

2016

Franchise Indicator - Ukraine



Supplemental REPORT
Spring 2017

U.S. COMMERCIAL SERVICE KYIV

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In 2015, the U.S. Commercial Service in Kyiv (CS Kyiv) published the first Franchise Sector Overview and Indicator in Ukraine in cooperation with the Franchise Group, a consulting group providing brokerage and market analysis services to franchisors in Ukraine. Later this year, the Franchise Group plans to publish the entire 2016 Franchise Sector Overview and Indicator. Until this report is released, however, CS Kyiv is pleased to make the 2016 survey results available in this supplement to U.S. companies to use in evaluating franchise opportunities in Ukraine.

As you will see in the survey results, the majority of Ukrainian retailers and franchises that participated in the survey reported growth for a second year in a row. They also reported that Ukraine's ongoing geopolitical and economic challenges spurred them to further improve their strategic planning and operational efficiency. When asked to comment on the 2016 survey results, market experts say that Ukraine's franchise market is becoming more segmented and saturated, especially in the quick service restaurant segment, and they also forecast more mergers and acquisitions in 2017.

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| Survey Methodology and Sample

The Franchise Sector Indicator is based on a survey conducted in cooperation with the Franchise Group, Retail Association, and multiple regional chambers of commerce in Ukraine. From September 5 to December 30, 2016, these groups sent an on-line survey to their constituents and 106 retailers of varying sizes responded. CS Kyiv sought a cross-section of respondents in order to provide readers with an understanding of Ukraine's retail market from both the franchised and non-franchised, small company and large company, and capital city and regional perspectives. The questionnaire consisted of 22 questions, focused on both past year performance and future projections. Due to a growing problem of outmigration in the general economy, this year respondents were also asked to what extent labor migration affected retail operations and asked about their methods of employee retention.

Respondents from nearly all segments of the retail market are represented in the survey results, with the largest numbers of respondents representing retail products and services (34 percent), quick service restaurants (19 percent), and personal services (12 percent). More than two in three respondents (67 percent) were from franchise-based systems and one third (33 percent) were from non-franchised systems. The majority of respondents (77 percent) operate networks of fifty or fewer outlets, with most operating networks of ten units or less. This year there were more respondents who operate networks of more than 100 units compared to 2015 (15 percent in 2016 versus 11 percent in 2015). The majority of respondents (83 percent) reported that they operate in several regions of the country. The majority of respondents (75 percent) also reported gross annual revenues of 50 million hryvnia (UAH) or less. For more information about the respondents, please refer to the Survey Respondent Profile on page 16.

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