

# ON TAP PROSPECTUS

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## **Our Vision**

To be the recognised market leader in the plumbing and sanitaryware industry for both Retail and Trade customers.

## **Mission Statement**

- A total dedication to personal and professional service supported by fast, friendly and efficient personnel, selling value added quality products and services.
- To strive for the success of all stakeholders that are in a relationship with on tap.
- To provide good quality, value for money, plumbing supplies and sanitaryware, catering to both the trade and retail customer.
- To be the partner of choice for its suppliers, trade & retail customers and franchises.
- To source the best products from some of the most reputable brands in the world.
- To provide a working environment, based on growth, career development and team spirit underpinned by transparency and honesty.

## **ON TAP History**

*ON TAP* is a plumbing retail merchant business handling all aspects of plumbing materials.

*ON TAP* was established in Pietermaritzburg in 1990 during a period that was described by the bank manager as the worst recession in South Africa since the 1930's. The fact that *ON TAP* flourished during this period, coupled with high growth despite fierce competition from huge conglomerates is testament that the *ON TAP* system is a proven one.. The *ON TAP* brand was established with the vision to create a clear, identifiable brand that is synonymous within the plumbing retail industry for outstanding service and performance. As a result, the *ON TAP* "Fast, Friendly and Efficient" culture was born. *ON TAP* has secured a consistently growing, major name in the plumbing industry and has successfully grown the revenue of the group to maintain market share. The first franchise outlet was established in Durban in June 1996.

*ON TAP* is a national retailer with owner-managed stores across South Africa. Through established relationships with industry-leading suppliers, *ON TAP* offers, premium quality bathroom, kitchen and plumb ware.

Since its establishment in 1990, the company has forged substantial business relationships with industry-leading local and international brand suppliers. This enables *ON TAP* to offer its customers exclusive product ranges, as well as premium quality bathroom, kitchen and plumbing supplies.

Through serving clients with integrity, *ON TAP* has become a partner of choice for the public and trade alike.

## **Franchise Opportunity**

The franchise is run in accordance to an established blueprint business system based on well tried and tested business principles *ON TAP* Plumbing and Bathroom, the retail division of *ON TAP* Franchise Holdings (pty) Ltd operates within South Africa and is focused on the retailing of plumbing and bathroom and kitchen products.

*ON TAP* currently consists of 22 stores, located throughout South Africa. The Franchisor support is based in Cape Town and in Pietermaritzburg. All outlets are franchised and are owner operated.

Most of the stores have a showroom, featuring bathroom and kitchen products for retail consumers, including comprehensive a working shower display, and a trade counter for plumbers.

### **Why An on tap Franchise**

*ON TAP* FRANCHISE HOLDINGS (PTY) LTD is a Full Franchisor Member in good standing of The Franchise Association of Southern Africa Membership Number F99/0370. *ON TAP* East London was recently recognised as a finalist in the Top Franchise outlets in South Africa at the FASA awards, the selection was made from over 30 000 franchise outlets.

Only Franchisees who are in good standing with *ON TAP* FRANCHISE HOLDINGS (PTY) LTD are entitled to the use of the marks in any form whatsoever, subject to such guidelines, rules and regulations issued from time to time by *ON TAP* FRANCHISE HOLDINGS (PTY) LTD.

Trade principles of the *ON TAP* group are based on:

- Trust.
- Integrity.
- Long term relationships.

The initial support given by *ON TAP* to a new franchisee includes:

- On-site support by field operators.
- Support for month end procedures.
- Support for the first initial stock take.
- Support with the first year end procedure.
- Support with initial sales & marketing strategy.
- Assistance and operational advice on staff recruitment.
- Credit Management support.
- Inventory Management support.

The ongoing support from *ON TAP* includes:

- Frontline Software support.
- Technical support (inventory products).
- Sales & Marketing.
- Arbitration.
- Financial Guidance (all areas of accounting, financial & tax matters).
- Trends & new products.
- All aspects on business management.

There are great advantages to be gained by being part of the *ON TAP* Franchise Group:

- *ON TAP* is a desirable, high profile national brand.
- Well established.
- High recall and well recognised brand in the industry.
- Well-known Brand in geographical areas represented.
- High profile regional and national Marketing activity in various media with desirable website.
- Head Office Support Team – On-Going improved and refined operational system that has been tried and tested.
- Expert advice and input from professionals in the fields of operations, marketing, finance etc.
- IT System with software program for management of Stock Control, Sales and Accounting (incl. Debtors and Creditors).

- Group bulk purchases in terms of pre-negotiated deals with core suppliers.
- Rebates from over 25 core suppliers which outweigh Franchise and Marketing Fees.
- Newly Implemented Value Proposition.
- Bench-marking within the Group, against which own performance can be gauged.

*ON TAP*'s range of products includes, amongst others, the following:

- Copper Pipe & Fittings.
- PVC Pipe & Fittings.
- Baths.
- Taps & Mixers.
- Hot Water Systems & Valves.
- General Plumbing.
- Stainless Steel Plumbware.
- Gutters & Pipes.
- Bathroom Accessories.
- Bathroom Furniture.
- Sanitaryware.
- Shower Enclosures.
- Cast Iron Products.
- Services.
- Hardware.

*ON TAP* is well known for marketing campaigns that are powerful and fresh which has historically included:

- TV & Radio Commercials.
- Communication, Media & Strategic Planning.
- Print Media Campaigns.
- Publications & Annual Reports.
- Photography.
- Corporate Identity.
- Point of Sale.
- Label, Packaging & Brochure Design.
- Website Design & Development.
- Multimedia Presentations.
- Social Media Campaigns.
- Promotions.

*ON TAP* Advertising is divided into three sections

- Digital.  
This includes all social media, website and electronic news letters
- National Advertising.  
Media and radio advertising campaigns are conducted on a National basis and is paid for by the Marketing and Advertising fund.
- Regional Advertising.  
Local community advertising and marketing is conducted by individual stores and is not paid for from the Marketing and Advertising fund. Costs for these should either be covered by the Franchisee or can be paid from the Annual Regional Allocation for the specific store.

## PROFILE OF THE IDEAL FRANCHISEE

The most important personality traits needed to be a successful franchisee:

- A high degree of self-motivation and ambition.
- A burning desire to excel in whatever you do.
- Good health, coupled with a willingness to work extremely hard, often for long hours.
- A strong discipline to follow systems.
- Computer literacy.
- An understanding of accounting principles and ability to be assertive with debtors.
- A sound credit rating.
- A willingness to take calculated risks.
- The ability to keep a cool head even when things around you go wrong.
- The ability to accept setbacks calmly and recover from them quickly.
- A sense of urgency.
- A willingness to wait a reasonable period for your rewards.
- A high level of business ethics.
- A high level of marketing know-how.
- Outstanding management skills, particularly in dealing with people.
- A highly developed ability to solve problems.
- A talent for organizing and keeping control.
- Good financial judgment.
- The ability to focus on detail without losing sight of the bigger picture.
- Support from the family.
- Must be prepared to be involved in the business full time.
- Have no other business interests; able to focus solely on the development of the *ON TAP* store.
- Industry knowledge and understanding hugely advantageous.

## Financial Information

When considering a franchise there are four key financial tiers, which some of these costs depend on the site chosen and cannot be quoted accurately in advance:

- Application Fees – Fee payable on submitting application.
- Upfront Fees – Fee payable upfront to the Franchisor prior to opening franchise.
- Set up costs – Capital needed for setting up the business.
- Ongoing payments – Royalty/Franchise Fees and Marketing Fees.

### APPLICATION FEE

*ON TAP* Franchise application fee is R5000 for the 1<sup>st</sup> applicant. Should the proposed application have more than one business partner, a fee of R3000 per applicant is applicable. Should the application be successful the Application Fee will be taken off the Upfront Fee.

### UPFRONT FEE

The Upfront Fee for an approved *ON TAP* Franchise within the borders of South Africa is R185 000.00 excl VAT. For approved *ON TAP* Franchises outside the borders of South Africa the upfront fees are R300 000.00. The initial Upfront Franchise Fee is payable in full to the Franchisor on the signing of the Franchise Agreement.

This fee is to cover:

- Two weeks training and accommodation for two people in either Cape Town or Pietermaritzburg.
- Operations & Procedures manual.
- Use of the *ON TAP* Plumbing Supplies trading name and logo and business system.
- Access to intellectual property.
- A visit by the Franchisor to the Franchisee's premises to inspect and advise.
- Legal and financial charges.

### SET-UP COSTS

The estimated Set Up cost for a new franchise ranges from R750 000.00 to R2 000 000.00 depending on the location and the chosen model. This, however is an estimate and includes Site Deposit, Shop Fitting, Signage, Furniture and Opening Stock. This amount may change due to geographical location and the m<sup>2</sup> of the store and the chosen concept. In addition to this, it is advised that the company vehicles and Computer Hardware must be purchased on Lease Agreement or Higher Purchase.

### ONGOING PAYMENTS

- Franchise Fees - A franchise royalty of 1.5% (one and a half percent) of the total monthly stock purchases, excluding vat, of the Franchisee is payable by the Franchisee to the Franchisor on a monthly basis.
- Advertising & Marketing Fees - An advertising & marketing fee of 1.5% (one and a half percent) of the total monthly stock purchases, excluding vat, of the Franchisee is payable by the franchisee to the Franchisor on a monthly basis.

### **More Details & Contact**

For more information or any other questions please feel free to contact

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