Am I Ready for International Expansion?

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Master Franchisee of Krispy Kreme Doughnuts in the Philippines
History of Max’s in International Expansion

• Motivating Factors
  – The growing number of Filipinos in the USA prompted Max’s to consider expansion opportunities in the USA.
  – Political environment: Death of Ninoy Aquino 1983 which started the “people power” in 1986
History

- **1982**: Max’s San Francisco opened in West Borough and moved to South San Francisco in 1998.

- **1984**: Max’s Los Angeles opened in Wilshire Blvd. and moved to Glendale in 1994.

- **1988**: Max’s San Diego opened in National City and closed in 2003.*

- **1990**: Max’s Cerritos opened and in 1999 the property was sold.

*Lack of management support and local knowledge
Lessons Learned

• **How to deal with local Authorities**
  – City requirements
  – Health Department
  – Community Relations

• **Investment Cost**
  – Study Investment Well
  – Financial matrix in the Phils. may not apply
Lessons Learned

- **Insurance**
  - High Insurance cost
  - Workman’s Compensation

- **Turnover**
  - High turnover of personnel for both skilled & non skilled

- **Immigration**
  - Management
  - Skilled personnel
Am I Ready?

• Areas of Consideration:
  – How strong is your brand locally and internationally?
  – Max’s strategy was and still is to target big Filipino markets in the USA (as of 2004, 3.6 m Filipinos, 60% in Ca.) since we already have existing stores and somewhat familiar with the market
Am I Ready?

– Maximize the recognized brand name of Max’s with Filipino Americans (FilAm) which will help introduce our brand to the mainstream market.
Was Max’s Ready?

- With 20 years of experience and store operations in the USA, Max’s decided to franchise in 2003
What Did We Do?

- Prepared a feasibility study & Business Plan on Franchising in the US in 2000
- Looked for experts and consultants: Francorp and Cencir
What Did We Do?

- Decided on Joint Development Franchise Agreement & Area Development
  - Lack of organization & personnel due to immigration concerns
What Did We Do?

- Found right local partners/franchisees
  - Shared vision and desire for success
  - Access to local market knowledge, resources, network, and organization.
Was Max’s Ready?

- In 2003: Max’s West Covina
- In 2003: Max’s Vallejo
- In 2004: Max’s Sacramento
- In 2006: Max’s Hawaii
- In 2007: Max’s Las Vegas
- In 2007: Max’s New Jersey
Examine Internal Conditions
From Dr. Bob Justis

• MANAGEMENT DECISION
  – Readiness and commitment to go international
  – Appropriate commercial method to use
  – Training of an international management team
  – Appropriate business plan and an export strategy
Examine Internal Conditions

- **MARKETING (Key)**
  - Adequate market research to identify prime markets
  - Acceptability of product or service.
  - Customization of products or services.
  - Appropriate marketing programs for the foreign market
Examine Internal Conditions

• FINANCIAL
  – Financial capacity to invest in international operations.
  – Availability of and access to financing and bank loans in the foreign country.
Examine Internal Conditions

• OPERATIONS
  – Production, logistics and inventory management issues
  – Distribution network
  – Partnerships with relevant suppliers
  – Determine if there is a need to set up an overseas office.
Examine Internal Conditions

• PROFITABILITY AND LONGEVITY OF INT’L OPERATIONS
  – Calculate sales and profit potential
  – Determine expense & cost estimates
  – Assess potential return of investment
Analyze External Environment

- **LEGAL AND TRADE ISSUES**
  - Government requirements (foreign ownership, trademark licenses, competition provisions)
  - Currency and remittance (conversion rates and procedure for remittance)
  - Supply and distribution (product availability, import restrictions, distribution network)
  - Fees (type of fees, taxes)
Analyze External Environment

• LEGAL AND TRADE ISSUES
  – Immigration Concerns (It is important to look for a reputable law firm in the host country to help you on this).
Am I ready?
Analyze External Environment

- ECONOMIC CONSIDERATIONS
  - Level of disposable income
  - Industrial structure
  - Political environment
Analyze External Environment

• MARKET PROFILE
  – Current market potential
  – Target market
  – Future market
What structure is best

- Direct Investment: Establish company-owned outlets
- Master franchise agreement
- Joint development agreement
- Joint venture agreement
- Licensing
What structure is best

- Direct franchising
  - Direct unit franchising
  - The establishment of a branch office or a foreign subsidiary
  - Development agreements

* A Consultant will provide the best help for your brand. It will cost money but based on experience, it is well worth it.
How and When to adapt?

- IDENTIFY TARGET MARKET
  - Cater to a niche market
  - Go for the Mainstream market
How and When to adapt?

- KNOW AND STUDY THE MARKET
  - Size, Demographics & Demand
  - Lifestyle & Trends
  - Culture
How and When to adapt?

- DETERMINE PRODUCT STRATEGIES
  
  *(Know the taste & preferences of your target market)*

- Product line
  - Offer the same product
  - Modify and localize products
  - Introduce new products
- Menu portioning
- Product design or packaging
How and When to Adapt?

• CHANGE PRICING STRUCTURE
  – Consider cost of operations, shipping costs and export-related fees.
  – Check out competitors’ prices
How and When to Adapt?

- ESTABLISH BRAND PRESENCE IN THE MARKET
  - Get the best sites/locations
  - Put more outlets to build a strong brand name
  - Create marketing and promotional activities
How and When to Adapt?

– Check out existing competitors’ profile
– Find & get the right local partner with knowledge and skills. Ask to present a business model.
– Consult with the affiliated franchise association of the country
– Seek consultants’ advice and expertise
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Thank You!

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The Real American Doughnut Company