

A FAIRFAX MEDIA CUSTOM PUBLICATION

## Rule changes boost franchisee confidence

### COMMENT

Steve Wright, executive director, Franchise Council of Australia (FCA)

Australia has the most effective and successful franchise sector in the world. At \$130 billion annual turnover, it surpasses every other franchise nation, except the US. And when the comparison is made on a per capita basis, the Australian sector comes up trumps over all others, including the US, the birthplace of franchising.

Why? According to respected academic Professor Andrew Terry of Sydney University, it is mainly due to the self-sufficient entrepreneurial attitude alive and well among Australian professionals and businesspeople – and across the ditch in New Zealand (Professor Terry's birthplace).

Another factor may well be the highly supportive regulatory structure of the sector in Australia. We have the most comprehensive trade practices legislation and franchising regulation of any country in the world. And all of the rules are aimed at one thing: making sure all in the sector have a fair go at succeeding in the franchising business.

The Federal Government recently implemented the latest round of changes to the central franchising regulatory mechanism, the Franchising Code of Conduct. As with past changes, this initiative is aimed at further refining the Code's provisions to further improve the benefits to franchisees – and, more importantly, to give confidence to those considering entering the sector.

It is a big decision for anyone to go into business for themselves. Any initiative which helps give confidence to people doing so is good for business and good for the nation – so long as it does not come at a price to be paid by

another party. In the case of franchising, the 'other party' is the franchisor – the owner of the brand and the business concept which new franchisees join. And the good news about these latest changes to the Franchising Code is that they do deliver undoubted benefits for franchisees, but without imposing a big burden on franchisors.

The latest changes to the Code, to be implemented this week (July 1), are about giving new franchisees more confidence, through increased focus on the information they receive before signing a franchising agreement and the ongoing information they receive from the franchisor about the state of the business and the important events which will occur as the agreement is implemented and the franchise venture operates and grows.

The Code initiatives are also aimed at giving people confidence that if they get into disputes, these will be settled as smoothly and inexpensively as possible.

This is one of the great features of Australian franchising that many people gloss over. There are many rules to protect the interests of new entrants, and there are also very supportive rules to ensure disputes are resolved. In what other industry is there a MANDATORY dispute resolution process between two parties to a business contract?

Another useful initiative in the Code changes is a requirement to provide a simple, plain-English summary to the franchise agreement. This is designed to make it as easy as possible for new franchisees to understand the key points of the franchise agreement they are about to sign (and which may be a complex contract, addressing numerous business variables).

New information disclosure elements in the revised Code will require franchisors to be explicit about the way the franchise agreement addresses

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Pure health:  
Marina Perry-Kuhn  
and Harlow.

## A fresh new face in franchising

When Marina Perry-Kuhn decided it was time to grow her PURE Health Club business, the young Brisbane mother followed the Franchise Council of Australia's philosophy that research and education improve the chances of franchising success. Read her story on Page 4.

## The numbers tell the story

Expo attendances and web traffic show the strength of the franchising sector: Page 7





# Success sells

## Excellence awards recognise and drive success

As the franchising industry in Australia continues to grow, so too does the number of entrants in the Franchise Council of Australia Excellence in Franchising Awards. The awards recognise excellence in the franchising sector and provide a platform for companies and individuals to showcase their work.

With a record number of entrants throwing their hat in the ring hoping to take home 2010 honours, selecting the winners across the 14 categories will be a challenge in itself. This year, franchisees make up about half of the total entries, crossing the full spectrum of industries, from hairdressing to white goods rentals, food service to business coaching and financial advice.

Nominee Tony Zoobi, a multi-unit franchisee with Hairhouse Warehouse in NSW, has already found a winning formula, tasting victory at the 2008 awards. Tony was living in Dubai and working in the corporate world when he went to a seminar about Hairhouse Warehouse. "I guess I just fell in love with the brand," he says. "The deal was I would launch the brand in Brisbane and be a state franchisee. After a year in Brisbane, I was asked if I would move to Sydney to launch there, so I packed up my bags and launched in Sydney.

"There are now 32 Hairhouse Warehouse stores in Queensland and 20 or more in Sydney, and I am franchisee of six of the Sydney stores."

Success can be measured in many ways, including the FCA Awards, Tony says. "I was nominated for an award in 2006 but in 2008 I won the NSW/ACT Franchise of the Year award. The biggest thing for me

was not just about winning, it was the whole process. It was about meeting others nominated for the same group, people in similar positions to myself and learning how they did things. But it's also about being recognised by your peers. I've given my life to this brand so to have some sort of formal recognition for my hard work was very satisfying."

Tony credits hard work as being a major factor to his success, but the franchising model has certainly been a contributing factor. "For me, hard work, dedication, ambition and having goals has helped me to achieve success," he says. "But being part of a franchise has made it so much easier. Being part of a large group of 140 franchisees, that's 140 resources I can call on and make use of – and I do. I call them up and ask what it was they did to achieve growth, or how did they market this? I use these resources to help benefit me and my business."

First-time nominee Darren King from Bakers Delight Lilydale Marketplace in Victoria also uses his fellow regional franchisees as a resource. In fact, Darren has a very close network of fellow franchisees.

"I'm pretty close to my sister and brother-in-law and when they took on the Bakers Delight in Croydon I saw them go through the process," Darren says. "I'd had my own roof tiling business for 20 years but they encouraged me to give it a go too. So I got into Bakers Delight at Lilydale Marketplace five years ago. And friends of ours opened others in the area so we've got a really good network of a lot of people in our region who we can bounce ideas off."

Darren also supports his fellow franchisees by helping out with staffing, a quality the FCA Awards judges will consider during their deliberations.

"There might be times when you've got a couple finishing their apprenticeship at the same time and you're just not in a position to have three fully-



qualified bakers at the same time," Darren says. "I look around and find him another job. I might know that the Healesville Bakers Delight needs a fully-qualified trade so I can organise for him to move on there, or there may be a kid who's a great worker but doesn't have his licence so I might organise for one of the others in the network closer to where he lives take him on. There are lots of benefits to being in a supportive network."

The support Darren receives extends beyond his immediate region, he says. "That's the beauty of being part of a franchise. We've got our area managers and then there are other levels of support, all the way up to Bakers Delight founder Roger Gillespie, who we sometimes hear from. We have tech bakers who we can call at 1am. There's that much support."

"People sometimes say, does it annoy you that you do all this hard work and as a franchisee you have to give a percentage to Bakers Delight? But you know what, I could go out there and open an independent Darren's Bakery and I'd have no advertising budget, no brand power, no support and no ads on TV or in the paper. It's a small price to pay. If you don't like the concept of franchising, don't go into it, but it really can work. Someone else has taken the risk and done a lot of the hard work for you."

"And the level of support you get from having FCA membership and entering these awards is great. It's great exposure."

**"To have some sort of formal recognition for my hard work was very satisfying": Tony Zoobi and team.**

Winners from the state-based franchisee categories will be announced at the regional awards dinner roadshows throughout August and September.

Support local business owners and attend any of these events:

- Melbourne: August 6
- Sydney: August 12
- Adelaide: August 21
- Perth: August 27
- Brisbane: September 10

Contact the FCA on 1300 669 030 or email [info@franchise.org.au](mailto:info@franchise.org.au) for information.

## 2010 National Franchise Conference

Gold Coast, October 10-12

The biggest event on the Australian franchising calendar will be on the Gold Coast this year as NFC10 rolls into Surfers Paradise for two days of franchise education, entertainment and good times!

Sessions and speakers have been created for franchisees and new business owners and discounted rates are available to make the experience as accessible and valuable for small business owners as it should be – visit [www.franchise.org.au/nfc](http://www.franchise.org.au/nfc) to read about all the speakers and sessions available.

As well as the franchisee sessions, there is a

formidable line up of keynote speakers already confirmed – mining magnate Professor Clive Palmer, Ross McDonald, head of retail and consumer goods at Google Australia, Dr Michael Hewitt-Gleeson, co-founder of the School of Thinking with Edward de Bono and many more.

Conferences are a great forum to learn from inspiring and successful speakers, but they also provide business owners with a unique opportunity to meet other business owners and learn from them – how did they deal with the GFC, how do they market successfully to their local area? It's often these moments casually chatting with other delegates when you take away the most from a conference. And NFC10 is the perfect environment for franchise owners to take it all in.

## Code changes boost franchisee confidence

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important issues such as what happens at the end of the agreement and what negotiation process will be undertaken. A new provision says this "end of term" discussion must start at least six months before the expiry of the franchise agreement.

The Franchise Council of Australia has supported all these changes – because they are aimed at making the franchise sector an even better place to do business. The FCA has also supported the changes for what they have NOT done. The Federal Government has heard the FCA exhortations to set aside some calls for heavy-handed and intrusive change aired by some franchising critics in 2008/09. The Government has rejected calls

for a bureaucratic registration system for franchise businesses and for the creation of a franchising Ombudsman. And it has rejected the idea of a new franchising-specific rule governing the conduct of business negotiations, a so-called 'good faith' clause.

In announcing its decision, reached after comprehensive state and federal inquiries lasting almost two years, the Government said to agree to the suggestions would be more likely to do harm than good. The FCA applauded this conclusion. The sector is better off with one set of rules for all and which do not differ from those applying to other businesses. And there is no good to be had in different rules in neighbouring states.

Unfortunately, not all agree. A Labor politician in South Australia has thumbed his nose at the decision of the Federal Labor Government and has decided to take the law into his own hands.

The SA backbencher in question, Tony Piccolo, is presenting a Bill to the SA Parliament which goes

way beyond anything contemplated by any state government or the Federal Government in the history of franchising.

It is a Bill the FCA has vowed to stop because it will create problems, not solve them. It is a Bill which is constitutionally questionable, assumes guilt before innocence and imposes a kangaroo-court summary justice that could see franchisors or franchisees fined \$100,000 for conduct breaches, in many cases without the right to have legal representation or to appeal. And the Bill gives this power to levy such fines to a new Commissioner who will have more power than any other Commissioner in the land and who will need no franchising experience or qualification.

This is a scenario which does not inspire confidence; it does the reverse. Whatever may be its honourable intentions, it would be for franchising what the narrow-gauge railway in SA was to east-west rail transport: a misguided mess.

Visit [www.franchise.org.au](http://www.franchise.org.au) and go to 'Media Centre' for further reading on this topic

# Turning a successful business into a franchise: An exercise in due diligence

## Marina aims to tick all the boxes for franchisee success

**M**arina Perry-Kuhn always envisaged she would grow her health club business beyond the two clubs she had invested her heart and soul in. But the young mother's biggest fear was losing the contact and consistency that growth can often bring. That's when she considered franchising.

In line with the Franchise Council of Australia's philosophy that research and education improve the chances of franchising success, Marina, founder of PURE Health Clubs, undertook an intensive exercise in due diligence.

"About this time last year we were doing our strategic planning and re-doing our branch plans and started considering how we could grow our business," Marina says. "We hadn't really thought about franchising as an option at that point. We knew we wanted to keep growing but were concerned that we might lose touch with each branch of the business if we grew, and we really do want to ensure that quality remains high – that's a really big thing in our business."

"We felt that if it was business owners running their own business rather than managers employed to run the business, there'd be a better chance of keeping up the quality that is so important to us. If you have more invested in the business, you're going to work really hard to nurture it and maintain it."

So Marina started on her research journey, and arrived at the decision that franchising could be a good option for PURE Health Clubs. But she didn't stop there; Marina engaged professional help from Grant Garraway, a consultant with [www.thefranchiseshop.com.au](http://www.thefranchiseshop.com.au), to determine whether franchising her business was the best route to take.

"We wanted to know if franchising could work for us," she says. "Grant did a feasibility study and really guided us through it all, the law, the restrictions and what we had to do with our manuals and operational procedures. He showed us how we can standardise everything to ensure that what you get at one club is the same as another club."

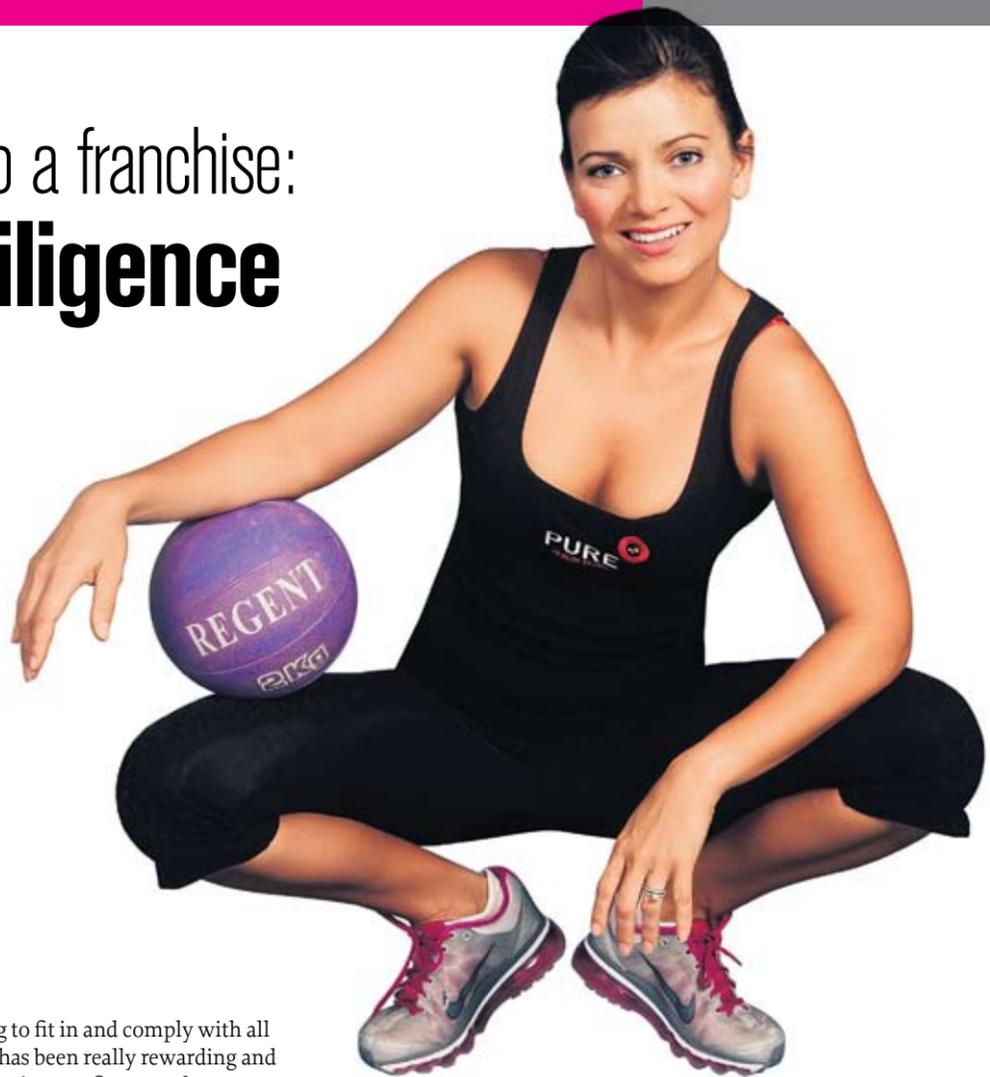
"The feasibility study indicated that franchising was a good option for us. It came back very positively and they projected what growth we could potentially have, which was bigger than we had originally thought, so the process for us has been really worthwhile."

"It's been challenging to fit in and comply with all the requirements but it has been really rewarding and has given us the opportunity to reflect on what we are doing, how we do things and where we have come from in the years since we started the business."

With two PURE Health Clubs already established in Queensland, PURE CBD in Brisbane's city centre and PURE Coorparoo in Brisbane's southern suburbs, Marina is at the point where she is considering potential franchisees.

"We have had quite a bit of interest," she says. "There are a lot of gyms out there but we have a significant point of difference that sets us apart. Our classes are innovative and exclusive, not the same formula as the classes at most other gyms. The way I see it, your Mum might make the best spaghetti bolognese but if it's the only thing available at restaurants, you'd want something else."

"We take more of a mind-body approach here. In fact, we have four or five of our current staff members who believe in our business so much they have expressed an interest in becoming a franchisee. They know the place well and know and believe in it so that's a great start but franchisees don't necessarily have to have come from the Pilates and fitness industry to be considered as a franchisee. For me, it's more about communication and the franchise owner being good at maintaining those communication lines so we are all on the same page."



*"We are taking our time making sure we are getting everything right."*

Despite being in the early stages of her franchising journey, Marina has been impressed with the level of communication from the FCA and the guidance and support offered. "What they offer is fantastic," she says. "The FCA does exceptionally well with the education side of things. I am constantly receiving emails and notifications of both free and priced educational seminars and courses. The level of service they provide is really high."

And while Marina is aiming high with her franchising ambitions, she is not rushing into the expansion of PURE Health Clubs. Instead, she is taking her time and ensuring all the boxes are ticked to ensure sustained franchising success.

"We are hoping to have 50 franchises nationwide but our longer-term goal is to take our concept overseas if it is a success in Australia," she says. "The feasibility study projected that 90 franchises in Australia wasn't unreasonable so it was a very positive outcome for us. But for now, we hope to open up our first couple of franchises in 2011."

"We are taking our time making sure we are getting everything right, but then hopefully we can roll out a couple a year every year."

# 'Eyes wide open' helps prepare new franchisees

Opening a franchise is not as easy as just opening up the doors and letting the brand carry you to sustained success. Like starting any business, franchising success takes hard work and passion, but franchising comes with the added benefit of great support and education to increase the likelihood of success.

Before embarking on any business venture, the value of research and education can not be underestimated, FCA Education Manager Yolanda Lyon says. "Education is the key to long-term franchising success. Just buying a franchise is no guarantee. Like anything in life, to succeed in franchising, you must have passion, be prepared to do the hard yards, and most importantly, have a sound understanding of the fundamentals of business."

The Franchise Council of Australia has worked hard to make sure that franchisors, franchisees and those interested in buying a franchise have the resources available to equip themselves with the necessary skills for sustained franchising success. And with changes to the Franchising Code of Conduct coming into effect next month, easy access to quality education and learning resources is more important than ever.

The series of franchising expos held across the country provide this valuable education resource to potential franchisees. For visitors interested in joining the industry, the Franchising Boot Camp, designed to give a complete overview of franchising, provides valuable knowledge to those who are in the early

*"Education is the key to long-term franchising success. Just buying a franchise is no guarantee."*

stages of their franchising journey.

"The 90-minute Franchise Bootcamps consist of two presentations: 'Is Franchising for You?' conducted by the Franchise Council of Australia and the 'Franchisee Panel'," says Jon Perry, group exhibition director of Diversified Exhibitions. "The first presentation will give you essential information on the Franchising Code of Conduct, the law, what to expect from a franchisor and what a franchisor will expect from you, as a franchisee. The Franchise Council of Australia will provide you with information, hints and tips to help you answer the question of whether franchising is for you."

"The Franchisee Panel is an expo favourite. Here, a panel of franchisees from a range of businesses will answer and address tough questions about their franchise journey. Questions such as: Why did you choose a franchised business? Who did you seek advice from and did anyone try to talk you out of it? How do you work with your partner and how do you achieve ongoing success? This session will include an open discussion between the audience and a panel of franchisees, to provide visitors with relevant experiences and a practical perspective."

As a follow-up to the Franchise Bootcamp, the Franchising Networking Lounge sessions each day give visitors further insight into their franchising decision. These discussions give a more intimate understanding of the franchise industry and the businesses that visitors to the expo are interested in.

The Victorian Franchising Expo will be held this

year on August 20-22, before the expo moves on to Brisbane for the Queensland Expo on September 11-12. The bootcamps, panels and networking lounges will run at both Victorian and Queensland expos. But the education for potential franchisees doesn't end there.

Designed as the logical next-step for people who have attended the expos and find themselves with two or three franchise systems that they are interested in, the FCA runs a series of educational seminars post-expo to provide the perfect opportunity to ask targeted questions of franchisors and franchisees and Australian Competition and Consumer Commission (ACCC) and FCA representatives. The seminars ensure people enter into franchising with their "eyes wide open", Yolanda says.

"Generally held two weeks after the expos in each capital city, attendees can enjoy an intimate, non-sales setting, where successful franchisors and franchisees have been invited to speak about their real-life experiences," she says. "Questions such as what do franchisors look for in new franchisees, what should potential franchisees be aware of when signing a franchise agreement, what can a franchisee expect in the first year of business and what help is out there for new franchisees can be answered. The sessions are the ideal follow-up to the expos' educational seminars."

For information about the changes to the Franchising Code of Conduct and general information about franchising, visit [www.franchise.org.au](http://www.franchise.org.au) or visit [www.franchisingexpo.com.au](http://www.franchisingexpo.com.au)

## 7-Eleven fuels business model

Convenience store franchisor 7-Eleven's acquisition of Mobil Oil Australia's retail fuels business has been hailed as a sign of how well the franchising business model can assist growth, for large businesses as well as small. The deal includes 295 company-owned or leased service stations and it is estimated that the combined entity will serve more than 160 million customer transactions each year worth about \$2.84 billion.

Consumers will welcome the greater competition in the fuel retail market, says FCA Executive Director Steve Wright, as well as the now well-established fuel-convenience store combination with the added buying power and value of 7-Eleven.

7-Eleven is hoping that many of the current

Mobil store managers and agents will be interested in becoming a 7-Eleven franchisee, but given the large number of stores it will have to franchise in the next 18 months the company is stepping up its search for new people. 7-Eleven plans to convert most of the Mobil/Quix sites into 7-Eleven franchised stores by the end of 2011, with sites being significantly upgraded.

7-Eleven says its franchise model offers two great benefits: first, a brand name that is recognised around the world, and second, a business system that works, one that provides more support than most other franchise networks. 7-Eleven has been recognised by the Franchise Council of Australia as 'Franchisor of the Year' three times, and consecutively for the past two years in 2008 and 2009.



ISOF CONFERENCE

# Why the Australian way works

## International academics recognise Aussie success

While the global financial crisis hit many industries hard, the franchising sector as a whole was able to fend off the crisis. Earlier this month, a gathering of international academics assembled in Sydney to discuss why and how the wolves were kept at bay, and why the industry is thriving in Australia.

The 24th annual International Society of Franchising conference, held for the first time in Australia and chaired by Professor Lorelle Frazer of Griffith University, gave leading academics and researchers from 11 countries the opportunity to share and discuss the latest findings and trends affecting the global franchise sector, including the implications and impact of the recent global economic crisis, legal issues, systems structure, franchisor-franchisee relationships and entrepreneurship.

And with Australia now recognised as being a leading player in the franchising world, Australia's contribution to the industry was a theme running throughout.

"The US is generally regarded as the global home of franchising," says Steve Wright, Executive Director

*"In Australia, we are also more collaborative in our approach, and that is part of the reason why we are more successful in the Australian franchise sector."*

of the Franchise Council of Australia. "But Professor Andrew Terry, who is highly regarded worldwide, showed that across many statistics, Australian franchising compares favourably, and in many cases, outdoes the US. In fact, Australia punches well above its weight internationally."

There are a few reasons why Australians perform well in the franchising sector, Steve says, but one of the best set of arguments presented at the ISOF conference centred around entrepreneurialism.

"Because we are a young country, and are a long way away from anywhere else, we've grown up with a strong do-it-yourself attitude and one of having to do things without relying on others," he says. "This attitude is evident across so many industries – teaching, accounting, engineering, medicine – and this is one of the reasons why Australians are very highly valued in the workforce overseas."

"We have proven ourselves to be quite adaptable and resourceful because we've had to do it on our own, and so are traditionally good entrepreneurs. This was a key part of Professor Terry's presentation to ISOF."

Successful franchising needs enterprising entrepreneurs, Steve says. But it is the collaborative nature of the Australian model of franchising that is a major factor in its success.

"The sector needs good entrepreneurs in order to establish good businesses that can then go on to become franchises," he says. "It needs good people who



FCA Executive Director Steve Wright.

have the bottle to take their business out of the local neighbourhood and into their state, then interstate then outside of the country.

"At the conference, Lola Dada presented on the positive influence that entrepreneurial behaviour such as innovativeness, proactiveness and risk-taking has on the success of a franchise business. In the franchising sector globally, those elements are most visible in Australia.

"But in Australia, we are also more collaborative in our approach, and that is part of the reason why we are more successful in the Australian franchise sector. We acknowledge the natural interdependence of the franchisor and franchisee and advisors. It's like a three-legged stool. In architecture, the stool is the most stable structure, but as soon as you pull one leg away, it falls over. That's our philosophy and it's clearly working."

Franchise  
Business.com.aufranchising expo  
& business opportunities

# Numbers up!

Expo attendances and web traffic show the strength of franchising

If it's true that people let their feet do the talking, then the people of Perth and Sydney have spoken. Attendance figures at the Sydney Franchising Expo rose by 30 per cent this year to more than 4000 people, and in Perth, about 2000 people attended, up 25 per cent.

These are extraordinary figures that tell a tale, says John Perry, group exhibition director of Diversified Exhibitions. "This is significant growth. With the Brisbane and Melbourne expos yet to come, there's no reason to think we won't see a similar increase in the numbers there."

With about 1200 franchises operating in Australia, accounting for about \$130 billion each year, franchising is experiencing peak levels of interest. The latest user figures from franchisebusiness.com.au, the official directory of the Franchise Council of Australia, suggest that franchising in Australia has suffered little impact as a result of the global financial crisis.

The website's general traffic patterns for the last 18 months show that numbers have returned



to the record highs that were reached before the downturn, says Kate Egan-Hirst, sales manager for franchisebusiness.com.au.

"Franchisebusiness.com.au generated 152,721 enquiries from potential franchisees between June 2008 and June 2009," she says. "In the 12 months to June 2010, a total of 188,100 franchisee enquiries were made, an increase of 18.8 per cent and an indication that our users are much more motivated to buy."

"Traffic has had a slight fluctuation through the last two years, but we are now maintaining figures of more than 80,000 unique users every month."

Remarkably, Australia's franchising sector recorded growth of between seven and eight per cent in the last year; a significant rise given the unstable economic climate. As a rule, during times of economic crisis, consumers lose confidence in speciality stores, says Steve Wright, Executive Director of the Franchise Council of Australia. But franchises, for the most part, have remained unaffected for a number of reasons.

"In an economic downturn, consumers lose confidence in speciality stores and are much more selective about where they spend their hard-earned," Steve says. "But franchise outlets seem to do well because they are value-pitched, there is brand recognition and, for the consumer, the reliable brand equals quality of service and product."

"Last year, franchising grew by just under 10 per cent. In the US, the industry was expecting a 15 per cent constriction, but it actually grew 1.5 per cent. What we've found is that towards the end of 2008, the good franchising businesses recognised that there were tough times ahead and so trimmed back to prepare themselves for the storm ahead. As it turned out, the storm wasn't quite as bad as expected, the franchisees were prepared as they had already trimmed their excesses, consumer confidence didn't disappear for these reliable brands and so top-line revenue was up in spite of what was happening globally."

Voting with their feet and "clicks": Franchising is experiencing peak levels of interest.



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