

Franchising

Franchising is becoming a significant part of the German economy

The franchising of business concepts is more than just a relatively simple way to help companies grow rapidly within their home country; it is also an ideal tool for tapping foreign markets with established, successful systems.

The German franchising industry is also benefiting from this development. It has been growing more rapidly than the overall economy for years. In 2018, it recorded gains of more than 9 percent.

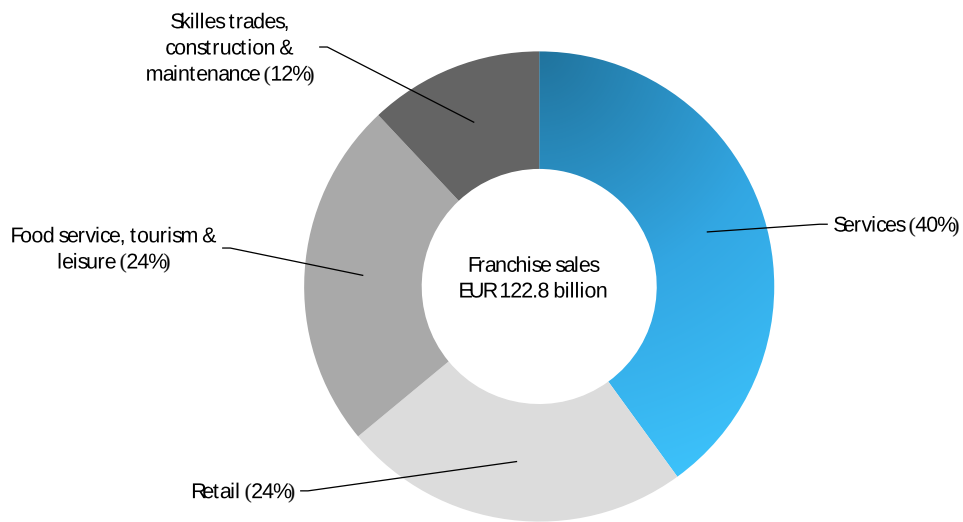
Germany's large population and steadily growing purchasing power make it particularly attractive for foreign investors who primarily have their roots in the service industry. Moreover, the German government views franchising as an engine that drives the establishment of businesses and livelihoods in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

The Industry in Numbers

- Sales generated by the German franchising industry grew by 9.4% in 2018 to reach a total of EUR 122.8 billion.
- In 2018, around 9993 franchisors operated in Germany.
- Almost 130,000 independent franchisees employed over 700,000 people in 2018.
- In 2018, 40% of franchise systems in Germany were in the service sector, followed by food service, tourism and leisure as well as retail with both having a share of 24%. Skilled trades, construction and maintenance reach a share of 12%.

The German Franchise Industry by Sector 2018

The German Franchise Industry by Sector (2018, in percent)

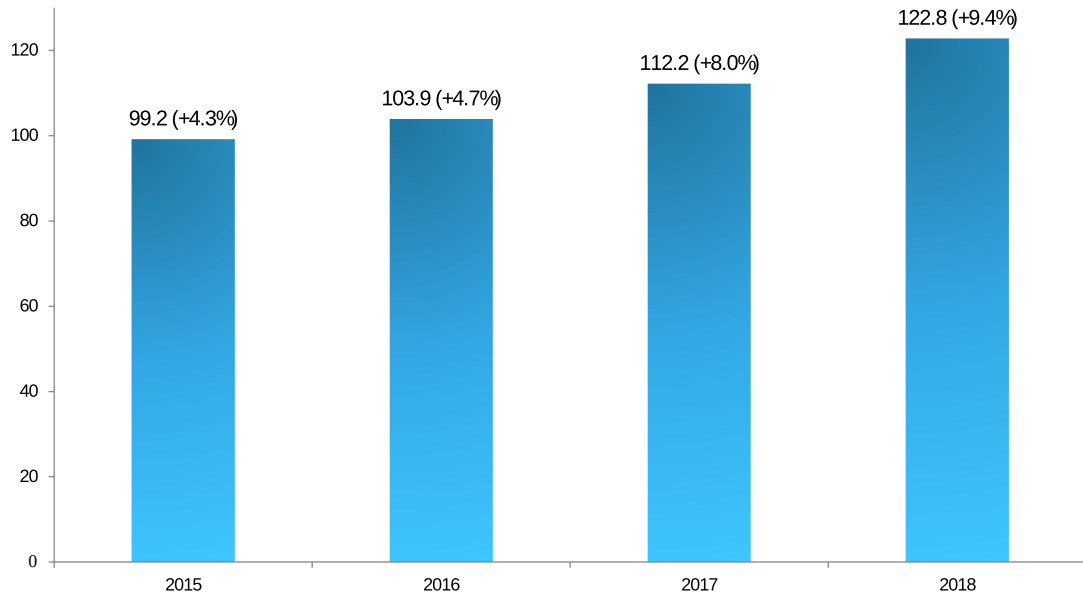


Source: German Franchise Association, 2019

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Sales in the German Franchising Industry 2018

Sales in the German Franchising Industry (2015 – 2018 , in EUR billion)



Source: German Franchise Association, 2019

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Testimonial | Torben L. Brodersen, CEO, 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

- The number of franchising systems operating in Germany is still relatively low compared to other countries like the UK or France.

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- The fields of home services (including in-home care and nursing), education/ training, skilled trades, and health care offer above-average opportunities for growth.
- Only 30 percent of all 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.


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Related Links

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

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