

# 10 Ways To Know You Are Ready To 'Go International' Revisited

In the May 2004 edition of 'Franchise Times', we offered 10 ways to know if your franchise is ready to go international. The purpose of the 2004 article was to pass along a combined 50+ years of international experience (read: making mistakes and correcting same) to franchisors in the hope they would find success in their international development.

<b>International Success Factor Ranking</b>	<b>2004</b>	<b>2011</b>
Strong senior management buy-in to "going international."	1	1
Have a proactive "going international" strategy and business plan.	2	2
Have a clearly defined market and competitive advantage.	3	3
Have a good record of success in your country.	4	4
Have documented training, support and marketing programs.	5	6
Have an intranet for cost-effective training, support and communication.	6	7
Have system standards and reporting processes in place.	7	8
Prepare to research your market and competitors.	8	9
Prepare to conduct due diligence on overseas candidates.	9	10
Apply for trademarks to protect your intellectual property and your brand value.	10	4

Given all that has happened in the world and franchising in the years since 2004, plus our collective 14 more years of working with more than 30 franchisors on international development since then, would we change the priority?

Here is the new, improved top 10 ways to know you are ready to 'go international'.

1. Strong senior management buy-in to 'going international' – This is even more important than ever before. This commitment has to be at the CEO, 'C' level and franchise ownership level. International development – done right – takes time and money to start up, grow and reach break-even. It has to be a financial and people commitment.

Do not go international if you are seeking short-term license fees to make payroll at home. Those fees have associated costs over time, such as training, support, legal and travel. If you sign international agreements to get short-term revenue, you will pay much more in the future on legal fees to keep your brand.

2. Have a proactive 'going international' strategy and plan – This is the exact opposite of replying to Internet leads from China, Nigeria, India, etc. by granting licenses. Focusing on the countries where leads come from may waste valuable time and financial and people resources that might have been spent in high potential countries.

It is critical today to determine up front which countries are most likely to result in a positive return on investment (ROI) for your particular franchise before spending time, money and your brand to enter a country.



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3. Have a clearly defined market and competitive advantage – In 2011, there are many more competing franchises available around the world that are local or from countries other than the U.S. There can be strong local brands that will be your local competitor. Count on it.

So... you must establish and document the clear differentiation your brand and concept has relative to international and local perceived competitors. You have to show international licensee candidates why they should pay for your franchise upfront and in the future through royalties rather than doing the business themselves or buying the license for a competing brand for their country.

4. Have a good record of success in your country - More and more, the international licensee of U.S. brands is a well-established and successful local company seeking new brands to fill a niche in their countries. They are real businesses, not entrepreneurs with money and no management experience.

They are going to dissect your franchise to ensure that it works, makes money and can fit their local culture. They will start with your FDD and then want the equivalent of a very detailed Item 19 to build their local financial and operating models. You better be successful in your home country.

5. Have documented training, support and marketing programs - Fully documented training, support and marketing programs that are defined in detail in manuals and online are what you are selling as a business system, otherwise known as a franchise.

The more documentation you have, the more online your programs and manuals are, the better chance you have to find real, qualified licensees for your franchise in other countries.

6. Have an Intranet for cost-effective training, support and communication – U.S. franchisors are required to have a quality Intranet for their U.S. franchisees to compete in our market. This remains an immense asset for international development. It helps you focus them only on what you want them to see and do. And it saves them and you lots of missed communication to time zone differences. You can use your current intranet with few changes for international development, thereby leveraging your U.S. system investment.

7. Have system standards and reporting processes in place – This was great to have in 2004 when the Internet was not fully available around the world. In 2011, it is easily done on a global basis and it is absolutely essential to your international success. This gives you control of your brand and makes support from a distance much easier.

Do NOT lower standards and reporting requirements for international licensees and their franchisees. There is no reason for this today. Strong system standards and reporting procedures must be built into your licensee agreement. This is critical for you to know what is happening to your business in other countries.

The best model is a web-based business management program that you can access from anywhere and that you can turn off if the licensee goes bad on you.



8. Prepare to research your market and competition – This is much more important today due to increased competition. It is also essential to do before you start negotiating terms and fees. You have to know what is going on in your sector in a country to get the best licensee and contract. And, very important, you want to know up front whether there is a viable market for your brand and concept.
  
9. Prepare to conduct due diligence on overseas candidates – Candidate due diligence is easier today than in 2004. There are now many sources of company and executive information globally that can help you conduct due diligence on candidates. One such program is the U.S. Commercial Service's International Company Profile (ICP).

In 2011 is to even more critical for the franchisor to learn as much as possible about candidates before signing a license agreement. Always, always, always make the candidate come to the U.S. for a Discovery Day so your team can help you decide if they will be a good licensee.

10. Apply for trademarks to protect your intellectual property and your brand value – We would rank this #4 in the priority list today – right after ownership commitment, a pro-active business plan and a clear competitive advantage.

Trademarks are assets that formally build your brand. Many, many franchisors start negotiating with a candidate in a country before they have filed trademark applications.

If you do not apply for trademarks early in the Going Global process here are the real risks to your franchise:

- Someone else taking your marks in a country

- You show potential candidates that you are only seeking fees and are not willing to invest in your brand up front

- There are potentially high legal costs to recover the rights to your marks.

So, in summary, seven years on we would not change the 10 Ways To Know You Are Ready To 'Go International' but we would change the ranking slightly. Preparing for the successful international development of your franchise is time consuming but can yield new revenue and brand growth opportunities.

*August 2011*

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