/Others

- Lawyers
- Accountants
- Bankers
- Consultants
- College Universities, Libraries
- Chamber of commerce
Government Agencies

• Home Country export assistance agencies
  – Conduct local research on your behalf
  – Provide local offices/ facilities for interviews
  – Arranging local meetings with prospects
  – Conducting visits/conventions/expos
  – trade delegations for country Hosting co-operative exhibition booths at exhibitions
  – Assistance with overseas investments. U.S. overseas-private investment co
  – Financial assistance
Government Agencies

- U.S. Department of Commerce
  - www.export.gov
  - Country Commercial guides
  - Industry specific reports-best Prospects
  - Export counseling
  - Franchise Partner search program
  - Data base of potential franchise investors
  - Single company promotions
  - Trade missions
  - Trade events-participate inU.S.A. pavilions
  - International seminars
  - Show time
  - Product literature centers
  - Regional assessment
  - Target feedback and advice
  - Assistance in prioritizing markets based on findings
  - Insight into local regulations and standards
Government Agencies

– Secondary research
  • World Bank- www.doingbusiness.org
  • Economist Intelligence Unit-www.eiu.com
Government Agencies

• Target countries
  – Most countries have some agency to assist bringing into country new economic growth opportunities
Being Creative

- Trade industries in local countries
  - Websites, exhibitions, conventions
  - Suppliers both local specific and international
  - Franchisors who have entered target countries cross border
  - Direct competitors
How to Determine Which Countries Should Be Targeted

- What if no similar businesses in target market
  - Consider the cost of a trial operation and creating market awareness
- Competitors
  - Are there competitors in the market already
  - How strong are the competitors
  - What market share do they have
  - Are they franchised, company operations, buying groups, co-op
How to Determine Which Countries Should Be Targeted

- Franchise receptive
  - How advanced is franchising in the target market
  - How difficult will it be to grant new franchises-Master-Developer-Individual
  - What price can you get for granting a franchise (Remember currency exchange)
  - How ‘franchise friendly’ & compliance costly is the legal procedures
How to Determine Which Countries Should Be Targeted

• Suppliers
  – Are the wholesale products (Raw materials) available locally
  – What are supplier buy prices and gross profit margins

• Pricing
  – What retail prices can be achieved
How to Determine Which Countries Should Be Targeted

• Other key target selection factors
  – Distance from home country
  – Language
  – Culture
  – Employee availability
  – Country economic development
    • Developed countries
    • Developing countries
    • Emerging markets
How to Determine Which Countries Should Be Targeted

• Market potential assessment (ROI Expectations)
  – Estimated market size and growth
  – Market fit/transferability
  – Demographics
  – Purchasing power
  – Consumer buying behavior
  – Market prices Labor cost & Supply
  – Real estate
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<th>Country</th>
<th>World Bank/IFC Study</th>
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<th>Fraser Institute Index</th>
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Rankings: "1" is Best, "2.5" is Good, "4" is Worst

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Tax Issues

- Have tax advice from knowledgeable international tax advisors
- Reciprocity treaties with home country - double taxation
- Repatriation of funds
- Currency exchange rates
- Income tax rates
- Employee taxes and social charges - affect on pricing
- Exchange control that can limit amount of franchise fees
Tax Issues

- Sales Taxes
- Excise and duty taxes
- Withholding taxes affect on cash flow
- Property taxes-affect on location cost
- Variation in accounting and reporting systems
- Can franchise fees be deducted for tax purposes by franchisee?
- Where incorporated
Legal Issues

- Have a legal advisor with international knowledge
- Have a target market legal advisor who works with your home legal advisor
- Manage professional costs closely
- Type of market penetration: company operations, master franchisor, area developer, joint venture
- Corporate structure
  - Separate from home country
  - Subsidiary
  - Where incorporated – Legal and Tax ramifications
Legal Issues

- Intellectual property protection
  - Trade marks
  - Company name registration
  - Business name registration
  - Domain name/s registration
- Comply with local industry regulatory requirements
Legal Issues Check List

• Distribution laws
• Sources of raw material allowed
• Legality of your services or product offerings
• Name translation
• Disclosure and franchise laws
• Rules for advertising franchises
• Granting of franchise regulations
• Restriction on ownership
• Trade mark regulations
• Technology transfer / foreign investment
Legal Issues Check List

• Different laws in parts of a country
• Government control over franchising
• Franchisee independent contractor/Employee
• Government attitude
• Competition laws-in term-post term
• Intellectual and industrial property laws
• Copyright laws
• Corporate laws type of organization
• Special industry laws
• Funds exchange laws
Legal Issues Check List

- Limitation on royalties / fees
- Zoning and planning laws
- Employment laws
- Excise and duty regulations
- Import /export controls
- Anti trust regulations
International Operational Issues

- Franchise structure
- Responsibility of parties
  - Legal
  - Operational
- Level of investment required
- Flow of various fees between parties.
  - Franchise fees
  - Royalties
  - Advertising
  - Product purchases
- Develop profile(s) of ideal franchise candidate
  - Recruitment techniques
- Suppliers
  - Raw material
  - Shop fit
  - Business services
- IT support
International Operational Issues

• Support staff
  – In market
    • Recruited locally
  – Transfer home market
  – From home country
    • Visas
    • Accommodations
    • Culture training
    • Language
• Time differences for support
• Reporting requirements
International Operational Issues

- Lead generation
  - Advertising
  - Targeted research
  - Websites
  - Trade shows
  - Professionals
  - Government agencies
International Operational Issues

• Training
  – How to overcome language/translation issues
  – Legal documents
  – Recruitment
  – Training
  – Marketing
  – Manuals
International Operational Issues

• Training
  – Where do you train new franchisees
  – Who pays for training
  – On going training programs
    • Who pays
    • Where
  – IT training
  – Training meets market government regulations
International Operational Issues

- Culture
  - Recruitment
  - Marketing
- Appoint local marketing and public relations companies to adjust your proven methods to local market and culture
GO INTERNATIONAL FOR RIGHT REASON

• Fill a need in local market
• Build upon your successful home operations