Franchise Council of Australia
Media Release

Study confirms reasons franchise businesses outperform wider SME sector

April 12 2013

The Franchise Council of Australia (FCA) welcomed the release of a comprehensive survey of small and medium-size businesses that confirmed the reasons franchised businesses typically outperform other businesses. The survey, published yesterday by accounting software provider CCH and global information services group Wolters Kluwer, revealed SMEs see inability to manage costs, inexperienced management, a bad business model and lack of access to capital as key reasons for small business failure.

FCA Chairman Michael Paul praised the Report for focusing on the fundamental causes, rather than the emotion, of business failure. "Often people express surprise at the success of the Australian franchise sector, and think it is some accident. In reality, as this survey shows, the franchise model is directly focused on the key things that help businesses succeed - a strong business model, planning, systems, marketing and collaboration that leverages the franchisor's experience and the franchisee's energy at the coalface. That is why franchised businesses have a much better track record of success."

The FCA has been working with the Government to improve the regulatory environment for franchising. "Surveys such as this are helpful, as they show that if Government really wants to improve small business success they should be focusing on how to apply the positive lessons learnt in franchising more broadly across the small business sector. We have been championing the introduction of a Small Business Act modeled on the highly successful US and UK models, which substantially enhances access to finance, government contracts and other activities for well organised small businesses. This survey shows the potential benefits of such a program."

According to today's report in SmartCompany, of those surveyed, 61% of SME operators said small businesses failed because of an inability to manage costs, 50% said inexperienced management, 50% said poorly designed business models or no business plan, 49% said insufficient capital, 37% said poor or insufficient marketing, and 35% said insufficient time managing the books. Only 26% identified failure to seek professional advice as a key reason for failure, while 70% trusted their "gut instinct" over any professional advice.

According to SmartCompany the chief executive of Wolters Kluwer Asia-Pacific, Russell Evans, commented, “The majority of SMEs which shun professional advice were doing so at their peril.” Evans pointed to a separate CCH survey of more than 210 accountants servicing small businesses which ranked bad business models as the main reason SMEs fail.

"It's a contrast, as if you look at the reasons why an SME owner feels an SME has failed it is inability to manage costs, while the accountants say it is a poorly designed business model," Evans says. "A lot of SME owners are fixated on their craft and what they do and they tend to chase revenue, they may send out lots of invoices and not understand the cost drivers."

Distinct from other small business models, Paul says the very premise of franchising allows small business owners to work to their strengths in the industry they've chosen while utilising assistance provided by their system for skill sets they may be lacking. "Investing in a franchise adds that fundamental layer of support for those who have not run their own business before. It's that old adage, franchising is about being in business for yourself, not by yourself that is the very cornerstone of the model's success," he says.

For more information, please contact:
Stephanie Wells Marketing Communications Manager
Franchise Council of Australia 0409 949 014 / 1300 669 030 or email –
stephanie.wells@franchise.org.au