

Franchising 'a proven, acceptable method' to sell goods and services

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By 
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KUALA LUMPUR, Thurs. — Franchising has become a proven and acceptable method of distributing products and providing services which has created a higher level of retailing and service management, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said the franchising system which is popular and successful in advanced countries had also resulted in an increase in productivity and would create a bigger tax base.

"Realising the great potential of franchising in businesses, the Government has accepted the system as one that will mould a commercialised and industrialised Bumiputera community in line with the National Development Policy.

"All matters concerning

franchising will be fully managed by the Implementation Co-ordination Unit in the Prime Minister's Department which will act as a one-stop centre," he said when launching the Franchise Development Programme at the Putra World Trade Centre.

He also opened the Malaysian International Franchise conference at the same venue.

He later presented plaques and certificates to 30 successful applications to set up franchise units of various products and services.

Dr Mahathir said the division was necessary because the identification of quality products and the selection of potential franchise suppliers and franchisees was critical.

The Prime Minister said as a result of the rapid economic growth, Malaysians have become more affluent and they place emphasis on convenience, quality

and service.

He said because of the economic growth there was a need to change certain trading and business patterns.

"In fact changes have taken place and will continue to take place more rapidly.

"Businessmen and service providers who do not accept changes will be left behind and their businesses may also vanish," he said.

For example, Dr Mahathir said, many coffeeshops in Kuala Lumpur have been replaced with fast food restaurants. Similarly many sundry shops have been replaced with supermarkets or mini markets.

"Motor workshops under the shade of trees are also being replaced with vehicle service centres which are sophisticatedly equipped.

"These changes show that society wants services that are convenient, fast and of quality," he said.

He said in developed countries the sole propri-

etor system of business or the "mom and pop store" have been replaced with the franchise system.

Dr Mahathir said in the United States there are 558 units of franchise businesses with a total value of US\$803 billion (RM2,168 billion) in 1992 which accounts for 35 per cent of the total retail business.

It is expected that the total sales from the franchise system would reach the US\$1 trillion mark by the year 2000. In 1992 the franchise network provided eight million job opportunities in America.

He said studies showed that the failure rate in franchise business was only five per cent compared with the 62.2 per cent failure rate for businesses that did not involve the franchise method.

The Prime Minister said investment in the franchise business would enable those involved to participate in the management of

their investments unlike investing in shares.

"Returns from the franchise business are equal if not better than the dividends and other gains from the stock market. This does not mean that investment in the stock market is not good.

"If we are careful and not overly dependent on getting wealth the easy way, we can invest in the stock market.

"The stock market is not for one to play games with," he said.

Earlier, Chief Secretary to the Government Tan Sri Ahmad Sarji Abdul Hamid said the franchise development programme was launched in 1991 and there were applicants from 3,000 entrepreneurs who wanted to participate in the franchise business.

"However, after careful selection we appointed 30 who are today successful in their own ventures," he said.