

NBR special report

From super-stores to lawn-mowing rounds, fastfoods to financial services Kiwis can shop for almost anything through the country's 16,000 franchised outlets representing more than 400 franchise systems and employing 70,000 workers. But with its spectacular growth the sector is facing challenges as well as triumphs. This special feature examines the latest trends and opportunities.

FRANCHISING

Giant opportunities in the Middle East

Franchisors moving in from dozens of countries

Graeme Kennedy

New Zealand franchisors planning to export their product should look at the United Arab Emirates and its economic powerhouse Dubai for expansion, industry leader Stewart Germann says.

Franchising is growing at 25% annually in the Gulf state where residents are avid consumers and among the world's highest disposable income earners, Mr Germann said.

And franchisors are moving in from dozens of countries, seeking master franchisees and opening outlets under their well-known brands in the region's sprawling shopping centres.

"Pumpkin Patch is among the 1400 shops in Dubai's Emirates Mall," Mr Germann said, "and Burger Fuel has signed a memorandum of understanding with a Middle East company to take the chain into the city.

"There are no restrictions on franchising there so it is very easy to enter the market – and New Zealand has a double-tax agreement which makes it simple to repatriate income."

A new magazine for the sector says the Middle East had 850 franchisors and master franchisees with a turnover of \$US10 billion last year and was growing quickly. It says the region's population of almost 300 million is increasing by up to 5% a year and includes around 400,000 people with more than \$US5 million to invest in new businesses.

Mr Germann was recently appointed New Zealand representative for major Dubai consultancy Franchising Excellence, a company which he said had many contacts to locate master franchisees.

"Franchising has really taken off in the Middle East and direct flights through Australia present a lot of opportunities for New Zealand franchisors," he said.

Dubai will this weekend hold its second annual World Franchise Forum and Exhibition to include specialist seminars and displays.

Mr Germann, who has practiced franchise law in Auckland for more than 25 years, was invited to write a paper on the legal aspects of the New Zealand franchise market to be presented at the event. His report says that while New Zealand encourages and welcomes overseas franchise systems the country seems likely to join the worldwide trend toward legislating to regulate the sector.

"Self-regulation has been working and still is working," he said. "There is no need at present for franchise legislation although it is probably inevitable at some stage."

"The Franchise Association of New Zealand would be extremely concerned by the introduction of the very narrow, rigid and prescriptive form of disclosure requirements that exist in Australia.

"However, it is bound to emphasise full disclosure of all material facts by franchisors to potential franchisees – talk of legislation is a knee-jerk reaction to the Green Acres fraud franchise saga."

Mr Germann, a Franchise Association past president and 2004 service provider of



STEWART GERMAN: Ethical franchisors have nothing to fear

the year, said ethical franchisors had nothing to fear.

"But it is crucial for franchisors whether in New Zealand or overseas not to overstate the financial posi-

tion and success of their businesses," he said.

"Existing laws which cover misrepresentation are robust and great care must be taken."