

Event Report on Unlocking the Potential of Franchising in Nigeria

Location: Lagos, Nigeria

Date: Thursday, May 11, 2017

Contents

List of Abbreviations.....	
List of Abbreviations.....	2
Executive Summary	3
Market Place of Ideas	5
Welcome Address	6
Laure Beaufils, British Deputy High Commissioner (Lagos)	6
Key Note Address	7
Honourable Sylvester Ogbaga, Chairman, House Committee on Commerce	7
Presentation of finding from study on Tackling Access to Finance: The Potential of Franchising in Nigeria.....	8
Mr Chiagozie Nwizu, Managing Consultant, Franchise Business Development Services (FBDS)	8
Questions, Answers & Comments Session	14
Panel Discussion	15
Contributions from the Audience	16
Breakout Sessions	18
Plenary	22
Questions, Answers & Comments Session	22
Conclusion	23
Annex 1 Breakout sessions participants list	24

List of Abbreviations

BDSP	-	Business Development Service Providers
BOI	-	Bank of Industry
CAC	-	Corporate Affairs Commission
ERGP	-	Economic recovery and growth plan
FBDS	-	Franchise Business Development Services
GDP	-	Gross Domestic Product
MSMEs	-	Micro, Small and Medium Scale Enterprises
NIFA	-	Nigerian Franchising Association
NOTAP	-	National Office for Technological Acquisition and Promotion
PDF II	-	Policy Development Facility Phase II
PEBEC	-	Presidential Enabling Business Environment Council
UAE	-	United Arab Emirates
UK	-	United Kingdom
USA	-	United States of America
YouWiN	-	Youth Enterprise With Innovation in Nigeria

Event Overview

Executive Summary

Franchising has become one of the most successful business models in many developed countries in recent years. In addition to generating new incomes and improved standards of living in countries where it has been practiced, franchising is a means of developing entrepreneurial talent, promoting good corporate governance, increasing transparency and attracting the informal business sector to the formal sector.

In Nigeria, franchising has been in practice for decades, particularly in sectors such as food, food related sectors, agriculture, retail, transport, real estate, health and beauty. The potential of franchising is huge, based on the following:

- Nigeria has a fast-growing population and is Africa's biggest consumer market, after Egypt and South Africa.
- Nigeria has the potential to create one million franchisees within the next 10 years, employing five million people.
- Nigeria could become a major gateway for franchising in West Africa.

Despite this potential, franchising remains under developed in Nigeria relative to countries such as South Africa, India, United Arab Emirate and the United States of America.

It is against this backdrop that PDF II, in partnership with FBDS organized a one-day workshop in Lagos themed: Unlocking the Potential of Franchising in Nigeria to explore the opportunities and challenges that avail in Nigeria's franchise sector and determine the role of stakeholders to develop the industry. The workshop began with the Market Place of Ideas, which showcased existing players along with their products in the franchise industry. The workshop continued with an opening remark, a welcome address and a presentation on Tackling Access to Finance: The Potential of Franchising in Nigeria. This was followed by a question and answer session, panel discussion and contributions from the audience. The mid-day session began with four breakout sessions, followed by a feedback session, audience contribution and summary of discussion points.

From the discussion, it was obvious that for decades, the legislative and regulatory framework guiding the Franchise Industry in Nigeria has been largely unclear and in some cases non-existent. Nigeria's attempt to regulate the industry was demonstrated in the passage of the Franchise Bill by the House of Representative in 2016. This bill, which has been sent to the Upper House for concurrence, sets out the framework for the regulation of franchises in Nigeria and applies to any type of franchise business. While the introduction and passage of this bill signals commitment of the legislative arm of government to explore the opportunities that avail in franchising, more input from stakeholders is required to ensure the bill is in line with best practice and global standards.

The need to strengthen the Nigerian Franchise Association (NIFA) to advocate for players in the Franchise industry was also discussed. NIFA has strategic roles in ensuring quality control and assurance for the industry; ensuring proper regulation and government policy; creating awareness on franchising to both the policy makers and the public; and conducting trainings and accreditation for its members. To develop the industry, NIFA needs to play a more active role in liaising with the Nigerian government and other stakeholders to chart a path for Franchising in Nigeria.

On the part of the Nigerian government, ensuring that the environment is friendly to businesses is essential to spur investments into the Franchise industry. The current practice of delaying trademark registration for up to 3-5 years limits franchise operators and therefore requires speedy intervention from the government to reduce delays and other bottlenecks. Efforts must be intensified to make the business environment more conducive for investments.

Although franchising has a higher potential to access finance compared to other business models because of its higher success rate and their key characteristics of leveraging on the brand name, products, business processes and standards of the parent company, more financial institutions need to come on board to support the growth of franchising in Nigeria. To address this, attendees proposed the creation of specialized funding for Franchise businesses in Nigeria, to grow the industry. Furthermore, due to the significance of franchising, attendees called for the showcasing of success stories in franchising in Nigeria to encourage more players into the sector.

Market Place of Ideas

The workshop began with the *Market Place of Ideas*, which was designed to encourage interactions between franchisors and franchisees. The Market Place showcased existing players along with their products in the franchise industry and consisted of ten businesses, including the House of Tara, LAGBUS, BRAINRX, Clarion events, Curves fitness, Jackson Etti & Edu, Yoghurt frenzy, Avis, FBDS and Long Cottage. This session lasted all day as stakeholders engaged to understand the state of franchising in Nigeria and how they can facilitate further productive engagements within the franchising space.

Welcome Address

Laure Beaufils, British Deputy High Commissioner (Lagos)

Franchising is a business model with great potential for solving the problems of unemployment and boosting economic growth in Nigeria. The problem of unemployment is acute, as over 2 million young Nigerians enter the labour market each year and a significant number of these youth are unable to find jobs and therefore do not reach their full potential as individuals. To compound this challenge, Nigeria's population is growing at over 3 per cent each year, which therefore raises the need for larger, better, more diverse and viable firms.

The key issues limiting economic growth and private investment in Nigeria are very well known and they include: Inadequate power supply, poor infrastructure, multiple taxation, lack of property rights, corruption etc. While these problems are complex in nature, addressing them would require sustained political will over the long term. The Nigerian government is aware of this and is working hard to address this. Beyond these issues, there are other critical challenges such as the lack of entrepreneurial & business management skills, difficulties in establishing supply chain, availability of specialist business support, access to finance and low confidence of lenders & investors to offer loans or invest in businesses.

With smarter approaches such as creating franchising opportunities, these constraints can be addressed in the near term. Franchising is one of such approaches. It is a proven business model adopted all over the world and has a greater chance of success when compared with small start-ups, many of which fail within their first five years. This is owing to the fact that franchising businesses easily obtain financial support from banks given their success rate and their key characteristics of leveraging on the brand name, products, business processes and standards of the parent company.

In Nigeria, franchising is commonly associated with the fast food and retail business. However, this business model extends to other industries and sectors such as the oil industry and agriculture. One major success story of franchising is the Babban Gona brand, a farming initiative which began with about 60 farmers, and currently has about 2000 farmers group, with a projection to reach 1 million farmers by 2025. This franchising model has not only created jobs, but also contributes towards food security of the nation.

Over the years, Nigeria has had franchises, however this business model has been largely under-utilized and is still in its infant stage, despite its significance. The purpose of today's forum is to learn from the experiences of franchisors and build a consensus to develop this important business model, which will, in turn result in the growth of the economy.

The government of the United Kingdom's is committed to offer full support in terms of technical advice and continued dialogue, and legislature reform to form a vibrant franchising sector in Nigeria, which will thus attract more franchise business opportunities from the UK to Nigeria.

Key Note Address

Honourable Sylvester Ogbaga, Chairman, House Committee on Commerce

In Nigeria, franchising has always been wrongly viewed as registration of businesses with National Office for Technological Acquisition and Promotion (NOTAP), Industry of Trade and Investment, Corporate Affairs Commission (CAC) etc. However, franchising goes beyond this. To unlock the potentials in franchising, Nigeria's House of Representatives seeks to formalise how the franchising businesses are executed in Nigeria. There is also the need to review failed franchises in Nigeria and examine probable reasons why such businesses failed.

Some fundamental questions that needs to be answered include:

- Why do business names change at will in Nigeria?
- What is the role of the Ministry of Trade and Industry, NOTAP etc. in the process of incorporating franchises?
- Are there legislative or legal frameworks for the operation of franchise in Nigeria?
- Do existing laws aim to unlock the potentials of franchising in Nigeria?
- Does the current process of franchising provide value and preserve the right of customers, franchisor and franchisee?
- When a franchising business fails, what happens to the franchisee thereafter? It has been noted that in the Nigerian context, the franchisor is not usually concerned about the franchisee.
- Do franchising businesses have any legal formula for conflict resolution?
- Beyond business registration, what are the roles of the regulator, NOTAP?

To address some of these concerns, the House of Representatives in 2015, reviewed a private member bill designed to legislate franchising businesses. The bill passed through first, second and third readings in November 11, 2015, December 16, 2015 and June 7, 2016 respectively. The bill has been sent to the Upper House for concurrence. Once passed into law, the act will provide the necessary regulatory framework for the industry, as well as make provisions for the resolution of dispute and other related matters. Ultimately, it is the duty of the legislature to create relevant laws that ensure ease of doing business, enable access to information and remove constraints/bottlenecks facing the development of franchising business in Nigeria.

The essence of today's forum is for stakeholders to make input into the bill to ensure key aspects of franchising business are adequately catered for in the bill.

Presentation of finding from study on Tackling Access to Finance: The Potential of Franchising in Nigeria

Mr Chiagozie Nwizu, Managing Consultant, Franchise Business Development Services (FBDS)

Franchising is a business giving another party the rights to leverage its proven and scalable business system to operate a successful and profitable venture – FBDS. The rights cover the trade name, franchising models, product and business format. Several advantages associated with franchising include:

- Freedom of self-employment
- Brand awareness and reputation
- Industry knowhow
- Access to proprietary products or services
- Ongoing research and development
- An informed readymade customer base
- Shared marketing, advertising and launch campaign costs
- Reduced risk of failure
- Bulk buying advantages

Current landscape for franchising in Nigeria

- With a population of about 182 million, Nigeria is Africa's biggest consumer market, after Egypt and South Africa.
- Nigeria is Africa's most important destination for Foreign Direct Investment, accounting for over 20% of total foreign direct investment into Africa.
- Nigeria's MSMEs account for 48% of Gross Domestic Product (GDP) and employs about 60 million people.
- Most businesses are unstructured, undisciplined, lack corporate governance, with a high failure rate of 80% within the first five years.
- Nigeria also has high unemployment rates; large youthful population, and 20 000 university graduates per year. Franchising therefore offers massive employment opportunities for the youth.
- Nigeria has the potential to create one million franchisees within next 10 years, employing five million people.
- Product-franchising model has been in use in Nigeria since 1960s, predominantly in beverages, automobile and petroleum distributions chain. Successful product franchising brands in Nigeria include Coco cola, Peugeot, Toyota, Total and Mobil.

Franchising is known to be one of the most successful business models in the world, as it aids business growth, enhances skills transfer and improve incomes and standards of living among other advantages. This business model has great market potential in Nigeria, due to the strong entrepreneurial spirit among Nigerians; rising consumer class with sales of consumer goods estimated to triple by 2030 to approximately USD366 billion. In addition, Nigeria is considered a potential market of over USD100 billion in annual revenue from products and services

compared to current market size of USD25 billion. Furthermore, the economy is ready to benefit from franchise intensification, via master franchise rights for UK brands being granted to operators within the country. An example is Boots, a beauty and health-based franchise.

Some segments within the franchising industry attractive to both local and international franchisors, include:

- Food and food related
- Health and beauty
- Agriculture (cultivation, processing, distribution and storage)
- Network marketing/ multi-level marketing (MLM)
- Retail
- Consumer services
- Sports betting

Trends from Nigeria

- Nigeria is a potential gateway for franchising in West Africa
- Nigeria accounts for over 40% of imports to West Africa
- Most large and wide spread businesses in Nigeria operate some form of franchising
- Franchising is gathering momentum, especially with establishment of Nigerian International Franchise Association (NIFA).
- Previous and ongoing interventions by development agencies supporting franchise development
- 5% of working adult population earn over N100, 000 monthly. Estimated 460, 000 earners with investable savings of over N1million
- Babban Gona agricultural franchise -16 farmer franchisees rose to 2,000 in less than 10 years.
- Vitafoam's "Ibo Boy Franchise Scheme" employs graduates as CEOs of outlets and share the profits.
- Nairabet sports betting franchise has over 800 outlets; employs over 3,000 youths with secondary school certificates

Table 1: Trends of Franchising in South Africa, India, USA and UAE

South Africa	India	USA	UAE
<ul style="list-style-type: none"> • Accounts for 12% of GDP • 95% success rate • 625 franchisors; 17 franchise business sectors • Over 39,000 stores, most are owned by franchisees • R465 billion turnover; about 12% to GDP. • Estimated 329,245 employees 	<ul style="list-style-type: none"> • By 2017, direct employment of 1,4 million people, 10% of workforce. • One in four structured retail businesses is a franchise • By 2017, additional 1.8 million indirect jobs; in food sector - maximum indirect employment. 	<ul style="list-style-type: none"> • 1 in 12 businesses is a franchise • 300 franchises sold every week. • \$889 billion turnover in 2015 • Employment of over 9 million people • 781,991 franchise establishments 	<ul style="list-style-type: none"> • UAE = USD30 billion of global USD4 trillion franchise turnover • 50% of business in UAE region expected to be franchised in a few years • Southern Fried Chicken in Dubai employs over 2 500 staff • Recent Franchise UAE Expo generated deals over USD100 million • Easy opportunities for employees who lost their jobs • 7-Eleven opening 800 stores; recruiting 10,000 employees in 10 years. 15-18 staffers required for each store • Graduates with good grades sourced from universities.

Insights from the Nigeria Franchise Survey

The Nigeria Franchise Survey revealed the current industry landscape, Franchise models and case studies, observations and learning points as well as opportunities and values of franchising. Franchise business models in Nigeria include License, Distributorships, Agency and pseudo franchises. The survey revealed that franchising exists in sectors such as Food and food related sectors, agriculture, retail, transport, real estate, health and beauty. In terms of funding, most franchises are funded via commercial banks (15%), personal savings, other businesses, family and friends, pension claims and retirement funds.

Franchise sectors and international brands in Nigeria		
Food and food related <ul style="list-style-type: none"> • Domino's Pizza • Pizza Hut • Kentucky Fried Chicken 	Hospitality <ul style="list-style-type: none"> • Radisson Blu • Protea 	Retail <ul style="list-style-type: none"> • Swatch
Franchise sectors and local brands in Nigeria		
Food and food related <ul style="list-style-type: none"> • Mr Biggs • Chicken Republic • Mama Cass • Sweet Sensation 	Sports Betting <ul style="list-style-type: none"> • Nairabet 	Agriculture <ul style="list-style-type: none"> • Babban Gona

Other Findings of the survey include:

- Complete lack of awareness of the existence, role or functions of the Nigerian Franchise Association (NIFA).
- Mixed reactions to NIFA, NOTAP roles:
- Great interest in franchising

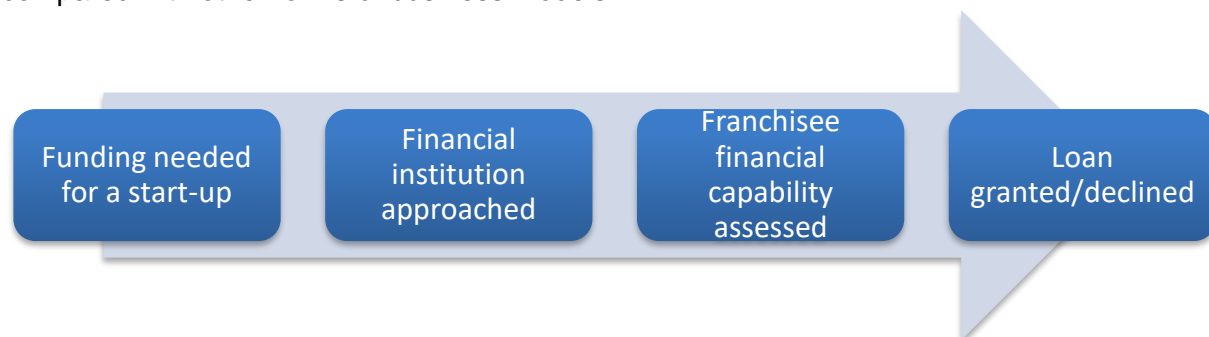
- The first points of call for start-up entrepreneurs are the Corporate Affairs Commission, financial institutions, business and market associations and government tax registration authorities.
- Availability of a large pool of potential franchisors/franchisees.

On the regulatory framework, there is no specific franchising law in Nigeria. The following were therefore listed as proposed franchising laws

- Specific franchising law
- Pre-contractual disclosure norms
- Control on royalty payments and franchise fees
- Maintaining standards
- Conflict resolution
- Intellectual property protection

Financing the franchise business

The process of obtaining funding follows the conventional steps as in MSMEs. Financial institutions are approached for funding, while the proposed lender assesses the financial capability of the franchisee. Commercial and micro-finance banks often require some form of security to guarantee their lending although Franchised businesses have lesser risks when compared with other forms of business models.



Other forms of funding such as Private Equity and Angel Investors have fewer funding eligibility criteria, and a more participatory and supportive funding model. To ensure adequate funding support for franchise business, there is need for franchise specific donor and intervention funds such as YouWin, Trust Funds, etc.

Observations and learning from research

- Limited awareness on the modus operandi of franchising business due to lack of publicity
- Lack of trust
- Culture of independence
- Need for proper business structures that can be replicated before selling franchises
- Need to find ways to access unbanked funds and savings from working class.

Opportunities and value of franchising

For Franchisee	For Franchisor
<ul style="list-style-type: none">• Knowledge transfer• Inventory and logistics support• Facility and credit line• Guaranteed patronage from retainership contracts• Global brand promotion• Cost efficiency through shared costs and services• Guaranteed business growth and success from brand value• Continuous research and product improvement• New product lines	<ul style="list-style-type: none">• Accelerated expansion/market penetration at minimum cost and interest free capital.• Shared management oversight with investor, minimising contingent liabilities• Minimised operational logistics• Additional income stream through franchise fees• Annuity based recurrent income stream through royalties• Additional margin from increased production or procurement scale• Rapid market penetration, brand exposure and growth.• Cost efficiency through shared costs and services

Enabling franchising in Nigeria – Roles of Major Stakeholders

Three major critical stakeholders and their roles are highlighted below:

- Organized private sector
- Government and government agencies
- Development agencies

The Organised Private Sector

The organised private sector – financial institutions	<ul style="list-style-type: none"> •Funding critical for success of franchising •Understand huge potential of franchising •Work with franchise consultants to develop suitable banking products •Offer franchise-specific banking products •Eliminate current bottlenecks associated with seeking credit •Offer lower interest rates •Include capacity building value added services such as insurance, tax and finance consultancy
The organised private sector – trade associations (Mandate of NIFA)	<ul style="list-style-type: none"> •To educate potential investors and entrepreneurs in Nigeria on the fundamentals of franchising •To create an atmosphere in Nigeria that is conducive to attracting foreign franchise companies •To become a central clearing house for franchises interested in expanding into the Nigerian market •To pioneer co-operative franchising, providing opportunities for small investors to acquire franchises
The organised private sector – franchise consulting companies	<ul style="list-style-type: none"> •Matching franchisor with franchisee through profiling •Capacity building •Offer branding, financial, management, legal, tax consulting services. •Provide research and feasibility consultation services to potential investors •Assistance in developing franchise programmes •Services to assist indigenous franchisors
The organised private sector – franchise law	<ul style="list-style-type: none"> •Product franchising •Trade Name franchising •Business format franchising •Unit franchising •Multiple franchising
The organised private sector – franchisors	<ul style="list-style-type: none"> •To offer comprehensive and regular franchisee training •To offer incentives, bonuses and rewards to keep franchisee motivated within relationship •To provide necessary guidance, mentorship and handholding to franchisee •To promote franchisee's business through participation at industry events. •To recommend and register franchisee with support organisations such as NIFA, WFA and IFA
The organised private sector – Franchise Development Academy and Institute	<ul style="list-style-type: none"> •Approach reputable global institutions to assist in replicating their model in Nigeria •To be driven by NIFA or a practicing franchise consulting company •To embark on further study of other such similar institutions •To have lead stakeholders/industry delegates participate in annual IFA franchise industry gathering in the US.
The role of a Franchise Development Academy and Institute	<ul style="list-style-type: none"> •Seminars and awareness campaigns •Training programmes to educate and certify all industry players •Provision of specialised training in franchising for franchisors and franchisees •Development of a database of franchisors.

The organized private sector – next steps

- Financial institutions - develop franchise-specific banking products
- NIFA - re-engineer to take up role of providing guidance and support to franchise operators
- Law firms to become familiar with franchise concept

- Set up Franchise Training Academy and Institute
- Operate training programmes to educate and certify all industry players.
- The franchisors/potential franchisors to ensure business is ready to be franchised
- Obtain consulting services to ensure structure is proven and sound
- Invite franchise development experts to re-engineer business to operate in line with a franchise business model.

The role of Government and government agencies

- Support encourage local brands to franchise through policies and interventions
- Dialogue with organised private sector
- Address excessive and replicated taxation and levies
- Address lengthy and tedious processes of business registration
- Create relevant policies implemented through its agencies
- Promote schemes to enable structured access to finance – YouWiN for Franchisees
- Promote Franchise Education and training platforms

The role of development and donor agencies

- Create and support programs to encourage key stakeholders to commit to franchising
- Provide guarantee for financial institutions to release loans
- Intensify advocacy interventions with Government
- Encourage implementation of relevant policies by Government

Questions, Answers & Comments Session

Question: *Given the evidence of reduced risk of Franchising, why are the banks refusing to fund franchises?*

Response: *The banks are not well knowledgeable about the Franchising business and thus they want some form of guarantee in order to offer loan to industry players. With guarantee coming from the franchisor in the event the franchisee fails to meet the terms of the loan, the franchisor will take over the repayment of the loan*

Comment: *The ownership structure of Franchises (master-servant relationship) is not clear enough, therefore clarity and shared experiences on how it works is needed.*

Question: *The absence of the business collaboration and lack of trust, are major cultural problems. How do we shape our minds and culture to accommodate business collaboration?*

Response: *The solution to this problem is awareness. Most Nigerians do not understand the advantage of franchises given the high failure rate of MSMEs. With education and more engagement on the success stories of Franchises, people will improve on collaboration.*

Panel Discussion

Facilitator – Mr Akin Sawyer

Panelists:

- Mr Afolabi Adejumo - Representing the Economic Adviser to the President, Office of the Vice President
- Mr Obafemi Agaba, Partner, Jackson, Etti & Edu
- Mr Chris Taiwo, Managing Director, Convivacite Consulting
- Mr Kofl Abunu, Chief Operating Officer, Chicken Republic
- Mrs Nike Ogunlesi, Founder and Chief Executive, Ruff 'n' Tumble
- Ms Marian Francis-Hart, Head, Customer Care Department, Bank of Industry

Facilitator: *Given the franchising bills and other existing laws relating to franchising, what are the possible issues that may bring about conflict between the existing and new regulations?*

Mr Chris Taiwo (Convivacite): Franchising is a quick win with huge benefits. However, the following questions come to mind: Do we have a franchising law? Does this law support the franchising process? Who are the franchising operators across industry sectors? Why are there (potentially) conflicting issues across industry laws and the franchise bill? What are the objectives of the new law?

One possible area of conflict is in local content in the oil and gas industry, which has been catered for by existing oil and gas laws but also included in the franchise bill. Thus, the franchising bill should address specific challenges affecting franchising in Nigeria.

Mr Afolabi Adejumo (Office of the VP): In the Economic recovery and growth plan (ERGP), the government recognised the need to grow the economy in a competitive manner. The Federal Government needs to coordinate the affairs of its agencies regulating Franchising and SME's in a manner that creates synergy in their mode of operation, not to hinder business success in Nigeria. Also, the whistle blowing policy was designed to help persons who interface with public MDAs to provide complaints or information on regulatory and other challenges faced in the course of interacting with government officials.

Mr Obafemi Agaba (Jackson, Etti & Edu): One major factor that binds franchisees and franchisors is goodwill. Goodwill is recognised as a form of legal right that must be protected. Owing to the fact that the franchisee wants to leverage this, it is therefore important to understand the provision/role of the new bill and NOTAP regarding goodwill. This is because goodwill recognised by the law should be protected. When registered with a Trademark, it becomes a statutory right, which must be protected. While the legislation states that registering a trademark should take 1 year, in reality, it takes about 2 – 5 years. The government needs to address this challenge.

Kofl Abunnu (Chicken Republic): For the Chicken Republic brand, several efforts have been made to ensure franchising works. The organisation maintains standards through training, and also takes into serious consideration the profile of the potential franchisee. Through franchising, new ways of improving and developing the brands as well as breaking into markets has

emerged. One challenge associated with franchising in Nigeria is that many franchisees want to change the formula and discard the proven ideas.

Nike Ogunlesi (Ruff 'n' Tumble): Franchising remains one of the best ways to solve the problem of unemployment. When we started as a manufacturing company, we needed the retail chain to sell our products and reach our customers. We found that the only way to achieve this was through franchising. But also from past experience, successful franchising thrives on the understanding and respect for standards, value, and brand building by both parties. People need to learn what it takes to succeed and grow in the industry. Franchisees must also stick to the agreement entered into. Franchising is the best way to move towards quality growth and banks need to take a leap of faith to fund and sponsor local brands.

Marian Francis-Hart (Bank of Industry): From Bol's experience over the years, not many franchisees understand the business and agreement they signed up to and the bank will not fund businesses where financial returns seems improbable. Franchisees should understand that they are leveraging on success and that there is need to develop their entrepreneurship and business management skills and ensure sustainability of the Franchisor's brand and standard. For BOI, interest rate is not an issue as we have developed single digit interest rate because we want businesses to be sustainable.

Contributions from the Audience

Comment: *Although the CBN created a window to help SMEs, Fidelity Bank found out that was not enough to cover our risk. So, we developed a new strategy that has worked; we lend to the SMEs in clusters and through this, we got to reduce business risks significantly. We therefore propose that franchisors should deal with franchisees in clusters.*

Comment: *Franchising has not been that successful in Nigeria due to so many issues that relates to the regulatory framework. The proposed franchise bill and other relevant laws will unbundle problems inherent in the franchise industry in Nigeria and give the opportunity to register businesses without going through the previous rigor of registration.*

Comment: *Cultural issues affect franchising in Nigeria. This is one of the issues faced by House of Tara. We do underestimate the effect of culture. It is important to separate business from religion or other sentimental activities.*

Comment: *One of the major responsibilities of NOTAP is to register Technology Agreement between Foreigners and Nigerians, while also promoting local technology. The organisation does not register local technology. In an effort to enhance staff knowledge of the franchise business, NOTAP has sent members of staff on International training.*

Comment: *In Nigeria, there are so many development funds made available to the commercial banks, which are inaccessible to Franchise businesses. Also, the issue of high interest rate discourages franchisee from accessing funds from commercial banks.*

Comment: *The role of the lawyers and other players is limited to advisory, thus, both parties must understand each other before going into franchise agreement. The Franchisor needs to empower the Franchisee and help them build capacity so as to sustain the brand. Chicken Republic for instance engages in capacity building with focus on Brand Management and Customer satisfaction.*

Comment: *The Laws & Legislations of franchising should be championed by the Private Sectors and not the Senate or the House of Representative in order to promote inclusiveness in the process.*

Comment: *In developed nations, standards are developed for the Franchisee and when they operate below this standard, they lose the right to operate under the franchise agreement and the brand name of the franchisor. In Nigeria, however, the focus of the Franchisee is on short-term profitability, rather than sustainability of the brand.*

Breakout Sessions

Group A

Government Agencies and Legislators

Moderator: Titilola Ayotunde- Rotifa, Franchise Business Development Services (FBDS)

From the presentation of the survey result, concerns were raised about the legislative and regulatory framework of franchising businesses. Some of these concerns include the objectives and purpose of the franchising bill, registration of trademark and the role of regulators in ensuring the development of franchising in Nigeria.

In this session, the discussion centered on the need for a franchise law in Nigeria as well as on the delay in obtaining trademark, which is essential for franchising to commence.

Prof. Bankole Shodipo (President, NIFA) In some countries, Franchises run without any major law regulating the business. However, in Nigeria, there is need for specific regulation to guide actions of players in the industry. While the law in Nigeria allows businesses to run without registration, it is however different for a franchising business, as businesses must be registered before a franchising agreement comes into play.

Mr Chris Taiwo (Convivacite) (Observation)

In my view, several clauses that regulate franchising are less friendly to domestic franchise players vis-à-vis foreign players. Franchising related regulations must protect the domestic players. Responding to this comment, **Prof. Bankole Shodipo** mentioned that the law does not discriminate between local and foreign franchises at the moment.

Question to Prof. Bankole Shodipo

- Why do we have multiple agencies playing similar roles, and why is there a need for another agency by the government to govern franchise business in Nigeria?
- With respect to trademark registration, what role is NIFA playing to reduce the wait period of 3-5 years and also ensure ease of doing business?

Response: The Minister of Trade and Investment and the Presidential Enabling Business Environment Council (PEBEC) have done a lot on ease of doing business, and their focus is presently on improving the ease of trademark registration in the country. The Franchising industry is buoyant and thus has the potential to sustain the country. In terms of royalty fee payment, franchise registration between Nigerians and their foreign counterpart must be registered before royalty can be paid.

Comment from Hon. Sylvester: There is need for more interactions between the government and other stakeholders to update the current bill in line with best practices and global standards.

Comment: The executive arm of government lacks adequate knowledge about the importance of franchising, therefore, it is important to sensitise this arm of government about franchising, given their key role in the policy sphere.

Response from Prof. Bankole Shodipo

Everyone needs sensitisation about franchising. A lot of work and resources are required to advocate for the development of franchising in Nigeria. Also, there's need to get the executive engaged in advocating for the passage of the franchising bill as bills sponsored by the executive arm are passed quicker than others. International organisations interested in franchising can engage the executive and advocate for the passage of the bill as it stands. Amendments can be proposed once the bill becomes a law. In his response, **Hon. Sylvester** was of the view that before its passed into law, the bill must meet best practice to avoid reputational damage to the National Assembly. Stakeholders' input is critical and stakeholders must ensure constant follow-up to ensure it is passed into law. Furthermore, the focus should not be limited to ensuring the passage of the franchise bill, but rather, its implementation and impact are also critical. All stakeholders including the media must exert pressure on the government to ensure development of Franchising in Nigeria.

Moderator: It is essential to have a corporate entity that handles rules and regulations relating to franchising in Nigeria. The entity will be responsible for managing interactions between the government and the stakeholders in the franchise industry. In addition, the entity will handle or advocate for issues around dispute resolution, enforcement of contracts, enlightenment about franchising among others.

Afolabi Adejumo (Office of the Vice President): NIFA is the primary stakeholder in the franchise industry charged with critical role of bringing stakeholders together. NIFA, therefore, must champion dialogue amongst stakeholders to harmonize their views and proffer solution to issues relating to the long waiting period for trademark registration and other relevant issues.

Group B

Potential & existing franchisors/franchise associations

Moderator: Mr Zuberu Kadir, CEO, CZAR CADARA

This session explored the relationship between franchisors and franchise associations and how some key bottlenecks can be addressed.

Kofi Abunu (Chicken Republic): On financing, there is need to explore the role of leasing companies, who generally take a portion of the overall cost required to set up the business and spread such cost over three years at a moderate interest rate.

For Chicken Republic, a major franchisor in the food segment, conducting due diligence (examining the location, financials, etc.) for potential franchisee is important. It ensures franchisee has the right instruments and capability to operate the franchise. The Chicken Republic brand is not part of NIFA.

Comment: On the role/impact of NIFA, a participant from NOTAP mentioned that NIFA is interested in ensuring the protection and development of the Franchisors and Franchisees. However, some Franchisors are not interested in the work of the association and as such, do not show up for meetings. NOTAP, on the other hand, has conducted many franchise-training programs. As a way forward, there is need address issues of interest and sensitise the Nigerian populace on the benefits of franchising.

Kofi Abunu: There is no doubt that associations have a key role to play in terms of directing, training and supporting franchisors and franchisees. NIFA therefore needs to make efforts to strengthen its advocacy work and promote the interest of its members. In addition, the executive members of the association must demonstrate transparency and accountability in running the affairs of the association. This is crucial to ensure members are active in contributing to the development of the association. Furthermore, the association needs to have a constitution to regulate its affairs. NIFA also needs to create awareness on Franchise business and also showcase success stories particularly among the franchisees.

In summary, the need to support the association is crucial to develop Franchising in Nigeria. To position itself as a formidable association for franchising in Nigeria, NIFA must

- Ensure quality control and assurance for the industry
- Ensure proper regulation and government policy
- Develop a strategic direction of the association and sustainable plan for franchising in Nigeria
- Conduct trainings and accreditation of association members to enable specialisation in specific areas in franchising
- Provide support services across the value chain

Group C

Potential and existing franchisees

Moderator: Amoge Ume

Challenges of Franchisees

- Lack of comprehensive data on the part of both Franchisees and Franchisors
- Lack of passion for the business
- Fear of not meeting Franchisor's target
- Lack of Trust
- Payment of royalty in foreign currency
- Limited availability of Forex
- Lack of legal advice and structural agreement/document

Needs & Recommendations

- Training of Franchisee
- There is need for legal counsel that constraints the Franchisee to a minimum loyalty period
- Conducive working environment
- Service Level agreement between Franchisee and Franchisor
- There is need to reduce time lag in having trademark registered
- Improved Awareness.

Group D

Business Development Service Providers (BDSPs)/legal service providers/financial institutions

Moderator: Adenike Adeyemi, Executive Director, Fate Foundation

Issues affecting the Franchisor-Franchisee relationships in Nigeria are:

1. Most people do not have adequate knowledge of the franchising market as well as of their responsibility and the rules of engagement.
2. A good number of Franchisees do not have clear understanding of how to run their business.
3. Lack of understanding of the business as well as location and ethical biases
4. The issue of collateral and securing loan at a reasonable rate i.e. some banks require equity contribution before lending money for franchise business)

Solutions and recommendations:

1. Accredited a business development programme where people can get adequate information about Franchisor-Franchisee relationship, which will guide them in their decision making.
2. Specialised franchise development funding, which will help the bankers improve on their knowledge of the franchise industry and also ease the access to finance.

3. Introduction of group lending so as to ease access to finance. Industry players can form clusters and also provide group collateral to secure lending from banks.
4. Banks and other development agencies should focus more on the franchise industry
5. Training and sensitisations of the Nigerian citizen about franchise
6. Franchisors should help Franchisees in securing funding and take up the responsibility to monitor franchisees in an effort to ensure the loan is being serviced appropriately.
7. Use technology to make sure franchisee do not default on the terms of the agreement
8. The need for sound legal framework that will help franchisees and franchisors in getting sound legal guidance at a reasonable cost.

Plenary

Questions, Answers & Comments Session

Question: *How big is the Franchise market to warrant specialized funding?*

Response: *The franchise market in Dubai is estimated to be worth \$100 billion. In Nigeria, there is not yet information about the size of the market.*

Question: *Is there a universal body that creates laws that govern franchise in Nigeria? How do we deal with a situation where there is disparity between the law of foreign and domestic franchise? How do we resolve this challenge if it arises?*

Response: *Lawyers should be aware of any contractual agreement. Since the franchise business will be domiciled in Nigeria, the rules of engagement in Nigeria take precedence and supersede conflicting foreign laws.*

Question: *What is the cost of registering a franchise business with NOTAP and what is the wait period before the registration is finalised?*

Response from Mrs I.T Imiyoho (NOTAP)

NOTAP does not just register businesses. The organisation analyses the rules and laws in relation to the franchise agreement and offer advice to clients on what to do. Some foreign franchisor asked for around 10-15% of Profit After Tax (PAT) as royalty, which NOTAP regarded as being excessive thus unacceptable. By reviewing the franchise agreement, NOTAP is able to advice Nigerian franchise partners on the best course of action.

The first step in the registration process is the presentation of the agreement between the Franchisee and the Franchisor, which attracts a fee of ₦50, 000 and after this, if the agreement is approved, the registration fee will be determined based on the value of the agreement. The range of registration prices is also available online and can be accessed from the NOTAP website. In terms of the duration, the timeline for registration for each project differs and there is no specific time to complete registrations.

Conclusion

Franchising remains a proven business model in both developed and emerging markets. In Nigeria, this business model is promising due to the country's huge market and fast growing population. Despite these potential, issues of lack of awareness, inadequate finance, poor cordial relationships among trade associations among other factors, limit the growth of Franchising in Nigeria. To address these challenges, the Nigerian Franchising Association (NIFA) must be strengthened to effectively advocate for the development of franchising in Nigeria. The passage of a franchise bill, which provides an overarching legislative and regulatory framework for franchising, must also be quickened. All stakeholders, including the media must exert pressure on the government to hasten the passage of the bill. Other recommendations agreed at the event include the need for government to enact ease of doing business reforms, geared at reducing delays (particularly relating to trademark registration) and removing inefficiencies; creation of a specialized fund for franchising business and showcasing role models in the franchise industry to attract firms into the sector.

Annex 1 Breakout sessions participants list

S/N	Group A	Group B	Group C	Group D
	Government agencies/legislators	Potential & existing franchisors/franchise associations	Potential and existing franchisees	BDSPs/legal service providers/financial institutions
1	Hon. Sylvester Ogbaga	Kofi Abunnu	Adenike Ogunlesi	Obafemi Agaba
2	Afolabi Adejumo	Hon. Ossy Prestige	Hon. Engr Solomon Maren	Mr. Kudzai Gumunyu
3	Chris Taiwo	Omdahl Brent	Roland Oroh	Hon. Ayo Omidiran
4	Samson Amos	Chidi Nwachukwu	Seun Sule	Samuel Abiola-Jacobs
5	Gbenga Orogun	Akeem Alaka	Chuka Mordi	Emma Esinnah
6	Kolawole Adeyemi	David Iriabe	Ebele Enunwa	Kola Masha
7	Prince Emelike	Bamidele Okunaiya	Bolaji Akinyemi	Jonathan Uzomba
8	Ikenna Nwizu	Mr. Aliyu Bisalla	Olumide Omojuyigbe	Chief Prince Donatus Okonkwo
9	Ifeoluwa Adebayo	Mrs I.T Imiyoho	Abdulhamid Mohammed	Badamasi Yau
10	Mrs H.N.A Oladunke	Abiodun Fayemi	Chiefo Ejiofobiri	Tajudeen Abdulsalaam
11	Mr Shiba Gosh, Vice-President	Joy Chinwokwu	Akin Oyebode	Olanrewaju Oniyitan
12	Ben Arikpo	Kenechi Ezezika	Kola Masha	Chinasa/Busayo Egbe
13	Dele Alimi	Emmanuel Akinwekomi	Ifeoma Uddoh	Mr Rajendaran
14	Laoye Jaiyeola	Annah O'Akuwanu	Femi Fajolu	Usman I Usman
15	Stanley Onuoha	Bolaji Asuni	Yakubu Wambai	Philip Udeochu
16		Dele Alimi	Bex Nwawudu	Obafemi Agaba
17				Joseph Umoette