

Exporting: The Franchise Model

Presented
by

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Definition of Franchising (or what it is not)

- It is not an industry!
 - ❖ It is a methodology of expansion
- It is not a guarantee for success!
 - ❖ It is a vehicle to reduce the number of mistakes made in the building of a business
- It is not a “get rich quick” scheme!
 - ❖ It is a business that requires patience and capital systems and compliance



Franchising – Exporting Internationally



Franchising is a business of creating a lifestyle.

Franchising is a business of managing expectations.

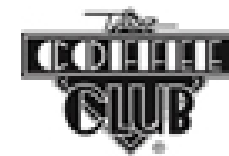
Franchising is a business of managing relationships.

**International Franchising is about
Brand Building**



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Some successful Australian Brands



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Are you Ready?

Export Readiness

- Achieved sufficient local market success to have experience,
- Credibility and financial resources sound system, good marketing, strong management
- Profitable domestic franchisees
- Franchisor has time and energy to devote to international expansion
- Are you committed?
- Is your brand ready?



Is your Brand Ready?

Let us look at three key areas that are vital to your success

- a. Market Entry Strategy
- b. IP Protection
- c. Market Research



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Market Entry Strategy

Method of Entry – Franchising what entry?

Direct Entry – involves franchising directly from Australia and without assistance from a local partner – Franchisor to Franchisee

Joint Venture – Franchisor and Local Partner are in a business Partnership in the local market. Used in territories where foreign Investment Laws require local equity.

Master Franchising – agreement between Franchisor and Master Franchise. Basically a grant from the Franchisor for the Master to operate the business system in the agreed country.



Consider the protection of your IP. “The heart of your brand.”

Registration of your Trade Marks and Core Intellectual Property is the FIRST point you should do well before any information is passed outside the founding country.

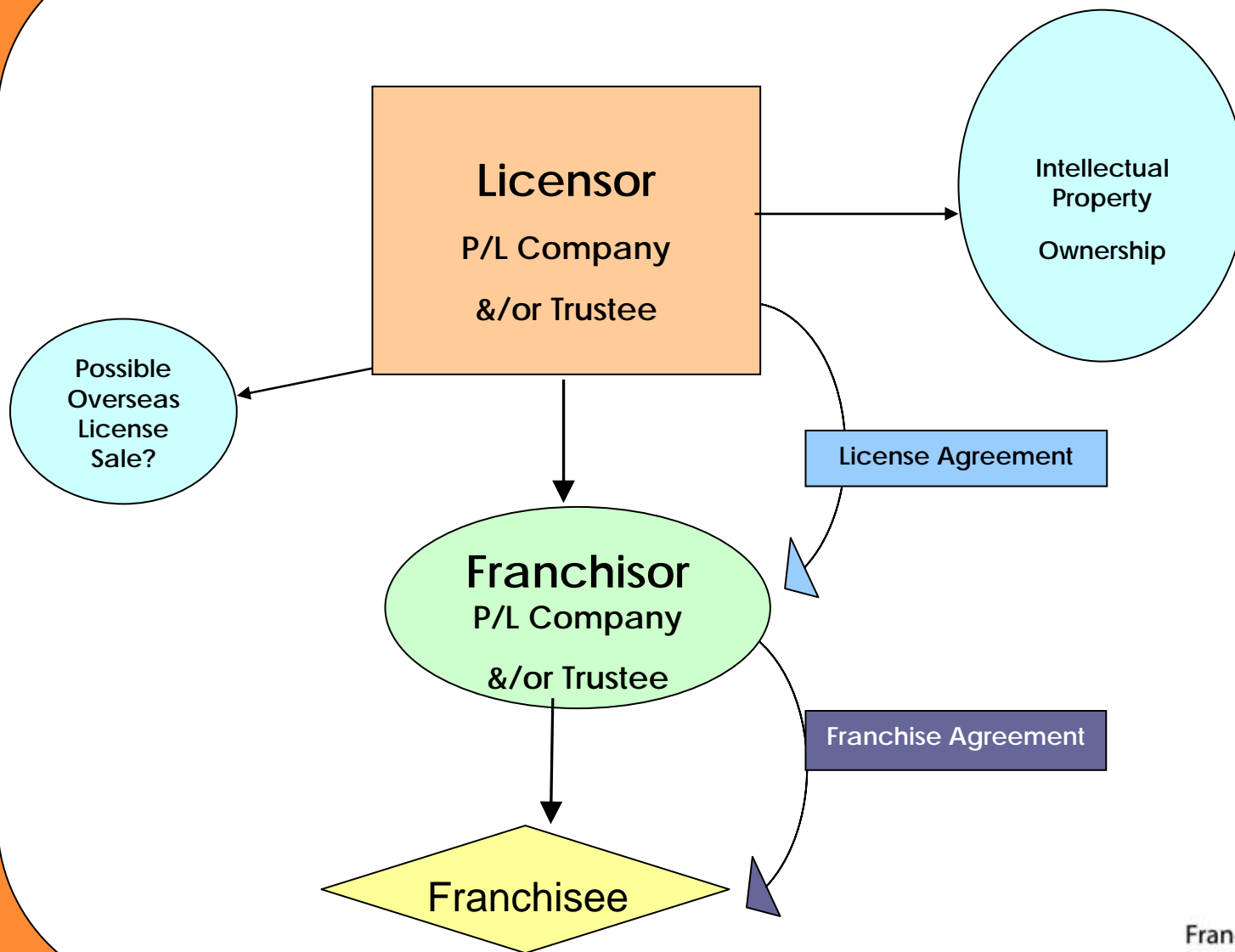
In franchising the Franchisor will register the TM. A licence will be granted to a Master Franchise to use the TM and possibly a right to sub-licence.

Clear and well documented agreements on use of the TM is imperative

- Brand Compliance Manual
- Restrictions, infringements etc



Example: 3 Tier System – IP Protection



Danger, Danger - Enforcement



Enforcement of intellectual property rights in some countries can be difficult. This needs to be evaluated when weighing up potential risks against rewards.



Determine your entry markets

Market Research

- Conduct preliminary investigations of market suitability
- Prioritize international markets – language barriers, ease of entry, market potential, logistical issues, legal's, competition
- Evaluate foreign risk
- Cultural and local market factors
- Strong Business Model with strong indicators to succeed
- Strong Brand



Brand Leadership Matrix

Quadrant 4.

The Ex-Champ.

- Complacent former leader, living off past glory.
- Stale, boring, yet commands loyal following.
- Focus on maintaining status quo.

Quadrant 3.

The Leader.

- The most influential brand.
- High market visibility and preference.
- Market leadership and continuous innovation.
- Stays relevant and offers flexibility.

Quadrant 1.

The Underdog.

- No clearly differentiated brand and/or product proposition.
- Competes on price or promotion.

Quadrant 2.

The Challenger.

- A niche brand.
- Highly focussed strategy on serving well-defined segment.
- Creative and adaptable.
- Uses guerilla marketing tactics.



Ideally you should be in Quadrant 3 – The Leader

The most influential brand.

- High market visibility and preference.
- Market leadership and continuous innovation.
- Stays relevant and offer flexibility.
- Financial



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Barriers to entry?

- Government Policies
- Consumer Habits
- Trading Hours
- Acceptance of Product
- Product Supply
- Legal Implications
- Technology
- Environmental challenges
- Cultural differences - language
- Lack of Capital



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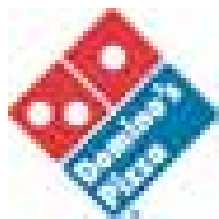
Can be done!



1997 - 1600 Stores in 42 countries



1986 - 100 stores - Australia and New Zealand



423 stores Australia and New Zealand



FCA - Export System of the Year 2007

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So what is the strategy?

Do your due diligence, go at your pace and be prepared to continually reinvest back into the business:

- Mutual, Flexible Commitment On What's appropriate to change, measure and share within each partner's culture
- Work with Strategic Alliance Partners



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And Remember...

Do it right,

Do it once. ©



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