

# **NEW FRANCHISE MODELS FOR SUCCESS - AGM ABOGADOS**

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**The economic crisis may have slowed the dramatic growth of the Spanish franchising sector but companies continue to utilise the model to develop their domestic and international expansion, say Fernando J. García Martín and Julio Rocafull Rodríguez, partners at Barcelona based AGM Abogados and Members of the Spanish Association of Franchisers.**

'The slowdown has been particularly acute in the real estate sector where the effects of the crisis have been especially virulent. But the expansion plans of companies across the sector have been affected by the rigid finance criteria now imposed by Spanish banks,' says García Martín.

What he now sees however are Spanish franchisers beginning to work with non- Spanish banks to obtain credit lines, particularly to establish franchise networks or master franchises across Europe and even in Asia.

Spain continues to present attractions for both franchisors and franchisees, they insist. The domestic legal system may not have specific sector legislation but there is an accepted body of regulation encompassing all aspects of franchise registration and operation processes. 'The courts have created an established body of law that provides precise answers Fernando J. García Martín to the most common concerns. Spanish legislation makes no distinction between trading models and there is total liberalisation regardless of the commercial system chosen: franchising, selective distribution or any other collaborative business model,' says Rocafull Rodriguez. Parties should also be aware that sector best practices also exist: 'Franchisees need to check the veracity of all the information provided to them, and be wary of operators with little track record or that do not have their own schools, distinctive business methods or know how,' says Potential franchisees are entitled to information about the company history, operating network and management structure and the ownership of any intellectual property before they even enter into a contractual relationship.

Such reports must set out concrete legal positions. Franchisors need therefore to be as objective as possible to avoid creating liability traps for themselves, adds Rocafull Rodríguez.

'The success of a franchise network wherever it grows may be determined by the selection criteria used in awarding franchises, the management's ability to evolve models, and to address operational or management issues as they arise.'