

What's at the heart of franchise sector growth?

Over the past four years, the franchising sector has displayed resilience, consistently growing its contribution to the country's gross domestic product (GDP) from 9.7% in 2014 to its present contribution of 13.3% - an upward trend that is most likely to continue despite the lacklustre economy.



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The current growth of 13.3% is broken down by the Franchise Association of South Africa (FASA) as follows: The largest franchise system is the Fast Foods and Restaurant category (25%). The Retail sector at 15% is the next biggest, followed by the Building, Office, and Home Services sector at 13%. Similar in size are Childcare, Education and Training and Automotive Products and Services (9% each), and Health, Beauty and Body Culture at 8%. The other categories are 5% and smaller.

Morne Cronje, head of franchising at FNB Business holds the view that the growth in this sector has a great deal to do with the provision of quality service. He says: "Business owners cannot control what happens in this economy. However, the growth that has been experienced may speak to how well businesses have exploited the bits they can control; a good indicator of this is customer experience inside the business. This trait, in my view, is the chief foundation for succeeding in franchising."

The value of consistency

Extending their thoughts and insights on what makes franchises thrive are two speakers who will form part of the 6th FNB Franchise Leadership Summit 2017.

Brian Altriche, founder at RocoMamas says, “At the end of the day franchises are only as good as the operator and hence still fail if poorly managed, however due to the trust consumers put into a brand when spending money, and more so during an economic downturn, the franchise model works by allowing peace of mind to the consumer of having a similar experience as they had at another location of that franchise. It is the sharing of brand equity across a region and constant innovation that separates franchising from the average independent.”

Gerry Thomas, managing director of Krispy Kreme South Africa also added that “Consistency and value drives consumer purchase decisions in a tough economic climate with well-known franchises fulfilling these considerations.”

“Franchising is still a business, even though there’s a 90% success rate there is still a 10% chance of failure, as a result aspiring franchisees and franchisors need to do their homework before venturing into franchising,” concludes Cronje.

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