



FRANCHISING ADVICE

6 Persuasive Reasons To Go Global

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In a world that grows smaller and more interconnected each day, there has never been a more optimal time to consider expanding your franchise abroad. For U.S.-based franchise concepts exhibiting well-established models and strong domestic growth, international franchise expansion can create unique opportunities to both grow and enhance the brand.

According to the U.S. Chamber of Commerce, 95 percent of the world's consumers live outside of the United States. For franchisors that are considering going global, this figure illustrates an opportunity to tap into new – and often less regulated and competitive – international markets.

U.S. franchisors with global ambitions must first conduct a far-reaching investigation and infrastructure analysis to determine the best market. Secondly, franchisors must choose the entry method for growth into the new market. Many franchisors choose to master franchise, as it allows aspiring local entrepreneurs to serve as franchisors of recognized brands over a large geographical territory. When choosing a foreign market for entry, it's important consider the following:

Assessment of need: Is there a true need for this service or product in this market? Are there any other businesses or organizations in place that are also trying to meet the demand?

Scan the landscape: Does this market contain the demographics for a franchisee, employee and consumer population? Does the concept fit well within consumer culture?

Analyze the infrastructure: Are systems in place to ensure the concept can be properly replicated? Are there any barriers to transportation or importing of goods that could endanger the concept's ability to succeed?

Consider the market's current state and cultural attitudes: Will this concept adapt well when translated into a new language? Are entrepreneurs in this market likely to see the investment value in this American franchise? Is the franchise business model new to this market or do other franchises exist in the market?

U.S.-based franchisors can benefit from seeking the expertise of international business consultants to attain the market knowledge and insight needed for development of a robust targeted growth strategy. Once your team has

determined that international expansion is a natural next step for your concept's overall growth strategy, here are six reasons to take that leap of faith:

1 Opportunity to expand consumer base and establish market dominance

International expansion can allow a brand to reach – and monopolize – an untapped niche market of consumer needs. By growing a strong presence in a market where there is not yet any competition, the concept will naturally establish market dominance, especially in emerging markets or in less-developed economies. The U.S. is the world's second leading exporter of goods, which is why many large countries, such as China and India, are receptive to American products, services, businesses and brands. In-demand franchise concepts include children's education, burgers, senior care, coffee, pizza, fitness and security services. By moving a brand across the border, further growth opportunities are likely to develop, especially in other English-speaking countries such as Ireland, England and Canada. These countries have fairly lower barriers to entry, thus acting as a strong conduit for growth and commerce with U.S. trade-sanctioned countries in need of a certain product or good.

2 Relatively low commitment and risk

Master franchising has proven to be a successful tactic in international expansion. Strategic research and vetting of master franchisees are crucial to the process. Master franchisees carry the key to financial and infrastructure control for franchise expansion success, requiring less investment capital from the U.S. franchisor. Master franchisees must have local expertise and connections, as well as financial and political power in their market. They must have the eyes and ears, the boots on the ground, the ability to speak and implement the system in English, then translate as necessary. English is taught in a lot of countries around the world, so U.S. companies tend to have an easier time exporting their concepts into foreign countries. There is a reason why English is commonly referred to as the international language of business!

3 Portfolio Diversification

International franchise expansion allows for a more diversified portfolio with investments that are not dependent on the U.S. economy. This allows brands to reduce risk and susceptibility to the fluctuations and uncertainties in the U.S. market by having more economic power across the globe.

4 Favorable Currency Exchange, Tax Treatment and Legal Jurisdiction

While some countries do have difficult licensing and registration requirements for franchises, many U.S. franchisors find currency exchange rates to be favorable and that the licensing process is much simpler in other countries. Other countries also have lower tax regulations, which can add to a business' bottom line. One of the benefits of master franchising is that master franchisees will do the legwork in figuring out supply chain management in their territories.

5 Economic Development & Job Creation

On both a national and international scale, franchising is a major source of job creation. In the U.S. alone, franchising is predicted to create 7.9 million jobs this year. Growing your franchise globally provides a role in international economic development and will change lives by providing new opportunities for

entrepreneurs and workers in both developed and developing markets.

6 More Brand Recognition Leads to More Growth

Successful growth into new international markets often leads to heightened brand awareness and increased profits in existing ones. International brand exposure can gain traction in surrounding foreign markets, allowing for rapid expansion that is led by the master franchisee at a local level. In addition, international franchise expansion increases brand awareness in the home U.S. market as well, allowing for a synergy of growth and profit potential for the brand across both the domestic and international lines of business.

The business venture of international franchise expansion can lead to vast growth and financial opportunities. With a well-formulated growth strategy, U.S. franchisors can work to replicate unilateral brand experiences for consumers and employees and drive successful expansion in a new international territory.

ABOUT THE AUTHOR

Meg Schmitz is a high-energy, solution-oriented franchise expert and professional career coach with more than 25 years experience as a business consultant/mentor and entrepreneur. Her free services guide individuals along a path to professional independence, while developing a plan to achieve personal lifestyle goals, through franchise investment. For more information on Meg or to inquire about her services, please visit www.MegSchmitz.com or email megschmitz@franchise.com.