

Food franchising - local vs national opportunities to win empowered customers

By [Morne Cronje](#)

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Growth and development of the fast food and restaurant sector is largely driven by changes in consumer behaviour and their spending habits.

A survey by Ernest & Young's retail and consumer products sector on what influences purchasing behaviour has revealed that in today's market, consumers are harder to define, understand and please than ever before.

In South Africa, the sector has become more sophisticated and very much in line with international standards. Consumers are now equipped with product, price and stock information and can simply bypass retailers that do not compete. These new empowered customers are influenced by various purchasing decisions and want a greater say in how they experience service in various markets.

Brands have to constantly review, redesign and reengineer their concepts without sacrificing the look and feel of the brand. There are opportunities for organisations that can harness digital consumers through closer 'community' vehicles, such as social media and other digital channels. Technology is vital to small and medium businesses and we find that more and more franchises are using new technology to enhance and promote their businesses.

Smaller franchises

While access to credit remains a challenge to many potential franchisees wanting to enter the franchise sector, franchising remains a solid investment. This can largely be attributed to the fact that franchising offers a strong foundation in training and support structures, which, in adverse times, serves as a buffer and gives stability both in good and bad times.

One of the obstacles to the advancement of franchising during the past five years had been access to funding, which was severely curtailed by the downturn in the economy. With rising rentals and other escalating costs, there is increasing focus on smaller, more cost-effective, low-entry franchises. For this reason, the emergence of smaller restaurant franchise concepts with lower start-up costs is one of the strongest trends in the local market.

Niche brands, concepts, tend be localised in SA

There are more affordable concepts that are opening up the market to potential franchisees. These concepts offer more simplistic business models, have limited product ranges and are focused on a specific niche market.

In South Africa, smaller niche brands and concepts tend to be localised and only have strong representation in a specific geographical area such as the Western Cape, for example. As a result, those concepts which do not have the necessary infrastructure and support systems in place and that does not make adequate investment in people, training facilities, etc, will fall by the wayside.

It is not that easy to expand nationally, as the franchise company has to make an investment upfront in terms of securing regional offices, property experts and support staff. Therefore, the chance of success is greater for larger, established franchise companies that have the resources to smooth the way for regional expansion.

The local franchise restaurant industry is influenced by international trends. Globalisation and the use of technology are enhancing the effectiveness of communication between the franchisors and franchisees all over the world. This influence however requires local franchises to be more innovative and creative as well as have an understanding on the current market trends.

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