

The job-generating, economy-boosting benefits of franchising

South Africa's National Development Plan (NDP) expresses an important aspiration: by 2030, 90% of all jobs should be created by small, medium and micro enterprises (SMMEs).



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While 60% to 70% is the international norm, according to South Africa's first baseline study on SMMEs conducted by the Small Business Institute in 2016, 98,5% of all registered businesses in the country were SMMEs and yet they created only 28% of jobs.

Therefore, in order to achieve the NDP target of 6% unemployment and 11 million jobs by 2030, South Africa needs 49,000 SMMEs growing at a rate of 20% a year.

A daunting target, but one sector that may help achieve this is the franchise sector.

Advantages of franchising

There are a number of advantages to the franchising model, including the fact that successful franchise brands can typically grow new locations at a faster rate than other types of small businesses. Individual franchise locations create jobs, and franchise networks multiply the jobs they create by replicating in more markets. The more they succeed, the greater the multiplier, which spurs economic growth.

According to the Small Business Institute, 70% of small businesses in South Africa fail in the first five years. However, the administrative, training and marketing support offered by a franchise network tends to increase the success rate and longevity of small businesses, and allow them to truly serve as local job generators and economic boosters.



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Laurette Pienaar, national franchise manager of Nedbank Business Banking, says that a further advantage of franchising is access to finance. "Financial institutions recognise that franchises are relatively safe business opportunities. Financing is therefore readily available, and predetermined credit criteria have already been met for certain franchise brands to improve the chances of franchisees acquiring finance," she says.

In the South African context, the sector also empowers small businesses and entrepreneurs in bridging inequality and creating prosperity. For example, the Franchising Association South Africa (Fasa) independent survey for 2018 found that franchise ownership in South Africa by previously disadvantaged individuals increased from 17% to 27%, and ownership by women increased to 39% from 25% in the previous year.

Empowering small businesses

Pienaar says that franchises support and grow local communities, which results in a wide range of benefits. "Franchise owners are small-business owners who live and work in their communities, recruiting local residents to grow their teams of employees. More successful small businesses mean more jobs, larger tax bases, better schools and expanded services for local communities. Interestingly, investing in local employees also pays off in the long run through reduced staff turnover."

She adds that the role of small businesses in growing our economy is critical and supporting the franchise community is one of the ways that Nedbank is contributing to job creation.



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Fasa says there is talk of developing programmes with a focus on skills development where certain skills are turned into sustainable micro franchises, helping franchisees to earn a living and removing them from the job-seeking market. For example, painters, tilers and other such trades could be franchised under the umbrella of a big retailer or paint manufacturer, thereby endorsing their workmanship and credibility while ensuring a central referral system and ongoing training.

This idea dovetails with Nedbank's commitment to empowering small businesses. "Nedbank has partnered with Fix Forward, an organisation that matches skilled tradespeople from low-income areas with construction and renovation projects from businesses and homeowners. To date Nedbank has pledged R6,8 million to the programme to develop the entrepreneurial skills of 150 tradespeople who were marginalised due to lack of resources, business acumen and contracts," concludes Pienaar.

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