

FRANCHISE ASSOCIATION OF SOUTH AFRICA (FASA)

EMPOWERING A NATION



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Derek Smith, Chairman of the Franchise Association of South Africa (FASA), discusses the important role franchising has to play in the on-going development of the country's economy

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Derek Smith,
Chairman of FASA

Franchising itself in South Africa continues to prove to be very resilient,” states the Chairman of the Franchise Association of South Africa (FASA), Derek Smith. “Analysis conducted by Bendita Gordon of Franchise Directors showed that between 2008 and 2010 in the aftermath of the global recession hitting the country showed that, while the rest of the economy lost well over one million jobs, franchising actually created 25,000 new opportunities for people.”

Having held the position of Chairman Elect for much of 2012, Smith is barely a month into his new role as Chairman of FASA, however he has unquestionably taken on the job at a very important and exciting time for franchising in South Africa.

“A number of major developments have occurred in the last 24 months,” Smith continues, “the first being the finalisation of the Consumer Protection Act, which has now become law. Getting to this point was a long process, and included a lot of work on our part to ensure that franchising was treated separately within the confines of the Act.”

What this means today is that franchising in South Africa now carries with it specific definitions that a business needs to meet in order to be deemed a franchise, something that didn’t previously exist in the country. Having the technical definition in place is seen as only being a good thing for consumers in the long run.

Some things do still require fine tuning however, with South Africa’s government finding itself somewhat lacking at present when it comes to having the capability to enforce all aspects of the new Act. In response to this it has begun the process of establishing an alternative dispute resolution arm of the commission to which it can subcontract disputes to be resolved. This is something that FASA is very keen to pursue and it is currently putting an industry code together in order to apply for that responsibility.

“If this is ultimately approved,” Smith explains, “FASA would be able to provide the National Consumer Commission with an arm capable of adjudging any dispute within the franchising industry. We are hoping that we will get accreditation within the next 12 months, at which point we would be in a position to mediate and arbitrate on industry

disputes, help determine whether someone is able to call themselves a franchise or not and ultimately assist in pulling the industry into line a bit more.”

One of the highest priorities for South Africa’s government, like in many countries across the world, is job creation. One of the ways they hope to achieve this is through the creation of the Jobs Fund, a R9 billion fund allocated by the Department of Finance and administered by the Development Bank of South Africa.

“Due to the nature of South Africa’s economy,” Smith says, “and the number of

25,000

New jobs created by
franchises between
2008 and 2010

unskilled, unemployed people we have here, it is our belief that franchising presents a great opportunity when it comes to job creation. Mentorship is almost an inherent part of building a franchise, with businesses taking people in, training them and putting a network around them that encourages individual growth.”

In 2012, Smith himself was placed in charge of getting the Jobs Fund to recognise franchising as a specific method of job creation. His efforts were rewarded in February 2013 with the approval of FASA’s first pilot project, while a second project is currently in the final stages of gaining approval.

“Although we do refer to these as pilot projects,” Smith highlights, “if you put them into perspective, we are talking about funding up to 1,000 new jobs. While in contrast to the overall problem this may seem a small number, we see it as a starting point for what is yet to come, and that is a situation where the franchising industry plays a crucial part in solving the country’s unemployment problems.”

In addition to its work with the Jobs Fund, FASA is also working alongside the Department of Trade and Industries on several initiatives, one being supporting the growth of black businesses. “A serious imbalance

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exists today between white and black business ownership,” Smith says, “and this is something that we realise needs addressing. What we want to do help more people to start smaller or medium sized enterprises in order to become self-sustainable in the future.”

Much like the majority of the work FASA is doing, this is about addressing the empowerment of people that are feeling un-empowered at this time, trying to address job creation, to get stability back into society because of the high unemployment rates, and encourage the transfer of skills, which is a natural part of franchising.

Another area of interest for FASA is the growing number of examples of what it calls social franchising, where the franchising concept is beginning to roll out into other parts of South Africa’s infrastructure such as the health care sector. This is a trend that FASA expects to see far greater movement towards in the not-too-distant future.

Having spent the better part of ten years as part of FASA’s executive committee, Smith has first-hand knowledge of what its strengths, and indeed its weaknesses, are. It is this knowledge that has helped shape his vision for what he hopes to achieve during his tenure as Chairman. “We have made great strides in recent times when it comes

to improving our relevance to government,” he enthuses. “In addition, we have played our part in addressing the need to create jobs and have put our case forward as to how franchising can help achieve this.”

Smith is under no illusions that this is a hugely important period of time for franchising in South Africa and as such he has set some fairly hard, yet realistic targets for the months ahead. Among these targets is getting FASA officially recognised as the alternative dispute resolution arm of the Consumer Protection Act, expanding its Jobs Fund project strategy further and getting FASA recognised throughout the country as a professional body.

“What each of these main objectives have in common,” Smith concludes, “is that they all aim to achieve the same things, those being the creation of new jobs in South Africa, the successful transferring of skills to people and making more people realise that franchising can play a significant role in helping to determine the future prosperity of this country.” **BE**



Curves Africa is a member of FASA

For more information about Franchise Association of South Africa (FASA) visit: www.fasa.co.za



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