



# Italy: Franchising

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## Summary

Franchising is still an underdeveloped sector in Italy. Compared to most other European countries, Italy has fewer U.S. franchise brands. Many U.S. concepts, in particular those related to services (food sector, senior care, pets, etc.) may have significant potential opportunities in the local market.

## Market Demand

Franchising began in Italy in 1971, when the first franchise brand was launched. Franchising in Italy has come a long way in this relatively short time. This sector plays a significant role in the Italian economy, and it is one of the few sectors of the economy that is growing steadily, even though at a slower pace than in the past.

Franchising seems to be an effective instrument to face the economic crisis, thanks to the flexibility of the franchising system and the skills of franchisors, masters and franchisees. This allows the most competitive brands to consolidate and expand their presence on the market; at the same time new concepts can develop.

Foreign franchisors are certainly interested in the Italian market, as Italy is one of the largest economies and boasts a high standard of living. Some franchise concepts also benefit from Italy's position as a leading destination for international visitors coming from abroad for leisure and business reasons.

## Market Data

In 2008, according to data from Assofranchising, the oldest Italian franchise association, Italy had around 852 franchisors, 53,434 franchisees and 182,215 employees (including also outlet owners). In 2008, the sector's turnover exceeded 21 billion euro (about \$30 billion).

[http://www.assofranchising.it/images/stories/documenti\\_vari/rapporto2008versionesintetica.pdf](http://www.assofranchising.it/images/stories/documenti_vari/rapporto2008versionesintetica.pdf)

Currently, the presence of foreign franchisors is relatively stable, with around 80 foreign brands. The total number of U.S. companies in the local market is relatively small, but U.S. franchising firms rank first among foreign companies, with about 30 brands. [http://www.confimprese.it/pdf/studi-ricerche/Confimprese-Ricerca-Franchising-17-10-08\\_Rev.pdf](http://www.confimprese.it/pdf/studi-ricerche/Confimprese-Ricerca-Franchising-17-10-08_Rev.pdf)

## Best Prospects

Franchising networks are active in many sectors: the food, real estate and apparel sectors are the most developed.

In general the services sector has shown the best market potential and has been growing at a rapid pace over recent years, both in terms of franchisers and franchisees. Its adaptability, and the generally low financial investment required, makes it a "hot" prospect for U.S. firms.

The hotel and restaurant sector appears to be well suited for expansion. U.S. food, restaurants, and beverages formulas appeal to local businesses eager to identify themselves with well known brands and proven successful operations.

Good opportunities are expected to arise also in the personal care services, especially as regards senior care, due to the aging Italian population.

Last but not least: Italy's booming pet sector may supply interesting opportunities for specialized franchisors in that field.

## Key Suppliers

Key Italian franchise competitors include companies operating in many sectors. Real estate is arguably the most important one, with companies such Tecnocasa (over 2,700 outlets, [www.tecnocasa.it](http://www.tecnocasa.it)), Pirelli Re (about 530 outlets, [www.pirellirefranchising.com](http://www.pirellirefranchising.com)), Tempocasa (about 500 outlets, [www.tempocasa.com](http://www.tempocasa.com)), and Gabetti (about 700 outlets, [www.gabetti.it](http://www.gabetti.it)).

Fashion is another sector which boasts a lot of major franchised networks, with companies such as Calzedonia (more than 600 outlets, [www.calzedonia.it](http://www.calzedonia.it)), Intimissimi (more than 530 outlets, [www.intimissimi.it](http://www.intimissimi.it)), Geox (about 165 outlets, [www.geox.com](http://www.geox.com)), Carpisa (about 450 outlets, [www.carpisa.it](http://www.carpisa.it)), and Yamamay (about 500 outlets, [www.yamamay.it](http://www.yamamay.it)).

In the food distribution sector, a couple of groups, SMA (about 1,400 outlets, [www.sma.it](http://www.sma.it)) and Eurospin (over 400 outlets, [www.eurospin.it](http://www.eurospin.it)). Other major networks are Buffetti (office supplies, about 800 outlets, [www.buffetti.it](http://www.buffetti.it)) and Vision Service (optical, about 850 outlets, [www.vision-service.com](http://www.vision-service.com)).

Some of the most successful U.S. franchisor are also active in Italy: Blockbuster, Dallas, TX, [www.blockbuster.com](http://www.blockbuster.com) (about 70 outlets), Burger King, Miami, FL, [www.burgerking.com](http://www.burgerking.com) (about 55 outlets), Color-Glo, Minneapolis, MN, [www.colorglo.com](http://www.colorglo.com) (about 50 outlets), Levi's, San Francisco, CA, [www.levistrauss.com](http://www.levistrauss.com) (about 50 outlets), Mail Boxes Etc., San Diego, CA, [www.mbe.com](http://www.mbe.com) (about 550 outlets), McDonald's, Oak Brook, IL, [www.mcdonalds.com](http://www.mcdonalds.com) (over 300 outlets), RE/MAX, Greenwood Village, CO, [www.remax.com](http://www.remax.com) (about 225 outlets), Sign-A-Rama, West Palm Beach, FL, [www.signarama.com](http://www.signarama.com) (about 10 outlets), Subway, Milford, CT, [www.subway.com](http://www.subway.com) (about 12 outlets), and Timberland, Stratham, NH, [www.timberland.com](http://www.timberland.com) (more than 110 outlets).

## Market Entry

In Italy, franchising is regulated by a law issued in 2004 (Legge 6 maggio 2004 n° 129: "Norme per la disciplina dell'affiliazione commerciale", 'Regulations for the discipline of franchising', published in the Official Gazette of the Italian Republic on May, 24<sup>th</sup>, 2004, number 120 del 24 maggio 2004). The law set general guidelines governing franchising contracts.

A decree modifying some aspects of the discipline of franchising, (Decreto 2 settembre 2005 n° 204) was published in the 'Official Gazette of the Italian Republic' on October 4<sup>th</sup>, 2005 n° 231 ("Regolamento recante norme per la disciplina dell'affiliazione commerciale di cui all'art. 4, comma 2, Legge 6 maggio 2004, n° 129").

The Italian business community has a positive perception of the American franchise companies and recognizes their predominance in the world marketplace.

U.S. franchising is recognized countrywide as the leader in the sector and is considered the primary source for innovative concepts and profits. Good opportunities exist for U.S. franchisors to penetrate the Italian market successfully, provided that they have the flexibility to adapt to local business practices too.

Successful new franchises have created awareness in the Italian business community of franchising as an innovative way to introduce a business concept. This perception is enhanced not only by events such as the franchising trade shows in Italy, but also by favorable publicity in leading financial and trade magazines.

American franchising concepts that have proven successful in other European countries and have adapted to local conditions may be better prepared and positioned for Italy than those that are totally new to Europe.

## Market Issues & Obstacles

It is worth noting that Italian companies and investors are at times skeptical when American franchising concepts appear to be in conflict with Italian cultural and traditional practices.

Moreover, U.S. franchisors should take into account the relative size of Italy compared to the U.S. or other markets and be prepared to adjust as necessary to fees and expectations of a local master franchisee. Entry fees that are deemed excessive by the potential master licensee can preclude an agreement between would-be partners. In some cases, it may be advisable for the two parties to start small and grow their business and agreement over time. Local potential partners point to the fact that the entry fee is a down payment on a much more expensive endeavor, the implementation of the franchising project and the creation of regional or national network.

## Trade Events

Franchising & Trade, Italy's largest franchising how, will be held in Milan, Italy, October 15<sup>th</sup>-18<sup>th</sup>, 2010, [www.franchising.expocets.it](http://www.franchising.expocets.it)

Franchising and Innovative Trade Expo will be held in Catania, Italy, March 5<sup>th</sup>- 7<sup>th</sup>, 2010, [www.fieradelsud.com/franchising/2009/intro.html](http://www.fieradelsud.com/franchising/2009/intro.html). This initiative is focused mainly on opportunities in southern Italy, and the Mediterranean Basin.

E Franchising will be held in Turin, Italy, March 26<sup>th</sup>-28<sup>th</sup>, 2010, [www.efranchising.it/](http://www.efranchising.it/). This is an initiative, focused mainly on opportunities in Piedmont and northwestern Italy.

Rome Expo Franchising will be held in Rome, Italy, April 16<sup>th</sup> - 18<sup>th</sup>, 2010, [www.ref-franchising.it/](http://www.ref-franchising.it/). This initiative is especially helpful for those franchisors that are interested in developing their activities in the central-southern part of Italy.

## Resources & Contacts

The U.S. Commercial Service is organizing, as in the past, a U.S. Pavilion at the 25<sup>th</sup> Edition of "Franchising & Trade" in Milan, in October 2010. The aim is to facilitate the participation of U.S. franchisers in the leading local trade show in the sector, and help them in contacting potential master franchisees in Italy.

This show seems to be one of the best opportunities to get in touch with potential Italian partners in the sector, especially if U.S. companies request CS Italy to pre-arrange meetings during the show.

We are also eager to assist U.S. franchise concepts interested in entering the Italian market through other activities and events. For more information, contact:

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**Trade Associations:**

**Assofranchising** (Italian Franchising Association)

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**FIF** - Federazione Italiana Franchising (Italian Franchising Federation)

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## For More Information

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