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IT'S SHOWTIME

Making the most of a franchise trade show

BY ANDREW A. CAFFEY

ATTENDING A FRANCHISE trade show could be your ticket to the hottest business concept in the world. There are few business events that promise as much potential for the business investor as an international franchise trade show. Innovative business systems and ideas from around the world are presented in an exciting atmosphere.

Buying a franchise can be an intimidating experience for investors. Even if you are already in business and are looking for a new opportunity, the world of franchising may be unfamiliar or confusing to you. Attending a trade show is a convenient and comfortable introduction to franchising. Make sure you prepare carefully and proceed methodically—it may change your business life forever.

FINDING A GOOD TRADE SHOW

Major shows that draw a wide sampling of franchises generally appear only in major metropolitan areas. Keep an eye out for advertisements in the business section of your newspaper, and check out business publications available in your public library.

Most countries also have franchise associations. (See "Strength in Numbers" on page 22.) They can tell you about any franchise trade shows expected in your area in the coming months.

With the help of these information sources, you should have no difficulty finding a franchise trade show. The number of shows around the world is growing by leaps and bounds in response to franchising's unprecedented international expansion.

PREPARING FOR THE TRADE SHOW

What can you expect to find at a franchise trade show? To start, you'll see representatives from hundreds of franchise companies ready to talk to you about their franchise programs. You can expect to be one of as many as 10,000 attendees at the event exploring the idea of buying a franchise.

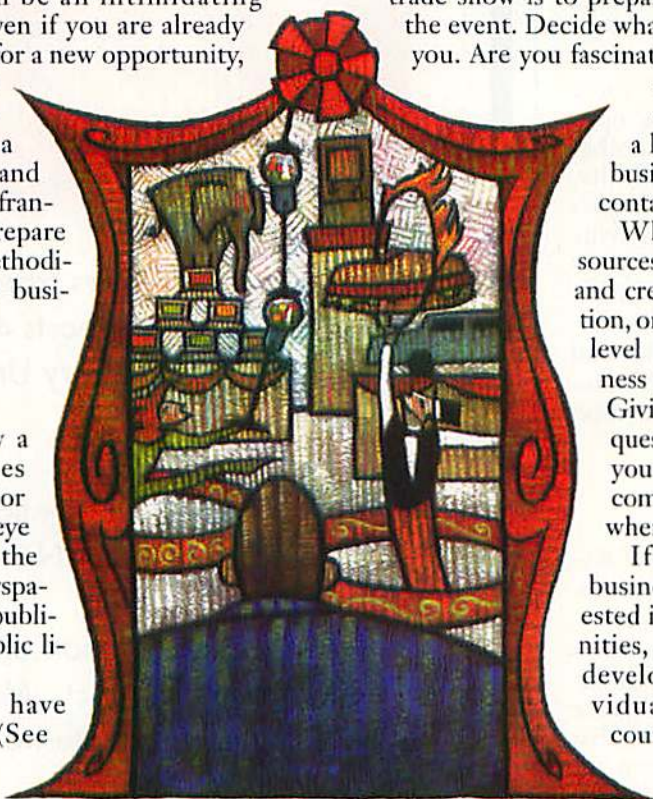
The first step in getting the most from a franchise trade show is to prepare yourself and set goals for the event. Decide what types of businesses interest you. Are you fascinated by automobiles and want

to be in a business that is part of that industry? Do you want a high-end consumer products business that brings you in direct contact with customers?

What are your financial resources? Do you have the money and credit to establish a retail location, or are you interested in a lower-level investment, perhaps a business you can operate from home? Giving some thought to these questions before the show allows you to focus on programs and companies that fit your needs when you get there.

If you are an experienced businessperson, you may be interested in master franchise opportunities, which offer the potential of developing a number of individual franchises in a given country or region. The internationalization of franchising has never been more promising. Sophisticated

and well-established franchise systems from North America to Europe are finding their greatest growth in foreign markets. As a master franchisee, you receive valuable development rights to establish multiple businesses and supervise the efforts of other franchisees in your market.



the Box's parent company, Food-maker Inc., is targeting Asia, Latin America and the Middle East.

Although hamburgers have become popular in cultures throughout the world, many American fast-food franchisors offer regional variations of the standard menu. To cater to local tastes, *Burger King* sells kosher beef in Israel and beer in Germany, and adds jalapeño peppers on the side in Latin America. Likewise, next year McDonald's restaurants in India will sell vegetable and fish burgers.

With fast-food franchises catering to local tastes, as well as introducing typical hamburger fare, acquainting locals with new restaurants' offerings isn't generally a problem. It didn't take any time for Safie to get the word out to potential Burger King customers: "The first two or three weeks after we opened—despite the fact that we didn't do any advertising or publicity—the store was full, with lines out of the restaurant," he says. And that volume has continued.

The food isn't the only thing you're introducing when you open an American franchise in another country. The service—specifically, the speed of the service—usually goes over well in other countries. Safie contends that after they got accustomed to the efficiency of his American quick-serve restaurants, his customers eventually began to demand rapid service. So, at least in Guatemala, what began as an innovation has become a necessity.

I CAN'T GET NO SATURATION

The cover of a recent issue of *Restaurants USA*, the National Restaurant Association's monthly magazine, featured a picture of the moon with a neon "EAT" sign on it. This striking image seems to capture the collective attitude of food-service analysts—that full saturation of the restaurant industry may never occur (and if it does, well, there are plenty of creative ways to stake out alternative sites). "There will always be new markets," contends Prince. He points to the fact that American fast-food franchisors have started to take root in nontraditional locations—such as supermar-

kets, baseball stadiums and even gas stations—as evidence that when existing markets get crowded, others open up.

"We still have a tremendous amount of growth opportunity left," agrees Burger King's Miller. "Even with 6,454 restaurants in the United States, we see opportunities to build [new ones]. I think you're looking a

long way off before there's any type of saturation in the market."

What Miller dubs "a true slice of Americana" most people just call lunch. However you refer to them, hamburgers have single-handedly proved that an American concept can not only survive but thrive in cultures around the world. Says Miller, "The hamburger is here to stay." □

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FIRST THINGS FIRST

After you arrive at the convention center and register, take a few minutes to go over the show brochure to understand the floor layout and review the list of companies that are exhibiting. Mark those companies whose offerings appeal to you and may fit your needs and financial resources, and check them off as you visit them.

Many franchise shows also schedule seminars for investors on subjects such as "How to Buy a Franchise" or "Financing Your Franchise Purchase." You may want to fit these into your day. The information you gain from attending seminars may be the most valuable thing you take away from the trade show—especially when you proceed beyond the trade show phase to purchasing a franchised business.

A METHOD TO THE MADNESS

It's easy to underestimate the amount of time you'll need to meet with all the exhibitors on your list. In a few hours, you may realize you have met with only 10 or 15 exhibitors—a mere fraction of the target companies on your list.

The secret is to avoid exhibitors whose programs are inappropriate for you or out of your financial reach. Prepare a list of "knockout" questions that will allow you to eliminate unsuitable companies quickly so you can move on to more promising conversations. What are the knock-out questions? It depends on your circumstances. If you have limited financial resources, among your knockouts should be questions about the size of the investment or the financial qualifications the franchisor requires. If you want to develop a large market with multiple locations, pass up exhibitors offering only single units.

Understand that a franchise trade show is designed for you to make initial contact only. It is a meeting place that operates merely to introduce sellers to investors. The conversation on the trade show floor is preliminary and rarely delves deeply into the investment. The more in-

depth discussion usually takes place in a follow-up meeting or sometimes in a nearby hospitality suite the seller has reserved. Bring a supply of business cards to leave with your new contacts so sellers may send you additional information.

EVALUATING THE OPPORTUNITY

When considering a franchise opportunity originating from a country other than your own, you must be sensitive to the cultural differences that affect the business. "It is surprising the subtle things that make a difference," says Nick Helyer, president of Blenheim Expositions Inc., a franchise trade show promoter in Winter Park, Florida. "For instance, the pace of franchise development is slower in England than in the United States. Why? Largely because of differences in cultural traditions and shopping patterns. Most people in England—and it is even more pronounced in France—prefer to walk to their shopping destinations. Many European shoppers seek out individual specialty stores and do their shopping on a daily basis."

However, Americans prefer to drive to their retail destinations, according to Helyer. "There is a greater demand for retail businesses that cater to that tradition," he says. "The concept of drive-thru food businesses, catering to families [looking for] a quick and convenient stop has not been seen in Europe. It is a novelty that is just now catching on."

This point should not be lost on you as you explore franchises at the trade show. Concepts that are a huge success in one country may fall flat in another, so move forward cautiously with these opportunities. Ask the franchisor rep about national acceptance of the products and services, as well as a trademarked identity, of any new franchise program that has not been thoroughly test-marketed in your country.

ASK THE RIGHT QUESTIONS

Determine in advance the information that will be important for you to obtain in discussions with

MARK YOUR CALENDAR

READY TO ATTEND your first international trade show? Try one or more of the following:

Franchise Indonesia '96

February 8-11, Jakarta Convention Center, Jakarta, Indonesia. Contact: J.L. Nawan, Exindo Prima Katulistiwa PT, Komp. Taman Nylur Blok C/3 - Jalan Danau Sunter Utara, Jakarta 14350, Indonesia; phone/fax: 62-21-650-5631.

International Franchise Expo

March 8-10, Washington, DC, Convention Center, Washington, DC. Contact: Stephen Licking, Blenheim Expositions Inc., 1133 Louisiana Ave., #210, Winter Park, FL 32789, USA; phone: 407-647-8521, fax: 407-628-2042.

Gateway '96

March 28-30, Messe Zurich, Halls 7.1-7.3, Zurich, Switzerland. Franchising trade show. Contact: EMC Expo Management, Elsternweg 6, D-40668 Meerbusch, Germany; phone: 49-2150-41-38, fax: 49-2150-43-48.

2nd FASA International Franchise Expo

March 28-30, The Kyalami Exhibition Centre, Kyalami, Johannesburg, South Africa. Contact: Joy Donovan, Lester Donovan Group, P.O. Box 39390, Booyens 2016, Republic of South Africa; phone: 27-11-433-2590, fax: 27-11-680-3339.

Salon Européen de la Franchise et du Commerce Organisé

March 29-April 1, Parc des Expositions de Paris, Port de Versailles, Hall 2.1., Paris. Contact: Patrick Crochemore, Blenheim Expositions, 70 rue Rivay, 92532 Levallois-Perret, Cedex, France; phone: 331-47-56-24-17, fax: 331-47-56-24-04.

Florida International Restaurant, Hotel & Bakery Expo

July 27-28, Coconut Grove Convention Center, Miami, Florida. Contact: Dan Howard, Florida International Restaurant/Hotel Expo Inc., 501 N. Beneva Rd., #616, Sarasota, FL 34232, USA; phone: 941-366-2554, fax: 941-366-9861.

—Compiled by Charlotte Mulhern

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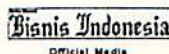
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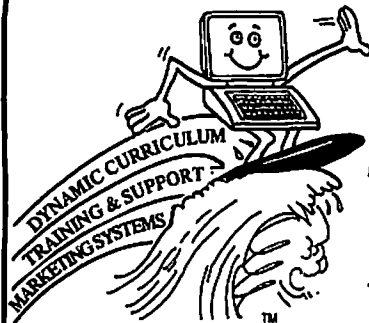
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franchisor reps at the trade show. Here are a few open-ended queries that should appear on your list in one form or another:

► *What is your level of franchise development in this country?* If the level is low, it may mean the investment presents a somewhat higher risk. The same is true, to a lesser degree, if the level of franchising is low because the company has expanded through company-owned locations. Find out what the company's general experience has been in franchising.

► *Has a master franchisee been appointed for this region?* It may be that the person manning the trade show booth is the master franchisee (or "subfranchisor") for your country or region. It makes a difference as to who will be responsible for your training and support. If you are seeking to become a master franchisee, this question will enable you to spot likely candidates immediately.

► *What are your plans for growth over the next three years?* The answer to this question will give you an idea of the effort and energy the company has committed to your market.

► *What investor information do you provide prior to completing the franchise sale?* A few countries, including Australia, France and the United States, have rules that require franchise companies to provide investment information or an offering prospectus to investors before completing the franchise transaction. Although it may not be required in your country, you should inquire. At a minimum, you should have an opportunity to review the franchise agreement you will sign, the current financial statements of the franchise company in your country, and a summary of the business background of the executives.

► *To which industry organizations does the company belong?* This information may prove useful to you as you investigate the company's track record in your country.

► *What is the training program like?* Find out how long it is, where it takes place and the general subjects covered. A solid training program is the mark of a franchisor interested in

the business success of its franchise owners.

One question that is controversial in some countries is "How much money can I expect to make with your business?" It's controversial because it can be the opening question in a misleading and unfair inducement by the seller to get you to purchase the franchise.

No franchisor can predict how much you'll make in a franchised business. The variables—including your business acumen and the industry—make such estimates impossible. However, franchisors generally know how their existing franchise owners have performed, and some companies make this information available.

COMPLETING THE TRANSACTION

Expect a follow-up call or visit after the show from any company you showed serious interest in. The follow-up contact is your opportu-

nity to dig into the investment in depth and explore other questions that might occur to you. Because the franchisor will generally tell you only part of the investment story, it's important to be diligent and skeptical in your evaluation of any information you collect from the franchisor.

The best advice: Check it out for yourself. Visit as many franchise owners as time and distance allow. Ask them how they have performed and, knowing what they know now, whether they would make the investment again.

Are they happy in their work? Did they make a satisfactory living from the business last year? How has the franchisor performed? Was the training useful? Current owners will offer the best and most realistic evaluation of the investment. You owe it to yourself to seek out their comments. Your evaluation of the franchise investment will be incomplete without them.

In any country, the final piece of advice is the same, and it is valuable regardless of the size of your franchise transaction: Get solid professional advice to assist you in reviewing the investment and the franchise. No matter how much franchise reps may reassure you that theirs is a simple business, a franchise investment is extremely complex.

A franchise trade show may be your first step toward an exciting new business future. Increase the odds of your personal success by preparing carefully for the show and evaluating the opportunities presented with a critical—and realistic—eye. □

Andrew A. Caffey is a practicing lawyer in the Washington, DC, area. He is the former General Counsel of the International Franchise Association and is an internationally recognized specialist in the fields of franchise and business opportunity law.

The opportunities that exist in international franchising are wide open now that a forum exists for the buyers and sellers of international master licenses. The **FIFTH** annual International Franchise Expo brings together hundreds of franchise companies that are seeking expansion into international markets with thousands of investors from all parts of the world. So whether you are an investor looking for a proven franchise concept in your domestic market or a franchise company seeking investors for your international expansion, **START MAKING YOUR PLANS NOW!**



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