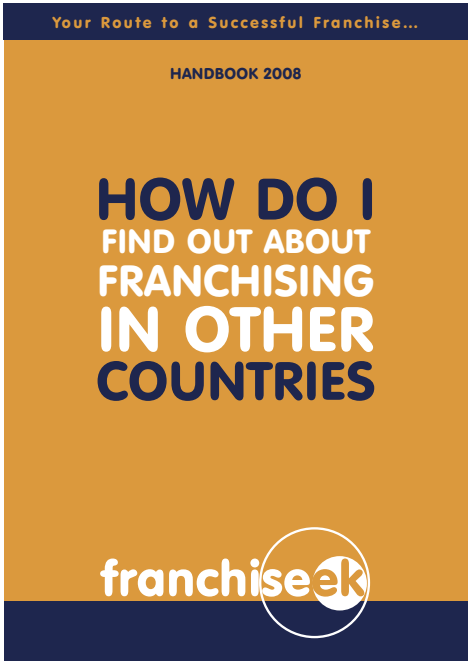
Your Route to a Successful Franchise...

HANDBOOK 2008

HOW DO I FIND OUT ABOUT FRANCHISING IN OTHER COUNTRIES

franchiseek

www.franchiseek.com



Publishers

Franchiseek Limited
129A High Street, Lymington,
Hampshire, SO41 9AQ, United Kingdom
Tel: +44 (0)1590 689755
email: news@franchiseek.com

Contents

> "Throughout my career in franchising, I cannot remember a more exciting time to be involved in this business."

Trends in global franchising

Brian Duckett of Howarth Franchising advises on how to successfully franchise abroad

"Before franchisors decide to take on the world they must ask themselves some very important questions and conduct some intensive reviews of their system."

I have had the pleasure to be involved in franchising since 1976. That's thirty years, originally as a franchisee, then a franchisor, then since 1991 as an advisor to businesses who either want to franchise, or who are already franchising their system. Over the last year or so, I have spoken at franchising conferences and worked with clients in Europe, USA, Australia, The Middle East, Asia and Africa and I can say with confidence that franchising has truly become an international business model.

Today's global village is only getting smaller and making the opportunities for franchising's expansion greater. One of the top priorities of our business, as part of the world's largest network of franchise consultants is to advocate the need to think beyond borders.

The global marketplace is ripe for franchising and we will be pleased to discuss the various legal, financial and cultural issues involved in expanding and taking a franchise business through international expansion. We can also look at it from the other side and help you with the process of perhaps becoming a master franchisee.

Throughout my career in franchising, I cannot remember a more exciting time to be involved in this business. On virtually every front, there is exciting, positive activity. Not only are there completely new franchise concepts appearing in industries where none existed before, but the adaptation of new technology and IT-driven franchise management systems is rapidly improving the entire face of franchising.

What's more, the information about franchising as an opportunity for personal investment is more easily accessible to prospective franchisees than ever before as more and more banks and financial institutions realise the relatively safe lending opportunities that a well-structured, well-proven franchise brings. Never before in the history of franchising has there been such much detailed information available to help prospects conduct their due diligence, nor so many experienced advisors to help them.

All of this, of course, translates into greater growth for franchise systems, no matter where they originated or where they have established their headquarters.

In countries where franchising is far less mature than in the USA, UK or Australia, there are innumerable opportunities for franchisors and franchisees alike, both to import successful systems from abroad and to develop established businesses into truly successful franchised networks in their own right. In time, those local franchises will themselves be ready to move out onto the world stage - provided they plan ahead as they should.

A couple of years ago, The World Franchise Council's (WFC) latest survey suggested that there were at least sixteen thousand franchise systems - that's franchisors - operating around the world. Across Europe, according to recent figures from the European Franchise Federation, there are said to be about seven thousand. When the WFC survey was done, the United States had about fifteen hundred franchisors, followed closely by Japan with eleven hundred. Indeed, the WFC found that there are 29 countries that had at least 100 franchisors. No doubt all those numbers have since increased.

What that translates into is lots and lots of franchisees - more than one-point-six million of them, according to the WFC. The US then ranked first with 760,000 franchisees. Japan was next with 220,000, followed by China and Canada which had more than 80,000 each. WFC estimates put total sales by franchisees at more than One Trillion US dollars. Once again, without doubt, all those totals have now risen - and that is big business!

One interesting fact from the UK in 2004 was that six out of eight finalists, and all three category winners, in the British Franchise Association (BFA) Franchisor of the Year awards were the local operations of overseas franchisors. That shows systems can travel successfully and that's very encouraging for us all.

What's more encouraging is that with this level of growth and activity, the opportunities for everyone involved in the franchising sector are increasing exponentially, and this is certainly great news for businesses who are presently considering taking their franchise system abroad, and great news for those people looking to import systems into their country.

Before franchisors decide to take on the world they must ask themselves some very important questions and conduct some intensive reviews of their system. If you are a potential master franchisee of an overseas system you too must make sure that those questions have been asked and those reviews have been carried out.

One poll of small and medium franchisors found that most of them made the decision to go international after simply being asked by someone if they could open the franchise in their country. that may work for some franchises, but it is not the recommended way to go. It may be the trigger for the thought process, but it is not the trigger for action.

Ego may have played a role in this because it certainly sounds wonderful to be able to say you're an "international" company. It's not difficult to imagine being a jet-setter, flitting from one exotic country to another. But wise franchise professionals will avoid making business decisions at such an emotional level.

Going abroad is a serious decision - one that could make or break a company, so my encouragement comes with a caveat. I eagerly urge you to take your franchise international only if you meet certain criteria.

If your franchise is competitive in your domestic market, and if your franchise can withstand a very rigorous self-examination and a disciplined analysis of the market you're targeting - then you start to move forward.

Consider carefully your reasons for making this decision. You must know with certainty what is truly motivating you to take the big international step.

Provided it comes from the strength of the commitment of the owners and top management, who are certain that their product or service is ready for those foreign markets, then there is the chance of success, particularly if the business has the skills, knowledge and resources to expand.

It is crucial at the initial stages of looking overseas that you carefully assess the strengths and the weaknesses of your franchise. It is best to have outside experts do this, because human nature is to overlook one's blind spots.

A classic example of this mistake was made some years ago by a major automobile manufacturer that had designed and created a very popular economy-sized car. The car was not only very sporty in looks, but it also had great fuel economy at a time when gasoline prices were beginning to increase.

What the company strategists and the market experts overlooked was something so simple that it should have been obvious. In the country where the automobile originated, this model's name had quite a bit of appeal to customers who were familiar with the brand. But customers in the importing country spoke a different language and in their language, that appealing name translated literally into the words "won't go." Who wants a car that won't go? Or a franchise that won't be profitable?

No one - and that's why franchisors must put a lot of effort into strategic decision-making before they start packing their bags for that new, exotic market.

Sometimes it is as simple as pushing back from the excitement and the details and just opening your eyes to see the big picture, then segment the world geographically, culturally or demographically. This gives you a smaller group of countries that must be analyzed for franchise market potential and consumer targets.

At first, you're going to find that entering a new market will be expensive, stressful and will exact a big price on your time. Is the demand there for your product or service? And will it be financially rewarding? Those are

questions that you must confront directly.

Determining the potential for taking a franchise into the international marketplace is usually more art than science. If some other franchise system like yours is already operating in the market you want to enter, you can view their experience as a way to measure the potential for your business there. That means researching not only their day-to-day operations, but conducting an informal survey to determine the number of units they're operating, and then establish a ratio of their units to your potential number.

If the competition has 75 units like yours up and running and you believe a meaningful ratio would be three-to-one, then your calculations would be based on opening 25 units. It's not an exact science and maybe it's not art either. But let's not forget that entrepreneurs are also known for their great gut instincts, which work more often than not.

Obviously, you'll want to spend lots of time figuring out the type of franchise arrangement to operate within as well. Many systems lend themselves to operating under a variety of formats. Some could use the time-tested master franchises or single units. But don't rule out other forms that have worked well--such as exclusive-area developments or a new structure that is catching on right now - hybrid sub-franchises. This method mixes a little of the master franchise model with some important elements of the exclusive area development plan.

Basically a franchisor using the hybrid approach will assign a large territory to a master franchisee who must first operate a minimum number of units, as well as maintain a minimum share of all units in operation.

Another vastly important strategic concern that must be carefully considered is the timing of entering a new market. Economic and political atmospheres must be analyzed, as well as geographic and climatic conditions. Additionally, comprehensive financial research is critical to the task of preparing forecasts that will guide your decisions. Even if, as is often the case, the franchisor's recruitment strategy includes requiring potential franchisees to complete their own research, and prepare their own business plans, it is vital that the franchisor has done his own in the market, using local expertise, otherwise how will he know whether the prospect's plan is credible?

Once you select your target country for expansion, then you can start laying out the tactical details.

Obviously every company must take its own unique approach to expansion. There is no "right way" to franchise, and there are many combinations of options, but there will be a "righ tway" for a particular business and it is the job of people like me to work out what that is.

Successful international expansion requires planning, the more planning the better - and that's vital when it comes to crisis management, which is something not to be taken for granted, especially today in view of everything from virus outbreaks to terrorism threats to natural disasters.

Going global brings with it the responsibility to understand that international business has changed dramatically in the past few years. New laws and regulations about passports, money transfers, and shipments of goods are among those sensitive flashpoints that must become elements of any expansion plan.

Businesses like ours will be pleased to help companies plan their international franchising strategy. We are, after all, one community—a global community of franchising - which is just getting bigger and bigger. n

Brian Duckett has been involved in franchising for thirty years, initially as a franchisee, then a franchisor, now an advisor to businesses either considering or operating a franchised network. Since October 1997 he has been managing director of Howarth Franchising Ltd.

Brian writes regularly for, and is quoted in, the UK franchising and business media and presents at several seminars and workshops, including those arranged for The Institute of Directors, The Confederation of British Industry, The British Franchise Association and The British Franchise Exhibitions. He holds the Institute of Directors Diploma in Company Direction and advises several companies on both domestic and international franchise development.

Taking your franchise international

What's really involved?

Chris Wormald, Head of Franchising at Eversheds LLP, shares his experience of assisting different clients and observing the ways in which they tackle international expansion.

Talk to different franchisors and you will get very different answers about their approach to going international. Surveys of franchisors carried out in the UK consistently show that at least 25 percent of franchisors plan to take their brands overseas in the next three to five years. But how much of this is bravado? And does signing up a franchisee in the Republic of Ireland, with what is after all a very similar cultural and business environment, not to mention the language, really count as serious evidence of international expansion intent?

There are of course the major US brands - led by the mature fast food, car rental and hotel brands who have established massive global networks, backed by well-developed support groups of globe-trotting company personnel, often coupled with regional hub teams to develop and support their operations in Western Europe, Central Europe, Middle East and Asia/Pacific zones. London, Paris and Amsterdam, Vienna, Dubai, Singapore and Hong Kong are home to many such hub operations, charged with handling both trail blazing, new country recruitment and support to the growing markets within their reach.

Smaller businesses without the massive resources available to the major multinationals must, if they decided to go cross-border at all, find ways to cope with precisely the same objectives and barriers.

The world is a very large place and, notwithstanding the scale of potential international markets, it is perhaps not surprising that the majority of domestic, owner-managed franchisors will hesitate and turn away from the opportunity and challenge. One can readily understand that a franchise founder, with several million in the bank (or at least on paper), will hesitate to set out into the uncharted waters of international expansion. They have become comfortable and successful and do not need, at least with their own perspectives, to go further. The majority will shy away from the potential of taking their businesses to succeed in the international marketplace, even though the rewards from doing so can over time become very considerable.

It is a different matter for quoted companies. The inexorable demands of the stock market to deliver continued growth has compelled an increasing number of major British high street corporate chains, who have achieved their maximum performance and penetration in what is, after all, a relatively small geographic market, to attack overseas markets with the expectation that these can unlock continuing profitable growth into the future on a much more major scale than can be achieved at home.

"Smaller businesses without the massive resources available to the major multinationals must, if they decided to go cross-border at all, find ways to cope with precisely the same objectives and barriers."

And then there are a few novel, niche start-ups; well conceived and executed which have and will attract almost instant international appeal. Defying the sound conventional wisdom to develop a solid and mature domestic platform first before having to cope with the challenges and not inconsiderable costs of international expansion, they recognise that failure to find a way of rapidly attacking at least the major potential overseas markets will mean they will lose out to copycat local operators, who will see their concept and - as business ideas themselves cannot be protected - are able to replicate under a different brand what they saw and attracted them on their visit to the UK.

Finally, there are a relatively small number of business concepts which are designed as "country franchises" and launched with a view to immediate international franchising.

These same scenarios are replicated the world over, the vast majority of businesses limiting themselves to domestic expansion in their own or immediately neighbouring markets. All of these variants are confronted by similar business issues. The main differentiating factor is the scale, and the energy and creativity of their resources to cope with the challenges with which they are faced.

At Eversheds, some 60-70% of our franchising work is international and over the years our experience of observing and assisting different clients and observing the ways in which they tackle international expansion and their success or failures, enables us to distil some of the key issues and priorities. What follows is not a thorough discussion of the issues (several times a year we run an all-day seminar on "International Franchising" which goes into the issues and structures at length) but rather aims to give some key pointers to those who are considering, or tempted by the prospect of international expansion:

1. Does your business concept have the potential to succeed in overseas markets? Is there a market for the service? Clearly some serious market research may be required, but it is surprising what can be gleaned by a serious fact-finding business trip or holiday away from the beach. Is there a gap in the local market? What is local competition doing? If research reveals opportunities exist, it's time for the next questions, which have implications for commitment.

2. Can your business cope with diverting/or hiring senior experienced management to focus on international expansion? Work out a tentative budget with experienced advisors or those who have done it before (and beware the doom-mongers who on closer examination have been involved with businesses that did not excel in this area - they would say it was difficult, wouldn't they?).

3. Be aware that the first few steps internationally will be the hardest. It is vital to prioritise target countries realistically: both in terms of potential scale of the market, but balanced by ease or difficulty of market entry and support. Here it is worth noting the "language clustering" that takes place with continental European franchisors: German systems will be found in Austria, Switzerland and neighbouring countries, the French in Belgium and Switzerland and the Spanish and South Americans cross the South Atlantic in both directions far more readily than do the Northern Europeans. So the balance to be made by British and English language based business is between the relative difficulty of supporting a start-up country franchisee in Australia or South Africa at such a distance, and the relative ease which comes from common language communication. On the other hand, there are many sound arguments for the first international markets being a short flight away. Trips to support a Dutch or Scandinavian start-up can be done with relatively little

disruption to your team's day-to-day work in the UK and they are generally very fluent in English! And be very realistic in your planning about the number of countries your small team can sensibly cope with.

4. Take very great care to select the right country franchisee. Getting it wrong is a far more serious problem than a bad choice of an individual at home. Sorting it out is more difficult, and leaving it alone may mean a blighted market. Remember too that the first few international franchisees will be ambassadors for those who follow - for better or for worse!

5. Use experienced international advisors to develop a sound model international deal and don't be tempted to stray too far from it in an endeavour to get a deal done and recoup your costs: remember the first few will talk to one another and the concessions you will kick yourself for having made, may come back to haunt you. Remember too that each country is a separate legal jurisdiction and it is necessary to check that local laws will not collide with your contract in important areas. Experienced international franchise lawyers can help avoid the traps and should have global connections to ease the way.

6. Invest prudently in international trademark protection at as early a stage as possible. This is a costly exercise, but many rue the day they raised their international PR profile before getting their key trademark filings in place. The cost of dealing with pirates typically far outweighs the upfront protection costs. This is an area where penny-wise really is pound-foolish, and can even completely block entry to an important country market.

7. Related to this: don't be a fool and show crown jewels to all and sundry. It may be flattering to be visited by a potential investor from the other side of the world, but remember the risk of copycats, and, use a well drafted preliminary confidentiality and intellectual property protection agreement to at least seek to deter and protect your business and your brand from this risk.

8. Tempting though it may be (and a surprising number of international franchise deals are "reactive", in response to being approached from overseas), be very careful before succumbing to an unsolicited approach from overseas. It is highly unlikely to be the best potential candidate for the country, but is of course indicative of your international appeal.

9. Develop a simple, well thought through procedure for handling international enquiries - as you would domestically.

10. Build both business and legal audits into the process of prioritising target countries: ease of doing business is very helpful in the first few to get you started, and although there are usually ways around apparent obstacles, some countries and jurisdictions are considerably more difficult to deal with than others. This may influence the planning, particularly in the early stages of international expansion.

11. Develop a sensible approach to finding potential country partners. Consult with experienced advisers in the field on the various techniques available.

There are a number of excellent books and seminars available to those who are seriously considering international expansion. Profit from the experience of those with real experience, rather than learning the hard way. Mistakes as well as being particularly expensive in this area, can both severely and unnecessarily damage enthusiasm for international expansion, as well as potentially blocking or setting back an entire country market.

Chris Wormald is a partner and Head of Franchising at Eversheds LLP a major international law firm. He has 28 years experience of international structuring, including 10 years as General Counsel with McDonald's Europe and is listed with his colleague Martin Mendelsohn as the only two lawyers outside North America in its top ten ranking of "Most Highly Regarded Individuals - Global" by the Who's Who Legal 2006 worldwide survey of 145 franchise lawyers in 45 countries. Chris can be contacted at (+44) (0) 845 497 4862 or by e-mail at chriswormald@eversheds.com

Planning for financial success

Richard Holden, Head of Franchising at Lloyds TSB explains that a franchisee is more likely to prosper if they plan for all eventualities.

Diverse businesses from a wide range of industry sectors have chosen franchising as a way to achieve their plans for growth. The attraction of becoming a franchisee is that it can reduce many of the risks that starting a new business often involves. This is largely due to the fact that franchise businesses are tried and tested with a proven track record of success. Individuals will work for themselves with support from the franchisor.

However, the support given to franchisees varies widely depending on the area and it is therefore vital that anyone considering taking the franchising route thoroughly researches the market and the different options available. The benefit from the franchisor's point of view is that they can recruit motivated people to help the business grow, but a franchisor's success depends on the way the franchisee operates the business and running a business is no mean feat.

Running a business takes a lot of hard work, probably long hours and a great deal of dedication and self-motivation. Franchisees must be prepared to accept the franchisor's rules and regulations and operate in accordance to the terms laid down in the franchise agreement. There will be restrictions when they eventually come to sell the business. Although its true that franchised businesses have support, in reality the franchisee will be working for themselves and it's important that they don't underestimate the heavy toll that starting a business can take on family life. They must also have the full backing and support of their family before taking the plunge.

Of course, franchising is not right for everyone. For people who value independence or want to run a business without restrictions franchising might not be the right option.

Anyone who has decided to take the franchising route should be prepared to ask some probing questions of the franchisor. Evaluating their responses is also important as if they only seem interested in taking the money and not delivering a good level of support then the prospective franchisee should be prepared to walk away. Banks can provide valuable guidance and will be able to point people in the right direction to obtain the professional advice and support they need. When they have eliminated the less attractive franchise opportunities they maybe left with a handful of suitable options which will require further in-depth investigation. Common sense will take people a long way in deciding whether the franchise they are considering is right for them.

Once you have decided that franchising is right for you and you have found a franchise system that you are interested in, you need to consider

what finance is required to set up the business. It is important that you are realistic in your expectations and have considered the amount and source of your own capital commitment. Banks will generally expect a personal commitment from a customer of 50 per cent of the start up costs. This is particularly appropriate for new start up businesses and franchisee systems without an established track record. For established franchise systems with a good track record and brand, banks may consider financing up to 70 per cent of the total set up costs including the working capital requirement of the business.

There is truth in the old saying 'If you fail to plan, you plan to fail' especially when you're starting a new business. Those who understand the benefits of business planning are more likely to be successful than those who react to day to day operational issues and are constantly fire-fighting problems. But planning a business is not a simple matter of scribbling down a few ideas. If a franchisee is going to make their plan work, a much more thorough approach must be adopted. A business plan is a useful tool to help gather thoughts and to set objectives for the business. It should demonstrate that there is sufficient demand for the product or service offered, that there is a good understanding of the market and to set out the competitive advantage or unique selling point that the business has. Lenders or investors will want the franchisee to give them confidence that they will be able to repay any finance taken. When considering the financial aspects of the business plan it is best to build in a contingency of at least six months and preferably twelve months expenditure in case the business takes longer than anticipated to get off the ground. The financial aspects of the plan should include a three year cashflow and separate profit forecast with assumptions behind the figures. Details of the capital stake and any funding required should also be included. A plan should also feature non-financial information about the structure, market, competition, business model and objectives, together with a SWOT analysis detailing the strengths and weaknesses of the business as well as the opportunities and threats that maybe faced.

Any lender is likely to ask for some form of security to cover the amount that they lend. This security should be outlined in the plan. Background information of key individuals involved in the business, setting out their skills and attributes should also feature. If the franchisee is taking over an established business through a resale opportunity they should provide additional information about the history of the business and how well it has performed in recent years. Details of the existing client base, order book and business structure are also important. When drafting the plan, it should be remembered that good presentation counts for a lot. As well as offering advice on what to include in the plan, a good bank should be able to give advice on how to set it out. The lender or investor will ask questions about the plan presented to them, so it is important that the applicant will be able to answer these confidently.

In general terms, start up costs including the franchise fee and the purchase of fixed assets of the business should be financed by way of a term loan. The maximum term of the loan will be linked into the useful lifespan of the asset and the length of the licence given by the franchisor. Banks would usually only provide a loan to match the initial term of the licence, for instance if the franchise licence is 5 years, the term of any loan provided would not usually exceed 5 years. Simply, this is the case because if the licence is not renewed by the franchisee after the initial period, the bank would not wish the customer to be left with a substantial liability, which will need to be covered with no means of repaying it out of the business.

Working capital is provided to bridge the period when the business needs to pay suppliers for stock and the running costs of the business, such as salaries and trading overheads, until its debtors pay for the product or service. Cashflow varies widely between different types of businesses and banks will support this type of finance through an overdraft facility. There are other forms of finance which your chosen bank can assist you with. Vehicles or equipment, such as computers, can be financed via leasing or hire purchase. The

franchisee should consult their accountant as to whether there are any tax advantages in arranging asset finance in preference to traditional loan finance from the bank before making any decision.

Banks can also provide debtor management support through factoring or invoice discounting where appropriate. Essentially, a factoring company buys the debtors or invoiced work in return for immediate cash payment. Generally, factoring is available for business to business contracts rather than sales to individuals and the general public. The invoice would be assigned to the factoring company, who will advance a percentage of the invoice value, typically 80%. The balance is paid, less charges, once the invoice has been settled and the factoring company has received payment from the client. Invoice discounting is a variation of factoring. It is important to compare costs and services of various companies before committing to an agreement, which usually has a lengthy termination period. The franchisee should again consult their accountant before entering into an agreement to factor their debtor book.

Terms of finance with the bank will depend on the amount borrowed, the nature of the business and the value of security being offered. For loan finance there are most commonly two choices of either base rate linked or Fixed interest rate loans. Overdraft borrowing will usually be provided on a variable interest rate basis. The franchisee should carefully consider the financial outlook to decide which option they prefer and what impact a large increase in the base rate would have upon the ability to service the financial commitment to the bank.

A business plan is a blueprint for running your business. It is a working document against which the businesses performance can be measured. The planning process will help the franchisee get to grips with their business and set clear objectives. Naturally as the business develops the plan should be revised and updated. As with anything it's worth taking time to look at all the banking and finance offers available before making a decision. A good bank will not only give initial banking services and finance but also provide ongoing support including regular business reviews and should offer advice on how to improve trading performance.

It is important that the business manager is kept informed with progress of the business so that when more help is required they are ready to provide it. Careful planning and preparation should place the franchisee in a better position to raise the required finance from a lender and to operate their business successfully.

Lloyds TSB business managers help around 100,000 new businesses get started every year. Whether you are starting up for the first time or you've run a business before, you'll be supported by a business manager who really understands the issues you'll face. Our Business Development Managers would be pleased to assist you at any stage of the business planning process. Lloyds TSB has produced a helpful guide to support your research as to whether franchising is the right option for you and a free copy can be obtained through the bank's Franchise Unit by telephoning 0117 943 3089.

Richard Holden is Head of Franchising for Lloyds TSB and leads a dedicated team responsible for maintaining and developing the Bank's relationships with the franchise sector.

Richard joined Lloyds TSB in 1982 and has a wide range of banking experience in particular in the small business sector. In his role as a Business Manager, Richard has provided financial support and guidance to many prospective franchisees over the years. He is now a full time specialist franchise manager evaluating new and established franchises for the Bank, as well as acting as a point of reference for the Bank on franchising generally. Lloyds TSB are affiliate members of the British Franchise Association.

Employee retention... your key to success!

by John Boyens is the President of the Boyens Group

Retaining and motivating employees are two of the most difficult tasks for any franchise owner no matter how long they've been at it! So what are the secrets to retaining and motivating employees? To answer that question we need to understand what makes an employee want to leave or want to stay at a particular company. Let's first focus on the reasons that they leave.

Involuntary Turnover
(either through termination or lay offs)

Voluntary Turnover
(employees choose to leave on their own)

Promotion

The first two types of turnover are the most devastating for franchisees. Let me give you an example. When a franchisee loses a salesperson who is performing it negatively affects their business in three ways. You lose their sales performance, you lose their knowledge/expertise/relationships and you lose valuable "bench strength." You also lose the time and resources that you invested in training this employee. Franchisees can't build a successful business when they lose good people and constantly find themselves in the rehire process. Worse yet, what happens if they go to work for a competitor?

The Three "Rs" of Turnover

So why does turnover occur? Our research shows that as opposed to a single, isolated reason for leaving, employees (especially salespeople) will balance three organizational themes (rewards, respect and requirements) in their decision to remain with a particular company. The three "Rs" include:

Rewards (i.e., base salary, commission, benefits, incentives, continuing education opportunities, vacation time, retirement plans, etc.)

Respect (i.e., how they're treated, work environment, personal and professional growth opportunities, recognition, implementation of some of their ideas, etc.)

Requirements (i.e., clearly defined job duties, realistic goals and expectations, dress code, etc.).

Franchisees that have successfully reduced turnover align goals/expectations across their franchise, invest in the personal and professional development of their people, ask for input from their employees on

a regular basis, implement some of their suggestions and consistently review any potential sources of dissatisfaction.

You can't fix something you don't understand. Therefore, a franchise that is having significant challenges with turnover must find out which of the three "Rs" is currently in the greatest need of attention and put a plan in place to proactively address the dissatisfaction.

Regularly addressing the three "Rs" of turnover helps create a culture where employees can thrive. Culture affects how people feel when they go to work. Is excellence required or is "good enough" tolerated? Are customers and employees treated in a valuable way or just a number or a dollar sign? Culture also plays a huge role in your customers' decision whether or not to return to your store or business.

Changing your Culture

If you are looking for ways to improve the culture of your franchise it would be wise to follow these guidelines:

Create a positive work environment. Clean facilities, comfortable furniture, modern fixtures, ample workspace, proper equipment, current technology, break rooms/kitchens that are good size, and ample parking are examples of creating a positive work environment.

Ensure a high level of employee involvement. Give employee's responsibility for helping to direct a change in culture. This empowerment diminishes resistance by creating a partnership of the eventual outcome with the people who are most affected by the change.

Ensure continuous communication. By communicating on a regular basis and in various forms (i.e., face-to-face, phone, voice mail, email, etc.) you build motivation and buy-in for all employees. People should be brought into the loop to ask questions, provide input so that they understand what needs to be done. When you start messing with existing systems and change too many things at once, people get scared. When they get scared, they resist. The key is to continually communicate what the problems are, what the desired future is and how the employees will benefit from the changes.

Identifying potential sources of resistance in advance and develop strategies for overcoming them. People react to change in different ways. Some embrace it while others need to be brought along kicking and screaming. Resistance is sure to be intense if employees aren't heard from and if conflict and challenges are swept aside. Remember, most people fear the unknown. Fear and loss must be dealt with and worked through. Fear can only be reduced with information and management's willingness to listen to input, frustrations and concerns and respond accordingly.

Celebrate success! Make sure that you recognize and celebrate successes (no matter how small) along the way. Remember, success is a journey, not a final destination.

Practice Proactive Communication

Nine tenths of all problems with managing people stem from poor communication.

Do you ever feel like "nobody gets it?" Do you get tired of always trying to clarify the meaning of what you say and apologizing for not saying what you mean? If this keeps happening perhaps its worth looking at the way the message is being delivered. Research shows that people retain only 10% of what they hear 72-hours after the fact. Written communication has a 20% retention rate. That is why it is critical for owners and managers to provide proactive, consistent and clear communication. Remember, the biggest stumbling block to good communication is poor listening! Here are five ways to be a better listener:

Eliminate distractions

- Get rid of excess paper to reduce distractions at your desk
- Know your blind spots – assumptions and prejudices
- Be an active listener – paraphrase, ask questions

- Be an empathic listener – listen to the way the message is being said

Motivating your Employees

Do you know what motivates each of your employees? Is it recognition? Is it public praise? Perhaps they're motivated by certificates, trophies or awards. Maybe they're motivated by money or gifts. If you're not sure, find out. The best way to find out is to ask them! Get to know your employees as people before getting to know them as employees. That knowledge will help you know how to get the absolute best out of each of them while at the same time recognizing and rewarding their individuality.

Hire the Right People

One reason franchisees suffer turnover problems is because they haven't done a good job hiring employees in the first place, especially salespeople. Often during the interview process the owner subliminally switches from interviewing the person to trying to hire the person! Let me be more specific. Let's say that you've had an "open" position for quite some time. Let's say that you, or other employees, have to cover for that open position and it's putting quite a bit of strain on the business. Finally a candidate appears at your door that at least "looks the part." He or she sits down for the interview and as they answer the first question you observe that they are reasonably articulate and that they answer the subsequent questions the way you want them to answer. All of a sudden you move full speed ahead into the hiring mode. You tell them about the job. You sell them on the franchise. You sell them on the benefits and so forth. You do everything except interview them! One way to keep from falling into that trap is to use a process called behavioral interviewing.

Behavioral Interviewing is a technique that enables the interviewer to extract relevant information to help distinguish a good hire from a bad hire. It is based on the fact that a candidate's past and present behaviour is the best predictor of how he or she will behave in the future. Behavioral traits don't appear on a resume… they can only come from an interview. Furthermore, interviewers need to obtain repeated examples of a specific behavior to ensure that the behavior they are observing is "real" and not just "turned on" for the interview itself.

Interviews not based on exploring past behavior with previous employers inevitably focus exclusively on education, experience, and knowledge… exactly what's on the resume (if they even have one). While education and experience are clearly important, they only reveal what a candidate "says" they did. Behavioural interviewing helps you drill down to the core of a candidate's past performance and what he or she is likely to do in the future.

During the interview it is important to ask questions that require the candidate to describe how they would handle certain "real world" situations. In other words, how would they behave if that situation were to present itself today. Here are some examples of behavioural or situational interview questions:

"Tell me about a difficult customer situation that you were able to satisfactorily resolve."

"Describe your job hunting process and desired outcome."

"Tell me about a time you had to complete a "rush" project with no resources and little direction."

"Describe the best boss that you've ever worked for and what made them so good."

In closing, let's review the secrets to minimizing turnover:

- Proactively manage the three "Rs" of Turnover
- Create a culture where all employees can thrive
- Practice proactive, consistent and clear communication
- Know what motivates each of your employees and act accordingly
- Do a better job on the front-end when hiring employees by using behavioural interviewing

John Boyens is the President of the Boyens Group (www.boyens.com), an IFA member and a company dedicated to helping their clients increase sales productivity, improve management effectiveness and optimize business strategy. John can be reached by phone at 001 615 776-1257 or via email at john@boyens.com.

Training the franchisee in 'the system'

by Paul Monaghan, Howarth Franchising

When a prospective franchisee is deciding what franchise to take up they should look very carefully at the level of training offered by the franchisor. As in any business the key elements of training and development are critical to the success of both the franchisor's and the franchisee's operation. Arguably they are more important in a franchised business as the franchisor must ensure that the franchisee, who will operate largely independently of, and almost certainly at a distance from, the franchisor, is fully conversant with all aspects of the operation. Only in this way can the franchisor ensure that his brand is not devalued by a poorly performing franchisee. Equally, if the franchisee is to benefit fully from the proven business system that is the basis of the franchise, he must be fully trained in all aspects of its delivery.

All of the methods of operating the franchisee's business ought to be fully documented in the Franchise Operations Manual. However, having this information available is no substitute for being fully trained in the franchise system. One of the key reasons for people to take a franchise is that the franchisor has already developed the systems needed to successfully run the business. Unless all this experience can be adequately passed on to the franchisee the real value of the franchise will not be realised. A good franchisor will, therefore, have developed a comprehensive training programme for its franchisees.

The variety of franchises available and the varying degrees of complexity of their operations mean that there is no single training structure that is suitable for every franchise. Prospective franchisees should therefore look at all the aspects of the training provision to ensure that they will receive adequate instruction on how to run the business.

Perhaps the most important thing that a prospective franchisee should recognise is that operating a franchise is not simply about delivering the product or service that the franchise offers. It is also about building and running a business. Doing the 'job' is not the same thing as running a business that does the job. It will be important, therefore, that the franchisee fully understands what it means to manage a business.

For example, although most franchisors will have a recommended pricing structure for their products or services that, if applied, should generate sufficient profit, the franchisee will nevertheless need to understand how changes in that pricing structure may affect the profitability of the business or the level of sales achieved. Many franchisors provide this in their induction training but if a potential franchisee is not going to receive this from the franchisor it is important that he finds ways of getting this training from another source.

Many, perhaps the majority of, franchisees will have had no previous experience of running a business and may also have no experience of the specific operation of the franchise they are considering. The training offered by the franchisor must, therefore, comprehensively cover all aspects of managing the franchise and delivering the service to the customer. Every business sells something, whether it is a

product or a service, yet many prospective franchisees will come from an employment background where their function was to provide support or services to the people who did the selling. Now they will almost certainly be responsible for making the sale themselves or at least managing the person who makes the sales. Sales training ought, therefore, to be a key part of any franchisee induction training. However, before anyone can make a sale they have to find and communicate with their potential customers. This is the Marketing process.

The best-performing and, therefore, the most profitable and contented franchisees are those who are able to continually generate demand for their product or service through active marketing. The franchisor will have developed a marketing system to help the franchisee to build their business and this will need to be communicated to the franchisee during their induction training. Many franchisees are totally dependent upon their own marketing efforts to generate customers so they need to understand the various marketing tools that are available to them and be confident in their ability to use them. If insufficient time is spent on training franchisees in marketing and sales skills then the true potential of both the franchisee's and the franchisor's business is unlikely ever to be achieved.

So, general Business Management, Marketing and Sales training are all critical to a franchisee's success. However, in addition to these skills the franchisee will also need to know how to deliver the product or service that they have sold. Whether it is how to remove a particular stain from a high-value antique rug or how to advise a client on an investment whilst staying within the requirements of the Financial Services Act the franchisee must be trained in every aspect of the franchise delivery.

Typically, this training will be delivered in a mixture of 'classroom' and practical activity. Some franchisors will deliver all of this training through their own staff, others will use some of their most experienced franchisees to help with the training, yet others will use third party specialist trainers for elements of this activity. However the training is delivered, and by whom, prospective franchisees should ensure that their training will fully equip them, to run the business they are signing up to.

Not all training, however, will be delivered before the franchisee starts their business. Many franchises have elements of their operation where the training can be left until a later date when the franchisee has had some experience of running the business. In fact, given that most franchisees will have a huge amount to learn in the induction training sessions, it is useful to leave anything that isn't essential for the start-up until later. For example there is no need for a franchisee to know how to complete a year-end stocktake until they are approaching the end of their first year's trading. However the franchisor should be able to demonstrate to the franchisee how and when this ongoing training will be delivered.

The selection and recruitment process for franchisees is a two-way activity. The franchisor will wish to ensure that the prospective franchisee has the skills, ability and resources to deliver their brand to the customers whilst the franchisees will want to assure themselves that the franchisor's offering will provide him with the income and personal satisfaction that they are seeking. For each party the application and recruitment process has two individual but inseparable aims. Each will act as both a buyer and seller.

The franchisor will test the prospective franchisee's ability to deliver the franchise according to the system in just the same way that a customer would check that the product he was buying lived up to all his requirements. At the same time he will be going through a sales process, once he has satisfied himself that the candidate is suitable, to try to ensure that this franchisee joins his franchise network rather than a competitor's.

The prospective franchisee will be trying to 'sell' himself to the franchisor whose network he wants to join whilst also ensuring that it can provide him with a sound business. One of the key things that the prospective franchisee should want to understand is how he will be trained in the skills needed to deliver the franchise system. He should, therefore, closely question the franchisor about the training that he will receive both before and after setting up his franchised business.

The fundamental principle of any franchise is that the franchisee is allowed to operate a 'clone' of a proven business system. In doing so they will be much more likely to have a successful business than if they started up on their own with no experience. A comprehensive training programme is the only way that a franchisee can fully benefit from the franchisor's system and experience. Make sure that your franchise is providing that comprehensive training.

Index

Franchising in United Kingdom

By: Clive Sawyer

Clive Sawyer
Business Options
5 The Windmills
St Mary's Close
Alton
Hampshire
GU34 1EF
Tel: 01420 550890
www.businessoptions.biz
clive.sawyer@businessoptions.biz

Franchising, in a format that we would recognise today, first started in the UK in the 1950's. Since then it has grown into a major industry in its own right, currently employing 371,600 people with a value in excess of £10.8 billion.

Following the initial popularity of franchising in the 50's, the industry had a major setback in the 1960's due to the high profile publicity of the fraudulent marketing schemes called "pyramid selling". The scandal surrounding pyramid selling moved the UK government to pass legislation in 1973 under the Fair Trading Act to regulate the industry and prevent the manifestation of fraudulent practices. However, the legislation had many flaws and even today many legitimate franchisors are able to inadvertently fall foul of this law.

Franchising currently falls under the UK's Competition Act. Penalties apply to breach, including unenforceability of the agreement in question, investigation and fines by the Office of Fair Trading. Compliance with The Trade Mark Act 1994 is also required to ensure that the franchisor's trade mark is protected, that the public are not misled in any way, and that registration of the trade mark is not open to challenge. UK competition law is a complex area which requires considerable care when drafting franchise agreements. Failure to comply with their provisions could mean that territorial and other restrictions could be unenforceable and worse still, the entire agreement could be unenforceable.

In 1977 a group of high profile franchisors including Dyno-rod, Holiday Inns, Kentucky Fried Chicken, Wimpy and ServiceMaster decided to set up their own association to set a series of best practices and code of conduct for the franchising industry. This association was called the British Franchise Association (bfa). The bfa brought credibility to the industry and they were a major force in developing the popularity of franchising in the UK. The bfa were also instrumental in encouraging the high street banks to support franchising as a sector and the establishment of specialist franchise departments in each of the banks. This increasing credibility brought to the industry via the bfa and the support of the high street banks led to steady growth in the number of businesses using franchising as their preferred expansion model, and by 1994 there were 414 registered franchises in the UK.

In the early days, franchising in the UK was concentrated in a limited number of markets, predominantly fast food, motor distribution and hotels. This has changed with almost all sectors having some representation in franchising. The UK currently has the third-highest number of franchised systems in Europe with 778 franchise operations, with the top three most popular sectors being Property Services, Business and Commercial Services, and Personal Services.

Currently 43% of franchises are based in London and the South compared with only 14% in the North of England, 9% in Scotland, 5% in Wales and 2% in Northern Ireland. However 5 years ago the difference in regional representation was far more distinct with 52% of franchises being based in London and the South, and only 11% in the North of England, 5% in Scotland, 3% in Wales and 2% in Northern Ireland.

Franchising as a way of becoming a business owner continues to grow in popularity largely due to the high success rate of franchise business, 93% of franchisees say their business is profitable. The long term success rate of franchising is also a major contributory factor with 89% of franchisees claim to be profitable after 3 years compared against 69% for VAT registered businesses. No official figures exist for the profitability of all businesses, VAT and non VAT registered, however the long term success rate for small Non VAT registered start-up businesses is likely to be even lower.

The success rate and confidence of franchising especially over the last few years combined with greater media coverage of the attractions of running ones own business have encouraged more people to move into franchising with over 2/3rds entering franchising straight from salaried employment. This compares with just 3% of people entering franchising from being either made redundant or unemployed. In addition the number of women involved in franchising is increasing with just under a half of all franchise owners being women.

Certain international franchised brands, such as McDonald's, are prominent in the UK, however around 80% of the franchisors in the UK are of domestic origin. These UK domestic franchisors are

increasingly looking to expand overseas with around a third already having established an international presence with Europe being the favoured international destination for UK franchisors as over a quarter claim to operate units on the continent.

Franchising is not just popular as an expansion model for business but it is also popular with the general buying public. Independent research commissioned in 2007 revealed that the public would prefer to buy goods and services from a franchised business over a non-franchised business. 45% of these polled said that they would first try out a franchise over a non-franchise whilst only 23% preferred to use a non-franchised brand. Respondents identified a number of benefits which they felt franchises brought to them, the top three being:

1. 69% felt that they benefit from the local business which is backed by a national brand/organization

2. 66% said they know exactly what they are getting in products and service

3. 64% said they felt the service is more likely provided at an agreed and consistent standard

Franchising is now very well established in the UK and with the British franchise Associations support and guidance looks likely to continue to grow in popularity as a way for UK businesses to expand and a way for individuals to start up and run a business. Where other sectors are likely to feel the impact of downturn in the UK economy, franchising is set to become even more popular with people as it provides the added security of operating under a proven brand together with the support provided by an industry experienced franchisor.

Sources:

1 2007 NatWest/bfa Franchise Survey

2 Small Business Service Analytical Unit, Feb 2006, "Businesses registering for VAT"

3 bfa franchise awareness and preference survey 2006

Auto Care

CHIPSAWAY INTERNATIONAL LTD
Tel: 0800 7316914
www.chipsaway.co.uk
ChipsAway is the worlds leading cosmetic automotive repairer. Established for 10 years, ChipsAway has opportunities for professionals to operate in all parts of the UK and Europe.

PROFESSIONAL CAR CLEANING
Tel: 0800 131 3301
www.procarclean.co.uk
Clean up with Professional Car Cleaning

PRONTOWASH
Tel: +44 (0)8704 586682
Mobile Car Wash

Bookkeeping

THE LOCAL BOOKKEEPER UK LTD
Tel: 01403 282900
www.thelocalbookkeeper.co.uk
Bookkeeping services to small to medium sized businesses across the United Kingdom

Business Service

BATTERIES PLUS
Tel: +44 (0)8704 586682
Batteries Plus is a franchisee-driven retail company with a long history of providing battery products and services

DOR-2-DOR
Tel: 01582 460977
www.dor-2-dor.com
Leaflet distribution, door-drop marketing

Café

ESQUIRES COFFEE HOUSES
Tel: 020 72515166
www.esquirescoffee.co.uk
Speciality coffee house for premium beverages and food with relaxing ambience

Commercial Cleaning

COVERALL CLEANING CONCEPTS®
Tel: +44 (0)8704 586682
Coverall Cleaning Concepts is one of the world's leading commercial cleaning franchise companies with over 8,000 Franchise Owners

Domestic Cleaning

MOLLY MAID UK LIMITED
www.mollymaid.co.uk
Tel: 0800 500 950
An exciting business opportunity in the £2 billion plus domestic cleaning market.

KINGSMAID FRANCHISE LTD
Tel: 0161 426 1440
www.kingsmaid-franchise.co.uk
The Kingsmaid franchise opportunity is a domestic cleaning management franchise which means that the Franchisee is expected to manage a team of cleaners, rather than actually doing the cleaning.

MAID2CLEAN FRANCHISE LTD
Tel: 01606 836080
www.maid2clean.co.uk
A BFA management franchise at the forefront of the recession-proof domestic cleaning market.

Employment

ANTAL INTERNATIONAL NETWORK
Tel: 0870 7745464
www.antalfranchising.com
Leading franchisor of executive recruitment solutions globally

Estate Agency

ENFIELDS
Tel: 0845 094 4915
www.enfieldsfranchise.co.uk
Estate agency franchise

THE COUNTRY HOMESEARCH CO.
Tel: 01872 223349
www.county-homesearch.com
The UK's largest independent homefinders

Finance

DAVIS COLEMAN LTD
Tel: 0800 3101922
www.daviscoleman.com
As a Davis Coleman Franchisee, you provide a wide range of specialist services to the banking, building society, insurance and legal sectors.

TAXASSIST ACCOUNTANTS
Tel: 0800 0188297
www.taxassistaccountants.info/
TaxAssist Accountants specialise in providing bookkeeping, payroll, tax and accountancy services to small businesses.

Food Distribution

SNACK-IN-THE-BOX LTD
Tel: 023 92 415000
www.sitb.co.uk
Delivering snacks to the workplace in associtaion with Cadbury. BFA Full Member

Internet

CITYLOCAL
Tel: 01382 779831
www.citylocal.co.uk/frontend/franchiseinfo.php
Exciting Home-based Internet Franchise

WEDDINGMATCH.CO.UK
www.weddingmatch.co.uk
National wedding guide - exciting new home-based internet franchise

Ironing

PRESSING MATTERS LTD
Tel: 0161 654 9955
www.pressing-matters.com
Mobile ironing/dry cleaning service..

Lawncare

PROLAWNCARE (UK) LTD
Tel: 0808 100 2832
www.prolawncare.co.uk
Professional lawn care franchise

Management

COUNTRYWIDE FLOORCARE
Tel: 020 8994 3170
www.countrywidefloorcare.co.uk
Cleaning and maintenance solutions

Outdoor Advertising

BILLBOARD CONNECTION
Tel: 0845 600 4010
www.billboardconnection.com
Outdoor advertising solutions

Parcel Delivery

SAMEDAY UK
Tel: 01925 221122
www.samedayuk.com
Sameday UK provide a comprehensive express delivery service throughout the UK and Europe and is seeking self motivated people to run its management franchise.

Personal Care

BLUEBIRD CARE
Tel: 01730 260026
www.bluebirdcare.co.uk
Bluebird Care is a management franchise recruiting and running a large team of care workers providing the highest standards of care.

CAREMARK LIMITED
Tel: 01798 873770
www.caremarkuk.com
Caremark is a white-collar management franchise, focusing on the huge domiciliary care market in the UK.

Pest Control

PROKILL PROFESSIONAL PEST PREVENTION
Tel: 0870 770 4771
www.prokill.co.uk
Management franchise within possibly the strongest marketplace on earth

Pet Services

DIAL A DOG WASH LTD
Tel: 0845 123 5843
www.dialadogwash.com
UK's largest mobile dog washing/clipping franchise

ANIMALS AT HOME LTD
Tel: 08701 126613
www.animalsathome.co.uk
A proven franchise that offers Pet Care services and animal ambulance.

Printers

ALPHAGRAPHICS
Tel: 01904 751080
www.alphagraphics.co.uk
AlphaGraphics is the world leader in rapid-response print and related business services.

INSTANT IMPRINTS
Tel: +44 (0)8704 586682
Embroidery, Screen Printing, Signage, Heat Transfers, and Promotional Products.

Property

INVESTABROAD REVIEW
Tel: +44(0)1258 857307
www.investabroadreview.com
Investabroad Review informs those looking to purchase property or land overseas of current and future investment opportunities on a worldwide basis.

Property Maintenance

MR HANDYMAN
Tel: +44 (0)8704 586682
Mr. Handyman is the solution to today's fix-it problems for millions of time-starved families

Restaurant

CARL'S JR
Tel: +44 (0)8704 586682
Quick Service Restaurant

COUSINS SUBS
Tel: +44 (0)8704 586682
Quick Service Restaurant

LA SALSA
Tel: +44 (0)8704 586682
Quick Service Mexican Restaurant

RUBY TUESDAY
Tel: +44 (0)8704 586682
Simple, fresh American Dining

Senior Care

COMFORT KEEPERS®
Tel: +44 (0)8704 586682
Senior care

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry.

Telecommunications

GLOBALINK GROUP
Tel: 0870 845 5655
www.globalinkgroup.co.uk
A Globalink franchise offers a fantastic opportunity to anyone who wants to start up and run a successful and profitable long-term business.

Travel Agency

GLOBAL TRAVEL GROUP PLC
Tel: 0870 429 8100
www.buyglobal-franchise.com
Make an initial investment of £12,495 and own fully bonded full service travel business from home, retail, call centre or internet base.

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
50% discount on hotels worldwide

GOLFAHOY GOLF TRAVEL BUREAU
Tel: 001-780-415-5442 x 7801
www.GolfAhoy.com/franchise
Golf tourism company

Franchising in The United States

By: David J. Kaufmann

Kaufmann, Feiner, Yamin,
Gilden & Robbins LLP
777 Third Avenue
New York
10017
USA

Tel:(212) 755-3100
Fax: (212) 755-3174
dkaufmann@kaufmannfeiner.com

Modern day franchising as we know it began in the United States of America - and has grown so exponentially that today it is estimated fully 40% of retail sales in America are consummated at franchised outlets.

Defying the law of both physics and business cycles (that everything which goes up must come down), franchising over the past half century in the United States kept accelerating upwards, dominating certain industries entirely - such as guest lodging, real estate brokerage, quick serve restaurants and convenience stores - while propelling itself to the forefront of not only the American economy but, increasingly, the global economy as well.

They say that modern day franchising began in the 1850's in the United States when the Singer Company created the first crude franchise network in its attempt to sell sewing machines to a then-skeptical public. Despite these early roots, franchising did not truly come of age in America until the late 1950's and the decade of the 60's. Until that time, only automobile manufacturers, soft drink bottlers and gas station dealers used the franchise format on a regular basis as a prime vehicle for marketing and distributing their products. In the 50's and 60's, however, the American franchise giants entered the scene. Pizza Hut, Holiday Inns, McDonald's, Dunkin' Donuts, Burger King, Baskin-Robbins, 7-Eleven, Kentucky Fried Chicken - they all franchised out during this explosive period.

By 1980, the United States Department of Commerce estimated that franchise network collective gross revenues reached $350 billion (U.S.). In 1985, $529 billion (U.S.). And today? Today, according to the United States General Accounting Office, the International Franchise Association and Time magazine, United States franchise networks account for $1 trillion in annual United States retail sales, $625 billion of output and $229 billion in payroll.

These sources reveal that there are 1,500 business format franchise networks that operate over 750,000 units in the United States which collectively employ close to ten million people - over 7% of all American private sector jobs. Approximately one out of every twelve retail establishments in the United States is a franchised business. The explosive growth of franchising in America is reflected by the following data: in 1980, McDonald's had a total of 5,751 company-owned and franchised restaurants in the U.S.; in 2004, just shy of 20,000 domestic McDonald's restaurants - more than tripling the network's size in 25 years.

As franchising grew, so did franchisors and their franchisees. Virtually every franchise system in the United States began with a vision of a strong willed entrepreneur who tirelessly worked to perfect a product, service, systems and name recognition (such as Ray Kroc of McDonald's and the legendary Colonel Harlan Sanders of Kentucky Fried Chicken). With very few exceptions, these franchising pioneers are all gone. Indeed, the trend over the past 25 years is for mature franchisors to be acquired by mega-corporations, such as YUM! Brands, Inc. (which owns franchisors KFC, Pizza Hut, Taco Bell, A&W and Long John Silver's) and Cendant Corporation (which owns the Ramada, Days Inns, Super 8 and Howard Johnson's guest lodging networks; the Century 21, Coldwell Banker and E.R.A. real estate brokerage networks; and, both Avis and Budget Car Rental).

While franchisors were growing, so were franchisees. Although franchising's roots in the United States may be traced to the grant of single franchises to "Mom and Pop" operators - individual entrepreneurs possessing no previous knowledge of or experience in the industry in question - over the past decade many of America's oldest and largest franchisors have abandoned that model. Instead, they find it far more efficient and profitable to largely restrict the grant of United States franchises to sophisticated corporations with the resources and background necessary for their optimal operation, or to existing franchisees whose experience, profitability and mastery of the franchisor's system strongly suggest future success. By way of example, recent reports suggest that the "Top 50" American restaurant franchisees in terms of United States sales collectively own and operate over 7,500 units.

Somewhere between 20-36% (depending on whose figures you refer to) of all U.S. franchisees own more than one franchised unit.

Franchising's explosive growth in the United States has proven sufficiently groundbreaking itself. But factor in a new development that was virtually non-existent just 25 years ago - the globalization of American franchise networks. The International Franchise Association notes that over the past decade, almost half of all units established by United States franchisors were situated outside of that country. Approximately 500 United States franchise networks have a global presence. McDonald's, now in 119 countries (in 1980 that figure was 28), features over 10,000 foreign franchises; 7-Eleven, over 18,000; YUM! Brands, Inc. (Pizza Hut/KFC/Taco Bell) over 11,000; and, Inter-Continental Hotels Group, the franchisor of Holiday Inns and Inter-Continental Hotels, nearly 1,000.

How to account for franchising's stunning success and explosive growth in the United States?
The answer is relatively simple - and has always been the cornerstone of franchising's compelling attraction. Americans - and, increasingly, citizens around the world - have a strong affinity for national and international brands. In the United States, this trend began in the late 1800's (before then such brands barely existed). Consumers want the known quality, reputations and uniformity associated with those brands.

And in franchising, that is what is delivered - the uniformity and predictability that the public demands. McDonald's Big Mac sandwich tastes the same in Maine as it does in California; the restaurants look the same in Arkansas as they do in Ohio - or, for that matter, Tokyo; and, the name outside is always the same throughout the United States and around the world.

So it has been quite a run for franchising in the United States over the past half century. Meteoric growth, the appearance of conglomerate franchisors and multi-unit franchisees, the maturation of relationships between them and the still growing public demand for franchising's brands (and the products and services sold under those brands) have yielded a situation where rarely a day goes by that an American does not encounter or frequent a franchised establishment.

Useful Contacts:

INTERNATIONAL FRANCHISE ASSOCIATION
1350 New York Ave. NW Suite 900
Washington DC 20005-4709
Tel: +202.628.8000
Fax: +202.628.0812
Web: www.franchise.org

Auto Care

AMERICAN CLASSIC CARS, INC
Tel: 936 441 5885
Sales, maintenance, repairs on classic american cars

DR VINYL
Tel: 816-525-6060
Mobile auto appearance repair and reconditioning service specializing in exterior and interior repairs

Café

COFFEE BEANERY
Tel: 800-728-2326
World class coffee cafe serving breakfast items and sandwiches, featuring our trademark speciality drinks

Commercial Cleaning

ROTO-ROOTER CORPORATION
Tel: 515-223-1343
Plumbing repair, service and maintenance. Drain and sewer cleaning

Computers

COMPUTER RENAISSANCE
Tel: 863-669-7736
Full service computer retail store specializing in quality used and refurbished computers

Computer Training

COMPUTER U LEARNING CENTERS
Tel: 888-708-7877
Providing both classroom and private instruction on PC's for mature adults focusing on adults 50 and over.

Domestic Cleaning

MOLLY MAID
Tel: 800-665-5962
Residential cleaning services

Education

ABRAKADOODLE ART EDUCATION
Tel: 703-871-7356
Abrakadoodle is a remarkable art education program for children ages two to twelve. Classes are offered at schools and community locations.

Electrical

MR ELECTRIC
Tel: 800-805-0575
Mr Electric is the only international franchise specializing in electrical service and repair

Employment

SANFORD ROSE ASSOCIATES
Tel: 800-731-7724
Executive search

Financial

6FIGURESANDMORE
Tel: 970 256 1834
Wealth, self educational courses, Forex, negotiating, real estate

Fitness

GOLD'S GYM INTERNATIONAL
Tel: 310-392-3005
Fitness Club

Hair Salon

SUPERCUTS INC
Tel: 888-888-7008
Top quality, affordable haircare salons for the entire family

Home Improvement

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Hotels & Inns

AMERICINN INTERNATIONAL, LLC
Tel: 952-294-5000
AmericInn is one of the fastest growing upscale limited service lodging chains with 220 locations

RADISSON HOTELS & RESORTS
Tel: 612-540-5526
One of the leading upscale, full service hotel companies in the world

Languages

BERLITZ INTERNATIONAL
Tel: 800-626-6419
Language instruction

Parcel Delivery

NAVIS PACK & SHIP CENTERS
Tel: 800-293-7415
Retail packaging and shipping of fragile, large, awkward and valuable items

Plumbing

PLUMBSEARCH PTY LTD
Tel: 02 9440 7373
Plumbsearch provides a unique business opportunity that offers services like plumbing and electrical pre-inspection reports (houses and units), leak detection, pipe and cable locating.

Postal Delivery

POSTALANNEX INC
Tel: 800-456-1525
A proven leader in the exploding business services, packaging and shipping industry

Real Estate

RE/MAX INTERNATIONAL
Tel: 800-525-7452
International franchisor of real estate offices.

Retail

GOLF USA
Tel: 800-488-1107
Full line name brands and more, golf discount retail stores. A total tunkeyoperation

Play It Again Sports
Tel: 800 453-7754
North America's largest sporting goods retailer

Retail Homeware

UCC TOTALHOME
Tel: 800-827-6400
UCC Totalhome is an international company that enables members to avoid traditional markup and purchase on unprecendented selection of quality merchandise at unparalleled prices

Printers

SIGNAL GRAPHICS
Tel: 800-852-6336
Printing, copying, pack and ship and promotional products

Pet Welfare

WILD BIRDS OF AMERICA
Tel: 800 945-3247
Franchising and supporting the ultimate wild bird speciality shops, for people who want successful businesses they can be proud of.

Training

CRESTCOM INTERNATIONAL, LTD.
Tel: 001 303-267-8200
Crestcom is rated the #1 management/sales training franchise of 2000 by Entrepreneur, Success and Income Opportunities magazines.

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

Franchising in **Canada**

By: Larry Weinberg

Cassels Brock & Blackwell LLP
2100-40 King Street West
Toronto
Ontario
Canada
M5H 3C2
Tel: 416.860.2987
www.casselsbrock.com
lweinberg@casselsbrock.com

Over the course of the last 50 years or so, franchising has grown and thrived in the Canadian retail and service marketplace. On the domestic front, there are today many Canadian based franchisors with small and large franchise systems that are either regionally based or spread out over this entire country. From an international perspective, many well known franchise brands from the United States and elsewhere have made Canada one of their commonly chosen international expansion targets. Many of these have thrived in the Canadian marketplace, so that most well known U.S. and worldwide franchised brands can today be found in Canada. They have joined the various domestically based franchise chains to create a climate that readily accepts franchising as a way of conducting and expanding a business.

Due to geographic proximity, a common language, history and culture, Canada is most often the first stop for franchise systems from other English speaking countries, and in particular those from the United States. But new systems to Canada are not just those that arrive from the United States. There are also examples of retailers and franchisors originally from countries such as Australia, France, Spain and the United Kingdom who have made Canada the first stop on their expansion to North America. In certain instances Canada is rightly seen as a less daunting prospect than the challenges posed by the sheer size of the market in the United States, being ten times the size of the Canadian marketplace. Hence, a secure toehold in Canada is seen as a way of establishing one's business on this continent.

Canada has a relatively small population of approximately 33 million people spread out over a large geographic area. However, the vast majority of Canada's population lives within one hundred miles of the border with the United States. Perhaps that is why, from the U.S. perspective, many franchise systems did and still do not consider Canada an "international market" at all. For these companies, Canada is seen and treated as a logical extension of their domestic operations.

Canada has a well-educated, highly-skilled workforce, with disposable incomes and spending patterns generally seen as being on par with other Western nations, and in particular the United States. Canada also has an abundance of undeveloped land and natural resources, and an extensive transportation infrastructure of highways, railways, and shipping lines that lessen the issue of geography. Of course, in this day and age, there is also a large and sophisticated telecommunications network that also serves to shrink the vast distances in this country.

Canada is also generally receptive to foreign investment, be it in the form of direct investment or the licensing of know how through a franchise structure.

Canadian cities are generally considered safer than many in other Western nations, and Canadian business practices and legislative developments tend to follow those in the United States (except, notably, in the area of litigation).

The conclusion: Canada is today still a prime market for business expansion generally, and franchise expansion in particular.

The Legal Landscape for Franchising in Canada

In many parts of the world the business of offering franchises has become a more complicated undertaking; certainly more complicated than it would have been 30-40 years ago. The situation in Canada is no different.

Canada's political structure is rooted in a system of federalism. All aspects of governmental power are divided between the federal (national) and provincial levels of government. While there is but one federal government, there are ten provinces.

In addition there are now three territories, comprising much of Canada's uninhabited north. Territories enjoy a certain degree of autonomy, and have their own territorial governments, but otherwise rely to a great extent on the federal government.

The Canadian constitution grants the federal government exclusive jurisdiction over such areas as: trade and commerce, and intellectual property (trademarks, patents and copyrights). It also grants provincial governments exclusive jurisdiction over such areas as contract law, as well as the administration of justice in the province. Of relevance to franchisors, therefore, is the fact that trademarks and competition (anti-trust) law is within the federal jurisdiction with statutes that apply nationally, while private contractual matters fall within the purview of the provincial governments. Hence, any franchise legislation in Canada will only ever arise at the provincial level. To date, only four of the ten provinces, namely Alberta, New Brunswick, Ontario and tiny Prince Edward Island, have passed such laws. (New Brunswick law is new, and will likely come into force in 2008.)

The four provincial franchise laws are all quite similar, and in many ways, similar to franchise laws elsewhere in the world. In short, they mandate a regime of pre-sale disclosure through a so-called "disclosure document". It requires a franchisor to provide written information on all "material facts" relating to the franchise investment, and include answers to a series of mandatory questions relating to such areas as the experience of the franchisor, the individuals that manage the franchisor's operations, and a plain language description of many of the items covered by the franchise agreement. The franchise agreement, and the franchisor's financial statements are then required attachments to the disclosure document.

Unlike the situation in the United States, there is no pre sale registration requirement in Canada. In fact, there is no public body in any province with the responsibility to review or approve a disclosure document. The responsibility for correct preparation falls entirely on the franchisor, as the franchisee is provided with a host of civil remedies in the event the disclosure document is not provided at all, or if provided, is deficient in some way, or contains a misrepresentation.

The two unique features of the Canadian provincial franchise laws are that they all contain a statutory duty of "fair dealing and good faith" which is a duty expressed as being owed by franchisors and franchisees to each another. Lastly, the statutes recognize that franchisees have a right to associate, and franchisors are precluded from interfering in this right.

From a contractual perspective, franchising in Canada is quite diverse. The single unit franchise is still likely the most common type of franchise offered in this country. That is certainly the case with domestic franchisors. For international franchisors, however, the growth strategy is often quite different today, and single unit franchising for them is becoming much less common. Now most foreign based franchisors are setting their sights on a more sophisticated and mature domestic "partner" (in the business sense). As a result, foreign based franchisors are seeking Canadian area developers and/or master franchisees, as opposed to single unit franchisees. In this strategy, their goal is to shift to the domestic operator most if not all of the responsibilities for the performance of the brand in the market.

So, to conclude, Canada is and should be very familiar to franchisor companies from around the world as a logical place to expand. Certainly, there are differences between this country and others. However, there are certainly enough similarities so as to make expansion both feasible and desirable.

CANADIAN FRANCHISE ASSOCIATION
2585 Skymark Ave. Suite 300 Mississauga, Ontario
L4W WY5
Tel: 905-625- 2896 Fax: 905-625-9076
Web: www.cfa.ca

Car Respray

MAACO AUTO PAINTING & BODYWORKS
Tel: (905) 501-1212
Maaco's mission is to service more customers than anybody else, charge less per job than anybody else and make more profit than anybody else in the auto painting and body repair business.

Education

MARC GLOBAL VENTURES
Tel: 613-746-6282
Gaming, Internet, Tutoring, Computer Services, Pre-press, Business consultancy

Hair Salon

MAGICUTS
Tel: (905) 363 4105
Affordable, fashion haircare for families. Training and on-going support

SUPERCUTS
Tel: (905) 363 4105
Current looks at affordable prices. Training and on-going support

Home Improvement

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Lawncare

NUTRI-LAWN
Tel: 800-396-6096
Ecology friendly lawn care

Restaurant

ARBY'S OF CANADA INC
Tel: (800) 487-2729
Arby's ® is quality fast food for grown-ups!

BUFFALO WILD WINGS
Tel: (952)278-9573
Buffalo Wild Wings has been in business for 27 years with 207 corporate and franchised restaurants

BURGER KING CORPORATION
Tel: 416-626-7423
Fast food hamburger restuarants

PAPA JOHN'S INTERNATIONAL INC
Tel: (502) 261-4143
Papa John's Pizza was founded on the principle that better ingredients make a better pizza.

PIZZA HUT CANADA
Tel: (416) 674-0367
Leading casual dining restaurant chain specializing in pan pizza, thin crust pizza, pastas and auxiliary items, i.e. wings, garlic bread and salads.

Retail Homeware

ENGLISH BUTLER CANADA LTD.
Tel: (416) 966-9802
Sales of home decorating accessories and giftware. Currently has stores operating from Calgary to Halifax

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

ALGONQUIN TRAVEL CORPORATION
Tel: (416) 485-1481
Our global brand and vertically integrated organization offers accomplished travel agencies the opportunity to join a strong, well-established group while maintaining their entrepreneurial spirit!

Franchising in **Brazil**

By: Flávia Amaral and
Antonio Carlos Mota Machado Filho

Flávia Amaral
Dannemann Siemsen
Advogados
Tel: 55 21 2237-8885
Fax: 55 21 2553-1812/3
flavia@dannemann.com.br
www.dannemann.com.br

In Brazil, the franchise system became very popular during the last decade. Although many of the aspects of a typical franchise relationship could be found in some segments of the domestic market prior to the nineties, researches show that the net sales in the franchise market had an expressive growth from 1995 to 2001, which increased from 9 billion to 21 billion dollars during those years, as per "Exame Novos Negócios" magazine1.

The propagation of franchising allowed the usage of this system by other sectors of the national economy, creating several opportunities of jobs, as well as developing Brazil's internal and international trading with investments, imports and exports. This recent experience with franchising widened its scope of acting, which was concentrated in specific activities in the past, such as English courses, vehicles distribution, fuel and drink bottling.

Nowadays, the importance of franchising is so substantial that a law (Law no. 8955, of 15 December 1994, also known as the "Franchise Law") was created in 1994 to establish some provisions under which franchise relationships shall be ruled. This law defines franchise business in Brazil as the "system whereby a franchisor licenses to the franchisee the right to use the trademark or patent, along with the right to distribute products or services on an exclusive or semi-exclusive basis and, possibly, also the right to use technology related to the establishment and management of a business or operating system developed or used by the franchisor, in exchange for direct or indirect compensation, without, however, being characterized as an employment relationship".

According to the Brazilian Franchising Association – ABF Internet site2, the success of franchising can be verified by its constant growth, that, even in economic crisis times, was higher than the Brazilian Gross Domestic Product. And this is confirmed by the 1013 networks/brands of formatted franchises – 11% (eleven percent) of which are international franchises - that can be found in the country in the current days.

History:

The experiences with franchising in Brazil began back in the sixties, with the introduction of this system by English courses, such as Yazigy and CCAA. In the following decade, the opening of the first Mc Donalds' restaurant, one of the world's reference in franchising, was another important step to the establishment of this system in Brazil. Nevertheless, franchise businesses were concentrated in the areas of vehicles distribution, fuel and drink bottling until the beginning of the eighties. In 1987, the foundation of the Brazilian Franchising Association, whose aim is to disclose, defend and promote franchising, stimulated this field in Brazil.

A significant change occurred in 1992, when the franchise market was opened to the global competition. Another turning point was the arrival of the Franchise Law, which stipulated obligatory provisions that shall be observed by the parties when a franchise operation is started, specially in regard to the main provisions that must be established in the disclosure document, also known as "Franchise Offering Circular – FOC, provided by the franchisor to the potential franchisee about the franchise system. In addition, another important law is the Industrial Property Law (number 9279, of 14 May 1994), which has some rules concerning franchising, specially when there are foreign parties involved in the franchise relationship.

Nowadays, due to the success of franchise operations, Brazilian companies are finding their way to the international market, and their main targets are Mexico, USA, Spain and Portugal, and the countries in Latin America. Also, Brazilian government started to give official support to franchise business abroad, by APEX - Export Fostering Agency, whose aim is to broaden and diversify national products in the international market.

Growth of franchising in Brazil:

According to ABF, the income concerning franchising was R$40 billion (approximately US$ 20 billion) in 2006. Compared to 2005, the growth rate was of 11% (eleven percent). Also, as per the mentioned Association, Brazil is the fifth

franchise market in the world.

Success of Franchises in Brazil

As per ABF, Brazilian's successful experience with the franchise system occurs because of the following:

- Lack of resources available to the businessperson who wants to expand his/her business.
- Gradual decrease of job offers, which stimulated people to start their own business.
- Creativity and enterpriser profile of Brazilians.

Also, franchising seems to be an attractive option for many micro enterprises and small companies which want to start their business with a good possibility of success. Besides, Brazilian legislation grants tax benefits to these kinds of entrepreneurs, in order to stimulate the national economy. These points must be taken into consideration in a country such as Brazil, an usual victim of economic crisis.

Franchise and Brazilian Legislation:

Brazilian's legislation has specific rules concerning franchising, already mentioned in this article. The Franchise Law (Law number 8.955, of 15 December 1994), which is a disclosure law establishes the basic provisions that shall be included in the written disclosure document, which is the Franchise Offering Circular - FOC. Besides these basic provisions, franchisor Thus, the main stipulations on how the franchise will be operated can be settled by the parties.

In relation to the FOC, this document shall have a clear e comprehensive language and contain basic information about the franchisor enterprises, such as a report on the companies related to the franchising, franchisor's balance sheets from the last two financial years and pending litigations concerning the franchise system. In addition, the FOC must contain a detailed description on the franchise system, franchisee's profile, the estimated amount of money needed on the franchise operation, franchise's initial fee, royalties, advertising tax, and so on.

Also, certain formalities shall be complied, like the execution of the franchise agreement by two witnesses or the disclosure of the FOC at least ten days prior to the prospective franchisee's execution of any preliminary franchise agreement. Concerning this last formality, in case it is not observed, the franchisee can plead the defeasibility of the franchise agreement and request all the sums already paid to franchisor back or to the one named by him, plus indemnification for damages.

In addition, the referred law states that terms "franchisor" and "franchisee" also refer to "Subfranchisor" and "Subfranchisee". And, although not expressly mentioned, the rules are also applicable to Master Franchises.

Concerning international franchises, besides the provisions found in the Franchise Law, the aforementioned Industrial Property Law states that this kind of agreement shall be necessarily submitted to the Brazilian Institute of Industrial Property – INPI for the following purposes: (i) to produce effects against third parties; (ii) to entitle the franchisee to remit royalties to franchisor as payment for the grant of the franchising and (iii) to qualify the franchisee for tax deductions of the remitted amount to franchisor.

For these purposes, both parties may submit the agreement to the INPI, forwarding to this Institute some essential documents in this kind of business, which are the franchise agreement, the Franchise Offering Circular, simple translations of these documents into Portuguese, a list of the licensed trademarks along with the information concerning their status and the confirmation of the delivery of the Franchise Offering Circular duly executed by the franchisee.

After the submission of the documentation, the INPI has thirty days to analyze the documents, reject or approve the agreement's recordal or to request some clarifications concerning agreement's formal and/or content aspects.

In case the agreement is made on a royalty basis, the payments concerning royalties and/or fees to the foreign franchisor shall also be approved by the Brazilian Central Bank. Thus, the franchisor must also register the agreement within the Brazilian Central Bank after the INPI's approval to allow to remittance of remuneration.

Franchising in **Spain**

Special Regulation of Franchising in Spain

Mullerat, S.L.
Torre Picasso
Plza Pablo Ruiz Picasso s/n
28020 Madrid
Tel: 00.34.91.399.51.89
Fax: 00.34.91.399.49.13
www.mullerat.com

Article 62 of the Law 7/1996 on Retail Trade (the Retail Trade Act), provides a definition of franchising as well as conditions for this legal regime in Spain. Furthermore, it led to the development of Royal Decree 2485/1998, which introduced in Spanish law an improvement on the notion of preliminary agreements in the franchise contract.

This Law regulates, in general terms, the activity of retail trade providing what is understood to be "good commercial practices" that must apply to any franchisee operating as a retailer in the market and establishes a framework for the relationship between the franchisor and the intended franchisee.

Franchisors Registry

The General Board of Commercial Policy of the Minister of Industry, Tourism and Trade governs this special administrative Registry. Companies intending to develop franchising in Spain must be registered into the Registry prior to the beginning of any franchising activity, whether the company is a franchisor or a Master Franchisee.

The following information must be registered with the Registry:

- Commercial and economic information of the franchisor.
- Industrial and intellectual property rights and/or the transfer of ownership or licenses to use such rights.
- Description of the business: report of the activity, number of franchisees in the network, number of franchised and company owned outlets, as well as the franchisees that have ceased to belong to the network in Spain during the last two years.

The Master Franchisee must provide this information about his Franchisor and the term of the Master Franchise agreement.

Non-compliance with this registry obligation is defined by Article 68.2 of the Retail Trade Act as an infringement, that gives rise to a fine that oscillates anywhere from 3,006 to 15,025.

Disclosure of Pre-Contractual Information

The franchisor must deliver in writing to the intended franchisee within a minimum of twenty days prior to the signing of a franchise agreement or pre-contract or prior to any payment to the franchisor, all the truthful and non-misleading information necessary to enable the franchisee to freely and knowingly decide on whether to incorporate into franchise network, that includes the following:

- Franchisor identification information: registration

  in the Franchisors Registry and Trade Registry; information on share capital retained on the last balance sheet, if it is totally paid out and in what proportion.
- Certificate of ownership or license allowing the use of the trademarks and other Intellectual Property rights in Spain, including the term of the license.
- Description of the sector of the franchise.
- Franchisor experience.
- Contents and characteristics of the franchise:

  including a description of the business, the know-how, the continuing commercial or technical assistance and an estimate of the investment, costs and expenses necessary to start the business.
- In case the franchisor delivers financial projections

  or an estimate of sales and/or profits, these must be based of supported experience or studies.
- Structure and extension of the franchisor network in Spain.
- Essential elements of the franchise agreement:

  rights or obligations of the parties, term of the agreement, conditions of renewal and termination, financial or economic clauses, exclusive territory clauses and limitations on the franchise business.
- Duty of confidentiality: the franchisor can demand that the future franchisee maintains confidential all of the delivered pre-contractual information.

The consequences of the failure to disclose the pre-contractual information includes an administrative

fine up to 3,006 and can arise civil consequences against the franchisor.

European Union Regulation

The European Regulation 2790/1999 (Block Exemption) develops the regime of concerted practices and vertical agreements that had been excluded from the application of Article 81.3 of the Treaty of Rome.

This Regulation is applicable to vertical agreements, defined as those practices that have been entered into by two or more companies that work on different levels of production or distribution and refer to the conditions for the acquiring, sale or resale of determined goods or services. It does not mention franchising in its text, although the guidelines that accompany it (points 35, 42, 43 and 199 to 201) make it clear that it applies to franchising.

This Regulation does not affect franchise agreements whose market share is inferior to 10% or, if greater, when it does not affect, significantly, the markets between member states of the EU. As a consequence, it is not applicable to the majority of franchising chains that are in operation in Spain. To these types of agreements, the Spanish legislation on competition would apply as well as the Comunicación relativa a los acuerdos de menor importancia (Communication on agreements of lesser importance) of the Commission of December 9, 1997.

On the matter of competition, the Spanish Royal Decree 378/2003 follows the European rules established on Block Exemption, clarifies the previous Spanish legislation on competition (Spanish Act 16/1989, of Defence of Competition) and regulates the exemption by categories as well as the process for granting authorizations.

The principal characteristic of the European Regulation is that there exists a general authorization for the restriction of competition in franchise agreements (these restrictions may not be those included in the Black List of the Regulation) and in particular when the franchisor or exclusive supplier of the chain holds a market share inferior to 30%.

In the case that the market share is greater than 30%, the automatic exemption will not apply and the agreement must be authorized by the European Commission in order to determine if it restricts free competition.

Prohibited Stipulations in a franchise agreement

- Sales outside of the franchisee's outlet.
- Restriction on passive sales.
- Impose minimum prices, except in promotional activities. Not included are the recommendation and imposing of a maximum sales price.
- Restriction or prohibiting the franchisee to sale

  or supply directly through other franchisees. Exclusive supply agreements are permitted when they are used to maintain the identity and reputation of the chain. If the exclusive supply is inferior to 80% of the total goods and services commercialised in the franchise, it could be applied for an indefinite period. When it is superior to 80%, the limit would only be applicable for a 5 years period.

Permitted Stipulations in a franchise agreement

- The franchisee, its shareholders, owners or

  employees cannot be bound to their competitors. Agreements of non-competition will be valid throughout the term of the contract when it is defined as to time or inferior to 5 years.
- The Regulation permits that the agreement

  continues in force for a year following the termination of the contract if the following conditions are fulfilled:
- When it is necessary to protect the know-how of the franchisor;
- When it is limited to the territory within which the franchisee has operated throughout the term of the contract.
- Confidentiality and non-transmissibility of the know-how.
- Prohibit the assignment of the agreement by the franchisee.
- Assignment to the franchisor of a non-exclusive license on the improvements to the know-how made by the franchisee.

Franchising in **Germany**

By: Karsten Metzlaff

Karsten Metzlaff
Karsten.Metzlaff@noerr.com

Franchising is well established in Germany. It is common in the retail industry and in certain service industries, such as the dry cleaning, car-rental and travel businesses. It is most prominent in the hotel and restaurant industry. Franchising plays an important role in Germany today and is still growing stronger. Franchisors as well as franchisees can find a stable economic environment, enormous buying power, and a large pool of well trained employees.

There is no special statute in Germany governing the franchise relationships. All problems affecting franchising systems can be dealt with on the basis of existing laws. These include the Commercial Code, the Civil Code and the European Anti-trust law.

The Civil Code

1. Pre-contractual Duty to provide Information

An important issue with regard to the preparation of a franchise contract is the franchisor's pre-contractual duty to provide information to the franchisee. The attention of a franchisee has to be drawn to any and all circumstances that are of decisive significance for his investment before conclusion of the contract and with regard to which there is a significant informational imbalance to his detriment. The scope and specifics of these pre-contractual obligations depends on the individual case. The experience and knowledge of the franchisee must be taken into account when assessing the scope of the pre-contractual duty to provide information. The less a potential franchisee knows about the industry the more information the franchisor has to provide. Necessary information for the franchisee might include details relating to cost estimates, the possible amounts of work and capital involved. A violation of this obligation entitles the franchisee to claim damages.

2. Standard Contracts

All franchise agreements that are concluded by means of standardized forms drafted by the franchisor, are subject to regulation by the sections on standard contracts in the Civil Code. Provisions in standard contracts are invalid if they unduly burden the franchisee under the principles of equity and good faith.

3. Consumer protection law

The Civil Code gives the franchisee under two conditions a right to revoke the franchise agreement: First, the agreement must contain an obligation to buy goods from the franchisor on a continuing basis. Second, the franchisee must be a first time promoter of an enterprise in that particular industry. If these two conditions apply, the franchisor has to instruct the franchisee of his right to revoke the agreement. If the franchisee does not avail of the right to revoke within two weeks after conclusion of the agreement, the contract becomes binding. If the franchisee was not informed properly he is entitled to revoke without time limitation.

4. Kickbacks

Franchisors who do not deliver their own goods to franchisees often oblige them to obtain the necessary goods by certain specified suppliers. The suppliers sometimes reward the franchisors for doing so with payments or other types of compensation. Such ìkickbacksî are generally allowed in Germany. An important question however is whether franchisees may claim these payments. Such a right can arise out of the franchise agreement. German courts tend to interpret franchise agreements in favour of the franchisee. Hence even very unspecific clauses of a franchise agreement that relate i.e. to advantages that are passed to the franchisees can obligate the franchisor to relay ìkickbacksî to the franchisees.

5. Termination without notice

Under German law a termination without notice can only be performed, when an important reason exists. Only major infringements of the duties of the franchise agreement are important reasons for a termination without notice. General rules cannot be given. Each case has to be assessed individually. Before the franchise agreement can be terminated it is necessary to formally remind the other party of their duties and to set them a time limit to comply. Only after the other party does not fulfil its duties under the franchise agreement during the term of the time limit, the other party is entitled to execute its right of termination without notice.

The Commercial Code

The German Commercial Code knows no specific regulations for franchisees. However, it is recognized that some statutory provisions embody legal principles that may generally be applied to franchise contracts by analogy. Two examples:

1. Compensation upon termination of the franchise agreement

Upon termination of the franchise agreement the franchisee is entitled to claim compensation for loss of

future income that might otherwise have been earned from further business concluded. The Compensation can be as high as a average anual income. The income is averaged on the basis of the last five years. Compensation will not be paid if the contract was terminated by the franchisee, or in case of termination without notice because of misbehaviour of the franchisee.

2. Post contractual non-competition clause
A non-competition clause that comes into force upon termination of the franchise contract can be imposed for a maximum of two years following termination, and can apply only to the contractual areas. The non-competition clause must be in writing and must be signed by the franchisee. Further, the franchisor is obliged to grant the franchisee appropriate compensation for the duration of the non-competition clause. The appropriateness of the compensation is being determined on the basis of the prospective loss the franchisee will suffer because of the non competition clause. The possibility of entering a profession thatís not affected by the non-competition clause is also considered.

Anti-trust Law

Since 2005 a unified system of applicable anti-trust laws exists. In this process German anti-trust law as to distribution agreements was in 2005 completely harmonized with European anti-trust law. The EU-block exemption on vertical restraints (VO 2790/99) applies on all franchise systems operating in Germany. All forms of competition restraints like non competition clauses, price fixing and guaranteed exclusive areas are now treated in full compliance with the EU anti-trust law.

GERMAN FRANCHISE ASSOCIATION
Luisentrasse, 41 10117 Berlin, Germany
Tel: +49.0.30.278.9020 Fax: +49.0.30.278.90.215
Web: www.dfv-franchise.de

Auto Care

WINTEC
+49 (0)6431/ 9837-0
Wintec Autoglas - Steinschlagreparatur und Kratzerbeseitigung, Neuverglasung (WINTEC)

Café

HÄAGEN DAZS CAFÉ
Tel: +49 (0)40/ 689414-30
Häagen-Dazs Café, Verschiedene Cafétypen (Flagship Café, Classic Café, Take-Out Café) mit spezieller Eiscreme (Konzept aus USA)

Commercial Cleaning

AWELL
Tel: (0)7667/ 830861
Gebäudereinigung

Healthcare

PRÄVENTAS
+49 (0)511/ 728260
Präventas - Gesundheitssport

Home Improvement

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Hotels

ACCOR
Tel: (0)89/ 63002-0
Vergabe von Franchise-Lizenzen für ETAP, IBIS, MERCURE

BED AND BREAKFAST HAMBURG
Tel: (0)40/ 4915666
Bed & breakfast, Vermittlung von Gästezimmern in privaten Haushalten

Parcel Delivery

CARGO SYSTEM LUXEMBOURG
Tel: +49 (0)5146/ 92220
Transportunternehmen im Güterkraftbereich

Pet Welfare

TIERSITTER EXPRESS
+49 (0)208/ 6215891
Vermittlungsservice zur Betreuung von Haustieren

Retail

HOBBY MADE
Tel: +49 (0)2041/ 18230
Hobby- u. Bastelfachgeschäfte/Freizeitgestaltung/ Konzeption

Take Out

BAGEL BROTHERS
Tel: (0)40/357400-0
Bistrorestaurants zum Verkauf von Bagels

Training

BERLITZ
Tel: (0)6196/ 400401
Fremdsprachenschulen

HORIZONS COMPUTER LEARNING CENTERS
Tel: +49 (0)40/ 300600-0
Computer-Schulungscenter

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

UNIGLOBE
+49 (0)861/ 98976-0
Reisebüros

Training\Schülerhilfe

SCHÜLERHILFE
+49 (0)209/ 3606-0
Nachhilfeunterricht

Franchising in **Greece**

By Yanos Gramatidis, Bahas, Gramatidis & Partners

Yanos Gramatidis
y.gramatidis@bahagram.com.

Quite interesting developments happened in Greece within the last few years in relation to franchising. We would remind that franchising is a relatively new commercial practice in Greece since 75% of the Greek franchise chains were established after 1995 and 40% after 1999. The number of franchisors in Greece has been increased till today (in terms of number of outlets, sales and employment) in twice larger numbers than other businesses in the sectors where such franchisors operate. The period 1995-2000 has been an especially fruitful period for the Greek franchise systems from the point of view of total numbers. However, the annual increase of the franchise systems presents a slight decline the last few years approaching to a balanced or maturity situation.

The financial results of the Greek franchisors businesses differs substantially from business sector to business sector and same are very impressive due to the fast expansion of franchising the last few years, especially in comparison with the results of other businesses in the respective sectors of business in Greece. The turnover is increased by 14% per annum (much higher than the total of the businesses in the same sectors) while the profit margin does not differ from the one of the rest similar businesses. The return of capital is not always positive, however it presents an increased stability. At the same time the indicators of self-financing and borrowing are generally satisfactory.

Today, the number of companies developing through franchising are 438 in total. Out of the above number, 75,3% of the franchise companies are based in the greater Athens area as franchising, as a development system, is applied mainly for geographical expansion in local markets. The area of Thessaloniki accounts for 15% of the franchise chains and Crete and Central Greece follow.

Franchising in Greece concerns mainly small and medium size enterprises. It consists the most dynamic structural change in the Greek retail commerce and in services, and it adds to the tension of concentration of companies in bigger and more dynamic decentralized groups. It creates strong commercial brands, employment, it transfers technology, it achieves economies of scale and establishes higher standards in the Greek market. Franchising creates more jobs in Greece than those that it possibly indirectly cuts. It accounts for approx. 9.000 outlets offering employment to over 40.000 people.

As to business sectors approx. 17,5% of franchisors in Greece appear in the shoes retail market, 10% in the market of electrical appliances, 7,5% in the furniture market, 35% in restaurants and in the general food market, 7,5% in the market of gifts etc.

85% of the franchise systems in Greece are of Greek origin and ownership while foreign franchise companies elect to enter the country through are development and master franchise arrangements rather than acquiring Greek franchise chains. Most of the foreign franchises originate from USA, Canada and the European Union.

In Greece there are no legal barriers to franchising as there is no franchise legislation. There is only a Code of Ethics of a voluntary character introduced by the Franchise Association of Greece on the lines of the European Code of Ethics introduced by the European Franchise Federation. As a result there are no registration requirements of any kind that would restrict the establishment and operation of a franchise relationship.

The Greek banks support both the establishment of a franchise company and the operation generally of franchise outlets through the introduction of special financing products. At the same time the Franchise Association of Greece is trying to include franchising in the government program for the financing of SMEs.

Finally, an impressive number of franchise companies has been listed in the Athens Stock Exchange as the stock market is a source of continuous and healthy financing.

The 9th KEM International Franchise Exhibition will take place in Athens between 17-20 February 2007 and same has already attracted many foreign exhibitors. Portugal shall be the country to be honored in the frame of this Exhibition. Usually franchise system from USA, Portugal, UK, France, Cyprus, Australia, Canada, Germany, Singapore, Israel, New Zealand, Turkey and Switzerland participate to the KEM International Franchise Exhibitions. Such Exhibitions are supported by the Franchise Association of Greece, the European Franchise Federation, the IFA and other European Franchise Associations. Quite lately KEM introduced one more national franchise exhibition that takes place in Thessaloniki every year.

The prospects for the further development of

franchising in Greece are very good. The geographical position of Greece allows also Greek and foreign franchise systems to expand to other countries in the Southeastern Europe and the results of such expansion have been impressive so far. It is not coincidental that at least two financial newspapers in Greece have a special page every week devoted to franchising. Through these pages various reports on franchising are published including news, legal developments, franchise companies presentations, tax developments etc.

GREEK ASSOCIATION OF FRANCHISING
Skoufou 10 105 57 Athens, Greece
Tel: +30.210.32.34.620 Fax: +30.210.32.38.865
Web: www.franchising.gr

Body Care

FRESH LINE HOMEMADE COSMETICS
Tel: +30 210 6930780
Fresh Handmade Cosmetics in a unique retail business concept

Computers

123REFILLS
Tel: +30 210 622173
We offer ink and toner refills for all inkjet and laser printers.

Education

PAN SIK SCUOLA DI MODA
+30 210 6930780
Fashion School. One of the leading European Schools in Fashion Design.

Fashion

MAN & MANETTI
Tel: +30 210 6930780
The European trendsetter in mans shirts, ties and accessories. The modern retail concept in Camiccerias.

Home Maintenance

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Languages

EUROPEAN EDUCATIONAL GROUP
Tel: +30 210 96 36 100
The European Educational Group, the largest educational network in South East Europe, offers through EUROGNOSI® and EUROLAB® advance studies in European Languages and Information Technology.

Retail Outlet

5ASEC HELLAS SA
Tel: 2109851346
Dry Cleaning

NEOFOOD SA
Tel: 2109224050
Snacks & Ice Cream

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry with the unique Smoothie Fresh range of healthy fresh fruit drinks.

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

Franchising in **Hungary**

by Dr. István Kiss

by Dr. István Kiss CEO
Hungarian Franchise
Association
www.franchise.hu
(in Hungarian)

The Hungarian Franchise Association was established in May 1991 by 17 companies operating in different fields of franchising. Among these companies there was a Hungarian franchise called City Grill and McDonald's, the pioneer of international franchise as well. Out of these founders, only McDonald's has remained a member of the Hungarian Franchise Association, others were replaced by new franchise companies. Only a couple of the original consultants still works for the Association.

Currently there are 400-450 companies in Hungary, which qualify themselves as or claim to be franchises. Among these companies many offer multi-level marketing systems as franchise activity or they use the word franchise to sell their businesses in a fashionable and sophisticated way, while they are neither legally nor financially independent companies or partnerships. Except these operations the Hungarian franchise community consists of approximately 300 companies (international statistics provide only estimates of number of franchising entities due to the fact that except few countries in the world franchise companies do not need to be registered). Number of franchisees is approximately 20.000 in Hungary and 100.000 employees work in the franchise sector including suppliers.

50% of franchise systems are based on Hungarian ideas and owned by Hungarian companies as well. The other 50% are international licenses and coordinated by either subsidiaries of international companies or Hungarian companies owned by Hungarian master licensees.

Additionally not every brand carries out its operation in form of franchising in Hungary, meaning that e.g. more than 60% of 80 McDonald's restaurants are run by franchisees, but all 13 Burger King restaurants are operated by the Master Licensee (custom made statistical evaluations should be applied in these cases).

There is continuous interest in franchising in Hungary based on the last 15 years of experience. Entrepreneurs contact Hungarian Franchise Association on weekly bases inquiring about starting franchise operations or seeking for international business partners. Subway as an international business for example works in direct franchise format and they make unit franchise contracts.

Several Hungarian franchise companies do international activity successfully. Most of them are expand their operations in countries around Hungary under master license agreements. MOL the Hungarian gas station company is among these franchises, but there are smaller companies as well, for example Gardenia curtains manufacturer and its retail network or DIEGO's floor covering system. FORNETTI (bakery products, now No3 of the European Top 500 franchises) has the biggest international network; besides Kuwait or Sweden they have licensees in 14 countries.

20% of all real franchise companies in Hungary are member of the Hungarian Franchise Association. This is a good background to be able to do significant lobby activity for ethical operation of franchise businesses. The Hungarian Franchise Association assists franchisees to operate according to the European Codes of Ethics. There are no additional regulations for franchise operations in Hungary. After terminating the Block Exemption Regulation of EU, there is even no legal paragraph containing the word franchise, however all legal condition is provided for operating an ethical franchise business in Hungary.

As a result of the lobby activity of the Hungarian Franchise Association this is the second 4 year government cycle that involved franchise operations among the subsidized business types. The government subsidized more than 200 Hungarian franchisees with 1 billion HUF non refundable financial supports in the previous government cycle and furthermore currently this fund exists even in the National Development Plan as well. As a result of this 40-60 million HUF non refundable financial support is available indirectly from the European Union.

Financial conditions are behind the legal framework, due to the fact that none of the banks in Hungary provide real credit package for franchise companies. The same case applies for those multinational banks, where the mother company has significant franchise financing activities/products abroad. All together the Hungarian Entrepreneur Private Benefit Foundation - mainly in the Budapest region - provides favorable credit possibilities for even startup businesses, which franchise operations can benefit from.

The Hungarian Franchise Association has organized the first international franchise conference and exhibition in Budapest in 1992 (the 12th one will be organized in April 2006), and hosted several international program

as well. The European Franchise Federation has also organized two times its General Assembly during these events in Budapest. Hungary is the member of this federation since 1993.

The activities of the Hungarian Franchise Association have three major scopes. The first and the most important one is to provide the possibility of ethical franchising by influencing and controlling all regulations connected. The second one is to extend the knowledge related to ethical franchising thru regional conferences in cooperation with county chambers. Last but not least, the Association helps to find appropriate franchisors and franchisees each other, and in relation to this we do market organizing activities as well. The Association published its latest yearbook in 2002 due to the heavy expansion of internet. The publication policy of the Association has also changed at this time. Firstly Franchise news and market newsletter was written in separate sections of business magazines then an independent quarterly publication entitled Franchise News & Market has been started by the Association. Currently this is the second subsequent year that the Association is responsible of editing the Franchise magazine published by Central Press. Franchise education is to be started at the Corvinus University (the former Budapest School of Economics and Social Sciences) in the near future, which provides continuous development to franchisees, franchisors and franchise managers. There is an increasing demand on the labour market for franchise managers, since more enlarging companies look for and recruit trained franchise specialists.

A franchise radio program plans to start on weekly bases in Hungary, and apart from the Hungarian Franchise Association more companies organize franchise exhibitions and issue publications. This clearly shows that franchising has reached the level of significance in Hungary, where more and more businesses worth to be involved in.

Useful Contacts:

HUNGARIAN FRANCHISE ASSOCIATION
POB. 446 Budapest H-1537, Hungary
Tel: +361.212.41.24 Fax: +361.212.57.12
Web: www.franchise.hu

Franchising in

United Arab Emirates

Franchising Industry Worldwide

Currently, franchising companies and their franchisees account for $1 trillion in annual U.S. retail sales in 320,000 franchised small businesses in 75 industries. Markets outside U.S. borders represent new avenues of opportunity for franchisors with visions of expansion. While in the U.S., Canada and part of Western Europe franchising has reached domestic market saturation, emerging markets remain relatively untapped.

U.S. franchisors are expanding their operations into many countries previously not considered, both developed and developing. Canada, while still the most popular country for U.S. franchise expansion, is today attracting a smaller percentage of franchising activity than it did six years ago. Researchers said this attributed to the growing popularity of expansion into other countries.

Asia, South America, Central America and Mexico are the areas of greatest international franchising growth.

Small & Medium Business Enterprises: A Special Sector

Small & Medium Enterprises of western countries will find an attractive and comfortable niche in MENA region. The SME owners will find many similarities within their own Hands-on Working Approach and the personalized approach preferred by the business community here.

Focus On Emerging Markets

Analysts will put three indicators to identify an emerging economy: the level of economic development, economic growth and market governance. Countries that are liberalizing their economic institutions and democratizing their political structures are often referred to as Transitional Economies/Countries. These transitions have been welcomed by the Western economies and regarded as opportunities for international franchising expansion.

Middle East Markets : Advantages & Growth Potential

Advantages

The primary reason of interest in this region is the affluence of Middle Eastern markets, the preference for quality goods, fairly consistent import standards and requirements.

Middle East is one of the fastest growing and developing markets in the world economy today. The region is probably the most investor friendly region with full support from the Governments, attractive tax free facilities and world class infrastructure. Add to this improved Intellectual property Legislations, a high number of High Net-worth Individuals and a young upwardly mobile consumer market keen on leisure and consumer spending, the Middle East is a perfect answer to business investors.

Potential

Franchising, essentially is a coming together of the western business entrepreneurs in the region who exhibit a high degree of professionalism, and the cooperation and dependability of Arab business professionals.

Franchising in the Middle East is growing at a commendable rate of 27% annually. The franchising industry worldwide has taken notice of the enormous potential of Middle East Region.

UAE - The Gateway to Mena Region

In addition to inter-Gulf trade, Dubai also reaches an "outlying ring" of huge markets including East African countries, the CIS, Iran and the Indian sub-continent. Therefore, by establishing a base in Dubai, international businessmen, manufacturers and exporters of less sophisticated equipment and mass consumer products can also successfully find readily available buyers for their goods.

Considerations For Franchisors

However this should not be presumed that the market conditions in MENA Region are easy for a new company coming in. In terms of market demography, government, corporate laws and taxations, labour issues as well as the socio-cultural dynamics, the Middle East markets are diverse in nature. middle East is a amalgam of diverse demographic & commercial factors. There are many different countries--each with its own customs, cultures, languages and laws--which makes expanding into this market more challenging. thorough understanding, research and analysis of market and local conditions will be imperative for any new organization entering the markets.

Franchising in India

By Preeti Mehta -
Partner, Kanga & Company

Preeti Mehta
Kanga and Company
Tel: (91-22) 66332288, Fax: (91-22) 66339656/7
pgmehta@vsnl.com

Until recently, franchising, as a business concept was not as widely developed and popular in India as it was in many other parts of the world. However, with the liberalization of the Indian economy, the concept has gained momentum and spread across in many sectors such as, hospitality industry, fast food chains, retail outlets, educational institutions, health sector, etc. Growing popularity of trans-global brands like McDonalds, Pizza Hut, Nike, Reebok, Marks & Spencer and Costa as well as domestic/regional brands such as Zee Interactive for media arts, Archies in social expressions industry, Madura Garments in apparels, Titan for watches, Apollo Health for Healthcare Clinics clearly indicates the potential franchising in India has.

India is a large democracy, with a flourishing class of urban consumers possessing considerable amount of disposable income. Factors such as rise in the standard of living especially of urban & semi-urban population, a vast untapped rural market, popularity of plastic money, the continued growth of the economy, global exposure and availability of easy finance have increased the demand for a wider range of quality products/ services such as fast food, clothing, electronic goods, childrenís articles, segmental and niche products and professional services, thereby strengthening Indiaís claim to be a viable and beneficial destination for foreign franchisors. India has recently been declared as the second most attractive destination for retailers among 30 emerging markets.

The Mall Boom

The concept of malls is rapidly growing in India with full of activity all year round and many having multiplex theatres, food courts and are influencing in a great way the lifestyle of the population. This is evident from the fact that there were just 3 malls in the year 2000 whereas there would be over 300 malls by 2010. Malls create an opportunity to have many franchise businesses under one roof. The proposal to allow foreign direct investment in the construction of malls in the country is also under consideration by Indian Government. With the mushrooming of malls throughout the country, Industry sources expect that franchising would be the most benefited sector.

Franchising in Various Sectors in India

Food And Beverages (F&B) Sector

F&B industry, valued at Rs. 3,350 billion (approx. US$ 77.90 billion) has emerged as the leader in the franchise business. As per a recent study it is expected to grow upto 10% this financial year. The Indian population is spending substantial money on eating out. Rapid development of mall culture has also acted as a catalyst to the growth of the F&B industry with number of food courts being established in the malls. Since the time of introduction of franchising in India, F&B sector has taken a leading position and it is expected that this sector will have a lionís share in development of franchising in India in years to come.

Hospitality Sector

With a rise in business and pleasure travel throughout the country, the hospitality industry business is growing by leaps and bounds. Hotel franchises like Dayís Inn and Ramada Inn have established themselves firmly. With India becoming a favoured investment as well as tourist destination, there is an inflow of foreign travellers, which has triggered sharp rise in demand for quality accommodation. Hospitality franchisors will have more opportunities to set up their chain of hotels at business as well as tourist locations in India.

Retail Sector

As per a recent study conducted by the Associated Chambers of Commerce and Industry of India, the overall size of the retail market in India is expected to grow 36.05% by 2008. The organized retail marketing is expected to increase from the present level of Rs.50,000 million (approx. US$ 1162.79 million) to Rs.1,60,0000 million (approx. US$ 37209.30 million) by 2008. This study has also indicated that franchising will emerge as a popular mode of retailing in coming years and will lead to a proliferation of foreign and Indian brands. Retailing in food, health & beauty products, clothing, footwear, household goods and furniture is getting more popular and has already started to enter into other sectors too. The Indian Government is also considering a proposal to allow foreign direct investment in the retail sector, which would further accelerate the growth of franchising in India.

As a first step towards this, the Government has now allowed 51% foreign direct investment with the Government approval in single brand product retailing, subject to prescribed conditions such as the products should be sold under the same brand internationally and 'Single Brand' product-retailing would cover only products which are branded during manufacturing. This would certainly prove to be a boon to foreign franchisors.

Education Sector

The boom in the IT Industry in the country has seen a rise in franchising in IT education sector. Many institutions such as Aptech, NIIT, CADD have established their franchises. With the concept of nuclear family firming roots with both the parents working, demand for Playpen and Kinder Garden schools has increased. This has seen rise in franchised network of institutions like Eurokids and Kidzee for quality pre school education. Considering the changes in the social, business and behavioral pattern of the population and to meet constantly increasing demand, franchising in education is also expected to grow very rapidly.

Health Services Sector

With a rise in the standard of living, awareness for quality health services has increased. Healthcare service providers are cashing in this awareness by spreading their business through franchisees in major cities. Apollo Hospitals has set up large chain of state-of-the-art healthcare clinics in India and abroad, offering comprehensive healthcare services. The pharmacy chain, Medicine Shoppe, is also expanding its business by franchised stores.

Legal Aspects

Presently, there is no franchise specific legislation in India, hence, the rights and obligations of the franchisor and franchisee would be governed by the general law of contract. Besides the Contract Act, there are various laws, which would affect the relationship between the franchisor and franchisee, such as:

(i) Intellectual Property Laws- To keep pace with the growing importance of trademarks in global markets and to meet its obligation as a signatory to the WTO Agreement, India has amended its Trade Marks Act making it compatible with the international standards laid down in TRIPS;

(ii) Competition Laws - Presently the Monopolies and Restrictive Trade Practices Act, 1969 governs the issues relating to restrictive and unfair trade practices, resale price fixing, etc. The Competition Act has been enacted but is still not in force to its full effect. The new Act prohibits use of dominant position and would govern issues relating to anti-competition;

(iii) Taxation;

(iv) Foreign Exchange and Foreign Investments Laws - relevant for setting up an entity or branch in India and for payment by the franchisee of royalty and other fees to the franchisor;

(v) Labour Laws;

(vi) Consumer Protection Laws- which have gained importance in the recent past with the growing consumer awareness; and

(vii) Industry specific and State legislations depending upon the nature of franchise business.

Conclusion

A new era of successful franchising in India has begun providing great prospects for international as well as domestic franchisors and creating many opportunities for prospective franchisees. Foreign franchisors have already realized the unparalleled potential for franchising in India and are expanding their businesses through their franchise network. Todayís business and social climate in India is giving all indications that the time is right… to plunge.

INDIAN ASSOCIATION OF FRANCHISING
54-A, Eite Auto House, Sir. M. Vasanji Road, Chakala, Andheri (East), Mumbai 400093 India
Tel: (91-22) 692 1258 Fax: (91-22) 692 1258
Email: fai@vsn1.net

Fashion

ADIL ISIK READY TO WEAR CO
Tel: 0090 212 295 6655
Ready to wear womens clothing

Child Education

APPLE KIDS
Tel: 99 8029 2424
Hi-tech International Standard Pre-Schools

Café

COFFEE CULTURE
Tel: 0922 721 3330

Catering

MEENA'S CATERING
Tel: 022 6515 3002
Catering franchise

Education

MIDDS (METEOR INSTITUTE OF DIGITAL DESIGN STUDIES)
Tel: 022 26315206/07
Animation and design institute with parent company being in production of serials

Restaurant

PREM SAGAR DOSA PLAZA PVT LTD
Tel: +91 22 27880705
Specialised South Indian Cuisine

Computers

RUDRA SECURITY TECHNOLOGIES PVT LTD
Tel: 91 44 4260 5717
We are looking at Business franchises for our antivirus software

Business Service

SPECTRA CRYOGENICS SYSTEMS P VT LTD
Tel: 0091 744 242 8742
Laboratory equipment

Electronics

T2W ELECTRONICS CO. LTD
Tel: 86 755 27770 2289
Car electronics and solar chargers

Education

TALENTSCAN EDUCATIONAL SERVICES PTY LTD
Tel: 91 484 2348795
We are a leading education consultancy who will be able to supply students and professionals

Home Maintenance

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry with the unique Smoothie Fresh range of healthy fresh fruit drinks.

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

Franchising in **Malaysia**

By: Michael Raj of Shahrizat Rashid & Lee

Shahrizat Rashid & Lee
jasmine@srl-law.com.my

Franchising is increasingly being promoted by the Government of Malaysia to local industry as one of the most effective means of commercially exploiting intellectual property.

The Franchise Act 1998 ('the Act') is the legislative initiative for governing the franchising industry and the relationships between the franchisor and franchisee.

The Act came into force on 8 October 1999.

A franchise is defined under Section 4 of the Act as an agreement, involving the following elements: -

(a) Grant of the right to operate a business according to the franchisor's franchise system;

(b) grant of the right to use a trade mark, trade secret, confidential information or other intellectual property owned or licensed by the franchisor and connected with the franchise system;

(c) the franchisor having the right to administer continuous control over the franchiseeís business operations;

(d) provision of assistance by the franchisor in the form of supply of materials and services, training, marketing and business and technical assistance;

(e) payment of fee by the franchisee; and

(f) franchisee operates as a business separately from the franchisor.

All of the above elements must be present before a contract or arrangement between two parties is treated or regarded as a franchise. The arrangement between the parties may be express or implied or oral or in writing. Franchises offered in Malaysia must however be recorded in a written agreement. Registration of the agreement is not required.

Prior to seeking any franchisee, certain preliminaries must be observed by the franchisor. A franchisor is required to register the franchise with the Registry of Franchise before an offer to sell the franchise in Malaysia is made and apply in Malaysia for registration of any trade or service marks related to the franchise. The application is made on the prescribed form and submitted with the complete disclosure document prescribed by statute, a sample of the franchise agreement, the operations and training manual of the franchise, a copy of the latest audited accounts, financial statements, and the reports of the auditors and directors of the franchisor. Additional information may be requested by the Registrar of Franchises. Advertisements offering to sell a franchise can only be published, distributed or used if a copy of the advertisement is filed with the Registrar of Franchises at least 5 days before the first publication, distribution or use of the advertisement. Disclosure documents filed with the Registrar may be open to public inspection unless it is against the public interest.

The application process takes about 2 to 3 months. Approvals granted may be subject to conditions. Upon the approval, the Registrar may require the applicant to pay the prescribed fees. Registration of a franchise is effective until the Registrar of Franchises issues an order to suspend, terminate, prohibit, deny the sale or registration of the franchise. Prior notice with reasons will be given if this course of action is taken. The franchisor is given an opportunity to make representations on the matter.

Non-registration of a franchise is a criminal offence punishable with a fine and the Registrar is empowered to declare any franchise agreement entered to be null and void, order the refund of monies paid by the franchisee, and prohibit the offending franchisor from granting new franchises.

Any franchise arrangement must at a minimum include the following and contracting out of the Act is expressly prohibited:

- the name and description of the product and business under the franchise;
- territorial rights granted to the franchisee;
- the franchise fee, promotion fee, royalty and any other payment imposed on the franchisee;
- the obligations of the franchisor and franchisee under the proposed franchising arrangement;
- the franchisee's rights to use the trade mark or any other intellectual property, owned or licensed by the franchisor;
- the conditions under which the franchisee may assign the rights under the franchise;
- a statement of cooling off period;

- if the agreement is related to a master franchisee, the franchisor's identity and the rights obtained by the master of franchisee from the franchisor;
- the type and particulars of assistance provided by the franchisor;
- the duration of the franchise and terms of renewal; and
- effect of termination or expiration of the franchise agreement.

A franchisor is required by the Act to give to the franchisee a copy of the disclosure documents and the franchise agreement as filed with the Registry of Franchises, at least 10 days before the franchisee signs the contract. The franchisee is entitled to a cooling off period of at least 7 working days during which the franchisee has the option to opt out of the franchise agreement and recover all monies paid after deduction of the franchisor's reasonable expenses. Royalties, franchise fees and promotional contributions must not exceed the rates prescribed in the disclosure documents. The Act prescribes that promotional contributions must be use as such and placed into a separate account. Financial statements relating to the same are required to be filed annually with the Registrar of Franchises.

Both the franchisor and the franchisee are required by the Act to act in a honest and lawful manner and pursue the best franchise business practice current at the time and in the territory. In their dealings with each other, the franchisor and franchisee must not act unreasonably in relation to the risks assumed by each of them under the franchise arrangement and not act in a fashion that is not reasonably necessary of the protection of the legitimate business interests of the franchisor and franchisee.

While in Malaysia there is at present no statutory measures regulating unfair trade practices, in respect of franchises, the Act prescribes that a franchisor must not distort competition amongst franchisees in the charges offered, services and equipment provided, rentals or advertising services unless the discriminatory practice is reasonably related to the time at which the franchises were granted or conduct of the franchisees or innovation in products or business formats or services or promotion of Government initiatives and policies. These exclusions are not exhaustive but any discriminatory practice must be reasonably justifiable having regard to the purpose of the Act to create a fair and balanced relationship between the franchisor and franchisee.

The Act prescribes that the franchise term must not be less than 5 years. The franchisee is, by the Act given, the option to at any time prior to the expiration of the franchise, by written notice to the franchisor extend the term of the franchise and unless the franchisee is in breach of the terms of the franchise agreement, the term of the franchise is deemed to be so extended and shall contain terms and conditions no less favourable than the previous franchise agreement. A franchise can, however, be brought to an early end by agreement of the parties to the agreement or by court ruling that conditions in the agreement merit early termination or breach by the franchisee of the franchise agreement.

The Act permits two restrictions namely the restrictions against disclosure of confidential information of the franchisor imparted either during training or in the operations manual and the undertaking by the franchisee of a similar business after the expiration or termination of the franchise arrangement. Any such restriction must not exceed 2 years beyond the expiration or termination of the franchise.

Non - compliance with the Act is an offence punishable for the first offence with a fine not exceeding Ringgit 50,000 and for subsequent offences with a fine of not less than Ringgit 10,000 and/or imprisonment not exceeding 5 years. The court can in addition to this declare the franchise agreement null and void and order the refund of all payments made by the franchisee. Where the franchisor is a body corporate, the directors or officers of the body corporate who are responsible for the management of the affairs of the body corporate would be liable to similar punishment.

MALAYSIAN FRANCHISE ASSOCIATION
Suite 1045, Level 10, Block A2 Leisure Commerce Square No 9, Jalan PJS 8/9 46150 Petaling Jaya Selangor Dural Ehsan, Malaysia
Tel: (60 3) 7877 1557 Fax: (60 3) 7877 1559
Web: www.mfa.org.my

Internet

ASIAEP.COM
Tel: (603) 575 6213
Computer & Internet Centres

Auto Care

CHIPSAWAY
Tel: (603) 7954 9098
Car Services

WHIZLUBE
603-80248718
Car Service Centre

Body Care

CLARA
Tel: 603-8075 8333
Beauty Boutique

Computer Training

COMPUTERTOTS
Tel: (603) 4270 6822
Computer Learning for Children

EDUTREND LEARNING CENTRE
Tel: 03 - 89450771
Computer Training and Education

Education

CRESTAR LEARNING CENTRE
Tel: 603-56322663
Education Centres

Opticians

ENGLAND OPTICAL GROUP
Tel: (603) 7785 6666
Eye-checking, Spectacles and Contact Lenses

Domestic Cleaning

HC DURACLEAN
Tel: 07 - 2217970/71
Cleaning Services

Entertainment

HQ BOOKSTORE
Tel: 03 - 91710360
Bookstore

Child Education

KINDERLANDS LEARNING CENTRE
Tel: 03 - 2287 8323
Education Centres

Fashion

SINMA
(603) 5569 5050
SINMA has grown to become Malaysia largest costume jewellery retail chain, with over 50 corporate and franchise outlets nationwide

Hair Salon

SNIPS
603 - 21453116
Hairdressing and Nail Services and Products

Home Maintenance

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

HOME POWER DIY
Tel: 603 - 41079288
Do-It-Yourself (DIY) General Hardware Stores

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry with the unique Smoothie Fresh range of healthy fresh fruit drinks.

YOGEN FRUZ
Tel: 1 905 479 8763
www.yogenfruz.com
Retailer of frozen yogurt dessert

Franchising in Singapore

By: Albert Kong,
Asiawide Franchise Consultants Pts. Ltd

Albert Kong
Chairman / CEO
Asiawide Franchise Consultants Pte Ltd
albert@asiawidefranchise.com www.asiawidefranchise.com

The Beginning

Singapore is probably one of the earliest nations in Asia (next to Japan) to embrace franchising. It all began in the 1970s when major Western multinational companies such as Shell, Esso, Singer and Bata operated here under licensing systems which bore characteristics similar to what we know today as franchising concepts. Then a decade later, in the 1980s, cash-rich Singapore-based companies began acquiring country rights of international franchises such as McDonald's, ServiceMaster, Body Shop and so on.

Later, almost at the end of the 80s, several local companies began to launch their own local franchise programs. The main players were retail (mini-markets) and provision stores names such as Econ Mini-mart and Happy Family. Others that subsequently jumped onto the band wagon include Factory Outlet, Prima Deli and Informatics. In the meantime, new master franchisee operators of brands like Hard Rock Café, Hardee's (burger), Baskin Robin's also opened up outlets in the bustling Orchard Road vicinity to fight for a piece of the pie.

Impetus

Other than the media's strong coverage on franchise-related matters, it is commonly believed that Singaporean's frequent overseas travels have also engendered an increased awareness of franchising among the public at large. And more importantly, the knowledge that it is a key to the growth of small and medium sized enterprises.

Another well-established fact is the role played by the Singapore Government. For instance, in the Retail Sector Development Plan (March 1992), the setting up of the Franchise Development Centre was mooted. This Centre was successfully set up and run by the then National Productivity Board (now named SPRING). This Centre is now defunct.

Recognizing the benefits and potential of franchising, and having as one of its objectives to develop Singapore into an international franchise hub, another key Government statutory board called Trade Development Board (now named International Enterprise, Singapore) undertook a number of initiatives to promote the growth of franchising. TDB (now International Enterprise, Singapore) views franchising as an avenue for Singapore companies to expand overseas and it then generously offered the Franchise Development Assistance Scheme (FRANDAS) to encourage leading local businesses to apply franchising principles for overseas expansion.

With FRANDAS, successful local companies with a strong track record and firm foundation for franchising would receive assistance to develop their franchise systems and promote their franchises overseas. FRANDAS has since been replaced with other incentive schemes.

There are a number of factors contributing to the popularity of franchising in Singapore.

(1) Located strategically, and equipped with probably the best infrastructure (state-of-the-art telecommunications and shipping facilities, logistics, financial, medical, etc) in the region, Singapore has been very successful in attracting many multinational companies to set up regional headquarters here, with most of the latter intending to expand into the neighbouring markets. The political stability which Singapore has achieved is also a great assurance to the private sector that their investments in Singapore will be secured. Logically, it will also be perceived as the best place to show-case any new franchising concepts - be it retail, healthcare, education and what not.

(2) For many successive years, Singapore's per capita income is among the highest in the region. The rising disposable income has made Singapore an attractive market for many international companies.

(3) Rising income has resulted in Singaporeans hankering for higher quality and sophisticated goods and services. Overseas and local businessmen have rushed in with offers like The Original Source (beauty products-Australia), Mango (ladies' fashion' Spain), Carl's Jr. (top-end burgers-USA), and even MaLan (noodles-China)…

(4) The intense competition within the domestic market has led to businesses considering the different options to improve their market share. One of the approaches taken is for companies to form franchise groupings. Through these franchise groupings, the member companies adopt the brand-name of a franchisor which is the leading member of the group. These groupings are formed through conversion franchising, where traditional stand-alone businesses are invited to join and operate within the franchise network.

(5) This is considered the golden era in the Asia-Pacific region. China and India have registered the highest growth rates in recent years. With this growth, these societies have enjoyed greater income and become more affluent. The prospect of selling to the enormous consumer bases in the Asia-Pacific region is pulling many companies into the region. And as indicated in (1), these companies saw that it was most advantageous to locate their regional base in Singapore.

(6) The development of the franchise industry has also been greatly facilitated by the proactive support from the Singapore Government.

Eligible companies can tap on many assistance schemes ranging from franchise consulting, registration of trade marks, market surveys, to even overseas exhibition participation.

Reasons for Franchising

In a survey carried out by the then TDB a decade ago, local franchise companies were asked to elect among the following 4 possibilities as key reasons for their franchising program:

- Lower capital requirement
- Lower political risk
- Government assistance
- Greater commitment of franchisees

The findings indicated that lower capital requirement and greater commitment of franchisees were the two most cited reasons by companies for embarking on their franchising programs.

Then in 1997, FLA conducted its own survey, and some of the results were:

- Almost 80% of franchisees experienced an improvement in sales since joining
- 70% reported an improvement in profit
- 33% reaped more than S$500,000 profit
- About 40% of respondents indicated sales turnover of S$10m minimum, including
- 15% with sales >S$40m
- Most are in the food and retail sectors

Key Success Factors

- Strong track record
- Sound financial background
- Committed management team
- Proactive support from government

Key Reasons for Failure:

Lack of:

- Conviction/commitment coupled with concrete business plan
- Adequate due diligence
- Sufficiently trained executives
- Strong USPs

Current State of Affairs

As at the date of writing, the number of home-grown companies which have developed franchise systems is in the region of 200. Overseas franchise brands which either operate directly (company-owned stores) or via their master franchisees are also in the range of about 200. A list of the local companies with franchise operations can be found in the most current Asia Pacific Franchise Directory published by Asiawide Trends/Asiawide Franchise Consultants in association with the Franchising & Licensing Association, Singapore (FLA).

There is no franchise-specific legislation in Singapore. Members of the national Franchising & Licensing Association (FLA) abide by a code of conduct and the body thinks that the self-regulatory system is working as far as preventing unscrupulous franchisers is concerned.

The major franchising event is called Franchising & Licensing Asia, details of which can be found in the association's website www.flasingapore.com.

Even though Singapore is a small nation, its national franchise association FLA is considered a very active member of the Asia Pacific Franchise Confederation and the World Franchise Council.

Body Care

AVON BEAUTY BOUTIQUE
Tel: (603) 7957 3848
Beauty & Health

BODY CONTOURS
Tel: (065) 6220 3415
The Winergy Infusions is a series of spa treatments whereby red wine is used as a key spa ingredient

Café

COFFEE CLUB & COFFEE CLUB XPRESS
Tel: 65 68415752
Our chain of lifestyle cafes are not only known for its quality and variety of coffee beverages but also a destination for food incl. Cakes and Desserts.

Child Education

EARLY LEARNING CENTRE
Tel: (65) 6226 1611
Leading provider of quality early childhood education

MODERN MONTESSORI
Tel: 6235 4600
Childcare, kindergarten, enrichment courses.

Computers

ALTRON SCHOOL OF COMPUTING
Tel: 6339 9121
The School offers a wide range of proven IT courses from short skill-based training to undergraduate and post graduate courses

Domestic Cleaning

HOMEMAKER TOTAL HOME MANAGEMENT
Tel: (65) 6883 0470
Premier housekeeping services

Education

CRESTAR LEARNING CENTRE
Tel: 6342 5618
A one-stop enrichment education centre, provides a wide range of courses such as art, music, speech & drama, ballet and computer literacy.

Food - Take Out

O'BRIENS IRISH SANDWICH BARS
Tel: 6535 7891
O'Briens is a strongly branded upmarket sandwich bar / lifestyle cafe

Healthcare

OSIM
Tel: 6747 6866
Preventive home health care products.

SOUNTEX HEARING SYSTEMS
Tel: 6370 9510
Franchising of hearing care centres and trading in hearing aids and acoustical instruments.

Homeware

ART ET DOMAIN
Tel: 6735 0288
Homegrown artwork business providing custom-made framing, built artwork, accessories styling and soft furnishing

Real Estate

CENTURY 21
Tel: 6291 2121
Being the franchisor of the world's largest residential real estate sales organization

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry with the unique Smoothie Fresh range of healthy fresh fruit drinks.

YOGEN FRUZ
Tel: 1 905 479 8763
www.yogenfruz.com
Retailer of frozen yogurt dessert

Franchising in

People's Republic of China

By: Andrew Halper, Eversheds

Andrew Halper
Eversheds
andrewhalper@eversheds.com

Attracted by China's low labour costs and large markets, foreign direct investment ('FDI') has flowed into the PRC for over 25 years, initially in the form of joint ventures ('JVs') and increasingly now in the form of wholly foreign owned enterprises ('WFOEs'). China has now overtaken the US as the premier recipient worldwide of FDI.

Yet, for many years the PRC maintained obstacles to FDI in retail and wholesale, as well as franchising, through outright sectoral restrictions, geographical limitations, high capitalisation requirements, limits on foreign equity stakes and burdensome central governmental approvals processes.

China's entry into the WTO on 11 December 2001 ended many but not all such obstacles. However, China did not commit to immediate liberalisation in franchising upon its accession to the WTO and in fact only recently opened franchising to FDI.

The first step in this direction was the promulgation of the Foreign Investment in Commercial Enterprises Regulations ('FICE Regulations') in 2004. The FICE Regulations significantly liberalised the rules for involvement by foreign invested enterprises ('FIEs', which includes both JVs and WFOES) in retail and wholesale distribution, but the Regulations only incidentally addressed foreign investment in franchising, and did not provide a systematic regulatory framework to structure such investments. This had to await the promulgation of the 2005 Administration of Commercial Franchise Measures ('Franchise Measures'). But whilst the Franchise Measures have indeed liberalised FDI access to franchising, the two sets of regulations do not sit together well, and have created some confusion about what is and is not allowed. Foreign investors with experience in China will know that such legislative confusion is not unusual.

The FICE Regulations stipulated that foreign companies cannot engage in franchising in China unless they do so through FIEs in China, but gave few other details. The Franchise Measures are silent on the issue of whether franchisors can only franchise through FIES, but they do, however, provide that in order to carry out franchising activities, a foreign investor must:

1. have the right to license trademarks, trade names, etc;

2. have the capacity to provide franchisees with long-term operational guidance and training;

3. have operated at least two outlets (or outlets owned by its subsidiary or holding company) in the PRC for 'more than one year' (the 'two stores, one year' rule); and

4. have appropriate capabilities to supply goods and provide related services to its franchisees.The wording of the Franchise Measures (particularly the third point above) implies that if a foreign company establishes an FIE (either JV or WFOE) in China and fulfils the 'two stores one year rule', both the foreign company and its PRC FIE would attain the right to franchise. Informal discussions with central government regulatory officials have confirmed that such is the view in Beijing.

However, discussions with some regional officials have revealed that in some areas, officials take the view that only the FIE established in the PRC becomes entitled to franchise. Unless and until the central government issues a clarification of this point, local officials can be expected to continue to apply their own interpretation. Moreover, even after satisfaction of the two store rule, there is a requirement for local registration (although not approval) of franchise agreements. This only underscores the need to conform to local requirements, and indeed to determine what those are when setting out to achieve franchising qualifications and when beginning actual franchising in any particular region.

In terms of structure, this point reinforces the case that foreigners seeking franchise qualifications will normally want to fulfil the 'two stores, one year' requirement by means of a WFOE and not a JV. That is because franchisors traditionally want to retain complete control over their brands, and if the franchising-qualified entity is a JV (as opposed to the offshore foreign investor into the JV), then upon achievement of franchising qualifications, the ability of the foreign brand-holder to control its onshore franchising relationships will be subject to the constraints of operational partnership within a JV structure. This problem would obviously disappear if a WFOE rather than a JV were chosen to achieve franchising qualifications.

Another issue which must be considered is that of registered trademarks in China. If the foreign franchisor intends to earn its franchising fees through

licensing of its trademarks, it will find that it must be able to show proof of registration of the marks in China in order to convert royalties earned in Renminbi into foreign currency. If marks have not been registered in China (or if its registration is disputed, e.g. due to aggressive trademark squatting in China), then it will be necessary to take fees out through a stand-alone development agreement.

The question arises as to whether an FIE can functionally begin laying the groundwork for its future franchising by inculcating its future franchisee into its brand development and management culture during the 'two stores, one year' qualifying period and prior to actual achievement of franchising qualification. In some circumstances it could be possible to contract out the management of some outlets during this period, provided the FIE itself operates a minimum of two stores for a one year. However, the management contract needs to be carefully structured to avoid straying into the creation of an actual franchising relationship.

Finally, two further points must be borne in mind. The first is that there is no automatic conversion of a FIEs business license to include franchising in its scope of business immediately upon fulfilment of the one year requirement. Rather, an application must be made to the original approval authority which approved the establishment of the FIE (typically a local branch of the Ministry of Commerce). Secondly, as noted above, local practice varies from place to place in China. The achievement of franchising qualifications in one locality does not necessarily ensure a smooth rollout throughout the country. As with investments in any sector in China, detailed advice will need to be sought.

1 *This article only addresses the issues of franchising in the mainland of the PRC, i.e. excluding Hong Kong and Macao, which operate under separate legal regimes, as indeed does Taiwan.lon_lib1\2363575\1 120 June 2006 halperay*

Useful Numbers

CHINA CHAIN STORE & FRANCHISE ASSOCIATION
25 Yuetan North Street Beijing 100834, China
Tel: + 8610-6839-1464 / 1440
Fax: + 8610-6839-1434/1444
Web: www.ccfa.org.cn

Franchising in **Australia**

By: John Sier and Glynn Mayne

Mason Sier Turnbull
Lawyers
Melbourne
Australia

John.Sier@mst.com.au
Glynn.Mayne@mst.com.au

Franchising as a concept was introduced to Australia in the early 1970s. Over the last decade, it has grown to the point where it now accounts for approximately 10% of Australia's national Gross Domestic Product. In a country with a population of 20 million people, the sector comprises in excess of 850 different franchise systems, an estimated 64,600 franchised businesses and employs 600,000 people.

Much of this growth can be attributed to the regulation and professionalism of the franchising sector.

Regulation

Virtually from the start, there was considerable debate about the need for franchising to be governed by a regulatory regime that was separate and distinct from the general regulatory environment created by the Federal Government's Trade Practices and the State-based Fair Trading Acts.

In 1986, the Franchise Agreements Bill was introduced with a view to regulating the terms of franchise agreements. It was subsequently withdrawn after concerted pressure from both franchisors and franchisees who argued that significant protection from unfair practices was already afforded under the abovementioned legislation.

Seven years later, a voluntary Franchising Code of Practice was introduced with an initial two year trial period. Finally, in 1998, the Federal Government introduced a mandatory Franchising Code of Conduct known as the Trade Practices (Industry Codes - Franchising) Regulations 1998.

The Code deals with issues of disclosure requirements, compulsory advice, auditing of marketing funds, compulsory cooling-off periods, dispute resolution procedures, termination, transfer and releases. There is no doubt that confidence in the franchising relationship has been strengthened as a result of the Code providing certainty about what terms a franchise agreement must address and what must be disclosed.

Professionalism

The mandatory nature of the Code has necessitated an increased demand for lawyers, accountants and financiers who understand and specialise in franchising. Experience has shown that franchise systems which use the expertise of such specialists to ensure they remain Code-compliant significantly increase the strength and longevity of their businesses.

In striving to strengthen the reputation and success of franchising in Australia, many franchisors, franchisees and specialist service providers have become members of the Franchise Council of Australia (FCA) which was originally established in 1983 as non-profit trade association. Today, the FCA is a member of the Asia Pacific Franchise Confederation and the World Franchise Council and represents its voluntary members which include over 600 franchise companies and professional service providers to the franchise industry.

Although not a statutory authority, the FCA provides a forum for its members to discuss emerging trends and problems in the franchise sector and gives them access to specialist legal advisors who can assist both with legislative progressions in the industry and ensuring continual compliance with the Code.

Current Trends – the future in Australia

In the past year, there have been clear indications as to the future of franchising, at least in the short term. In particular, the sector has seen an increase in:

- mergers between competing franchise networks
- overseas interest in Australian franchise systems
- occupancy costs, and
- floating of franchise systems on the Australian Stock Exchange (ASX).

The costs of leasing, particularly in shopping centres, have increased dramatically in line with the robust Australian economy. Many franchisors are concerned about what effect this is having on the bottom lines of their franchisees. Now, more than ever, it is critical that franchisees and franchisors obtain specialised property advice before they begin negotiating shopping centre leases. The short term trend appears to suggest increased demand for 'street strip' locations in the expectation that reducing demand for shopping centre locations will drive landlords' rents down.

Despite this current concern with shopping centre leasing, the franchising sector in Australia is strong and vibrant. Furthermore, the recent trend for franchise systems to float as publicly listed companies on the ASX has helped promote and market franchising as an effective distribution model.

Domino's Pizza floated on the ASX in late 2005 and subsequently become the fastest growing pizza franchise in Australia. Given the increasing costs of running a franchise network, a public float presents a very attractive avenue of fund raising.

Like any other publicly listed companies, franchise systems which want to succeed and thrive in the stock market need to give investors absolute confidence in the branding of their systems and their operational models. System controls are therefore critical. Reputation and market demand for a particular product or service will succeed or fail based on these factors.

Another trend we are seeing is that many franchisors are targeting younger prospective franchisees. Historically, franchisees were typically recruited from the ranks of redundant or retired bank employees and public servants. This has now changed, with many franchise systems focussing on energetic franchisees in their early 20's. As many franchisors are finding, attracting these prospects requires innovative recruitment strategies.

Overall, Australia's franchise sector is enjoying a strong growth phase, with many international and home-grown systems expanding rapidly. Many international franchisors are now using Australia as a stepping stone into Asia by establishing regional support offices here to train people and support effective expansion programs into countries which have previously been low priorities. Australia therefore represents an attractive option for international systems considering expansion to the Asia Pacific region.

FRANCHISE COUNCIL OF AUSTRALIA
GPO Box 1498N, Melbourne Victoria, 3001, Australia
Tel: 1300 669030 Fax: 03 9822 7752

Home Maintenance

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied. It fits all standard PVC, aluminium and cast iron domestic gutter profiles.

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

Retail Outlet

7 ELEVEN STORES PTY LTD
Tel: 03 9541 0832
7 Eleven is Australia's Leading Convenience store chain.

Computer Training

ACADEMY OF LEARNING(AUST)PTY LTD
Tel: 1300 780 880
Computer and Business training centre - unique self-paced integrated learning system.

Fashion

BAY BEE CINO
Tel: 001 61 2 9363 8900
Leading Baby Retailer goes Global

Finance

BBX MANAGEMENT LTD
Tel: 02 9476 6655
BBX is a well established national brand name leader in the tradecard industry, with a large membership base & strong growth. BBX seek proprietors who wish to operate their own branch office, for certain key geographic areas.

Restaurant

COOKIES AUSTRALIA PTY LTD
Tel: 61-294133455

Retail Outlet

CROISSANT EXPRESS
Tel: 08 9325 8838
Croissant Express stores cater for the breakfast, morning and lunch trade. Eat-in or takeaway. Muffins, french style rolls with a variety of different fillings

Auto Parts

NATRA PTY LTD
03 9795 1255
Natrad is Australia's largest Franchise network of radiator specialists with over 80 stores nationwide. All Natrad franchises are proudly supported by the franchisor Natra Pty Ltd

Business Service

SKYSHADES
Tel: 0061 7 3377 4400
Shade and roofing solutions

Franchising in New Zealand

By: Stewart Germann

Stewart Germann
Stewart Germann Law Office
Auckland
New Zealand
stewart@germann.co.nz

New Zealand is a member of the Commonwealth with a population of over 4.2 million people. It is one of the most deregulated countries in the world to conduct small to medium-sized business and there is no specific legislation controlling the operation of franchising in New Zealand.

Franchise Association of New Zealand (FANZ)

The FANZ which was formed in 1996 contains about 220 members and of those 150 are franchisors. Prior to 1996 New Zealand was part of the Australian Association. The FANZ imposes a Code of Practice and a Code of Ethics on its members who must comply with the two Codes.

Franchisors in New Zealand will either belong to the FANZ or not belong. Those who do not belong can be summarised as either ethical franchisors or unethical franchisors but the level of franchising disputes and litigation in New Zealand is very low. As I have said, those who belong to the FANZ must comply with the Code of Practice which has four main aims:

- To encourage best practice throughout franchising.
- To provide reassurance to those entering franchising that any member displaying the logo of the FANZ is serious and has undertaken to practise in a fair and reasonable manner.
- To provide the basis of self-regulation for franchising.
- To demonstrate to everyone the positive will within franchising to regulate itself.

Code of Practice

All members must certify that they will comply with the Code and members must renew their Certificate of Compliance on an annual basis. A disclosure document must be provided to all prospective franchisees at least 14 days prior to signing a franchise agreement and the disclosure document must be updated annually. All franchise agreements must contain a minimum 7 day period from the date of the agreement during which a franchisee may change his or her mind and terminate the purchase – this is known as the cooling-off period which does not apply to renewals of term or resales by franchisees.

The Code sets out a dispute resolution procedure which can be used by both franchisor and franchisee to seek a more amicable and cost-effective solution. The Code requires all members to settle disputes by mutual negotiation in the first instance and this process does not affect the legal rights of both parties to resort to litigation.

Growth in NZ

Franchising in New Zealand accounts for an annual turnover of over $10 billion. The total number of systems operating in New Zealand exceeds 300 and over 75% of the systems originate in New Zealand. The number of systems, outlets and those employed in them has exhibited a 15-20% increase per annum during the last 5 years or so and I consider franchising to be still growing in New Zealand. A number of overseas franchisors have entered New Zealand and the major country is Australia. However, franchise systems from the UK, USA, Canada, South Africa and some Asian countries have also entered New Zealand which readily welcomes overseas systems.

Australia has a mandatory disclosure regime and franchising is regulated. In my opinion, what may work in Australia may not work in New Zealand and a number of US franchisors have discovered this the hard way. I always encourage US franchisors to enter New Zealand first, test their system here and then go on to Australia. Although Australia and New Zealand are similar countries so far as consumers are concerned, New Zealanders in my opinion are more discerning and certainly business ethics are usually higher in New Zealand than Australia.

Taxation

Overseas franchisors who enter New Zealand must have expert local taxation advice. New Zealand has tax treaties with many countries and if any income earned in New Zealand is to be repatriated to a franchisor in an overseas jurisdiction then non-resident withholding tax must be deducted. The overseas franchisor will be able to claim the tax deduction as a tax credit in the overseas country.

Marketing

Franchisors from overseas typically enter New Zealand by way of master franchising. The country is small enough to enable the appointment of one master franchisee for the whole of New Zealand. However, a number of Australian systems have come in and used direct franchising from Australia whereby all franchisees are appointed from Australia, usually through a subsidiary company incorporated in New Zealand. Development agents are sometimes used; for

example Subway, and joint ventures in New Zealand are very rare indeed.

I am a great believer that the master franchisee for a country should be a local person familiar with the country, the way of life and how to market the franchise system. Those franchisors who import a master franchisee from their country invariably take longer to penetrate the New Zealand market, and sometimes fail.

Assuming that a master franchisee has been appointed from a foreign country and a trial period has elapsed (which should be at least one year) whereby the local master has tested the system and run a pilot operation, the NZ master would normally appoint franchisees starting in Auckland and by advertising in the New Zealand Herald. Also, the master may consider appointing a business broker to find franchisees or placing an advertisement in the Franchise New Zealand magazine which is well read by potential franchisees and distributed throughout the whole of New Zealand.

The foreign franchisor must have a trade mark registered in New Zealand before entering it and, at the same time, I recommend registering the trade mark in Australia. New Zealand and Australia have a combined population of over 23 million which is a substantial market for any franchise system.

Documentation

Foreign franchisors should always have their franchise documents perused and amended by a New Zealand lawyer experienced in franchising before providing them to any potential master franchisee or, if using the direct franchising method, franchisee. Also, I recommend that foreign franchisors should obtain taxation advice from the country which they wish to enter and must be cognisant of non-resident withholding tax on any monies repatriated from New Zealand to the particular foreign country.

Summary

New Zealand is a very active market in franchising. It has shown tremendous growth over the past 5-10 years and will continue to grow. Any foreign franchisor should consult the FANZ and its website is: www.franchisebusiness.co.nz. Any foreign franchisor should have its documentation scrutinised and amended by a New Zealand-based franchising lawyer and it should also obtain expert taxation advice. As a precursor to entering New Zealand or any other country, a franchisor should have a registered trade mark or, at the very least, have submitted a trade mark application which has been accepted and is going through the process. The intellectual property of a system, including the trade marks, is a very valuable asset of a franchisor and must be protected.

Useful Contacts:

FRANCHISE ASSOCIATION OF NEW ZEALAND
P O Box 23 364, Hunters Corner, Papatoetoe,
Auckland, New Zealand
Tel: + 64 9 278 9012
Fax: + 64 9 278 9013
Web: www.www.franchise.org.nz

Franchising in
South Africa

Franchising in South Africa is way ahead of franchising in other countries in Africa according to the African Development Bank.

The main difference is that master licensees in Egypt, Morocco, Nigeria and many other African countries own most or all of the franchised outlets themselves.

They have not yet sold franchises to individual owner operators in South Africa, There are over 400 franchised systems and over 25,000 franchised outlets own by more than 10,000 owner operators (franchisees).

Many of the franchisees own more than one outlet with the most successful franchisee owning 42 franchises outlets. Only 40 of the franchised system are international brands where as more than 360 are home growth South African brands.

International brands include KFC, Mc Donald's, PostNet, Cash Converters Subway, Minuteman Press, Sign a Rama, Seattle Coffee, Curves, VIP Bins, Computer Trouble Shooters, Church's Chicken, Shell and B.P.

The annual total revenue of the franchise sector in South Africa exceeds U$ 22 Billion Dollars - approximately 12% of gross domestic product (GDP). Another difference compared to other countries in Africa is that there is a well established franchise association, FASA (Franchise Association of Southern Africa). The franchise association was established more than 20 years ago and is very active. The code of ethics and best practices governs the members of FASA and the South African government will soon be introducing franchise legislation to govern franchising.

In a number of African countries, the franchise agreement is not worth the paper it has been printed on. The legislative frame works in certain countries has not been developed and so international franchisers have sometimes burnt their fingers by entering those countries.

It is very important to understand the local cultures and very unwise not to do proper research. The key to success is to select a local partner, somebody who has the right networks and who has a proven tracks record.

Franchise World has an associate company, Pivot Holdings, which assist franchisors to expand in Africa. Pivot buys equity in the African operations of franchisors and presently operates in South Africa, Botswana, Zimbabwe, Zambia, Mozambique, Swaziland, Lesotho, Namibia, Angola, Mauritius, Tanzania, Kenya, Nigeria and other countries in the West Africa.

A number of South African brands have expanded internationally (mostly in Africa) including Steers, Debonairs Pizza, Nando's Chicken Land, Something Fishy, Mugg 'n Bean, Spec Savers, Newscafe, Butterfield Bread, Pick 'n Pay, and Shoprite Checkers/ OK Group.

Fast food (15%) restaurants (15%) and retail (15%) are the leading categories with regard to franchise system in South Africa.

Petroleum contributes the largest revenue percentage followed by retail. There are over 1, 200 shopping centre in South Africa. The largest Centre is Sandton City. 129,000 GLA and the foot count exceed 25 million per annum. Sandton City is in the Johannesburg area and is followed by Century City in Cape Town and Gateway Centre in Durban.

Nelson Mandela was the first president of the truly democratic government of South Africa and the ruling party, the ANC (African National Congress) has been in power since 1994 when" apartheid" was abandoned. Mandela was succeeded by Thabo Mbeki who is still in power.

Black Economic Empowerment (BEE) is spear-headed by government and FASA has been pro-active by creating guidelines for BEE in franchising. The BEE score cards provides for points with respect to black ownership, black management, black empowerment equity, skills development, procurement, and enterprise operations.

South Africa has over 45 million people in 9 provinces but more than 40% of all franchises outlets are in Gauteng (mostly in Johannesburg and Pretoria areas). Gauteng is followed by Western Cape Province (Cape Town Area) with about 18%, KwaZulu Natal Province (Durban Area) with about 14% and Eastern Cape (Port Elizabeth Area) with about 8% of franchise outlets. Poverty and unemployment is a major problem in South Africa with over 30% employable persons remaining unemployed. Many of these people are in rural areas of Limpopo, Eastern Cape, and Kwazulu Natal Provinces.

The strengthening of the currency (rand) has resulted

in gold mines shedding thousands of jobs and most exporters have been negatively affected.

Franchising in South Africa has a low failure rate (8%) versus high failure rate of independent businesses (85%). Approximately 3000 franchised outlets open each year approximately 200 close.

Interest rates and the inflation rate have dropped over the past 10 years and the government has been applauded for their efforts and most business man agree that the economy is booming – Business is great!

According to the African Development Bank "South Africa is the Gateway to Africa"

Useful Contacts:

Business School

BOSTON BUSINESS COLLEGE
Tel: (011) 485-2838
Diploma and degree courses.

Body Care

HEAD TO TOE HOUSE OF COSMETICS
Tel: (051) 432-3052
Ethnic hair and beauty care

Car Parts

HI-Q AUTOMOTIVE (PTY) LTD
Tel: (011) 450-3182
Retail fitment of tyres and related services

Cleaning

EA MOGAL CLEANING SERVICES CC
Tel: 082 773 1915
Domestic cleaning franchise

GLOWGETTERS
Tel: (011) 803-6999
Contract cleaning services to commercial, industrial and retail properties.

Employment

EDU BABE
Tel: (011) 768 1209
Training Domestic workers. Accredited Services SETA

Estate Agency

PAM GOLDING PROPERTIES
(021) 797 5300
The sales and letting of residential properties.

Food - Take Out

BARCELOS FLAMED CHICKEN
Tel: (012) 663 7657
Portuguese style flamed grilled chicken franchise.

Home Improvement

COASTAL TOOL HIRE
Tel: (011) 314 4844
Hiring-out of small builders equipment.

Home Maintenance

GUTTER GARD
Tel: +44 (0)7773777403
Gutter Gard is a patented gutter protection system, manufactured from aluminium with a special permanent coating applied.

Hotels & Inns

KEG FRANCHISING
Tel: (011) 886 3228
Upmarket pub adapted to the South African market.

Postal Delivery

POSTNET
Tel: (011) 805-0395
Retail postal domestic and international courier centre, office/stationery supplies, photocopying, faxing, communication etc.

Printers

MINIT PRINT
Tel: (012) 362-2807
Instant and commercial printing, continuous forms, full colour printing, high volume copying and related services.

Smoothie

SMOOTHIE FRESH
Tel: 020 8900 5955
www.smoothiefresh.com
Join the fastest growing sector within the multi billion pound chilled drinks industry with the unique Smoothie Fresh range of healthy fresh fruit drinks.

Travel

HOTEL EXPRESS INTERNATIONAL
Tel: 004738070177
www.hotel-express.com/distributorship
Membership that gives 50% discount on hotels worldwide

CARIBBEAN CRUISE LINES
Tel: 780 415 5442
Home based cruise travel agency

World Franchise Council

Franchise Association Members

Argentina
Argentine Association of Franchising
Av. Libertardor 222, 70-A Buenos Aires 1001, Argentina
Tel: (54-11)4-394-3318 Fax: (54-11) 4-394-8107
Web: www.aafranchising.com

Australia
Franchise Council of Australia
GPO Box 1498N, Melbourne Victoria, 3001, Australia
Tel: 1300 669030 Fax: 03 9822 7752

Austria
Austrian Franchise Association
Bayerhamerstrafle 12, 5020 Salzburg, Austria
Tel:+43-662-87 42 360 Fax:+43-662-87 42 365
Web: www.franchise.at

Belgium
Belgian Franchise Association
Boulevard de L'Humanite, 116/2, B-1070 Brussels, Belgium
Tel: +32 2 523 97 07 Fax: +32 2 523 35 10
Web: www.partnership-fair.be

Brazil
Brazilian Association of Franchising
Av. Brigaderio Faria Lima, 1739-3 Andar CEP 01452-001 Jd. Paulistano - Sao Paulo - SP - Brazil
Tel: +55.11.3814.4200 Fax: +55.11.3817.5986
Web: www.abf.com.br

British
British Franchise Association
Thames View, Newtown Road, Henley-on-Thames, Oxfordshire, RG9 1HG, England
Tel: 01491578050 Fax: 01491573517
Web:www.british-franchise.org

Canada
Canadian Franchise Association
2585 Skymark Ave. Suite 300 Mississauga, Ontario L4W WY5
Tel: 905-625- 2896 Fax: 905-625-9076
Web: www.cfa.ca

China
China Chain Store & Franchise Association
25 Yuetan North Street Beijing 100834, China
Tel: + 8610-6839-1464 / 1440 Fax: + 8610-6839-1434/1444
Web: www.ccfa.org.cn

Colombia
Colombian Association of Franchsing
Holguines Trade Center Torre Lili OF 606 Cali, Colombia
Email: jbarragan@telesat.com.co

Denmark
Danish Association of Franchising
Lyngbyvej 20 DK-2100 Copenhagen - Denmark
Tel: +45.39.15.82.82 Fax: +45.39.15.80.10
Web: www.dk-franchise.dk

Finland
Finnish Franchise Association
Suomen Franchising-Yhdistys sY (SFY) PL 868 08680 Lohja as
Tel: +358.19.331.195 Fax: +358.19.331.075
Web: www.franchising.fi

France
Fèdèration francáise de la franchise
60 rue La Boètie 75008 Paris, France
Tel: 00 33 1 53 75 2225 Fax: 00 33 1 53 75 2220
Web: www.franchise-fff.com
Germany

German Franchise Association
Luisentrasse, 41 10117 Berlin, Germany
Tel: +49.0.30.278.9020 Fax: +49.0.30.278.90.215
Web: www.dfv-franchise.de

Greece
Greek Association of Franchising
Skoufou 10 105 57 Athens, Greece
Tel: +30.210.32.34.620 Fax: +30.210.32.38.865
Web: www.franchising.gr

HongKong
Hong-kong Franchise Association
22/F Unit A, United Centre, 95 Queensway, Hong Kong
Tel: +852.2529.9229 Fax: +852.2527.9843
Web: www.franchise.org.hk

Hungary
Hungarian Franchise Association
POB. 446 Budapest H-1537, Hungary
Tel: +361.212.41.24 Fax: +361.212.57.12
Web: www.franchise.hu

India
Indian Association of Franchising
54-A, Eite Auto House, Sir. M. Vasanji Road, Chakala, Andheri (East), Mumbai 400093 India
Tel: (91-22) 692 1258 Fax: (91-22) 692 1258
Email: fai@vsn1.net

Italy
Italian Franchsie Association
Corso di Porta Nuova, 3 Milan 20121, Italy
Tel: (39-02) 2900-3779 Fax: (39-02) 655-5919
Web: www.assofranchising.it

Japan
Japan Franchise Association
2nd Akiyama Building Toranomon 3-6-2, Minato-ku, Tokyo
105-0001, Japan
Tel: +81.3.5777.8701 Fax: +81.3.5777.8711
Email: nibayashi@jfa-fc.or.jp

Kazakhstan
Kazakhstan Franchise Association
1 Abai Ave. ALMATY 480100 Republick of Kazakhstan
Tel: 7 (3272) 63 78 13 Fax: 7 (3272) 63 68 21
Email: kmakatova@pragma.kz

Latvia
Latvian Franchise Association
Lachpliesha 81/2 Daugavpils LV - 5403 Latvia
Tel: +371.54.26.349 Fax: +371.54.27.374
Web: www.franch.lv

Malaysia
Malaysian Franchise Association
Suite 1045, Level 10, Block A2 Leisure Commerce Square No 9, Jalan PJS 8/9 46150 Petaling Jaya Selangor Dural Ehsan, Malaysia
Tel: (60 3) 7877 1557 Fax: (60 3) 7877 1559
Web: www.mfa.org.my

Mexico
Mexican Franchise Association
Insurgentes Sur #1783-202 Guadalupe Inn Mexico 01020, D.F.
Tel: (52 55) 5661-2040 Fax: (52 55) 5661-2800
Web: www.franquiciasdemexico.org

Netherlands
Netherlands Franchise Association
Boomberglaan 12, NL-1217 RR Hilversum - Netherlands
Tel: +31.35.624.23.00 Fax: +31.35.624.91.94
Web: www.nfv.nl

New Zealand
Franchise Association of New Zealand
P O Box 23 364, Hunters Corner, Papatoetoe, Auckland, New Zealand
Tel: + 64 9 278 9012 Fax: + 64 9 278 9013
Web: www.www.franchise.org.nz

Philippines
Philippine Franchise Association
701 OMM-Cittra Bldg. San Miguel Ave. Ortigas Center, Pasig City
Tel: +632.687.0365-67 Fax: +632.687.0635
Web: www.philippinefranchiseassociation.com

Portugal
Portuguese Association of Franchising
Rua Viriato, 1050-234 Lisboa, Portugal
Tel: +351.21.319.29.38 Fax: +351.21.319.29.39
Web: www.apfranchise.org

Taiwan
Taiwan Chain Store and Franchise Association
7 F, NO 197 Nanking E Rd. Sec. 4 Taipe, Taiwan
Tel: (8862) 2712 1250 Fax: (8862) 2712 7997
Web: www.tfca.org.tw

USA
International Franchise Association
1350 New York Ave. NW Suite 900 Washington DC 20005-4709
Tel: +202.628.8000 Fax: +202.628.0812
Web: www.franchise.org