Training and Supporting International Franchisees

February 23, 2014

Moderated By: Ned Lyerly
Presenters: Rod Young, Doug Wong, Tony Foley

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Today’s Agenda

• Presenter Bios, Company Profiles and Unique Approaches to International Training and Support
• International Best Practices in Support, Training and Operations
• Differing Support and Training Requirements By Franchise Format
• Questions and Answers
Ned Lyerly, CFE

• Executive Vice President, International – CKE Restaurants Holdings, Inc.
• 30 Years of franchising experience including multi-functional roles in international, franchise operations, finance, marketing, franchise development, real estate and sales
• Member IFA International Leadership Council
• Former Chairman of the IFA International Affairs Committee
• 6+ Million Miles on American Airlines
Training and Support Are Critical Components In A Healthy International Franchise System

<table>
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<th>Success factors</th>
<th>Rationale</th>
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| World-class support system               | • Strong support system attracts high-quality franchisees  
• Validates international royalty rates and fees  
• Allows franchisee to focus on their market and their operations  
• Franchisees are willing to give up some level of control when they receive a high level of support |
| Brand Management and QA                 | • Maintain brand equity  
• Ensure consistency of customer experience  
• High quality operations increase customer satisfaction  
• Customer satisfaction leads building sales and brand loyalty |
| Localization and Innovation              | • Evolve offering to meet changing customer needs  
• Drives store traffic and grows same store sales  
• Improved store economics makes franchise more attractive  
• Maintain credibility with franchisees by improving their bottom line |
Rod Young

- Executive Chairman and Global CEO – Cartridge World
- Founder and Chairman, DC Strategy
- 30-year experience in global franchising
- A world leading franchise advisor
- Visiting Professor of Beijing Normal University, Zhuhai, China
- Board Member of the Indian Franchise Association
Cartridge World - Background

Global franchise leader in $80 billion industry

Home & Office Printing Pros

Specialized retailer:
High-performance ink & toner for all major brands of printers (HP, Canon, Dell...)
Printers, copiers, MPS service
Paper, printing supplies, service
Eco-friendly recycling

B2B, Retail and Online Customers
Cartridge World - Background

1988: First store opened in Australia
1997: First franchise granted
1999: First international master franchise
2003: North American expansion
2014: 1,400 stores in 50 countries
Listed #90 in Entrepreneur’s “Franchise 500”

B2B: Online ordering, Free delivery, MPS service
Cartridge World - Business Model

• Owned by Wolseley Private Equity, Australia
• International – country and regional master franchises
• Unit franchises granted by master franchises
• Multi-unit franchisees
• Company-owned countries
• France, Spain, Portugal, Italy (termination)
• United Kingdom (buy back)
• Company-owned stores - UK

Save up to 30% on printing every day
Cartridge World - Structure

International
Global HQ moved to Chicago
• Global CFO & CWNA CEO
• Chief Technical Officer
• Admin, IT & Marketing

Australia, Hong Kong, France, UK

Key Executives
• CFO & CWNA CEO – Chicago
• VP Franchise Development & Procurement – Australia
• Country CEOs – in country
• Regional GMs – in region

1,400 stores in 50 countries
Cartridge World - Support and Training

• Master franchise training in Marseille, France
• Chief Technical Officer in Chicago
• EU Technical & Product testing centre in UK
• Global online technical platform and bulletins
• Online marketing resource centres
• In-country accredited training stores
• Regional business coaches, mgt
• Regional & national conventions

In business for yourself, not by yourself
Cartridge World - Challenges

Complexities

- Language – reports, manuals, mktg
- Online training and support
- Time zones
- Franchise sales, training centres
- Buy backs, terminations
- Company-owned networks, stores
- Masters training unit franchisees
- Franchisees – technical training
- Complex technology from HP
- Low cost/quality imports

Ink & toner for all brands of printers
Cartridge World - Meeting the Challenges

A business in transition
- New B2B/Online business model
- From store to *showroom* – new store design for bricks & clicks
- Educating masters – FD, B2B, sales training
- Driving resales – new B2B sales blood into network
- Franchise development – global and domestic
- Quality product – franchisees, mfgrs, distributors

*Seeking sales, marketing, service pros*
Cartridge World – Lessons Learned

Quality is job #1

• Remember 80/20/20 rule
• Grant (not sell) masters and franchises to people who will value your brand
• Don't expect masters to know how to be masters
• Commit to initial/ongoing training
• Opposite skill sets of granting & supporting franchisees
• Control supply chain and quality
Cartridge World – Lessons Learned

People make the difference

- Develop cloud-based CRM and POS
- Only choose high quality, well-capitalised masters
- Have agreements with realistic but high performance hurdles
- Budget for legal, trademark protection, and master support
- Innovate and differentiate constantly
- Only make promises you can keep
Doug Wong

- Senior Director Global Franchise Recruitment – Denny’s
- More than 30 years restaurant experience with National brands in Operations, concept development, asset management and franchise recruitment
- Certified Franchise Executive in 2007
Denny’s

Overview
• Started in 1953 as Danny’s Donuts in Lakewood, CA
• A public company under DENN with close to 1,700 restaurants in 10 countries
• Awarded our 1st International franchise in Acapulco, Mexico
• America’s Diner is always open!

Franchise model
• Recruit Area Developer preferably for the country
• Show resolve in completion of your due diligence
• Infrastructure to handle growth – see for yourself
• Invite to the U.S.
Denny’s

International Organization Structure
• Director’s level position to help support growth
• Identify, recruit, Discovery Day and 1st year
• Constantly over communicate
• Non-negotiable, zero response or table it
• Track results and analyze

Training and Support Systems
• Resolve supply and distribution first
• In county training vs. U.S. based training
• 120 days out, critical to launch of Flagship
Tony Foley

- **International Director – United Franchise Group**
- President of World Franchisors
- Member of the Board of Directors for UFG
- 27 years of Franchise Experience Globally
- “Certified Franchise Executive” Status
- Graduate of Florida International University, with a degree in International Business
- Member of IFA “Blue Sky” Group
- Lecturer at numerous franchise exhibitions worldwide as well as author of many franchise related articles in dozens of global industry trade magazines
- Received coveted Presidential “E” Award from President George W. Bush in 2007 during a ceremony in the oval office. This award recognizes companies that demonstrate outstanding global exporting growth.
United Franchise Group
World Headquarters located in
West Palm Beach, Florida USA

• Founded in 1985 and is privately owned and operated
• Australia support office located in Sydney, and an office in Singapore
• Company consists of 6 brands at present: Signarama, EmbroidMe, Plan Ahead Events, IZON Global Media, Transworld Business Advisors and SuperGreen Solutions
• All “Business to Business” Brands
• 1,450 franchisees in 60 countries to date
• 200 corporate staff
United Franchise Group
- Franchise Model

*UFG Employs several expansion models in it’s awarding of franchise licenses:*

- **Unit Franchising:** Utilized in the USA as well as in Australia. These are “corporate” run countries.
- **Area Development Franchising:** Utilized in the USA as well as Australia for 3 non-retail brands in the companies portfolio.
- **Conversion Franchising:** Utilized in the USA as well as Australia on a case by case situation.
- **Master Franchising:** Utilized as the primary expansion model when entering a new country or region outside the USA.
United Franchise Group
-International Organizational Structure

CEO

INTERNATIONAL DIRECTOR

GLOBAL COMMUNICATIONS COORDINATOR

VP of INTERNATIONAL DEVELOPMENT

INTERNATIONAL OPERATIONS DIRECTOR

INTERNATIONAL OPERATIONS MANAGER

INTERNATIONAL OPERATIONS ADVISOR

DIRECTOR OF AUSTRALIAN OPERATIONS

DIRECTOR OF SINGAPORE OPERATIONS
United Franchise Group

-Current Support Challenges In No Particular Order

“Tropicalizing” the brands to conform with local culture:

• Software Adaptation
• Language Impact
• Shipping of equipment, hardware and furnishings
• “Recon visit” and identifying appropriate vendors and suppliers
• Communications / Time Zones
• Hiring and maintaining internal support staff that can travel and represent the country in the proper fashion
• Training corporate staff to “Think Global”
United Franchise Group

-Top Line Overview of How You Are Meeting The Challenges Within Your Organization

• Adjusting Infrastructure to cope with global growth: systems, procedures, support and training have been constantly “fine tuned” in order to maintain healthy global growth. Work in progress.

• Capital and Budgeting: having the necessary funds ear marked for global expansion as well as support is critical with six brands. Balancing this and getting the numbers “right” are essential to the organization overall as well as to the international team. You have to be a good money manager.

• Identifying the Right Candidates: awarding a master license to individuals that fit your organizations personalities is absolutely essential. Always improving our vetting processes which includes in country visit(s), resume and background checks and home office discovery day. These are constantly being adjusted and improved upon.
• **Building and Training Staff:** this is one of our biggest challenges. As we continue to grow and add brands, bringing the right individuals on board and into our “locker room” is paramount. Finding and training team members is extremely expensive and time consuming. We have put a “3 step” system in place that involves a candidate interviewing with our Executive Team, a select Master License Partner as well as spending a full day at the head office being interviewed by select department heads.

• **Time Management:** huge issue for International Department. We still have the same 24 hours in a day, but need to actually double efficiency of the team, especially with multiple brands with franchisees in 50 plus countries. The sun literally does not set on our company. Balancing support calls, calendars and staffing tasks is an ever increasing issue. Have had professional time managers come in to work with our team which has helped. None the less, finding a proper balance is something we need to constantly focus on.
Organizational Readiness
Internal Review and Assessment

• Organizational Commitment to International Support
• Infrastructure Readiness
  ✓ Budget
  ✓ Staffing - Quantity and Quality
  ✓ Toolbox, Systems
  ✓ Language and Translation Issues
• Alignment of Development Strategy and Support Resources
• Managing Growth
Best Practices In Delivering Support

- Pre-market entry research and due diligence
- Import, regional sourcing and localization
- New franchisee orientations
- Brand level training – administration, above retail
- Management training programs
- Market launch training and support
- Location based training
- Use of technology in delivering training and support
- Ongoing support and training systems
- Marketing support
- New products and system rollouts
- Quality assurance and safety
- Transferring USP and generating an acceptable ROI
## Differences In Support and Training Needs By Franchise Format

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<tr>
<th>Discipline</th>
<th>Master</th>
<th>Area Developer</th>
<th>Single Unit Operator</th>
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<tbody>
<tr>
<td>Unit Level Training Systems</td>
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<tr>
<td>Functional / Admin Level Training</td>
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<tr>
<td>Development and Market Planning</td>
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<td>SCM and System Localization</td>
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<td>Franchisor Tools and Systems</td>
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<tr>
<td>Franchise Development and Sales</td>
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<tr>
<td>Unit Level Compliance Evaluations</td>
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Questions & Answers
Audience Participation
54th Annual

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