

## **Abstract**

*Nigeria is a fertile ground for franchised business given its huge population. Nigeria harbours entrepreneurs with tested business acumen, instant brand credibility, and connections to existing marketing and distribution channels. Franchising offers both promising prospects and significant challenges, as it has shown that it has contributed greatly to economic growth, job creation and increase in annual revenues. However, in Nigeria, franchising is not without challenges which include poor infrastructure, foreign exchange risk, high operating cost, limited access to finance, inability to have a comprehensive regulatory framework and low awareness about franchising among potential investors. This study examines the prospects and challenges of franchising in Nigeria.*

**Keywords:** Franchise, Business, Prospects, Challenges, Nigeria, Legal Approach

## **1. Introduction**

Franchising has become a thriving business model in Nigeria which presents substantial opportunities for economic expansion and entrepreneurship. Franchising in Nigeria has gone beyond traditional sectors like retail and restaurants, permeating industries such as oil and gas, telecommunications, banking, hospitality, and information technology, showcasing its versatility and growth potential. In spite of telling challenges, global brands such as KFC, Domino's, and SPAR have successfully tapped into Nigeria's urbanization and growing disposable incomes. This study examines the operations of franchised businesses in Nigeria, focusing on their nature, organizational framework, potential for growth, and the obstacles they face. A franchised business is an arrangement where a party known as a franchisee, obtains the right from another party known as a franchisor, to operate a business using the franchisor's brand name, business model, and proprietary knowledge. In exchange for this right, the franchisee pays an initial franchise fee and subsequently pays royalties to the franchisor. Franchised business in Nigeria has made a significant growth and development over the years. In 1970, some food sector franchised businesses like Kingsway snacks, Leventis snacks and UTC snacks were established in Nigeria. In this infancy stage, franchising was not widely known or utilised as many entrepreneurs were yet to appreciate it.<sup>1</sup> The concept of franchising has moved from the level of obscurity to gaining serious recognition due to urbanisation and increased demand of branded goods and services.

## **2. Conceptual Framework**

**Franchise:** A franchise is a license given to a franchisee to use the franchisor's proprietary business knowledge, intellectual property, business name in exchange for a franchise fee and subsequent payment called royalty. Franchise is one of the effective ways to start a competitive business as the entrepreneur will not start the business from scratch but will stand on an existing business that has an established brand name. Franchise, according to Black, is the system by which independent firms are authorised to use a common business system. This includes the use of brand name, design, equipment, training, capital or credit by the franchisor. The holders of franchises are subject to supervision of their operations in order to maintain the reputation of the franchised product.<sup>2</sup> Franchising is often preferred by entrepreneurs because it reduces some of the risks associated with starting a business from scratch. By entering into a franchise agreement, franchisees gain access to a pre-established business system, proven marketing strategies, and continuous operational support.<sup>3</sup> Moreover, franchising enables rapid geographic expansion, which is crucial for business models that require brand uniformity and customer loyalty.<sup>4</sup>

**Intellectual Property Rights:** Intellectual property rights (IPRs) are protected in order to give statutory force and to promote creativity and innovation which will give rise to economic, cultural and social development.<sup>5</sup> The legality of IPRs is defined in Article 27 of the Universal Declaration of Human Rights (UDHRs) which provides for adequate yields from security or management of explorations resulting from authorship of scientific, literary or creative productions.<sup>6</sup> The Nigerian legal regime for protection of IPR are: The Nigerian Constitution, the Copyright Act, Patent and Designs Act, Trade Marks Act, Merchandise Act and Companies and Allied Matters Act. These aforementioned laws shall be considered in the course of this research. An owner of intellectual property can transfer his interest in that property to another person and such interest is protected by law from an adverse possessor. Intellectual property comprises: Copyright, performance right, protection of folklore, trademarks and service mark, character merchandising, patent, design rights, trade secret and confidential information.<sup>7</sup> The fulcrum of a franchise arrangement in return of the royalty paid by the franchisee is the right granted by the franchisor to the franchisee for

---

\*By **Blessing C. AGUBOSIM, LLB, LLM, PhD Candidate**, Faculty of Law, Nnamdi Azikiwe University Awka, Anambra State, E-mail: blessedofthelord89@gmail.com. Tel: +2347030694061; and

\***Ikenga K. E. ORAEBUNAM, PhD**, Professor of Law, Faculty of Law, Nnamdi Azikiwe University Awka, Anambra State. Email: ikengaken@gmail.com; ik.oraebunam@unizik.edu.ng. Tel: +2348034711211.

<sup>1</sup>F Awoseila, (2011) Study of the Nigerian Fast Food Sector - Semantic Scholar, Retrieved from <https://pdfs.semanticscholar.org/7aec/4704228bd5f1f6669e71f7901f2c0c80c503.pdf> on 2/2/2025

<sup>2</sup>Oxford Dictionary of Economics, United Kingdom: Oxford University Press, 3rd Edn.

<sup>3</sup> S. Shane, Franchising and entrepreneurship: The role of franchising in the development of businesses. Harvard Business Review, (2008)56(2), 44-56.

<sup>4</sup> I. Alon, Franchising in emerging markets: The case of China and India. Journal of International Marketing, (2004) 12(2), 9-26.

<sup>5</sup>World Intellectual Property Organisation (WIPO). (2016) Understanding Industrial Property. Retrieved from [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_895\\_2016.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_895_2016.pdf) on 24/4/2025

<sup>6</sup>OO Olugunju, (2000) A precis on Intellectual Property Rights: Challenges and Prospects for Nigeria's Economy. *GATR Global Journal of Business and Social Science Review* 8(3) 153-161.

<sup>7</sup>Ibid

the use of his intellectual property within the confines of the franchise agreement. In other words, intellectual property rights are the stock in trade in a franchise. For instance, for a franchisee to operate as Mr Biggs Restaurant, he will need to use Mr Biggs trademark for the name and logo, copyright for any branding, trade secret regarding the recipes and the cooking techniques.

**Trademark:** Trademark is a symbol, logo, design, drawing, numbers in goods and services of one company which can be distinguished from other goods and services. Trademark enables the consumer to know where the goods and services originate from and it gives the owner monopoly over the goods and services provided it is registered. In franchise agreement, the franchisor as stipulated, grants the franchisee the licence to use his trademark and in return the franchisee pays royalty to the franchisor. This trademark licence is necessary where the owner of the trademark or the person operating under the licence of a trademark owner is a manufacturer or sells products and offers services. It is not strange under franchise, for a franchisor to be either the owner of the trademark or a licensee of the trademark owner.<sup>8</sup> In franchise arrangement, there is need for the modalities for the usage of the trademark should be spelt out, this is to avoid a situation where the franchisor's trademark is not managed properly by the franchisee, it will cause a serious damage to the reputation of the franchisor. It should be clearly written that the franchisee is to source the franchisor's products from him or from a licensed third party, and where the franchisee does otherwise, it will amount to repudiation. A clear example is a situation where a franchisee purchases fake products which have the trademark of the franchisor from a fraudulent supplier and distribute such fake products to consumers.<sup>9</sup> It is very important and necessary for the franchisor to obtain legal protection of his trademark within the territory where he operates as trademark registration is mostly territorial in nature with exception of few regional bodies. Registration of trademark gives the franchisor an exclusive right and it is very important as it prevents unauthorised use of the franchisor's trademark. The franchisor can further grant licence to the franchisee for the use of his trademark and also record such licence with the Nigerian Trade Mark Registry<sup>10</sup>

**Business:** A business is defined as an enterprising entity that engages in professional, commercial or industrial activities.<sup>11</sup> According to Merriam-Webster dictionary, it is defined as a commercial or mercantile activity engaged in as a means of livelihood<sup>12</sup> A business is the backbone of any economy, it can also be seen as an economic activity that involves the exchange, purchase, sale or creation of goods and services with the goal of profit and customer satisfaction.<sup>13</sup> The purpose of business may be to either make money or for non-profit organisations that aim at helping others. Business can be structured as a limited liability company, corporations, partnerships, sole proprietorships etc. In establishing a business in Nigeria, one has to decide whether he wishes to establish a new business or to acquire an existing business or to enter into a franchised business with a franchisor.<sup>14</sup> A business owner is expected to register his company with the corporate affairs commission and where the business has proprietary rights such as patent, copyrights and trademark, it is expected to protect such rights by registering it with the Trademarks, Patents and Designs Registry and the Nigerian Copyright Commission (NCC) as the case may be. Other businesses which are subject to regulatory control will have to obtain licensing from relevant regulatory bodies like National Agency for Food and Drug Administration and Control (NAFDAC), Central Bank of Nigeria (CBN), National Office for Technology Acquisition and Promotion (NOTAP), Nigerian Investments Promotion Commission (NIPC) etc. Every business will also be registered with the Federal Inland Revenue Service (FIRS) in order to obtain Tax Identification Number (TIN) and Value Added Tax (VAT) and they are to pay all the necessary taxes and file the annual financial statement with the FIRS.<sup>15</sup> A foreign company that wishes to set up a company in Nigeria, after it has complied with the above steps, will need to obtain a business permit, residence permit and expatriate quota from the Nigerian Investment Promotion Commission (NIPC) and the Nigerian Immigration Service (NIS). In a situation where a person wishes to acquire an existing company, he can do so through the Merger and Acquisition process which is regulated by the Federal Competition Consumer Protection Commission (FCCPC) and Securities and Exchange Commission (SEC) for public companies and sanctioned by the Federal High Court.<sup>16</sup>

### 3. Prospects of franchised Business in Nigeria

The Franchising sector in Nigeria is still at the kindergarten stage when compared to other developed countries of the world, even South Africa, whose franchising sector is at 12.5% GDP. Nigeria has more international franchise business and we are yet to have more indigenous franchise business because many Nigerian entrepreneurs have not come to fully understand the benefits of a franchise, the requirements and what it entails to start one.<sup>17</sup> Franchising is one of the most successful businesses in the world. It presents compelling opportunities for business growth, innovation, skill transfer, development of entrepreneurial talent, promotion of good governance and transparency, improved incomes and standard of living, while minimizing risk. This business model involves a licensing agreement between a franchisor and franchisee, granting access to proprietary expertise, methods, and trademarks in exchange for adherence to standards and financial compensation. Through franchising, businesses

<sup>8</sup>CP Bussert, and LK Stevens (2015) Fundamentals of Franchising. In RM Barkoff, JJ Fittante, RK Gardner and AC Seldon, (Eds), *Trademark Fundamentals and Related Franchising Issues*. Chicago: American Bar Association Publishing, Chicago. 4th Edn.

<sup>9</sup>Protection of Intellectual Property Rights in a Franchised Agreement. Retrieved from <https://www.mondaq.com/nigeria/trademark/880910/protection-of-intellectual-property-rights-in-a-franchise-agreement> on 7/2/2025

<sup>10</sup>Ibid.

<sup>11</sup>Retrieved from <https://economictimes.indiatimes.com/definition/business>. on 10/2/2025

<sup>12</sup>Retrieved from <https://www.merriam-webster.com/dictionary/business> on 10/2/2025

<sup>13</sup>Retrieved from <https://www.iifl.com/blogs/business-loan/what-is-business-definition-of-business-business-meaning> on 10/2/2025

<sup>14</sup> Ibid

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup>(2023) EWHC 2897(Ch) retrieved from <https://www.stevens-bolton.com/site/insights/articles/franchise-case-update-a-tale-of-two-franchises-two-renewal-dispu> on 21/1/2025

can expand into new markets with limited capital investment, leveraging the franchisor's brand reputation. However, successful franchising requires strategic planning, operational expertise, and navigating complex regulatory frameworks that govern the industry.<sup>18</sup>

Franchising in Nigeria encompasses diverse models such as investment, job, master, and business format franchising. These models vary in terms of capital requirements, management involvement, and support levels. Notably, business format franchising provides extensive support, including access to designs, quality control, operational procedures, and marketing initiatives.<sup>19</sup> Nigeria, with its vast population of approximately 226 million, presents significant growth opportunities for investors. Despite high inflation, the country boasts an expanding consumer class with increasing purchasing power. The government's efforts to create jobs and diversify revenue streams have created a favorable environment for franchising.<sup>20</sup> Reputable foreign franchisors can also leverage Nigeria's growing market, supported by government initiatives to improve the business environment. To establish a successful franchise, it is essential to register with relevant authorities, including the Corporate Affairs Commission, National Office for Technology Acquisition Promotion, and trademark registration, as well as obtain industry-specific permits.<sup>21</sup>

Nigeria has two main bodies overseeing franchise operations, the National Office for Technology Acquisition and Promotion (NOTAP) and the Nigerian International Franchise Association (NIFA). The NIFA has its office at NOTAP Office in Ikoyi Lagos State, although majority of Nigerians seem not to know of their existence as there are not recent information about their current activities except their involvement in a seminar held in 2010 which was conducted in collaboration with other organisations and the two newsletters posted in their undeveloped website.<sup>22</sup> The National Office for Technology Acquisition and Promotion (NOTAP) Act of 2004 requires registration of franchise agreements involving technology transfer between foreign and Nigerian parties. The Act specifies that agreements related to trademarks, patents, technical expertise, engineering drawings, machinery, and training must be registered with the NOTAP. The NOTAP Act aims to protect Nigerian franchisees from exploitation by regulating franchise agreements. It promotes fair conditions, equitable payments, and limited agreement durations. To be registered, agreements must provide long-term benefits and align with Nigeria's economic development goals. Registration with NOTAP is crucial, as it facilitates payment processing for technology transfer agreements. Without registration, parties in Nigeria cannot access authorized foreign exchange markets, restricting fee repatriation and potentially leading to unfavorable exchange rates. NOTAP Act also ensures that franchise agreements are transparent, fair, and aligned with Nigeria's economic objectives, while also facilitating smooth payment processing for registered agreements.<sup>23</sup>

There were two bills on franchise that came before the House of Senate for consideration. The bills are: The Franchising Bill 2019 and the Franchising (Establishment) Bill 2022. The two bills have great similarities and it is expected that at the point of harmonisation, the provisions of the bill will be consolidated. The Franchising (Establishment) Bill 2022, provides that the franchise agreement between Nigerian franchisees and international franchisors should incorporate standard provisions in line with international best practices.<sup>24</sup> This bill empowers the National Office for Technology Acquisition and Promotion (NOTAP) as the regulatory body for matters that are addressed in the bill. According to the bill, one of the objectives of the bill is to enhance the capacity of NOTAP to effectively regulate, administer and enforce the provisions on franchising in the bill.<sup>25</sup> This Bill provides guidance in the relationship between the franchisor and the franchisee in order to enhance the Nigerian economic development. The parties are mandated to comply with the provisions and regulations, duties and obligations of the bill. This bill is to promote growth of franchising through the adoption of best practices that balance the interest of the franchisee and franchisor. The franchisor is required to deliver the franchise agreement with the disclosure document to the franchisee, the agreement and disclosure document are to be registered with NOTAP. In a situation where any of the parties fails to comply with the bill, the party shall be liable for one year imprisonment or a fine of N1, 000,000(one million naira) or both. The bill imposes registration of proprietary rights linked to foreign business franchises licensed to franchisees in Nigeria, which encompasses patent, trademark, industrial designs etc. It also requires registration of all franchise agreements between Nigerian franchisees and foreign franchisors.<sup>26</sup> This bill is highly anticipated as there is no existing legislation on franchise in Nigeria and there is need to protect the franchised business in Nigeria. Once this bill is enacted, it will strengthen the economy of the nation, create more job opportunities and increase investment. It will be interesting to note that the legislature in enacting this bill should strike a balance between the protection of franchisees and the interest of the foreign investors so as not to discourage potential international franchisors.

It is expected that Nigeria's large population should bring an increase to the growth of franchise in the country. However, since the year 2022, inflation rate has been on the increase to the extent that cost of goods and services has skyrocketed and led to

---

<sup>18</sup>Stren and Blan Partners, understanding Franchising: A Model for Business Growth, Retrieved from <https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth>. On 21/1/2025

<sup>19</sup> Ibid

<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> C Eke, Franchise Sector. Retrieved from <https://www.trade.gov/country-commercial-guides/nigeria-franchise-sector>. On 15/1/2025

<sup>23</sup> *New South Wales v Lepore* (2003) 212 CLR 511, Retrieved from <https://casejudgments.com/new-south-wales-v-lepore-2003-a-case-summary/> on 11/1/2025

<sup>24</sup> Jackson, Etti and Edu. (2022). Retrieved from <https://dee.africa/wp-content/uploads/2023/02/The-franchising-establishment-Bill-2022-1pdf> on 24/1/2025.

<sup>25</sup> S.1 Franchising (Establishment) bill 2022

<sup>26</sup> Retrieved from <https://strenandblan.com/2024/03/22/understanding-franchising-a-model-for-business-growth/> on 2/2/2025

the reduction of the consumer purchasing power. The cost of doing franchise business is on the high side especially where the entrepreneur depends more on importation for his business and it has led to both the foreign and indigenous franchises adjusting to the economic situation of the country. Amidst the situation of the country, the government of Nigeria has taken steps to improve the business environment for franchise to thrive well. Some of these steps are as follows: i) CBN enacted regulations to improve the availability and accessibility of credit facilities; ii) Digitalisation of incorporation and registration for non-nationals on the CAC website; and iii) Enhancing the registration of trademark to be a seamless process. Nigeria, with its large population presents a potential growth opportunity for investors and irrespective of the increase in inflation rate, there is still an expansion of consumers with high purchasing power and it has been projected by Euromonitor International that by the year 2030, over 160 million Nigerians will be able to have sufficient income for discretionary spending and the consumer goods sale will also triple to 365.5 billion dollars.<sup>27</sup> The International Trade Administration in its operational guide reveals that U.S and South Africans companies are the largest owners of franchise in Nigeria and more international franchise are looking at Nigeria as a preferred place for franchising in Africa and that the quick service restaurants (QRS) and the Fast-food operations dominate 45% of the Nigeria franchise and it is expected that the global market will grow rapidly to 750 billion dollars by 2025.<sup>28</sup>

Franchise business is seen as a promising path for job creation and economic development and diversification in Nigeria especially as we now seek non-oil revenues. There are clear guidelines for new business owners which reduce the likelihood of franchise failures. When an entrepreneur that wishes to start up his business is compared with another who starts up his business through franchising, one will observe that in expanding your own business, the entrepreneur will invest more of his personal money, there will be more liability for the entrepreneur especially when he borrowed to expand and it will be very hard for him to have an oversight of all the location across Nigeria. He will also face significant challenges, like limited global competitiveness, revenue losses and economic setbacks, job losses, non-performing bank loans and a discouraging business environment that hinders entrepreneurship. The food sector as noted earlier is a significant player in the franchising industry, with companies from South Africa and the US having a substantial presence in Nigeria's franchise market and it has remains a key focus area in Nigeria's franchising landscape but there is recent trend of growing diversification into other sectors like healthcare, education and technology which is still developing in terms of franchise opportunity unlike food and retail industries.<sup>29</sup> In the Healthcare industry, it has developed 42 healthcare innovations which include franchising models and healthcare franchising opportunities include diagnostic laboratory franchises, beauty and wellness services and medical equipment supply franchise. Likewise, in education sector, there are four opportunities for play school franchises and 12 listed opportunities in technology listed as at February 2025 in the SMERGERS Investment Banking for SMEs site The numerous opportunities in healthcare, education, and technology franchises showcased on the SMERGERS platform, once leveraged, are poised to drive substantial growth in Nigeria's franchise industry. This, in turn, will create avenues for both domestic and international franchisors to expand their footprint in the Nigerian market.<sup>30</sup>

#### **4. Challenges Facing Franchised Business in Nigeria**

Franchised business in Nigeria has shown potential economic growth and development. However, the success of the franchising sector in Nigeria will depend on the ability to navigate the economic challenges, adapt to local market conditions and comply with the evolving regulations, among other factors. Some of the challenges facing franchised business in Nigeria are discussed hereunder:

**Bad Economic Situations:** Since the year 2022, our country has been experiencing high inflation rate which led to increase in prices of commodities and reduction in consumer purchasing power. The currency devaluation has also contributed in resulting in higher cost for franchises as businesses which purchase raw materials in foreign currencies have experienced. To enhance our economy, it is imperative that we devise strategies to cushion the impact of currency fluctuations and minimize dependence on imported goods, while fostering the growth of local supplies and industries. To further support the growth of franchising, it will be good to have franchise-specific loan programs or establish partnership with microfinance institutions to provide financing solutions to franchise business and also have government policies that will promote franchising growth like tax incentives etc.<sup>31</sup>

**Increase in Costs of Materials and Poor Access to Foreign Currency:** The increase in interest rate which also affects loan interest rate has discouraged franchisees from accessing credit loan facilities. They experience multiple taxation by the government which has resulted in the increase in cost of goods and services. For instance, there was an increase of value-added tax from 5% to 7.5% in 2020.<sup>32</sup>

**Infrastructural Challenges:** The country is currently running on a low level of infrastructure which cuts across electricity, road, petroleum products and other basic social amenities. The hike in the price of fuel, electricity tariff, rental cost, deficient infrastructure, heavy taxation and insufficient skilled workers are some of the challenges faced by local franchisees of international brands. The increase in electricity tariff and the lack of stable electricity has also affected franchises as it has led

---

<sup>27</sup>Understanding Franchising: A Model for Business Growth. Retrieved from <https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth> on 20/1/2025

<sup>28</sup> Ibid

<sup>29</sup>Understanding Franchise: A model for Business growth. Retrieved from <https://www.mondaq.com/nigeria/franchising/1458158/understanding-franchising-a-model-for-business-growth> on 15/2/2025

<sup>30</sup> Retrieved <https://www.smergers.com/school-college-franchise-opportunities-in-nigeria/c62s1639t11b/> on 13/2/2025

<sup>31</sup> Retrieved from <https://businessday.ng/news/legal-business/article/franchising-models-in-nigeria/> on 6/5/2025

<sup>32</sup> Ibid

to business owners running their businesses on generators and solar energy which are capital intensive. The government must prioritize infrastructure development by allocating sufficient budgetary resources and ensuring transparent and efficient utilization of these funds. Furthermore, public-private partnerships can be fostered to share infrastructure costs and leverage resources, promoting sustainable growth and development.<sup>33</sup>

**Absence of Specific Regulatory Framework:** There is no specific franchise law enacted in Nigeria though there is a current Franchise (Establishment) Bill of 2022 in the National assembly which has gone through second reading on 27th of March 2023 at the House of Representative. Since the Franchise Bill is yet to be passed into law, there are several provisions in bits and pieces that affect franchising in Nigeria and one of such provisions is the National Office for Technology Acquisition and Promotion (NOTAP) Act 2004. Section 4 of NOTAP Act made provision that the franchise agreement shall be registered if it involves the use of trademark, Patented Inventions, supply of technical expertise, supply of detailed engineering drawings, supply of machinery and plant and provision of operating staff, managerial assistance and the training personnel. It is important to re-emphasize that since there is no specific law on franchise and there are both local, state and federal governments' laws and regulation in different areas of law in operation concurrently and simultaneously which has led the government at different levels to make demands on both the franchisor and franchisee at the same time. These laws and regulations have led to the discouragement of franchise relationships. It is crucial in order to foster growth in the franchise industry, to ensure the passage of the franchise bill which has passed the second reading at the National Assembly, to establish the National Franchise Association which will represent the industry's interest and also set up a regulatory body to oversee the regulatory process.

**Financial Barriers:** The financial investment required to start and maintain a franchise is another challenge that faces the franchisee. The franchisee is expected to pay significant upfront fees, royalties and all other costs associated with operating the franchise system. This financial burden can be a serious barrier for some potential franchisees who may be wanting to start their first business and it will be good if entrepreneurs are educated on the available financing options and how to access such funding and this will cushion the financial burden on them.<sup>34</sup>

**Market Challenges:** franchised businesses face the challenge on how to adapt to the Nigerian market system. Many franchised businesses thought that the market strategies used in other parts of the world will definitely work in Nigeria but they failed to appreciate the fact that the Nigerian market and its consumers are very dynamic when it comes to lifestyle choice. There is also fierce competition from local businesses which offer prices for alternative goods and services. To effectively penetrate the Nigerian market, it is crucial to conduct thorough market research, enabling us to tailor our products and services to local preferences. Furthermore, strategic collaborations with local partners will provide invaluable insights, facilitating a deeper understanding of the market's nuisances and dynamics.<sup>35</sup>

**Brand Consistency:** Maintaining brand consistency and quality across multiple locations poses a significant challenge. To address this, it is essential to develop and conduct comprehensive training programs for franchisees and their staff, emphasizing the importance of brand consistency and to establish robust quality control systems across all franchise locations, ensuring adherence to standardized processes and procedures.<sup>36</sup>

More still, existing research has focused primarily on international franchises expanding into Nigeria, thereby ignoring the unique challenges faced by our indigenous Nigerian franchisors. These Indigenous franchisors have successfully adopted a franchising model to expand their operations in Nigeria. They operate across various sectors like fast food, sports betting, agriculture and manufacturing. Examples of indigenous franchisors in Nigeria are: Tantalizer, Chicken Republic, Vita form, Nairabet, Dangote etc. These indigenous Nigerian Franchisors are not without facing serious challenges:

- i) There is a limited understanding of the franchising model among Nigerian entrepreneurs which hinders the growth and development of the local franchise system.<sup>37</sup>
- ii) They struggle to secure funding due to lack of established track records or brand recognition, thereby making it difficult for them to expand their operations.<sup>38</sup>
- iii) Lack of comprehensive specific regulation in Nigeria affects franchising generally but may impact more on local franchisors who may have less experience navigating complex business regulations.<sup>39</sup>
- iv) Poor infrastructure, multiple taxation and economic instability affect all businesses in Nigeria, including local franchisors.<sup>40</sup>
- v) There is a general lack of trust in business which may affect the local franchisor who is building his reputation and brand values.<sup>41</sup>
- vi) There may be competition between the indigenous franchisor, international franchise and other local businesses

---

<sup>33</sup> Nigeria-Franchise Sector, Retrieved from <https://www.trade.gov/country-commercial-guides/nigeria-franchise-sector> on 5/5/2025

<sup>34</sup> Problems and Challenges Faced by Franchise Model, Retrieved from <https://www.ijiraset.com/research-paper/problems-and-challenges-faced-by-franchise-model> on 5/5/2025

<sup>35</sup> Examining the Impediments to Effective Franchising in Nigeria, Retrieved from <https://projectmaster.com.ng/examinig-the-impediments-to-effective-franchising-in-nigeria/> on 5/5/2025

<sup>36</sup> Ibid n45

<sup>37</sup> Retrieved from <https://www.journal.binghamuni.edu.ng/pdfs.bjeas/1010.pdf> on 13/2/2025

<sup>38</sup> Ibid

<sup>39</sup> Ibid

<sup>40</sup> Ibid

<sup>41</sup> Ibid

- which can be challenging for the indigenous franchisor without the backing of the globally recognized brand.<sup>42</sup>
- vii) There is a weak enforcement of intellectual property rights which may make the indigenous franchisor struggle to protect their intellectual property rights from infringement.<sup>43</sup>

### **Conclusion and Recommendations**

This study examined the prospects and challenges of franchised business in Nigeria and it underscored that franchising has emerged as a popular business model in Nigeria, offering opportunities for entrepreneurship and economic growth. However, the legal framework governing franchising remains underdeveloped. The study analyzes the current legal landscape in Nigeria affecting franchising. The benefits of franchising in Nigeria include job creation, foreign direct investment, and market expansion. However, challenges such as inadequate franchise-specific legislation, weak intellectual property protection, the poor economic situation in Nigeria, including currency devaluation and high operational costs created a hostile environment for franchises, especially foreign brands. Other challenges include multiple taxation, infrastructure deficits, limited access to credit, and restrictions on franchisee innovation. The research reveals a lack of comprehensive franchise laws in Nigeria and the study highlights the need for a more robust legal framework tailored to the franchising industry to promote sustainable business growth and protect the interests of all parties involved. The study concludes that while franchising offers significant economic opportunities in Nigeria, legal and economic challenges are hindering its full potential. The lack of specific franchise legislation, combined with broader economic issues, has created an uncertain environment for both local and international franchise businesses.

In the light of the above, the study recommends the following measures:

- Enact comprehensive franchise-specific legislation to provide clear guidelines and protections for franchisors and franchisees.
- Strengthen intellectual property laws and enforcement mechanisms to better protect franchise brands and business models.
- Implement policies to improve the overall economic environment, including measures to stabilize currency and reduce operational costs for businesses.
- Encourage the development of more locally-originated franchise concepts that are tailored to the Nigerian market and consumer preferences.
- Invest in infrastructure development, particularly in areas like power supply and transportation, to reduce operational challenges for franchises.
- Provide education and training programs on franchising to increase awareness and understanding among potential entrepreneurs and investors.
- Establish a dedicated franchise regulatory body or department within an existing agency to oversee and support the franchise sector in Nigeria.
- Establish private sector owned franchise development institute to provide training and support for indigenous franchisors.
- Develop franchise-specific financing programs through banks and microfinance institutions.
- Increase awareness of franchising through seminars, workshops and trade fairs.
- Strengthen intellectual property protection and enforcement mechanisms

---

<sup>42</sup> Ibid

<sup>43</sup>Issues: Leveraging Intellectual Property and Real Estate Options in Franchise Development in Nigeria, Retrieved from <https://www.mondaq.com/nigeria/franchising/958610/issues-leveraging-intellectual-property-and-real-estates-options-in-franchise-development-in-nigeria> on 13/2/2025