Why should franchisors consider planning and budgeting for international franchising?

What, Me Plan?

When should a company begin planning for international expansion?
– when a company has a certain
  • location
  • profitability
  • number of units
  • size of home market
– nature of business
– good prospects are available

What should be
the focus of an international franchise expansion plan?

– specific countries?
– regions?
– markets near existing operations?
– well qualified franchise candidates, regardless of where they are from?
– markets where products or services offered by the franchise are most popular?
What portion of the marginal expense of entering a new foreign market should a franchisor expect to recoup from initial franchise fees?

What portion of the expenses should be imposed directly on the franchisee or prospective franchisee?

How long should a franchisor expect to wait before breaking even on its investment in a new foreign market?
What planning processes do you use or recommend for international expansion?

- long range
- annual overall
- annual by country/territory

Which elements of an international expansion plan do franchisors sometimes overlook or undervalue?

- market research to evaluate viability
  - preliminary
  - at execution stage
- franchising strategy
  - master
  - area development
  - joint venture
  - unit
- resources needed
  - operational
  - financial
  - human
What resources are available to help franchisors plan for international expansion?

Budgeting and Planning Resources

General Market Information

- IFA - www.franchise.org
- US Commercial Services
- CIA World Fact Book
- Economist country briefings
- American Chambers of Commerce
- Local franchise and trade associations
- Prospective franchisees
- International banks
- Multinational suppliers
- Law and accounting firms
- MAPIC
- International Council of Shopping Centers
- Consultants
• Real Estate
  – real estate brokers
  – International Council of Shopping Centers
  – mall managers
• Taxes
  – www.worldwide-tax.com
  – accountants, e.g., Deloitte International Tax and Business Guides
  – law firms
• Customs and Duties
  – World Tariff
  – international trade lawyers
  – www.export.gov

• Speed of setting up business
  – Doing Business
• Currency exchange controls
  – US Commercial Services
  – law firms
• Legal compliance
  – Getting the Deal Through - IBA
  – International Franchise Sales Laws – ABA
  – International Distribution Institute (IDI)

• IP protection
  – law firms
• Enforcement costs
  – law firms
  – US Commercial Services
  – American Chambers of Commerce
  – national franchise associations
  – Doing Business
Specific Market Information

- Competitors’ fees, product mix, profits
  - franchisor websites
  - franchise directories and websites
  - US Commercial Services
  - expo directories
  - franchise disclosure documents
  - industry publications
  - market research professionals

What role should international franchise consultants play in helping to develop and implement international expansion plans and budgets?

What market research should be done during the creation of a long range plan? How much can be deferred until a franchise candidate for a new foreign market is identified?

Who should do the market research?
How should a franchisor make sure that it can do business in countries targeted for expansion under applicable laws, including tax laws and trademark protection laws?
What process do you use to prepare a long range general international budget and country specific budgets covering all these items?

- trademarks
- manuals
- translations
- operational support – all departments
- supply chain
- equipment and furnishings for franchised outlets
How do you estimate a prospective franchisee’s initial investment in your franchise in a foreign country if neither the franchisor nor any of its franchisees has operated a franchised business there?
Thank you!