

2025 IFA CONVENTION

LAS VEGAS, NV | FEB. 10-13

TEAM
FRANCHISING



WELCOME TO:

Selecting Your Market Entry Strategies: Master, Developer or JV?

SELECTING YOUR MARKET ENTRY STRATEGY: MASTER, DEVELOPER OR JV?

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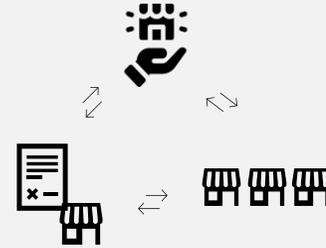
MARKET ENTRY STRUCTURES



Direct
(Single or Multi-Unit)



Area Developer



Area Representative



Master Franchise
(with or without subfranchising)

Joint Venture



Key Considerations

- What is your ultimate long-term goal?
- What management, financial and operational resources do you have available?
- What does your business model support?
- What are the practical impacts of target market characteristics?

Caution – the same terms are often used to describe different roles and obligations.

DIRECT – SINGLE UNIT OR MULTI-UNIT

A franchisor enters into franchise agreements “directly” with foreign franchisees, collects fees and provides support and service to the local franchisees.

- Provides relatively higher degree of control due to direct contractual and operational relationships
- Generally more capital intensive because requires high level of support from the franchisor
- Common approach for US brands entering Canada
- Often requires a wholly-owned subsidiary incorporated in the local country

AREA DEVELOPER

A twist on the direct franchising model - the franchisor grants development rights to a region or an entire country to a single franchisee who opens multiple units according to a development schedule.

- Generally somewhat less capital intensive because all support for the region is provided to a single franchisee (or a concentrated group of franchisees)
- Area Developer typically opens all units directly (no subfranchising)
- This structure is common in the restaurant industry and in small countries where the market is not large enough to allow a return on investment in a subfranchising structure.

AREA REPRESENTATIVE (AKA REGIONAL DEVELOPER)

The franchisor grants the area rep the right to recruit and support franchisees in a defined territory in exchange for a percentage of the fees and royalty.

- Franchisor maintains the direct contractual and financial relationship with the unit operator/franchisee while outsourcing most operational support to the area rep
- Area rep is typically required to open and operate a certain number of units directly and will have a development schedule for their region
- The relationship triangle can present challenges and requires clear details of each parties' responsibilities and consequences for failing to uphold those obligations
- While this structure is less common and presents some practical challenges, some well-known systems have used this model (e.g., Subway)

MASTER FRANCHISING

The franchisor grants development rights for a defined territory to a master franchisee who then acts as the franchisor in that local market opening units according to a development schedule (with or without subfranchising rights).

- Master franchising generally less capital intensive for the franchisor and is a common international franchising structure because it can provide for more rapid expansion at a lower cost to the franchisor.
- The franchisor may have less control because of the three-tier structure and a lack of direct contractual relationship with the unit operator (if subfranchising).
- The master franchisee is often required to open a specified number of units before subfranchising.
- A master franchise structure requires a business model that can provide profit at all three tiers – franchisor, master franchisee AND unit operator.

JOINT VENTURE

In a joint venture, the franchisor owns an equity interest in the franchisee entity in the target market and may also involve one or more of the structures described above.

- Can be less capital intensive than direct franchising because the joint venture partner also provides capital, but generally more capital intensive than master franchising.
- A joint venture can also provide more control than master franchising because of the franchisor's additional status as a shareholder (although more limited if the minority shareholder or depending on shareholder rights in the target market).
- Generally requires a high level of financial and management sophistication to navigate cross-border taxes, governance, etc.

DISCUSSION QUESTIONS

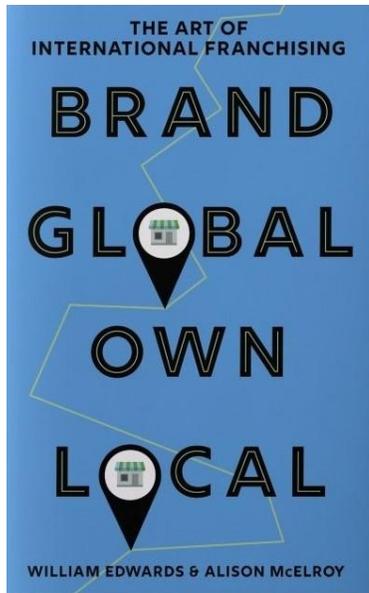
- What are the primary factors in evaluating which format is right for a certain country?
- Are there any considerations that are often overlooked?
- What are the differences in operational support required, if any, based on the structure?
- What are some of the financial considerations to take into account as you evaluate market entry?
- How do you pick the right “partner” to grow with? How do you go about evaluating them?
- Have you ever changed the brand expansion format after launching in a certain country? How was it done?
- What about the brand marketing fund? How does that work internationally?
- What resources are available to franchisors as they consider different formats of expansion?

InXpress Global Growth History

- Founded in 2006 – **USA** and **UK** simultaneously (1999, Direct)
- **Australia:** Master from 2009 – 2011; Direct 2011 - present
- **Canada:** Direct 2010 - present
- **France:** Master 2012 – 2016, Direct 2016 – present
- **Germany:** Direct 2013 - present
- **Hong Kong:** Master 2012 – 2016, Direct 2016 – 2023, Master 2023 - present
- **India:** Master 2012 – 2016, Direct 2016 – present
- **Indonesia:** Master 2013 – 2016, sold
- **Korea:** Master 2014 - present
- **Malaysia:** Master 2011 – 2014, sold
- **Morocco:** Master 2012 - present
- **Netherlands:** Master 2014 – present
- **New Zealand:** Direct 2013 - present
- **Singapore:** JV 2011 – 2016, sold
- **South Africa:** Master 2013 – 2016, Direct 2016 – present
- **Taiwan:** Master 2011 – 2015, sold
- **Vietnam:** Master 2012 – 2015, Direct 2015 – present

FURTHER RESOURCES

- IFA International Toolkit: <https://www.franchise.org/international/international-toolkit>
- U.S. Commercial Services: <https://www.trade.gov/us-commercial-service>



The mission of the upcoming book *Brand Global, Own Local: The Art of International Franchising* is to be an engaging and comprehensive guide to the business and cultural aspects of international franchising. Using a story-based approach the book provides a defined framework to developing and operating an international franchise brand that will serve as a comprehensive resource for industry experts, enthusiasts and novices alike. Examples of the successful strategies and common mistakes are organized in thematic chapters covering every aspect of international franchising from getting started, cultural adaptations, ongoing operations and more. Each chapter includes expert advice, key takeaways and actionable resources. www.brandglobalownlocal.com

Coming Soon!
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for book updates!

