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Avoiding Common Mistakes In International Franchising

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Beata Krakus is an officer in the Chicago office of Greensfelder, Hemker & Gale, P.C., and part of the firm's Franchising & Distribution Practice Group. She works with franchisor clients in domestic and international franchise transactional matters, as well as related areas such as distribution and sales representative arrangements, and other commercial contracts. She has advised, structured, and prepared franchise programs for many different franchise concepts including real estate brokerages, hotels, restaurants, and fitness and personal health systems.

Prior to joining Greensfelder, Ms. Krakus was an associate with Sonnenschein Nath & Rosenthal LLP. She also practiced in Warsaw, Poland with the Swedish law firm of Magnusson Wahlin.

Ms. Krakus is a member of the Women’s Caucus Steering Committee, has served as an Associate Editor for The Franchise Lawyer, has herself written articles for the Franchise Law Journal and other franchise law publications, and has spoken repeatedly at the ABA Forum on Franchising and International Franchise Association Legal Symposium. She is recognized by International’s Who’s Who of Franchise Lawyers and by Chambers USA (Nationwide, Franchising, Up and Coming).
Melissa Rothing

Mrs. Rothring has 22 years' experience in franchising business analysis and management, focusing on financial and legal management initiatives with a concentration on effective branding and operational strategies. Mrs. Rothring currently serves as General Counsel to Huddle House, Inc., a full-service 24-hour family restaurant chain. Prior to joining Huddle House, Mrs. Rothring's executive leadership positions include tenure as Vice President, General Counsel and Corporate Secretary for GFG Management, LLC, an Atlanta-based, multi-brand retail and QSR franchisor/licensor of Great American Cookies, MaggieMoo’s, Marble Slab Creamery, Pretzel Time, Pretzelmaker, Shoebox New York and The Athlete’s Foot. Previously, Mrs. Rothring was Chief Legal Officer at Blimpie International, Inc. and an executive at Kahala Corp., each a multi-brand QSR licensor/franchisor. She presents at the IFA Legal Symposium, MUFSO, IFA Webinars, corporate seminars, the Franchise and Distribution Section of the State Bar of Georgia and other workshops, roundtables and similar events.
Carl E. Zwisler is an internationally recognized franchising and distribution lawyer. Practicing in the Washington, DC office of Gray Plant Mooty, Carl advises franchisors and master franchisees throughout the world in structuring, drafting and negotiating international agreements. He has prepared and delivered more than 200 presentations and articles on all aspects of international franchising. He has also written a book on international master franchising. Carl has served as IFA General Counsel, Chair of the IFA Supplier Forum, Chair of IFA’s SBA Franchise Registry Task Force and as U.S. Franchise Law Expert for the International Distribution Institute. He frequently serves as a trainer on international franchising issues for U.S. Department of Commerce Foreign and Commercial Services officers, and assists the U.S. Department of Commerce and U.S. State Department in preparing and delivering international franchising training programs for business and government leaders in developing and transitional countries under the auspices of the Commercial Law Development Program.
The International Development Proposal

• The Middle East
  Based in Dubai, UAE
  – Develop 20 units in the GCC (UAE, KSA, Kuwait, Qatar, Bahrain & Oman) + Iran over 10 years using a master franchising strategy

• Germany
  – Develop 20 units over 10 years through a JV with Founder’s Brother
The Challenge Of
Mr. Piggy’s BBQ & Beer Hall

• Operating Experience: 7 years
• Franchising Experience: 5 years
• U.S. Units:
  – 10 company owned
  – 30 franchised opened
  – 20 sold, but not open
• International Units: 0
• Franchising Format: Single Unit and Area Development (since 2013)
• Initial Franchise Fee: $50,000
• Area Development Fee:
  – $20,000 X No. of outlets to be developed
  – $20,000 due when signing unit franchise agreement
• Royalty Fee: 6% of Gross Sales
• Average Unit Volume:
  – Year 1: $500,000
  – Year 2: $700,000
  – Year 3: $850,000
• Food Sales: 60% (35% pork)
• Beverage Sales: 40% (35% beer and alcohol)
• Trademark Registrations: U.S., EU CTM (application pending since 12/14)
Common Mistakes in International Franchising

• Failure To Make Adequate Plans
  – Protecting I.P.
  – Understanding Costs – Transaction and Adaptation
  – Evaluating Profit Potential – Market and Parties
• I.P. Issues
  – Trademark Registration
  – Trademark Availability
Mr. Piggy’s
Mr. Piggy’s
Mr. Piggy’s
Transaction Costs

• Middle East
  – Franchising Format—Master Franchise v. Area Development
  – Seven countries’ laws

• Germany
  – Joint Venture
Adaptation Costs

• Middle East
  – Brand
  – Menu
McDonald’s -- India

Upsize to Large Fries and Large Soft Drink

Now Starts at ₹105/-

McAloo Tikki™  ₹30
McEgg™  ₹35

EXTRA VALUE MEALS (Includes Medium Fries & Medium Soft Drink)

McPaneer™ Royale  ₹127
McChicken™  ₹89
Filet-O-Fish™  ₹105

Chicken McGrill™  ₹45
Masala Grill Veg.  ₹49
Masala Grill Chicken  ₹59

McVeggie™  ₹69

NEW MEAL PRICES TO BRING YOU MORE SMILES

Chicken Maharaja Mac™  ₹109
McSpicy® Paneer  ₹119
McSpicy® Chicken  ₹125
Grilled Chicken™ Royale  ₹137
# Domino’s Pizza -- India

## Regular Menu

### Regular

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margherita</td>
<td>220</td>
</tr>
<tr>
<td>Cheese and Tomato Pizza</td>
<td>395</td>
</tr>
<tr>
<td>Veg Hawaiian Delight</td>
<td>310</td>
</tr>
<tr>
<td>Chicken Salami Special</td>
<td>495</td>
</tr>
<tr>
<td>Chicken Hawaiian Twist</td>
<td>380</td>
</tr>
<tr>
<td>Double Cheese Margherita (Laced with Extra Cheese)</td>
<td>405</td>
</tr>
<tr>
<td>Country Special (Onion, Crisp Capsicum &amp; Fresh Tomato)</td>
<td>200</td>
</tr>
<tr>
<td>Farmhouse (Onion, Crisp Capsicum &amp; Mushroom &amp; Fresh Tomato)</td>
<td>380</td>
</tr>
<tr>
<td>Veggie Paradise (Onion, Crisp Capsicum &amp; Red Paprika)</td>
<td>565</td>
</tr>
<tr>
<td>5 Pepper (Capsicum, Yellow Ball Pepper, Red Ball Pepper, Jalapeno &amp; Red Paprika, sprinkled with Extra Herbs)</td>
<td>245</td>
</tr>
<tr>
<td>Deluxe Veggie (Onion, Crisp Capsicum &amp; Golden Corn &amp; Paner)</td>
<td>435</td>
</tr>
<tr>
<td>Mexican Green Wave (Green Onion, Crisp Capsicum, Fresh Tomato &amp; Jalapeno)</td>
<td>615</td>
</tr>
</tbody>
</table>

### Specials

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken Fiesta (Chunky Chicken, Spicy Chicken, Onion &amp; Capsicum)</td>
<td>200</td>
</tr>
<tr>
<td>Spicy Chicken (Red Paprika &amp; Hot ‘n’ Spicy Chicken)</td>
<td>380</td>
</tr>
<tr>
<td>Barbeque Chicken (Onion &amp; Barbeque Chicken)</td>
<td>435</td>
</tr>
<tr>
<td>Chef’s Veg Choice (Double Spicy Chicken, Black Olive, Crisp Capsicum &amp; Red Paprika)</td>
<td>615</td>
</tr>
<tr>
<td>Zesty Chicken (Zesty Chicken Sausage, Barbecue Chicken, Capsicum &amp; Red Paprika)</td>
<td>245</td>
</tr>
<tr>
<td>Chicken Golden Delight (Golden Corn, Double Barbecue Chicken &amp; Extra Cheese)</td>
<td>435</td>
</tr>
<tr>
<td>Chicken Mexican (Golden Corn, Fresh Tomato, Red Paprika, Hot ‘n’ Spicy Chicken, sprinkled with Exotic Mexican Herbs)</td>
<td>615</td>
</tr>
</tbody>
</table>

## Pizza MANIA

### Set Combinations

- **Regular Serves 1:**
  - Margherita
  - Cheese and Tomato Pizza
  - Veg Hawaiian Delight
  - Chicken Salami Special
  - Chicken Hawaiian Twist
  - Double Cheese Margherita (Laced with Extra Cheese)
  - Country Special (Onion, Crisp Capsicum & Fresh Tomato)
  - Farmhouse (Onion, Crisp Capsicum, Mushroom & Fresh Tomato)
  - Veggie Paradise (Onion, Crisp Capsicum & Red Paprika)
  - 5 Pepper (Capsicum, Yellow Ball Pepper, Red Ball Pepper, Jalapeno & Red Paprika, sprinkled with Extra Herbs)
  - Deluxe Veggie (Onion, Crisp Capsicum & Golden Corn & Paner)
  - Mexican Green Wave (Green Onion, Crisp Capsicum, Fresh Tomato & Jalapeno)

### Non Veg Serves 2

- **Regular Serves 2:**
  - Barbeque Chicken & Spicy Chicken
  - Zesty Chicken Sausage & Chunky Chicken
  - Chicken Mexican (Golden Corn, Fresh Tomato, Red Paprika, Hot ‘n’ Spicy Chicken, sprinkled with Exotic Mexican Herbs)

### Non Veg Serves 3

- **Regular Serves 3:**
  - Barbeque Chicken & Spicy Chicken
  - Zesty Chicken Sausage & Chunky Chicken
  - Chicken Mexican (Golden Corn, Fresh Tomato, Red Paprika, Hot ‘n’ Spicy Chicken, sprinkled with Exotic Mexican Herbs)

### Mixed Doubles (Veg+Non Veg) Serves 4

- **Regular Serves 4:**
  - Jalapeno & Barbeque Chicken
  - Zesty Chicken Sausage & Chunky Chicken
  - Capsicum & Chunky Chicken

### Variants

- **Regular:**
  - Margherita
  - Cheese and Tomato Pizza
  - Veg Hawaiian Delight
  - Chicken Salami Special
  - Chicken Hawaiian Twist
  - Double Cheese Margherita (Laced with Extra Cheese)
  - Country Special (Onion, Crisp Capsicum & Fresh Tomato)
  - Farmhouse (Onion, Crisp Capsicum, Mushroom & Fresh Tomato)
  - Veggie Paradise (Onion, Crisp Capsicum & Red Paprika)
  - 5 Pepper (Capsicum, Yellow Ball Pepper, Red Ball Pepper, Jalapeno & Red Paprika, sprinkled with Extra Herbs)
  - Deluxe Veggie (Onion, Crisp Capsicum & Golden Corn & Paner)
  - Mexican Green Wave (Green Onion, Crisp Capsicum, Fresh Tomato & Jalapeno)

- **Extra:**
  - Margherita
  - Cheese and Tomato Pizza
  - Veg Hawaiian Delight
  - Chicken Salami Special
  - Chicken Hawaiian Twist
  - Double Cheese Margherita (Laced with Extra Cheese)
  - Country Special (Onion, Crisp Capsicum & Fresh Tomato)
  - Farmhouse (Onion, Crisp Capsicum, Mushroom & Fresh Tomato)
  - Veggie Paradise (Onion, Crisp Capsicum & Red Paprika)
  - 5 Pepper (Capsicum, Yellow Ball Pepper, Red Ball Pepper, Jalapeno & Red Paprika, sprinkled with Extra Herbs)
  - Deluxe Veggie (Onion, Crisp Capsicum & Golden Corn & Paner)
  - Mexican Green Wave (Green Onion, Crisp Capsicum, Fresh Tomato & Jalapeno)

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The Middle East Adaptation

Mr. Moo’s BBQ & Juice Bar
Additional Adaptation Costs

- Construction
- Labor
- Languages/translations
- Advertising & Marketing
Common Mistakes In International Franchising

• Inadequate Franchisee Training and Support
  – Training the Master Franchisee to Be the Local Franchisor
  – Training Programs for Area Developers and Subfranchisees
• Inadequate Adaptation of Business to the Local Market
  – Image and Trademarks
  – Product Sourcing and Adaptation
• Failure to Understand How Local Laws and Market Conditions Affect Profitability
  – Real Estate
  – Labor Laws
• Failure to Provide Optimal Remedies for End of Franchise Issues
  – Establishing Contractual Rights to Untangle Relationships
  – Mitigating Claims of Subfranchisees
Thank You

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