



Business News

10/09/2009

Page: 3

Section: General News

Region: Perth Circulation: 13040

Type: Suburban

Size: 86.00 sq.cms

Frequency: ---T---

Credit access thwarts franchises

ACCESS to credit has been the biggest impediment to franchises meeting short-term growth targets during the economic downturn, new PricewaterhouseCoopers research reveals.

PwC's Franchise Sector Indicator, which surveyed 240 franchisors representing 68 franchise systems, found 83 per cent rated availability of credit for incoming franchisees a potential impediment.

Fifteen per cent of franchisors said lack of credit had thwarted their own growth plans.

Franchise Council of Australia executive director Steve Wright said the sector had been growing at 7 to 8 per cent a year for the past decade, and was weathering the downturn better than stand-alone businesses.

"What this survey shows is that the community has been right in identifying the availability of credit, including bank lending policies, as being a major issue for the sector," he said.

PwC partner Greg Hodson said instead of slashing marketing budgets, cutting services or delaying capital expenditure, franchisors had proactively "joined franchisees in the trenches" to weather the storm.

PwC found that most franchises were reducing operating costs (69 per cent) and staffing costs (46 per cent), while maximising cash balances (46 per cent) to cope with a lack of access to credit through the global financial crisis.