

Small business model offers growth during recession

Franchising offers prospective entrepreneurs a tried and trusted model that provides the concept, support and infrastructure those new businesses need. This is essential as the risks for new business owners increase daily.



Richard Mukheibir

The current economic outlook is like "the wings behind us," says Richard Mukheibir from Cash Converters. "In this business, instead of holding back this is the opportunity to double the business in size over the next year. Our retail presence is becoming stronger - we completed two million transactions last year and expect this figure to grow by at least a third this year, with 50% of the retail turnover still in the higher priced better value items such as electronics."

It is access to cash at a time when about 19 million people in South Africa are credit users and approximately 47% of them have credit-impaired records.

"The current business model is changing to include financial services products, which are growing faster. Currently the item surety offering is proving successful. It has a 75-85% redeem rate. This product ensures that a consumer never gets into a debt spiral, as the loan simply is extinguished.

"The payday advance service is also gaining ground with the customers. What makes these products so successful is that it is a quick process for a customer to gain access to cash. In the case of a payday advance, it takes 30 minutes for a new customer and 10 minutes for repeat customers and about 85% of our customers are repeat customers.

"The appeal for potential franchisees is that our franchise model usually provides a return on investment in a 3-year period, provided the franchisee has an eye on the business all the time," he concludes.

Enticing franchisees back to South Africa, funding ventures

According to Angel Jones, CEO and founder of Homecoming Revolution, an organisation that is determined to bring skills back to South Africa, franchising is an option that she promotes. "In our recent expo in London, 88 of the agents in the expo were franchising brokers." She adds that for every entrepreneur that returns to South Africa at least three jobs are created.

Franchising has proven its success in so many industries that small and medium specialist risk finance company, Business Partners Limited, has just launched its franchise fund, backed by the Development Bank of South Africa (DBSA) aimed at allowing previously disadvantaged entrepreneurs, with limited assets and access to capital, to qualify as franchisees.

According to Christo Botes, executive director at Business Partners Limited, "The total Franchise Fund amounts to R107.03 million and consists of R48.65m from National Treasury's Jobs Fund (R38.92m for financing and R9.73m for technical assistance), as well as R58.38m from Business Partners Limited."

For more, visit: <https://www.bizcommunity.com>