Franchise Recruiting: Identifying the Right International Partner

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Franchise Recruiting: Identifying the Right International Partner

Presentation Overview

• Developing the Recruitment Plan
• Profile of an Ideal Franchisee
• Lead Generation Sources
• Closing the Deal
• Summary of Lessons Learned
• U.S. Commercial Service programs and best practices
• Q & A!

Kristin Houston
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Supporting you in the International Market

U.S. Commercial Service

We promote and protect U.S. commercial interests abroad and deliver customized solutions to ensure that U.S. businesses compete and win in the global marketplace.

» 107 offices in the United States
» Specialists in 84 countries
Customized Solutions

How we help U.S. Companies:

• Counselling
  – Learn about the market, Competitors
  – Market access, Opportunities, Barriers

• Market Reports
  • General Reports – Country / Industry
  • Customized Reports depending on company’s needs

Customized Solutions

• Matchmaking Services
  • Identify potential partners in each market (Gold Key)

• Trade Events
  • U.S.A. Pavilions
    – Seminars, Conferences

• International Company Profile
  • Background report of overseas potential partner

U.S. Commercial Service Results = Your Bottom Line

MEXICO

• Crestcom International, Ltd.
  – Company exhibited at the USA Pavilion in the Franchise Expo in Mexico City and contracted matchmaking service to meet with potential partners in Mexico City and Guadalajara, Mexico.
  • Results: Market exposure (expo)
    • Generated strong leads
    • Signed 2 franchise contracts (matchmaking)
**Results...**

**IRELAND**
- Participation in a trade mission to Ireland
  - Contract signed as a result of one-on-one meetings

**EGYPT**
- United Franchise Group
  - U.S. Franchise Development Conference (speaker)
  - Matchmaking meetings with potential franchisees
  - Contract signed

**South Korea**
- Tasti D-Lite
  - Sought verified background information, due diligence on potential investor company, execs and competitive assessment
  - Awarded Master Franchise Contract following extensive International Company Profile (ICP)

**Presidential E – Award**
Sign A-Rama – Summer 2007
U.S. COMMERCIAL SERVICE
www.export.gov
www.buyusa.gov

QUESTIONS?

Ralph Askar
CEO & Chairman
Instant Imprints Franchising, Inc.
Developing the Recruitment Plan

- Research
- Review competition
- Budget considerations
- Dedicated resource
- Prioritize markets

Lead Generation Sources

- Internet franchise portals
- Website target announcements
- Franchise publications & PR
- Franchise exhibition & Trade shows
- Government sponsored forums/Gold Key
- Business & Franchise brokers
- Referral programs

Profile of An Ideal Franchisee

- Using the Award Process
- Establish qualification guidelines
- Interview & background check
- Financial strength
- Management expertise
- Communication skills
- Support plan
- Business plan
Closing The Deal

- Establish a critical path
- Use uniform agreements
- Communicate - Communicate
- Build a solid relationship
- Be creative
- Emphasis on solid support
- Get as much cash as possible

Summary and Lessons Learned

- Be patient
- Do your homework
- Have a well crafted strategy
- Be selective – choose the right "Zee"
- Be creative
- Have a can do attitude
- Manage the relationship

QUESTIONS?
Now that you have:

- Decided you want to expand internationally.
- Developed the profile of your prospects.
- Put together the systems/strategies necessary to support an International Partner.
- Chose where you want to develop.

It’s time to plan your development strategies, which all starts with finding the right partner(s).

Mediums/resources used to find qualified prospects.

1. Trade Shows & Expositions
2. Magazines & Trade Publications
3. Newspapers
4. Web Portals & SEO
5. Industry Specific Prospects
6. U. S. Department of Commerce
Trade Shows:

- Research the Proven Events in a Given Country.
- Determine whether there are some type of U.S./International Pavilion Available.
- Ask the organizer to help you identify candidates before or during the event.
- Our visitor inquiries are your leads.
- Our visitors are your deals.

Magazines:

- Identify titles which can reach your target individuals or organizations.
- Determine whether any have strategic alliances with the Show Organizers.
- Discuss your plans and how the successful development of your strategy would affect them, finding new franchisees or advertising the concept’s product or service to the public.

Newspapers:

- Identify titles which can reach your target.
- See if any have strategic alliances with the Show Organizers.
- Try to discuss your plans and how a successful development of your strategy would affect them, finding new franchisees or advertising the concept’s product or service to the public.
Web Portals:
- Most countries have at least 2-3 lead generating portals.
- Determine if any have a special relationship with the show organizer, franchise association or DOC.
- They would also have a vested interest in your successfully finding a master licensees, who then needs to sell franchisees.
- They may also have an opportunity available to have you do some type of email campaign specifically looking for a master... based on certain criteria such as investment level.
- Also, some type of short term campaign... maybe 3 months... leading up to a visit.

Industry Specific:
- Direct mail to those industries which are the better fit such as an office supply company or retailer to become a Master for a Printing and or sign making franchise concept.
- Existing, successful franchise concepts which are mature in their development, which can bring another concept into their existing franchise development structure.

U.S. Department of Commerce
- US DOC maintains resources available to help with each of the previously listed items and a great deal more.
- DOC can help identify qualified companies/individuals to approach.
- Provide an overview into a market prior to entry and throughout the development process.
- Help facilitate meetings.
The perfect storm based on determining the market to enter and being in a position to enter it:

1. Decide on which trade show to exhibit in. Reserve your booth space in the International/US Pavilion.
2. Get with all media newspapers, magazines, web portals and try to strike a short term campaign, emphasizing the advantages to them if you are successful in finding a partner.
3. Connect with DOC in advance in an effort to schedule matchmaking opportunities to be arranged just prior, during or after the event. Also try and have them identify and facilitate meetings while you are there with necessary suppliers and real-estate experts.

Perfect Storm continued...

3. This will result in one visit to have conversations with perspective masters long before you arrive.
4. Meeting thousands of prospects during an event. These will be prospects either for a master or single unit franchisees for your new master.
5. Face to face meetings with pre-qualified candidates.
6. Critical meetings with suppliers.

6-7 days
Be as Efficient as Possible
Equals Extraordinary Results.
QUESTIONS?

Eric Wolff
Commercial Officer
U.S. Export Assistance Center Charlotte, NC
(previously with US Embassy Beijing & US Consulate Chengdu)

Keeping up with the Chans: Benefiting from the Mega-Trend of China’s Emerging Middle Class

• 20-year olds have known nothing but upward mobility
• Luxury goods hot – from caviar to Harley-Davidson to Louis Vuitton
• Western brands sell
• ‘Hypermarkets’ and retail chains booming along with new construction
• Studies show most consumers planning big ticket item purchases
Franchising in China

- Market Overview
- Regulatory Environment
- Market Entry Options
  - Joint Venture (i.e. McDonalds)
  - WFOE (i.e. KFC, Pizza Hut)
  - Master Franchising (i.e. Dairy Queen)
- Major Franchise Sectors

Best Practices

- Recognize different city cultures in China
- Find your customers and market niche before entry
- Be sensitive to dynamics of local competition
- Seek strong local partners with “guanxi”
- Be flexible and adapt to market conditions
- Do what we do best – branding & service
- Localize and watch your cost basis
- Consider potential of 2nd tier markets
- Location, Location, Location …

Emerging Markets: The “New” Chinese Marketplace

- Not just Beijing, Shanghai, & Guangzhou
- Emerging Markets = backbone of new consumption driven economic landscape

Growth in U.S. Exports to 1st & 2nd Tier Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Growth in U.S. Exports (2005)</th>
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<tbody>
<tr>
<td>Beijing</td>
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The Commercial Service in China
Wherever You Need to Be

CS China:
• 19 Cities
• 5 Commercial Service Offices
• 14 Secondary markets
• 157 Commercial Service officers & Trade Specialists

Do Your Due Diligence

• Recognize there is a poor legal infrastructure
• Obtain clear contract terms
• Economic viability is essential
• Know your partner
• Avoid prohibited agreements
• Search for problems
• Limit exposure

Protect your IPR

• Devise an IP strategy
• Register IP
• Take steps to prevent infringement
• Monitor for possible infringement
• Know how to confront infringement

Learn how to protect your IPR:
http://www.export.gov/china/archive_ipr_news.asp
Thank You!

Discussion
Questions & Answers