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Franchising Practices in Selected Markets around the World: A Review

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Abstract

Purpose - This paper attempts to provide an understanding of practice of franchising in eight countries – USA, UK, Australia, Brazil, China, Malaysia, South Africa and Nigeria. The bases of the review are: number of systems and outlets, employment generation, annual turnover, GDP contribution, legal and regulatory frameworks and country-specific franchise business practice nuances.

Research design, data and methodology - the paper is descriptive, highlighting elements of the business practice that distinguish one country from another. Documentary data – mainly industry publications supplemented by empirical literature – was used for the review.

Result - Although there are commonalities in the technical design and implementation of franchise business practice – especially the business model type – differences exist in terms of legal and regulatory frameworks guiding the industry across the eight countries studied.

Conclusion - There are no two countries that have the same franchise practices. Franchise markets in the developed, and to some extent, the emerging economies have saturated. Franchise markets in African countries are at infant stage and thus, these countries are strategizing to attract foreign brands into their domains.

Keywords: Business Model Franchise, Franchising Practice, Developed Markets, Emerging Economies, Africa.

JEL Classifications: L2, L24, L26.

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1. Introduction

Apart from being an important strategy that has changed the global business(IFA, 2016), franchising has been found to make valuable contribution to the overall economic development of nations(Alharbi, 2014). This can be seen from contribution of the franchise industry to stimulation of entrepreneurship, economic activities, GDP growth, job creation and national competitiveness of many countries worldwide. In this study, relative contributions of the franchise industry of selected developed/emerging economies and African nations are reviewed.

Eight(8) jurisdictions included in the review are: three(3) developed countries, three(3) emerging economies and two(2) African countries. We aimed to review franchise industries of at least one country from each continent of the world, and specific considerations for selecting the countries are as follows. For the developed countries, the United Kingdom(UK), the United States(US) and Australia have highly advanced franchised systems(Dada, Watson, & Kirby, 2015; European Franchise Federation, 2017; Frazer, Weaven, Grace, & Selvanathan, 2016; IHS Markit Econonmics, 2017) and there is a need to learn how their systems have evolved.

Malaysia and Brazil are included as the emerging economies to understand the basis for the current rapid growth that the industry is experiencing in these two countries(Fernandes & De Oliveira, 2017; SME Malaysia, 2017). Another emerging economy, China was selected because of its large consumer market and foreign brands' increasing interests in operating franchises in the country(Doherty, Chen, & Alexander, 2014; Export.gov, 2017b).

In respect of franchising in Africa, South Africa and Nigeria are the two countries reviewed. South Africa is often cited as the most business-savvy country in Africa(Export.gov, 2016c), and the country is the leading franchise system on the continent(FASA, 2017). Lastly, Nigeria is the setting of this study and hence the current state of franchise business model in the country needs to be understood.

2. Franchising in the Developed Countries

As shown in Table 1 below, franchising continues to make huge impacts on economies of many developed countries. This section presents discussions on franchising in selected developed countries: the UK, US, and Australia.

2.1. Franchising in the United Kingdom

Franchising has a rich history in the UK which can be traced to the Feudal practices in the 16th Century England when the feudal lords occasionally granted permission to peasants to use their lands in return for certain fees(British Franchise Association, 2017b). At present, as shown in Table 1 above, the franchise industry plays a key role in improving the economy and national productivity of the UK.

According to the latest survey on the franchise industry conducted by the British Franchise Association(BFA), there are 901 franchise brands in the UK with 44,200 franchise outlets(British Franchise Association, 2016). The survey further indicates that 621,000 persons were employed in franchise industry, while generating GBP 15.1 billion(USD 19.65) in 2015.

Table 1: Overview of Franchise Industry in the Developed Countries

Particulars	Countries		
	United Kingdom	**United States**	**Australia**
Number of Brands	901 brands	732,842 brands	1,120 brands
Number of Units/Outlets	44,200 units	732,842 units	79,000 units
Contribution to GDP	NA	5.7%	10%
Annual Turnover	BP15.1 (USD 19.65) billion	USD 868 billion	USD 146 billion
Employment	621,000	7,636, 000	470,000
Legal Framework	No specific franchise laws. General business laws apply	FTC Franchise Rules and individual state franchise rules	Franchising Code of Conduct
Data Reference Year	2015 – 2016	2016	2016

Source: Adeiza(2017)

The most interesting data point in the survey is the fact that 97% of the franchised units in the country were operating profitably, with more than 50% recording turnover in excess of GBP 250,000(USD 321,300). This goes to support the empirical findings that franchised businesses are profitable and could be more so than independently-owned ventures(Hua & Dalbor, 2013).

In the UK, there are no specific laws guiding franchise business partnership(British Franchise Association, 2017a). Apart from the BFA Code of Ethics that guides the conduct of franchise business in the country, contracts in the industry are enforced according to the existing general business and commercial laws(HamiltonPratt, 2017). The important commercial and business laws that are relevant to parties entering into franchise partnership in the UK include The Trading Scheme Act 1996, The Fair Trade Act 1973, The Marks Act 1994, The Data Protection Act 1998, and The Bribery Act 2010(British Franchise Association, 2017a; Drakes, 2017; Nelsons, 2014). Other issues on which proper legal counsel may be needed to conduct a successful franchise business especially for franchisors include pricing controls, exclusivity, tying practices and online sales by franchisees(Drakes, 2017).

Thus, the foregoing discussion has shown that the franchising is an important business model in the UK with the industry contributing meaningfully to enterprise promotion, job creation and GDP growth in the country.

2.2. Franchising in the United States

Franchising in the US has come of age and continues to be an important business model that strengthens the economy in many ways. As indicated in Table 1 above, recent reports indicate that as at December 2016, the number of franchise establishments in the US was around 732,842, contributing 5.7% of GDP and generating 7,636,000 direct jobs in the country(IHS Markit Econonmics, 2017). In total, the US franchise industry produced goods worth USD 868 billion and contributed USD 454.1 billion to the country’s GDP in 2016(International Franchise Association, 2016). More so, franchise businesses provided more direct employment in the US than any other manufacturers of consumer goods such as cars, computers, planes, trucks, primary metals, communication equipment, woods products, and instruments did(International Franchise Association, 2016).

When the effect of franchising such as product and service demands from other sectors of the US economy is considered, the multiplier impact of the franchise industry can be seen in terms of 16 million jobs being created, USD 723.2 billion in payroll, USD 2.08 output and USD 1.20 trillion contribution to GDP(International Franchise Association, 2016). Interestingly, such iconic franchise giants as McDonald’s, KFC, 7-Eleven, Subway, Burger King, and Holiday Inn(now part of InterContinental) are originated from the US.

Meanwhile, the two major developments of the recent years that could potentially modify franchise business model in the US are misclassification and joint employer status(Woods, Hurwitz, & McKenzie, 2016). Misclassification relates to whether franchisees should be classified as employees or independent contractors to franchisors while joint employer status has to do with the debate that given the degree of controls that franchisors exert on the operations of franchised outlets, franchisees should be treated as joint employer of the franchisees workforce(Woods et al., 2016).

In terms of the general regulatory framework, franchising in the US is governed by two levels of laws: the federal and individual state laws. About 26 states have separate laws and regulations guiding registration, disclosure and such contract issues as fees, exclusivity, termination, renewal, transfer and so on (Woods et al., 2016). At the federal level, the Federal Trade Commission(FTC) enacts and reviews regulations guiding the industry and these regulations are commonly called FTC Franchise Rules(Marzheuser-Wood & Baggott, 2016), most notable of which is The Disclosure Requirements and Prohibitions Concerning Franchising(Woods et al., 2016). Although there are differences across the states in terms of franchise regulations, both levels of laws are generally more protective of franchisees(Woods et al., 2016). Apart from the states and federal regulations, the Association of Franchise Professionals in the US, the International Franchise Association(IFA) has outlined clearly defined Codes of Ethics that regulate franchising practices and relations in the country.

Thus, it is clear from the above review that the US franchise industry is well-developed and it is making significant contribution to the economy of the nation.

Figure 1: Notable US Franchise Brands

2.3. Franchising in Australia

Interestingly, the Australian franchise industry is often regarded as highly advanced with some scholars labelling the country as the franchise capital of the world(Frazer, Weaven, & Grace, 2014; Li & Stittle, 2014; Weaven, Frazer, & Giddings, 2010; Wright & McAuley, 2012). This, in part, is because the industry's contribution to the GDP in Australia is one of the highest in the world. According to a biennial survey of the Australia Franchise, the industry generated USD 146 billion in 2016 representing nearly 10% of the country's GDP(Frazer et al., 2016). Although 32% of franchisors in Australia now operate globally, the country's franchise industry has expanded mostly from within as 90% of the systems are Australian-based chains(Frazer et al., 2016). The report indicates that more than 470,000 people are directly employed by the 79,000 franchise units across the 1,120 franchise systems operating within the country.

An interesting fact about the Australian franchise system is that it is the only country in the world where Burger King, the US franchise giant, is not known by that name. The company is called Hungry Jack in Australia as the original name had been registered to a local take-away food restaurant before Burger King Corporation arrived in the country(Terry & Forrest, 2008). Some of the popular home-grown franchise brands in Australia are shown in figure 2 below. They include Foodco(food), Poolwerx(pool cleaning), Gutter-vac(gutter cleaning) and Baker's Delight(bakery).

Figure 2: Notable Australian Franchise Brands

Legally, the Australian franchise industry is governed by a number of laws and agencies. The general laws under which the industry operates is The Franchising Code of Conduct and the main government agency that regulates the industry and enforces the Code is the Australian Competition and Consumer Commission(ACCC). The Franchising Code has been amended many times and the latest amendments came into effect on 1st of January, 2015(ACCC, 2015). The Code is divided into four parts addressing issues of good faith, disclosure, agreement and dispute resolution respectively. The latest amendments brought about vital changes that must be properly understood as there are serious implications for breach of the code. These new changes as outlined on the website of the regulatory authority(ACCC, 2017) include the following:

- Stiff penalties for franchisors and franchisees who do not act in good faith.
- Infringement notices and financial penalties for serious violation of the Code.
- Franchisors to provide prospective franchisees with a brief information sheet containing the risks and rewards of franchising.
- Greater transparency and accountability to be provided by franchisors in the use of money contributed for marketing and promotion.
- Franchisors to establish a separate marketing fund for marketing and advertising fees.
- Additional disclosure about the ability of the franchisor and franchisees to sell online
- Franchisors are prohibited from imposing significant capital expenditure on the franchisee except in limited circumstances.

Thus, it is apparent from the above listed changes that the Code is designed to protect both parties, but just like the FTC Franchise Rules in the US, it is skewed particularly in favour of franchisees. Franchisees' protection is necessary to check possible abuses by the franchisors who are obviously more powerful and wield significant influence in a franchise agreement(Frazer, Merrilees, & Wright, 2007; Frazer, Weaven, Giddings, & Grace, 2012; Lagarias & Boulter, 2010). Apparently, the franchise rules or codes highlighted above are designed to provide a healthy environment for the industry to flourish while maintaining its credibility.

By and large, the forgoing discussions have been on the state of franchising in the three developed nations – UK, US and Australia. The business model has contributed immensely to the economies of these nations in terms of job creation, GDP growth and overall national competitiveness. Interestingly, the future outlook of franchising in these countries is generally positive as the industry is projected to contribute more to the economies than any other sector(IHS Markit Econonmics, 2017). It is noted that while a few differences in the practice of the business model exist in the three countries, there still are some commonalities. For instance, although the UK is the only one of the three countries that does not have franchise-specific laws, they all have frameworks that emphasis disclosure and protection of franchisees. This is perhaps due to the realization that a long-term sustainability of the business model rests on satisfaction of the franchisees and success of their businesses (Lucia-Palacio, Bordonabe-Juste, Madanoglu, & Alon, 2014).

3. Franchising in Emerging Economies

There is no generally accepted definition for emerging economies and this is because these economies are not monolithic, there are considerable differences among them(Khanna & Palepu, 2013). However, there are some characteristic that are often used to describe these countries. These include rising GDP; expanding middle class; young population; large, low-cost and broadly educated labour force as well as increasing business sophistication(Hoskisson, Wright, Filatotchev, & Peng, 2013; Khanna & Palepu, 2013).

Countries such as Brazil, Russia, India, China and South Africa(BRICS) are often cited as examples of emerging economies(Khanna & Palepu, 2013). Among the business strategies that has been gaining increasing traction within emerging markets is franchising(Madanoglu, Shoham, & Alon, 2017; Welsh, Alon, & Falbe, 2006). Currently, franchising in emerging markets is experiencing rapid growth (Alon, Madanoglu, & Shoham, 2017). Table 2 above shows key statistics about franchise industry in three emerging economies – Malaysia, Brazil and China. This section discusses the current state of the business model in these countries.

3.1. Franchising in Malaysia

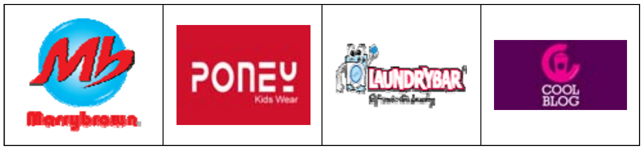
Over the last few years, franchising has gained increased popularity in Malaysia(Ali, 2017). The franchise industry in the country has been growing rapidly in recent years and according to SME Malaysia(2017), there are currently 813 franchise brands in the country, a growth of about 67% within a space of two years from 486 brands in 2015(APCFE, 2015; MATRADE, 2015; MFA, 2015). The Ministry of Domestic Trade, Cooperative and Consumerism (DTCC) under whose purview the franchise industry falls has set a target of registering between 60 –80 new franchisors per annum(Ali, 2017), a key performance indicator that has had impact on increasing the number of entrepreneur-franchisees and creation of more jobs in the country. As at 2015, the number of franchise units in the country was 6,000 with over 50,000 direct jobs created (APCFE, 2015; MATRADE, 2015; MFA, 2015). The country has proven to have strength in different areas of franchise business including food-service, retailing, hotels, education, health and fitness, telecommunication and IT, beverages, fashion and clothing, car sales and servicing, printing and photography and so on(Ali, 2017).

More so, the Malaysian franchise industry has shown that it could be a reliable path to economic growth and national productivity. The industry's contribution to the GDP has been growing steadily, from RM 24 billion in 2014(MATRADE, 2015), RM 26.8 billion in 2015 to an estimated contribution of RM 28 billion(USD 6.36) in 2016(SME Malaysia, 2017). The government has been very proactive in supporting the industry with various incentives and strong institutional facilities such as the establishment of Perbadanan National Berhard(PNS), an agency tasked with regulating the industry as well as promoting it through delivery of targeted franchise education and financial supports for the players. Moreover so, there is an association of franchise professionals in the country, the Malaysian Franchise Association(MFA) which lays down the ethical standards of practice and facilitates cross-border franchise business for Malaysian brands. At present, as revealed by the Minister of DTCC during the 2017 edition of the MFA International Franchise Conference that took place on 13th May in Kuala Lumpur, there are more than 60 Malaysian franchise brands operating in over 50 countries. MarryBrown, the home-grown food-service restaurant chain has the highest number of foreign outlets.

Table 2: Overview of Franchise Industry in Emerging Economies

Particulars	Countries		
	Malaysia	Brazil	China
Number of Brands	813 brands	3,073 brands	4,500 brands
Number of Units/Outlets	6,000+ units	138,343 units	NA
Contribution to GDP	3.7%	10%	NA
Annual Turnover	USD 6.36 billion	USD 35 billion	NA
Employment	50,000	1.2 miilion	NA
Legal Framework	Malaysian Franchise Act 1998	Brazilian Franchise Law 1994	Regulation on Administration of Commercial Franchises etc.
Data Reference Year	2016	2016	2016

Source: Adeiza(2017).



<**Figure 3:** Notable Malaysian Franchise Brands

As stated in MarryBrown.com, the company operates in countries as far-flung as Azerbaijan, Islamic Republic of Iran and Tanzania. Figure 3 above shows other top indigenous franchise brands in Malaysia including Cool Blog, Tealive(beverages), Poney(kids wears), Laundrybar (dry cleaning) and Focus Point(contact lens).

More interestingly, the country has planned to become the franchise hub of Asia by the year 2020. The path to this aspiration is outlined in the 'National Franchise Development Blueprint 2012-2020'(MATRADE, 2015). This blueprint outlines key milestones and specific actions that relevant stakeholders, particularly the government and the regulatory agencies will need to take towards the realization of the stated objective. As contained in the blueprint, the actions and milestone for becoming the franchise hub in Asia include more education and research on franchising, targeted financial investment and development of local franchise brands, strengthening of institutions and enhancing general business environment, and supports for local brands to conduct cross-border business(MATRADE, 2015).

Further, a key part of Malaysia's proactive efforts to promote franchising is the promulgation of specific laws to guide the industry. The enabling law is referred to as the Franchise Act 1998, last amended in 2012. The law addresses such issues as definition of franchise business, registration of franchise, disclosure, agreement, conduct of parties and termination. The most distinguishing feature of the Malaysian Franchise Act is the provision for Franchise Advisory Board which is a committee of seasoned business professionals that regularly advises the government on how to best promote the industry and make it more competitive(Franchise Act, 1998).

Thus, the above discussion has demonstrated that Malaysia franchise industry is growing and the country has an ambition to become the franchise hub in a few years.

3.2. Franchising in Brazil

Being a business powerhouse and the number one destination for foreign direct investment(FDI) in South America, Brazil holds high potentials for franchise business especially in terms of foreign brands setting up franchise operations in the country(Restanis, 2017). The Brazilian franchise industry has been experiencing explosive growth over the past few years. Reports by the Brazilian Franchising Association indicate that over the past decade, the industry has been recording an annual growth of between 10~20%(Smith & Peterson, 2014). Apparently, this places the country's franchise industry at the top in terms of contributions to economic growth and national productivity.

As at 2015(the year for which updated data is available), there are 3,073 franchise chains and 138,343 franchise outlets in Brazil with revenue in excess of BRL 139.593 billion(USD 35 billion) generated by the franchise industry in that particular year(Vieitas, 2017). The number of job created by the industry stood at about 1.2 million in 2016 and this was projected to grow by about 8% in subsequent years(Export.gov, 2016a).

<**Figure 4:** Notable Brazilian Franchise Brands

The top performing sectors in the industry are shoes, retailing/service, hotel, food, automotive sales and service, education/training, health and fitness, clothing, IT, cleaning and home/construction(Vieitas, 2017). The most popular local franchise systems in Brazil include O Boticario(beauty), Cacau Show(food), Correios(retailing) and Escolas Fisk(education).

Brazil is one of the countries that has laws specifically promulgated for franchise contracts. It is known as the Brazilian Franchise Law and officially christened Federal Law No. 8,955 promulgated on 15th December 1994 (Fernandes & De Oliveira, 2017; Guandalini & Yurgel, 2016; Yamaguchi, da Hora, & Cunha, 2016). The Franchise Law addresses issues such as a disclosure by franchisors(at least 10 days before signing of the agreement), registration of franchise agreement and execution of franchise contract(Smith & Peterson, 2014). Unlike other jurisdictions like Australia, Malaysia and China that require franchisors to register with relevant government agencies before commencement of business, there is no requirement for registration in Brazil(Yamaguchi et al., 2016). However, for the purposes of contract enforcement, payment of remittances to foreign franchisors and tax deduction for franchisees, foreign franchisors are required to record their franchise agreement with the National Institute of Industrial Property(Fernandes & De Oliveira, 2017; Yamaguchi et al., 2016). Apart from the enabling laws, the country has an active professional association, the Brazilian Franchising Association that helps to promote the industry and enforce ethical practices among members(Yamaguchi et al., 2016).

3.3. Franchising in China

Over the years, franchising has been evolved in China from an unknown word in the early 1990(Edwards, 2011), to being one of the major means of doing business today in the country(Smith, 2014). The early days of the business model in China was problematic as it suffered from problem of credibility principally because products of low quality were being offered for sale and some franchisors even defrauded their franchisees and customers(Smith, 2014). However, with series of specific regulations and legislations introduced by the Chinese government, the business model is gradually becoming established and many foreign companies now operate multiple franchise outlets in the country(Export.gov, 2017a). Interestingly, as of 2014, China was said to be 'the most franchised country in the world'as it had the highest number of franchise systems in the globe – more than 4,500 franchise brands(Canada-China Business Council, 2012; Xiao, Hu, & Zhao, 2014:1). As shown in figure 2.6 below, some of the popular home-grown franchise brands in China include Yo! China(food), Wowo(convenience) Chow Tai Fook(jewellery), City Wok(food) and so on.

The China Chainstore and Franchise Association(CCFA) reported that the top 100 franchise systems in the country has a total number of 124,086 outlets and the combined annual sales of these outlets stands at about RMB 428 billion as at January 2017(Export.gov, 2017b). Recent statistics on the number of franchise outlets in China are not available but it had been estimated that by the end of 2016, there would have been 800,000 franchisees in the country who were expected to create about ten million jobs(Doherty et al., 2014). Had this projection been met, it would have effectively made China not only the highest franchise system in the world but also the country with the highest number of franchisees in the globe(Xu, 2015).

Observably, the recent rapid growth in the Chinese franchise industry may be attributed to the restructuring of regulations and series of laws being enacted by the government.

Figure 5: Notable Chinese Franchise Brands

The Chinese franchise industry is regulated by the Ministry of Commerce(MOFCOM)(Xu, 2015), and at present, there are four key laws by which the industry is governed. These are: *the Regulation on Administration of Commercial Franchises, the Administrative Measures for the Registration of Commercial Franchises, the Administrative Measures for Information Disclosure of Commercial Franchise and the Archival Filling of Commercial Franchises*(Export.gov, 2017a). As their names imply, the four laws address regulation, registration, disclosure and archival filling of franchise agreements, respectively. Like in other jurisdictions, franchise laws in China are heavily designed to protect franchisees. Further, one distinctive feature of franchise regulation in China is a provision called "two units and one year" which requires a franchisor to operate at least two outlets for a minimum of one year before franchising(Xu, 2015).

Furthermore, it has to be noted that being still a relatively new model in China, the Chinese franchise industry causes some challenges to the operators including poor understanding of the concept by franchisees, difficulty in collecting royalties and making sure that franchisees maintain brand reputation and integrity(Export.gov, 2017a).

Thus, it is clear from the above discussion on the Chinese franchise industry that the business model of franchise has gradually become a popular way of business. With the regular reviews of the enabling laws and China's increasing openness to the world, franchising seems to hold a great promise for the economy of the country.

4. Franchising in Africa

Given the recent economic turmoil and saturation of franchise markets in the developed countries, many international franchise brands now look to Africa as the next frontier in franchising(Aderibigbe, Ogban, & Oluleye, 2016; FASA, 2017). This section contains reviews of the states of franchising in South Africa and Nigeria.

4.1. Franchising in South African

Despite the recent downturn in the performance of the South African economy, the country remains the number one destination for FDI in Africa(FASA, 2017; Sidler, 2016). As an important vector for FDI inflow, the South African franchise industry recently got a boost with the recent arrival of high profile international franchise brands such as Starbucks, Paul Bakeries, Krispy Kreme, and Dunkin Donuts(Sidler, 2016). Burger King, Domino, Pizza

Huts, KFC and McDonald's have been operating in the country since the last few years and together have more than two thousand outlets in the country(Export.gov, 2016c; Sidler, 2016). Given its contribution to GDP, job creation and competitiveness, the franchise industry is an important driver of South African's economy

According to the Franchising Association of South Africa(FASA, 2017), the franchise industry in the country accounts for 12.5% of the GDP. As at 2014, the industry has a turnover of R465.27 billion(USD 34.46)(Export.gov, 2016c). In 2015, there were 627 franchise systems and 39,119 outlets in South Africa(BusinessTech, 2016) and these numbers were expected to grow significantly given the expressed interests of many foreign brands to start operations in the country by the year 2016(Sidler, 2016). The most interesting part of the industry statistics recently released by FASA is the fact that nearly 80% of franchisees in the country were satisfied with their businesses while 72% expressed optimism about the future(BusinessTech, 2016; FASA, 2017). Figure 2.4 shows four of the popular South African-based franchise brands: Nandos(food), Shoprite(retailing), 2ndTake(clothing)andAmandlaPlumbing(plumbing).

Figure 6: Notable South African Franchise Brands

In terms of the regulatory and legal environment, franchisors and franchisees are not statutorily required to register with any agency before entering into franchise agreement(Export.gov, 2016c).

However, in order to protect their brands against possible infringements, foreign franchisors are advised to register their brands with the Companies and Intellectual Properties Commission – CIPC(Protulis, 2017). Broadly, the South African franchise industry is overseen by the National Consumer Commission and the National Consumer Tribunal with FASA playing the complimentary role of ensuring high ethical practice among industry players(FASA, 2017). But unlike other emerging economies such as Malaysia, Brazil and China which have enacted specific laws to govern their franchise industry, South Africa has no such laws(Export.gov, 2016c). Moreover, the important legislation that regulates franchising practice in the country is the Consumer Protection Act(CPA) No. 68 "2008"(Strachan, Visser, & Adams, 2016). The Act addresses such issues as definition of franchise, disclosure, "cooling off" period(10 working days), good faith and fair dealing, online trading, contract terms and renewal, transfer, termination and other issues(Protulis, 2017).

Apart from the Consumer Protection Act, there are other laws that may have bearing on franchising practices in the country and these include the Copyright Act No. 98 of 1978, the Competition Act No. 89 of 1998, Contract Laws, Intellectual Property Laws, the South African Reserve Bank exchange Control Manuals(which stipulates modalities for payment of royalties to foreign franchisors)(Export.gov, 2016c; Protulis, 2017; Strachan et al., 2016). Lastly, a key development in the regulatory environment expected in 2017 is the establishment of Franchise Industry Ombudsman(FIO) that will be charged with the responsibilities of receiving complaints, settling disputes and enhancing relationships among parties(Strachan et al., 2016).

Thus, the above review of the South African franchise industry has demonstrated that the industry is a key driver of the country's economy, and the regulatory environment seems to be structured and its being improved to enhance the industry even though there are no specific laws guiding franchising practices in the country.

4.2. Franchising in Nigeria

Business format franchising in Nigerian is still at its infancy as the industry only recently started to attract the attention of international investors and foreign franchise brands(Odunsi, 2015). However, there are many factors indicating that, with the right environment, the country could become a dominant player in the African franchise market. Just like other African countries, Nigeria could benefit from the renewed interest of international franchise brands in exploring the African markets(FASA, 2017). Given the country's huge population of more than 170 million people, growing middle class, increasing purchasing power and high taste for recognized brands, there is a high chance for franchise business to thrive and achieve higher returns inNigeria(Aderibigbe et al., 2016). More so, over the last two years, there have been renewed efforts on the part of the government to improve the general environment for doing business in the country and the newly launched Economic Recovery and Growth Plan is expected to have positive impact on food and retail sectors of the country(Buhari, 2017). All these are factors that will boost the franchise industry in Nigeria.

Perhaps due to the above indicators, the US, in particular, has been tracking development in the Nigeria's franchise industry. A survey by the US Commercial Service in 2010 valued the market size of the industry at about USD 25 billion(Agu, 2013). The same survey estimated that the Nigerian franchise industry was a potential market of over USD 100 billion in annual revenue(Agu, 2013).

Product distribution franchise has been in the country since 1960 and this is commonly found in such sectors as automobile(Ford, Peugeot, Toyota etc.), petroleum(Mobil, Total, Texaco etc.) and beverages(e.g. Coca-Cola, Pepsi etc.)(Aderibigbe et al., 2016). The business format mode has witnessed significant growth over the last few years with increasing number of international brands establishing outlets in the country. The list of international brands currently operating in Nigeria include KFC, Steers, Chicken Licken, Hawthorn Suits, Hilton, Avis Car Rentals, Signarama, Tutti Frutti, Crestcom, Cold Stone Creamery, Hard Rock Café(Export.gov, 2016b). Famous Brands of South Africa recently acquired a 49% stake in Mr. Biggs – one of the indigenous franchise brands(Nairametrics, 2015).

Figure 7: Notable Nigerian Franchise Brands

The indigenous franchise systems have also grown steadily, starting around 2003 when Mr. Biggs(quick service restaurant) began to offer franchise license(Aderibigbe et al., 2016). The company which is now a pure franchise has about 150 outlets across the country(UAC, 2016). Other popular indigenous brands include Tantalizers(food), Chicken Republic(food), SLOT(mobile devices and telecommunication), HIIT(IT/Education), Fanmilk(ice-cream), Peace Mass Transit(transport)(Export.gov, 2016b).

In terms of the legal and regulatory framework, although a draft franchise bill is now before the National Assembly, the Nigerian franchise industry does not currently have a specific law regulating it(Aderibigbe et al., 2016). At present, there is no statutory requirement for pre-sale registration and no law requires franchisors to disclose any information prior to agreement(Export.gov, 2016b). However, franchise agreements involving foreign franchisors are to be registered with the National Office of Technology Acquisition and Promotion(NOTAP) within 60 days of signing the agreement(Aderibigbe et al., 2016).

Meanwhile, there are other general laws that apply to franchise agreements especially the ones involving foreign franchisors. These include the Trademark Act 1985, the Patent and Design Act 1970, the Copyright Act 1988, the Cybercrimes Act 2015, the Investment and Securities Act 2007, the Immigration Act 1990, the Company and Allied Matters Act, the Nigerian Investment Promotion Act, the Consumer Protection Act, the Price Control Act 2004, the Company Income Tax Act, the Foreign Exchange(Monitoring and Miscellaneous) Manuals and so on (Aderibigbe et al., 2016; Export.gov, 2016b; Ofodile, 2014; Smith & O'Brien, 2014). From their names, these laws taken together address issues of business registration, definition and validity of contract, good faith and fair deal, honesty and appropriate conduct, intellectual property protection, resale price, corporate and withholding tax and so on. Additionally, all products coming into the country are supposed to be certified by the Standards Organization of Nigeria(SON) while brands that sell packaged foods and beverages are expected to obtain certifications from the National Food and Drugs Administration and Controls(NAFDAC)(Aderibigbe et al., 2016).

Thus, the above discussion on the Nigerian franchise industry has indicated that the industry is still emerging and there is high potential for growth in the future. However, it is apparent that for ease of doing business, laws governing the industry have to be streamlined. It is expected that this concern will be addressed when the franchise bill currently held in the National Assembly of Nigeria is legislated.

4. Conclusion

By and large, this paper has reviewed franchising practices around the world, featuring three developed countries(UK, US and Australia), three emerging countries(Malaysia, Brazil and China) and two African countries(South Africa and Nigeria). From the review, there are no two countries that have the same franchise practices. Countries differ in terms of regulations and laws governing their franchise industry and in terms of the industry's contribution to each economy. It is however clear that while the franchise markets in the developed(and to some extent the emerging) economies seem to have saturated and thus these countries now look to foreign markets, the reverse is the case in the African countries where the franchise markets are mostly at infant stage and these countries are strategizing to attract foreign brands into their domains.

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