

# Franchising for petrol stations

The National Empowerment Fund (NEF) has made R50 million available in affordable loans to suitable BEE candidates who will be identified within a period of two years. Engen, in turn, will provide the financial surety and the business support necessary for the new members of its retail service station network to thrive. This joint initiative was launched yesterday, 27 July 2010 and is aimed at increasing black entrepreneurial ownership of Engen service stations.



(L - R): Minister Dipuo, Teboho, Cynthia Seeko, NEF CEO Philisiwe Buthelezi and Engen CEO Rashid Yusof.

NEF chief investment officer, Frenzel Gillion, says franchising remains a key means for gaining access to economic opportunities whilst reducing investment risk, due to the training, marketing and general entrepreneurial support typically provided by franchisors. "NEF franchise funding, generally limited to R5 million with an investment horizon of five to seven years, is available to black entrepreneurs who have pre-qualified with franchisors."

"This is the first deal of its kind in the petroleum industry, and we see it as an important move towards fostering empowerment in a sector that, by its nature, presents high barriers to entry," he adds.

"At present, 40% of Engen's service stations are black-owned and the goal is to increase this," says Portia Mpopu, Engen's BEE and government relations manager. This is where the NEF will play a strategic role. "The company has identified viable sites that are pumping a monthly average of more than 250 000 litres of fuel and have a Quickshop turnover of +- R250 000."

## Deposits reduced

Potential black entrepreneurs will be required to put up between 10% and 20% of the purchase price and the NEF will provide financing for the balance. Engen will stand surety for half of the average R5 million purchase prices, and will cover training, evaluation and business support costs. Commonly, Engen requires that entrepreneurs put up considerably more than the aforementioned 10%-20% of the purchase price.

"Lowering the level of their contribution is aimed at making service-station-ownership more accessible for black entrepreneurs. As a market leader, the company takes its role as a change agent seriously," notes Vukile Zondani, GM, Engen Sales & Marketing.

## First station opened

The first of the new NEF-financed Engen franchises is now open in City Deep in Johannesburg and further deals are in the pipeline.

"This is a perfect example of how public-private partnerships can support the country's socio-economic development. We're hoping this model will be so successful in breaking down the barriers to entry in the petroleum industry that we'll be able to extend it on an on-going basis at the end of the initial two-year period. It's a win-win for everyone involved," concludes Gillion.

Prospective retailers interested in dealership opportunities can email their profile to [refilwe.mokoto@engenoil.com](mailto:refilwe.mokoto@engenoil.com).

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