

Franchising as a Means of Business Expansion



Some macro-economic considerations
for Barbados



Global Business Environment



Reducing:

- commodity prices
 - tariffs
 - preferences
- 



Global Business Environment

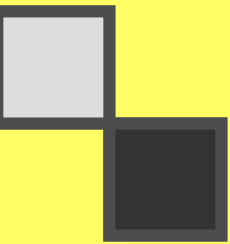


Reducing costs of:


- communication
 - transportation
 - production
- 



Global Business Environment

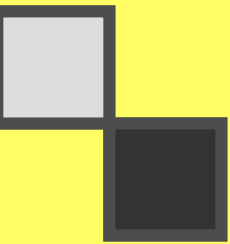


Increasing number and
diversity of competitors





Global Business Environment



Market sizes increasing
through merging




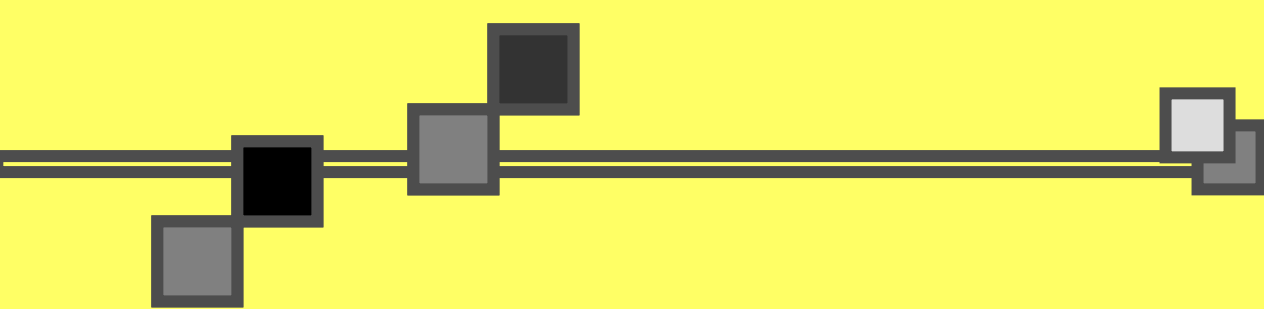


Global Business Environment

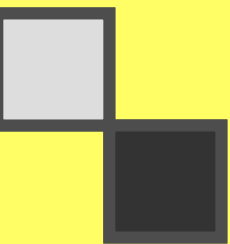


Use of intangible assets:

- knowledge
 - know-how
 - intellectual property
- 



Franchising



Contractual relationship
in which one agrees to
operate as devised by
the franchisor






Franchising



Franchisor provides:

- General advice and support
- 



Franchising



Franchisor provides:


- Research and product development
- 



Franchising



Franchisor provides:

- Marketing and Advertising assistance
- 

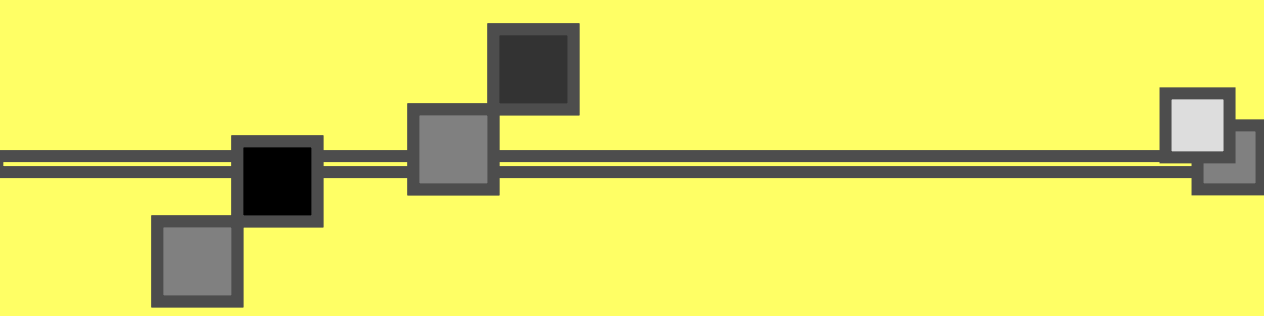


Franchising

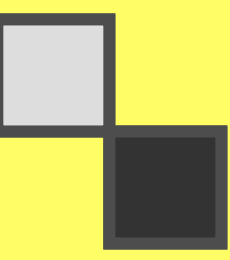


Franchisor provides:

- Permission to use concept
- 



Franchising



Franchisee provides:

- Initial franchise fee





Franchising



Franchisee provides:


- Establishment costs of own company and operations
- 

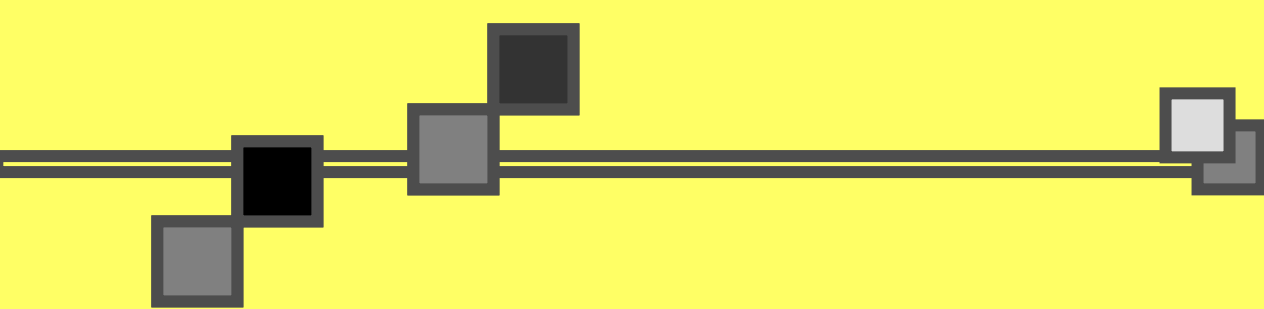


Franchising

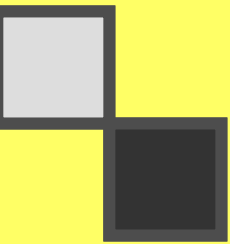


Franchisee:

- Royalty based on turnover (3 – 6%)
- 



Franchising



Franchisee:

■ Management service fee



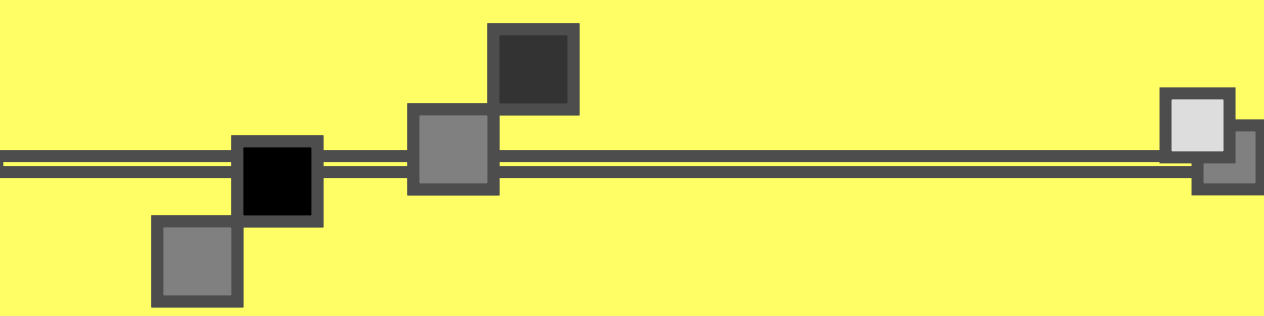


Franchising

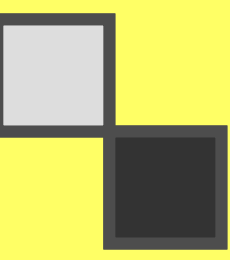


Most franchisors and franchisees in America and Europe are SMEs





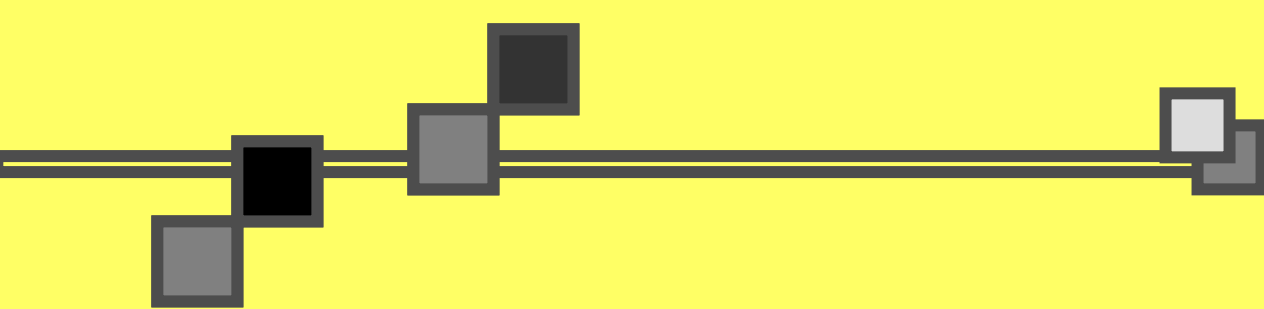
Franchising



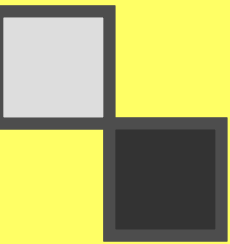
■ Product

■ Business format





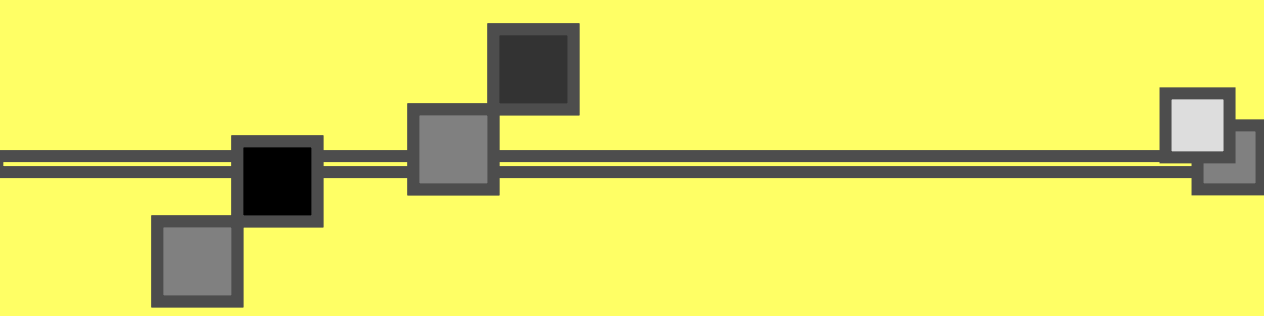
Franchising



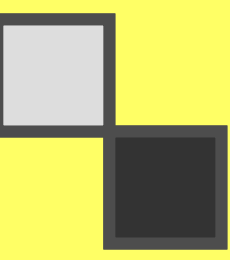
Product:

- Car distributors
- Soft drink bottlers





Franchising



Business format:

- Fast food
- Fast printing
- Postal delivery






Franchising



Business format:


- Health and education services
 - Specialty repairs
- 



Franchising



Business format:


- Hotel management
 - Cleaning services
- 



Franchising



Not franchisable:


- Fashions and fads
 - Low gross margins
- 



Franchising



Not franchisable:


- Requires long training
 - Individual service provider
- 

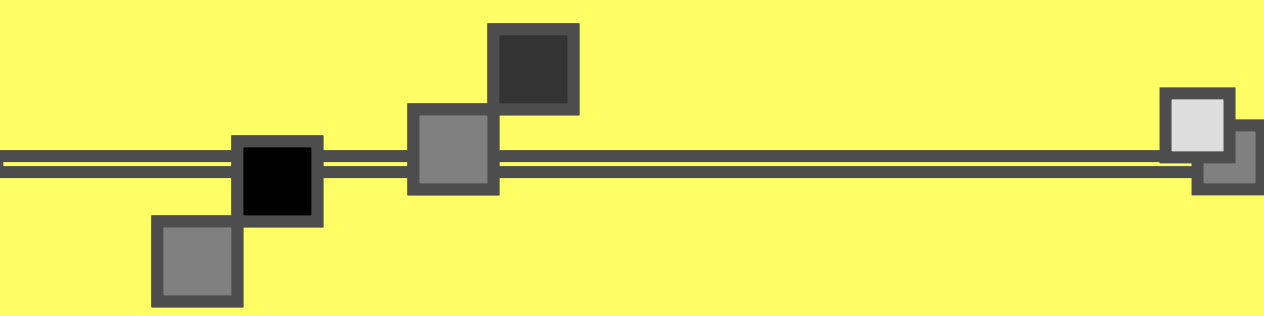


Franchising

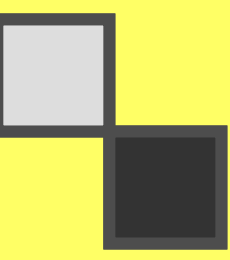


Not franchisable:

- Critical audit and control required
 - Geographically bound
- 



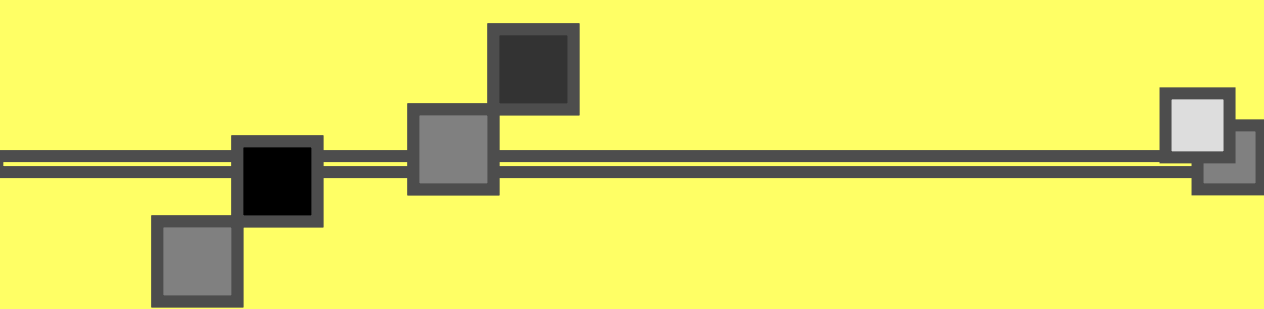
Franchising



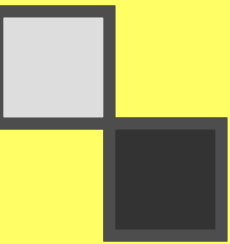
Not franchisable:

- Failing business





Franchising

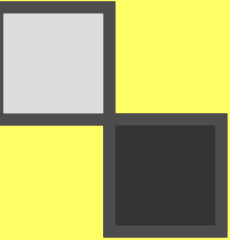



International expansion
driven by US firms





International Franchising

- 
- Urbanisation
 - Disposable incomes
 - Consumer markets
- 



International Franchising

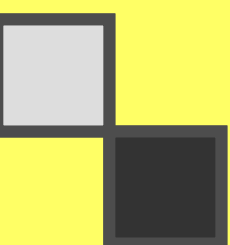



Advantages:

- Little FDI
 - Speedy returns
- 

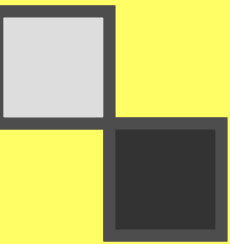


International Franchising

- 
- Increases export earnings
 - Can increase jobs
- 



International Franchising



Because using “local”
companies:

- 
- Low political risk
 - Good market sensitivity



International Franchising



BUT difficulties:

- Repatriating royalties
 - Protecting IP
- 



International Franchising



BUT difficulties:

- Policing standards
 - Servicing franchisees
- 



International Franchising



International Franchise
Association

(www.franchise.org)





International Franchising



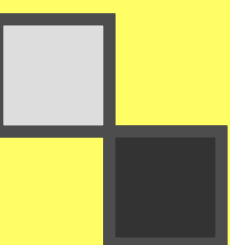
British Franchise
Association

(www.british-franchise.org)





International Franchising



International Society of
Franchising (ISOF)

(www.worldfranchising.com)





International Franchising



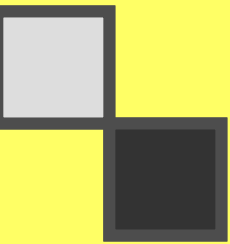

“Top 10 fastest growing franchises for 2004”



(www.entrepreneur.com/franzone)



International Franchising

- 
1. Subway
 2. Curves
 3. 7-Eleven Inc.
- 



International Franchising



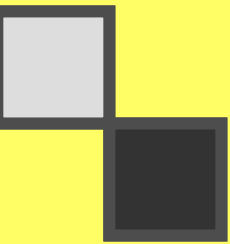
4. Kumon Math and Reading Centres

5. Jan-Pro Franchising Int'l Inc.





International Franchising



6. The Quizno's Franchise
Co.

7. Jani-King





International Franchising



8. Coverall Cleaning Concepts

9. Liberty Tax Service

10. Jazzercise Inc.





International Franchising



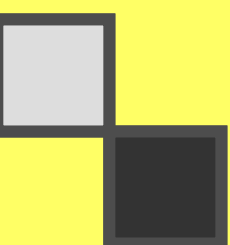
International Franchise
Research Centre

(www.wmin.ac.uk/~purdyd)






International Franchising



“Franchising as a Source
of Technology Transfer
to Developing
Economies”





International Franchising



Special Studies Series No. 7,
June 1995

ISBN 1 85919 051 0





International Franchising

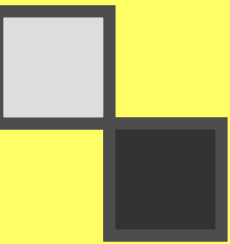


Suggests that for
Developed Country
franchisors entering
LDC markets






International Franchising

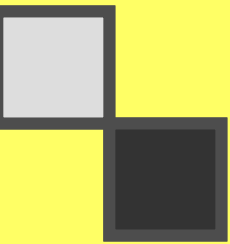


Greater the difference
in level of education
and development ...






International Franchising



Slower the rate of
diffusion of know-how
to franchisee






International Franchising



Also, for LDCs:


- Acquiring “knowhow”
 - Learning from role model
- 



International Franchising



Concerns for LDCs:


- Displacement of indigenous businesses (particularly small ones)
- 



International Franchising

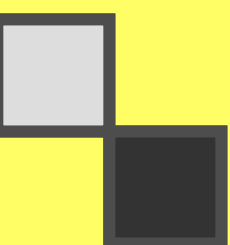


Concerns for LDCs:


- Capital outflows through repatriated profits
- 



International Franchising



These not likely to be
major concerns within
the US or other
Developed Countries





International Franchising



But if inverted suggests
potential for Developing
Country franchisors






International Franchising



US Market offers:


- Experienced, learning entrepreneurs
- 



International Franchising



US Market offers:

- Entrepreneurs with capital or access to capital
- 



International Franchising

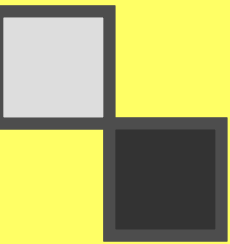



US Market offers:

- Strong Intellectual Property protection
- 



US Franchising Regulation

- 
- Federal Uniform Franchise Offering Circular (UFOC)
23 categories of information
- 

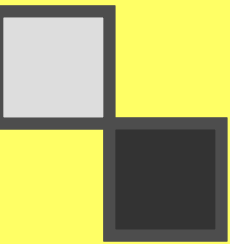



US Franchising Regulation

- 
- State registration requirements
 - State “Business opportunity” regulations
- 

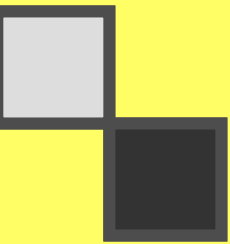



Recommendations

- 
- Identify “know-how” (of Barbados) that brings repeat business
(Tourism; Health; Education)
- 



Recommendations

- 
- Identify and protect any Intellectual Property components
- 



Recommendations

- 
- Document know-how, maintain as trade secret and ...
- 

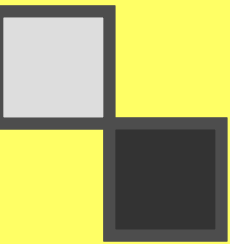


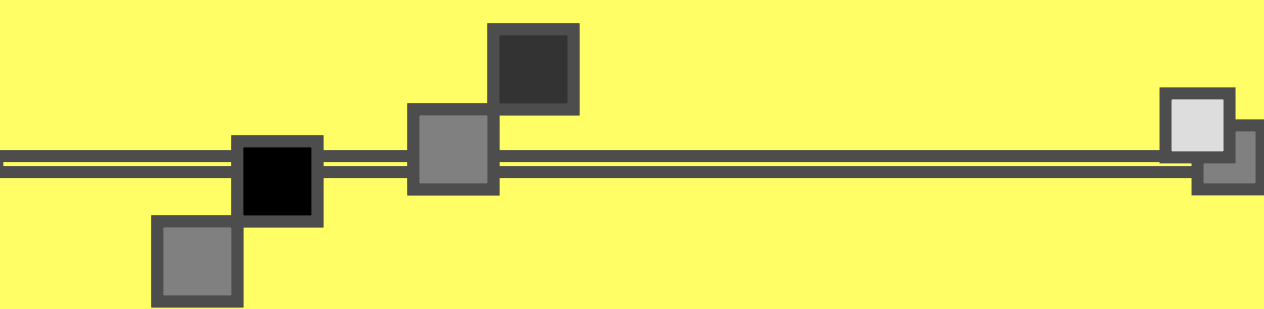
Recommendations

- 
- Develop and implement training programme
- 

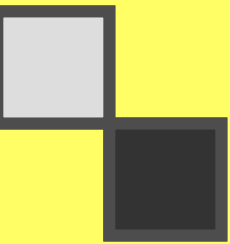


Recommendations

- 
- Negotiate easier business establishment rules in targeted Developed Country
- 



Recommendations

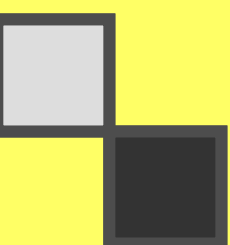



- Negotiate easier temporary entry for trainers



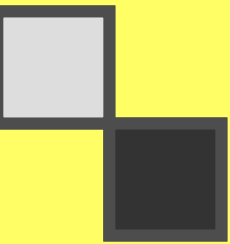



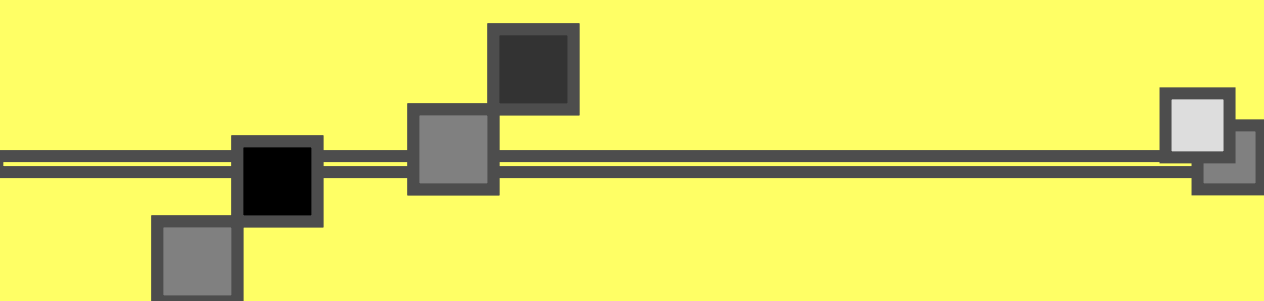
Recommendations

- 
- Reduce cost and improve capacity and availability of internet access
- 


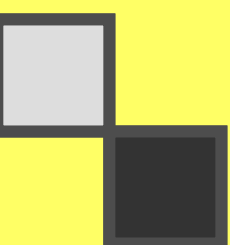


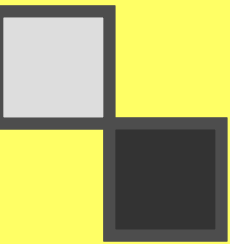
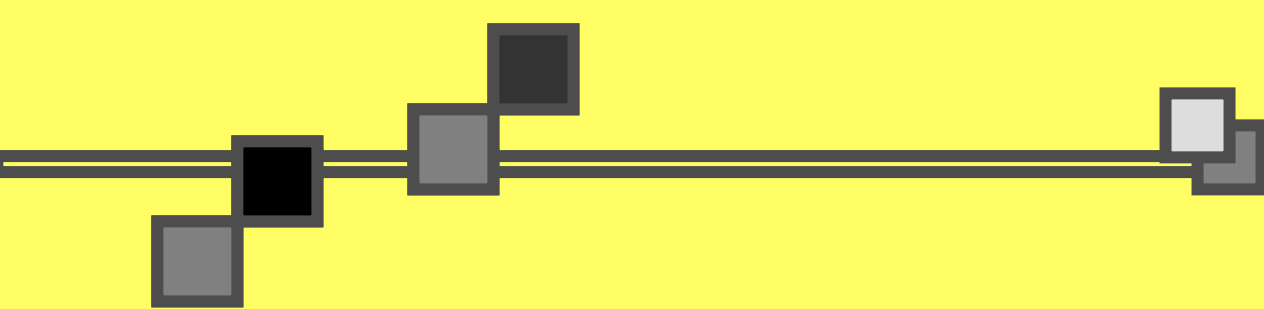
Recommendations

- 
- Negotiate Federal collaboration in the enforcement of Intellectual Property rights
- 



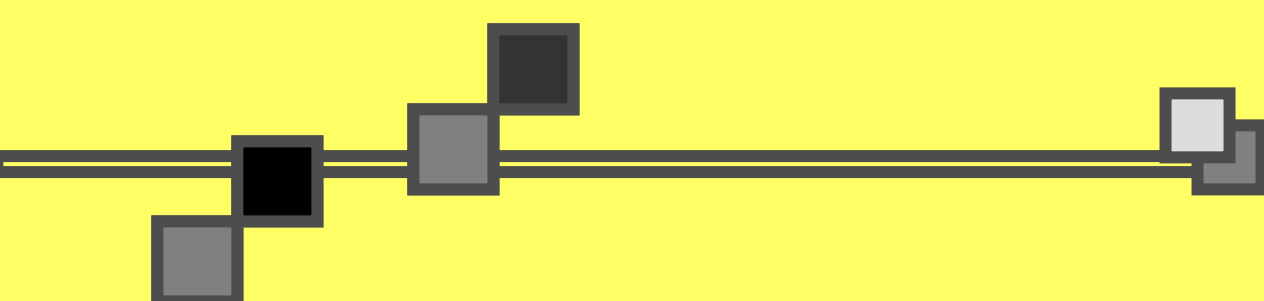
“Imagination
is more valuable
than knowledge”
(Albert Einstein)




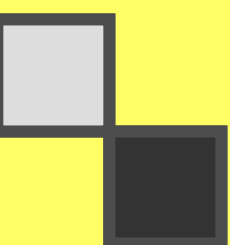


“Success is 10%
inspiration
And 90% perspiration”
(Unknown)

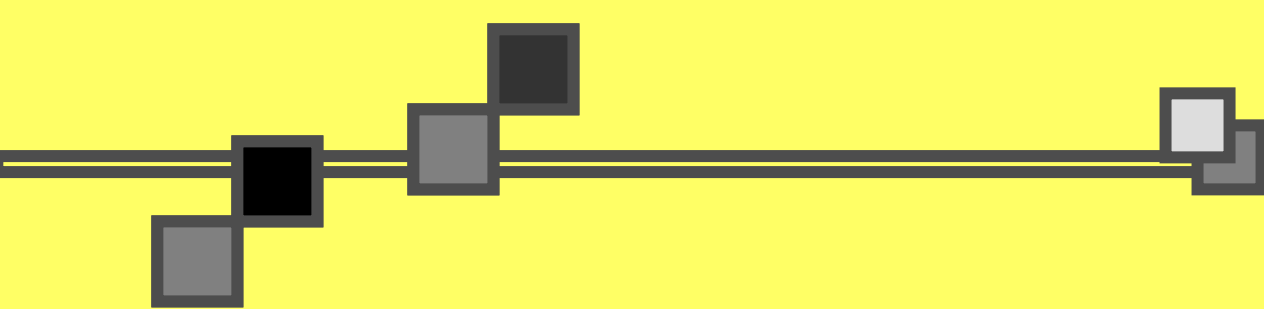





"I don't get into any area that I
can't get a patent on
...[otherwise], you quickly find
yourself manufacturing
commodities"

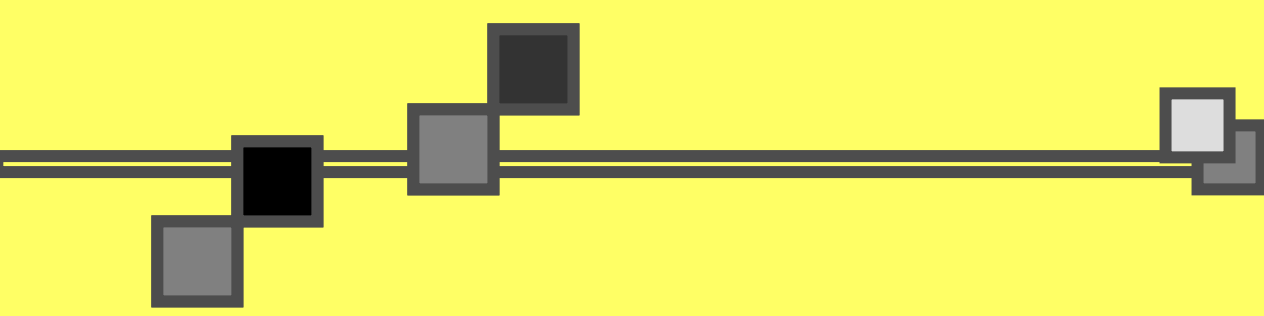


(Ray Dolby, 1986)



“Great causes are not
won by doubtful men”
(Norman Manley, 1947)





Thanks
for your attention

