



# Franchising in Honduras

## Overview

Despite several years of continuous growth, the popularity of franchise business concepts continues in Honduras, especially in the fast food and casual dining sectors. The first franchising concept starting operations in Honduras dates back to the late 1980's, with the establishment of Pizza Hut. Honduras' population as of September 2007 has been estimated at 7.4 million, with Tegucigalpa, the capital, at 1,324,000 and San Pedro Sula, the country's main business center, at 898,000 inhabitants. Population density in urban areas indicates that franchising will continue expanding into new business sectors. Honduras has over 65 international franchises concentrated throughout these two main cities.

No official figures on the franchise sector are available, and the industry has not yet formed an association. Honduras has no locally developed franchises. With a dominant share from US franchises, the market is expected to grow 10 percent per year during the next 3 years. Prospective new franchising entrants are encouraged to pay close attention to intellectual property, financial, and taxation aspects of doing business in Honduras. Both U.S. companies and potential franchisees engaging in this type of investments should also conduct extensive market research; commit to building a sound, long-term business plan; allow enough flexibility to adjust the existing business model to accommodate local cultural differences; have a legally bound franchise agreement, detailed operations manuals, good training program; and work out a development schedule for master licenses realistic to the Honduran market.

## Best Prospects/Services

In addition to the food/beverage and casual dining sub-sector, demand for convenience, hotels/motels and resorts, and entertainment services is growing rapidly. These services include dry cleaning, pest control, day care learning centers, security, advertising, real estate, discount stores, convenience store/pharmacy, personal care, cosmetics and toiletries, and casual clothing. U.S. franchises tend to have high brand recognition among the general public.

## Opportunities

Market developments involving tourism, construction, and social infrastructure projects should create excellent prospects for U.S. franchises interested in exploring the Honduran market. A good indicator of potential opportunities in the franchising sector is the country's emphasis on supporting tourism development as a key cluster for economic growth. As one of the fastest growing industries in Honduras, tourism is diversifying its products to attract more visitors. Strong efforts in promoting Honduras as one of the world's top tourism destinations have resulted in a 78 percent increase in the number of tourists for the period 2002 to 2007.

The government is encouraging investments in large-scale projects, such as the Tela Bay tourism complex, which will bring franchise concept opportunities in connection to the establishment of hotels, restaurants, and beach resorts. Other high growth tourism areas are the Bay Islands and Copan Valley. Urban modernization and a highly consumer-oriented society are attracting increased investments in the construction of large shopping malls and retail outlets throughout the country's largest cities (Tegucigalpa, San Pedro Sula, and La Ceiba), providing additional opportunities for securing strategically located franchise outlets.

There is no special franchise legislation in Honduras. Franchise companies are subject to normal trade laws such as paying a 25 percent tax on royalties and a value-added tax of 12 percent. Under the CAFTA-DR trade agreement, most import duties for U.S. exports have been reduced.

When Central American investors consider a franchise concept, they look for reputable franchisors with a worldwide presence and solid acceptance in other markets, able to provide extensive training and start-up support. Local investors also look for recognizable trademarks, as local consumers consider recognizable U.S. trademarks as high quality articles. Potential franchisees are usually young, wealthy executives familiar with the U.S. and other countries or large corporations that already own more than one franchise in different industry sectors, such as fast food.

## Resources

U.S. International Buyer Program Trade Shows:  
International Franchise Expo

<http://www.franchiseexpo.com>

Other Resources:

Honduras Trade Portal

<http://www.sic.gob.hn>

International Franchise Association

<http://www.franchise.org>

CAFTA-DR Website

<http://www.export.gov/cafta>

U.S. Commercial Service

<http://www.BuyUSA.gov/centralamerica>