

The logo for ankura, featuring the word "ankura" in a lowercase, sans-serif font followed by a circular icon composed of four overlapping colored segments: blue, green, yellow, and red.

# Restaurant Sector

Global Bites: Crafting Success in International Restaurant Expansion

Part I: Overview of International Expansion

# Global Bites: Crafting Success in International Restaurant Expansion

Globalization has become necessary for growth. Delve into the **international expansion of restaurant brands**, from the drivers of global outreach to profiles of successful market leaders.

Examine the **strategies and enablers** to succeed in international markets, and gain valuable insights needed to navigate this complex journey.

**Part I: Overview of International Expansion** takes a deep dive into what has fueled international growth in the restaurant industry.

**Stay tuned in coming weeks** for subsequent perspectives, including profiles of successful companies and enablers for international growth.



## Part I Overview of International Expansion

Explore the **accelerating trend of international expansion** among restaurant brands, examining the drivers behind this strategic shift towards global markets.

As brands seek new growth avenues, we explore the dynamics of global consumer markets and the **factors propelling restaurants to embrace internationalization** as a vital growth engine.

**What's the context for international growth over the past few years?**



## Part II What Good Looks Like

Take a closer look at the strategies, challenges overcome, and the key factors behind the success of **five restaurant brands that have set benchmarks in international expansion**.

From leveraging local market insights to implementing innovative global strategies, these profiles provide a **comprehensive view of what constitutes excellence** in global market penetration

**What does best-in-class look like across industry peers?**



## Part III Blueprint for International Success

Understand the crucial enablers that restaurant brands contemplating or pursuing global expansion must consider.

It emphasizes the importance of considering local cultures, adopting technological advancements, and maintaining brand integrity, among other strategies, as **foundational pillars for thriving in diverse international markets**

**How do we start thinking through key strategic choices?**

# Part I: Overview of International Expansion

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# Growth in International Aspirations

## Growth Engine

In recent years, restaurant brands have actively pursued expansion, aiming to scale and reach broader consumer bases. Notably, across various dining segments, brands are increasingly focusing on international growth

*“Unit growth [in 2024] for franchisors should continue to be fueled by growth internationally, as it did in 2023. We expect to see continued outperformance at franchisors with a substantial international footprint...”*

- S&P Industry Credit Outlook 2024: Retail & Restaurants. January 9, 2024

*The opening of our 10,000th international store...demonstrates our commitment to accelerating worldwide growth.*



RBI Management  
April 30, 2024

*Our vision is to scale Wing Stop into a global brand. And I've shared in prior calls how we believe our international business is supercharged for growth.*



Wendy's Management  
May 2, 2024

*We remain optimistic about our international growth and strategically scaling our global footprint.*

Inspire Brands Management  
March 4, 2024



*While it [China] is a very small portion of our results today...we know the long-term opportunity there is significant.*

Wing Stop Management  
May 1, 2024



*There's still a lot of runway... both here in the U.S. and, of course, internationally...70% of that [total] unit growth is going to come from outside the U.S.*

Dine Brands Management  
May 8, 2024








\*Source: Earning call transcripts per Capital IQ as of March 4, 2024

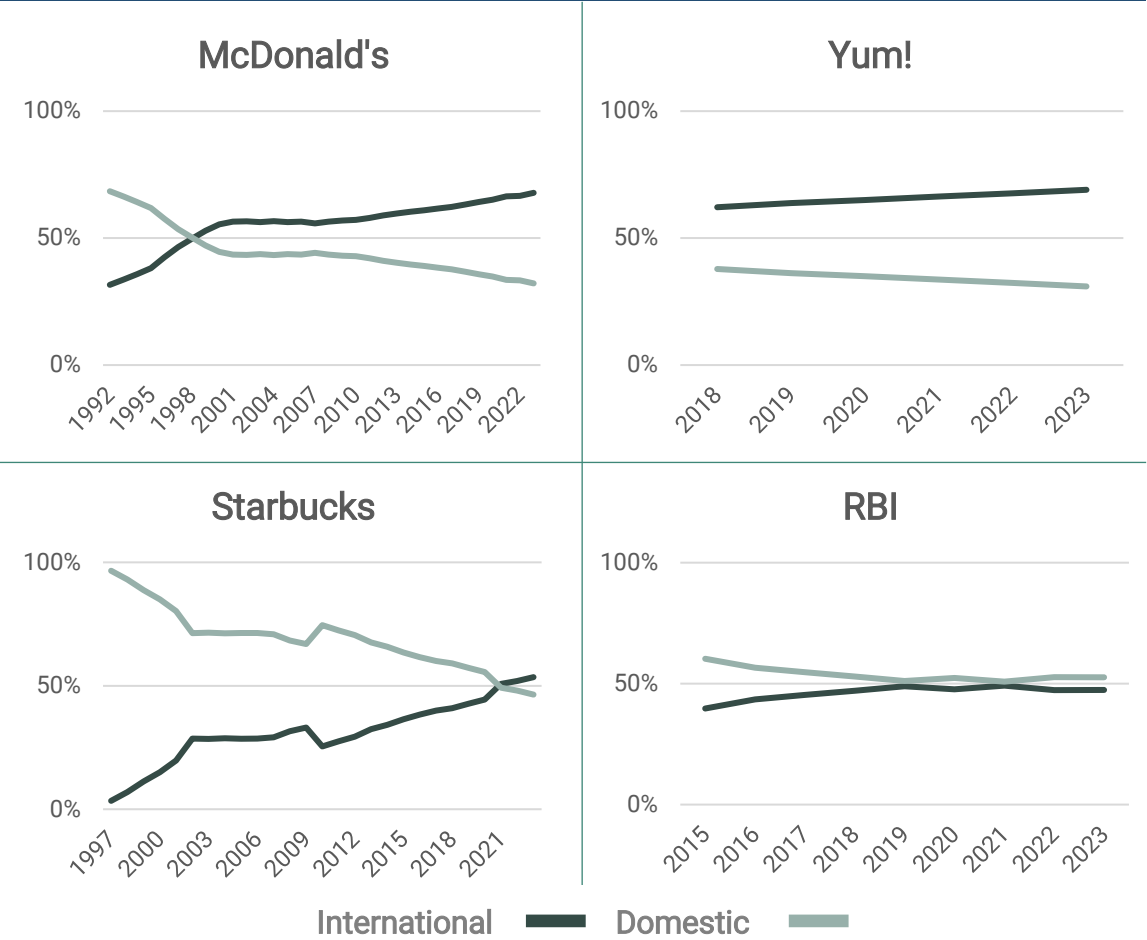
# Growth of International Presence

Facing a saturated domestic market and seeking additional revenue streams, restaurant groups are setting their sights abroad to capture new market share and boost brand recognition.

Company	# of Domestic Units*	# of Int'l Units*	% Portfolio Int'l
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	18,174	40,534	69%
	26,831	28,365	68%
	20,228	20,656	54%
	14,918	13,439	47%
	6,854	13,737	67%

% Domestic vs. International: Restaurant Group Portfolios



\*Source: Company filings (10K or 10Q) and earning call transcripts per Capital IQ as of Feb. 21, 2024; Ankura analysis

# Impetus for International Growth

## Challenging climate at home...

Higher compliance costs due to stringent health, labor, and environmental regulations

Difficulties with higher wages, skilled labor competition, and a limited workforce

Prime real estate comes at a premium, posing escalating operational expenses

Fierce competition due to multitude of restaurant outlets and diverse dining options

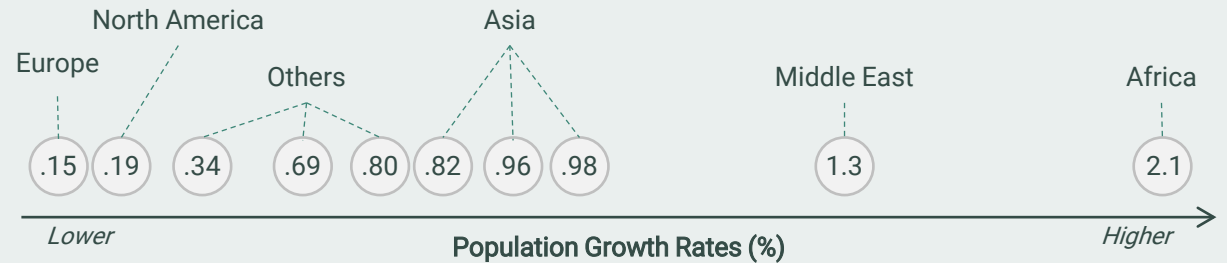
Constant, elevated consumer demands for innovation, driving ongoing investments

Slower GDP growth can lead to stagnant or declining consumer demand

Source: G4621-GL: Global Fast-Food Restaurants. IBISWorld. September. 2023

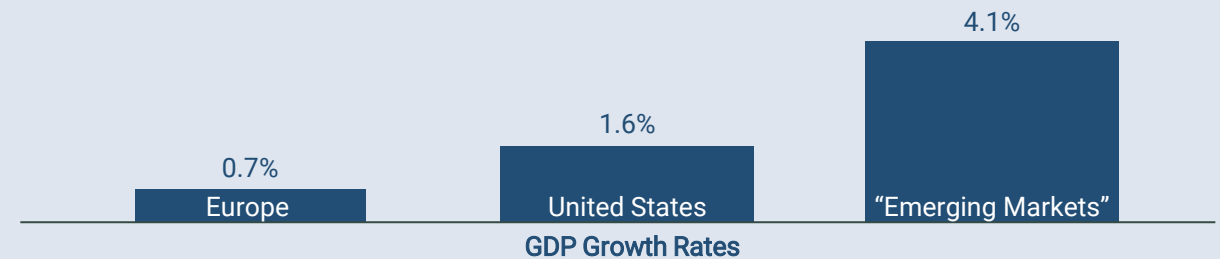
## ...and significant opportunity for growth internationally

On average, emerging markets have much higher average **population growth rates** than those in developed markets



Source: <https://www.cia.gov/the-world-factbook/field/population-growth-rate/country-comparison/>

As such, emerging markets have much higher **forecasted GDP growth rates** than those expected in developed markets



Source: <https://openknowledge.worldbank.org/bitstream/handle/10986/38030/GEP-January-2023-GDP-growth-data.xlsx>

Additional **qualitative factors** provide compelling reasons for restaurants to pursue international expansion

### Brand Recognition

Often, building out an international presence boosts brand image

### Market Diversification

Reduces risk with wider global presence, less reliant on home market conditions






### Innovation Opportunities

New markets inspire product and service innovations, benefiting domestic operations

# Common Challenges of International Growth

But even the largest brands...

...have faced challenges through the years when expanding internationally outside of the US

Company	# of Int'l Units*	Theme	Challenge	Example
	40,534	Local Adaptation & Market Dynamics	Adaptation to Local Tastes	McDonald's faced a <b>major controversy in India over fries cooked in beef fat</b> , forcing a shift to vegetable oil due to the large vegetarian population <sup>1</sup>
	26,831		Competition Challenges	<b>Domino's Pizza struggled in Italy</b> , the birthplace of pizza, succumbing to fierce competition from traditional pizzerias and ultimately closing many stores <sup>2</sup>
	20,228		Cultural Misalignment	McDonald's <b>sold its entire business in Bolivia</b> after operating at a loss, unable to connect with Bolivian dining habits and preferences for local cuisine <sup>3</sup>
	13,600	Operational & Business Strategy	Regulatory Setback	Yum! Brands faced a major sales decline in China after a <b>scandal with expired meat</b> , triggering a comprehensive supply chain overhaul <sup>4</sup>
	13,194		Supply Chain Struggle	Starbucks, <b>criticized for fair trade practices</b> , revamped its supply chain, emphasizing corporate social responsibility amid ethical sourcing challenges <sup>5</sup>
			Economic Turmoil	RBI witnessed BK's performance fluctuate due to economic <b>downturns in key markets like Brazil</b> , prompting a reassessment of their expansion strategy <sup>6</sup>
		Global Brand Image & Responsiveness	Brand Image Struggles	McDonald's encountered <b>protests in Europe</b> , facing resistance due to perceived cultural imperialism, prompting efforts to align with local values <sup>7</sup>
			Market Exits	Several brands <b>closed stores in Russia</b> amid geopolitical conflict and sanctions, marking a significant withdrawal from a key international market <sup>8</sup>
			Environmental Backlash	McDonald's, pressured by global environmental protests, adopted sustainable practices amid <b>criticism of deforestation and packaging waste</b> <sup>9</sup>

\*Source: Company filings (10K or 10Q) and earning call transcripts per Capital IQ as of Feb. 21, 2024; Ankura analysis

1. <https://www.chicagotribune.com/2001/05/25/mcdonalds-apologizes-for-fries-confusion/>  
 2. <https://www.nytimes.com/2022/08/09/world/europe/dominos-pizza-italy-closes.html>  
 3. <https://www.kuodatravel.com/bolivian-food-mcdonalds/>  
 4. <https://www.nbcnews.com/id/wbna55765058>  
 5. <https://www.euronews.com/business/2024/01/11/starbucks-sued-by-consumer-group-over-alleged-false-ethical-sourcing-claims>

6. <https://www.forbes.com/sites/andersonantunes/2012/02/03/can-billionaire-eike-batista-save-burger-king/?sh=2f1910aa170f>  
 7. <https://corporateaccountability.org/media/mcdonalds-cultural-imperialism/>  
 8. <https://www.cnn.com/2022/05/20/mcdonalds-exiting-russia-after-32-years-is-the-end-of-an-era.html>  
 9. <https://www.theguardian.com/sustainable-business/2015/apr/21/mcdonalds-deforestation-global-supply-chain>

# Common Threads of Success

## COMPANIES FINDING LONG TERM INTERNATIONAL SUCCESS



Despite challenges, **many US-based restaurants have expanded internationally**; this will likely be the largest source of growth for major players over the next five years\*



While numerous companies operate internationally, several large franchisors, primarily within the QSR space, have excelled at growing internationally: **Yum Brands, McDonald's, Starbucks, RBI, and Domino's**



Each company executes its own **firm-specific strategy** abroad, but there are **common enablers** that each company has utilized to grow and expand internationally

## ENABLERS OF INTERNATIONAL GROWTH

### Target Market Entry & Localization Strategy



Understanding target markets, and tailoring offerings to **suit local preferences, and market dynamics** for successful international expansion and operations

### Franchise Strategy & Expansion Agreements



Forming strategic partnerships and agreements to enter and scale in new markets, leveraging **local expertise and capital** for sustained growth

### Digital Transformation & Technology Focus



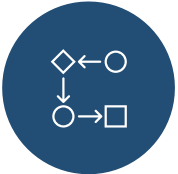
Leveraging digital platforms and technology to **enhance operations and customer experience**, driving growth in international markets

### Brand Strength & Recognition



Harnessing strong brand equity and global recognition as a cornerstone for successful **international expansion and market penetration**

### Operational Excellence & Efficiency



Emphasizing efficiency, profitability, and **replicating best practices globally** to achieve operational excellence in international markets

\*Source: G4621-GL: Global Fast-Food Restaurants. IBISWorld. September. 2023; Company earnings calls; Ankura analysis



# About Ankura

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# Ankura Restaurant Solutions

## Our Restaurant Experts

We deliver experienced talent to the table. Our operators dig in and get their hands dirty to resolve pressing issues, uncover and fix inefficiencies, and bring strategic initiatives to the finish line. Our restaurant team's in-depth experience includes:

- Operational experts that have sat in the chairs and addressed industry issues first-hand
- Trusted advisors during industry ups and downs, executing business strategies, fostering growth, managing costs, and protecting asset value
- Accounting and finance specialists with restaurant specific knowledge and insights

## Diverse Engagement Profiles

We understand and solve for the issues restaurants are facing at all stages of the business lifecycle. Our clients come from a variety of backgrounds including:

- Multi-Billion Dollar Franchises
- Large Hospitality Groups
- Mid-Sized Regional Chains
- Small Privately-Owned Companies

## Client Partnership Approach

To succeed, the team needs to be deeply involved in the process. Our philosophy is founded on putting people first and working together with our clients to deliver value while fostering lasting partnerships:

- Establishing a communicative relationship to co-navigate the rapidly evolving industry
- Collaborating to drive and enable effective, maintainable, and enduring improvements
- Delivering valuable tools and critical training necessary to ensure self-sufficiency

## How We Provide Support

### Financial Planning & Analysis

- Implement Master Data Management strategy, institute single source of the truth
- Institute driver-based budgeting/forecasting models, build "four-wall" store analysis

### Accounting and Cash Management

- Evaluate controls; develop robust accounting policies and guidelines
- Rationalize bank accounts, develop automated reconciliation and reporting cadences
- Standardize franchisee reporting and implement tools to support management

### Business Process Improvement

- Redesign finance operating model, implement strategies to manage working capital
- Streamline accounting operations enabling restaurants to focus on core activities
- Conduct full technology assessment and provide recommendations/initiatives roadmap

### Digital Solutions

- Develop KPI dashboards to analyze digital engagement and online marketing performance
- Analyze consumer target markets, online customer conversion rates and website/app traffic

### Labor and Capacity

- Develop dashboards to optimize workforce; determine staffing required for effective teams
- Determine turnover drivers; identify potential acquisition and retention strategies

### Third-Party Delivery

- Develop system requirements; identify improvements/enhancement opportunities
- Establish standardized processes to track adjustments, discounts, cancellations, taxes, fees

### Gift Card Programs

- Conduct program assessment, evaluate breakage methodology and recognition process
- Streamline accounting month-end and balance sheet reconciliation processes

# Ankura's Restaurant Practice

## Performance Improvement



**Keith Jelinek**  
Senior Managing Director | New York



**Rick Maicki**  
Senior Managing Director | Florida



**Michael Casey**  
Managing Director | Kansas



**Frank Jones**  
Managing Director | Virginia



**Chris Ventry**  
Managing Director | New York



**Laura Wheeler**  
Managing Director | New York

## Ankura Office of the CFO®



**Lauren Herder**  
Senior Managing Director | Georgia



**JoLynn Brown**  
Managing Director | Illinois



**Jordyn Peck**  
Managing Director | Connecticut



**Jason Kaspar**  
Managing Director | Georgia



**Brad Portnoy**  
Senior Director | Ohio



**Ryan Patrick**  
Director | Texas

## Labor Strategy



**John Frehse**  
Senior Managing Director | New York



**Sean Ennis**  
Senior Associate | Illinois

## Global Strategic Advisory



**Chris Caulfield**  
Managing Director | Washington DC



# Ankura Global Reach

35+

offices globally



44

languages spoken

2,000+ professionals

serving 3,000 clients

across 115+ countries

- Ann Arbor • Atlanta • Beijing • Boston • Brussels • Chicago • Dallas • Dubai • Fairfield • Frankfurt am Main • Gurugram • Hong Kong
- Houston • Irvine • London • Los Angeles • Melbourne • Miami • Mumbai • Nashville • New York • Orlando • Perth • Philadelphia
- Phoenix • Riyadh • San Francisco • San Juan • Seattle • Shanghai • Singapore • Sydney • Tampa • Toronto • Vancouver • Washington, DC

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