Chapter 9
Franchise Management and the Greek Franchise Industry

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ABSTRACT

In this chapter, the development and growth of franchising is studied through the collection and comparison of statistical data from several countries with a special focus on Greece. The business concept of franchising, its different types as well as its advantages and disadvantages are investigated especially under the pressures of the current economic crisis. With Greece being one of the worst hit countries, this paper, suggests that that franchising is one of the most viable, low risk business models and possibly a pathway to re-igniting entrepreneurial activity. To argue the case, the authors present a historic account of the development of franchising in Greece; an analysis of the current Greek business climate and the ease of doing business in Greece; Greek market trends in relation to franchise activity; Greek franchise market prospects and limitations. The paper ends with proposed implications especially aimed towards managers of franchise businesses in Greece.

DOI: 10.4018/978-1-5225-0843-4.ch009
INTRODUCTION

The idea of franchising has been developed in order to help companies grow without the need of huge initial capital outlays. Furthermore, as Kaufmann and Dant (1996) report on a second reason for companies embracing franchising as a preferred method for growing their businesses, this being, that franchisees manage the outlets better than company employees would if the unit were company owned. According to the U.S. Department of Commerce (2006), franchise businesses are exponentially more likely to succeed than individual new start-ups, particularly if one looks at the figures over a five year period. According to the U.S. Department of Commerce, 95% of franchises are still in business after 5 years. The likelihood a self-launched business will still be in business after 5 years is 47%. Buying a franchise more than doubles your chance to survive as a business owner.

Franchising has been known to offer several benefits during downturns of the economy, and serves as a vehicle for growth. Contrary to times of low unemployment, when the active workforce tends to prefer salaried employment, in times of recession and uncertainty franchising offers an opportunity to invest in an enterprise that combines full employment and low risk, taking advantage of the support provided by the experienced team of the franchisor, and of the products, economies of scale and marketing support that a small firm would not easily obtain otherwise. As for the consumer, in periods of economic uncertainty franchising offers consistent quality and pricing, established brands, and a higher degree of reliability. However, as an alternative way of starting up a new business, franchising has both benefits and drawbacks for the prospective entrepreneur and involves several other issues that need to be explored and evaluated before deciding to undertake such a business venture.

In Greece franchising was introduced in the late 1970s and exhibited a rapid growth since the mid 1990’s. This rapid development can be justified by the strong desire of Greeks to become owners of their own business. So, as opposed to the rest of Europe a significantly large segment of the labor force is made up of the self-employed, employers and family workers (Karantinos, 2012). Nevertheless, similarly to Europe more than 98% of businesses are small to medium sized businesses (SMEs), (European Union, 2009).

Aliouche, Schlenrich and Frazer (2012) in their study of internationalization of franchise companies proffer that international expansion strategies highly depend on their choice of country entry on ‘country risk’ factors. They demonstrate that ‘country risk’ factors not only include economic indicators, but more so nowadays indicators concerning the country’s political stability, the legal and regulatory environment, and culture. For this reason and in support of the case of franchising being one of the solutions for re-igniting entrepreneurial activity in Greece, a large part