

FRANCHISING – A CATALYST FOR ECONOMIC DEVELOPMENT

**Presented to the Barbados Chamber of Commerce and Industry
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Thank you for inviting me to present on this topic today, Franchising – A Catalyst for Economic Development. This is a subject which is very close to my heart as an entrepreneur. If at the end of my presentation I could have shared some useful insights with you, or even given you cause for further debate, our time would have been well spent.

FRANCHISING IS WITHOUT DOUBT, THE ANSWER TO UNEMPLOYMENT AND HAS PRIVED WORLDWIDE TO BE THE JOB CREATOR OF THE FUTURE.

With all the negativity making headlines these days, it's difficult sometimes to maintain perspective. To put today's topic into context, I wish to reference the United States, the worlds' largest and most complex economy.

As we are too well aware, in the US, foreclosures are at record highs.

There has been nearly a trillion dollars in bailouts.

The Dow has recorded significant declines.

There have been mass layoffs and unemployment is now at twenty-six-year high.

For my colleagues in the business sector gathered here today, as Caribbean people, we have not escaped the impact of this financial meltdown. Our tourism business in the various islands is down by double digits, manufacturing is down, unemployment is up.

No-one has been spared the effects of this global meltdown. For example, we have witnessed the spectacular collapse of Lehman Brothers, an investment bank which dated back to the 1850's, prior to the Civil War. A storied institution that has survived two World

Wars, the Great Depression and practically every other calamity in its 158 year history. Yet, it could not survive the Wall Street meltdown.

Sadly, Lehman Brothers was not the only casualty. Many of the major companies, from Brokerage Firms like Merrill Lynch, to Insurance giant AIG to Washington Mutual, the largest savings Bank on the planet, have all been nearly beaten to the ground.

Which brings me to why I am here. In its fifty year history, franchising has shown remarkable strengths in weathering the economic ups and downs. In the face of the recent worldwide economic slowdown, the franchise sector has remained upbeat and a significant global force. At the very root of the concept lies the merging together of a franchiser's brand of products and/or services with reliable support systems and self-motivated franchise owners.

It is this high level of motivation, combined with a rigid business format that has allowed franchising to thrive, even in depressed times. Because, franchising is a business format that has no boundaries and no impediments to success. Anyone, from any walk of life, can become an entrepreneur and enter into a profitable business venture.

The franchising model is ideally suited to small and medium-sized enterprises. It encourages small business growth in every imaginable business sector and is a great catalyst for job creation, skills training and wealth creation.

Globally, franchising has yielded unprecedented results. In the United States, which leads the field in franchising success, about fifty percent of all retail business carried out is conducted by franchise networks. The US franchise industry has over \$1.5 trillion in sales annually. While 80% of private businesses will eventually fail, less than 5% of the nation's franchises fail each year. With more than 760,000 franchised businesses, a new franchise opens somewhere in the US every 8 minutes, employing around 9.7

million people. Canada is a close second, with forty-five percent of retail business going through the franchise sector. Australia has twenty-six percent, with far-east countries like Taiwan and Japan sitting at around the twelve-thirteen percent mark.

South Africa currently accounts for an estimated seven percent, and although it lags far behind most countries, it proves that the potential for growth is unlimited in Africa.

As franchising becomes saturated in developed countries, the emerging markets like the Far East, South America, Eastern Europe, Africa and the Caribbean become fertile grounds for franchising to take root.

The developed nations have proven that franchising plays a pivotal role in the economic success of any country. Developed countries need to extend their franchise systems into new markets and new territories in order to sustain growth and increase turnover. Emerging markets therefore play a critical role in the worldwide expansion of franchising. Consequently, I am pleased to report to you that you need only to look to your neighbors in the private sector in Trinidad and Tobago who have embraced the unlimited potential of franchising.

Payless, Beni Hanna, Burger King, Subway, KFC, TGIF, Cold Stone Creamery, Guess, Papa John's, Long John Silver, Ruby Tuesdays, Pizza Hut, Popeye's Chicken, Church's Chicken, Vie de France and Dominos can all be found dotting the business landscape of Trinidad and Tobago.

These and other foreign franchises have added vibrancy to the local business scene. Their strong identity and high business efficiency have spurred many local enterprises to adopt franchising as a strategic business option.

Within my own business the Pizzaboys Group, we have locally developed brands, international franchises and are also regional

franchisors. I would now like to tell you something about my company...

Our business model has proven that homegrown franchises can succeed – locally, regionally as well as globally. You can gain access to a proven business model and still enjoy the flexibility and freedom of being your own boss. Successful franchisors have it all worked out... they have made the mistakes, found the solutions, and fixed the bugs.

It is encouraging to see new homegrown franchises alongside the more established ones in Trinidad. They include names like Rituals Coffee House, Mario's Pizza, Royal Castle. All these enterprises have proven one point - that franchising can be a viable business option, if ran well.

To ensure that their franchise concept is sustainable in the long run, franchisors should design and develop their business model with the end in mind - that is, aim for the regional and global market, not just the domestic market. Having the end in mind will ensure that the systems they put in place can be readily upscaled as their business expands.

Good franchisors provide effective support in bulk purchasing, sales promotion, business management systems and training to franchisees. Small businesses that join a franchise, enjoy instant visibility in the market, better brand recognition, pooling of advertising and marketing resources and expertise to help them improve their business operations and systems. So rather than re-inventing the wheel, they can ride on the success of the franchisor.

However, like all investment decisions, there are business risks involved. To give some examples... With a foreign franchise, you may have restrictions on how you run your business and you may not be able to make changes to suit your local market. Additionally, a percentage of profits are shared with the franchisor. Having said that, it is still a viable and profitable venture.

Businessmen interested in joining a franchise may want to seek professional advice and do their homework carefully.

Look to what the developed economies have excelled at, piggyback on their successes and don't be afraid to take chances. Now may be the time to stick your elbows out and make space for yourself.

Remember Rituals Coffee House... people told me coffee would not sell in Trinidad... how wrong they were!! What I sold was the idea, the appeal of a clean and comfortable environment, the feel of getting exactly what they had seen and experienced in North America... and the most important thing... a really good cup of coffee!!!

I congratulate the Barbados Chamber of Commerce and Industry organizing committee for its kind invitation to share with you today and I do wish much success in future.

Thank you.