

Franchising Trends, Opportunities And Challenges Across Asia

**By
Albert Kong CFE, CMC
Chairman/CEO
ASIAWIDE FRANCHISE CONSULTANTS PTE LTD**

Mega-Shifts

- 1830 – World hits 1 billion in population!
- Early 1990's – Rolls to 2 billion
- 1960 – Up to 3 billion!
- 1975 – 4 billion (only 15 years later)!
- 1986 – 5 billion (11 years later)!
- 1999 – Whoops! It took 13 years to go over 6 billion; so the world's populations are aging!
- For anyone over 40 the population has doubled in their lifetime, and many were raised in small villages and farms.
- In developing countries (EM'S) 82% of the population were recently agrarian.
- In 2030 this will make a mega-shift to over 60% urban
- By 2050 a full two thirds of humanity will live in cities! And, the elders will be older.

Franchising Everywhere

- Franchising has metamorphosed into an international phenomenon
- It has successfully penetrated countless markets, from Argentina to Zimbabwe.
- International franchising has expanded into over 109 countries, and increasing...

**Nearer to home, what opportunities are there in
North East Asia?**

Franchising Snapshot: N E Asia (chart)
Franchising Snapshot: ASEAN (chart)

Franchising Regulation (chart)

Top 10 Global Markets for Weekly Fast Food Consumption

**Japan: the first Asian country to embrace
franchising, circa 1963**

Population: 127 million
GDP: S\$3.6 trillion
GDP Per Capital: \$28,000
Gross Franchise Sales: \$166 Billion
Retail: 67.6%; Food: 20.9%;
Services: 11.5%

Korea

Population: 48 million
GDP: \$667 Billion
GDP per capital: \$16,900
Franchise sales: \$41 billion
Wholesale/Retail: 36%; Food: 43%;
Services: 21%

China

China is the fourth largest country in terms of size and the largest in terms of population. Driven by domestic demand and supported by World Trade Organization accession, China economy should continue to grow robustly over the next 2 years.

The total value of goods and services has been growing at a double digit rate for over 20 years. Although growth figures are now in the single digits (about 7.3 %), this is a large market that cannot be ignored. The World Bank estimates by the year 2025 China's economy will account for 25% of the total World Economy.

GDP: \$1,300 billion.

Population: 1.3 billion...

An entire story by itself.....

India

Being the 4th largest economy, it is now over one-quarter of the US economy. Population is just passed 1 Billion, with over 870 million below 45 years of age. Middle Class=250 million people. Estimated franchise sales \$1.6 billion

What's Hot in India?

- 1) Education
- 2) Retail (household groceries ,
apparel)
- 3) Healthcare
- 4) Fast food
- 5) Business Process Outsourcing

ASEAN

Population: >520 million

Total trade: US\$712 in 2003

ASEAN ECONOMIC COMMUNITY BY 2020

Singapore

- SPRING. IE, SINGAPORE, EDB, IPOS
- ECADS, LEAP, LEAD, etc.
- GFL, IDEAS, FHA, etc
- 683 Sq Km
- 4.3 million

Malaysia

- MFA, Ministry of Entrepreneur and Cooperative Development (MECD), Malaysian External Trade Development Corporation; PNS
- Franchise Financial Scheme, Franchise Development Assistance Scheme.
- Universiti Teknologi Mara (UiTM)'s MEDEC
- Universiti Utara Malaysia (UUM)'s Entrepreneur Development Institute (IPK)
- Franchise Act 1998
- 328,550 Sq Km; 26m

Indonesia

- IFA
- Franchise exhibitions
- 1,904,000 (17,000) Sq.Km; 210 m.
- Ministry of Industry and Trade's Regulation No.16 dated 18June'97:
 - *agreement must be in Indonesian
 - *can operate in all provincial capitals but not in the secondary-level regions.

Philippines

- PFA / PRA
- PIFCE; CFE (IFA) partial program
- Philippine Intl Trading Corporation- - ORDER-NEGOSYO--the overseas-Filipino's link to money-making opportunities in the Philippines
- 300,400 (7107) Sq.Km; 80m;

Vietnam

- Very new to franchising
- June 28th 2005 first seminar
- 93% of limited liability companies were set up after 1990 of which only 20% have more than 100 employees.
- 329,566 Sq Km ; 82 m.

THAILAND

- Ministry of Commerce's Department of Business Development; SME BANK; Dept Of Export Promotion
- Kingdom of Thailand, constitutional monarchy
- Area: 517,000 sq. km
- Population: 62 million
- Franchise & Thai SMEs Association

No specific franchise law.

Regulated primarily by contract law under Thai Civil and Commercial Code. There are also the Price Fixing Anti Monopoly and Consumer Protection Acts which may have implications on franchise operations although these acts do not specifically regulate franchises. A host of other legislation does come into play however, including such laws as the Revenue Code, the Alien Business Law, and the Trademark Act.

2007 Calendar of Events for Asiawide

- Feb 24-Feb 28th: 47th IFA Annual Convention at Las Vegas
- Feb 24-Feb 28th: 7th Taipei Int'l Chain & Franchise Exhibition
- Mar 1-3: Career Show 2007, Singapore
- Mar 5-7: Dubai Middle East Franchise Show
- Mar 22-24: Penang Franchise
- Apr 20-22: CCFA Beijing Franchise Show
- Jun 1-3: Indonesia Franchise by Dyandra
- Jul 3-5: Hong Kong Licensing Show
- Jul 26-29: Thailand Franchising & Biz Opp. by Kavin Int'l
- Aug 2-5: Franchise International Malaysia 2007, Kuala Lumpur,
- Aug 24-26: CCFA's Shanghai Franchise Convention & Exhibition
- Sept 20-22: Franchising & Licensing Asia 2007, Singapore
- Oct 10-13: Australian FCA National Conference & Exhibition, Melbourne
- Nov 9-11: Franchise & Biz Opp. Indonesia, Jakarta, Indonesia (Panorama Convex)
- Nov 8-9, 12-13, 15-16: Franchising China Conference & Exhibition, in Shanghai, Guangzhou and Beijing (Global Sources)
- Dec: Franchising India 2007, Mumbai

ASIAWIDE FRANCHISE CONSULTANTS PTE LTD (AFC) is one of the most experienced franchise consulting companies in Asia. Established in August 1983 (under a different name), we have associated offices in more than a dozen countries including the USA, UK, China, Dubai, Australia, New Zealand, Malaysia, Vietnam, Indonesia, India, Greece, Brazil, etc. Over the last 18 years, we have helped more than 350 companies in Asia to develop their franchises to expand locally and worldwide.

With our worldwide network, in-depth knowledge and insight (we are Certified Franchise Executives--CFEs. CFE is a title awarded by the International Franchise Association, based in Washington, D.C., USA), we are able to help clients from various industries to develop very strategic and effective franchise packages, conduct incisive franchise audits, help to mediate between disputing parties, or to develop a market entry strategic plan into a foreign territory. Our parent company Asiawide Trends Pte Ltd is the publisher of the world's only English-Chinese *Asia Franchise & Business Opportunities* magazine that is very popular in Asia since March 1994. Other publications include the inaugural **Asia Pacific Franchise Directory** which was supported by the World Franchise Council, the European Franchise Federation and the Asia Pacific Franchise Confederation. We are also the most active consulting company in Asia as we participate in over 12 franchise-related shows in Asia every year. **We know franchising.** www.asiawidefranchise.com asiafran@singnet.com.sg Tel: 65-67432282, fax 65-6743113

Some of our clients in Asia include: ---from A to Z---

Art et Domain (art gallery/interiors); Aussino (bed linen);Angie The Choice (ice-cream confectionery); Australian World Schools; Athena (phonics for children); Barang Barang (furnishing; part of K LW; public-listed); Body Contours (slimming/spa); British Petroleum Castrol (motorcycle servicing) ; BUANA Bakery (Indonesia's largest bakery chain); Capitol Optical; Carona Chicken; Choice Hotels (USA); Dewma Pharmacy (Muslim; Kelantan, Malaysia); Dian XiaoEr (Chinese food, part of listed group); Dragon City Sichuan Restaurant; Dryclean Boutique ; Econ Nursing Home (public-listed); ECM TCM; Expressions; Emotus (watch retail; part of Sincere Watch); Fantastic Sam's (USA) ; Face Of Man (beauty); Five-Foot Way Café; Georgia State (USA); Guardian Pharmacy; Gramedia (public company-bookshops/hotels/newspapers-KOMPASS); Humana UK; HP China ; Intwell -CITECH (web design); Jan & Elly (education); JR Foods ; Jack's Place; Julia Gabriel (speech & drama); Kimage; Loy Kee Kitchen; Little Skool House (NTUC; government-linked); MK Restaurant (Thailand's largest sukiyaki chain); Missha (Korean cosmetics); My Mum's Cuisine/ Noodle Hut; M Photo (image , public listed in Indonesia); Nurture Craft (toys retail) ; Nation (employment); OKE (biggest telecommunications retail chain in Indonesia); OSIM (public listed), Paddington's Pancakes (UK/Malaysia); PanoramaTours (Indonesia); Perlini's Silver; Pan Intl (BKK, beauty); Pasta Fresca; Pet Safari; Prima Taste (public co.--part of Prima Ltd), Quickly ; Roibo (tea); SanSan (fashion chain in Ningbo; public-listed); Siam Kitchen; STAR Auto (part of Singapore Technologies, public-listed); Sanur Indonesian Restaurant; STRIP (spa); Tea Chapter; Tung Lok (listed) ; Thai Village (listed) ;UNITY Pharmacy (NTUC; government-linked); V-Kool (advertisement only); Vanilla Taste Of Beauty (spa/slimming); W-Tech ; Waraku Japanese Restaurant (Singapore/Japan); XiaoTian Er Restaurant (China's largest hot-pot chain); Yu Guo (TCM); Zee Interactive (Kidzee, India); Zoo-phonics...etc

To help our clients expand, we act also as brokers. For example, we helped Choice Hotels, Steak Escape, Humana Int'l (now MRI), ExecuTrain, Global Travel Network, Jack's Place, Shakey's, MK, Kinderland, Informatics, etc, locate their franchisees. This important service helps to propagate franchising. And more importantly, our clients meet their expansion objectives.

We are regularly invited to speak at numerous (27 countries, >200 occasions to-date) international seminars. In addition, to add some more value to our array of services, we were regularly commissioned by government agencies, chambers of commerce and trade associations to organize franchise study mission tours to the USA, Europe, Japan and other countries.

So as to help cultivate future franchise professionals, we are involved with t

Other recent interesting developments:

* Albert Kong co-wrote a book called "Developing and Managing A Franchise" which is published by LexisNexis and launched by Singapore's Senior Minister Of State (Trade & Industry) Dr. Vivian Balakrishnan during the Global Franchising & Licensing 2004 event. Its second edition was released in mid 2007.

* China's Franchise Magazine (based in Zhenzhou, China) interviewed us, and published a 2-page article on our views concerning franchising in China. They featured us on their Front Cover in their March 2005 edition.

* The Business Times featured us on page 10 on July 26th, 2005 (and also a teaser on the Front Page).

* Channel News Asia interviewed us and broadcast the interview on July 22nd, 2005.

* Franchising World (the official magazine of the International Franchise Association) featured us on page 44 of their April 2005 edition.

* Thailand's The Biz Week (June 22-28) featured us on page A8 of their June 22-28 edition.

To date, we have had interviews by over 50 media in the last 18 years we have been in franchising. We are frequently invited to lecture at Beijing Normal University's Zhuhai (Guangdong) Branch-- the latest being Nov 10th, 2004.

AFC is a member of the Franchising & Licensing Association, Singapore, and is the only Supplier Forum Member in Singapore of the Int'l Franchise Association (<http://franchise.org/searchsupplier.aspx>). We contribute actively and learn of international happenings via our active participation at supra-national bodies like the World Franchise Council, the European Franchise Federation and the Asia Pacific Franchise Confederation, in addition to our involvement at more than one-dozen franchise exhibitions annually in the region.

