



# No Pain, No Gain

Going global will be difficult, but the rewards can be substantial.

By Jim Hartenstein

Everyone's talking about expanding internationally. It's all over the news and friends in the industry are proudly announcing their own successes. "Going global" seems like the thing to do! But are you really ready?

It's going to be harder than you thought. Expectations must be managed. Ask people who have already expanded outside their home country and they'll all say the same things:

- It will take longer than you want it to.
- It will cost more than you had hoped.
- It will distract resources from your home market.

## WHY DO IT?

There are many benefits to expanding internationally. With

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a broader portfolio of markets, if one is down it's likely that another is doing well. It can prepare your brand for future growth. And, many brands now have more international than domestic locations. What's more, brand-building ideas that originate internationally can help the domestic market. Think of the "McCafe" concept that started in Australia.

## CHECKLIST

To properly prepare for entering international markets or relaunch an existing international business, you should ask yourself a series of questions:

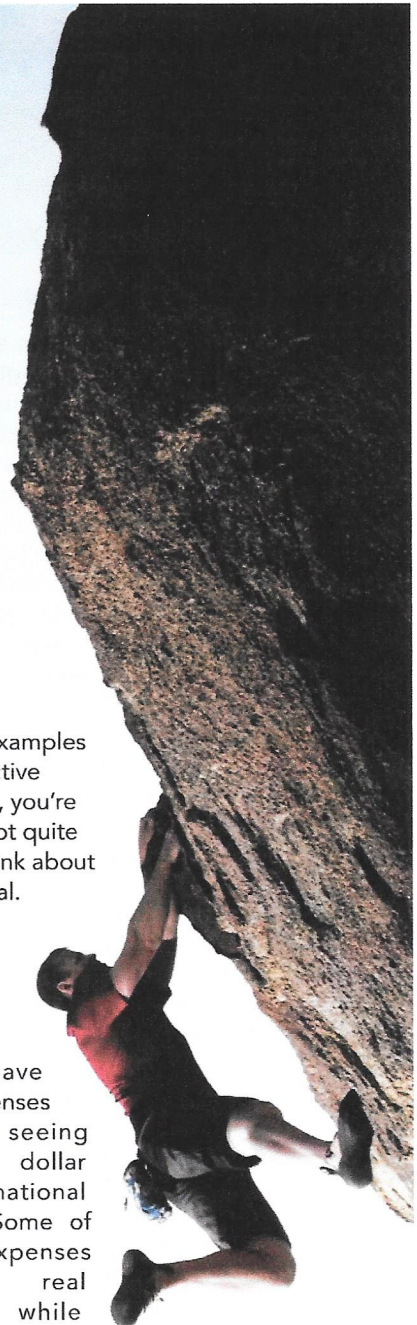
**Is your concept proven and profitable?** Franchising is all about growing with proven concepts and systems, and a franchisee will expect a good return on his investment. If you don't already have various success

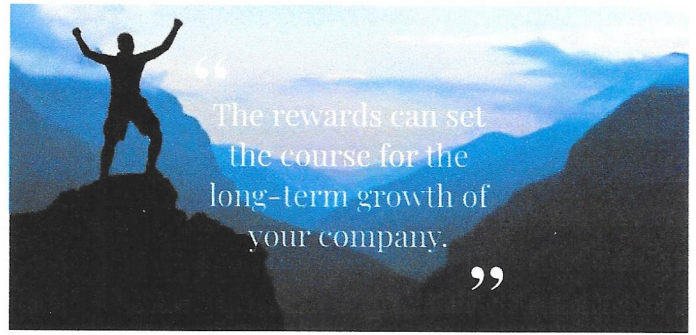
stories as examples for prospective franchisees, you're probably not quite ready to think about going global.

## Do you have the money?

You'll have many expenses before seeing the first dollar of international revenue. Some of those expenses will be real money, while others will be the opportunity cost of distracting corporate staff from their primary responsibilities. You'll first invest in assigning someone to direct the project, whether it's an employee or an outside consultant. And that person must have international

(continued on page 48)





(continued from page 46)

experience – don't cut any corners. That person will begin to draw up a plan that will require time commitments from various groups in the organization and will lead to investments in people to provide direct support. You'll have to register trademarks, adapt agreements and processes, examine product sourcing and figure out many other details.

**☑ Are you prepared to plan first?** Unfortunately, some franchisors sign an international deal first and then scramble to try to figure out how to implement it. Advance preparation of a formal plan is critical. Some of the key elements of a good plan are the following:

- **Proactively select and prioritize markets.** Pick some smaller markets closer to home to test your processes and assumptions. Don't try for China or India first – they're big and tempting but too complex for your first international venture. You'll receive unsolicited calls inquiring about territories, and you can be open to considering, but only if they clearly fit your strategy. Remember that you're in charge of your own development, not the people making the offer.
- **How will you support international franchisees?** An obvious, but often ignored, rule

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of thumb: support international franchisees at the same level as your domestic franchisees. You'll soon find that full-time international people provide the most effective support.

- **What changes to your core concept are you willing to accept?** It is a certainty that international expansion will require changes to your concept. Be prepared to hear “that will kill the brand,” but is the change really that serious?
- **How will you manage your supply chain?** For restaurants, this is often the most critical – and most difficult – part of the process.
- **What are the pros and cons of development models?** Options include single- or multi-unit, area developer, master franchise or others. Each has its own benefits and the plan should recognize how and when they might be used.
- **How will you recruit prospective franchisees?** You'll need to concisely describe your concept and an ideal franchisee profile. Use multiple channels to recruit a pool of prospective franchisees from which you'll select the best qualified. Selecting a franchisee will be the most important decision you'll have to make.
- **Prepare a five-year pro forma P&L.** Pull all the pieces together and use your best estimates of the timing of revenues and expenses. Do something similar to evaluate potential franchisee

profitability. It will give you a good sense of where you're going and how you should allocate resources during that journey.

- **Are you willing to take the time?** The planning process alone could take as much as a year, depending on how much time can be dedicated to the project. And before that first location can open, you'll have to conduct due diligence for the prioritized markets, recruit franchisees and negotiate agreements. Then, working with the new franchisee, you'll have to commit to real estate and construction, hire and train people, contract with approved suppliers, and organize hundreds of other details. That can all take as much as another two years. Experience will significantly improve the timelines, and development of multiple markets in parallel will also accelerate growth.

## GET STARTED NOW

Yes, going global will be difficult. It will take time and it may seem expensive at first. But the rewards can be substantial and can set the course for the long-term growth of your company. There is no better time than right now to begin the process. ☺



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