

Franchising Census Egypt 2004

Commissioned by:

**SFD - SEDO, Franchise
Department**



Conducted by:

Marketeers-Egypt

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This Report Covered:

- ◆ Franchised Systems
- ◆ Potential Systems

Points Covered Through Research

- ◆ Purpose of the census
- ◆ Research Methodology
- ◆ Findings

Main Purpose For This Census

- ◆ To mobilize & increase investment flows in Egypt.
 - through increasing the awareness toward Franchising system.
- ◆ Serves as a directory for Franchised systems in Egypt.

Research Methodology

It is outlined as follows:

1. Questionnaire design & approval
2. Franchisor database collection & verification
3. Fieldwork to complete the questionnaire
4. Data verification & processing
5. Information analysis & report writing

Response Rate

- ◆ Out of 779 verified systems,
 - 364 (46.7%) responded & fully or partially completed the questionnaire.

- ◆ For Franchised systems,
 - response rate was 152 out of 209 (72.7%).



Findings: Overall

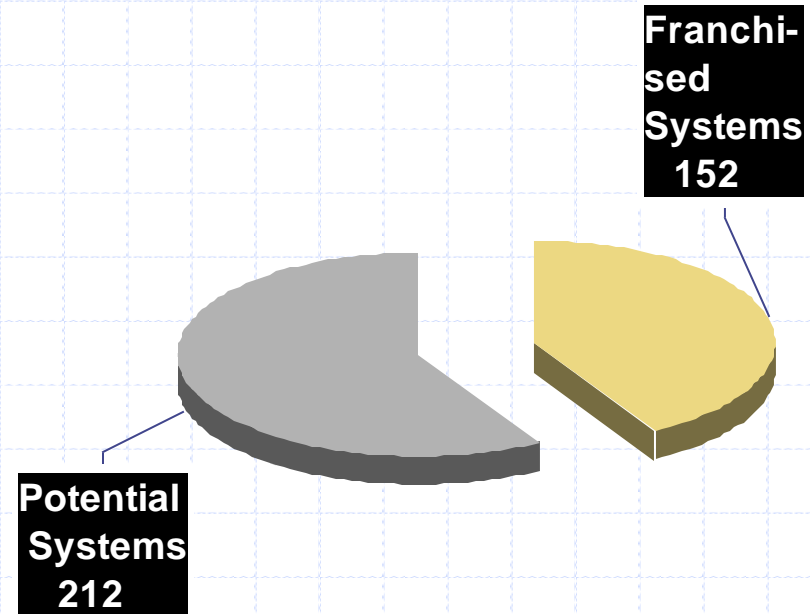
Briefing Outcome

Report covers 364 systems including:

◆ The 152 Franchised systems

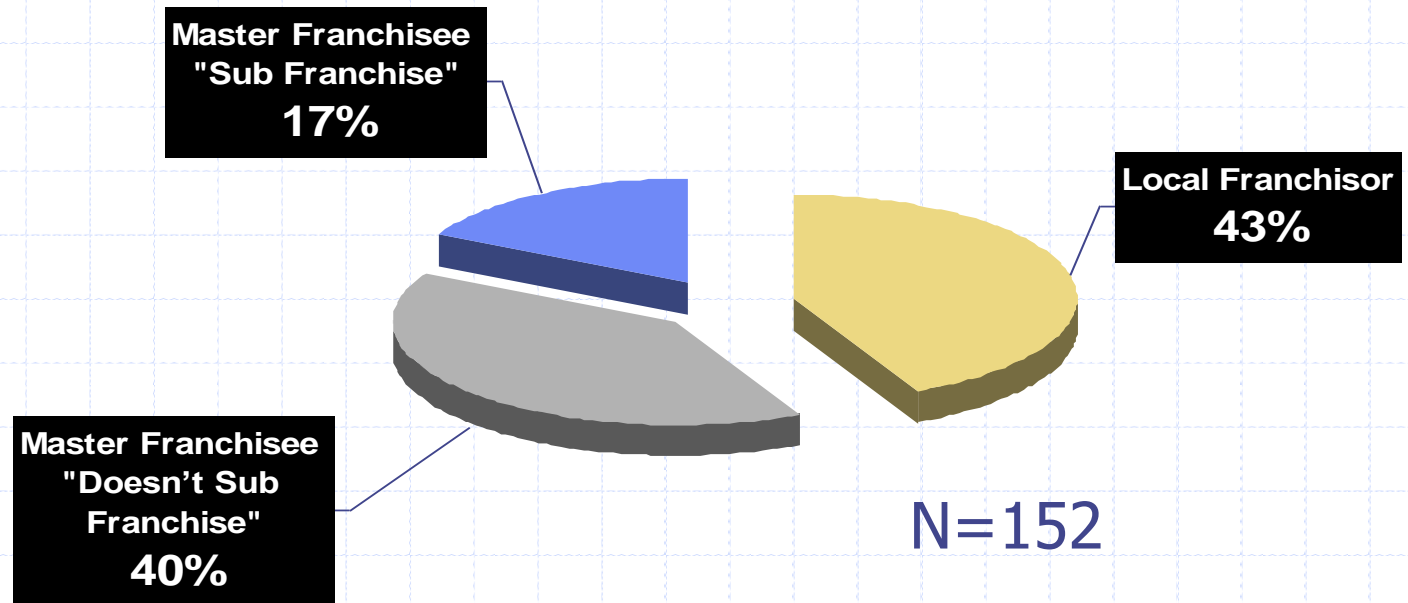
- Out of 209 identified

◆ The 212 Potential systems for Franchising



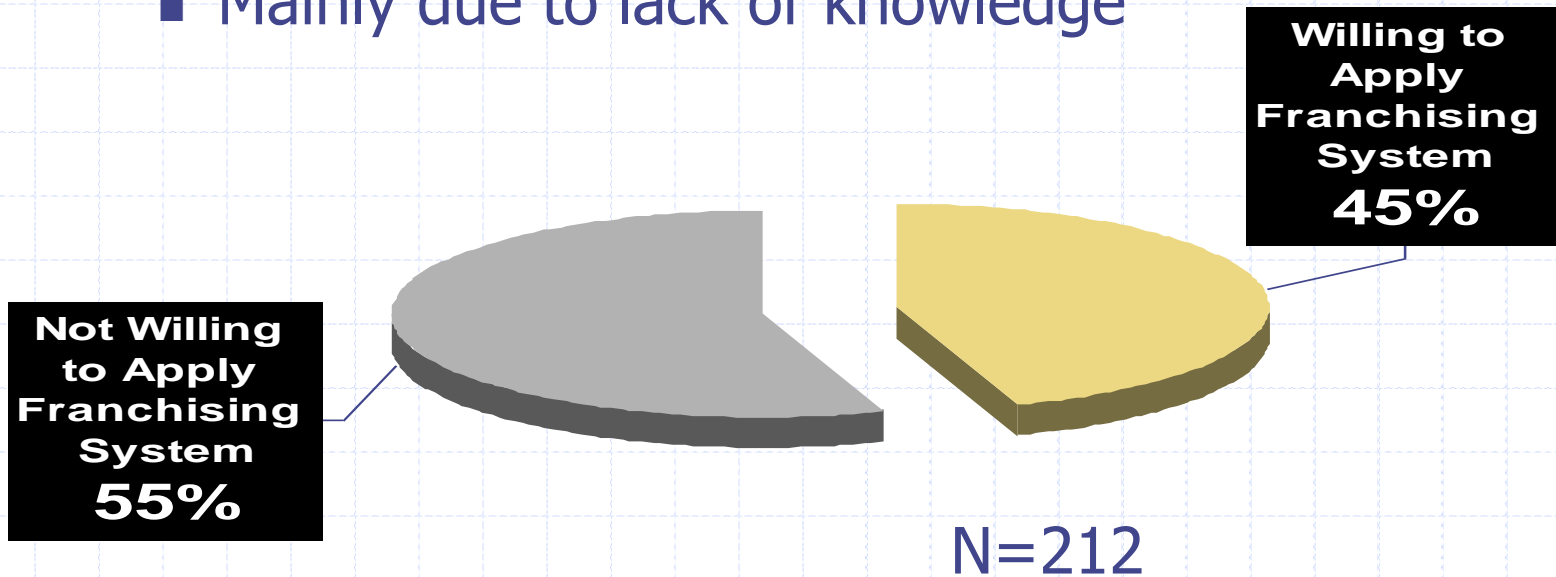
Franchising Systems

- ◆ Master franchisee
 - Those who sub franchise (17%)
 - Those who operate by themselves (40%)
- ◆ Local franchisor; Egyptian Brands (43%)



Potential Systems

- ◆ Willing to apply franchising system
- ◆ Not willing to apply franchising system
 - Mainly due to lack of knowledge



Findings: Detailed

Covers both franchise & potential for franchise (364 system)

1. System Categories

- ◆ **Retail sector** represents **48.9%** of the total systems conducted as it covers:
 - Clothing & fashion
 - FMCG (Supermarkets)
 - Home products & furniture
 - Leather products...
- ◆ **Other categories** represent **51.1%** are distributed among 20+ categories

2. General Information on Franchisor/Owner

- ◆ Business Type
- ◆ Age Distribution
- ◆ Gender Distribution
- ◆ Duration of Business
- ◆ Duration of Franchising

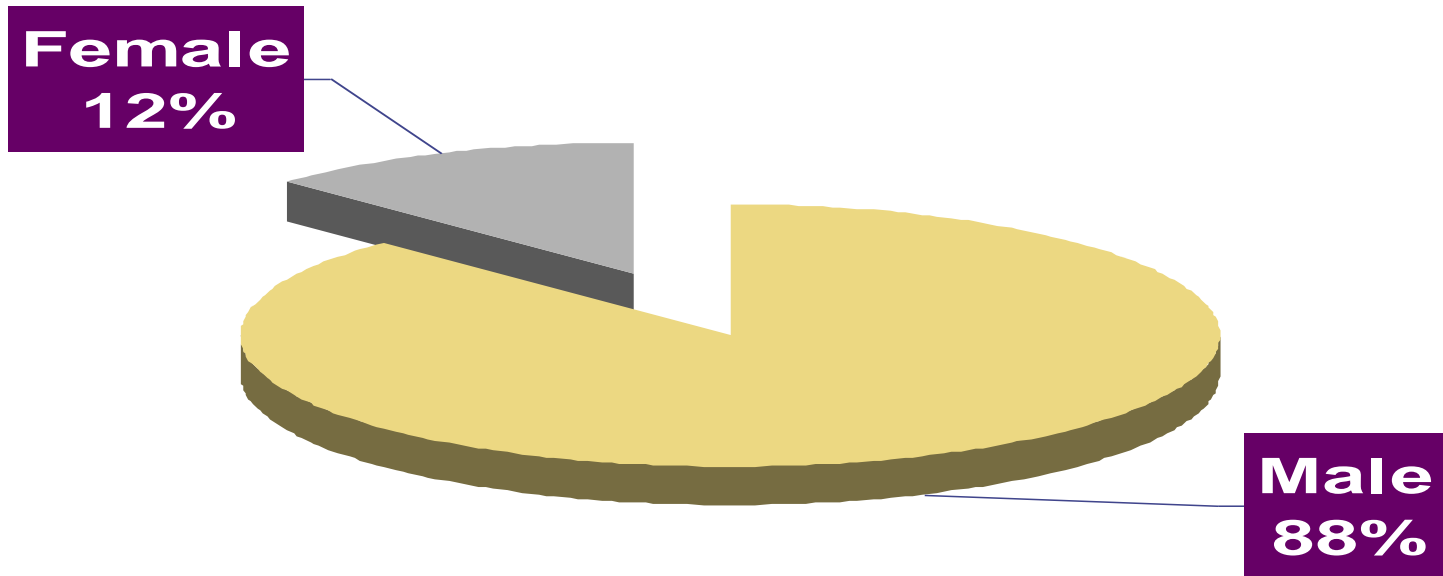
2/1. Business Type

Type	%
Corporate, public	5
Corporate, closed	47.8
Partnership	30
Sole ownership	16.7
Joint Venture	0.3
Public sector	0.3

2/2. Age Distribution of Franchisors/Owners

	%
34 years and younger	6.60
35 → 49 years old	49.53
50 years and older	43.87

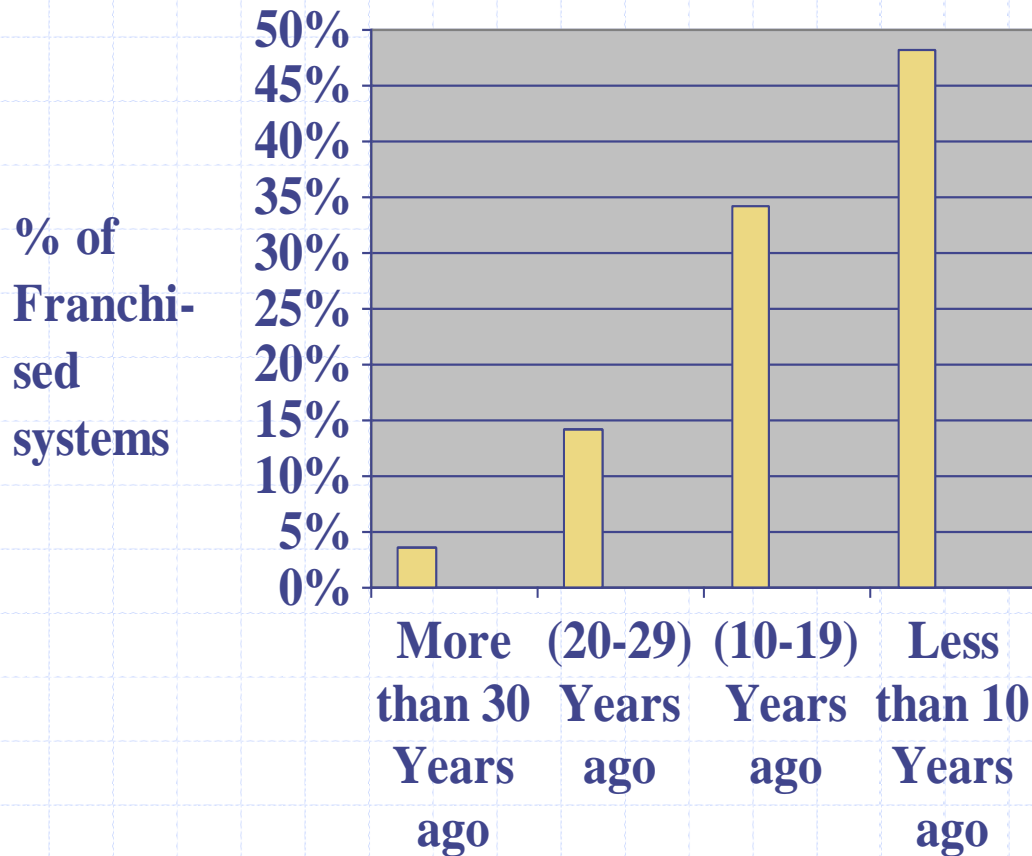
2/3. Gender Distribution of Franchisors/Owners



2/4. Duration of Business in Egypt

- ◆ The correlation between age of the company and its size is generally weak: correlation coefficient = 0.20
- ◆ For Franchised business, the correlation is higher at 0.39

2/5. Duration of Franchising



◆ Egypt has experienced **increased** progress with regard to Franchising during the previous 30 years.

3. Preferred Countries to expand in:

For Local Franchisor & Master Franchisee:

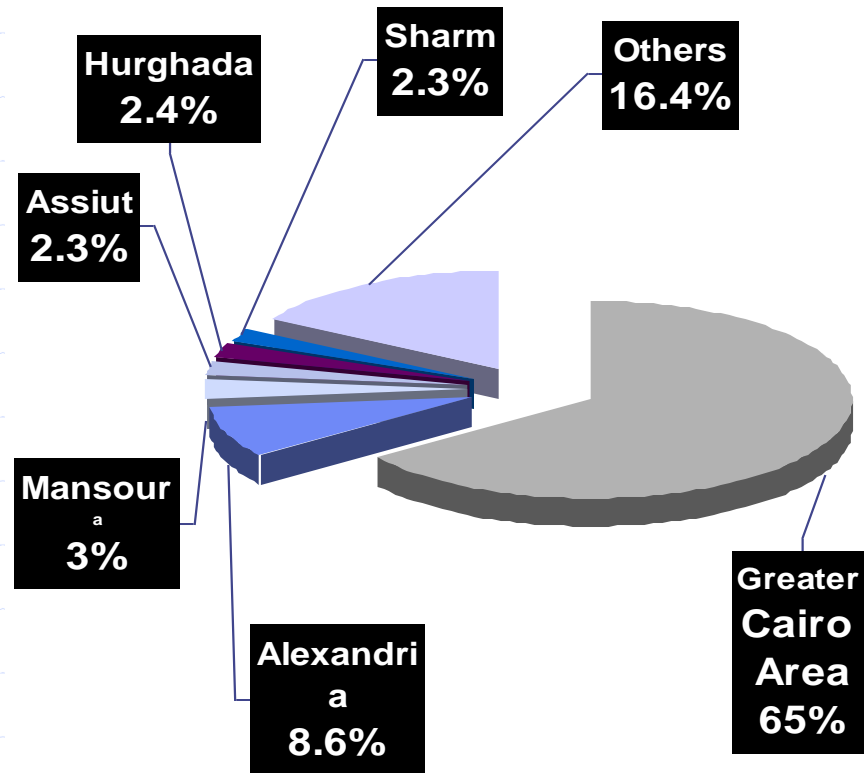
- ◆ Inside Africa: **Sudan**
- ◆ Outside Africa: **KSA**

Thus, Franchising is more active in neighboring countries than others, because of geographic and cultural proximity.

4. Information on outlets in Egypt

- ◆ Franchised outlets increased by 14% from end of 2002 till May 2004.
- ◆ Less than 1% of the total Franchised businesses have been closed during the year 2003.

4/1. Location of outlets in Egypt



◆ 65% of the total outlets are located in Greater Cairo area.

5. Turnover & Financial Sector

- ◆ **Total annual turnover generated by all franchised systems in Egypt is estimated as 5,216 Million EGP**
- ◆ **Total investments in the franchise sector of the economy is estimated as 21,923 Million EGP**

6. Funding

- ◆ Almost all Franchisors (or potential) encourage internal sources of finance rather than external ones, for funding new franchisees, because of:
 - High banks' interest rates.
 - Own finance provide higher commitment for the franchisee. (*perception by franchisers*)
- ◆ Almost 96% of Franchisors (or potential) are not willing to assist franchisees financially

7. Employment levels

- ◆ **Employment in Franchise sector** is estimated as 36,300 employed by all franchised businesses

8. Training

1. Initial Training

2. Ongoing Training

8/1. Initial Formal Training

- ◆ More than 50% of the total systems conducted provide operational training to their Franchisees/outlets.
(Average duration = 20 days)

8/2. Ongoing Formal Training

- ◆ Operational training represents 41% of the total ongoing training provided.
- ◆ Sales and marketing also has a significant share of 23%.

9. Other Support Services

- ◆ **Visit** their Franchisees/outlets to assist & solve problems
(Average = 10.25 visit/month)
- ◆ Prepare the **feasibility study** / business plan for their Franchisees
- ◆ Monitor the Franchisees' **profitability** at least on a monthly basis
 - To elevate support if down
- ◆ Some operate an **advertising** and marketing fund



Conclusions

Conclusion

◆ Franchising system is a very important tool to develop in Egypt:

- Contribution to GDP
 - ◆ Direct, through their own contribution
 - ◆ Indirect, through developing supply chain into international level (*local & export*)
- Excellent tool to develop professional management skills (HR) in Egypt
 - ◆ Most important asset in the 21st century
- Labor intensive industry
 - ◆ Provide jobs suitable for most graduates from universities & mid schools.

Conclusion (2)

◆ To facilitate the franchising system in Egypt, there is a need for:

- Facilitate financial support to would-be franchisee
 - ◆ This will enable franchisers to select based on personal potential for success rather than financial means (SFD can have a pivotal role)
 - Increase success rate of franchisees
 - Facilitate expansion for franchisers
- Technical support for local potential franchisers
 - ◆ To expand local & regional
- Protect franchiser properties through effective law enforcement

Conclusion (3)

- ◆ There is untapped opportunity in small scale franchising systems
 - This will be more in need for financial support
- ◆ Supply chain is another area for expansion & support
 - Assisting supply chain to upgrade their facilities to serve franchising networks



Thanks for your attention