#IFA2017

CONVENTION

JANUARY 29-FEBRUARY 1 | MANDALAY BAY | LAS VEGAS, NV
International Track 2 Part 1:

International Training & Support
Mark Jameson
Executive Vice President,
Franchise Support & Development
Key Takeaways

• International Franchising and support requires planning and readiness
• One Key to supporting International Franchisees is Communication and Expectations; upfront, through-out the relationship and during the term in many formats and methods
• Learn from your mistakes! You will make them and should use them to revisit for future International Agreements
• Technology is your advantage!
Locations

640
US = 572/ International = 108

Total Investment

$151,140– $293,525

Master or Area Developers worldwide
Currently 8 Countries
Sold 6 countries not opened
Type of Relationship

Master Franchise-
• Ability to sub-Franchise
• Understands local market and culture
• Responsible/Ability to Sub-Franchise

Area Developer-
• Owns and Operates all the locations
• Understands local market and culture
Communication & Support

- Up-front communications and expectations
- Support structure outlined in agreement & LOI
- Expectation of Initial training
- Technology
  - Skype/Whatsapp
  - Intranet site for shared materials
  - Video training
FASTSIGNS International

Key Considerations

- Candidates with strong experience as a Master Franchisee or Area Developer with other brands brought into the country
- Candidates with extensive sign, graphics, print or other related experience
- Candidates with proven management, multi-unit and C-level experience
- English speaking candidate and management team
- Minimum net worth of $2 million (USD)
- Passion for the brand and a hunger to grow
Alex Oswiecinski
Vice President of International Development & Operations
Positioning Zees for Success

• Set expectations during sales process
• Define roles of ‘zor and ‘zee
• Identify gaps in expertise
• Local consultants
• Infrastructure planning
Domestic vs. Int’l Training and Support

- Owners vs. Operators
- Marketing and Supply Chain
- Regional Training
- Languages
- Cultural differences with labor & HR
Local vs. Remote Support

- Stay tapped into heart of brand
- Int’l team communication & openness
- Wearing many hats
- Economic thresholds
- Regional density / strategic development
Best Practices

• Cloud technology
• Videos
• Visit often early
• Great partners
PostNet International Basics

• PostNet is a retail shipping and printing concept.
• Began franchising in 1993; sold first master franchise in 1994.
• Expanded exclusively outside of the U.S. and Canada through Master Franchises.
• Currently there are approximately 700 locations in 9 countries.
Franchisee Success

• Strong infrastructure foundation and capable Master Franchisee partner

• Thoughtful translation of concept for territory
  – Service and Product Offering based on competition and demand
  – Right sizing to ensure profitable model
  – Effective training and support
  – Ongoing evolution of master franchisee operation
International Training and Support

• PostNet World HQ leads by example
• Important connections on communication channels
• Assess master franchisee’s content and programs
• In some cases we help provide training as master franchisee scales operations- always limited to a defined time or number of centers
Local Versus Remote Support

- Annual visits to master franchisee’s HQ
- Review of operations and people
- PostNet Center visits in the territory
- Otherwise, support to master franchisee is remote and master franchisee provides local training and support
What We’ve Learned

• Each territory and master franchisee is different - take on the role of a coach and mentor
• Be sensitive to signs of success or challenge and be proactive
• Leverage common technology and communication platforms to stay better aligned and connected.
Expense Reduction Analysts

The Franchise for Executives

Red Boswell
Chief Growth Officer
Today there are 700+ ERA franchisees operating in 30 countries worldwide.

Our global headquarters are in Kent, England.

In North America, ERA has over 170 franchisees.

The North American Support Center for ERA is in Dallas, TX.

Expense Reduction Analysts franchisees globally have completed over 18,000 cost reduction projects for thousands of clients finding extra profit of nearly $1,000,000,000!
International Training & Support

or

“How I Stopped Worrying and Learned to Love the International Franchisee”
Positioning Your International Franchisees for Success

1. Hire people who care
2. Provide them with the budget and tools necessary
3. Over communicate steps, expectations, and processes throughout the recruitment process – visually & audibly
4. We require everyone speak English but if you don’t then provide 100% of training, manuals, tools, and support in their franchisees language.
Local leadership can make the difference

a. Masters
b. ADs
c. Senior Zees
d. Country Managers (employees)
e. Regional Franchise Consultants (employees)
Why Local Leadership?

Stay out of my territory.
Why Local Leadership?

• It should go without saying but the master/AD must live in the area

• Language & cultural difficulties can be understood & addressed much better by a local

• So much more can be accomplished in person rather than remote

• Local pride of ownership / Enhanced Team Comradery / Focused, productive competition
The How of Local Leadership

• Determining if the master candidate is just an investor or truly an entrepreneurial organization builder? What’s their motivation and experience? Are they just wanting to keep half the royalties rather than really build something great through others?

• Provide an additional week of master franchisee training plus additional ongoing follow up training at corporate and in their local market

• Set significant & enforceable minimum expectations/requirements of the master/AD
Utilize Technology

- Recorded training videos
- Live webinars
- Email
- PPTs
- Phone
- Cloud storage

- Skype
- Conference calls
- Web conferencing software
- Intranets
- Global partners / vendors
Culture Infusion

• Do you even know what your culture is and isn’t?
• Begin with the end in mind
• Never stop talking about and living your culture
• Share stories
• Combine/mix countries and regions every chance you get
THANK YOU and NOW...
Q & A
Key Takeaways

• International Franchising and support requires planning and readiness
• One Key to supporting International Franchisees is Communication and Expectations; upfront, through-out the relationship and during the term in many formats and methods
• Learn from your mistakes! You will make them and should use them to revisit for future International Agreements
• Technology is your advantage!
International Summit Track 2 Part 2: Mastering Master Franchising: Avoiding Pitfalls and Creating Successful International Master Franchisees

International Franchise Association
Monday, January 30, 2017

By:
Larry D. Kruguer
Srinivas Kumar
Carsten Pedersen
Carl E. Zwisler
Larry D. Kruguer

Currently based in Dallas, Texas – Larry serves as President of International for Wingstop Restaurants Inc., a publicly traded company (NASDAQ: WING) and formerly a member of the Roark Capital family of companies. He joined Wingstop in June 2015, just prior to the company’s IPO, with the objective of developing the vision for the brand outside the U.S. and help to expand the concept beyond the 900+ locations the system had in the U.S. and 5 countries overseas.

Larry has over 25 years of global business experience which has been primarily focused in the consumer services and products arena, overseeing functional areas such as marketing, business development, sales, strategic planning and overall general management. He has been involved in such diverse industries as Financial Services, Travel, Sports, Internet, Consumer Retail, Automotive Services and Restaurants. He has served as an executive with major firms such as American Express, Alamo/National Car Rental and CBS Sports – while also having been involved with successful start-ups such as Sportsline.com, ProntoWash and The Dent Company (TDC).
Srinivas Kumar

Srinivas Kumar (Srini) is currently the Chief Executive Officer for CraftWorks Restaurants and Breweries.

Born and raised in India, Mr. Kumar commenced his career with Unilever PLC. After almost a decade with Unilever, with successful roles in sales and marketing functions, he left Unilever as Marketing Manager, Food and Acquisitions, to pursue a new career in retail. He moved to Dubai to lead a turnaround of Baskin Robbins Middle East, Africa. Mr. Kumar built a strong management team and in three years the licensee trebled the business setting course for the region to become an innovation engine for the world. Very soon the Galadari group became the largest licensee in the Baskin Robbins International world and the brand became the Number 1 quick service restaurant chain in the Middle East – more than double the number of stores of KFC or McDonald’s.

Mr. Kumar joined Dunkin’ Brands in 1998, as Vice President of the Middle East, based in Dubai UAE, where he licensed new markets and energized existing markets for Dunkin’ Donuts. In 2008, Mr. Kumar was appointed to the position of Chief Brand Officer, Baskin-Robbins Worldwide. Under Mr. Kumar’s leadership, Baskin-Robbins, enjoyed a successful revitalization and international expansion. After a successful IPO in 2011, Mr. Kumar decided to pursue a different career and joined Luxottica to build a franchising vertical for the group.
Carsten Pedersen

Carsten Pedersen is the President of BoConcept USA, Inc., which covers the Americas. BoConcept USA, Inc. is a subsidiary of BoConcept A/S, a Danish Company and the franchisor of BoConcept a Danish Urban Contemporary Furniture concept with 260 stores globally in 60 countries. Carsten established the BoConcept in the Americas, and has over the past 20+ years developed and expanded the BoConcept brand. Today, BoConcept the Americas operate stores in 12 countries in the US, Canada and Latin America. Having been 30 years in the furniture business, Carsten is unique in the way that he started as a sales representative and later owned his own company. In 1994, he became the President of BoConcept, the Americas, and has acquired a detailed knowledge of all aspects of the franchise business both nationally and internationally. His extensive experience in franchise operations, sales, legal matters as well as the financial side makes him valuable to anyone wanting to open a franchise. Furthermore, his emphasis on training and supporting the franchisee and his/her associates in providing customers an exceptional shopping experience is an important element to increase same store sales.
Carl Zwisler

Carl is a principal in the Washington, DC office of Gray Plant Mooty’s Franchise & Distribution Law practice group. He represents companies in structuring, negotiating and enforcing U.S. and international franchise, licensing, and distribution agreements.

With the experience he has gained advising franchisors and master franchisees through every phase of the life cycle of a franchise program, Carl is uniquely qualified to advise international franchisors in starting and improving their international franchising programs.

He is sought out by franchisors and franchise investors from around the world to assist them with cross border issues. Carl is a former IFA General Counsel.
How To Avoid Key Problems In International Master Franchising

1. Define expectations
   - Franchisor
   - Territory
   - Master Franchisee

2. Develop Expansion Plans that define what is needed for the franchisor to meet its expectations and a master’s reasonable expectation
3. Confirm that Master Franchisee candidates understand Franchisors' expectations and have the experience, resources, passion and leadership needed to succeed

4. Require Master Franchisee candidates to prepare business plans that define the resources that will be required, when they will be required and demonstrating their availability.
5. Confirm that the Master Franchisee understands likely potential problems with the plan and understands consequences if requirements are not met.
Avoiding Pitfalls In Master Franchising

Preliminary Considerations:

1. Why Franchise internationally?
   • Costs, benefits for Franchisor and Master
2. What resources and how much time is required for returns for Franchisor and Master?
3. Does ROI for Franchisor and Master justify the investment?
4. Is Master Franchising the right strategy?
Franchising Formats Used In International Franchising

- Unit
- Area Development
- Master
Franchising Formats

Unit Franchising

Franchisor grants

↓

Unit franchisee

Right to conduct business using franchisor’s trademark and operating systems

↓

Payment of Fee
Area Development Franchising (multi-unit franchising)

Franchisor grants ↓
Area Developer
territory

<table>
<thead>
<tr>
<th>Franchise Unit 1</th>
<th>Franchise Unit 2</th>
<th>Franchise Unit 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>By January 1, 2018</td>
<td>By July 1, 2018</td>
<td>By January 1, 2019</td>
</tr>
</tbody>
</table>

Franchising Formats
Area Development Agreement
Provides:

• Develop three units during next 12 months
• Sign a unit franchise agreement for each
• Pay area development fee
• Pay unit franchise fee when each franchise agreement is signed
Franchising Formats

Master Franchising

Franchisor grants

↓

Master Franchisee (subfranchisor)
Right to sell unit franchises (subfranchises)
within a defined territory

↓

usually at a rate set by a development schedule
during a defined period of time
Master Franchising
Master Franchisee pays
\[ \downarrow \]
Franchisor
\[ \downarrow \]
a master franchise fee and a portion of initial and ongoing fees derived from each Unit Franchisee
## Comparison of International Franchising Strategies

<table>
<thead>
<tr>
<th></th>
<th>Relative Cost</th>
<th>Relative Speed</th>
<th>Relative Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>Cheapest</td>
<td>Slowest</td>
<td>Lowest</td>
</tr>
<tr>
<td>Area Development</td>
<td>Mid</td>
<td>Mid-high*</td>
<td>Mid-high*</td>
</tr>
<tr>
<td>Master**</td>
<td>Highest</td>
<td>Highest*</td>
<td>Highest*</td>
</tr>
</tbody>
</table>

* Depends on number of units developed and franchisor’s share of fees

** Objective of master franchising is fastest growth
## Franchisor Share Of Revenue Using Different Franchising Strategies

<table>
<thead>
<tr>
<th></th>
<th>Initial Fee (Primary Franchisee)</th>
<th>Initial Fee (Operating Unit)</th>
<th>Royalty</th>
<th>Other Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Area Development</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Master</td>
<td>100%</td>
<td>Shared*</td>
<td>Shared*</td>
<td>Shared*</td>
</tr>
</tbody>
</table>

* For units that are sub-franchised. Franchisor receives 100% of fee from a Master’s company-owned units.
Key Problems In International Master Franchising
Cultural Fit

- Passion to be brand representative vs. financial results focus
- Timely – observes deadline
- FCPA complaint
- Trustworthy
Access To Resources Needed For Success

- Real Estate
- Capital
- Supply Chain
Inexperience

• Industry
• Franchising
• International Business
Lack Of Clarity About

- Goals and plans
  - How to execute
- Business economics
  - Ability to scale business and leverage resources
  - Ability to support subfranchisees
- What could go wrong -- barriers to success
  - Consequences
  - Termination
How To Minimize Key Problems
Mission

Hypothetical

1. Develop international expansion plan.
2. Convince board the plan will generate:
   a. profits in three years; and
   b. better returns than investing the same resources in domestic expansion.
Challenges

• How do you establish reasonable expectations for the board?

• How do you determine your cost of:
  
  a. Recruiting, training and providing initial support to a new master franchisee

  b. Establishing a supply chain, and adapting concept to a new market

• Do you target country markets or best candidates?
• If you target country markets, what do you need to know about them before committing resources to seek franchise candidates?

• How do you decide ideal size of a Master Franchise territory and the minimum number of outlets per master franchise territory?

• How do you set expectations for master franchise candidate about the requirements and risks of becoming your master franchisee?
• How do you vet candidates to determine—
  – whether they meet your minimum criteria?
  – whether they are a good fit for your company’s culture and whether they have passion for your brand?
• Do you use a prospectus or FDD to outline the requirements of your master franchise program?

• At what stage of your recruiting process do you begin negotiating a LOI?

• How do you train and support master franchisees in their franchisee recruiting and support efforts?
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Thank You

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