

Fasa hopeful franchise sector will bounce back post-lockdown

The franchise sector, at the end of 2019, was holding its own in what was a trying economic environment. According to the Franchise Association of South Africa's (FASA's) 2019 Franchise Survey, sponsored by Sanlam, the franchise sector contributed an estimated turnover of R734bn, equivalent to 13,9% to the country's GDP through its over 800 franchise systems, close to 48,000 franchised outlets and a workforce of close to half a million.



@ginasanders via [123RF](#)

Whilst the picture for 2020 will be vastly different as a result of the impact of Covid-19, the Association says one of franchising's biggest attributes is its ability to adapt and innovate. At the start of the coronavirus threat, franchises from all sectors stepped up their efforts to adapt their businesses to comply with stricter hygiene and safety measures. Those in the restaurant and quick service sector (QSR) in particular, began expanding and innovating to focus on takeaways and deliveries.

With their plans scuppered by the total shutdown for 21 days, all small business and franchise owners and their workforce are now experiencing the devastating economic impact of the crisis. According to Vera Valasis, executive director of Fasa, it is important that assistance is given to franchisees so that they, in turn, can keep employees on the payroll and ride the storm in order to grow when the pandemic passes.

"Having a franchisor whose franchisees can rely on becomes even more critical during these times of unprecedented urgency and crisis as has been noticed during the last few days," says Valasis. "Thankfully most franchisors have taken strong leadership steps and have kept their franchised system informed as and when developments and information is published by the government about the lock-down regulations, financial aid and other funds that can be accessed for financial assistance.

"More importantly, many of them have suspended royalty payments until the situation improves – amongst them those in the fast-food sector, the automotive, DIY and business to business sectors. The list grows daily and we are delighted that so many franchisors are so responsive and stepping up so quickly to help their franchisees."



Time to take stock of business

“Once the lockdown is in place things may become less frenetic for businesses outside of the designated essential services and now may be the best time for franchisors and franchisees to take stock of their businesses,” Valasis adds.

“Many business owners instinctively know which areas of their business they need to focus on or look for solutions to problems but probably have just not had the time to sit down and formulate a new strategy or look for expert input and advice. This is the time to re-set the button, address these concerns and look at the opportunities for the future.”

While there are so many uncertainties about the survival of loved ones, job losses, financial survival of businesses, duration of the lockdown, the impact of an economy on its knees and many other issues, the Association says there is no doubt that the franchise industry will survive this crisis and also would have learnt from it as well – but trading conditions as we know them will change perhaps unrecognisably in the future.

“Never underestimate a tough and resilient franchise industry – full of talented and highly motivated people who excel during times of extreme stress and undue pressure and who, over the years, showed that their innovative thinking and unrelenting desire for success will help kick-start the South African economy and get the wheels of job creation and consumerism steaming ahead,” the Association says in a statement.



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24 Mar 2020



Support for government intervention

It seems that the franchisor sector will be hard hit during the 21-day lockdown with most sectors falling outside the designated essential services. However, help is at hand and the franchise sector applauds the President for his swift action in making available a range of interventions to address this crisis immediately as major actions are needed to ensure businesses can keep employees and that they themselves can ride out this pandemic storm.

According to Akhona Qengqe, Fasa’s chairperson, “whilst the shutdown measures seem drastic, they are also very necessary to contain the spread of the virus and to flatten the curve of new infections. It is unfortunate that most of the franchise businesses in South Africa fall within the SMME category and as a result they stand to feel the most impact from

the standstill in economic activity. This category is also responsible for job creation in a country that grapples with high unemployment.”

Some of the bold and positive moves by the government through its various departments and agencies include the Department of Small Business Development as well as SEFA with the establishment of the SMME fund. “Whilst we understand that this fund and others similar to it have to have certain criteria for businesses to be able to access them, it is our hope that the criteria is not too stringent as to exclude the very businesses that should benefit.”



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25 Mar 2020



“The speed with which business and individuals have responded to the call to partner up with government in the Solidarity Fund has also been an encouraging move and we trust that the governance structures will truly ensure this fund accomplishes what it has set out to do. There is no running away from the economic impact this will have on the most vulnerable of our society and big business alike; however we can all do our bit to minimise this impact,” concludes Qengqe.

The association has been inundated with enquiries from franchisors far and wide, members and non-members and says it has made every effort to post important information on its website and social media platforms to keep everyone informed. For any updated information related to Covid-19 and the franchise sector, refer to the coronavirus link at the top of the [Fasa website](#) landing page.

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