

# Checklist for Determining the Market Internationally

## Consumer Information

- Population size
- Geographic distribution of population
- City analysis
- Education of consumer population
- Per capita income
- Religious and cultural issues
- Similarity to U.S. in purchasing etc. (Westernization)
- Standard of living
- Size of the established market for the product or service
- Local trends
- Seasonality factors
- The existing need for the product or service
- Modifications required in product/service
- Elimination or expansion of certain core products/services
- The disposable income and spending patterns of potential customers
- Real estate location availability, size and cost

## Local Competition

- Track record of other American companies in the market, whether or not direct competitors or franchisors
- Analysis of local competitors for the end user customer
  - Product/service lines
  - Market share
  - Site selection
  - Physical layout
  - Marketing and advertising
  - Consistency, quality and cleanliness
- Local advantages
  - Labor
  - Suppliers
  - Distribution



- Unit financial analysis for similar products
  - Sales
  - Sales growth
  - Profitability

### **Distribution and Supplies**

- Availability of locally available basic necessities
  - Products, supplies and raw materials
  - Disposable
  - Equipment
  - Reliability
  - Trade secret protection
- Cost for importation of basic necessities
  - Freight
  - Internal Distribution
  - Storage and warehousing
  - Inventory maintenance
  - Tariffs and non-tariff barriers
  - Quotas
  - Equipment including compatibility - size, electricity, local standards, etc.
- Infrastructure requirements
  - Equipment
  - Materials for build out
  - Labor for build-out
  - Real estate cost and availability

### **Political and Economic**

- Stability of the government
- Inflation
- Trade statistics
- Economic indicators
- Relationship with the United States
- Restriction on trade by the United States
- Risks associated with economic instability, expropriation
- Availability of insurance against political risk



- Currency restrictions and approvals required
  - Conversion into dollars
  - Restriction on expatriation
  - Fluctuation of currency
  - Conversion rates available
  - Available methods for remittance and time required

### **Labor Issues**

- Labor laws
- Availability of skilled labor
- Education of available work force
- Unionization

### **Marketing**

- Packaging design changes required
- Trade name changes require
- Types of media used in market
- Cost of media in market - reach etc.
- Availability of media for market
- Suitability of domestic marketing concepts for use in country
- Sales promotions used in market
- Public relations availability and suitability in market

### **Service Costs**

- Services required and provided
- On site inspection
- Construction/architectural supervision
- Signage and logo translation and conversion
- Distribution costs
  - Products
  - Equipment
- Travel costs
- Translation costs
  - Manuals
  - Training programs
  - Marketing materials
  - Signage



- Concept translation costs
  - Consistency standards
  - Cleanliness standards
  - Product/service reconfiguration to local taste and acceptability

### **Legal Structure of Foreign Country**

- Regulation of foreign investments
- Technology transfers
- Franchise laws and requirements
- Disclosure obligations
- Prohibited acts
- Commercial treaties with United States
- Local laws and restrictions
- Importation restrictions and domestic sourcing obligations

### **Trademarks and Trade Names**

- Search
  - Availability of trade name, trademark and service mark
  - Prior usage of marks in country
  - Ability to register marks
  - Time and cost of registration
  - Availability of measures to protect marks during and post relationship
- Restrictions
  - Sublicensing of marks
  - Requirements to register and file for master franchise and sub franchisee
  - Requirements for end user agreement filings
- Contract Revisions
- Protection required in contiguous countries
- Treaty obligations and protection
- Post termination rights

### **Structure of the Relationship**

- Company owned operations
  - Subsidiary
  - Branch Operations
- Direct franchising
- Area development
- Area Representation



- Master franchising and Sub franchising
- Management contract
- Joint Venture
- Ownership and control of real-estate

### **Structure of Fees**

- Local restrictions
- Royalty rate
- Franchise fee
- Types of sales on which to base fees
- Repatriation and conversion issues
- Acceptability of "gross up" provisions

### **Tax Issues**

#### **International Taxation**

- Types of fees subject to tax
- Royalty vs. Technical Support
- Responsible party for tax payments
- Foreign Subsidiary
- Unrelated Master Franchisee
- Allocation of fees to reduce or eliminate taxes
- Withholding and other Taxes imposed on Franchise Fees
- Value Added taxes
- Income Taxes
- Stamp Tax
- Financial Operations Tax
- Local taxes
- Refundability

#### **Domestic Taxation**

- Tax Treaties with the United States
- Foreign tax credits available
- Excise taxes imposed
- Treatment of repatriated and non-repatriated income
- Personal tax obligations for any on-site U.S. citizens



## Contract Provisions

- Foreign ownership
- Relationship structure
- Trademark issues
- Transfers - ability and fees
- Non competition covenants
- Pricing
- Territorial rights
- Supplier restriction and domestic sourcing requirements
- Development schedules
- Labor Unions and restrictions
- Enforcement issues
- Jurisdiction
- Methods available for dispute resolution
- Enforcement rights
- Injunctive relief
- Liquidating damages
- Termination rights and obligations
- Local insurance requirements to protect against consumer risks

