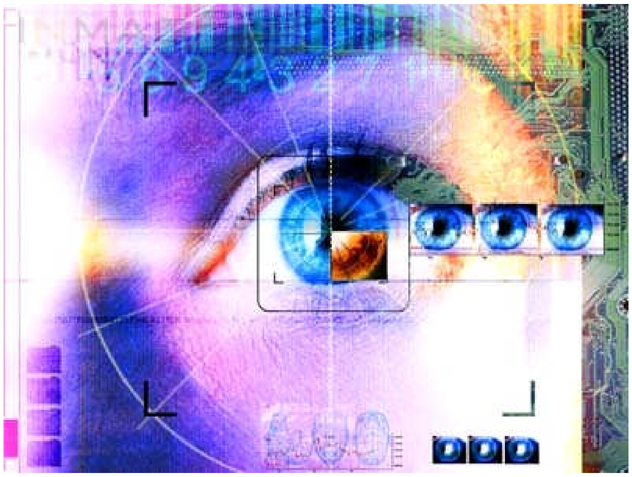
Third Eye Management

Franchising
The Way Forward



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International Conference 2008
By Associates for Associates
Orlando, Florida USA May 7th – 9th, 2008

turning good little businesses into great businesses

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FRANCHISE FACTS

- **Globally franchising is equal to the 4th largest GNP in the world!**
- Total sales by franchised businesses are expected to reach over $2 trillion in 2008.
- 15,000 Franchisors
- 1 out of every 12 business is a franchise operation.
- 12 Million Franchisees
- A new franchise business is opened every 8 minutes of every business day.
- Franchise businesses account for almost 50% of all retail sales in the United States and Canada.
- 12 Million Jobs Created
- Franchise businesses employ more than 8.6 million Americans
- A study by The U.S. Chamber of Commerce found that 86% of franchises opened within the last five years were still under the same ownership and 97% of them were still open for business.
- A United States department of commerce study showed that less than 5% of franchise businesses were shut down each year.
- Compare that to a U.S. Small Business Administration study which found that 62% of non franchised businesses closed within the first 6 years of their existence due to failure or bankruptcy.
- In 2000, the median gross annual income, before taxes, of franchisees was in the $74,000 to $125,000 range, with over 30% of franchisees earning over $150,000 per year.

ECONOMIC ACTIVITY IN US FRANCHISED BUSINESSES

There were 909,253 establishments in franchise systems in the United States in 2005.

These businesses directly

- Provided 11,029,206 jobs
- Provided an annual payroll of $278.6 billion
- Produced output worth $880.9 billion
- Accounted for 3.3 percent of all U.S. business establishments.

Their economic activity accounted for

- 8.1 % of all private-sector jobs
- 5.3 % of all private-sector payrolls
- 4.4 % of all private-sector output

THE PROCESS OF FRANCHISING

Do you or your client you have a better mousetrap? Are people walking through the business with notepads and cameras? Do you or your client have trouble sleeping at night wondering who will copy the concept first? Are you or your client certain that your model could be the next Ray Kroc or Brad Sugars story? Tired of reading about companies and thinking, “We have a better franchise concept than that company.”?

Maybe you or your client should consider franchising.

Franchising is a relatively flexible format, and just about **ANY** type of business can be franchised, provided it meets some basic characteristics:

- **It needs to be credible.**
  - Does it have experienced management?
  - A track-record over time?
  - Is the concept proven?
  - Has it achieved good local press or public acclaim?
- **It needs to be unique.**
  - Is it adequately differentiated from competitors?
  - Is it marketable as a business opportunity?
  - Does it have a sustainable competitive advantage?
- **It needs to be teachable.**
  - Are the systems in place?
  - Are operating procedures documented?
  - Could someone learn to operate the business in three months or less?
- **And it needs to provide an adequate return.**

  Not just profitability. If a business cannot generate a 15% - 20% return on investment after deducting a royalty (typically between 4% and 8%), it is going to have difficulty keeping franchisees happy.

If the business meets these criteria, then it may be a good candidate for franchising.

Before implementing a franchise program, a company should evaluate itself against several criteria and ask certain critical questions. An important consideration is the success of the initial or pilot operations. If the products or services offered have found reasonable acceptability, and if these products or services are readily adapted to other areas of the country, the market potential for the franchise may be good. Does the company have a marketing niche that can be used to its advantage? Is the business similar to many others in a crowded business segment and, if so, is there a targeted customer base so that advertising and selling can be focused effectively?

It is important to note that to be successful a franchisor must have some degree of distinctiveness, or the potential to achieve distinctiveness, in its business segment. If it does not, it will have difficulty attracting high calibre franchisees in an increasingly competitive market for such persons. A franchise may be distinctive in terms of its products, services, operating and delivery systems or marketing. If a business is to be successfully expanded by franchising, its success must be attributable to its products or services, business format, operating or management systems and/or marketing. It cannot be attributable merely to the unique character of its founder, its management or its location.

The elements of the success of the business must be teachable to persons with capabilities that exist among prospective franchise buyers and must be replicable by such persons. To be successful, a franchised business must appeal to high calibre franchise buyers and compare favourably with other franchises. The investment requirements of the business must be realistic and the potential for a return on the cash and total investment should be appropriate to the risk inherent in the type of business. Any operating, marketing and financial problems should be addressed and resolved, for the franchisee must receive a tested and refined business format.

PROFITABLE PROTOTYPES:
A critical phase of the development of a franchise program is the creation of prototype businesses to test and refine the concept of the business to be franchised. In its prototype businesses, a prospective franchisor can test operational systems and controls, decor, designs, layouts, equipment, training methods, advertising and marketing programs, products and services, job requirements and descriptions, financial models, etc. The prototype is a laboratory at which problem areas can be identified, enabling the company to develop solutions and truly see if the business can be franchised. Before franchising, a company should have been operating outlets successfully at least at one, and preferably several, locations to verify the viability of the business and its profitability. A minimum period of time to test the pilot outlet(s) would be one year to take into consideration seasonal factors and to ensure that the business is producing attractive results. Two or three years of actual experience gained from the operation of existing outlets would be an ideal.

The business to be franchised must be capable of producing a reasonable return on the franchisee's investment, after deducting the value of the franchisee's labor. If a franchisee is merely buying a job, his motivation and loyalty to the network may be short lived. The business must also be able to generate sufficient revenue to the franchisor. A franchisor can capture only a portion of the gross revenue of a franchised outlet through continuing fees and the gross profit realized on sales of goods and services to the franchisee. If a business cannot generate a sufficient rate of return on the franchisee's investment and sufficient revenue to support essential franchisor services and a sufficient profit to the franchisor, the business is a poor candidate for successful franchising.

EXPERIENCED PERSONNEL:
A company that decides to expand by franchising must have a clear understanding of how it will recruit, train, communicate with and support franchisees. To fulfil these requirements, its staff resources, talents and abilities need to be identified. If necessary, its management personnel should receive additional training in essential management skills or additional, or substitute, managers should be hired. A franchising company will be guiding and assisting a network of independently owned and operated businesses rather than managing the day to day operations of those businesses. Its staff will function as consultants to its franchisees and must possess certain specific skills: planning, leading, organizing, controlling, team building, decision making, problem solving and delegating. Specifically, a franchisor's staff needs to select qualified franchisees; to be knowledgeable about the franchisor's business and industry; to be good trainers; to have the ability to

motivate; and to have the commitment to solve franchisee problems and cultivate positive franchise relationships.

A FRANCHISOR MUST HAVE A PROTECTABLE TRADEMARK:
Until relatively modern times a trademark was a type of intellectual property that was deemed usable only by its owner to identify the products he produced. This restrictive view of trademarks began to change in the early twentieth century. The trademark assumed a broader function, as a symbol of a specific type of product and level of quality that could be used by the owner and its licensee. This concept of a trademark was codified in the United States Federal Trademark Law in 1946.

The recognition of trademark licensing as a legally valid use of a trademark and the expansion of trademarks to include services (service marks) were fundamental predicates for modern business format franchising. An important element of valid trademark licensing is the licensor's obligation to control the quality of its licensee's products/services. Absent, such control can lead to abandonment of the trademark. The licensed trademarks are the common trade identity of the network. The Franchisor acquires the goodwill value created by its franchisees' usage of the franchisor's trademark. Such goodwill value is rarely a significant balance sheet asset of a franchisor, but it can nevertheless be an extremely valuable asset. There are three categories of trademarks. Coined or fanciful words and symbols are the strongest marks. Marks in this category can be a meaningless collection of letters or a recognized word unrelated to the products or services it identifies.

Examples of coined and fanciful marks are:

- Exxon
- Apple
- Kodak
- Midas
- Xerox
- Atari

Suggestive terms are relatively strong marks. Such a mark suggests a characteristic or feature of the seller's goods or services, but does not describe the goods or services.

Examples of suggestive marks are:

- Coppertone (for sun tan oil)
- Cyclone (for wire fence)
- Gobble (for processed turkey meat)
- Habitat (for home furnishings)

- Marriage Proponents (for prospective marriage partner services)
- Maternally Yours (for maternity clothing store)
- Playboy (for magazine)
- Rapid-Shave (for shaving cream)
- Roach Motel (for insect trap)
- 7-Eleven (for food store chain)
- Sneaker Circus (for retail shoe store)
- Tail Wagger (for dog food)
- Tie Rack (for ties and accessories)

Descriptive terms are the weakest type of trademark and are difficult to protect. A descriptive mark actually describes the goods or services sold under the mark. In addition, surnames and given names, geographic designations and words used for their ordinary meaning are deemed descriptive. The line of demarcation between a suggestive mark and a descriptive mark is imprecise and involves a subjective judgment.

Examples of trademarks held to be descriptive are:

- America's Best Popcorn (for popcorn)
- Beef & Brew (for restaurant)
- Bufferin (for buffered aspirin)
- Consumer Protection Plan (for auto repair insurance)
- Continuous Progress (for educational materials)
- Fashion Knit (for sweaters)
- 5 Minute (for glue which sets in five minutes)
- Holiday Inn (for motel)
- Homemakers (for family housekeeping services)
- Hour After Hour (for spray deodorant)
- Joy (for perfume)
- Steak & Brew (for restaurant)
- Vision Center (for optical clinic)

Descriptive trademarks cannot be registered on the Principal Trademark Register of the Patent and Trademark of the United States Department of Commerce (PTO) without proof of secondary meaning. Secondary meaning is established by evidence that the trademark has become distinctive. A mark is distinctive when the public understands it to mean a specific brand or source (e.g., a franchise network) for a product or service, not merely a type of product or service. U.S. trademark law contains a presumption of distinctiveness after five years of continuous use. Distinctiveness may be demonstrated after a shorter period of use based on extensive development of a franchise network that uses the mark or extensive advertising and use. When a descriptive mark is used, there is a greater likelihood that others will use and gain local and regional rights to the mark before it becomes distinctive and registration may be granted. Generic and common descriptive words do not acquire trademark rights but may be used as part of a trademark that contains other words or symbols that may function as a trademark.

A franchisor should select a trademark that is trouble-free and easily registered. Selecting such a mark involves trademark searches and a determination of the rights of other users of the same or a similar trademark. A search for potential conflicts is important because users of the same or a similar mark will have priority in their zone of use even if the franchisor's mark is ultimately registered on the Principal Trademark Register of the PTO. If there are a large number of local usages, there will be many markets within which the franchisor will be unable to operate or franchise under its primary trademark. A franchisor should avoid a trademark if another company may have superior national or regional rights. A franchisor should attempt to register its marks on the Principal Trademark Register.

A company may apply for registration based on intent to use a mark or on the basis of actual use. Registration on the Principal Register constitutes constructive notice of use and a nationwide claim of rights to a mark and confers on the registrant superior rights to the mark vis-à-vis any user whose use commences after the mark is registered. If the application to register a mark is based on intent to use, and the mark is ultimately registered, the constructive notice is effective from the date of the application.

SUFFICIENT CAPITAL: ***A Franchisor Must Have Sufficient Capital to Develop and Implement Its Franchising Program and Solve Operating Problems!***

Capital is required for many essential elements of a franchised network, including: (1) developing, operating and modifying prototypes of the business to be franchised; (2) developing and improving operating systems, products and services; and (3) developing the network trade identity (i.e., trademarks and trade dress). A franchisor will incur substantial expenses for:

(1) Consulting, legal and other professional services;
(2) Hiring and training management and field personnel;
(3) Marketing and advertising;
(4) Compliance with the regulation of franchise sales;
(5) Selling franchises; and
(6) Performing services for and assisting franchisees.

A franchisor that is dependent upon initial fees paid by franchisees to cover its operating costs will be under pressure to sell franchises, without regard to the qualifications of the buyer, and to expand in remote areas, where the franchisor may be unable to effectively monitor and support a franchisee.

THE SUPPORT PROGRAM: *A package of services that the franchisee needs to be successful*

A company that decides to franchise must have a clear understanding of how it will support franchisee operations, how it will foster communications with franchisees, what financial results the company and its franchisees can anticipate, and how it will market its franchise once it has the franchise program in place. Some key considerations for each of these aspects of a franchise program are discussed below.

OPERATIONS:

A franchisor must have in place effective systems and a sound structure to support the operations of its franchisees. Essential elements include a franchisee support program; operations manual; a training program; control systems and forms; a supervisory program; and an appropriate organization. These services should reflect those characteristics of the business important to its success. In performing these services, the franchisor must consider its own limitations and capabilities, the cost involved in performing these services, and the type of support required--consultative, instructive, or directive. Initially, the franchisor might offer the following services to the franchisee: market surveys, layout and design of the facility, site selection, lease-negotiation assistance, creation and development of an operations manual and training programs, and financial assistance. Ongoing services might include such areas as continuing training, group-purchasing programs, accounting, bookkeeping systems, collection and analysis of data and financial information, continuous guidance and assistance, research and development, and conventions and seminars.

AN OPERATIONS MANUAL THAT DOCUMENTS ALL THE MAJOR FUNCTIONS INVOLVED IN OPENING AND OPERATING A FRANCHISE

The operations manual aids in maintaining product and service standards as well as overall uniformity; helps in minimizing "calls to the home office"; forms the basis of a systematic approach to training; and becomes a source of reference for the franchisee as well as a tool for evaluating supervisors.

An operations manual might include the following:

- Introduction and history of the company
- Company policies
- Business practices
- Standards, procedures, and documentation for hiring of staff
- Personnel administration
- Job descriptions
- Ordering supplies and outside services Preparation techniques
- Operating equipment
- Cleaning, repairing, and maintaining equipment
- Maintaining premises
- Pre-opening procedures
- Opening and closing tasks
- Customer service
- Operation forms, record keeping forms, and procedures
- Bookkeeping and management-control systems
- Advertising and promotion
- Safety and Security Reports to franchisor
- Use of trademarks
- Licensed software

A TRAINING PROGRAM

The franchisee training program not only teaches skills, knowledge and management know-how, but also can help in correcting attitudes, creating a desire and confidence in the franchisee to succeed, teaching entrepreneurial skills, developing a willingness to cooperate for mutual benefits and advantages, and creating enthusiasm for the franchise program. One of the training program's purposes therefore, is to create in the franchisee a strong allegiance to the company and lay the ground work for a successful future relationship. Never again in the franchise relationship will the franchisor have the franchisee captive like it does in the training program for the 1-2-3-4 weeks or however long the training program lasts. During this time, the franchisor has a chance to mold the franchisee. As a result, the training program must be highly structured and appropriately systematized.

CONTROL SYSTEMS, PROCEDURES, AND FORMS:
These are needed to ensure standardization and uniformity of operations, minimize problems, supply informational needs, monitor the franchisee's performance, monitor the franchisee's adherence to standards, and ensure the company's ability to audit the franchise operations. Forms that are required typically relate to sales, cost of goods, labor costs, advertising expenditures and other major expenses. Such forms would include the cash register form, activity form, a weekly/monthly recap, the sales report, customer analysis form, advertising analysis form, operations analysis form, and a report on the major expense items.

AN EFFECTIVE SUPERVISORY PROGRAM:
Since the supervisor must continually guide and assist the franchisee, the supervisor is possibly the most important person in the franchisor/franchisee relationship. In most cases, the supervisor has been a company store manager and understands the business intimately; therefore, when they talk with the franchisee, they speak at his level and can truthfully say, "I am here to help you. Please listen to me, Mr. Franchisee. I understand all the problems you are experiencing. I have experienced them myself and have solved them. Here is how I can assist you." The supervisor is prepared to roll up their sleeves, ‘jump in’, and help out with all the problems that the franchisee might be experiencing. Thus, the supervisor gains credibility in the eyes of the franchisee.

As a representative of the franchisor, they ensure that the standards are maintained and detect and resolve problems before they become serious. They also strive to upgrade the abilities of the franchisee and their employees and can introduce new products, services, and promotional programs.

Because of the importance of the supervisor to the continuing success of the franchised system, they should be trained in interpersonal and negotiating skills, for they must know how to interact with the franchisee. They also must know the concerns of the franchisee regarding profitability, advertising and marketing, employee turnover, etc., and must be able to coach, counsel, and advise them. In addition, the supervisor must understand the franchisor's goals and philosophies as well, for the supervisor represents the franchisor.

ORGANIZATIONAL STRUCTURE: The franchisor is responsible for developing and maintaining a support organization which satisfies the needs of each franchisee and operates efficiently and effectively.

To insure the effectiveness of the support organization, the franchisor first should prepare a clear organizational chart that shows the interdependence of each department. Next, the franchisor should identify the required jobs, the staff necessary to perform those jobs, and the criteria for selecting and hiring qualified people. During this analysis, the franchisor should evaluate the staff members' abilities against the established criteria.

After this evaluation, the franchisor should determine the authority and responsibility for each position, thus avoiding confusion that can occur if responsibilities and authority overlap. For each position, clear compensation levels must be established.

Once the organization's positions and compensation levels have been determined, effective training programs for managers and executives should be developed. Thus, a strong support organization with a competent corporate staff is positioned to meet franchisees' needs.

COMMUNICATIONS:
Effective communication through carefully planned systems of information sharing, recognition, and reporting is critical for the continuing growth and development of the franchised business. The following methods of communication have been successfully used in franchise systems throughout the United States

Telephone contact is one of the most effective and practical modes of communication. **Frequent contact** helps to insure closeness and continuity within the franchise relationship. **Conference telephone calls** can help instill in franchisees their importance both as individuals and as members of the franchise team. Many franchisors maintain an **"800" number** for their franchisees' use to encourage franchisees to communicate regularly. Mail, electronic communication, satellite systems, CD-ROM, and DVD’s are common methods of providing and explaining instructions, supplying advertising and promotional materials, reporting sales figures and changes in personnel, and handling other important business matters.

House organs and newsletters are effective in explaining various activities within the franchising company, recognizing the top sales zones, expressing the opinions of franchisor management, announcing new territories and franchisees, and presenting other information of a positive and helpful nature. **Personal visits** are usually made by the field supervisor, general manager, vice president of personnel, franchising director, training director, and so forth. The personal visit is a good public relations tool that can be used to encourage and uplift the spirits of franchisees and their employees.

Franchisee group meetings, one of the greatest forms of support for weaker franchisees, can encourage the sharing of experiences, techniques, and advice by the stronger, more successful franchisees within the network. Some franchisees will tend to reject recommendations or suggestions from the franchisor, yet readily accept criticism and suggestions from their peers. Peer group influence is always a strong force on people's attitudes and behaviors.

Franchisor sponsored meetings, such as regional meetings, semi-annual meetings and conventions, can be used by a franchisor to bring its franchisees together on a regular basis to share information and provide training. An informal atmosphere is encouraged through dinners and social gatherings.

Other forms include the following: Franchisee advisory group (and/or one or more committees) on purchasing, customer service, advertising, retraining, etc. Remembrance calendar bulletins, manual changes and memos, letters soliciting advice or input, birthday cards, anniversary cards, New Year's Day and holiday cards addressed to the franchisee and spouse.

FINANCE:

The franchisor needs to establish an appropriate structure of fees, including advertising assessments, that the franchisee will be required to pay the franchisor. It also must have a thorough understanding of the investment that a typical franchisee will need to make to become a franchisee. Such information must be developed not only for purposes of the disclosures that the franchisor will be required to furnish to prospective franchisees, but also for purposes of understanding the level and type of financing that franchisees may need. Finally, the franchisor needs to understand the financial results that the franchisor and its franchisees can expect to achieve.

FRANCHISE FEES, ROYALTIES AND THE ADVERTISING ASSESSMENT
Determining a franchise fee is more an art than a science. However, the following considerations can influence the amount of the fee:

- The nature of the services offered by the franchisor
- The extent of these services
- The cost of the services to the franchisor
- The need for the franchising company to cover its overhead and possibly show a small profit
- The ability of the franchisee to pay
- The amount the competition charges
- The value of the trademark
- The attractiveness of the franchise – is it "hot"?
- The size of the territory being offered
- The term of the agreement
- Other assessments being charged

These and other relevant factors all need to be weighed in establishing the initial franchise fee. Companies beginning to franchise sometimes decide to begin offering franchises for a fee at the lower end of the range they are considering, in order to make the franchise opportunity more appealing to early franchisees. Franchisors are more hesitant to reduce the franchise fees charged to later purchasers.

ROYALTIES/SERVICE FEES.
Since royalties are normally the major source of ongoing income for the franchisor, the royalty needs to be large enough to satisfy two criteria: it must generate sufficient revenue to support the functions and services which the franchisor must perform if the network is to remain competitive and viable, and it must return a reasonable profit. Normally, the cost of supervision is the biggest cost item funded by royalties. Therefore, the amount and frequency of supervision that will be offered to the franchisee needs to be predetermined in order to set the appropriate royalty charges. Additionally, the franchisor usually intends that royalty payments should not exceed 25% to 33% - 1/3% of the franchisee's pre-royalty profits.

Since the royalty charge has a major impact on the franchisee's profit and thereby his return on investment, it is critical that, in choosing a royalty, one understands clearly the franchisee's anticipated sales, gross margin, and operating profit.

ADVERTISING CONTRIBUTIONS:
Since one of the greatest benefits of a franchise to the franchisee is the name, recognition and advertising power of the franchisor or the network as a whole, it is common for franchisors to collect a separate charge or contribution from franchisees that are used solely to fund marketing and promotion activities. In determining the advertising contribution, the franchisor should consider the amount of money required for effective regional and national advertising programs as well as the funds required for the development of advertising materials and promotions. This determination also should consider the franchisee's necessary local expenditures in order to make an impact on his market.

It is not uncommon for new franchisors to require a lower contribution for advertising or no contribution for advertising, until there are sufficient numbers of franchisees to warrant media campaigns funded by franchisee contributions. Where this is the case, the franchisor should nonetheless have the right to charge its first franchisees the full amount of the anticipated advertising contribution. Because advertising campaigns and other promotional activities benefit the network as a whole, differences in the advertising contributions paid by franchisees are likely to generate discontent and complaints about "free riders" by those paying the higher contributions.

SELECT A FINANCE PROGRAM THAT PROVIDES EASY ACCESS TO CAPITAL
Normally the franchisee's financial resources come from one of three sources:

Personal resources of the franchisee –

> Some funds for the franchisee's start-up business come from savings, home equity, cash values from life insurance, assets such as bonds and stocks, bank loans, funds obtained from existing businesses that he or she may have, and retirement plans against which he or she can borrow.

Other resources –

> Lenders and investors. A franchisee can seek funds from relatives and friends; small town and major regional banks; non-bank lenders such as credit unions, finance firms, and divisions of stock brokerage firms; SBA guaranteed loans; lease financing companies; private capital; and partners.

Franchisor assistance -

> Many franchisors typically will help their franchisees prepare loan applications or direct them to financing sources which have some familiarity with the franchise and an interest in servicing qualified franchisees. In some cases, the franchisor guarantees loans and commitments to lenders; defers part of the franchise fee; leases real

estate and equipment; commits to equipment and inventory buy back; offers equity participation; and matches investors and operators together in a joint venture. Some franchisors have even developed master limited partnerships, small business investment companies, and business and industrial development corporations in order to seek public money to help franchisees finance their growth.

FINANCIAL PROJECTIONS FOR BOTH THE FRANCHISEE AND FRANCHISOR

For the franchisee, a detailed breakdown of investment requirements, working capital needs, operating income and expenses, and anticipated return on investment should be developed. Unless the franchisor makes what is referred to as an "earnings claim" (which includes any statement of actual or projected sales, costs or profits), these projections of operating income and expenses and return on investment cannot be provided to the franchisee before the franchise is sold.

For the franchisor, a financial plan projecting four years of anticipated growth in number of operating units, franchise fees, royalty income, expenses, profits, and organizational requirements and costs must be created. This plan is needed as an operating budget to know initial funding and cash flow requirements. The plan is also an aid for obtaining outside capital and investment.

MARKETING

Marketing will be key both to the success of the franchise program and to the success of the franchisee's business. Franchisors must address a number of marketing issues.

THE BUSINESS' IMAGE

The public image established by the franchisor through its "packaging" is a key factor in inducing a franchisee to buy into the franchisor's program. Distinctive and appealing "packaging" – the identification strategy that establishes the franchisor's public image through its graphics, logo, exterior and interior design, and colors – is thus important to the success of both the franchised business and the franchise program. The franchisor should utilize store layout, colors, furnishings, decor, fixtures, design, uniforms, and graphics to establish a distinctive image.

ESTABLISHING MARKET DIRECTION

An important decision that a franchisor must make at an early stage is where it will expand through franchising. Franchisors cluster locations within established markets because these markets have been successful.

Adding franchised locations within an established market will generate additional funds for advertising in the market, thereby enhancing the market share, as well as helping to seal out competition.

In deciding whether to enter areas where there are no existing units, franchisors are often influenced by: (1) the ability to service and supply locations in the new market area; (2) the "run off" value of the franchisor's trademark or reputation that might proceed the franchisee in the new locale; (3) the sales potential of the new market area; (4) the level of competition that exists in the new market area; and (5) the evaluation of population, income, retail sales, and other factors that may influence the likely success of a market area.

ONGOING ADVERTISING & PROMTIONAL PROGRAMS
Providing advertising programs is one of the most important services that the franchisor can offer its franchisees. While franchisees might be able to create on their own other programs offered by the franchisor, they will never be able to duplicate the sophistication of the franchisor's advertising programs because these programs are funded by the combined contributions of all operating units.

Usually, a national advertising program is funded by franchisee contributions and the franchisee has a contractual obligation to spend a minimum percentage of sales or dollar amount on advertising on the local level using promotional material supplied by the franchisor. The franchisor will monitor the franchisee's expenditures on the local level by reviewing P&L statements, advertising expenditure reports, and the franchisee's use of cooperative advertising programs.

RECRUITMENT OF FRANCHISEES
A start-up franchisor, in order to use its time, resources and money most appropriately, must determine the profile of its likely franchisee, particularly documenting the skills and talents required. The characteristics of the franchise business dictate the kind of franchisee needed. After the franchisor has established the profile, it must establish a budget and goals for recruiting franchisees, in order to determine the most effective place to use its advertising dollars. Should the franchisor promote in a business magazine? If so, which one or ones? Should it use newspapers? Would direct mail, trade shows, seminars, public relations, or broadcast media prove effective?
To attract excellent prospects and sell them, the franchisor must determine the business' unique features and benefits and then express them through cleverly worded ads, appropriate sales brochures, and effective phone and mail follow-up programs. All this effort is intended to obtain an interview with a qualified prospective franchisee.

The salesperson who will meet personally with prospective franchisees must be well trained in the franchisor's business and in effective sales techniques. Thus, the sales person's personal presentation must be well structured, for the salesperson must ferret out information about the prospective franchisee's interests, while providing the prospect with information that will help in the decision-making process. The salesperson must use appropriate interviewing and qualifying techniques in order to identify and sell qualified franchisees. The franchisor should also put into place a system for monitoring the effectiveness of, and refining, its franchisee recruitment process. For example, the franchisor should analyze the media used to determine which provides the most qualified leads, and should evaluate leads to determine which leads produce the most interviews and sales.

INTERNATIONAL FRANCHISING

The landscape of franchising is rapidly changing. More than 900 new franchised concepts has been added to the existing base of more than 2,000 concepts according to FRANData Corp. Recent member surveys indicate that more than 500 (40%) of IFA franchisor members are expanding internationally. More are planning to go global in the next few years.

Is it time to consider the international development opportunity? Or is it time to start such an effort? Why should a franchisor consider 'going global' now? What will it need to go global with its franchise model? Has international development changed in recent years? What should a franchisor be concerned about when taking their brand into foreign countries?

INTERNATIONAL OPPORTUNITY: ADVANTAGES OF GOING GLOBAL

- Add new sources of franchise fees, royalties and product sales
- Reduce dependence on the home market.
- Leverage existing technology, know-how and intellectual property.
- Award more franchises at home by being global. If you are global, you are viewed as more substantial than a 'local' competitor.
- Gain a competitive edge in your home market by bringing back to new ideas from your international licensees.
- Enjoy strategic advantages in having a global franchise network, i.e. global accounts versus national accounts can bring your home franchisees more benefits.
- Gain improved economies of scale through increased network growth.
- Use staff and other resources across a wider range of franchised locations generating royalties and fees.

USA OPPORTUNITY

The weak status of the U.S. dollar makes US based franchise models very attractive, especially to European buyers. For example, an initial master franchise fee of US $300,000 is less than 220,000 Euros today. This is a about 30 percent from just a couple of years ago.

CHALLENGES FRANCHISORS FACE WHEN GOING INTERNATIONAL

Here are some issues to be considered:

1. Expanding outside the home country efficiently and cost-effectively: Without a plan and priorities, franchisors can find themselves spending lots of money with few results.
2. Defining the benefits, risks, opportunities and challenges: What are the specific benefits for the franchise? What are the resources needed for the franchise that they have, or have to add, and when? What will this effort take away from domestic growth?
3. Defining the time and cost it will take to succeed outside the home market:
4. Protecting the brand and intellectual property: An up-front investment in trademarks is essential to maintain brand value.
5. The added cost of training and support across many times zones: Budget for this up-front and include it in the initial master franchise fee.
6. Deciding where to take the franchise to get the best return on investment.
7. Picking the right master franchisees: This is the most difficult and time-consuming task of all in the global development of any franchise and the task most often not done properly. It takes time to find, evaluate and conduct due diligence on master-franchise candidates.
8. How will the franchise go global? Master franchising to one company per country? Area, or province franchising, larger countries such as China, Germany and the United Kingdom? Direct franchising, which means more up-front investment on the part of the franchisor but more control and more profits long term. Franchisors should consider using more than one of these market-entry structures. Take time to evaluate what each development method means to the franchise model in terms of up-front investment and long-term return.
9. Historically U.S. franchises lead the way with international development, however in recent years we have seen a huge expansion program from Australian, European and Latin American franchisors entering world markets. Now there is competition with these companies in many countries, including the United States.

WHAT DOES A FRANCHISE NEED TO GO INTERNATIONAL?

It is now common to see franchises with less than 200 units going global. All franchisors who venture outside their home country need to have common aspects of their business to hope to succeed in today's global business environment.

1. Senior management must view international expansion as an important business growth strategy and commit the necessary financial and people resources to this strategy to succeed.
2. A pro-active business plan, not just reacting to e-mails from interested parties. And, do not expect to make money for a few years. This is a long term investment.
3. A good track record of success in the home market: A good master-franchisee candidate will want to see a both a successful franchisor and company.
4. Trademarks, trademarks, and trademarks: Start applying for trademarks first to maintain control of the brand in other countries. This should be undertaken before any marketing of the franchise in other countries to ensure the protection or loss of the brand name.
5. Be sure to have strong training, support and reporting procedures to ensure the franchise is executed properly in other countries.
6. An intranet is the most powerful global development tool and the best way to control how any business is developed in other countries. It is also a way to cut down on the 2:00 a.m. phone calls for support from foreign licensees.

INTERNATIONAL FRANCHISE LAWS

EXECUTIVE SUMMARY

Not too many years ago, the concerns of franchisors were limited almost entirely to their own ‘home’ countries. Not so today. The increasing share of revenues and profits which some of the largest franchisors earn from abroad has received a good deal of publicity. What has received less attention is the growing international activity of franchisors of a smaller size, and the fact that international expansion is no longer a predominantly US phenomenon; it has become characteristic of the leading franchisors in virtually every county.

Below is a quick guide to the franchise laws in every county, presented in a common format. This ‘quick guide’ is just that; for the more detailed knowledge of the laws of interest, there is no substitute for a careful review of those laws by experienced counsel.

PLEASE REMEMBER THESE ARE NOT OPTIONS, THEY ARE LAWS AND ARE SUBJECT TO PENALTY(S) IN THE RESPECTIVE COUNTRY IN WHICH THEY OPERATE

ALBANIA

- **Disclosure law:**

  - Both parties must exchange information on matters of relevance to the franchise business in good faith.

- **Relationship restrictions**

  - Franchisor must:
    - Protect its intellectual property against infringement by third parties.
    - Provide the franchisee with training and support.
    - Ensure that it owns the intellectual property that it licenses to the franchisee.
    - If the franchisor does not own the rights, the franchisee may demand a reduction in fees.
    - After the end of the franchise contract, franchisee and franchisor have a reciprocal obligation to compete fairly
    - The franchisor may prohibit the franchisee from competing in the local market for one year; provided if the franchisee suffers a "decrease in its professional activity", it is entitled to "a corresponding financial compensation."
  - The parties should keep the disclosure information confidential.

- **Registration laws**:

  - None.

ALBERTA, CANADA

- **Disclosure laws:**

  - Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.

- **Relationship laws:**

  - Impose a duty of fair dealing on each party.
  - A franchisor may not restrict franchisees from forming an organization of franchisees.

- **Registration laws:**

- None.

AUSTRALIA

- **Disclosure laws:**
  - Franchisors must provide a copy of the Franchising Code of Conduct (the Code) and a disclosure document to prospective franchisees prior to a franchise sale, renewal, or extension.
  - Disclosure document must be provided to franchisees or prospective franchisees 14 days before the franchise agreement is signed or any money is paid.

- **Relationship laws:**
  - A 7-day cooling off period is given to the franchisee once the franchise agreement has been signed.
  - The Code has specific provisions regarding breach, termination, mediation, and transfers of the franchise.

- **Registration laws**:
  - None.

BARBADOS

- **Disclosure law:**
  - None

- **Relationship restrictions**
  - None

- **Registration laws**:
  - Franchisee must apply for and obtain a license in order to operate under a franchise agreement under the *Franchises (Registration and Control) Act.*

BELARUS

- **Disclosure law:**
  - None
- **Relationship restrictions**
  - Franchisor must:
    - Provide training and assistance
    - Obtain registrations for its intellectual property
    - The franchisor is 'subsidiarily' liable for claims made by third parties against the franchisee for not maintaining the quality of goods and services.
    - The franchisor is jointly and severally liable for claims made by third parties against the franchisee for substandard goods produced by the franchisee.
- **Registration laws**:
  - None.

BELGIUM

- **Disclosure law:**
  - Disclosure required one month before signing.
- **Relationship laws:**
  - None.
- **Registration laws**:
  - None.

BRAZIL

- **Disclosure laws:**

  - Disclosure must be provided ten days prior to the execution of the franchise agreement (or “preliminary franchise agreement”) or the payment of any fee by the prospective franchisee to the franchisor or any related company or individual.

- **Relationship laws:**

  - None.

- **Registration laws**:

  - Registration of the agreement (translated into Portuguese) with the Brazilian Patent and Trademark Office (“INPI”) and Central Bank is required.

CHINA

- **Disclosure laws:**

  - The franchisor must provide the prospective franchisee with a disclosure document at least 30 days before executing the franchise agreement.

- **Relationship laws:**

  - The franchisor must have had two company-owned units (in China or elsewhere) for at least one year
  - The franchise agreement must provide for a “cooling-off” period
  - Minimum term of 3 years

- **Registration laws:**

  - Franchisors must register with the Chinese government agencies (MOFCOM at the central government level) within 15 days after signing the first franchise agreement.

CROATIA

- **Disclosure laws:**
  - None.
- **Relationship laws:**
  - None.
- **Registration laws**:
  - None.
- **Note**: Croatian law merely defines what a "franchise" is.

ESTONIA

- **Disclosure laws:**
  - None.
- **Relationship laws:**
  - The franchisor must provide training and ongoing assistance
  - The franchisor may check on the quality of the goods manufactured by the franchisee and the services provided by the franchisee pursuant to the franchise arrangement.
  - The franchisee must ensure that the quality of the goods manufactured by the franchisee and the services rendered by the franchisee pursuant to the franchise agreement are the same as those manufactured by or provided by the franchisor.
  - The franchisee must follow the instructions of the franchisor when operating the business so that it operates on the same basis and in the same manner as the franchisor
  - The franchisee must provide its customers with the same additional services as they would expect when purchasing goods or services from the franchisor.

- **Registration laws**:

  - None.

FRANCE

- **Disclosure laws:**

  - Disclosure must be provided 20 days prior to signing or payment of money.

- **Relationship laws:**

  - None.

- **Registration laws**:

  - None.

GEORGIA

- **Disclosure laws:**

  - Both parties must openly and completely inform each other about the circumstances relating to the franchise, especially the franchise "system," and to communicate the information to each other in good faith.

- **Relationship law:**

  - The franchisor must:
    - Provide the franchisee with the intellectual property rights, know-how concerning management, production, purchase and marketing of the goods as well as other information required for promotion of sales.
    - Protect the intellectual property against infringement and develop the franchise program "consistently."

  - The franchisee must:
    - Pay the franchise fee, the amount of which is essentially calculated taking into account the contribution made toward the implementation of the system of the franchise.

- Actively conduct the business with due diligence and receive services and purchase goods through the franchisor or persons named by the franchisor if this is directly related to the objective of the agreement.

- If the duration of the contract exceeds 10 years, then either party is entitled to terminate the contract on one year's notice. If neither party terminates, the contract is extended for two years beyond its expiration. If the contract expires by lapse of time or by the initiative of one of the parties, "then the parties shall try, observing the principles of mutual confidence, to continue the contract on the same or altered terms up until the time the business relationship is actually ended."
- The franchisor may impose a post-term non-compete within a specified territory for one year. However, if the non-compete covenant "endangers the professional business [of the franchisee], then an appropriate monetary compensation shall be given to the franchisee. . . ."
- If the franchisor breaches its contractual obligations, the franchisee "shall be entitled to reduce the franchise fee." The amount of the reduction shall be determined by "an independent expert."
- The parties are obligated not to disclose the information confided to each other even if the agreement is not executed.

- **Registration laws**:

  - None.

INDONESIA

- **Disclosure laws:**

  - Franchisor must disclose certain information to prospective franchisees sufficiently in advance.

- **Relationship laws:**

  - 10-year term for a master franchise
  - Requirements of local language and local governing law

- **Registration Laws:**

- Franchisee must register the disclosure document and the franchise agreement within 30 days of execution of the agreement

ITALY

- **Disclosure laws:**
  - Disclosure required 30 days prior to the contract.
- **Relationship laws:**
  - The franchisor must have "tested its business concept in the market."
  - Contract must be at least 3 years.
  - May only terminate for "substantial" breach.
  - Franchise may not re-locate without franchisor's consent.
- **Registration laws**:
  - None.

JAPAN

- **Disclosure Laws:**
  - *Medium-Small Retail Business Promotion Act* requires pre-sale disclosure for certain retail franchise operations.
  - The Japan Fair Trade Commission published the *Guidelines on Franchising* under the *Anti-monopoly Law* (the "**Guidelines**"), which requires pre-sale disclosure in franchising.
- **Relationship laws:**
  - The Guidelines have provisions regarding the vertical restraints imposed by the franchisor on the franchisee.
- **Registration laws**:
  - None.

KAZAKHSTAN

- **Disclosure laws**:
  - None.
- **Relationship laws**:
  - Franchisor’s Rights:
    1. Control the quality of goods and services.
    2. Preemptive purchase in the event the franchisee transfers its company.
    3. To enter into additional contracts with the franchisee.
    4. To act as the franchisee’s guarantor.
    5. To terminate and claim damages if the franchisee violates the Agreement.
  - Franchisor’s Obligations:
    1. Provide the franchisee with an operations manual.
    2. Train and consult the franchisee as defined in the franchise agreement.
    3. Not to disclose confidential information obtained from the franchisee.
- **Registration laws**:
  - None.

KYRGYZSTAN

- **Disclosure laws**:
  - None.
- **Relationship laws:**
  - Franchisor’s obligation: Provide the franchisee with an operations manual.

- **Registration laws**:

  - None.

LITHUANIA

- **Disclosure laws:**

  - None

- **Relationship laws:**

  - The franchisor must provide operations manual or other documentation.
  - The franchisor must provide ongoing assistance and exercise quality control.
  - Compliant franchisee has right to renew, except that franchisor may refuse to renew, provided it does not grant another franchise for the same territory for three years.
  - The franchisee has option to terminate if franchisor changes the brand.
  - On death of franchisee, heirs have right to continue the business.

- **Registration laws:**

  - Franchisor is obliged to register the franchise agreement.

MACAU

- **Disclosure laws**:

  - Franchisor is obligated to disclose certain information (12 categories) and the standard franchise agreement to the prospective franchisee "with adequate advance." If the franchisor fails to do so, the prospective franchisee may annul the contract.

- **Relationship laws**:

- Exclusivity: franchisee and franchisor may not compete with each other by rendering similar goods and/or services unless permitted in the franchise agreement.

- Franchisor's obligations:

    1. To act in good faith.
    2. To train franchisee (ongoing).
    3. To supply franchisee and/or provide franchisee with supplier's information.
    4. To compensate franchisee for the obligation of non-competition.
    5. To inform franchisee "of all and any alterations introduced in the composition and presentation of the goods, in the conditions of sale, or in the rendering of the service, or any others concerning the running of the franchise."

- Franchisee's obligations:

    1. To act in good faith.
    2. To attend training.
    3. To keep all "know-how" information confidential.
    4. To achieve a certain minimum sales requirement.

- **Registration laws**:

    - None.

MALAYSIA

- **Disclosure laws:**

    - Franchisor must provide prospective franchisee with a disclosure document at least 10 days before any franchise agreement is signed.

- **Relationship laws:**

    - Franchisee is given 7 working days of "cooling off" period after the agreement has been signed.
    - Minimum term for franchise agreement is five years.
    - Compensation to franchisee if franchisor refuses to renew.
    - No termination of the agreement except for good cause.

- **Registration laws:**

  - A franchisor must register a franchise before making an offer to prospective franchisees. The registration must include a disclosure document, operations manual, training manual, financial documents, and a sample franchise agreement.

MEXICO

- **Disclosure laws:**

  - The disclosure document (including the completed franchise agreement) must be provided to the prospective franchisee at least thirty business days prior to the execution of the franchise agreement.

- **Relationship laws:**

  - Franchisor and franchisee may not terminate the agreement unilaterally, unless the agreement is for an indefinite term, or unless there is just cause for termination.

- **Registration laws:**

  - Either the executed franchise agreement or a summary of the franchise agreement must be filed with the Instituto Mexicano de la Propiedad Industrial (IMPI).

MOLDOVA

- **Disclosure laws:**

  - None required
  - But if a franchisor makes a proposal for a franchise relationship, the proposal must contain:
    - Specifics about how the franchise program works.
    - “Salary levels of the employees”
    - “The prospective income”
    - The necessary investment

- **Relationship laws:**
  - Dictates what subjects must be covered in a franchise agreement.
- **Registration laws:**
  - Provides for a filing of the franchise agreement, with and for notice to, the Agency for the Protection of Industrial Property if the franchise agreement has ended. But, there is no penalty for failure to file.

ONTARIO, CANADA

- **Disclosure laws**:
  - Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.
- **Relationship laws:**
  - Impose a duty of fair dealing on each party.
  - A franchisor may not restrict franchisees from forming an organization of franchisees.
- **Registration laws:**
  - None.

PRINCE EDWARD ISLAND, CANADA

- **Disclosure laws:**
  - Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.
- **Relationship laws:**
  - Impose a duty of fair dealing on each party.
  - A franchisor may not restrict franchisees from forming an organization of franchisees.
- **Registration laws**:
  - None.

ROMANIA

- **Disclosure laws:**
  - Pre-sale disclosure is required.
- **Relationship laws:**
  - Contract must be long enough to allow franchisee to recoup its investment.
- **Registration laws**:
  - None.

RUSSIA

- **Disclosure laws:**
  - None.
- **Relationship laws:**
  - Franchisor must:
    - Provide franchisee with operations manual or other documentation
    - Provide ongoing assistance
    - Supervise the quality of the goods manufactured by the franchisee
  - Franchisee must:
    - Ensure that goods the franchisee manufactures conform to franchisor's quality standards
    - Conform with franchisor's uniformity standards
    - Provide to its customers all additional services that would be expected if the customer purchased directly from the franchisor
  - The franchisor shall be 'subsidiarily liable' for claims made by third parties against the franchisee relating to the quality of the goods and services sold by the franchisee.
  - The franchisor is jointly and severally liable for claims against the franchisee as the manufacturer of goods sold under the contract
  - If the franchisee has been in compliance, it has the right to renew the contract.
  - The franchisor may refuse to renew it, provided it does not grant a franchise to a third party, for the same territory for three years
  - If the franchisee dies, the franchise will be transferred to the franchisee's heir, provided that the heir registers within 6 months.
  - If the franchisor changes its brand to a new brand, the franchisee will have the option to terminate and may claim compensation for its losses.
  - If the contract is not terminated, the franchisee may demand a reduction in fees.
  - If the franchisor changes its brand to a new brand, the franchisee will have the option to terminate and may claim compensation for its losses.
- **Registration laws:**
  - Registration is required.

SAUDI ARABIA

- **Disclosure laws**:
  - None.
- **Relationship laws & registration laws:**
  - Franchise agreements may be subject to the Commercial Agency Regulations (the "Agency Law"), which requires registration, and regulates the parties' relationship.

SOUTH KOREA

- **Disclosure laws:**
  - Franchisors are to provide prospective franchisees with a disclosure document at least five days prior to the execution of an Agreement or payment of a fee.
  - Franchisor shall renew its information disclosure document within 90 days after the end of its fiscal year**.**
- **Relationship laws:**
  - The parties shall exercise good faith in performance of their duties in connection with the management of the franchise.
  - If the franchisor decides not to renew the agreement, it must notify the franchisee of such decision 90 days prior to the expiration of the agreement.
  - If the franchisor wants to terminate the agreement based on the franchisee's default, it must follow the procedures set out in the statute and the regulations.
- **Registration Laws:**
  - None.

SPAIN

- **Disclosure laws:**
    - Disclosure is required at least 20 days prior to the agreement, any "pre-agreement" or payment of money.
- **Relationship laws:**
    - None.
- **Registration laws:**
    - Franchisor must register with the Registry of Franchisors, including:
        - Information on trademarks
        - Description of franchise concept
        - Statistics on franchised and company-owned outlets in Spain
    - Master franchisees must register their master franchise agreements
    - Registrations must be updated annually
    - Registration must be complete before contract is signed.

SWEDEN

- **Disclosure laws:**
    - Disclosure must be provided "in ample time before a franchise agreement is entered into."
- **Relationship laws:**
    - None.
- **Registration laws**:
    - None.

TAIWAN

- **Disclosure laws**:
  - Franchisor must disclose certain information to the prospective franchisee ten days prior to the signing of the franchise agreement.
  - Franchisor must provide prospective franchisee with an Operations Manual and franchise agreement, and no agreement can be signed until after five days have passed.
- **Relationship laws:**
  - None.
- **Registration laws:**
  - Franchise agreement must be registered with the investment office.
  - License Agreement for a trademark or service mark must be registered with the Republic of China Trademark Office.

UKRAINE

- **Disclosure law:**
  - None.
- **Relationship laws:**
  - Franchisor must:
    - Provide "constant" training and assistance
    - Monitor the quality of the goods and services offering by the franchisee
  - Franchisee must:
    - Use the franchisor's mark
    - Ensure that the quality of goods and services it offers conform to the franchisor's quality standards
    - Follow the franchisor's instructions as they relate to the franchise
    - Provide the additional services to customers which they would expect if they dealt directly with the franchisor

- Inform customers that it is operating as a franchisee Respect the confidentiality of the franchisor's proprietary information

- The franchisor may not set the prices to be charged by the franchisee
- The franchisor may not require the franchisee to sell only to a given category of customers or only to customers in a specific territory
- The franchisor has "subsidiary" liability for claims by third parties against the franchisor for substandard quality of goods and services offered by the franchisee.
- If the franchisee has been compliant, it shall be entitled to renewal on the same terms
- But: "The law may determine conditions under which a franchisor may refuse renewal."
- Breach of a franchise agreement shall be subject to registration with the government
- A franchise agreement shall terminate if:
- The franchisor's rights in a trademark are terminated and not replaced with another trademark in which the franchisor has rights.
- The franchisor is insolvent.
- Franchise agreement shall be transferred to the heir of a deceased franchisee if the heir obtains a business registration within 6 months.
- If any of the rights granted under a franchise agreement expire or are terminated during the term of the franchise agreement, the franchise agreement shall otherwise remain in effect and the franchisee shall have the right to a reduction in fees.

- **Registration law:**

  - The parties may not represent to third parties that they have a franchise relationship until the franchise agreement has been registered.

UNITED STATES

- **Disclosure laws:**

  - At the federal level, the Federal Trade Commission has a Franchise Rule mandating pre-sale disclosure. The FTC issued its new Franchise Rule January 2007, which represents a comprehensive overhaul of the old regulatory regime. The new rule becomes effective July 1, 2007 and will become mandatory July 1, 2008.
  - At the state level, there are 15 states that have laws requiring pre-sale disclosure.

- **Relationship laws**:

  - At the federal level, there is not a "relationship" law that is generally applicable to franchise relations.
  - At the state level, there are 20 states that regulate some aspects (e.g., termination, renewal) of the franchise relations.

- **Registration laws**:

  - At the federal level, the disclosure document is not required to be registered with the FTC.
  - At the state level, there are 14 states that require registration of the disclosure document.

- **Note:** Both the FTC and many states have "business opportunity" laws that might apply to certain types of franchise transactions.

VENEZUELA

- **Disclosure laws:**
  - None.
- **Relationship laws**:
  - A statute for determining whether to exempt certain franchise agreements from the country's Pro-Competition Law.
- **Registration laws**:
  - None.

VIETNAM

- **Disclosure laws:**
  - Franchisors must provide prospective franchisees with a copy of the franchise agreement and "franchise description document" at least fifteen business days prior to the execution if the parties do not have some other agreement.
- **Relationship laws:**
  - Must operate for at least one year before franchising.
- **Registration laws:**
  - Franchisors must register with the Ministry of Trade prior to commencing franchising.

IMPORTANT NOTE:

Before proceeding with development of a franchise-based operation, potential franchisors MUST realize there are a substantial number of legal procedures that must be in place PRIOR to soliciting any potential franchisees. Business owners and associates are advised to seek out experienced and professional assistance.

ABOUT THIRD EYE MANAGMENT

Third Eye Management works with business owners to achieve their dream by helping them turn their 'good little business' into a **great business!** Founded in England in 1988 and now headquartered in Naples, Florida, USA - with offices in Atlanta, Georgia and London, England – we are all united by the vision of 'thinking global and acting local'.

Third Eye Management is committed to offering the highest quality advice and training across specialist areas of business management, marketing and communications for its clients.
We achieve this through our personal commitment to excellence and our ability to listen, involve and harness the experience and skills of all parties, to arrive at the best possible solutions.

We aim to impress our clients with our professionalism, to build close long-term relationships, treating each assignment as the ultimate challenge. We draw satisfaction from the quality of the work we deliver and we support the philosophies of skill transfer and empowerment, enjoying the success and benefits they create.

We are sensitive to our clients' point of view and never forget that they employ us for our expertise – which we must ensure we communicate with confidence.

MANTRA

Turning *good little businesses* into **great businesses**

PRODUCTS & SERVICES:

- Building and launching new business units and services.
- Identifying and capturing profitable market share.
- Developing and executing strategies for the creation and capture of shareholder and customer value.
- Improving competitive differentiation and positioning.
- Developing new customer facing strategies.
- Accelerating growth through innovation, new market entry or new product/service development.
- Supporting pre and post deal activities including mergers and acquisitions, market and commercial due diligence.
- Helping clients to design their business effectively including restructuring through external transactions, joint ventures and outsourcing.
- Developing client personnel and management via coaching and mentoring.

MENTORING & COACHING COURSES & SEMINARS

Coaching and Mentoring are well established techniques for providing highly effective support to individuals and teams. This form of intervention can be extremely time efficient and therefore invaluable for busy professionals.

Our coaching is designed to enable individuals to use and develop their skills and capabilities in ways that ensure long term gains rather than quick fix solutions. Traditional training courses raise awareness but Third Eye coaching turns awareness into action thereby enabling a real change in habits to occur. Our coaching is highly tailored, we adapt our approach to suit our clients' individual needs and incorporate accelerated learning techniques.

Mentoring adds experience-based advice and support for individuals facing changes or challenges. It's a non-judgmental approach designed to increase options or reach decisions. When important decisions need to be made, Mentors provide an invaluable "sounding board" away from the pressures created by other stakeholders. Third Eye Coaches are not only chosen for their skills and experience, they must also demonstrate exceptional empathy and integrity. How our professionals interact with our clients is more important than anything else. Our feedback consistently shows that clients notice the difference. We can create programs that will suit you:

- Face to face Coaching and Mentoring for individuals & teams
- Telephone only
- In working hours
- Outside working hours

The following courses are part of our Business Skills Seminars and are available to our clients through our Business Growth Training program.

- Accounting Towards profit
- Advertising & Promotions
- Assertiveness
- Communicate for Profit
- Customer Care
- Direct Marketing
- Effective Management
- Marketing Your Business
- More Profit Fast
- Negotiation Skills
- Personal Selling Skills
- Positive Purchasing
- Practical Marketing
- Style, Image & Body Language
- Time, Stress & Crisis Management
- Understanding Finance

All training programs have been written by Karl M. Gibbons.

WHAT SOME OF OUR CLIENTS ARE SAYING ABOUT US -

"Since the arrival of Third Eye we have increased our business by 30%, received a larger line of credit with a new banking institution and now have a clear vision on how to at least double our corporation's net worth in the next 18 months. For us, it's like having two experienced, six-figure salary CEO's on our staff."
Carl Velatini, President - R J Wire & Cable Company

"In just a few short hours of retaining the services of Third Eye Management you identified and actioned over $60,000 in savings within our company, you are more than just a business friend you are a friend for life! Saying thank you hardly seems adequate."
Chris Hart, CEO - Under One Roof Trade Show Services Inc.

"Our profit margin is higher than it has ever been; this I truly believe can be accredited to Karl and the team at Third Eye Management who are and continues to be a huge asset to my business."
Andrew Williams, President - Galena On The Fly Inc.

"After just six weeks of working with our company I had no hesitation in inviting you (Karl) to join our Board as a non executive director. We all value your insight and the clear, honest and direct way in which you give us the benefit of your experience and advice. We now consider you an integral and valued part of the Sahara Cabinets management team."
Richard E. Sellars, President - Sahara Cabinets Inc.

"Style Matters International it has gone from strength to strength and much of that success has been due to Third Eye Management's assistance and input. You have an inherent and comprehensive understanding of my business and its needs."
Cheryl Lampard, Founder - Style Matters International.

"For your assertiveness, for 'holding my hand' as I've fought through life's problems and attempted to define my future. You are the best coach I have ever, ever had!"
Anna Kubit, President - Konsultar Corporation

"Karl - entrepreneur personified!"
Michael K Lawson, author, Going For Growth - A Guide for Corporate Strategy

THE THIRD EYE MANAGEMENT TEAM

Karl M. Gibbons – President & CEO

PERSONAL PROFILE

A creative and commercially adept individual with a wide range of business experience including operational roles within large multi-site organisations, consultancy for major corporate clients, not-for-profit organizations and managing own companies. Karl has a proven history of managing within environments that requires marketing, development and communications to improve performance, productivity and profit.

His management style is accurately summarised as;
'Very effective and considerate decision maker led by factual information but able to appreciate any emotional undercurrents. High level of control with notably well-developed leadership skills, preferring a participative team style but not dependent on them to make the decisions. Effective communicator and motivator with a balanced level of creativity. Not affected under stress. Confident, responsible, conscientious, assertive, relaxed, adaptive and flexible.'

Karl M. Gibbons is a member of the following organizations;

Fellow of the Institute of Directors - FInstD
Fellow of the Institute of Sales and Marketing Management - FInstSMM
The Greater Naples Chamber of Commerce
Naples Area Professional League of Executive Services (N.A.P.L.E.S.)

AWARDS

2004 Awarded SW Florida Junior Achievement – Presidents Award for 'Outstanding service and contribution educating tomorrow's workforce and inspiring succsses'.

1998 Awarded Barclays Bank Plc. Customer of the Year.

Adrian M Bevan – CFO

PERSONAL PROFILE

Adrian Bevan is the Chief Financial Officer of Third Eye Management, based at our Atlanta, Georgia office. Adrian, originally from the UK, has more than 25 years experience as a Senior Executive with private corporations in both Europe and the USA.

Before joining Third Eye Management Adrian was CFO of an IT consulting business where he used his experience with start-up ventures to grow the company (with fewer than 40 employees) from under $2 million to more than $30 million in revenues in six years. Adrian's experience includes 17 years with a leading international packaging group, Willett International, where he was Financial Director and Company Secretary, a role in which he was instrumental in establishing new subsidiaries organically throughout the world.

Adrian offers business and management advisory services with a focus on the small to medium sized business - typically 5 to 250 employees - where he provides practical hands-on help and advice to business owners who are without access to the resources and expertise typically available to CEOs of large corporations. Adrian's core competencies include Business Expansion Planning, Strategic Planning, Management Team Building, Company Start-ups, International Business Growth and Financial Reviews.

Adrian is an Associate of the Institute for Independent Business and a member of the Greater North Fulton Chamber of Commerce Small Business Committee where he serves as a volunteer on two committees that promote learning and networking activities to Chamber members.

Adrian was educated at Harrow College (UK) where he studied as a Chartered Accountant before embarking on a career in London with a leading international accounting and consulting firm.