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Franchising in Africa during the coronavirus (COVID-19) era

By Kendal Tyre

A few statistics highlight the impact that the coronavirus pandemic could have in Africa. They also underscore the impact that health care and health care-related franchises could have on the continent.

According to UNICEF, in sub-Saharan Africa, 63% of people in urban areas, or 258 million people, lack access to handwashing. Some 47% of urban South Africans, for example, or 18 million people, lack basic handwashing facilities at home with the richest urban dwellers nearly 12 times more likely to have access to handwashing facilities.

The need is apparent.

As entrepreneurs around the globe expand beyond traditional markets and into the developing world, a number of businesses will invest in enterprises that not only produce monetary gains for investors but also provide societal gains for the regions in which they invest. During the era of COVID-19, the need for robust sanitation solutions will be at the forefront of community needs in Africa. Private equity firms, medium-sized firms, and franchisors alike will look to tackle societal needs while also generating profits by using various business models, including micro-franchising.

What is micro-franchising?

Micro-franchising is a business model and development tool that applies tested concepts and methods of conventional franchising to small and medium enterprises in the developing world. It usually targets the delivery of development-related services such as water, sanitation, health care, energy, and transportation.

An example: public health and profit in Kenya

One unique micro-franchising venture is one taken by [Sanergy, Inc.](#) Sanergy tackles sanitation issues in the urban low-income, informal settlements of Kenya. In Nairobi, more than half of the population—over 2 million people—live in these densely populated settlements with limited access to basic services. The lack of physical space, infrastructure, and resources has created a sanitation crisis when it comes to the disposal of human waste. Residents are forced to rely on unsanitary options such as “flying toilets”—a local Kenyan euphemism referring to defecating into plastic bags

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that are then tossed onto the streets. There is also the problematic use of pit latrines that release untreated human waste into the environment.

These sanitation solutions cause immense environmental damage. Pit latrines are emptied every few months by service employees. These “frogmen” jump into the pits of human waste, manually empty the pit latrines using buckets and haul overflowing buckets of waste through the community to the nearest waterway or field, where the buckets’ contents are released into the environment.

Approximately four million tons or 90% of fecal sludge from Kenya’s informal settlements are discharged into waterways and fields every year.

Sanergy takes a systems-based approach to solve the sanitation crisis by designing and manufacturing portable toilets. Developed by Sanergy engineers, Sanergy’s “Fresh Life Toilets” are pre-fabricated at local workshops, have a small footprint that enables installation close to homes, and are cost-effective. They also include hand-washing features.

Sanergy connects with local residents who purchase and operate its hygienic sanitation facilities. These operators become franchise partners. Sanergy provides the operators with toilets, training, access to financing, ongoing operational and marketing support, and a daily waste collection service. In turn, the operators generate local demand and ensure that the facilities are kept clean. Sanergy then collects the waste-filled cartridges from the toilets and replaces them with clean empty cartridges on a daily basis. The human waste is removed from the community by wheelbarrow, handcarts, and/or truck.

Next, Sanergy converts the waste at a centralized facility into useful by-products such as organic fertilizer. The fertilizer is transported to agricultural regions where it is used for farming. Fertilizer is a valuable commodity in East Africa and is scarce relative to its need. Sanergy also re-uses the urine and captures the biogas released by the waste.

Micro-franchising basics

Micro-franchises, such as Sanergy, generally require minimal initial costs and provide franchisees with a significant portion of the required start-up capital. Because micro-franchising often addresses an urgent societal need and provides new economic opportunities in economically depressed communities, micro-franchises can generate significant revenue.

For franchisors, micro-franchise competitive advantages include a large population of motivated franchisees, an even larger population of potential consumers, and a critical mass of branches that can share best practices and leverage economies of scale.

For franchisees, micro-franchise competitive advantages include reasonable start-up costs, the ability to source low-cost, high-quality inventory, and centralized management of political and regulatory issues. Further, franchisees enjoy training, marketing support technical counsel, and a reputable, trusted brand name. To run a successful micro-franchise, several critical elements are required, including uniform branding, systems, and training; careful location screening; and rigorous quality controls.

Micro-franchise models are gaining popularity in African markets because they enable local entrepreneurs to own and operate sustainable, lucrative businesses. Micro-franchising discourages

corruption because noncompliance with the franchisor can result in the franchisee losing its franchise. By aligning the incentives of clients, government regulators, and franchisees, micro-franchises can deliver high-quality service to underserved communities, while maintaining a profitable return on investment, particularly in complicated and unprofitable endeavors such as public health and health care distribution. In the post-COVID-19 African marketplace, businesses and investments that facilitate these services will be in high demand.

The future: business and legal considerations

Black swan events, such as economic recessions and pandemics, change the trajectory of governments, economies, and businesses—altering the course of history. The current global pandemic will shape businesses for decades to come. The model chosen by Sanergy and others represents an innovative approach that requires a balancing of considerations. This innovation will be particularly important in post-COVID-19 Africa.

In short, after the pandemic, micro-franchising will evolve further into a series of opportunities to strike the right balance and launch a successful and profitable business venture that addresses a societal need, once the franchisor or other business investors consider the cultural, economic, and legal contours of the country in question.

Set out below are a number of other African micro-franchises and related businesses:

Micro-franchise and other business models along the value chain in Africa	
Description	Examples
Franchisee licenses franchisor’s products or technology to local entrepreneurs.	<p>Ghana Unilever’s Annapurna Salt: Licenses production process for micro-encapsulation of iodine in ordinary salt to local salt producers.</p> <p>Uganda Paper-to-Pearls: Organizes women to manufacture necklaces from paper and sells them in Western countries.</p>
Franchisor sells franchisees special-purpose equipment/tools to start their own business. The franchise runs supply chains for the equipment or tools they are selling.	<p>Kenya Kick Start: Sells simple, inexpensive, but versatile irrigation pumps to farmers that they can not only use to irrigate their own land, but also to provide the same service to other farmers.</p>
Franchisee sells franchisor’s products locally.	<p>Ghana Fan Milk: Equips entrepreneurs with a “branded” bike and a cooler sell dairy products in areas without access to regular supermarkets.</p>

Franchisor trains entrepreneurs in performing minor repairs and maintenance for the franchisor's products. Entrepreneurs then service a specific territory using their own tools.

Morocco

Temasol Photovoltaic Installations: Trains micro-entrepreneurs (former electricians) to provide service and maintenance for roof-top photovoltaic installations.

For more information on international franchising across the globe, please refer to *International Franchising 2016: Legal and Business Considerations*, a book edited and co-authored by Kendal H. Tyre, Jr. executive editor, as well as Diana V. Vilmenay-Hammond and Keri A. McWilliams, managing editors. To view a video book trailer of the book, [click here](#). An updated edition is planned for publication in the fall of 2020.

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