

Morocco Franchise Market Information

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Franchising in Morocco

Although franchising in Morocco started in the 60's, it has only flourished during the last 15 years to become a real investment fashion among middle-age entrepreneurs. In fact the progress of franchising activity shows two periods. Before 1990, the growth rate of franchising was of one every 5 years, whereas it was noted after that date the appearance of a new franchise every two to six months, with a 73% annual growth rate over the last three years.

Nowadays, franchising activity in Morocco is present through 363 franchise networks, representing 310 brands and 2726 sale points, owned and operated by 1041 franchisee, 141 of which are master franchisees. The distribution of sales points shows a strong concentration in the metropolitan area of Rabat-Casablanca due to its high population density and purchasing power.

While 55% of the franchising activity is dominated by distribution, 45% is occupied by service. The clothing, food services, home furnishing and shoe retail occupy 45% of the market.

By country of origin, French franchises have a predominant position of 45% of the market with 27 franchises. American Franchises occupy the second rank with 20 brands and 12% of the market. American franchise has the lion's share in the Food business (McDonald's, Pizza Hut, El Rancho, Domino's, KFC, TGI Friday's, etc), Car rental (Budget, Avis, Hertz, Dollar), and Education (Futurekids), The Fourth R, Dale Carnegie, Wall Street Institute, Berlitz). Although 83% of the franchises are imported, Moroccan young entrepreneurs have developed 15% of total franchises, considered as the most efficient way of expanding their businesses, which allowed them to acquire national notoriety without tremendous investment

In spite of this growth, the Moroccan market is far from saturation and new niches are worth the exploration. Micro-franchising in Europe was proven to be the survival tool for small convenience retails such as grocery stores, butchery, bakery, pre-cooked food etc.. In fact, in order to face the competition of the large distribution, the smaller retails are encouraged to be part of a large business group (franchise), and receive the managerial and promotional support of the franchiser.

Moroccan franchisees justify their choice by three criteria:

- 47% of the Master Franchisees highlighted the security aspect of a franchise. They indicated that in the globalization context, the consumer is sensitive to the brand as well as to the product itself.
- 30% of the franchisees mentioned the importance of the training and managerial support provided by the franchiser along the operation of the franchise.
- 7% of the franchisee evoked the importance of having a regular supply of goods, which are of reliable quality.

In spite of the attractiveness of the franchising activity in Morocco, the sector remains non-regulated. Therefore, it became more than urgent to implement a regulatory framework to protect the franchise. As a first step, the Moroccan Franchise Association (AFM), created in 2002, has taken the initiative of creating a professional code of ethics, which defines the rules and the limits of a good functioning of this activity. The AFM has the role of helping Moroccan potential franchisees to identify their needs and better negotiate the terms of their franchise contract. However, other obstacles need to be overcome:

- Lack of protection of Trademarks
- Tolerance with regard to counterfeiting
- Lack of a financing mode adapted to the specifics of franchising. In fact, although banks prefer to finance a franchise than an independent business, financing usually

excludes the franchise fees, which are, most of the time, the bulkiest part of the investment.

- Absence of consulting firms specialized in the franchising activity.

This last point was mainly responsible for the failure of a few franchises (Nectar, Benetton, Megastor, NafNaf, Vitalise, Simon Mahler, Subway and Dairy Queen). The concept was generally not adapted to the Moroccan consumption habits, and a lack of a feasibility study prevented the franchisee from detecting the obstacles on time.

Best Prospects:

American brands are highly perceived by the Moroccan consumer, especially in the Food service. However, many potential buyers of a franchise are not ready to pay a high franchise fee. They prefer to pay higher royalty rates as they are determined to make the business profitable. Therefore, proposals of franchises with a moderate franchise fee may receive a larger audience. The following sectors are considered to be the most attractive industries that would interest Moroccan franchisees:

- Fast-Food/Beverages
- Education / training (Languages, Executive training and Higher education)
- Supermarket, Hyper-mart chains
- Houseware and Linen
- Temporary employment services
- Business building management services
- Entertainment (movie houses, family parks)

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