

# Global Franchise

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MASTER, REGIONAL AND INTERNATIONAL FRANCHISING

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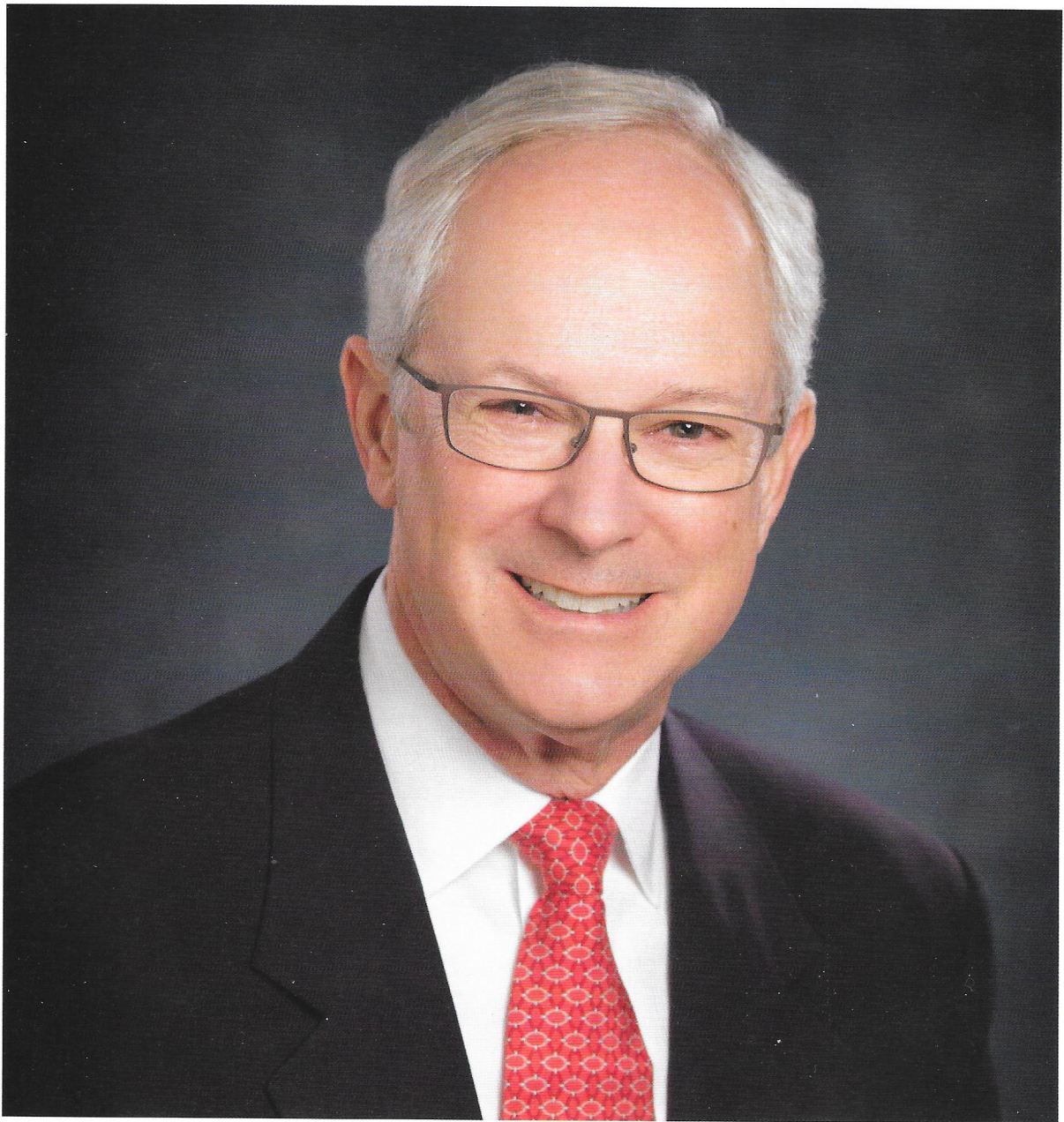
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Your roadmap for international expansion



[ GLOBAL FRANCHISE MEETS... ]

# JAMES HARTENSTEIN

We talk with Jim Hartenstein, senior international  
franchising consultant

### Describe your route to your present position

I got into international franchising by what at first glance might seem to be a very indirect route. For roughly the first half of my career, I worked with multinational companies that were operating around the world in different industries like manufacturing, transportation and financial services. We didn't have 'franchises' but we did have 'distributors', 'representatives', and 'agents' who were local entrepreneurs or companies that sold our products or services in their markets.

The second part of my career was with Wendy's and Little Caesars Pizza, most recently as SVP-International at both and operating around the world with the franchise model. I found that the transition from the other arrangements to franchising was really very easy because all the models rely on our local partners to be experts in their markets while we are experts in our products or services.

### What services do you offer the franchising community?

Through Hartenstein Global Consulting, I now provide consulting and Board services to franchisors, large franchisees and private equity groups that are interested in expanding their concepts outside their home countries. I focus on developing plans that include a vision for the role of international expansion in the company, how it should be supported, what processes can help target and prioritize new markets, and best practices for franchisee recruitment and selection. I can also help in situations where previous efforts have not met expectations and a turnaround or exit strategy might be more appropriate.

### What are your particular areas of expertise?

I have spent my entire career working internationally which enables me to provide plans based on real-world experience. They might be broad strategic plans but they highlight practical, tactical steps to achieve the desired results. The emphasis is always on the importance of planning, and on avoiding the mistakes that so many others have made in international expansion.



**THE FRANCHISOR MUST ENSURE THAT WHEN THEY ENTRUST THEIR BRAND TO THE NEW MASTER FRANCHISEE, THEY HAVE THOROUGHLY TRAINED THAT MASTER IN THE SKILLS NEEDED TO SUPPORT BOTH THE BRAND AND THE SUB-FRANCHISEES"**

### How do you forward the cause of franchising generally?

There can never be enough education about franchising. For example, I have written several articles for publications such as Global Franchise Magazine and the International Franchise Association's Franchising World. I have also served on the IFA International Committee and I'm currently on the Advisory Council of the Global Restaurant Leadership Conference. As part of those and other organizations, I have moderated and served on various panels at their conferences as well as leading discussion groups on topics related to international franchising.

### What first drew you to franchising?

Throughout my career I have worked with companies that have grown internationally by teaming up with local people who are experts in their markets. I've always enjoyed seeing how those experts can adapt global concepts to be locally successful. Some of those arrangements have involved different structures, but I've found that the franchise approach seems to bring good discipline to the relationship and provides clear guidelines on responsibilities and expectations.

### What information should would-be franchisors try to ascertain when visiting their target country?

Let's first assume that the franchisors have done enough planning to be able to confirm that their concept is proven in their home market, that management is willing to allow appropriate adaptation, and that they have sufficient resources to support an international expansion initiative. Volumes could be written on what to look for in target markets, but some of the key points include suitability of the concept to the local culture, appropriate demographic characteristics, competitive presence, review of legal and tax requirements, availability and costs of real estate and labor, ability to develop a supply chain mix of imported and local products, and many others. And finally, the franchisor should use all that information to develop a pro-forma financial model for operating in that market. The franchisor shouldn't even begin to look for prospects until

the projected unit economics indicate a likelihood of franchisee profitability.

### What are the challenges facing the franchising industry today?

As franchising has grown in importance around the world, lots of people hear the word 'franchise' and think they know what it means. In many cases, people think that the entity we know as the 'franchisor' is in direct control of the day-to-day operation of the 'franchised' location. It isn't always clear to many people that the franchisee is an independent operator who has to try to ensure local adherence to key systems and processes for which it should have received training from the franchisor.

### What are qualities needed by a good master franchisee?

Every franchisor should have its own profile of an ideal franchisee or master franchisee. That profile will include things like a passion for the brand, successful business experience, knowledge of local labor and real estate conditions, consumer marketing know-how, willingness to follow the franchisor's systems, and sufficient capital to fund a growth plan. I recently heard someone ask the question, "Who is going to train that master to be a master?" A master franchisee might be selected based on its broad capabilities in a given market, but what is sometimes overlooked is that they may not have the specific knowledge needed to support a network of sub-franchisees. The franchisor must ensure that the master has been thoroughly trained in the skills needed to support both the brand and the sub-franchisees.

### What advice would you offer someone thinking of expanding abroad?

The advice I always give to people thinking about expanding abroad is to first prepare a comprehensive plan and to do that with someone who has extensive international experience. There are too many potential pitfalls to do it any other way. They also need to be prepared for the likelihood that even with great planning, their international expansion efforts will probably cost more and will take longer than they had hoped. But the most important piece of advice is that international expansion can bring substantial rewards and can set the stage for the long-term growth of the brand.