

Michigan: Let's Talk Turkey

Where in the World is Business Going Now?

What does Microsoft, headquartered in Redmond, Wash., have in common with Michigan-based Two Men and a Truck in Lansing, Allegra/Signs Now in Northville or Service Brands International and Mr. Handyman in Ann Arbor? These companies are all licensing their intellectual property overseas, which is the fastest-growing part of the U.S. economy.

Export-Import Bank of the United States is prepared to provide critical export financing to help achieve President Barack Obama's goal of doubling U.S. exports within the next five years, according to Fred Hochberg, its chairman and president. "In face-to-face conversations with foreign companies and government officials during the past year, I have consistently heard the same message — they want to buy high-quality U.S. goods and services, and they want more American companies to sell to them," he says.

Mr. Handyman, with more than 300 franchises in the U.S., is a member of Service Brands International, a group of companies that provide time-saving services. Since 2003, CEO Todd Recknagel has increased consumer sales more than 700 percent for Mr. Handyman International. Recknagel also handles international business

for Service Brands International's portfolio of brand franchises that includes Molly Maid, Protect Painters and 1-800-DryClean. Less than 5 percent of Mr. Handyman's revenues of \$60 million come from international sales. But Recknagel expects that number to climb as international franchises

further develop in the United Kingdom and Ireland.

Due to the population density and geography, Mr. Handyman operates differently there than in

the U.S. Recknagel explains that a call center set up in the U.K. and Ireland serves as the main franchise for each country. The license holder then leases Mr. Handyman vans to service technicians instead of selling franchise locations throughout Ireland.

"It is widely known that Todd Recknagel is a magician. Launching Mr. Handyman ... could very well be this conjurer's greatest trick," says Frank McCarthy, who holds the licensing rights to Mr. Handyman for Ireland and the U.K. and operates the brand as Mr. Handyman.com. McCarthy adds, "We have presented Mr. Handyman to government authorities across the U.K. They have confirmed that under their small-business programs that all new Mr. Handyman business owners would qualify for support, which would include financial assistance in the form of grants and business loans, although these do vary from region to region."

"We're No. 1 in the United States and we want to be No. 1 throughout the world," Recknagel says of Mr. Handyman, which in 2008 became the first American franchised handyman service brand to operate in China. International expansion for Mr. Handyman started in Canada and this year moves into Japan. Based on the counsel of Edwards Global Services (EGS) in Irvine, Calif., which specializes in helping companies find suitable and profitable international markets, Recknagel now has his sights on Turkey, the world's only Muslim democracy. EGS CEO William Edwards has 38 years of international experience and has lived



Frank McCarthy owned a major commercial cleaning company in Ireland and now expects Mr. Handyman.com to be operating more than 85 vans in Ireland and the U.K. by 2012.



Todd Recknagel (right) is president and CEO of a Mr. Handyman. He is shown with the first European license holder, Frank McCarthy.

and worked in Turkey as well as China, the Czech Republic, Hong Kong, Indonesia and Iran.

In 2009, EGS focused on countries where the gross domestic product (GDP) was positive to find licensees for more than 15 franchisor clients in 10 countries in Asia, Europe, Latin America and the Middle East. Last year, the U.S. market was difficult for new franchise development and royalty growth, but international markets were not as dependent on loans.

In a down year for investments, EGS negotiated license agreements in 2009 for its clients in such countries as Brazil, China, Japan, Mexico, Singapore and Malaysia as well as the U.K. In addition, Brazil, China and India are seeing excellent middle-class growth

driving the desire for Western franchise brands. Still, U.S. businesses finding, evaluating and signing the best international franchisees depend on market research and licensee candidate due diligence.

Edwards' research forecasts the "hot" markets for U.S. franchises in 2010 and 2011: "Brazil – Strong growth, high level of franchising; China – Focused on first- and second-tier cities; and India – Strong desire for food and retail brands." Edwards predicts, "South Africa, Turkey, Vietnam and Europe will start coming back in 2011. In general, European Union countries are not seeing much new investment this year due to high unemployment and high overall bank debt." Edwards expects it will be 2011 before significant new investment is seen again in Ireland. EGS' GlobalVue country-ranking tool for 2010 can be downloaded at www.edwardsglobal.com/globalvue.html.

So what in the world is going on now, and what does it mean for Michigan manufacturers in addition to service providers? ThomasNet.com in New York connects industrial suppliers and buyers worldwide, providing access to more than 607,000 industrial companies, indexed by 67,000 product and service categories. Based on a survey of about 800 executives and managers, 65 percent of industrial companies predict that the U.S. economy will improve by the second quarter of 2010.

"In my view, it's time to take a deep breath — and like the phoenix, rise from the ashes and

spread your company's wings on the Internet to take advantage of this upswing," says Susan Orr, senior director, strategic marketing, for ThomasNet. "It's time to rebuild your momentum by diversifying into new markets and attracting more buyers for your products or services."

Richard Rubin, president of Maxi Container of Detroit, did just that. His third-generation family business worked with ThomasNet to improve its Web site (maxiconcontainer.com) so it would better serve and "sell to" industrial buyers looking for steel drums, hazardous waste bags, boxes and the like. This is exposing the company to more international customers, an unexpected bonus. While most Web site visitors still are from the U.S., Maxi Container recently has had inquiries from 18 different countries and is in discussion with a company in the U.K. to represent and sell cubic-yard hazardous waste boxes and bags there. Rubin says, "We receive numerous RFQs through our Web site and catalog.

"Last year we also sold three sea containers of a unique fiber drum to a pharmaceutical company in Puerto Rico," Rubin adds. "We worked with them for several months to develop this container to their exact specifications."

Among other end users of Maxi Container's specialized containers and other products are U.S. military aircraft overseas, a graphite company in Ontario, Canada, and a Korean firm.

A new National Export Initiative designed to provide more funding, more focus and more Cabinet-level coordination is hoped to grow U.S. exports. The U.S. Commerce Department's International Trade Administration is now focused on increasing the number of such small- and medium-sized businesses exporting to more than one market by 50 percent during the next five years. ■

—BY CINDY ORLANDI



An expert in identifying and implementing international business development projects, William Edwards provides consultant services.



Susan Orr is senior director, strategic marketing, for ThomasNet. ThomasNet.com has referred more than 380 unique visitors to Maxi Container's Web site and is its second-largest referrer after Google.



Richard Rubin, president of Maxi Container of Detroit, just closed a truckload pail order to assist relief efforts in Haiti.