

Economic Impact of Franchising and Selecting the Right Brand

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About Francounsel Group

- FCG provides company-specific International Franchise Development Programs for proven U.S. and International brands.
- FCG is the culmination of more than twenty-five years of international business experience.
- International network of franchise professionals
- Successful track record in international business development
- Transacted business in more than 35 countries.
- Matching proven brands with the right partners

Economic Impact of Franchising

- Almost 1 million franchised establishments
- \$880 billion of direct economic output
- More than 11 million U.S. jobs
- More than 8% of all U.S. private sector employment
- Overall economic impact of \$2.3 trillion, or 11% of U.S. economy
- * Price Waterhouse Coopers 2005 study

U.S. Brands

- Proven concepts
- Better systems
- Better training
- Better international support
- Successful in the GCC region

Impact of Franchising on MENA Region

- Valued at U.S.\$30 billion
- Growing at 25% annually
- Quick service sector accounts for 40% of market
- Fashion, education, hospitality and health care sectors growing rapidly
- U.S. brands successful in GCC and MENA regions

Evaluating a Master Franchise

- Knowing where to look to find these “rare” opportunities is an important 1st step
- Knowing what to look for to find these “highly successful opportunities” is a more important 2nd step
- Knowing how to evaluate a “Master Franchise” is the most important 3rd step

What to Look for and How to Evaluate a Master Franchise

- Starts with an extensive and thorough review
 - Concept
 - Franchisor
 - Operations
 - Sales
 - Marketing
 - Financial

Concept

- How will the concept work in the target country?
 - Understand the concept and what makes the business system, product, or service unique, different, desirable, successful
 - Complete extensive market research to determine if the business system, product, or service will have a similar or different application in the target market

Franchisor

- Do your homework on the Franchisor
 - How long have they been in business?
How many franchisees do they have?
 - Is the Franchisor's domestic franchise program a success and do their Franchisees validate?
 - Is the Franchisor "solid" financially?
 - Why is the Franchisor looking to expand internationally?
 - What actions has the Franchisor taken in preparation for awarding a Master Franchise in the target country?

Operations

- Operations is all about uniformity and consistency
 - Are the Franchisor's operations manuals
 - Professionally developed
 - Current
 - Well documented
 - Are the Franchisor's training programs
 - Professionally developed
 - Current
 - Well documented

Sales & Marketing

- Master Franchisees will be responsible for selling more than the business system or the products or services
 - Does the Franchisor have professional, current, and well developed sales and marketing tools to help you sell and market the business system, products, or services?
 - Does the Franchisor's "Brand" have any awareness or recognition in the target country?
 - Will the Master Franchisee benefit from any national or international sales and marketing campaigns or programs?

Financial

There are many financial matters to review

- Does the concept generate strong sales and/or margins and is it reasonable to assume these can be replicated in the target market?
- What is the Master Franchise fee structure?
 - License Fee?
 - Training Fees?
 - Royalties?
 - Ad fund?
 - Etc.

Financial

- What about currency exchange and withholding taxes?
- What is the market potential for the target market given development plans?
- Given the length of the Master Franchise Agreement and the development schedule, will it be a profitable arrangement?

Financial Considerations

- Are there any duties or tariffs on inventory, supplies, or equipment that are mandated by the Franchisor?
- Who is responsible for the cost of translation of marketing and training materials and operations manuals?
- What infrastructure needs to be established and at what cost to open and operate one or more “corporate” units”
- What infrastructure needs to be established and at what cost to recruit, award, and support franchisees?

Summary: Five Key Items Revisited

1. Economic Impact of Franchising
2. Right Concept
3. Strong Brand
4. Consistent Supply
5. Documented Systems
6. Financial Model

Franchise Resources

- International Franchise Association
 - Largest Membership of franchisors, franchisees and suppliers
 - Provides information and educational tools on doing franchising business around the world
 - Sponsors annual International Franchise Expo
 - Publisher of *Franchising World*
 - Provides educational seminars worldwide
 - Assists local franchise associations

**Thank you
for your attention!**

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