

SA franchise operations to sail unstable economic climate easily in 2015

As South Africa enters 2015, a year that is widely forecast to be characterised by pressure on consumer spending and rising interest rates, it is predicted that the upward trend in retail franchising will continue.



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Although many South Africans automatically associate franchising with accessible, quick-service restaurant brands, the vast retail sector has several sub-divisions in which franchising is active. They range from the delivery of personal services to convenience stores, grocery outlets, clothing and even the delivery of professional services such as optometry, says Simone Cooper, Head of Franchising and Enterprise Development at Standard Bank.

The ability to adjust to market conditions, as well as the future retail potential in South Africa is measurable against the international vote of confidence in the country by leading brands.

"International retail franchise operations are increasingly entering the market. Leading brands from Europe, the USA and even Australia are now available in major centres. Their interest has been spurred by the growth in retail spending in South Africa that has averaged between 3% and 5% per year over the last decade.

"This is phenomenal growth when compared against other international markets. Thus, there is no doubt that South Africa, as well as the emerging markets of Africa, will continue to attract attention into 2015 and beyond."

Recently, decentralisation driven by the opening of major infrastructure projects in rural areas has seen retail franchises

expanding into regions such as the Northern Cape. In these areas, franchise operations are encouraged by local commercial growth and the increasing spending power of professionals. The franchise presence is being strengthened by the fact that major retail franchises are regarded as key anchor tenants for shopping centres and malls that are becoming a focus for local citizens.

For potential franchisees in metropolitan and rural areas, the appeal for franchising continues to be driven by high levels of training, replication of proven business models and support offered by major franchisors.

"The growth will be fuelled by several factors. These include the ongoing growth in the black middle class, technology which sees rapid changes in electronic consumer goods and spurs demand for them, and increasing acceptance of 'green' products," concludes Cooper.

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