

FranchiseReview

Official Journal of the Franchise Council of Australia

NFC 13

FUTURE LANDSCAPES

For Leadership, Strategy and Technology



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Keynote
speaking program
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FRANCHISE COUNCIL OF AUSTRALIA

Coalition's intentions look promising for Small Business



As we enter the final week leading up to the **National Franchise Convention** it is worth reflecting on the state of franchising as it relates to the new Australian landscape and rest of the world.

FCA Chairman, Michael Paul

At the time of writing, MP Bruce Billson has recently been announced as Australia's Minister for Small Business. This comes as good news but no great surprise. Minister Billson was re-elected to the Federal seat of Dunkley for his seventh consecutive term, and has been the Shadow Minister for Small Business since 2009.

What is a far more encouraging sign from the new Government was the move of the small business portfolio from the Department of Innovation back to Cabinet. This signals the Coalition Government's intention to take Small Business and the livelihood of hundreds of thousands of hard working Australians seriously.

In Minister Billson, we have a long-term small business advocate installed in a Cabinet that aims to get things done. We anticipate Billson and his team will pick up where the previous Government left off – with the completion of the extensive Franchising Code of Conduct review, which has been taking place in various stages, since 4 January this year.

This provides a solid position for franchising to move through to the end of the year and into 2014. This year has been one of collaboration and we look forward to continuing this trend both with Government and other stakeholders next year.

Australian best practice franchising attracting international attention

Following the success of the FCA Franchisor US Study Tour which I wrote about earlier this year, a delegation of US Franchisors will complete a similar program in Australia, coordinated and hosted by FCA, following attendance at the National Franchise Convention this October. These international relationships are becoming increasingly important to our members as their systems grow and move beyond Australia. It is fantastic to see the interest in international franchising is reciprocated by our American counterparts.

In June and August, the FCA participated in the Australia China Business Week events held in Melbourne and Sydney respectively. I was fortunate enough to attend and speak at the Sydney event, which comprised more than 1,300 delegates from Australia and China researching investment in Australian business.

The Franchise Council of Australia is also a member of the World Franchise Council and attending meetings twice yearly has ensured we represent Australian franchising on a global scale (see pages 12 and 13 for more details). FCA representatives also attended the New Zealand Annual Franchise Conference and participated in expert panel sessions at the Franchise UAE Expo in September of this year.

National Franchise Convention 2013

This year we will return to the beautiful Gold Coast. It is our great pleasure to bring Australia's pre eminent franchising event back to such a stunning setting.

With a key focus on leadership, strategy and technology, this year's National Franchise Convention poses the question:

What does the future of franchising look like in Australia?

“These international relationships are becoming increasingly important to our members as their systems grow and move beyond Australia. It is fantastic to see the interest in international franchising is reciprocated by our American counterparts.”

And we'll answer it with a knock out keynote speaking program featuring **Guy Russo, Managing Director of Kmart; Warren Wilmot, CEO of 7-Eleven; Bernie Brookes, CEO and MD of Myer Group; and Tony Alford, CEO and MD of Retail Food Group**, along with presentations by executives from **NAB, PayPal, Microsoft, eBay and Google**.

Expert panel sessions on a variety of topics and trends will feature some of Australia's best franchise brands and CEO's sharing their experiences, challenges and triumphs at the coal face.

I'm particularly looking forward to these panel sessions which showcase not only some of the most experienced franchisors in the country, but also the true thought leadership and brain trust that is evident in Australian franchising. We are an incredibly open sector that thrives on the sharing of ideas and experiences.

You can read more about the program on pages 24 and 25.

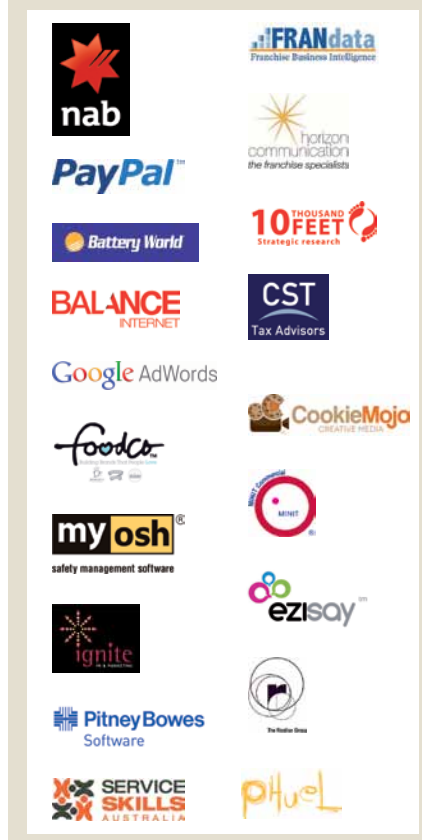
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See you on the Gold Coast ... 

“Expert panel sessions on a variety of topics and trends will feature some of Australia's best franchise brands and CEO's sharing their experiences, challenges and triumphs at the coal face.”

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The Hon Bruce Billson, MP
Minister for Small Business

Coalition moves small business portfolio to Treasury

It has been said many times that small business is the backbone of the economy and there is little doubt the franchise community makes a significant contribution to the sector. The Coalition Government understands the vital contribution small business makes to communities and to our economy. That is why the small business portfolio has a dedicated spot at the Cabinet table.

For the last four years as the Shadow Minister for Small Business I have seen the very real issues which affect the franchise and small business sector. Throughout 2013, the Coalition followed closely the issues considered as part of the Franchising Code review undertaken by Mr Wein. We have developed good working relationships with many key stakeholders, including the Franchise Council of Australia, and as a Coalition we are looking forward to building on these relationships with a Small Business Minister in cabinet role.

As part of our agenda we will look to refine the Franchising Code of Conduct to strengthen its effectiveness, improve its responsiveness to the sector's unique commercial characteristics and tensions, and guard against additional state-based regulation.

“ We will work collaboratively with the franchise sector to identify opportunities to reduce red tape imposts while improving knowledge about commercial expectations and risks, rights and responsibilities under agreements governed by the Franchising Code. ”


We will work collaboratively with the franchise sector to identify opportunities to reduce red tape imposts while improving knowledge about commercial expectations and risks, rights and responsibilities under agreements governed by the Franchising Code.

The Government understands the challenges and road-blocks that stand in the way of small business success. That is why one of our key commitments is to reduce the regulatory burden by at least \$1 billion each year, which will restore time, focus and resources back to small business to invest in their business success.

The Government will extend unfair contract protections to small business and reduce the red tape burden and compliance costs on business including through giving small business a better way to pay superannuation.

In addition, a root and branch review of the competition laws will be undertaken to ensure both small and big business have a level playing field. This independent review will examine the current competition framework, how it is applied, if it is keeping up with emerging trends, and whether outcomes are consistent with what was intended.

Responsibility for small business policy is now a matter for the Commonwealth Treasury. This puts small business at the centre of the economic discussion.

As the Minister for Small Business, I am committed to being the positive partner small business needs, and to work as hard for the success of small business as those in these businesses do. I look forward to working closely with the men and women behind our small businesses over the coming period. 

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Bernard Moore, Workforce Development,
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CASE STUDY: The Coffee Club - encouraging franchisees to work 'on' as well as 'in' the business

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The Coffee Club is a fast growing Australian hospitality franchise with more than 309 stores throughout Australia, China, New Zealand, New Caledonia and Thailand. It is a group of dedicated small business operators with an average employee base of 30 per store. The geographical make up in Australia is approximately 60 per cent capital cities and 40 per cent in rural and regional areas.

The Coffee Club provides initial and ongoing training and support for franchisees in the operational aspects of running a franchise within The Coffee Club group. It has a dedicated Store Opening Team and Business Development Managers who work with franchisees to continue to develop their businesses. However, as the business grows, the franchisee requires less operational training and more professional management skills. The need changes from the day to day running of the franchise, to leading their team, and being able to develop those skills within their business.

The Coffee Club focussed on improving their franchisees' ability to manage multiple sites to improve return on investment, anticipating that the increase in ROI would come from owners/managers improving their delegation and personal direction capabilities.

“ **Demonstrating the impact of investing in training, the franchisee participating in the original training has enrolled another employee in the course, because of the impact of this measurable ROI.** ”

Dedicating their time to higher pay-off activities, 'working on' the business and spending less time 'working in' the business, was expected to improve managers' confidence.

The organisation's original investment in workforce planning saw each learner gaining the skills to calculate ROI, which could lead to reduced hours to complete tasks, increased sales or turnover, and reduced wastage, wages and materials costs. To illustrate, a Queensland franchisee reduced COGS and wages to under 25 per cent of turnover, equating to savings in excess of \$300 000 per year. Another franchisee calculated savings of almost \$200 000 from a combination of process changes and improved planning and rostering.

Demonstrating the impact of investing in training, the franchisee participating in the original training has enrolled another employee in the course, because of the impact of this measurable ROI.

The Coffee Club also recognised that those in capital cities have greater access to the group's human resources support, and draw from a larger potential employee base that often has professional management training and experience from previous employment. In most regional areas, where the pool of potential employees is not available, exacerbating the situation is the added competition for staff from mining operators, who can offer larger salaries and wages, without the disadvantage of moving towns.

There is a need to be able to offer the same level of support to franchisees in regional areas, to increase their skills, ultimately helping to attract, retain and develop management personnel against large local competition from the mining sector that city-based franchisees do not experience.

Through the National Workforce Development Fund (NWDF), The Coffee Club has been promoting lessons from the early work with multi-site operators and modifying its application to support single-site operators in regional areas wishing to grow their businesses. [fr](#)

*To find out the benefits experienced to date, join us at the Learning and Development Breakfast on **Monday 21 October** at the **National Franchise Convention (NFC13)** to discover how The Coffee Club, Wendy's and 7-Eleven drive growth and sustainability across their networks.*

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Franchisee Recruitment



Bakers Delight looks to staff to 'rise' to the occasion

By Gabby Kelly, General Manager Bakers Delight Holdings

Over the past 33 years of operation, Bakers Delight's success is a direct result of the quality of the people who work in our 600 plus bakeries across Australia. The career development offering to our staff is focused on providing viable career paths and encouraging our internal network to flourish. Over 30 per cent of our current franchisees started their careers at Bakers Delight as either sales assistants or bakers within our bakeries. We make sure to inspire our high-performing staff by providing internal training programs as well as developing a stringent recruitment and selection process for identifying internal talent. One of the most successful programs in developing internal talent at Bakers Delight is the Fresh Franchisee program.

The Fresh Franchisee program was developed to enable young workers within the Bakers Delight network to undertake franchisee training and work towards business ownership. The program is available to employees who demonstrate the drive and aspiration to own their own Bakers Delight bakery. Employees may nominate themselves or can be identified by franchisees, area or regional managers.

The program itself is not for the faint-hearted, we know that there are a lot of great bakers and sales staff in our bakeries, but they also need the maturity and passion to take on their own business.

By recruiting franchisees internally, we're finding business owners who have a good, strong understanding of the business and the culture.



Gabby Kelly, General Manager
Bakers Delight Holdings

“The program itself is not for the faint-hearted, we know that there are a lot of great bakers and sales staff in our bakeries, but they also need the maturity and passion to take on their own business.”

These candidates also already possess unique technical skills like baking and production management and they are used to the hours the job requires.

To be accepted into the Fresh Franchisee program employees must undertake a five step recruitment process; an online application, phone interview, face to face interview, profile testing and finally the approval stage. The objective of this process is to ensure that the staff selected to undertake the Fresh Franchisee program are dedicated to their career path as future business owners at Bakers Delight.

Once employees commence the Fresh Franchisee program, they are provided with a Personal Training Plan that identifies performance goals and measures that captures development needed to achieve success.

The program is completed under the guidance of their franchisee and supported by extensive training and development by our Training team. Throughout the 12 month course, aspiring franchisees must complete training modules that cover everything from baking, sales, WH&S requirements as well as business training such as accounting and operational requirements for running a small business. While the program is typically designed to take place over the course of a year, we're open to the fact that some employees selected for the program may even have the capacity to complete it within 5-6 months.

The fresh franchisee works closely with their current franchisee and meets regularly with a Bakers Delight training team member to



review their training progression. Once the fresh franchisee has successfully completed their training, they are then able to work with the Franchise Recruitment team to see what bakeries are available for them to lease or purchase. At this stage, they will still need to undergo a financial health assessment with the finance team who supports them with a savings plan in working toward business ownership. The Fresh Franchisee will also be required to complete their own business and financial due diligence with their accountant and solicitor.

Identifying high-performing staff who have the passion and drive to succeed within the business is an integral part of Bakers Delight's career development process. Selecting from

“ The Fresh Franchisee will also be required to complete their own business and financial due diligence with their accountant and solicitor. ”

a pool of staff that are already engaged, invested and in it for the long haul often makes for inspiring business owners and certainly supports the long term growth strategy of the business.

Looking for future business owners in our network is no different than externally recruiting a franchisee – we want to see that they are the right fit for the business as owners, brand ambassadors and team leaders and the Fresh Franchisee program is designed to support both the needs of the trainee and the needs of the business through this process. **fr**

For further information on Bakers Delight career opportunities, please visit the website www.bakersdelight.com.au



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FCA to drive international survey of franchise associations

Delegates from 24 countries attended the World Franchise Council Meeting in Malaysia in September and agreed to conduct an international benchmarking survey of member associations.

The Franchise Council of Australia has received approval from the World Franchise Council (WFC) to conduct the first international benchmarking survey of franchise associations.

The survey will collect information from WFC members regarding core association functions such as membership, communications, education, events, operations and governance to establish benchmarks of international best practice and identify improvements to benefit members and stakeholders of the FCA and other franchise associations.

The survey was proposed by FCA deputy chairman Jason Gehrke¹ and ratified by the World Franchise Council at its most recent meeting in Malaysia in September

While WFC members have long shared information about the economic and legislative landscape that affects franchising in their respective nations, the benchmarking survey will be the first study to compare how different franchise associations service and support their membership.

"A search of available information shows that existing association surveys compare different associations within one country, such as a plumber's association with a dentist's association, but no survey to date has specifically looked at franchise associations by themselves," says Gehrke.

"The FCA will drive this as a project on behalf of the World Franchise Council and report the findings in the first half of 2014."

The WFC meeting was held in Kuala Lumpur, Malaysia, from September 18-19, and was hosted by the Malaysian Franchise Association. It was attended by 24 member nations and was followed by the Malaysian Franchise Association's national franchise exhibition and annual franchise conference, at which Gehrke participated in a panel discussion on international franchise legislation.

The FCA also participated in the annual meeting of the Asia-Pacific Franchise Confederation (APFC), a group of franchise associations in the Pacific region which seeks to improve the exchange of ideas and opportunities between neighbouring countries.

About the World Franchise Council

The World Franchise Council (WFC) is an association of 45 national franchise bodies such as the Franchise Council of Australia (FCA), and similar organisations from other continents including Europe, Asia, Africa and North and South America.

It was formed in 1993 to support the development and protection of franchising in member countries, and to promote a collective understanding of best practice in fair and ethical franchising worldwide.

The FCA has reaffirmed its commitment to the World Franchise Council this year to grow the reputation of Australian franchising abroad, and facilitate opportunities for FCA members internationally.

About franchising in Malaysia

As the host association for both WFC and APFC events, the Malaysian Franchise Association reinforced the Malaysian Government's invitation to international brands to open in Malaysia.

The nation's booming economy, growing and well-educated population, favourable exchange rate and a government plan to achieve the status of a fully-developed nation by the year 2020 makes it an attractive market for international brands.

¹ FCA directors are volunteers and are not paid for representing the FCA.
The FCA contributed to travel costs to participate in the WFC and APFC meeting.

Malaysia's legal system is similar to Australia as a result of its origins as a former British colony, and English is widely spoken in business and government.

The Malaysian Franchise Act regulates the franchise sector in much the same way as the Franchising Code of Conduct in Australia, with the additional requirement that franchisors must be registered with the government. Amendments to the Act in 2012 also now require franchisees to be registered as well.

“ The FCA will drive this as a project on behalf of the World Franchise Council and report the findings in the first half of 2014. ”

A strong affirmative action policy for native Malays (bumiputeras) that was originally pioneered by former Malaysian Prime Minister Dr Mahatir Mohamad has resulted in the development of financial incentives for local franchisors to develop new concepts, as well as for franchisees to invest in international master franchises and individual outlets throughout the nation.

Websites for more information:

World Franchise Council:
www.worldfranchisecouncil.net

Asia-Pacific Franchise Confederation:
www.franchise-apfc.org

Malaysian Franchise Association:
www.mfa.org.my



The official group photo. Countries represented include: Australia, Brazil, Canada, China, Czech Republic, France, Guatemala, Indonesia, Italy, Finland, Great Britain, Hungary, Japan, Korea, Lebanon, Malaysia, Mexico, Philippines, New Zealand, Russia, Singapore, South Africa, Taiwan and Turkey.

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Franchisee Community Service

Narellan Pools - bringing dreams to life in business and community

Award-winning Narellan Pools franchisees, Danny and Fiona Harvey, lead by example when it comes to community service through their business.

After witnessing the effects cancer had on their goddaughter, the couple from Illawarra wanted to give back to the community, and felt that being part of the Narellan Pools brand gave them the ability and opportunity to do so.

Illawarra radio station, i98FM host the Camp Quality Convoy every year, where the community drives together lead by police escort, to raise funds and awareness for children living with cancer.

Danny and Fiona, who towed a pool shell as part of the convoy, felt a personal connection to the charity, but also felt it held close to the values of Narellan Pools, whose vision and philosophy is "We bring dreams to life."

"We were drawn to the Camp Quality Convoy because of how passionate the people behind the organisation are about making a difference, by bringing happiness and assistance to kids and their families dealing with cancer," they said.

Narellan Pools franchisors, Chris and Debb Meyer, were more than happy to make a contribution to the cause when they were approached by their franchisees.

"We are committed to remaining ethical whilst contributing to economic development and improving the quality of life of our people, their families and the communities we operate in."

"We were very proud of Danny and Fiona's initiative and were excited to get involved," Chris said.

Danny and Fiona were recognised at the NAB FCA Excellence in Franchising Awards for their Community Service, as a finalist in 2012, and won the NSW accolade in 2013. They are now in the running to take out the National title being announced this month.

Franchise systems benefit from having community-minded franchisees

Along with charity, good will, and selflessness, there are many other benefits to supporting your franchisees' community service endeavors. Chris and Debb have been recognised both as a franchisor and manufacturer for their work in social responsibility.

On a personal level, they are active supporters of Bears of Hope, an Australian charity providing support and exceptional care for families who experience the loss of a child, which they have experienced, after the devastating loss of their son, Xavier.

Professionally, Narellan Pools has supported their local community for many years, Chris and Debb have said their collaboration with Danny and Fiona, together with Camp Quality was a 'dream realised'.

Flavelle Family – Winners of the Narellan Pool in the Camp Quality Convoy 2011



"This is a perfect example of how our commitment and leadership in social responsibility radiates out and makes a difference in the world," Debb said.

Franchisees Danny and Fiona have had a remarkable response to their community involvement, and believe that the Convoy has helped to raise brand awareness and support for Narellan Pools.

"Many clients that purchase a pool from us say they chose us because of our involvement with the Convoy. We've also had the opportunity to network with many local business people involved, and built our profile in the community," Fiona said.

Encouraging franchisees to give back

Chris and Debb are now encouraging their franchisees to aim even higher, with their new goal to raise over \$1 million for Narellan Pools' surrounding communities.

"Our franchisees do a fair job supporting their local communities, however we have a strategy to see each one of them give back in a more defined way- a way that allows them to make an even bigger difference to more people in their community," Chris said.

Narellan Pools have built a social responsibility strategy, and community is one of their five values. They are committed to developing their franchise as such.

Community is at the core of Fiona and Danny's business – and they've wasted no time encouraging other franchisees to get behind their favourite charity.

"It is a massive commitment for Narellan Pools to roll out this opportunity (who have donated seven pool shells to the cause so far) to any franchisee who wants to get behind a charity in a similar fashion. We are proud to be involved with a company that shows this level of opportunity to all its franchisees," they said. 🇺🇸

Fiona and Danny are now finalists for the National Franchisee Community Service award, to be announced at the NAB FCA Excellence in Franchising Awards Gala Dinner on the Gold Coast, on Tuesday 22 October



Narellan Pools marquee during the convoy

“ We were very proud of Danny and Fiona’s initiative and were excited to get involved. ”



The Narellan Convoy team



Fiona and Danny Harvey with their Convoy trailer

Community Comes First

- The total amount raised for the 2012 Convoy was over \$1 million!
- Each year, the Camp Quality Convoy Raffle raises an average amount of \$30,000.
- Danny and Fiona have supported Bears of Hope, Tour De Cure, Movember, Chris O'Brien Life House, The Leukaemia Foundation, Parameadows School, and Relay for Life.
- Danny and Fiona promote their involvement through i98fm, but have also been featured on WIN TV, who ran a documentary special last year, featuring the 2011 pool package winners.
- Danny and Fiona have described their franchisor's Chris and Debb, as 'extremely generous and supportive', and were only too willing to help with the pool shell donation and cooperation throughout.
- Narellan Franchisees have also been involved with Sids and Kids, Cancer Council of Australia, and have donated pools to children with disabilities.

Standing out from the crowd can be cheaper than you think

By Gianpaolo Carraro, SMB Director at Microsoft Australia



Behind every great franchisee is a franchisor providing everything from branding to friendly business advice, right down to critical IT support. Having the right technical solution can maximise growth – and increase the bottom line for franchisees that depend on their franchisor to provide a successful business model.

As customers embrace social and mobile trends and look to interact with brands as never before, it's important to embrace the technology that's available in Australia right now. If you thought a window front that drives business while you're asleep is light years away and only available to the global mega chains of the world – think again!

Interactive POS displays

We've all seen the property cards that sit in the front window of Real Estate agents. You could use Microsoft's Kinect device along with a large display screen to give customers the option to access all of the information without going inside. By snapping a QR code in the display, they could even download a map to their smart phone.

The advantage of this type of app is that franchisees could track when their customer looked at the app, which properties they looked at and which maps they downloaded. It then provides the opportunity to stay in touch with that customer by pushing regular content to the app.

You can take that concept a step further by adding a feature in the app that allows customers to go back and look at that unique browsing session. That means they could show their family which properties they liked – not just the one they downloaded the map for – but every property they flicked through.

If you ran the solution with Windows Azure you could add data mining and see what's been looked at in each suburb, for instance you'd be able to tell that most searches for a particular suburb were for a three bedroom apartment with a pool.



Gianpaolo Carraro, SMB Director,
Microsoft Australia

This type of solution doesn't just work for real estate, it can be shaped to be applicable to nearly every industry. For example for the fashion industry you could download the app using the QR code and then customers could be directed to the ecommerce feature where they could buy the very outfit that's in the shop window in front of them.

Multi-functional devices

Technology doesn't need to be complicated. One of the simplest things you can do is use one Windows 8 device for a variety of purposes such as a point of sale terminal, signage and of course a tablet. This will enable your wider team to work as efficiently as possible and allows you to streamline your expenses and bring costs down.

The Microsoft platform also provides a low cost option for getting mobile and social platforms up and running that are complemented by these touch devices. It allows both franchisors and franchisees to respond quickly as customers increasingly demand access to social media and ecommerce solutions.

Embracing cloud

The advances in cloud technology means cheaper IT solutions can be designed to scale up and down to suit requirements which is important for a sector that attracts a large amount of casual employees.

Home appliance franchise Mr Rental, recently installed 500 seats of Microsoft's Office 365 across 90 stores in Australia and New Zealand in four months. Selecting a solution that comprised of Exchange, SharePoint and Lync, the business effectively 'rented' the servers and can now scale the solution up and down to suit the number of franchisees on board at any one time. Staff were already familiar with the Microsoft user interface so it meant a lot less training was needed during the initial rollout.

One of the main benefits for the Mr Rental franchisor was the reduction in travel time. The sales team were able to conduct their training sessions online using Lync's video conferencing system and cut back their regional trips to quarterly visits.

This encouraged the team to interact online and franchisees were able to receive personal training sessions each week via Lync, a hosted

collaboration service that allows people to connect using video conferencing, instant messages, and voice calls.


Mr Rental bought this as part of the Office 365 package which is a great solution for companies that want the whole service. It effectively runs itself which is great for franchisors – and it provides franchisees with a single platform so they can share ideas and documents quickly and easily.

Secure social communities

Not only can the collaborative technology help you reduce overheads, it can help you foster internal relationships. A great way to bring everyone together is with an internal online community such as Yammer, it's a social networking tool specifically designed for the enterprise. Basically it allows you to create a private and secure network where franchisees and staff can communicate about confidential matters.

It doesn't matter where franchisees are located, they can access and quickly report customer service issues, feedback and in turn franchisors can respond. It's also an effective way to

communicate the company's vision and give positive feedback to franchisees. Yammer also provides the opportunity to retain intellectual property as it tracks conversations so they can be referred back to at a later date.

Another way to reduce costs and bring your team together is with SharePoint. It's a secure place to store, organise and share information. Franchisees can access internal information via almost any device - all you need is a web browser to log on. From a franchisor's perspective it's a great way to keep all of the information in one place and meet the compliance requirements of the organisation. From a franchisee's perspective it guarantees that you will always have the latest version of any document or point of sale material to hand. 

*To find out more about reducing your IT costs and doing more with less, join us at our expert panel session at the **National Franchise Convention (NFC13)** featuring executives from Microsoft, Mr Rental, InverseCurve and Adenbrook Homes. **1.25pm Monday 21 October***

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Jonathon Britton, Managing Director
Shift8 Pty Ltd

Effectively Managing Growth with Point of Sale

One of the key factors as a franchise business grows is implementing the right point of sale software, format and hosting model for your stores. This is the main data channel between your stores and the analytics team regarding what works or does not work for your brand.

There are many independent resellers out there who will offer an off the shelf package with little customisation, no remote access or central database, let alone multi site management. This approach seems fine and may not present any major hurdles when managing a relatively small group of stores but as the network grows the workload required in maintaining the system across many locations far outweighs the actual use and benefits.

What to look for in POS for a brand with a targeted growth strategy?

Essentially you are moving to remove the concern of actually running the POS network from your head office staff, allowing your team to concentrate on using the system, analysing data and improvement or refinement of your products.

Some basic questions are:

- How are the products and keypad managed? i.e. We want to introduce a new line of products to all stores and create a new button on the keypad for this purpose. What is the complexity of performing this and how long will it take until active in all sites?
- How is the data captured? What happens in the instance of missing data?

- What is the support structure like and, more importantly, how many support calls do you actually field per store?
- What head office structure (both hardware and fees) is required to run the systems?

Answers to all these questions should be quickly and competently provided. There is nothing in the list that should require extra build costs or extended time for a solution with the technology available in today's environment. The one exception to this rule is if you are implementing older, legacy hardware into a current management system as many times this is not supported or will require some time to work into a modern system.

With centrally managed databases, online reporting and automated data capture the POS provider is essentially a service provider, not just a software provider, to the franchisor. A professional provider will help you expand by making the POS a simple, quick and easy to manage solution, not providing a bottleneck to the growth of the franchise system as a whole.

The key benefits of effective POS

By implementing a scalable system you will retain full visibility across your network as it continues to grow, something that is very easy to lose track of with the mounting responsibilities of running a national chain of stores. As vitally important, is keeping the knowledge to the growing base of franchisees that you have the ability to monitor sales and the compliance rate of the network remotely.

Understanding that as a network grows so will the incidence rate of "skimming" and under-reporting. A stable point of sale network with reports and controls in place to flag any anomalies across the store network will ensure you can spend your time analysing the correct growth figures, rather than worrying about the accuracy of the data in the first place.

Ensure that not only the scalability of the system will be able to cope with your increasing demands, but also that the available reporting aligns with the goals of the business, and the POS system becomes a very useful tool to assist with managing your company. [fr](#)

“Ensure that not only the scalability of the system will be able to cope with your increasing demands, but also that the available reporting aligns with the goals of the business, and the POS system becomes a very useful tool to assist with managing your company.”

To learn more about the wealth of information available in your data and how some of Australia's most successful franchisors including Mrs Fields, Ali Baba, Ferguson Plarre and Brazilian Beauty have used it, come to our expert panel session at NFC13 on Monday 21 October at 1.25pm

Bespoke Insurance for FCA Members



Proudly endorsed by the Franchise Council of Australia (FCA), Aon is the trusted insurance broker for many of Australia's largest franchise networks.

How we work?

By listening to you and developing an in-depth understanding of your franchise network, we can define your specific risk exposure and create a bespoke insurance program to help protect your business and franchisees.

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With 40 offices across Australia no matter where your franchisee is based there will always be a team of insurance experts close at hand to support you.

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- Claims support to ensure you receive the best possible outcome
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 - Public Liability;
 - Products liability;
 - Management liability;
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FRANCHISE COUNCIL OF AUSTRALIA

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FRANCHISE COUNCIL OF AUSTRALIA

AON



National Franchise Convention

NFC13 Keynote speaking program



This year's keynote speaking program boasts a wealth of expertise from across industries and around the globe. In one place you will hear from the Chairman of the International Franchise Association, the head of Kmart Australia, the head of Myer, the Franchisor of 7-Eleven stores and many more. It's a program not to be missed.



Guy Russo
Managing Director,
Kmart

Guy Russo was appointed Managing Director of the Kmart retail chain owned by Wesfarmers Ltd in Australia and New Zealand, in 2008.

Formerly with the McDonald's Corporation, which he joined in 1974, Mr Russo served as Managing Director & CEO of the Australian business and President of McDonald's Greater China. Based in Hong Kong in 2007/08, Mr Russo consulted with private enterprises as well as public companies with commercial interests in China.

Throughout his business career Mr Russo has pursued a passion for life-saving children's charities. He served as Chairman of Ronald McDonald House Charities (RMHC) in Australia, board member of the charity in Hong Kong and ushered in the establishment of RMHC in China.

He is President of Half the Sky Foundation, an international charity for the benefit of orphaned children in China. He has also served on the Business Council of Australia and the Board of Diabetes Australia; together with his family, Mr Russo currently resides in Melbourne.



Warren Wilmot
Chief Executive Officer,
7-Eleven

Warren has spent 20 years at 7-Eleven, commencing as a District Manager in the field with franchisees. He progressed through various operational roles, and briefly also was Head of Marketing. In November 2002, Warren was appointed CEO for the organisation. Prior to 7-Eleven, he spent nine years with the Pizza Hut group, working his way up from Store Manager to Operations Manager for Vic and Tas, for the Jardine group. Before Pizza Hut, Warren worked for various restaurant groups, among them developing a breakfast concept on the Gold Coast, working in Mt Isa, and in various Brisbane locations and, also spent about four years, after University working all around Australia and in the US, on farms, driving trucks, and picking fruit.

Warren holds a Bachelor of Science degree from Monash University, majoring in Medical Science. He is a member of the Board of Directors for the Australian Association of Convenience Stores, and one of three International Directors on the Board of the National Association of Convenience Stores in the US. He is also a member of the Australian Institute of Company Directors, and a Fellow with the Australian Institute of Management.



Tony Alford
CEO and Managing Director,
Retail Food Group

Tony has been an accountant in public practice for more than 18 years. He holds a Bachelor of Business from the University of Tasmania and is a fellow of CPA Australia. Tony commenced his involvement with Retail Food Group in 1994 in an advisory role through his private accounting practice. Through this association, he built a strong relationship with the Company's founders which resulted in his appointment as financial controller in 1996.

Tony's achievements in this role and intimate knowledge of Retail Food Group's operations resulted in his appointment as Managing Director in December 1999. Subsequently, he has presided over significant growth in the Company's franchise systems, revenue and profitability which has been achieved as a result of the focus on developing and implementing the internal systems and procedures which are essential to Retail Food Group's success. Prior to his involvement with the Company, Tony conducted a successful private accounting practice. His experience advising a range of clients in relation to taxation, business development and growth strategies will continue to be relevant to Retail Food Group.



Emma Hill
Deputy Chair,
Michael Hill International

Emma Hill is Deputy Chair at Michael Hill International. She has worked for Michael Hill Jeweller for over 19 years. As a young girl she began cleaning counters and emptying rubbish bins in her parents' Whangarei shop and by 13 she was working in the store on Saturday mornings learning the fundamentals of selling.

Emma was instrumental in the formation of the company's vision of 1000 stores by 2022. She then spearheaded the expansion of Michael Hill Jeweller into the world's most competitive retail environment, North America. During her time with the company she has lost her job, felt the humbling heartbreak of losing money in new markets, and ultimately helped transform Michael Hill Jeweller from an Australasian retailer into a global jewellery brand.



Steve Romanillo

Chairman International Franchise Association,
Managing Director of Roark Capital Group

Steve Romaniello, CFE, Chairman of FOCUS Brands and Managing Director of Roark Capital Group, Atlanta, Ga., is the new Chairman of the International Franchise Association. Romaniello accepted the Chairman's gavel during the 53rd IFA Annual Convention.

Romaniello has over 25 years of experience with top brands in the franchise industry and a history of managing for long-term success. As Managing Director of Roark Capital Group, Romaniello is actively involved with Roark's investments in FOCUS Brands, Wingstop, Corner Bakery, McAlister's and Arby's.

Prior to joining Roark, Romaniello was CEO of FOCUS Brands, the franchisor and operator of over 3,300 ice cream stores, bakeries, restaurants and cafes in the United States, the District of Columbia, Puerto Rico and 50 foreign countries under the brand names Carvel®, Cinnabon®, Schlotzsky's®, Moe's Southwest Grill®, Auntie Anne's® Pretzels, and the franchisor of Seattle's Best Coffee® on certain military bases and in certain international markets. Before becoming CEO of FOCUS Brands, Romaniello served as president of Carvel Ice Cream.

Prior to his tenure at FOCUS Brands, Romaniello was president and COO of U.S. Franchise Systems (USFS), the franchisor of Microtel Inns & Suites® and Hawthorn Suites®, which are now part of the Wyndham Hotel Group. Romaniello helped grow USFS from one brand with 22 hotels in nine states to three brands and more than 500 hotels open in 50 states and five countries. Prior to joining USFS, Romaniello was a vice president at Holiday Inn Worldwide, where he was responsible for franchise services, support and training for 1,700 hotels in the United States, Canada and the Caribbean operating under the Holiday Inn and Crowne Plaza brands. During his tenure, annual franchise sales performance increased fivefold. From 1988 to 1991, Romaniello held various positions with Days Inn of America.

Romaniello received a B.A. from Tufts University.



Bernie Brookes

Chief Executive Officer and Managing Director,
Myer Group

Bernie was appointed Chief Executive Officer and Managing Director of the Myer Group on 2 June 2006. Since his appointment, Bernie has been responsible for the turnaround and rebuilding of the Myer business. He has led the development and implementation of the Myer five-point strategic plan, repositioning the business to meet today's challenges and investing for the future. Bernie has spent over 35 years working within the retail industry in local and international roles in India and China.

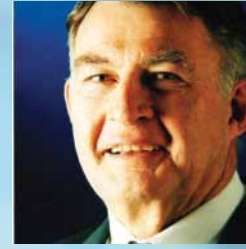
Prior to joining Myer, Bernie was in a series of executive roles with Woolworths and was instrumental in Woolworths' Project Refresh, reducing costs by more than \$5 billion over five years.

His Woolworths experience also included a variety of general management positions in three states across the Buying, IT, Marketing and Operations departments.

Bernie is also a board member of the International Group of Department Stores and has held a number of roles as president and executive of various industry organisations including the Retail Traders Association in Queensland and Victoria and President of the Queensland Grocery Association. He has assisted numerous charitable and government ventures and committees, including currently as Territorial Board Member of The Salvation Army and patron of the Myer Stores Community Fund. Bernie is also currently patron of the Australian Joe Berry Memorial Award and the Australian representative judge of the World Retail Awards.

Bernie is on the Advisory Board of Inghams Enterprises/TPG and is a Fellow of AIM.

Bernie holds a Bachelor of Arts degree and a Diploma of Education from Macquarie University.



Laurie Lawrence

Former Australian Olympic swimming coach,
Australian rugby player, acclaimed author and
master motivator

"Laurie Lawrence is one of the most sought after speakers in Australia. Powerful, evocative, emotional and motivational, Laurie Lawrence is a unique communicator". Powerful words indeed; but representative of the type of reaction Lawrence generates from audiences who have attended his corporate addresses. Lawrence's impact on the business community has been quite spectacular. He has proven to be uniquely capable of clearly drawing the parallels between business success and high sporting achievements.

As a motivator and entertainer he supports the "knuckles down the wall" approach in pursuing his personal credo of "Striving for Excellence". His track record clearly reveals that he practices what he preaches and yet Olympic success has tended to obscure his other achievements. An educated person, Laurie Lawrence studied for and completed a BA degree at James Cook University; a Diploma in Physical Education from the University of Queensland and a Teaching Diploma from the Kelvin Grove College of Advanced Education.

His love for Rugby saw him overcome the twin handicaps of having one lung, and being an asthmatic, to fight for and gain selection in the Australian Rugby Union side which toured NZ as the "Wallabies" in 1964. Today, Laurie is a highly successful small businessman and close family man. He operates the now famous Laurie Lawrence Swim School which also specialises in teaching physically disabled, as well as speech and hearing impaired children. One of Australia's most successful coaches, Laurie has represented Australia as a Coach in Brisbane's 1982, Edinburgh's 1986 and Auckland's 1990 Commonwealth Games, and also at the 1984 Los Angeles, 1988 Seoul and 1992 Barcelona Olympic Games. During those international contests Laurie's pupils succeeded in breaking many National, Commonwealth and World Records in a number of Gold Medal winning performances. Laurie was the appointed Team Motivator for the Australian Olympic Team at Atlanta and at the Sydney Olympics.

In addition to the keynote speaking program, hear from more than 30 experienced Australian franchisors in our expert panel sessions (see full program on page 24-25)

[Click here to register](#)



National Franchise Convention

NFC 13



Expert Panel Sessions

The panel sessions at NFC13 will showcase the latest knowledge in the industry. Hear from those at the forefront, who have revitalised the way franchises conduct business. Take a look at the wealth of expertise available across a variety of business functions in just a few of the sessions at this year's convention:

Learning and Development

**Franchise Academy Education Partner,
Franklyn Scholar**

Training as a strategic driver of success

What emphasis do you place on training?

The training culture embedded in a franchise system is paramount to its success. It determines the capability, engagement and overall achievement of your franchisees, and in turn, affects their staff and filters right down to the end customer or client.

This session will show how some of Australia's best known franchisors learned to:

Think beyond training as a short term transaction.

Use benchmarking to realise the value of education.

Facilitator:

*David Muffet,
National Relationship Manager,
Franklyn Scholar*

Moderator:

*Rod Young,
Chairman,
DC Strategy*

Speakers:

*Tony Iommazzo,
GM People, Wendy's Supa Sundaes*

*Sharon Morgan,
Group Learning Manager,
Quick Service Restaurant Holdings*

*Maria Walton,
HR Manager/National Franchise Manager,
Mister Minit*

*Bernard Moore,
Workforce Development,
Service Skills Australia*

*Stasi Clarke,
General Manager Human Resources
and Learning & Development,
Barbeques Galore*



Marketing

Marketing – From National to Local

How do you structure your marketing fund?

How has your budget allocation changed with technology?

How do you measure the success of national campaigns at local level?

Do you participate at a local level?

Facilitator:

*Gis Marven,
Sales Director,
Whirlwind Print*

Speakers:

*Melissa McCarney,
GM Group Marketing,
Mortgage Choice*

*Drew Eide,
National Brand Manager Jamaica Blue,
Foodco*

Finance

Unlocking funding solutions for franchisees

With competition for quality small business lending so high and good health generally apparent in the franchise sector, why is capital access continually being identified as a major challenge facing franchising?

In this session we take stock of the current ability of franchisees to fund transactions through the banks, examine why this is occurring and provide strategies to unlock solutions.

Facilitator:

*Darryn McAuliffe,
CEO, FRANData Australia*

Speakers:

*Derryn Harrison,
Founder CAPFAC Pty Ltd*

*Anthony Sullivan,
Partner and Head of Franchising at
Lawler Partners, Chartered Accountants*

Operational

The future of mobile commerce

Where is m-commerce headed?

What can service franchises do to stay ahead of the pack?

What can you do to ensure efficiency, reliability, profit and the best possible experience for your customers?

Facilitator:

*Ben Zyl,
PayPal Here*

Speakers:

*Warren Ballantyne,
Founder, Gutter Vac*

*Mike Stringer,
Franchisor, Car Care, Housework Heroes
and United Home Services*

*Adam Theobald,
Founder and CEO, Beat The Q*

See page 24-25
for a complete program schedule.



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As you well know, promoting your franchise group has super challenges.

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National Franchise Convention Program

Monday 21 October 2013

7.00 - 8.15	Learning and Development Breakfast - Sponsored by Service Skills Australia Achieving results through a productive workforce <i>Facilitator:</i> Bernard Moore, National Workforce Development Fund Manager, Service Skills Australia <i>Speakers:</i> Tony Iommazzo, GM People, Wendy's Supa Sundaes Robyn Walsh, Franchisee, Wendy's Supa Sundaes Helen Rogerson, Group People Manager, The Coffee Club Trevor Maher, National Learning & Development Manager, 7-Eleven			
8.30 - 8.40	Day One Opening Session – Official Opening: MC – Toby Travanner			
8.40 - 8.50	Michael Paul – FCA Chairman and CEO Pack & Send The role of the FCA is enhancing the credibility of Australian franchising, expanding the pool of potential franchisees and improving franchisor and franchisee profitability and satisfaction.			
8.50 - 9.35	Keynote: Guy Russo, Managing Director, Kmart Leading an organisation through change.			
9.40 - 10.25	Keynote: Steve Romaniello, Chairman, International Franchise Association, and Managing Director, Roark Capital Group Franchising developments, the world over IFA Chairman Steve Romaniello will share the highlights of his stellar career, along with a US franchising update and where he sees the global franchise community heading into the future			
10.25 - 10.55	Break			
10.55 - 11.40	Keynote: Hamish Moline, Senior Director, Seller Experience, eBay The future of e-Commerce.			
11.45-12.30	Keynote: Bernie Brookes, Chief Executive Officer and Managing Director, Myer Group The history of Myer and the move to Omni-Channel Sales.			
12.35 - 1.25	Lunch			
1.25 - 2.10	CONCURRENT 1			
	Reduce your IT costs and improve your business <i>Facilitator:</i> Steven Miller, Microsoft Office Division Business Group Leader, Microsoft <i>Speakers:</i> Caine Barends, MD, Adenbrook Homes Ian Roderick, CIO, Mr Rental Gianpaolo Carraro, SMB Director, Microsoft Brad Rappell, CEO, Inversecurve	Innovative franchise recruitment marketing methods in 2013 <i>Facilitator:</i> Raffael Fernandes, Head Of Engagement, Franchise Business <i>Speakers:</i> Tiffany Spiers, National Franchise Recruitment Manager, Mortgage Choice Daniel Vacic, Senior Consultant, DC Strategy	Key Performance Indicators – If you can't measure it, you can't manage it. <i>Facilitator:</i> Jonathon Britton, Managing Director, Shift 8 <i>Speakers:</i> Andrew Benefield, Managing Director, Cookie Corporation Dominic Cain, General Manager - Operations & Marketing, Ali Baba Lebanese Cuisine Steven Plarre, CEO, Plarre Foods Francesca Webster, Director, Brazilian Beauty	Training as a strategic driver of success <i>Facilitator:</i> David Muffet, National Relationship Manager, Franklyn Scholar <i>Moderator:</i> Rod Young, Chairman, DC Strategy <i>Speakers:</i> Tony Iommazzo, GM People, Wendy's Supa Sundaes Sharon Morgan, Group Learning Manager, Quick Service Restaurant Holdings Maria Walton, HR Manager/National Franchise Manager, Mister Minit Bernard Moore, Service Skills Australia Stasi Clarke, General Manager Human Resources & Learning & Development, Barbeques Galore
	Changeover (5 mins)			
2.15 - 3.00	CONCURRENT 2			
	Private equity – is your system ready? <i>Facilitator:</i> Marshall Bromwich, Special Counsel, Norton Rose Fulbright <i>Speakers:</i> Peter Hammond, Managing Director, Exto Partners Linda Cooke, Partner, Grant Thornton Australia Tim Wilson, Managing Director, Blue Sky Private Equity	Marketing – From national to local <i>Facilitator:</i> Gis Marven, Sales Director, Whirlwind Print <i>Speakers:</i> Melissa McCarney, GM Group Marketing, Mortgage Choice Drew Eide, National Brand Manager, Foodco	Making mapping and information easier to access for your important business decisions <i>Facilitator:</i> Peter Buckingham, Managing Director, Spectrum Analysis <i>Speakers:</i> Dennis Banfield, National Franchise Operations Manager, Australian Pharmaceutical Industries Limited	The future of mobile commerce <i>Facilitator:</i> Ben Zyl, Head of Sales & Distribution, PayPal Here <i>Speakers:</i> Warren Ballantyne, Founder, Owner and Managing Director, Gutter Vac Mike Stringer, Franchisor, Car Care, Housework Heroes and United Home Services Adam Theobald, Founder and CEO, Beat the Q
3.00 - 3.30	Break			

Monday 21 October 2013 continued

3.30 – 4.15	CONCURRENT 3			
	<p>What keeps you awake at night? Worried about cash flow? Changing legislation? Protection of your brand? Operational and Occupational Health & Safety? Third parties hacking into your database? Or the risk of a customer bringing a claim against you?</p> <p><i>Facilitator:</i> Chris Ristevski, Sales Manager, Aon</p>	<p>International Expansion in 2013 <i>Facilitator:</i> Phil Ciniglio, Managing Director, Market Minds <i>Speakers:</i> Darren Wallis, CEO, G.J. Gardner Homes Brijesh Purhoit, Managing Director, Keen to Clean Chris Taylor, Managing Director, Aussie Pooch Mobile</p>	<p>Your Digital Journey <i>Facilitator:</i> James Horne, Balance Internet <i>Speakers:</i> Joel Shulkin, National Marketing Manager, Clark Rubber</p>	<p>Using live events to recruit franchisees <i>Facilitator:</i> Tim Collett, Managing Director, Specialised Events <i>Speakers:</i> Richard Reid, CEO, Monit and Advisor, Salts of the Earth Bill Vis, Founder and Chairman, V.I.P. Home Services Chris Jutt, Minuteman Press</p>
4.15	Close			
7.00 – 11.00	Networking night – McLaren's Landing			

Tuesday 22 October 2013

7.00 – 8.15	Franchising Breakfast - Sponsored by Phuel - Presented by Women in Franchising <i>Margie McIntyre, Australian Adventurer, Antarctic Expert, Author and Wildlife Advocate</i>			
8.20 – 8.35	Day Two Opening Session - Mark Brennan, Australian Small Business Commissioner			
8.35 – 9.20	Keynote: Warren Wilmot, Chief Executive Officer, 7-Eleven Leading a system in Australia today			
	Changeover (5 mins)			
9.25-10.10	CONCURRENT 4			
	<p>The challenges of record keeping and the franchisee franchisor relationship <i>Facilitator:</i> Andrew Oldham, National Sales Manager, Shoebooks <i>Speaker:</i> Linda Clements, Franchisor, Platinum HD Propvid Group</p>	<p>Building trust and effective issues management <i>Facilitator:</i> Sean O'Donnell, Partner, Thomsons Lawyers <i>Speakers:</i> Serge Infanti, Managing Director, Foodco Geoff Sinclair, CEO, San Churro Georg Chmiel, CEO & Managing Director, LJ Hooker</p>	<p>Unlocking funding solutions for franchisees <i>Facilitator:</i> Darryn McAuliffe, CEO, FRANdata Australia <i>Speakers:</i> Derryn Harrison, Founder CAPFAC Pty Ltd Anthony Sullivan, Partner and Head of Franchising, Lawler Partners Chartered Accountants</p>	<p>Achieving Excellence and Success with Multi-Unit Operations <i>Facilitator:</i> Greg Nathan, Founder, Franchise Relationships Institute <i>Speakers:</i> Tracy Steinwand, Territory Manager, Subway Systems Australia Tony and Michelle Graham, Multi-Unit Franchisees, PoolWerx Julie O'Shea, National Operations Manager, Hairhouse Warehouse</p>
10.10-10.40	Break			
10.40 – 11.25	Keynote: Tony Alford, CEO and Managing Director, Retail Food Group - Evolution and Insights Tony Alford, CEO and MD of Retail Food Group will share the story of the evolution of one of Australia's most successful multi-brand franchise groups.			
11.25 – 12.10	Keynote: Emma Hill, Deputy Chair, Michael Hill International - Target 1000 Emma will share the Michael Hill story, along with the steps they're taking to compete in the new retail space and what they're doing to reach their goal of 1,000 stores by 2022.			
12.10 – 12.30	CFE Graduation ceremony – Steve Caldeira, President, IFA and Michael Paul, Chairman, FCA Official presentation of CFE designation, including a presentation from Steve Caldeira on the state of franchising in the US.			
12.30-1.25	Lunch			
1.25 – 2.10	CONCURRENT 5			
	<p>Are you meeting your safety obligations? New WHS legislation means you as a franchisor have a joint duty of care for the safety of your franchisees' workers. <i>Facilitator:</i> Tony Woods, Senior Consultant, myosh Safety Software <i>Speakers:</i> Adrian Manassis, Business Development Manager, Netsight Pty Ltd Greg Smith, Legal Practice Director, STE Safety and Legal</p>	<p>Rolling it out - new technology and franchisees <i>Facilitator:</i> James Horne, Director, Balance Internet <i>Speakers:</i> Rob McKay, CEO, Wendys Richard Thame, CEO, Fastway Couriers</p>	<p>From competitor to franchisee Conversion in franchisee recruitment <i>Facilitator:</i> Phil Ciniglio, Managing Director, Market Minds <i>Speakers:</i> Peter Baily, Director of Franchising and Acquisitions, Luxottica Andrew Roberts, General Manager of Franchising, True Value Solar</p>	<p>Survival of the fittest - What factors contribute to franchisee success during tough economic times? <i>Facilitator:</i> Professor Lorelle Frazer, Director, Asia-Pacific Centre for Franchising Excellence <i>Speakers:</i> John O'Brien, CEO, PoolWerx Ajit Ponnambalam, Managing Director, Snap-On Tools Stuart Cook, CEO, Zambrero</p>
	Changeover (5 mins)			
2.15 – 3.00	Keynote: Dean Pearson, Head of Industry Economics, NAB - Economic update: growth, risk and the future Dean will provide a frank and insightful look at Australia's economy and its impact on small business, and franchising more specifically.			
3.00 – 3.30	Break			
3.30 – 4.15	Keynote: James Sanders, Head of Channel Sales, Asia Pacific Google Understanding the "Local" Internet			
4.15 – 5.00	Keynote: Laurie Lawrence – Former Australian Olympic swimming coach, Australian rugby player, acclaimed author and master motivator Knuckles down the wall			
5.00	Close			
7.00 – 12.00	NAB FCA Excellence in Franchising Awards Gala Dinner 2013 <i>Pre dinner drinks 7.00, Dinner from 7.20</i>			

Global Trends eCommerce and Social Media are shaping franchising



Franchise Review asked Rod Young, Chairman of DC Strategy and considered one of the world's leading franchise consultants, to comment on the development of global franchising in an eCommerce world.

Franchising is going through a rapid evolution driven by social and economic trends and the internet.

Franchisors recognise the rise of the 'international' market as the world is getting smaller, eCommerce is getting traction, social media is engaging more consumers and the need for products and services is growing rapidly in emerging economies.

Franchising legislation being introduced in many countries is leading to better conduct in the franchising sector, as it has done in Australia, and both the business community and the consumers throughout the world are recognising the benefits of franchising. This is leading a trend towards going global with a franchise business model.

eCommerce is also emerging as a new distribution channel and many franchise networks are grappling with this new competitor to their existing bricks and mortar networks.

Social media is changing marketing strategies. The internet consumes more of our time and is a new B2C (and B2B) channel to communicate to targeted consumer groups. There are no more secrets and consumers have access to more information than ever.

As the world economy continues to grow, the commodity that is becoming more valuable than gold, iron ore or oil is a motivated franchisee, master franchisee or area developer that is committed to building a business, a multi-store network, a region and/or country, and the brand of a franchise network while embracing the emerging eCommerce and social media strategies that must be adopted for franchising to flourish.

Just as the employee was a product of the Industrial Revolution to facilitate the production and distribution of goods manufactured by the inventors and industrialists of the time, and the small businessman emerged to provide the many shop fronts and points of presence necessary to get those goods to market, the franchisee has emerged as the storm trooper of the 'Service Revolution', bridging the gap between an employee's shorter term commitment to the success of his or her employer and the enterprising but limited resources, outlook and expertise of the independent businessman.

Now a new channel is emerging which is both complementing and competing with the physical networks and is attracting new consumers via eCommerce, click-and-collect in store, and Click-and-deliver-to-me.



Rod Young, Chairman
DC Strategy Group

The 21st century will see the evolution of the franchised owner-operator as the most efficient last-mile-to-market business model yet developed, combining the service ethics of an individual who understands that the centrepiece of his or her goodwill is the lifetime value of each customer, with the strategic planning capability, buying power and marketing muscle of bigger networks and brands. The internet will add value to retailers, provided the eCommerce strategy is aligned with both the physical network and the consumer needs.

The true worth of the franchised business model in some parts of the emerging franchise world is being muddled by opportunist franchisors focused on selling franchises, rather than building their brand by granting franchises to qualified operators who establish profitable business units.

The more experienced franchisors have learned that a focus on establishing profitable businesses that create greater value at the customer end of the business is critical to building long term enterprise value for a franchise network.

However, the trend of well run franchisors recruiting, screening and selecting better quality franchisees, master franchisees and area developers and those better quality franchisees gravitating towards well managed franchises will drive the growth of substantial franchised networks on a global scale.

New retail, food and service businesses are emerging

Heavily populated emerging economies in Asia, and South America are creating a substantial tech-savvy consumer class fuelled by manufacturing and service jobs being exported from western markets.

In first world economies, while eCommerce is growing strongly as a flood of traditional consumers go global online, wages and profits continue to be weak. However the outlook for global economic growth is becoming cautiously positive after several years of flat or negative growth in the west is being offset by strong growth in the emerging economies.

A new generation of post-GFC businesses are emerging to service the new value-conscious consumer armed with a smart phone to comparison-shop.

The retail, food and service businesses of the future are focussed on the needs of a changing consumer attitude to eCommerce and the alignment of the physical offer with an eCommerce strategy designed to capture more walk-in and log-in sales.

For the thrifty Baby Boomers and the well remunerated DINKS (dual income, no kids) in the western economies, there seems to be no limit as to how many goods can be bought and accommodated in the one (or perhaps two) homes many now own.

The emancipation of women and the single female is also driving female-centric consumption of health and beauty services such as those provided by Hairhouse Warehouse and Laser Clinics. Franchising coupled with eCommerce convenience will provide the personal touch.

Established economies have allowed Western consumers the luxury of indulgence and there is no end in sight for the growing foodservice categories that are now starting to populate the business environment in emerging markets.

Franchised food business will continue to offer up more and more niche products, and the services that go with them. The spectacular global growth of Subway, Gloria Jean's Coffees, Domino's and Boost Juice are just a few examples of focused food service offerings that are attracting large numbers of consumers to these brands as the growth in discretionary out-of-home food consumption increases.

Man-in-a-Van franchises like Hire –a –Hubby, PoolWerx, Clean Green Strata and Mr. Handyman, educated the time-poor consumer about more efficient ways to do their around the home maintenance. That trend will continue to grow and to broaden as a combination of a seemingly busier lifestyle and longer working hours demanded the satisfaction that seems to come when others are doing our chores. eCommerce is playing a strong part in servicing these time-poor consumers.

Social media and eCommerce by online ordering is increasing the market for goods and services. The internet has freed us up to book or transact online to consume personal services in the form of weight loss services, day spas, hairdressing services, hair removal and hair restoration treatments, beauty treatments ranging from pedicures to facials, dating services and medical procedures including IVF services, cosmetic surgery and laser vision correction.

Demand for services is not only focused on ourselves, but will expand into the growing markets of children's health, child care and child development. As we wish more for the fewer children that singles and couples are having, we will be spending more on our offspring in all forms of child development and education. India is emerging as one of the largest markets for child development and education services in the world.

As baby boomers and their parents get older, the development of franchised in-home carers, and other Hospital-in-the-Home concepts will not only reinforce the opportunities for the cleaning and other home maintenance brands of today but create a raft of more tailored healthcare services designed to allow us to live independently well into our final years.

Financial and business products and services are undergoing a revolution, and franchising will provide a personal link between suppliers and the service expectations of the B2B market and the emerging new rich and established, well-heeled consumer. Cartridge World is an example of such a B2B and B2C franchise which emerged as a global leader in less than 10 years. In the future, franchised mortgage broking networks will write more of the world's mortgage business and more banks will have franchised branches and wealth managers to maintain and expand their networks and build better and deeper customer relationships.

Consolidation, acquisition, IPOs & private equity gathering pace

As competition intensifies in each market segment, the top players will seek to establish market dominance by acquisition of competitors and customers to push growth past what was provided by organic development. In the past, we have seen this occur when Nestle purchased Jenny Craig Weight Loss centres in the US, Domino's purchased the Pizza Haven network in New Zealand and the giant Italian-based eyewear manufacturer Luxottica purchased the optometrist networks OPSM, the licensed Laubman and Pank network as well as the franchised Budget Eyewear chain in Australia and other networks in Asia. This demonstrates that the blending of franchised and non-franchised networks will see franchising become a much more mainstream management and marketing tool.

Retail Food Group started life as the franchised networks, Donut King and BB's Coffee. Now as a listed Australian company RFG has used the funding provided as a result of the IPO and further capital raising, to target franchised networks and has acquired Brumby's, Michel's Patisserie, Crust Gourmet Pizza, Pizza Capers and other brands.

Linked to the globalisation of brands will be the market-entry strategy of the 'buy rather than build' approach by foreign companies, both franchised and non-franchised and the purchase of foreign franchise networks by franchisors seeking a faster entry into overseas markets.

The competition for acquisitions will not just come from competitors. There are three other emerging trends that are driving franchise network growth.

Continued over page

- One trend is emerging from downstream suppliers seeking to secure distribution and the more attractive margins and brand value as a product or service gets closer to the consumer. An attractive feature of a franchise network is that a franchisor can also be a supplier to the franchisee, creating a tied distribution network.
- The second trend is the private equity and venture capital groups, who understand the value of branded networks. As more of this capital looks for a home these groups will facilitate or participate in acquisitions and mergers of franchised networks, which will help to drive consolidation in the franchising marketplace. The example of many US-based networks now owned by venture capital groups further blurs the franchising lines and demonstrates the value that is being created by franchised networks around the world. This has now been demonstrated when Boost Juice purchased Salsa's Fresh Mex Grill and then made a very successful sale of a majority of its shares to Riverside, a US-based venture capital fund. It has continued to grow with the acquisition of Cibo Espresso and a partnership with Chicken Central.
- The third trend is being driven by financial markets thirsty for new IPOs. The private equity and venture capital groups will look to create liquidity in the assets they have secured and the Wall Street's of the world will continue to look for small cap floats among franchise brands that have eight-figure earnings and prospects for substantial growth on a national and international basis. Consolidation of networks will bulk up profits to make IPOs more successful. Cartridge World is currently ranked 61 in the global master franchise table and is controlled by Wolseley Private Equity. An IPO is one of the options being considered to release value.

Globalisation of franchised brands will drive economies

The world will see more competition from foreign franchisors attracted by a target country's position near the top of the list of most desirable nations in which to grant a master franchise, as measured by a combination of the Graft Index, political stability, educated workforce, business transparency, a well developed financial system and a legal system that protects intellectual property and upholds contractual obligations.

For example, while Australia is a small market it ranks highly in many of these categories and punches well above its weight in terms of profit per unit and has proven attractive to US-based McDonald's, Burger King, KFC, Subway and Jani King, while Indonesia and some eastern European jurisdictions will lag in franchise growth until certainty of IP rights and franchise contracts and other matters of a commercial nature can be assured.

Australian brands are also heading into international waters with many home-grown franchises such as Boost Juice, Cartridge World, Jamaica Blue and Pack & Send growing more in international markets than at home.

As more and more of the thousands of franchise systems that currently operate in their local markets start to consolidate and maximise their businesses in their domestic market, they will reach a point at which they have already opened more locations in that market than they will in the future. From that point they face slowing growth unless they develop a new strategy to continue to leverage the brand value, know-how and expertise they have created and refined. eCommerce will play an important part in that new horizon of growth.

International Master Franchising

The world is awash with capital and there are many groups or individuals with substantial net worth, who are searching for the next big idea in their country or region. Many franchise systems have pioneered internationalisation of their brand and demonstrated that master franchising can help a company grow on a global scale. International franchising will become a bigger part of the revenue stream of more successful franchise systems with emerging markets like China and India creating opportunities for world domination alongside the European, Middle East and North and South American markets.

Governments and financial institutions have recognised that franchising creates economic activity, opportunity, jobs and profits. Delegations of government and semi-government officials from emerging economies are actively encouraging overseas franchise systems to establish franchise networks in their jurisdictions. Countries such as Singapore and Malaysia have proactively supported franchise development for many years and today, politicians in most countries understand the link between franchising and economic prosperity.

Future trends

Over the next five years, the franchise sector will grow at an annualised rate exceeding inflation. There will be a massive increase in the number of franchised owner operators, many of them being multi-unit owners, regional or master franchisees. They will emerge as a powerful lobby group enjoying higher profitability levels than their independent counterparts, and will require sophisticated management by franchisors.


eCommerce and social media will need to be a core part of brand strategy and sales development to keep up with the demands of the new consumer.

Many governments have introduced franchising legislation that will lead to better conduct in the franchising sector and there are only a few countries without a national franchise association. Access to information is creating better decision making. There are more accountants and lawyers who understand domestic and international franchising and are better able to advise prospective franchisees. This franchising education is diluting risk.

Networks and brands will become more valuable as the number of franchised networks grow more slowly than the number of franchisees in those networks.

Franchising know-how will become a bigger business, but more mainstream and commoditised requiring service providers such as bankers, accountants, consultants and lawyers to become much more knowledgeable and specialised.

The executive with specialist franchising know-how on his or her resume will be sought after as bigger businesses and public companies include business format franchising in their business models.

Franchising is healthy and the prospects for continued national and global growth look good. 

DC Strategy is widely recognised as the region's leading franchise consulting and legal group. DCS has developed the networks and brands of many of the region's most successful businesses. Contact Rod Young at rod.young@dcstrategy.com

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Occupational Health and Safety

This message has been provided by the Cancer Council Western Australia

Be sun smart at work

For many service based franchises, skin cancer and related issues are a serious consideration for franchisees who spend the majority of their working life outdoors. Awareness at franchisor level and education across the network is not something that should be overlooked.

The case for sun protection at work

For many Australians the workplace is a major source of exposure to ultraviolet (UV) radiation. This is especially true for outdoor workers who are estimated to receive five to 10 times more UV exposure each year than indoor workers. This increased exposure to UV radiation means that outdoor workers are at greater risk of developing skin cancer. Each year in Australia, around 200 melanomas and 34,000 non-melanoma skin cancers are caused by exposure to UV radiation in the workplace.

Despite exposure to UV radiation being an occupational hazard for all outdoor workplaces, the 2008 National Hazard Exposure Worker Surveillance survey indicated that small workplaces of less than five workers were 80% more likely to be exposed to high UV levels than those working in larger workplaces of more than 200 workers. This was largely due to the fact that workers in small workplaces were less likely to be provided with sun protective control measures.

As employers, franchise operators have a duty of care to protect their workers from over-exposure to UV radiation while working outdoors. Doing so provides the dual benefit of ensuring workers health while protecting themselves from future compensation claims.



Between 2000 and 2009 a total of 1,360 workers compensation claims were made in Australia. These claims identified sun exposure as an occupational hazard causing injury/disease and resulted in a total of \$38.4 million being paid out. Cancer Council believes this figure is likely to increase as the issue of exposure to UV radiation becomes increasingly recognised. However, the good news is that this problem is preventable if workplaces establish and enforce proper sun protection policies and practices.

Prevention is better than cure

To protect workers from the harmful effects of exposure to UV radiation, it is important that workplaces have a comprehensive sun protection program that includes:

- an assessment of workers exposure to UV radiation;

- information, training and guidance on SunSmart behaviours for workers;
- a sun protection policy;
- control measures to reduce UV exposure; and
- personal protective equipment (PPE) and clothing including long pants, shirts, broad-brimmed hats, sunglasses and sunscreen.

Through a combined approach including guidelines and policy, worker education and provision of PPE, the risk of skin cancer in the workplace can be substantially reduced.

Your state or territory Cancer Council can provide the information required to develop a comprehensive sun protection program in your workplace. [fr](#)

Visit www.cancer.org.au to find your local Cancer Council.





“As employers, franchise operators have a duty of care to protect their workers from over-exposure to UV radiation while working outdoors. Doing so provides the dual benefit of ensuring workers health while protecting themselves from future compensation claims.”

The true value of non-franchised outlets



Jason Gehrke

Debate often exists in the franchise sector about the issue of franchised versus company-owned (or non-franchised outlets).

Among retail and fixed-location service franchise systems, opinion is frequently divided about the benefit and management requirements of a company-owned network within a franchise chain.

A key element in the debate is the greater organisational resources required to manage and support company-owned outlets, particularly where managers of company-owned outlets are not able to fully benefit from the outlet's financial performance and appreciation in market value in the same manner as a franchisee.

In other words, the profit motivation of franchisees, as well as the desire to make a capital gain on the eventual sale of the business, are motivating factors rarely, if ever available to employed outlet managers.

This is the crux of franchising and on the face of it, operating company-owned outlets would seem to perpetuate the key motivational problems that franchising largely resolves.

Nonetheless, there are compelling arguments for non-franchised outlets.

To provide a training location

New franchisees need a combination of classroom and in-field training, and company-owned outlets provide the best opportunity to control the in-field training environment. The new franchisee is able to learn the operational details of their franchise in a real business serving real customers, but under the constant supervision and guidance of the franchisor's training team as well as the store's employees, some or all of whom may also be involved in the formal training and assessment of the franchisee.

As a training location, any mistakes made by the franchisee in training are generally limited to the company-owned outlet. The franchisor can learn from these mistakes to improve systems and modify the training program to avoid similar problems in future.

By comparison, problems can arise if new franchisees are trained in an existing franchisee's outlet. The trainee franchisee is no longer under the supervision of the franchisor, and may receive informal training from the existing franchisee that is not consistent with the principles or operations of the network. Any mistakes made by the trainee franchisee could adversely impact the existing franchisee's business, and give rise to a demand for compensation or otherwise strain the relationship with the franchisor.

Company-owned outlets can also provide opportunities for potential franchisees to gain work experience in the business before progressing their application to the next stage. This may form part of the recruitment process of some systems and be an important method of helping identify quality candidates. The capacity to offer such work experience is limited when relying on busy franchisees to make such places available.

“The profit motivation for franchisees, as well as the desire to make a capital gain on an eventual sale of the business, are motivating factors rarely, if ever available to employed outlet managers.”



To test new innovations

Company-owned outlets can be useful testing grounds for new innovations. These might include testing new products, services, processes, equipment, marketing campaigns, or even the design and look of the outlet itself. The franchisor is able to better supervise and monitor the impact of such innovations on the performance of the outlet than if the innovation is introduced to a volunteer outlet in the network.

If the franchisor's innovations don't work, no harm has been done to the network and to the franchisees' businesses. If the innovations do work in company-owned stores, the evidence may be compelling enough for the franchisees to adopt the innovation, or to at least agree to further testing in sample franchise locations ahead of possible network-wide adoption.

To act as a Trojan Horse

Company-owned outlets may provide the initial point of presence in a new market or region required to build market awareness and a customer following that can facilitate the opening of franchised outlets in that region thereafter. In other words, company-owned outlets can act as a Trojan horse to penetrate a market when there is a lack of available or willing franchisees, or the market research is inconclusive about whether or not the concept will be accepted by that market. The non-franchised stores can prove (or disprove) that the concept will work in the new market, and serve as a reference point to potential and future franchisees, and may in time be granted as a franchise itself.

As a franchisor profit centre

Company-owned outlets can make a substantial contribution to a franchisor's bottom line if they are well-operated and profitable. This profit contribution may be necessary in the early stages of franchising to help the franchisor offset the costs of developing the franchise network, particularly when royalty income is insufficient to meet the network's support and infrastructure costs. Even after start-up, developing and mature franchisors may continue to operate a growing number of company-owned outlets to generate revenue for other ventures, or to simply maximise profits.

“ Company-owned outlets can make a substantial contribution to a franchisor's bottom line if they are well-operated and profitable. ”

But as noted earlier, the profit and capital gain motivation for franchisees on the successful operation and sale of their businesses is generally not available to the managers of company-owned outlets, and consequently their attention to detail in customer service delivery and cost management may not be as strong as their franchisee counterparts. As a result, company-owned outlets risk underperforming when compared to franchised outlets, or worse still, become a loss centre, not a profit centre, for the franchisor.

Sequential system growth

Company-owned stores can provide new franchisors with viable going-concern businesses that can be granted to new franchisees who would not otherwise be prepared to risk opening a new outlet from scratch. Expanding by opening company-owned outlets, and then granting these to franchise buyers may be a slow and capital-intensive way of growing, but for a start-up franchisor this might be the only way to grow until the brand and its business model is well-enough known that potential franchisees are willing to risk opening new outlets.

By sequentially growing in this way, it also provides the franchisor with an essential opportunity to develop and refine their operating and franchise support systems in a controlled manner.

Not all franchises are suited to company-owned outlets

Generally, the debate about company-owned versus franchised outlets is difficult if not impossible to apply to mobile service franchises due to their labour-intensive and often single owner-operator nature.


For very small businesses where the cost structure and highly technical or personal nature of the service generally precludes the opportunity to employ staff, and in which the services are performed entirely by the owner-operator, company-owned outlets are far less likely to be viable compared to franchised outlets.

Start-up franchisors of mobile service systems may continue to operate an outlet of their own after granting the first handful of franchises, but inevitably find that the demands of servicing a growing network will eventually make it untenable for the franchisor to continue to run their own outlet, and they will need to close or sell it to concentrate on supporting the network.

What is the right ratio of company-owned to franchised outlets?

There is no simple answer. It is not uncommon in some mature fast food chains for there to be equal or even greater numbers of company-owned than franchised outlets, and in some of these, active buy-back programs may exist where the franchisor purchases franchised outlets to retain them as company-owned operations.

Many systems believe that once the decision is made to franchise, they should exit company-owned outlets altogether, with the exception of one outlet to be preserved for a training and testing location.

While it is important to hold a limited number of company-owned outlets for the reasons outlined in this article, finding the right ratio is a balance that will vary from one system to another according to the situational factors of available capital, management resources, and organisational goals, any of which can change over time. As a result, the level of commitment to, and ratio of company-owned outlets, will vary in any given system as it grows and matures. 

Jason Gehrke is a director of the Franchise Advisory Centre and has been involved in franchising for 18 years at franchisee, franchisor and advisor level. He provides consulting services to both franchisors and franchisees, and conducts franchise education programs throughout Australia. He has been awarded for his franchise achievements, and publishes Franchise News & Events, Australia's only fortnightly electronic news bulletin on franchising issues. In his spare time, Jason is a passionate collector of military antiques.



Update: From little things big things grow



In the March issue of Franchise Review, we brought you the story of STREAT, a social enterprise operating in Melbourne, partnering with Franklyn Scholar. Six months on, that partnership is now providing young people with new opportunities in life. Find out how you can help.

This saying is more a truism these days, and it is certainly true for social enterprise STREAT. It started out in Federation Square in early 2010 with two small coffee and food carts, a social worker, a CEO as chief cook and bottle washer and nine young hopeful teenage trainees from Melbourne's streets.

Now STREAT has three cafes, a corporate catering operation and a boutique coffee business. It is Australia's only not for profit coffee producer and roasts around 300 kilos per week of its own signature coffee blends. These businesses provide the locations and about half of the funds required for STREAT to train and support young homeless and disadvantaged people – so far totalling over 80 amazingly resilient and capable young people.

“Franklyn Scholar is working with STREAT to offer a valued education pathway for the students currently enrolled into a Certificate II Hospitality program.”

With the help of its many wonderful partners, including FCA Franchise Academy Education Partner, Franklyn Scholar, STREAT is planning to double its business by the end of 2014 and to be almost fully sustainable (self-funded) by late 2015. This should then enable STREAT to help hundreds of young people each year.

Training and supporting significant numbers of young people who face chronic homelessness and severe disadvantage requires a great depth of skill and care. That means having a highly professional and expert training organisation – like Franklyn Scholar – as a committed partner.

Franklyn Scholar’s support for STREAT and its programs has been fantastic and we are delighted to say that the alliance announced back in March has now progressed to the next stage.

This means Franklyn Scholar has embarked upon the delivery of training to STREAT graduates as part of their extended development under a number of programs.

In particular, Franklyn Scholar is working with STREAT to offer a valued education pathway for the students currently enrolled into a Certificate II Hospitality (Kitchen Operations) program. Franklyn Scholar is also looking forward to welcoming a new cohort of students for the Certificate I Vocational Preparation program commencing in September.

How you can help

Graduates of these programs would make ideal candidates for FCA Member franchisees to consider for various employment roles in their businesses. Franklyn Scholar is also currently discussing with STREAT the opportunity of offering VET scholarships at a Certificate III level for workplace training. These will be for selected candidates, who have completed their courses and had significant work experience, to get a kick start in their career at an FCA Member workplace.

If you would like to enquire about STREAT Graduates, please [click here](#)

Let’s keep these little things growing. Thanks to Franklyn Scholar and STREAT it looks like they will. [fr](#)

“You can never
be overdressed or
overeducated.”

Oscar Wilde



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Franchisors set to face more difficulties restraining former franchisees

Enforcing restraint of trade (ROT) clauses against former franchisees has always been a difficult task for franchisors. The weight of recent case law suggests that courts are taking an ever-increasingly strict stance against franchisors who try to prevent former franchisees from operating in competition with the franchisor.

With amendments to the Franchising Code of Conduct (Code) foreshadowed which will further limit the operation of ROT clauses, franchisors need to pay even greater attention to the wording, scope and extent of their post-franchise restraints. Franchisors who are serious about protecting their goodwill and investment in a franchise system no longer can simply rely on standard wording in their agreement.

When are ROT clauses enforceable?

The common law position is that ROT clauses are presumed to be void and unenforceable. In certain states, the common law is modified (for example, the *Restraints of Trade Act* in New South Wales). In order to overcome this presumption and enforce an ROT clause, a franchisor must show that an ROT clause is reasonable, having regard to the particular circumstances of the relationship between the parties.¹ In a franchising context, this involves demonstrating that the ROT clause protects some valuable aspect of goodwill in the franchise system (for instance, customer connection with the staff or location-based goodwill).

However, when the time comes to enforce ROT clauses at the end of a franchise relationship, many franchisors are unable to demonstrate that a former franchisee is going to misuse that goodwill.



Rebecca Bedford, Partner,
Minter Ellison



Ben Dodgshun, Senior Associate,
Minter Ellison

For example, if the goodwill is wholly associated with the franchisor's IP (which the former-franchisee will no longer be using) or the clause is too wide or operates for too long, courts will not uphold an ROT clause.

A good example of the problems encountered by franchisors is *BB Australia v Kariori* [2010] NSWCA 347. *Blockbuster* concerned an unsuccessful attempt by a franchisor to enforce an ROT clause in relation to a DVD rental franchise.

The Court rejected the franchisor's argument that the ROT clause was justified since it sought to prevent the ex-franchisee using the franchisor's goodwill to compete with the franchisor, noting that:

- the ex-franchisee operated a DVD rental business from the same location prior to entering into the franchise agreement. Accordingly, any goodwill attached to the location of the franchise belonged to the ex-franchisee;

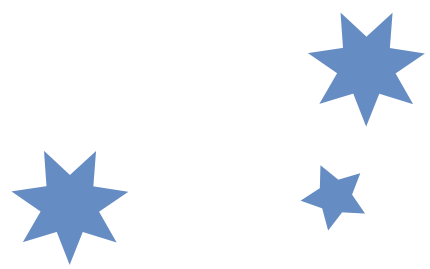
- the franchisor did not acquire the ex-franchisee's goodwill at the expiry of the franchise agreement. The Court recognised that where a franchisor purchases a franchisee's goodwill, it may be more justified in enforcing an ROT clause; and
- the franchise agreement contained extensive provisions requiring the return of the franchisor's intellectual property and confidential information after the expiry of the franchise agreement. Accordingly, the franchisor had other adequate mechanisms to protect its intellectual property-based goodwill (including its brand) and its confidential information.

The Wein Report ROT recommendation

Following the recent Review into the Code, it appears inevitable that Code changes will further restrict the circumstances in which ROT clauses will be enforceable. The Government has indicated its support for Code amendments which will make ROT clauses unenforceable if:

¹ *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co Ltd* [1894] AC 535

“Franchisors who are serious about protecting their goodwill and investment in a franchise system no longer can simply rely on standard wording in their agreement.”



- the franchisee seeks to renew the franchise agreement on substantially the same terms which the franchisor does not agree to;
- the franchisee is not in breach;
- the franchise agreement does not contain provisions allowing for a franchisee to make a claim for compensation in the event of a non-renewal; and
- the franchisee abides by all confidentiality clauses and does not infringe the franchisor’s intellectual property.

In light of these foreshadowed changes, franchisors should consider whether to include compensation regimes in their franchise agreements, if they want to be able to enforce an ROT clause. Importantly, even if franchisors do this, it does not automatically mean their ROT clauses are valid – they still will need to prove to the Court that they are reasonable

and go no further than is necessary to protect their legitimate interests. In essence, the compensation payment gets franchisors to ‘first base’ but does not guarantee enforceability of the ROT clause.

Issues for franchisors

Going forward, the key issues franchisors need to grapple with are:

- courts are continuing to take a strict view as to whether franchisors reasonably need an ROT clause to protect themselves after a franchise agreement has ended;
- given the reluctance of courts to enforce ROT clauses, franchisors need to think very carefully about whether they will comply with the likely new requirements to (among other things) compensate franchisees, if all that provides franchisors is no more than a chance to argue that the clause is valid;

- franchisors will need to ensure their ROTs clauses are as narrowly defined as possible, in order to give themselves the best opportunity to enforce them – otherwise, the compensation they pay to franchisees may be of no benefit; and
- franchisors need to consider alternative means of protecting their goodwill, for example, securing the right to acquire the location at the expiry of the franchise agreement, or making sure franchisors own or themselves lease the franchisees’ premises. [fr](#)

Rebecca Bedford is a Partner in Minter Ellison’s Commercial Disputes Group and Chair of Minter Ellison’s National Franchising and Automotive Groups.

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When Change is the New Black

Reviewing market position is the first step in tackling volatile economic conditions



By Deb Richardson, Director, 9 Strategic



Whilst general business confidence in Australia plumbs new depths, CEOs and business owners in the small and mid-market sectors are increasingly coming to the understanding that volatility and change, rather than economic boom, are very much the norm.

Across their businesses, CEOs are seeking to identify where they can achieve revenue growth and improved profitability to position themselves strongly against competitors.

Why CEOs are not sleeping at night

According to data collated and analysed by 9 Strategic during the past two years, CEOs and owners of more than 80% of small and mid-tier businesses in Australia believe their marketing is not adequately delivering tangible financial returns.

Additionally, almost half of the companies we benchmarked in our study, titled *The Findings*, reported that they had no understanding of their position in the marketplace and channels to market. CEOs recognised they lacked the expertise to develop a strategy and to build the capability to address these critical issues.

Participants in our study identified collectively more than \$720 million in additional revenues they could be capturing if they had a strong and accountable marketing capability within their operations. And franchise networks which are actively tackling these issues are bucking the overall market pessimism, with the sector in 2012 seeing a net return to growth*¹ following the 2008-2010 downturn.

¹ Franchising Australia 2012, Griffith University



When the going gets tough... the tough get a facial

For Francesca Webster, Founder and CEO of Brazilian Beauty Salons (www.brazilianbeauty.com.au), marketing since day one has been a key driver of the business, now generating annual revenues of \$9 million.

"Marketing covers every element of our business from woe to go, and I want the team to be accountable for their outcomes," Francesca commented during a recent conversation.

"Our marketing needs to result in growth in franchisees' revenues and, in return, growth in our revenues.

"We can't do stuff just for the sake of it. Our marketing has to be measurable, well delivered and properly supported. Every campaign has to meet our strategy."

Francesca and her team understood that Brazilian Beauty's primary demographic was 18-35 year old females, seeking the convenience of a local therapist from whom they'll receive the best treatment, pricing and service in a well-structured environment.

Marketing is, therefore, not just about driving new clients through the door. It is about reassuring clients they've made the best decision so they will return. It's about creativity, frequency, consistency and after sales service.

To best capture this market position, Brazilian Beauty developed a highly sophisticated, measurable digital marketing strategy that was almost too successful in the early days.

With inbound enquiries and increased footfall through the salons, the challenge was to encourage franchisees to continue their local area marketing.

The company's digital strategy now enables Brazilian Beauty to manage the brand centrally via Facebook and its website, whilst the franchisees devote their 3% local area marketing investment towards grassroots campaigns and programmes.

However, campaigns aren't where marketing stops. With her background in information technology, Francesca has championed the rollout of technology across the business to support marketing in the acquisition, conversion and retention of customers.

“What we know, and can see from both Brazilian Beauty and Recruitment Coach, is that marketing is no longer a siloed function within a company.”

Corporate strategy and community outreach

For Recruitment Coach www.recruitmentcoach.com.au Managing Director, Paula Maidens, the franchise's marketing strategy has been focussed on establishing the strategic and brand direction at head office, and then working with franchisees individually on delivering their local area marketing plans.

According to Paula: "Our marketing strategy links strongly to the ethos of our business, which is heavy on education and sharing.

"We operate an educative-based model, and this translates even to the way in which we direct and consult with our franchisees regarding their local area marketing.

"We train them and provide resources according to their individual experiences and encourage them to focus on networking, localised community engagement and industry-specific targeting."

Recruitment Coach was established in 2009 in response to a gap in the market for small and mid-market businesses that demanded more sophisticated management of their people but were averse to utilising recruitment agencies.

Due to the customer-centric basis of the business, the Recruitment Coach's model has developed around creating and building networks and relationships, where the upside is owned by the franchisees.

"Our investment is dynamic so we can work with individual franchisees to pull levers as we learn what is resonating and, most importantly, enhancing their business's capacity to deliver revenues.


"Our focus is on putting the skills and tools into the hands of our franchisees so they retain operational control."

“It's the economy, stupid!”

When I hear stories like Francesca's and Paula's, in contrast to other CEOs who are incredibly pessimistic about prospects for revenue growth, I often think of Bill Clinton's famous campaign slogan: "It's the economy, stupid!"

Whilst it's easy to consider Australia is now operating in a slowing economy, and to focus entirely on downward trends, I challenge CEOs and business owners to accept the market is what it is – that change and volatility are the new norms. When you view the market through this prism, it enables you to stress test the business and identify the gaps in your operations that are preventing you from achieving business objectives.

Based on our analysis, marketing forms a vital role in the endeavor towards continual business improvement. It should be driving profitable growth and should be measurable.

What we know, and can see from both Brazilian Beauty and Recruitment Coach, is that marketing is no longer a siloed function with a company. Under economic conditions that are increasingly competitive and volatile, marketing is a whole-of-business concern, driven by vision and business objectives. 

Deb Richardson is a Director of 9 Strategic, a professional services firm with a single-minded vision to transform businesses through the development of marketing capability.

"The Findings" is the result of an extensive benchmarking programme conducted during two years from 2010-2012 during which 517 CEOs and owners of small and medium-sized companies. It is the first benchmark study ever undertaken of marketing performance in Australia.

To download a full copy of the report, go to: www.9strategic.com.au

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