

IFA2019
CONVENTION

TOGETHER,
WE ARE
FRANCHISING

THE TOP 10 MISTAKES IN INTERNATIONAL EXPANSION

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KEY TAKEAWAYS

Don't make the same mistakes the others made

- There must be clear CEO and Senior Management commitment
- Local adaptation will be required
- An international support plan must be prepared in advance
- Development should be proactive, not reactive
- An internationally experienced leader is a must
- It will take longer and cost more than hoped
- International expansion can set the course for long-term growth

1. BRAND NOT FULLY COMMITTED

- From the CEO down
- Investment in International staff, with Domestic support
- International-specific experience
- Language and Time Zone considerations
- Senior Management must “signal” commitment

2. LITTLE OR NO ADVANCE PLANNING

- Reactive rather than proactive Development
- “Sign the deal now and figure out how to support it later”
- Haphazard geographic presence
- Goal should be International support equal to Domestic
- “There’s never time to plan,
but there’s always time to do it over...”

3. LACK OF TRADEMARK AND SUPPLY CHAIN STRATEGIES

- Time delays for trademark filings
 - Russia, Brazil, China
- Supply Chain pitfalls
 - Customs/cultural requirements, reciprocity
 - Home market specs *vs* local adaptation
- Must have focused International Plan to guide strategy

4. UNWILLING TO ADAPT TO LOCAL MARKET

- No one-size-fits-all model
- Listen to local advice
- Unit economics
- “It will kill the brand”
- The one certainty is that adaptation will be required

5. INADEQUATE VETTING OF CANDIDATES

- Corporate and personal due diligence
 - Formal databases plus informal reputation reviews
- OFAC/Prohibited Persons
- Largest check doesn't mean best franchisee
- Experienced parent/Inexperienced son or daughter?

6. UNREALISTIC TIMING/COST EXPECTATIONS

- Franchise offering registrations
- Franchise Disclosure
- Translation costs
- Withholding taxes, Stamp taxes
- Franchisee recruitment, site selection, training, other prep
- It will take longer and cost more than hoped

7. INSUFFICIENT LOCAL LEGAL INPUT

- Master franchising *vs* Direct franchising
- Letters of Intent/Deposits
- International agreement drafting issues
- Foreign remittance restrictions
- Joint Venture obstacles
- There is no substitute for guidance from local counsel

8. UNREALISTIC DEAL TERMS

- Multi-country grants
- 10+ units a year
- Pitfalls of brand collector franchisees
- Less than 15% of Development Agreement commitments are achieved

9. INADEQUATE SECURITY/ENFORCEMENT

- Corporate or Personal Guarantees
- Bank Guarantee
- Letter of Credit
- Deposits
- Foreign Exchange processes
- Concerns here could signal deeper business problems

10. INSUFFICIENT TERMINATION CONSIDERATION

- Arbitration *vs* Litigation
- US *vs* Local Enforcement Options
- Commercial Agency laws
- Practical alternatives to “nuclear option” termination

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