



Choosing the Right Franchisee-- the Critical Decision

Choosing the Right Franchisee-- the Critical Decision

- Why the Right Franchisee is Critical to International Success
- How to Identify
- How to Recruit
- How to Negotiate
- How to Work Together

Choosing the Right Franchisee -- the Critical Decision

- What makes a successful international venture?
 - Building critical mass
 - Product/concept
 - Operations system
 - Effective marketing
 - Local market expertise

Choosing the Right Franchisee-- the Critical Decision

- Have product
- Have operations system
- Need local market expertise
- Even companies that do not franchise in the U.S. franchise internationally

Choosing the Right Franchisee - the Critical Decision

- International considerations
 - market selection
 - legal issues
 - costs and revenue
 - ability to support
 - proper training
 - ability to motivate
 - ability to enforce standards

Choosing the Right Franchisee-- the Critical Decision



- International considerations continued
 - source of supply
 - product/concept adaptations
 - operations system adaptations
 - advertising and marketing adaptations

*Choosing the Right Franchisee--
the Critical Decision*



Why is Choosing
the Right Franchisee
the
Critical Decision?

Choosing the Right Franchisee -- the Critical Decision

- The Right Franchisee can help you overcome the obstacles to successful international expansion
- The Wrong Franchisee can kill you

Choosing the Right Franchisee-- the Critical Decision

- The Wrong Franchisee can:
 - delay market development
 - cause legal problems
 - cost you huge amounts of money and time
 - ruin your brand

Choosing the Right Franchisee-- the Critical Decision

- The Right Franchisee brings local market expertise:
 - working through legal and tax issues
 - product/concept adaptations
 - operational system adaptations
 - sources of supply
 - advertising and marketing adaptations
 - building critical mass

Choosing the Right Franchisee-- the Critical Decision

- What to look for in the Right Franchisee
 - understanding of the concept
 - understanding of franchising
 - understanding of market
 - marketing
 - business practices and political system
 - financial resources
 - shared goals

Choosing the Right Franchisee-- the Critical Decision

- Beware of anyone who:
 - immediately tells you what's wrong with your system
 - focuses on how unit franchisees will cheat
 - is buying the Franchise for someone else
 - isn't fully fluent in English

Choosing the Right Franchisee -- the Critical Decision

- Beware continued:
 - plays one side against another in your company during negotiations
 - doesn't live in the country they want to develop
 - is willing to buy the franchise without visiting the U.S.

Choosing the Right Franchisee-- the Critical Decision



- How to recruit
 - don't simply react to inquiries
 - have a plan for expansion
 - research potential markets
 - know your strengths
 - know what you need in a Franchisee
 - know your costs and expected revenues

Choosing the Right Franchisee-- the Critical Decision

- How to recruit
 - have an international approval process
 - recognize cultural differences
 - applications and financial information
 - modify recruitment materials
 - have a single person in charge of development
 - be flexible

Choosing the Right Franchisee-- the Critical Decision



- How to recruit
 - build brand awareness -- P.R.
 - advertise
 - network
 - DOC trade missions
 - U.S. Embassy Gold Key programs

Choosing the Right Franchisee-- the Critical Decision

- Qualify all prospects
 - be prepared -- do your homework
 - study the culture
 - study the market
 - research business and tax issues
 - review competition
 - determine legal requirements in selling a franchise

Choosing the Right Franchisee-- the Critical Decision



- Qualify all prospects
 - visit them in their country
 - see their current operations
 - meet those people who will be involved in your business
 - talk about development of the market

Choosing the Right Franchisee-- the Critical Decision



- Qualify all prospects
 - insist they visit you
 - see your concept in operation
 - meet the people who will be supporting them

Choosing the Right Franchisee-- the Critical Decision



- Qualify all prospects
 - business plan
 - market development
 - marketing plan
 - financial projections

Choosing the Right Franchisee-- the Critical Decision

- Expect to negotiate
- Acknowledge the expertise of your prospect
- Focus on those areas that help the system grow:
 - product improvements and adaptations
 - additional training
 - deferral on royalties - tie to unit openings and performance

Choosing the Right Franchisee-- the Critical Decision

- Focus on those areas that grow the system grow continued:
 - incentive for accelerated growth
 - investment in advertising
 - increased frequency and amount of support

Choosing the Right Franchisee-- the Critical Decision

- Understand the culture in which you will negotiate
 - respect their social practices
 - respect their business practices
- Know your limits
 - don't compromise your concept
 - don't promise more than you can deliver
 - don't assume they will do more than they promised

Choosing the Right Franchisee-- the Critical Decision

- Ensure understanding of the relationship
 - you can't plug it in and let it run by itself
 - each side must know what to expect and what is expected of them
 - market development plan
 - roles and responsibilities
 - financial commitment
 - rewards and return on investment

Choosing the Right Franchisee-- the Critical Decision

- Due diligence is essential
 - local advisors
 - banks
 - references
 - commercial officer at U.S. Embassy
 - credit agencies

Choosing the Right Franchisee-- the Critical Decision



- Prepare your company
 - realistic expectations
 - time commitment
 - cost commitment
 - anticipated scheduling

Choosing the Right Franchisee-- the Critical Decision



- Start off on the right foot
 - be prepared for their arrival
- Recognize contributions
- Reward performance
- Seek input
- Listen and respond
- Maintain flexibility

Choosing the Right Franchisee-- the Critical Decision



- Don't Sell
- Be willing to walk away
- Be willing to work together

Kay Marie Ainsley

Michael H. Seid & Associates (MSA)

2163 Ector Place

Kennesaw, GA 30152

(770) 794-0746

kainsley@msaworldwide.com

www.msaworldwide.com