

FRANCHISING INDUSTRY

A Reference for U.S. Exporters



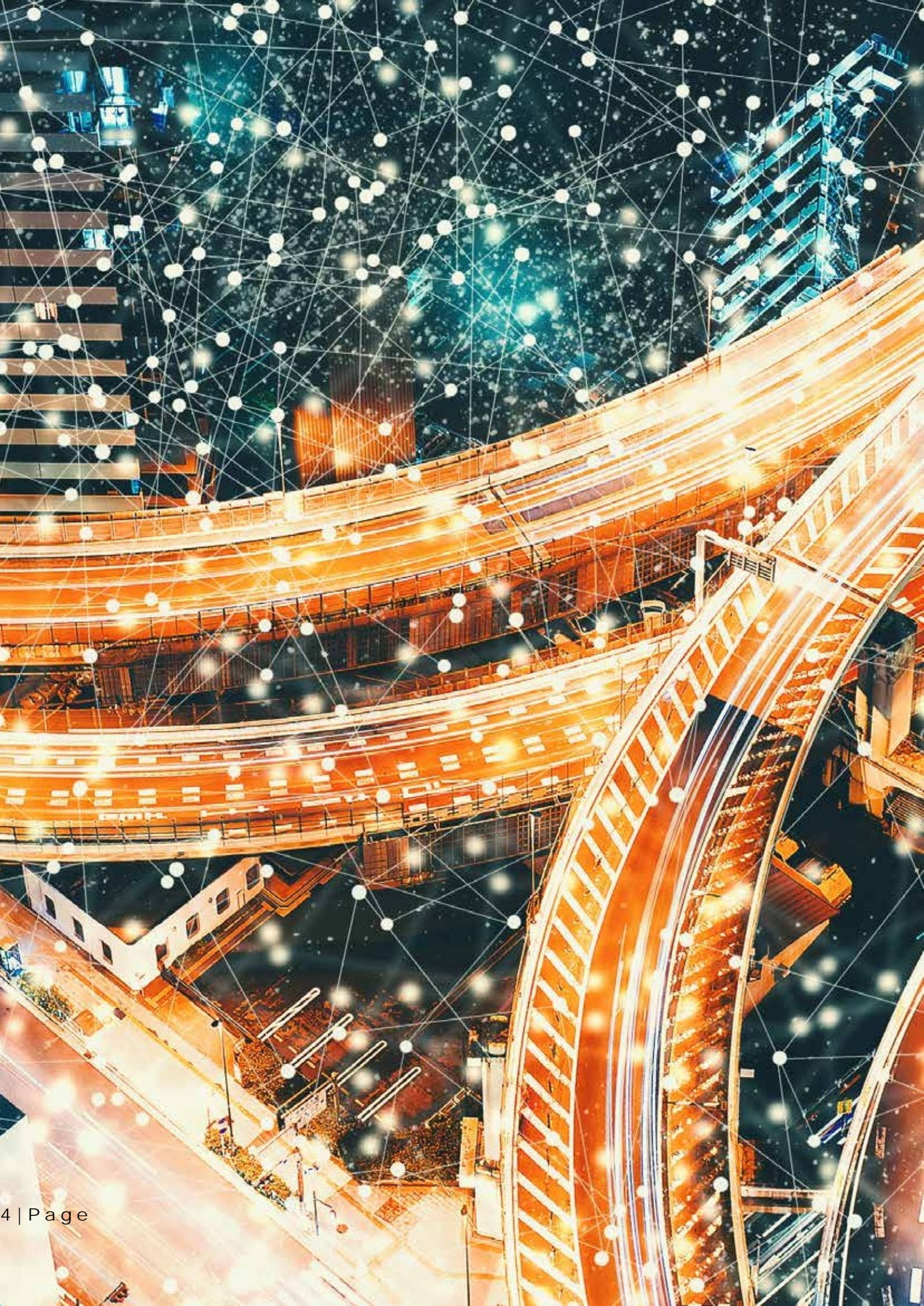


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Introduction

The U.S. Commercial Service's Global Franchising Team wants to partner with you as you expand to new global markets. Our team of locally-based professionals and internationally-based specialists provide timely market insight and customized programs give you the tools needed for success. In addition, we have programs at many major trade events to help you find opportunities and meet partners.

The market intelligence in the guide that follows is just one of the ways we can help your company plan to succeed in markets around the world.

Connect with us through our global network of trade experts in all 50 states and over 80 international markets.

Eric Johnson
Global Franchising Industry Team Leader
U.S. Commercial Service



About the U.S. Commercial Service



What Can the U.S. Commercial Service Do for You?

The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce's International Trade Administration. Through its network of trade experts and policy professionals in 78 markets, and all 50 states, the U.S. Commercial Service assists U.S. firms in selling their "Made in the USA" products around the world, advises them on how to use trade deals to their advantage, and helps them overcome obstacles and barriers to international expansion.



How we can help your business:

Our trade specialists work to address issues and trade opportunities to ensure you have the information you need to grow your business.

Market Intelligence

- Customized reports analyzing your market potential, alongside your foreign competitors
- Briefing materials on export financing, laws, and cultural issues
- Background checks on potential buyers

controls, compliance, and trade financing options

Trade Counseling

- Guidance on developing effective market entry and sales strategies
- Export documentation requirements and import regulations of foreign markets
- Background on U.S. government export

Business Matchmaking

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FRANCHISE EXPORTS HELP THE U.S. ECONOMY & EMPLOYMENT



FRANCHISING®
Building local businesses,
one opportunity at a time.
Learn more at franchise.org

FRANCHISING

Franchising is a method for expanding a business and distributing goods and services through a licensing relationship.

Franchising has two main elements:

1 A Franchisor gives the rights to conduct business under its trademarks. Franchisors specify the products and services that will be offered, provide an operating system, brand and support.



2 The Franchisee is the person or company granted the right to do business under the franchisor's trademark. In exchange the franchisee pays fees to the franchisor.



FRANCHISING TODAY

Modern franchising emerged from the United States. Franchising is used across many sectors of the economy:

- Accounts for **3%** of U.S. GDP
- Directly provides jobs for **9.1 MILLION** Americans
- Because America is the world's most mature franchise market, use of the franchise model internationally is a **COMPETITIVE ADVANTAGE FOR U.S. EXPORTS.**

200 LARGEST FRANCHISORS IN THE U.S.



38% of the units of the 200 largest franchisors in the U.S. are already outside our borders. Over the last three years (2012-15), these companies have collectively added 4 international units for each unit they opened domestically.

*Franchise Times data

WHEN A FRANCHISE IS EXPORTED

When a franchise is exported, the international franchisee pays the franchisor a percentage of their revenue (franchise fees) in return for the right to operate the business in their country. The American franchisor collects the income and provides support.

Because of this structure, **FRANCHISE GROWTH ACROSS BORDERS TENDS TO CREATE NEW JOBS AT HOME**, not export jobs from the U.S.



THE INTERNATIONAL GROWTH OF FRANCHISES

The international growth of franchises often acts as a **significant export multiplier**, with other goods and services flowing through the door opened by the franchise agreement.

U.S. FRANCHISE FEE EXPORTS

U.S. franchise fee exports nearly doubled from 2006 to 2014



Franchise fees have an overwhelmingly **(34 TO 1)** positive impact on America's trade balance.

\$6.1 BILLION

IN FRANCHISE FEES COMES BACK TO THE US

VS. \$177 MILLION

IN FRANCHISE FEES GOES FROM THE US TO OVERSEAS FRANCHISORS

*Bureau of Economic Analysis data

The global growth of US franchises is expected to continue for the foreseeable future.

The International Franchise Association is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising.

For more information, visit www.franchise.org.

From the International Franchise Association

The franchise sector is an important, yet often overlooked, component of U.S. exports. In the United States franchised business directly accounts for more than 733,000 establishments that support nearly 7.6 million direct jobs, \$674.3 billion of economic output for the U.S. economy and 3 percent of Gross Domestic Product.

Franchising as we know it today emerged in the U.S., but has found success across virtually every culture on Earth. Because America is the world's most mature and sophisticated franchise market, use of the franchise model internationally is a competitive advantage for U.S. exports, agriculture, manufacturing, and supply chains. According to the U.S. Bureau of Economic Analysis, franchise fees have an overwhelmingly (34 to 1) positive impact on America's trade balance. The international growth of franchises acts as a significant export multiplier, with many other U.S. goods and services flowing through the door opened by the franchise agreements and further driving U.S. employment.

The International Franchise Association has long worked to help its members expand their brands to foreign markets, but cannot afford to open offices across the world. The U.S. Commercial Service (USCS) possesses great reach and capacity to drive US exports, but supporting franchising is seen as a challenge because the nature and process of franchise exports differ from most other direct sales of U.S. goods and services. Eventually, this convergence of strengths and needs became clear. The Commercial Service has come to rely on IFA's franchise expertise, role as the voice of franchising, and unparalleled contacts and standing in the franchise community. IFA has come to rely on USCS's expanse, market expertise and the standing and resources that working from US embassies and consulates provides.

This alignment has produced a partnership between the International Franchise Association and the U.S. Commercial Service that goes back decades. Today the partnership is central to IFA's international program and has been cited as the Commercial Service's strongest and deepest relationship with a trade association. IFA is glad to support the U.S. Commercial Service's Franchise Reference Guide and promote it to our members as an extension of our still deepening partnership.

**Robert Cresanti, CFE
President & Chief Executive Officer
International Franchise Association**



MARKET BRIEFS





Australia

Capital:	Canberra
Population:	24 million
GDP*:	USD 1.349 trillion
Currency:	Australian Dollar
Language:	English

Summary

Australia has more franchising outlets per capita than any other country and three times more than the United States, but over 92 percent of franchises are Australian-developed. U.S. brands (not individual units) represent approximately five percent of the market.

According to an official study by the Griffith University in Queensland, there are over 1,100 franchisors, 65,000 franchise units and 8,000 company-owned units. The franchise sector has been flourishing since the 70s with most growth occurring since the 1980s and industry commentators note that it is now very mature. The growth of new Australian systems and the expansion of existing systems have not only increased competition, but have meant the pool of quality franchisees has steadily gotten smaller. Within this climate, identifying investors and potential partners with an interest in master franchise opportunities remains a major challenge. The majority of recent market entry successes has resulted from Australian entrepreneurs actively searching out the opportunity and directly approaching the international franchisor.

Industry Opportunities

The Australian market is receptive to new concepts that speak to current and emerging trends. For example, Australia has an aging population and by 2020 there will be more 65 year-olds than one-year-olds. Demand for senior care services will continue to increase. It is also anticipated that older Australian generations will have an increased preference for independent living arrangements supported by community care and more affluent lifestyles.

Additionally, data shows a rise in participation rates in non-competitive activities. With fewer organized sports and less time for leisure activities, the 24-hour gym concept and personal trainers are increasingly popular.

Demographics

Australia has the fifth highest average household net disposable income rate in the OECD. With a high level of discretionary spending, Australia is an important market for premium and luxury items.

Australia's total population in 2016 was 24 million and grew by 1.4 percent on 2015 figures. Approximately 66 percent of the population is aged 15-64.

People aged 15-24 make up approximately 10 percent of retail buyers. While they are highly responsive to social media marketing, they lack financial resources. The main retail buyer groups are people aged 25-34 (22 percent), 35-44 (25 percent), 45-54 (20 percent), 55 and over (23 percent).

In 2020 Australia's median age will be 38.2 compared to 35.4 at the start of the millennium. The median age is currently 37 and has increased by close to five years over the last two decades. The percentage of the population aged 65 and up has gone from eight percent in the 1970s to 14 percent. In the 1980s women made up 35 percent of the workforce. Women now represent 45 percent and workforce participation rates have increased for both men and women. Australia's ageing population combined with the fact that consumers are staying longer in the workforce has been a major driver behind retail demand.

Australia has the fourth highest B2C ecommerce sales rates in the Asia Pacific Region behind China, Japan and Korea. Australia also has the highest internet penetration rate in the region. It is estimated that B2C ecommerce will grow by another eight percent in 2017. Social media is a significant driver in the promotion of B2C transactions.

Current Market Assessment & Market profile

Homegrown brands essentially dominate the market. The United States is a key international player, followed by the United Kingdom, and more generally Europe. U.S. brands make up about five percent of the market, but dominate regarding the number of units because of the early success of larger global brands.

Australia's franchise sector may be well-developed, but trends continue to forecast growth and opportunity. There has been consolidation among franchise brands, thus the number of concepts has declined over the past few years, but in contrast the number of units has increased. This year the number of units is estimated to grow at about two percent.

Market Challenges & Obstacles

The biggest challenge is finding a master franchisee. This stems from the relatively small population base, and there is also difficulty in finding financing. The four commonly used banks all have a small touch on the franchise sector. The main issue is their ability to assess franchise risk. Private equity investors have shown interest in successful franchises, but have not been suitable partners for concepts looking for master franchisees.

There are also significant challenges regarding a lack of suitable sites and the affordability of sites, especially retail sites. Australia's retail costs are higher than in the United States and our labor rates are almost double of those in the United States. The national minimum wage in Australia is currently AU\$17.29c per hour, and casual employees covered by the national minimum wage also get an additional 25 percent on the hourly rate. Collectively these factors can limit U.S. franchise systems' translation in Australia.

There is a Franchise Code of Conduct that regulates the sector. It governs how franchisors and franchisees deal with each other. Franchisors are expected to follow the code. U.S. companies need to engage consultants or franchise lawyers with experience with the Franchise Code to ensure they are compliant. The U.S. Commercial Service can help provide a list of these service providers.

Advertising Methods

Australian Franchisors regularly use one or both of the top lead generation online platforms – Seek Commercial and Cirrus Media. These platforms are used extensively by local franchisors to find unit franchisees.

In terms of finding master franchisees, one option for U.S. franchisors is to approach existing large Australian franchisors that have achieved saturation of their own brands in the market. Typically, these Australian franchisors would then look to expand internationally (about 30 percent of these franchises do), but some are open to taking on a U.S. franchise. There is a national franchise convention organized by the Franchise Council of Australia, usually held in October each year that provides a potential forum for U.S. franchises to meet prospective Australian partners.

Trade Events

Besides the national franchise convention organized by the Franchise Council of Australia there is the Franchise & Business Opportunities Expo series. The Expo is held annually in four key cities – Sydney, Perth, Brisbane and Melbourne. More details on the Expo can be found at: <http://www.franchisingexpo.com.au/>.

Local Associations

It is worth highlighting the role of the Franchise Council of Australia (FCA). FCA is a peak industry (trade) association, and works closely with local and international franchises alike to help them make progress. More details on the FCA can be found at: <https://www.franchise.org.au/>.

There are also a number of local franchise brokers and consultants that have experience working with U.S. franchisors, and the U.S. Commercial Service can provide a list of these service providers.

Country Ranking & Color Code

ITA's 2016 Top market report on franchising ranks Australia as the second most promising market for U.S. brands behind Canada. More information can be found at: <http://www.trade.gov/topmarkets/franchising.asp>.

Green – Education/Training

Yellow – Non-food retail

Red – Food retail

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Austria

Capital:	Vienna
Population:	8.7 million
GDP*:	\$386.5 billion (\$44,230 per capita)
Currency:	Euro
Language:	German

Summary

Franchising, as a business model, represents only a relatively small percentage of the Austrian economy in comparison to the United States, accounting for an estimated 5% of retail sales. U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. While there are a number of laws that govern the operation of franchises within the EU, these laws are fairly broad and generally do not constrain the competitive position of U.S. businesses. The potential franchiser should take care to look not only at the EU regulations, but also at the local laws concerning franchising. More information on specific legislation can be found on the website of the European Franchise Federation: <http://www.eff-franchise.com/>

Industry Opportunities

The top leading sectors for franchising in Austria are tourism (accommodation), gastronomy (restaurant), and other services. Austria's current "Generation 50 plus" is the fastest growing population group, increasingly influencing consumer patterns. Studies show that Austrian "best-agers" are conscious consumers. More than 70% of Austria's consumers over 50 years old are willing to spend more money for healthy products and almost 80% avoid impulse buying. Their pursuit of a healthy lifestyle and willingness to consume make them a profitable target group. And while the healthcare and pension system are broadly subsidized by the government, the demand for a private and more personalized senior care service will continue to increase in the future.

Demographics

Austria is a small, wealthy country with one of the world's highest life expectancies, an ageing population, and a significant proportion of foreign-born citizens and residents. Over the past ten years, the population has grown by 6% from 8.2 million to 8.7 million, the birth rate has slightly increased from 1.41 to 1.44 births per woman but is still below the average replacement level, and life expectancy has risen from 79.8 years to 81.5 years (ranked number 18 by the World Health Organization on the average life expectancy worldwide). International migration gains accounted for 98% increase of population in 2016 and by the end of 2020, Austria's population is expected to reach 9 million for the first time.

Age Structure

0-19 years: 19.6% (1,717,601)
20-64 years: 61.9% (5,429,702)
65 years and over: 18.5% (1,626,383)

Gender Structure

Male: 49.1% (4,312,614)
Female: 50.9% (4,461,072)

In 2016, the unemployment rate in Austria was 5.7% (493,852), making it the highest in Austria since WWII, but still one of the lowest by European standards, its economy has been relatively weak in the previous years and with the increased number of refugees and EU migrants looking to enter the Austrian market, the unemployment rate is expected to increase within the next years.

Current Market Assessment & Market profile

The franchising sector in Austria is growing slowly and steadily. A total of EUR 8.8 billion was reportedly generated from franchising in 2014. According to a 2015 study from the Vienna University of Economics and Business, 62% of available franchises are homegrown, 51% of which are also operating internationally. More than half of the franchise businesses operating in this country are of local origin. The top foreign participant in the Austrian franchising economy is Germany, with around 20% of franchises, followed by the remainder of the EU with 9%, the United States with about 7%, and other countries with 2% of all franchises operating in Austria. Most German franchisors either set up a headquarters in Austria or franchised directly over the border. Most American franchisors, on the other hand, choose to expand their operations in

Austria through a master franchise partner, a solution that has had mixed results. Approximately 450 franchise systems currently operate in Austria.

Market Challenges & Obstacles

The Austrian market, while friendly to both national and international franchise systems, is a relatively small market and is therefore easily saturated. Real estate costs are high, particularly in the city capital Vienna. Language barrier is no longer an issue, but it is highly advisable to get a professional translator before signing the contracts. International taxation in Austria is regulated in various international double taxation treaties, which could get complex once put in force, so franchisors should look into consulting with a lawyer. Franchising is not specifically regulated by any Austrian law, but is subject to a number of Austrian statutory laws and provisions. Contracts and agreements must comply with the Austrian Civil Code. It is worth mentioning that individual prospective franchisees in Austria are considered and treated as consumers and, therefore, given protections under Consumer Protection Law until after the franchise agreement is signed, after which they are considered as a business.

There is also a code of ethics issued by the Austrian Franchise Association (OFV) for its members, which is similar to the code of ethics issued by the European Franchise Federation. Note that the OFV's code of ethics is not legally binding.

Advertising Methods

These online resources publish new franchises in Austria, providing descriptions and contact information on each company. Additionally, the site publishes case studies, tips, and additional resources.

Franchiseboerse: www.franchiseboerse.at

Franchiseportal: www.franchiseportal.at

Franchise-Net: www.franchise-net.at

The Franchise Magazine: <http://www.thefranchisemagazine.net/best/austria.php>

Trade Events

The most important trade event in Austria is organized by the Austrian Federal Economic Chamber and the Austrian Franchise Association (OFV) and takes place every two years:

Österreichische Franchise-Messe

November 9-10, 2018

MGC Messe, Gasometer

Modecenterstrasse 22, 1030 Vienna, Austria

<http://www.franchise-messe.at/>

Local Associations

Österreichischer Franchise-Verband

The Austrian Franchise Association collects data, maintains an informative web site, and co-organizes seminars as well as a yearly trade show (<http://www.franchise.at/>).

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Brazil

Capital:	Brasília
Population:	207,700,000
GDP*:	US\$ 1.796 trillion
Currency:	Real
Language:	Portuguese

Summary

The Brazilian franchise sector is among the world's largest and most sophisticated markets, in terms of business practices and in adapting concepts from both foreign and domestic franchisors. The sector has consistently grown faster than Brazil's overall economy. During the last several years of economy depression, franchising has become one of the economy's main growth engines. In addition, even traditional retail companies are adding franchising to their expansion strategy. U.S. franchisors; however, encounter strong competition in this robust market, from Brazilian franchisors offering a variety of product and service solutions, more so than what they might encounter in other Latin American markets.

In 2016, the Brazilian franchise sector grew by 8.3 percent, and total sector revenue was about USD 50 billion, (R\$ 151.2 billion). There are 3,039 franchising chains (a decrease of 1.1% compared to 2015) and 142,600 franchising units in the country (a growth of 3.1% compared to 2015), making Brazil the sixth largest in the world, in number of units and the fourth largest in number of franchise chains. The Franchise sector currently accounts for about 1.2 million jobs, a growth of 0.2% over last year, (projected to grow 3% in 2017) during a period in which the Brazilian unemployment rate was 11.5%.

Industry Opportunities

According to the World Franchise Council (WFC), Brazil ranks fourth in number of brands offered (3,039) through the franchising model, behind China (4,500), South Korea (4,288), and the USA (3,828). Rounding out the top 10 countries are Turkey, France, India, Mexico, the Philippines and Japan.

There are only 69 American brands operating in country, therefore, this represents a huge opportunity for U.S. concepts expanding their presence internationally.

As for total number of franchising units operating, the top 10 countries are USA 795,932; China 330,000; Japan 260,992; South Korea 194,199; Philippines 150,000; Brazil 142,600; followed by Germany, India, Mexico and Australia. The best opportunities are in Food, Health & Beauty, and Fashion (+ shoes & accessories); however, other sectors should also be considered.

Demographic Overview

Brazil has a population of 207 million inhabitants, 51.6% are women and 48.4% are men; however, 56% of men and 44% of women make up the purchasers.

The participation of women in the Brazilian labor force has grown substantially. In 1973, only 30% of women made up the labor force. According to data from the National Household Sample Survey (PNAD), the number of women in the workplace is growing; 40.8% in 2007 and 44% in 2016.

The fastest growing segments of franchises are in the Health, Beauty, and Fashion (shoes & accessories) sectors. This is mostly due to the increasing consumption and purchasing power of women.

A key age group with purchasing power are the elderly (over 60). This age group has grown 11 times in the last 60 years in Brazil. Today there are 18.5 million elderly (55% women and 45% men) and in 2025, they will reach 64 million, and by 2050, one in three Brazilians will be elderly.

Today 75% of the elderly have financial independence. Their purchasing power increases sales for home care, food, travel & tourism, cleaning, and service franchises.

Another important age group in Brazil are children and teenagers (0-19 years old), which accounts for 61.4 million of

the population. This niche is a larger consumer of food, entertainment, travel & tourism, education, training, retail, and fashion.

Finally, another important niche franchises should market to in the Brazilian population is the Millennial population, 47 million. This group has already surpassed the total population of Spain, and should reach a potential consumption of more than US\$ 24 billion by 2019. Its share of consumption will be 8% by the end of the decade. Millennials drive business in the franchise sector mainly in retail, food, beauty, and fashion and is a fast growing segment.

Current Market Assessment & Market profile

Homegrown brands dominate the market. The United States is a key international player, since Brazilians like and trust the quality of U.S. products, services, and technologies. U.S. brands are welcome in the local market, followed by European brands.

The Brazilian Franchise Association (ABF) projects sector growth for 2016 as follows: Sector Venue 9%, Units 5%, and Brands 1%.

Market Challenges & Obstacles

U.S. franchisors encounter strong competition in the market.

Local Brazilian franchises dominate the market across many sectors, controlling 94.8% of sales volume; while foreign groups (5.2%), mostly from the U.S., are making headway. According to ABF, 161 foreign franchise brand concepts currently operate in Brazil (69 are based in the U.S.).

The main challenge in country is to identify a potential investor as a master franchisor, who has the ability and desire to scale the franchise quickly. Local investors are interested in opening only one or two stores/restaurants.

One strategy to get into the market is to develop relationships with Brazilian franchisors and master franchisees of non-competing, yet complementary concepts. In general, Brazilian investors make decisions based on well-structured business plans and the expectations of financial return. It is misleading to think that emotional factors will heavily influence a decision in favor of a certain brand or business concept. It is important that foreign franchisors understand this, and approach the market only after having done the necessary homework, having estimated the true potential of the brand for Brazil.

It is also increasingly common for a Brazilian investor to negotiate risk-sharing agreements with the foreign franchisor when introducing a new brand to the market. "Risk" in this case refers to making actual direct investment in the form of a joint-venture partnership. In addition, as many Brazilian concepts are now seeking to expand internationally, some will be open to discussing bilateral agreements, wherein a foreign brand is launched in Brazil at the same time as the foreign franchisor develops a Brazilian brand in its home country.

Finding suitable master franchisees in Brazil is very challenging for US companies. The U.S. Commercial Service; however, can help you with your success.

Advertising Methods

Brazilian Franchisors regularly use the Brazilian Franchise Association web-site, the trade magazine called Franquia & Negocios (Franchise & Business), local major newspapers and magazines. These platforms are used extensively by local franchisors to find unit franchisees, besides the franchise web-site.

In terms of identifying master franchisees, one option for U.S. franchisors is to approach existing large Brazilian franchisors that have achieved saturation of their own brands in the local market. Typically, these Brazilian franchisors would then look to expand internationally; however, some are also open to taking on a U.S. franchise.

Trade Events

The most important event in Brazil is the ABF Franchising Expo, the biggest franchise show in the world, that takes place in Sao Paulo, on June 21 – 24, 2017. More details can be found at: <https://www.abfexpo.com.br/pt/a-feira.html>.



Local Associations

The Brazilian Franchising Association (ABF) is a very activity association, which works closely with local and international franchises alike to help them make progress. More details on ABF is available at: <https://www.abf.com.br>.

There are several local franchise brokers and consultants that can support U.S. franchisors in the Brazilian market.

Country Ranking & Color Code

ITA's 2016 Top market report on franchising ranks Brazil as the tenth most promising market for U.S. brands. More information can be found at: <http://www.trade.gov/topmarkets/franchising.asp>.

Green – Food – Health & Beauty

Yellow – Education Service

Red – Cleaning

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Canada

Capital:	Ottawa
Population:	35,151,728 (2016 Census)
GDP*:	USD \$1.598 trillion (OECD data, 2016)
Currency:	Canadian Dollar (CAD)
Language:	English and French

Summary

Canada has the 2nd largest franchise industry in the world, behind only the United States. The majority of the top 100 franchise brands in Canada are U.S. owned concepts, followed closely by Canadian brands.

According to the International Trade Administration, the Canadian franchise sector represents the number one projected market for United States businesses. The sector currently accounts for 10 percent of Canada's GDP, and over 1,000,000 Canadians, or 1 of every 14 Canadians, are directly or indirectly employed by the franchise industry. In 2016, the Canadian Franchise Association (CFA) reported that Canada was home to over 1,300 franchise brands, with the majority of the international concepts being of U.S. origin. Challenges for U.S. businesses wanting to franchise operations remain tied to the varying regulatory environment across provinces.

Industry Opportunities

Canada, like many other Western countries, has an increasing number of retirees and seniors. Based on a Euromonitor report on Canada's demographic profile in 2030, population growth in future will be driven by huge increases in the population aged 60+ which will expand by 47 percent. As Canadians grow older, demand for health and assisted care facilities and services will rise exponentially. This segment of the population is more interested in independent living situations and will increase demand on home care and fitness services.

Demographic Overview

Canada's average household net disposable income growth rate is 15th in the OECD at 2.2 percent. In 2016, disposable income per capita was at US\$28,786, and consumer expenditure on education, health goods/medical services, and transportation are projected to experience the largest growth in the next decade.

In 2016, Canada's population grew to over 36 million, and data shows that the population is increasing at a decelerating rate. The median age is also rising, up to 40.7 years in 2016 from 36.8 years in 2000. Immigration continues to account for the vast majority of Canada's population gains, and in future, will be responsible for most of Canada's labor force growth. Women's involvement in the workforce has risen at a slower rate since 1990, and was at 82 percent in 2014 up from 75 percent in 1990.

Couples with children account for the largest share of consumer expenditure across household types (representing over one-third of the total in 2015), and this household type is likely to maintain its large share until 2030.

Buying patterns in Canada are changing, and a Google Canada shopping survey, indicated that 34 percent of Canadians will do their research and make their purchases online. This represents a 23 percent increase from 2013, and the survey also showed that, of those shopping online, 32 percent will be 33 years old or older. When it comes to mobile shopping trends, Gen Xers are more likely to use an app (and a mobile device) to shop than millennials. Online grocery shopping has been gaining momentum, with Statistics Canada reporting that 18 percent of consumers saying that they ordered food, beverages or groceries online. Busy consumers are embracing "click-and-collect" options available at large chain grocery stores as their preferences favor convenience.

United States franchises must also be aware of the regional differences that exist across Canada, particularly the East and West coast areas, and adapt their concepts as necessary to align with the relevant Canadian tastes.

Current Market Assessment & Market profile

The Canadian franchise market has a sizable U.S. franchise presence. Of the top 100 brands in terms of number of locations in Canada, 49 percent are U.S. based brands, 47 percent are Canadian brands, with the remaining 4 percent divided up amongst Australia, the United Kingdom, and Japan.



The industry as a whole has been experiencing good growth in the past few years, with the number of new franchise brands and franchise outlets increasing steadily. Roughly 4,300 new franchise outlets open in Canada each year. Furthermore, because of the high amount of visitor traffic between the two countries, Canadians are largely familiar with U.S. franchise concepts. As a result, many U.S. brands are finding Canada as a good option to expand internationally.

Current Market Trends

Rising demand and associated spending are caused by an aging population, the growing incidence of chronic diseases, development of costly clinical innovations, increasing patient awareness, knowledge, and expectations and continued economic uncertainty despite regional pockets of recovery. Industry experts report that the number of adults aged 65 and older, is expected to increase at an annual rate of 3.8 percent over the next five years. By 2021, seniors will comprise 18.7 percent of Canada's population up from 16.5 percent in 2016. Devices that support the older population, including neurological and cardiovascular products are expected to experience strong sales over the next five years. Industry revenue is expected to grow at an annual rate of 1.8 percent for a total of approximately CDN\$21 billion. In addition, the Canadian government is investing in innovations such as precision medicine, artificial intelligence, and data and analytics, to improve care, improve health and reduce spending.

Market Challenges & Obstacles

One of the main obstacles facing U.S. franchisors is the varying franchise legislation that exists across Canada. Canada divides legislative power between the federal and provincial levels of government. At present, the Canadian federal government has no federal franchise laws, however there is federal legislation related to franchising that franchisors should monitor. For example, franchisors should be mindful of any federal legislation involving intellectual property because a franchise relationship is basically one whereby a franchisee licenses its intellectual property. Such legislation is regulated by the Canadian Intellectual Property Office (CIPO), and details on areas such as patent, trademark, and copy right laws can be found at this link.

CIPO website - <http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home>

In terms of provincial legislation, five provinces, namely Alberta, Manitoba, Ontario, New Brunswick, and Prince Edward Island, have enacted franchise disclosure legislation. In October 5, 2015, the province of British Columbia introduced its own franchise regulation, called the Franchise Act, and upon completion of the drafting of the regulations, is anticipated to come into law in 2017. The province of Quebec is a civil law jurisdiction, and while Quebec has no franchise-specific legislation, the Civil Code of Quebec and the Charter of the French Language both apply to franchising. For more information on each province and their relevant legislation, please follow the links below:

Ontario: <https://www.ontario.ca/laws/statute/00a03>

Alberta: <http://www.qp.alberta.ca/documents/Acts/F23.pdf>

Manitoba: <http://web2.gov.mb.ca/bills/39-4/b015e.php>

New Brunswick: <https://www.canlii.org/en/nb/laws/stat/snb-2007-c-f-23.5/latest/snb-2007-c-f-23.5.html>

Prince Edward Island: <https://www.canlii.org/en/pe/laws/stat/rspei-1988-c-f-14.1/latest/rspei-1988-c-f-14.1.html>

Quebec

- Civil Code of Québec: <http://legisquebec.gouv.qc.ca/en/showdoc/cs/CCQ-1991>
- Charter of the French Language: <http://www.legisquebec.gouv.qc.ca/en/showdoc/cs/C-11>

Franchising in Canada, much like in any other country, requires long-term commitment. Franchisors must dedicate the necessary human and financial capital, patience, and time for their concept to succeed in the Canadian market.

Advertising Methods

Canada's communication and digital infrastructure is at par with other developed nations like the United States. The Canadian Internet Registration Authority (CIRA) reports that 87 percent of Canadian households were connected to the internet in 2015, a rate that grew to 91 percent in 2016. The average time individual Canadians spend online using a desktop or laptop computer is 4 hours and 53 minutes. Increasing internet usage is driving companies to spend more advertising dollars online, with digital ad spending growing roughly 10 percent in 2016 to US\$3.8 billion. Social network ad spending as well as digital video ad spending on sites like Facebook and YouTube are showing rapid growth, as spending on traditional media sources like print and television stagnates.

Companies are bolstering their web presence through developing websites to capture online and mobile customer traffic. According to the CIRA 2015 report, 42.3 percent of small to medium sized businesses in Canada currently have a website,

compared with 91.4 percent of large companies. An increasing number of businesses are using companies like Shopify and Magento to convert their websites into e-commerce platforms.

Trade Events

The Franchise Show is Canada's largest franchise-only exhibition, and is held by the Canada Franchise Association (CFA). The show is held in 4 major Canadian cities – Toronto, Vancouver, Montreal, and Calgary. For details and more information on this event, please visit: <http://www.thefranchiseshow.ca/>.

Local Associations

The Canadian Franchise Association has been working to develop the franchising community in Canada since 1967. CFA's 3 core goals include: enhancing and protecting the franchising sector through advocacy, being the premier vehicle for lead generation, and being the best source for information and education on franchising. Details on the CFA can be found at: <https://www.cfa.ca/>.

Country Ranking & Color Code

ITA's 2016 top market report on franchising ranks Canada as the most promising market for United States franchisors; <http://www.trade.gov/topmarkets/franchising.asp>.

Green – Health & Fitness / Nutrition

Yellow – Child Enrichment

Yellow - Senior / Home Care Services

U.S. Commercial Service Contact Information

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Chile

Capital:	Santiago
Population:	18.1 million
GDP*:	US\$ 268 billion
Currency:	Chilean peso
Language:	Spanish

Summary

According to the fourth franchise study of the Department of Economics and Business of the University of Chile, there are 208 franchises in the country, with stores located primarily in the Santiago Metropolitan Region and in the V and VIII Regions. A total of 82% of these franchise brands are based in Chile, the United States, Spain, Peru, or Argentina. These franchises are distributed among the following sectors: food industry (39%), including restaurants, fast food, coffee shops, and ice cream shops; services (23%), including healthcare providers, fitness centers, real estate, financial services, hotels, and car rental; apparel (17%), including clothing and footwear; commerce (14%), including shops that sell sweets, tea and coffee, pharmacies, cosmetics, and other goods; and education (7%), including technical institutes, test-prep institutes, and others.

Franchise companies operating in Chile are subject to general Chilean trade laws, but there is no legislation specifically governing the franchise industry. In general, royalties and fees are subject to a withholding tax ranging from 15% to 35%. U.S. companies are encouraged to register their trademarks prior to entering the Chilean market and do benefit from the U.S.-Chile Free Trade Agreement that has been in place since 2004.

A major challenge in Chile is identifying local investors interested in obtaining a master franchise.

Industry Opportunities

Franchises with low initial investments (in the range of US\$100,000-200,000) continue to encounter more market opportunities than those requiring larger investments (US\$500,000+). This is because the country's current economic conditions have made potential Chilean investors very hesitant to invest large sums of money. Non-traditional Chilean franchise investors, however, may be seeking opportunities in the market. These include young people and those with business experience who have become unemployed following the country's last four years economic slowdown.

It is important to keep in mind that the typical U.S. franchise model continues to face some obstacles in the country. Given a very conservative and risk averse Chilean business culture, U.S. franchisors will find Chileans less willing to make large, upfront investments until the concept has first been proven successful in one or two locations.

Demographic Overview

According to Chile's National Institute of Statistics, the country's 2016 population was 18.1 million, evenly divided between men and women. The regions with the highest population density are the Santiago Metropolitan Region, Valparaíso, and Biobío. Statistics show that the Chilean population is aging, with a greater percentage of the population over 60 years of age than below 15 years of age. Life expectancy is 77 years for men and 82 for women, and the average birth rate has declined to 1.8 per woman.

The high and middle income population lives in the country's main cities, particularly in the Santiago Metropolitan Region, where it is concentrated in seven municipalities (Santiago, Providencia, Nuñoa, La Reina, Las Condes, Vitacura, and Lo Barnechea). 99.5% of franchise brand stores are located in these 7 municipalities, highlighting that income segmentation is closely related to franchise branch location.

Current Market Assessment & Market profile

Chile is highly centralized, in almost every sense, in the capital, Santiago, which has a population of approximately 7 million. Chile is made up of approximately 346 municipalities, of which 34 are located in the Santiago Metropolitan Region. Of these 34, seven house the majority of high and middle income residents and 99.5% of franchise locations. An important area with high potential in northern Chile is Antofagasta, a region whose extensive involvement in the world's largest copper and lithium extraction projects has led to its growth in urban development, job opportunities, etc.

Franchise concepts that have had the highest average growth over the last three years are those with low initial

investments (in the range of US\$100,000-200,000). These concepts continue to encounter more market opportunities than those requiring larger investments (US\$500,000+) because the country's economic conditions have made potential Chilean investors reluctant to invest large sums of money or have induced them to invest internationally.

The countries of origin with the most franchise brands in Chile are: Chile, with 65 concepts; USA, with 54; Spain, with 32; Peru, with 11; and Argentina, with 10.

Market Challenges & Obstacles

In Chile, identifying potential investors represents a huge challenge. A group of established local companies owns the master franchises in the principal sectors, but in order to reach new companies, it is recommended to use newspaper advertisements or reach out to local franchising consultants, of which there are currently no more than two or three. Other challenges include financing, finding affordable locations, and finding adequate employees/waiters/sales people.

Franchise companies operating in Chile are subject to general Chilean trade laws, but there is no legislation specifically governing the franchise industry. In general, royalties and fees are subject to a withholding tax ranging from 15% to 35%. U.S. companies are encouraged to register their trademarks prior to entering the Chilean market and do benefit from the U.S.-Chile Free Trade Agreement that has been in place since 2004.

Advertising Methods

In Chile, the primary media for advertising are local newspapers, radio, TV channels, and Google Ads. Websites also play an instrumental promotional role and for those franchises that offer delivery services, i.e. Quick Service Restaurants (QSR), online sales service is highly appreciated.

Trade Events

For the last four years, the Santiago Chamber of Commerce, through its Franchise Committee, has organized a yearly International Franchise Trade Fair, [FIF Chile](#). This year it is scheduled for June 28-29 and will take place at Centro Parque in Santiago. This is an opportunity for local and foreign brands to market their concepts and offer business opportunities under the franchise model.

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Colombia

Capital:	Bogota
Population:	49,313,000
GDP*:	USD \$282.46 Billion
Currency:	Colombian Peso
Language:	Spanish

Summary

The number of franchises in Colombia has more than doubled over the past ten years. After Brazil, Mexico, and Argentina, Colombia has the 4th largest number of franchises in Latin America. This boom has been driven by a better understanding and acceptance of the concept of franchising by many local firms, and by the improvement in international perception of the business environment due to the implementation of the U.S.-Colombia Trade Promotion Agreement in 2012.

After a pilot project of the Inter-American Development Bank (IDB) and ten Colombian Chambers of Commerce to foster the development of franchising from 2006 through 2009, an ever-growing number of companies have adopted franchising as a safe and less complex way of expanding their business.

Industry Opportunities

According to Colfranquicias, the service sector, particularly the hospitality, health, and beauty industries, offers significant opportunity for growth. The restaurant and retail sectors have benefitted from policy reforms and continue to grow steadily. Franchising in the fashion industry grew 7% from 2015 to 2016, with the entrance of many Spanish brands contributing to this growth. The franchises currently with the biggest growth in Colombia are BodyBrite, Subway, Taconazo, Sandwich Qbano, Efecty Servientrega, and Prontowash.

Franchises are concentrated in the major cities of Bogota (50%), Medellin (12%), Cali (6%), Barranquilla (4%), and Bucaramanga (3%). The smaller cities of Barranquilla, Cartagena, Bucaramanga, Armenia, Manizales, and Pereira offer opportunities for growth.

Demographic Overview

Most Colombians fall in the 25-54 age range category, with 25% in age 0-14, 17% age 15-24, 42% age 25-54, 9% age 55-64, and 7% over age 65. Gender is evenly split between males and females (0.98 males:1 female). 94.7% of the population is literate, and approximately 50% of school-aged children are enrolled in school.

Colombia's income disparity remains significant, with the wealthiest 10% controlling 42.2% of the wealth and the lowest 10% controlling just 1.1%. Familiarity with international franchising concepts remains closely correlated to income brackets, with only the higher brackets being familiar with newer, foreign concepts. Still, some franchises have gained market appeal in lower income brackets by offering quality products at a discount.

Seventy-seven percent of Colombia's population live in urban areas, including Bogota (9,765 million), Medellin (3,911 million), Cali (2,646 million), Barranquilla (1,991 million), Bucaramanga (1,215 million) and Cartagena (1,092 million). The three largest cities of Bogota, Medellin, and Cali hold the largest concentration of the franchise market, but other large cities including Barranquilla, Cartagena, Bucaramanga, Armenia, Manizales, and Pereira should be considered for possible areas for growth.

According to a 2015 study by Datexco and LFMSAS, 75% of surveyed households would like to own a franchise but did not know how to start one. According to Colfranquicias, 90% of franchises survive for more than 5 years.

Current Market Assessment / Market Profile

There are 447 franchise brands in Colombia in a variety of sectors. Of these, 247 are national chains while 196 are foreign brands. Foreign brands are largely held by the United States, Spain, Mexico, and Brazil. Of Forbes' list of America's 20 most successful franchises, only three are in Colombia; McDonald's, Burger King, and Dunkin Donuts. The breakdown of these brands by sector can be seen in the graph below:

Franchise Sector	Colombian (units)		Foreign (units)	
	2015	2016	2015	2016
Health and Beauty	23	24	19	23
Training	11	11	15	16
Specialty Stores	40	42	17	25
Food	50	94	90	64
Fashion	26	41	40	33
Services	31	35	28	35

By value, the greatest share of the franchise sector is held by health, beauty and fashion (38%), followed by restaurants and fast food (36%), and education and services (26%).

Market Challenges/Obstacles

Franchise agreements are not explicitly regulated in Colombia, meaning the contracts between franchisor and franchisee govern the rules of each transaction. A franchise contract should: license a trademark; transfer know-how; establish that all the information is the property of the franchisor, who will transfer it and provide technical assistance in return for a fee (an entrance fee, royalty payments and advertisement payments, as applicable). Still, regulations in other industries may apply to franchising contracts. Below are some of note:

Trademarks are governed by [Andean Community Decision 486 of 2000](#). Trademarks must be registered with SIC and [appropriately licensed](#), usually for a period of 10 years.

Technical assistance or technology licensing to a Colombian franchisee by a foreign party must be documented under the [Ministry of Commerce, Industry, and Tourism](#) (MINCIT).

Antitrust regulations are governed under [Law 155 of 1959](#), [Law 1341 of 2009](#), and [Decree 2153 of 1992](#). When drafting a franchise agreement, the language should be careful to avoid any clause that may restrict free competition.

Intellectual property is governed by the SIC and falls under the Andean Community Decision 486 (see above). However, Colombia remains on the United States Trade Representative's Special 301 list for intellectual property rights violations.

The most important challenge is to find a master franchisee. Investing in a franchise has become extremely expensive mainly due to the devaluation of the Colombian Peso and a slowdown in economic output (GDP).

Advertising Methods

Introducing new consumer products to the Colombian market usually requires an extensive advertising campaign. Companies' marketing strategies frequently include media ads and printed technical and sales articles in a combination of media - radio, television, cable TV, social media, newspapers, periodicals, trade magazines, and on Internet websites - announcing sales and special offers. Contacting a local advertising agency is recommended to increase the efforts and success rate of an advertising campaign. Franchises benefit from well-known brand names, making ventures less likely to fail. New products or brands should utilize the following resources to make their brand known.

Magazines:

[LA NOTA ECONOMICA](#)
[DINERO](#)
[SEMANA](#)

Newspapers and Periodicals:

[LAREPUBLICA](#) (business focus)
[PORTAFOLIO](#) (business focus)
[EL TIEMPO](#)
[EL ESPECTADOR](#)

Regional newspapers:



[EL COLOMBIANO](#) (Medellín)
[EL MUNDO](#) (Medellín)
[EL PAIS](#) (Cali)
[EL HERALDO](#) (Barranquilla)
[EL UNIVERSAL](#) (Cartagena)
[VANGUARDIA LIBERAL](#) (Bucaramanga)
[LA PATRIA](#) (Manizales)

Radio Networks:

[CARACOL](#)
[RCN](#)
[TODELAR](#)
[LaFM](#) (Part of RCN's radio network)
[LaW](#) (part of Unión Radio/Caracol)
[BLU Radio](#)

TV Networks:

[Caracol](#)
[Canal RCN](#)
[NTN24](#)
[Cablenoticias](#)

Industry Journals:

[Mas Franquicias](#)
[Beto en el Retail](#)
[Franquicias Colombia](#)
[TratoConTrato](#)

Trade Events

Feria Andina de Negocios y Franquicias (FANYF)

July 10-11, 2018 • Bogotá, Colombia • <http://www.fanyf.com> • FANYF is recognized as the official trade fair for franchises in Colombia. It is recognized by the Iberoamerican Federation of Franchises (FIAF) and Colombian Association of Trade Fairs (AIFEC).

Local Associations / Consulting Firms

[Colfranquicias](#) – The leading nonprofit in Colombia dedicated to promoting and studying Colombia's franchising industry.
[Mas Franquicias](#) – A portal to connect franchisors, franchisees, and investors.

[Leaders for Management \(LFM\)](#) – LFM is a privately held Colombian company committed to promoting entrepreneurship and franchising in Colombia.

[Grupo Nexo Franquicia](#) – Nexo Franquicia is a privately franchising consulting company.

Country Ranking/Color Code

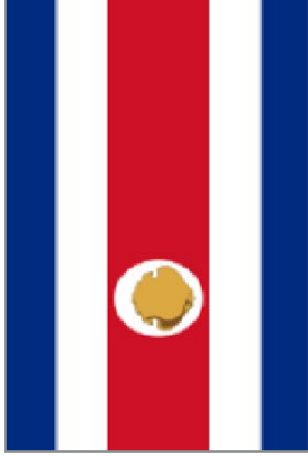
Green: Health and Beauty (depends on the master franchise fee)

Yellow: Restaurants/Food, Health Services, Education Services

Red: Real Estate, Accounting services, Training Services, Automotive Services

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Costa Rica

Capital:	San Jose
Population:	4.87 million
GDP*:	\$15,500 per capita
Currency:	Colones
Language:	Spanish

Summary

Costa Rica takes second place within the Central American region to have the greatest growth of the franchising sector and it is preceded by Guatemala. Additionally, this sector is supported by entities such as the Chamber of Commerce of Costa Rica and public banks. Both offer assistance with legal issues as well as financing and consulting.

According to the Chamber of Commerce of Costa Rica for the year 2016, 321 franchises are registered, of which 245 (76%) are from international origin with presence in the national territory and 76 (23%) of these are Costa Rican franchisors. This model is a business option that appeals to investors, and that is increasingly taking force in the country, increasing the number of franchises both domestic and international.

Industry Opportunities

The retail sector predominates in the international franchises that are in the country. A clear example is the presence of companies such as: Chula, American Eagle and Purificación García and in the food sector, KFC franchises stand out, hoping to expand their number of establishments.

Demographic Overview

Costa Rica's political stability, high standard of living, and well-developed social benefits system set it apart from its Central American neighbors. Through the government's sustained social spending - almost 20% of GDP annually - Costa Rica has made tremendous progress toward achieving its goal of providing universal access to education, healthcare, clean water, sanitation, and electricity. Since the 1970s, expansion of these services has led to a rapid decline in infant mortality, an increase in life expectancy at birth, and a sharp decrease in the birth rate. The average number of children born per women has fallen from about 7 in the 1960s to 3.5 in the early 1980s to below replacement level today. Costa Rica's poverty rate is lower than in most Latin American countries, but it has stalled at around 20% for almost two decades.

Costa Rica is a popular regional immigration destination because of its job opportunities and social programs. Almost 9% of the population is foreign-born, with Nicaraguans comprising nearly three-quarters of the foreign population. Many Nicaraguans who perform unskilled seasonal labor enter Costa Rica illegally or overstay their visas, which continues to be a source of tension. Less than 3% of Costa Rica's population lives abroad. The overwhelming majority of expatriates have settled in the United States after completing a university degree or in order to work in a highly skilled field.

Current Market Assessment & Market profile

In terms of considering the type of franchises established in Costa Rica, fashion ranks the highest with 32%, followed by the food sector with 24%. The third largest sector of international franchises present in the country, with 14% percent of the total, are the ones in the hotel industry. The remainder correspond to beauty and personal care, decoration, learning, entertainment, car rentals, among other types of franchises.

Generally the main areas where franchises are established are in western suburbs of San Jose, in cities such as Escazú and Santa Ana. Also, it is common for franchises to install themselves in malls and other commercial centers. This phenomenon has led to the construction of new malls toward the East of San Jose.

Market Challenges & Obstacles

The market is relatively small and there is great competition specifically in food sector.

The difficulty in finding national investors with sufficient capital makes the expansion of this market slow and involved.



Advertising Methods

Costa Rican newspapers are among the best ways to promote sales of products or services. La Nación has the largest general circulation, while the weekly El Financiero and daily La República are primarily business-focused. Diario Extra and Prensa Libre are popular mass-market tabloids, and online outlet CR Hoy has seen explosive growth to one million unique visitors a month.

Depending on the target market, advertising is also effective through magazines or online. Organizations such as the Costa Rican-American Chamber of Commerce (AmCham), the Chamber of Commerce of Costa Rica, U.S. Embassy and other specialized chambers/business associations offer possible targeted options for advertising through their social media.

Trade Events

There is a Regional Expo franchising organized by National Franchise Center Costa Rica (CENAF) that belongs to the Chamber of Commerce of Costa Rica; which has been held for seven consecutive years and thanks to the success obtained in Panama City for two consecutive years (2014-2015), will be held in Costa Rica for second year, where there will be the participation of franchisees and investors from the entire region of America Central and countries like Mexico, Spain, Peru, United States, Uruguay, Brazil and Paraguay, among others. More details on the Expo can be found at: <http://expofranquicia.franquiciascostarricenses.cr/>.

Local Associations

The Costa Rican National Franchise Center (CENAF), an organ of the Chamber of Commerce of Costa Rica plays a very important role in promoting the growth of the franchise sector. More details on the CENAF can be found at: <http://www.franquiciascostarricenses.cr/>.

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Egypt

Capital:	Cairo
Population:	97 million
GDP*:	\$12,600 per capita
Currency:	Egyptian Pound
Language:	Arabic

Summary

Franchising has developed quite extensively in Egypt over the past three decades, especially in the fast-food sector. There are around 600 franchises in Egypt at present, including food and non-food franchisees with hundreds of individual outlets. According to the Egyptian Franchise Development Association (EFDA), 42 percent of these are local brands and 58 percent are international brands. The U.S. market share is around 20 percent of the international brands, and estimated to account for 30 percent of total franchise revenues in Egypt.

Industry Opportunities

Franchising is expanding in Egypt, as well as in the Middle East and North Africa (MENA) region. According to industry sources, direct investment is valued at around EGP 80 billion, with annual sales of EGP 12 billion. The industry provides 800,000 direct jobs and 1.5 million indirect jobs. Franchising has developed quite extensively in Egypt, and it has proven to be one of the most successful mechanisms for entrepreneurship.

The ownership structure of the franchising industry in Egypt is:

- 60 percent are Master Franchisees and do not sub-franchise
- 17 percent are Master Franchisees and sub-franchise
- 40 percent are Local Franchisors

Demographic Overview

Age Structure

0-14 years: 33.29% (male 16,720,307/female 15,583,019)
15-24 years: 18.94% (male 9,464,262/female 8,919,614)
25-54 years: 37.6% (male 18,545,422/female 17,944,582)
55-64 years: 5.95% (male 2,861,136/female 2,911,586)
65 years and over: 4.22% (male 1,993,248/female 2,097,896) (2017 est.)

Details on Aging of the Population

Total Population: 73 years
Male: 71.6 years
Female: 74.4 years (2017 est.)

Current Market Assessment & Market profile

Food Franchises

The Egyptian fast-food market, dominated by American chains, has experienced notable expansion since it began in 1970, and market sources expect the growth to continue at an annual rate of 20 percent over the coming years. The current food franchise market size is estimated at more than USD 800 million.

Non-Food Franchises

The non-food franchise sectors began to emerge during the 1990s. These franchises have considerable market potential, and many American franchisors continue to enter the Egyptian market. For example, several companies in hotel management, car rental, language education, health and fitness, electronics and computer training are currently franchised in Egypt.



Sub-Sector Best Prospect

Although dominated by the food sector, the non-food franchising sector has grown, primarily in the retail sector, in response to the increasing demand for clothing and lifestyle brands among the urban population.

Retail franchises account for 50 percent of the non-food franchising sector, making overall retail the highest ranked sub-sector. It is anticipated that demand will continue to increase for hypermarkets, home products, clothing and fashion.

The best prospects for U.S. non-food franchises are in the areas of childcare, department stores, fitness, education and training, specialty stores and home products.

Opportunities

Egypt has an estimated five million "A class" consumers, who have an average monthly income of about USD 1,000. These consumers are well educated and familiar with foreign goods and services. They seek high-quality and well-priced goods, though price is not always the deciding factor in purchasing decisions. Because of their education and experience in travel abroad, these consumers have become very receptive to western products and services, particularly U.S. goods and services. Some of these consumers in Egypt include tourists from other Arab countries, which represents a strong seasonal demand factor.

Moreover, Egyptian consumers have become brand conscious thanks to the recent and growing trend of improved living standards, as well as increased exposure to western culture and media. The population of Egypt is around 92 million, and of this figure it is estimated that five million consumers are drawn to the increasingly popular name brands and convenience services. The median Egyptian age of 18-25 years also supports the growth potential of the fast-food and retail sectors.

Egyptians have initiated their own retail franchising businesses domestically, especially in the apparel industry. This trend indicates that the franchise concept is culturally acceptable. Most of the franchises operating in Egypt are the result of Egyptian entrepreneurs approaching foreigners, rather than as the result of the marketing efforts of foreign firms. While this may show an entrepreneurial spirit among Egyptian businesspersons, it also highlights missed opportunities on the part of foreign business.

Trade Events

The Egyptian Franchise Development Association sponsors a local franchise show every year in the spring or early summer. Please contact the U.S. Commercial Service in Egypt for more details about the franchise show.

Local Associations

Egyptian Franchise Development Association: <http://www.efda.org.eg/>.

The EFDA represents and serves the franchise industry in Egypt. It promotes the concept of investment through franchising, encourages training and quality control, and works to solve common problems in the industry. Moreover, EFDA sponsors a local franchise show every year in the spring or early summer. Please contact the U.S. Commercial Service in Egypt for more details about the franchise show.

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El Salvador

Capital:	San Salvador
Population:	6.2 million (World Bank 2016 Est.)
GDP*:	\$26.797 billion (World Bank 2016)
Currency:	US Dollar
Language:	Spanish

Summary

El Salvador, with a population of 6.1 million, offers an open market for U.S. goods and services. The U.S. dollar became legal tender in 2001, therefore U.S. companies do not need to worry about exchange rate fluctuations when trading with Salvadoran firms. El Salvador has numerous Free Trade Agreements with its trading partners, including one with the United States commonly known as Central America-Dominican Republic Free Trade Agreement (CAFTA-DR).

The United States is El Salvador's main trading partner with 41% of the market share for the country's imports. U.S. products are generally favored. El Salvador's geographic proximity and familiarity with U.S. business practices contribute to strong trade ties with the United States.

A partial list of U.S. companies with market presence includes: AES, Microsoft, General Motors, Coca-Cola, Kraft, Pricemart, Caterpillar, Xerox, John Deere, Walmart, 3M, Delta, American Airlines, United, Colite, Cisco, Crowley, General Electric, Kimberly Clark, as well as dozens of U.S. franchises.

Industry Opportunities

Opportunities are driven by ongoing expansion of existing shopping centers that demand new franchising concepts in retail, food, and beverages. Low cost franchises in home improvement, health care, personal care, and recreation have greater opportunities in urban area.

Demographic Overview

El Salvador's population is 6,156,670 and population density is 771 per square mile. Urban population is about 66%, major urban population is in San Salvador capital (1.09 Million est.) and median age is 27 years. Female population is about 52% and male 48%. Additionally, over 20% of El Salvador's population lives abroad. More information on people and society, including age structure, gender and education at [The World Factbook](#).

Current Market Assessment & Market profile

El Salvador began adopting the franchise business model in late 1970s, when McDonald's and KFC entered the market. Since then the business environment for U.S. franchises has been favorable and Salvadoran consumers have shown clear preference for U.S. franchises over local or other international franchise concepts.

U.S. franchise systems operate successfully in many segments, including: hotels, car rentals, accounting, fitness, mailing and shipping, real estate, training, and travel. Fast-food franchises and casual dining restaurants have been the most successful, including: Starbucks Coffee Company, Taco Bell, Domino's Pizza, Red Mango, Denny's, Ruby Tuesday, Cold Stone Creamery, Olive Garden, and Smashburger.

There are no official statistics to assess the size of the franchise market but estimate based on experiences of local association leaders, franchise operators and law firms is that there is about 100 local companies operating under international franchise business models, 75% of the market is estimated to be U.S. and investment varies from low cost operations up to some of the most expensive franchises like the hotels.

Open-air-retail complexes, enclosed retail structures, and small-scale malls serving local neighborhoods with entertainment venues, including movie theaters and restaurants, are driving the franchise growth for casual dining and fast food restaurants, turning the food and beverage concept into the fastest-growing segment for the franchising sector.



Market Challenges & Obstacles

El Salvador is a small market and overall there are no significant challenges for U.S. franchise firms. However, in the food and beverage franchise segment, companies may face issues related to the registration of imported beef, poultry, cheese quota, and verification of country of origin for seafood.

There is no specific law or government agency that regulates franchise operations or contracts in El Salvador.

Free Trade Agreement (CAFTA-DR) enhanced protection for U.S. brands and trademarks, removed technical barriers for U.S. exports and provided alternative dispute resolutions for U.S. companies doing business in El Salvador. Trademark laws meet international standards to protect trademarks and distinctive signs. To get full protection, the trademarks must be registered at the Intellectual Property Registry at the National Registry Center.

A highly publicized court case between a prominent U.S. franchisor and its former franchisee suggests that enforcement of franchise contracts in the courts can be difficult. Consequently, we urge franchisors to develop their business plan based on careful analysis of the business bona fides of their potential franchisees.

Advertising Methods

Advertising in El Salvador is conducted through TV, radio, and newspapers, and it is estimated that 20% of advertising is dedicated to outdoor media. Depending on the target market, nature of product, purpose of the message or marketing plan, advertising agencies will recommend the most appropriate media mix. Advertising spending in El Salvador is about \$300 million U.S. dollars according to [Statista](#).

El Salvador has 47 television channels, which include commercial, educational, and religious channels with nationwide or specific territorial coverage. And 196 FM and 71 AM radio stations in El Salvador, 70% of FM stations are primarily music, and 30% broadcast news programs, commentary, religious, sports and/or educational programs.

In terms of print media, there are six newspapers with a total daily circulation estimated at over 300,000. El Diario de Hoy and La Prensa Grafica (<http://www.elsalvador.com>) are the leading dailies with nationwide coverage with 65% of the total circulation. The American Chamber of Commerce, the Chamber of Commerce and Industry as well as other trade and business organizations, circulate monthly and bi-monthly magazines with paid advertising. Magazines with regional reach such as [Estrategia y Negocios](#), [El Economista](#), and [Summa](#) are preferred advertising vehicles for economic and business groups.

Trade Events

U.S. companies can meet Salvadoran prospective business partners by participating in trade shows, such as International Franchise Expo (IFE). For the most updated list of US Commercial Service sponsored trade shows please visit <http://export.gov/elsalvador/tradeevents/index.asp>.

Local Associations

Principal business associations include: American Chamber of Commerce of El Salvador (AMCHAM); <http://www.amchamsal.com>; Distributors' Association of El Salvador <http://www.adess.org.sv>; National Association for Private Enterprise; <http://www.anep.org.sv>; Salvadoran Industrial Association <http://industriaelsalvador.com/>; Salvadoran Chamber of Commerce and Industry <http://www.camarasal.com/>.

Country Ranking & Color Code

Yellow light - Opportunity with caution areas. Preference is evident but finding investors is challenging due to absence of economic growth and overall political and economic uncertainty.

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Finland

Capital:	Helsinki
Population:	5.5 million
GDP*:	\$232.40 billion (2015)
Currency:	Euro
Language:	Finnish (92%), Swedish (5.5%), Others (2.5%)

Summary

The GDP of Finland was \$251 billion in 2016* with a growth of 1.9 percent from the previous year. The highest growth sectors were construction and agriculture. The Ministry of Finance estimates the growth in 2017 to be 2.4 percent.

Finland has a low population density, but there are still several major urban areas. Largest urban area is the capital region of Helsinki. Population of Helsinki was about 635,000 people in 2016 with the whole capital region total (including Espoo, Hyvinkää, Järvenpää, Kauniainen, Kerava, Kirkkonummi, Mäntsälä, Nurmijärvi, Pornainen, Sipoo, Tuusula, Vantaa and Vihti) was about 1.46 million people. Other major urban regions include Turku with a population of about 190,000 people, Tampere with a population of about 230,000 people and Oulu with a population of about 200,000 people. Other notable urban regions are Jyväskylä, Lahti, Kuopio and Pori.

**GDP is an estimate for 2016, updated in fall 2017*

Industry Opportunities

Population density in urban areas, changes in economic and social factors, and the continuously active field of franchising indicate that franchising will continue expanding into new business areas. Growing demand in the services sector along with increased interest in self-employment will foster many new franchising opportunities.

Franchising opportunities exist in all market sectors - retail, restaurant and services. The services sector, which includes consumer and B2B services, is the fastest growing and offers the best market potential for new franchise businesses, but interest towards restaurant/coffee business is rising. In 2016 out of new chains 55 percent were in services, 15 percent in retail and 30 percent in restaurants. Leading sub-sectors are restaurants, cafes and B2B.

Demographic Overview

Age structure of the population in Finland is 0-14-year-olds at 16.2 percent, 15-64-year-olds at 62.9 percent and 65 and up at 20.9 percent. The population overall is aging with older generations being more prominent than younger ones.

Gender split in Finland is close to even with a slightly larger female population of about 70 000 more women than men in 2016. More detailed gender and age split can be seen in Table 1 (see charts and tables).

On average, Finnish households have 2.8 persons per family. There is regional variance in the values as university cities and the capital region tends to have more single households than on average. The average family sizes can be seen in Table 2 (see charts and tables).

Out of the about 4.5 million people turned 15 in 2016, 29 percent have no degrees after elementary school. 11 percent have a Bachelor's Degree or equivalent while 9 percent have a Master's Degree or equivalent. 51 percent have a lower degree, such as a High School Diploma or a Degree from a Vocational School. Chart 1 (see charts and tables) illustrates education levels per age group.

The average annual taxable income in 2015 was 28,750 euros per person. The average for males was 33,193 euros while the average for females was 24,545 euros. Chart 2 (see charts and tables) illustrates average income split in Finland while Chart 3 (see Charts and Tables on page 5) illustrates how the money spending is divided between categories. Per the Finnish accommodation and restaurant industry association, in 2016 the average number of restaurant meals per week was 3.5 while 77 percent of people had eaten in a restaurant within the past two weeks per the study.



Current Market Assessment & Market profile

The Finnish franchising market is estimated to be worth over \$4.5 billion, with close to 250 franchising systems operating close to 7,000 units around the country in 2016. The total market for franchising in Finland in 2016 was over \$4.5 billion and the annual growth rate in terms of revenue is expected to be 7.3 percent for 2017. Biggest growth for 2017 is expected to be in the restaurant sector at 9.1 percent.

75 percent of franchises were domestic and 25 percent were foreign. The franchise sector employs between 40,000 to 60,000 people.

The neighboring Nordic countries have a good share of the foreign presence. U.S. franchise companies in Finland are mostly fast food restaurants and automotive service businesses. U.S. franchises tend to have high brand recognition amongst the public.

Top foreign franchisors in revenue in 2016 were Gigantti (Swedish Elgiganten) and McDonald's while Subway, Burger King and Sibylla (Sweden) saw the largest growth. Largest employers were McDonald's and Subway while Sibylla (Sweden) and Subway led the number of venues.

The best path to Finnish markets is to utilize the franchiser recruitment portal. The portal can be accessed at: <http://ketju.fi/en>.

Market Challenges & Obstacles

There is no special legislation covering franchising. The most important of the statutory regulations are the Contracts Act, the Unfair Business Practices Act, the Trademarks Act and the Competition Restrictions Act. The Finnish Franchising Association's Code of Ethics (updated as of Jan 1st, 2017) also sets a good framework for franchise agreements.

There is legislation governing the supply chain related to e.g. maintaining the cold chain throughout the whole supply chain. More information can be found from the Finnish Food Safety Authority website: <http://www.evira.fi/portal/en/frontpage/>.

For import related information, the Finnish customs provides valuable information at the Customs website: <http://tulli.fi/en/frontpage>.

Advertising Methods

There is a franchise specific publication called Franchise News which can be used to advertise a new franchise in Finland. There are also several industry specific publications, but as they are too numerous to list please contact the U.S. Commercial Service representative for more information.

Trade Events

Franchise News Days 2018 on the 25th of September 2018 will be the biggest franchising trade show in Finland. There are also several industry specific trade events. Please contact the U.S. Commercial Service representative for more information on the industry trade events.

Local Associations

The Finnish Franchising Association offers information on franchising statistics and legislation in Finland. Franchising is subject to different tax obligations which can depend on whether it is a franchised business of international nature. There are no separate franchise laws in Finland, but EU legislation is valid. While there is no specific legislation governing franchises, there are stipulations that can be especially relevant to franchise agreements. For more information please visit: <https://www.franchising.fi/>.

There are also numerous industry specific associations. Please contact the U.S. Commercial Service contact for more information on these associations.

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Chart 1. Education levels per age group

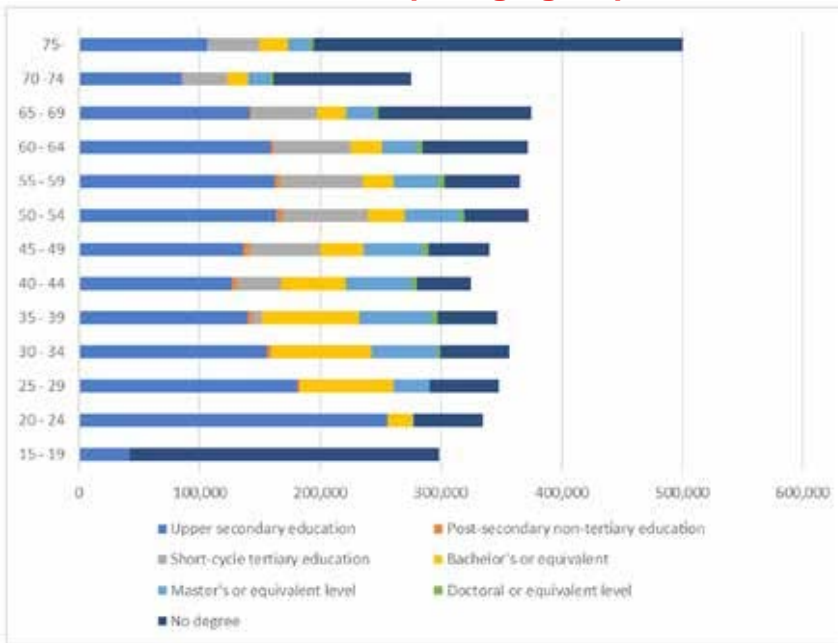


Chart 2. Income division in Finland

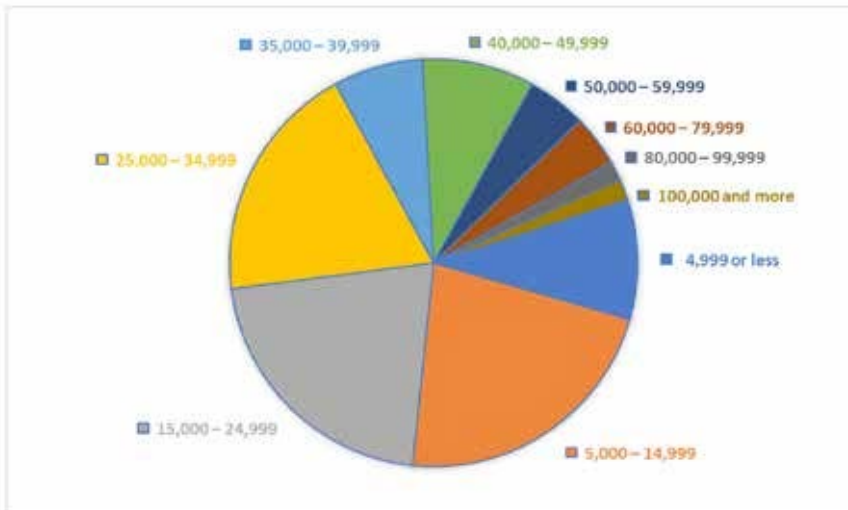


Chart 3. How spending is divided

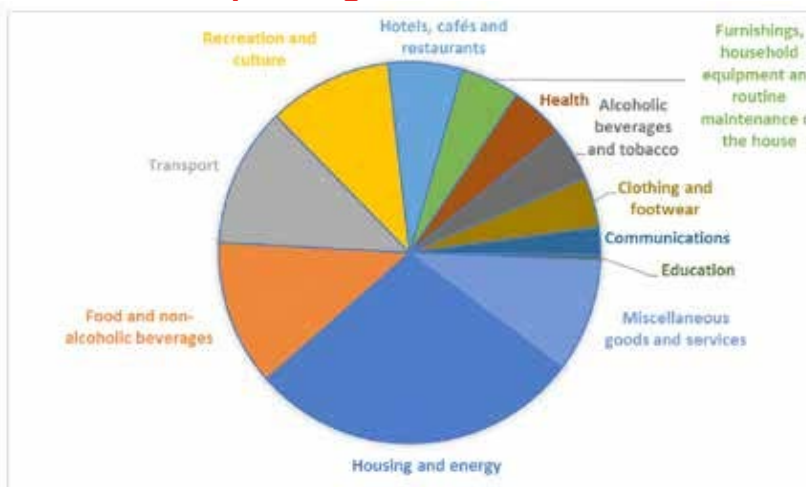




Table 1. Age and gender split

Age	Total	Males	Females
	2016		
0-4	287,537	147,041	140,496
5-9	308,897	157,910	150,987
10-14	297,744	152,119	145,625
15-19	298,664	153,194	145,470
20-24	335,040	171,797	163,243
25-29	347,839	178,544	169,295
30-34	356,563	184,004	172,559
35-39	346,604	178,273	168,331
40-44	324,746	166,845	157,901
45-49	339,818	171,965	167,853
50-54	372,735	187,364	185,371
55-59	365,424	181,217	184,207
60-64	371,711	181,384	190,327
65-69	375,219	180,472	194,747
70-74	274,915	128,014	146,901
75-79	211,742	92,022	119,720
80-84	145,222	57,201	88,021
85-89	95,460	31,507	63,953
90-94	38,716	9,850	28,866
95-99	7,886	1,469	6,417
100-	815	135	680
Total	5,503,297	2,712,327	2,790,970

Table 2. Household structure

	All families	With children	With children	Persons
		aged 0-17	aged 0-6	per family
Total of families	2,654,657	569,676	284,285	2.8
Family type				
Single	1,179,074	-	-	-
Married couple without children	529,697	.	.	2.0
Married couple with children	418,032	334,861	168,007	4.0
Cohabiting couple without children	218,439	.	.	2.0
Cohabiting couple with children	123,321	111,307	71,191	3.7
Mother with children	151,459	105,693	41,431	2.5
Father with children	31,951	17,164	3,187	2.3
Registered male couple 1)	1,052	7	3	2.0
Registered female couple 1)	1,632	644	466	2.6



France

Capital:	Paris
Population:	67 Million (2016)
GDP*:	US \$ 2.488 Trillion (2016)
Currency:	Euro
Language:	French

Summary

France ranks fourth in the world in terms of the number of total franchisors and franchisees and first in Europe in franchise network sales. According to the Federation Française de la Franchise (FFF), the French franchise sector is the first in EU in terms of sales and has doubled over the last ten years. France has one of the strongest economies in the world and has a strong presence in the power, public transport, and defense industries. France's GDP is \$2.253 trillion and is growing at a real rate of 0.1% with an inflation rate of 1.3%. France ranked 34th out of 185 countries in the World Bank Group's Ease of Doing Business Ranking. Although very competitive with 1,900 franchisors and 71,508 franchisees, the French market offers many opportunities for innovative U.S. franchises. Seven percent of franchises operating in France are foreign, of which 22 percent are American. In 2016, total franchising sales were estimated at 59 billion dollars (55.10 billion euros). However, it is important to note that for the past 30 years direct investment or area development expansion methods have proven more successful in France than the traditional Master Franchise.

Industry Opportunities

The French market is mature and extremely competitive but also very receptive to the franchising model providing the franchise brings innovation or a strong business model. French investors would be very cautious about the added value that a specific franchise concept would bring to the market. Therefore, there are still great opportunities for U.S. franchises with a real competitive advantage in a specific sector. Markets with the greatest chances of success are machinery, chemicals, automobiles, metallurgy, aircraft, electronics; textiles, food processing, and tourism industries.

Demographic Overview

France's total population is 64 946 924 and its major urban areas population include Paris with 10 925 thousands inhabitants; Marseille-Aix-en-Provence with 1 616 thousands residents; Lyon with 1 622 thousands residents; Lille with 1 030 thousands inhabitants; Nice-Cannes with 967,000 residents; and Toulouse with 950,000 (2016) residents. The age structure of the population encompasses 25.5% who are 0-19 years old; 56.3% are 20-64 years old and 19.2% are 65 years and over. The current male population is 48.7 and the current female population is 51.3.

France's National Institute for Statistics revealed that the country's population looks set to see a gradual change, according to its latest study released on Tuesday. The study predicted that there will be 73.6 million people living in mainland France by 2060 (not including its overseas territories), up from today's 64 946 924 as of January 1st. That marks a growth of 10.5 percent. But it's not just going to be a larger population - it will be older too. In fact, the future will see the average age to rise to 45, compared to just 41.2 today. France is also predicted to have 32 percent of its population over the age of 60, compared to just 24.6 percent this year. Furthermore, the annual household disposable income has an annual growth rate of 1.7% and Consumer Spending increased to 296,212 million euros in the first quarter of 2017 from 295,758 million euros in the fourth quarter of 2016.

Current Market Assessment & Market profile

Within the hexagon, the biggest franchising industry is food. It is therefore not surprising to see that McDonald's came first in the list of the biggest franchises in France with 1,386 franchises, according to a report published in 2016 on Investopedia. The second American franchise on the list was Century 21, a Real Estate franchise with 850 franchises in France. Other big franchises are pizza franchises such as Papa John's and Pizza Hut and Hotel Franchises such as the Hilton Hotel and the Marriot International Hotel. There is an ongoing opportunity that remains for U.S. franchisors to explore additional sectors, such as gourmet fast-food, personal service, household duties, school tutoring, child or elder care, and renovation services. In 2016, 66 new networks were created, 2,025 franchised enterprises were earning 1,72 Md euros in addition based on the FFF findings. In terms of important franchises, it's the food sector that occupies the first place (14,980 enterprises), then the automobile sector (7,886 franchises), the hairstyle/esthetics sector (7,223) and the personal equipment sector (7,083).



Market Challenges & Obstacles

U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally, do not constrain the competitive position of U.S. businesses. The potential franchisor should take care to look not only at the EU regulations, but also at the local laws concerning franchising. More information on specific legislation can be found on the website of the European Franchise Federation: <http://www.eff-franchise.com>.

U.S. companies should be sure to take into account the existing differences between the U.S. and French markets, especially when establishing the master franchise fee and contract conditions. The franchise law established certain parameters with which the U.S. franchisor or the French master-franchisee is required to comply. For franchisors it includes disclosing operational information to prospective partners 20 days before signing a business contract.

Finding a master franchise partner in France is extremely challenging and it is interesting to note that a few U.S. franchise concepts with a successful history in the market did not choose franchising to initially develop their network but instead used different types of business development models. Many U.S.-established concepts choose to use direct investments and set up a local subsidiary before starting to franchise.

Beyond the regulation of French franchising, there are several things a company should consider before entering the French market. Patrice Chaumont, head of franchisee funding at Modena Financial warned of the following problems often faced by American franchisors looking to grow in France:

- Some American concepts are sometimes not suitable to the French market.
- The language barriers, as documents provided by the franchisors are very often in English, while the DIP and contract have to be written in French.
- Some Americans are more interested in master franchises, which can be more complicated for getting funding.
- Reluctance from banks to provide funding, as it is not always easy for them to check the financial documents given by outside organizations.
- Occasional lack of opportunity for growth, as banks always analyze the structure of the main company set in France before talking about funding.

Advertising Methods

The most important communication platforms in France for franchises include trade magazines, and websites such as:

Franchise magazine - www.franchise-magazine.com

L'officiel de la Franchise - www.officieldelafranchise.fr

L'express magazine - www.lexpress.fr

Toute la franchise - <http://www.toute-la-franchise.com/>

L'observatoire de la franchise - <http://www.observatoiredefranchise.fr>

Trade Events

The main Franchise Trade Show is held in Paris annually and the upcoming tradeshow will be in Paris, Porte de Versailles from March 25 to March 28 2018. More details on the Expo can be found at: <http://www.franchiseparis.com/>.

Local Associations

The Federation Française de la franchise (FFF) is a federation that represents local and international franchises and works closely with them to help them make progress. It also put its expertise and professionalism at the service of this strategy of enterprise development. Its mission is to promote and defend franchising, and to sustain the franchise and make it evolve by providing training and webinars to franchisors. More details on the FFF can be found at: <http://www.franchise-fff.com/>.

Country Ranking & Color Code

France ranks fourth in the world in terms of the number of total franchisors and franchisees and first in Europe in franchise network sales.

Green – Beauty and Aesthetic services

Yellow – Education

Red – Food retail (mini-markets)

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Germany

Capital:	Berlin
Population:	82.8 million (2016)
GDP*:	US\$ 3.46 trillion (2016)
Currency:	Euro
Language:	German

Summary

The German economy is the world's fourth largest and accounts for more than one-fifth of the European Union's GDP. Germany is the United States' largest European trading partner and the sixth largest market for U.S. exports. Germany's "social market" economy largely follows free-market principles, but with a considerable degree of government regulation and wide-ranging social welfare programs.

Germany is the largest consumer market in the European Union with a population of 80.6 million. The significance of the German marketplace goes well beyond its borders. The volume of trade, number of consumers, and Germany's geographic location at the center of the 28-member European Union making it the economic cornerstone around which many U.S. firms seek to build their European strategies.

The country has a fairly even population distribution throughout most of the country, with urban areas comprising larger and denser populations, particularly in the far western part of the industrial state of North Rhine-Westphalia. Major urban areas are: Berlin (capital) 3.5 million; Hamburg 1.8 million; Munich 1.4 million; Cologne 1 million.

Industry Opportunities

Franchising in Germany represents a dynamic business sector with consistent annual growth rates. Total sales of EUR 103.9 billion were reported in 2016, which accounted for 4.8% growth from the previous year. 950 franchise systems with 119,302 hospitality/restaurants (22 %), and craft/handicraft (9%). (DFV – German Franchise Association)

Although Germany is the country with the highest concentration of franchises in Europe, followed closely by the U.K. and France, there is potential for more growth. Demographic change (more than 40 % of the German population are 50 years or older) results in an increasing demand for services and products in the health, senior care, wellness, leisure industries and others.

Along with demographic changes, the mega trends of healthy living and the green economy have brought about a niche for green franchising. From clean tech to home services to sustainable food and alternative transportation, the German market is receptive to franchises that offer a sustainable solution to one of society's problems.

Demographic Overview

The largest percentage of the German population fall within the 25-54 year age group (40.96%), with a small majority of the total population being women (50.6%). There are 41 million households in Germany, of which 41.1% are single person households. 8.2 million of the households are families with minor children, 69.5 of these are with married couples, 19.8% lone parents, and 10.7% cohabiting couples. (Destatis)

According to the OECD, in 2016 the average household net-adjusted disposable income per capita was USD 33,652. In Germany, 86% of adults aged 25-64 have completed upper secondary education. This is truer of men more than women, as 88% of men have successfully completed high-school compared with 85% of women.

Consumer confidence is steadily increasing, with private consumer spending up 2% in 2016. This is attributable to a robust labor market, with record-high employment and respectable wage hikes in many sectors of the economy, as well as record-low inflation and low interest rates. Consumer spending is divided as follows: basic needs (54%), transportation (13%), leisure, entertainment, cultural spending (11%), hospitality and restaurant (6%) and other (17%).

In terms of employment, about 75% of people aged 15 to 64 in Germany have a paid job. Some 78% of men are employed, compared with 71% of women. Germany already has one of the lowest unemployment rates in the EU and the country's jobless numbers continue to fall, reaching 5.5% in September 2017.

Current Market Assessment / Market profile

Germany's GDP grew by 1,9% in 2016, while franchise receipts rose 4.8%. These numbers demonstrate that franchising is attractive – for entrepreneurs as for existing companies. For 2017, a continuation of the upward trend is expected, even though momentum could be damped somewhat by continued political uncertainty worldwide.

Key to a successful market entry is finding the right partner to develop the market with. Multi-brand franchising is still relatively unknown in Germany, but according to the German franchise association it will become more important in the future. Individuals/companies already in the franchise market have the expertise and financial connections to pave the way. Reaching out to these active players can greatly ease the access into Germany and provide local knowledge of the market. This can be achieved through cooperation with the industry/trade associations, franchise consultants, brokers and media channels reaching out to the appropriate industry audience.

Market Challenges/Obstacles

For U.S. companies, the German market - the largest in the EU - continues to be attractive in numerous sectors and remains an essential element of any comprehensive export strategy to Europe. While U.S. investors must reckon with a relatively higher cost of doing business in Germany, they can count on high levels of productivity, a highly skilled labor force, quality engineering, a first-class infrastructure, and a location in the center of Europe.

Germany's population and industry are decentralized and there is no one single predominant business center. It is common in Germany for franchisors (and many other business sectors) to divide the country into regions and then appoint area developers to oversee a group of franchisees. Successful market strategies take into account regional differences as part of a strong national market presence.

U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally, do not constrain the competitive position of U.S. businesses. There is no statutory franchise law in Germany. Legal standards are primarily based on a mosaic of court decisions supplemented by fragmented statutory provisions pertaining to civil law, competition and antitrust law (including EU regulations), commercial law, company law, license and intellectual property law, and others.

Advertising Methods

There are many options for advertising on the German market. There is the possibility of advertising within franchise focused media, or focusing more on media focusing on the industry that the concept stems from. A selection of the franchise focused sites/media include:

- Deutsche Unternehmerboerse www.DUB.de (in German) – print and online, site advertising investment possibilities
- franchise-net www.franchise-net.de (in German) - online listing of available franchise concepts
- Franchise Pool International (FPI) www.franchisepool.org (in English and German) – consultant pool with listing of franchises
- FranchisePORTAL www.franchiseportal.de (in German) – virtual franchise fair with listing of available franchises

Trade Events

- Franchise Expo Frankfurt 2018 (September 27-29, 2018) in Frankfurt, Germany – conference and exhibition for the franchise industry
- EXPO REAL (October 8-10, 2018) in Munich, Germany - Europe's largest real estate and investment trade fair

Local Associations

German Franchise Association: www.franchiseverband.com

European Franchise-Federation: www.eff-franchise.com

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Guatemala

Capital:	Guatemala City
Population:	15.5 Million
GDP*:	\$68.8 Billion
Currency:	Quetzal
Language:	Spanish

Summary

Recent history has shown that franchises are one of the most successful systems of expansion in the world. In Guatemala, the first U.S. franchise that opened was Pizza Hut in 1969, and since then, franchises have been thriving. In many cases, such as McDonald's, they have exceeded the expectations of the franchisor, and are used as great success stories in this region by the parent company. McDonald's Guatemala has been so successful, that they have been coined with creating the concept of the "Happy Meal", the famous Latin American Derretido (Grilled Cheese) and was one of the worldwide test sites for the McCafe's.

Within the franchising sector in Guatemala, specifically the last 10 years is when the real boom has happened; the country has experienced the introduction of many world known franchises and has begun creating and developing local capital franchises that now have presence in the U.S., Europe, South America and Asia. This trend has definitely enhanced the confidence of potential investors or franchisees interested in Guatemala.

According to the Guatemalan Franchise Association (AGF), fast food is the most popular subsector with 43% market share, followed by services with 33%, retail 11%, clothing 6% and others 7%.

Industry Opportunities

According to Federación Iberoamericana de Franquicias (FIAF), Guatemala is the largest franchise market in Central America, with over 300 franchise chains and 3,500 sales locations, which provides more than 25,000 direct jobs.

Guatemala is also the fifth largest Latin American market for franchises; 80% of the franchises operated in Guatemala are of foreign origin and 20% of local origin. FIAF estimates that 45% of the foreign franchises are from the U.S. and the rest from Mexico, Spain, Brazil, Colombia and others.

Local franchise companies operate mainly in the fields of fast food restaurants, bakeries, ice cream shops, automobile services and supplies, gas stations, advertising signs, hotels, beauty clinics, gifts, and toy shops.

There is a high concentration of franchise retailers in Guatemala City as it is the most populated city in the country with approximately 4 million people, but other cities like Quetzaltenango, Antigua, Huehuetenango, Coban and Escuintla have also seen growth in franchising.

Opportunities for U.S. franchises in this market are very positive as Guatemalans welcome new ideas and are open to new franchising possibilities, specifically for recognized brands. Because of the proximity with the United States, many Guatemalans have experienced different U.S. concepts and want to bring them to Guatemala. It is highly suggested that franchises examine the market and determine if the franchise needs any adaptation to the local culture and customs. Additionally, they need to determine if raw materials can be found in-country or need to be imported, bearing in mind certain regulations for imported food products.

According to AGF, the franchise market in Guatemala grows at a rate of 15% per year, very similar to the growth rate of the rest of the Central American countries. Guatemala is recognized as the largest and most dynamic city in the region, having the largest economy with 35% of the total GDP. The country has seen an increase of 375.6% of direct investment with a controlled inflation rate of 4.1% and an exchange rate that historically has been stable.

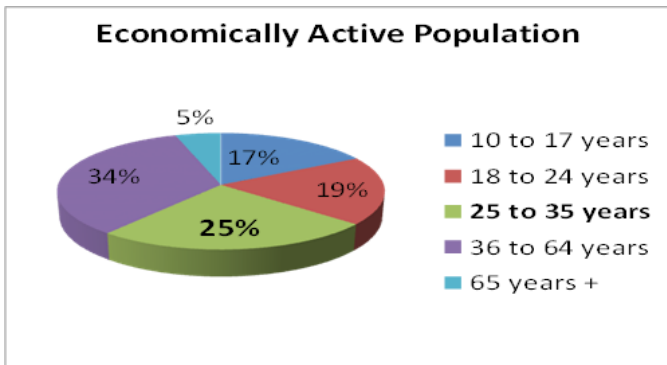
Demographic Overview

With a population of around 15 million, it is the most populous country in Central America and accounts for more than one-third of the region's GDP. The capital, Guatemala City, has a population of almost 4 million and features first-class hotels, shopping center, malls and restaurants.

A key component to Guatemala's economy is remittances from migrants, mostly settled in the United States. In 2015,

remittances increased by 13.4 percent and were equivalent to 9.8 percent of the GDP.

Guatemala has the largest student population in all of Central America with more than 312,700 students enrolled in 14 universities.



Current Market Assessment & Market profile

The CAFTA-DR Free Trade Agreement provides full market access to franchising. Trademark provisions protect the franchisor's name, and tariff liberalization allows lower-cost exports of key equipment required to supply the franchisee. Regarding the legal framework, in Guatemala there is no specific legislation for the Franchise Industry; however, franchises are subject to regular commercial laws. Contracts have to be reviewed by local lawyers and make sure there are no infringements of Guatemalan laws. In terms of intellectual property, Guatemala has in place adequate institutions to guarantee the rights of companies that have been diligent in the registry of their brands and other intellectual property. A current trend in not only in Guatemala but in the region is that a group or local company owns one or more franchises and continues to include others as they succeed. This is looked highly upon by potential US franchises as the investors are then very experienced and keen when dealing with new projects. This is the case with many U.S. franchises in Guatemala, who are owned by one Guatemalan group or even more frequently, owned by Salvadorian or Honduran groups out of their prospective countries.

McDonalds, Wendy's, Burger King, Subway, The Orange Theory, Hard Rock, Applebee's, PF Chang's, Kentucky Fried Chicken, Chili's, Friday's, Pollo Tropical, Hooters, IHOP, Pizza Hut, Dominos, Taco Bell, Dairy Queen, Dunkin Donuts, The Vitamin Shoppe, Charly's Grilled Subs, Tony Roma's, Papa John's, Phillies and Subs, Little Cesar's, Cinnabon, My Yogurt, Sbarro, China Wok, Panda Express, Little Cesar's, Which Which, Carl's Junior, Curves, GNC, Tutor Doctor, Home Care Watch Givers, Sir Speedy, and Starbucks are all currently in the market.

Market Challenges & Obstacles

Latin America is made up of countries with commonalities in history and language but also remarkable differences in ethnic makeup, size and cultural traits. Differences also abound in the countries' levels of income and in their investment and commercial relationships with the U.S. and the rest of the world. Understanding these large differences—with the U.S. and among fellow Latin American countries—is vital to understanding the challenges and opportunities for the U.S. south of its border.

Economists have divided Latin America in three groups:

- Group A, with roughly 10 percent or less of the per capita income in the U.S. (Haiti, Nicaragua, Paraguay)
- Group B, with 20 percent or less of the per capita income in the U.S. (Colombia, Guatemala, El Salvador)
- Group C, with 20 or more of the per capita income in the U.S. (Panama, Mexico, Chile)

Guatemala is considered to be in the second group where inequality and disparity are large. For U.S. businesses, the large degree of inequality within Guatemala presents opportunities and challenges.

The opportunities that are presented are with the well-off, well-educated elites, which are natural targets for goods and services from the U.S. These people can also provide business partners and contacts within the country and region.

The challenge is that only few segments of the population are potential customers for U.S. franchises, due to their low income.

Due to the above reasons, recently we have seen that Guatemalan investors are very selective and only show interest in brands that are well-known and successful. We have found that there is little interest in developing a brand or concept because there are many concepts already in the market trying to compete and stay afloat.



Advertising Methods

Advertising in Guatemala is most successfully achieved through the local media, such as newspapers, magazines, radio and television. In recent years, the use of billboards displays along highways has proliferated. In addition, web based advertising, such as Facebook and Twitter, are becoming more popular every day.

When locating a partner for franchising, we recommend the use of social media via the various chambers in the country. Additionally, it is recommended to work with the chambers to send franchise information to their members to looking for investors. The use of newspaper advertisements is also very effective which costs between \$1000.00 for a quarter of a page to \$1,600 for half a page.

Trade Events

The Guatemalan Franchise Association organizes once a year an "International Franchise Expo" with a concept of franchises exhibiting their concepts and also speakers and seminars on how to franchise, financing and opportunities and challenges of the sector. For more information: www.guatefranquicias.org.

Local Associations

Guatemalan Franchise Association – (AGF)

Contact: Oswaldo Mansilla, President

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Country Ranking & Color Code

Yellow Light – Opportunity with caution areas, 18 to 36+ months.

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Honduras

Capital:	Tegucigalpa
Population:	8.9 million
GDP*:	\$20 billion
Currency:	Lempira
Language:	Spanish

Summary

Despite several years of continuous growth, the popularity of franchise business concepts continues in Honduras. Over 70 foreign firms now operate in Honduras under franchising agreements. The majority are fast-food and casual restaurants, such as Denny's, Chili's, T.G.I. Friday's, Johnny Rockets, Carl's Jr., Ruby Tuesday, Chuck E. Cheese's, Pizza Hut, Burger King, McDonald's, Wendy's, Subway, Church's Chicken, UNO Chicago Grill, Cinnabon, Auntie Anne's Pretzels, Popeye's, Domino's Pizza, Quiznos, Dunkin Donuts/Baskin-Robbins, Little Caesar's and Kentucky Fried Chicken (KFC). Among other foreign businesses operating under franchise agreements are automotive aftermarket services, clothing, movies and entertainment, children's services, cleaning and pest control, health and fitness, electronics, cosmetics and toiletries, business services, convenience stores, dry-cleaning, specialized tutoring, car rental, mailing, and fast-printing. In addition, several major hotel chains have entered the market through either the construction of new facilities or acquisition of existing properties. Demand in this sector has generally been spurred by local need for fast service, convenient hours and locations, quality products, and most importantly, good customer service.

No official figures on the franchise sector are available, and the industry has not yet formed an association. Honduras only has a few locally developed franchises, but the trend is moderately growing. With the dominant share from US franchises, the market is expected to grow 10 percent per year during the next three years.

Industry Opportunities

Recent market developments involving tourism, commercial construction and social infrastructure projects should create excellent prospects for U.S. franchises interested in exploring the Honduran market. A good indicator of potential opportunities in the franchising sector is the country's emphasis on supporting tourism development as a key cluster for economic growth under the "Honduras 2020" country plan. As one of the fastest growing industries in Honduras, tourism is diversifying its products to attract more visitors. Some of the high growth tourism areas are the Bay Islands (where an important new cruise terminal project has been completed) and the Copan Valley. Urban modernization and a highly consumer-oriented society have also encouraged investments in large shopping malls and retail outlets throughout the country's largest cities (Tegucigalpa, San Pedro Sula, and La Ceiba), providing additional opportunities for securing strategically located franchise outlets. In addition, current investments in large-scale infrastructure projects, such as the new Palmerola International Airport, have the potential to expand franchise concept opportunities in connection to the establishment of new hotels, restaurants, and other service outlets surrounding the Comayagua Valley area.

Overall, among the top five reasons why U.S. companies should consider exporting to Honduras are:

1. Free Trade Agreement (FTA) market;
2. Close proximity to the United States;
3. Among the most receptive markets for U.S. goods and services worldwide;
4. Modernized port infrastructure and logistical platform for the region;
5. Large market share and opportunities for U.S. firms.

Demographic Overview

Honduras' population as of May 2017 is estimated at 8.7 million, with Tegucigalpa, the capital, at 1,324,000 and San Pedro Sula, the country's main business center, at 898,000 inhabitants. Honduras' population density of 55 percent in urban areas indicates that franchising will continue expanding into new business sectors. Honduras has over 70 international franchises concentrated throughout these two main cities. The country's population growth rate is relatively high at 2 percent annually, with 36 percent between the ages of 25 and 54 years.

Honduras has the largest Spanish-English bilingual population in Central America. Literacy rate in Honduras is 88.5 percent and, although primary school enrollment is near 100 percent, the drop-out rate and grade repetition remains high.

Honduras had a nominal GDP per capita of \$2,551.5 in 2016. It is a low/middle income country, with over 60 percent of



its population living in poverty. Honduras has enjoyed moderate economic growth, with an estimated growth rate of 3.6% in 2017. Honduras' economic activity is highly influenced by economic performance in the United States particularly tied to exports and family remittances. The rate of inflation in 2016 was 3.26%, and is estimated to maintain a moderate level of up to 3.92% in 2017.

Current Market Assessment & Market profile

Franchising in Honduras presents opportunities for growth and expansion of U.S. business. Regional stability and increased investor confidence have contributed directly to the broad availability of U.S. franchises in various economic activities. For franchisors in Honduras, positive market entry factors include availability of suppliers and personnel, absence of trade barriers, and high receptivity to U.S. goods and services (especially if no equivalent local product or service exists). In addition, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and the Honduran Investment Protection and Promotion Law of 2011 provide for national treatment for most foreign direct investment, guaranteeing foreigners the right to freely establish, acquire, and dispose of interests in business enterprises within constitutional bounds. Under the CAFTA-DR trade agreement, most import duties for U.S. exports enter the country duty-free.

When Central American investors consider a franchise concept, they look for reputable franchisors with a worldwide presence and solid acceptance in other markets that are able to provide extensive training and start-up support. Local investors also look for recognizable trademarks, since local consumers consider recognizable U.S. trademarks to represent high quality. Potential franchisees are usually young, wealthy executives familiar with the U.S. and other countries or large corporations that already own more than one franchise in different industry sectors, such as fast food.

Market Challenges & Obstacles

There is no special franchise legislation in Honduras. Franchise companies are subject to normal trade laws such as paying a 25 percent tax on royalties and a value-added tax of 15 percent.

Prospective new franchising entrants are encouraged to pay close attention to intellectual property, financial, product registration, and taxation aspects of doing business in Honduras. Both U.S. companies and potential franchisees engaging in this type of investments should also conduct extensive market research; commit to building a sound, long-term business plan; allow enough flexibility to adjust existing business model to accommodate local cultural differences; have a legally bound franchise agreement, detailed operations manuals, good training program; and work out a development schedule for master licenses realistic to the Honduran market.

Finding the right partner will determine the ultimate success or failure of a franchise venture in Honduras, so potential franchisees must be carefully selected. The most promising candidates are those with proven financial resources who have already established a successful business in the country.

Advertising Methods

Most advertising in Honduras is conducted through newspaper, TV, and radio. Billboards are also a strong medium for reaching customers and publicity campaigns, especially in the main urban areas. U.S.-style unipole (advertising sign) structures are common in the local market, especially for those companies interested in increasing brand awareness or launching a new product. A number of advertising agencies are available to guide companies through the process of developing promotional activities and choosing the most appropriate media strategy. A list of broadcast media (television and radio) contacts can be provided upon request.

In addition to television and radio advertising, Honduran newspapers are considered to be one of the leading advertising instruments in the local market for products and services. Many of these media groups also circulate online and advertising via "online banners" on social media sites. There are not a wide variety of specialized industry publications.

Trade Events

U.S. Department of Commerce International Buyer Program Trade Shows:
International Franchise Expo: <http://www.ifeinfo.com>

Local Associations

American Chamber of Commerce (AMCHAM) <http://www.amchamhonduras.org>

Best Prospects

In addition to the food/beverage and casual dining sub-sector, demand for convenience, hotels/motels and resorts, and entertainment services is growing rapidly. These services include dry cleaning, pest control, day care learning centers, security, advertising, real estate, discount stores, convenience stores/pharmacies, personal care, cosmetics and toiletries, and casual clothing. U.S. franchises tend to have high brand recognition among the general public.

Country Ranking & Color Code

Yellow Light – Opportunity with caution areas, 18 to 36+ months.

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Hungary

Capital:	Budapest
Population:	9.8 million
GDP*:	\$12,259 per capita (2016)
Currency:	Hungarian Forint (HUF)
Language:	Hungarian

Summary

Franchising in Hungary started in the **1990's**, after the collapse of the old political regime in 1989, by the opening of important hotel chains and by the entry of the most famous fast food multinational, McDonald's. Since that time franchising has been developing swiftly in the country.

Industry Opportunities

Hungarian consumers tend to prefer innovative products that fit local traditions and taste, too. IT-related franchises are becoming more and more popular, and so are clothing brands that represent a Mediterranean lifestyle, but there are also blank spots on the map of fast food too (there are no doughnut or pie chains operating in the Hungarian market). It is also a huge plus if the customer is familiar with the name of the brand.

Entrepreneurship is very popular in Hungary, many people try and set up their own ventures. One of the most popular forms of business is franchising, and as a consequence, there are more than 300 franchise chains operating in Hungary, many of which expanded beyond the borders already. Entrepreneurs are more likely to join franchises that have already been introduced to the market: although there is a significant interest in acquiring master franchise rights, finding the right partner can be challenging.

Demographic Overview

The net population of Hungary is 9.8 million, living in 4.1 million households. The number of economically active population is 4.6 million, with the ratio of women among them being 46 percent, a figure that has been declining for several years now. The average household disposable income in Hungary is 17,648 US Dollars per capita, a number that is below the EU average.

The median age has been 41 for the last four years, and the birthrate grows slowly but constantly.

Twenty percent of the country acquired a university or college degree (up until 2016 these two were different in Hungary), the median level of education is a high school diploma.

Current Market Assessment & Market profile

The Hungarian franchise community consists of approximately 350 companies; the number of franchisees is approximately 20,000 in Hungary and more than 100,000 employees work in the franchise sector including suppliers. With these numbers Hungary is ahead of its neighboring countries. These networks, some of which have only a few members and some which link thousands of businesses, have combined revenues running into the billions of Dollars. 26% of the foreign-owned franchise networks in Hungary are owned by US companies. The U.S. hamburger chain McDonald's can be considered the "king" of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Kentucky Fried Chicken, Burger King, Subway, Starbucks (AmRest), Curves, Hertz, Avis and Budget.

Local franchises offering a wide range of services are also surging. Hair salons, pharmacies, bakeries, wine shops, and food supplements are among the most successful ones.

Market Challenges & Obstacles

The legal background of franchising in Hungary is well-established and stable. Difficulties usually arise when potential franchisees find the terms of contract too harsh or the franchise fee too high for a middle-income country.

Advertising Methods

Advertising and marketing support is critical for business success in Hungary. Exhibiting in and attending trade and scientific events and seminars, both international and local, can help U.S. companies reach their target clientele. Distributors in Hungary often advertise in trade journals and professional industry-focused newspapers and chamber printed or online magazines to reach their target market and audience. Trade associations offer high quality publicity among their members and low cost web advertising on the association's website. Printed and smart phone app based coupons are also quite popular. In general, specialized, sector-specific trade shows have become increasingly common, popular and well-attended in Hungary, although CS Budapest is not aware of a franchise trade fair in Hungary.

Television remains the most important and influential medium for advertising, followed by print, radio and internet media. Internet advertising has been growing dynamically, while outdoor (billboard) advertising continues to stagnate. The biggest spenders are food products, followed by pharmaceuticals and financial services companies. In line with international trends, promotions and point of sale activities have gained importance.

Trade Events

No franchise trade events in Hungary.

Local Associations

The Hungarian Trade Association represents franchises operating in Hungary, controls franchise operations and hosts seminars as well as networking events. The English language website of the Association can be reached at <http://www.franchise.hu/English/English>.

Best Prospects

- Automotive Services (quick oil change or auto tuning)
- Dry cleaning and laundry
- Food (family casual, fast food, and ethnic food; quality seafood, TexMex and steak are sought for)
- Janitorial services
- Healthcare
- Hair and nail services
- Home
- Mobile pet grooming
- Pest control

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India

Capital:	New Delhi
Population:	1.3 billion
GDP*:	\$8.64 trillion (PPP)
Currency:	Indian National Rupee (INR)
Language:	Hindi, English

Summary

India remains a “sizzling” market place for American franchisors. Demand for U.S. brands remains strong in food and beverage, hospitality, retail, education, garments and apparel, healthcare, fitness, and personal grooming clinics. According to a recent KPMG and Franchise Association of India (FAI) report, the Indian franchise industry has the potential to grow to \$51 billion in the next three years from the present \$13.4 billion. According to the report, the franchise industry is expected to make up almost 4% of India’s GDP.

Industry Opportunities

The top prospects for franchising are: education, food, health, beauty & wellness services, and retail. Other focus industry sectors that have potential to grow are: Consumer Services including travel and tourism; business/financial services; courier services; and professional cleaning services.

Demographic Overview

India is witnessing a consumption boom fueled by a huge demographic transformation, with more than 550 million people under the age of 25, and projections for the growing Indian middle-class to reach somewhere between 260 and 540 million by 2025. Franchising opportunities have generally been seen to be concentrated, with the bulk of the purchasing power, to be concentrated in its urban markets. Nevertheless, a majority of the Indian population continues to live in rural areas distributed over some 638,000 villages. The balance lives in 7,935 towns of which approximately 468 have a population of more than 100,000 inhabitants. Marketers have benefited by paying attention to the marketing potential of rural India. Due to the influence of the media, consumption patterns in rural households have also changed significantly in recent years. Indians in rural areas are far more brand conscious, and this is generating demand for some products that were previously unfamiliar.

U.S. Franchisors should consider approaching India’s markets on a regional level. Good localized information is a key to success in such a large and diverse country. Multiple franchisees are often required to serve the various geographic markets in the country. The country can be broadly divided into four economic regions:

North India, with a population of nearly 370 million, is home to 30% of India’s total population. The region includes the states of Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, the Union Territory (UT) of Chandigarh (which is the capital of both Punjab and Haryana states), as well as Delhi/National Capital Region (NCR). Northern India’s per capita incomes vary greatly, with several states including Delhi, Haryana, and Punjab well above India’s average per capita income of \$1,539, and others like Jammu & Kashmir and Uttar Pradesh significantly below.

The **Western India Region** comprises five states: Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, and Goa. The region is highly industrialized, with a large urban population, and a regional population exceeding 279 million. The region is anchored by Mumbai, the financial, business and entertainment capital of the country.

Eastern India covers West Bengal, Bihar, Jharkhand, Sikkim, Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Tripura, and Manipur. The total population is approximately 270 million. Mining, metals and minerals, agriculture and ag-based industries, services, oil & gas, petrochemicals, paper, and power generation are the major sectors in this region. Among the states of Eastern India, West Bengal and Jharkhand are the most industrialized.

South India covers six states: Tamil Nadu, Karnataka, Kerala, Telangana, Andhra Pradesh, and Odisha; and the Union Territories of Puducherry (Pondicherry), Lakshadweep Islands, and Andaman & Nicobar Islands. The region has a collective population of 290 million. Per India’s DIPP and the World Bank’s Ease of Doing Business assessment and rankings of India states, Andhra Pradesh and Telangana were the top ranked states (tied for #1). Manufacturing, IT, Healthcare, Agri Business, Pharma, Biotech and Mining are the major sectors in this region.

Current Market Assessment & Market profile

The United States is a key player in India's franchise boom. Indians with growing incomes are demanding products and services of better quality, which can be delivered by U.S. franchises. Simultaneously, India is witnessing high growth in entrepreneurship; these new entrepreneurs are very receptive towards American franchises.

Several foreign companies with strong brands have established a presence in India through franchising. In the hospitality and food services industries, this has been the preferred method for starting operations in India. Some U.S. companies that operate through franchises include: Radisson, Best Western and Quality Inn for hotels; McDonalds, Kentucky Fried Chicken (KFC), Domino's Pizza, TGI Friday's, Subway, and Baskin Robbins for food. McDonalds, KFC, Subway and Domino's Pizza have opened many outlets under the franchise model.

Market Challenges & Obstacles

Some of the key challenges that U.S. Franchisors should be aware of are:

- **Lack of a single Legal Framework:** It is also important to know that unlike in the United States and other western countries, India does not have any specific laws on franchising. Franchising is covered under the broad definition of transfer of technology. Thus, the legal framework for new franchisors interested in setting up master franchises in India exists in terms of brand protection and rules regarding payment of franchise fees.

When franchisors enter India, they are governed by a number of different national and regional statutes and codes rather than a single comprehensive statute. These regional variations should be considered before engaging in any franchising venture in India. A thorough understanding of the laws related to the business of franchising is crucial for the U.S. franchisor. In addition, hiring a good local tax consultant is recommended. It is also vital to conduct thorough financial and legal due diligence a prospective franchisee, along with a feasibility study.

- **Linguistic / Cultural Differences:** Understanding local culture and tastes and innovative strategies like "Indianization" of products is vital to a franchise's success. For example, Indians are predominantly vegetarian. A classic example of successful "Indianization" is the fast food sector. Several American companies such as McDonald's, Pizza Hut and Domino's have developed special Indian menus to cater to the Indian palate. Companies often will prefer to appoint master franchisees on a zonal basis, as India is a large geographical landmass with a diverse mix of populations.
- **Expensive Real Estate:** In the large cities of India, retail space continues to be expensive and the quality is relatively poor. Antiquated rent control laws make finding a suitable and affordable location difficult.
- **Resistance to Fees & Cap on Royalties:** U.S. franchisors should also be prepared to face stiff resistance from prospective Indian franchisees toward the franchise fees/royalty payments, which are considered high.

Despite the above challenges, numerous U.S franchisors have been extremely successful. Most of them have adapted their products/services to local market preferences and have pursued effective market entry and expansion strategies.

Advertising Methods

U.S. Franchisors are strongly encouraged to participate in the U.S. Commercial Service programs such as Gold Key Service, Single Company Promotions, Trade Missions to identify partners. They could also advertise in the country's national print and online portals.

Local Associations

Headquartered in Mumbai, and established in 2001, the Franchising Association of India (FAI) <http://www.fai.co.in> is a not-for-profit association. The main objective of the Association is to strengthen and promote best practices in the Indian Franchise sector. FAI is a member of World Franchise Council and is associated with franchising associations in other countries as well. FAI is interested in partnering with US&FCS team to host webinars, trade delegations, and trade fairs.

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Indonesia

Capital:	Jakarta
Population:	262 million (2017 est.)
GDP*:	USD1,020 billion (2017 est.)
Currency:	Rupiah (IDR)
Language:	Indonesian

Industry Opportunities

There are still many opportunities for innovative restaurant concepts in Indonesia. Potential franchisors should consider the needs of a young, digitally savvy consumer base that has only recently entered the middle class. Beyond food franchises, there are also opportunities for entertainment, training, home services, and security franchises. An interested franchisor should be prepared for a long term market entry strategy and seek the support of the U.S. Commercial Service to help with identifying potential partners.

Demographic Overview

- More than 42% of the population is under the age of 25 and more than 50% under the age of 35.
- The 28.2% of consumer spending comes from the top 10% of the population while only 3.4% is derived from the bottom 10%
- Education levels remain low compared to many other SE Asian markets, however, the majority of the country's consumer spending is driven by those who are well educated and have often had opportunities to travel outside the region.
- Indonesians are much like many SE Asian consumers and have a strong attachment to rice as a portion of any meal. Therefore, potential franchise investors will need to carefully consider their willingness to adapt their food menus to the Indonesian palate.
- Indonesians also favor spicy and salty foods. High-sugar foods are often too sweet for this large customer base.
- The top three motivations for Indonesians choosing where to dine, especially within the casual dining market, are air-conditioning, availability of rice and access to wifi.

Current Market Assessment & Market Profile

The Indonesian food service industry's compound annual growth rate (CAGR) was 8.7% from 2010 to 2014, reaching US\$36.8 billion sales by 2014. Its CAGR for the years 2015-19 exceeded this and hit 9.0%. During this period, the industry realized significant growth in fast food, cafes/bars and the home delivery market. The latter has been spurred by the availability of the mobile phone application Go-Jek which gives consumers the ability to order food via scooter based delivery drivers. Renowned volumes of daily traffic make this an ideal solution for a young and growing middle class.

Value Sales and Growth of Indonesia's Foodservice by Type, 2014 - In US\$ Millions

Subsector	2013	2014	2015 (est.)	2016 (forecast)	2019 (forecast)	%CAGR 2010-14	%CAGR 2015-19
Total Consumer Foodservice	33,625.9	36,814.8	39,906.4	43,310.8	56,290.7	8.7	9.0
Full-Service Restaurants	27,486.2	30,022.8	32,465.4	35,152.5	45,423.5	8.5	8.8
Cafes/Bars	3,298.6	3,634.9	3,969.0	4,338.8	5,756.0	9.4	9.7
Fast Food	1,442.8	1,651.3	1,861.1	2,092.8	2,941.5	12.7	12.1
Street Stalls/Kiosks	1,203.8	1,291.9	1,376.4	1,468.7	1,821.1	6.3	7.2
Pizza Consumer Foodservice	356.8	411.9	474.2	542.2	755.1	8.9	8.1
Self-Service Cafeterias	179.9	196.8	211.7	228.1	288.9	8.9	8.1
100% Home Delivery/Takeaway	14.9	17.1	22.8	29.8	59.8	57.2	27.3

Source: Euromonitor International, 2016
Compound Annual Growth Rate (CAGR)
Note: Pizza consumer foodservice is including three sub-sectors (pizza fast food, pizza full-service restaurants, and pizza 100% home delivery/takeaway) These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors. Thus, pizza consumer foodservice is not included in the total consumer foodservice value sales.

Demand for foreign franchises has been very strong for the past half- decade. The country has recorded impressive consumer retail spending growth, mirrored by tremendous shopping center growth in large cities. Many large business groups have diversified their operations to include franchising. These companies are mainly interested in well-established franchises, and U.S franchisors are often preferred. Most U.S. franchises have come to Indonesia via Indonesian partners who have experienced the brand during their U.S. travels and solicited the franchisor to consider market entry.

Among foreign franchises, U.S. franchisors dominate the market with over 50 percent market share in terms of the number of franchises. Some of the most successful franchise businesses include McDonald's, KFC, Pizza Hut, Dunkin Donuts, Starbucks, Coffee Bean and Tea Leaf, English First, Circle K, 7-11, Athlete's Foot, Century 21, Ray White, Coldwell Banker, Martinizing, and others.

In Indonesia, every franchise business is obligated to obtain a franchise registration certificate, namely the STPUW (Surat Tanda Pendaftaran Usaha Waralaba or Franchise Business Registration Certificate) from the Ministry of Trade. The registration, which is to be renewed every five years, should be made within 30 days after the date of the franchise agreement. The regulation further stipulates that priority should be given to the use of domestic goods and/or products as long as they meet the required quality standards.

Market Challenges & Obstacles

There have been many cases in which franchisees are not so familiar with franchise concepts. In some of the worst cases, franchisees do not realize that there is still a lot of work to be done after they are licensed. Less serious problems involve franchisees not knowing how to use franchise concepts to effectively distribute goods and provide services. There have also been reported complaints about franchisees not being able to take the interests of all parties into consideration when problems arise.

Trademark Protection: Trademark disputes do occur and there are several high-profile cases that have astonishingly failed to pass the Supreme Court of Indonesia; IKEA and Polo are examples. However, there is fairly strong trademark protection for companies in Indonesia and a foreign franchisor must have a strong franchisee to look after its interests. Over the past years, Indonesia's trademark law has been greatly improved. A foreign company can directly register its trademark without going through an agent, and the Indonesian trademark office maintains a list of "well-known foreign trademarks." Any attempt to register a "well-known foreign trademark" without the written permission of the trademark owner will be rejected.

Regulation on 80% local sourcing: The Minister of Trade Regulation No.53/2012 concerning Franchise provides general rules on establishing and operating franchise. It requires all franchisors and franchisees to use domestically produced goods and/or services for at least 80% of its raw materials, equipment, and sales.


However, there are certain conditions which may allow the Minister of Trade to grant exemption. The decision to grant exemption will be made after taking into consideration the recommendation made by the Assessment Team.

Advertising Methods

In 2015, digital ad spending grew 80% (e-Marketer.com, 2015). The main factors driving this shift to digital are fast-growing mobile connectivity among Indonesians and their hyper-social online character, as evidenced by the very high number of social media users in Indonesia (Redwing-asia.com, 2016). The expected growth in the e-commerce market will also push digital advertising to continue growing quickly. According to eMarketer's forecast published in Sep 2015, digital ad revenue will continue to grow at an average rate of 56% through 2019, and its share of total advertising expenditures in Indonesia will rise from 7.3% to 25%.

While digital advertising is growing the fastest, television remains the dominant medium for both coverage and spending. In 2015, about \$6 billion or 55% of the total advertising spending in Indonesia was forecasted to be on television (statista.com, 2016) and at least 97% of the Indonesian population watched TV each month (Redwing-asia.com, 2016). Currently, Indonesia has 394 television stations nationwide (Klikbekasi.co, 2016), including national TV stations like Global TV, Indonesiar, Metro TV, MNC TV, RCTI, Kompas TV, SCTV, Trans TV, Trans7, TVOne, etc., local television stations like Elshinta TV, Radar TV Banten, Baraya TV, DAAI TV, etc., and one state-owned station, TVRI.

Newspapers and radios used to be the second and third most effective advertisement medium in Indonesia, reaching over 70% and 50% of the Indonesian population respectively as recently as 2009. Their popularity, however, is waning - in 2012 they reached only about 55% and 35% of the population. And in 2012, the Internet achieved a penetration level of 57% of the Indonesian population, surpassing both newspaper and radio (Redwing-asia.com, 2016). Despite its declining popularity, however, newspaper advertising spending is still the second largest after TV, taking about 30% of the total ad



spending in Indonesia (statista.com, 2016). Advertising in local newspapers is still a recommended way to introduce new products, particularly in areas of purchasing power concentration, such as Jakarta and West Java.

Brands in Indonesia are engaged in rich and diverse social marketing strategies. Twitter, Facebook, and YouTube remain the most popular channels for marketing campaigns, but some brands are also drawing on celebrity endorsers and new platforms to communicate their messages.

Associations

The Indonesian Franchise Association (AFI)

Jl. Darmawangsa X No. A-19, Kebayoran Baru

Jakarta 12150 Tel: (62-21) 739-5577 Fax: (62-21) 723-4761

Contact: Mr. Anang Sukandar, Chairman



Israel

Capital:	Jerusalem
Population:	8.6 million
GDP*:	\$320 Billion
Currency:	Israeli Shekel
Language:	Hebrew/Arabic

Summary

The franchise industry in Israel has developed rapidly in recent years, opening new opportunities for U.S. franchise brands to enter the vibrant Israeli economy. Israel's GDP ranks within the top 40 countries in the world and many well-known American brands are already present here, mostly under master franchise agreements. These brands include Payless Shoes, Forever 21, American Eagle, Gap, McDonalds, Pizza Hut, Domino's Pizza, Bobby Brown, Steve Madden, Tommy Hilfiger, Ralph Lauren, Nine West, and others. In recent years, Footlocker, Papa John's Pizza, Mr. Pretzels, Auntie Anne's Pretzels and Children's Place successfully opened their first stores in Israel and expanded throughout the country.

About a third of the total franchises operating in Israel operate in merchandising, with the vast majority in the apparel and fashion industry. Popular American food chains have also taken a prominent place in the Israeli market. Other franchises focus on services such as real estate, brokerage and educational institutes. These include ReMax, Realty Executive, ERA, Century 21, Wall Street English and Berlitz, to name a few. Israel has no official centralized legislation regarding franchises, so the industry's rules and regulations are primarily derived from Israeli contract law and intellectual property legislation.

Industry Opportunities

Due to many local fast food and restaurant chains having developed substantially and aggressively in Israel, as well as the many fashion chains present, according to the Israel Franchise Institute, the greatest opportunities available to non-Israeli franchised brands are actually not in the food and fashion sectors, but rather in other sectors such as education, and services. An upside to the high numbers of fast food chains in Israel is that the Israeli small business population has been well informed of what the franchise concept is all about, so the time has therefore arrived for Israeli prospective franchisees to learn that franchise opportunities are also available in other forms of business concepts besides just food and fashion. There are many US franchise chains today which are not associated with food or fashion ware, which according to the Israel Franchise Institute should strongly consider expanding into Israel, one of the fastest growing economies with its large working and middle class population enjoying strong new found disposable income.

Demographic Overview

Israel ranks above the average in health status and subjective well-being, but below average in income and wealth, education and skills, housing, environmental quality, work-life balance, social connections and civic engagement. In Israel, the average household net-adjusted disposable income per capita is lower than the OECD average of USD 29 016 a year.

In terms of employment, 68% of people aged 15 to 64 in Israel have a paid job, above the OECD employment average of 66%.

Good education and skills are important requisites for finding a job. In Israel, 85% of adults aged 25-64 have completed upper secondary education.

In terms of health, life expectancy at birth in Israel is almost 82 years, two years higher than the OECD average of 80 years. Life expectancy for women is 84 years, compared with 80 for men. The level of atmospheric PM2.5 - tiny air pollutant particles small enough to enter and cause damage to the lungs - is 25.9 micrograms per cubic meter, one of the highest levels in the OECD where average is of 14.05 micrograms per cubic meter. Israel could also perform better in terms of water quality, as only 65% of people say they are satisfied with the quality of their water, compared with an OECD average of 81%, and one of the lowest rates in the OECD. (Source: OECD)

In 2016, GDP real growth increased by 2.8 percent over 2015. Israel's GDP in 2016 was estimated to be \$297 billion. In 2016, Per Capita GDP (PPP) decreased from \$34,054 in 2015 to \$34,833. Israel's 2016 inflation rate was -0.2 percent, up from -0.6 percent, in 2015. Forecast for 2017 is 0.7 percent.



Current Market Assessment & Market profile

In the opinion of the Israel Franchise Institute (IFI) the overall situation of the franchise industry is while on the one hand optimistic (upside), is on the other hand in dire need of regulation and franchisee protection (downside).

Upside: The platforms leading traditional free trade and commerce, such as major shopping malls and other retail platforms, encourage and seek organized franchise chains who often receive preferred locations and positions in malls. Financial institutions are also in favor of assisting franchisees of franchise concepts. The general consumer population also tend to seek out chains whereby chain-wide service standards and quality consistency can be expected.

Downside: The absence of franchise law and regulation has resulted in the vast majority of Israeli franchisors working very differently from the way franchising is conducted in the USA and most parts of the world. Until recently, franchisors have in a way created a precedent of manipulating gross profit margins, often working in cooperation with the supply chains, rather than using the buying power created to negotiate better gross profit margin ratios. This, amongst other unfair practices, such as not looking out for the best interests of their franchisees in so far as location rentals etc, has resulted in too many franchisees not having succeeded, which in turn, has resulted in an erosion of confidence within the small business community at looking at franchising as a viable option towards seeking economic independence through franchising.

Top foreign franchisors present

- Mc Donald's
- Burger King
- Pizza Hut
- Dominos Pizza
- Mr. Pretzel
- ReMax

Paths to market utilized

The three franchise marketing platforms most commonly used to advertise and recruit new franchisees in the USA and Europe, whereby franchisors exhibit at franchise expos, advertise on franchise internet portals and in franchise magazines, are not the typical way in which franchisors recruit their franchisees in Israel.

The most common way is to use business brokers and franchise agents who take a minimum fee or a percentage of the franchise fee (whichever is the higher of the two).

Recently, the Israel Franchise Institute, via its "Code of Ethics" has worked diligently towards educating new prospective franchisees to avoid business brokers, and at the same time, offers new companies embarking on the franchise concept, educational and mentoring services towards realizing the danger of short term "get rich quick" agenda's and to rather embrace philosophies of long term "win win" scenarios. One of the first steps towards achieving this end, is to reduce franchise joining fees by budgeting in brokerage and agents fees in the price of the joining fees, and to rather cooperate with the Israel Franchise Institute using traditional advertising methods such as the general press and a franchise portal which will soon be launched by the Israel Franchise Institute.

Market Challenges & Obstacles

Current franchise regulations / franchise laws:

In Israel, there is no current franchise law or regulation.

The Israel Franchise Institute is in the process of promoting a "Franchise Guide and Code of Ethics" which will hopefully become a stepping stone and launching pad to regulation and government involvement in the Israeli franchise industry. Steven Wolfson, the founder of the Israel Franchise Institute, has over the past number of years worked in close cooperation with the US Commercial Services, having co-organized a number of franchise events in Israel, with the advancement of US influenced franchise ethics as the number one priority of the Israel Franchise Institutes Agenda.

Where local legal counsel is necessary and required in Israel for foreign franchisors, the Israel Franchise Institute has its own "in house" international lawyer, who has previously assisted a number of other international franchisors enter Israel.

Supply Chain Considerations and Importation of Proprietary Products:

Supplying to master franchisees and/or their sub-franchisees in Israel will in most cases be feasible, but depending upon the franchise model (Business Format Franchising Method or Product Distribution Method), certain considerations need

to be taken into consideration, which are as follows:

Business Format Model (Local Supply Chain Considerations):

In such cases (where more “Know how” and less branded products are sold), most of the products required to operate the franchise model in question, could easily be sourced locally in Israel. Israel is extremely self-sufficient in so far as most restaurant tertiary, food and equipment supply requirements. Israel is also based on a very aggressive free trade economy so sourcing whatever equipment and materials required according to the terms and conditions of the franchisor can in most cases be competitively sourced, often resulting in the franchisee paying far less by buying local products than having to import them. In cases where certain brands of equipment are required by the franchisor, there are sufficient and capable agents in Israel who also offer “after sales service” for spare parts and technical assistance. ESO and HACCP international standards are also used by many suppliers in order to be able to supply internationally required standards by other international chains, airline companies etc.

Product Distribution Franchise Method (Importation of Proprietary Products):

Where franchisors require their master franchisees and / or sub-franchisees to buy their products, Israel has a very organized customs platform, which in most cases will take advantage of the many free trade arrangements the USA enjoys with Israel. In most cases however, the process of importing can be some-what bureaucratic, whereby almost 100% of everything imported needs to go through a strict quality control and standards process. Often, even though, sufficient documentation from the manufacturing source is supplied to the standards bureau, they still require their own quality control to take place. It is often wise to use outsourced freight forwarders and relative experts to take care of this process so as to insure that exporting into Israel becomes a smooth and trouble free process in order to save what is often precious time from port to warehouse.

Advertising Methods

Israel Franchisors regularly use several top lead generation online platforms. These platforms are used extensively by local franchisors to find unit franchisees.

In terms of finding master franchisees, one option for U.S. franchisors is to approach existing large Israeli franchisors that have achieved the full capacity of their own brands in the market. Some would be open to taking on a U.S. franchise.

Trade Events

There is an annual franchise conference organized by the Israel Franchise Promotion Center: <http://www.franchise.org.il/?CategoryID=534>.

Local Associations

In the past few years, the Israel Franchise Institute, founded by Steven Wolfson, has worked towards educating the franchise community in Israel including having written an in depth code of ethics for franchising in Israel, as a first step towards assisting franchisees (and those franchisors who wish to educate themselves on ethical franchise practices), towards creating a friendlier and mutually beneficial and profitable franchise environment for franchisors and their franchisees

Other are the Israel Franchise Promotion Centre (known as Franex), and Franchise Business Brokers (FBB). As of today, there is no government endorsed franchise association serving the franchising industry.

Country Ranking & Color Code

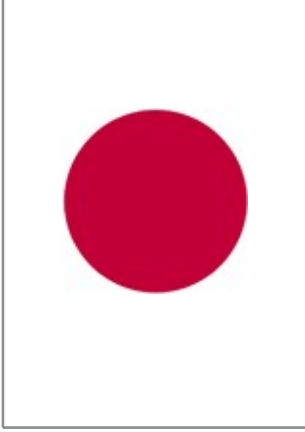
Green – Education/Training

Yellow – Non-food retail

Red – Food retail

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Japan

Capital:	Tokyo
Population:	126,702,133 (2016)
GDP*:	\$4.73 trillion (2016)
Currency:	Yen (JPY/¥)
Language:	Japanese

Summary

Japan is the third largest economy in the world after the United States and China. It is the fourth largest importer of U.S. products after Canada, Mexico and China. Japan is a key member of the international trade system, and its market respects the rule of law and provides strong protections for intellectual and real property rights. Japan's consumer economy is large, broad-based and sophisticated. As a percentage of its population, Japan's middle class is similar to the United States. Per capita income of \$38,900 underpins its strength as a consumer market. Per discussed below, Japanese demographic trends, including a shrinking population combined with a growing aging society, present both challenges and unique business opportunities for those businesses targeting the senior market.

Industry Opportunities

U.S. franchising has heavily influenced the development of Japan's franchise industry since the early 1970s. Although Japanese consumers are generally receptive to U.S. franchise concepts, it is recommended that products and services be adjusted to local tastes and expectations to ensure success. There are three major ways for U.S. franchising businesses to enter the Japanese market, including: 1) entering into an agreement with a master franchisee; 2) establishing a wholly-owned subsidiary as a master franchisee with a flagship store or stores; or 3) seeking a joint venture partner to develop the market in Japan. Currently the most common way for U.S. franchises to enter the market is to have a local partner who can act as a master franchisee in Japan.

Demographic Overview

Japan continues to experience a declining population and a rapidly aging society. The total population has been decreasing after reaching 128 million in 2007. Some researchers project that the Japanese population will decrease by as much as one third by 2060, and the share of individuals over the age of 65 is projected to rise from 27% in 2017 to 40% by 2060. Currently 56% of the total population fall between the ages of 15 to 64. Although an aging population is often seen as a drag on the economy, it also presents business opportunities in various segments. Household structure in Japan has been drastically changing over the past decades and more two-persons or one-person households and nuclear families are seen especially urban areas.

There has also been a transformation of spending patterns since 1980s. Consumers have begun to spend money on more intangible items focusing on physical experiences rather than purchasing tangible goods and products. Additionally, the younger generation has less hesitancy to shopping online than consumers over the age of 60, who would rather visit stores to avoid online troubles associated with security concerns.

Current Market Assessment / Market profile

While most U.S. franchise brands have the advantage of name recognition, it is still important for U.S. franchises to make a deliberate effort to customize their approach to the Japanese market and to deploy their brands in a manner that speaks to the Japanese consumer, who already have a crowded market of both foreign and domestic brands to choose from. Japanese consumers are mature and sensitive to new fads that are featured through various social media platforms, such as Facebook and Line, as well as more traditional media outlets, such as magazines publications and billboards. In general, food and drinks, services and products, which have already become popular in major cities in the United States, find a receptive Japanese consumer base. That said, U.S. franchising companies who wish to enter the market should be open to the unique business environment in Japan and be flexible to localization.

Identifying the right business partner in Japan requires time and effort, and it can be difficult to find companies that are willing to invest in master franchise rights or to invest in business concepts that do not have a clear market concept or strong growth potential in Japan. Therefore, thorough market research and a long-term commitment are necessary for U.S. companies that are considering launching a franchise-based business in Japan.

Since the market itself is ripe and there are already a crowded field of players competing intensively in the market, U.S. companies coming to Japan must be willing to have a long term perspective and have sufficient patience and financial resources to compete in the intense competitive environment until they are able to achieve a stable market presence.

Market Challenges/Obstacles

There is no specific regulation for foreign franchise firms; however, they must comply with the relevant commercial laws and regulations related to each domestic operation.

Although prominent U.S. brands are generally well received in Japan, services and products that require high operating costs are avoided. Also, Japanese companies hesitate to accept U.S. brands that are re-entering the market or changing partners. As such it is very important to take the time upfront to choose a suitable partner that the U.S. franchise can work with over the long term, before entering the market.

Advertising Methods

Some U.S. franchise brands are approached directly by Japanese companies who wish to become master franchisees in Japan; however, it may also be useful to have brokers and consultants unless they have in-house officials to do so. Many Japanese franchisors also use consultants and brokers to search for new franchisees and regional franchisors.

After launching a business in Japan, common methods to inform customers about the grand opening include social media platforms, magazines, and broadcasting if the budget allows. Utilizing social media costs less and is effective, particularly when attracting younger consumers who are connected and updated through social media. As for industry journals, there is a bi-monthly industry journal called "Franchise Age" issued by Japan Franchise Association for their member companies.

Trade Events

Japan International Franchise Show is the only trade show related to franchise business in Japan. The show is for Japanese franchisors to find franchisees and there is few direct participants from overseas. It may be useful for U.S. companies to visit the show if they wish to learn about the market.

Japan International Franchise Show

Date: January 31-February 2, 2018

Venue: Tokyo Big Sight

Website: <https://messe.nikkei.co.jp/en/fc/>

Local Associations

Japan Franchise Association (JFA) was founded in 1972 and its members consist of Japanese franchisors as well as companies who are interested in franchise businesses. Details on the JFA can be found at <http://www.jfa-fc.or.jp/e.ek.hp.transer.com/>.

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Kazakhstan

Capital:	Astana
Population:	17.8 million (2016)
GDP*:	\$7,510 per person (2016)
Currency:	Kazakhstani tenge
Language:	Kazakh

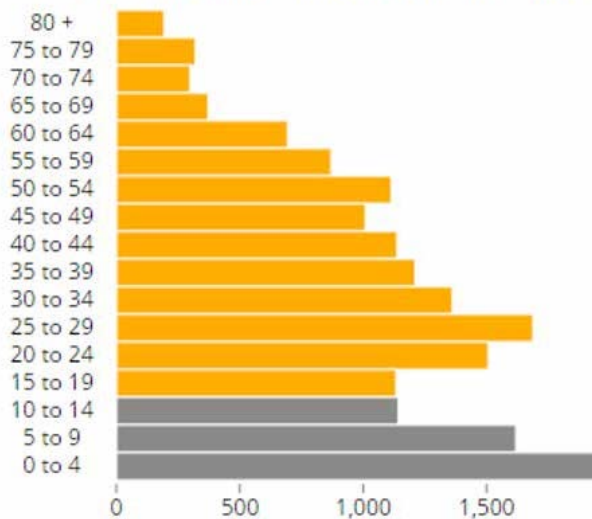
Industry Opportunities

- Top verticals with greatest chances for success.
- Food (pizza delivery, sandwich, healthy food, smoothies, frozen yoghurt etc.)
- Education & training (early childhood education, soft skills training, technical skills- computer science, English language etc.)
- Social entrepreneurship franchises (retirees, veteran services and others)

Demographic Overview

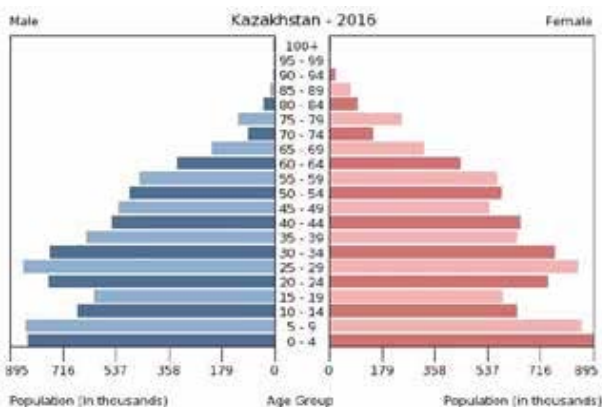
Age Structure / % Household Structure: UNESCO

Total population by age group, 2015 (in thousands)



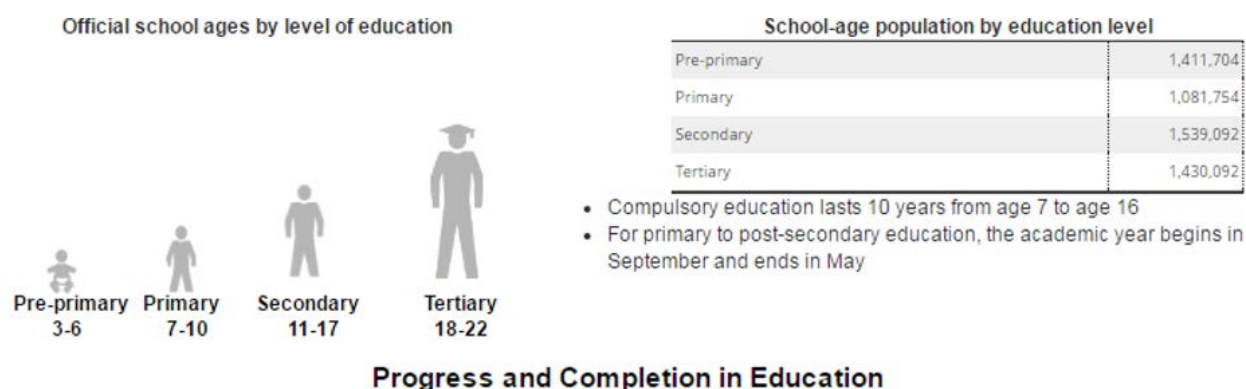
Population aged 14 years and younger represents 27% of the total

Gender: 1.06 males per female



Income/Disposable Income: \$2,659.3 (2017)

Education Levels:



	TOTAL	MALE	FEMALE	
School life expectancy ISCED 1-8 (years)	14.97	14.59	15.37	(2015)
Percentage of repeaters in primary (%)	0.04	0.05	0.02	(2015)
Survival to the last grade of primary (%)	99.03	98.63	99.45	(2015)
Gross intake ratio into the last grade of primary (%)	113.01	112.97	113.05	(2015)
Primary to secondary transition rate (%)	99.93	99.98	99.87	(2015)

Kazakhstanis are very brand-oriented as consumers. U.S. franchisors should focus marketing efforts on the growing middle class, estimated to be as high as 15-20% of the population and responsible for 50-70% of the financial value of all goods sold in Kazakhstan. They are unburdened by the hangover of consumer debt that affected purchasing power in the developed world. Nor do Kazakhstan citizens have high medical bills because the health care system, if flawed, is largely socialized. The income tax is a flat 10 percent. And a majority of Kazakhstan own property mortgage-free, as a legacy of the mass privatization of apartments in the 1990s. Investments made by oil companies in Kazakhstan are creating a retail market for locals employed in the energy and related services sectors, as well as for the growing expatriate communities.

Current Market Assessment / Market profile

While the relatively small population of 18 million and low population density limit franchising opportunities, per capita GDP of \$10,510 and the urban population's relatively high disposable income still make Kazakhstan's largest cities an attractive market for the retail sector. Food (pizza delivery, sandwich, healthy food, smoothies, frozen yoghurt etc.); education & training (early childhood education, soft skills training, technical skills- computer science, English language etc.) and social entrepreneurship franchises (retirees, veteran services and others).

Top foreign franchisors present

Fueled by the consumer boom of the late 2000s, the franchising sector began to take off and has since demonstrated steady growth, particularly in the food and retail sectors (Burger King, Hard Rock Café, KFC, Lacoste, Marks & Spencer, Saks Fifth Avenue). In 2016, McDonald's and Starbucks entered the market with great fanfare in Almaty and Astana at multiple locations. A mass market of foreign franchise projects in Kazakhstan began with clothing shops, food courts (cafes, restaurants, coffee houses) and supermarket chains. Examples of such projects are Adidas, Baskin Robbins and Ramstore supermarkets. Clothing retail is now represented by H&M (Sweden), US GAP, Zara (Spain), Top Shop (UK) and other mass market retail brands. Internationally renowned coffee houses such as Gloria Jean's Coffees (Australia), Costa Coffee (UK) are now actively operating in Kazakhstan. FasTracKids, Montessori - early childhood education franchises. Hotel chains, such as InterContinental, Marriott, Hilton, Hyatt have opened in Kazakhstan under the franchise scheme. Some more well-known hotel chains are currently in the early stages of negotiations.

Paths to market utilized

Kazakhstan is characterized by a large number of franchisees working on the basis of sub-franchising agreements with master franchisees based in Russia, Turkey, or elsewhere. Only a few foreign franchisors work directly with Kazakhstani partners but their numbers are growing: McDonalds, Burger King, FasTracKids, Saks Fifth Avenue all have direct agreements.

Kazakhstan is a member of the main international conventions on protection of intellectual property, and it therefore acknowledges and respects the generally accepted principle that exclusive rights exist in intellectual property. Trademarks,



utility models and industrial designs are all capable of registration in Kazakhstan. In addition to the protection of its intellectual property, the franchisor, as a person generating income in Kazakhstan, should take into consideration the tax legislation of Kazakhstan, particularly as regards withholding tax.

Market Challenges /Obstacles

A number of negative factors continue to hinder the growth of franchising in the country, including weak intellectual property protection and limited access to funding as well as a lack of understanding of franchising as a business model and massive real estate price inflation. The weakening of the national currency from August 2015 devaluation poses a challenge for franchises as royalties have to be converted into U.S. dollars. Infrastructure and logistics remain a major issue, especially given the vast size of the country. Despite these negative factors and considering the small population and low population density in Kazakhstan, this sector has significant potential for development.

Current franchise regulations / franchise laws

The relationship between the parties to the franchise agreement is governed by the law applicable to each particular sector of the economy. The extent of regulation applicable to a franchisee is much greater than that applicable to a franchisor as the franchisee is the party operating the business locally.

If a franchisor is considering entering the Kazakhstan market, it should make sure that its intellectual property that will be the subject of a franchise agreement is protected in Kazakhstan. It is worth noting that Kazakhstan is a member of the main international conventions on protection of intellectual property, and it therefore acknowledges and respects the generally accepted principle that exclusive rights exist in intellectual property. Trademarks, utility models and industrial designs are all capable of registration in Kazakhstan.

The Civil Code of the Republic of Kazakhstan (Special Part) No. 409-I dated 1 July 1999 (the Civil Code) contains provisions about business licenses. In 2002, a special law regulating the franchise relationship was passed in Kazakhstan – the Law of the Republic of Kazakhstan on Business License Packages (Franchise) (the Franchise Law). The Franchise Law is fairly general. It gives definitions of the main concepts used in a franchise relationship, establishes principles and measures of governmental support.

Supply Chain Considerations

Major franchising locations are in big cities. Business is not developing in towns, and local villages. Most of the chains are not developing in regions; there is no connection between a city's market and regional medium business. European ports are seeking to facilitate exports from Central Asian nations, including the land-locked but resource-rich Kazakhstan. Kazakhstan intends to boost cargo transshipment across the Caspian Sea to Azerbaijan and Turkey. Kazakhstan is set to become a major beneficiary of China's 'One Belt, One Road' initiative, which includes massive investment in transport links as part of a new trade corridor between Europe and Central Asia. Currently a lot of the rail and road freight is linked to Baltic port of Riga, Latvia, Dubai, UAE, Russia and China.

Importation of Proprietary Products

Most intellectual property rights must be registered in order to be protected in the territory of Kazakhstan. This includes trademarks and industrial property (inventions, utility models and industrial designs). Copyright items are protected from the moment of their expression in physical form. The laws of Kazakhstan do not regulate which party is responsible for the registration of the licensing agreement. In practice, this duty is most often assumed by the licensor (franchisor).

Advertising Methods

- Magazine: business magazines www.forbes.kz www.nb.kz www.ls.kz
- Websites
- Industry Journals: very few
- Other Communication / Advertising Methods: social media. Most popular in Kazakhstan: Instagram, VKontakte, Facebook

Local Associations

Eurasian Franchising Association (KazFranch for Kazakhstan) <http://kazfranch.kz/> has keen interest in facilitating trainings and would be available to participate in webinars.

Other are the Israel Franchise Promotion Centre (known as Franex), and Franchise Business Brokers (FBB). As of today, there is no government endorsed franchise association serving the franchising industry.

Country Ranking & Color Code

- Green - Best Chances for Model Success (may include verticals) within 18+ months.
- Yellow Light - Opportunity with caution areas, 18 to 36+ months.
- Red Light - Opportunity likely longer term. Timeline undefined.



Kenya

Capital:	Nairobi
Population:	48.46 Million (2016)
GDP*:	USD 70.5 billion (2016 estimate)
Currency:	Kenyan Shilling
Language:	English, Swahili

Summary

According to the World Bank, Kenya is considered a low income nation with a population of 46 Million. It averages 5% GDP growth, largely because of expansions in tourism, telecommunications, transport, construction and a recovery in agriculture. Kenya's population is relatively young and is becoming increasingly urbanized. There is a high level of computer literacy, especially among the youth. The government, generally perceived as investment friendly, has enacted several regulatory reforms to simplify both foreign and local investment. One of those reforms is constitutional and has created 47 new counties in Kenya similar to U.S. states. To date, a dozen or so world-renowned firms such as Coca-Cola, KFC, Naked Pizza, Subway, Domino's Pizza and Cold Stone Creamery have successfully opened in Nairobi. While franchising is most common in the hospitality industry, other common franchising industries in Kenya include the clothing industry and fuel industry. Lately, franchise businesses are being established through outlets in major shopping malls around the country.

Industry Opportunities

The franchising market in Kenya is steadily growing and evolving from single-unit owners to multi-unit operators employing professional staff of field and unit managers, while they focus on strategy and growth. There are several franchise companies in Kenya that cover almost every industry, from well-known national brands to smaller and local opportunities but is most common in the Hospitality industry. Other common franchising industries in Kenya include the clothing industry and fuel industry. Franchise businesses seem to exhibit the pattern of establishing franchising outlets within major shopping malls around the country. Consumer Lifestyle Reports in Kenya have reported increased consumer expenditure, on eating, drinking habits and shopping especially among the urban population, as a result of growing disposable income. Kenya's evolving lifestyle trends can be seen in more shopping malls and recreational facilities coming up across Nairobi and other leading Kenyan cities including: Eldoret, Kisumu, Mombasa, Nyeri, Nakuru and Machakos. This is a key pointer to investors wishing to set up shop in various locations in Kenya.

Demographic Overview

More than 40% of Kenyans are under the age of 15 because of sustained high fertility, early marriage and childbearing, and an unmet need for family planning. Kenya's relative stability since its independence in 1963 has attracted hundreds of thousands of refugees escaping violent conflicts in neighboring countries; Kenya presently shelters nearly 400,000 Somali refugees.

Age Structure/% Household structure

- 0-14 years: 40.87% (male 9,592,017/female 9,532,032)
- 15-24 years: 18.83% (male 4,398,554/female 4,411,586)
- 25-54 years: 33.54% (male 7,938,111/female 7,755,128)
- 55-64 years: 3.84% (male 819,665/female 976,862)
- 65 years and over: 2.92% (male 590,961/female 775,842) (2016 est.)

Household consumption: 77.6%

Income/Disposable Income:

Revenues: \$12.87 billion

Current Market Assessment & Market profile

Kenya has a market-based economy and is generally considered the economic, commercial, and logistics hub of East Africa. With the strongest industrial base in East Africa, Kenya has been successful in attracting private equity capital. More U.S. companies are investing in Kenya and setting up local and regional operations to take advantage of Kenya's

strategic location, comprehensive air routes, and status as a regional financial center.

Market Challenges/Obstacles

Businesses operating in Kenya face a number of challenges associated with corruption, unemployment, ethnic tensions, land titles, insecurity, and poverty. List of challenges include lack of franchise laws, business growth is limited to a few major cities, identifying local partners with sufficient capital, limitation of supply chain and maintaining affordable rates.

Advertising Methods

Dailies, Magazine, Website, Industry Journals, mail and word of mouth

Local Associations

There is no local Franchise Association at the moment.

Country Ranking/Color Code

Franchise is rapidly growing in Kenya and with the overwhelming registration to the International Franchise Expo 2017 this is a clear indication that Franchise is the most promising sector but not yet a major sector.

Color: Green

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South Korea

Capital:	Seoul
Population:	51 Million (2016)
GDP*:	USD 1.411 trillion (2016 estimate)
Currency:	Korean Won (W)
Language:	Korean

Summary

Summary

Franchise brands with high brand preference among Korean travelers to the U.S. have opportunities in the Korean market. Service franchises are usually more expensive due to franchising fees and royalties so service franchises are less competitive than non-franchise businesses.

Because of increased single member household families, the demand for home meal replacement, prepared meals has been increasing. Dining out alone has also been the most common eating trend in the past few years.

The average lifespan of a franchise brand is 4.5 years, and only 0.8% of franchises survive after 10 years in Korea.

Partnering with the 1st tier Food & Beverage service companies is important to succeed in the Korean market given the cyclical and competitive dynamics of the relevant industry in the local market.

Industry Opportunities

The modern food service sector in South Korea can be considered intensely competitive and saturated, with limited room for capacity expansions in strategic locations throughout Korea. Although estimates differ, Korea has definitely reached its saturation point.

The major Korean F&B's master franchisees have the ability to create their own brands and are generally not interested in foreign brands. However, popular brands among Korean travelers to the U.S still have opportunities in the Korean market. Shake Shack burger, BLT steak, and Magnolia Bakery are some of the examples of U.S. F&B concepts that successfully entered the Korean market in the past few years due to the high brand awareness and brand preference.

A representative from a major retailer in Korea notes that "when assessing and evaluating a potential brand to bring into South Korea, the current local market situation (i.e., compatibility with current trends, competition/substitutes, etc.) and positive expectations for market growth (in the short term) are some of the factors which need to be taken into consideration." Another representative points out that "high brand preference, health oriented food concepts and socially responsible business acts are important factors when adopting foreign brands."

Demographic Overview

Household structure

Number of members	single	two	three	four	five and more
Number of Households	5,200,000 (27.2%)	4,990,000 (26.1%)	4,100,000 (21.5%)	3,590,000 (18.8%)	1,220,000 (6.4%)

Sources: Statistics Korea

The most common form of family in Korea is single member household family. Among single member household families, 35% are in the 20s and 30s who are active in spending.

Education levels

The level of education in Korea is the world's highest. In 2011, percent of 25 to 34 year olds with tertiary education in Korea was 65%. This is the highest rate among OECD countries.

Aging of the population

Age Group	1995		2015		Growth
	Number	Share	Number	Share	
0-14	10,236	23.0%	6,907	13.9%	-32.5%
15-64	31,678	71.1%	36,230	72.9%	14.3%
65+	2,640	5.9%	6,569	13.2%	148%

Sources: Statistics Korea

Till 2015, monthly per capita household spending on dining outside of the home had increased significantly due to the increased household income and changes in lifestyle and dietary habit. However, the trend has shifted since 2016. In the fourth quarter of 2015, one household spent KRW 331,000 a month but one year later that was reduced to KRW 327,500.

Current F&B market is called "pot craze, which means fast-changing consumer trend that heat up and cool down quickly. Industry experts point out that it is a typical consumer behavior observed among the Millennials, generation born during 1980-2000. The Millennials are active in consuming trendy food and using social media to spread trends. To cope with such a trend, the F&B industry is consistently introducing new products. Even if something becomes a hit, it doesn't last long because consumers tend to go back to their comfort food after a while. Also, consumers are getting tired of new food concepts rather quickly because of the flood of 'me too' products released by competitors.

Current Market Assessment & Market profile

According to Korea Franchise Association, the average lifespan of a franchise brand is 4.5 years, and only 0.8% of franchises survive after 10 years in Korea. Beverage/cafe and pub franchises last less than the average while fast food and ice cream franchises survive 6 to 7 years.

Korean Food Service Market is in a big transitional period. Because of increased single member household families, the sales of home meal replacement and prepared meals sold at convenience stores have been increasing while the demand for family restaurants has been decreasing. Dining out alone has been the most common eating trend in the past few years. Sizzler, Tony Roma's and Bennigan's exited the Korean market, and TGI Fridays and Outback Steakhouse have been experiencing significant sales decrease. Also, Koreans are seeking sophisticated chef owned restaurants, and small-scale fine dining

The Korean franchise market is heavily concentrated with food service and other retail franchise operations. In fact, in 2016, food service franchises made up 75.4% of total franchise operations, compared to 24.6% of non-food service franchises registered in Korea. This is in contrast to the United States, where the distribution by franchise sub-sector is more spread out. In general, the Korean service sector is a perfectly competitive market with almost homogeneous products, large number of buyers and sellers, etc. It can be easily imitated and reproduced so price competition is severe, but service franchises are usually more expensive due to franchising fees and royalties so service franchises are less competitive than non-franchise businesses. Also, cultural differences and government subsidized programs are often barriers for foreign service franchise concepts.

Franchising Market Sales in Korea 2014

Industry Sector	Sales
Food Service	11.9 (25.2%)
Service	4.8 (10.1%)
Retail	30.7 (64.7%)
Total	47.5 (100%)

Sources: Sources: Korea FTC (Fair Trade Commission)

According to the Korea FTC (Fair Trade Commission), approximately 4,268 franchises were registered in Korea in 2016. Nearly 3,219 were food service franchises, 280 were retail franchises, and 769 were service-related franchises. In 2016, the share of the food service franchises relative to total franchises registered has increased compared to 2013, while retail sales overall have decreased. Overall, South Koreans are well versed and knowledgeable in the products and services offered in the local retail market; thus, they are considered very demanding.



Number of Franchise Registered 2013 - 2016

	2013	2014	2015	2016	Compound Annual Growth Rate
Food Services	2,089 (70.3%)	2,521 (72.4%)	2,865 (73.3%)	3219 (75.4%)	11.4%
Service Related	601 (20.2%)	648 (18.6%)	691 (17.7%)	769 (18.0%)	6.3%
Retail	283 (9.5%)	313 (9.0%)	354 (9.0%)	280 (6.6%)	0.2%
Total	2,973 (100%)	2,973 (100%)	3,910 (100%)	4,268 (100%)	9.4%

Sources: Korea FTC (Fair Trade Commission)

'Startup & Business' newspaper announces the 'Korean Franchise Ranking' every year according to its own index. Its criteria include company size, growth, finance stability, marketing, management fidelity, and franchisee profitability. According to the ranking, there are 10 U.S. franchise brands among top 100 franchise brands in Korea.

American franchises on Korean Franchise Ranking

- 9 Burger King
- 13 Office Depot
- 17 Domino's
- 17 McDonald's
- 21 Papa John's Pizza
- 47 Subway
- 58 Auntie Anne's
- 60 Baskin Robbins
- 61 Curves
- 89 Krispy Kreme

There are major retailers who have access to capital and other resources as well as current and/or previous experience operating local or international brand concepts in South Korea. Potentially partnering with these 1st tier local entities would be considered important, given the cyclical and competitive dynamics of the relevant industry in the local market.

American Brands Working with 1st Tier Local Entities

SPC

Brand	Entering Year
Baskin Robbins	1986
Dunkin Donuts	1994
Jamba Juice	2011
Shake Shack	2016

Shinsegae

Brand	Entering Year
Starbucks	1999 (Joint venture formed in 2000)
Johnny Rockets	2011

Lotte

Brand	Entering Year
T.G.I Friday	1992
Krispy Kreme	2004

Hyundai

Brand	Entering Year
Magnolia Bakery	2015

Market Challenges/Obstacles

Franchisors interested in the local market must take into consideration the following factors:

- Meet the rules under Korea's Fair Transactions in Franchise Business Act
- Register disclosure documents with Korea FTC (Korea Fair Trade Commission). As it relates to disclosure requirements, franchisors are required to register the disclosure document with the Korea FTC first and then furnish the registered disclosure documents to the potential franchisee.

[*] Note: Amendments to the Fair Transactions in Franchise Business Act took effect from March 21st, 2017. Some of the provisions reflected in Amendment to the Fair Transactions in Franchise Business Act are as follows:

- Making disclosure document public: Franchise headquarters are obliged to open disclosure document to the public except confidential business information and personal information, which was regulated to be up to Fair Trade Commission's discretion.
 - Extending extinctive prescription of bonds: When franchisees report high-handedness of head offices, the report to the Fair Trade Commission is regarded as the most powerful under civil law, which has effect on suspending reporter's extinctive prescription.

Advertising Methods

Magazine
 Monthly Restoran
month.foodbank.co.kr

Franchise World
<http://www.ikfa.or.kr>

Websites
<http://www.ikfa.or.kr>

Trade Events

40th Franchise Seoul 2017

<http://franchiseseoul.co.kr/>

Date: March 2nd (Thu) ~ March 4th (Sat), 2017

Venue: COEX, Hall C, SEOUL, KOREA

Organized by: COEX

of exhibitors : 380 booths with 200 brands

of attendees : 20,000

Franchise Seoul was launched in 1996, and has been influencing Korea's franchise market ever since. It has been reflecting the demands of the industry while providing an optimal platform for business opportunities. It mainly targets Korea's entrepreneurs, business owners, and franchisees. Global franchisors exhibiting at Franchise Seoul 2016 included McDonalds Korea, and Papa John's Korea. Franchise Seoul 2017 features items including sectors of food & beverages, retail, service, solutions and equipment. For business programs, brand launching sessions and start-up seminars are provided.

44th World Franchise Expo 2017

<http://www.franchisechangup.co.kr/eng/>

Date: July 27th (Thu) ~ July 29th (Sat), 2017

Venue: COEX, Hall B, SEOUL, KOREA

Organized by: World-Expo Co., Ltd.

World Franchise Expo Korea is the oldest and largest franchise exhibition in Korea. It has provided not only a platform for the exhibitors to showcase the leading brands and concepts, demonstrates latest practice and tendency, but also the place for investors to seek the potential business opportunities and partners over 20 years. World Franchise Expo Korea has three sessions every year. The first one was held in February at SETEC located Gangnam City this year. During the COEX exhibition, an important event, Korea Franchise Seminar for visitors will also be held concurrently for the industry to share the experience and keep abreast of current development in franchise sector at home and abroad.

2017 MK Start-up & Franchise Show

<http://www.startupexpo.co.kr/english/>

Date: February 23rd (Thu) ~ Feb. 26th (Sun)

Venue: KINTEX

Organized by Maeil Business, MBN

MK Startup & Franchise show is a spring board for new franchises, offering opportunities to get consulting for start-ups to meet with new business partners. Maeil Business, the organizer of this show is the leading business news magazine in Korea, well trusted by Korean business industry. Thus, exhibitors can get the effect of brand exposure hosted by



the press and the chance to catch both B2B and B2C at the show. There are three sectors in the show: Franchise brand, Start-up support and Private business. Franchise brands that participate in the show includedining, education/childcare, wholesaleretail, healthcare, IT, andservice sectors.

Local Associations

Korea Franchise Association (KFA)

Address: B1, Wolhyun Bld. 2F, 248 Seocho-daero, Seocho-gu, Seoul, 06647, Korea

Tel: +82-2-3471-8135~8

Website: <http://www.ikfa.or.kr>

Country Ranking/Color Code

Red

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Kuwait

Capital:	Kuwait City
Population:	4.053 million (2016)
GDP*:	114 billion (2016est.)
Currency:	Kuwaiti Dinar
Language:	Arabic

Market Overview

Kuwait is situated in the northeast corner of the Arabian Peninsula, at the head of the Arabian Gulf. Bordered to the north and west by Iraq, to the south and west by Saudi Arabia and to the east by the Arabian Gulf, Kuwait occupies a strategic position in this vital region. Kuwait is a member of the six-nation Gulf Cooperation Council (GCC). About one-third of an estimated population of 4 million are Kuwaiti nationals. The remainder consists of expatriate residents hailing from more than 80 countries. The oil industry and government sector dominate the economy, with crude oil reserves estimated at nearly 101.5 billion barrels, approximately 8% of the world's reserves. The oil industry accounts for nearly half of GDP and 94.4% of government revenues. With oil the main natural resource, oil refining and downstream petrochemical processing are the dominant industries. Non-petroleum-related manufacturing and agriculture sectors are limited, consisting of a switch-gear manufacturer for power sub-stations, and factories for building materials, furniture, and food packaging.

Kuwait imports most of its capital equipment, processed foods, manufacturing equipment, and consumer goods. Two-way trade is limited to a few international partners. A high percentage of imports originate from the United States, Germany, and Japan, while over 40% of Kuwait's export earnings are attributable to Japan, South Korea, India, and the United States. The United States remains a leading and strategic trade partner. Imports from the United States in 2015 were valued at \$2.7 billion, a 25% decrease from \$3.6 billion in 2014. Kuwaitis frequently travel to the United States (with some ten percent of Kuwaiti high-school graduates continuing their education at U.S. colleges and universities), and Americans and American brands and products are warmly welcomed in this small economic powerhouse. Although Kuwaitis are extremely price-conscious, they are also avid consumers. While Chinese and Indian goods increasingly dominate low-end imports, U.S. exports are competitive in Kuwait.

Transportation equipment, including automobiles and automotive parts, accounted for approximately one-third of non-military U.S. exports to Kuwait in 2015. Oil and gas field equipment, telecommunications and IT equipment, electric generator sets, medical equipment, building materials and supplies, and electronics were also leading export sectors for U.S. firms.

Market Opportunities

Kuwait is undergoing significant expansion in the building and construction industry. The government has approved a USD 104 billion National Development Plan that includes construction of major roadways, a new airport, new hospitals, new residential developments, a new Kuwait University campus, a new oil refinery, oil exploration, new power projects, and a new railway and metro. Private construction and project development, as in other GCC urban centers, is moving forward.

The traditional import sectors of automotive, oil and gas, computers/ICT, telecommunications equipment, and construction equipment remain strong. The Ministry of Education is revising curriculum for primary and secondary schools. There is a shortage of high quality health care facilities, and most building materials are imported. All these factors bode well for high-end exports that already have GCC exposure.

The Commercial Service in Kuwait has identified other opportunities for projects coming on board over an extended period of time. These projects include a multi-billion dollar investment in homeland security infrastructure, a proposed \$10 billion expansion in needed electricity generation capacity (B.O.T projects), investment in environment cleanup projects, and continued expansion in the lucrative logistics market serving U.S. military forces in the Middle East.

Transportation equipment (including automobiles, auto parts and accessories) accounts for one-third of U.S. exports. U.S. high-end medical equipment has great promise, as private clinics and hospitals are being upgraded. Oil and gas field equipment, electric generator sets, building materials and supplies, aircraft and parts, and information technology are also leading American export sectors. The Kuwait Petroleum Company and its subsidiaries are actively pursuing new U.S. sources for equipment and service products. The Commercial Service organizes Kuwaiti delegations to U.S. trade shows



in these key sectors. It also supports medical, aviation, defense, and oil and gas trade shows in the GCC region, in addition to organizing inbound U.S. supplier delegations and outbound foreign buyer delegations to U.S. tradeshows.

In short, Kuwait is a wealthy country with savvy business people in the private sector. Some Kuwaiti companies are now building ports and airports in Egypt and Africa, own facilities in Europe and Asia, and represent U.S. franchises throughout the Middle East and as far away as Russia, while strongly protecting their own domestic market.

Demographic Overview

0-14 years: 25.18% (male 371,021/female 342,362)
15-24 years: 15.16% (male 236,012/female 193,303)
25-54 years: 52.28% (male 936,604/female 544,378)
55-64 years: 4.95% (male 79,551/female 60,602)
65 years and over: 2.43% (male 32,096/female 36,847) (2016 est.)

Current Market Assessment & Market profile

Franchising is being employed by more and more types of businesses than ever before. Today, almost any product or service can be distributed through franchising.

Kuwait is highly receptive to the franchise business model. High per capita income, significant spending power, tax-free earnings, and an upwardly mobile population serve to underline business opportunities here.

Kuwaitis are very familiar with U.S. brands and products as they frequently travel to the United States for tourism and education (about ten percent of Kuwaiti high-school graduates study at U.S. colleges and universities). American franchises are warmly welcomed in this small economic powerhouse.

Although there are many food sector franchises in Kuwait, there is always space for new brands with the opening of new shopping malls and entertaining areas in several areas of the country.

In addition to the food sector, Kuwait is well receptive of retail franchises. American and European brands are leaders in this competitive market.

In recent years, Kuwait has begun to introduce new entertaining and educational concepts such as Make Meaning, Trampo, Sky Zone, Paintball, Color Me Mine and others in order to make shopping malls a one-stop destination for families where they can enjoy shopping, food, and entertainment in one location. There is also high demand for quality education and training services.

Kuwait prohibits importing pork and alcoholic beverages. In order for a franchise to succeed in Kuwait, it must offer some flexibility in the concept to match the Kuwaiti culture and taste.

Market Challenges & Obstacles

Kuwait's complex business environment requires flexibility, patience, and persistence. Many exporters and investors in Kuwait face challenges such as inconsistent, sometimes contradictory policies, lack of transparency in decision-making, and a judiciary that heavily favors the local population.

Kuwait is an expensive place in which to do business. Reasons include a requirement for most business entities to have a Kuwaiti partner.

Kuwait's laws stipulate that Kuwaiti courts alone are responsible for adjudicating any disputes involving a foreign investor and other parties, although arbitration is permitted.

In summary, selecting a local partner who will work for you is the single most important step a U.S. franchise can take in Kuwait. Getting competent local legal counsel to craft an agreement that protects your company from future liability is also key. The best local partners are those who share both the risk and profit with their American partners.

Advertising Methods

The use of social networks is high in Kuwait across all ages – even among older people. People use social networks for a mix of social and informational purposes. Among informational activities, receiving news and information ranks highest,

closely followed by exploring various links on social networks to get users to external web pages.

Kuwaitis and Arab expats have similar usage of social networks. As for the social platforms, WhatsApp is commonly used across all nationalities, while Instagram, Twitter and Snapchat are popular among Kuwaitis, and Facebook is popular among expats.

In case of incidents happening in the country, Kuwaitis turn to twitter, Instagram and WhatsApp for breaking news, expats turn mainly to Facebook.

For launching, promoting or advertising for a product or a service and depending on your target audience, Instagram and Snapchat are the best platforms to reach the Kuwaiti population.

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Mexico

Capital:	Ciudad de Mexico
Population:	123 million (2017 estimate)
GDP*:	US\$ 1.1 trillion in 2016
Currency:	Mexican peso
Language:	Spanish

Summary

Franchising as a business model has found increased success in the Mexican market since its introduction in the 1980s. The sector, which employs over 80,000 people and represents about 6 percent of Mexico's GDP, grew by 10 percent in 2016, and despite the economic challenges Mexico is facing, it is expected to grow by at least 8 percent in 2017. According to the Mexican Franchise Association (AMF), Mexico has over 1,500 franchise concepts, including international brands that are predominately from the United States. About 86 percent of the franchises operating in the country are Mexican brands, 7 percent are from the United States, and the remaining percentage is shared by brands from Europe and Latin America. U.S. brands represent about 2,500 points of sale in-country, concentrated in the food and beverage sector.

Industry Opportunities

The Mexican market is mature and competitive but also very receptive to the franchise model, as it is a stable industry with sustained growth. U.S. franchise concepts are well-accepted in the Mexican market due to the strong relationships between the two countries.

The food and beverage sector represents about 30 percent of the Mexican franchise market, followed by retail, services in the personal care sector, education, business consulting, and the entertainment sectors. Innovative concepts such as pet care services, education and entertainment services for children among others can be successful in this competitive market.

Demographic Overview

According to Mexico's National Population Council, Mexico's population was 122.7 million people in 2016. Approximately 63 percent of the population is aged 15-60, and of these, 80 percent live in urban locations.

In 2016, the National Institute of Statistics and Geography (INEGI) reported that 54 million of Mexicans are economically active. By 2050, INEGI projects Mexico will reach a population of 150 million with an average lifespan of 79 years (81 for women and 77 for men).

The three most populous metropolitan areas in Mexico are the cities of Mexico City (20.1 million), Guadalajara (4.4 million), and Monterrey (4.1 million), per the country's 2010 census data. From 2000 to 2010, these regions' annual growth rates were 0.9 percent, 1.8 percent, and 1.9 percent, respectively. In this same timeframe, the fastest growing metropolitan areas in Mexico were Cancun (4.5 percent), Puerto Vallarta (4.4 percent), Reynosa (3.2 percent), Pachuca (3.1 percent), and Queretaro (2.9 percent).

The Boston Consulting Group (BCG) estimates that the total number of working-age Mexicans will increase by 19 million in the next two decades due to the young population and the projected growth rate of the Mexican population as a whole. AT Kearney reports that in the next ten years, young working-age Mexicans with disposable incomes will continue adding to the expanding middle class interested in trying new concepts. BCG has also written extensively about the "surging" middle class in Mexico. The firm estimates that in 2018, the country will have 1.6 million more middle-income households than in 2013, regardless of modest national economic growth. Currently, according to AT Kearney, only 13 percent of households in Mexico earn MXN50,000 or more (equivalent to USD2,630 or more) per month.

The rising middle class has led to changing consumption patterns and these households' consumption will rise by 7 percent annually through 2020. The categories that are expected to benefit most from this surge are those that improve quality of life, such as education, food, and healthcare. Despite this expected growth, Mexican households remain budget-conscious.

Changing habits among Mexicans and the rising middle class have resulted in an increase in the number of fast food and casual dining restaurants. However, meeting the demands of an evolving consumer who seeks new food options continues to be a challenge for the restaurant industry in Mexico. This industry is valued at MXN200 billion (USD10.5 billion) with full-service chain restaurants accounting for 18 percent of the sector.

The country has 59.4 million internet users—approximately half of Mexico’s population and almost the size of the total population of the United Kingdom—and 76.4 million smart phones. Although e-commerce is growing in Mexico, only 32 percent of the country’s internet users shop online.

Mexico has over 2,900 higher educational institutions, and graduates more than 110,000 engineers annually. AT Kearney’s Foreign Direct Investment Confidence Index ranks Mexico 17th in the world, ahead of South Korea.

Current Market Assessment & Market profile

Traditionally, large cities, such as Mexico City, Monterrey, and Guadalajara, have been the first options for locating a new franchise concept. Nevertheless, the creation or development of franchise business opportunities has also been successful in smaller markets such as León, Aguascalientes, Mérida and Veracruz, among others. These regions are experiencing important economic growth and the local populations are looking for new products and brands, including international concepts.

Current legislation has created a favorable environment for the development of domestic and international franchises. A 2006 amendment to the Law of Industrial Property provided a clearer definition of a franchise and mandated requirements for franchise agreements and standards for pre-sale franchise disclosures. These amendments help protect franchisees, who sometimes report abuse from franchisors when executing or terminating agreements. This has allowed for further expansion of the franchise sector. Franchise agreements must be registered with the Mexican Institute of Industrial Property in order to be effective against third parties.

Market Challenges & Obstacles

Given that Mexico is so large and diverse, it is challenging to grant just one master franchisee contract to develop the entire country. It is highly recommended to grant at least three regional rights covering Northern, Western, and Central Mexico.

Financing may be an obstacle for large investment contracts, given the current uncertainty in the country’s economic environment and the strong dollar. This may slow down new investments or expansion projects. U.S. franchisors should consider sourcing most of the equipment and materials locally to decrease investment costs. Mexican franchisees look favorably upon U.S. brands that have identified and vetted local suppliers as this demonstrates the brand’s commitment to the market and an understanding of local investors’ concerns.

Franchising in Mexico, as in any other country, requires a long-term commitment. U.S. franchisors must commit human and financial resources, patience, and time for their concept to succeed in the Mexican market. U.S. franchisors must be aware that the Mexican market is dominated by local franchises. For a franchise concept to be successful in Mexico, the concept should be localized to suit Mexican tastes.

Advertising Methods

Traditional methods such as business magazines and local/regional newspapers are the most popular advertising methods to identify potential franchisees.

Social media, as well as online platforms, are also good generators of franchise leads, though mainly for small investment franchise concepts.

Attending local franchise events is another option to generate leads and gain market exposure.

Trade Events

The Mexican Franchise Association (AMF), in partnership with a private company, organizes the Feria Internacional de Franquicias (FIF), which is considered one of the three most important franchise events in the world and the largest franchise fair in Latin America with around 40,000 visitors and 380 local and international exhibitors annually. In addition, there are two regional AMF fairs in Guadalajara and Puebla. More information about these franchise fairs can be found at: www.fif.com.mx. In Monterrey, the Expo Franquicia-T fair is a non-AMF event that is relatively new with primarily Mexican brands. The event takes place every September and averages 5,000 visitors.



Local Associations

The Asociación Mexicana de Franquicias (Mexican Franchise Association - AMF) is a private entity with over 25 years in the market. The AMF's main purpose is to promote and develop franchising in Mexico, as well as to establish regulations to promote professionalism in the industry, and to work with public and private sectors to develop, implement and promote programs to benefit the industry. It is mostly comprised of Mexican franchisors and franchisees. More information about the AMF's activities can be found at: www.franquiciademexico.org.

Best Prospects

Although the food and restaurant segments of the franchise sector in Mexico continue to be very popular, the services segment is rapidly growing. Services, such as entertainment concepts for children and personal and home care services have great potential in the Mexican market. Since 2015, the pet care industry has also grown given new lifestyle trends (mainly in large cities), where families are willing to spend more on services for their pets.

Country Ranking & Color Code

ITA's 2016 Top Market Report on Franchising ranks Mexico as the sixth most promising market for U.S. brands. More information can be found at: <http://www.trade.gov/topmarkets/franchising.asp>.

Green – Education/Home Care/Pet Care

Yellow – Non-food Retail

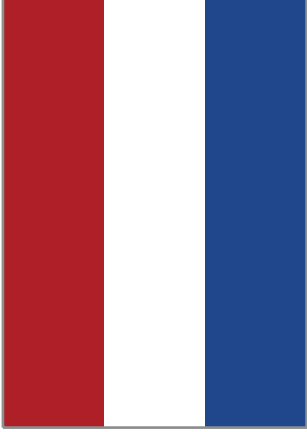
Red – Fast Food industry

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Netherlands

Capital:	Amsterdam
Population:	17.1 million (2017)
GDP*:	870.8 billion (2016 est.)
Currency:	Euro
Language:	Dutch

Industry Opportunities

According to ING Bank, the Netherlands is a particularly attractive market for U.S. franchise systems looking to test the European market before rolling out to the rest of the continent. This is attributed to the openness of the Dutch towards new concepts as well as the transparent nature of the market and the rules governing franchises. According to ING, foreign firms are able to easily set up and monitor pilot projects.

The Netherlands also offers U.S. companies the advantage of being home to a population that is well educated and relatively fluent in the English language. Companies looking to enter the Dutch market can benefit from a mature network of experienced bankers, lawyers, accountants, consultants, and other advisors specialized in franchising.

Demographic Overview

The Netherlands has the fourteenth highest average household net disposable income rate in the OECD. The rate is lower than the OECD average.

The total population of the Netherlands was 17 million in 2016 and grew by .3 percent on 2015 figures. Approximately 24.5 percent of the population is aged 20 to 39.

The median age of the Dutch population is 42.5 years. The slowing down of population growth combined with an increasingly healthy population of people over 65, has resulted in an aging population.

Current Market Assessment & Market profile

The Dutch market is saturated in many areas, making it necessary for foreign systems to differentiate themselves from existing franchise concepts. Master franchisee fees for domestic franchises are generally lower than for U.S. franchises, creating competition from cheaper, local systems. The vast majority of franchises present in the Netherlands are Dutch owned (90 percent).

There are no regulations governing franchising specifically, and none that limit access to the market for U.S. firms. Franchise systems are subject to national competition regulations and fair trading laws.

Market Challenges & Obstacles

A number of medical device companies have their European Headquarters in the Netherlands, including Medtronic, Stryker Europe, and NuVasive.

They face strong competition from Dutch and other European companies like F.Hoffmann-La Roche, DePuy, Essilor International, Philips Medical, Siemens Healthcare, GE Medis Leyden, and KPN.

Advertising Methods

The most important advertising platforms in the Netherlands are as follows:

Franchise+

www.franchiseplus.nl

Franchise+ is an online news site and a bimonthly magazine that offers advice to (potential) franchisees and runs advertisements for franchisors.



De Nationale Franchise Gids

www.denationalefranchisegids.nl

De Nationale Franchise Gids is a handbook published annually, which contains descriptions of virtually all franchise systems present in the Netherlands (and Belgian) as well as advertisements for franchisors. The guide is also available online.

FranchiseFormules.NL

www.franchiseformules.nl

FranchiseFormules.NL is a matchmaking site for franchisors looking to connect with qualified potential franchisees.

Trade Events

There is an annual franchise trade show held in the Netherlands; however, the exhibitors are made up primarily of established franchises / master franchisees looking for additional franchisees in the Netherlands.

Local Associations

The Nederlandse Franchise Vereniging (NFV) is the Dutch trade association for franchisors. More than 200 franchisors belong to the NFV as well as 50 advisors and associated members. www.nfv.nl

There are also a number of local franchise consultants that have experience working with U.S. franchisors, and the U.S. Commercial Service can provide a list of these service providers.

Country Ranking & Color Code

Yellow – All sectors

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New Zealand

Capital:	Wellington
Population:	4.69 million (2016)
GDP*:	\$185 billion
Currency:	New Zealand Dollar
Language:	English

Summary

Most of the population of New Zealand is urban, with Auckland holding approximately 30% of the total population. Wellington, Christchurch and Dunedin are the other major urban centers, with smaller cities like Hamilton, Taupo, Invercargill, Nelson, Palmerston North and New Plymouth acting as hubs for primary industry exports and supply chain nodes.

The country is overall affluent, with a high standard of living, an openness to the latest brands and experiences, with an expectation of high quality tempered with reasonable pricing. Strategic market entry and positioning is a critical success factor in this environment.

Industry Opportunities

New Zealand has been recently reported as the “most franchised country in the world”. Key facts:

- 631 brands operate in New Zealand, spread across 37,000 franchise units (approx. one unit per 124 New Zealanders).
- Franchising turnover in NZ is estimated at US \$18.7 billion, or ~11% of GDP. This does not include motor vehicle or fuel retail franchises, which add up to another US \$12.5 billion.
- **KEY SECTORS:** Retail trade (non-food): 23%; Other Services: 20%; Accommodation & Food retail: 18%; Admin & Support services: 8%; Rental, hire & real estate: 7%; Construction: 5%. Arts, recreation, education, training: 8%.

Demographic Overview

Details about:

- Number of households: approximately 1.72 million
- 1.1 million households are occupied by a single family, followed by single-person households at approximately 350,000
- Income / Disposable Income per household: \$23,000
- Average Check Out of QSRs in 2016 was estimated at \$27 per household
- Number of people in Services Industries: 425,000, with about 125,000 employed in the franchising sector.
- Details on Aging of the Population: Similar to most Western economies, New Zealand has a large “baby boomer” population which is entering retirement. Rest-home and aged care facilities, along with related services, are a growth industry.
- QSRs are well patronized, and most American food brands as well as other service franchises have been successful. Some, such as Dunkin Donuts are not as successful mainly due to the preference of the New Zealand consumer for a fresh, healthy diet. However, contradicting this theory one could point to the success of KFC, Carl's Jr. and McDonalds among others in this market. Subway and new entrants such as Mexicali Fresh also do well in most locations.

Current Market Assessment / Market profile

- Overview of franchise performance overall, and any likely verticals: Please refer to the recently published [research report](#) survey by Massey University and Griffith University, which also confirmed that New Zealand is the “[most franchised country in the world](#).”
- Top foreign franchisors present are largely American food brands and some service franchises such as Speedy Signs, EmbroiderMe, or the CBRE and ReMax property agencies.

Market Challenges/Obstacles

- Current franchise regulations / franchise laws: No serious obstacles, but always advisable to work with a qualified specialist lawyer.
- Supply Chain Considerations: Most generic ingredients and fresh produce are easily available in New Zealand. Bio-technology based or environmentally hazardous products will definitely require evidence of high levels of risk



management, and may still be prohibited from entering the country.

- Importation of Proprietary Products – It is difficult/ impossible to import fresh ingredients. However frozen or processed ingredients that meet the high phyto-sanitary and food

Advertising Methods

- Magazine – National Business Review, New Zealand Herald, Dominion Post,
- Websites – Stuff.co.nz
- Industry Journals – Franchise New Zealand is the most influential and widely read.
- Other Communication / Advertising Methods – Radio advertising has been found to be effective to promote new brands.

Trade Events

There are no major franchise trade shows or conventions in New Zealand. However, the Franchise Association holds its annual conference in October/ November each year, and this is a good forum at which to “soft-launch” new brand concepts.

Local Associations

FCS works regularly with AmCham, major banks, Franchise NZ, Franchise Association of New Zealand (FANZ), and a few business brokers who are competent and knowledgeable in this sector.

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Nigeria

Capital:	Abuja
Population:	186 million (2016)
GDP*:	\$405 billion
Currency:	Naira
Language:	English

Summary

The current Nigeria's franchise market is estimated to be \$25 billion in products and services, with potential growth market of over one hundred billion dollars for U.S. franchise concepts and services. The most promising industry sectors in franchising include fast food, hotel services, professional and service training, fashion, healthcare, oil/gas distribution services, transportation, telecommunications, and distribution services. But there is a high demand for American-style education and industry-specific training for businesses in diverse sectors including oil and gas.

Industry Opportunities

Nigeria is considered a potential franchise market of over one hundred billion dollars in annual revenue across both products and services and a major growth market for U.S. franchise concepts and franchise development services. This situation offers U.S. franchisors the opportunity for a first-mover advantage, using their wealth of experience and the economic impact of franchising to the U.S. economy. Currently, several major U.S. brands are present in the Nigerian market, but there is significant room for new market entrants. Current market size, judging by active industry sectors such as quick service restaurants (fast food), ICT training and consulting services, production/distribution of beverages, personal and business development services, transportation, and oil/gas distribution, is estimated to be about \$25 billion (in products and services).

Demographic Overview

The Nigeria's population grew by 2.8 percent in 2016, and nearly 50 percent of the population is aged 15-54, while the average age is 18 years. The youthful population with average 20,000 college graduates views franchising as a means of creating massive employment.

The consumer class in Nigeria is growing at a rapid rate. Nigeria's national disposable income recorded stronger growth than GDP in the first half of 2016, both in real and nominal terms, and rose from 3.46 percent in the second quarter to 9.06 percent in the third quarter. By 2030, it is estimated that some 160 million Nigerians (out of a projected population of 273 million) would live in households with sufficient income for discretionary spending. Sales of consumer goods are, therefore, estimated to more than triple by then, to USD365,548.4 million. Online commerce and financial technology in Nigeria is strengthened by fast growing youth populations, expanding consumer power, and increased smartphone penetration. The current Ecommerce spending in Nigeria is estimated at \$12 billion, and is projected to reach \$75 billion in revenues per annum by 2025.

Current Market Assessment / Market profile

The industry sectors in which franchising seems to be showing the most promise and growth in Nigeria include fast food, hotel services, professional and service training, fashion, healthcare, oil/gas distribution services, transportation, telecommunications, and distribution services. This growth trend is expected to continue over the foreseeable future and in it is already having a spillover effect on other industry sectors. International brands include Kentucky Fried Chicken, Avis Car Rental, Crestcom (Trainers to the World), Fastrackids, Tutor Doctor (Home Tutoring), Precision Tune Auto Care Center, Signorama, Computer Troubleshooters, WSI - Internet Consulting and Education, NIIT, Hawthorn Suites, Johnny Rockets, Dominos, Cold Stone Creamery, Curves, and Hard Rock Cafe.

Inquiries from industry contacts also suggest a high demand for American-style education and industry-specific training for businesses in diverse sectors including oil and gas. The success of some indigenous concepts and systems, such as Mr. Biggs, Tastee Chicken, Tantalizers, Chicken Republic, and Peace Mass Transit, has added impetus to the level of interest this method of business expansion is generating in Nigeria.



Market Challenges/Obstacles

Until recently, there was no franchise-specific law in Nigeria, franchising has been operating under Nigeria's sales law, which derives its operating terms and conditions from British common law. In 2016, a new Franchise Bill was submitted to the National Assembly, which has passed second reading before the Senate, and it is hoped this would soon be passed into a law governing the franchise sector. In the meantime, NOTAP (National Office for Technology Acquisition and Promotion, which belongs to the Nigerian Ministry of Science and Technology) remains the sector regulator, but it is reported that their role would be streamlined by the proposed law. Other challenges include inadequate capacity, managerial competence, proficient management of resources and informal business structures.

The regulatory policies to prevent free fall of the Nigerian naira, and lack of foreign exchange often pose challenges for international franchises in sourcing foreign currency

to remit their royalty fees or to purchase new products. There is also lack of funding for franchise businesses, as commercial banks are yet to craft franchise-specific products for franchisors and franchisees.

Advertising Methods

Direct marketing is a popular concept or method of international business expansion in Nigeria, especially in beauty and wellness sectors. Joint venture agreement and licensing are the second option, and relationships are governed by Nigerian commercial law, which is based on British common law. The Government of Nigeria is aggressively promoting joint ventures, particularly in the oil and gas and maritime industries. The objective is to encourage technology and knowledge transfer and improve local content. Similar efforts are manifest in the information and communications technology industry, manufacturing, and distribution sectors.

Trade Events

Nigeria International Print Expo (NIPEX) - where products are launched and participants network. NIPEX provides numerous opportunities to franchise and seal business deals.

Each year, CS Nigeria recruits and escorts an official Nigerian delegation to the annual International Franchise Expo organized by the International Franchise Association (IFA) based in Washington, D.C.

Local Associations

Nigerian International Franchise Association (NIFA).

Procurement & Tenders

Large public tenders are to be found at the Norwegian site <http://www.doffin.no> and the TED (Tenders Electronic Daily) database where tenders that are covered by EU public procurement law have to be published. A [tender's database](#) has been developed by the US mission to the EU, featuring all European public procurement tenders that are open to U.S.-based companies since the European Communities is a party to the GPA.

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Peru

Capital:	Lima
Population:	30.7 million (2016)
GDP*:	USD 189.1 billion (2016)
Currency:	Peruvian Nuevo Sol
Language:	Spanish

Summary

Peru is the fastest growing economy in Latin American over the past decade with a 6% average annual growth rate coupled with the regions lowest inflation rate (2.9%). A favorable external environment, prudent macroeconomic policies, and effective structural reforms have boosted Peru into middle-income country status and slashed poverty in half from 56% in 2005 to 22.7% in 2016.

Peru's growing middle class has created opportunities for investments in health care, education and infrastructure as Peruvians seek access to better quality services. In 2015, the Ministry of Economy and Finance in collaboration with local government and private companies, announced its plan to launch 2,083 new infrastructure projects valued at USD \$113 billion over the next six years.

In its Doing Business 2016 publication, the World Bank ranked Peru 50th among 189 countries. Within Latin America, Peru is ranked third, ahead of Colombia, Panama, Brazil and Argentina. The report rates the ease of processes like starting a business, dealing with construction permits, registering property, and obtaining credit.

Current Market Assessment & Market profile

The franchise sector in Peru encompasses approximately 434 companies, primarily concentrated in food services. 216 companies are foreign owned, 81 by U.S. companies, and 219 are Peruvian. Experts report that the sector is growing very fast over the last 10 years and presently is growing around 20 percent per year.

Industry Opportunities

Peru new President and administration represents a key opportunity for prospective investors to look for investment opportunities for the next four years of the administration and longer.

Market Challenges & Obstacles

There is no specific legislation to govern franchising, although franchises in Peru are subject to general commercial law, general antitrust law, and Decisions 486, 608, and 291 of the Andean Community (www.comunidadandina.org). According to articles 162 through 164 of Decision 486, a written license agreement must be registered at the patents and trademarks office (INDECOPI: www.indecopi.gob.pe). Prospective franchisers need to be aware of a 30% income tax on royalties, 18% value added tax (paid by the local company), and import tariffs depending on the type of goods. Countries that have signed double taxation agreements with Peru have separate regimes for royalties and withholding income tax (the U.S. is not included).

Trade Events

Every year Lima hosts two important franchise events:

Feria Internacional de Franquicias

Web: <http://www.feriafranquiciasperu.com/>
Organized by: Peruvian Chamber of Franchises
Dates: 4th and 5th of October 2017

Expo & Rueda de Negocios Internacional de Franquicias

Web: www.expofranquicias.com.pe
Organized by: Organized by the Lima Chamber of Commerce
Dates: 15th and 16th of June



Local Associations

Franchise Development Center / Lima Chamber of Commerce

Web: www.camaralima.org.pe/principal/categoria/centro-de-desarrollo-de-franquicias-ccl/479/c-479

Peruvian Chamber of Franchises

Web: www.cpfranquicias.com

Best Prospects

- Aesthetics, beauty and health (beauty salons, spas, salons, gyms)
- Clothing and accessories (clothing, footwear, jewelry, billutera, gifts)
- Specialized services (entertainment, fun, playgrounds, etc)
- Education (universities, colleges)

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Philippines

Capital:	Manila
Population:	102.6 million (July 2016 est.)
GDP*:	\$311.7 billion (2016 est.)
Currency:	Philippine Peso (PhP)
Language:	Pilipino (based on Tagalog) and English

Summary

Franchising continues to be one of the fastest growing sectors of the Philippine economy. Demand continues to grow for new products and services, providing new opportunities for U.S. companies. Franchising offers an alternative investment opportunity and even homegrown franchises hold the promise to become successful and earn foreign exchange as they expand overseas.

There is no market more pro-American than the Philippines, where more than 90% of all foreign franchises are U.S. The Philippines is considered one of the largest franchise markets in Southeast Asia. Franchise businesses thrive because their concepts appeal to upper and middle classes as well as to mass market. Improved purchasing power, because of increased economic activity, contributes to the growth of the retail industry, including franchising. The industry is well entrenched in Metro Manila and in other cities and municipalities of the Philippines. Metro Manila alone has a total population of about 13 million, which exceeds 15 million during the daytime.

Foreign franchisors offer financing schemes and marketing support to local franchisees to sustain overseas franchises. The most successful companies that are expanding market share generally receive such support from their foreign principal.

Master franchise fees vary widely depending on the type of business and are defined in the agreement between the parties. The royalty fee that a franchisor collects from a franchisee incorporates all aspects of the franchise business, which may include the use of trade name, trademark, and the system or concept of the franchise.

There are less than ten franchise holders in the Philippines that can be considered big. Many franchise investors own more than one franchise concepts. Serious franchise investors go to the U.S. (or other foreign country) headquarters of a company that they like and negotiate directly with franchise owners.

Industry Opportunities

U.S. franchises are popular in the Philippines. Filipino consumers are aware of U.S. franchise brands even before they enter the market because they are exposed to the brands through media (they see the products on print and through broadcasting) and they get acquainted with the products through stories and information shared by relatives and friends in the U.S.

Filipinos love to eat, so food franchises are more popular than non-food franchises. U.S. players in the food franchise market include McDonald's, Burger King, Wendy's, Johnny Rockets, Shakey's, Pizza Hut, Dominos, Project Pie, Papa John's, Dunkin' Donuts, Krispy Kreme, Buffalo Wild Wings, Wingstop, KFC, Starbucks, Seattle's Best, Coffee Bean and Tea Leaf/CBTL, Dairy Queen, Baskin Robbins, Mrs. Fields Cookies, Texas Roadhouse, Moe's Southwest Grill, Denny's, CPK, IHOP, etc.

In non-food, convenience stores are growing, and the market is happy to note that Circle K (U.S.) and Dean and DeLuca (deli from the U.S.) are slowly but surely creating brand awareness and developing good customer relations with their Filipino clientele. Other players are in the convenience store category: 7-Eleven (formerly a US brand, now a Taiwanese), Mini Stop (Japan) and Family Mart (Japan). Local convenience store operators are Alfa Mart (SM) and All Day (Villar Group).

There are numerous players in various categories but, surprisingly, foreign principals are still able to find franchise partners to work with. Partner searches just do not immediately yield positive results.

CS Philippines receives inquiries about In-n-Out, Cheesecake Factory, and Shake Shack. Filipino consumers learn about new dining places or fast food places from relatives or friends in the U.S., or from what they see in the movies and TV shows.

CS Philippines also receives inquiries for pharmacies with clinical diagnostic laboratories like those operated inside the Costco outlets in the U.S.



Current Market Assessment / Market profile

The Philippine Franchise Association (PFA) reports that the growth of franchising in the Philippines has been phenomenal; it started with only 50 franchises in the early-1990s when the PFA was established.

Most foreign franchises (more than 50%) are from the U.S. although a growing number are coming from Asia.

The most successful franchises in the Philippines to date are in the food business:

The best performing franchise is local fast food chain Jollibee (www.jollibee.com.ph), which caters to the middle and lower-class markets. Its outlets are in major shopping malls and commercial centers. The company has more than 1,000 stores in the Philippines and overseas. The company, Jollibee Food Corporation (JFC), owns four other food chain brands – Chowking (Asian/Chinese fast-food), Greenwich (pizza and pasta chain), Red Ribbon Bakeshop, and Mang Inasal (local grilled chicken), which are all local. JFC is also the Philippine franchisee of Burger King, a U.S. brand.

Number two in the burger market (after Jollibee) is McDonald's Philippines (<https://www.mcdonalds.com.ph/>), with more than 500 outlets nationwide. McDonald's store promotions are very popular among its customers. The promo giveaways are so effective, customers keep coming back for more to add to their collection.

Other burger chains from the U.S. are Burger King, Wendy's, and Johnny Rockets. Though not as big as Jollibee or McDonald's, Wendy's and Johnny Rockets are thriving.

In the pizza category, Shakey's (<http://www.shakeyspizza.ph/corporate/>), which has more stores in the Philippines than in the U.S., where it originated from, is number one, although other pizza chains have their own following-- Pizza Hut (U.S.), Dominos (U.S.), Papa John's (U.S.), Yellow Cab (local), Greenwich (owned by Jollibee) also have their own following.

In the coffee category, Starbucks (<http://www.starbucks.ph/>) is the market leader. The master franchisee, Rustan Coffee, owns and operates all Starbucks outlets and does not sub-franchise. There is enough room in the market for other players – Coffee Bean and Tea Leaf (U.S.), Seattle's Best (independent from franchisees of Starbucks), Costa (U.K.), Gloria Jean's (Australian), Kopi Roti (Singapore), etc. Even doughnut places serve coffee that compete with the coffeeshops – Dunkin Donuts Coffee (U.S.), Krispy Kreme Coffee, and J. Co Coffee (Indonesia).

The Philippines graduates hundreds of new chefs every year; most of them strike on their own and start a bar or restaurant offering the same fare (burgers, pizzas, pastas, cakes and pastries, coffee and tea) with a flair. A number of these bars and restaurants are in areas where most expats and yuppies converge – in and around financial districts, entertainment areas, and shopping centers.

Although there are many players per category, the market remains open and receptive to the entry of new concepts. Local franchise officials credit the success of franchising in the Philippines to the market's openness to this business concept (franchising).

In the Philippines, companies not necessarily in the food business can shift to food franchising with little adjustment. An example is the Rustan Group of Companies. Rustan is a retail giant and the master franchisee and/or licensee of several U.S. and European brands like Old Navy, GAP, Banana Republic, Coach, DKNY, Episode, Jack Nicklaus, Marks & Spencer, etc. Rustan Coffee is the master franchisee/licensee of Starbucks.

Market Challenges/Obstacles

Master franchise fees vary widely depending on the type of business and are defined in the agreement between the parties. The royalty fee that a franchisor collects from a franchisee incorporates all aspects of the franchise business, which may include the use of trade name, trademark, and the system or concept of the franchise.

One hundred percent foreign ownership is allowed for Philippine retail trade enterprises (which most franchise outlets are) which meet the following requirements: (a) upfront paid-up capital of US\$ 2.5 million or more, if investments for establishing a store is not less than \$830,000 or (b) specializing in high-end or luxury products, provided that the paid-up capital per store is not less than \$ 250,000.00 (Section 5 of Republic Act 9762). No foreign equity is allowed in Retail Trade Enterprises with less than the above- mentioned capital.

The GRP's liberalized trade practices are embodied in the Intellectual Property Code of the Philippines – Republic Act No. 8293. Under the law, franchisors do not have to register their franchise agreements if these agreements do not contain any of the prohibited clauses under Section 87 and do contain all the mandatory provisions under Section 88 of the IP Code. The law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Philippine Central Bank (Bangko Sentral ng Pilipinas (BSP).

Franchise agreement clauses prohibited under Section 87 are those that:

- Impose upon the licensee the obligation to acquire from specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- Reserve the right to fix the sale or resale prices of the products manufactured based on the license;
- Contain restrictions regarding the volume and structure of production;
- Prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;
- Establish a full or partial purchase option in favor of the licensor;
- Obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained using the licensed technology;
- Require payment of royalties to the owners of patents for patents that are not used;
- Prohibit the licensee to export the licensed product, unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;
- Restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;
- Require payments for patents and other industrial property rights after their expiration or termination arrangement;
- Necessitate that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- Limit the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs relating to new products, processes, or equipment;
- Prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, if it does not impair the quality standards prescribed by the licensor;
- Exempt the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about using the licensed product or the licensed technology; and,
- Other clauses with equivalent effects.

The following are the mandatory provisions required under Section 88:

- The laws of the Philippines shall govern the interpretation of the contract and, in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;
- Continued access to improvement in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;
- In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and,
- The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Advertising Methods

Franchises advertise to attract awareness. In fact, the more popular franchises such as McDonald's, Pizza Hut, KFC, etc. advertise more to sustain brand awareness and maintain their position in the market.

Products/brands for mass market are widely advertised through print, radio, and TV. Products intended for young consumers are advertised through print, radio, TV, and through social media.

Foreign franchisors offer financing schemes and marketing support to local franchisees to sustain overseas franchises. The most successful companies that are expanding market share generally receive such support from their foreign principal.

Trade Events

Franchise Asia Philippines 2018

July 20-22, 2018/SMX convention Center, Pasay City, Philippines
<https://www.gevme.com/franchise-asia-philippines-2018-fap-2018>

This annual event is organized by the Philippine Franchise Association (<http://www.pfa.org.ph/>).



Local Associations

Philippine Franchise Association or PFA (<http://www.pfa.org.ph/>)

The PFA is closely associated with International Franchise Association and World Franchise Council.

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Romania

Capital:	Bucharest
Population:	19.7 million
GDP*:	\$186.69 billion (IMF Source 2016)
GDP per capita:	\$10 thousand (IMF Source 2015)
Currency:	Romanian New "LEU" (RON)
Language:	Romanian

Summary

Romania has the second lowest minimum wage in UE after Bulgaria. On February 1, 2017, the minimum monthly gross wage in Romania was EUR 322/month.

Industry Opportunities

Leading sectors with their sub-sectors: Agriculture & Environmental Technologies; Defense; Energy, Oil & Gas, Renewable Energy - Solar Power, distribution & storage; Healthcare; ICT (Information & Communications Technology); Cybersecurity; Internet of Things (IoT), M2M, Big Data, eCommerce; Transportation (Road & Rail)

Demographic Overview

- Average Unemployment Rate of 7%;
- Trade Deficit;
- Easy to do Business, but Declining;
- Large Total Population with Average Population Density;
- Primarily Rural;
- High Emigration;
- Even Level Gender Ratio;
- Very Low Birth Rate and Very High Death Rate;
- Average Educational Attainment.
- Bucharest is the largest start-up hub in the country with over 132 startups and the home of many tech companies and VC firms as well as universities focused on technology, engineering and software development.

Current Market Assessment / Market profile

Franchising regulations in Romania are much the same as in other countries, basically granting the franchisee the right to operate or develop a business, product, technology or service. The contract, generally called a Franchising Agreement, reflects the interests of the members of the franchise network, and protects the franchiser's industrial or intellectual property rights by maintaining the common identity and reputation of the franchise network. The franchising agreement must define, free of any ambiguity, the obligations and liabilities of all of the parties, and must contain clauses covering the following elements: object of the contract, rights and obligations of the parties involved, financial clauses, contract duration, clauses related to amendment, extension, and cancellation of the agreement.

When franchising in Romania, a franchisor must be the holder of the relevant intellectual or industrial property rights, and must register it with the Romanian State Office for Inventions and Trademarks.

American Franchises in Romania

At present, American franchises still represent a large number of brands and a significant market share. At the end of 2014, they accounted for 18% of all the international brands on the Romanian market, the United States being the top exporter of franchises to Romania. European concepts prevailed in retail franchises, while American brands were most evident in hotels, services and fast food concepts. Well-known U.S. companies like McDonald's, Pizza Hut, and KFC currently have franchises in Romania. Some other familiar American franchises present in the market are:

- Arthur Murray Dance Studio
- Avis
- Budget
- Burger King



- Calvin Klein Jeans
- Century 21
- Champion
- Cinnabon
- Coldwell Banker
- Crowne Plaza
- Curves (as FitCurves)
- Dale Carnegie Training
- Domino's Pizza
- Ethan Allen
- Fastrackkids
- GNC
- Hard Rock Café
- Hertz
- Hilton
- Levi's
- Marriott
- Metropolitan Life
- New Balance
- Nike
- Ramada
- REmax
- Ruby Tuesday's
- Sheraton
- Sign-A-Rama
- Skechers
- Starbucks
- Subway
- The Body Shop

Market Challenges/Obstacles

Weaknesses:

- Misbalances within one and the same development region;
- Negative trend of investments in the industrial sector;
- Unbalanced distribution of the enterprises and industrial parks;
- Inclining to go with lower price versus quality;
- Road & Retail network;
- Legacy of corruption;
- Bureaucracy & Poor Public Administration

Threats:

- Frequent amendments to fiscal legislation;
- Uneven distribution of funds for educational and social infrastructures;
- The inadequate level of knowledge and flexibility in decision-making;
- Lack of a coherent policy to enhance the cooperation between business and research;
- Political Stability;
- Long term demographic trends;
- Regional instability;
- Increasing Russian aggression.

Advertising Methods

Romania has one of the most dynamic media markets in southeastern Europe. A handful of conglomerates dominates the industry.

TV is the medium of choice, with commercial stations Pro TV and Antena 1 being the leading outlets. TVR is the public broadcaster.

There is a competitive pay TV sector, via cable and satellite. Romania is yet to complete the switch to digital terrestrial TV (DTT).

There are more than 100 private radios. Public Radio Romania operates national, regional and local stations.

Local Associations

ROMANIAN FRANCHISE ASSOCIATION; www.francizor.ro

Best Prospects

The segments in highest demand for franchise businesses are food & beverage, coffee shops and services, especially fitness or those that promote a healthy lifestyle. The fashion retail segment has become crowded and competitive, saturated at both the premium and middle levels. A concept tailored to a niche has the best chance of succeeding. Twenty of the top 25 European retailers are already present in Romania. Bucharest is considered a growth market, with a JLL study ranking it 30th among the most attractive retail cities in Europe (ahead of cities like Valencia and Copenhagen).

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Kingdom of Saudi Arabia

Capital:	Riyadh
Population:	32.20 million (2016)
GDP*:	\$646.4 Billion (2016)
Currency:	Saudi Riyals (US\$1 = SAR 3.75)
Language:	Arabic (official); English (widely spoken)

Summary

Saudi Arabia is the largest retail market in the Arabian Gulf region. The franchising sector will continue to draw more international companies and also pave the way for more Saudi entrepreneurs to create local concepts, especially in the food sector. Various factors combine to provide for the solid and optimistic outlook for franchising. Household spending on the retail sector was estimated at USD246bn in 2015 and is expected to grow to USD359bn by 2020, powered by rising disposable incomes, a young and rapidly growing population with a high affinity for western trends, increasing urbanization, and an increasing percentage of well-traveled Saudis; all of which present major drivers and a solid base for continued growth in this sector.

Industry Opportunities

Franchising is a popular and successful approach to establish consumer-oriented businesses in Saudi Arabia. Franchising opportunities exist in many business categories, including fast-food, apparel, laundry and dry cleaning services, office temporary services, automotive parts and servicing, restaurants, mail and package services, printing, and convenience stores. Newer franchising concepts like spas, health clubs, wellness & slimming clinics and trendy fashion labels have caught the attention of the younger population.

A survey by Bayt.com and YouGov revealed that 67% of residents in Saudi Arabia "would like to be entrepreneurs". Additionally, it revealed that a majority of both private and public sector employees (62%) are currently thinking to start their own business, which in turn opens up opportunities for growth along various franchising sectors.

Demographic Overview

Saudi Arabia is about one-fifth the size of the United States with a total population of about 31 million (2014), growing an average of 2.37 percent annually. The rapidly increasing population is forecast to reach 34.9mn by 2021. Almost 83 percent of the country's population live in urban areas, where the majority of franchise outlets are located, namely in the four largest cities: Riyadh, Jeddah, Dammam and Mecca. The urban population will continue to grow as cities are expected to retain their appeal to young middle-class Saudis and expat workers. According to Business Monitor, the number of Saudis in the key 20-39 year old age bracket will increase by an average of 0.4% each year, reaching 11.3mn by 2021. In addition, the median age is expected to rise from 28.9 years in 2017 to 30.1 years by 2021, making Saudi Arabia home to the youngest consumer group among its Gulf Cooperation Council (GCC) neighbors.

The country's income level is expected to increase at a sustainable rate. According to BMI, GDP per capita is forecast to reach USD28,864 by 2021 up from USD23,368 in 2017, far higher than the MENA regional average of USD8,634 at the end of the forecast period. The upper-middle class, with a household income of USD25,000-USD50,000 will continue to be the dominant consumer group, and is forecast to comprise 32.4% of total households by 2021, up from 25.7%.

Current Market Assessment / Market profile

Since the oil boom, Saudi Arabia has been a prime destination for franchisors offering innovative models in the food and non-food sectors, and since then the concept has gained in acceptance and popularity. The Saudi franchise market is valued at well over USD1 billion and is estimated to continue to grow at an annual rate of 10-12%. The value of paid fees and royalties is estimated to be over USD323 million or SAR1.2 billion annually. There are no verified figures for the number of franchise outlets and brands in Saudi Arabia, however, industry sources project that there are more than 300 foreign companies that have franchisees in Saudi Arabia. The majority of the franchises operating in Saudi Arabia are owned and managed by a select group of merchant families who possess the structure and the resources to handle these franchises, without having to sub-franchise to other parties or business entities.

In a country where sources of entertainment are limited, shopping has become a national pastime. There is significant interest for organized retail, as can be seen from recent estimates. Research by BMI indicates that total household spending in the retail sector stood at \$246 billion in 2015; expanding population and a substantial spending power dovetail for a positive impact on the Saudi retail sector, which is expected to grow to \$359 billion in 2020. From a franchise perspective, food topped the list of spending accounting for more than 17 percent, about \$42 billion, followed by clothing and footwear at 5.66 percent, more than \$13.9 billion.

Additionally, the influx of more than 11 million religious tourists annually and internet penetration also have supported continued growth in the retail sector, which translates to growth in the franchising market; the advent of online ordering and home delivery for both food and non-food items created a channel for local companies to promote their services over the Internet.

In line with its diversification momentum away from an oil-based economy, the Saudi government has recently adopted the National Transformation Program 2020 (NTP), which among other objectives, aim to enhance the private sector involvement in the economy, increase the culture of Entrepreneurship, and improve Saudi Arabia's world ranking in Ease of Doing Business from 82 to 20 by 2020. Investments will flourish and increasingly focus on sectors that enhance diversification and the local economy including retail, banking, education, construction, telecommunications, and food, among others.

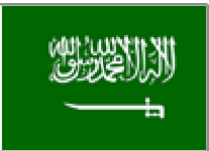
Many of the NTP's objectives and priorities perfectly dovetail with the basics and mechanisms of franchising; as such, the franchising sector is expected to flourish and grow accordingly. With the government encouraging foreign direct investments and promoting the growth of SMEs, the Saudi's franchising market is becoming one of the fast growing non-oil sectors in the country.

Market Challenges/Obstacles

There are some barriers against using franchising as a mode of expansion and investment by SMEs and startups. Some of these barriers include challenges with intellectual property protection, dispute resolution, cultural differences, and a comparative lack of legal, financial, and educational services support. Commercial company law is used as a baseline for the franchise business model and U.S. companies will need to address the conservative nature of Saudi society. Although there is no legislation, a ministerial order was issued in March 22, 1992 allowing for the franchisee business to be treated under the Saudi commercial agency law. Franchisors are encouraged to appoint in-country experienced attorneys to help navigate them through the country's regulatory system. The U.S. Commercial Service can assist by providing a list of local attorneys.

Operators of food service outlets should be mindful of the culture and religious sentiments in this conservative society and should tailor their concepts, food, and presentation accordingly. Saudi Arabia is a strict Islamic society where Muslims are required to observe prayer five times a day and businesses are required to close down during these times. Restaurants and food service outlets are required to have two entrances with two segregated seating areas, one for males and the other for families and females. During the Islamic fasting month of Ramadan, work hours are reduced from eight to six hours and food outlets and restaurants are closed during the day and only are open for business after sunset, except for hotels.

The importation of certain articles is either prohibited or requires special approval from competent authorities. Importing the following products requires special approval by Saudi authorities: agriculture seeds, live animals, books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment, and radio-controlled model airplanes; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artifacts. There are health and sanitation regulations for all imported foods. For beef and poultry meat imported from the United States, Saudi Arabia has agreed to recognize a two-certificate approach: (1) an official FSIS export certificate issued for beef and poultry meat, and (2) a producer or manufacturer self-certification to cover any additional requirements not related to food safety or animal health issues such as animal protein free feed declaration. Moreover, the government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards. Companies can request a copy of the labeling requirements by contacting the Saudi Arabia Standards Organization (SASO) at telephone (966-11) 452-0132 or fax (966-11) 452-0196. Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, retreaded or used tires, used clothing and certain sculptures. For additional information, please review requirements on the SASO and Saudi Customs web sites.



Advertising Methods

The International Franchise Association's (IFA) is also one of the web resources that Saudi investors sometimes use to learn about new franchising opportunities, and also for U.S. franchisors who wish to advertise their concepts. More information can be found at: <http://www.franchise.org/>.

Companies seeking to develop an advertising and/or a promotional campaign will find highly experienced advertising agencies in Jeddah and Riyadh that can prepare a full campaign whether in print media, radio, or television. Already resident in Saudi Arabia are Porter Novelli, Akeel Saatchi and Saatchi, Hill and Knowlton Strategies, Asda'a Burson-Marsteller, and TERAACS Saudi Arabia.

Advertising, especially on satellite television, is rapidly expanding, but commercials have to conform to religious and ethical codes. Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by relatively low readership rates. The two local English dailies, Arab News and the Saudi Gazette, have an average circulation in the range of 35,000 copies. The leading Arabic newspapers, with nationwide distribution, have circulations in the range of 70,000 to 100,000: Al-Hayat, Al-Riyadh, and Okaz.

Trade Events

Saudi Franchise Expo will be held from 5-7 February 2018 in Riyadh, Saudi Arabia at the Riyadh International Convention & Exhibition Center. This exhibition offers a great business platform to franchises seeking growth in the Saudi market and creates an environment fostering the entrepreneurial spirit of Saudis. Entrepreneurs and aspiring business owners will have the opportunity to engage with exhibiting franchisors, displaying a wide range of products, services and franchise concepts. Saudi Franchise Expo also offers educational programs and seminars aimed at newcomers to franchising, covering topics such as franchise laws, business ownership and more. More information can be found at: <http://www.saudifranchiseexpo.com/>.

Local Associations

The Middle East & North Africa Franchise Association (MENAFSA) is a membership organization of franchisors, franchisees, and service providers. It is the only regional industry association serving the region's USD30 billion franchise sector. MENAFSA is also a good resource for investors seeking franchising opportunities. More information can be found at: <http://menafa.com>.

There is also a number of franchise consultants who have expertise working with U.S. franchisors. A list of these consultants can be provided upon request.

U.S. Commercial Service Contact Information

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Phone: +966-13-330-3200 ext. 3065



Serbia

Capital:	Belgrade
Population:	7.3 million
GDP*:	(2016 est.): \$40billion
Currency:	Serbian dinar (RSD)
Language:	Serbian

Industry Opportunities

Generally, Serbian customers are intrigued by new products and services. Both quality merchandise and services are lacking in this market especially, in regard to U.S. brands. Therefore, all new U.S. concepts throughout this broad sector is highly anticipated. Brand awareness of franchise businesses operating in the U.S. is very strong and many Serbian businesses are keen to acquire the rights to operate American franchises.

The most attractive prospects are in the food and beverage (F&B) and apparel sectors. Serbians spend a disproportionate amount of their income on dining out. Italian, Serb and French cuisines are very popular but Serbs are curious and open to all kinds of novelties. The number of foreigners living in Serbia is also increasing and is another target market for franchises. Currently, there are two major U.S. fast food chains present on the market; McDonalds with 26 restaurants throughout Serbia, and KFC with 4 restaurants in Belgrade and one in Novi Sad.

The U.S. Commercial Service in Belgrade is regularly approached by Serbian businessmen, inquiring about the possibilities of obtaining a U.S. franchise in this sector. One of the critical success factors is the restaurant's location and real estate owners are well aware of this fact and they price their property accordingly.

One of the most promising development projects providing opportunities for U.S. franchises in Serbia is the Belgrade Waterfront project. Launched in 2015, the Serbian Government signed a contract on a joint venture with the Abu Dhabi based Eagle Hills Company. This project is designed for a surface of some 177 hectares and is expected to have more than one million square meters of residential area and some 750,000 of business and commercial areas. Several other major mall development projects are also underway.

However, there are several factors that are crucial for operating a successful business in Serbia includes a careful choice of local partners, protection of IPR and a smart pricing policy. Fulfillment of these three conditions will substantially help American franchisers to establish a successful business in this market.

Demographic Overview

Age Structure / Gender:

- 0-14 years: 14.64% (male 539,189 / female 506,727)
- 15-24 years: 11.34% (male 417,692 / female 392,379)
- 25-54 years: 41.41% (male 1,492,799 / female 1,465,270)
- 55-64 years: 14.58% (male 502,172 / female 539,349)
- 65 years and over: 18.03% (male 530,827 / female 757,517) (2016 est.)

Income: \$412.2 (February 2017 est.; net salary)

Education Levels:

Education in Serbia is consisted of preschool, primary school, secondary school and higher education levels. It is regulated by the Ministry of Education, Science and Technological Development of Republic of Serbia.

Education expenditures: 4.2% of GDP (2014)

Literacy (definition: age 15 and over can read and write)

- total population: 98.1%
- male: 99.1%
- female: 97.2% (2015 est.)

School life expectancy (primary to tertiary education):

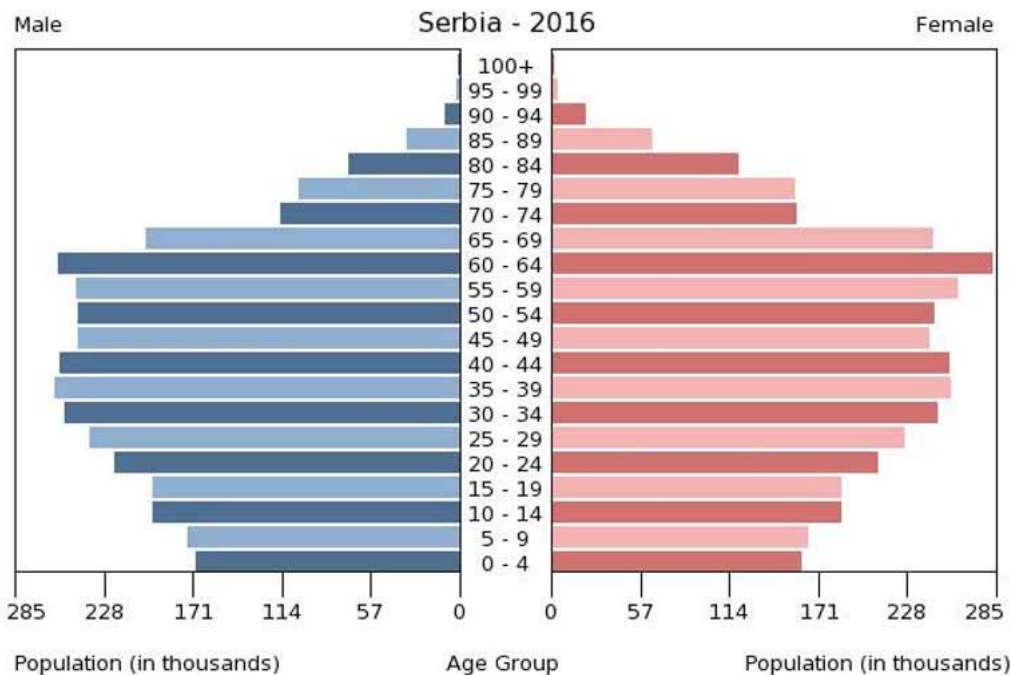
- total: 14 years
- male: 14 years
- female: 15 years (2014)



Number of pupils at the beginning of the school year:

- Primary school: 551,607
- Highschool: 253,997 (school year 2015/2016 est.)

Details on population



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/ri.html>

The United Nations estimated in its 2015 Report that Serbia is going to lose more than 15% of its residents between 2015 and 2050. It is said that Serbia has 24.4% of people older than 60 years, and that number is expected to increase to 32.3% in this age group by 2050. The average age in Serbia increased from 30.9 years in 1980 to 40.6 in 2015, and it is expected to reach 46.8 in 2050.

Spending Trends, etc.

Most people shop in grocery/hypermarket stores where they can develop friendly relationships. Price is still the most important factor for Serbian consumers and about 50% of them admit that they are buying products because they are discounted. Changes in the price of certain basic products (for example, milk, bread, flour, and cooking oil) must be reported to the Ministry of Trade 15 days in advance, and the state has the authority to deny price increases for those goods. The state directly controls the price of utilities, public transportation, and telecommunication services. Significant black and gray market sales exist for many products, especially consumer goods, to avoid high customs and taxes. The value-added tax (VAT) is eight to ten percent for food and drugs and twenty percent for most other goods.

The legal framework for e-commerce in Serbia includes the E-Commerce Law (2013), Electronic Document Law (2009), and the Electronic Signature Law (2008). Changes to the financial regulations relevant for e-commerce have been implemented only partially. While an exception was introduced in the law for e-services, allowing Serbian citizens to open accounts with foreign e-payment providers such as PayPal, the foreign exchange framework is restrictive. The Consumer Protection Law, adopted in 2014, contains provisions concerning business relations over the internet.

Statistics regarding the use of computers, broadband penetration, and e-commerce are improving. According to Internet World Stats (IWS), nearly 50 percent of Serbians are frequent users of the Internet. Informal estimates from the NBS indicate that the number of e-commerce transactions in Serbia totaled 1.8 million in 2015 (approximately one million through foreign websites and an additional 800,000 on local websites) worth USD 250 million. Due to the increased awareness of the consumer and the demand, B2C sites and has increased in the past few years. Today there are banking, bill payment, consumer products and grocery shopping through Serbia.

Despite increased interest in E-Commerce, there are some key factors that drive Serbia away. They include:

- User Resistance – Users may not trust the site being an unknown, faceless seller. Such mistrust makes it difficult to make users switch from physical stores to online/virtual stores.
- No Free Shipping – Free shipping is rarely offered to Serbian customers.
- Higher prices – Some products will cost more with shipping/customs/VAT/tax.
- Limited Selection – Some products are not available for shipment to Serbia.
- Difficult Customer Service – Customer service is more difficult for less technical-savvy individuals because of language and/or time zone barriers.
- Unreliable lead-time - Lead times are not always accurate because the local postal service is slow and difficult to monitor and track.
- Nearby Physical Stores – Strong competition by local nearby stores.

Current Market Assessment / Market Profile

Consumer and economic conditions in Serbia appear to be developing quite favorably for the entry of international franchising. Moody's Investors Service has upgraded Serbia's long-term issuer and senior unsecured ratings to Ba3, from B1, while the outlook has been moved to stable from positive. This upgrade sends a positive signal to investors and lowers Serbia's borrowing costs. Moody's Public Sector Europe has also upgraded the City of Belgrade's long-term issuer rating to Ba3 from B1, changing the rating's outlook to stable from positive. According to the IMF's latest World Economic Outlook (WEO) released on October 4, Serbia's economy was expected to grow by a real 2.5% in 2016 and accelerate to 2.8% in 2017.

Due to the weak saturation, and the consumer demand for all kinds of merchandise and services from developed countries, the market in Serbia is very promising for a wide range of franchised businesses. A general opinion exists, among both government officials and business circles, that the foreign franchising industry will be the pioneer of further economic growth and technical development. Therefore the interest in franchising is growing. While is not a franchise law in Serbia, foreign franchisors are protected by several laws regarding contractual obligations. Also, in recent years substantial work has been done on IPR protection, both in legislative and enforcement aspects. The business community in Serbia is familiar with the concept of franchising and comprehends it. It is understood throughout the developed markets of Europe.

Traditionally, local consumers perceive U.S. brands positively and associate them with superior quality, excellent customer service, and generally a western lifestyle. Also, many Serbian businesses are interested in acquiring the rights to operate American franchises. Today, there are approximately 233,000 entrepreneurs, including 325,000 SME's, operating in Serbia. The experts are expecting this number to increase to around 400,000 in the next five years, which provides huge opportunities for U.S. franchisors.

In spite of that fact, or exactly because, franchising is currently not developed in Serbia, and the few U.S. franchisees that have opened in Serbia have had nothing but success:

McDonald's opened its first restaurant in Eastern Europe in Belgrade in the spring of 1988. At the time it happened to be the most successful in the international chain of McDonalds restaurants. Soon afterwards, another much larger McDonald's was opened in Belgrade, followed by the opening of several medium sized units. The capital investment for the first restaurant was recovered in 6 months after its opening, and for the second, much larger, the investment was recovered in one year. Today the company has 26 restaurants throughout the country and they have all been very successful.

KFC's first restaurant in Serbia was opened on November 1, 2007. Ten years later, KFC has 5 restaurants in Serbia – 4 in Belgrade and one in Novi Sad. The company's restaurants are operated by AmRest, the largest publicly listed restaurant operator in Central Europe. In 2009 KFC Serbia was named the best KFC restaurant in Europe. Five years later the company decided to launch its own Android application so that customers from Serbia can use it for ordering the food.

Diners Club International started their operations in 1996 as a sub-franchisee of the Croatian company Adriatic DCI. Up until 2001, DCI Belgrade was the only internationally valid credit card in Serbia. However, after the democratic changes and reestablishment of the banking system in Serbia, DCI managed to not only to preserve their position as a market leader, but to further increase the number of cardholders and their quality of service. For this reason in 2004, DCI decided to award the master franchise to DCI Belgrade and master-franchising rights for Former Yugoslav Republic of Macedonia. On March 12, 2017, it was published that Croatia-based Erste Card Club completed acquisition of Diners Club International's franchises in Serbia, FYR of Macedonia, Montenegro. As part of the transaction, ECC has become the exclusive issuer and acceptor of the Diners Club cards, brand development, and future operations in Serbia, Macedonia, and Montenegro. The franchisor, Diners Club International, part of the US-based Discover Financial Services, has supported the license transfer to ECC



TORO Latin Gastrobar is a part of Chef Richard Sandoval's international chain of restaurants. TORO is located in Beton Hall, one of the most famous parts of Belgrade known for its luxury restaurants and cocktail bars. The restaurant was named one of the top 12 restaurants in Belgrade in 2016 and it is mostly known for its "small portions" philosophy.

Belgrade is also a home of several international hotels including Hyatt Regency, Marriot, Crown Plaza and Hilton although this last one is still under construction. These hotels are operating by manager contracts.

For the first time, five Serbian franchising companies participated at the Franchise Expo Paris 2017, with the support of the Serbian Chamber of Commerce. Those companies are: Mini pani, Fly Fly travel, Arcushealth, Promens and 925. Also, there are several Serbian companies, mostly fast food chains, with a potential to become (international) franchises such as Big Pizza, Burrito Madre, Caribic Pizza, Rakia bar.

It is indicative that many of the present franchises are sub franchises from neighboring countries. This fact demonstrates the importance of informing and educating local business people on the advantages of franchising

Legal Aspects

To date there are no franchise laws in Serbia, nor are any expected in the near future, as the franchising market has not developed sufficiently enough to draw the attention of the legislature. There is no specific registration nor any specific governmental approval or license that franchisors are required to secure before operating in Serbia. There are no specific legal limitations imposed on the franchisee or their employers, however, they must comply with laws concerning general long-term contracts.

All forms of international franchising operations are permitted: direct franchising, master and development franchises through joint ventures or wholly owned companies. No special duties can be imposed on the franchisor, other than acting according to general duties mandatory for contractual parties.

Forms of Franchising

A foreign franchisor may directly franchise his business to a franchisee in Serbia, without establishing a branch or subsidiary. No requirement exists for registration of the franchise contract with the Ministry of Trade. However, the National Bank of Serbia has to be notified of every foreign trade transaction.

Intellectual Property Rights

Serbia is a World Intellectual Property Organization (WIPO) member and a signatory to all key agreements administered by WIPO. The government has taken steps to implement and enforce the WTO TRIPS Agreement. Serbia's intellectual property rights (IPR) laws include TRIPS-compliant provisions and are enforced by courts and administrative authorities.

For the most part, Serbia's domestic legislation related to IPR is modern and complies with international standards. According to the EU 2015 Progress Report, Serbia has done a good job aligning its intellectual property laws with the EU acquis. Serbian laws extend legal protections to all major forms of IPR (including patents, trademarks, copyrights, industrial designs, and integrated circuits).

IP protection in Serbia is improving overall. Enforcement remains haphazard, but consistent with levels in the region. The European Commission assessed in its 2015 Progress Report that Serbia should strengthen the formal coordination between all entities charged with IPR enforcement. According to the latest International Data Corporation (IDC) study, software piracy in Serbia is around 69 percent, which is higher than in Bosnia and Slovenia, but lower than in Montenegro. This indicator shows significant improvement, though, as the 2011 IDC study found that Serbia's piracy rate was 72 percent. The estimated value of Serbia's illegal software market is USD 116 million. Pirated optical media (DVDs, CDs, software) and counterfeit trademarked goods, particularly athletic footwear and clothing, are easily available, though the government has stepped up its actions to combat illegal street sales and seize pirated goods at the border. The EU noted some progress in enforcement in 2015, namely that the Customs Administration confiscated more counterfeit and pirated goods and the Market Inspectorate substantially increased its capacity after procuring new equipment.

In 2015, the Serbian Parliament adopted amendments to the Law on Industrial Designs. These amendments extend the period that rights are protected from one to five years; provide a more detailed definition of those rights; and are harmonized with EU directives on intellectual property rights. The government also adopted a new Law on Information Security in January 2016, which provides for better protection in information and communication systems and helps combat cyber-crime.

The government has a Permanent Coordination Body for IPR enforcement activities of the Tax Administration, Police, Customs, and state inspections services. The Public Procurement Law dictates that bidders must sign a statement affirming that they have ownership rights to the IPR utilized in fulfilling a public procurement contract. In addition, the tax administration continues to check software legality during its regular tax controls of businesses.

Serbia is not listed in the Notorious Market Report, and not listed in Special 301 Report.

Procedures for registration of industrial property rights and deposition of works of authorship before the Serbian Intellectual Property Office are straightforward and in compliance with the procedures of most European countries. All relevant information can be found on Serbia's IPO website: <http://www.zis.gov.rs/home.59.html>.

The enforcement of rights on the level of state authorities, such as inspection or customs, can be relatively fast. However, should the enforcement of rights be sought out before the court, proceedings are expected to last up to two years. With the creation of semi-specialized IP courts, which began operating fully in 2015, the proceedings should be faster in the future.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at www.wipo.int/directory/en/details.jsp?country_code=RS.

Market Challenges /Obstacles

There are no major challenges, or obstacles for the development of international franchises in Serbia, even though there is no law that regulates this sector. The Franchising agreements are still not part of a Serbian law system, although their draft is included in the new Civil Code which is still not adopted.

Serbia uses a standardized import/export documentation process (generally requiring a bill-of-lading, etc.). With the liberalization of the trade regime and reformation of the trade/customs-related institutions, Serbia continues to synchronize its documentation with the European Union.

More detailed information may be reviewed at: <http://www.upravacarina.rs/en/Zakoni%20engleski/ADDITIONAL%20EXPLANATION%20REGARDING%20THE%20INWARD%20PROCESSING%20PROCEDURE.pdf>.

The Serbian Customs Tariff is harmonized annually with the EU Combined Nomenclature. In Serbia, there are several tariff regulations that are binding:

- Decisions on Tariff Classification published in the Official Journal of the European Union;
- Decisions on Tariff Classification issued by the World Customs Organization (WCO);
- Binding Tariff Information issued by the Serbian Customs Administration, upon request, regarding the classification of certain goods, in case of ambiguity or uncertainty.

Official translations of EU and WCO decisions are published regularly in the Official Gazette of the Republic of Serbia.

Import licenses are required for narcotics (including psychotropic substances), medicines containing narcotics, precursors for the manufacture of narcotics, vitamins, blood products, microorganisms, human body parts, non-registered medicines and medical devices, endangered species of wild fauna and flora, substances depleting the ozone layer, radioactive materials, reactors and reactor parts, arms, military equipment and dual-use goods, asbestos, industrial explosives, hunting and sports arms and ammunition for such arms, precious metals, and specific agricultural products for veterinary purposes. The majority of the above-mentioned goods are subject to import licenses in accordance with existing international conventions.

Advertising Methods

There are a number of web-sites related to franchising and that is the most popular advertising strategy. Some of those web-sites are:

- <http://franchising.rs/>
- <http://www.franadria.si>
- <http://preduzetnik.rs/>
- <http://www.biznisplan.net/>
- <http://www.bizlife.rs/>

Magazines very rarely offer articles on this topic, actually all the relevant articles were written between 2007 and 2010.

Franchise Trade Shows / Events

No franchise trade show will take place in Serbia this year.



Franchise Associations /Organizations

In 2007 the Serbian Chamber of Commerce established Franchising Center within their internal structure. The main purpose of this center was to provide services to Serbian companies such as advisory and consulting services aimed at the recognition of franchise business as one of the keys to success in entrepreneurship, how to achieve a franchise in Serbia (emphasis on SMEs), how to buy a franchise and how to make a franchise concept. The Center is also teaching representatives of Serbian companies how to manage franchise in Serbia, following the European franchising Code of Ethics created as a compilation of basic provisions of proper conduct among those who are engaged in franchising in Europe. They are providing assistance in selection of franchisors, networking and establishing first contacts with franchisors, checking on foreign partners – the franchisor, before embarking on negotiations for the protection of domestic economic entities.

When it comes to foreign franchisors, the Center is providing information to its foreign partners on the situation in Serbia and assistance in introduction of new brands to the market. The Serbian Chamber of Commerce is also organizing promotion and presentation of local and foreign franchise concepts in Serbia.

Following in 2008 Serbian Franchise Association was established and recognized by the European Franchise Association as a full-time member.

Both of these organizations have not been very active since 2010.

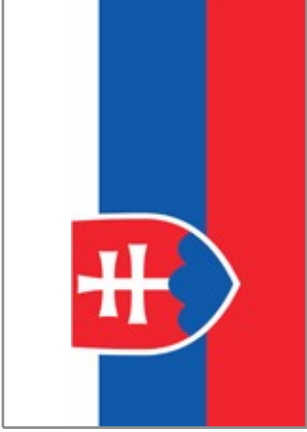
Best Prospects (from the Country Commercial Guide 2016 – Serbia)

The Serbian market remains relatively untapped for franchising. While few franchises operate in Serbia, the business concept slowly is attracting interest among local entrepreneurs. Growing consumer demand for a variety of merchandise and services make Serbia a promising market for a wider range of franchised businesses, such as catering and apparel. In many cases, master franchisors cover all of southeast Europe from a neighboring market.

There is no dedicated franchise law in Serbia; however, the Law on Contracts and Torts provides some legal framework and protection. Serbia does not have a franchise association to promote this industry. The U.S. Commercial Service and the Serbian Chamber of Commerce's Center for Franchising are the primary points of contact for foreign and domestic companies interested in this sector (see <http://www.pks.rs/MSaradnja.aspx?id=679&p=0&>).

Country Ranking /Color Code

Serbia is ranked as a Yellow Light country – opportunity with caution areas, 18 to 36+ months.



Slovakia

Capital:	Bratislava
Population:	5.41 million
GDP*:	USD 89.61 billion (2016)
Currency:	Euro (EUR)
Language:	Slovak

Summary

Approximately 40 foreign concepts plan to enter the Slovak market in the near future. Currently there are more than 144 franchise concepts in Slovakia, of which 14 are U.S. and 33 are domestic (original Slovak franchises). The ratio of domestic and foreign concepts is not favorable because in the developed countries the number of domestic concepts usually prevails. Slovak franchise market is not as developed as the robust economy's stable growth rates would dictate for this market. In general, market conditions for franchising in Slovakia are promising in the areas of general services (especially health care services, services for seniors, laundry services, house cleaning services, household maintenance services) and general trade (mainly of daily consumption needs).

Industry Opportunities

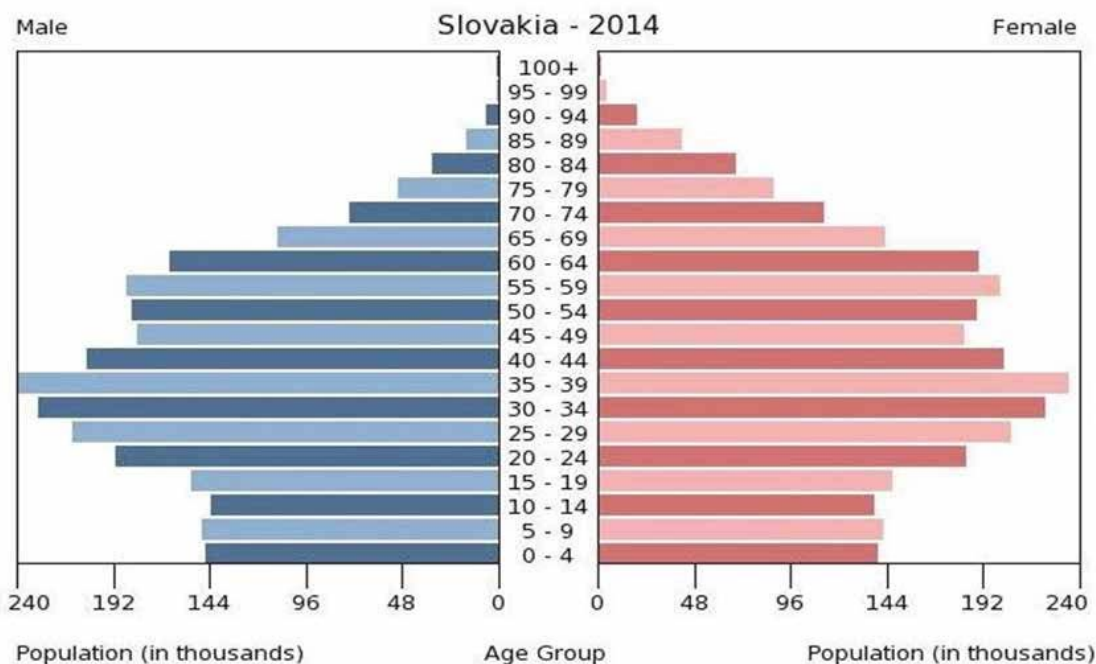
Franchising sales in services cover only 2.3 percent of the total service and retail sales volume in the Slovak market in which standard franchising sales are 30 - 40 percent for EU countries. This leaves huge opportunities for U.S. franchisers to establish themselves in this market. The costs to establish a franchise in Slovakia is relatively cheap compared to that of neighboring countries, as there are lower salaries, taxes and rental fees.

It is anticipated that Slovakia will follow the world's trend: The market will record a growing number of franchising networks and franchise businesses to the detriment of self-entrepreneurs and non-franchise businesses. In the future most small and medium-sized businesses (mainly in shops and services) will be franchisees of large successful networks and chains, or they will cease to exist as they will be unable to keep up with marketing, maintain global offer of large businesses or withstand the competition.

The franchise business segment is expected to increase its share in Slovakia's future GDP when it gradually becomes a major employer, job creator and domestic consumption supporter.

Demographic Overview

Age Structure / Gender





Income / Disposable Income

DISPOSABLE INCOME (Million EUR)	2010	2011	2012	2013	2014	2015
Gross domestic product	67,577	70,267	72,704	74,170	75,946	78,686
Gross national income at market prices	66,062	68,059	71,309	73,477	74,608	77,403
Net national income at market prices	52,714	53,970	56,668	58,163	58,708	61,298
Net national disposable income	52,051	53,290	55,692	56,833	57,802	60,785
Real net national disposable income	52,051	51,844	52,909	53,416	54,364	57,119

Education Levels

Based on OECD data, in the Slovak Republic, 91% of adults aged 25-64 have earned the equivalent of a high-school degree, higher than the OECD average of 74%. This is slightly truer of men than women, as 93% of men have successfully completed high school compared with 89% of women. In terms of the quality of the educational system, the average student scored 488 in reading literacy, mathematics and science in the OECD's Programme for International Student Assessment (PISA), lower than the OECD average of 497. On average Slovak girls outperformed Slovak boys by 16 points, more than the average OECD gap of 9 points.

Average Amount in Services Industries (where available)

EMPLOYMENT RATES FOR SELECTED POPULATION GROUPS	2014
Male, age group 15-64	67.60%
Female, age group 15-64	54.30%
Other workers, age group 15-64	44.80%

Details on Aging of the Population

Slovakia's population has been aging in recent years due to two major factors: post-war baby-boomers gradually reaching retirement age and significantly reduced birth rate. The average age in Slovakia in 2015 reached 40.1 years (an increase of 2.4 years since 2006). In 2015 the proportion of the population aged over 65 reached 14.45 percent, compared with 11.9 percent a year ago. In the same period, the representation of children in the population declined to 15.3 percent from 16.1 percent. The Slovak Statistical Office assumes that in 2030 the population will start to dwindle and that Slovakia will gradually become one of the EU countries with the oldest population.

Spending Trends / Habits

Final consumption of households by individual consumption classification (COICOP) Mil EUR current prices	2016 Q4
Total	11,155.61
Food and Non-alcoholic drinks	2,067.81
Alcohol and Tabaco	567.59
Clothes and shoes	473.93
Living, water, electricity, gas and other	2,638.46
Furniture, Equipment, House maintenance	731.63
Health	224.69
Transport	825.16
Mail and Telecom	402.49
Recreation and culture	1,157.55
Education	208.99
Hotels, cafes and restaurants	609.54
Various goods and services	1,247.79

Source: Slovak Statistics Office, Methodics ESA2010