



2016 Top Markets Report **Franchising** Country Case Study

Australia

Franchising is well established in Australia with more franchising outlets per capita than any country in the world and three times more franchising outlets per capita than the United States. The sector is considered both large and mature, contributing 9 percent of Australia's GDP.

Overall Rank

2

There are over 1,100 business format franchise systems currently operating in Australia. The best opportunities for franchising in Australia are within the retail non-food industry, which accounts for 26.6 percent of franchisors (24 percent of franchise units are involved in retailing).

There is potential within the accommodation and food services (including food retail, fast food and coffee shops) franchising sectors, which equate to 17.6 percent of franchisors. Opportunities exist within food retail, where the overall concept is to promote health and well-being along with a variety of niche food service options. Food niches include regional food concepts such as Tex-Mex and southern cooking.

The administration and support services category follows and includes travel agencies, domestic and industrial cleaning, and garden services. This sector accounts for 15.6 percent of franchising activity and represents 5 percent of franchise units.

A total of 92 percent of franchise systems are home grown. On average, Australian franchises have been operating for 21 years and franchising for 13 years. To be successful, franchisors must be flexible to "Australianize³³" their systems in order to suit the local market. Establishing proof of concept by first setting up a corporate or flagship business in Australia is also important.

World Economic Forum's Global Competitiveness Index (GCI)¹

Government/Regulatory

Franchising is regulated by a Franchising Code of Conduct that was implemented to support business transactions between the franchisee and franchisor. This code, along with later amendments, requires disclosure statements that ensure that these agreements include information regarding the franchisor, conditions contained within the franchise agreement, legal costs, complaint handling and dispute resolution procedures. The country receives

Australia	
Competitiveness Index	Score (1-7)
Government/Regulatory	4.9
Labor Force	3.9
Infrastructure	5.7
Demand/Business Factors	4.8
Industry Interest*	6.5
5.16 Total	
World Economic Forum International Franchise Association*	
Economic Statistics	
Population	23.49 million
GDP	1.455 trillion
GNI, per capita (PPP)	\$42,760
Income Level	High
Unemployment	6.0%
Inflation	2.5%
World Bank (2014)	

strong ratings for security and Intellectual property protection.

Labor Force

As a result of possessing world class educational institutions and universities, Australia has a highly educated workforce which the franchise sector can utilize.

Infrastructure

Australia ranks as a top country for its infrastructure, including its transportation, telephone and electricity infrastructure.

Demand/Business Factors

The finance industry in Australia is strong, making it easy to conduct business transactions.

Industry Interest

Of the top 12 markets identified by the members of the International Franchise Association as markets most valuable to them for international expansion and to have profiled in the Top Markets Report, Australia was ranked fifth.

Resources

U.S. Commercial Service - Australia
<http://export.gov/Australia/>

Australia Country Commercial Guide:
<http://export.gov/ccg/australia090720.asp>
Franchise Council of Australia (FCA):
<http://www.franchise.org.au>

Australian Competition and Consumer Commission:
<http://www.accc.gov.au>

Industry Expert's Take:

The franchise sector is dominated by local franchises, which hold about 95 percent of the market. There is a high cost of entry, and multi-franchisors and candidate are tough to convince to take on a foreign brand.

William Edwards, Edwards Global Services, Inc., December 16, 2015

¹ World Economic Forum, The Global Competitiveness Report 2015-2016