

Franchising in Hong Kong

Franchising made its first mark in Hong Kong when Kentucky Fried Chicken ("KFC") outlets established its franchised operations in Hong Kong back in 1970's. After some time, all the KFC outlets were closed due to non-acceptance of fried food by Hong Kong people. KFC re-entered Hong Kong a few years later and is now operated by an area developer.

In 1981, Dairy Farm entered master franchising agreement with 7-Eleven. Today there are over 1,000 7-Eleven stores in Hong Kong with 40% are franchise stores. Due to its popularity and fast expansion 7-Eleven is perceived to be the first overseas franchise brand building its roots in Hong Kong.

After 30 years of development, Franchising has become one of the most popular business expansion models in Hong Kong. There are approximately over 100 franchise operators in Hong Kong, with around 50% are local franchisees, although there is a lack of official statistics available.

Types of Franchises in Hong Kong:

There are 3 major sources of franchise brands in Hong Kong:

1. **International franchise brands** - Hong Kong is the base of many International franchise brands. Many Hong Kong businesses entered master franchising agreements to assist international brands in their expansion to Asia, Chinese mainland, Hong Kong and Macau. Success cases include Japanese renowned beef rice chain Yoshinoya.
2. Hong Kong local franchise brands including Store-friendly self-storage and popular fashion brand Bossini.
3. **Chinese mainland franchise brands** - a number of Chinese mainland brands have used Hong Kong as a showcase to international consumers, including Quanjude Peking Duck, Little Sheep Group and Tan Woods Comb.

Franchising business model has been widely used in different business sectors, including:

- 1. Food and beverages:** Chinese and western fast food, Hong Kong style casual fast food, Restaurants, coffee shops, tea house, bakery, western and Chinese dessert house, ice-cream and frozen yogurt bars, for example Tong Pak Fu dessert and La Kaffa Coffee
- 2. Retail:** convenience stores, fashion, jewelry and fashion accessories, optical, for example 7-Eleven, Icon Lady, Muse Fashion, Kura Chika
- 3. Services industry:** travel agent, printing and photography, self-storage, beauty, training, children education, fitness and hobby classes. Examples include Fotomax, Store Friendly self-storage, Modern Education, Sunshine Laundry, Dr I-Kid etc.