

THE FRANCHISE SYSTEM, which emerged in the US, is becoming more and more popular for brands in Turkey for the advantages it brings. The growth attained by companies using the franchise system is attracting more investors by the day,

causing franchising to grow exponentially.

As Turkey becomes a center of attraction for international brands with its increasing allure, Turkish brands have set their sights on the rest of the world. Brands that became franchised in mushroom-

ing shopping centers first in Istanbul and then in Anatolia are no longer contained by the country's borders: they now seek opportunities in the markets abroad. These brands initially opened branches by franchising in nearby countries and the Turkic nations of

Central Asia, but there is more to come. Food brands account for a significant number of these, and this means alluring business opportunities in the food industry for investors both local and foreign.

1,876

Number of chains in Turkey

24%

Proportion of foreign brands

74%

Proportion of Turkish brands

50,000

Number of branches connected to chains

KOMAGENE AND DÖNERGENE

Komagene, one of Turkey's leading vegetarian çığ köfte—patties made of bulgur with a mixture of spices, herbs, and other ingredients—chains, was one of the first brands in Turkey to present an opportunity to investors via franchising. Launching in 2003, Komagene grew to more than 100 branches by 2008. The company is aiming to increase its influence in both the domestic and international markets with its new döner kebab brand, Dönergene.



Çetin Tekdemir—General Manager, Komagene Çığ Köfte

Used by many companies, the franchise system is one that has been especially successful in the West. This system makes rapid growth possible. When it is set up and managed correctly, it brings success. Individually owned and small businesses are affected negatively by global movements, trends, and difficulties with communication and accessibility. For businesses to hold competitive power against large corporations and continue to maintain owner-

ship, they must enter a franchise system. The benefit of the franchise system to small-scale investors will be understood more clearly in the coming term. Presenting turnkey brand power, accessibility, and awareness; the strength of chain stores; and tried-and-true business models, the franchise system is sure to grow more quickly in the coming term.

As Komagene, we currently serve out of 390 branches, 385 of which are in Turkey and five of which are abroad. In our sights are Europe, the

Turkic republics, and countries with well-established spice customs and habits of consuming spicy foods, such as India and Pakistan. And with our new brand, Dönergene, the entire world is our target market.

When granting a franchise, we take care to see that the potential investor believes in this business, loves the business, has the means to invest, and follows franchise rules. Until the end of the first year in which the franchise is granted, we do not take trademark fees from the investor.





Mustafa Aydın, PhD,
Chairman of the Turkish Franchising Association

We asked Mustafa Aydın, PhD, Chairman of the Turkish Franchising Association, about the franchising industry, which is growing in parallel with the growth of the services sector worldwide, and the position of Turkish food brands within the industry.

What is the secret to success in franchising?
Brands that grant franchises must first cement their concepts properly and develop their brands according to the desires and needs of their customers. For the franchise system to be successful, it is also necessary to keep quality standards high and use

the operations/control mechanism very effectively. The most important factor in the development of franchise chains is management. A poorly managed chain cannot grow or turn into a brand; in fact, as its rivals grow, it will shrink. A well-managed chain will become a brand even when starting from scratch. Shopping center space for brands is one of the most important factors in the development of franchise chains as well. Errors and neglect committed constantly by independent retailers are another important factor in why consumers prefer franchise chains and in how they develop. A factor that can cause franchise chains to fall behind in certain industries, on the other hand, is the emergence of giant chains that open their own branches. These do not emerge in service-intensive industries; but in segments where the product and price are at the forefront, because they are able to operate on low profit margins, neither independent stores nor franchise chains can stand up against them.

In terms of the number of franchise chains, how do you regard Turkey's position in the world?

The Turkish market and economy constitute an important location with their stability, young population, and position as a gateway to the Middle Eastern and Asian markets. All countries and brands from America to Canada and from Spain to India are planning to enter our country's market.

How is interest in Turkish food brands that grant franchises abroad? Is it mostly local investors who buy franchises or are they foreign?

Interest in our brands abroad is increasing each passing day. As UFRAD, we have always encouraged and supported our brands in branching out abroad. There is interest from investors local and foreign alike. At first, local investors were more interested; now, however, foreign investors are also buying franchises, believing in the strength and quality of Turkish brands.

Could you discuss the curriculum of the Franchise Academy run by UFRAD? How did the need to establish such an academy in this field arise?

As UFRAD, in order to ensure that franchise-granting chains provide lasting benefit to our country's economy, we see it as necessary for them to set up their franchising systems in full and correctly operate these. For this reason, we support them with our training and check up on them via system evaluations. With UFRAD Franchise Academy, a joint effort at Istanbul Aydın University with the consultancy of Franchise&more, we provide fundamental training to entrepreneurs who will establish a franchise system, the managers who will implement the system, and the people who will sell the product.

TURKISH FOOD BRANDS EXPANDING ABROAD VIA FRANCHISING



- Sampi Gıda took its first step abroad into Germany. The company opened its first branch under Sampi GmbH, its business entity in Germany, in the city of Düsseldorf, and its second in Cologne. Sampi aims to grow to 100 branches in Europe within five years, starting in France, the Netherlands, and Belgium.

baydöner

- In 2011, Baydöner opened its first branch in Erbil, the rapidly developing city in Northern Iraq. Expanding its franchise in the Middle East and Europe is foremost among the company's goals.



- Another food brand that opened a branch

in Iraq is Pizza Pizza. On the heels of the opening of its branch in Azerbaijan, the company has now set its eyes on the Iranian market.

- Park Kumpir, which opened its first branch in Switzerland, intends to bring the tasty kumpir—a popular street food consisting of baked potato with



simit sarayı

assorted toppings—to Spain.

- Simit Sarayı is determined to feed Turkish simit—a superficially bagel-like sesame roll—to the world. Simit Sarayı (“Palace of Simit” in Turkish), which introduced a fresh approach to the doughy snack that is traditionally sold on the streets, aims to become the world's

most chain by number of locations by the year 2020. The company's yearly revenue target is TRY 5 billion. Besides America and the Middle East, it is planning to open branches in China, India, and Pakistan as well. The brand's goals are not limited to opening branches, either—Simit Sarayı will establish seven production facilities in the US, China, and India.

SİMİT SARAYI

Simit Sarayı is continuing to expand not only in every city in Turkey, but also all around the world. The company always makes sure to conduct the opening of the first location in a country by itself. With its export-based strategy for growth, it is aiming to establish manufacturing hubs around the world.



Caner Yazar
Simit Sarayı Franchise Direktörü

By attaining a figure of 280 stores at minimum by the end of 2013, we aim to surpass in 2016 the 550-store target we set for that year. We receive 450–500 franchise applications on average every month, and more than

half of these requests come from abroad. From these applications, which come from every part of the world, more or less, we are in close contact as of 2013 with Benelux countries and Germany in particular, as well as investors in the USA, Australia, UAE, Qatar, Saudi Arabia, and Kuwait. Especially abroad, we are conducting our efforts regarding this matter under two main headings. As we conduct this effort, we aim firstly to possess sufficient information on consumer preferences and prices. Under the second heading, the investor's background, operational capacity, and financial situation come into the fore as a determining factor for us. Abroad, we take 6% of monthly revenue for trademark fees, and 3%—also of monthly revenue—domestically. In the process of globalization, change

is under way in the food and beverage industry, as is the case in every part of life. Companies with a high degree of mobility are moving toward the franchise system in order to adapt to this change. We think it will be better for companies to progress while also maintaining their local values in the human and cultural sense. As Simit Sarayı, investors are watching us with rapt attention due especially to the growth and development we realized over the past few years. As we are one of the brands that use the franchise system most effectively in the world, we stand out more than other brands do. The way to success in the franchising system goes through happy franchisees that adopt the brand's standards and values in their work and thereby attain profitability.



WHY FRANCHISING?

The franchising system minimizes the time, energy, and—to a significant degree—the money one would spend upon deciding to establish a business. As the brand has already gained recognition and acceptance, entrepreneurs are able to market their services eas-

ily. This security and trust provided to the entrepreneur brings high motivation with it. Entrepreneurs are able to exchange ideas with other investors in the franchise with ease and learn of global developments quickly. Additionally, as one deals with professionals the whole time,

potential friction and problems are minimized as well. If you are interested in companies that offer franchising abroad, it bears mentioning that they generally do this by granting a master franchise for an entire country to a single investor. In other words, a franchisor

grants a specific individual or company in a country or region the authority to grant further franchises in its name instead of doing so on its own. The contracts in which this authority is specified, the master license, may grant this authority for more than one country.

KITCHENETTE

Kitchenette—the flagship brand of Istanbul Doors Group, a local giant in the dining, nightlife, and entertainment business with more than 20 brands under its umbrella—offers entrepreneurs the opportunity to establish their own businesses via franchising.



**Osman Cenk Akın—CEO,
Istanbul Doors Group**

Kitchenette, the locomotive brand of Istanbul Doors Group, currently has one branch in Baku and two in Moscow. In both locations, it has been met with great interest from day one. The success of the first branch in Moscow facilitated the launch of a second branch within a short time. And in Baku, our efforts to open a second branch are ongoing. Additionally, in a very short time, our St. Petersburg, Russia branch will enter service. After that, we plan to open our London branch. The success of our existing restaurants abroad further rallied us with respect to our plans for abroad.

Kitchenette will continue to grow domestically and abroad. Now, with

the second branch that opened in Moscow, our total number of restaurants has reached 24. In the years ahead, we predict that this number will multiply, especially with branches to be opened abroad. With franchises, we aim to reach 60 restaurants within five years.

When it comes to the Kitchenette branches we open abroad, we opt to work with local partners who know the region in question and its conditions. As Doors Group, the foremost concern we have when granting franchises is that our business partner will represent our brand as best as possible, not compromising on the brand perception, quality of service, and all other principles so as to ensure the continu-

ity of the business. As for the technical terms, those are discussed and decided upon once all other terms have been approved.

We believe the franchise method possesses significant potential. The demand we have seen for branches of Kitchenette abroad prove this, anyway. Our top priority is Baku and Moscow, where our concept has gained acceptance. Furthermore, London, as a city where we already have restaurants, is a location where we are strong. We aim to grow in the UK, foremost in London. There is significant demand for Kitchenette from many other different places in the world; we are evaluating all of them, our target regions most of all.

