

Bancomer have special franchising packages. Several consulting companies specialize in franchising.

There is also a need to strike a reasonable balance between the rigid application of the existing franchise formula and some flexibility to adapt the franchise formula to such local market conditions as those dictated by the taste and customs of the people.

### COMPETITION

Canadian franchisors compete mainly against U.S. companies, which dominate the market. But there is increasing rivalry from Mexican corporations which have learned quickly about the potential profit from transforming successful businesses into franchises. Mexican franchisors have begun to move into the U.S. and Central America. According to Business Mexico they include Videocenter, VIPs, Pollo Loca, Maseca and Helados Bing.

Franchises have done very well in competition with established retail businesses, many of which are family owned. Although they tend to have higher prices, the franchises benefit from brand recognition as well as better management and quality control. The rapid growth of franchising has been dominated by start-up opera-

tions, but there is also a strong trend towards "franchising by conversion" where existing operators buy a franchise in order to stay competitive.

### OPPORTUNITIES IN FAST FOOD

Mexicans like American-style food, and are familiar with most of the major franchise brands. But franchises have mainly catered to the well-off buyers. Until recently, only one consumer in ten had an income large enough to be considered a potential customer. Food franchise prices are typically 25 percent higher than in the U.S. Some analysts believe that prices will have to fall to 25 percent less than U.S. levels, or lower, to attract middle class consumers.

Franchisors are already working to increase their appeal to working class customers. Mexicans are used to buying takeout meals, or comida callejera, from street vendors and from torta (sandwich) shops. Local corner restaurants offer fast-service meals known as comida corrida, selected from two or three choices on a daily menu. Fast food franchises have begun to compete with these outlets by offering coupon discount programs.

### MARKET ENTRY STRATEGIES

There are a variety of trade shows that cater to the franchise industry, and they are a good way to find out about opportunities in Mexico. The Franchise Association also has a list of potential franchisees. Franchisors must be sure their brand name will be accepted in Mexico, since brand recognition is the key factor in that market. It is rare for a franchise to change its name to Spanish, since English brand names are well accepted in Mexico.

The Mexican franchise industry is maturing rapidly and Canadian firms will probably have to look for regional or niche markets. Adapting the product to the Mexican market is also a consideration, although U.S.-style products tend to do well without modification. Many fast food franchises simply hand out envelopes of extra spices.

Before it entered the Mexican market, Taco Bell conducted taste and developed new products for Mexican tastes, including soft-shell tacos. Later, customer demand forced it to offer items from its U.S. menus. According to an article in International Business, company officials attribute this to the fact that many affluent Mexicans have visited the U.S. and want "un-Mexican" products, including hard-shell tacos.

The situation is more complex in non-food areas, where Mexican consumers may not be familiar with the product at all. Fast printing outlets, for example, have had to educate the consumer on how to use their services.

Once the decision has been made to go to Mexico, the first priority is to register the trademark. This is a simple procedure but it will cost up to U.S. \$6,000 and will take time. Some franchisors find that the Mexican rights to their trademarks are already owned by local companies. Burger King, for example, was forced to franchise from the local owner of that name in order to enter the Mexican market.

### MAJOR FOREIGN FRANCHISORS OPERATING IN MEXICO

SIRLOIN KING  
 JANIKING  
 BLOCKBUSTER VIDEO  
 RADIO SHACK  
 WEST COAST VIDEO  
 QUICK KOPY  
 PETER PIPER PIZZA  
 KENTUCKY FRIED CHICKEN  
 SHOOTERS USA  
 MIAMI SUBS  
 McDONALD'S  
 DOMINO'S PIZZA  
 CENTURY 21  
 TCBY  
 TACO BELL  
 YOGEN FRUZ  
 ALPHAGRAPHS  
 ATHLETES FOOT

PIZZA HUT  
 BENETTON  
 ARBY'S  
 BURGER BOY  
 DAIRY QUEEN  
 SHAKEY'S  
 WENDY'S  
 JACK IN THE BOX  
 CEILING DOCTOR  
 BOARDWALK FRIES  
 SUBWAY  
 HO LE CHOW  
 DUNKIN DONUTS  
 DAVID'S COOKIES  
 BASKIN ROBINS  
 COMPUCOLLEGE  
 DENNY'S  
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