

Franchising Set to Soar

The Government is giving solid backing to franchising as it has been found to be a good alternative business model for business-minded Malaysians, especially Bumiputeras.

By Ayu Aziz

THE encouraging recovery in the global economy is turning the tide for Malaysia's franchising industry, which has been relatively stagnant for the last five years. With the gross domestic product projected to grow at a strong 4-5% next year, prospects certainly look bright for the industry.

In 1995, there were only 19 franchisers and 54 franchisees in the country. Despite the global economy taking a turn for the worst in the past few years, the number has steadily increased – to 86 franchisers and 637 franchisees by the end of last year.

Local companies such as Ayamas, 1901, Nelson's, Smart Reader, Marrybrown, Sugar Bun and England Optical are just some of the names gaining popularity among Malaysian consumers. Marrybrown and Sugar Bun have even ventured overseas.

Despite the encouraging development, franchising is still considered a new business model for local entrepreneurs to venture into. It only started to flourish in 1992 when the Government realised that it could be a way to help entrepreneurs, especially Bumiputeras, go into business successfully.



Abdullah visiting the booths at the Franchise International Malaysia 2003 exhibition

A Franchise Development Programme was initiated by the Ministry of Entrepreneur Development in 1992 to jump-start the process. Later, in 1994, the Malaysian Franchise Association (MFA) was formed.

One of its objectives is to promote franchises locally and internationally. It also provides education and training to members of the public who are interested in the business. The Government targets to produce 50 new franchises and 1,000 new franchisees by the end of the Eighth Malaysia Plan in 2005, and has allocated RM100 million to achieve the goal.

MFA secretary-general Awalan Abdul Aziz says the amount will be used for product development and acquisitions as well as financing through the Credit Group Corporation to subsidise initial businesses, education and training, and promotional activities at state and international levels.

The initiative is showing results as the percentage of Bumiputeras currently involved in franchising has risen to 26% compared to 19% for the conventional business models. But there is still much to be done.

'Our focus now is on helping local franchisers leverage on the opportunities that exist in the region, especially China and the Middle East. Kentucky Fried Chicken (KFC), for example, started seven years ago in China. It now has 1,000 outlets there,' he says.

The Blueprint

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi, who launched Franchise International Malaysia 2003 organised by the MFA recently, expressed his confidence in the franchise business model because of its low-risk factor and its suitability for Bumiputeras, with their limited business experience.

In his speech, Abdullah said that he himself had a keen interest in franchising and

would strive to see the franchise industry prosper in the country. He said he had instructed the Entrepreneur Development Ministry to construct a blueprint on creating and promoting franchises and products that can penetrate the global market.

Abdullah said there were a total of 320 franchise systems in the country, consisting of 304 business format franchise systems, 10 motor vehicle franchise systems and six major motor fuel retail franchises. With the blueprint in action, he hoped the number would soar.

According to Datuk Adnan Alias, one of the committee members of MFA, details of the blueprint will be announced by the Ministry soon. But he did reveal some highlights. For example, the definition of franchise would be changed to 'something that will suit our own mould - the Malaysian mould'.

He says the blueprint would address and overcome existing problems in franchising such as bureaucratic red tape, and formulate strategies to promote home-grown franchises in emerging markets, as well as create niche markets for *halal* food products.

The blueprint would also deal with new products in franchising, target markets, strategies to sustain the business, and research in business and product development.

'Franchising provides a robust and exciting business opportunity for all. MFA is going all out to educate the public about the advantages of running a franchise business, given its vast opportunities. We are now targeting pensioners and graduates, especially Bumiputeras,' says Adnan.

Franchising is indeed big business. John Naisbitt, the author of *Megatrends*, says in his best-selling book that franchising is the most successful business and marketing model today and that American fast food companies such as A&W, McDonald's and Colonel Sander's famous KFC are all proof of how franchise model businesses could prosper. McDonald's, for instance, has more than 20,000 outlets worldwide.

With support from the Government, it is not impossible for Malaysian franchises to compete with the big names. Awalan says he feels no other government puts so much emphasis on franchising like Malaysia. **mb**



The exhibition in full swing