

Tap into Africa's franchising potential

The FNB Franchise Leadership Summit took place yesterday at the Maslow Hotel in Sandton, Johannesburg. Attended by industry thought leaders and experts, it provided a platform to engage and discuss key franchise trends in the industry.



Morne Cronje, Head FNB Franchise, spoke on the potential of franchising in Africa and leveraging global trends for continental benefit.

South African companies are increasingly seeking growth opportunities north of the border as a hedge against lacklustre domestic prospects. Highlighting the divergence of opportunity, the International Monetary Fund (IMF) forecasts 6.5% GDP growth for sub-Saharan Africa (SSA) in 2015, with less than 3% forecasted for South Africa.

Importantly for the franchise sector, African growth is significantly less reliant on mineral extraction and increasingly becoming a consumer driven story. Being innovative, adaptable and nimble, franchisors and franchisees are ideally positioned to capitalise on the rise of the African consumer. The franchise industry has evolved due to global influence and trends.

"While the industry is expanding locally and internationally, we find there is an increasing need to keep abreast with the latest trends but at the same time maintain brand presence in the market. With reliable support systems and ongoing research, franchising is seen as an industry with no boundaries and, if successful, it could be a profitable business venture in any industry," says Cronje.

Africa has untapped markets that caters for all ends of the market. Home to rich cultural, ethnic and religious diversity, the 'one size fits all' concept does not necessarily fit all on the continent. A simple example from the hospitality sector is the different preferences for the way food is seasoned, prepared and consumed between East and West Africa. Moreover, many countries already have established chains that better understand these nuances and should not be underestimated.

Varying conditions make business challenging

Jason Muscat, FNB Economics Industry Analyst explains, "Despite the abundant potential, there are many critical considerations when venturing into new markets, chief among them being suitability of the offering. Too often, Africa is thought of as a single homogenous country, where brands that have thrived in South Africa can easily be introduced to new countries, and enjoys the same success.

"Both franchisors and franchisees will also have to contend with varying levels of infrastructural development (electricity, water, road, real-estate, supply chain), different regulatory and tax regimes, as well as the impact of foreign exchange movements." Having a banking partner that can help you navigate these challenges is as important as knowing what your customers prefers, and could ultimately be the differentiator between success and failure. That said, the greater the challenge, the greater the reward.

The rise of innovation and technology has helped build an environment that has contributed to the enhancement of the current economic landscape. It not only helps aid in creating better working processes, but also adds key insights and trends on the industry. The current franchise landscape is and will be competitive.

"Franchisees need to ensure that they have enough passion and commitment to make their brand work in foreign countries. This can be achieved if we work together and find innovative solutions that will ensure that there is greater diversification and growth in the business sector," concludes Cronje.

The FNB Franchise Summit will be in Cape Town on 19 November 2014 at FNB Portside, Cape Town. For more information, go to www.franchisesummit.co.za or follow on #Franchisesummit. To listen to a podcast, go to <https://soundcloud.com/fnbsa/fls-podcast-15-october>.

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