International - News From Around the World

USA
IFA is the Oldest and Largest Association

• Founded in 1960 by a group of franchise executives led by Dunkin’ Donuts founder Bill Rosenberg

• Our Mission:

  Protect, Enhance and Promote franchising

• Our members include franchisors and franchisees of some of the worlds most iconic brands as well as companies that support the industry in marketing, law and business development

• We are governed by a Board of Directors that include franchisors, franchisees and suppliers
Franchise Growth Is Expected To Increase In 2014, But Remains Below Potential

In 2014, output and establishment growth is expected to increase, while employment growth remains steady.

- 193,000 new jobs
- 13,000 new business establishments
- $38 billion more in economic output

However, while growth is improving, it is still below pre-recession trends.

Source: IHS Global Insight
Franchisors Expect The Economy And Business Prospects To Improve In 2014

View Of 2014 Economy Compared To 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better</td>
<td>34</td>
<td>39</td>
<td>+5</td>
</tr>
<tr>
<td>About the Same</td>
<td>37</td>
<td>50</td>
<td>+13</td>
</tr>
<tr>
<td>Worse</td>
<td>29</td>
<td>11</td>
<td>-18</td>
</tr>
</tbody>
</table>

Outside of their view of the economy, franchisors also see improved business prospects.

- 76 percent expect business to be better in 2014.
- 89 percent expect an increase in sales compared to 78 percent a year ago.
- 56 percent plan to hire in 2014 compared to 48 percent a year ago.

Source: Franchise Business Leader Survey
U.S. Opportunities

• The U.S. economy is improving, but slower than we would like

• International franchise companies are thriving in the United States
  – Some have relocated their headquarters

• We are business friendly and working with Congress to make it even more so for both U.S. and international companies
  – Supporting pro-growth candidates in the 2014 Elections through grassroots and FranPAC
2014 Policy Platform

• Tax Reform
• HealthCare fixes
• Workforce Policies
• Immigration Reform
• Veteran Legislation
• SBA Lending
• Various State Legislative Issues
State Legislative Strategy

• Significant uptick since 2010 in harmful state and local legislative & regulatory actions involving franchising

• **31-0** success rate in 17 states and Puerto Rico

• In 2013 alone, IFA has dealt with 16 threats to franchising more than double the number of bills in 2012

• Our Strategy? A integrated Campaign approach
  – Lobbying, Coalition Building, Grassroots and Earned Media
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AUSTRALIA
Franchising in Australia

• 1180 franchise systems
• 73,000 franchisees and 400,000 employees
• $131 billion sales turnover
• Retail trade is the most popular form, making up 38% of systems in Australia
• The average term of a franchisee agreement is five years
• The franchise sector reported annual revenue growth of 10% in 2012**
Australian Franchising Trends

• Health and Wellness
• Quick Service Restaurants and Fast Food
• Couriers and Transport
• Leveraging online for retail and service
Australian Business Climate

• 2013 saw challenging economic conditions due to impending federal election

• Online trading continues to be both a major challenge and opportunity

• Franchisee recruitment and financing
Opportunities

• Australia’s aging population

• Australia’s propensity to purchase online

• Australian franchise groups embracing technology
Legislative and Regulatory Updates

• Australian franchising is regulated by a national framework – the Franchising Code of Conduct
• One of the most regulated franchise nations in the world
• Australia consistently displays best practice in franchising
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BRAZIL
Franchising Trends:

Franchising Forecast 2014

Revenue: 11%
New Brands: 8%
New Units: 9%

INTERNATIONAL BRANDS:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>168</td>
</tr>
<tr>
<td>2013</td>
<td>206 (FORECAST)</td>
</tr>
</tbody>
</table>

American Brands in Brasil:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>80</td>
</tr>
<tr>
<td>2013</td>
<td>93 (forecast)</td>
</tr>
</tbody>
</table>
Business Climate:

- **OCTOBER/14** – PRESIDENTIAL/GOVERNOR/LEGISLATIVE ELECTIONS

- **WHAT’S NEGATIVE:**
  - LOW GDP GROWTH: **2013 – 2,3% / 2014 – 2,5%** - Government forecast (Companies forecast 2%)
  - DECREASE IN THE HOUSEHOLD INCOME (PURCHASE POWER)
  - HIGHER INTEREST RATES **10,5%** AND GOING UP!
  - INFLATIONARY PRESSURE: **2013 5,9%** - **2014 THE GOAL IS 5,5%**
Business Climate:

**WHAT’S POSITIVE:**
- 2014 **FIFA WORLD CUP** IN BRAZIL
- **INVESTMENTS** IN INFRASTRUCTURE **INCREASED**
- PRIVATE INVESTMENTS INCREASED (ESPECIALLY IN THE AUTO INDUSTRY)

**WHAT WE NEED:**
- SIMPLIFY OUR TAX SYSTEM
- REDUCE TAX BURDEN
- FLEXIBILITY OF LABOR LAWS
- INFRASTRUCTURE
Opportunities for International Franchisors:

- There was a **great demand** for brands of these countries in 2013:

<table>
<thead>
<tr>
<th>Country</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>93</td>
</tr>
<tr>
<td>ARGENTINA</td>
<td>20</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>17</td>
</tr>
<tr>
<td>SPAIN</td>
<td>15</td>
</tr>
<tr>
<td>ITALY</td>
<td>10</td>
</tr>
<tr>
<td>FRANCE</td>
<td>09</td>
</tr>
</tbody>
</table>

- International Brands represents **7.5%** of the total brands in Brazil.
- Great Market around **160 million consumers** - Social Classes:
  - Upper classes: **23%**, Middle Class **55%**, Lower Classes **22%** (2012)
- **Best segments**: Beauty, Education, Tourism/Hospitality, Electronics/IT, Food.
Legislative and Regulatory Updates:

- Brazilian Franchise Law since 1994 - Law no. 8955/94 regulates the franchising contract and disciplines other matters
- ABF has a Legal Department that provides information on how to enter the market
- Government Lobby - Working on behalf of the system (improve)
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CANADA
Canadian Franchise Association

• The only national trade association serving the needs of the Canadian franchise community
• Founded in 1967, CFA is the authoritative voice of franchising in Canada
• CFA promotes excellence in franchising and educates Canadians about franchising, specific franchise opportunities, and proper due diligence through its many events, programs and publications such as The Franchise Show, FranchiseCanada magazine, and its websites [www.cfa.ca](http://www.cfa.ca) and [www.LookForaFranchise.ca](http://www.LookForaFranchise.ca)
• Almost 600 members of CFA. Membership is corporate and members are required to abide by the Code of Ethics.
• 71% of members are Franchise Systems representing over 500 brands
• 29% are Franchise Support Service organizations (lawyers, banks, accountants, consultants, product and service suppliers)
Members Determine Mission

CFA MISSION:
To be the recognized authority on franchising in Canada representing over 700 franchise brands as their indispensable resource by:
• Enhancing and protecting our industry through advocacy
• Being the premier vehicle for lead generation
• Being the best source for information and education on franchising
• Delivering a compelling member group purchasing program
Canada Demographic Data

Population: 35,141,542
Total area: 9,984,670 km²

(Sources: Statistics Canada; Natural Resources Canada; World Bank, CIA World Factbook)
Canadian Business Climate

GDP 2012: $1.765 trillion
GDP 2013: $1.821 trillion
GDP per capita: $43,400 (2012 est.)
Inflation rate latest 2013: 1.2% (CPI)
Unemployment rate latest 2013: 7.2%

Climate for franchising in our country:
Number of self employed (all self employed, not only franchisors and franchisees) in relation to employees in percent: 18%

Self-employed: 2,753,900
Employees: 15,248,900
(Sources: Statistics Canada; Natural Resources Canada; World Bank, CIA World Factbook)

Estimated 1,200 franchised brands in Canada – 44% are CFA members
Estimated 78,000 franchised units in Canada – 51% are CFA members
Franchising in Canada

Current industry data: Franchise-sectors 2013

CFA Franchise System Membership Breakdown by Sector

- Automotive Products & Services - 7%
- Business to Business - 13%
- Children's Products & Services - 6%
- Consumer Products & Services - 21%
- Health & Wellness - 9%
- Home-based / Mobile Business - 1%
- Quick Service Restaurants - 24%
- Full Service Restaurants - 12%

Note: The sectors listed above are broad sectors comprised of nearly 50 different franchise categories in CFA membership.
## Canadian Franchise Trends

### Top 5 Franchise Listing Categories with most significant growth from 2008 – 2013

<table>
<thead>
<tr>
<th>Franchise Category</th>
<th># of Listings 2008</th>
<th># of Listings 2013</th>
<th>% of Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Consultants / Services / Training</td>
<td>9</td>
<td>28</td>
<td>211%</td>
</tr>
<tr>
<td>Hair &amp; Nail Salons / Spas</td>
<td>8</td>
<td>23</td>
<td>188%</td>
</tr>
<tr>
<td>Seniors / Home Care &amp; Services</td>
<td>14</td>
<td>31</td>
<td>121%</td>
</tr>
<tr>
<td>Food – Restaurants / Dining Rooms</td>
<td>74</td>
<td>139</td>
<td>88%</td>
</tr>
<tr>
<td>Home-Based Businesses</td>
<td>6</td>
<td>11</td>
<td>83%</td>
</tr>
</tbody>
</table>

Note: Larger categories may have also had a significant number of new entries but due to the category size it did not sufficiently affect the percentage growth.
Franchise Financing in Canada

Government support:
The **Canadian Small Business Financing Program (CSBFP)** is a government program that increases the availability of loans for small businesses by sharing financial risk with the banks. This program can only be accessed by prospective franchisees through financial institutions and cannot be accessed directly from the government.

The **Business Development Bank of Canada (BDC)** is a financial institution owned by the Government of Canada. BDC promotes entrepreneurship by providing highly tailored financing, venture capital, and consulting services to entrepreneurs and offers a wide range of financing programs.

**Other forms of financial support:**
All major Canadian banks have franchise departments focused exclusively on franchising, providing customized programs and financial solutions to assist franchise systems with all their banking needs.
Legislative & Regulatory Updates

Five provinces in Canada have franchise-specific legislation in force. Alberta, Manitoba, Ontario, Prince Edward Island, and New Brunswick have existing legislation and regulations. British Columbia is in the process of introducing franchise legislation.

In these provinces, franchise systems are required by law to provide Disclosure Documents to prospective franchisees.

All CFA members are mandated to provide Disclosure Documents to prospective franchisees in all provinces and territories. Those companies franchising within provinces with franchise legislation must also follow the legislated requirements in those provinces.
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MEXICO
Mexico; Land for franchising

Demographic Data

- Population: 117 millions
- Total area: 1,964,375 km²
- Population density: 58 Hab/km²
- GDP 2013 and latest 2013: 3.47% and 1.4%
- GDP per capita: $11,423.40 per person
- Inflation rate latest 2013: 4.9%
- Unemployment rate latest 2013: 4.5%

Sources: Latin American Monitor; Ntl. Institute for Statistics and Geography
Mexico; Land for franchising

Current industry data:          2000    2013
Employees              190,000    780,000
Franchisees            14,500      78,000
Franchisors            180         1500
Turnover in USD       170 Millions 1000 Millions

Structure of The Mexican Franchise Association:
Members:
- Number of members in total: 385
  - Full members: 331
  - Associated members: 25
  - Consultants/Lawyers: 19
  - Other members: 10
  - Franchisees as members: 0
Mexico; Land for franchising

Biggest Run Franchise systems in the Country

- Pemex (gas stations) 13,450 units
- Farmacias GI (Drug stores) 1,318 units
- Prendamex (pawn shops) 900 units
- Press a Print 600 units
- Subway 617 units
- Mc Donalds 435 units

Trends in franchising:

Upcoming branches: Beauty, healthy food, green technologies (retail), etc.

Past trends; 1 dollar stores, pawn shops, dry cleaning, depilation, etc.

Future prospects; furniture stores, educational services, elderly stores, retirement homes, popcorn, cinemas.
Mexico; Land for franchising

Financing a franchise-system:

Government support: After six years of direct government support to the industry the Franchise National program, evolved to a new stage with direct participation from the development Bank and the commercial bank, for a more institutional program.

There is an straight relation with our new government but things change compare to the past administration, we still have to work for a more inclusive participation as an industry with this new government.

Other forms of financial support: Other forms of financial support some private investors (funds, and trusts) are starting to work with different brands with a more specific products (second units, equipment, etc.)
Mexico; Land for franchising

Legal framework:

The legal framework for franchising in Mexico has been in place for over a decade with some adaptations (2-3) during this time, so far it has placed much focus on balancing the relationship between franchisee and franchisor, intellectual property, legal documents, not obligated to conform to transnational legislation and no mandatory registration system.

From a sudden modification of the law, not very franchisor friendly, finally discharged, it came a golden opportunity to purpose our own sector improvement to the law in future dates.

Recently new reforms have been approved in the fields of economics, energy, Education, among others, that will open new opportunities for investments.
Contact data of our association:

**Mexican Franchise Association**
Name of the Chairman : Diego Elizarraras Cerda

Address: Insurgentes Sur # 1783-101
Website: [www.franquiciasdemexico.org](http://www.franquiciasdemexico.org)

E-mail: presidencia@franquiciasdemexico.org
Tel: (52 55) 56612840
Fax: (52 55) 56612800
Mexico; Land for franchising

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United Kingdom
British Franchising

Brian C. Smart

Director General: British Franchise Association
Executive Board Member: European Franchise Federation
British Delegate: World Franchise Council
## British Franchising Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Franchisors</th>
<th>Franchised Units</th>
<th>Revenue $Billions</th>
<th>Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>838</td>
<td>36,600</td>
<td>18.8</td>
<td>467,000</td>
</tr>
<tr>
<td>2013</td>
<td>930</td>
<td>39,000</td>
<td>22.6</td>
<td>561,000</td>
</tr>
<tr>
<td>Change</td>
<td>+ 92</td>
<td>+ 2,400</td>
<td>+ 3.8</td>
<td>+ 94,000</td>
</tr>
<tr>
<td>Change %</td>
<td>11%</td>
<td>7%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>
British Franchising Trends

<table>
<thead>
<tr>
<th>Increasing Sectors</th>
<th>Decreasing Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Care</td>
<td>Transport &amp; Vehicle Services</td>
</tr>
<tr>
<td>Children’s Services</td>
<td></td>
</tr>
<tr>
<td>Professional Services (B2B)</td>
<td></td>
</tr>
<tr>
<td>Property Services</td>
<td></td>
</tr>
</tbody>
</table>
British Franchising

Business Climate

Access to: Professional advice
  Growth funds for franchisors
  Prospective franchisees
  Start-up funds for franchisees

Regulation: No franchise regulation
  Welcoming self-regulation
# Opportunities for International Franchisors

<table>
<thead>
<tr>
<th>UPSIDE</th>
<th>DOWNSIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language</td>
<td>Retail Premises</td>
</tr>
<tr>
<td>Business &amp; Labor Ethics</td>
<td>Labor Costs</td>
</tr>
<tr>
<td>Commercial &amp; Legal Framework</td>
<td>Franchisee Recruitment</td>
</tr>
<tr>
<td>Banking &amp; Tax</td>
<td>Risk Aversion</td>
</tr>
<tr>
<td>Consumer Preferences</td>
<td>Language</td>
</tr>
</tbody>
</table>
British Franchising

Legislative & Regulatory Updates

European Regulation: On-line Sales
Unfair Trade Practices (UTPs)

UK & European Regulation: Self-regulation
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• Log on to the IFA App.
• Find our session under the appropriate day on the Schedule Tab.
• Click on the green button that says “Tap here to take a survey for this event.”
• Follow along with the instructions.

It will take just a minute or two but will help us for future programming! Thank you!!