



# WORLD FRANCHISE COUNCIL

## REFERENCE GUIDE

### for Developing a National Franchise Association & Pursuing World Franchise Council Membership

#### **Aim of this Guide:**

*These Guidelines are produced by the World Franchise Council (WFC) as a reference for the development of franchise associations and pursuit of WFC membership. This document is designed to share information reflecting the accumulated experience of the World Franchise Council's member associations.*

*The International Franchise Association and the European Franchise Federation supplied much of the initial content for these Guidelines. Over time, these Guidelines will be revised and added to so new experience and learning by WFC members can be included.*

#### **Structure of the Guidelines:**

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*The World Franchise Council & Membership (Pages 2-6)*

##### **PART B**

*Franchise Association Benchmarking (Pages 7-12)*

##### **PART C**

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## PART A – Fundamentals of the WFC

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### Section 1 The World Franchise Council

The World Franchise Council (WFC) is a non-political association of more than 40 national franchise associations from around the world. Formed in 1994, it aims to promote the growth of franchising internationally, and facilitate best practice in franchise association management among its members. It also aims to foster and encourage the development of franchise associations in nations where such an association does not currently exist.

#### Mission

The WFC is the global organization of franchise associations supporting the development and protection of franchising and promoting a collective understanding of best practices in fair and ethical franchising worldwide.

#### Vision

To be the leading source of credible information for and about the global franchise community and preeminent forum for promoting collaboration and cooperation between national franchise associations.

#### Values

Credibility -Through Members around the world who are the single and genuine representatives of their national franchise communities.

- **Respect:** For the standing and diversity of each credible Member association whatever their level of resources of their time in Council Membership.
- **Integrity:** In the way in which the Council assures itself of the credibility its members and their proper use of the council's name and reputation.
- **Sharing:** Openly and freely for the benefit of all, the experience and know-how of each.

#### Organization history

The WFC is a not for profit, non-political association of national franchise associations organized under the laws of the United Kingdom.

The WFC's beginnings can be traced to the first International Summit, sponsored by the Mexican Franchise Association December of 1993, where a draft constitution of the proposed WFC was developed by a task force composed of Argentina, Canada, Europe, France, Mexico, and The United States of America. In February of 1994, during the International Franchise Association's (IFA) Annual Convention in Las Vegas, a group of national franchise association executives led by the IFA and the European Franchise Federation unanimously decided to establish the WFC.

Following that historic Las Vegas meeting, a working group led by the British Franchise Association with representatives from the Canadian, Brazilian, Polish (a short-lived association that existed at the time and which is unrelated to the PFO which has newly joined the EFF and WFC) and Mexican Associations produced a more detailed draft of the Constitution that was ultimately adopted on June 15, 1995 in Lisbon. The current Constitution of the WFC has been revised several times throughout the years.

The Constitution was drafted for the purpose of recognizing that the WFC's most significant contributions would come from international understanding and cooperation. The founding members of WFC believed that a formal Constitution was essential to guarantee that WFC's opinions represent a genuine consensus amongst its members and an assurance to properly constituted national franchise associations that the WFC would offer an equitable forum for members to represent their views.

## Section 2

### Membership in the World Franchise Council

As outlined in the [World Franchise Council Constitution](#):

#### Full members:

1. (i) Full membership of the WFC will be open to all National Franchise Associations which are constituted as not for profit organizations and whose constitution requires and which in practice have:
  - (a) A subscribing membership which is in the majority composed of franchising companies or their representatives;
  - (b) A governing body which is in the majority composed of franchising companies or their representatives.
  - (c) A Code of Ethics, which franchising members must comply with and which is consistent with the Code of Ethics, promulgated by the International Franchise Association or the European Franchise Federation or such other equivalent Code.
 (ii) No member can object to or block the application of another member on political or Government grounds.
2. The first Full Members of the World Franchise Council were those National Franchise Associations set out in the schedule to this constitution and which form a part of it.

#### Associate members:

3. The WFC will also accept as Associate Members, National Franchise Associations which give a written commitment to work towards the WFC's Full Membership requirements and which in practice are seen to be so doing, but which do not meet those requirements at the time of application or up until 28 days after the publication of the minutes of the meeting accepting the Association as an Associate member. Associate membership may be retained for 2 years.
4. Only one National Franchise Association will be recognized by the WFC for each country together with one single properly constituted franchise association for the territory of Hong Kong and such other exceptions, as may be decided by the WFC on a case-by-case basis. The WFC will not accept any subscription from any organization which is not considered by the WFC to be the prime industry body for the country or territory of origin concerned. The WFC will not accept any other association of the country as associate member if a full member already exists.

#### Subscribing members:

5. In addition, the WFC will accept as subscribing members with speaking rights, supra-national federations of National Franchise Associations representing continental or other geographic country groupings in the world, provided their membership requirements are equivalent to the WFC's membership requirements as determined by the WFC and provided the National Franchise Associations within the territory, which are already recognized by the WFC, give their consent.
6. Where a supra-national Federation of Associations is recognized by the WFC, National Associations within the territory of the supra-national Federation will only be recognized if their membership criteria are consistent with those of the supra-national Federation, whether or not they are members of that Federation.
7. National Associations whose countries have chosen to submit themselves to the common parliamentary and legislative framework of the European Union shall be Members of the European Franchise Federation in order to be recognized by the WFC.
8. In determining any application for membership of WFC, only the criteria of this Constitution shall be taken into account.

Wherever possible associations joining the WFC will not replicate the naming abbreviation of any existing members.

**To begin the process of pursuing membership in the World Franchise Council, interested associations should contact the WFC's General Secretariat. The association serving as the General Secretariat will be denoted in the member list on the World Franchise Council website: [www.worldfranchisecouncil.net/members.html](http://www.worldfranchisecouncil.net/members.html)**

## Section 3

### What does the WFC mean by franchising?

Franchising is simply a method for expanding a business and distributing goods and services through a licensing relationship. In franchising, franchisors (a person or company that grants the license to a third party for the conducting of a business under their marks) not only specify the products and services that will be offered by the franchisees (a person or company who is granted the license to do business under the trademark and trade name by the franchisor), but also provide them with know-how, an operating system, brand and support.

#### Business Format Franchising

There are two different types of franchising relationships. Business Format Franchising is the type most identifiable to the average person. In a business format franchise relationship, the franchisor provides to the franchisee not just its trade name,

products, and services, but know-how and an entire system for operating the business. The franchisee generally receives site selection and development support, operating manuals, training, brand standards, quality control, a marketing strategy and business advisory support from the franchisor.

Business format franchises are the most common type of franchise and the only form of franchising included in all WFC member associations.

**A franchise generally exists when:**

- The franchisor licenses a franchisee the right to use its trade or service mark used to identify the franchisee's business in marketing a product or service following the franchisor's operating methods;
- The franchisor provides the franchisee with support and exercises certain controls; and,
- The franchisee pays the franchisor a fee.

The other type of franchising is product distribution franchising. Product distribution franchises simply sell the franchisor's products and are supplier-dealer relationships. In product distribution franchising, the franchisor licenses its trademark and logo to the franchisees but typically does not provide them with an entire system for running their business. The industries where you most often find this type of franchising are soft drinks, automobiles and gasoline.

## Section 4 The World Franchise Council Code of Ethics for Franchising and National Extensions/ Interpretations

The Code represents the franchise sector's chart for self-regulation. All World Franchise Council Member Associations are expected to abide by the [World Franchise Council's Code of Ethics](#). All Full Members of the World Franchise Council must have a code of ethics consistent with the code of ethics, promulgated by the International Franchise Association or the European Franchise Federation, or another equivalent code. Compliance with their association's code of ethics must be mandatory for companies belonging to WFC Member Associations.

### National Interpretations of a Code of Ethics

Understanding and respecting the variations and nuances in the development of franchising in each country, the WFC encourages each national association to develop their own code of ethics.

Mandatory adherence to a code of ethics creates a system of standards. Many WFC Member Associations have spent considerable time educating their membership about the importance of these ethical standards. This message is built into communications to the franchise sector and the broader public. Having standards gives an association an identification with a label of quality. An association that is identified with a "label of quality" provides "added-value" to its member companies. This label of quality speaks also for the credibility and dependability of the association in the eyes of all levels of authority.

At franchise exhibitions, you will usually see franchises that are members of a WFC Member Association put up a very visible sign on their stand to draw attention to the "label of quality" that their membership represents. This branding can be valuable in attracting potential franchisees.

## Section 5 Membership of a national franchise association: the evolution from franchisor membership to franchisor and franchisee membership

The first franchise associations were set up over 50 years ago, (i.e. IFA, FFF). They were created by the founders of franchise systems (the franchisors) to promote and protect the franchise sector. Originally their membership was limited to franchisors.

As the franchise sector has matured and integrated into the mainstream of the business and legal communities, so have the standards of its actors, franchisors and franchisees alike.

Leaders of franchise associations recognized that for a franchise association to be seen to promote and defend the full franchise community, the association must represent all the parties in a franchise relationship, franchisor AND franchisee.

The 1990's saw several franchise associations open their membership and governing bodies (board of directors, committees) to franchisees.

In associations where this is the case, the types of this representation vary, but experience shows that while there is usually initial fear, franchise associations have everything to gain by this evolution.

## Section 6

## Status of a national franchise association: independence and freedom from conflicts of interest

Most national franchise associations are established as an independent and not-for-profit association under the appropriate laws of its country.

### Independent so as:

- to solely serve, in an objective and unbiased manner, the general interests of their membership and the franchise sector at large
- to define its criteria & standards of membership so that these serve the general interest as defined above
- to control its finances

### Representative so as:

- to reflect the interests and concerns of the franchise sector as a whole
- to serve both the general interest and membership

### Not-for-profit

- to preserve its aim of serving the general interests of the franchise community in its entirety and to avoid using the association as a front for private commercial or professional interests

A franchise association that operates within these criteria will speak with a credible voice for franchising and be able to position itself as the authority with which government officials or courts can engage in dialogue if the need arises.

**Some history...**the beginnings of many franchise associations

Among the members of the WFC, many associations started off at the initiative of enthusiastic, far-seeing and dedicated franchise consultants and/or lawyers.

At the beginning, most associations did not have the means to afford a full-time CEO so that the administrative business of the organization was most often dealt with by one of the professionals that founded the association or by employees of a Chamber of Commerce.

This is still true today in countries where market factors and dynamics of the franchise community cannot sustain an association with full-time staff. Most often the CEO works part-time for the association and has some other activity, often related to servicing the franchise community.

Such circumstances, past and present, are understandable and acceptable while necessary.

However, once franchising has properly taken root in a country and there are enough franchise companies in the country to be able to forge and financially sustain a community, experience within the WFC shows that growth of an association and increased visibility and credibility comes when an association commits the resources to having an independent manager that is wholly dedicated to growing the association and not at the same time growing his/her private professional business.

Having a full-time manager without personal conflicts of interest fulfills the demand for an association to be perceived and valued as an independent organization serving the general interest of all the franchise actors in that country, not solely particular franchise interests.

## Section 7

### More than one franchise association in a country

It may happen that in a country, there is more than one franchise association.

The World Franchise Council's policy has been to accept as members the associations that best fits the conditions defined in its Statutes and described in the preceding sections.

In some countries, the existence of more than one franchise association may be linked to the particularities of the division between sectoral representational bodies.

If the issue becomes a problem for a WFC member or for a potential WFC member, these instances must be analyzed on a case-by-case basis.

## Section 8 National Franchise Associations

### Who are the members?

- Franchisors
- Franchisees
- Consultants, lawyers and other suppliers of goods or services to franchise companies

### Aims of the association:

To establish a framework for franchising with regards to:

- The business community
- prospective entrepreneurs
- politicians
- banks
- schools and universities
- lawyers – and legal systems
- Etc...

To promote the franchise model

#### *To defend franchising*

- in promoting ethical standards
- in lobbying to protect the business environment for franchising

#### *To educate the actors*

- franchisors
- franchisees
- suppliers of goods and services to franchise companies

#### *To serve its members*

- promotion and help in their development
- information
- education
- exchange of experience and best practices

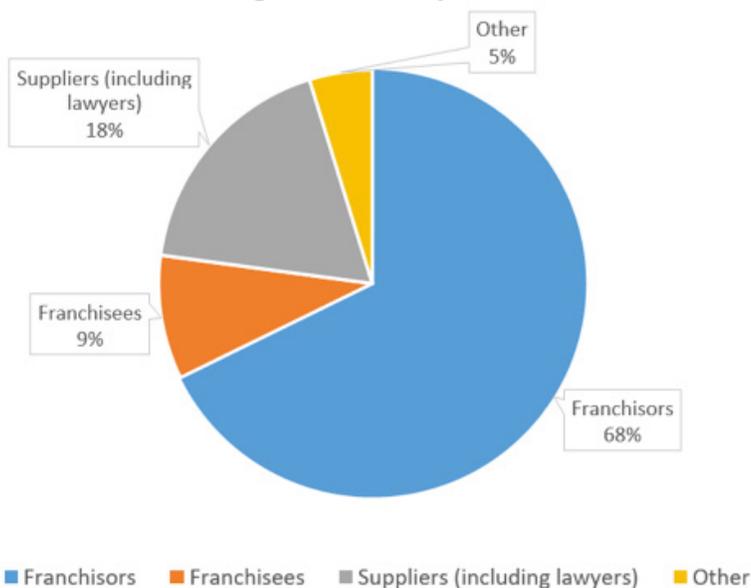
## PART B – Concrete Franchise Association Management Metrics from WFC Member Associations\*

*\*Taken from the 2016 Franchise Association Benchmarking Survey conducted by the International Franchise Association for the World Franchise Council*

The data below from World Franchise Council member associations is shared to allow your association to benchmark itself and gain insights. This data should not be interpreted as a set of standards or best practices. For example, having a high level of reserves as a percentage of annual budget is a sign of good financial health in an association. Most WFC members have reserves equaling less than 50% of their annual budget, but this should not be regarded as a best practice. Similarly, thriving associations have revenues that are well diversified beyond membership dues. On average WFC member associations receive 51% of their income from member dues, but all would aspire to more non-dues revenue.

### MEMBERSHIP

Average Membership Distribution



How many franchisors are active in your country?

**Average:** 1052

**Median:** 614

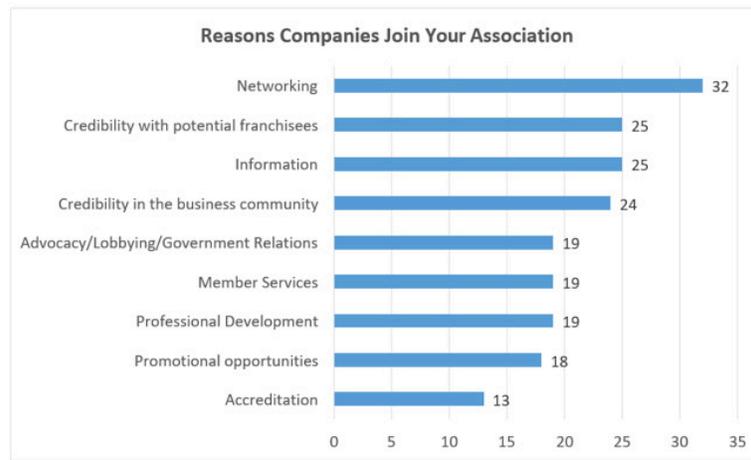
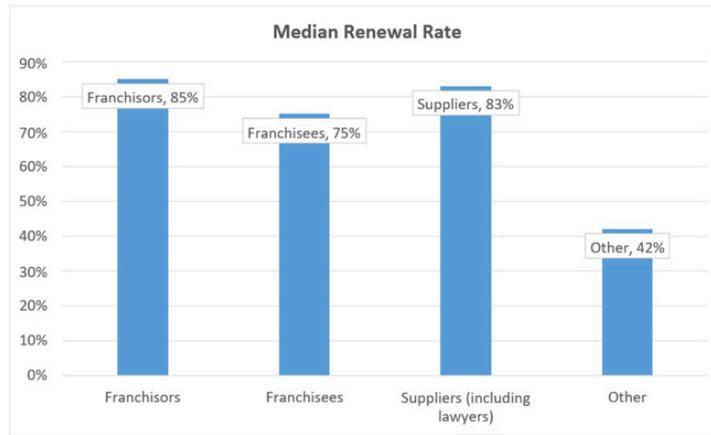
What was your renewal rate among each type of membership?

**Franchisors**    **Average:** 72%    **Median:** 85%

**Franchisees**    **Average:** 56%    **Median:** 75%

**Suppliers**    **Average:** 65%    **Median:** 83%

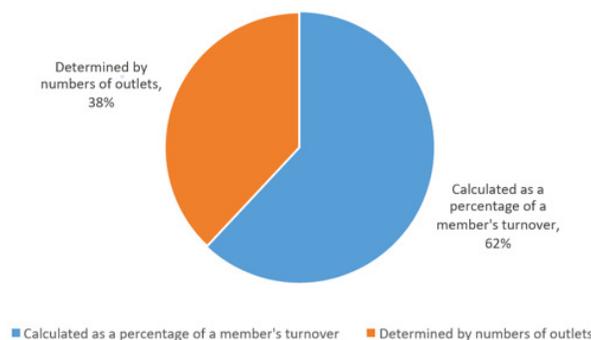
**Other**    **Average:** 44%    **Median:** 42%



**Other reasons given:**

- Discounts on participation in events (Exhibition and Training Courses)
- Involving in Governments programs
- Funding from government agency

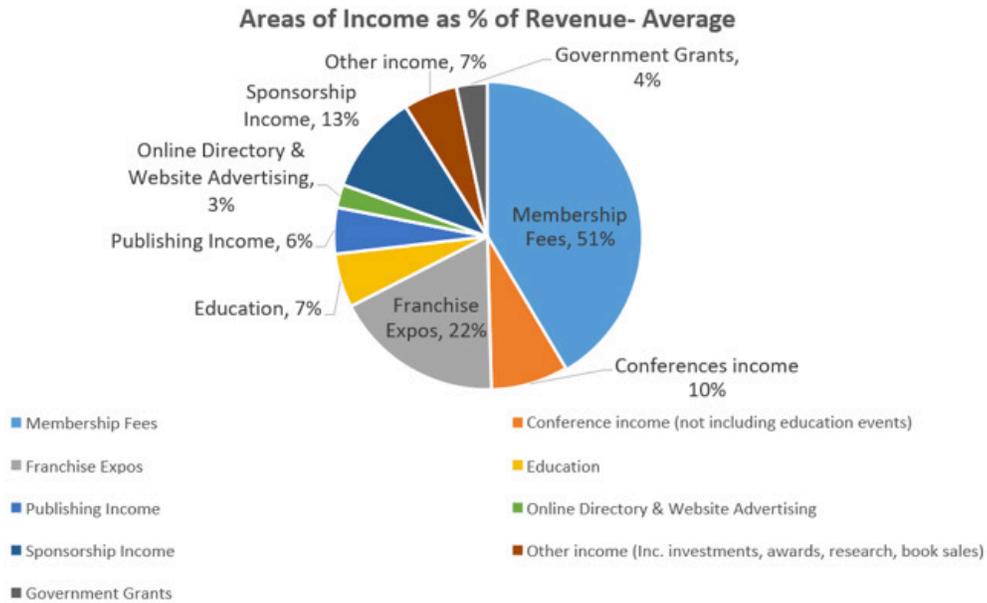
**How do You Calculate Franchisor Dues?**



**Other ways WFC Members calculate franchisor dues:**

- Fixed membership fees not related to any element of business
- Determined by number of franchisees
- We divide our annual budget evenly among all current members
- The asset size of the company
- Numbers of outlets and middle surface of the shop
- Determined by the perceived benefits of each category
- We charge US \$400 thereabouts across the board; new franchisors with lesser than 2 franchisees are charged 50%

FINANCES & OPERATIONS



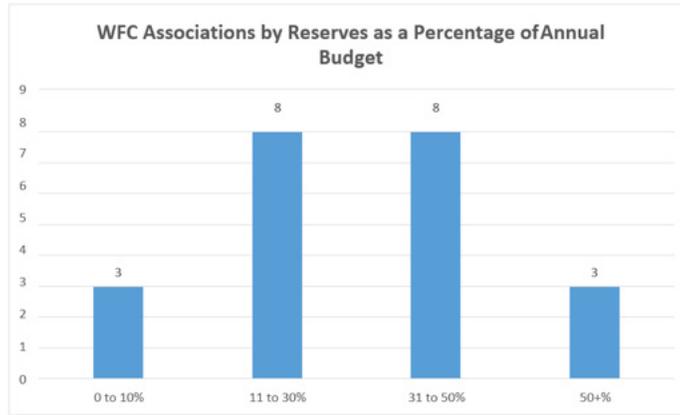
| <b>Areas of Income as Percentage of Revenue- Median</b>       |     |
|---|-----|
| Membership Fees   | 53% |
| Conference income (not including education events)            | 6%  |
| Franchise Expos   | 18% |
| Education   | 3%  |
| Publishing Income   | 1%  |
| Online Directory & Website Advertising                        | 1%  |
| Sponsorship Income  | 5%  |
| Other income (Inc. investments, awards, research, book sales) | 3%  |
| Government Grants   | 0   |

What was your association's total revenue in the last financial year?

**Average revenue:** \$1,220,432 **Median revenue:** \$217,631

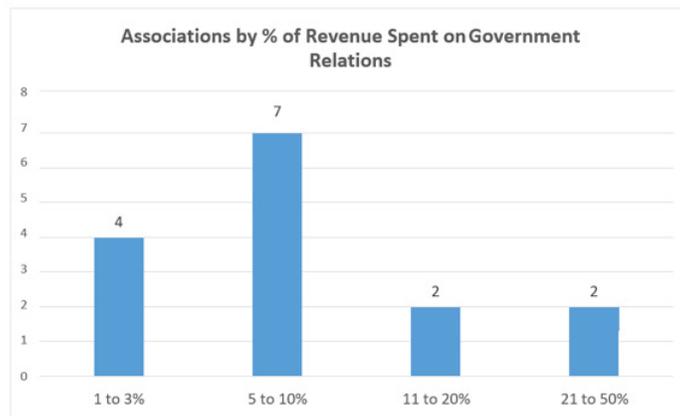
What are your reserves as a percentage of your annual budget? (For example, if your annual budget is \$1 million US Dollars and you have \$600,000 in reserves then your reserves are 60% of your annual budget.)

9 of 31 respondents (29%) indicated they have no reserves. Among the 22 associations with the reserves the average reserves as a percentage of annual budget was 37% and the median was 31%.



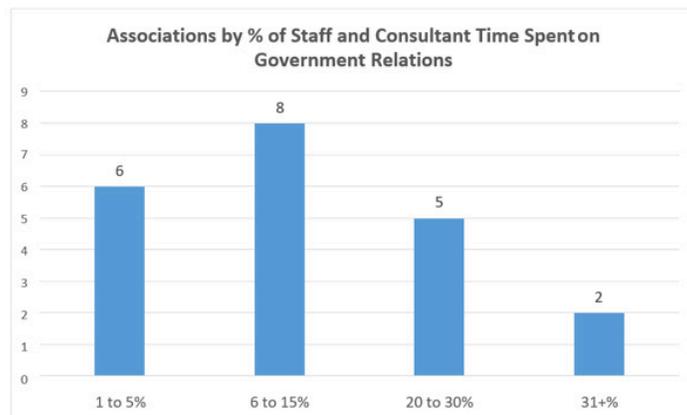
*What percentage of your revenue do you spend on franchise research?*

Of the 32 respondents 13 said they do not spend association funds on research. Some indicated that they conduct research through partners and one indicated that research was conducted through external sponsorship. Of the 19 associations spending funds on research the average expenditure was 11% of the association’s overall budget. The Median, however, was 5% of budget.



*What percentage of your revenue (including staff wages and paying consultants/lobbyists) do you spend on political lobbying or government relations?*

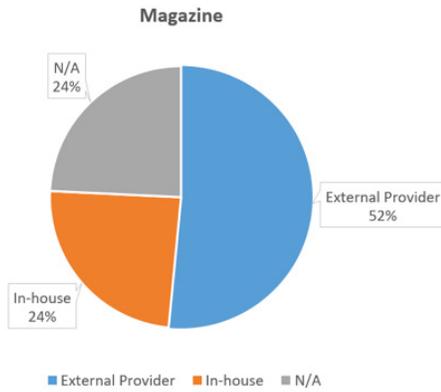
Of the 31 respondents 15 said they do not spend on lobbying or government relations. Of the 16 associations spending on lobbying and government relations the average spending was 13% of budget and the median was 10% of budget.



*What proportion of your overall staff and consultant time is allocated to lobbying or government relations?*

8 of the 31 associations responding spend no time on government relations. Among the 21 associations whose answers were in or could be converted to a percentage response the average was 14% of staff time devoted to government relations. The median was 10% of staff time.

For the following activities, please indicate if you operate these in-house, or endorse an external provider to conduct these on your behalf:



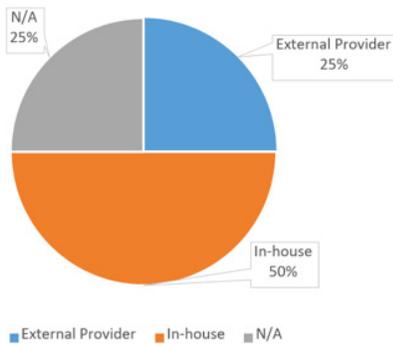
*Publish a magazine - In-House or External Provider?*

**External Provider: 17**

**In-house: 8**

**N/A: 8**

**Online Directory of Franchise Opportunities**



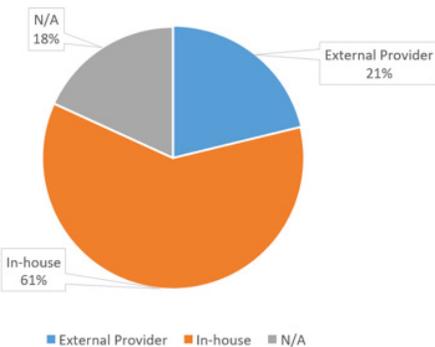
*Operate an online directory of franchise opportunities - In-House or External Provider?*

**External Provider: 8**

**In-house: 16**

**N/A: 8**

**Electronic magazine, Journal or Newsletter**



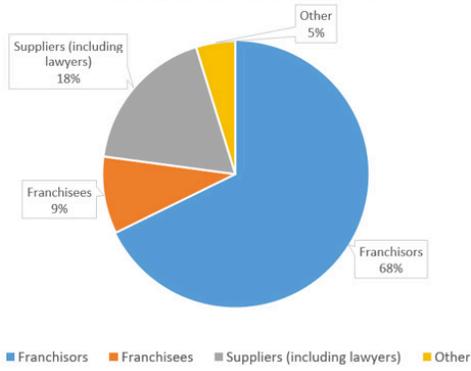
*Publish an electronic magazine, journal or newsletter - In-House or External Provider?*

**External Provider: 7**

**In-house: 20**

**N/A: 6**

Average Membership Distribution



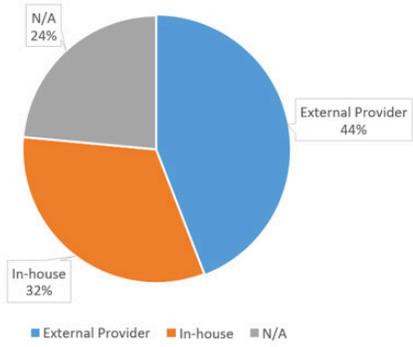
Conduct an annual conference for your members - In-House or External Provider?

**External Provider: 6**

**In-house: 25**

**N/A: 3**

Franchise Expos



Conduct franchise expos - In-House or External Provider?

**External Provider: 15**

**In-house: 11**

**N/A: 8**

## Part C – Glossary

### Franchising

Franchising is a system of marketing goods and/or services and/or technology, between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, to conduct a business in accordance with the Franchisor's concept. The right entitles and compels the individual Franchisee, in exchange for a direct or indirect financial consideration, to use the Franchisor's trade name, and/or trade mark and /or service mark, know-how, business and technical methods, procedural system, and other industrial and /or intellectual property rights, within the framework and for the term of a written franchise agreement, concluded between parties for this purpose.

### Franchisor

A franchisor is the entity who directly manages the franchise concept. He is responsible for the brand and business system, and therefore the long-term strategy; the franchisor offers and signs the franchise agreements including master franchise agreements. The franchisor may be a subsidiary or affiliate within a larger company and may have a complicated ownership structure that includes investors. The franchisor may outsource part of their operations to vendors who offer recruitment, technology or support services to franchisees

### Franchisee

A franchisee is the independent (legally and financially) entrepreneurial entity, whether an individual, a group of individuals, or a corporate entity, who is bound by the terms of the franchise agreement. A franchisee may operate one or more units or may be allowed to recruit, establish and support sub-franchisees.

### Brand

The franchise brand is the commercial name used by the units and shown to customers of the units. The brand is trademarked by the franchisor (or part of the franchisor's corporation.) Use of the trademark is granted through agreements to units, master franchisees, and/or sub-franchisors.

### Unit

A unit is the basic business that is being franchised. Units are defined by prototype and/or by territory. They follow a limited operations manual. The unit provides the product and service directly to the customer.