

Are you a UK Franchisor with international Franchisees? Are you concerned that they are not disclosing their sales properly and are you missing out on MSF or royalty revenue?

This is a potential minefield, with language, cultural and geographical barriers. To be honest it is very difficult to police and potentially very costly.

In most case the first port of call would be your master franchise within the country or countries concerned. There are two issues here:

- 1) Are they collecting sales data and revenues correctly/effectively?
- 2) Are they passing the info and funds to you as they should be?

If they are responsible for collecting information and funds on your behalf then any costs associated with verifying that figures are correct should be covered by them... Yes, but that still effects you in the long run...

At CBCS, we recognise that auditing internationally, particularly in developing countries is often not considered because the main cost to the Franchisor is not the audit fees, it is travel. And yet frequently your international franchisees are the worst offenders when it comes to disclosing their revenue and royalties correctly. So how do you get round this...?

Foreign business travel can be costly



The biggest cost is frequently travelling to and from the destination country (particularly long-haul). Why would you pay for someone to travel business class, when economy is just as acceptable? If you can travel economy when you go on holiday with your family, surely you can when you are on business? Then there is the cost of hotels and transport to and from the various franchisee destinations. Again, there is no need to occupy two floors of the Presidential Palace, when the Holiday Inn will suffice and is why not take advantage of trains and buses rather than hire cars, taxis and flying? Strict control of a business trip that involves multiple sites will reduce your cost markedly and can turn this into a viable option.



And what of the other obstacles mentioned above: language, cultural, even local business ethical issues. Language will always be a barrier if one party or the other does not speak the same one with any fluency. You have to assume that as a UK Franchisor, your franchisees, be they in Kansas City or Outer Mongolia will have some understanding of English. So mostly this is not an issue; communication can be more challenging, but not impossible. Cultural differences are easy enough too. An understanding and willingness to comply with local cultural and business ethics is part of preparing for a trip to another country. Again preparation is key.

The additional preparation and the challenges of working in another country make international franchise auditing more complicated than the domestic version. As a result costs for audit and of course travel will be a little higher, but the returns could well be higher too.

CBCS offer a full range of Franchise auditing and business review services both domestically and internationally. Please give us a call or e-mail us, if you wish to discuss this potentially difficult area in more detail. We will treat each case individually and can tailor an auditing package designed specifically for your franchise operation and of course to the individual countries involved.

Do you want to know more? Please visit our website: www.cbcservices.org or contact me directly on 07759248490/01428 743932 or e-mail me at: chrisburton@cbcservices.org

