I Know Where I Want to Go, But How Do I Get There?

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Why Expand Internationally?

*Counsel of Perfection:*
- Add new revenues
- Build more brand value
- Reduce dependence on single market
- Leverage on existing resources
Why Expand Internationally?

*The Reality:*
- Bragging rights
- Approached by a wealthy prospect
- Easy money
- The competition is doing it
Am I Ready?

_Counsel of Perfection:_

- Home market is nearing saturation
- Expert in the business and in franchising
- I have the people
- I have the capital
Am I Ready?

*The Reality:*

- Domestic market partially developed
- No experience in master or territorial franchising
- Limited human resources
- Unrealistic capital expectations
What Do I need?

*Counsel of Perfection:*

- A plan
- Market studies
- Adaptation for local conditions
- Sufficient capital
- The right people
What Do I need?

The Reality:
- No formalized planning process
- Anecdotal market information
- A belief that what works at home will work elsewhere
- Unrealistic expectations about capital needs
- Naïve about capabilities of people
Planning

_Counsel of Perfection:_
- Hire an outside professional facilitator
- Devote sufficient internal resources
- Allow enough lead time
- Get buy in from everyone
- Follow the plan
- Adapt the plan
Planning

The Reality:

- Assumptions drive the process
- Chief multitasker given the assignment
- Planning tools and resources scarce
- Only leaders know the plan
- Too little time to plan
Market Studies

*Counsel of Perfection:*
- Quantitative and in depth
- Across a number of markets for comparison
- Directs which country when
- Leads to adaptation of the business model
Market Studies

*The Reality:*

- Limited or left to franchisee
- Market chosen before investigation
- No adaptation of business model
Choosing the Vehicle

*Counsel of Perfection:*

- All options should be considered
  - Direct units, development, master, joint venture acquisition and agent
- Choice should be based on long term plan
- Capital relevant but not determinate
- All factors need to be considered
Choosing the Vehicle

*The Reality:*

- Speed kills
- Cannot support chosen vehicle
- Master franchising can be the best or the worst
- Grant too large a territory
Choosing the Franchisee

*Counsel of Perfection:*

- Travel
- Investigation
- Knowledge
- Time
- Patience
Choosing the Franchisee

The Reality:

- React only when approached
- A check and a pulse
- Little knowledge of local business practices
Pricing the Opportunity

_Counsel of Perfection:_

- Knowledge about return on investment in market
- Comparative pricing
Pricing the Opportunity

*The Reality:*

- Take what you can get
- Under charging
Important Deal Points

- Rights –given – reserved
- Size of Territory
- Franchise Fee (initial)
- Term and renewals
- Parallel distribution
- Performance criteria
- Division of fees to unit franchisees
- Selection of locations and unit franchisees
Okay, Now Where Do We Franchise?

<table>
<thead>
<tr>
<th>Country</th>
<th>World Bank/IFC Study</th>
<th>Transparency Index</th>
<th>Fraser Institute Index</th>
<th>Heritage/WSJ Index</th>
<th>Legal Concerns</th>
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A ranking of ‘1’ is best, a ‘2.5’ is good and ‘4’ is worst