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Unlocking the Potentials of Franchising in Nigeria



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Key Messages from the Event

Unlocking the Potential of Franchising in Nigeria was an event organized by UK Aid's PDF II in collaboration with FBDS on the 11th of May 2017

The event provided a platform for key stakeholders – potential and existing franchisors, potential and exiting franchisees, franchise associations, government agencies and legislators, business development service providers, including legal service providers and financial institutions – to explore the untapped potentials of franchising in Nigeria, look at the challenges and proffer solutions to

help tackle them. Findings of a recent study on 'Tacking Access to Finance: the Potential of Franchising in Nigeria' were also shared.

The following key messages were drawn out from the event.

"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..." (Laure Beaufigl, British Deputy High Commissioner – Lagos).



“Franchising is a business model with great potential for solving problems of unemployment”

Franchising is known to be one of the most successful business models in the world, as it aids business growth, enhances skills transfer and improves 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. Nigeria’s 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

“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”. (Hon. Sylvester Ogbaga, Chairman, House Committee on Commerce)

The franchise bill, has been sent to the upper house for concurrence, and 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.

“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”. (Nike Ogunlesi – Ruff ‘n’ Tumble)

Key Messages from the Summit



“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”

Other key messages from the event are;

- The need to strengthen the Nigerian Franchise Association (NIFA) to advocate for players in the Franchise industry was 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.
- 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.

Key Messages from the Event



Highlights from Break out sessions...

For franchising to gain prominence in Nigeria people need to be sensitised

- Nigerians need 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.
- To address the issue around improving access to finance, group lending should be introduced to ease access to finance. Industry players can form clusters and provide group collateral to secure lending from banks.
- Also 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
- 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.