



RESTAURANT NEWS

Lost in Translation

2010-07-26 — While the international business community may seem ripe with potential franchisees, there are some inherent challenges in signing on operators from outside the U.S.

Mario Herman, a lawyer who represents clients in the franchising industry, says it is probably easier for franchise owners of chain restaurants with international brand recognition to garner initial interest from foreign investors.

"If the name is recognized abroad, there is an automatic assumption that affiliation with that name is the key to success, not recognizing that there are plenty of franchises that are failing regardless of brand awareness in this country," Herman says.



The key for a quick-service franchisor considering bringing in a franchisee from abroad is finding someone who understands the risk of the fast food business and has the capital to undertake such a venture, Jim Parker says. Parker operates Worldvest Properties Inc. in Florida and has worked with both franchisors and franchisees in the quick-service industry.

"Unfortunately, with a lot of these international people, the only reason they are buying a business is for a vehicle for them to move from their country to the U.S.," Parker says. "The franchisor has to make sure that these people are willing to roll up their sleeves and work hard."

International investors who want to relocate to the U.S. can take advantage of E-2 visas. These types of visas allow noncitizens to live in the U.S. if they make a substantial investment in a business.

"The idea of the E-2 is to create U.S. employment and U.S. business opportunities," says Michael Niren, a Toronto-based immigration attorney. "It's a means of encouraging foreign investment."

Although there is no set minimum, a person who is attempting to get an E-2 visa must be able to invest hundreds of thousands of dollars in his or her business.

Kay Kirby, who owns a Sobik's Sub franchise in Maitland, Florida, came to the U.S. from England about six years ago on an E-2 visa.

"I wanted a restaurant, because I've only worked in restaurants from the age of 12," Kirby says.

Kirby says the franchisor and investor must take into account the sweat equity needed for the franchise to be successful, as well as the numerous hurdles and pitfalls that may come along with taking the E-2 visa route.

"It's so hard, you've got to renew the visa ... every two years," Kirby says. "You have to pay so much taxes, [and] you have to employ Americans only."

By Brendan O'Brien