QSR followed four Wing Zone executives as they took the brand beyond U.S. borders and into Central America. Along the way, the group inked a deal in Asia and found out what it takes to expand a concept into new territories.

BY DEBORAH L. COHEN

'The International Plan'

SHANNON McCOLLUM

(left) Co-founder and CEO **Matt Friedman**, co-founder and CFO **Adam Scott**, chief operating officer **Casey McEwen**, and vice president of international development **Hair Parra**

Population. U.S. proximity. Financing. Footprint. The right partners. Those were just a few of the factors that mid-sized quick serve Wing Zone considered in choosing the first international market to represent its expanding brand.

The founders believed they had just one shot to make their international debut and they wanted to get it right. For years, prospects had approached the fast-growing domestic chain, offering to bring its largely college-oriented take-out concept abroad. But Wing Zone held out, seeking to maximize opportunities at home in a U.S. market that appeared plenty big enough

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to handle increasing demand for buffalo-style chicken wings.

Come the recession the picture began to look different, recalled executives with the Atlanta-based chain of 100 restaurants, which was founded on the campus of the University of Florida in 1991. So in early 2009—with domestic growth expectations slowed to about a dozen stores—they undertook serious plans to expand the concept outside U.S. borders.

"It became more of a priority as things domestically slowed down," says Matt Friedman, founder and CEO, looking back on the process in early September. "We could then focus attention on the international plan."

Mexico, Central America, Latin America, and the Caribbean, with their penchant for chicken, the world's most popular protein, seemed logical choices. These markets were close enough to facilitate the affordable export of Wing Zone's products and allowed for hands-on supervision by the operations team, just an easy hop from Miami International Airport.

Industry heavyweights such as KFC and Burger King had already demonstrated success in the region. In addition, there seemed to be room for a niche player devoted primarily to made-to-order chicken wings, with signature sauces that would cater to the region's appetite for spicy flavors.

"Delivery concepts are really thriving in these markets," Friedman says. "The buffalo wing as a core menu concept really hasn't penetrated yet."

Adds co-founder and CFO Adam Scott in the same September interview: "Central and South America—they're not having the same economic struggles as the rest of the world is. That was definitely a factor in where we would start our initial push."

While Friedman and Scott oversaw pieces of the broader strategy, including financing and legal, work on the ground was spearheaded by two newcomers: chief operating officer Casey McEwen, a former Wing Zone consultant with executive experience at chicken concepts including Mrs. Winner's Chicken & Biscuits and Lee's Famous Recipe Chicken; and vice president of international development Hair Parra, a Venezuelan-born franchising executive with longstanding expertise in Spanish-speaking markets.

McEwen would run point from Atlanta, providing Parra with marketing, training, and other resources from the operations team and leveraging key affiliations such as Coca-Cola for its renowned market research.

Working from a Miami office, Parra would function as the only executive exclusively focused on the international efforts, locating potential franchisees, suppliers, and other contacts critical to phasing in the new markets. He understood the competitive landscape, having previously brought brands such as Papa John's and Domino's Pizza into the region.

Poultry would be sourced locally, but the chain's 15 proprietary sauces, including flavors like Sweet Teriyaki, Thai Chili, and Nuclear, as well as its signature fries, would likely have to be flown in from the states, at least in the short term.

Wing Zone determined the best partnership model for expansion into the region would be area developers, savvy insiders who knew the lay of the land, had access to financing, and offered established local connections. Unlike franchise brokers, they would also be directly accountable for performance with hands-on responsibility for restaurants.

"For us, we're getting into business with people that are operating the business," Friedman says. "Those first few countries we go to—the units have to be so buttoned up and focused. I don't want to jeopardize that by selling franchises to a bunch of different people."

Parra worked his extensive sourcing network to uncover a series of qualified leads. In mid-September, he and the team were entering late-stage negotiations with a Panama-based group of four young men whose strengths included strong family backgrounds in the restaurant and beverage industries. Panama, it seemed, was shaping up be the first non-U.S. market to house a Wing Zone restaurant.

The country, whose main trading partner is the U.S., serves as a strategic bridge connecting North and South America. Its thriving port of Panama City, with a population of 1.1 million, constant influx of tourists, and strong service sector, seemed ripe with opportunity.

"Panama loves American brands," says William LeSante, a Miami-based international consultant who specializes in helping food and restaurant companies move into new markets.

"They're going through a massive expansion now," he says, noting the advent of several major shopping malls. "There's a lot of building going on."

McEwen, who spent time scouting Panama and El Salvador earlier in the year, had noticed other trends, as well, namely local eating patterns. Diners, he observed, were not harried like their U.S. counterparts and seemed more family focused. People sat down to eat; even at quick serves, tables turned more slowly. The primarily delivery-centered Wing Zone footprint would need some retooling.

"One of the big things that surprised me," McEwen says, "was how a national brand here reinvents itself down there. You have to blend with the eating habits of the people."

The initial stores in each market would have high visibility, crucial to creating brand recognition, and would call for the most dramatic change—double the footprint to 2,000 square feet. The new space would accommodate seating for 50–60 patrons who would be offered table service, as well as beer and wine. Delivery would remain an essential component, with stores housing a fleet of on-site motor scooters, in keeping with the local custom.

"Every location may not be cookie-cutter the same," says McEwen, noting that some subsequent units might be designed as take out and delivery only.

Wing Zone's domestic marketing strategies, which rely heavily on tactics such as door hangers and direct mail, are expected to transfer easily to Panama, McEwen says. He was working with the Atlanta team to have some of the chain's standard templates translated. "One of the ways we market is feet on the street," he says.

Meanwhile, throughout much of the year, Scott kept his international focus on the contractual details necessary to hammer out the deals, spending time coordinating legal documents between attorneys in the states and those abroad. The process was often frustrating and frequently required more time than had been allotted.

"If you don't have the correct legal documents, that entire process taken care of, you really can't do anything," he says. "You've got to have the teeth in your agreement to make sure everything stays on track."

Scott stresses the importance of laying the ground work, noting that Wing Zone had secured trademarks in 10 countries long before it began expansion plans in earnest.

Preparation was a pervasive theme. Even as the reality of the Panama deal loomed closer, Parra continued to pursue potential area-developer candidates as they arose, including prospects in El Salvador, Guatemala, Trinidad and Tobago, and later in the year, Mexico and Brazil. If the concept really was going to work in these markets, it would require economies of scale. Relationships are everything, and they take time to develop, he says.

"You will have at least three meetings with these people before you even sign the contract," says Parra of any new area developers. "Before they open we take a team 10 days before the store opens and then we stay 10 days after. And they will come here for training, which could be between three to six weeks."

Bridging cultural gaps is one of his strengths. For final negotiations with the Panama group, which was selected from three final candidates, Parra planned to stay at the home of one of the principals, a scenario not unusual when doing business in this part of the world. Once deals reach the final stages, candidates often bring additional members of their family into the meetings. A lack of awareness of these customs could threaten to derail an otherwise solid agreement.

"One of the things that will get people really upset is if you don't have respect for their family," Parra says.

In October, he disclosed somewhat cautiously in an interview with *QSR* that several hopeful markets—Venezuela, Honduras, and Nicaragua—had been put on hold due to the tenuous political environments in those countries and concern that relations with the U.S. could erode. Politics and economic stability must be carefully weighed. "Right now a lot of companies are leaving because they don't feel stable," Parra says.

Meanwhile some other, more hopeful, curve balls were thrown at the management team. As traction in Central America was building, Wing Zone was approached by a private investment firm adept at taking American brands into the prized Japanese market, where they frequently experience significantly higher unit sales. Reacting to what they viewed as an opportunity they could not pass up, the management team hammered out a 50-store deal with San Francisco–based Pacific Rim Partners.

"Japan is a very difficult country to penetrate," says Scott, who along with the rest of the team discussed the plans with *QSR* in October after Wing Zone had secured a signed letter of intent. "If you don't have the right partner or the right people on the ground, it can be very difficult to get started. We're optimistic we have a great partner."

In contrast to the Central America model, Pacific Rim would become a master franchisee, giving it rights to run its own restaurants as well as sell off additional franchises in the market. They would split franchise and royalty fees 50-50. Because real estate in cities such as Tokyo is at a premium, smaller-scale stores were being planned in a bid to cash in on Japan's preferences for take out and delivery.

About that same time, another deal with longer-term international potential was finalized. AAFES, the Army & Air Force Exchange Service, an agency of the Department of Defense that franchises concepts on behalf of the U.S. military, signed on with Wing Zone to develop 10 initial stores on domestic military bases.

"It secures us a place not only domestically but also internationally," says McEwen, who was confident that AAFES would eventually bring Wing Zone to some of its overseas bases, giving the brand additional toeholds in foreign markets.

The new opportunities seemed like a lot to digest, but the team appeared willing to juggle multiple projects. In late November, they turned their attention squarely back to Panama after Wing Zone and the selected area developers inked the final contract, securing the chain's first international deal.

"We think there's a lot of potential in the market," says Diqueos Tagaropulos, who heads the area-developer group and is its largest stakeholder. "It's an amazing product." His group will develop at least five stores in the Panama City area within the first five years. With some luck and additional financing, they'll also move into El Salvador and Guatemala for a projected total of 25 stores. Both sides seemed hopeful that with shorter build-out cycles than in the U.S., the first restaurant would open its doors within the first three months of 2010.

By the time of *QSR*'s last interview with the brand, Friedman and Scott were busy running through final numbers, weighing time and investment against expectations for the region. Through November they had spent some $300,000 on the expansion efforts, including salary, travel, and legal costs, slightly above projections. The final tally would be even higher, as the Atlanta executives would make repeated visits throughout the year to check on Panama's progress.

While they expected food costs to be roughly even with those in the U.S., the company would catch a significant break on labor in the new stores, allowing for margins that could double those of its domestic units. At the end of 2009, executives were betting the initial restaurants would exceed $900,000 in average unit volumes, far surpassing U.S. averages, which in 2008 tracked at $585,000. With the numbers looking good and the time frame on track, the team appeared satisfied with the progress of their new venture.

"It's been a very well-thought-out plan," Friedman says in the most-recent interview. "It's takes capital. It takes planning. It takes good people. We believe we've got it completely covered."

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