



**MINUTES OF THE FOURTH MEETING OF THE PAN AFRICAN FRANCHISE FEDERATION HELD ON THURSDAY, 8 APRIL 2016 AT THE OFFICES OF ADAMS & ADAMS, 34 FREDMAN DRIVE, SANDTON, SOUTH AFRICA AT 10H00**

**1. Present**

Mr Eugene Honey – Chairman of the PAFF Steering Committee and Partner, Adams & Adams, South Africa  
 Paul Asiime - Uganda  
 Bridget Dundee, Director, Namibia Competition Commission  
 Moanamsi Gaolile – representing Botswana  
 Wambugu Wa Gichohi – representing Uganda/Kenya  
 Lovisa Hashikutuna – representing Namibia  
 Kurt Illetschko – South Africa  
 Benjamin Kwaramba – representing Zimbabwe  
 Mr Danie Strachan, Partner, Adams & Adams South Africa  
 Mrs Vera Valasis – Franchise Association of South Africa

**2. Apologies**

Ms Diana Butungi – Representing Uganda and Tanzania  
 Mr Peter Moyanga – South Africa

	<b><u>Due</u></b>	<b><u>BY WHEN</u></b>
<p><b>3. Welcome</b></p> <p>Eugene Honey opened the meeting and thanked everyone for attending the meeting. He went on to say it is marvellous to see representatives from around the continent at the meeting.</p> <p>He said he is not sure if everyone is aware but how the PAFF started was from an educational effort which involved sponsorship from the ADB and money from Japan for developing of franchising in Africa.</p> <p>Eugene Honey discussed the background to the formation of the PAFF again and said a good platform was put in place for the formation of associations in the approximately 12 countries where seminars were held.</p> <p>Eugene Honey said the PAFF trademark applications have been filed and the website has been established so now its time to take the PAFF forward.</p> <p>The primary objectives of the PAFF are to develop franchising on the continent and to assist countries with the development of franchising as well as between countries. The PAFF can also assist with education in franchising across Africa and working together to facilitate expansion.</p>		

#### **4. Over view and report back on the franchise industry in the various countries**

Eugene Honey presented an overview on franchising in SA and said the results of the franchise surveys are available on the FASA website.

Benjamin Kwaramba from Zimbabwe discussed the currency issues in Zimbabwe and said cash circulation is a problem. He went on to say that there has been a 300% growth in the number of brands from SA coming into Zimbabwe. The franchising landscape is looking good and is perceived as a safer option.

He went on to say that some brands are still struggling to collect and pay royalties and this often has to be done in an informal manner.

Benjamin Kwaramba said the association in his country remains in its infancy and at the moment, the association cannot offer a meaningful contribution. Furthermore some brands don't want to join as it exposes them to certain regulations and so on.

The association is still running under the Zimbabwe Chamber of Commerce's auspices but the association does have a website - [www.franchisingzimbabwe.com](http://www.franchisingzimbabwe.com).

Eugene Honey suggested that "cross pollination" on websites for example from the PAFF website to Zimbabwe's website be activated. It was also suggested that regular education interventions should be offered rather than an expo.

Wambugu Wa Gichohi from Uganda said an association was spearheaded together with Diana Butungi from Tanzania, but the activities of the association are very low – in fact the association exists on paper only. Wambugu Wa Gichohi went on to say that he spoke to Gavin Bell and learnt that the Kenyan association was dissolved. He went on to say the association could only become vibrant if franchising in East Africa is developed. It was discussed that the key is education and specialists should be brought together to present on franchising and the benefits.

Wambugu Wa Gichohi said an educational seminar was held in Nairobi in March where about 50 people attended and four people who attended the seminar have shown further interest. A seminar is also being planned for Tanzania in May.

It was discussed that long term a lot of activities are required other than education. Wambugu Wa Gichohi said he developed a project proposal to develop the sector and a donor has accepted the proposal so from June 2017 they will include the costs in their budget. The proposal comprised of 11 components starting in East Africa at community level. The next level is to develop a database of funders, franchise consultants, attorneys and so on. Training for these groups are essential in order to enable them to be champions of franchising to sell the concept. There is also an aspect

<p>included in the proposal of popularising franchising through conferences and education. Funding is also needed to strengthen the associations that exists and in Kenya to talk to Gavin Bell again to pick it up the Kenyan association again. A similar approach is being planned for Addis Ababa so the industry will develop in time provided it is funded adequately.</p> <p>Bridget Dundee, Director at the Namibia Competition Commission said the franchise industry has become a focus point for the Namibian government and they are working on developing guidelines for franchising in Namibia. She went on to say that 85 to 90% of franchises in Namibia are South African. Only about 10% of the brands in Namibia are ready to become franchises and they are mostly in media and communication. The South African brands in Namibia are mostly retail and restaurant brands.</p> <p>Bridget Dundee said she notes that Namibia was not represented at the last PAFF meeting and said Namibia should sign the PAFF's constitution.</p> <p>Bridget Dundee said there currently is no franchise association in Namibia and they don't have a co-ordinated approach of how franchises interact. She went on to say that by the end of this year, there should be a study on the franchise industry in Namibia, which would give government a road map as to how they should approach the industry.</p> <p>She said there are concerns about franchising in Namibia, which stems from the negative perception that South African franchising is dominating the market and they impose conditions that make it impossible to be involved in the industry – from a competition perspective.</p> <p>She went on to say that she is talking about a very small group in Namibia – if two or three complain then it raises red flags. Bridget Dundee said next year she would have strong views about the industry but she doesn't have the information at the moment.</p> <p>Eugene Honey said 'Happy Me' seems to be doing very well in Namibia and suggested that if there is a plan to develop small business then it must be put into perspective. A survey or investigation is very valuable but he suggested that car rentals companies, hotels, fuel stations, car and caravan dealerships and farm dealership be added to the list of franchises to participate in the survey. Eugene Honey went on to say that he would be very interested to receive the results of the survey once it is complete as it would reveal very interesting information.</p> <p>Kurt Illetschko</p> <p>Kurt Illetschko tabled that he met with Ms Bonaventura Hinda on numerous occasions, but things have fizzled out . Apparently a statement was may be Trade and Industry in Namibia that franchising is a thieving scheme, which is a most unjust statement.</p>	DS	ASAP
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<p>Eugene Honey said the competition commission set out various guidelines and issues that were raised as a concern has been addressed. As a general rule if it can be justified to be pro-competitive factually, then it is not anti competitive. The competition authorities were more concerned with inter brand competitiveness for example KFC competing with Nando's.</p> <p>Eugene Honey said there were minor changes to agreements regarding exclusive territories but franchising competition in SA have been sorted out.</p> <p>He went on to say that he was instrumental over the last number of years in disseminating information and would be happy to assist legitimate franchise associations who need assistance as he have lots of material for websites and so on.</p> <p>Moanamsi Gaolile  Moanamsi Gaolile said franchising in Botswana is silent. He said he has been an entrepreneur for 20 years and part of his journey is dealing with start-ups.</p> <p>He went on to say that there must be a business platform that would cultivate the spirit of entrepreneurship. In this regard franchising 'caught his eye' – the Botswana government has never really been assisting entrepreneurs, mainly because of high unemployment. The economy has been dependent on diamonds and diamonds are losing value so there now is a desperate need for economic diversification.</p> <p>He discussed that funding agencies are looking at how they can package down and upper stream and how they can help entrepreneurs get into business – the solution could be franchising.</p> <p>Moanamsi Gaolile said in Botswana most franchises are given exclusive licenses so they become independent and others do not benefit for example if the franchisor grants an exclusive license for the whole country to one person who grows and expand then others don't get an opportunity.</p> <p>Eugene Honey said master franchises for Botswana are granted and sometimes the master may have an exclusive licence, but in most cases he advises franchisors to be slow in granting exclusive licenses otherwise the franchisor must put minimum performance targets in place. There are however, opportunities for franchisees to buy from a master licensee.</p> <p>Kurt Illetschko said it is necessary to have a local support structure and the company would need one strong cartelist and strictly speaking this person should be the master licensee.</p> <p>Moanamsi Galolile said it is difficult to find information on franchising and that is why he approached FASA for information and assistance in forming an association. Botswana is a virgin market in terms of franchising and there is a lack of knowledge about how to expand as a franchise – the market is open to the franchising model even though they may be sceptical. In view of the fact that the government is keen to diversify the economy, now is the opportunity.</p>		
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<p>Eugene Honey said SA and Botswana are right next door to one another and there is a massive amount of expertise in the Franchise Association of South Africa – there are competent funders and service providers like banks, consultants, attorneys and many others. He went on to say that conferences could be set up very easily which helps to try and facilitate and match franchisors and franchisees. He went on to suggest that more education should be offered and a group of prospective franchisees should be put together to visit South Africa specifically to investigate the franchise market and learn more about it.</p> <p>Moanamsi Gaolile said funders operate differently from South African funders as they are not interested in franchising in Botswana. Eugene Honey said finance is a problem all over the world but there are funders like Absa for example that are interested and have a substantial presence in Africa.</p> <p>Kurt Illetschko said FNB was interested in franchising and suggested that contact be made with the franchise divisions of the leading banks in SA about franchising in Botswana.</p> <p>Wambugu Wa Gichohi said he spoke to Standard Bank about developing a relationship as they seem to be supporting the foreign franchises coming in and apparently Standard Bank said they are the only bank in Kenya that knows the market.</p> <p>Vera Valasis said she had a meeting with Riaan Fouche from FNB as they are promoting franchising on the continent. Riaan Fouche and Absa’s details are to be distributed.</p> <p>Moanamsi Gaolile said it is an on-going process to try and pull up lower investment with a good return – he tabled that they are looking at pooling funds to form an investment cluster so that they can own a franchise. Eugene Honey also referred to smaller investment franchises like Hot Dog Café.</p> <p>Paul Asiime</p> <p>Paul Asiime said he practices law in Uganda and was hosted by the group supported by the AFDB in 2011 – after this meeting he became more interested in franchising.</p> <p>A steering committee was established shortly afterwards but potential franchisors failed to see where the money was coming from. The proposed association was to be set up and membership offered to franchisors and franchisees. However Enterprise Uganda lost interest and the steering committee fizzled out. Paul Asiime said he contacted their ministry of finance directly and tried to encourage them – the department of small and medium enterprise is interested though. He went on to say apart from the work he has done privately there is nothing further at policy level for franchising in Uganda.</p>	<p>VV</p>	<p>ASAP</p>
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Paul Asiime said there is an 80% failure rate where grants went to young people and he believes franchising is the model that makes sense and that is the model that should be shared. He went on to say he has done some work for bigger franchisors but more support is needed at the bottom of the pyramid.

Vera Valasis said the next goal is to set up a FB page for the PAFF so that interested parties can contribute and discuss relevant issues in their various countries like the need for education, funding and so on.

Danie Strachan said people doubt whether franchising is the right model, which may be unreasonable, but this is a common approach in any industry. He suggested that one should speak to journalists and get them to write on franchising so that they create a buzz around the topic – this should result in more interest from a wider audience. Franchises don't have to be expensive and there may be business owners that are interested in franchising their business.

Eugene Honey said that a substantial proportion of South African franchises are home grown so there is no need to just look at foreign franchises.

Benjamin Kwaramba said in Zimbabwe there are not enough local brands that are developing and exporting and the South African franchises dominate the sector. He went on to say that where there is development of franchises from a specific country the PAFF could be an important tool – the PAFF could be used to create a franchise culture on the continent. It was discussed that it is difficult to get the banks to come to Zimbabwe but perhaps the PAFF could play a role in this instance.

Eugene Honey said the issues raised are not unique - many of the international system have come into SA and many have done well and at the same time SA stepped up and created their own businesses– 90% are from SA and it can be exactly the same in many other African countries. The target for these international companies is also not just South Africa but Africa.

It was discussed that education should be part of the PAFF's objectives.

## **5. Acceptance of the minutes of the PAFF meeting held on 16 April 2015**

Danie Strachan accepted the minutes of the last meeting.

## **6. General**

Eugene Honey said the PAFF website has been established and it is a tool for everyone's use. The next step is to populate the website with relevant content. Each country would be given a page on the website and it is the relevant country's opportunity to provide articles and information for publication on the website. It was discussed that Vera Valasis would provide a template for information gathering used by the World Franchise Council.

<p>Benjamin Kwaramba said the PAFF must establish credibility then it would be easier to fund – i.e. what is the PAFF, how is it structured and who serves on its board.</p> <p>Eugene Honey said he is not concerned about the PAFF’s credibility as it is a platform off the Franchise Association of South Africa, which has been in business for 36 years and it has so much knowledge and expertise. The focus should be in getting things done like education for example. A funder should be secured to fund another franchise road trip to a number of African countries for example.</p> <p>Benjamin Kwaramba said the PAFF’s ownership and leadership must be clear otherwise it will just become another South African initiative and fall flat.</p> <p>Eugene Honey discussed that everyone is waiting for their government to develop franchising but it has not happened like that anywhere – franchising is business driven not government driven! No government is involved in SA – it is a voluntary association and only recently did the government show any interest in the industry.</p> <p>Wambugu Wa Gichohi wanted to know how the PAFF could be seen without it being a ‘baby’ of the franchise association here in South Africa. He went on to say that it is upon the various country representatives to come on board – he said no one has paid membership but it is a good initiative and the PAFF should move forward from this meeting and it is important that we look at ways in getting ourselves involved in the PAFF.</p> <p>Eugene Honey explained that we have to take various steps for example populate the website so that it becomes a resource – interested parties need to submit suitable material for publication on the PAFF website as soon as possible. Kurt Illetshko has relevant information and he would be happy to supply information.</p> <p>Moanamsi Gaolile wanted to know if it is going to be dictated how the PAFF is going to develop from here and Eugene Honey responded by saying that FASA is not trying to consume the PAFF – this responsibility rests with its members. Benjamin Kwaramba said responsibility is tied to ownership and he doesn't understand that. Paul Asiime said the constitution of the PAFF has to be signed. He went on to say that he would like a return on whatever he does and he hopes to benefit from his participation in the PAFF. He suggested that perhaps through clients and franchisors one could propose that adverts are placed as well as a website link so that the website is self-funded.</p> <p>Wambugu Wa Gichohi said he worked with Diana Buthungi to establish an association but they approached lawyers and not franchisors nor franchisees. Eugene Honey said perhaps the starting point is a steering committee before an association is established.</p> <p>Eugene Honey said at the moment the PAFF is not sticking to the letter of the constitution as it is just taking small steps to try and make progress. He went on to say that Egypt has legal problems with the PAFF’s constitution so</p>		
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<p>they won't sign the document.</p> <p>Wambugu Wa Gichohi suggested that another series of workshops be held and said it should be easy to go to Japan and the AFDB for funding as they may be interested again.</p> <p>Kurt Illetschko said there is a huge lack of understanding about social or micro franchising which is a low cost model that can be used to roll out services to the poor in a sustainable way. It usually starts off with a subsidy and then develops into a franchise. He offered to send information on micro franchising should anyone be interested as it has worked in many countries.</p> <p>Kurt Illetschko said he experienced a concern about South Africa 'running the show' at a seminar in Lagos late last year as the organisers would not allow him to talk about South African franchises but in the end nine out of ten questions from the audience was around South African franchises.</p> <p>Wambugu Wa Gichohi said the most successful social franchise is in Kenya. He went on to say that social franchising couldn't scale up as quickly as traditional franchises because of subsidy requirements. The Kenya based social franchise is now setting up a commercial arm but using the franchise concept for further expansion.</p> <p>Benjamin Kwaramba wanted to know how do we deal with the issue of master franchising but Kurt Illetshko said one has to be realistic and face up to the fact that it probably cannot be stopped.</p> <p>Wambugu Wa Gichohi said on the website's country information page, each country should publish activities around education and information especially if seminars or workshops are being planned.</p> <p>Lovisa Hashikutuna said dealing with market access is a challenge in Namibia as the contracts are old – she said it is difficult to enforce the contracts as they were signed very long ago – Eugene Honey offered to discuss the issue further with her. She went on to say that she would like to share the first draft of the proposed document for comments and Eugene Honey welcomed the suggestion.</p> <p>Moanamsi Gaolile wanted to know if training is still available and Eugene Honey responded by saying if there is a demand from Botswana he would be happy to participate as long as his expenses are paid for.</p> <p>Vera Valasis said the association would approach its social media manager for a quotation to set up a Facebook page and start social media for the PAFF.</p> <p>There were no further issues and the meeting concluded at 13h00</p>		
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