

PRESS RELEASE
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TRANSFORMATION A TOP PRIORITY FOR FRANCHISING

The Franchise Association of South Africa (FASA) believes the franchise sector, which contributes 11.6 percent to the country's GDP and employs close to 400 000 people through its 757 franchise systems and their 35 111 franchise outlets, can play a key role in creating new businesses to grow the economy through innovative venture creations. To this end, the Franchise Association runs an active Transformation, Stakeholders and Funding committee made up of franchisors, funders and government institutions represented by the Department of Small Business Development and its agency sefa to explore new ways to facilitate transformation, empower entrepreneurs and small businesses in bridging inequality whilst creating prosperity and employment.

In view of the National Development Plan's target of 11 million jobs to be created by 2030, with 90% of those jobs expected to be created by small and expanding formats, solutions to the employment challenge need to be tackled as a matter of urgency. Says Tony Da Fonseca, FASA's Chairman for 2017/2018, "We as the franchise community have the business format expertise to assist in the establishment of new franchises in a variety of sectors, both through our established network of franchises and in those not yet franchised – be it in agriculture, manufacturing or even in government's social services. But we need to mobilise business and industry leaders, government and civil society to play a part in freeing up economic regulations and find creative solutions to allow entrepreneurship to flourish. The focus should move from job creation to the creation of sustainable small businesses. Franchising offers a mechanism to enable this."

It has been proved time and again that small and medium enterprises (SME's) are the backbone of every economy around the world. According to Vera Valasis, Executive Director of FASA, who represents South African at the World Franchise Council, "small businesses are creating two thirds of the jobs in developed countries and a large percentage of those small businesses are through the franchising business format. There is no reason why South Africa cannot drive the same growth through franchising that countries such as Brazil, China and India have shown."

Over the past few years FASA members have worked closely with government to effect transformation in the sector with several initiatives to stimulate entrepreneurship, skills transfer and job creation. In a tight economy, with traditional lenders wanting between 40 – 60% own contribution, funding remains a stumbling block to true transformation. In 2014, an initiative from the Jobs Fund, and in conjunction with Business Partners, resulted in just under R100 million advanced and more than 600 jobs to be created by the end of 2017.

The second round of an emerging franchisor initiative spearheaded by the Department of Small Business Development's Micro Franchisor Development Project will see the number of businesses replicated total fifteen by the end of 2018.

"There is no doubt that these projects" says Chairman of FASA, Tony Da Fonseca, "will go a long way to enhancing the reputation of franchising as an enterprise development mechanism, whilst playing a valuable role in reviving township economies, creating new businesses, passing on important skills and more importantly, creating much needed jobs. But more needs to be done – and fast!"

Don Mashele, Head: Development Impact Support at the Small Enterprise Funding Agency (sefa), an active member of FASA's Stakeholder Committee, is confident that their association with FASA will ensure that franchising becomes one of the levers to implementing economic transformation. "Since signing an MOU with the Franchise Association, sefa now has new structures in place to receive funding applications for the whole country which we then assess together with FASA and refer further within our organisation. We would like to invite all FASA Accredited franchisors that have intentions or have already developed innovative empowerment business models geared towards rolling out the franchisor network to the broader market to approach us with a view of exploring some funding options for such models."

Tony Da Fonseca, Chairman of the Franchise Association of South Africa (FASA), believes that the franchise sector is perfectly poised to take the lead in transforming the business landscape and make an even bigger contribution to the country's economy. "As a group of progressive franchise entrepreneurs, historically and against the odds of sanctions, we created a franchise sector that today boasts over 90% home-grown concepts. Sustainable economic transformation can become a reality only if the public and the private sector come together to optimise limited resources and utilise available opportunities to best effect," says Da Fonseca.

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