

Franchising gets help from ACCC

Mark Fenton-Jones

The Australian Competition and Consumer Commission (ACCC) has teamed up with Griffith University's Asia-Pacific Centre for Franchising Excellence to offer a free online education program to help potential franchisees avoid making ill-advised investments.

"A well-informed franchisee is much more likely to succeed," said ACCC deputy chairman Michael Schaper.

Funded by the ACCC, the program aims to reduce the incidence of disputes between franchisees and franchisors, and to help potential franchisees decide if franchising will suit them and to have realistic expectations of what they can achieve in the sector.

The recent Expert Report on the Franchising Code of Conduct commissioned by the Minister for Competition and Consumer Affairs, Craig Emerson, highlighted that early education of potential franchisees was critical to their success and to their compliance with the code.

The ACCC has been encouraging

research and programs over the past year that will lead to better prepared franchisees.

The regulator contributed an undisclosed amount towards an Australian research grant that funded a franchise conflict research study by Griffith University's Asia-Pacific Centre for Franchising Excellence, which ultimately links into the centre's new online education program.

Published this April, the study found that only three-quarters of franchisees trusted their franchisors to be honest with them.

The study also found 49 per cent of the franchisees surveyed had relied heavily on "gut feeling" when deciding to go into franchising.

"No matter what you tell franchisees, a significant number are still failing to undertake due diligence before they invest in a franchise system," Dr Schaper said.

He will address an Internal Society of Franchising conference at the University of NSW this week, at which he will call for further research on the franchise industry.

Griffith University will administer the five-module online



Education is critical to franchising success, says ACCC deputy chairman Michael Schaper.

Photo: MICHEL O'SULLIVAN

program that begins next month.

"The program is in line with our research which suggests improved pre-entry education can reduce conflict in the franchise sector," said Asia-Pacific Centre for Franchising Excellence director Lorelle Frazer.

The program was also in line with "federal and state franchise inquiry recommendations, and the government's aim to create a sector where people enter franchising with more realistic expectations".

The pre-entry education program will be available nationally and will cater to all levels of understanding.

Prospective franchisees will learn about franchise-specific issues, including franchise fees, royalties, operations manuals, marketing funds and site selection, as well as general business concepts such as cash flow and working capital.

Leasing arrangements and dispute resolution are also covered.

The launch of the program coincides with changes to the

Franchising Code of Conduct that take effect from July 1.

Franchisors will have to disclose more information that franchisees need to make decisions about their businesses. The amendments require franchisors to give six months notice if they are not going to renew a franchise agreement.

In addition to these amendments, the ACCC would have new powers to conduct random audits of franchisors to ensure they complied with the law, Dr Emerson said.