



FRANCHISING IN SPAIN: **2012 IN REVIEW**

*Prediction is very difficult,
especially about the future.*
(Niels Bohr)

Indeed, prediction is a tough business. A struggling economy coupled with extreme austerity measures did not forebode well for the Spanish franchise sector in 2012, especially after the minor dip of 2011. However, the tendency seems to have changed for the better and all the available figures point in that direction¹.

Franchises in Spain are showing impressive resilience as total turnover for 2012 was € 25.937,1 million, just 1.5% down from € 26.351,8 million in 2011. It's worth noting that establishments that belong to the franchise fared slightly better (+2.7%) than those that were franchised (-4.7%).

An interesting feature is that the number of franchises in Spain keeps on

growing and has reached 1,040 in 2012 (+93), with 80.3% of Spanish origin and 19.7% foreign. France (50 franchises), USA (37), Italy (32), Portugal (11) and the UK (9) take the top 5 positions of foreign franchisors.

The number of establishments has also risen (+ 1,479) for a total of 59,758 with food, health/ beauty and catering/ restaurant sectors claiming the top three spots. In a year of record breaking unemployment, the number of employees (+5.641 or + 2.3%) for a total of 246,354 should also be celebrated.

If we look at the regions where the franchises have their headquarters, Madrid still takes the lead with 286, followed closely by Catalonia (275), and further away Valencia (119) and Andalucía (104). These four regions represent 75.3% of the total number.

¹ All quoted figures sourced from the Spanish Franchise Association.

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Man who waits for roast duck to fly into mouth must wait very, very long time (Chinese proverb)

Undeterred by the difficulties at home (or perhaps because of them) Spanish franchises are still doing quite well abroad. During 2012 five more countries received a Spanish franchise for a total of 123 (+4.2%) and the number of franchises abroad has gone up from 271 to 279. The number of establishments also went up from 17,081 to 18,688; and the number of franchises with more than 100 establishments abroad has reached a total of 29.

The top 5 sectors abroad are fashion (73 franchises), hospitality/ catering (47), beauty (32), specialized boutiques (24), furniture and household textiles (13). And the top 10 countries: Portugal (a whopping 192), Mexico (78), Andorra (76), France (62), Italy (53), Morocco (41), United Kingdom (38), Venezuela (34), Saudi Arabia (33) and UAE (33).

Three issues are worth noting: a) Portugal's continuing importance as the first market for the internationalization of Spanish franchises; b) the all-important Hispanic market, with Mexico and Venezuela as its stalwarts, but followed closely by the Dominican Republic, Colombia, Guatemala and Panama (with 31/ 30 franchises each); c) and the Arab market with Kuwait and Qatar rounding out the picture.

If we look at the number of establishments things change quite a bit, the top 10 now being: Portugal (3,002), France (1,792), Turkey (1,360), Italy (1,137), Brazil (1,093), Mexico (1,027), China (946), Venezuela (742), Argentina (686) and Greece (642). However, these numbers do not tell the whole story, as the biggest increase in the number of establishments took place in Africa (+ 24.86%) and Asia (+ 18.17%).

There is definitely something to be learned here. Spanish franchises have dealt with the crisis by going international and Spain's wide array of double taxation treaties (DTTs) have certainly helped them boost their business abroad.

Spain has concluded 98 DTTs with 84 presently in force, and two interesting developments: the adding in recent years of a substantial number of them in the Middle and Far East (Qatar, India, Hong Kong, Singapore, Oman and Pakistan); and a fuller picture in the American continent where Spain has a significant advantage in this regard (Panama and the Dominican Republic).

So all in all, a tough but successful year for the Spanish franchise sector in light of the bad economic omens, and a continuing effort to be expected on the foreign front.



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