



A WINNING FRAMEWORK FOR THE FRANCHISOR- FRANCHISEE RELATIONSHIP

The franchisor-franchisee relationship is symbiotic. The franchisor trains the franchisee on product information and provides the franchisee with tools to conduct the business. The franchisee takes responsibility for the day-to-day activities of the business and growing the brand.

'South Africans are not taught to be natural entrepreneurs. Franchising is for the semi-entrepreneur and it's a good concept. The chances for success are higher than when starting a business from scratch.' Eric Parker – Senior Partner, Franchising Plus

ADVANTAGES FOR THE FRANCHISOR

Franchising is a great way to expand a business, with very little risk to the franchisor. Franchisors can grow the number of franchise locations without tapping into their personal capital resources or requesting financial assistance from banks.

The franchise business model offers franchisors many advantages:



Access to cash and royalties through prospective franchisees.



Reduction of management demands as franchisees run their own businesses.



Scalability of the business without the risk of debt or the cost of equity.



Ability to compete with larger businesses.

ADVANTAGES FOR THE FRANCHISEE

Buying a franchise is a lucrative investment and the South African franchise market is growing year on year. According to Stats SA the franchising sector's contribution to gross domestic product grew from 13,3% in 2017 to 15,7% in 2018. Similarly the Franchise Association of South Africa (FASA) recorded South Africa franchisor growth from 845 in 2017 to 865 in 2018.

For the franchisee who wants to get into business, these statistics are reassuring. The following advantages make buying a franchise an even more attractive option:

1

There is a reduced risk of business failure as the business is based on a proven concept.

2

There is no need for market testing, as the brand already has a market share.

3

Franchises have a higher rate of success than regular small businesses.

4

There is an established relationship with suppliers.

5

No prior experience is needed because training is provided by the franchisor.

6

Franchisees have access to national marketing initiatives.

7

The franchisor provides support and guidance.

HOW TO GET A WINNING FRAMEWORK

The franchise model works when both the franchisee and franchisor commit to certain obligations in order to get a winning framework.

THE FRANCHISOR NEEDS TO COMMIT TO:

- a proven concept before franchising;
- fairness and equality and not just a quick cash fix;
- a full site evaluation;
- an evaluation of the suitability of the potential franchisee;
- adequate franchisee training;
- continuous support of the franchisee;
- providing updated manuals; and
- consistent communication with the franchisee.

THE FRANCHISEE NEEDS TO COMMIT TO:

- maintaining a day-to-day positive input;
- exploring local marketing initiatives;
- enhancing customer satisfaction;
- being a brand ambassador;
- maintaining communication with the franchisor;
- providing honest feedback to the franchisor;
- accepting constructive input from the franchisor; and
- adhering to the standards and procedures stipulated by the franchisor.

The success of a franchise depends on a good match between the franchisor and franchisee, who should share mutual long-term goals. The success of each franchise unit contributes to the success of the brand as a whole, and both parties need to be committed to working together.

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To find out more about Nedbank's Specialist Franchise Unit contact the local franchising manager or send an email to franchising@nedbank.co.za.

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