

WHITESPACE

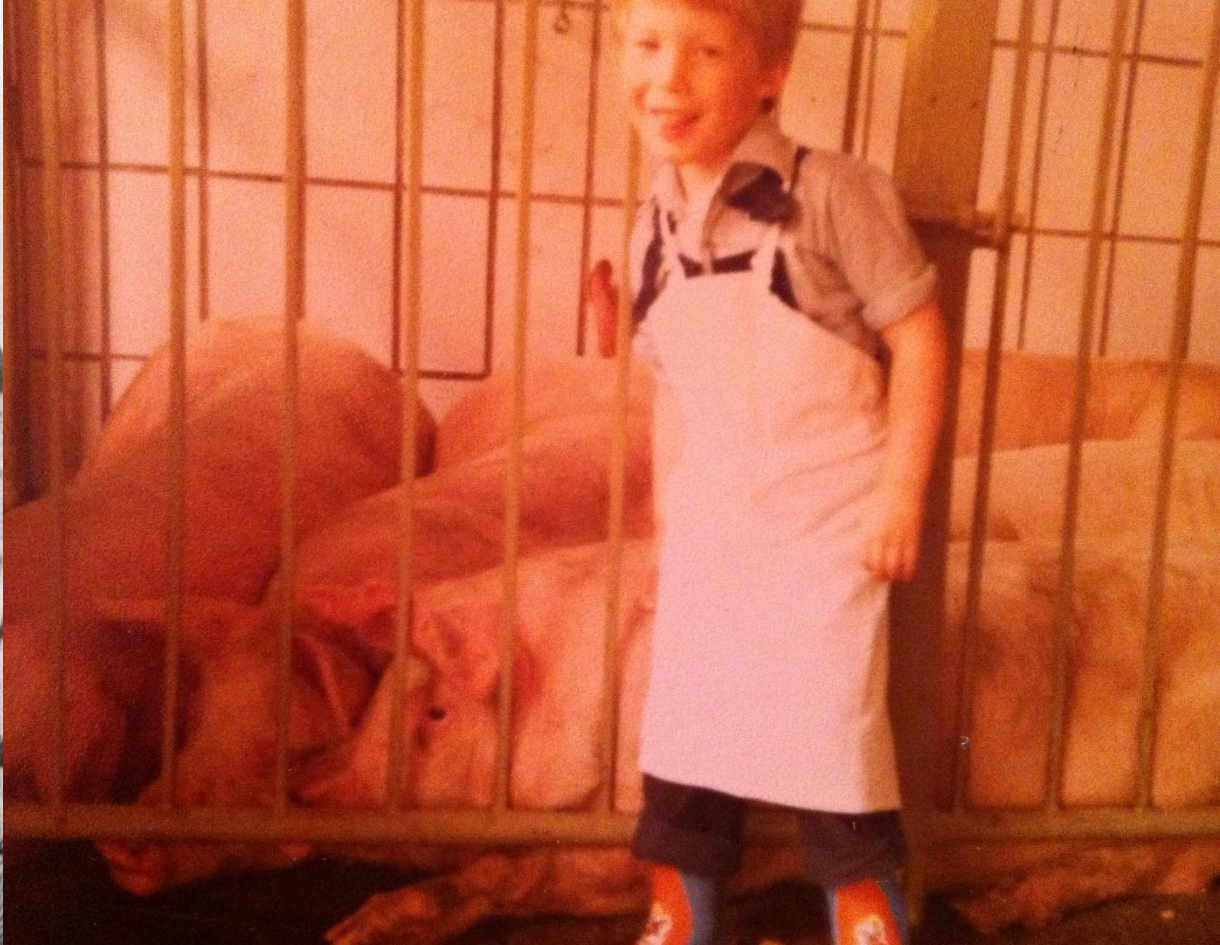
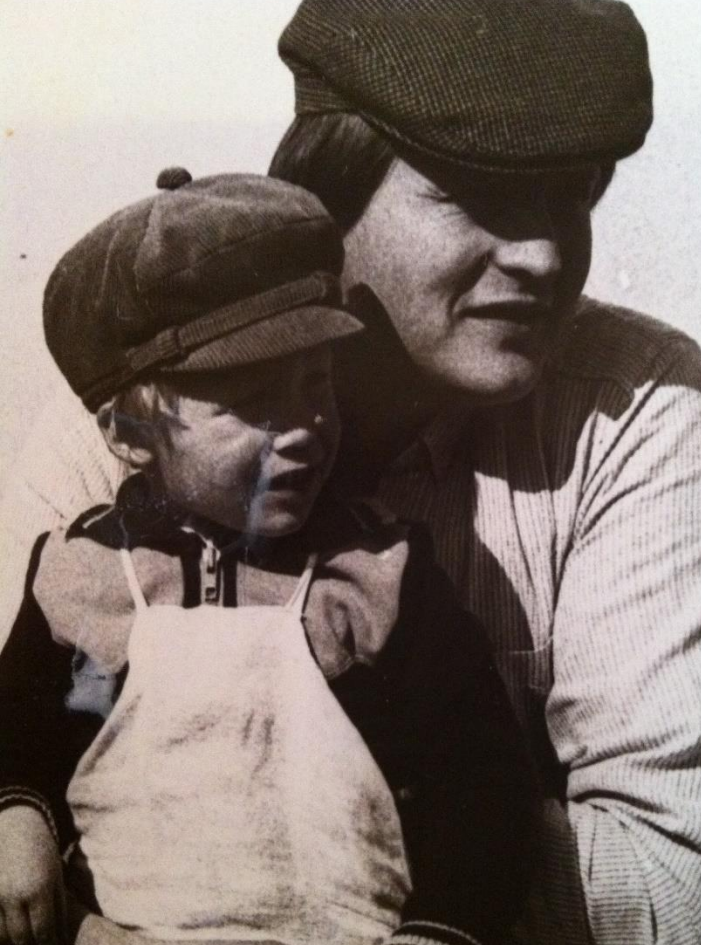
PARTNERS

A DECADE OF CROSS-BORDER
RESTAURANT DEVELOPMENT

Mario C. Bauer, September 2023



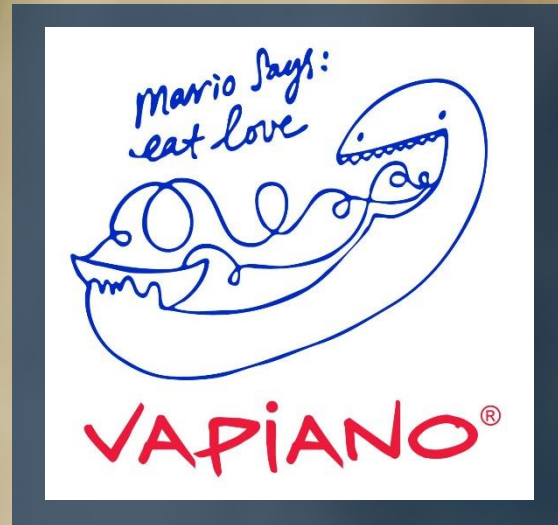
**WHY AM I STANDING
HERE?**



GROWING UP



MY MBA



PASTA LOVER



BEFORE THE FALL



CRAZY, STUPID OR BRAVE?



MY FAMILY



KETCHUP COOK

THE WSP 2023 STUDY

WhiteSpace Partners (WSP) is a strategic advisory firm dedicated to the restaurant and hospitality sector in Europe and the Middle East.

WSP provides strategic guidance, consulting and execution across a number of highly specialized areas such as international expansion, franchising and private equity advisory.

SOME THOUGHTS ON INTERNATIONAL FRANCHISING

**A CHALLENGING BUT REWARDING JOURNEY,
IF YOU SUCCEED**



**ONLY 6% OF
INTERNATIONAL
FRANCHISING DEALS ARE
ULTIMATELY FULLY
SATISFIED**

Our 2023 market study details the last decade of international restaurant development

50

brands

8

interviews with industry
leaders

7

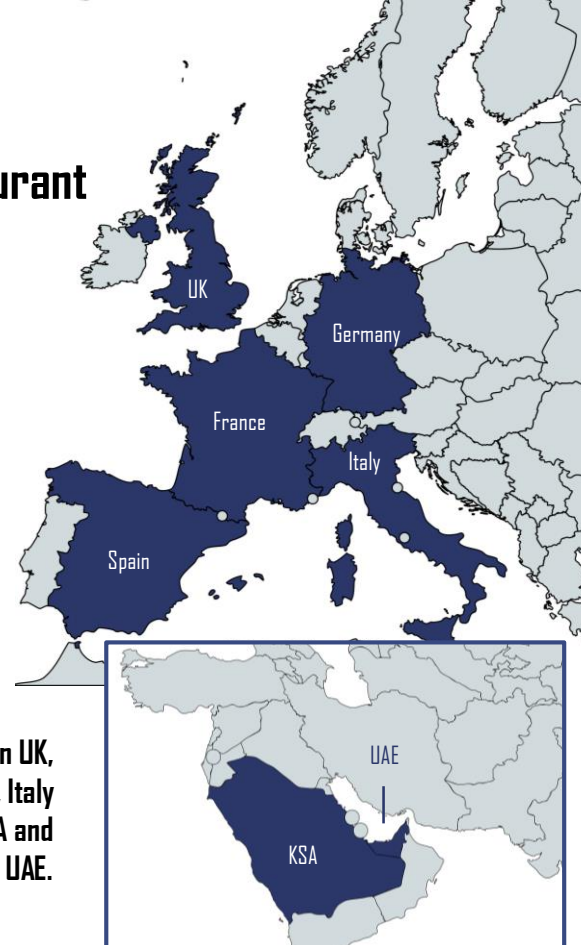
markets analysed

143

development journeys

5

industry segments



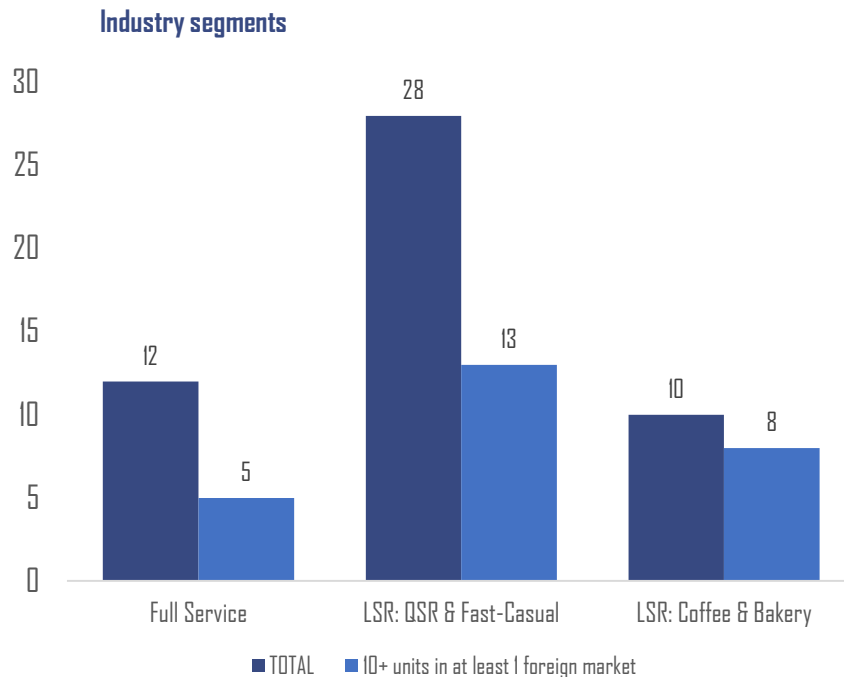
Main focus on UK,
Germany, Spain, Italy
and France + KSA and
UAE.

A representative selection

Country of Origin	Full Service	Limited Service	
		QSR & Fast Casual	Coffee & Bakery
Belgium		Exki	Le Pain Quotidien
Denmark	Sticks N'Sushi		Joe & the Juice
France	Big Mamma Group	Big Fernand, Pokawa, Sushi Shop	Amorino, Eric Kayser, PAUL
Germany	L'Osteria	dean&david, Vapiano	Coffee Fellows
Italy		La Piodineria, Poke House	
Sweden		Max Burger	Espresso House
UK	Franco Manca, Jamie Oliver, Wagamama, Pizza Express, BrewDog	German Doner Kebab, itsu, LEON, Pret A Manger, Tortilla, YO!, Island Poke	Caffé Nero, Costa Coffee
USA	P.F. Chang's, TGI Friday's	Carl Jr., Chipotle, Five Guys, Pinkberry, Popeyes, Shake Shack, Taco Bell, Wingstop	
Others	Nando's (SA), Goiko (ES)	Swing Kitchen (AT), Dodo Pizza (RU), Time Out Market (PT), Marugame Udon (JP)	Simit Sarayi (TU)

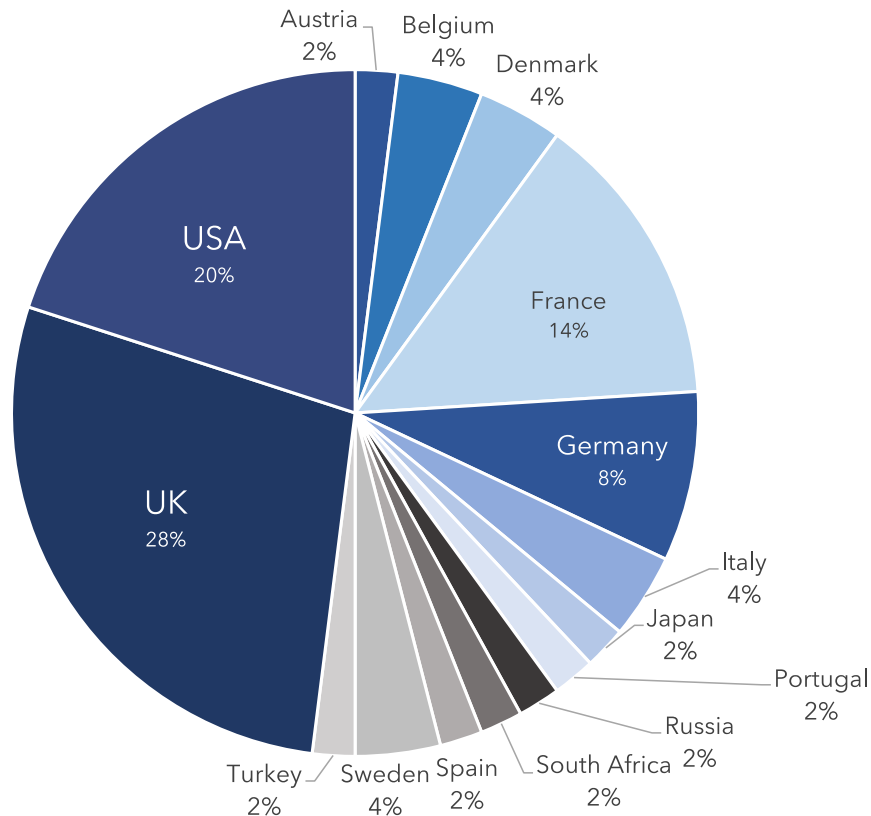
Limited-service restaurant (LSR) brands show a high propensity to travel beyond borders

- The **LSR segment makes up 76% of our sample**
- **Full-service restaurants** achieved a **42% success rate**.
- **55% of the LSR brands achieved 10+ units** in a foreign market.
- **Coffee and bakery** brands reached an impressive **80% success rate**.
- **QSR & fast casual** reached **46% success rate**.



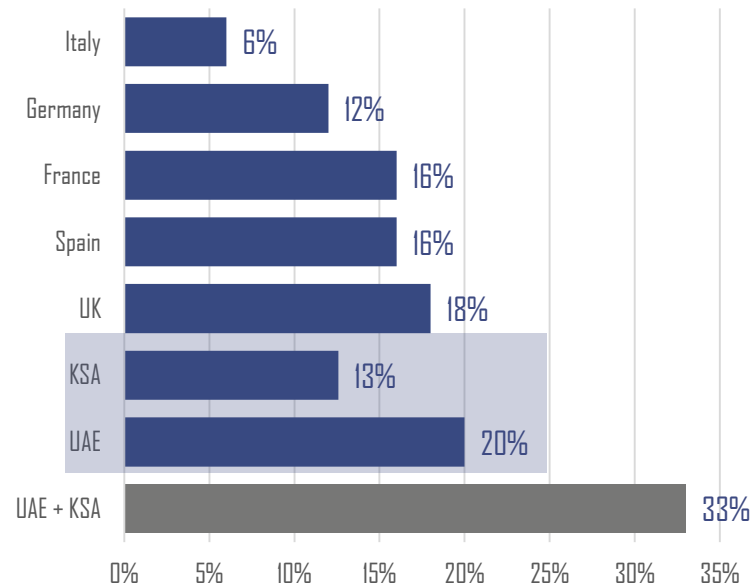
UK and US brands still lead the game in Europe and the Middle East

- **28%** of the analysed brands expanding into foreign markets originate in **the UK**.
- **UK** was the **second most popular destination** (just behind UAE), with almost **18%** of the 143 development journeys including this market.
- The **USA represents one fifth (20.0%)** of brands heading overseas – although we left out the popular QSR Brands
- **France and Germany will continue to evolve**



The Middle East continues to attract brands who want to play internationally

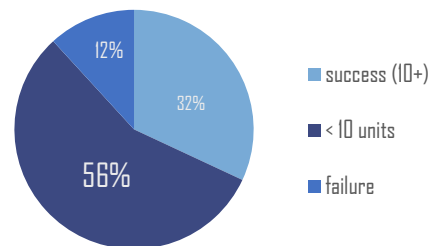
- **One third** of the development stories include attempts to crack the **UAE** (19.6%) and **KSA** (13.3%) markets.
- Several brands were convinced about **launching in the Middle East**, often persuaded by other **successful partnership stories in KSA, Kuwait and UAE**.
- Many see the establishment of Middle East operations as a must for expanding their global presence.
- It **remains a popular selection** for increased visibility, global status and the gateway to the East.



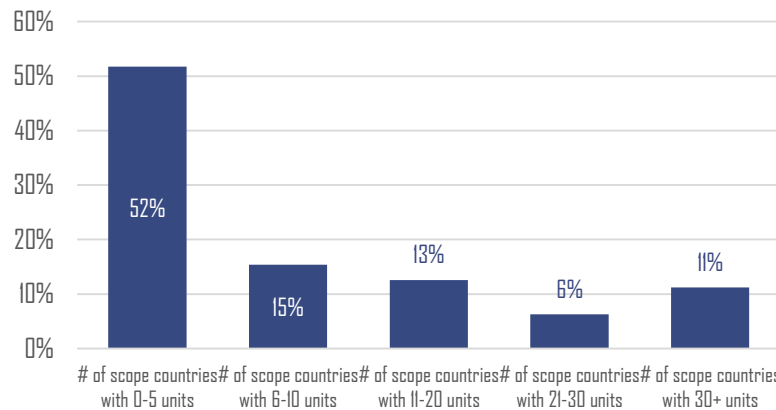
Success is not guaranteed, with 70% of the cross-border attempts not surpassing 10 units (yet)

- **98 of the development journeys (68%) didn't attain more than 10 units** in any of the foreign markets in our study.
- **74 of these development stories (52%) didn't even attain 5 units** in a foreign market.
- **17 attempts (12%) resulted in a failure** (brand closing and exiting from the market).
- **Only 18 (13%) of the development stories achieved openings in the 11- to 20-unit range**
- **9 (6%) achieved units in the 21-30 range** in at least one market.
- **16 (11%) of the development stories achieved more than 30 openings** in at least one of their foreign markets.

of closures / failure stories



Number of development stories



Pioneers of market penetration success in the 7 markets

11 - 20 units	21 - 30 units	30+ units
 <p>Le Pain Quotidien</p> <p>SHAKE SHACK</p> <p>POKE HOUSE</p> <p>EXK nature's kitchen</p> <p>STICKS N SUSHI</p> <p>PIZZA EXPRESS</p> <p>MARUGAME UDON</p> <p>pinkberry</p> <p>CHIPOTLE MEXICAN GRILL</p>	 <p>Amorino® GELATO AL NATURALE</p> <p>VAPIANO® PASTA PIZZA BAR</p>	 <p>FIVE GUYS</p> <p>PAUL</p> <p>TACO BELL</p> <p>CAFFÈ NERO</p> <p>WING-STOP</p> <p>Nando's</p> <p>JOE & THE JUICE</p> <p>LOUISIANA KITCHEN</p> <p>POPEYES</p> <p>Carl's Jr.</p> <p>TGIFRIDAYS</p> <p>ESPRESSO HOUSE</p> <p>PRET ORGANIC COFFEE NATURAL FOOD</p> <p>Simit Sarayi</p> <p>COSTA COFFEE</p>

Of the Top 30 native brands from UK, Germany and France, more than 50% have gone abroad

Successes and failures...

- **76% of the UK's 30 biggest brands didn't reach the 10-unit threshold** in at least one of the foreign markets, and **13% failed and exited** from the market
- **France's top-30 brands have higher a 18% success rate, and 24% rate of failures. 57% of the cross-border attempts from these brands didn't achieve 10+ units.**
- **In Germany, 70% of their top-30 brands didn't reach the 10-unit threshold** in any of their foreign market attempts. **Failure rate is high at 23%, and success rate stands at only 8%.**

And preferred countries of destination...

- **UK brands** have been particularly keen to **expand in UAE and KSA** (40% of the development stories) followed by **France** (24%).
- **French brands** have been mostly attracted by the **Spanish** (30%) and **UK** markets (18%).
- The expansion of the **German** brands in the countries of our scope are equally distributed between **Spain, UK and UAE** (approximately 25% each).

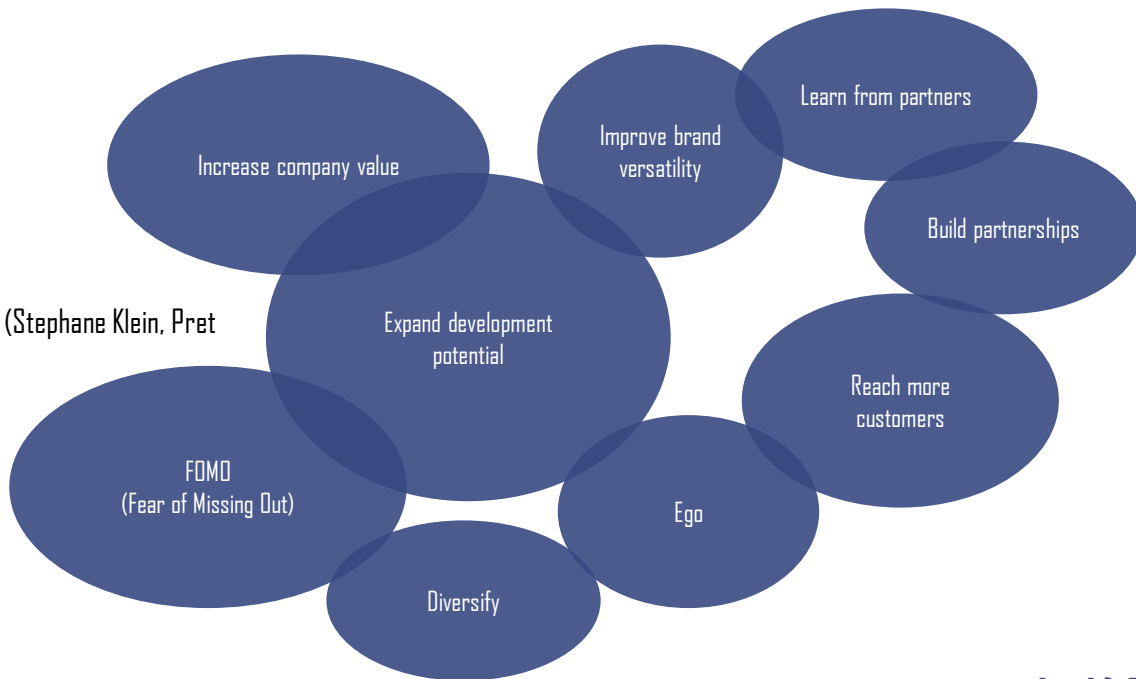
Proportion of national vs. international (UK, FR, DE)



THE "WHY"

There are many reasons to bring your brand abroad, from strategy-driven rationale to purely emotional drivers

- We realised we would **learn so much** from Alshaya (Michael Kark, Shake Shack)
- If you don't do it fast enough, **someone else will** (Mario C. Bauer, WSP)
- International development has a **high ego dimension** for founders, entrepreneurs, investors, CEOs (Stephane Klein, Pret A Manger)
- **Valuation** is a very important reason (Henry McGovern, McWin)
- Paris was **becoming small** (Victor Lugger, Big Mamma)



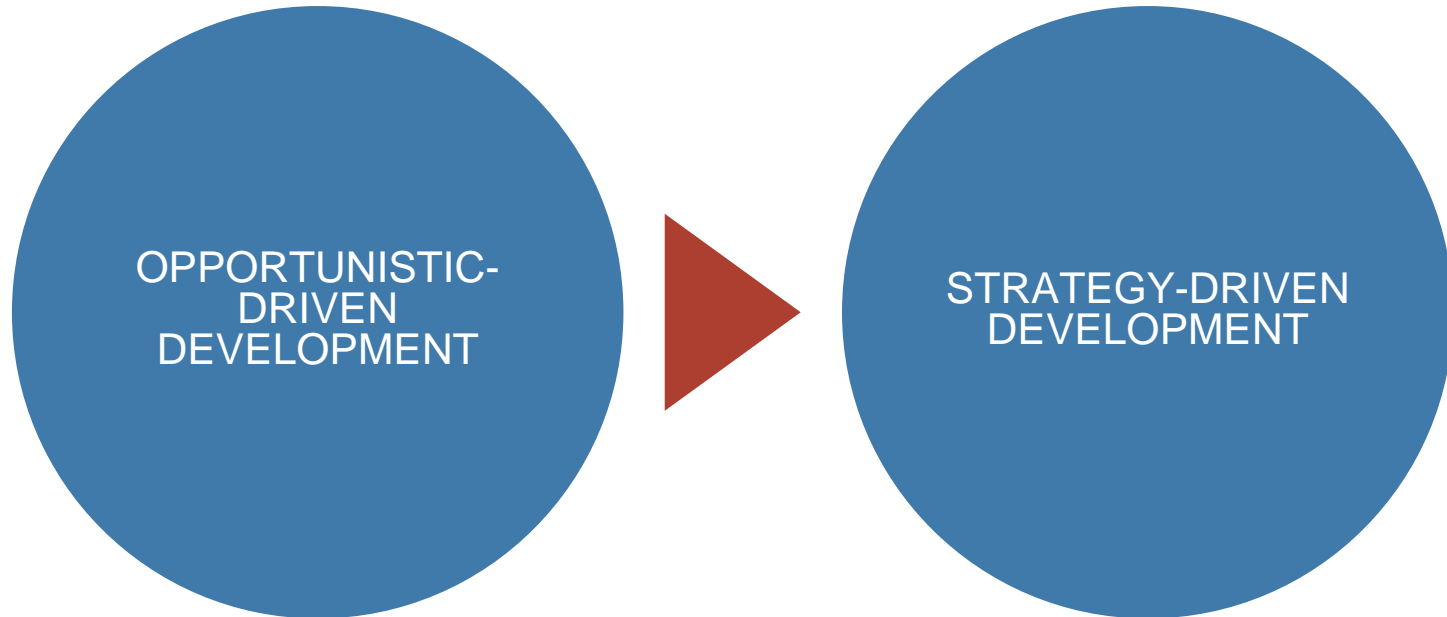
INTERNATIONAL EXPANSION IN PRACTICE

Even if you're a champion at home, be prepared to start from scratch

- Be humble
- Be agile
- Be entrepreneurial
- Be ready to make mistakes



Go where your brand should be going instead of where opportunities may bring it



Where to grow? Where to start?

This question may be the most important one. It's an important question when it comes to country prioritisation, but also for which city or region in each country.

Market entry strategy is a strange chemistry between local competition landscape, market sizing, expected profitability, availability of good franchise or JV partners, logistics.

What do you want the customers in the new market to feel?

International growth must be driven by a clear local market understanding.



The low success ratio of the international franchising deals should lead brands with international growth potential to think well about their strategy

Failure in an international development project may jeopardize the entire international growth potential of a growing brand, with severe consequences in terms of brand identity and value creation.

And since international development projects are often time and energy consuming at head office level, consequences can also be substantial on the brand's core domestic market.

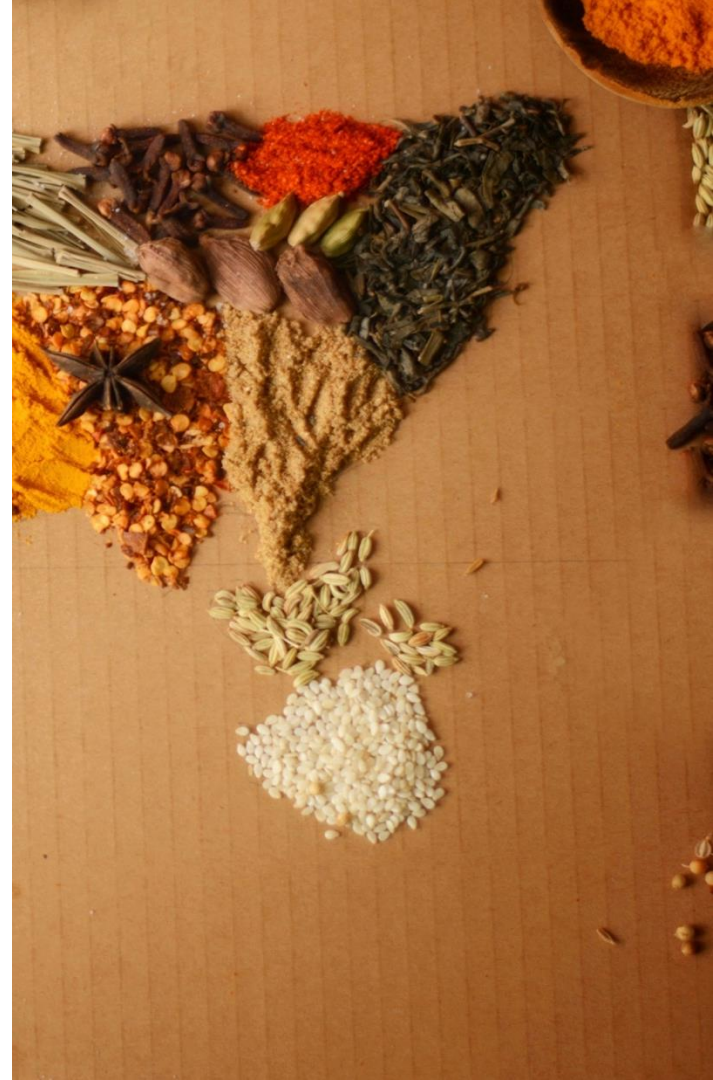


Are you ready for international growth?

Often driven by the founder's or main shareholders' emotional approach, international growth must also be driven by rational facts.

Good-sense questions must be raised to the management team, in order to immediately identify potential weaknesses and red flags.

Always keep in mind international growth is a long-term investment, not an ATM with immediate cash returns.



When is the right time?

« Strong Home Base » « Five year project » (Henry McGovern)

« When the model is stable enough » « It always takes more time » (Stephane Klein, PRET)

« 8- to 9-year conversations » (Michael Kark, Shake Shack)

« If not fast enough, someone else will do, but you need to be able to afford a separate team » (Mario C. Bauer)



Are you ready for international growth?

**IS YOUR
BUSINESS
MODEL PROVEN
FOR TARGET
MARKETS?**

WITH FRANCHISE
FEES, SUPPLY
CHAIN COSTS,
LABOUR COSTS?

**IS YOUR TEAM
READY?**

WITH EXPERIENCED
PEOPLE ABLE TO
DEDICATE MOST OF
THEIR TIME TO
INTERNATIONAL
DEVELOPMENT

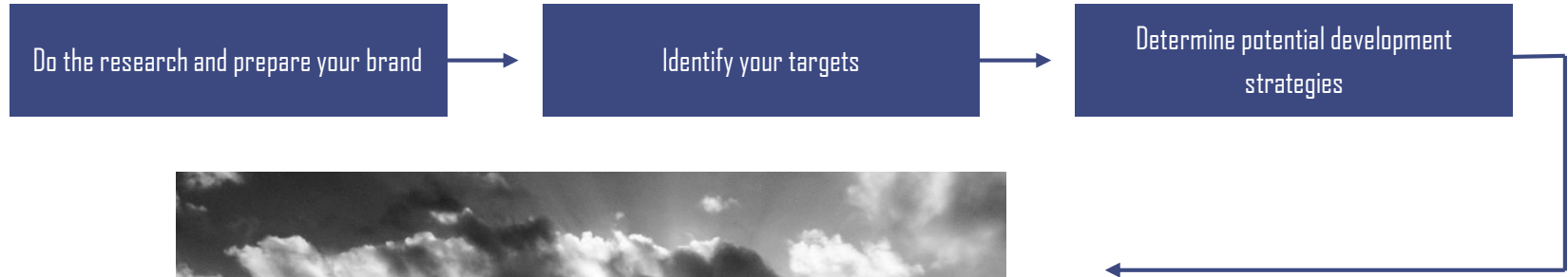
**IS YOUR
DOMESTIC
MARKET
ENTIRELY
UNDER
CONTROL?**

INTERNATIONAL
DEVELOPMENT IS A
SEVERE DISTRACTION
AND MUST NOT
DAMAGE YOUR
SUCCESS IN YOUR
HOME COUNTRY

**DO YOU HAVE
THE RIGHT
LEGAL FRAME IN
PLACE ?**

INTERNATIONAL
DEVELOPMENT
REQUIRES STRONG
LEGAL ADVICE AND
A WIDE
TRADEMARK
PROTECTION

Start your international expansion at the right moment, but keep in mind it is a long-term process



How to find the right partner?

Again, know what you are looking for before starting discussions.

Your international partners are long-term partners, and they will "own" a part of your company.

You must know them very well as you would do for equity partners, and make sure they share your strategy, brand values and operational excellence.

Too big or too small?



What to do when the sheiks call?

It happens to almost all visible brands!

Don't jump on the prestige and the money. Understand if you are ready to enter in one of the most rushed and competitive markets in the world.

Make sure your full team is ready (legal, architects, procurement and suppliers) and that you have the internal understanding of the region's culture and business habits.

And never try to compare immediate international growth revenues and holiday costs... holiday will always be much cheaper!

"We try out a lot and only grow what works" (Alshaya)



Start your international expansion at the right moment, but keep in mind it is a long-term process



Decisions...decisions... A crucial choice: country or partner?

- **Understand** the quirks of a foreign market before launching is key.
- **Investigate the differences** in eating behaviours, customers' interests and the cultural variances in a new market.
- **Ensure that their concept is a good fit** for the market.
- Starting cross-border expansion in the **wrong country** could prove very **painful**.
- **Visit, talk to many people & customers and "try" to understand!**



European Food Service Forum Zürich, Learnings from the Panel



- ✓ Fail fast
- ✓ Be aware
- ✓ JVs are the best of both worlds, but you need to bring some money with you
- ✓ Postmortem exercises
- ✓ Not always London & Paris
- ✓ Open in a country where there is no good local food 😊

My Thoughts & Recommendations

“Franchise operations need to be **separated** from equity store operations.”

“The right moment is as soon **as you can afford a completely separate team.**”

“Spend time with the local team. Help to build a good training structure and culture.”

“You can learn a lot from going international. You can learn from your partners - but you **need to be able to listen!**”

“Take your time before you sign with new partners - **12 months dating period.**”

“**Only sign with people you would go on holiday with.**”

“Every successful venture abroad fuels the home market. If you can prove that you are successful in more than one country, the value grows a lot”. And the other way around!

My Thoughts & Recommendations

- ✓ “Almost every brand starts with no brand awareness. You start from scratch. It’s a local game. You build it in every country, one guest at the time. Brand awareness grows as you deliver, so you need to be consistent.
The best marketing is a happy guest walking out of your restaurant.”
- ✓ “Your brand needs to be more specific than the local competition.”
- ✓ **“Going abroad without losing your soul”**. What to adopt and where to be strict?
- ✓ “Don’t open in New York City! It is cheaper to buy an apartment there.”
- ✓ “People, People, People”

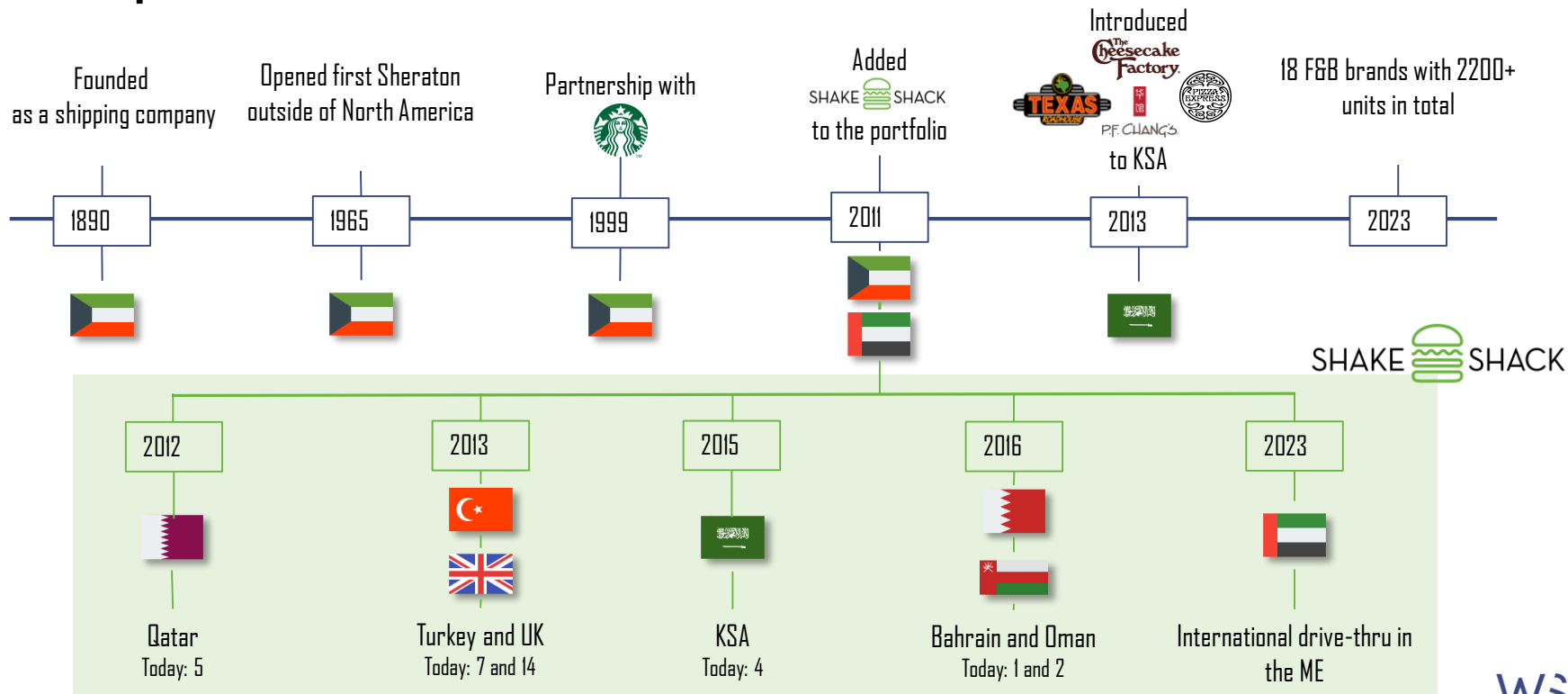
**CASE STUDY:
ALSHAYA AND SHAKE SHACK:
BIG RISK, BIG REWARD**

Shake Shack started its international development with Alshaya, one of the most unusual growth stories in the restaurant industry

- Mohammed Alshaya was in New York when the **#2 unit of Shake Shack just opened**. The brand was newly born, but **already very successful**. He decided to propose to Shake Shack to **open in Kuwait**.
- In 2011, the **#4 Shake Shack and 1st international site opened in Kuwait**, and for the founders it was **purely a learning experience** as they had **no idea how to scale a fast casual brand** since they all came from fine dining backgrounds.
- They thought **« if it doesn't work in Kuwait, who cares!** They know now that **Shake Shack would never be the same company**, either in the US or internationally, without the Alshaya experience and partnership.
- Shake Shack subsequently did a **successful \$750m IPO** in 2015 (with 63 restaurants at that time), and has now more than **447 restaurants in 15 countries with 7 franchise partners** (US remaining a direct market).



Alshaya is a major EMEA player and a true reference for multi-country development of F&B brands



WHAT'S NEXT?

The ones to watch... future global champions?



BIG
MAM
MA





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report when released





ANDY HOLZER



 The Teddy Bear Is Everywhere



A ROOM FULL OF TEDDY BEARS



 **The Teddy Bear Is Everywhere**

#XPERIENCE

CHARITY



 The Teddy Bear Is Everywhere



“

**I HAVE FINALLY FULFILLED
MY BIG DREAM. I HAVE A
FAMILY AND BROTHERS”**

- IGOR, 13

LUMOS

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