A Work Project, presented as part of the requirement for the Award of a Masters Degree in Management from the NOVA- School of Business and Economics

SMALL AND MEDIUM ENTERPRISE COMPETITIVENESS:
INTERNATIONALIZATION STRATEGY

h₃ Hamburger Gourmet
International Implementation plan to Paris

EXHIBITS

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Number: 613

A Project carried out on the Management course, with the supervision of:

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6th January 2012
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Exhibit 1- Global Fast Food Market Chart

Source: Global Fast Food Market (Datamonitor, September 2010)

Exhibit 2- $h_3$ Business Volume and restaurants opening

Source: $h_3$ headquarters
Exhibit 3- VIPS Group Contract

*VIPS* bought the rights to explore *h₃* brand for 20 years into the Spanish and Andorra Market and it is expected to open at least 10 *h₃* restaurants until the end of 2012. *VIPS* is *h₃* Master Franchisor, having the right in several situations the freedom to sub-franchise *h₃* brand to local franchisees. They are allowed to have 60% of *h₃* own restaurants and 40% sub-franchises.

Not only *VIPS* had to pay an up-front payment fee, so that it could use *h₃* brand rights, but also it is in charge of all operational costs. Thus, *VIPS* has to pay a royalty (from 5% to 10%) to *h₃* depending on the sales of each month.

For Positioning Strategy, *VIPS* is responsible for suggesting which prices should be included on each menu, since they are more aware of the local market and how it works around there, giving the final word and responsibility to approve to the *h₃* headquarters, more specifically *h₃* country manager responsible for *VIPS* decisions.

Concerning *h₃* restaurants, *h₃* is responsible for implementing in the first two restaurants a *h₃* personal designers, architects and art director which are in charge of the layout,
space and brand image, providing relevant formation and know-how so that VIPS can implement the same way the next $h_3$ restaurants by itself. The same applies for the training/formation of the employees in which, for the first two restaurants opening in Spain, $h_3$ Chef is responsible for training and sharing his know-how in Portugal and after these two restaurants are opened the training is done in $h_3$ restaurants located in Spain by VIPS. An “$h_3$ Country Manager” is hired by $h_3$ which is in constant communication with VIPS and is responsible for giving support and following each step of VIPS decision. Marketing Campaigns are from the responsibility of $h_3$, only in the first two restaurants. For the next restaurants, $h_3$ is responsible for approving VIPS marketing campaigns suggestions. VIPS has to do at least two marketing campaigns per year and pay all campaigns costs.

Source: $h_3$ headquarters

**Exhibit 4-Industry Mapping Figure**

Source: $h_3$ headquarters
### Exhibit 5 - h₃ Survey-Competitors

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent (%)</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDonald’s</td>
<td>48%</td>
<td>178</td>
</tr>
<tr>
<td>Vitaminas &amp; Companhia</td>
<td>29,1%</td>
<td>107</td>
</tr>
<tr>
<td>Noori Sushi</td>
<td>25,8%</td>
<td>95</td>
</tr>
<tr>
<td>Joshua’s Shoarma</td>
<td>20,1%</td>
<td>74</td>
</tr>
<tr>
<td>Go Natural</td>
<td>19,8%</td>
<td>73</td>
</tr>
<tr>
<td>Pans &amp; Company</td>
<td>18,2%</td>
<td>67</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>15,5%</td>
<td>57</td>
</tr>
<tr>
<td>Quasi Pronti</td>
<td>13,9%</td>
<td>51</td>
</tr>
<tr>
<td>Loja das Sopas</td>
<td>13,0%</td>
<td>48</td>
</tr>
<tr>
<td>Wok to Walk</td>
<td>12,0%</td>
<td>44</td>
</tr>
<tr>
<td>Casa das Sandes</td>
<td>11,7%</td>
<td>43</td>
</tr>
<tr>
<td>Burger King</td>
<td>10,9%</td>
<td>40</td>
</tr>
<tr>
<td>Chimarrão</td>
<td>10,1%</td>
<td>37</td>
</tr>
<tr>
<td>Prego Gourmet</td>
<td>9,0%</td>
<td>33</td>
</tr>
<tr>
<td>Sushi Corner</td>
<td>6,8%</td>
<td>25</td>
</tr>
<tr>
<td>Il Mercato di Pasta</td>
<td>6,8%</td>
<td>25</td>
</tr>
<tr>
<td>Só peso</td>
<td>6,0%</td>
<td>22</td>
</tr>
<tr>
<td>Ô Kilo</td>
<td>4,6%</td>
<td>17</td>
</tr>
<tr>
<td>Outro (especifique)</td>
<td>4,1%</td>
<td>15</td>
</tr>
<tr>
<td>Wok</td>
<td>3,8%</td>
<td>14</td>
</tr>
<tr>
<td>Péteo</td>
<td>3,0%</td>
<td>11</td>
</tr>
<tr>
<td>BeefS</td>
<td>2,4%</td>
<td>9</td>
</tr>
<tr>
<td>Maison des Crêpes</td>
<td>2,2%</td>
<td>8</td>
</tr>
<tr>
<td>Burger Ranch</td>
<td>1,9%</td>
<td>7</td>
</tr>
<tr>
<td>Fresc Co</td>
<td>1,1%</td>
<td>4</td>
</tr>
</tbody>
</table>

**answered question** 368

**skipped question** 0

Source: Shopping Mall’s food court and online survey
### Exhibit 6 - $h_3$ Survey-Substitutes

#### $h_3$ - Hamburger Gourmet

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent (%)</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>51,9%</td>
<td>191</td>
</tr>
<tr>
<td>Fast Food Restaurant without table service</td>
<td>23,6%</td>
<td>87</td>
</tr>
<tr>
<td>Restaurant with table service</td>
<td>17,1%</td>
<td>63</td>
</tr>
<tr>
<td>Bring lunch from home</td>
<td>16,0%</td>
<td>59</td>
</tr>
<tr>
<td>Others (which?)</td>
<td>10,3%</td>
<td>38</td>
</tr>
</tbody>
</table>

**answered question** 368  
**skipped question** 0

Source: Shopping Mall’s food court and online survey
Exhibit 7 - $h_3$ Survey-Final Consumer

<table>
<thead>
<tr>
<th>Age</th>
<th>Answer Options</th>
<th>Response Percent (%)</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 22 years old</td>
<td>39,9%</td>
<td>147</td>
<td></td>
</tr>
<tr>
<td>23-39 years old</td>
<td>53,5%</td>
<td>197</td>
<td></td>
</tr>
<tr>
<td>≥ 40 years old</td>
<td>6,5%</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>answered question</td>
<td></td>
<td>368</td>
<td></td>
</tr>
<tr>
<td>skipped question</td>
<td></td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Shopping Mall’s food court and online survey
### SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weakness</th>
</tr>
</thead>
</table>
| * Mono-Product (cost effective and time effective); Standardization production (easy to monitor)*  
* Fresh and quality ingredients*  
* Strong Corporate team structure and communication (informal environment (most are cousins and friends) that allow communication to run anywhere and anytime).*  
* Branding and creativity*  
* Well defined training program for employees (tasks well defined)*  
* Key Partnerships (Oporto and Madeira Franchisees, Meat Supplier, chef, VIPS, Center of Distribution)*  
* Strong Price/ Quality relationship*  
* Patent “New hamburgology”; “not so fast food” in the WIPO- Way to avoid potential copiers* | * Low variety menu options; No variety of meat type*  
* No Service in restaurant; Environment surrounding the restaurant is not appealing*  
* Since the corporate team members are really close to each other in an informal way, it can be propitious to not formalize tactics and strategies*  
* Lack of Market Research* |
Learning Curve- As time goes by \( h_3 \) is gaining more experience and know-how in the field. Expanding exponentially it’s difficult for copiers to copy a concept that is already developed by \( h_3 \)

Option to create your own dish

<table>
<thead>
<tr>
<th>Threats</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stagnation of the fast food market (mature stage), with many restaurants concepts competing</td>
<td>Increase of shopping centers in the next years in Portugal</td>
</tr>
<tr>
<td>Trend toward take-away food in various countries in Europe. It is aspect that in the next years, this trend will appear in Portugal</td>
<td>Increase on the consumption of fast food</td>
</tr>
<tr>
<td>Epidemics- E Coli, Mad Cow, Swine Flu</td>
<td>Trends toward selecting healthy food</td>
</tr>
<tr>
<td>Main Competitors are well expanded internationally companies</td>
<td>Economic Crisis lead people to change from premium restaurants to low cost restaurants</td>
</tr>
<tr>
<td>Main Competitors offer a more diversity menus and additional products/ Services</td>
<td>Increase of Franchise Model in the fast food industry</td>
</tr>
<tr>
<td>Restoration VAT increased to 23%</td>
<td></td>
</tr>
<tr>
<td>Economic crisis leads people to prefer eating home due to less income and purchase power</td>
<td></td>
</tr>
</tbody>
</table>

**Exhibit 9-Value Chain**

<table>
<thead>
<tr>
<th>Activities</th>
<th>Secondary</th>
<th>Primary</th>
<th>Firm Infrastructure</th>
<th>Human Resource Management/Technology</th>
<th>Procurement</th>
<th>Assembling Line</th>
<th>Marketing, Sales and Services</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Assembling Line</td>
<td>31%</td>
<td>3%</td>
<td>34%</td>
<td>31%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marketing, Sales and Services</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Firm Infrastructure</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Human Resource Management/Technology</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Procurement</td>
<td>34%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Exhibit 10-France overview

Economy, Demography and Country Infrastructure: In 2011 France population reached 62 million people, living 2 million people in Paris with high-income and purchase power. A wide Portuguese community, more precisely 1 Million Portuguese lived in France in 2010 (observatorioemigracao, 2011). France is considered the world’s 5th and Europe’s 2nd largest national economy by nominal GDP. Île-de-France, the region surrounding Paris, is the Europe’s wealthiest and regional economy with a GDP of 552 Million €\(^1\). Having a strategic location at the heart of European it offers a direct access to 500 Million consumers. France is also the number one tourist location in the world, having received 78.9 Million visitors in 2009. France also displays an efficient qualified labor with high levels of education, being classified as the 3rd most efficient working per hour labor in the world. Unemployment Rate reached 9.6% in July 2011 (tradingeconomics, 2011). France embrace one the most efficient and safety road infrastructure, with more than 11,000 km of highways and 1.1 Million km of roads. French airports moved more than 150 Million passengers and 2.2 Million tons of loads in 2009. Since \( h_3 \) favorable locations are food courts Shopping Centers, they should be aware that Unibail-Rodamnco Group (unibail-rodamco) is the leader Shopping mall holder group present in Paris. It owns more than 11 shopping malls in Paris that goes from 3 Million to 44 Million visitors per year, in which are included Carousel du Louvre, Forum de Halles, Prace d’Italie and Les Quatre Temps.

French Consumer and Anti-American food culture: French cuisine is considered one of the most sophisticated and exquisite cuisines in the whole world, not only for its

\(^1\) http://en.wikipedia.org/wiki/Economy_of_France
beautiful presentation, but also for its refine ingredients and quality products. French meal culture is very similar to the Portuguese one, both have 3 meal per day (breakfast, lunch with an entrée, main course and finally a dessert or cheese course, and dinner), using similar ingredients and products mostly eaten on a plate with cutlery, sitting at the table. Some important products that translate French cuisine are for instance cheese, wine, veal and foie gras. But not all seems “paradise” in this French sector. In the last three decades fast food chains had arrived in big and are here to stay for good, turning its business to a new generation, a more young, teenager target. With it, came different food cultures blurring French cuisine. Also, a phenomenon called “French Paradox” which explained that French consumers were getting fatter and rates of obesity were increasing mostly due to busy lifestyles and the entrance of American junk fast food chains alert the France Government to establish measures to fight this tendency. José Bové was a French farmer/ agro- engineer who promoted organic farming, shown his anger to the American fast food plague in France. In 1999, leading a group of angry protestors, he demolished a McDonalds under construction in his native town of Millau. His actions made him a hero in all over France. Also, to embrace French food culture in the younger consumers, programs of “taste acquisition” with French register products were done in public schools. Despite this fights have helped other types of healthier fast food chains to increase like gourmet, natural, fresh chains, junk fast food chains are still increasing at an amazing pace.

French Trends: Although in 2009, France lowered it VAT from 19.6% to 5.5% in certain types of foodservice outlets, mainly in fast food chains, with the objective to lower prices, create new jobs and increase salaries, in November 7th of 2010 France increased its this VAT from 5.5% to 7%. This was necessary due to Recession times,
which its implementation will begin at January 1\textsuperscript{st} of 2012 (observatoirefranchise, 2011).

French consumers are opting for more affordable (average of 10.31€ per fast food meal), quicker and healthier meals. Busy work life leads French consumers to have less time to lunch (30 minutes on average) and dedicate this time to other activities such as exercising, shopping, walking or navigating on the web. Time to prepare a meal is also diminishing allowing ready meals, take-away and eating outside home to increase. The increasing responsibility of women in the workforce as so people working longer hours don’t permit that they spend too much time cooking. Healthier food with low fat ingredients, salt, sugar, and more organic, fresh and natural are being selecting. Despite this, French Population is getting fatter and obese, 15 \% of the population was considered obese and 30\% overweighted due to frenetic lifestyles.

French Retail giants are betting in Convenience stores in the Quick Service Restaurant segment and Take-away segment, offering a lack menu at very competitive prices, constituted by sandwiches, salads, ready-to-eat meals, desserts, etc which can be eaten right away or deliver as on-the-go consumption. Monoprix Groupe brand called Dailymonop’ is already a case of success in France (Euromonitor International, 2010).

**France fast food market overview:** France has been a market where fast food has been prospering along the times. Fast food current sales value grew by 5\% reaching out 9.15 billion € in 2010, which can be explained by outlets growth of 4 \% in 2010 (13,698 outlets establish in 2010). Due to Recession times, demand for fast food has increased, obligating fast food restaurants to provide cheaper and quicker menu options. Not only are consumers more demanding in terms of having quicker and cheaper meals but also in having a healthier and more nutritionally balanced meal. These are some trends
which fast food chains had to adapt in order to see their business grow in the French market. 2010 was a year where fast food current values and outlets growth was slower than 2009, which can be explained by the increasing maturity of burger and bakery product category and the unhealthy image consumers have of fast food restaurants. Nonetheless, the aggressive expansion concerning some fast food chains contributed to the positive performance of fast food in 2010 (Euromontior International, 2010).

There are different types of restaurants (independent or not) divided into: **Fast food Chains**, **Convenience Fast Food Stores** and **Fast Casual Dining**.

**Fast food Chains**: Burger’s Category was the most profitable one, which corresponded to 60% of the total fast food current value sales in 2010. Not only pricing strategies helped to increase sales but also a new French generation who had lived all of its life with American fast food culture, giving the leadership to *McDonalds France SA* (10% market share) and *Quick Restaurants SA* (6% market share). *KFC France SA* took advantage of the healthy trend, since poultry is viewed as healthier than beef or pork, allowing *KFC* to expand quicker and at a higher rate. Beside this segment, other groups had an important role on value sales growth like, *Holder’s Group Paul* (4% market), *Monoprix SA*, *Le Duff Restauration*, *Agapes Restauration*, and *Casino Guichard-Perrachon*.

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3 Mostly known for their availability and used as a convenient supplement to hypermarkets usually open 24 hours per day. Source: [http://en.wikipedia.org/wiki/Types_of_restaurant](http://en.wikipedia.org/wiki/Types_of_restaurant)

4 Do not offer table service, but may offer non-disposable plates and cutlery. The quality of food and prices tend to be higher than those of a conventional fast food restaurant but may be lower than casual dining. Source: [http://en.wikipedia.org/wiki/Types_of_restaurant](http://en.wikipedia.org/wiki/Types_of_restaurant)

5 Market Share concerning fast food market
Bakery products fast food like croissants and sandwich had a current value sales growth by 4% and outlets by 8% in 2010. This was due to the increase of people eating while on-the-go and the fact that these products can be consumed at different mealtimes.

**Fast Casual Dining:** It had a current value sales growth of 8% and outlets opening of 6%. Despite the leadership of *Holder Group’s Paul* (43% market share\(^6\)), recent entries like *Exki, Cojean* and *Jour*, specialized in natural healthier meals forced *Holder Group*’s market share to decrease. Betting in higher price position and quality products, for many consumers this strategy is no longer needed since they can find similar cheaper menus in other segments.

**Chained convenience stores category:** Had current value sales grew up by 48%, while its outlets numbers by 30% in 2010. This increased can also be explained by French changes in eating habits since urban consumers have more busier lifestyles, less time to lunch (30 minutes on average), preferring more affordable and quicker sitting meals or on-the-go meals (while eating prefer to spend time on the web, on the park walking for instance). The leader in this category is *Monoprix DailyMonop*’ chain but has been diminishing since the entering of *Carrefour S.A* in this segment, with *Carrefour City Café*.

Independent operators represented 71% of the total number of fast food outlets in 2010, while fast food chains generate more value sales contributing with 77% of the total fast food current value sales.

Take-away was a segment that had an impressive growth too, 42% of the total fast food current sales in 2010.

\(^6\) Of total fast food casual dining
In 2015, fast food constant value sales is estimated to growth at a CAGR of 4% and reach 11.16 billion €, while outlets at a CAGR of 4% also operating 16,743 outlets (Euromontior International, 2010).

Exhibit 11- Global Fast Food Market

Market Segmentation: Fast food market can be divided into 4 segments with the respective market share: -Quick Service Restaurant (QSR) (70.9%)- Location where it is provided a full meal without table service, Takeaways (12.1%)- establishments who sell freshly prepared food for immediate consumption on or off the premises, Mobile & Street Vendors (11.2%)-individual mobile machines or vans that offer a limited range of freshly prepared food as well as beverages, and Leisure Locations (5.8%)- establishments selling food and drinks for immediate consumption within leisure outlets (cinemas, theatre, etc). In this study, I will only have in consideration the QSR segment. The market is divided into 3 major areas: Americas (47.4%), Asia-Pacific (35.6%) and Europe (17%) (Datamonitor, 2010b).

Market Analysis: Although, between 2005 and 2009 global fast food market has shown a decrease from 5.2 % to 3.1 % of growth it is expected an accelerating growth in the next years ahead. In 2009, total revenue was $201.1 billion representing a Compound Annual Growth Rate (CAGR) of 4.8% between the 2005 and 2009. The European and Asian-Pacific Markets grew at a CAGR of 4.7% and 6.1% between the same period, achieving in 2009 $34.2 billion and $71.6 billion respectively. Between 2005 and 2009 it increased at a CAGR of 4.6% reaching out a total of 208.1 billion transactions in 2009 and is expected to rise by the end of 2014 to 248.7 billion transactions, having a CAGR between these dates of 3.6%. Concerning the segments, in
2009 the *QSR* segment was the most lucrative one, reaching out $146.2 billion in revenues, while the takeaway segment reached $24.3 billion.

In 2014, it is expected that the market decelerates, reaching an CAGR of 3.6% between 2009 and 2014, driving the market value up to $239.8 billion by the end of 2014 an increase of 19.3% since 2009. European and Asian-Pacific Markets will presence a growth at a CAGR of 4.1% and 5%, in the same period, reaching in 2014, $41.9 billion and $91.2 billion (Datamonitor, 2010b).

**Competitive Landscape:** In order to study the competitive landscape, players are considered as fast food operators, consumers correspond to key buyers and food ingredients suppliers and workforce suppliers as key suppliers. Living in Recession times, industry players offered cheaper ways to enhance their business and attract consumers to eat outside home, betting in pricing strategies. The fast food market will be analyzed taking independent and chain restaurant companies as players and consumers as buyers. Players differentiate their offering via brand building on a range of foods with attractive discounts. In one hand, brand awareness increase consumer loyalty and on the other hand lower bargaining power of buyers. Suppliers may have other profit foodservices and cost foodservice costumers, increasing its power and lowering its dependence concerning the players in this market. In economic Crisis, exists the threat of buyers change to substitutes like “eating home” or “bringing their meal from home”, **moderating the bargaining buyer power**. Rivalry is seen as high, due to the easiness of buyers to change from one player to another with no switching costs. Brand awareness, food quality and value price is what makes rivalry change and being the market so fragmented, rivalry is intensified. Price wars due to established multinational companies can alleviate the entry of new entrants, moderating rivalry in a
so concentrated and stagnated market. Due to low entry capital and low fixed costs, prophesy for new entrants is a strong possibility. For fast food companies to prosper in their business is essential to have a reliable supply chain offering marketable quality food at low margins (high volume business), keeping food costs low. France and Germany have high concentrated cash-and-carry wholesalers, while delivery wholesalers are consolidating more in UK. These factors allow boosting supplier’s power. Being the fast food industry labor intensive and hiring at minimal wages, 

**moderates the bargaining power of suppliers.** Although, franchising can be a good solution to reduce costs and risks, allowing a company to expand quicker in Asian-Pacific market, it exist relevant barriers concerning expansion of foreign franchisors. In general, existing players can diminish the probability of new enters to enter in the market by causing pricing wars, especially in saturated markets. Therefore, the

**probability of new entrants is moderate.** Substitutes, refers to “buying raw material to cook to eat at home” or “bringing from home”. In times where people are more concern about what they eat is good for their healthy, fast food companies have adapted to this trend putting into their packages the products calorie-content served, new healthier menus or simply offering gourmet or natural products. Although this trend is increasing, switching costs refers to the time people spend in their kitchen doing a meal or transportation costs and time to go home to eat. Therefore, **availability of substitutes has moderate power.** In a market where general existing costs are not high, expanding your business can be quite easy, profitability relies in low margins and high turnover operations, where pricing wars are fiercely and where brand awareness to captivate consumers takes high costs, **rivalry is known to be high.** The fast food leading players in 2009 were: Burger King ($2,357.4 M), Domino’s Pizza, Inc. ($1,404.4 M),
McDonalds ($22,744.7 M), YUM! Brands (Kentucky Fried Chicken (KFC), Pizza Hut, Taco Bell, Long John Silver’s (LJS) and All American Food (A&W)) ($10,836 M) (Datamonitor, 2010b).

Exhibit 12- Contract information respecting the franchisor (DIP)

Potential Franchisor needs to deliver relevant information to the Franchisee, which is:

- The last two franchisor balance sheets.
- Relevant information to judge the experience and financial health in this field.
- The local and domestic market state.
- The full list of the franchisor’s franchisees and contacts information.
- The number of franchise agreements completed last year before issuing the DIP and what where the reasons.
- The duration of the proposed contract, the conditions for renewal, termination and transfer.

Source: French Franchise Federation website

Exhibit 13-Christophe Angleys, Sales & Int'l Development Director of Reed Exhibition e-mails

Dear Sir,

As per your email sent to the French franchise federation (FFF), I confirm you our interest to help H3 hamburger Gourmet in its French and international development. Regarding the master franchise rights, the geographical zoning, the legal frame, the retail real estate market and all the subjects relevant to a future development, you may
receive good advices from the FFF and also on the Franchise Expo Paris show (18-21 March 2012) where you will meet about 500 franchise concepts, many FFF experts (lawyers, accountants, consultants) and will be able to attend master franchise workshops (in English). If you need more information about the show and if you think you may be ready to exhibit in 2012, I’ll be glad to give you every additional information. Meanwhile, I send you enclosed a brief memo about starting your franchise business in France and a presentation of the Franchise Expo Paris show.

Best regards,

Christophe ANGLEYS

Directeur Commercial & Développement International / Sales & Int'l Development Director

Tel: +33 (0)1 47 56 52 06 | Cell: +33 (0)6 61 55 67 46 | Fax: +33 (0)1 47 56 51 00 |
Email: christophe.angleys@reedexpo.fr

- Franchise Expo Paris - 18-21 March 2012

- Top Franchise Méditerranée (Marseille) - November 2012

- Observatoire de la Franchise - recruit your candidates all year round!

www.observatoiredelafranchise.fr

In order to become a member of the FFF you need to have at least one pilot unit in France (ideally operating for 2 years) but there is no obligation to be a member of the FFF in order to franchise in France. Regarding the show, my answer may be biased (as I am in charge of the show) but, yes the best way to find a potential master or area
developers is to be exhibiting in Franchise Expo Paris. If you need contacts (lawyers, etc), I can recommend to you good ones, members of the FFF. Please find enclosed the costs of the show (which is already 93% full, but I will be glad to find you a nice stand location). The 1st time, you do not need to exhibit on a large surface as you don’t look for direct franchisees. Our show being the largest show in Europe, we attract a lot of potential master franchisee candidates from other countries.

If you have some resources (team & budget), yes it’s the best way. But do not focus only on a master franchise deal for France. The real estate is very expensive, the fast food industry very competitive; sometimes it may be wise to consider a JV (it’s the way Starbucks and VIPS started in France, for instance), a pilot, area developers in 4 or 5 regions, direct franchisees. Anyway, if you exhibit in Paris, you may get good leads for France but will also find good deals for other markets (Europe, Middle East) as we attract more and more int’l visitors. For a 9 m² booth, the price is 5868 EUR (basic stand). A ready to exhibit stand (fully decorated and furnished) costs 7893 EUR. These prices include all the marketing actions and services before and during the show.

You can contact any lawyer from the FFF Council of Experts, the list is http://www.franchise-fff.com/les-adherents/experts/208-liste-des-experts.html. You can contact on my behalf Maître Jean-Baptiste Gouache – Gouache Avocats : jbg@gouache.fr +33 1 45 74 75 92
Not exactly. Of course it’s perfect if you prepare a DIP but you can also sign whatever master franchise agreement with your French partner and ask him to write the DIP in order to recruit its direct franchisees. Anyway, to be honest with you, I’m pretty sure you will not officially sign a full agreement during the 4 days show. It will be later days or weeks later... In order to exhibit as a foreign concept, we will just ask you to sign a confirmation that you are aware of the French laws (enclosed: agreement)

Yes it could apply to Top Franchise Méditerranée but the next session will be in Nov 2012 and Franchise Expo Paris is much more adapted for your entry in France.
Exhibit 14-Franchise Expo Paris Agreement

AGREEMENT

Headed notepaper of the company asking for a booth on Top Franchise Méditerranée or Franchise Expo Paris

I the undersigned…I (name and surname), representing as…I (position in the company) the company…I (name of the company) with registered capital of…I (amount of capital – if the capital is registered) which head office takes place in…I (whole address),

Testify on honour that the company I represent is aware of the entire French procedure applying to its business and commits itself to respect the provisions of article L330-3 from Commercial Law, saying:
“Anyone who brings someone else a commercial name, a brand or outlet by demanding an exclusive or almost-exclusive commitment to achieve his business has to, before any contract settled for common benefit on both sides is signed, bring the other side a document containing sincere information which would enable him committing himself with full knowledge of the facts.

This document which content is set by decree especially states the seniority and experience of the company, the condition and development opportunities of the targeted market, the weight of the operator’s network, the length, the renewal, cancellation, contract transfer conditions but also the range of exclusivities.

When the payment is required prior to the signature of the above-mentioned contract especially in order to book an area, the services done per contra this payment are all written so as the mutual obligations of the sides in case of withdrawal.

The document mentioned in first paragraph and the contract’s plan are communicated at least twenty days before the contract is signed or if necessary before the payment mentioned in the previous paragraph.”

Done in…I (place), on…I (date)
…I (Company Name)
…I (Name of the Signatory)
…I (Position of the Signatory)
…I (Signature)

NB: This certificate is laid down for Franchising Show's admission request.
Exhibit 15- h3 Menu

Source: h3 website