

IFA INTERNATIONAL
FRANCHISE
ASSOCIATION

**Fortune
from
Fortitude:**

Strategies for Supply Chain
Resilience

IFA 26
LEGAL

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Speakers

- **Jacob D. Erhard**
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Restaurant Services, Inc.
- **Ryan M. Gallagher**
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- **Betsy C. Griswold**
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IHG Hotels & Resorts

Moderator & Speaker

- **Samuel Gray**
General Counsel
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Goals & Takeaways

Help you (or your clients) **prepare for** and **successfully manage** major supply chain disruptions

Preparedness

- Contracting
- Governance
- Playbooks
- Building relationships

Execution in crisis

- Organizations built to act
- Draw on relationship capital
- Strategic use of enforcement mechanisms

Franchise brands
win because they
deliver
predictable,
safe, and
consistent
offerings.



Consistency
and
resilience
are tied together



Critical Importance of Supply Chain Resilience

1 Increasing frequency of **global crises**

Tariffs
Trade wars
Geopolitical instability
Shipping and freight
Constraints
Pandemic
Extreme weather



2 Complexity of **modern franchise systems**

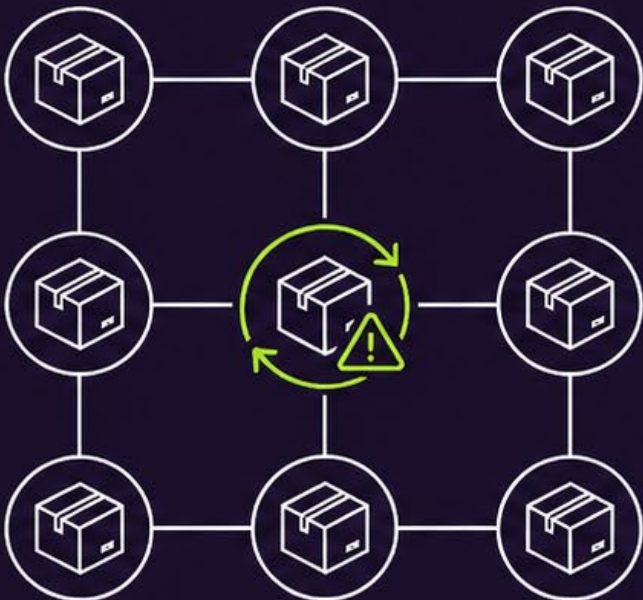
Large multi-brand, multi-market, multi-supplier systems create more interconnected points of supply chain failure



Three Key Crises & Legal Friction Points

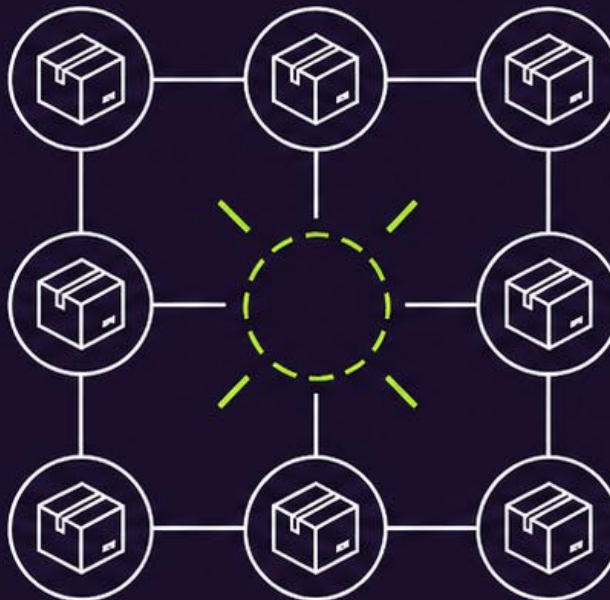
1 Bad Product

Recall authority, warranties, indemnity, insurance



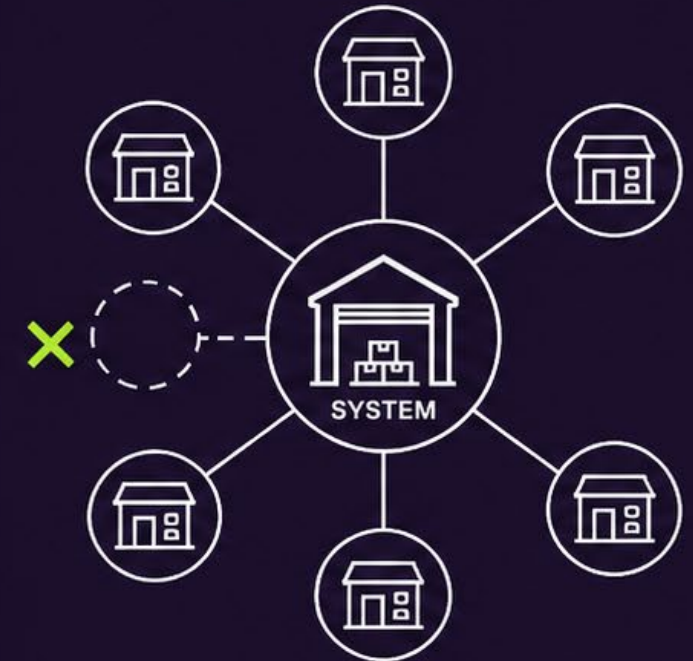
2 Missing Product

Force majeure, limitations of liability, requirements commitment, preservation of cover rights



3 Missing Vendor

Reporting and monitoring, termination, supplier income, IP continuity



Words **Do** **Not Matter**

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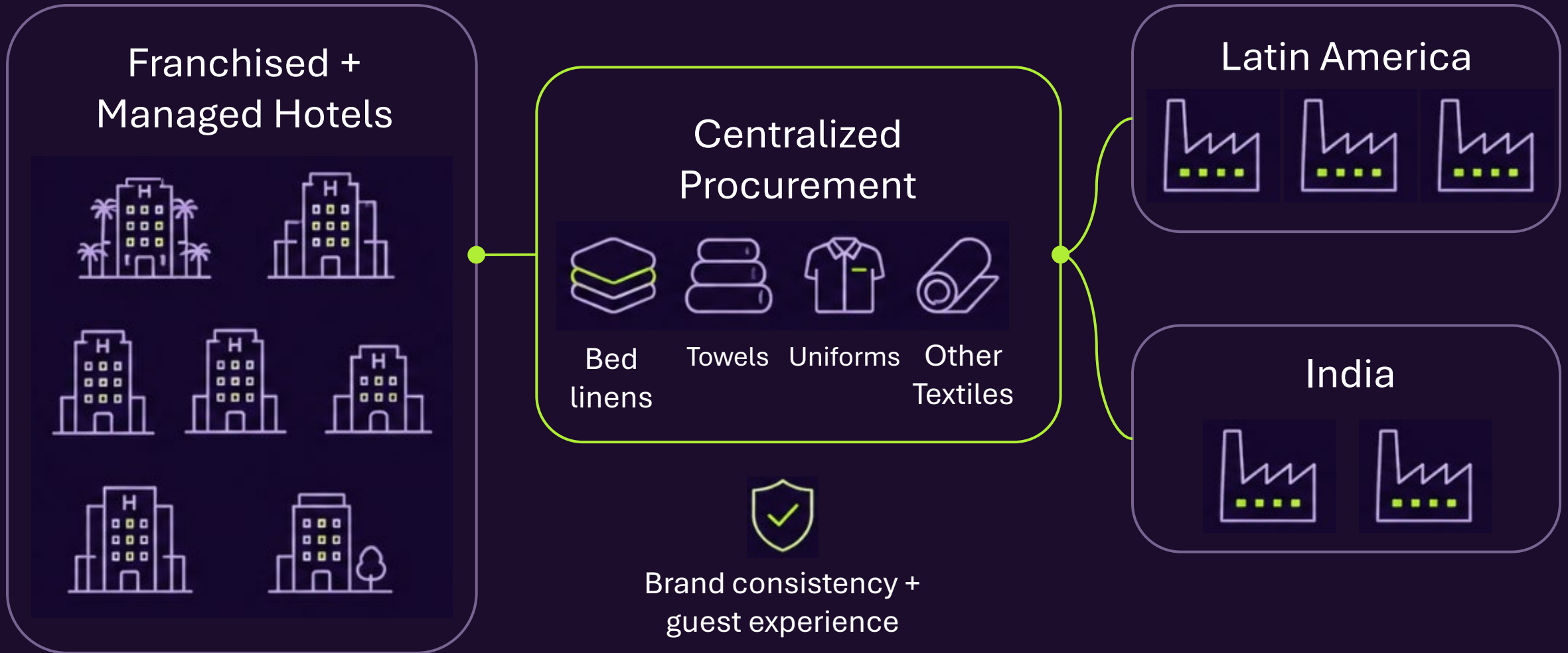
(Except When They Do)



Case Study 1

Global Hotel System

Case Study 1 – Threads Under Pressure



EVENT 1 – TARIFF PRESSURE

New import tariffs affecting textiles materially increase suppliers' costs. Within the same week, **all five suppliers** independently notify the hotel chain that:

- ① They cannot continue supplying at the contracted prices
- ② They are not willing to absorb tariff related increases
- ③ Unless pricing is renegotiated, they will cease all shipments **within 60 days**

Discussion

- ① What are the hotel chain's immediate priorities?
- ② What risks arise from renegotiating pricing under pressure?

EVENT 2 – CHILD LABOR ALLEGATIONS

Several days later, international media outlets report on widespread child labor practices in textile manufacturing in both Latin America and India. The reports suggest manufacturers may be using unlawful labor practices to offset rising costs caused by tariffs.

No supplier is named directly, but NGOs and journalists begin scrutinizing global hospitality brands with heavy textile sourcing in these regions. Social media commentary escalates rapidly, questioning whether hotel brands have adequate supply chain oversight.

Discussion – Immediate Priorities

- ① How can you try to resolve the crisis **legally**
 - Increasing judicial scrutiny whether contracts are requirements vs release-by-release
 - Legal vs equitable remedies
- ② How can you try to resolve the crisis **practically**

Discussion – Long-term Priorities

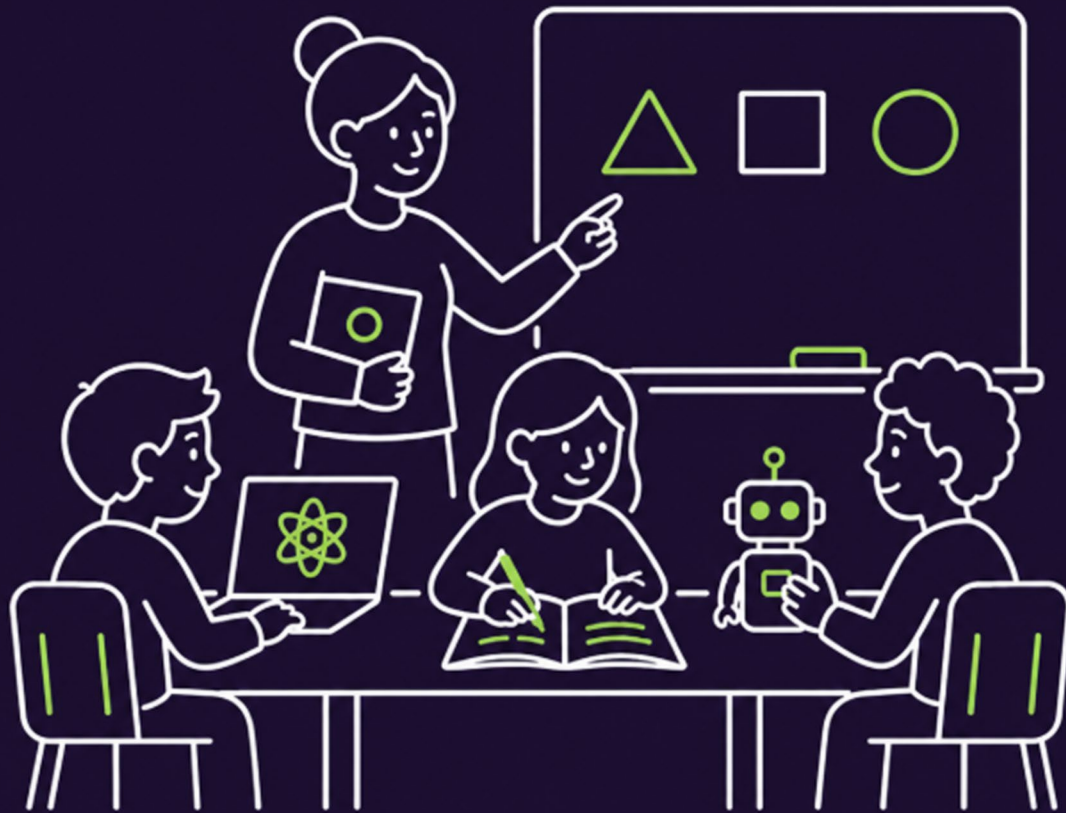
- ① How should the company balance supply continuity vs. ethical sourcing?
- ② How should the company respond publicly while facts remain uncertain?
- ③ What longer term changes should be considered in sourcing strategy?

No such thing as a
Perfect answer

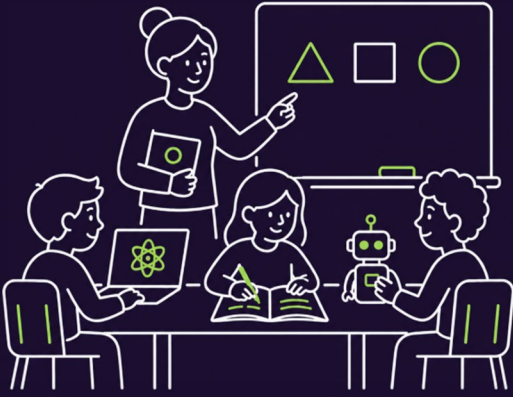
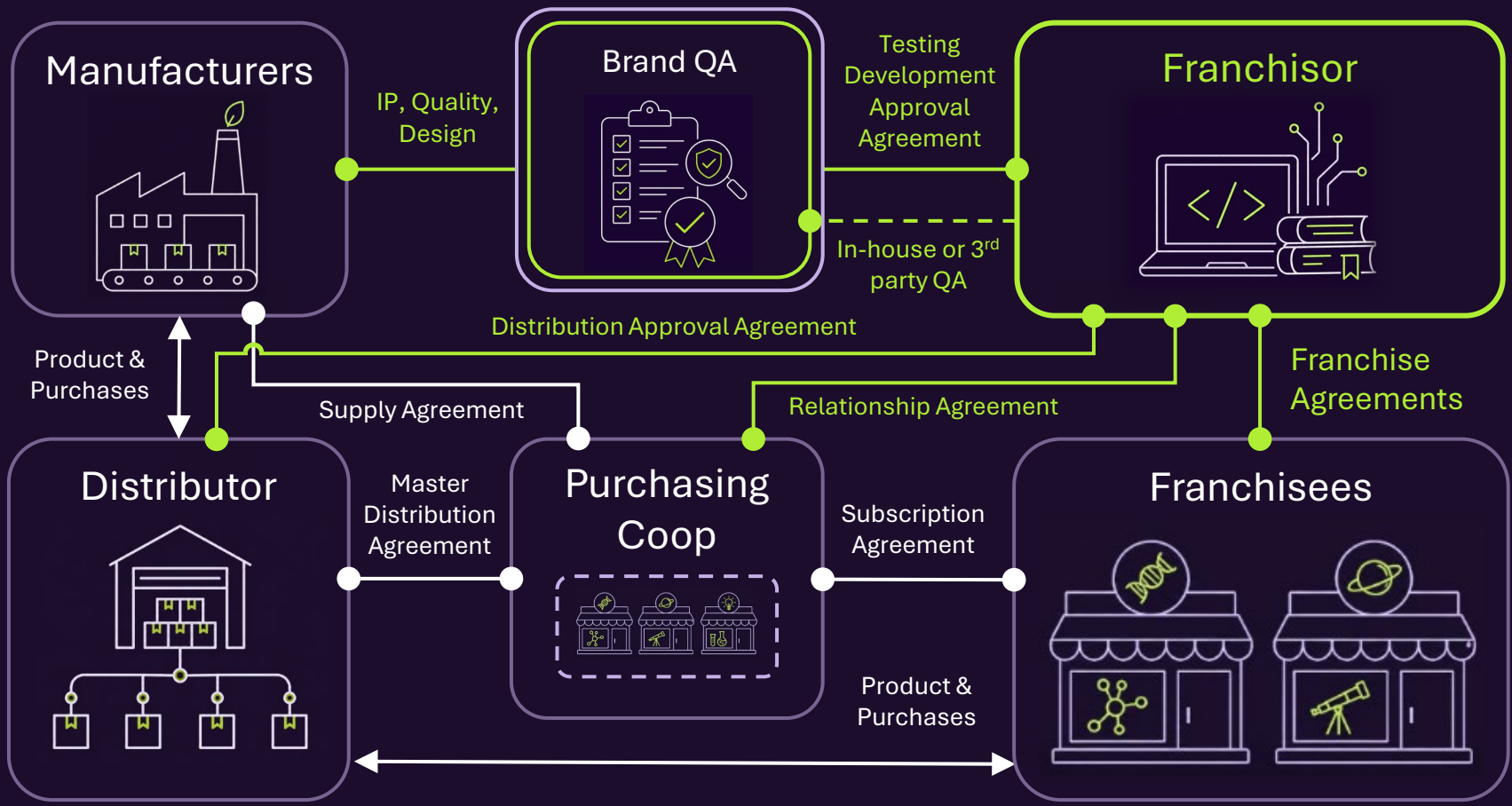
Case Study 2

Retail Education System

Case Study 2 – CodeSprout Learning



Case Study 2 – STEM Education



EVENT – Bad Button Batteries

Public concern for children being injured by button batteries leads to laws and regulations requiring **enhanced warnings** and **package disclosures** for products containing coin-cell batteries.

- ① QA failed to flag the new labelling law (mistakenly thought battery compartment was inaccessible)
- ② STEM kits sold **without proper labeling**
- ③ No children injured, but inquiry letter from consumer protection agency sent to **a franchisee**

Discussion

- 1 Recall/Withdrawal** – who is controlling the decision on whether or not to recall or withdraw products in current stream of commerce? What rights does the brand have to take corrective action?
- 2 Mitigation** – what happens when different partners within the system disagree about duty to mitigate? How do you deal with mitigation in the context of active litigation?
- 3 Public Relations** – how do brands equip stakeholders with tools to properly respond to public scrutiny?

Parting Thoughts & Recommendations

① Relationships

- Improve resilience with **intentional planning** and keeping **long-term perspective**

② Organizational Readiness

- Practice makes perfect – tabletop exercises/simulation
- What is your **primary source of truth** for understanding rights and obligations

③ Don't Panic

- Lawyers can add extraordinary value in crisis