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Mr Arico Kotze  
Committee Secretary  
Portfolio Committee on Economic Development  
Parliament of the Republic of South Africa  
Email transmission

Johannesburg, 15 July 2011

**Walmart/Massmart Merger**

Dear Mr Kotze,

I am responding to the invitation extended by the Honourable E.M. Coleman, Chairperson: Portfolio Committee on Economic Development to comment on the Walmart/Massmart merger. I wish to make specific reference to the Competition Tribunal's acceptance of the merging parties' undertaking to invest R100 million into supplier development.

Provided that the fund invests in projects that make commercial sense and are sustainable in the long term, I believe it to have the potential to address several economic and social ills South Africa is grappling with at present. Business format franchising, with its components of skills transfer, brand recognition and strong ongoing support, offers the framework needed to make this happen.

Franchising is globally recognised as an ideal vehicle for the creation of sustainable SME and employment opportunities. Its excellent local track record exceeding five decades notwithstanding, its potential has never been fully developed. The reason is that franchising continues to be linked to fast food but this is an outdated notion. The concept can be applied successfully in many different industry sectors as the attached proposal demonstrates.

I must stress that at this point, neither the Franchise Association of South Africa nor Franchising Plus, both mentioned in the proposal, have given me a mandate to make representations on their behalf. Based on my long-standing relationship with both organisations and my standing within the franchise community, I am confident that I will be able to secure their support when the time is right.

In closing, I am keen to make an oral presentation before the Portfolio Committee on Economic Development on the potential of franchising and the merits of the project proposal and look forward to your positive response.

Yours faithfully

Kurt H. Illetschko

**Encl:** Provisional project proposal

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Provisional project proposal: Supply and installation of solar energy products in households and small commercial projects						
Project steps, role players and their involvement	Benefits (In reality, tangible benefits arise across the board but only the most compelling fields were marked)					
	Job creation	Capacity building	Skills transfer	BEE Potential	Clean energy	Spin-off potential
Massmart sources solar panel kits configured to supply the energy needs of households and small commercial buildings. The kits will include a list of accredited installers and contain an installation voucher. Distribution through Builders Warehouse, Makro and Game.					●	●
SolarInstall (Pty) Ltd is a company to be formed. It will undertake installations and ongoing maintenance and could either be a joint venture between Massmart and a third party or an independent entity. Great potential for a meaningful BEE transaction exists.	●	●	●	●		
After SolarInstall has tested the market, it will develop the business system needed to install solar products and keep them in working order. Co-operation with Eskom both regarding technical assistance and cash contributions towards installations will be sought.	●				●	●
As soon as everything functions properly on a technical and commercial level, a franchise infrastructure will be developed. Assistance could be obtained from Franchising Plus, South Africa's foremost franchise consultancy with experience in similar projects.	●	●	●	●		
FASA could provide conceptual guidance regarding franchising and help with franchisee recruitment. Recruits will be signed up by SolarInstall who will also undertake training and provide initial and ongoing support including marketing assistance and quality control.	●	●	●	●		●
In larger areas, end users purchase their solar installations from a Massmart store and contact the nearest SolarInstall franchisee to arrange installation. In smaller areas, franchisees will do the selling.	●	●	●	●	●	
Franchisees hire, train and supervise workers to assist with the installations. They complete the installation and submit the voucher bearing the customer's signature to SolarInstall for payment. Ongoing maintenance is undertaken by franchisees on a direct basis.	●		●	●	●	
At a later stage, this programme could be expanded into other industry sectors with the installation of shower cubicles, curtains and blinds obvious possibilities. At core level, two other compelling options come to mind:  (A) Economies of scale created by Massmart's purchasing power will make the local production of competitively priced solar units viable. (B) Definite export potential for solar units and franchise know-how exists. Franchising could be done via master licence agreements or in the form of direct franchising.	●	●	●	●	●	●