

## INTEGRITY – THE BACKBONE OF FRANCHISING

A letter from a national rib steakhouse restaurant franchisor to one of their Halaal store franchisees doing the rounds on social media this week attracted our attention. The well-known franchise operates twelve steakhouses nationally with three of the Muslim-owned ones as dedicated Halaal stores certified by **SANHA**.

In the letter, the Franchisor expressed outrage at the nefarious action of a non-Halaal store taking the arbitrary and unlawful step of declaring his store as Halaal, aided and abetted by Halaal certification issued by a Cape Town based Islamic council. The franchisor apologized for the misrepresentation which they deemed as a serious breach of agreement, promising harsh action against the perpetrators.

This and the queries that we received prompted us to take a moment to give our views on franchising.

### WHAT IS FRANCHISING?

A form of business organization in which a very successful establishment viz the franchisor, provides a licensed privilege to the franchisee to operate under the franchisor's trade mark and images, with assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration.

The franchise system has been in existence for many years and is not confined only to food outlets. It covers various sectors such as petrol outlets, weight loss clubs, gymnasiums, property sales, retail outlets, cellular stores, cleaning services, hotels, retail stores, automotive repair and service centres and food outlets among the many.

It is a proven successful business model with over 35 000 franchise outlets in our country with a turnover of R493 billion rand, contributing to 11.6% of the country's GDP. This is larger than most other sectors according to the Franchise Association of South Africa (FASA).

### IS IT COMPATIBLE WITH ISLAMIC VALUES?

This form and style of business reliant on explicit disclosures, mutual agreements and co-operative management is a hallmark of Islam and not in conflict with the Shar'iah (Islamic law). Islam has accorded a very high status to the merchant because of the leadership role he plays in society in service delivery, wealth and job creation, empowerment and Da'wah.

Muslims in South Africa have readily embraced this model as is evident by the number of players far exceeding the demographic profile of two percent of the population in sectors such as fast food outlets and service stations.

### HALAAL CERTIFICATION IN FRANCHISING

**SANHA** as one of the country's leading global Halaal certifiers has over the years collaborated with many global and Franchise brands. It has gained invaluable experience in the certification process of this sector which is accepted in many parts of the world. We are the certifier of choice to most of the South African Franchise brands

Its certification of the fast food and restaurant industry is based on a stringent monitoring and auditing system of every link in the chain, beginning with the Franchisor who controls and dictates every aspect of the process to the franchisee at the end of the chain. The franchise company is required to make full disclosures and enter into an agreement with **SANHA** which binds the franchisor to a host of conditions inter alia:

- To ensure that all suppliers to the chain are Halaal approved;
- Not to introduce any new item to the store without obtaining express approval of **SANHA**;
- To only supply certified/approved products to stores;
- That only Muslim-owned stores or non-Muslim owned stores that have authorized Muslim supervisory control be given the option to operate Halaal stores etc.

Many a franchise welcomes this principle as adding value to their brand and reap the benefits.

Then there are those Franchisors who appease a few of their individual franchisees hankering for a chunk of the Muslim clientele in their area by allowing them to seek certification for their respective stores from whichever source they can obtain it. The franchisee concerned follows the line of least resistance and turn to those who can arrange Halaal certificates in a hurry. This seems to be the case of the article circulating in the social media.

**SANHA** regards it as suicidal where Halaal certification is granted to the end operator in the chain

(the franchisee) in isolation with the chief proponent (the franchisor) deliberately excluding himself. In this way the franchisor seeks to have his cake and eat it for he still receives his turnover-based royalties whilst abdicating responsibility of maintaining a 100% Halaal standard to the franchisee.

#### **WHAT SHOULD CONSUMERS BE AWARE OF?**

As the Muslim consumer, you have enormous power in your arsenal.

1. Patronise outlets of those franchise brands whose head offices are committed to upholding a Halaal programme.
2. Exercise your right by asking for this information. Remember that in terms of the Consumer Protection Act every link of the supply chain is held accountable including the

Franchisor. Abdicating responsibility to a franchisee will not absolve the organization as they are jointly and severally liable.

3. Vote with your feet. Take your custom to those that are willing to uphold your rights.
4. Be wary of the Halaal mark of certifying bodies that permit one dimensional certification of outlets without the Head Office taking responsibility
5. Report misrepresentation and deviations to the SANHA Helpline to enable us to take action and inform the community.

#### **FAST FOOD WITHOUT PULLING A FAST ONE**

##### **Related reading:**

- Reach Muslim South African – [Your Business magazine](#)
- Crime Scene – [Flash News No. 27](#)

*Any queries pertaining to the above or any other aspect of Halaal may be referred to our offices*

**Halaal Helpline 0861 786 111**