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## Franchising

### The Increasing Importance of Franchising in Germany

The franchising of business concepts is more than just a relatively simple way to help companies grow rapidly within their own countries; it is also an ideal tool for tapping foreign markets with established, successful systems. Today, there are more than 12,000 different franchise systems worldwide that are operated by over 800,000 franchisees.

The German franchising industry is also benefiting from this development. It has been growing more rapidly than the overall economy for years. In 2016, it recorded gains of almost 5 percent.

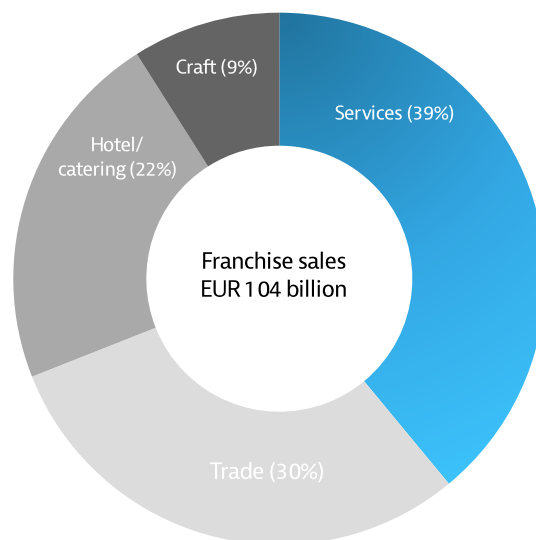
Germany's large population and steadily growing purchasing power make it particularly attractive for foreign investors who primarily have their roots in the service industry. Moreover, the German government views franchising as an engine that drives the establishment of businesses and livelihoods in Germany – a cause that it fully supports.

## The Industry in Numbers

- The turnover generated by the German franchising industry grew by 4.8% in 2016 to reach a total of EUR 103.9 billion.
- In 2016, around 950 franchisors operated in Germany.
- Approximately 120,000 independent franchisees employed around 700,000 people in 2016.
- In 2016, 39% of franchise systems in Germany were in the service sector, followed by retail with a share of 30%, food service and tourism with 22%, and skilled trades with 9%.

## The German Franchise Industry by Sector 2016

### The German Franchise Industry by Sector (2016, in percent)



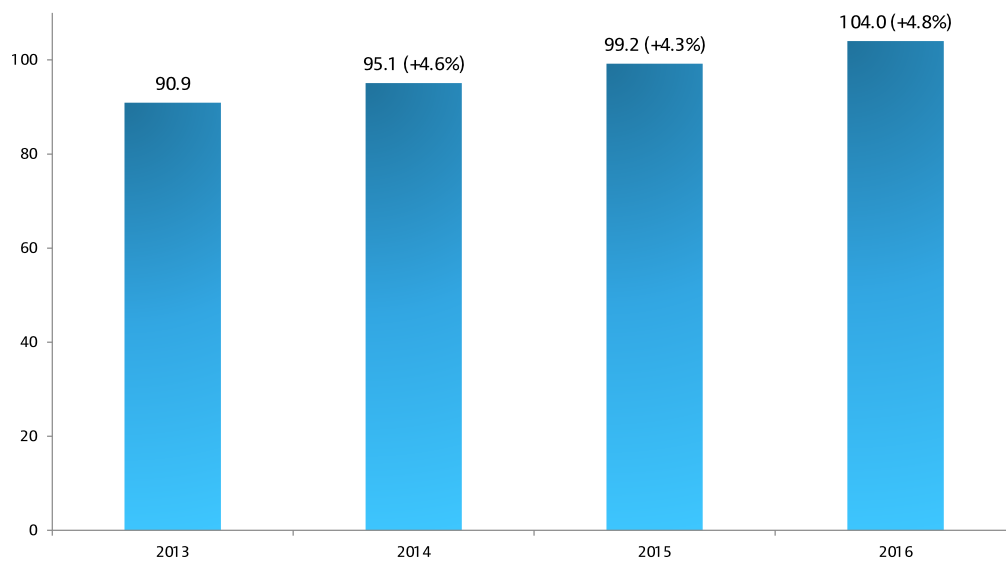
Source: German Franchise Association, 2017

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## Sales in the German Franchising Industry 2016

### Sales in the German Franchising Industry (2013 – 2016 , in EUR billion)



Source: German Franchise Association, 2017

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## Testimonial | Torben L. Brodersen, CEO, German Franchising Association, DFV



Torben L. Brodersen, Managing Director German Franchising Association (DFV) | © German Franchising Association (DFV)

“The level of internationalization in the German franchising industry is still quite low in comparison to other European countries, which means that Germany offers numerous attractive market entry opportunities for foreign franchising systems.”

### Market Opportunities

- Forecasts show, the turnover generated by the German franchising industry will continue to grow at a rate of 3-5 percent per year.
- The number of franchising systems operating in Germany is still relatively low compared to other countries: In France, for example, the number of franchisors is 40 percent higher than in Germany.
- The fields of home services (including in-home care and nursing), education/further training, skilled trades, and health care offer above-average opportunities for growth.
- Around 20 percent of new systems in Germany come from overseas.
- The majority of the franchising concepts active in Germany have less than 50 partner companies and are often not represented throughout the country.
- Multi-brand franchising is still relatively unknown but will become more important in the future.
- Around three-quarters of the German labor force has vocational training or a university degree. This allows franchisees and franchisors alike to find highly qualified personnel at all times.

## Market Entry

The preparation for and execution of market entry in Germany can generally be broken down into the following phases:

- Market analysis
- Personal visit
- Clarification of legal and tax conditions
- Development of a business plan
- Translation/drawing up of necessary documents such as the franchising contract, handbook, promotional materials
- Search for partner companies, followed by negotiations
- Setting up one or more pilot companies autonomously or in cooperation with a German partner
- Expansion, such as through development agencies or master franchisors

## Keys to Success

There are a number of possible approaches to successfully establishing a foreign franchising system in Germany, depending on the products or services offered and the franchisor's business strategy.

When implementing a new franchise concept, a decisive factor for success is for the franchisor (alone or in cooperation with a German partner) to set up one or more pilot companies, regardless of whether market entry/expansion is carried out by a development agency or a master franchisor. This makes it possible for franchisors to adapt their concepts to the German market while simultaneously looking out for additional potential franchisees.

Successful pilot companies are more than just the best possible advertising for interested franchisees; they are also an important tool for setting the right prices, which form the basis for long-term, shared success in the German market for both franchisors and franchisees.

## Related Links

- [German Franchising Association, \(DFV\) \(in German only\) ▶](#)
- [Deutsche Unternehmerboerse DUB.de – The portal to buy a business or franchise \(in German only\) ▶](#)
- [European Franchise Federation \(EFF\) ▶](#)
- [franchise-net \(in German only\) ▶](#)
- [Franchise Pool International \(FPI\) \(partly in English\) ▶](#)
- [FranchisePORTAL \(in German only\) ▶](#)
- [German Franchise Institute \(DFI\) \(in German only\) ▶](#)
- [International Franchise Association \(IFA\) ▶](#)
- [Institute for Brand Franchising \(in German only\) ▶](#)
- [International Center for Franchising & Cooperation \(in German only\) ▶](#)



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