

**FRANCHISE ASSOCIATION OF NEW ZEALAND INC.  
ANNUAL GENERAL MEETING 2016  
CHAIRMAN'S REPORT**



Only now taking this opportunity to really reflect on the successes and challenges of the past year for FANZ, do I realise what a busy 12 months it has been for FANZ, our office team and Board members. After a period of change and settling down, 2016 is now proving to be a year of refocusing on delivering FANZ's core objectives. The Board along with our new CEO, Robyn Pickerill, is very committed to this.

Robyn has now been with us for close to 7 months and has certainly hit the ground running. Robyn is already proving to be a great asset to the Association's office team and the Board are truly enjoying the process of bringing Robyn across the many facets of FANZ and taking the opportunity to closely review all systems and procedures of the Association at the same time. Thank you Robyn for your significant contribution already this year.

Firstly, it's appropriate to quickly reflect on and celebrate FANZ's 20<sup>th</sup> anniversary year. For those that attended the recent anniversary cocktail at the Northern Club I am sure you will agree it was a great evening of reminiscing and learning about the early days, seeing old friends and enjoying the great company that is the franchise industry in New Zealand. A very special thanks to Westpac, Stewart Germann, David McCulloch and the FANZ office team for pulling together this great event.

Aside from the 20<sup>th</sup> anniversary celebrations, the most notable event of the year for me was our visit from Aziz Hashim in April this year. All will agree that Aziz presented an honest and thought provoking look at franchising from all three perspectives – franchisee, franchisor and as Chair of the IFA. His strong messages of advocacy, knowing our franchise industry numbers and being franchisee success focused were heard loud and clear by all in the room on the night. Thanks to Westpac, Simon Lord and Robyn for putting together this very valuable event.

As a Board, we have made some significant decisions in the last six months to protect the future of the Association. These decisions were not made lightly or without deep consideration from the entire Board. The result was a commitment to make substantial cost savings within the Association, with the two most notable being a full restructure of the office staff and to also relocate to a more cost appropriate premises. Thank you to Peter Scott of Parallel Directions for your support with the office relocation project.

Thank you to our Honorary Solicitors Gaze Burt, specifically David Munn and Michael Bright, for your guidance and support this year. It is greatly appreciated.

Finally, thanks also to all of the FANZ office team for working through this period of change and transformation with professionalism and care for the Association.

**Finance**

Members will have noted that this year's audited Financial Statements show a net deficit of \$86,107 as compared with the previous year's deficit of \$30,709. The true normalised cash deficit is reduced to \$30,677 after depreciation and the one-off write-off of the Buy a Franchise Limited investment. Every effort is being made within the Association to reduce expenses and increase revenue and the 2016/17 budget reflects a break-even position.

An overview of the 2015/16 accounts will be given at the AGM by our Accountant.

**Membership**

Our franchise system membership has remained stable throughout the year and we currently we have 142 franchisor members. Affiliate member numbers have also remained stable with a current total of 64 members. There a further six member applications currently going through the Scrutineering process.

As a Board we continue to look for ways to increase membership and offer value to our members. Last year the Legislation and Rules Committee was initiated and this is developing strongly under Deirdre Watson's direction – thank you Deirdre. Round Tables discussions are now scheduled three times throughout the year with the support of BNZ. Interest in these sessions has been strong and feedback has been positive.

Thank you also to Board Member Vaughan Moss for establishing and hosting a number of franchisor sessions over the last year. These have been on a range of topics of special interest to franchisors and highly attended. This is something we look to continue growing over the coming year.

Our new CEO is making a concerted effort to go out and meet existing members and potential new members, welcome new members personally and encourage involvement in the Association's events.

### **Advocacy**

Last year, we reported on the Commerce (Cartels and Other Matters) Amendment Bill and that the Commerce Commission had chosen not to make specific allowance for franchising in this Bill. This was a significant concern for us all, and the Legislation and Rules Committee made this matter a priority for the year and have done some great work and recently submitted a substantial paper stating FANZ's concerns with the Bill abolishing restraints of trade applying after the end of collaborative activity (i.e. after the end of a franchise term). We are delighted to see that MBIE have taken our concerns seriously and have advised us that they are now reviewing the Bill as a result. Thank you to all members of the Committee, but in particular, I must say a special thank you to Darryl King of Jackson Russell Lawyers for putting together such an excellent paper on behalf of FANZ.

It is a key focus of the Board to enhance relations with Government to create an awareness of Franchising and the substantial contribution it makes to the economic and social wealth of New Zealand.

In continuation of our efforts, just last week we met with the Honourable Craig Foss, Minister for Small Business. The meeting covered a range of topics and was very successful. After this meeting and having attended the Westpac NZ Franchise Awards in 2015, being our first government representation at the awards in many years, he is keen to foster relations with the Association even further going forward.

### **Complaints Panel**

Following on from a quiet 2015, the Association has not had any complaints in the last year that required being forwarded to The Complaints Panel. The Association receives regular queries, mostly from franchisees asking for direction. Frequently these calls are from non-members and the only option open is to refer them to seek legal advice.

My thanks on behalf of the Association go to the Chair of the Panel, Kevin Connell together with Patrick Learmonth of Macky Robertson, Hamish Walker of Izard Watson and his alternate, Rory MacDonald for their continued service.

### **Education**

FANZ's Franchisee Pre-entry on-line education programme with Massey University has now been live for three years and has seen a significant number of registrations and completions which continues to grow each year. In the coming year the content will be revised to ensure the information stays current and relevant. The five modules cover the key areas of research for a prospective new franchisee - franchising basics, finance, system & start-up, operating & support and due diligence. I continue to encourage all franchisors to make reference to the on-line training on your own franchise recruitment website pages and to request that prospective new franchisees to your groups complete the programme before joining your franchise group.

### **Sponsorship:**

Sponsorship is vital to the Association and without it we would not be able to run the many events that we do. Sponsors come on board for primarily two reasons, one is to show their support for the Franchising industry and the second being to seek exposure for their brand and services.

We have a number of long-term loyal sponsors who have been with the Association for many years now. We are grateful for your continuing support. We also welcome a number of new sponsors this year who you will see

present at events like the annual conference and awards night. I encourage all members to first consider our sponsors when looking at products and services for your own businesses.

Thanks to CGB Publishing for their continued provision of editorial space in their quarterly magazine Business Franchise Australia and New Zealand.

A quick thank you also to Paramount Services for their cleaning of the FANZ premises throughout the year.

### **Westpac New Zealand Franchise Awards**

Once again we will see Westpac as the Principal Sponsor of the Franchise Awards in November. After the fantastic success of the twenty first awards last year, we are thrilled to see Westpac on board for their 22<sup>nd</sup> consecutive year.

Again this year, judging remains completely independent of FANZ and will be conducted by the New Zealand Business Excellence Foundation and I would like to thank them for their ongoing involvement and support. The Baldrige Criteria, which is an internationally recognised set of judging criteria, will be used to assess business performance.

This year's award categories will see the Special Awards, Franchise System & Franchisee Awards and Community & Individual Awards return, along with the re-introduction of the Export Award.

During the 2015 awards evening we took the opportunity to recognise David Munn as a Life Member of FANZ and also inducted three franchising pioneers in to the FANZ Hall of Fame. Those distinguished individuals were David McCulloch, Wally Morris and Hugh Morris (posthumous induction).

### **Branch Meetings**

We are delighted to announce that ASB Bank has committed to supporting the Association through the sponsorship of the Auckland 'After 4pm' meetings for the next two years. We thank ASB for their valued continued support.

The Auckland breakfast events had several sponsors during the year and thanks go to Crowe Horwath, Franchise Consultants, MYOB, Yellow and the Waipuna Hotel and Conference Centre for your contribution to these events. I would also like to especially acknowledge and thank David Foster and Harris Tate for the quality and frequency of regional events they organise in both Tauranga and Hamilton.

It is a focus of the coming year to build the regional meeting activity in other areas throughout the country and I really do encourage all members to support those regional meetings and to encourage franchising people you know in those regions to attend.

### **Buy a Franchise Website and Franchise New Zealand Magazine & Website**

The Association's Buy a Franchise directory website was launched in 2014 in response to the diminishing commission being received from Reed Publishing's Franchise Business New Zealand website. The commission received from Reed Publishing had shrunk from a very solid figure in 2010 to essentially nil in 2014 as the Australian based business shifted its focus away from New Zealand. The primary objective for the Buy a Franchise directory website was to make revenue for the Association, but also with the additional goal of building a database for promoting events and getting out to the public FANZ messages in general.

After an initial year of acceptable performance, the website began to perform poorly and the financial contribution was far from what was budgeted. At the same time it became evident that the website needed a new operating platform which required significantly more investment. On the back of poor performance, this investment could not be justified and a final decision to end the Buy a Franchise website was made.

After consideration of all of the above points a decision was then made to enter in to a new arrangement with Franchise New Zealand Magazine and Website. This decision was taken for multiple reasons with the first and most important being to provide the Association with a financial contribution, but also to form a strong relationship with the countries number one franchise magazine and website to better assist the Association with promoting our events such as the annual conference and awards night. I am confident this has been a positive

move forward for FANZ and is now allowing us to get our messages out to as many people as possible including franchisors, franchisees and prospective members.

### **Rules and Code Changes**

On the recommendation of the Legislation and Rules Committee, the Board made a change to the Financial Disclosure requirements of the Code of Practice, after noting the current balance sheet disclosure requirements were detrimental to membership growth.

The below revised Viability Statement requirement will now be included in the Code of Practice and will become effective as of 1 September 2016.

- (1) A viability statement with key financial information in respect of the Franchisor from the Franchisor's directors/principals in accordance with Appendix B (provided that the requirement to supply the information specified in paragraph (a) of Appendix B does not apply if the statement provided in paragraph (b) of Appendix B is supported by an independent audit provided by an auditor within the preceding 12 months and a copy of the auditor's report is supplied). The information and statements set out in Appendix B shall not be required to be provided by a Franchisor which is a wholly owned subsidiary of a public company whose shares are publicly traded on the New Zealand Stock Exchange where:
  - (a) The Franchisor or its parent company has obtained from the New Zealand Securities Commission an exemption for the provision of separate accounts for subsidiary companies; and
  - (b) The Franchisor provides in place of the information and statements set out in Appendix B the audited annual report of the parent company containing consolidated financial statements including those of the Franchisor. *(no change)*
- (2) As an alternative to the viability statement referred to in clause 4, a current signed and dated solvency certificate in the form set out in item c) of Appendix B. *(new alternative)*

### **International Representation**

FANZ has continued its role as General Secretariat of the World Franchise Council (WFC) and has attended meetings in Brisbane, Australia and Bologna, Italy in the last year. The Brisbane WFC meeting also coincided with the annual Asia-Pacific Franchise Confederation (APFC) meeting.

Attendance by FANZ at both WFC and APFC meetings continues to strengthen our international contacts and provides us with ongoing insights in to the developments, challenges and new initiatives of other franchise associations and franchise industries right around the world.

A number of common themes were noted at all three meetings, specifically in the areas of association's finances, membership growth challenges and the trend of new or proposed legislation continuing to blur the lines of franchisor and franchisee responsibility and the independence of their businesses.

### **FANZ Board**

I would like to finish by taking this opportunity to thank our current Board members for their contribution, efforts and hard-work over the past 12 months. 2016 has proven to be a busy and challenging year so far, but with a combined focus on the Association we have achieved a great deal and I am confident we are establishing a strong footing for FANZ and are setting a positive way forward.

The new Board for the 2016/2017 year is in a sturdy position with only one member change from the last year. Welcome to our new Board member Nathan Bonney.

Regards,



Brad Jacobs | Chairman