Colombia is the fourth largest economy in Latin America after Brazil, Mexico and Argentina. The United States is Colombia’s largest trading partner. Colombia’s economy is expected to continue to grow, creating an expanding middle class, which will provide additional opportunities for U.S. franchise firms.

The 2012 U.S.-Colombia FTA removed trade barriers to U.S. exports to Colombia and continues to contribute to expanded trade and economic growth between our two countries. The FTA also provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, consistent with U.S. and emerging international standards of protection and enforcement, which will help U.S. franchise firms protect their IPR rights.

According to industry sources, the franchise sector continues to grow each year as a result of an influx of international franchise concepts, which hold about 59 percent of the Colombian market. Of the International franchise firms, the U.S. holds the largest percentage of the market.

The food and beverage sector holds the best growth opportunities in Colombia, with clothing retail close behind it. Services franchises, such as health services and education and training, are in their infancy stage.

The three largest cities of Bogota, Medellin and Cali hold the largest concentration of the franchise market. Other large cities in Colombia (Barranquilla, Cartagena, Bucaramanga, Armenia, Manizales and Pereira) should be considered for possible areas for growth.

Familiarity with international franchising concepts remains closely correlated with income bracket, with only the higher brackets being familiar with newer and more novel concepts. Still, while the group with stronger purchasing power is more likely to adopt foreign concepts, some franchising concepts have demonstrated how they can quickly gain market appeal in the lower income brackets by offering good products with interesting discounts.

World Economic Forum’s Global Competitiveness Index (GCI): 1

Colombia has risen in the overall rankings for the last two years, in large part due to the upgrades in its financial markets.
Government/Regulatory

One of the main areas needing improvement is the country’s institutional framework, especially public institutions, with corruption and security remaining problematic.

Labor Force

The low ratings for Colombia’s labor force are tied to an inability to retain and attract employees and problematic hiring and firing practices.

Infrastructure

Colombia’s transportation system needs major improvements in order to attract foreign business and assist its local economy. Its rail system is extremely weak with its road and ports right behind in areas of need. Over the last couple of years, Colombia has made great strides in improving its financial system.

Demand/Business Factors

Colombia’s expanding economy and decent market size are promising for foreign firms seeking to enter the region.

Industry Interest

Of the top 12 markets identified by the members of the International Franchise Association as markets most valuable to them for international expansion and to have profiled in the Top Markets Report, Colombia was ranked sixth.

Resources

Colombia Country Commercial Guide (CCG):
http://export.gov/ccg/columbia090766.asp

Colombia Franchising CCG:
http://apps.export.gov/article?id=Colombia-Franchising

Colombia – Protecting Intellectual Property
http://apps.export.gov/article?id=Colombia-Protecting-Intellectual-Property

Industry Expert’s Take:

Colombia is currently dealing with a dramatic change in the economy. Safety issues continue to be a concern. The market consists of a few major cities. Investment for new licenses is a challenge, but Colombia is very open to U.S. brands.
