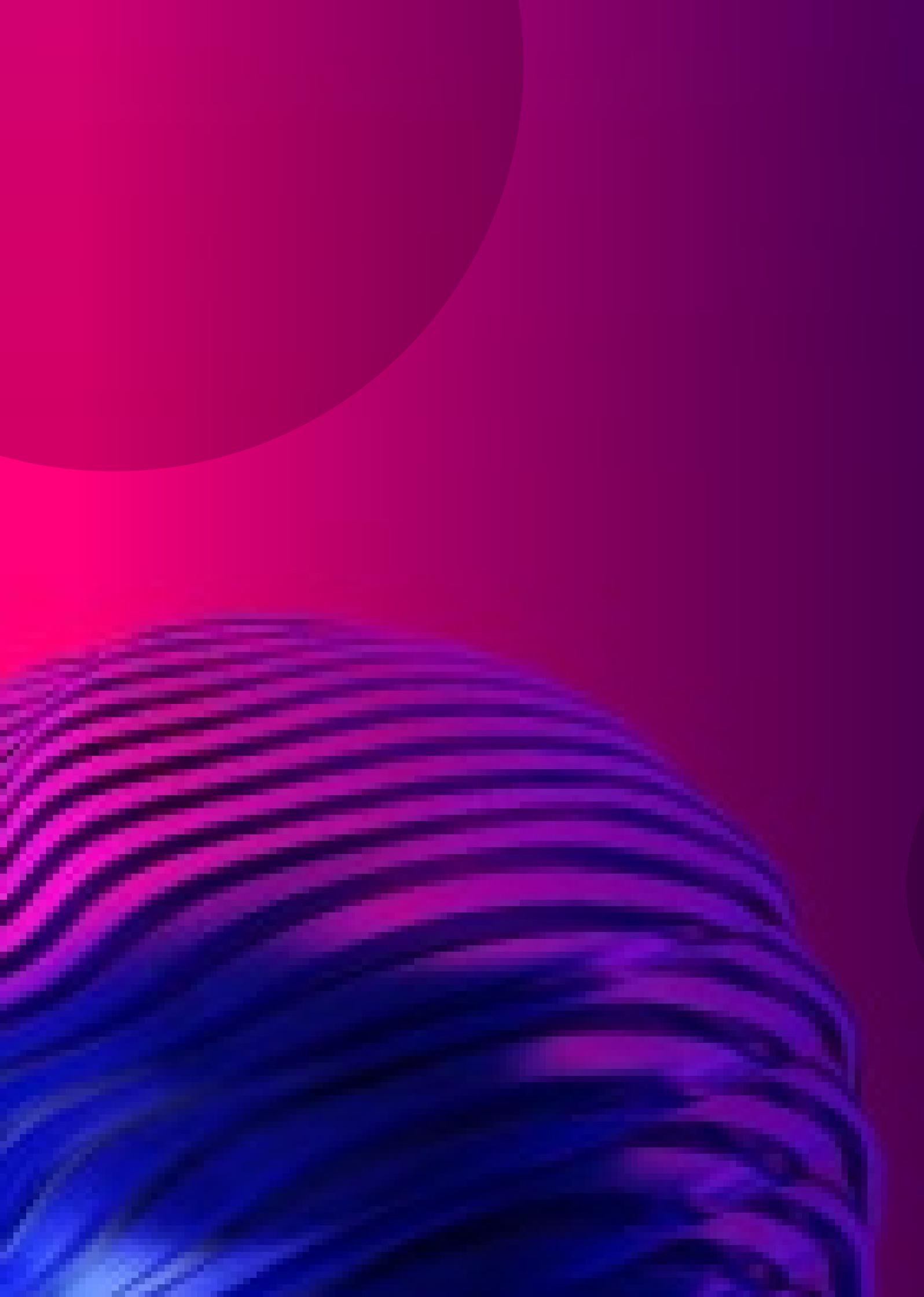


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Dentons Franchise Advisory





Dentons Franchise Services

The journey as a global franchisor or franchisee can be complex, but highly rewarding when undertaken properly with the right legal structures, systems, people and planning in place.

As leading advisers in franchising law, clients are always asking us to help them not only with legal advice, but also with their franchise strategy. So we created Dentons Franchise Advisory to help our clients beyond the law, leveraging the wealth of market data and insights at our fingertips and an offering alternative to generalist business advisory firms that may lack deep franchise industry knowledge.

It can be difficult identifying advisors, who truly understand the international franchise business model. Dentons Franchise Advisory fills this gap. A leading franchise law firm globally, Dentons represents more than 400 franchise systems in over 85 countries. We have worked in the franchise business since its very beginnings and among us

we have over 75 years of franchise experience going back to the 1950s. Backed up by more than 200 offices in 80+ countries, we offer you a one-stop-shop for your advisory needs.

Our work started in the 1950s when our Chicago office started advising Holiday Inn and McDonald's on their franchise roll out. When the franchise business model arrived in Europe we were there to embrace it. Over the years, we have assembled a team of best in class franchise advisors based in key markets such as the US, Canada, UK, Germany, France, Australia and South Africa. Our clients include some of the world's largest franchisors and master franchisees, usually best-in-class operators in their respective markets.

Our professional advisers, widely recognized as leaders in their field, can help you benchmark your model against countless best-in-class franchise systems so that you can build a robust and sustainable franchise operation.

Dentons Franchise Advisory's value proposition

- **A team dedicated of franchise advisers.** This is all we do. Whatever your challenge, the chances are we've already helped clients in a similar situation.
- **Sector insights.** We can guide you through the ins and outs of the key franchise sectors of retail, hospitality, education and services.
- **Practical solutions.** We understand the franchise industry and how it works. When working with the team at Dentons Franchise Advisory, you are working with a *solutions-driven team*.
- **Business and law.** The team combines leading franchise lawyers and well-known franchise business consultants who have worked with some of the world's leading brands on franchise projects.

Is franchising right for you?

Benefits of franchising

There are important benefits to a business that elects to franchise. Primary benefits are the growth achieved by risk sharing and leveraging the resources of third parties, the franchisees.

Benefits to franchisor

Asset light expansion

Low risk, low costs

High margin for strong brands

Fast Growth, scalability

Easy access to local talent



Benefits to franchisee

Access to brand name, brand image

Tried and tested store format

Minimised risk partnering with global brand

Access to an established business model

Benefit of brand reputation

Capital requirements will be lower because the franchisees provide the capital to grow their franchised rights.

Franchisor central marketing activity combined with effective local market activation can reach the target customer more effectively through local entrepreneurial flair and promotional initiatives. A franchisor can provide industry intelligence and insight and keep the brand relevant and up to date.

Entrepreneurial franchisees are invariably more motivated, treating the franchise operations as their own business, usually leading to higher sales and profit. The franchisee, typically rooted in the local community, contributes local know-how and can bring innovative ideas to the business.

Speed of growth through an active and incentivized franchise network that can grow as fast as the franchisor can develop its infrastructure to recruit, train and support its franchisees. Multiple franchisees can develop in parallel, which isn't always possible in a non-franchised business.

Interdependent leadership and responsibility enable a more hands off approach in day-to-day operations thus enabling speed of growth.

Perpetual earning, through a royalty-based income stream, adds value to the franchisor's brand and covers the day-to-day running of the franchisor.

A Leaner HQ. A franchisor needs fewer people to build a global business by enabling a franchise community to build a franchise network. A smaller, talented, experienced franchise leadership and business development team is an effective model. HR and day-to-day administration is handled locally by the franchisee with support from the franchisor in the form of relevant systems and training.

Brand equity and market share grows faster by leveraging the assets and brand execution of franchisees efforts.

International growth is easier and faster through overseas entrepreneurs leveraging local know-how, cultural knowledge and local business intelligence. Many successful global brands have grown exponentially through franchising internationally.

Limited risk of capital outlay and asset light growth by partnering with others.

What can be franchised?

Fundamentally, franchising is simple. The five key ingredients of a successful franchise are straightforward. You need:

1. A strong brand name and trade mark that is easily recognizable
2. A unique business model that sets the franchised business apart
3. A strong value proposition that enables both franchisee and franchisor to make an attractive return on their investment
4. A well-developed quality control and know how transfer system.
5. Ease of Training. The system should be easy to teach assuming the franchisee is properly qualified

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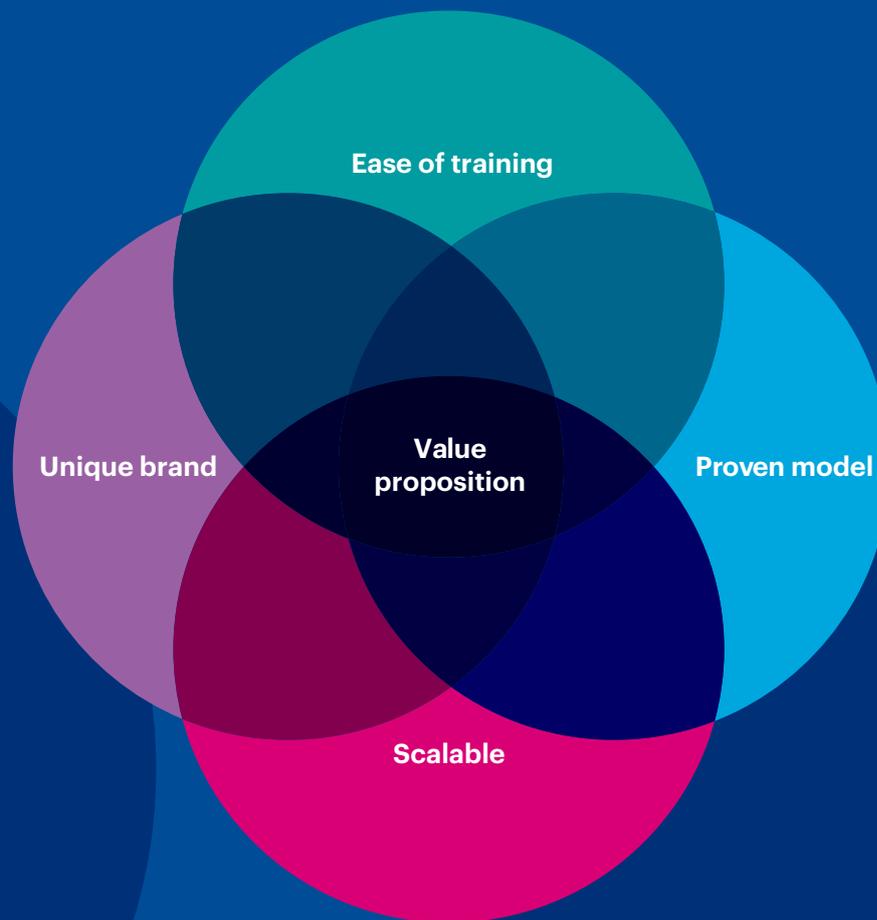
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Any business that meets the five key franchise criteria can potentially be franchised. If you have a unique product, offering or service and a strong brand name, it is worth exploring how it can be replicated through the entrepreneurship of a franchise. Franchising is a business model to enable a growth strategy. It is not an 'industry', and there is no defined 'rule book' per se. The principles of franchising have a very broad application but a successful franchise must have rigor in its planning, development, implementation and execution.

From retail to restaurants, hotels, domestic and industrial services, education, automobile dealerships and car rental. All of these have proven franchise models.

The list below shows key industries that have experienced significant momentum in the franchise category, and demonstrates how flexible a franchise growth strategy can be.



Manufacturing



Repairs and Installation services



Restaurants particularly fast food and quick service



Beauty Salons, hair dressers



Children: Nursery Schools, Children's Clubs



Retail



Schools, specialist training, tutoring



Tennis, Golf, sport-based concepts



Accounting services, will writing, tax



Car washes, car repair



Printing services



Car Rental, vehicle leasing



Hotels



Gyms, fitness studios



Travel services



Home care for the elderly, Nursing homes



Dry Cleaners



Cleaning, ground maintenance, gardening, lawn cares

The Dentons 7-step plan to launching a franchise business

Based on our work with best-in-class franchisors and franchisees around the world, we have identified seven key steps in launching a successful franchise business. These can take time, but investing time up front in a process of careful preparation and analysis will help you lay the foundations of a successful model, and avoid potential pitfalls down the line.

- 1.**  **Risk benefit exercise**
analyse the risks and benefits of franchising fit your corporate profile and strategy
- 2.**  **Financial Modelling**
establish if the business generates sufficient profit to allow it to be franchised successfully
- 3.**  **Franchise Operating Model**
review of your existing business model to allow it to be franchise operation
- 4.**  **Franchise Manuals**
documentation of the franchise business in a series handbooks
- 5.**  **Training and Audit**
creation of a comprehensive training and quality audit program to ensure that uniform brand standards are maintained all franchise units
- 6.**  **Franchisee selection and approval**
creation of selection and approval process for new franchisees
- 7.**  **Luanch the franchise**
Targeting of key markets and franchise partners and the successful opening of franchised business around the world

Assisting you at each phase of your franchise journey



Strategy and Planning



Franchise discovery and planning workshops.

Our global team can assist your company work through a franchise strategy with you. It is very common for company leadership teams to undertake an exploratory session with us to better understand how franchising works, and how we can assist you in crafting a focused franchise strategy for your organization.



Franchise business case: If you are new to franchising, we can help you develop and refine your franchise business case. Whether you need to convince key stakeholders that franchising is beneficial to the brand, or whether you simply need help in critiquing your franchise business plan, our team of experienced franchise advisors can help. As a business owner you may already have experience with franchisees or you may be at the feasibility stage. Depending on the business maturity, you may benefit from a feasibility study to determine the readiness of your business for a franchise strategy. We will draw on years of global franchise and boardroom experience to ensure the right strategy is developed for your business. This could be through a series of strategy workshops with your team or a more in-depth analysis that makes a series of recommendations.



Market entry strategy: Just because your brand works in your home market does not necessarily mean it will work, look and feel in the same way in other international markets. Each country and region has its own unique features with varying degrees of legal complexities and operational challenges. We'll help ensure your brand is protected and your agreements are aligned with law that will protect you. Furthermore, we'll help you assess whether you need to flex your menu, design, working practices or marketing campaigns to reflect local cultures and linguistic differences. Some successful franchise brands have globalized with a hybrid model of franchise and company owned stores. We will guide you regarding best practice in respect of the level of localization.



Brand matching: We can assist you with brand and operator selection and other preparatory steps. Dentons are not 'franchise brokers' but we are able to help you 'brand match' which is very different and should not be confused. Brand matching involves working with you to identify a range of potentially suitable brands and brand partners. You may be new to franchising and looking to acquire a very specific brand within a sector for which you have a passion or which reflects your area of expertise. You can engage Dentons to help you critically review the brands that are available to you and help you identify the best match. Our Dentons team is well connected globally and will be able to search and select brands to your specific brief.



Financial modelling and critique. Our financial team can help with the development and critique of the proposed financial model for your franchise. We will work with you to benchmark your model against best-in-class franchise businesses. We can help you identify benchmark fee models and revenue streams and compare the proposed charging structure against that used by others in the same industry.

Sharing and Protecting Know How



Operations manual and design manual.

The franchise manual at the core of every successful franchise business. Your franchise toolkit must include a detailed operations manual to ensure compliance, knowledge transfer and of course enable a disciplined franchise network. In addition you will need a design manual to ensure consistency in look and feel of all franchised units. We can assist in writing your manuals, create new manuals and ensure that they are fully aligned to your business model and ethics. We can assist with digitizing your manuals and brand books.



Trademarks and intellectual property.

Consult our lawyers early on in your franchise journey to help you ensure your trademarks are available, registered and protected in your target markets. In situations where competitors or pirates are trying to profit from your know-how, brand, or designs, we can assist you in enforcing your intellectual property rights.



Franchise manuals. Our operations team will work with you to properly document the franchise system and know-how. Without a well-structured written or electronic manual, your franchise business will struggle. Initial and ongoing know-how transfer and brand standard enforcement is at the heart of any franchise business.

Training



Leadership training programs. Your leadership team may require specific training or development in the world of franchise, it's a complex field and we can curate or deliver a training program. Senior managers who are not used to the complexity of franchising should understand this new way of doing business in detail, the consequences of franchisee noncompliance, and even how to maintain uniformity. We are happy to work with business development teams to give managers the skills they need to lead generate, business develop and negotiate. All these are important and essential tools for brand owners serious about franchising.



Franchisee training programs. After you have trained your leadership team, you will need to develop a training program for your franchisees. This consists of a management training program for the proposed brand manager and leadership team on the franchisee side and a staff training program for other staff. The management training typically takes place at your head office and is focused on key management and business skills whilst the staff training is operational in orientation.

Quality Control and Due Diligence



Quality inspection programs. We can help you monitor the performance and health of your franchisees. This may include adherence to brand standards, a point scoring systems, mystery shopper and customer survey programs or formal audits leading to remedial training and ultimately (in a bad case) termination.



Partner selection and due diligence. In the course of selecting your franchise partners we recommend that due diligence is undertaken. The Dentons team will be able to assist with detailed background checks on franchise candidates as part of your wider anti-corruption, anti-money laundering or compliance programs. Maintaining brand reputation as you grow globally is vital. Our cyber experts will undertake thorough research to identify red flags where they exist enabling your franchisee selection decision-making as trusted as it could be. We will work with you to create a comprehensive franchise partner selection and approval process, including, where appropriate the creation of application questionnaires and investment committees.

Case studies

MIDDLE EASTERN MASTER FRANCHISEE

Advising on the negotiation of the franchise agreement for the roll out of a leading French supermarket brand in the GCC Region.



BRAND SEARCH

Advising an investor on the use of a franchise strategy to introduce a Japanese confectionary brand to Europe. Preparing a high-level business plan, financial model and strategy together with the in-house team at the client.



LARGE INDEPENDENT CHAIN OF TOY STORES

Advising on creation and rollout of a franchise model for this successful independent toy store chain, looking at a broad range of locations. The challenges were similar to any model with a mixed product range.



LEADING AMERICAN CASUAL FASHION GROUP

Advising one of the largest US fashion groups on the creation of a franchise model for the Middle East. Our team assisted with the structuring of the relationship including strategic targets, and was instrumental in securing for our clients above-market franchise fee income through assistance in benchmarking the fee model.



LEADING HIGH STREET FASHION BRAND

Undertaking a strategic review of the retail group's franchise portfolio in Europe. This included working with the client's commercial and financial team on the analysis of the existing business model. Options looked at were franchise, franchise plus and a management model.



LISTED FURNITURE RETAILER

Advising on the use of the franchise model for international expansion. We presented to the Board and facilitated a three-hour strategy discussion on the creation of a franchise model for the international expansion of their business and market share.



MAJOR GERMAN HOTEL GROUP

Advising on the creation of a franchise business model for the hotel's select service and upscale brands including advice on financial modelling and market positioning to offer competitive financial and commercial terms as a new entrant to the franchising market.



UK-HEADQUARTERED INTERNATIONAL RESTAURANT CHAIN

Advising on the creation and development of a franchise business model for multiple units and use in the international market including support and advice in relation to the franchise manual and legal and commercial structuring.



FITNESS STUDIO

Advising an American fitness studio, that works in association with sports personalities, on the structuring of their master franchise and area development model for their expansion into Europe.



TOP 5 GLOBAL TOY BRAND

Advising on the creation and implementation of a franchise strategy for the international rollout of their new mono-brand stores in emerging markets. Our team worked with the International Retail Team at the client to devise the fee model, business format, approach to product supply and implementation, and draft a board paper and strategy paper.



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ABOUT DENTONS

Dentons is the world's largest law firm, connecting top-tier talent to the world's challenges and opportunities with 20,000 professionals including 12,000 lawyers, in more than 200 locations, in more than 80 countries. Dentons' polycentric and purpose-driven approach, commitment to inclusion and diversity, and award-winning client service challenge the status quo to advance client interests.

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