

## PRESS RELEASE

Berlin, 21/01/2019

Franchise Association publishes figures for the franchise industry

### Franchise statistics for 2018 – continued dynamic growth

- 3.6% more franchisees
- 1.2% more employees
- increase in sales revenues of 9.4%

The German franchise industry developed dynamically in 2018. This is confirmed by the statistical evaluation for 2018 issued by the German Franchise Association. The evaluation shows that there are around 990 franchise systems across Germany with more than 128,000 franchise partners, 3.6% more than in the previous year. Overall, there are just under 168,000 (+ 3.5%) franchise businesses with around 715,000 employees, representing an increase of 1.2%. These figures reconfirm a clear growth trend for partners, companies and employees. This positive development is made even clearer by the total revenue – at EUR 122.8 billion, this figure has risen by 9.4% compared to the previous year.

#### Positive partner development and revenue growth

Last year, the surveyed franchise systems were able to further increase their partner acquisition. By extrapolating the figures to the overall franchise industry, we arrived at a figure of almost 4,500 new franchisees who put their faith in this form of business collaboration, increasing growth by 3.6%. Revenue in the franchise systems also continued to develop in a disproportionately positive way, rising by 9.4% to EUR 122.8 billion. "The figures reflect a very successful 2018 within the franchise industry, which is more dynamic than the German economy as a whole", was the analysis of Torben Leif Brodersen, Senior Managing Director of the German Franchise Association, commenting on the current figures.

#### Franchise industry less reliant on traditional founders

To successfully multiply the system concept, more and more companies are focusing on new target groups. At 23%, employees and specialist and managerial staff are still in first place, closely followed by a company's own employees at 21% (+ 11%), independent entrepreneurs (20%) and existing franchise holders (18%). This means that the themes of *changing sides* – *from employee to partner, conversion* (i.e. the transformation or integration of existing companies into a franchise system) and *multi-unit franchising* (one partner with several sites) are moving increasingly into the strategic focus of franchise concepts. "The market for the traditional founder is of course still

there. It is becoming clear, however, that franchise systems are increasingly relying on new constellations in their partner structures. Employees and both specialist and managerial staff are still at the top of the list as potential franchisees, but there is a noticeable increase in openness to alternative target groups", explains Torben Leif Brodersen, summarising the results. "Those who are looking for growth cannot ignore these alternative forms of expansion. For example, 56% of the systems that took part in the study said that they considered multi-unit franchising to be fairly important, important or even very important. The current figures clearly show that the German franchise industry is prepared to break new ground in this area as well", Brodersen concludes.

### **Service is the industry leader**

At 40%, the service sector continues to be the number one sector in franchising. Second place is shared by catering and commerce with 24%. Skilled trades have shown a slight increase – making up 12% of the franchise systems in Germany. Traditional skilled trades companies are also increasingly coming together to form franchise networks by dividing labour. The new sector breakdown shows: there is movement in the middle. While catering overtook commerce in the previous year, they were at the same level in 2018. Whether this split will be sustained in the future remains to be seen in the statistics for the coming years.

As different as the sectors in franchising may be, the systems that were surveyed are uniform in the status of their development phases – 55% (+2%), more than half of the systems in the survey, stated that they were currently in the expansion phase, 14% are at the stage of maturity, and 9% are in the set-up phase. These figures indicate a clear focus on expansion. This is also confirmed by the franchise systems' planning activities – on average, they were hoping to recruit 12 new franchise partners in 2019.

### **Franchise industry an important driver for the jobs market**

In the last year, the franchise industry has created more than 8,500 new jobs. This represents an increase of 1.2%. This means that, in the Federal Republic of Germany, a total of 715,362 people are employed in franchise companies, either full-time, part-time or in mini-jobs. "A familiar brand is the foundation of the system's success. Yet this factor is not only relevant for end customers and consumers, but increasingly for employees too – and that includes both existing and potential employees. Another good reason for actively supporting our members in the setting up and expansion of their successful employer brand", Torben Leif Brodersen tells us. "Those who win over employees today may have already won over the partners of tomorrow."

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**About the design of the study:**

The franchise statistics for 2018 were collected online from 21 November to 21 December, 2018. 266 members of the German Franchise Association and 727 companies who were not members of the German Franchise Association were contacted via e-mail. The net figure for participation was 128 franchise systems, a response rate of 13%. Prof. Dr Achim Hecker (Digital Business University of Applied Sciences i.G.) was appointed to carry out the study and evaluate the results.

The complete evaluation is available for download [>>>HERE<<](#) as a pdf.

**About the German Franchise Association:**

The German Franchise Association represents the interests of the German franchise industry in the area of economic policy – on both a national and an international level. It was founded in 1978 and is based in Berlin. The German Franchise Association is the quality community and represents franchisors and franchisees alike. The association currently has more than 360 members. In 2018, there were approx. 990 franchisors operating in Germany. Together with more than 128,000 franchisees and more than 715,000 employees, they achieved total revenue of around EUR 123 billion.

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