

FRANCHISING IN ITALY IN 2000

Franchising in Italy from 1971 until the eve of the new Millennium

Franchising in Italy was born in 1971 when the Italian Franchising Association (Associazione Italiana del Franchising) was founded. It can therefore now look back on 30 years of experience. The first franchise to be launched was by Standa in 1972 under the banner 'You're the boss' ("il padrone siete voi").

By 1978 there were just 15 franchising systems registered with the Association. Research carried out by CESDIT in 1985 revealed 62 franchisors managing 3,338 franchisees. Within 2 years this had grown to 154 franchising networks with 9,400 franchisees. Franchising has grown constantly during the past 30 years with a particular acceleration between 1990 and 1995 during which time the networks grew by 89.6%. Since then there has been a slowdown in growth (28.9%). The number of franchisees grew by 76.7% during the period 1991/1996 and by 61.7% subsequently.

Observations on the Italian franchising market in 2000

The growth figures in the preceding paragraph are proof of the dynamism of Italian franchising. Both franchisors and franchisees have been eager to put their faith in this system, investing considerable sums in shops and service centres. The fact that more than 560 fascias have taken the decision to establish themselves via franchising in city centres, commercial districts and shopping malls is evidence that this form of distribution has proved attractive not only to the consumer but also to franchisees, small-scale entrepreneurs and to investors.

Secondly, franchising has provided an outlet for the entrepreneurial spirit of more and more people, particularly during more recent years. Entering a franchise network may be a risky undertaking, but it is undoubtedly interesting from the point of view of self-affirmation, achieving independence and financial return. In recent years, franchising has satisfied the ambitions of many Southern Italians. There are now more than 31,000 franchisees within the national franchise system, employing in excess of 85,000 people.

Furthermore, franchising has contributed to the modernisation of the Italian distribution system and to the entry into retailing of young people with fresh and innovative ideas. Franchising has also satisfied the needs of the new Italian and European consumer, above all through the launch of new franchising systems in the service sector; there are more than 280 franchisors offering either business or consumer-related services and in the region of 15,000 service centres with around 44,000 employees.

In 2000 there has been an enthusiastic growth in new franchising systems based on the new economy, with the start-up of activities linked to the internet, e-commerce, telecoms and IT.

Finally, it is only right to comment that franchising does not represent a miracle solution for everybody, franchisor or franchisee. Statistics do throw a shadow over the seriousness and transparency of some entrepreneurial activities. The rotation index is still too high (the relation between franchisors leaving the market and the total number of franchisors in a given year). Many networks show a low rate of expansion or no progress at all over a number of years. There are also those initiatives which are insufficiently thought-out or unprofessional, thus creating doubt and uncertainty amongst investors.

Italian franchising by business sector

Table 1 – Number of franchisors by business sector

Code	Business sector	1999		2000		D2000/1999	
		No.	%	No.	%	No.	%
100	Food retailing	28	5.2	23	4.1	-5	-17.9
200	Variety retailing	19	3.5	18	3.2	-1	-5.3
300	Clothing/fashion	125	23.3	127	22.6	2	1.6
400	Homewares	36	6.7	37	6.6	1	2.8
500	Retailing/other	80	14.9	69	12.3	-11	-13.8
600	Services	211	39.4	251	44.7	40	19.0
700	Hotel/restaurant	31	5.8	31	5.5	0	0.0
800	Construction/maintenance	4	0.8	4	0.7	0	0.0
900	Industry	2	0.4	2	0.3	0	0.0
	TOTAL	536	100.0	562	100.0	26	4.9

The year 2000 was a promising one for Italian franchising, with an increase of 26 franchisors to 562 in total, equal to a 4.9% increase over the preceding year.

The sector showing the greatest percentage increase was Services, up 19% from 1999; this can be attributed to the development in activity linked to the internet.

Declines in market share can be seen in the following sectors: Retailing/other, Food retailing and Variety retailing. All other sectors have remained unchanged over the past year.

Table 2 – Number of Franchisees by business sector

Code	Business sector	1999		2000		D2000/1999	
		No.	%	No.	%	No.	%
100	Food retailing	2,198	7.8	2,247	7.2	49	2.2
200	Variety retailing	2,840	10.1	3,308	10.5	468	16.9
300	Clothing/fashion	4,942	17.6	5,640	17.9	698	14.1
400	Homewares	897	3.2	1,103	3.5	206	23.0
500	Retailing/other	3,268	11.6	3,428	10.9	160	4.9
600	Services	12,579	44.7	13,960	44.4	1,381	11.0
700	Hotel/restaurant	756	2.7	981	3.1	225	29.8
800	Construction/maintenance	548	1.9	673	2.1	125	22.8
900	Industry	99	0.4	99	0.3	0	0.0
	TOTAL	28,127	100,0	31,439	100.0	3,312	11.8

In the year 2000 there were 31,439 franchisees, up from 28,127 in 1999, representing an increase of 11.8%. The largest share is accounted for by the Services sector, with 13,960 franchisees, followed by Clothing/fashion with 5,640 franchisees, an increase of 698.

Table 3 – Personnel employed by Franchisees

Code	Business sector	1999		2000		D2000/1999	
		No.	%	No.	%	No.	%
100	Food retailing	6,179	8.3	6,368	7.4	189	3.1
200	Variety retailing	13,791	18.4	12,900	15.0	-891	-6.5
300	Clothing/fashion	10,116	13.5	10,696	12.5	580	5.7
400	Homewares	2,130	2.8	2,878	3.4	748	35.1
500	Retailing/other	7,210	9.6	7,534	8.8	324	4.5
600	Services	28,687	38.3	32,417	37.8	3,730	13.0
700	Hotel/restaurant	4,970	6.6	11,498	13.4	6,528	131.4
800	Construction/maintenance	1,620	2.2	1,340	1.6	-280	-17.3
900	Industry	177	0.2	177	0.2	-	-
	TOTAL	74,880	100,0	85,808	100.0	10,928	14.6

10,928 jobs were created in the franchise sector in 2000, an increase of 14.6%, bringing the total to 85,808. The most notable increase was in the Hotel/restaurant sector (+6,528), followed by Services with an increase of 3,730 jobs. The Homewares sector should also be noted (+748).

Table 4 – Sales turnover by franchise network (in billion lire)

Code	Business sector	1999		2000		D2000/1999	
		Bln Lire	%	Bln Lire	%	Bln Lire	%
100	Food retailing	2,368	10.6	2,382	10.1	14	0.6
200	Variety retailing	7,776	34.9	7,057	29.9	-719	-9.3
300	Clothing/fashion	2,724	12.2	3,152	13.4	428	15.7
400	Homewares	840	3.8	875	3.7	35	4.2
500	Retailing/other	2,387	10.7	2,408	10.2	21	0.9
600	Services	5,085	22.8	6,224	26.4	1,139	22.4
700	Hotel/restaurant	870	3.9	1,251	5.3	381	43.8
800	Construction/maintenance	165	0.7	203	0.9	38	22.7
900	Industry	42	0.2	42	0.2	0	-0.7
	TOTAL	22,257	100.0	23,592	100.0	1,335	6.0

Sales turnover reached 23,592 billion lire, an increase of 6% over 1999. Variety retailing remains the sector contributing the largest percentage of the total, 29.9%. The largest increase from 1999 to 2000 was in the Hotel/restaurant sector with +43.8%.

Franchising types

Table 5 – Number of Franchisors by Franchising Type

Franchising Type	1999		2000		D2000/1999	
	No.	%	No.	%	No.	%
Distribution	288	53.7	274	48.8	-14	-4.9
Services	242	45.2	282	50.2	40	16.5
Industry	6	1.1	6	1.1	0	0.0
Total	536	100.0	562	100.0	26	4.9

The above table clearly reveals the growing prominence of the Service sector, with a 16.5% growth rate in 2000 and a 50.2% share of the total.

For the first time in the history of Italian franchising, Service franchisors have overtaken those in Distribution and the latter has seen a 4.9% fall in 2000.

Table 6 – Number of Franchisees by Franchising Type

Franchising Type	1999		2000		D2000/1999	
	No.	%	No.	%	No.	%
Distribution	14,583	55.5	15,726	50.0	1,143	7.8
Services	11,480	43.7	14,941	47.5	3,461	30.1
Industry	211	0.8	772	2.5	561	265.9
Total	26,274	100.0	31,439	100.0	5,165	19.7

The Distribution type of franchising continues to lead the table with a 50% share of the total.

Franchising Networks

Table 7 – Market entry of Fascias

Year of market entry	Number of fascias	%
Before 1979	20	3.6
1980-1984	27	4.8
1985-1989	57	10.1
1990-1994	142	25.3
1995-1999	278	49.5
2000	38	6.8
Total	562	100.0

The boom years for new fascia entry to the Italian market were the periods 1995-1999 and 1990-1994 with 278 and 142 fascias respectively.

The considerable growth during the period 1995-1999 reflects the notable developments in Service franchising. As far as the 2000 figures are concerned, the relatively low number of new entries reflects the inclusion of only those franchisors with three or more franchisees.

The fascias which have been present in the market for 20 years number 18 and are as follows:

Cesare Ragazzi, Il Fornaio, Stefanel, Mail Boxes Etc, Nara Camicee, Grimaldi, Intimo 3, La Murrina, Imar & Vip Clinique, Fersina, Ermenegildo Zegna, Ferretti Cucine & Arredamenti, Despar, Trussardi, Fratelli Rossetti, Bruno Magli, Marina Rinaldi and Max Mara.

Table 8 – Average number of franchisees managed by franchisors

Code	Sector of activity	Number		Average number of franchisees managed by franchisors
		Franchisees	Franchisors	
100	Food retailing	2,247	23	98
200	Variety retailing	3,308	18	184
300	Clothing/fashion	5,640	127	44
400	Homewares	1,103	37	30
500	Retailing/other	3,428	69	50
600	Services	13,960	251	56
700	Hotel/restaurant	981	31	32
800	Construction/maintenance	673	4	168
900	Industry	99	2	50
Total		31,439	562	56

Variety retailing has the highest number of franchisees managed by franchisors (184).

Table 9 – Franchisor distribution by Region/geographic area

Region	No.	%	Geographic area	No.	%
Valle d' Aosta	0	0.0			
Piemonte	54	9.7			
Lombardia	203	36.4			
Liguria	10	1.8	North-West	267	47.8
Friuli Venezia Giulia	11	2.0			
Trentino Alto-Adige.	2	0.4			
Veneto	63	11.3			
Emilia Romagna	52	9.3	North East	128	22.9
Toscana	31	5.6			
Umbria	13	2.3			
Marche	7	1.3			
Lazio	51	9.1			
Abruzzo	10	1.8	Centre	112	20.1
Campania	15	2.7			
Molise	1	0.2			
Puglia	12	2.2			
Basilicata	0	0.0			
Calabria	4	0.7	South	32	5.7
Sicilia	14	2.5			
Sardegna	5	0.9	Islands	19	3.4
Italy	558	100.0	Italy	558	100.0
Overseas	4			4	

Lombardy is in first place with 203 franchisors, equal to 36.4% of the total, followed by Veneto with 63 (11.3%) and Piemonte with 54 (9.7%).

Table 10 – Concentration in Italian franchising

Franchisors		Franchisees	
No.	%	No.	%
10	1.8	10,387	33.0
552	98.2	21,052	67.0
562	100.0	31,439	100.0

The 10 major networks, accounting for merely 1.8% of all franchisors in Italy, manage 33% of all franchisees. Of these 10 networks, 6 are active in Distribution and 4 in Services.

Table 11 – Franchisees managed according to network size

Network size	Franchisors		Franchisees managed	
	No.	%	No.	%
More than 1,000 franchisees	4	0.7	6,555	20.8
From 500 to 999 franchisees	5	0.9	3,370	10.7
From 400 to 499 franchisees	3	0.5	1,262	4.0
From 300 to 399 franchisees	7	1.2	2,274	7.2
From 200 to 299 franchisees	10	1.8	2,406	7.7
From 100 to 199 franchisees	35	6.2	4,592	14.6
From 50 to 99 franchisees	60	10.7	3,860	12.3
From 25 to 49 franchisees	114	20.3	3,811	12.1
From 0 to 24 franchisees	324	57.7	3,309	10.5
Total	562	100.0	31,439	100.0

The above table reveals that the majority of networks are smaller-scale: 88.7% of the networks are represented by fascias with fewer than 100 franchisees. At the other extreme, just 4 fascias control one fifth of all franchisees. Fascias with more than 300 franchisees, 12 in number in 1998, have grown to 19 in 2000, demonstrating a greater spread and consolidation of the major networks.

Table 12 – Personnel according to network size

Network size	Franchisors		Personnel	
	No.	%	No.	%
More than 1,000 franchisees	4	0.7	18,159	21.2
From 500 to 999 franchisees	5	0.9	7,631	8.9
From 400 to 499 franchisees	3	0.5	1,908	2.2
From 300 to 399 franchisees	7	1.2	7,977	9.3
From 200 to 299 franchisees	10	1.8	12,212	14.2
From 100 to 199 franchisees	35	6.2	11,851	13.8
From 50 to 99 franchisees	60	10.7	9,835	11.5
From 25 to 49 franchisees	114	20.3	8,764	10.2
From 0 to 24 franchisees	324	57.7	7,471	8.7
Total	562	100.0	85,808	100.0

Note that 64 franchisors, accounting for 22.8% of the total, employ 59,738 people, in other words 41% of all employees in the sector.

Table 13 – Average number of people employed by Franchisees

Code	Business sector	1999			2000		
		Personnel	Franchisees	Av.	Personnel	Franchisees	Av.
100	Food retailing	6,179	2,198	3	6,368	2,247	3
200	Variety retail	13,791	2,840	5	12,900	3,308	4
300	Clothing/fashion	10,116	4,942	2	10,696	5,640	2
400	Homewares	2,130	897	2	2,878	1,103	3
500	Retailing/other	7,210	3,268	2	7,534	3,428	2
600	Services	28,687	12,579	2	32,417	13,960	2
700	Hotel/restaurant	4,970	756	7	11,498	981	12
800	Construction/ Maintenance	1,620	548	3	1,340	673	2
900	Industry	177	99	2	177	99	2
Total		74,880	28,127	3	85,808	31,439	3

Figures for 2000 show very little movement compared to 1999.

Table 14 – Turnover according to network size

Network size	Franchisors		Turnover	
	No.	%	Bln. Lire	%
More than 1,000 franchisees	4	0.7	5.984.450	25.4
From 500 to 999 franchisees	5	0.9	2.629.700	11.1
From 400 to 499 franchisees	3	0.5	335.700	1.4
From 300 to 399 franchisees	7	1.2	1.953.750	8.3
From 200 to 299 franchisees	10	1.8	2.591.100	11.0
From 100 to 199 franchisees	35	6.2	3.078.190	13.0
From 50 to 99 franchisees	60	10.7	3.378.813	14.3
From 25 to 49 franchisees	114	20.3	1.986.170	8.4
From 0 to 24 franchisees	324	57.7	1.654.120	7.0
Total	562	100.0	23.591.993	100.0

9 fascias (in the classification above 500 franchisees) account for 36.5% of the turnover of the franchising system.

Italian Networks overseas

Table 15 – Italian networks overseas (with 3 or more franchisees)

Code	Business sector	2000	
		No.	%
100	Food retailing	4	4.7
200	Variety retail	0	0.0
300	Clothing/fashion	47	55.3
400	Homewares	4	4.7
500	Retailing/other	6	7.1
600	Services	20	23.5
700	Hotel/restaurant	3	3.5
800	Construction/maintenance	0	0.0
900	Industry	1	1.2
Total		85	100.0

There are 85 Italian franchisors overseas with a total of 2,528 franchised sales outlets. The top 10 Italian networks have grown to encompass 1,320 franchisees, whilst the remaining 75 have 1,208 outlets. Clothing/fashion franchises account for the largest share (47) with 55.3% of the total. Italian franchising shows its limitations on overseas markets: if Italian fashion labels are excluded, there are still very few Italian fascias outside of the national borders.

Foreign networks in Italy

Table 16 – Foreign Franchisors present in Italy

Code	Business sector	1999		2000		D2000/1999	
		No.	%	No.	%	No.	%
100	Food retailing	3	4.2	1	1.4	-2	-66.7
200	Variety retail	1	1.4	0	0.0	-1	-100.0
300	Clothing/fashion	14	19.7	16	22.5	2	14.3
400	Homewares	5	7.0	4	5.6	-1	-20.0
500	Retailing/other	11	15.5	10	14.1	-1	-9.1
600	Services	29	40.8	26	36.6	-3	-10.3
700	Hotel/restaurant	11	15.5	12	16.9	1	9.1
800	Construction/maintenance	0	0.0	1	1.4	1	0.0
900	Industry	0	0.0	1	1.4	1	0.0
Total		74	100.0	71	100.0	-3	-4.1

The presence of foreign franchisors on the Italian market has slightly declined in 2000.

Table 17 – Country of origin of Foreign Franchisors

Code	Business sector	USA		France		UK		Other countries	
		No.	%	No.	%	No.	%	No.	%
100	Food retailing	1	2.9	-	-	1	14.3	1	8.3
200	Variety retail	-	-	-	-	-	-	-	-
300	Clothing/fashion	5	14.7	6	33.3	1	14.3	3	25.0
400	Homewares	-	-	1	5.6	1	14.3	3	25.0
500	Retailing/other	2	5.9	3	16.7	2	28.6	2	16.7
600	Services	17	50.0	5	27.8	1	14.3	3	25.0
700	Hotel/restaurant	9	26.5	2	11.1	1	14.3	-	-
800	Construction/maintenance	-	-	1	5.6	-	-	-	-
900	Industry	-	-	-	-	-	-	-	-
Total		34	100.0	18	100.0	7	100.0	12	100.0

The USA is clearly in the lead with 34 fascias, 50% of which fall into the Service sector. France is in second position with 18 fascias, of which a third are in Clothing/fashion.

Franchising in Europe

Table 18 – Franchising in Europe in 1998

Country	Active Franchisors	Active Franchisees	Av. No. of F.ees : F.ors	Personnel employed	Turnover (in billion ECU)
Austria	210	3,000	14	N/A	1.6
Belgium	170	3,500	21	28,500	2.4
Czech Rep.	40	80	2	760	0.8
Denmark	98	2,000	20	40,000	1.0
Finland	76	1,464	19	14,000	1.2
France	517	28,851	56	320,000	9.2
Germany	530	22,000	42	230,000	14.6
GB	568	29,100	51	260,700	8.9
Holland	345	11,910	35	100,000	9.2
Hungary	220	5,000	23	45,000	2.6
Ireland	20	N/A	0	N/A	0.1
Italy (2000 figures)	562	31,439	56	85,808	12,0
Norway	125	3,500	28	N/A	3.0
Portugal	220	2,000	9	35,000	1.0
Spain	288	13,161	46	69,000	6.8
Sweden	230	9,150	40	71,000	5.7
Yugoslavia	18	620	34	2,800	0.6
Total	4,237	166,775	39		

The 4,161 franchises of the 17 European countries for which data is available control 157,216 franchisees. On average, each franchisor controls 38 franchisees.

Source: Rapporto Quadrante 2000 (Quadrante S.r.l, Milano)