The Subfranchisees Are Doing What?! 

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Master Franchising – An Overview

- The most commonly used international expansion model
- Different ways to structure an international master franchising program
- The many benefits of master franchising
The Struggle Is Real!

- Struggle to *Profit* – A Tighter Economic Model
- Struggle to *Locate* – Difficulty Finding the Right Partner
- Struggle to *Know* – Lack of Visibility into Unit-Level Information
- Struggle to *Structure* – Lack of Privity / Contractual Remoteness
- Struggle to *Remedy* – Difficulty Enforcing / Unwinding
The Struggle to Profit

- Initial & Continuing fees
  - Franchisor
  - Master Franchisee
  - Subfranchisee

- Profitability challenges
  - Recruitment Issues
  - Unit Performance Issues
  - Contract Compliance Issues
The Struggle to Locate

- Master franchisee attributes
  - Operational capability
  - Franchising capability
  - Industry knowledge
  - Local market knowledge
    - including language skills
  - Financial resources

- How can franchisors help?
  - Business model – easy to replicate
  - Selecting and supporting subfranchisees
  - Choose a predominant attribute
The Struggle to Know Contract Issues

- Subfranchisee approval/guidelines
- Contractual documentation
- Reporting/ Correspondence
- Visits/ Inspections
- Breach: notification & remedy
The Struggle to Know Practical Issues

- Training
- Profitability
- Franchisor personnel
- Franchisor communication
- Use of technology
The Struggle to Structure

- Privity
- Third party beneficiary
- Step in rights
- Franchisor enforcement
- Brand licence
- Power of attorney
- Personal guarantee
The Struggle to Structure (cont’d)

- Applicable law/courts
- Joint venture
- Obligation on MF to take action
- MF indemnity
- Transfer subfranchise agreements
The Struggle to Remedy

- Possible “downside” solutions
  - Commercial
  - Legal
- Applicable law / courts
- Termination preparation
  - Transition period
  - Resources