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# Are you Ready for International Expansion

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*Let's start at the beginning*



If it's not working at home -  
going international  
is not going to make it any better

# *Conducting a readiness evaluation*

- What is the condition of your domestic operations?
  - Do you have a stable base of domestic operations?
  - Do you have sufficient experience either in longevity of operations or number of units?
  - Is your organizational infrastructure mature and able to support your current company owned and franchisee owned locations?



*Fact*

If your established domestic operation  
is under stress - going international is  
going to make it worse - not better

# *Conducting a readiness evaluation*

- Overseas Management
  - What type of organization will be required to support your international operations?
  - Do you have the people power to meet those needs?
  - Can you afford to expand your human resources?
  - Will you likely be able to recruit franchisees that provide the missing elements?



*Fact*

International operations cannot operate on auto-pilot. Ensuring that you can staff the international program, select franchisees that provide the missing elements or obtain the resources in-market is important.

# *Conducting a readiness evaluation*

- Training
  - Is your current training able to prepare your existing organization - both franchisor and franchisee - to operate over an extended territory?
  - Are franchisees and company owned unit managers and staff - after training - able to operate to your standards - without excessive franchisor involvement?

# *Conducting a readiness evaluation*

- Training
  - Does your training system have the capabilities to adapt to cultural variations?
  - Do you have or can you develop distance learning capabilities?
  - Does your training system have the capability to support more than single unit operators?
    - Area developers
    - Master franchisees



*Fact*

The question you need to answer  
honestly -

"Is my training department up to  
the task?"

# *Conducting a readiness evaluation*

- Operating systems
  - Do existing locations operate to system standards?
  - What resources are required to ensure unit performance?
  - Can those resources be adapted - in a cost effective manner - to meet the needs overseas?

# *Conducting a readiness evaluation*

- Are your operations manuals and procedures sufficient for current operations?
- Can they be readily adapted for international operations?
- Can you develop additional manuals and procedures required to support your international structure?
  - Master franchisee manuals
  - Field support manuals
  - Start-up manuals



*Fact*

Protecting the brand overseas is no less important than protecting it at home.

Do you have the capability to provide the necessary support - either directly or indirectly - to protect the brand?

# *Conducting a readiness examination*

- Information capture
  - What is the current state of your IT system?
  - In addition to financial performance - are you able to access and analyze information on
    - Operational performance
    - Other critical indicators
  - Can you make use of the information in real time?
  - Will you be able to obtain and utilize the necessary information overseas?



*Fact*

Having the ability to obtain financial,  
unit operations and other data is  
essential for the short and long term  
health of the system

# *Conducting a readiness evaluation*

- Resources
  - Do you have sufficient capital for your existing domestic operations?
  - Is your existing domestic operations self sustaining?
    - Franchise fees
    - Royalty fees
    - Other income
  - Do you have the financial resources to meet current domestic goals?



*Fact*

International operations - in the beginning are going to take longer and cost more than you may expect. Don't count on inflows from overseas to compensate for shortages at home.

# *Conducting a readiness evaluation*

- Franchisee relations
  - What is the current state of franchisee relations within your existing system?
  - Are franchisees satisfied with your current support - can you duplicate that satisfaction overseas?
  - How will overseas expansion impact your existing franchisees?
  - Do you anticipate any changes that will impact managements ability to support international operations?



*Fact*

Your ability to maintain a stable franchisee relationship in the domestic market is important when evaluating your ability to maintain that relationship overseas

# *Conducting a readiness evaluation*

- Sourcing
  - Are you able to identify all of the sourcing requirements domestically?
  - Are there any requirements that may be difficult to source internationally?
  - If requirements must be met initially or long term from current sources can it be done efficiently both in time and cost?



*Fact*

Meeting the sourcing requirements efficiently both in time and cost is no less important for your international operations than they are for your domestic operations.

# *Conducting a readiness evaluation*

- Marketing and Research
  - Is your existing marketing effective?
  - Does your existing research capabilities allow you to adapt to various market conditions and needs?
  - Do you have the capability to adapt your marketing, products and services to local conditions?
  - Are you willing to modify your system to meet local conditions?



*Fact*

Don't assume that simply because they speak the same language that consumers will buy your products and services either in the same way as they do at home or that they will buy the identical products and services as they do at home

# *Conducting a readiness evaluation*

- Management

- What are the goals of your management in going overseas?
- Are they reasonable or achievable?
- Do you have the long term commitment of management necessary to meet their financial goals?
- Are they willing and able to invest the dollars necessary?



*Fact*

Management's understanding of the realistic financial and time commitment is essential.

International expansion is not a short term venture and management's support is essential

## *Making an international determination*

- Honestly assessing your readiness to franchise internationally is essential
- Determining those elements that are insufficient or are barriers and making the necessary changes or plans will improve your likelihood of success
- Delaying international expansion until you are ready is not an indication of failure - it's responsible management

## *Some final thoughts*

- After you have determined that you can support international expansion determine:
  - Determine if international expansion realistically fits into your strategic and tactical planning
  - Determine what markets have a reasonable certainty of success
  - Determine what markets you likely should avoid
    - short term and long term
  - Determine the profile of your international franchisee

## *Some final thoughts*

- Determine how you will recruit the necessary candidates
- Determine how you will conduct a due diligence on the candidates
- Determine if you need to establish pilot units in the markets and how you will support it
- Determine how you will measure their performance and how decisions on adaptations and changes will be made

## *Some final thoughts*

- Determine how you will establish critical mass and growth assumptions for the markets
- Determine how you will establish fees for the market
- Determine your "negotiating box"
- Determine any tax implications
- Determine what you can learn or leverage off of other franchisors who are already in your target markets

# *Some final thoughts*

Be realistic

Remember what Dennis Lombardi of  
Technomics said

"It's not as easy as it looks, and it  
doesn't look easy"

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