

FRANCHISE ASSOCIATION OF SOUTH AFRICA

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PERFECT TIMING

The franchise industry is booming in South Africa, thanks to changing consumer spending habits, an increase in innovation and a willingness to explore new ways of working



Sandwich Baron

Although recessions are catastrophic for many, they undoubtedly represent opportunity for others. Businesses are going under and redundancies abound; but most people of working age still need to earn a wage. So as is often the case following a recessionary period, a fresh era of dynamism is beginning to emerge in South Africa, whereby new concepts are being created—often out of necessity rather than choice—and leading in turn to new opportunities.

Nowhere is this more apparent than in the franchising sector—traditionally the business segment that is the first to pick up a trend or identify a gap in the market, create a concept and then take that to market via the franchise format.

Many workers are now turning to franchising in the wake of redundancy or a reduction in income; and similarly, many independent operators are choosing to convert to franchising in order to benefit from the support offered by a franchisor—be it in supply or operationally.

Patterns within existing franchises are changing too, with some franchise owners starting to develop smaller, more cost-effective franchise models with reduced franchise fees, lower start-up costs, fewer employees and reasonable rents. They have examined new, less expensive locations beyond the shopping malls and strip malls to expand into, such as standalone kiosks, corporate catering, campuses or sporting events. Incorporating a brand within a convenience store or service station has also

been tackled by local franchisors in South Africa and is proving to be very successful. Operating in tandem with other non-competing brands is another way in which to expand a brand into new markets.

For those starting out, examining new business sectors where there is a market for franchising could be the key to success. For example, the health sector has seen enormous growth in home care; and growth has also been evident in the education and childcare sector, the second hand market and the home improvement segment. Looking beyond that, niche markets may offer one-of-a-kind franchises that could herald the start of a new franchise trend: for example, offering a unique gourmet food experience, a new energy saving technology or developments in recycling.

The advent of multi-unit ownership is also changing the way franchising works. This is where multi-unit franchisees own many stores and run them like a corporate business, focused on long-term growth. Multi-brand franchises have also become an acceptable trend, whereby franchisees opt to own two or more brands. Having proved to be successful operators, these franchisees choose to diversify their investments, try out new concepts and take advantage of



Fruit & Veg City

changing consumer trends.

In the past year, an impressive 20-plus franchises have joined the Franchise Association of South Africa (FASA), many of them new concepts such as Car Service City, The Specialists Group, i-Talk Call Centre Solutions, UCMAS South Africa, Anat, Gloria Jean's, Corner Bakery, The Daily Brew, Toni's Pizza, Planet Nails, DIY Depot, Shave Paints & Decor, B3 Funeral

“MULTI-BRAND FRANCHISES HAVE BECOME AN ACCEPTABLE TREND, WHEREBY FRANCHISEES OPT TO OWN TWO OR MORE BRANDS”

Services, Binding Memories, InSite Transit Advertising, Laundry Dynamics, Leverage Global, Lu by Lolita, Redfern Print Station, Rubix Shuttles & Transfers, Solartech and Tengizak Personal Services.

According to executive director of FASA Vera Valasis, this year has seen the highest number of member franchisors in FASA's 33-year history. “The continued growth of new franchise concepts proves that franchising is the entrepreneurial heart of any economy—its growth might be temporarily curbed due to the recent economic recession but it remains the one business sector that is always innovating and has the highest success rate.”

FASA's new chairman Jan Davel agrees. “There is no question that franchising

can and is making a marked difference in driving the South African economy. If we consider that in two of the toughest economic years [2008 to 2010], according to Bendeta Gordon of Franchise Directions and her Franchise Factor, franchising added more than 2,200 new franchised business outlets, it is performing well above the norm and will continue to do so.

“As spending patterns change, entrepreneurs will be looking at business sectors where there is an appetite for franchising and flourishing new industries will start to see the light,” Davel continues. “Niche markets are also offering one-of-a-kind franchises that give one the opportunity to get in on the ground floor of a new franchise trend.”



Vera Valasis, executive director of FASA



DoRego's



Jan Davel, FASA's chairman elect 2012

“THERE IS NO QUESTION THAT FRANCHISING CAN AND IS MAKING A MARKED DIFFERENCE IN DRIVING THE SOUTH AFRICAN ECONOMY”

One of the driving factors behind the increased interest in membership of FASA has been the Consumer Protection Act (CPA) which came into force in 2011, whereby companies must comply with the franchise requirements of the Act and its regulations. Through its membership vetting process, FASA plays a crucial role in ensuring that members comply not only with the CPA but with all other legal requirements applicable in South Africa, as well as conforming to international franchise standards.

The recession has brought about dramatic change in consumer spending habits, which is set to open up new opportunities for potential franchisees. As the baby boomer generation reaches retirement age, it will prove to be the one section of society with plenty of disposable income, ready to be spent on things such as financial & retirement planning, home services, health & fitness programmes and leisure activities. And as the baby boomers' children become

adults, a whole new consumer category will emerge. Though adversely affected by the economic crunch of the past few years, this generation will be tomorrow's savvy consumers looking for the next new trend, services to make life easier and products and services to support their careers and their families.

The 'niche market' generation are those consumers who will drive new trends. They are the ones who will demand 'green' products, look for 'ethical' services and support different market developments. No longer satisfied with conventional shopping, the new consumer will be using the full spectrum of online mediums and e-commerce to assist them with their purchasing decisions—from mobile shopping to multi-channel surfing with the added muscle of social media activism

should their needs not be met.

New world consumers will be looking for those businesses that offer a seamless experience, genuine engagement and superior service, as well as a commitment to conduct business ethically. Brands with strong links to social responsibility and enterprise development projects will find they win over customers far more readily than those without. And many franchises will be able to offer that. ■

If you are considering taking the giant leap to becoming your own boss, either by starting a franchise or buying into a franchise, FASA runs franchise workshops that offer valuable guidance on pursuing the franchise route:
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