



Arby's International Strategy

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Historical Perspective



- The first international Arby's was built in the US Virgin Islands in 1975 by Jeff Davis.
- Rapid expansion followed in the early 80's in Japan, Malaysia, and the Philippines.
- Units opened in 26 countries, 1 in the 70's, 35 in the 80's, 107 in the 90's, and 16 in the last decade.
- Greatest 5 year opening period was 92-'96', 77 openings (excluding Canada) spanning 18 countries.
- The last two international openings occurred in Turkey (2002) and Canada (2006)
- Currently 128 units remain in 4 countries.

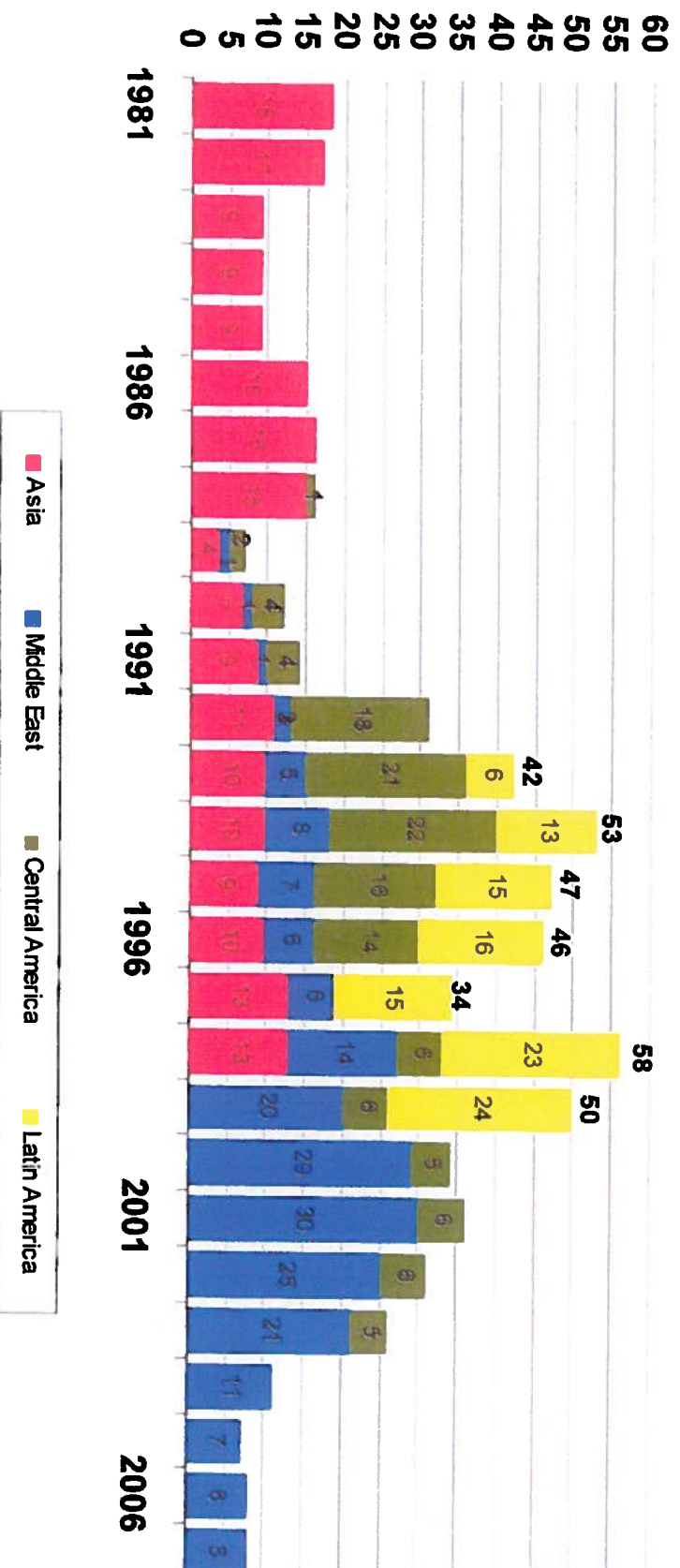
Historical Number of Units	Country Name	Region	2007 Units Open
295	CANADA	North America	119
26	BRAZIL	South America	
26	JAPAN	Asia	
23	MEXICO	North America	
17	TURKEY	Europe/Middle East	7
14	INDONESIA	Asia	
7	UAE	Middle East	1
5	EGYPT	Africa/Middle East	
4	BRITAIN	Europe	
4	MALAYSIA	Asia	
4	PUERTO RICO	Puerto Rico	
3	QATAR	Middle East	1
2	CHILE	South America	
430			128

Historical Number of Units	Country Name	Region	2007 Units Open
2	ECUADOR	South America	
2	HONGKONG	Asia	
2	KUWAIT	Middle East	
2	NETHERLAND	Europe	
2	PHILIPPINES	Asia	
2	PORTUGAL	Europe	
1	ARGENTINA	South America	
1	AUSTRALIA	Australia	
1	BAHAMAS	North America	
1	CHINA	Asia	
1	JORDAN	Middle East	
1	NORTH KOREA	Asia	
1	U.S. VIRGIN ISLANDS	North America	
19			0

Historical Perspective



Number of Stores Per World Region (Excluding Canada)

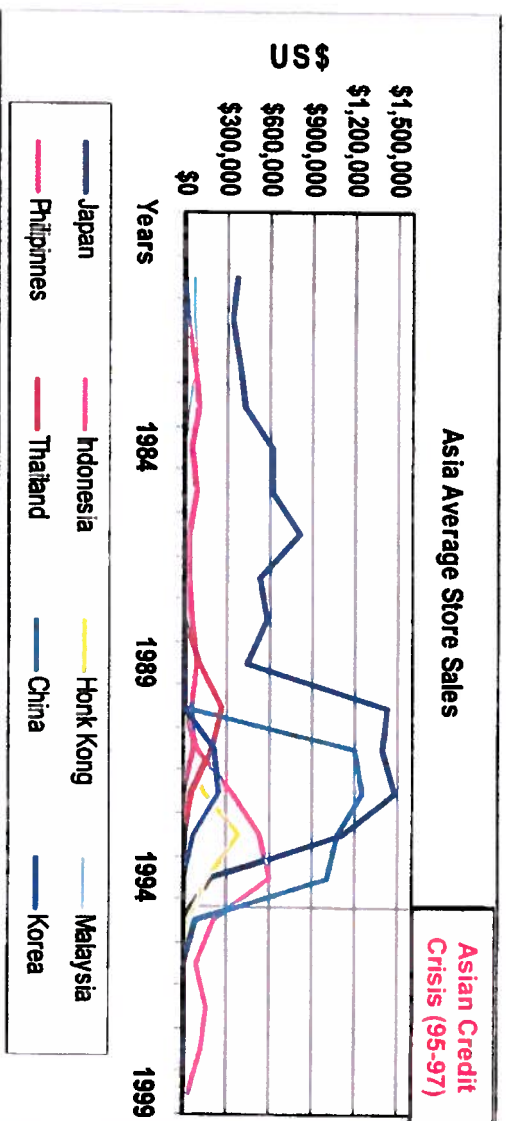


Asia Pacific:

(Japan, Malaysia, Indonesia, Philippines, Korea, Thailand, Hong Kong, China)



- ❑ Asia Summary:
 - Sales in Japan, China, Hong Kong, and Indonesia indicated support for Arby's product.
 - 5 units averaged over \$1M: 3 in Japan, 1 in Indonesia, and 1 in China.
 - Poor performance in Malaysia, Philippines, and Thailand was related to product acceptance.
- ❑ Sales dropped rapidly in the early 90's due primarily to:
 - Dramatically reduced franchise support.
 - Elimination of localized products and limitation on local suppliers.
- ❑ Asian inflationary credit crisis in 95'-97' led to the demise of the remaining units.
- ❑ Storefront units outperformed a balanced portfolio of mall, inline, and storefront assets.
- ❑ Arby's franchisees paid royalties and imports in US\$, while sales in local currency depreciated



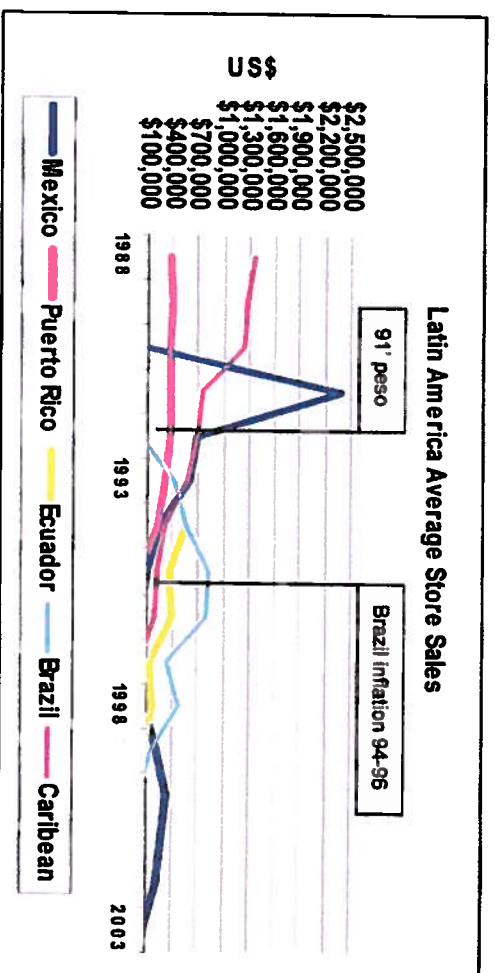
	Greatest # of Units Operating	AUV	Years of Operation
Japan	14	\$813	16
Indonesia	12	\$601	8
Hong Kong	2	\$771	4
Malaysia	4	\$385	4
Philippines	2	\$203	11
Thailand	3	\$526	4
China	1	\$1,199	5
Korea	2	\$238	3

Central, South America & Caribbean:

(Brazil, Mexico, Puerto Rico, Chile, Argentina, Ecuador, Bahamas, UVI)



- ❑ **New units performed in Brazil and Mexico in initial years**
 - The first mall store in Mexico was the highest grossing Arby's in the 91' system, at \$2.3 Million.
 - 9 stores had sales exceed \$1 Million: 6 in Brazil, 2 in Mexico, and 1 in U.V.I.
 - Locations performed equally across asset types
- ❑ **Well capitalized Area and Master Franchisees contributed to rapid expansion.**
- ❑ **Localized product (picante roast beef) and restaurant décor, was received positively.**
- ❑ **Rapid expansion, poor implementation, followed by rapid sales decline**
 - Mexico Franchisee Eduardo Assael added 15 units and a commissary in two years, 14 of 23 located in Mexico City.
 - Brazilian Master Franchisee Guilherme Ferreira opened 26 units between 1993-1999
- ❑ **Franchisees paid royalties and imports in US\$, while sales depreciated due to currency devaluation**
 - Franchisee expanded two years before Mexico's worst recession in 50 years due to governments devaluation of the peso
 - Limited local sourcing of equipment and food caused sales and margin erosion during economic 91 and 94-96 crisis
- ❑ **Arby's 1997-99' efforts to provide localized products and focused support began to turn sales.**



	Greatest # of Units Operating	AUV	Years of Operation
Brazil	24	\$874	7
Argentina	1	\$191	2
Chile	2	\$270	2
Mexico	19	\$677	14
Puerto Rico	4	\$403	7
Bahamas	2	\$574	3
Ecuador	2	\$760	6
St Thomas	1	\$1,368	12

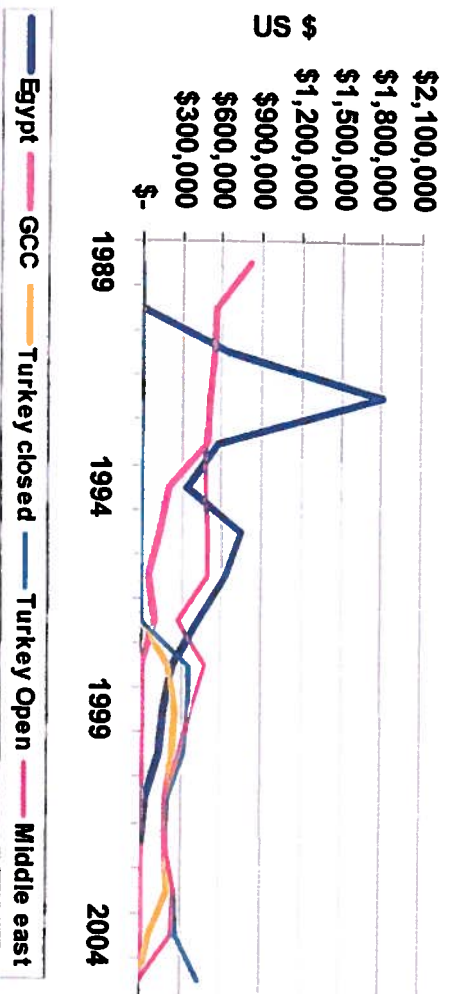
Middle East:

(Egypt, Jordan, UAE, Qatar, Kuwait, Turkey)



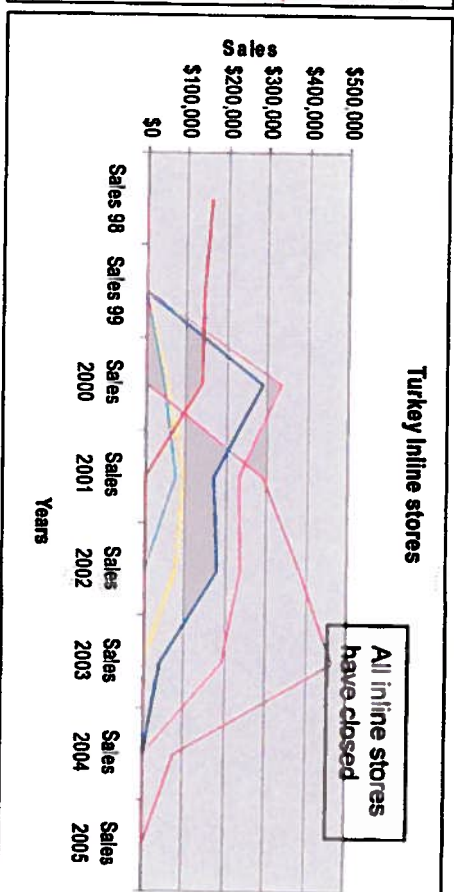
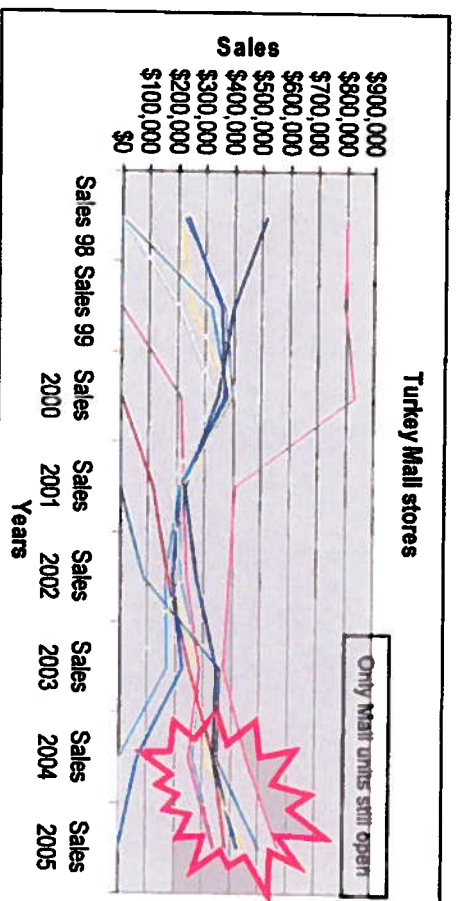
- ☐ Good initial success in Egypt, Kuwait and Turkey Mall stores
 - One \$1.0 Million dollar unit, Egypt unit nearly exceeded \$2.0 Million.
- ☐ Sophisticated and well capitalized franchisee in Turkey led rapid growth.
- ☐ Product was initially perceived to be Pork. Media campaign educating consumers increased sales.
- ☐ Very limited Arby's operation and training support
- ☐ Stores in larger cities and in urban malls, especially (Istanbul) were more successful.
- ☐ Inflation issues of late 90's and early 00's in Egypt and Turkey resulted in franchise closures.

Average Store Sales in the Middle East



	Greatest # of Units Operating	AUV	Years of Operation
Egypt	5	\$738	10
Turkey	24	\$431	10
Kuwait	2	\$843	8
UAE	2	\$630	6
Qatar	2	\$228	4
Jordan	1	\$498	2

Turkey:

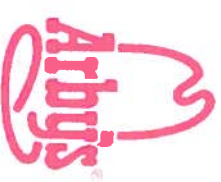


- ☐ All stores are near Istanbul, Turkey
- ☐ Since 2001 Celebi closed 12 units and opened 2, focus yielded sales increases.
- ☐ Weak brand awareness due to Mall development strategy.
- ☐ Inline stores never traded above \$500K.
- ☐ Good operations and brand commitment despite setbacks.
- ☐ McD's and BK closed approximately 45 and 70 units respectively, during crisis of early 2000.

Franchisee	Units	Mall Food Court	Office Building	Store Front & Shopping Center
Celebi Group	17	9	3	5
Average seats	130	n/a	155	120
Closed Stores	10	2	3	6

Turkey:





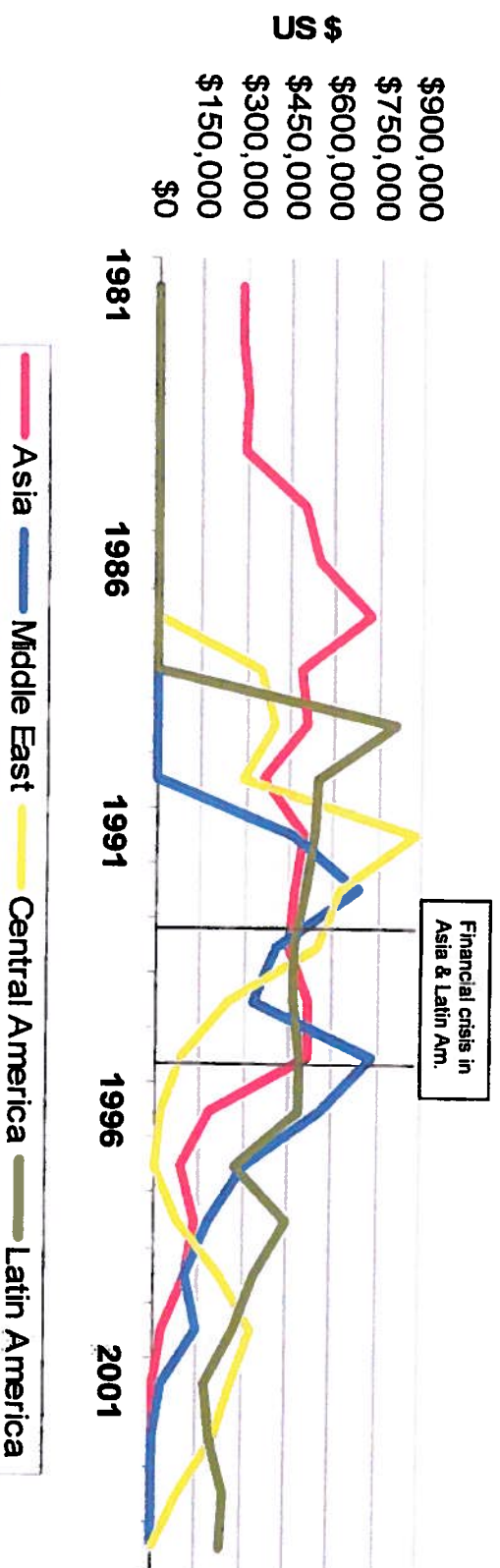
Historical Summary:

Middle East, Latin America, Central America, Asia

Historical International Approach

- ☐ Good initial success with product acceptance in most regions of the world
- ☐ Market and franchisee selection was opportunistic; inconsistent strategic direction
- ☐ Limited Arby's support in all markets
 - Arby's increases in support yielded results in sales, example, 1996-1998.
- ☐ No significant changes to standard menu to make product offering locally relevant
- ☐ Too much reliance on Mall development strategy
- ☐ Global economy played a significant role in Arby's international history:
 - Limited local sourcing of food and equipment created margin pressure during economic downturns.
 - Franchise Agreement in US\$ was difficult for franchisees

WW Stores Sales Average per Region



Historical Summary



Lessons Learned- All Regions

- ☐ **Commitment:** priority is required throughout the organization utilizing experienced people.
- ☐ **Investment:** longer term investment horizon necessary to support G&A and gain scale.
- ☐ **Local Suppliers:** local supply optimizes cost of goods but more importantly, it is an edge to inflation and to foreign currency variation.
- ☐ **Local Currency:** franchise agreements in US\$ caused issues. Competition utilizes model with local currency or yearly fixed exchange rates.
- ☐ **Focused development:** franchisee selection must involve active recruiting globally. Opportunistic strategy resulted in closures, lower sales, and a weak franchise base.
- ☐ **Inline stores:** delivered better sales. Prototype and storefront units need a significant role in expansion.
- ☐ **Rapid expansion:** requires solid training and coaching support by Arby's, including marketing and local language materials
- ☐ **Localization:** distinct culture and habits of the market creates a brand for the local population to own.
- ☐ **Development:** in larger cities and top trade areas led to better units and higher AUVs.
- ☐ **Arby's:** opening international markets at varied entry dates combined with opportunistic approach never enabled Arby's the ability to focus enough resources on success.

Historical Summary



Lessons Learned - Specific Regions

- ☐ Core products have good support in Asia and Latin America (China, Honk Kong, Indonesia, Japan, Brazil, Mexico, and Puerto Rico).
- ☐ Islamic/Muslim countries will need greater media support to explain origin and content of Roast Beef products.
- ☐ Master/Sub-Franchising had some success in (Brazil, Mexico) for rapid expansion, especially with Arby's support.
- ☐ Mall development yielded good results in Latin America and Turkey but mixed results in other countries.
- ☐ Larger franchisee model worked in Japan and Turkey early years.
- ☐ Well Capitalized franchisees were not able to withstand local financial crisis's.