

SHOULD A BUSINESS EXPAND GLOBALLY BY FRANCHISING?

Chuck E. Cheese
Example

By Artem Ilin

HSE, Feb 7 2023

CHUCK E. CHEESE

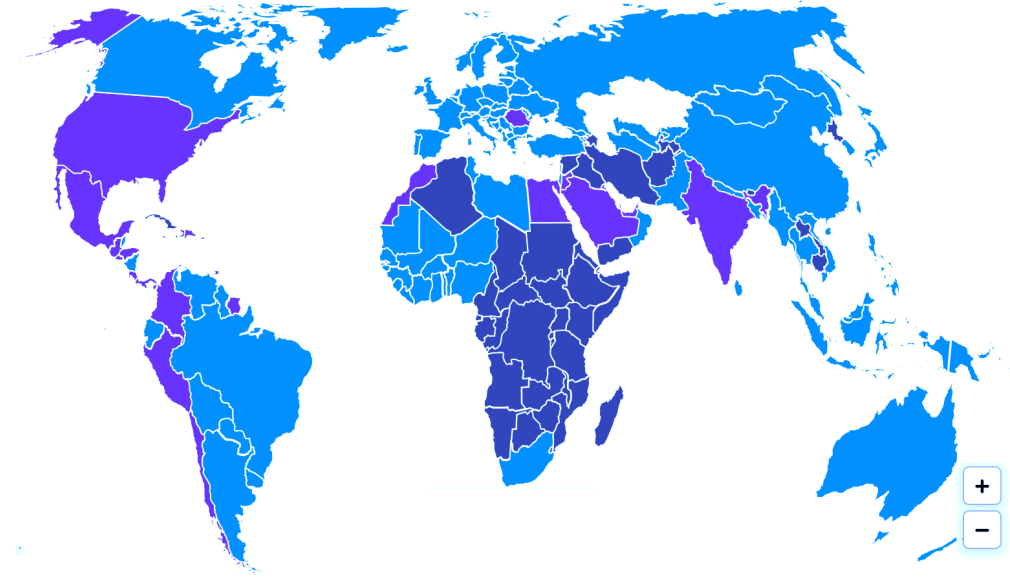
- Chuck E. Cheese is the world's largest family entertainment chain brand with over 600 locations in over 16 different countries/territories and counting.
- There is consistent demand for wholesome entertainment and family dining in all types of macroeconomic environments
- The brand is a leader in the food and drink space and providing an experience in entertainment.



MARKETS EXPANSION

The advantages of franchising:

- It avoids the costs and risks of opening up a foreign market.
- A firm can quickly build a global presence.



■ – Not Available ■ – Available ■ – Occupied

<https://www.global-franchise.com/master-franchises/chuck-e-cheese>

Latin America Market #1:

- Average sales – \$1,252,569
- Profit – 26.2 per cent
- Capex: \$1.6m

Latin America Market #2:

- Average sales – \$1,583,273
- Profit – 29.5 per cent
- Capex: \$1.8m

Middle East Region:

- Average sales – \$2,887,000
- Profit – 42.75 per cent
- Capex: \$2.6m

COLLATERAL RISKS



PROBLEM:

*INABILITY TO TAKE PROFITS
OUT OF ONE COUNTRY TO SUPPORT
COMPETITIVE ATTACKS IN ANOTHER
ONE.*

SOLUTION:

*CEC FINDS PARTNERS WITH
ENTREPRENEURIAL MINDSET AND
CAPITAL TO GROW*



PROBLEM:

*DISTANCE FROM THE
FRANCHISEE MAY MAKE IT
DIFFICULT TO DETECT POOR
QUALITY*

SOLUTION:

*CEC OFFERS TURNKEY
BRANDING TAILORED FOR LOCAL
MARKETS, AN ATTRACTIVE ROI, AND
SUPPORT*



PROBLEM:

*POOR QUALITY AT ONE
BRANCH CAN HURT THE BRAND
GLOBALLY.*

SOLUTION:

*CEC LOOKING FOR POTENTIAL
PARTNERS WHO MEET THE CERTAIN
REQUIREMENTS, AND RELIABLE
ENOUGH*

PROS AND CONS

- Profitable however does not require drastic capital investments.
- Relatively easy entering strategy.
- Helps establish image of the brand.
- Might be hard to control remote branches.
- Cashflows barriers between regions.
- Poor performance of franchise might damage main company.

Overall, while managing precisely franchising becomes adequate strategy to expand globally, as well as to generate additional revenue at low cost.

THEREFORE SOLDIERS MUST
BE TREATED IN THE FIRST
INSTANCE WITH HUMANITY,
BUT KEPT UNDER CONTROL
BY MEANS OF IRON
DISCIPLINE. THIS IS A
CERTAIN ROAD TO VICTORY.

Sun Tzu on the Art of War