

South African fast food franchises - adapting to challenges and expanding abroad

 By [Oresti Patricios](#), issued by [Omico](#)

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Covid, load shedding, water shortages, inflation, potholes, million Rand flags and the Spurs; what a way to start a conversation.



South Africa has experienced quite a lot over the past couple of years and still does. And while even the slight thought of all this is dampening, one thing is certain, our charisma, resilience and tenacity have seen us through it all every time. And one such depiction of these traits lies within the fast food and restaurant industry.

South Africa has around 85,000 restaurants, in that, over 850 franchises, a gigantic melting pot of homegrown meets the international food market expected to reach an estimated \$4,9bn by 2026. A milestone we have seen challenged like never before from 2020 when the pandemic hit.

While it might seem like old news today, we need not forget that the restaurant sector was impacted immensely by the restrictions that came with Covid lockdowns. Subjection to change operating hours due to curfews and restrictions, and the shift in consumer spending patterns to prioritise essential goods/services to name a few - all of which saw 3,000 establishments close their doors for good.



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Fast-forward to 2023 as we settle well into life without Covid - Eskom announces that South Africa will be placed on a permanent stage two or three load shedding for the next two years.

The consequences of load shedding

This is yet another setback for the restaurant sector, consumers, and the whole business sector alike. Our scramble for alternative power supply to keep our business units going is indicative of our interdependence in the ecosystem.

Power outages affect various aspects of the agricultural industry, such as irrigation, conveyance of produce and livestock products, security alarm systems for the containment of livestock, and cold storage facilities at farms and ports. Early this year KFC and Nando's came forth with the pressures they were experiencing due to the shortage of poultry, with KFC temporarily closing 70 of its outlets.

A shortage occurred not because there weren't any chickens but because the lack of electricity hindered them from culling chickens that were present in their sheds.

The disruptions in the agriculture sector due to these outages lead us down a slippery slope of food insecurity, which in the case of restaurants has affected the supply chain and ultimately impacts the consumer's ability to buy as scarcity breeds price increases.

It is agreeable that a lot has gone wrong for the South African fast food and restaurant industry over the years. The undeniable fact however, is that we all love South African food, and it does not come as a surprise that the rest of the world loves it too. Our local food industry is rocking it and shows no signs of slowing down - this is something worth celebrating.

Expanding markets

Some of our top franchises, such as Nando's, Ocean Basket and Steers have moved abroad, planting their roots further into the African continent as well as internationally to countries like Australia, Portugal, the UK, the USA, and the UAE where they are growing in popularity – and have grown their customer base to a lot more than the South African expats.

Businesses need to adapt to the environment they operate in, but even with that, there are nuggets unique to them that they need to carry in their expansion to remain authentic and thrive. These South African food franchises have managed to succeed internationally by adapting their menus and marketing strategies to suit the local tastes and preferences of consumers in the different countries they now operate, even with that, they have maintained our unique South African flavour profile, quality of food, services and the dining experience as well as a strong brand identity.

Many South African fast food brands, such as Nando's and Steers, offer a unique flavour profile that is not commonly found in other fast food chains. This has helped them stand out and appeal to a wider customer base bringing the South African palette to the world. They also have a reputation for maintaining consistent quality in all they do across all their locations.

Nando's has taken a stance of being a social commentary brand in SA, when they expanded their franchise, even though quite effective, they realised they could not translate the same branding strategy in the rest of the world. So how did they conquer the new markets?

Simple – beautiful store design and quality “family feel” dining experience. Nando's has won the international market by providing a quick friendly service and their signature South African-themed restaurants with artwork commissioned locally through their social projects. This has helped them establish a loyal customer base in all their locations.

Across the world South Africa is a destination of choice for the scenery, the people and best of all the experiences. All of which our local franchises have modelled well into their brand identity. This has allowed them to establish a distinct image and reputation in the minds of customers and differentiate themselves from competitors resulting in a market share increase.

There is one more important thing they have left untouched, the South African spirit and drive. In an interview with [Nedbank Franchising](#), Grace Harding, the CEO of Ocean Basket, one of the South African-born franchises taking the world by storm mentioned that their key differentiator is generosity - “generosity of the spirit, sharing knowledge, ideas and finding ways

for many to benefit” – of which we can identify as a well-known South African attribute.

Evolve and innovate

South Africa has been a great playing field to learn agility and the skill set necessary to overcome challenges and innovate. In the next couple of years, the restaurant industry will be hit by more curve balls, even more so in the international markets. The industry will be met with a change in consumer preferences and a growing trend of consumers adopting more healthier eating habits.

As this happens, fast food brands need to be open to communicating with their customers about these trends and how they are evolving to meet their needs better. The inability to do this will leave them open to the threat of new entrants in the market, whether it be direct or indirect competition. Nonetheless, we know that through charisma, resilience and tenacity our homegrown franchises will keep soaring.

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ABOUT ORESTI PATRICIOS

Oresti Patricios, CEO of the Ornicogroup (www.ornico.co.za), has long been on the cutting edge of the media, advertising and branding industries. He has an MBA at GIBS and did his thesis on social media when Twitter was barely a twit. He has always driven his vision of dominating African media & brand intelligence. Contact Oresti on tel +27 (0)11 884 5041 or email Oresti@ornicogroup.co.za and follow [@orestaki](https://twitter.com/orestaki) on Twitter. [View my profile and articles...](#)

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