



# Spain: Franchise Sector outlook

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## Market outlook

The outlook of the Franchise sector for 2009 in Spain is that it will be a very challenging year to introduce new franchises. It is likely that the total revenue will be slightly lower than in 2008, while new openings of outlets will not compensate for expected closures. An additional factor is the restricted access to financial resources for new ventures, due to more stringent requirements by local financial institutions. On the plus side, there will be additional prime commercial real estate available in the market, a hurdle often mentioned in the past as limiting the expansion of franchise systems in the country.

Some current information about the market published by [Tormo & Asociados](#), a Spanish franchise services firm, provides a snapshot of the industry:

- Total revenue for 2008 is estimated at 20.9 billion (\$27.5 billion), a 2.8 percent increase over the previous year.
- There were 968 separate franchise systems in Spain in 2008, representing 72,373 units, a 5.2 percent growth over 2007.
- As for country of origin, Spanish franchise systems dominate the market and now account for almost 83 percent of the sector. The remaining 17 percent of the franchise systems are mainly from the United States, France and Italy.
- The Spanish market is made up of a number of regional markets joined by the two hubs of Madrid and Barcelona. Eighty percent of the master franchisors are based in just four areas: Madrid (32 percent), Catalonia (25 percent), Valencia (12 percent) and Andalusia (11 percent).
- The main segments within the franchise sector reported the following turnover in 2008. Services had revenues of 6.6 billion (\$8.6 billion), 32 percent of the total, while the percentage share in the retail and food/restaurant sectors was 50 percent, 10.4 billion (\$13.7 billion) and 18 percent, 3.7 billion (\$4.8 billion) respectively.

Given the ever-increasing sophistication of franchising in Spain, potential master franchise investors tend to work closely with a select group of franchise consulting firms (list available under request) that are extremely pro-active in the sector.

## Market access

Spain has enacted European Union regulations on franchising, distribution agreements and exclusive purchases. The key Spanish legislation about franchising is:

- [Royal Decree 419/2006](#), modifying some aspects of RD 2485/1998.
- [Royal Decree 2485/1998](#), on Franchise and the creation of the franchise registry.
- [Law 7/1996](#) on Retail Trade.

Foreign companies not domiciled in Spain are required to register with the [National Franchise Registry](#). This should be taken into consideration before heading into the Spanish market. Detailed information on the requirement to register available in Spanish at the Ministry of Industry's [franchise webpage: www.comercio.es](#)

Franchise companies are also bound by the disclosure of pre-contractual information requirement including but not limited to contract term and termination, details on the franchise system, agreements on transfer of know-how,

management service fees and levels of royalties and submission of disputes to foreign arbitration or courts. Foreign franchisors must provide all the information outlined above as well as what they are mandated to provide under their national legislation.

Another interesting point is the submission of disputes to foreign arbitration or courts. It is worth noting that although a contract may indicate that any dispute will be subject to U.S. law, depending on the nature of the dispute, certain relevant EU regulations may have precedence and make the dispute subject to EU legislation.

U.S. companies must also be aware that Spain is highly decentralized. Spain has seventeen Autonomous Communities, and one might have to adapt to different commercial legislation on opening hours, linguistic environments and consumer information requirements.

Regarding commercial real estate, companies should take into account that although large investments have been made in past years, the price/location relationship is a major hurdle to local franchise expansion in the major cities. The Spanish Shopping Centers Association [www.aedecc.com](http://www.aedecc.com) offers statistics of malls in Spain and the distribution by each Autonomous Community.

It is important for U.S. companies planning on entering the Spanish market to recognize that although Spanish investors perceive U.S. franchises as strong and vital, they often consider the entry fees of master franchisors proposed by U.S. companies as out of touch with the local market conditions. In addition, they complain that some U.S. companies assume the automatic transferability of their concepts to Spain, without taking the time and effort to adapt the franchise concept to the local market and customer tastes. This could be a major obstacle in creating successful relationships.

### **Additional sources of information & publications**

- Franquicias Hoy: [www.franquiciashoy.es](http://www.franquiciashoy.es)
- En Franquicia: [www.quefranquicia.com](http://www.quefranquicia.com)
- Franquicias & Negocios: [www.franquiciasynegocios.es](http://www.franquiciasynegocios.es)
- Tormo: [www.tormo.com](http://www.tormo.com)
- Spanish Shopping Centers Association [www.aedecc.com](http://www.aedecc.com)
- The exchange rate used throughout the report is: 1 = \$1.32

Spanish Franchisors Association (AEF)  
C/ Juan Ramón Jiménez, 8, 1ª planta, despacho 4  
28036 Madrid  
Tel: +34 912 776 410  
[www.franquiciadores.com](http://www.franquiciadores.com)

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Tel: +34 902 404 050  
Fax: + 34 91 576 3160  
[www.aedef.com](http://www.aedef.com)

Fair: EXPOFRANQUICIA  
City: Madrid  
Dates: May 7-9, 2009  
Website: [www.expofranquicia.ifema.es](http://www.expofranquicia.ifema.es)

Fair: Salon BNF  
City: Barcelona  
Dates: March 19-21, 2009  
Website: [www.salonbnf.com](http://www.salonbnf.com)

Fair: SIF  
City: Valencia  
Dates: October 22-24, 2008  
Website: [www.sif.feriavalencia.com](http://www.sif.feriavalencia.com)

### For More Information

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