

IFA
INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses,
one opportunity at a time.

50 YEARS
1960-2010

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Considerations For Initiating An International Expansion Effort

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Discussion Topics

- Why International?
- When Is The Right Time To Expand?
- Organizational Readiness
- Developing The Expansion Plan

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Why go global?

Global economic map

Top ten		Rest of World	
USA 26.8%	France 4.5%	• 10 – 19 th economies 13.9%	• All the rest 17.9%
Japan 9.7%	Italy 3.7%	Australia 1.6%	
China 5.9%	Canada 2.6%	Growth in BRICS economies	
Germany 5.9%	Spain 2.5%	Brazil 3.4%	Russia -7%
UK 4.8%	Brazil 2.2%	India 6%	China 7.9%

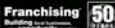
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Global business & franchise map

Number of businesses / franchise systems	Considerations
Australia 1 million / 1200	<ul style="list-style-type: none"> • Business know-how is valuable • Capitalisation strategy • Economic opportunity for all • Driver of employment • Development of people • National & international growth
UK 3 million / 750	
USA 15 million / 3700	
India > 25 million? / 1000?	
China > 20 million? / 2000?	
Global > 50 million? / 10,000?	

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Why go global?

The three non-negotiables

- Strong cash flow and profitability
- Domestic market strength
- Dedicated executive management resources

International expansion demands a pro-active approach

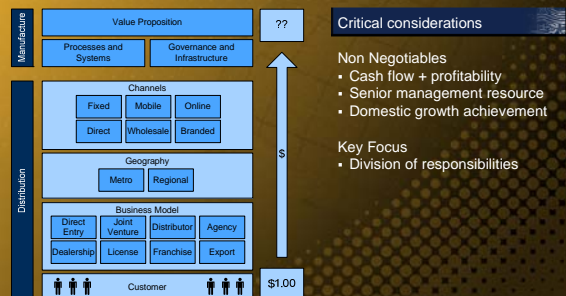
- GFC is an opportunity
- Why now? – Fear, Uncertainty, Indecision
- Less competition / growing opportunity

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What's your expansion strategy?

Business model options



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What's your expansion strategy?

It's all about the depth



"There is a tendency at the senior level to be too big-picturish and superficial. One can formulate brilliant global strategies whose executability is zero.

It's only through the familiarity with details – the capability of the individuals who have to execute, the marketplace, the timing – that a good strategy emerges."

Andy Groves
CEO, Intel

Work up from the details to the big picture....

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Going Global

Building a Serious International Business

Pitfall 2: Selecting an inappropriate business

Key issues

- Profitability and ROI
- Roles and responsibilities
- Remuneration
- Engagement model
- Support and training
- Scalability
- Head office implications

International Business Models

- Direct Entry
- Joint Venture
- Distributor
- Dealership
- License
- Franchise
- Agency
- Product/ Service Export

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Going Global

Building a Serious International Business

Pitfall 3: Irrational selection of target countries

Typical factors

- Holiday destination
- Approach from foreign market
- Family resident in foreign market
- Friend recommendation

Ideal considerations

- What makes a market attractive?
- Hygiene factors
- Comparative factors
- Ease of doing business factors

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Going Global

Building a Serious International Business

Pitfall 4: Ignoring foreign market nuances







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Pitfall 5: Inadequate capital base

Key issues	Capital raising issues
<ul style="list-style-type: none"> • Understanding the expansion model • What capital is required? • Timing of capital requirements • Startup cash flow implications • Mix between debt and equity 	<ul style="list-style-type: none"> • Blue sky optimism • Inability to show: <ul style="list-style-type: none"> • How funds will be applied • Effect the funds will have • Unrealistic multiple expectations • Issues of control and risk

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Going Global
Building a Serious International Business

Avoiding the pitfalls

- Meet the three non-negotiables
- Be pro-active
- Make fact-based decisions
- Consider foreign market nuances
- Expansion doesn't have to be one-model-fits-all

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ORGANIZATIONAL READINESS

- Mindset needed to truly plan a global expansion (CEO to Reception)
- Education, preparation and planning paramount to your success...do not underestimate the amount of time this takes
- Understanding negotiations in different cultures
- Profitable domestic operations
- Strong franchisee validation

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- Evaluation of different models to go global
There is no perfect model!
 - Direct Franchising
 - Area Developer
 - Area Representative
 - Master Franchise
 - Joint Venture
- Able to ensure your company's ability to support your contractual commitments

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- Organization must be very well documented
- Clearly establish a pro forma that demonstrates profitability at all levels
 - Unit Franchisees
 - Area or Masters
 - Franchisor
- Proper communication about your global expansion to your domestic franchisees
- How to get your domestic franchisees to support you in your global expansion

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- Critical step – your partner selection
 - Is usually the biggest mistake people make
- Be clear and willing to spend the necessary budget to prepare you for global expansion
- Training: be prepared to train them on your system, and train them to be a franchisor

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CKE System Snapshot

Restaurants	Carl's Jr.	Hardee's	System
Company	423	481	904
Franchise	803	1,439	2,242
> Domestic	668	1,234	1,902 (85%)
> International	135	205	340 (15%)
Total	1,226	1,920	3,146
Franchise % of Total	66%	75%	71%

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International Overview

- Brands: Carl's Jr./Hardee's
- Countries Today: 15
- Restaurants Today: 340
- FY'11 New Unit Projection: 50
- FY'11-15 Projected Unit Growth: +440
- 5 Year Projected CAGR Unit Growth: +17.8%
- Goal of 1,000 Restaurants By FY17

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1,000 Restaurants How Will We Get There?

- Board Level Buy-In
- Profitable and Sustainable Business Model
- Resource Commitment
- Focused Development Plan
- Transition To Regional Development and Support Structure
- Strong Business Partners

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