

## A glimpse at Franchising in Central America



(Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua)

### *Overview*

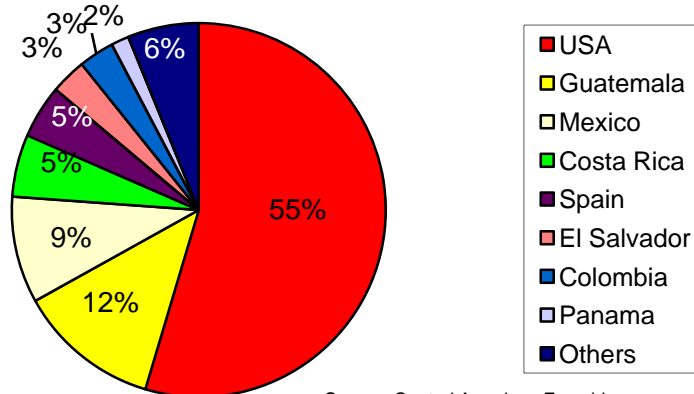
- Central America has been a good marketplace for U.S. franchises in the past, and continues to offer opportunities for well-known franchise concepts. Receptivity for new chains, particularly in the food/restaurant sector, remains high. The market for franchising is expected to grow at an annual rate of 10% for the next three years.
- The first franchises came to the region in the early 1970's, starting with McDonald's. (Costa Rica 1970, El Salvador 1972, Guatemala 1974, Nicaragua 1975).
- Franchises mainly include members of well-known wealthy families with substantial disposable incomes, either directly or through their companies. People who currently own a franchise tend to be more accessible towards investing on a new one. Strong corporate and/or entrepreneurial groups are also among the most promising franchisee candidates.
- Gold Key Service and trade fair exhibitions have been keys to enter this market. Some franchises have been acquired through Internet searches.
- Not all franchises do well in this market: Blockbuster Video pulled out of Costa Rica due to poor copyright protection. Sir Speedy, Rooms to Go, Midas and Pollo Tropical did not do well in Costa Rica and El Salvador eventually closing down operations. U.S. franchisors must ascertain the basic practicability of transporting their business system to Central American by engaging in a thorough market research study before attempting to expand locally.
- Guatemala is #1 in the region with aprox. 150 franchises. Nicaragua is last with about 33.
- Tourism projects, infrastructure modernization plans, and economic growth in the region, are among the main factors attracting investments in this sector.

### *Reasons why franchises succeed in Central America*

- Brand Name Recognition
- Geographical proximity and Familiarity with U.S. Language and Culture

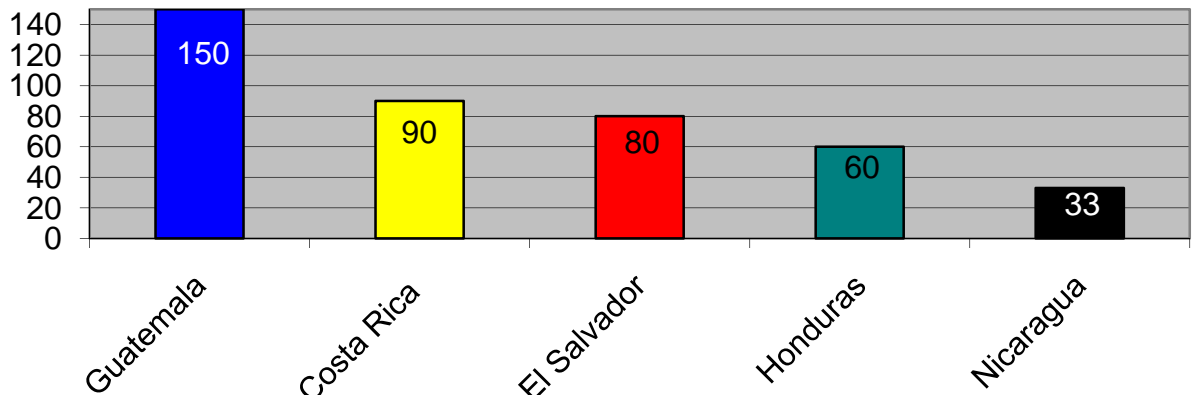
- Marketing and Sales Promotion
- Franchiser and Training Support
- Product Standardization
- Country-Specific Spanish POS materials
- Flexibility to Adapt to Local Suppliers or Local practices, if necessary
- Price, Service, Quality of Products, Innovation

• **Where do franchises originate in Central America?**



Source: Central American Franchise Association 2004 - ACAF

• **Number of Franchises in each country**



Source: US Commercial Service. Nicaraguan information provided by ACAF

• **US franchises operating in Central America include:**

Jerry's Subs, TGIF Fridays, Subway, Burger King, Office Depot, Chilli's, Hardee's, Dairy Queen, Tony Roma's, Haagen Dazs, TCBY, Mail Boxes ETC, Sizzler, Taco Bell, Schlotzsky's Deli, Pizza Hut, Papa John's, Little Ceasar's, Quiznos, Cinnabon, Sbarro, Wendy's, Dunkin' Donuts, Baskin Robins, Pakmail, Dry Clean USA, Denny's, Bennigan's, Bojangles, Applebee's, Church's Chicken, Domino's Pizza, Popeye's, Ruby Tuesday's, Manpower, Midas, Oil Butler, Meineke, Candy Bouquet, Gold's Gym, Quik Internet, Berlitz, KFC, Holiday Inn, Outback Steakhouse, McDonalds.

- **Non-US franchises:**

Pollo Campero (Guatemala), Sushi Itto (Mexico), Yogen Fruz (Canada), Bennetton (Italy), GetNuts (Costa Rica), Rosti Pollo (Nicaragua), Tre Fratelli (Guatemala), The Bagel Factory (Guatemala), Bagelmen's (Costa Rica), Maridos de Alquiler (Costa Rica), Il Gatto (Argentina), Presto (Italy), The Coffee Cup (El Salvador), Helados Holanda (Mexico).

- **CAFTA:** The Central American Free Trade Agreement will provide full market access to franchising with trademarks, lower cost to export equipment, elimination of "dealer acts", etc.

***Other Resources:***

- International Franchise Association, Washington D.C., [www.franchise.org](http://www.franchise.org)
- U.S. Commercial Service Central America: [Roy.Fernandez@mail.doc.gov](mailto:Roy.Fernandez@mail.doc.gov)  
*If you would like more information please go to [www.buyusa.gov/centralamerica/en](http://www.buyusa.gov/centralamerica/en)*