



FRANCHISING IN SPAIN: 2013 IN REVIEW

To franchise successfully in any country you need lots of creativity, a well-oiled machine to replicate your business, a large supply of stamina and a thorough understanding of your chosen market. Our presentation will deal with the latter and attempt to provide a good general overview of the franchise sector in Spain, where it's been and where it's heading. As you will find out, it's a market worth getting into.

In general terms, 2013 was another tough year for the Spanish economy with franchises concentrated on getting their homework done, so we won't see the effect of Spain's economic recovery till the data for 2014

come in. However, the general outlook suggests things have remained pretty stable. Total turnover (€ 25,867.3 million) is only marginally lower than in 2012 (€ 25,937.1 million) while the market keeps attracting franchises (1,087 in 2013 against 1,040 in 2012).

Amongst foreign franchises, France still takes the lead (losing 6 for a total of 44), USA has lost just one franchise (36), Italy gains one (33), Portugal loses one (10) and Germany jumps from the seventh position and ties in the fourth with Portugal. It is worth noting the appearance of a Malaysian and an Irish franchise.

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The number of establishments has experienced a minor drop from 59,758 to 59,131, with the main sectors still found in food, health/ beauty and catering/ restaurant. Travel agencies have taken the hardest blow (2,797 down from last year's 3,692) while bakeries seem to be the raging trend (535 up from last year's 326).

Franchises have downsized their human resources, laying-off 4,214 employees for a total of 242,140. Employment figures have been quite positive in 2014 so we will also have to wait for next year's data to see if this has had any effect on the franchise sector. As regards the top 5 Spanish regions where franchises have their headquarters, things remain the same, with Madrid claiming the top spot (290, + 4), followed by Catalonia (277, +2), Valencia (124, + 5), Andalusia (111, + 7) and Galicia (41, -1).

Spanish franchises are still very much active in foreign markets: 285 brands were present in 127 countries with 18,957 establishments (against 279 brands in 123 countries and 18,688 establishments in 2012). The top 5 sectors abroad are fashion (73), hospitality/ catering (49, +2), beauty (33, +1), specialized boutiques (21, -3) and furniture and household textile (13).

The top 10 countries for Spanish franchises are Portugal (185, -7), Mexico (82, + 4), Andorra (76, +2), France (61, -1) Italy (53, +1), Morocco (38, -3) tied

with Colombia (+7), UK (35, -3) tied with Venezuela (+1) and Panama (+5). Two evident trends are discernible in this list: proximity (EU countries) and common language (Latin America).

If we look at the number of establishments we find some interesting changes: Portugal (2,847, - 155), France (2,032, +240), Italy (1,179, +42), Brazil (1,156, +63), Mexico (1,059, + 32), China (994, + 48), Venezuela (768, +26), Argentina (764, + 78), Poland (700, + 154), USA (692, +519). This top 10 amounts to 12,191 establishments which is equivalent to 64.3% of the grand total.

Analyzing the number of establishments by continent is a real eye-opener: Europe (10,424, - 821), America (5,371, + 805), Asia (1,782, +228), Middle East (771, +33), Africa (241, +25), Oceania (26, -1). So it's all about emerging markets right now, with America filling in the gap for Europe.

In conclusion, it seems that franchising is still a great way to do business in Spain, which, although a mature market, keeps attracting new franchises. Not only that, but it has become a valuable platform in Europe from which to expand into the American continent, thanks to the sharing of a common language and culture, an extensive and reliable network of double taxation treaties and the recently discovered potential of the US.

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† All quoted figures form the Spanish Franchise Association.