Franchising
Building the future together
How to Identify and Avoid Problems in International Franchising

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Introduction
Critical Steps Before Embarking on an International Franchise Relationship
Franchise System

• “Proven Model”
• Viability of Product or Service
• Franchisor’s International Team
  – Sales
  – Operations
  – Training
  – Visionary
• Support System
Due Diligence on Prospective International Foreign Market and Master Franchise
Foreign Market

- Business climate
Foreign Market

• Economic Kidnapping
  – Importance of training personnel
    • Kidnapping avoidance techniques
    • Hostage behavior techniques
  – Involvement of insurance carriers
    • Training
    • Hostage negotiation services
Foreign Market

• Political and Ethnic Conflict
  – Analysis of ethnic groups
    • “ranked” vs. “unranked” groups
    • History of coalitions
    • Geographic disbursement
Foreign Market

• Political and Ethnic Conflict
  – Example of Ethnic Conflict
    • Affects local area
    • Can affect strategic development
140 Killed in Xinjiang Riots
Instigated by U.S. Funded Hate Group (CCTV)
Foreign Market

• Cultural Considerations
• Experiences of Other Franchisors in Market
• Language issues (English vs. Non-English)
International Master Franchisee

- Experience with Other Systems
- Familiarity with Market/Influence in Market
- Access to Prospective Franchisees
- Capitalization
Legal Considerations

• Contractual Provisions
  – Capitalization Requirements
  – Territorial allocation
  – Ownership and structure
  – Transfer restrictions
  – Force majeure clause
  – Relocation provisions
  – Dispute Resolution
Local Legal Issues

• Franchise Laws
• Commercial Agency Laws
• Technology Transfer Laws
• Currency Repatriation Restrictions
• Foreign Corrupt Practices Act
Problems that Develop After the Agreements are Signed
Manageable Challenges

• Proficiency in execution
• Capitalization
• Focus and energy
  – Shared vision
  – Business system
• Ownership and management change
• Compliance
Non-Controllable Issues

- Economic/Currency Volatility
- Legal/Regulatory Change
- Political Change
- Disruptive Technology
- Competitive Landscape
- Social Attitudes
IFA
INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses, one opportunity at a time.