

Where to Take Your Franchise in 2011

Opportunities to expand your franchise exist beyond U.S. borders.

BY WILLIAM EDWARDS, CFE



Last year's trend of fast growing economies being very open to acquiring U.S. franchises is likely to continue at an accelerated rate in 2011. These are the countries that largely weathered the recession better than developed countries and saw stronger economic growth in 2010.

The franchise financing challenges experienced in recent years in the United States are not as prevalent internationally, as most licenses are funded by companies and unit, or sub-franchising, is not common in many other countries.



Where to Go

Increasingly, a good measure of the potential to award a license for your franchise in a country is the Gross Domestic Product growth rate. The higher the GDP growth rate, the more investment is being made in a country. Experience over the past three years indicates this is also a good measure of whether local companies are open to new franchise investments.

The key international markets that are expected to have strong franchise growth in 2011 include:

- Brazil—Strong growth, high level of local franchising
- Chile—Small, but sophisticated franchise market
- China—Focused on first and second tier cities
- Colombia—Strong desire for U.S. food brands
- India—Strong desire for food and retail brands
- Mexico—Region-specific franchising opportunities
- Middle East—Specialty food and retail
- S.E. Asia/Indonesia and Malaysia—Special niche brands
- South Africa—Service sector franchises
- Vietnam—New emerging market with a strong food sector need

What Franchise Sectors Are Drawing Interest

Franchise sectors getting the most interest on the international front include:

- Automotive—Aftermarket products and services
- Education & Training—Management & children's products and services at all levels
- Commercial Services—Facility management, cleaning, handyman, security
- Personal Services—Handyman, maid, mobile, home health care
- Specialty Food & Retail—Mall anchor concepts, special clothing brands, theme brands, ethnic foods, well-known chicken, dessert and pizza brands

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GlobalVue™: Desired Franchise Types By Country

Country Or Region	Education	Food	Retail	Service
Australia	2	3	2	1
Brazil	3	1	1	1
Canada	2	2	2	1
Hong Kong	1	1	2	2
India	2	1	1	2
Indonesia	2	2	2	3
Ireland	3	2	2	2
Japan	2	2	2	2
Malaysia	2	2	2	2
Mexico	2	2	2	2
Middle East Region/GCC	2	1	2	2
Philippines	2	1	2	3
Singapore	1	2	2	2
South Africa	1	3	2	2
South Korea	2	2	3	3
Spain	3	3	3	2
Turkey	2	2	1	2
United Kingdom	3	2	2	2
Urban China	1	1	2	2
USA	2	2	2	1
Viet Nam	1	1	2	2

This chart shows what types of franchises are most desired on a country and regional basis. Franchise types shown as a “1” are the most desired. This data is based on a survey of 25 franchise professionals in 28 countries in the fourth quarter of 2010.

Emerging markets such as China and Vietnam are focused on education, food and retail brands. Developed countries, such as Australia are focused more on service and much less on food, which is already well developed in these countries.

What About Europe?

Due to very high unemployment and overbuilding in most European countries up to 2008, there is little new investment happening right now. But franchise investment is starting to happen in Eastern Europe and could make a comeback as early as 2012 in areas such as Scandinavia, Spain and the United Kingdom. ■

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Some recent examples of these trends include an Abrakadoodle opening in Japan, Malaysia and Singapore; Carl’s, Jr. opening in Indonesia and Vietnam; Dairy Queen opening in Saudi Arabia; and Right At Home opening in Brazil.

More new cars were sold in China in the past two years than in the United States, yet few quality, branded auto care services exist there. As a result, there is a great need for U.S. auto care brands in China.

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