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Franchising in Greece

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Profile of the franchises

Franchising first appeared in Greece in the mid-70s. Until the late 80s, there were no more than a dozen of Greek franchises. Today, 10 years later and as we approach year 2000, Greek franchises are estimated at around 250 and franchised outlets at around 4460. However, the potential for franchising in Greece is enormous. Despite the recent growth, retail sales through franchised outlets, do not exceed 5% of the total.

At the same time, the Greek economy offers the following unique characteristics, which make franchising very attractive:

- it has the highest percentage of self employed people across Europe and possibly one of the highest worldwide - 50% or higher. The Greek business culture, therefore, welcomes the idea of managing your own business;
- it is one of the fastest growing economies in Europe with a growth rate of about 4% which, after the recent economic restructuring measures, is forecasted to rise to 5 or 6% by year 2000. Moreover, due to the same measures, Greece has secured its place in the European Monetary Union EMU, along with the associated benefits of one strong currency and free capital movements;
- on the other hand, the Greek market is moving fast from being a "seller's market" to becoming a "buyer's market". Proof of this is the increasing price and quality competition which has driven many traditional stores out of business;



It is, therefore, no longer the case of finding the initial capital to open a shop that will guarantee success. Professional marketing and organizational principles must be applied, services traditionally offered by the franchisor;

- there is a lot of idle cash seeking profitable investments, as evidenced by the rise in the Greek stock exchange.

Most of this cash lies in the hands of self-employed people who:

- on the one hand have high rates of consumption and are an excellent clientele of retail chains;
 - and, on the other hand, use it to exploit new business opportunities as interest rates fall (down from a tax-exempt 20% on government bonds as recently as 5 years ago, to a taxable 7-8% currently);
- the idea of a “franchise fee” for joining a franchise chain and acquiring the necessary know-how is becoming increasingly acceptable.

It should, therefore, come as no surprise that the 1st / 2nd Greek International Franchise Exhibitions, KEM 99 and KEM 2000 respectively, attracted 87 / 140 exhibitors, including 22 / 33 international participations, and approximately 15.000 / 18.000 visitors. This really substantial interest proved that Greek franchising is past the stage of infancy and into the stage of rapid development. This is also confirmed by a recent study about franchising in Greece¹:

- a prospective franchisee can set up his franchise with as little as 20 thousand Dollars and as much as 800 thousand Dollars or more. Similarly he can run his own shop with as little as one assistant or set up his fast food eatery with 50 or more employees;
- the initial franchise contract duration usually is 5-10 years but can be as short as 1 year or as long as 20 years or more;
- a considerable number of franchisors, although to a different extent depending on the sector, participates in the investment of the franchisees or actively supports them in seeking finance;

¹ ICAP - Arthur Andersen: Franchising in Greece: Development and Prospects, 1998



- existing franchises cover many areas from fast food to sports centres and from toiletries and cosmetics to foreign language centres. The breakdown of the greek franchise industry is:

Type of Activity	Breakdown of Franchises by Activity		
	in Total	among Greek	among Foreign
Restaurants	21,1%	18,6%	28,0%
Food Retailing	16,8%	20,0%	8,0%
Clothing and Footwear	13,7%	12,9%	16,0%
Home Improvement	6,3%	8,6%	0,0%
Non-food Retailing	22,1%	25,7%	12,0%
Health and Beauty Care	5,3%	5,7%	4,0%
Business Aids and Services	5,3%	2,9%	12,0%
Education	9,5%	5,7%	20,0%
Breakdown between Greek and foreign franchises		73,7%	26,3%

Profile of the franchisees

In what follows, we present extracts from a study carried jointly with KEM SA, the organisers of KEM 99, the 1st International Franchise Exhibition in Greece². This study profiles the visitors of KEM 99, i.e. profiles potential franchisees, as this was registered by the almost 6,000 visitors that answered the questionnaire that was provided. The full study will be presented in Athens in mid-September and, therefore, a complete presentation of its results will be made at the conference.

KEM 99 took place at the Athens Exhibition Centre between January 29th and February the 1st, 1999. The exhibition took place under the auspices of the National Confederation of Greek Trade and the Franchise Association of Greece.

² KEM SA – JBR Hellas Ltd.: KEM 99 – 1st International Franchise Exhibition, Visitors' Profile, Forthcoming



Eighty-seven exhibitors, including twenty-two foreign participations from Italy, France, U.S.A and Canada, participated in KEM 99. The exhibition attracted approximately 15.000 visitors.

The visitors, during their admittance to the exhibition centre, were asked to fill in a questionnaire. From the 15,000 visitors, almost 6,000 filled in the questionnaire, making it possible to draw safe conclusions.

Herebelow, follow some indicative findings:

- Visitors expressed a lot of interest in Food & Restaurants and Business Services. There was also a significant interest for Foreign Participations;
- The majority of the visitors stated as their profession Business Owners or General Managers in companies;
- Among the visitors, the largest age group was that of 30-44, while second came the under 30s;
- The majority of visitors were capable of investing 20,000 – 100,000 USD, while a sizeable proportion of visitors stated that they were in position to invest considerable amounts exceeding a 250,000 USD;
- A very large proportion of the visitors owned shop premises;
- Finally, a very large percentage of visitors were interested to acquire a master franchise.