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# FRANCHISING IN NORTH AMERICA

Your essentials for finding success in this trendsetting region

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# How to expand your U.S.-based brand to distant shores

From real estate to sourcing local partners, here's what every franchisor looking to grow their brand in foreign markets needs to know

WORDS BY BRIAN KELLEY



## THE AUTHOR

Brian Kelley has served as the president of Phenix Salon Suites for the past two years, leading the brand towards exponential growth and success across more than 230 territories in the U.S.

**G**rowing and franchising a U.S.-based brand internationally does not come without challenges. For those abroad, American brands are known for having high-quality service with well-conceived business models designed to scale. However, before you consider international expansion, it is very important that your business model has demonstrated sustainable growth in the American market. Most successful U.S. concepts eventually reach the point of considering growth internationally, but wrestle with the timing. Once you have demonstrated that your business has accomplished a successful track record in U.S. development, you should start the process by doing your homework researching all the key success drivers in the markets you are targeting.

## Understanding international trends

Having an extensive number of franchises open across the U.S. is a great way to prove your company's worth and business model's efficacy when convincing investors in other countries to embrace your brand. In Phenix's case we currently work with 100-plus franchisees, many of whom are multi-unit franchisees in other businesses and e-suite executives alike. In overseeing the development of close to 300 locations across 33 states in the last 10 years, we have gained experience in working with various property types such as space leases in conventional lifestyle centers, first and second floor locations, ground floors in high rise office and residential settings, and shopping

***"Having a business model that has more than just weathered the recent pandemic is a great selling point for markets abroad"***

malls located in metro, suburban and semi-rural environments.

Since health, wellness and beauty knows no boundaries, we understand how to find and build out locations in low, middle, and high-income areas. We have learned how to deal with requirements from municipal building departments and state cosmetology boards. All of this experience serves as the base to prepare the brand for international expansion since adjustments to the local landscape will be inevitable.

For many industries, having a business model that has more than just weathered the recent pandemic is a great selling point for markets abroad. Conventional salons in the U.S., for example, are struggling to manage the added burdens imposed by COVID with new social distancing requirements including reduced capacity limits and restrictions on sharing tools and washbowls. Our research indicates that conventional salons in certain international markets are experiencing the same challenges. In the wake of COVID-19, the safety and security of individual salon suites available through the Phenix model has helped our franchisees effectively navigate these challenges.

While the pandemic may have increased awareness regarding the safety and security of

individualized suites, the salon suite model has actually been growing steadily over the last 10 years throughout the U.S. With an increase in demand for greater safety and security in the salon industry, we have every expectation that this trend will resonate globally. In our case, international expansion makes sense.

## Understanding a new market

After conducting thorough research and understanding market trends, the next step is to investigate the real-estate market abroad. Due to shifts in consumer behavior with online shopping growing exponentially, we anticipate further softening on the commercial real estate front internationally. Real estate is a critical ingredient to any brick-and-mortar business. As a result, it is important to understand how the local real estate landscape matches up to your model in terms of size, access, visibility, parking, demographics, and overall availability.

In addition to confirming the real

estate landscape, brands should evaluate how the local culture may differ from your experience so that you can make any necessary modifications to operations, design and décor, and your marketing plan. Finally, it is important to make certain you have a clear understanding of the legal and financial structure within the targeted country. Take time to understand the psyche of your potential franchisees and customers. Consider what your business offers and how it meets a need in the local market. In our case, Phenix's entrepreneurial suite model aligns with what many salon professionals are looking for today in certain but not all countries.

On the legal front, make sure to identify a local law firm with experience in international franchising who can clearly outline the process of expanding abroad. Some countries have made it easier from a legal perspective for franchising to occur, so understanding this beforehand will help you prioritize which countries you should focus on first.

Lastly, wrapping your head around the financial system of the new territory is important.

Finding a local lending partner that operates in the market of interest and is willing to support your brand's expansion makes all the difference. While the pandemic has caused lending challenges globally, working with franchise prospects that already have lending relationships can help navigate the waters more efficiently.

### **Finding and leveraging local allies**

The last step is to find your cultural allies and "boots on the ground" partners. Whether they are native industry leaders, franchisees, marketing people, landlords, or bankers, these guides will help you be mindful of local customs, cultural differences and teach you how to adjust messaging so that your brand story translates well locally. Working with these regional experts will help acquaint you with local preferences in conducting business, which is vital for success.

Use these contacts to help you adapt your business infrastructure to fit into these new systems and processes abroad. Leveraging their understanding of local customs and consumer behavior can help avoid

early pitfalls and better align your product or service for a faster path towards a successful launch.

These are some important cultural questions to ask of your contacts to make sure that your story is reaching your target franchise audience:

- How will potential franchisees find my brand?
- Where will they go to learn more?
- How can I show them that our brand aligns with their values?
- How can I demonstrate that my business model will translate successfully in the local environment?

Once you begin to act on these necessities, your business is well on its way to successfully expand internationally, but you need to lay the groundwork.

***"Take time to understand the psyche of your potential franchisees and customers"***

