RISKS AND OPPORTUNITIES IN THE YEAR AHEAD

Global franchise development ranked by country

Written by **BILL EDWARDS**

Each year as I begin to write this article, I look back on what affected global franchise development in the previous 12 months. After four decades in international business, the broad impact of a war in Europe, high levels of inflation, rising interest rates, fears of recession, and political mistakes all lead me to say that it's never been more important to very carefully choose which countries franchisors choose to enter in 2023. Despite all that, there are signs of spring, and there certainly are countries where new franchise development is doing well.

The analysis for this outlook on specific countries draws on input from more than 30 international information sources, from franchisors we poll, and from our associates on the ground in more than 20 countries.

Some positive trends are beginning to appear. Rental rates for good retail properties have declined in most countries. Some nations are coming out of the pandemic fast and seeing strong local investor interest for new franchises. Some governments are actively encouraging small-business growth, which directly affects franchising. Supply chains are showing signs of calming.

Perhaps most importantly, I am finding local companies that see today's conditions as a chance to acquire and grow new brands with lower startup costs. With all this in mind, let's look at the potential for new franchise development in several normally franchise-friendly countries in 2023.

Australia—This is one of the world's most franchised countries, but there are considerable regulatory issues with bringing a franchise into the country. Nevertheless, there is strong interest in new franchise investment.

Brazil—The economy is recovering and there is a new, outward-looking government that is an unknown as far as new investment policy and small-business focus.

Canada—The longtime challenge of finding regional or country licensees in Canada—with roughly one-tenth the population of the U.S. spread over a slightly larger land area—persists. There also is the challenge of finding well-capitalized investors willing to invest in a new concept.

Chile—Formerly lauded for its strong appetite for foreign franchise brands, the current political and economic turmoil means little local investor interest in new projects for now.

China—As China gradually reopens, certain franchise sectors will see regional licensee interest rise once foreigners can easily enter and travel around China, especially outside its largest cities, such as Shanghai and Beijing.

Egypt—Despite its sometimes negative portrayal, malls are going up everywhere, tourism is returning, and the new capital city has lots of available retail space for franchised businesses.

India—This country is projected to have the world's highest GDP growth in 2023. Nevertheless, challenges remain to find, qualify, and sign licensees who will follow franchise systems.

Indonesia—This nation has an aspirational middle-class consumer population approaching 80 million that communicates using social media and is open to foreign brands. We expect to see strong franchise system growth here in 2023.

Italy—Another new government brings hope for new economic development. Most new franchise activity is in the northern part of the country around the manufacturing center of Milan.

Japan—Major business cultural shifts are occurring, with large corporations seeking to diversify by acquiring franchises. The younger generation is far more entrepreneurial and open to new ideas and business models.

Korea—Difficult franchise-related laws and regulations remain an entry barrier for foreign franchises. Sectors remain controlled by very large corporations, and the half-life of foreign F&B brands remains short.

Mexico—Mexico City and Monterrey are showing strong new investment interest in known franchise brands. Existing licenses are making the most of better real estate availability and pricing to open new units in middle- and upper-class areas.

New Zealand—The most franchised country in the world (based on the number of franchise locations per capita) remains open to new brand entry. However, the cost of money and inflation make people a bit reluctant to make new investments.

Peru—A normally strong market for foreign brands is going through political turmoil that will cause local businesses to postpone new investment.

The Philippines—This country is seeing strong GDP recovery from the pandemic and a more business-friendly new government, leading to renewed interest in foreign franchise brands. Watch the existing multi-unit, multi-brand operators (MUMBOs) to see if they use current local conditions to add units and brands.

Poland, Czech Republic, and Hungary—The war in Ukraine all but stopped interest in making new project investments in 2022. This may continue through 2023.

Saudi Arabia—Restaurants no longer need separate areas for families and young men, which has a very positive impact on the bottom lines of new restaurants. Restaurants have women servers for the first time. The government sees franchising as a way to create many new jobs for Saudis. It is possible to get a visa online in a few minutes. As a result, there is renewed interest by foreign brands in this large, well-to-do market.

Spain—With an economy doing better than most other European Union countries, there is good interest in franchise brands in the F&B, fitness, property management, business services, and even medical franchise sectors.

Thailand—The rapid recovery of the critical tourism industry is the key to whether investors are willing to consider new franchise development in 2023. There is a preference for Asian F&B brands, although well-known Western brands also do well, especially in big cities where there are lots of tourists.

United Arab Emirates—At the November Global Restaurant Leadership Conference there was strong positive interest in new development in the UAE and other Gulf Cooperation Council countries.

United Kingdom—For new F&B brands entering the U.K., investors and funding banks want to see skin in the game from the foreign franchisor. Space availability and lower cost are a plus.

Bottom line

Although there are global, regional, and country-specific challenges to finding, qualifying, and signing new international licensees in 2023, there are real opportunities in selected countries. ■

Editor: A more comprehensive version of the table below, with additional countries and categories, can be found on the EGS website.

William Edwards is CEO of Edwards Global Services (EGS) and a global advisor to CEOs. EGS offers a complete international operations and development solution for franchisors, based on experience, knowledge, a team on the ground in more than 40 countries, and trademarked processes based on decades of problem-solving. Contact him at bedwards@edwardsglobal.com or +1-949-224-3896. Read his latest biweekly global business newsletter at www.geowizard.biz.

The 2023 EGS GlobalVue Country Ranking

COUNTRY	2023 GDP Growth (Projected)	Market Size (Customers)	Legal Concerns	Ease of Entry	Political & Economic Stability	Ease of Finding Investors	Overall Ranking
AUSTRALIA	3	3	3	2	1	2	2.3
BRAZIL	3	1	2	3	3	2	2.3
CANADA	3	3	2	2	1	2	2.2
CHILE	2	3	1	2	2	2	2.0
EGYPT	1	1	2	2	2	2	1.7
INDONESIA	1	1	2	2	2	2	1.7
ITALY	3	2	2	2	1	2	2.0
JAPAN	3	1	1	3	1	2	1.8
MEXICO	2	1	2	2	2	2	1.8
NEW ZEALAND	3	4	1	1	1	2	2.0
PERU	3	3	2	2	4	2	2.7
PHILIPPINES	1	2	2	1	2	2	1.7
SAUDI ARABIA	1	2	2	2	2	2	1.8
SPAIN	3	1	2	1	1	2	1.7
THAILAND	2	2	2	2	2	2	2.0
UAE	2	2	2	2	1	2	1.8
UK	3	1	1	1	1	2	1.5
USA	3	1	2	1	1	1	1.5