

Development and prospects of the German franchise market

The annual [KfW Start-up Monitor](#) confirms what has been noticeable in the German franchise industry for some time: the number of start-ups in Germany is declining year by year. The reasons given for this are the positive economic development, job vacancies and the resulting decline in unemployment figures, as well as satisfied employees.

The so-called “emergency founders” are thus as good as no longer present. This term describes the professional independence of mostly unemployed people without realistic alternative employment. The Corona crisis could make a difference in this development in the future, but is not yet noticeable.

For the German franchise economy, however, it is above all problematic that the number of opportunity founders is also declining noticeably. This refers to those founders who make their decision to start a business depending on a convincing business idea.

The number of innovative startups alone is increasing slightly. These are founders with innovative or even disruptive business ideas, who set up their own businesses regardless of the prevailing economic situation.

Attracting new franchisees in Germany is no walk in the park

The German Franchise Association found through surveys that the share of founders in business openings has almost halved within a few years. Instead, franchisors are increasingly relying on existing franchisees (multi-units), active (often competing) entrepreneurs, or store managers for their own operations. Because of the declining interest of the already few start-ups in franchising, the German Franchise Association is calling on politicians to ensure founder-friendly framework conditions.

There are however also self-caused problems in German Franchising, which complicate it to find new Franchisees. These include the lack of awareness and image problems of franchising in the start-up scene as well as structural weaknesses in the franchise economy.

On the part of some franchise systems, there is also a lack of brand awareness and unique selling points as well as insufficient financial and human resources. It is particularly damaging when franchisees are perceived as second-class entrepreneurs with little chance of making a profit.

Approaches to overcome the “entrepreneurial bottleneck”

The German franchise industry must deal more forcefully with the widespread prejudices and ensure that system headquarters are qualified and business processes are professionalized.

Franchise systems should ensure greater transparency in company data and comment on declining developments in a self-confident manner. Franchise candidates should no longer be addressed as applicants, but can expect communication at eye level.

Franchise systems cannot avoid increasingly addressing previously neglected target groups such as their own employees, customers, investors, female entrepreneurs or migrants as potential franchisees. While many franchise systems have so far concentrated on executives willing to change, the focus is now shifting to skilled workers.

As diverse as the relevant target groups in franchising are, so too are the communication channels to be considered and the options for addressing them. Generally speaking, today the franchise system's own website with its approach to interested parties and follow-up on inquiries should form the basis of any professional recruiting strategy.

Beyond that, there isn't only one working way for partner recruitment. While most franchisors swear by [selected online portals](#) and social media, others rely more on trade shows and events for founders as well as catalogs and magazines in print format. In addition, some franchisors call in specialized brokers or recruiters if they do not have the appropriate resources themselves.

Market entry of foreign franchise systems in Germany

To protect their own brand and potential franchisees, foreign franchisors generally rely on the support of experienced experts. Those who want to enter the German market through direct franchising or are looking for a qualified master usually have to pay an expensive price on their own. The market conditions are too different and the

language and cultural differences too big, even between neighboring European countries.

However, if foreign franchisors have made thorough preparations and, if necessary, have found a German-speaking contact person for the first German franchise prospects, the German market can also offer a lot of potential for foreign franchisors. Ultimately, the business idea and the degree of professionalization of the entire concept determine success or failure. At a certain point of preparation, the leap into the deep end must be dared and the concept must be presented to the market.

About the Author



[FranchisePORTAL](#) is the market leader for your expansion in the German speaking countries, Germany, Austria and Switzerland. With about 1.000 listed franchise and license systems, the FranchisePORTAL-website offers the most comprehensive overview of systematically tested business ideas for potential franchisees. Find out more about our offer for foreign franchisors, who want to expand their business to the German speaking countries: [Click here](#)