



FRANCHISING

BUILDING THE FUTURE TOGETHER

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?

Country	World Bank/IFC Study	Transparency Index	Fraser Institute Index	Heritage/WSJ Index	Legal Concerns	Government Involvement	Average Ranking
Ireland	1	1	1	1	1	1	1.0
Singapore	1	1	1	1	1	1	1.0
United Kingdom	1	1	1	1	2	1	1.2
Australia	1	1	1	1	2	2	1.3
Canada	1	1	1	1	2	2	1.3
Germany	1	1	1	1	2	2	1.3
Japan	1	1	1	1	2	2	1.3
USA	1	1	1	1	2	2	1.3
Spain	1	1	2	1	2	2	1.5
France	1	1	2	2	2	2	1.7
Czech Republic	2	2	2	1	2	2	1.8
Italy	2	2	2	2	2	2	2.0
Malaysia	1	2	2	2	2	3	2.0
Mexico	1	3	2	2	2	2	2.0
South Africa	1	2	2	2	2	3	2.0
Brazil	3	2	3	2	2	2	2.3
Urban China	2	2	3	3	2	2	2.3
Middle East Region	2	3	2	3	2	2	2.3
Turkey	2	3	3	3	2	1	2.3
India	3	4	2	3	2	2	2.7
China Overall	3	3	4	3	2	3	3.0
Vietnam	3	3	3	4	3	2	3.0
Russia	3	4	4	3	3	3	3.3

A ranking of '1' is best, a '2.5' is good and '4' is worst