

Understanding international franchise expansion

Pierre van Tonder, CEO Spur Holdings, will be a speaker at the FNB Franchise Leadership Summit, taking place on 15 October at the Maslow Hotel in Sandton and 19 November 2014 at Portside, Cape Town.



The rise of franchise operations in foreign markets helps increase the brand footprint and ultimately increase profitability. Expanding a brand in a new market gives businesses an opportunity to ascertain how the business model and certain brand intrinsic will perform.

"Putting the brand into an international greenfield location gives us the opportunity to clearly understand the DNA of the brand and what amendments/adjustments may need to be made to facilitate future growth," says van Tonder.

Market research

For many South African franchises, expansion abroad is an attractive way to penetrate and learn about these markets. Key aspects to consider when taking your brand to an international base include determining whether there is a market for the particular type of offering, if the local consumer will enjoy your product and if the local consumer will have an appetite for the overall offering of the brand.

Spur has been trading in South Africa for 47 years and has grown into an internationally recognisable brand with over 237 local and 28 international restaurants.

"However, while we ensure that our customers receive the best service all the time, we continually innovate and look for new opportunities that will enhance the overall franchise experience. One has to be flexible with the franchise model and brand so that you have the perfect fit from day one. There cannot be a pre-conceived notion you can just copy and paste your brand anywhere.

"Research is a crucial element in the process. Prior to launching our brand in any international market, we conduct

extensive research, not only on local audience appetite, but what kind of acceptability will our brand have in its current format. A comprehensive business model based on local conditions, costs, history of the local area/country in which we will be trading and facilitating a five-year view of the sustainability of the model is done."

Profitability is crucial

Local multinational companies are slowly tapping into the foreign and African markets as both are seen as areas with huge growth potential. "Customer needs and wants have changed. We need to continually explore and offer new solutions that not only cater for the new customer but also for the existing customer who are brand loyal and often go back due to familiarity of the franchise," says Morne Cronje, Head of FNB Franchise.

For any business, profitability is crucial and the opportunity to make profit by selling products in a foreign market may be attractive. "Taking your brand to international markets enables the brand to achieve international recognition, profit-making opportunities, adequate business growth as well as competitive advantage. This is the ultimate goal for any franchise concept and if approached correctly your franchise could be a huge success in any market," concludes van Tonder

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